



# BANCA IFIS

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Banca IFIS Group: Identity and Numbers

NYC, March 2017

- A specialty finance player, specialized in financing SME's with a complete range of financial tools, from short term finance to medium/long term. It is also a leader in the Italian NPL market and it is present in the tax receivables sector.
- Strong and diversified business model, enabling outstanding results in terms of profitability and credit quality.
- 3 key pillars for decision making: profitability, liquidity, and solidity.
- Founded in 1983 by Sebastien Egon Furstenberg, the current chairman, it is listed on the Milan Stock Exchange (Star segment) since 2003, with a market cap over €1.5 bn.
- Acquisitions provide growth opportunity:
  - 2016: Interbanca Group, a historical Italian bank active in corporate lending, factoring and leasing;
  - 2011: Toscana Finanza, a company active in distressed loans.
- On the funding side, the bank successfully launched rendimax, a high-yield online savings account.



- Banca IFIS is well placed to continue to capitalise on the restructuring of bank balance sheets in Italy and the rest of Europe through the acquisitions of NPL portfolios.
- Continued organic focus on SME trade finance (micro, small and medium sized enterprises) that is less competitive and traditional banks find difficult to service.
- Leveraging the acquisition of the former Interbanca Group, finalised in late 2016:
  - Acquisition brings valuable skills, size and capital to the Group;
  - Completes the full range of services for SMEs.



- 2016 Highlights
  - Record profit (€ 688 million, +324,7%);
  - Estimated €0.82 dividend per share, EPS is €12,94;
  - Includes the acquisition of Interbanca Group's data only for December 2016.
- 16<sup>th</sup> March 2017
  - Annual results and guidelines of the 2017-2019 plan.

Key figures 2014, 2015, 2016

	2014	2015	2016		2014	2015	2016
Net Profit/ loss for the period (Eu mn)	96	162	688	Total Assets (Eu bn)	8.3	7.0	8.7
Net Loans to customers (LTC/ Eu bn)	2.8	3.4	5.9	Tot. Funds and deposits (Eu bn)	~7.7	~6.2	~5.5
AFS+HTM (Eu bn)	~5.1	~3.2	~0.4	Net equity (Eu mn)	438	573	1,200
Tier 1 Ratio	14.0%	15.8%*	15.7%*	NPL ratio *	1.3%	1.1%	1.0%
RWA (Eu bn)	~2.8	~3.3	~7.0	NPL Coverage ratio	86.4%	87.9%	88.5%

(\*) Without La Scogliera. (With La Scogliera 2015: 14.2%, 2016: 14.7%)



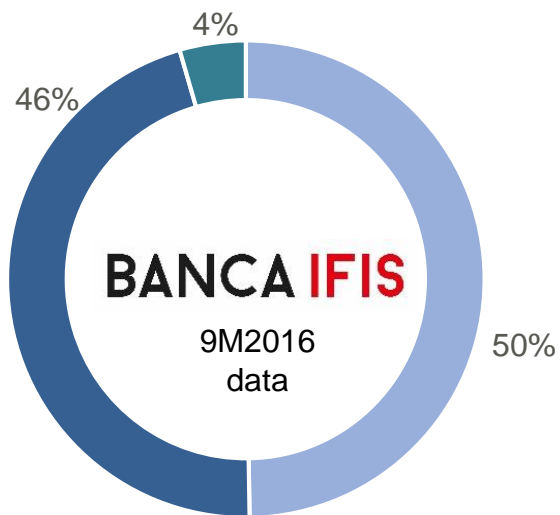
## Q3 2016 Detailed Results



Strong and well diversified business model built on Banca IFIS' core expertise as a trade receivable player

### Trade Receivables ≈ 50.0% as of 30 September 16 NBI (excl. G & S)

- Trade receivable financing in the **B2B**, with focus on SMEs and micro companies (around 80% of which with a Turnover < Eu 10mn) and **Public Administration segments** (with focus on the Pharma segment)
- Total turnover of **Eu 7.5 bn** as of Sept. 30, 2016
- ≈ **4.930 customers** as of Sept. 30, 2016



### DRL ≈ 46.0% as of 30 September 16 NBI (excl. G & S)

- Acquisition and management of retail **Unsecured Distressed Loan portfolios** (i.e. personal, credit card and retail loans)
- ≈ **Eu 10.3 bn (Gross Book Value)** of receivables managed as of Sept 30, 2016

### Tax Receivables ≈ 4% as of 30 September 16 NBI (excl. G & S)

- Purchases of tax receivables arising from insolvency proceeding
- **Eu 160.6 mn Gross book value** as of Sept 30, 2016



Trade receivable financing currently represents ca. 3/4 of the Group's Net Banking Income (excluding G & S).

