Record results in the first half of the year
Stronger economic and financial position

Summary

The first half of 2012 January 1st – June 30th 2012	• Net banking income increasing by 110,3% • Net profit from financial activities increasing by 133,6% • Cost/income ratio sharply down from 39,2% to 32,3% • Profit +188,6% • Further growth in retail funding (+56,9%) • Equity amounting to 257,7 million Euro • Solvency: 11,9% (10,8% at December 2011) • Core Tier 1: 12,1% (11,2% at December 2011)
The second quarter April 1st – June 30th 2012	• Net banking income increasing by 104,8% • Net profit from financial activities increasing by 121,8% • Profit +140,4%

Report on operations

Mestre, 9 August 2012 – The Board of Directors met today under the chairmanship of Sebastien von Furstenberg and approved the interim financial report.

"Slow growth, deteriorating public finances and the structural problems of banking systems continue to feed a downward spiral concerning the Bank's role in Italy and Europe. The Banca IFIS Group actively strives to build its own future and support the real economy." says the CEO, Giovanni Bossi, adding that "*In the first half of the year we took responsible decisions that are bearing fruit. We are aware of the problems of Italy and Europe, but we also pay attention to opportunities, convinced that man's future lies within ideas rather than money, within concrete actions rather than the size of organisations. The profits made during the first half of the year, thanks to the actions we undertook and that will continue to yield also in the following months, allow us to plan for a robust increase in lending to the real economy, so as to support Italy's businesses*".

The highlights of the first half of the year are:

- As for **lending**, the 12% rise in customers shows that the Bank continues to finance deserving businesses, including those that are creditors of the Public Administration, in spite of market instability. Supporting virtuous businesses and differentiating them from failing ones is the core of the business the Group constantly carries out. Furthermore, we are aware that Italy's economy is mostly made up of small and medium enterprises, and that they increasingly struggle to obtain credit: therefore, the Bank has further focused on this segment.
- As for **non-performing loans**, the Group has been operating in this sector for one year now following the acquisition of Toscana Finanza, which merged into Banca IFIS at the end of 2011. After acquiring important Italian portfolios from two large international banking groups in early 2012, and concluding a third deal in late June, the focus has been on reinforcing and improving the efficiency of processes, resources and tools involved in the management of credit positions. This effort will first begin to bear fruit in the following quarters, likely boosting profits still further.
- In the sector of **tax receivables arising from insolvency proceedings**, the Group reinforced its leadership through Fast Finance, incorporated into Banca IFIS in the first half of the year and that, in a scenario of abundant supply and dwindling purchase prices, managed to implement a business strategy aimed at maximising the advantages of being part of the Group.
- **rendimax**, Banca IFIS's savings account, continues to deliver important results in terms of increasing customers and funding. The overall amount, which soared by approximately one billion Euro in just six months, gives a strong edge to the Group in meeting market demand and holding cash reserves against any potential, sudden, further deterioration of the scenario.
- The **Italian government bond portfolio** at the end of the period is still significant, with either very short-term fixed-rate bonds or short/medium-term floating-rate ones. The investment in these assets allows the Bank to make profits so as to boost Equity without increasing the share capital or, most importantly, curbing loans to businesses. Today, the portfolio’s goal is twofold: to guarantee on-demand rendimax funding and to provide an opportunity to invest additional liquidity.

In the first half of the year, **net banking income** grew from 51,0 million Euro to 107,3 million Euro. This strong growth was made possible thanks to the positive contribution of all the Group's sectors. The higher contribution of the trade receivables sector, +31,6%, amounting to 47,8 million Euro, is due to: a slight increase in turnover (2.485,4 +0,6%); further focus on small companies; and the dynamic and ever-more responsive environment to the economic conditions applied by the Bank. The results obtained by both the new non-performing loans sector, with a contribution of 10,1 million Euro over the half-year, and the sector of tax receivables purchased from insolvency proceedings, which reached 1,1 million Euro, were also positive. The ever-increasing contribution of profits (which take into account refinancing costs and the figurative cost of liquidity) coming from the securities portfolio and equalling 36,3 million Euro (compared to 2,1 million Euro in the first Half of 2011), had a positive influence and were thanks to the increased volume of securities in portfolio.

