

AUGUST 2018

PRESENTATION
1H 2018
FINANCIAL RESULTS

HIGHLIGHTS

POSITIVE FINANCIAL PERFORMANCE

- Net banking income at 278,1 mio due mainly to strong contribution of the NPL Area
- Non recurrent items in 1H2017 and 1H2018 make comparison difficult between the semesters
- EBT adjusted at 50,5 mio in 1H18 vs 43,6 mio in 1H17

SOLID BALANCE SHEET

- Shareholder's equity at 1.373 with CET1 15,13%*

STRONG LIQUIDITY POSITION

- Continued effort on diversification as well as lengthening maturity profile of funding position
- Funding position at 7.819,0 well balanced between deposits, debt securities and due to banks



*Banca IFIS only

INSIGHTS FOR THE UNDERSTANDING OF THE 2Q 1H RESULTS

**MAIN
DISCONTINUTY
IN NUMBERS
REPORTED
2018-2017
BUT
CONSISTENT
WITH 1Q2018**

- **Segment reporting consistent with 1Q2018, but different versus 2017**
- **Valuation risk model metrics extended to a part of NPL as in 1Q2018 NPL data (WIP process of the legal factory)**
- **Reversal PPA lower in 2Q2018 vs 2Q2017 (22 mio vs 38 mio)**
- **Highly Provisions in 2Q2018 due to one significant position**
- **IFRS9 first time adoption**
- **New funding structure**
- **Acquisition of Capitalfin**



MARGINS (NBI and NPFA*)

(Million Euro)

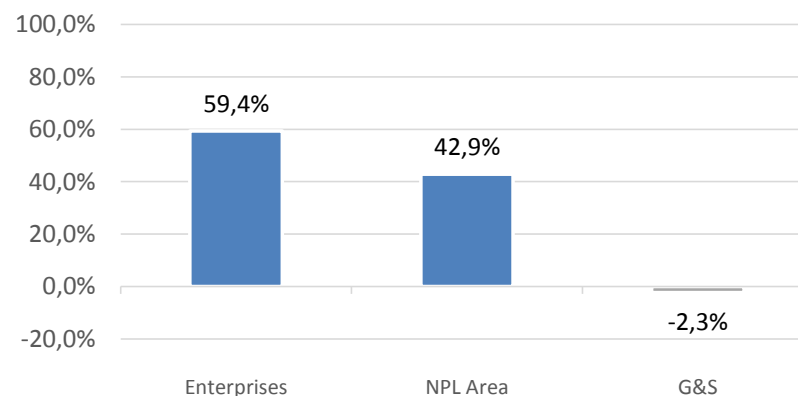
NBI: 278,1

(253,2 1H 2017) +9,8%

NPFA*: 238,1

(265,3 1H 2017) -10,3%

NBI 1H 2018 by segment



Data 1H	Enterprises	Area NPL	G&S	Total
NBI 2018	165,1	119,3	-6,2	278,1
NBI 2017	171,7	79,0	2,5	253,2
<i>% Change</i>	<i>-3,9%</i>	<i>+51,1%</i>	<i>n.s.</i>	<i>9,8%</i>
NPFA 2018	126,1	119,3	-7,3	238,1
NPFA 2017	183,2	79,0	3,1	265,3
<i>% Change</i>	<i>-31,2%</i>	<i>51,1%</i>	<i>n.s.</i>	<i>-10,3%</i>

Enterprises segment includes:

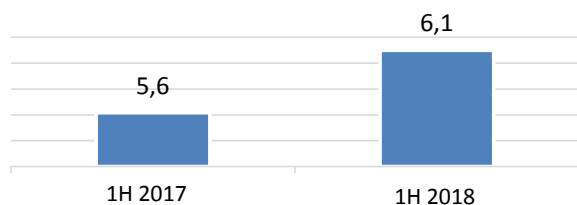
- Trade receivables & M/L term lending
- Corporate banking
- Leasing
- Tax receivables



*NPFA= Net Profit from Financial Activities

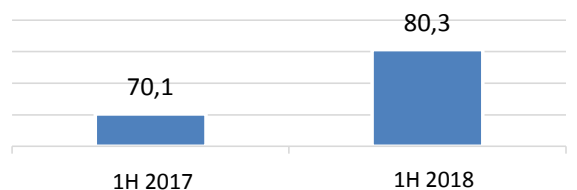
TRADE RECEIVABLES* (Factoring + m/l term lending)