In the B2B segment Banca IFIS, thanks to its widespread distribution network, targets a specific market niche usually less targeted by traditional banks

## Focus on SMEs and micro companies in the B2B, leading market position in the Pharma segment

	Very low competition in the B2B Segment	Public Administration/Pharma segment
Target	<ul style="list-style-type: none"> <li>Small or micro companies typically with low credit standing and consequent difficulties in obtaining finance from the banking system (50% of IFIS' customers have a turnover below €5m per year), a segment not attractive for traditional banks which represent a unique market niche</li> </ul>	<ul style="list-style-type: none"> <li>Large pharma companies willing to factor their trade receivables with the Italian NHS, being the sector highly concentrated</li> </ul>
Customer base	<ul style="list-style-type: none"> <li>4.930 SMEs at the 30 Sept. 2016, up from 3,500 in 2011; customers of these SMEs are often high-quality companies, whose trade receivables enjoy good credit rating, thus protecting IFIS' credit quality</li> </ul>	<ul style="list-style-type: none"> <li>Around 75% of the total PA receivables managed by IFIS is represented by receivables from the national health care system</li> </ul>
Type of product	<ul style="list-style-type: none"> <li>79% of the B2B book acquired with recourse, ie risk remains with the assignor</li> </ul>	<ul style="list-style-type: none"> <li>72% of IFIS' book in the PA/Pharma segment at December 2015 represented by outright purchases</li> </ul>
Competition	<ul style="list-style-type: none"> <li>No real competition from factoring units of large banks due to the strong bias towards SMEs/micro companies</li> </ul>	<ul style="list-style-type: none"> <li>IFIS, currently the 2nd largest player in the Pharma segment, aims at becoming the leader in the next 2-3 years</li> </ul>



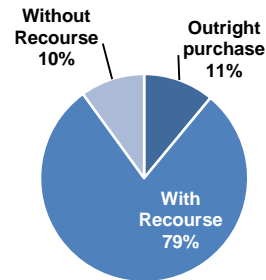
## Loans to customers CAGR of 14.6% over the last 10 years

### Total Receivables managed at 9M16 breakdown by type of products

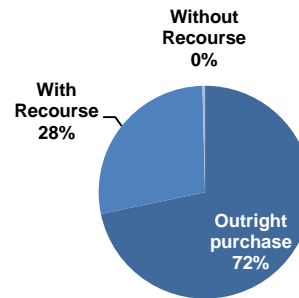
79% of IFIS' B2B book acquired with recourse, ie risk remains with the assignor.

Loan to customers CAGR at around 14.6% over the last 10 years

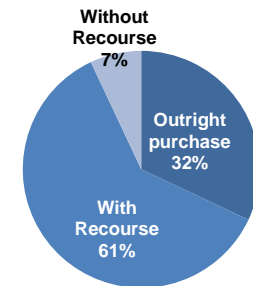
B2B (Eu 2,137 mn)



PA (Eu 1,135 mn)



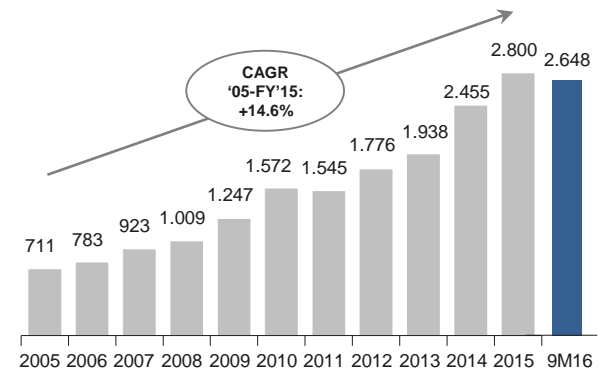
Group (Eu 3,273 mn)



### Banca IFIS – Trade receivables main figures

	FY'12	FY'13	FY'14	FY'15	9M16
Customers (number)	3,500	3,714	4,200	4,487	4,930
Turnover (Eu/Bn)	4,9	5,7	8,3	10,1	7,5
Nominal amount of receivables managed (Outst.)	2,352	2,578	3,101	2,578	2,279
Net bad loans/ Loans to customers	4,4%	2,6%	1,3%	1,1%	1,2%

