



**4<sup>th</sup> Q. 2008**

## Highlights

The factoring market and group positioning

Strategies

Consolidated financial and economic data

Attachments

# The “Credit Crunch”: impact on Banca IFIS’s activity

## The consequences for SMEs are ...

- ◆ Significant increase in the credit risk connected to all counterparties
- ◆ Widening of spread: enterprises need financing “at any cost”
- ◆ Difficulties for SMEs in finding the financial support they need from traditional banks

## BANCA IFIS’s BUSINESS MODEL

- **Transfer of credit risk from the financed client to the assigned debtor with a better credit standing**
- **Attentive management of the enterprise risk**

## ... the impact on Banca IFIS

- ◆ Significant increase in spread (the higher cost of funding is more than compensated by repricing in the face of clients)
- ◆ Increase in credit risk and therefore higher costs for provisioning
- ◆ Overall growth in profits and reinforcement in competitive positioning thanks to careful risk management

# The “Credit Crunch”: impact on Banca IFIS’s liquidity

## ◆ Particular characteristics of Banca IFIS

- Total absence of securities portfolio: no derivatives, no mortgages, no long terms, no toxic assets
- Corresponding banks view Banca IFIS as an operator with short-term loan commitments (average duration of commitments = 130 days) that is not only liquid but also reliable (Core Tier 1 at 1st January 2009 =10.4%; Ratio of net equity to total assets =11.4%)

## ◆ Actions taken to diversify funding

- The first programme generating eligible assets with the Eurosystem from credit deriving from ordinary activities (overall total equal to 250 million Euro) was completed in October 2008.
- Retail funding: Rendimax, a high interest savings account, has been successfully launched

**Banca IFIS continues to operate in line with its 2008-2010 business plan**

# Business model and growth opportunities

## A business model that guarantees high performance for a bank ...

- ◆ Focused on enterprises
- ◆ Excellent credit quality
- ◆ Short term lending
- ◆ Solid financial position
- ◆ Light cost structure and high operating leverage
- ◆ Close relation between sales force and territorial offices
- ◆ High growth and profitability, as history shows
- ◆ Total coverage of Italian territory
- ◆ Completely free of the credit crunch and substantially anticyclical