The Group's net banking income grew by 110,3%.

In the second quarter, net banking income stood at 54,9 million Euro, up from 26,8 million Euro in the prior-year period. Trade receivables contributed 25,5 million Euro (+34,3% compared to 19,0), non performing loans 4,6 million Euro, and tax receivables 0,7 million Euro; furthermore, the securities portfolio contributed 20,2 million Euro, compared to 1,5 million Euro.

Net impairment losses in the first half of the year amounted to 14,9 million Euro, up by 29,7% compared to the prior-year period (11,4 million Euro), and reflect the constant, general, unstable, economic conditions. This item includes mostly fragmented impairment losses on receivables amounting to 12,2 million Euro and impairment losses amounting to 2,7 million Euro on an available for sale financial asset of a non-financial company in which Banca IFIS has a non-controlling interest, purchased in 2009.

In the second quarter, impairment losses stood at 9,0 million Euro (of which 6,4 million on receivables), compared to 6,1 million Euro in the second quarter of 2011.

Net profit from financial activities grew by 133,6% to 92,5 million Euro (39,6 million Euro in the first half of 2011).

In particular, the trade receivables sector grew from 24,8 million Euro to 35,7 million Euro (+43,7%); the non-performing loans sector 's result was 10,0 million Euro, the tax receivables sector contributed 1,1 million Euro, and the governance and services sector posted 45,7 million Euro.

In the second quarter, net profit from financial activities stood at 45,8 million Euro (+121,8% compared to 20,7 million Euro in the second quarter of 2011).

The expansion of the Group's scope due to the acquisition and consolidation of the former Toscana Finanza Group clearly affected **operating costs**, which amounted to 34,7 million Euro (20,0 million Euro in the prior-year period). This amount also includes refunding costs related to the reorganisation following the business combinations.

Personnel cost also includes the CEO's variable remuneration for the first half of the year. It should be noted that the CEO himself decided to limit the variable part of his remuneration for this year by not exceeding 5% of the increase in respect of that earned in 2011.

The cost/income ratio improved remarkably half-year on half-year, falling from 39,2% to 32,3%.

There was also a very positive change in **pre-tax profit**, amounting to 57,8 million Euro (+195,2%) compared to 19,6 million Euro in the prior-year period.

Profit for the first half of the year soared to 37,7 million Euro (+188,6% compared to 13,0 million Euro in the first half of 2011). This result bolsters the Bank, allowing it to face the second half of the year with determination and peace of mind.

In the quarter, profit stood at 17,9 million Euro, up 140,4% from 7,5 million Euro in the second quarter of 2011.

Here below is an analysis of the main items of the **Statement of Financial Position**.

The Bank’s **assets** are largely represented by receivables due from customers and by the securities held in the portfolio.

At period- end total **receivables due from customers** reached 2.186,4 million Euro, an increase of 26,9% or 463,9 million Euro compared to 1.722,5 million Euro at the end of 2011. The increase is attributable to trade receivables for 262,4 million Euro (+17%), non-performing loans for 5,1 million Euro (+5,9%) and tax receivables for 3,5 million Euro (+4,7%). Furthermore, the higher volume of profit related to repurchase agreements on the MTS platform had a significant impact (+192,9 million Euro).

Receivables due from customers are composed as follows: 33,3% from the Public Administration (compared to 27,8% at 31 December 2011) and 66,7% from the private sector (compared to 72,2% at 31 December 2011).

Total **net impaired assets** amounted overall to 380,0 million Euro, compared to 277,7 million Euro at the end of 2011 (+36,8). There are two reasons for this increase. The first concerns the implementation of the new regulation which, for the purposes of identifying past due loans, as from 1 January 2012, sets the limit at 90 days (instead of 180 days); in particular, this new limit causes past due loans associated with receivables due from the Public Administration and recourse loans to increase. The **Group's credit quality**, net of regulatory changes in force since the beginning of the year, improved from the end of 2011. The second reason for this increase concerns the business of the Toscana Finanza division largely falling under substandard loans, as by nature it is aimed at recovering impaired loans.