### Loans to Customers (Trade receivables) Eu mn



Source: Banca IFIS



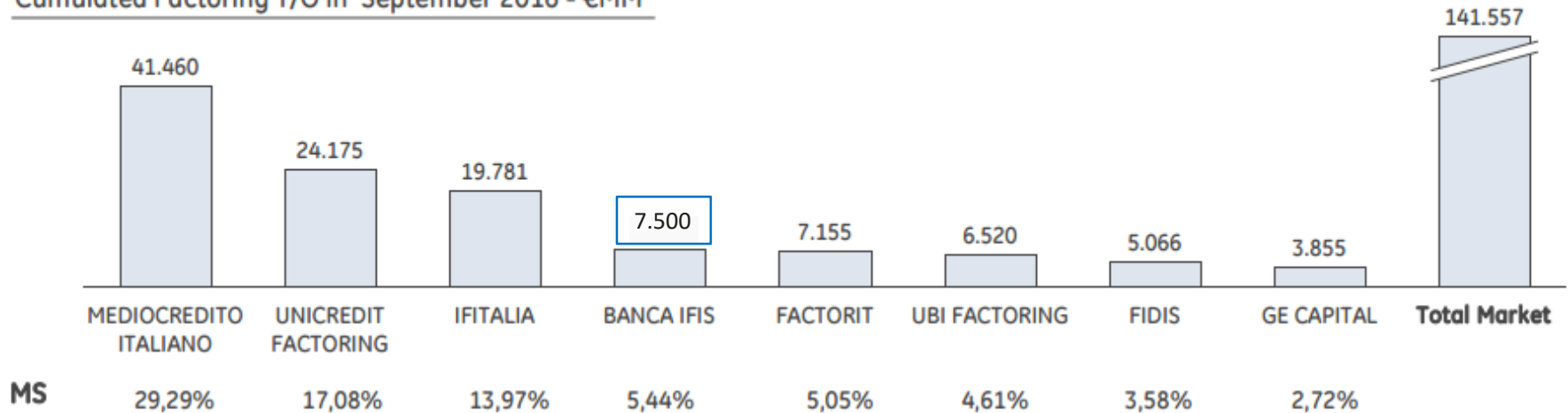


Banca IFIS is among the top 5 players in a concentrated market with competitors split between large commercial banks driven

## Market Structure by Receivables Outstanding

Update data: September ●

Cumulated Factoring T/O in September 2016 - €MM



Source: EU Federation of Factoring and Commercial Finance



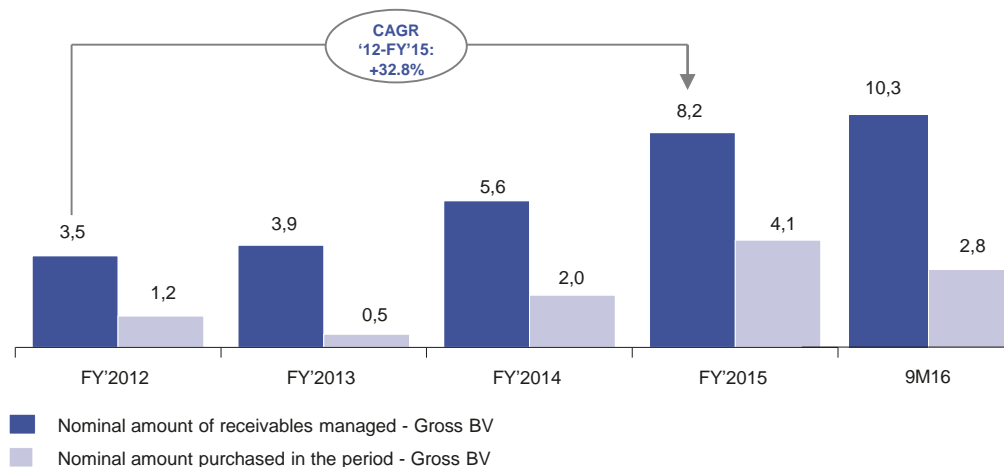
## Most accelerated growth among B. IFIS Business

Banca IFIS is the leading player in the Italian market for distressed retail unsecured loans (personal loans, credit card loans and retail loans)

This is the most liquid part of the Italian distressed loan market

- Banca IFIS is the only large integrated player in Italy **involved in both the acquisition of DRL and in managing the portfolios acquired**, through the brand CrediFamiglia, with **focus on retail unsecured distressed loans** (personal loans, credit card loans and retail loans)
- **Eu 10.3 bn DRL portfolio Gross Book Value** at 30 Sept. 16 (Eu 8.2 bn in December 2015)
- Competitive advantage over most credit servicers thanks to the Group's **integrated collection platform** (call center, over 120 exclusive agents integrated by external collection companies, a legal factory) allowing to obtain **superior expected collection rate of 10-12% of GBV**, vs 6-10% for the peers, and to be a **more competitive bidder than other potential investors**
- **20% gross IRR target in pricing target portfolios**, in line with IFIS' international competitors