TURNOVER € Bn

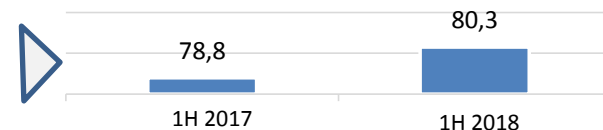


- Turnover 6,1 €bn (+8,8% vs 1H 2017) due to the increase in nr. of factoring clients (+6,3%)
- Outstanding 3,8 €bn (+1,2% vs 2H 2017)
- Loans 3,4 €bn (+11,3% vs 2H 2017)

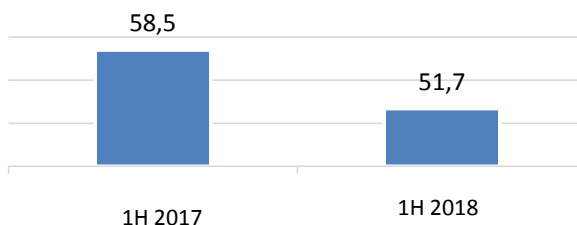
NET BANKING INCOME €m



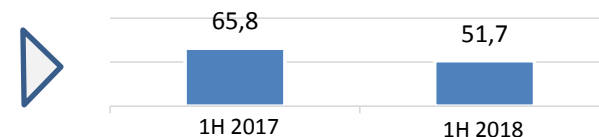
- 14,5% at NBI level in 1H 2018 vs 1H 2017 driven by turnover, clients and loans growth
- **LFL** growth up 1,9%, including M/L term lending



NET PROFIT from FINANCIAL ACTIVITY €m

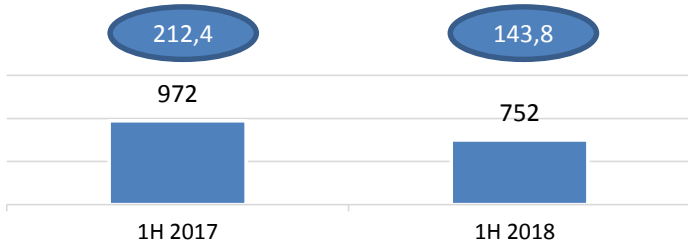


- -11,6% decrease reported in NPFA vs 1H 2017 due to
- 28,6 mln euro provisions vs 11,7 mln in 1H 2017. Provisions growth is related to a single relevant position.
- **LFL** -21,4%, including M/L term lending vs 1H 2017



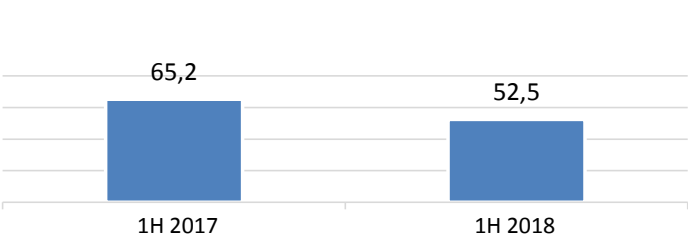
*1H 2018 includes M/L term Lending; ** data proforma

CUSTOMERS LOANS & NEW VOLUMES € m

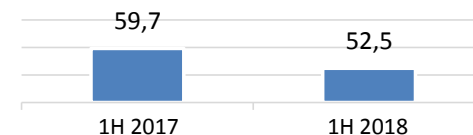


- New Loans at 143,8 in 1H18: loans up by 4% at LFL perimeter (M/L term lending not anymore included in this area)
- Outstanding loans at 752 m € up by 11% vs 4Q17

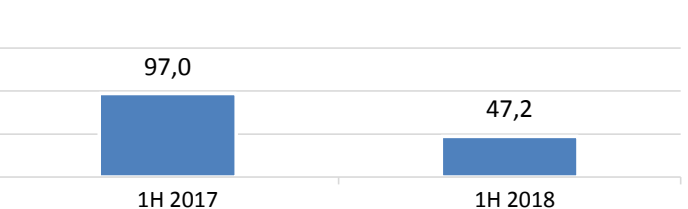
NET BANKING INCOME €m



- M/L term lending not anymore included in this area
- Reversal PPA included in NBI at 36 in 1H18 vs 48mn in 1H17
- LFL comparison -12%