Total net non-performing loans at the end of the period were substantially unchanged, amounting to 74,9 million Euro (74,0 at the end of 2011) of which 66,7 million Euro in the trade receivables sector (66,2 at December 2011) and 8,2 million Euro in the NPL sector (7,8 at the end of 2011).

At the end of June 2012 **net substandard loans** totalled 167,9 million Euro, compared to 158,1 million Euro at the end of 2011, of which 84,2 million Euro relating to trade receivables and 83,7 million Euro to the NPL sector. Non-performing loans are classified under substandard loans in cases where the Bank has ascertained the debtor's state of insolvency. Net of this sector's contribution, the increase amounted to 6,4%.

Past due loans totalled 133,8 million Euro, compared to 41,7 million Euro at the end of 2011 (220,9%). This increase was due to the reasons set out in the comment on impaired assets. It should be noted that net past due loans refer for 62,1 million Euro to receivables due from the Public Administration purchased outright within the factoring activity. Given the quality of credit and debtors, we believe these positions are not subject to impairment.

The ratio of total net impaired assets to loans goes from 16,1% (20,5% based on the new regulation) to 17,4%.

At 30 June 2012 **receivables due from banks** totalled 342,3 million Euro, compared to 315,9 million Euro at 31 December 2011 (+8,4%).

Some securities not listed on an active market and largely eligible with the Eurosystem were classified under this item for an amount of 58,4 million Euro (-47,3% compared to 31 December 2011). The item also includes treasury loans with other lenders for 283,9 million Euro (+38,4% compared to 31 December 2011) largely related to maintaining excess levels of liquidity to cover period-end maturities.

The **bond portfolio** is still significant in terms of both size and composition.

Given the successful retail funding, high market volatility, and the Bank's ability and willingness to bolster is capital ratios in order to lend more to the real economy, the Bank seized the opportunity to invest further in low-risk high-yielding securities.

The stock of debt securities at the end of the period stood at 4.364,8 million Euro (+145,0%) compared to 31 December 2011. Purchasing focused on Italian government bonds, at fixed rate for very short-term bonds and at floating rate for short/medium-term ones.

These securities were classified, based on their maturity and characteristics, under available for sale financial assets (1.347,8 million Euro), held to maturity financial assets (2.958,6 million Euro), or receivables due from banks (58,4 million Euro).

Funding, net of the rendimax savings account, shall be analysed in a comprehensive manner based on market trends: it consists of wholesale funding through repurchase agreements (classified under receivables due from customers, as they are concluded on the MTS platform and therefore without a direct banking counterparty), refinancing transactions on the Eurosystem, and short-term treasury transactions with other lenders.

Total funding, which at 30 June 2012 totalled 6.654,5 million Euro, an increase of 81,9% compared to 31 December 2011, is represented for 91,2% by **Payables due to customers** and for 8,8% by **Payables due to banks**.

The significant increase in the amount of **Payables due to customers**, +266,4% compared to 31 December 2011 (1.657,2 million Euro) is determined by two factors: the successful retail funding from the online rendimax savings account, and the higher use of repurchase agreements with underlying government bonds and the Cassa di Compensazione e Garanzia (the Italian central counterparty) as counterparty.

Rendimax continues to grow and guarantee the Group abundant liquidity. Suffice to say that at June 2011 funding amounted to 1.408,1 million Euro; at December 2011, following the introduction of the *Like* formula, it increased to 1.555,9 million Euro; and at June 2012 it reached 2.441,4 million Euro.

Repurchase agreements with underlying government bonds and the Cassa di Compensazione e Garanzia (the Italian central counterparty) as counterparty amounted to 3.570,7 million Euro at the end of the period (against 49,1 million Euro at 2011 year-end). Compared with the previous year, the Bank turned largely to the MTS platform, rather than Eurosystem auctions, as the former refinancing instrument was more convenient.