**Banca IFIS – DRL Managed Receivables (Gross BV) – Eu bn**



**Banca IFIS – Other DRL main figures**

	FY'12	FY'13	FY'14	FY'15	9M16
Loans to Customers (Net BBV) – Eu mn	104	128	135	354	538
Net BV/ Gross BV of Loans to Customers	3,0%	3,3%	2,4%	4,3%	5,2%
Positions acquired* (number)	126,375	51,398	213,174	538,240	396,432

(\*) Total positions equal to over 1.3mn as of 30 Sept. 2016



Banca IFIS Distressed Retail Loans Portfolio

	Collection	NPL Gross Portfolio	Book Value	Book Value/NPL Portfolio	
Internal and External Recovery Department	Non Judicial Payment Plans	488 mln	97 mln	20%	↑
Legal Recovery Department	Order of Assignment Wage	135 mln	40 mln	30%	↑↑
	Judicial ongoing workout	1.393 mln	153 mln	11%	
Processed at least one time	To be reprocessed	6.118 mln	123 mln	2%	↑↑
Waiting for the workout		2.144 mln	125 mln	6%	
		10.3 bln	538 mln		



## Market leader

Tax receivables is a relatively small segment, which contributed to 8.6% of the Group's net banking income (excl. G & S) at December 2015

- Banca Ifis operates in this segment through the Fast finance business unit, whose activity mainly consists in the **purchase of tax receivables arising from insolvency proceedings**
- The purchase (without recourse) of the tax receivables is **usually closed at a discount to nominal value**, around 86%, to take into account the length of the recovery process
- **Eu 161 mn** of nominal value of the managed Tax Receivables portfolio as at September 2016
- **12 people employed in this division**, whose major task is to be in constant contact with the bankruptcy courts in order to identify possible sources of new product and assist the parties involved in the proceeding on the operational aspects and in preparing documentation.
- **Market leader with about 50% market share**

### Banca IFIS – Tax Receivables main figures

	FY'12	FY'13	FY'14	FY'15	9M16
NBV – Eu mn	83	90	119	131	114
Nominal value (GBV) – Eu mn	146	140	168	191	161
NBV / GBV	56,8%	64,3%	70,8%	68,6%	70,8%