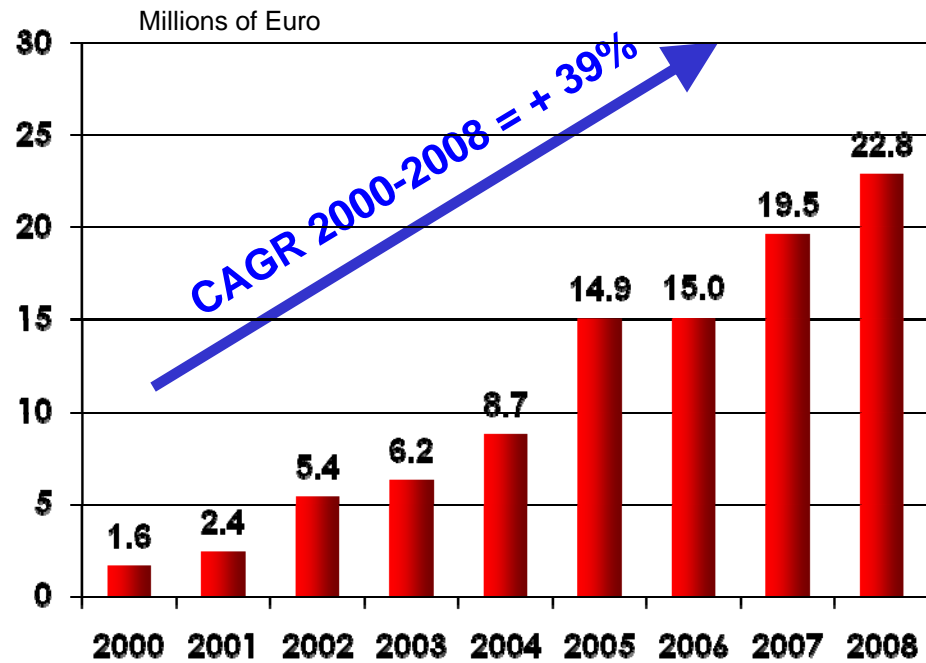


## ... with high growth opportunities based on

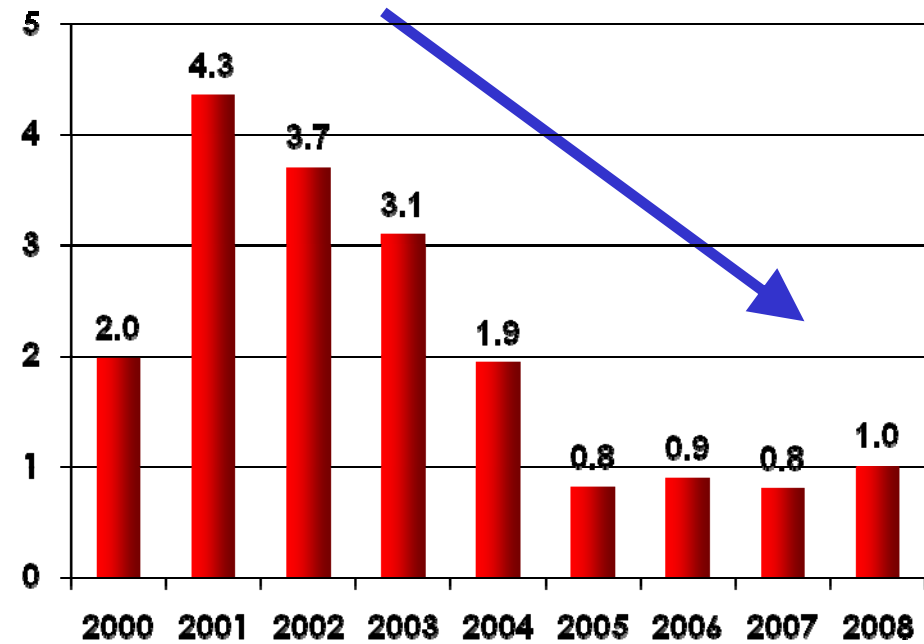
- ◆ Strong request for services from enterprises
- ◆ Low competition levels
- ◆ Excellent capital structure: tier 1 equal to 10.4%
- ◆ Sound access to financial resources
- ◆ Cross selling opportunities
- ◆ External growth only if compatible with business model
- ◆ High growth through the internal sales structure despite present economic scenario
- ◆ No relevance of the long-term reductions in interest rates

# High profitability and limited credit risk

## Net profit



## Non performing loans/Total loans %



Note: since 2002, when the company became a bank, it has adopted stricter credit policies