NET PROFIT from FINANCIAL ACTIVITY €m



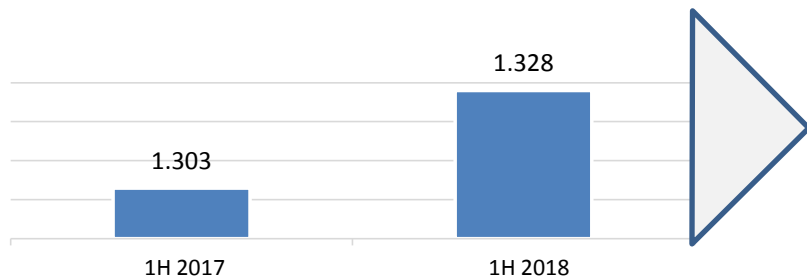
- 1H18 provisions 5,3 mln euro
- In 1H17 it included a release of provision of 21 mln



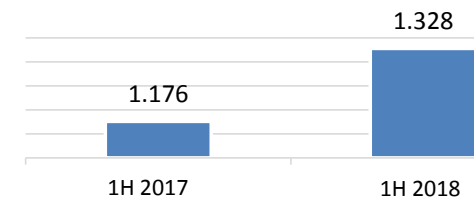
*1H 2018 does not include M/L Term Lending

LEASING

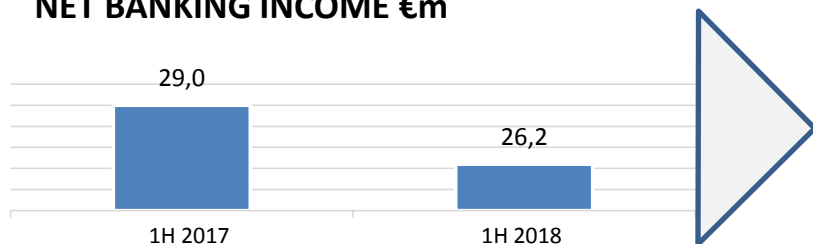
LOANS €m



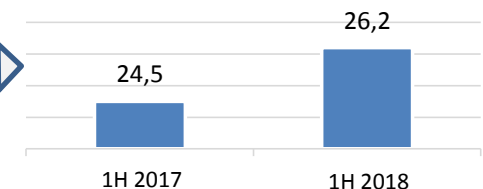
- New loans at 333 mln € (+5,2% vs 1H 2017)
- **LFL leasing loans increased by 4,6%** (vs 2H 2017), excluding a real estate mortgage portfolio, reclassified in G&S.



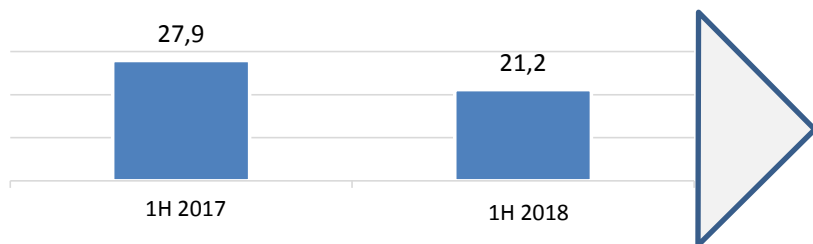
NET BANKING INCOME €m



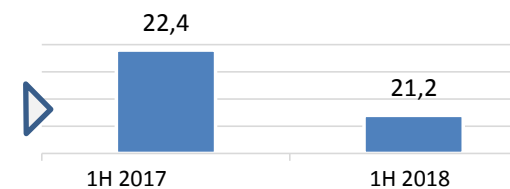
- NBI affected by the reclassification of a real estate mortgage portfolio, reclassified in G&S, together with the reversal of PPA
- **LFL comparison NBI grew by 7,0%** driven by volumes increase



