GRUPPO BANCARIO
BANCA FARMAFACTORING

# PRESS RELEASE
# BANCA FARMAFACTORING BANKING GROUP

**2016 half-year report approved, the first including Magellan, acquired last June.**
**Highlights of consolidated figures for H1 2016:**

- **Good organic business growth, with customer loans amounting to €2,319 million, +32% y/y in Italy, Spain and Portugal; +7% y/y in Central and Eastern Europe**
- **Net profit *combined* with Magellan[1] and adjusted[2] at €38 million (stated Net Profit at €28 million)**
- **Good profitability with ROTE *combined* with Magellan[1] and adjusted[2] at 32%[3]**
- **Strong capital position with CET1[4] ratio of 18.1%**
- **Negligible risk: net non-performing loans / net loans ratio of 0.1%**

**Magellan shareholders' meeting resolved to delist the company.**

*Milan, October 4, 2016* - The Board of Directors of **Banca Farmafactoring (BFF)** – the leading player in Europe in the management and non-recourse factoring of receivables from Public Administrations, approved the consolidated financial report for the first half of 2016.

During H1 2016, the group strengthened its competitive position at international level, through a public tender offer launched in January 2016 on Magellan -a Polish company leader in financial services for the healthcare sector and the Public Administration in Poland, Czech Republic and Slovakia. The transaction was successfully completed in June 2016.

*"In the first half of 2016 the BFF Banking Group continued to pursue its organic growth strategy, also finalising the acquisition of 100% of Magellan, fully financed with its own funds. This transaction enables us to access high-potential markets in Central and Eastern Europe. Our business is growing and the Group's profitability is good. Even after the acquisition, the Group has maintained a strong capital position, which remains at significantly higher levels compared to the European banking system "* **Massimiliano Belingheri, CEO of BFF** *commented*

## Key consolidated income statement and balance sheet items (*combined* BFF + Magellan):

Please note that the balance sheet figures at 30/06/2016 reflect the 100% consolidation of Magellan within the group. The *stated* income statement figures include Magellan's contribution starting from June 1, when the acquisition was completed, while the *combined* data include Magellan's figures as if it had been part of the Group's scope of consolidation for the entire period, i.e. starting from 01/01/2016.

**Customer loans** at the end of H1 2016 amounted to €2,319 million, i.e. +32% y/y – year on year, i.e. versus June 30, 2015- in Italy, Spain and Portugal, and +7% y/y in Central and Eastern Europe.

27% of loans refer to foreign markets, with Poland accounting for 13%, Spain 9% and other countries 5% of total loans, while Italy remains the main market accounting for 73% of total.

The **funding structure** further improved in H1 2016. At 30 June, the total available funds amounted to € 2,811 million. The diversification of sources continued, driven also by the excellent results from deposit collection and the issuance in June 2016 of a senior bond due June 2021, unsecured and unrated, for €150 million. The interest rate on the bond is 1.25%, which is lower than the average funding cost calculated at December 2015.

In detail, there was a strong increase in **online deposit accounts** both in Italy and Spain, which rose from €418 million at December 31, 2015 to €610 million at June 30, 2016. Starting from June 2016, new online deposit accounts have been operating in Germany via a third-party platform.

**Net Banking Income** *combined* with Magellan came at €78 million, while **net interest income** reached € 73.5 million.

Efficiency levels are confirmed, benefiting from a lean cost structure, also after the acquisition of Magellan, with the **cost/income ratio** standing at 32%[1,2]. Following the inclusion of Magellan into the group's perimeter, the total number of employees rose to 372.

**Net profit *combined* with Magellan[1] and adjusted[2]** came at €38 million. The stated figure (including Magellan starting from June 1, 2016) is €28 million. In H1 2015, stated net profit was €26.6 million. H1 2015 Net profit excluding non-recurring expenses for the listing process stopped in 2015 was € 28 million; this figure is comparable with H1 2016 net profit for the Group excluding Magellan and excluding other non-recurring expenses and contributions to Guarantee Funds (which in 2015 were accounted in H2 2015) of € 33.5 million, representing a 20% y/y growth.

**ROTE *combined* with Magellan[1] and adjusted[2]** stood at 32%[3], confirming the group's strong profitability. The ratio for the full year 2015 was 26.5%, not yet including Magellan.

The group's capital strength is confirmed. At June 30, 2016 -i.e. after the cash acquisition of Magellan- capital levels were very high, with the **CET1 ratio**[4] calculated on the Banking Group perimeter (pursuant to former TUB – Testo Unico Bancario) standing at 18.1% excluding profit for the period. The CET1 ratio would reach 20.3% if calculated including the net profit for the period.