Highlights

**The factoring market and group positioning**

Strategies

Consolidated financial and economic data

Attachments

# The market and group positioning



Not only factoring market

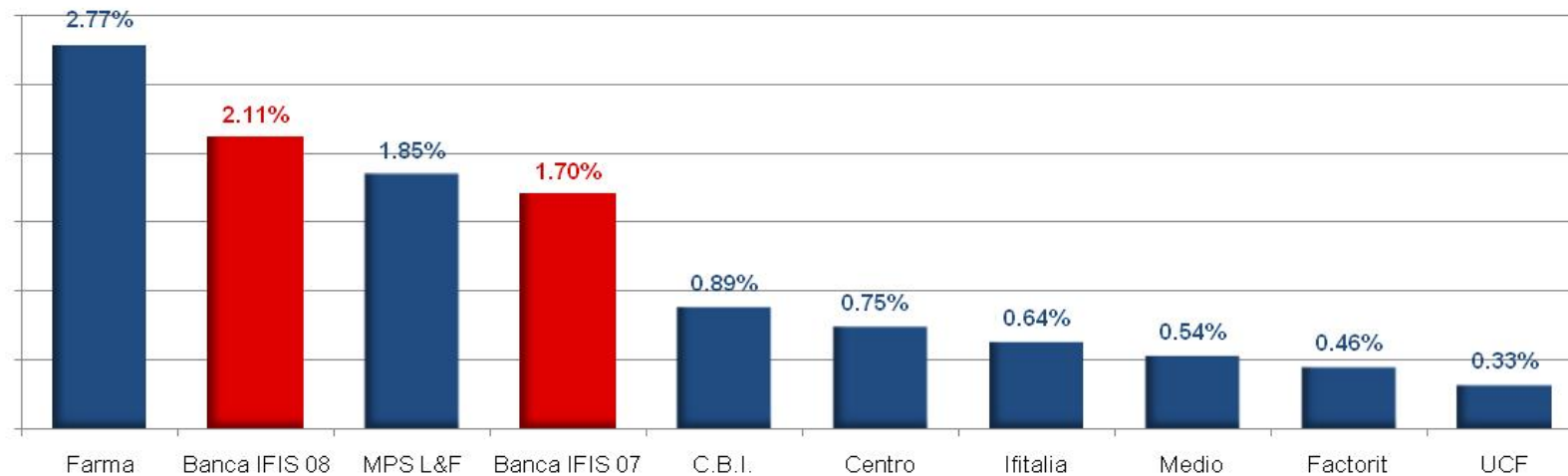
Turnover in Italian factoring market 2007 equal to about 109.1 billion Euro (source - Assifact); Loan commitments equal to 24 billion Euro (Banca IFIS estimation).

+

But even short term commercial finance market

Italian short term commercial finance market 2007 equal to 360 billion Euro (Banca IFIS estimation based on Bank of Italy figures as at December 2007).

Net banking income/Turnover (2007)



Figures at 31/12/2007





# The factoring market and group positioning

The Italian factoring market of today is characterised by three types of operators:

**Factoring companies  
belonging to banks**

- Intesa Mediofactoring
- Ifitalia - BNL Group
- Italease Factorit
- MPS Leasing & Factoring
- Unicredit Factoring
- Others

**Group logic**

**Captive factoring  
companies or specialists**

- Serfactoring – ENI Group
- Fercredit – FS Group
- ENEL Factor
- Farmafactoring
- Others

**Captive logic**

**Independent operators**



**Asset based  
business model**

# The factoring market and group positioning (continued)

## Dimensional approach (Group logic)

- **The assigning enterprises** are usually of a significant size and good credit standing
- **The assigned debtors** are not necessarily of a good credit standing
- **Portfolio** of assigned receivables is of high value and often diversified and divided
- **Statistical assessment** of the portfolio
- **Advances** are granted according to the credit worthiness of the assigning supplier

  
**Traditional operators**

## Profitability approach (Independent)

- **The assigning enterprises** are generally small or medium enterprises
- **The assigned debtors** must be of a good credit standing
- **Portfolio** of assigned receivables is not necessarily of high value and is often concentrated
- **Analytical assessment** of the portfolio
- **Advances** are granted according to the credit worthiness of the debtor


## The sales structure

- ◆ **88 sales staff** work in the 14 branches and the 5 territorial offices, who together constitute **the largest specialised network in Italy**. Staff remuneration is, on average, 35% linked to the achievement of the objectives predetermined by the budget.
- ◆ In 2008, agreements with brokers and local banks generated 21% and 3.3% of total Turnover respectively.