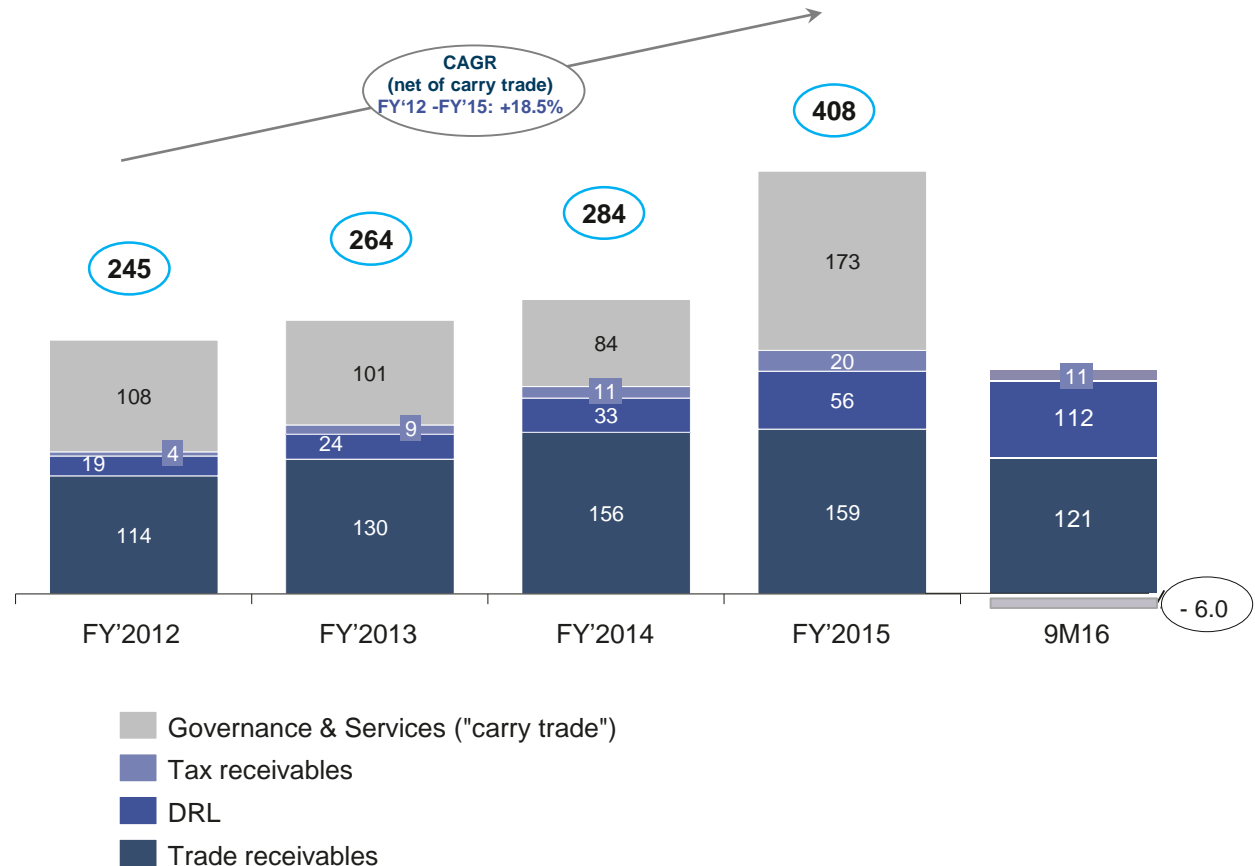
Source: Banca IFIS



Strong track record in growth, showing ad NBI (net of carry trade) CAGR by 19.7% over the last four years

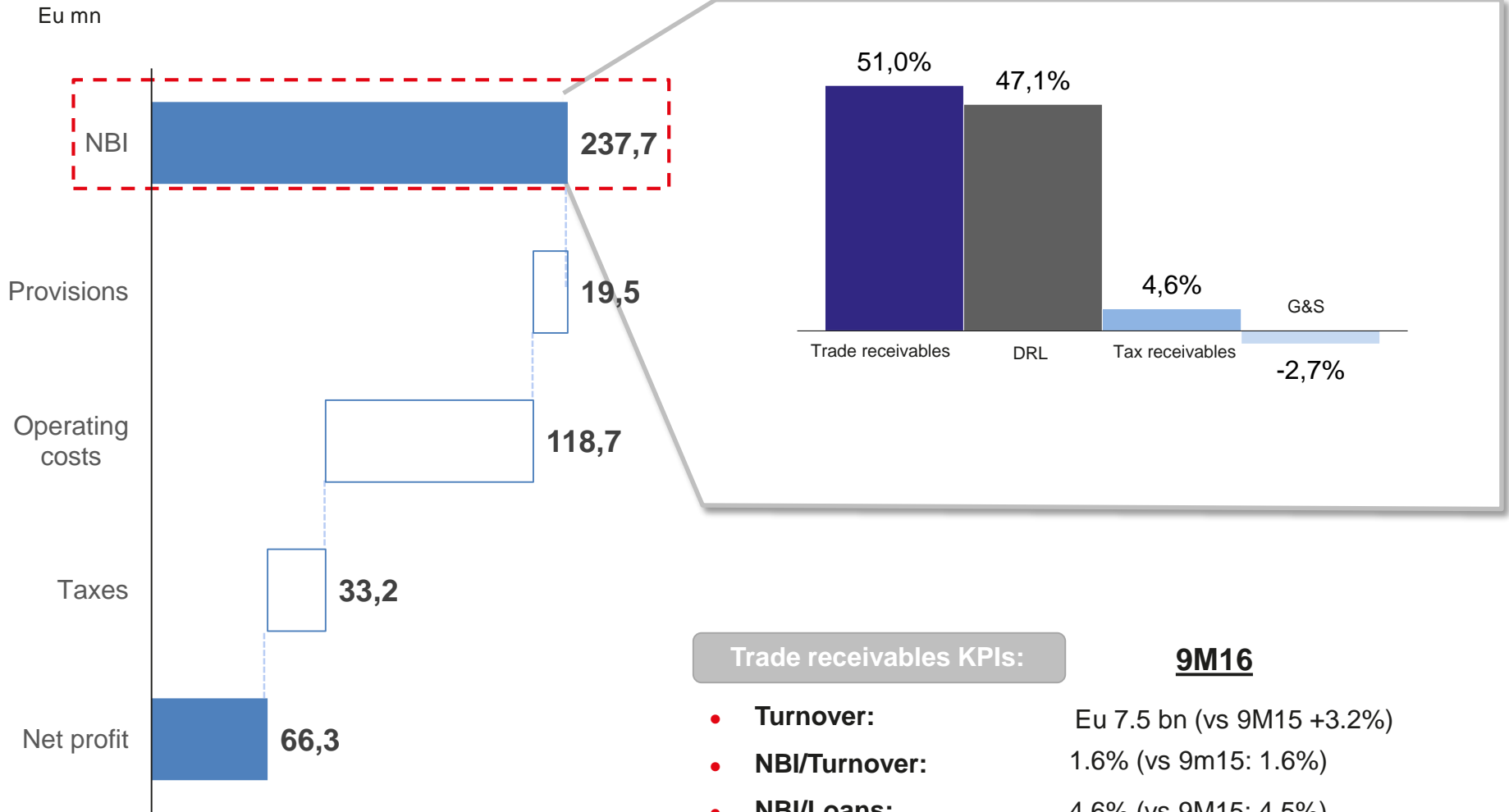
Banca IFIS' track record is strong and shows a significant growth in all business, both in the traditional trade receivables segment, that currently accounts nearly 50% of the Group's NBI, and in the DRL segment, where the bank is active since 2011 and that currently represents around 46% of NBI