NET PROFIT from FINANCIAL ACTIVITY €m



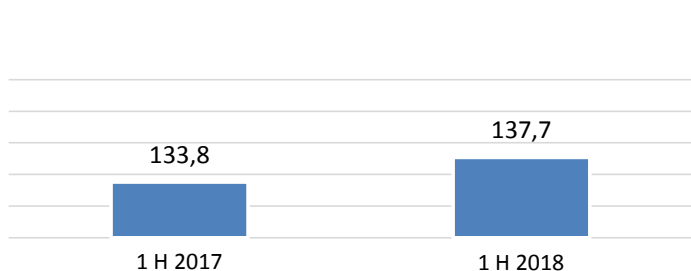
- No reversal of PPA
- Provisions 5,0 mln
- **LFL comparison NPFA -5,1%**



*1H 2018 does not include real estate mortgage; ** data proforma

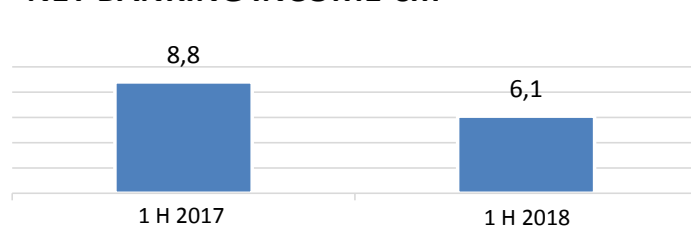
TAX RECEIVABLES

LOANS € m



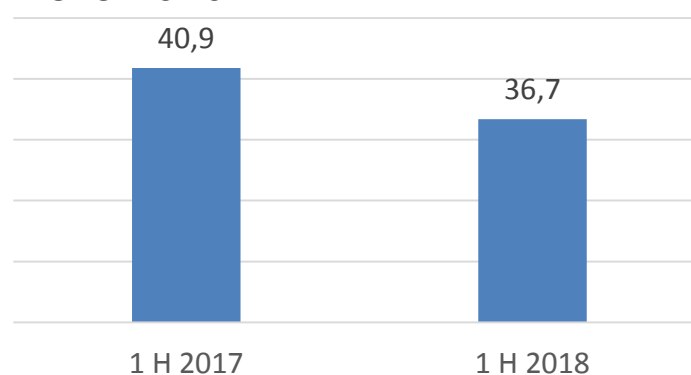
- Loans increased by 2,9%%

NET BANKING INCOME €m



- NBI decreased by 30% due to a reduction in cash collection and lower purchase

PURCHASE €m

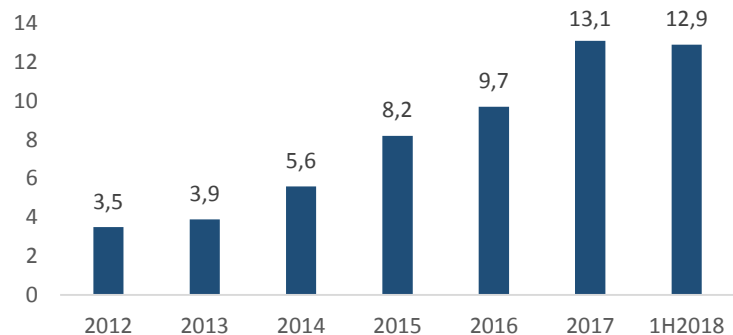


- GBV €m 179,1 m€

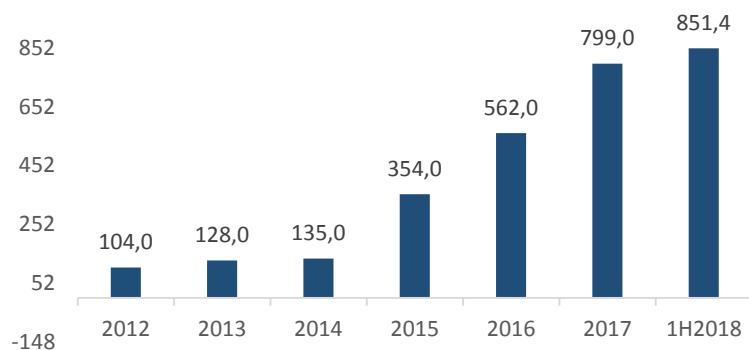


NPL AREA

GROSS BOOK VALUE Bn €