Payables due to banks, which totalled 582,8 million Euro (-70,9% compared to December 2011), consist mainly of funds arising from refinancing transactions on the Eurosystem for 501,7 million Euro, markedly down from 1.861,7 million Euro at the end of 2011. These transactions were carried out using part of the debt securities held, as well as the securities obtained from the self-securitisation of trade receivables. The remainder of the payables due to banks consists of interbank deposits for 81,1 million Euro (-42,1% compared to the end of 2011).

Group's **equity** was 257,7 million Euro at 30 June 2012, compared to 196,3 million Euro at 31 December 2011, with a Solvency of 11,9% and a Core Tier 1 of 12,1%. The increase in equity is due, among other things, to the change in the fair value measurement of government bonds in the portfolio.

Outlook

The outlook for the remaining months of 2012 is good, despite the adverse economic situation.

The Bank is able to promptly adjust the economic conditions governing relations with customers in terms of both funding and lending. All credit positions have very short maturities, and the economic conditions of many of them are indexed and can be revised up or down with due legal notice. This flexibility ensures the Bank can continue to achieve good margins and appropriate rewards for risk, as well as to meet demand in the markets in which it operates.

Operations in support of businesses could be positively influenced by both the opportunities to acquire new customers and new loans, and the still scarce availability of credit on the market in the light of the caution of non-specialist banks' in supporting companies with traditional credit instruments.

Specifically, as for the Bank's traditional and newly added operating sectors, we expect a positive profitability trend in the trade receivables area, with the economic situation and its impact on credit quality representing a continuing element of risk; growing operational effectiveness and profitability in the non-performing loans segment, further improving operating procedures; recovering profitability in the operations of the former investee company Fast Finance (the only sector in which the medium-term fixed-rate loans made in previous years affect current returns); further funding through rendimax, which will continue to generate cash flows exceeding the Bank's core commitments; and, finally, further potential interventions in the government bonds portfolio, so as to take advantage of fresh opportunities to bolster the Bank.

Therefore, the Group can reasonably expect a positive trend in profits and a further concomitant increase in Solvency.

In all likelihood the liquidity position will be confirmed as solid, with a ratio of retail funding to loans other than bond purchases of well over 100%.

Declaration of the Corporate Accounting Reporting Officer

Pursuant to para. 2 article 154 bis of the Consolidated Law on Finance, the Corporate Accounting Reporting Officer, Carlo Sirombo, declares that the accounting information contained in this press release corresponds to the company’s accounting records, books and entries.

Banca IFIS S.p.A.	
Head of Communication	**Press Office and External Relations**
Mara Di Giorgio	**Valeria Costa**
Cell: +39 335 7737417	Cell: +39 366 5627949
mara.digiorgio@bancaifis.it	valeria.costa@bancaifis.it
www.bancaifis.it	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	ASSETS (in thousands of Euro)	BALANCES		CHANGE	
		30.06.2012	31.12.2011	ABSOLUTE	%
10	**Cash and cash equivalents**	**35**	**67**	**(32)**	**(47,8)%**
20	**Financial assets held for trading**	**117**	**188**	**(71)**	**(37,8)%**
40	**Available for sale financial assets**	**1.360.854**	**1.685.163**	**(324.309)**	**(19,2)%**
50	**Held to maturity financial assets**	**2.958.581**	**-**	**2.958.581**	**n.a.**
60	**Due from banks**	**342.314**	**315.897**	**26.417**	**8,4%**
70	**Due from customers**	**2.186.397**	**1.722.481**	**463.916**	**26,9%**
120	**Property, plant and equipment and investment property**	**39.284**	**39.224**	**60**	**0,2%**
130	**Intangible assets**	**5.790**	**6.096**	**(306)**	**(5,0)%**
	of which:				
	- goodwill	823	792	31	3,9%
140	**Tax assets:**	**18.677**	**33.448**	**(14.771)**	**(44,2)%**
	a) current	994	1.024	(30)	(2,9)%
	b) deferred	17.683	32.424	(14.741)	(45,5)%
160	**Other assets**	**84.775**	**111.607**	**(26.832)**	**(24,0)%**
	Total assets	**6.996.824**	**3.914.171**	**3.082.653**	**78,8%**