Net Banking Income (Eu mn) breakdown by segment



Source: Banca IFIS





**Trade receivables KPIs:**

**9M16**

- **Turnover:** Eu 7.5 bn (vs 9M15 +3.2%)
- **NBI/Turnover:** 1.6% (vs 9m15: 1.6%)
- **NBI/Loans:** 4.6% (vs 9M15: 4.5%)

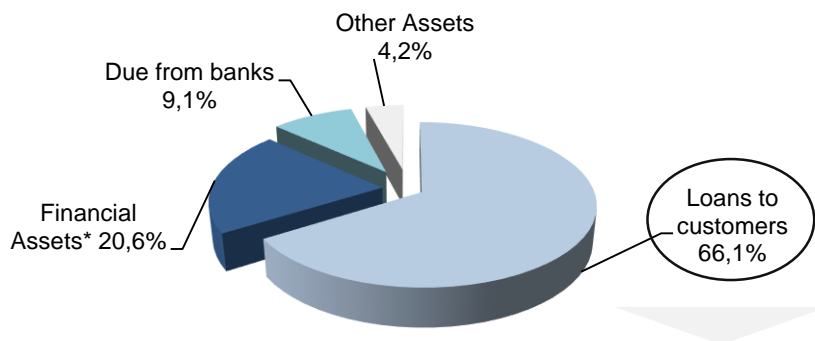
Source: Banca IFIS' 9 months 2016 results



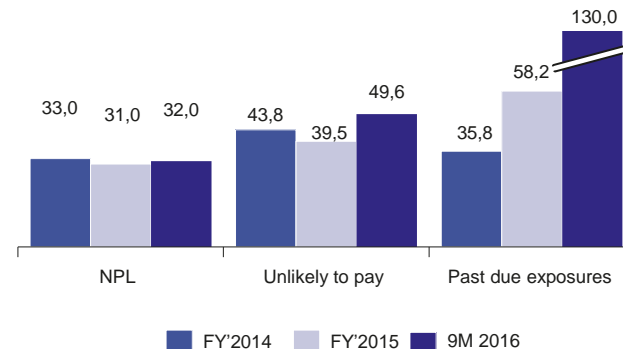
Strong credit quality with a cost of risk by 86 bps as of Sept. 2016

Asset structure

9M16 Total Assets (Eu 5,0 bn) breakdown



Credit Quality (net figures) – Eu mn



	Eu mn		FY'2014	FY'2015	9M2016
Trade receivables	2.648	• NPL Coverage Ratio	86.4%	87.9%	88.1%
Distressed Retail Loans	538	• % NPLs/Trade receivables	1.3%	1.1%	1.2%
Tax receivables	114	• % NPLs/equity	7.5%	5.4%	5.4%
G&S	2,8	• % Impaired assets/Trade receivables	4.6%	4.5%	8.0%
		• % Cost of Credit	1.7%	0.9%	0.9%