NET BOOK VALUE Bn €



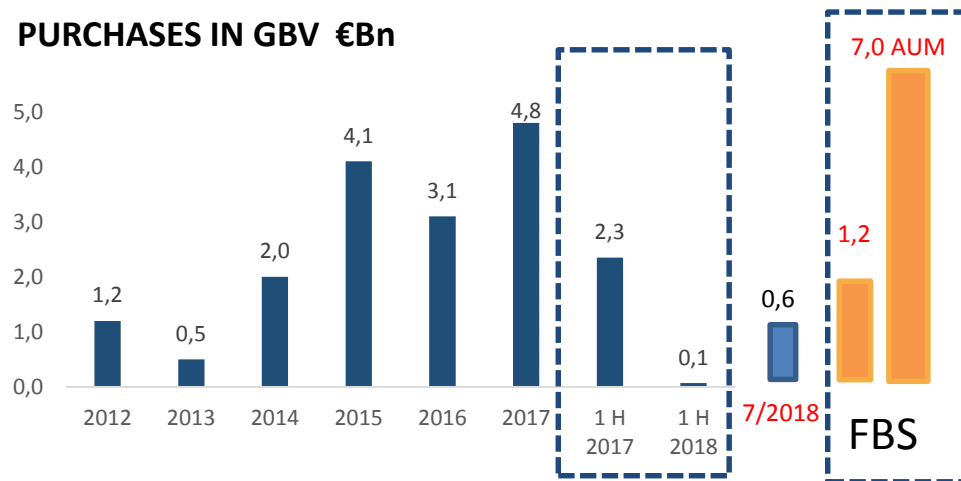
ERC 15 yrs over 1,8 bn

- #Total Positions: 1,5 mln
- Average Ticket: 8k€
- #Total Debtors: 1,1 mln

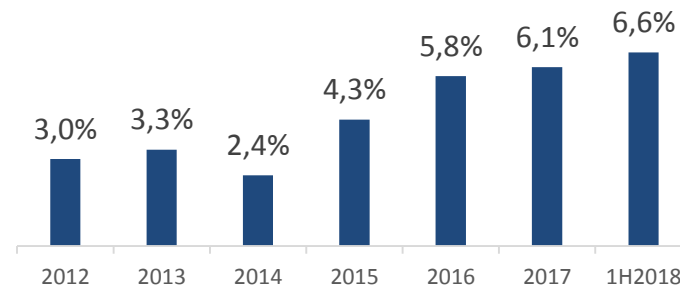


NPL AREA

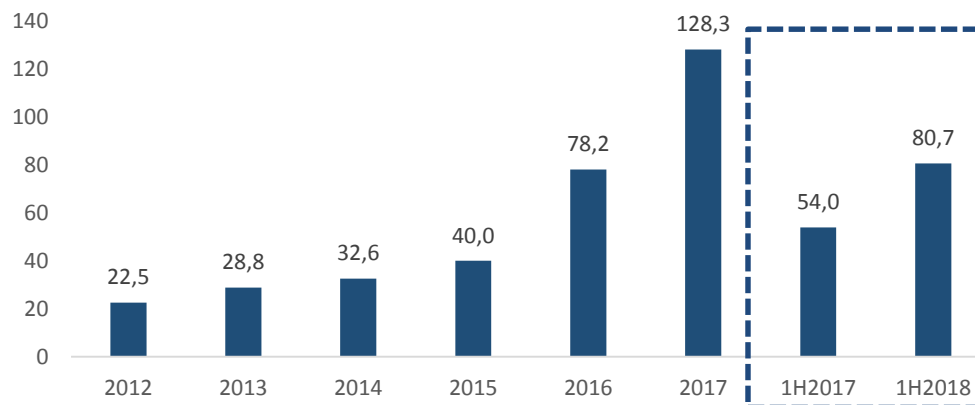
PURCHASES IN GBV €Bn



NBV/GBV



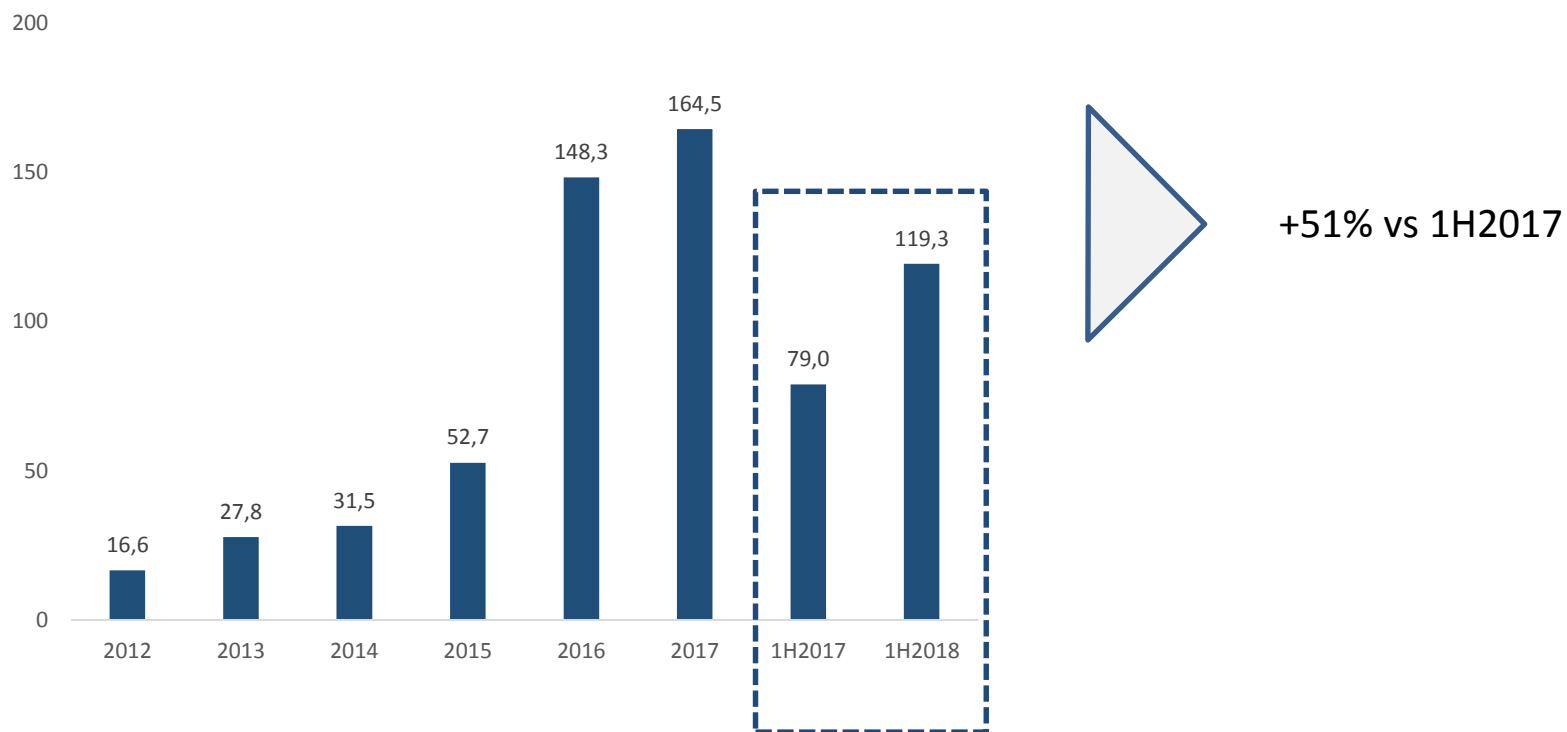
YEAR/QUARTER CASH COLLECTED €m



	2016	2017	2018
1Q	17	25	40
2Q	18	29	41
1H	35	54	81



NET BANKING INCOME/ NET PROFIT from FINANCIAL ACTIVITY €m

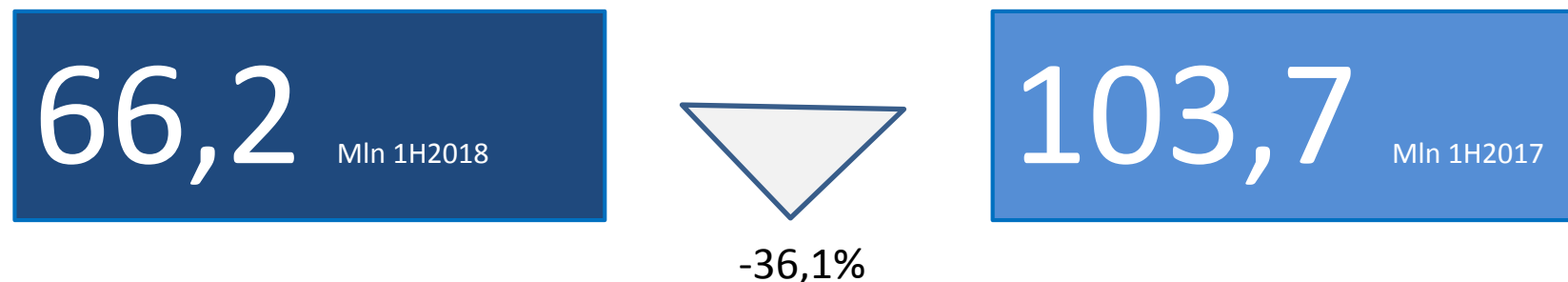


NPL AREA

1 H 2018 data	Collection	NPL Gross Portfolio	Value	Book Value/NPL Portfolio	Contribution on P&L	Cash