	LIABILTIES AND EQUITY (in thousands of Euro)	PERIOD		CHANGE	
		30.06.2012	31.12.2011	ABSOLUTE	%
10	**Due to banks**	**582.778**	**2.001.734**	**(1.418.956)**	**(70,9)%**
20	**Due to customers**	**6.071.698**	**1.657.224**	**4.414.474**	**266,4%**
40	**Financial liabilities held for trading**	**415**	**600**	**(185)**	**(30,8)%**
60	**Hedging derivatives**	**16**	**34**	**(18)**	**(52,9)%**
80	**Tax liabilities:**	**14.282**	**10.842**	**3.440**	**31,7%**
	a) current	2.799	1.275	1.524	119,5%
	b) deferred	11.483	9.567	1.916	20,0%
100	**Other liabilities**	**68.394**	**45.599**	**22.795**	**50,0%**
110	**Post-employment benefits**	**1.508**	**1.449**	**59**	**4,1%**
120	Provisions for risks and charges	**-**	**407**	**(407)**	**n.a.**
	a) pensions and similar obligations	-	407	(407)	(100,0)%
140	**Valuation reserves**	**(9.793)**	**(43.737)**	**33.944**	**(77,6)%**
170	**Reserves**	**104.371**	**91.270**	**13.101**	**14,4%**
180	**Share premiums**	**73.009**	**72.371**	**638**	**0,9%**
190	**Share capital**	**53.811**	**53.811**	**-**	**0,0%**
200	**Treasury shares (-)**	**(1.322)**	**(3.968)**	**2.646**	**(66,7)%**
220	**Profit (loss) for the year (+/-)**	**37.657**	**26.535**	**11.122**	**41,9%**
	Total liabilities and equity	**6.996.824**	**3.914.171**	**3.082.653**	**78,8%**

CONSOLIDATED INCOME STATEMENT

ITEMS (in thousands of Euro)		1st HALF		CHANGE	
		2012	2011	ABSOLUTE	%
10	Interest and similar income	116.663	37.586	79.077	210,4%
20	Interest and similar expenses	(49.815)	(25.500)	(24.315)	95,4%
30	**Net interest income**	**66.848**	**12.086**	**54.762**	**453,1%**
40	Commission income	43.125	40.292	2.833	7,0%
50	Commission expense	(2.545)	(1.888)	(657)	34,8%
60	**Net commission income**	**40.580**	**38.404**	**2.176**	**5,7%**
70	Dividends and similar income	-	82	(82)	(100,0)%
80	Net loss from trading	(100)	(32)	(68)	212,5%
100	Profit (loss) from sale or buyback of:	-	504	(504)	(100,0)%
	b) available for sale financial assets	-	504	(504)	(100,0)%
120	**Net banking income**	**107.328**	**51.044**	**56.284**	**110,3%**
130	Net impairment losses/reversal on:	(14.861)	(11.459)	(3.402)	29,7%
	a) receivables	(12.216)	(11.459)	(757)	6,6%
	b) available for sale financial assets	(2.645)	-	(2.645)	n.a.
140	**Net profit from financial activities**	**92.467**	**39.585**	**52.882**	**133,6%**
180	Administrative expenses:	(34.970)	(21.330)	(13.640)	63,9%
	a) personnel expenses	(20.551)	(12.660)	(7.891)	62,3%
	b) other administrative expenses	(14.419)	(8.670)	(5.749)	66,3%
200	Net impairment losses/reversal on plant, property and equipment	(641)	(610)	(31)	5,1%
210	Net impairment losses/reversal on intangible assets	(961)	(701)	(260)	37,1%
220	Other operating income (expenses)	1.910	2.635	(725)	(27,5)%
230	**Operating costs**	**(34.662)**	**(20.006)**	**(14.656)**	**73,3%**
280	**Pre-tax profit for the year from continuing operations**	**57.805**	**19.579**	**38.226**	**195,2%**
290	Income taxes for the year relating to current operations	(20.148)	(6.529)	(13.619)	208,6%
320	**Profit of the year**	**37.657**	**13.050**	**24.607**	**188,6%**