- ◆ 40 commercial agreements with banks
- ◆ 4 commercial agreements with the “Confederazioni di Banche di Credito Cooperativo” (Veneto, Friuli Venezia Giulia, Piedmont, Liguria and Valle d’Aosta, Emilia Romagna)
- ◆ 200 agreements with brokers and other intermediaries
- ◆ 16 agreements with institutional debtors
- ◆ 15 agreements with associations of the sector

All refer to the local offices  
and  
receive 30-40% of the bank’s commission

Highlights

The factoring market and group positioning

**Strategies**

Consolidated financial and economic data

Attachments

# The guidelines

**“From a specialized bank to a relationship-based bank for SMEs”  
capitalising on market trends**

**1. Internal growth in core business**

**2. Internationalisation of core business**

**3. Extending the range of products offered**

**4. Expansion in funding sources**

# The new model

## From specialised bank

- ◆ Perceived as a factoring specialist for SMEs
- ◆ Relationships with the client are necessary to conclude factoring operations and, as such, end with the operation
- ◆ Focus on the profitability of each individual operation



## to a relationship-based bank

- ◆ Perceived as the answer to SMEs every financing and service need
- ◆ Relationship with the client is the most important element: clients are taken care of by a relationship manager
- ◆ Focus on profitability of overall relationship with client also through diversifying products

# 1. Internal growth of core business

- ◆ **Reach potential clients through the reinforcement of the bank's own network**
- ◆ **New branches and territorial offices: from 17 (14 branches and 3 territorial offices) at the end of 2008 to 28 at the end of 2010**
- ◆ **In-house recruitment and selection**
- ◆ **Agreements with banks (cooperative banks and local banks) spread out over territory**

## 2. Internationalisation of core business

### Lines of development: next steps

- ◆ Continue to work only with counterparties of high standing without any foreign exchange risk
- ◆ Due to the current international economic situation, the opening of a factor in Romania has been postponed until 2010
- ◆ Kick off of Paris branch operations within the next few months of 2009
- ◆ Membership in Factors' Chain International as an Italian partner by excellence
- ◆ For Banca IFIS, International Business represents 12% of Turnover and 5% of Net Banking Income

**Factoring, which allows and requires an asset based approach to risk instead of concentrating on the customer, continues to provide enormous room for growth in countries with medium-level industrialised and financed economies**



### 3. Extending the range of products offered

#### Products/services for the new policy of cross-selling and customer retention:

- ◆ Distribution of leasing (agreement already signed and actuated with Centro Leasing Banca throughout Italy)
- ◆ Insurance (already initiated as a additional to leasing)
- ◆ Medium/long term finance (with distribution agreements with specialists) has been postponed but is still in the strategic plan
- ◆ Services for enterprises (support to the cycle) and entrepreneurs

**Strong demand by enterprises and the sales network for extension of the offer**

## 4. Expansion in funding sources

### Banca IFIS's financial need is very short-term:

- ◆ Average duration of loans to clients is 130 days: payment deadlines have been extended but the bank has reduced the delays granted to debtors (Maturity is a specific product of the bank dedicated to debtors with high credit standing)
- ◆ Loans to banks are at sight

### Diversification of funding has led to:

- ◆ Reinforcement of bilateral relationships with Italian and European banks
- ◆ Direct access to the Eurosystem
- ◆ Development of retail funding programme up to 30% of total collection

# Targets for 2010

2007		Target 2010		2008 achievements
Turnover 3.2 billion Euro	▶	+ 100%		Turnover 3.2 billion Euro
No. of Clients approx. 1,900	▶	+ 100%		No. of Clients approx. 2,300
Net banking income/Turnover 1.70%	▶	Between 1.60% - 1.70%		Net banking income/Turnover 2.11%
Cost/Income ratio 42%	▶	At least in line with period 2003-2006		Cost/Income ratio 43%
Net profit 19.5 million Euro	▶	+ 100%		Net profit 22.8 million Euro

Targets do not include the effects of extending the range of products offered

Highlights

The factoring market and group positioning

Strategies

**Consolidated financial and economic data**

Attachments

## Consolidated income statement: 4<sup>th</sup> Quarter 2007/4<sup>th</sup> Quarter 2008

### Consolidated income statement

€ thousands	4th QUARTER		VARIATION	
	2008	2007	ABSOLUTE	%
<b>Net banking income</b>	<b>17,416</b>	<b>15,836</b>	<b>1,580</b>	<b>10.0%</b>
Net impairment losses on loans and receivables	(1,693)	(717)	(976)	136.1%
<b>Net profit from financial activities</b>	<b>15,723</b>	<b>15,119</b>	<b>604</b>	<b>4.0%</b>
Operating costs	(8,611)	(6,466)	(2,145)	33.2%
Gross profit before taxes	7,112	8,653	(1,541)	-17.8%
<b>Net profit for the period</b>	<b>4,839</b>	<b>5,643</b>	<b>(804)</b>	<b>-14.2%</b>