With regard to **the loan portfolio's asset quality**, BFF continued to record an extremely low net non-performing loans / net loans ratio of 0.14% at the end of H1 2016; net non-performing loans stood at €3.3 million, a slight increase compared to €2.5 million at the end of 2015, entirely due to the consolidation of Magellan within the group.

## Significant events subsequent to the end of H1 2016

**Waiver process successfully completed.** Holders of the two Notes issued by Banca Farmafactoring[5] approved a renegotiation of the underlying contracts (*waiver)* as requested by the Issuer.[6]

Thanks to the approval of the above-mentioned *waiver*, the planned *delisting* of Magellan now only constitutes an *event of default* (whose only effect is the right of early repayment) only for the bonds issued by Magellan through mBank ("mBank" Bonds) for which the Bank has made an offer for waiver, repayment or swap into other listed securities.

In this respect, as of today the Issuer's available liquidity and financial resources are more than enough to fully cover the early repayment of the mBank bonds, whose cost of funding is anyway on average above that of the Issuer's.

**Shareholders' meeting resolution to delist Magellan.** As there are no more any impacts on the group's financing instruments connected with Magellan's delisting, on September 30, 2016, Magellan shareholders' meeting passed the resolution to delist Magellan stock from the Warsaw Stock Exchange. The process is expected to be completed by the end of 2016.

**Note:**

1) *Combined* figures include the contribution of Magellan for the whole half year period, i.e. as if the acquisition had taken place on 01/01/2016, and do not include costs or synergies related to the period before 1/1/2016.

[2)] The adjusted figure does not include non-recurring costs, the costs related to the acquisition of Magellan and the contribution to the "Deposit Guarantee Fund" and to the “Resolution Fund” amounting to a total of €5.7 million.

[3)] ROTE is calculated as *2 times combined* net profit adjusted for non-recurring items / shareholders’ equity (excluding net profit for the period) net of intangible assets. In order to calculate this ratio, H1 2016 combined and adjusted net profit is assumed to be equal to 50% of that of the full year.

[4)] Calculated on the Banking Group perimeter (pursuant to former TUB - Testo Unico Bancario, Consolidated Banking Act) conservatively excluding the net profit for the period. The figure for the CRR Group (including the parent company BFF Luxembourg) is 17.7%, while the total capital ratio is 17.9%.

[5)] €300 million 2.75% Notes due 2017 and €150 million 1.25% Notes due 2021.

[6)] For more details see Banca Farmafactoring press release of September 1, 2016.

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The consolidated financial statements of BFF Banking Group at June 30, 2016 are provided below. The Balance Sheet as at 30/06/2016 reflects the consolidation of 100% of Magellan. The income statement includes the contribution of Magellan starting from June 3, 2016, i.e. the date on which the acquisition was completed. Pro forma figures include the contribution of Magellan as if it had been part of the Group’s scope of consolidation for the entire period, i.e. starting from 01/01/2016.

# Consolidated Balance Sheet *(in Euro)*

| **Assets** | **30.06.2016** | **30.06.2015** | **31.12.2015** |
|---|---|---|---|
| Cash and cash equivalent | 899,752 | 22,953 | 159,775 |
| Financial assets held for trading | 6,312 | 0 | 0 |
| Financial assets at fair value | 3,381,272 | 0 | 0 |
| Available-for-sale financial assets | 331,781,462 | 337,418,460 | 429,437,687 |
| Financial assets held to maturity | 1,347,126,670 | 1,004,561,157 | 822,858,767 |
| Due from banks | 80,550,565 | 102,004,360 | 60,522,545 |
| Due from customers | 2,319,319,650 | 1,457,253,393 | 1,962,004,347 |
| Shareholdings | 193,183 | 0 | 0 |
| Property, plant and equipment | 13,041,703 | 12,397,384 | 12,665,596 |
| Intangible assets | 24,741,620 | 1,956,113 | 2,746,916 |
| of which | | | |
| *- goodwill* | *22,146,189* | *0* | *0* |
| Tax assets | 13,776,950 | 13,005,003 | 28,053,378 |
| *a) current* | *9,588,759* | *10,325,053* | *25,113,356* |
| *b) deferred* | *4,188,190* | *2,679,950* | *2,940,022* |
| *of which under Law 214/2011* | *753,070* | *449,995* | *546,940* |
| Other assets | 9,237,731 | 5,350,781 | 3,105,924 |
| **Total assets** | **4,144,056,871** | **2,933,969,604** | **3,321,554,935** |