Internal and External Recovery Department	Non Judicial Payment Plans	646 mln	143 mln	22%	38 mln	33 mln
Legal Recovery Department	Order of Assignment Wage	484 mln	174 mln	36%	50 mln	32 mln
	Judicial ongoing workout	340 mln	80 mln	24%	35 mln	0 mln
	Waiting for the judicial workout	2.179 mln	259 mln	12%	5 mln	10 mln
Processed at least one time		7.322 mln	146 mln	2%	-5 mln	6 mln
Staging		1.927 mln	49 mln	3%	0 mln	0 mln
		12,9 bln	851 mln	7%	123 mln	81 mln



1H 2018; Million Euro



One off impacts (gross amounts)	1H 2018	1H 2017
Capital gain sale of NPL portfolio	2	17,6
One off provisions	-14	0
Release of provisions	11,3	21
Reversal of PPA	44,1	63,7



BALANCE SHEET – ASSET STRUCTURE

(Million Euro) % change 1H2018 vs 01.01.2018

Loans to customers

6.710,5 +4,8%

5.599,7 Enterprises
851,4 Area NPL
259,3 G&S

Financial Asset = 595,0

According to ifrs9

through P&L	30,6 (HFT)
through P&L at fair value	130,5 (FV TPL)
through OCI	433,8 (FV OCI)



Adoption of IFRS9

Due from banks

1.568,0 -10,9%



Excess of liquidity as a buffer for ongoing activities of the bank

Other Assets

859,3 -0,6%

Fiscal Assets	400,8 of which:
Current tax assets	46,4
DTA	354,3



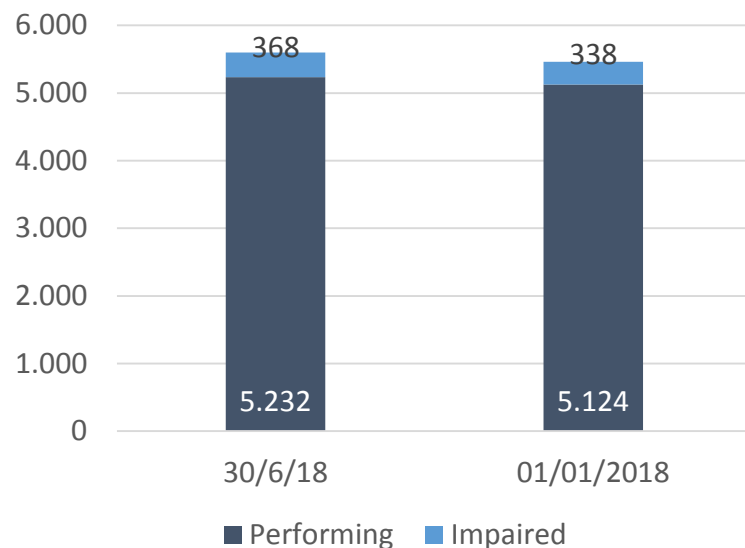
Expected impact mainly on future cash flows