- ◆ Growth in profitability slowed down in part due to rapid decreases in interest rates transferred completely to customers but not to the cost of collection
- ◆ Higher attention on the evaluation of assets caused by the deterioration of the economic situation
- ◆ Operating cost: in line with growth in the resources dedicated to developing new business

# Consolidated income statement 2005 - 2008

## Consolidated income statement

<i>€ thousands</i>	YEAR			
	2008	2007	2006	2005
<b>Net banking income</b>	<b>67,702</b>	<b>53,718</b>	<b>41,211</b>	<b>38,182</b>
Net impairment losses on loans and receivables	(6,403)	(2,470)	(1,788)	(3,976)
<b>Net profit from financial activities</b>	<b>61,299</b>	<b>51,248</b>	<b>39,423</b>	<b>34,206</b>
Operating costs	(29,001)	(22,566)	(15,811)	(13,691)
Gross profit before taxes	32,298	28,682	23,612	20,515
<b>Net profit for the period</b>	<b>22,801</b>	<b>19,534</b>	<b>15,012</b>	<b>14,948</b>
<b>Cost/Income ratio</b>	<b>42.8%</b>	<b>42.0%</b>	<b>38.4%</b>	<b>35.9%</b>

# Financial figures: Analysis by Quarter

In 2H 2008, risk repricing continued to show its positive effects

## Profitability: Quarterly evolution

€ thousands	2008				2007			
	4th Q.	3rd Q.	2nd Q.	1st Q.	4th Q.	3rd Q.	2nd Q.	1st Q.
<b>Net banking income</b>	<b>17,416</b>	<b>17,895</b>	<b>17,375</b>	<b>14,926</b>	<b>15,836</b>	<b>15,008</b>	<b>12,407</b>	<b>10,467</b>
Profit from sale or buybacks on:	-	-	(2)	-	-	1,515	1,070	-
a) available for sale financial assets	-	-	-	-	-	1,515	1,070	-
<b>No. of clients</b>	<b>2,293</b>	<b>2,134</b>	<b>2,099</b>	<b>1,987</b>	<b>1,868</b>	<b>1,735</b>	<b>1,678</b>	<b>1,522</b>
<b>Adjusted net banking income</b>	<b>17,416</b>	<b>17,895</b>	<b>17,377</b>	<b>14,926</b>	<b>15,836</b>	<b>13,493</b>	<b>11,337</b>	<b>10,467</b>
<b>Net banking income/Turnover</b>	<b>2.11%</b>	<b>2.20%</b>	<b>2.06%</b>	<b>2.07%</b>	<b>1.73%</b>	<b>1.77%</b>	<b>1.50%</b>	<b>1.46%</b>

Client average 2H 2008 = 2,196; Client average 1H 2008 = 1,984



+ 12.6% circa

Average adjusted net banking income 2H 2008 = Euro 17,656 m.  
Average adjusted net banking income 1H 2008 = Euro 16,151 m.