| **Liabilities and equity** | **30.06.2016** | **30.06.2015** | **31.12.2015** |
|---|---|---|---|
| Due to banks | 449,807,192 | 363,706,301 | 688,080,771 |
| Due to customers | 2,468,852,732 | 1,660,647,973 | 1,726,682,877 |
| Securities issued | 739,148,441 | 449,283,678 | 452,962,115 |
| Financial liabilities held for trading | 162,752 | 0 | 0 |
| Tax liabilities | 64,858,245 | 53,426,502 | 70,582,775 |
| *a) current* | *12,965,817* | *6,908,372* | *23,804,794* |
| *b) deferred* | *51,892,428* | *46,518,130* | *46,777,981* |
| Other liabilities | 125,246,630 | 112,740,650 | 45,884,998 |
| Employee severance indemnities | 977,346 | 752,051 | 883,124 |
| Provision for risks and charges | 5,571,084 | 4,810,693 | 5,194,831 |
| *a) pensions and similar obligations* | *4,825,400* | *4,105,430* | *4,829,872* |
| *b) other provisions* | *745,684* | *705,263* | *364,959* |
| Valuation reserves | 3,617,080 | 3,646,448 | 4,183,573 |
| Reserves | 126,483,306 | 127,409,048 | 127,409,048 |
| Share Capital | 130,982,698 | 130,900,000 | 130,900,000 |
| Profit (loss) for the year | 28,349,364 | 26,646,260 | 68,790,823 |
| **Total liabilities and equity** | **4,144,056,871** | **2,933,969,604** | **3,321,554,935** |

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# Consolidated Income Statement *(in Euro)*

| Income Statement items | 30.06.2016 | 30.06.2015 |
|---|---|---|
| Interest and similar income | 77,996,046 | 71,984,542 |
| Interest and similar expenses | (12,208,508) | (17,154,453) |
| Net interest income | 65,787,538 | 54,830,089 |
| Fee and commission income | 3,718,382 | 3,952,613 |
| Fee and commission expense | (276,147) | (189,549) |
| Net fees and commissions | 3,442,236 | 3,763,064 |
| Dividends and similar proceedings | 10,001 | 0 |
| Gains/losses on trading | 901,545 | 45,760 |
| Fair value adjustments in hedge accounting | 0 | (22,837) |
| Gains (losses) on disposal or repurchase of: | | |
| *b)* available-for-sale financial assets | 381,431 | 127,592 |
| Net banking income | 70,522,750 | 58,743,668 |
| Impairment losses/reversals on: | | |
| *a)* receivables and loans | 747,121 | (402,251) |
| Net profit (loss) from financial activities | 71,269,871 | 58,341,417 |
| Net profit (loss) from financial and insurance activities | 71,269,871 | 58,341,417 |
| Administrative expenses: | | |
| a) personnel costs | (11,095,721) | (9,126,746) |
| b) other administrative expenses | (17,968,123) | (12,754,244) |
| Net provisions for risks and charges | (534,421) | (153,600) |
| Net adjustments to/write-backs on property, plant and equipment | (608,202) | (512,113) |
| Net adjustments to/write-backs on intangible assets | (752,219) | (598,567) |
| Other operating income/expenses | 1,061,606 | 1,795,047 |
| Operating costs | (29,897,081) | (21,350,223) |
| Profit (loss) before tax from continuing operations | 41,372,790 | 36,991,194 |
| Income taxes on profit from continuing operations | (13,023,426) | (10,344,934) |
| Profit (loss) after tax from continuing operations | 28,349,364 | 26,646,260 |
| Profit (loss) for the year | 28,349,364 | 26,646,260 |
| Profit (loss) for the year attributable to owners of the parent | 28,349,364 | 26,646,260 |

## Income Statement *(in Euro million)*

| | 1H-15<br>Reported BFF only | 1H-16<br>BFF only | 1H-16<br>Group (consolidating 6 months for Magellan) |
|---|---|---|---|
| Net Interest Income | 54.8 | 64.4 | 73.5 |
| **Net Banking Income** | **58.7** | **69.2** | **78.3** |
| Operating costs | -21.8 | -26.8 | -31.9 |
| **Profit Before Income Taxes from Continuing Operations** | **37.0** | **42.5** | **46.3** |
| Income Taxes | -10.3 | -13.2 | -14.0 |
| **Net Profit** | **26.6** | **29.2** | **32.3** |
| **Net Profit Adjusted[1]** | **28.0** | **33.5** | **38.0** |

Net profit adjusted does not include non-recurring expenses for the listing process, expenses for the acquisition of Magellan and the contributions to the “Deposit Guarantee Fund” and the “Resolution Fund”.


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