(\*) Portfolio of Italian Bonds  
Source: Banca IFIS first 9 months 2016 results

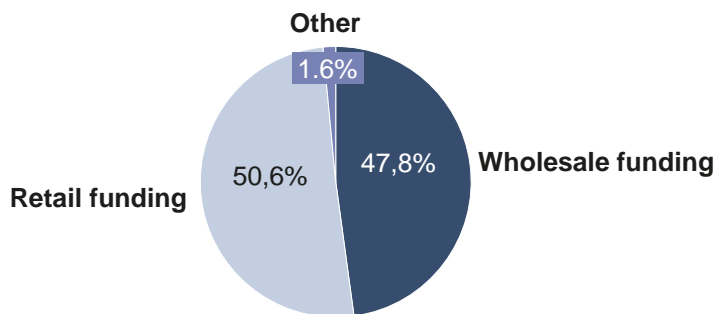


Steady and consistent online funding

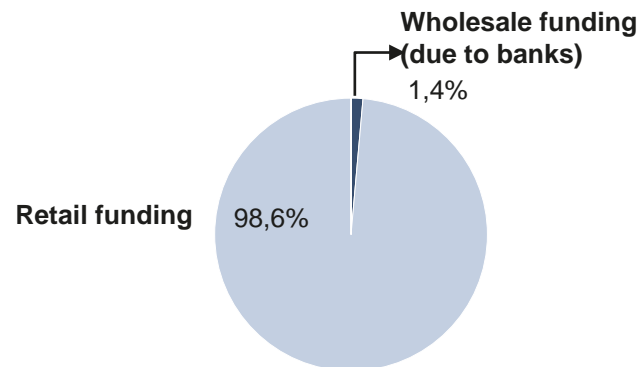
Funding breakdown - Data in Eu mn	2014A	2015A	Ch. %	9M2016	Ch. %
<b>Retail Funding</b>	3.314	3.113	-6,1%	4.025	29,5%
<b>Wholesale funding - Due to banks</b>	2.259	663	-70,7%	56,8	-91,4%
<b>Wholesale funding - Repos*</b>	2.083	2.279	9,4%	114	-100,0%
<b>Other payables</b>	86	95	10,2%	n.p.	n.p.
<b>Total Funding (T.F.)</b>	<b>7.742</b>	<b>6.150</b>	<b>-20,6%</b>	<b>4.196</b>	<b>-31,8%</b>

• % of Retail Funding on Total Funding further increased on a relative basis at September 2016.

FY2015 Funding split



9M2016 Funding split



(\*) Classified in the Company's accounts under payables due to customers, as they are carried out with counterparties formally other than banks

Source: Banca IFIS





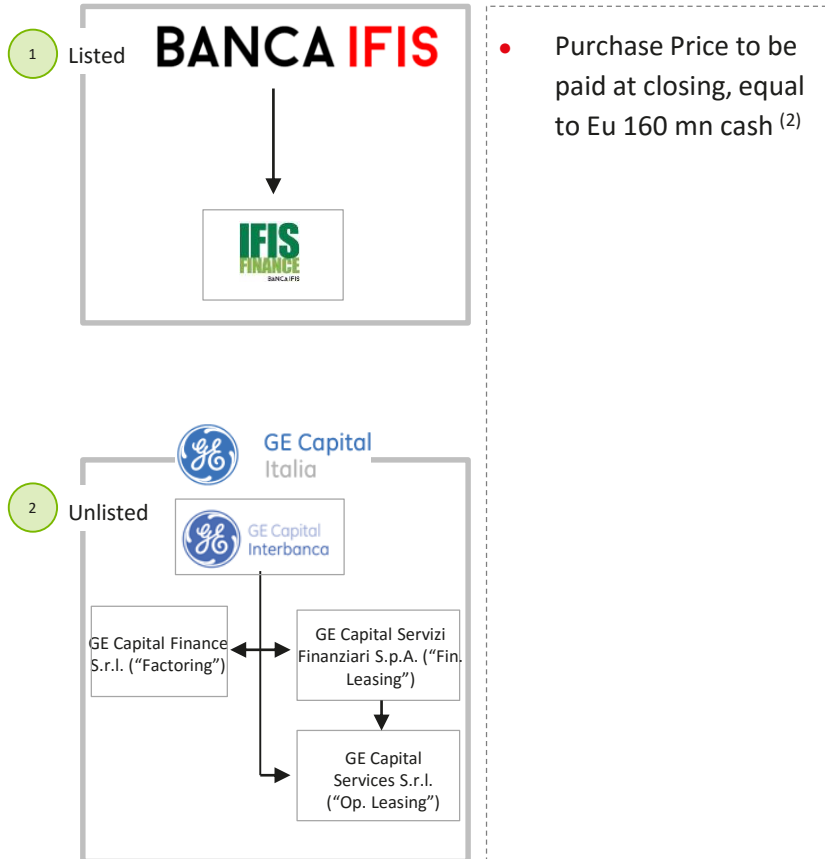


(\*) Classified in the Company's accounts under payables due to customers, as they are carried out with counterparties formally other than banks