+ 9.3% circa

Note: Net banking income/turnover ratio is calculated using the adjusted net banking income

# Consolidated balance sheet 2005 – 4<sup>th</sup> Q. 2008

## Consolidated balance sheet

<i>€ millions</i>	PERIOD			
	31/12/08	31/12/07	31/12/06	31/12/05
Due from banks	188.1	312.1	267.3	128.8
Due from clients	1,008.6	923.1	783.0	710.9
Fixed assets	37.7	34.7	31.0	24.3
Other assets items	106.1	5.5	11.3	12.7
<b>Total Assets</b>	<b>1,340.5</b>	<b>1,275.3</b>	<b>1,092.6</b>	<b>876.7</b>
Due to banks	905.2	1,010.4	836.4	627.0
Due to clients	157.9	57.8	82.6	93.9
Outstanding shares	91.4	36.1	42.7	35.5
Net equity	153.1	134.0	108.3	103.3
Other liability items	33.0	37.1	22.7	20.0
<b>Total Liabilities</b>	<b>1,340.5</b>	<b>1,275.3</b>	<b>1,092.6</b>	<b>879.7</b>



# Consolidated financial figures: Funding

- **Substantial stability in availability: 1,168 million Euro**
- **Committed medium term lines equal 231 million Euro**
- **Weighted average duration (on an annual basis) equals 102 days**
- **Weighted average cost of funding for 4Q. 2008 is 70 bps more than the average Euribor 3M recorded in the same period (spread generated by the rapid reduction of rates)**

Highlights

The factoring market and group positioning

Strategies

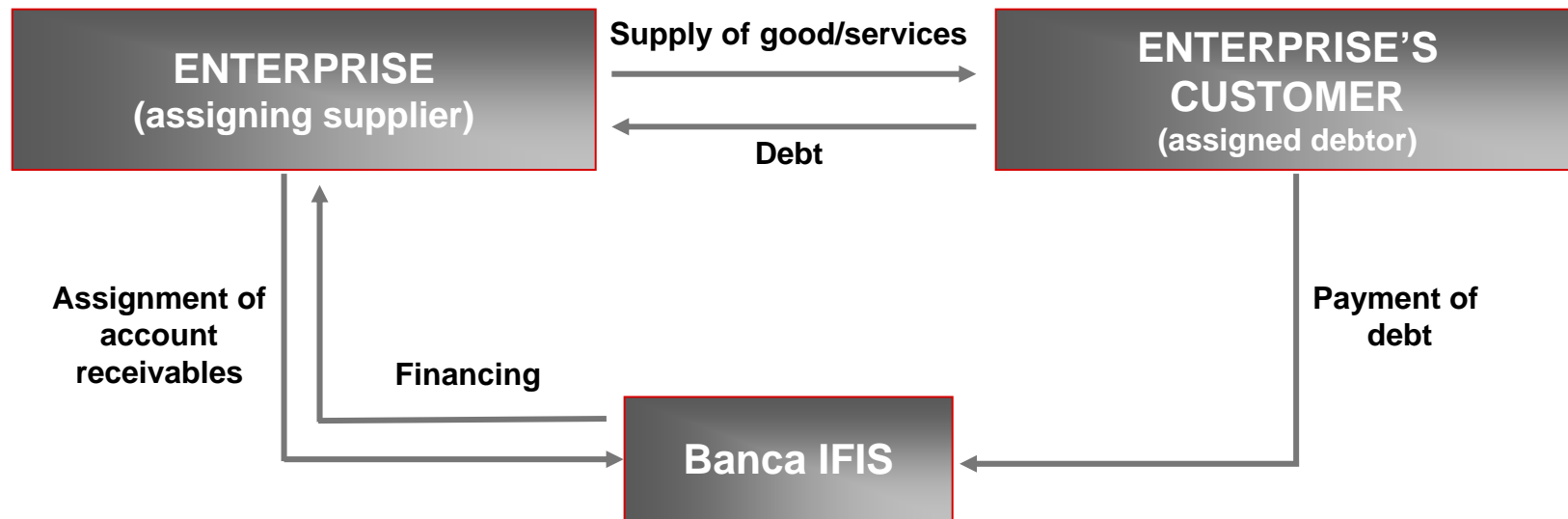
Consolidated financial and economic data