GruppoBancaIFIS

RECLASSIFIED CONSOLIDATED INCOME STATEMENT – QUARTERLY EVOLUTION

RECLASSIFIED CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION *(in thousands of Euro)*	YEAR 2012		YEAR 2011			
	2nd Q.	1st Q.	4th Q.	3rd Q.	2nd Q.	1st Q.
Net interest income	**33.670**	**33.178**	**17.462**	**12.697**	**6.309**	**5.777**
Total net commission income	**21.264**	**19.316**	**20.210**	**20.174**	**20.051**	**18.353**
Dividends and similar income	-	-	79	-	82	-
Net result from trading	(37)	(63)	(124)	(89)	(139)	107
Profit (loss) from sale of available for sale financial assets	-	-	-	-	504	-
Net banking income	**54.897**	**52.431**	**37.627**	**32.782**	**26.807**	**24.237**
Net value adjustments due to deterioration of:	(9.046)	(5.815)	(13.200)	(7.484)	(6.139)	(5.320)
Receivables	(6.401)	-	-	-	-	-
Available for sale financial assets	(2.645)	-	-	-	-	-
Net profit from financial activities	**45.851**	**46.616**	**24.427**	**25.298**	**20.668**	**18.917**
Personnel expenses	(11.503)	(9.048)[1]	(7.740)	(6.835)	(6.473)	(6.187)
Other administrative expenses	(8.091)	(6.328)	(7.294)	(5.563)	(4.829)	(3.841)
Net allocations to provisions for risks and charges	-	-	86	(103)	-	-
Net value adjustments to property, plant and equipment and investment property and intangible assets	(832)	(770)	(847)	(790)	(679)	(632)
Other operating income (losses)	1.281	629[1]	849	768	2.086	549
Operating costs	**(19.145)**	**(15.517)**	**(14.946)**	**(12.523)**	**(9.895)**	**(10.111)**
Pre-tax profit from continuing operations	**26.706**	**31.099**	**9.481**	**12.775**	**10.773**	**8.806**
Income tax expense	(8.759)	(11.389)	(4.201)	(4.570)	(3.309)	(3.220)
Net profit for the period	**17.947**	**19.710**	**5.280**	**8.205**	**7.464**	**5.586**
Profit (loss) for the period attributable to non-controlling interests	-	-	259	(259)	-	-
Profit (loss) for the period attributable to the parent company	**17.947**	**19.710**	**5.539**	**7.946**	**7.464**	**5.586**

[1] *Reclassified data compared to what originally published*

ITEMS (in thousands of Euro)	2nd Q. 2012	2nd Q. 2011	ABSOLUTE	%
Net interest income	**33.670**	**6.309**	**27.361**	**433,7%**
Net commission income	**21.264**	**20.051**	**1.213**	**6,0%**
Dividends and similar income	-	82	(82)	(100,0)%
Net loss from trading	(37)	(139)	102	(73,4)%
Profit (loss) from sale or buyback of available for sale financial assets:	-	504	(504)	(100,0)%
Net banking income	**54.897**	**26.807**	**28.090**	**104,8%**
Net impairment losses/reversal on:	(9.046)	(6.139)	(2.907)	47,4%
receivables	(6.401)	(6.139)	(262)	4,3%
available for sale financial assets	(2.645)	-	(2.645)	n.a.
Net profit from financial activities	**45.851**	**20.668**	**25.183**	**121,8%**
personnel expenses	(11.503)	(6.473)	(5.030)	77,7%
other administrative expenses	(8.091)	(4.829)	(3.262)	67,6%
Net impairment losses/reversal on plant, property and equipment and on intangible assets	(832)	(679)	(153)	22,5%
Other operating income (expenses)	1.281	2.086	(805)	(38,6)%
Operating costs	**(19.145)**	**(9.895)**	**(9.250)**	**93,5%**
Pre-tax profit for the year from continuing operations	**26.706**	**10.773**	**15.933**	**147,9%**
Income taxes for the year relating to current operations	(8.759)	(3.309)	(5.450)	164,7%
Profit of the year	**17.947**	**7.464**	**10.483**	**140,4%**