Source: Banca IFIS



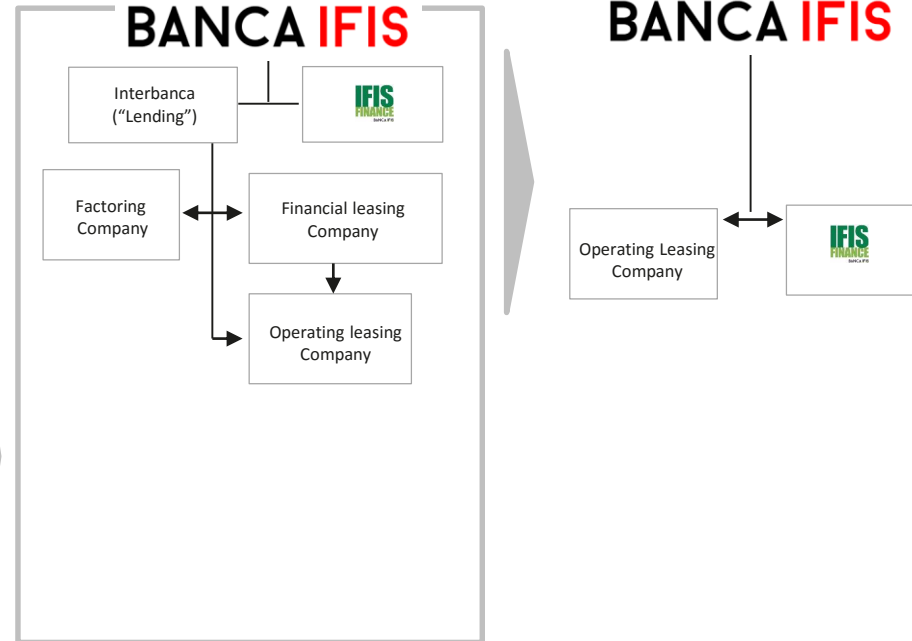
## Transaction's key terms



## First hypothesis on Banca IFIS's target structure after 18-24 months

2016 at closing

Within the end of 2018 (1)



(1) As results of the merger of the company of GE Capital Interbanca Group

(2) Subject to price adjustment mechanism between 31/12/2015 and closing



<p><b>Scope of the Acquisition</b></p>	<p>Acquisition of 99,99%<sup>1</sup> of Interbanca S.p.A (Lending) and its Factoring and Leasing (financial &amp; operational) businesses</p>
<p><b>Rationale</b></p>	<ul style="list-style-type: none"> <li>• Combine knowhow of both Groups</li> <li>• Indepth knowledge of small Italian enterprises, with focus on their financial cycle</li> <li>• Development and retention of existing clients and acquisition of new ones</li> <li>• Enhancement of new group shareholders equity</li> </ul>
<p><b>Purchase Price</b></p>	<p>Purchase price is equal to Eu 160 mn in cash, subject to price adjustment mechanism between 31/12/2015 and closing</p>
<p><b>Funding</b></p>	<p>At Closing Interbanca Group exposure vs GE (estimated below 2 bn*) will be reimbursed Funding sources mainly comprise of:</p> <ul style="list-style-type: none"> <li>• Committed line provided by a Bank Consortium (around Eu 0.950 bn) on GE assets</li> <li>• Retail funding (Eu 1 bn in excess deposits expected at closing)</li> </ul>
<p><b>People</b></p>	<p>Acquisition of approximately 500 HR, over 1300 HR at Banca IFIS Group post-transaction</p>

(1) 0.01% owned by natural persons, non-active shareholders

\*Eu 2,395 bn at 31 December 2015 GE intercompany indebtedness (source: Consolidated Report)





**Run-off of less profitable positions (mainly in business lending)**



**Selective approach to small-medium size companies in lending**



**New specialty-finance opportunities in niche areas (e.g. restructuring)**



**Cross-selling opportunities within both the customer base of Banca IFIS and of Interbanca Group in order to significantly improve current customer development and retention**



**Active management of deteriorated corporate assets; open to further development**



**Rationalization and simplification of the target operating model**



**Cost synergies by leveraging the target HR structure to support the new Group's expected growth**



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