**Attachments**

# Banca IFIS milestones

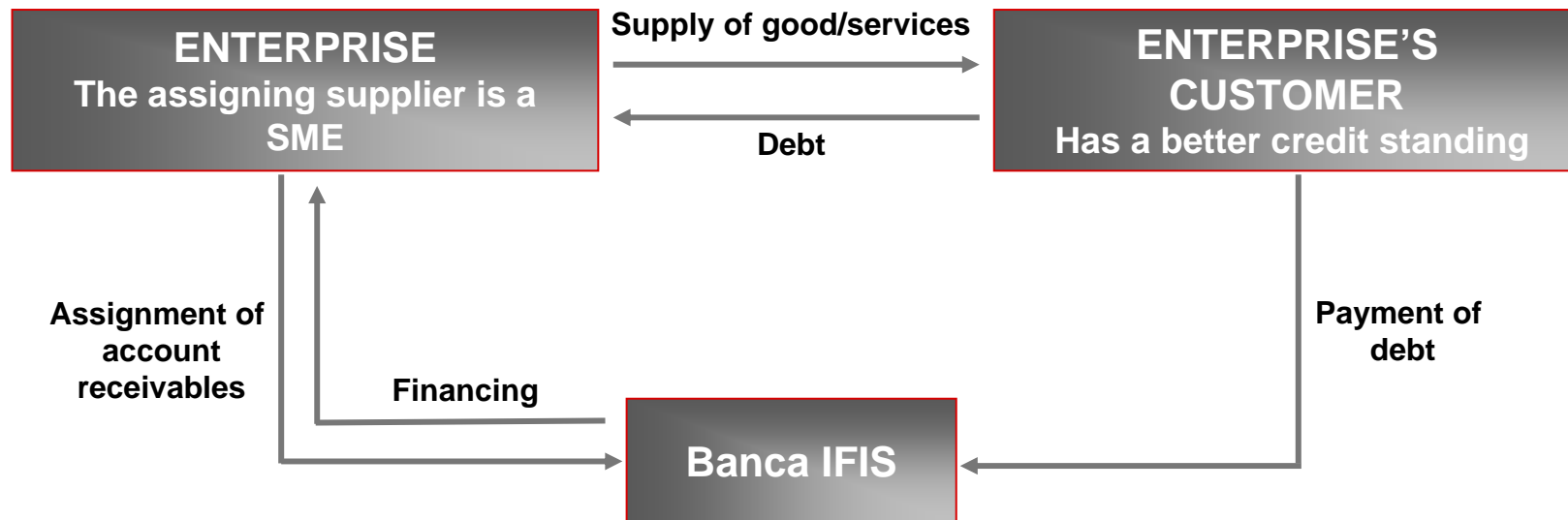
- 1983** The company, I.Fi.S. - Istituto di Finanziamento e Sconto S.p.A. -, was incorporated.
- 1989** IFIS shares received listing admission on the over-the-counter market of Milan.
- 1997** Registration in the list of financial intermediaries ex art 107 of the TULB (Consolidation Act for banks).
- 2001** Authorised to carry out banking activities as from 1st January 2002.
- 2003** Listing admission on the Mercato Telematico Azionario (telematic stock market).
- 2004** Listing admission in the STAR segment of the Italian Stock Exchange.
- 2005** Capital increase, Equity equal to 100 million Euro.
- 2006** Fitch rating agency assigns an 'investment grade' (BBB - ). Internationalisation: opening of an office in Paris. Acquisition of IFIS Finance in Poland (previously known as FIDIS FACTORING POLSKA).
- 2009** At February 2009: 267 employees, 14 branches, 5 territorial offices in Italy, a branch in Paris, representative offices in Bucharest and Budapest, and IFIS Finance in Poland.