ASSET QUALITY & NPE TREND in ENTERPRISES segment

1H 2018 mln €

Net Customer Loans



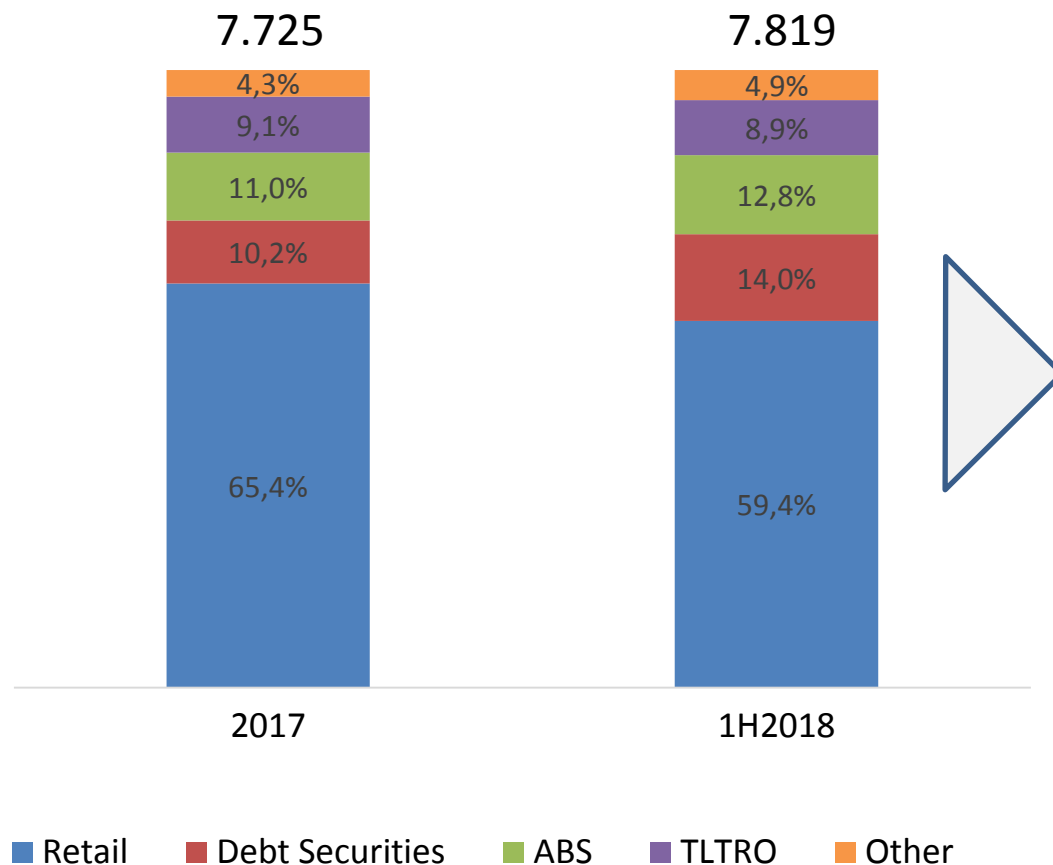
According to the IFRS9 with new POCI category, and new write off policy the amounts of gross NPE is significantly changed.

	30/06/2018	01/01/2018	31/12/2017
Gross NPE	615,7	564,3	1.323,1
Gross NPE/Loans	10,5%	9,9%	20,1%
Net NPE	368,1	338,0	403,9
% Net NPE/ Loans	6,6%	6,2%	7,2%
Cost of credit	138 bp	nd	31bp



FUNDING STRUCTURE

1H 2018 mln €



Flexible and diversified funding structure

The diversification has been achieved by:

- **Reducing share of Repos with customers to zero**
- **Renewing focus and attractiveness of retail funding** through the introduction of 3y, 4y, 5y maturities for Rendimax
- EUR 700m **TLTRO**
- **Tapping wholesale markets twice in 2017**, with the inaugural issuance of a EUR 300m **senior unsecured bond** and a EUR 400m **Tier 2 bond**
- **April 2018: 300 mln euro bond senior unsecured preferred issued**



1H 2018 mln €

Banca IFIS Group only KPIs	2018	2017
	30/06	31/12
Common Equity Tier 1 Ratio (CET1)	15,13%	15,64%
Tier 1 Capital Ratio (T1)	15,13%	15,64%
Total Own Fund Capital Ratio	20,28%	21,07%
Book value per share	25,69	25,62



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