# What is factoring?



- ◆ The assigning enterprise can gain **quick access to credit** for its liquidity needs
- ◆ **A flexible tool** that “teaches” the enterprise to better manage its working capital

# What is factoring for Banca IFIS?

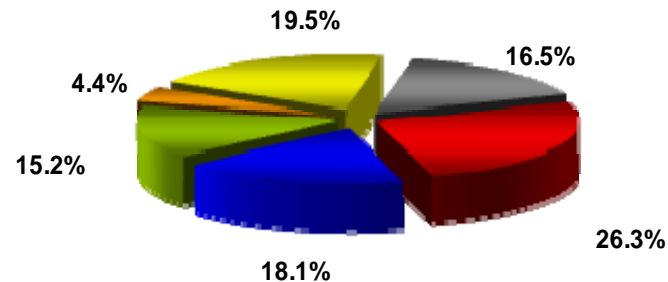


- ◆ The **current economic scenario**, with a higher sensitivity to credit risk, favours Banca IFIS's business model
- ◆ Banca IFIS's business model involves the **application of financial/economic conditions to the assigning enterprise** (SME) while transferring **the risk** to the assigned debtor company of a better credit standing

# Clients and debtors

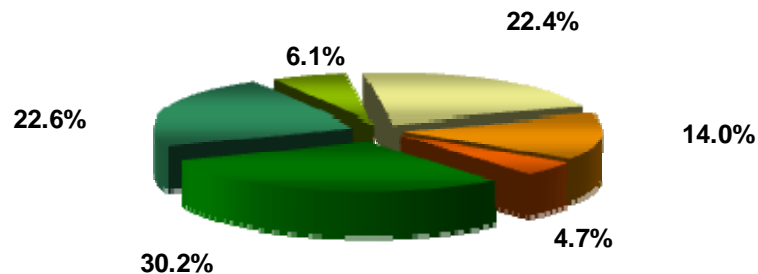
Loan commitments broken down by clients  
(Turnover in millions of Euro)

■ from 1 to 5 ■ From 5 to 15 ■ From 15 to 50 ■ From 50 to 100 ■ Over 100 ■ Unclassifiable



Total Outstanding for Standing Debtors as at 31/12/2007

■ Public Administration ■ Large Groups ■ Excellent ■ Good ■ Medium ■ Poor



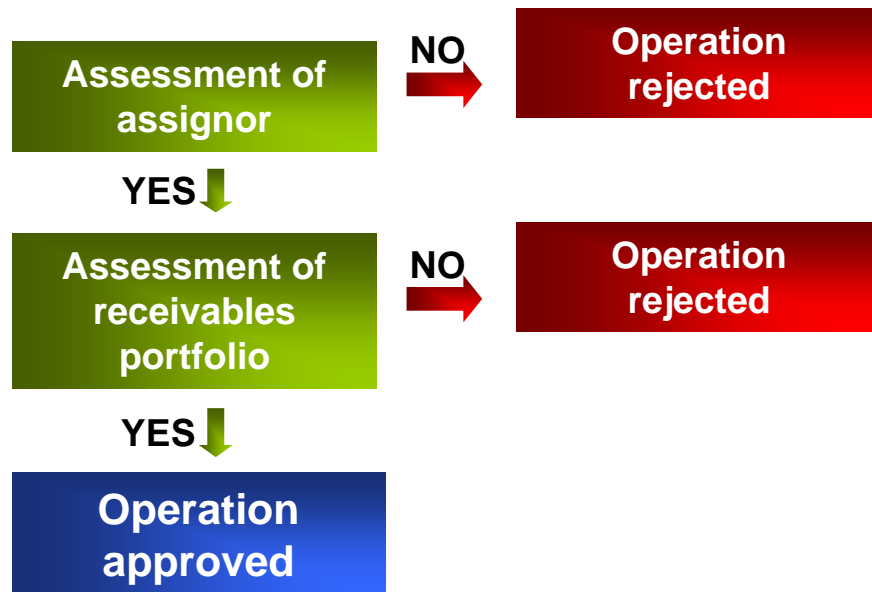
◆ The duration of factoring operations is short-term (90/120 days)

◆ The financing granted does not normally exceed 80% of the receivables purchased

◆ The transfer of risk is guaranteed even in assignments with debtors of a medium/low credit standing, in which cases the percentage of the receivables financed is lower or the service offered is credit management only

# Risk assessment in factoring: The different approaches

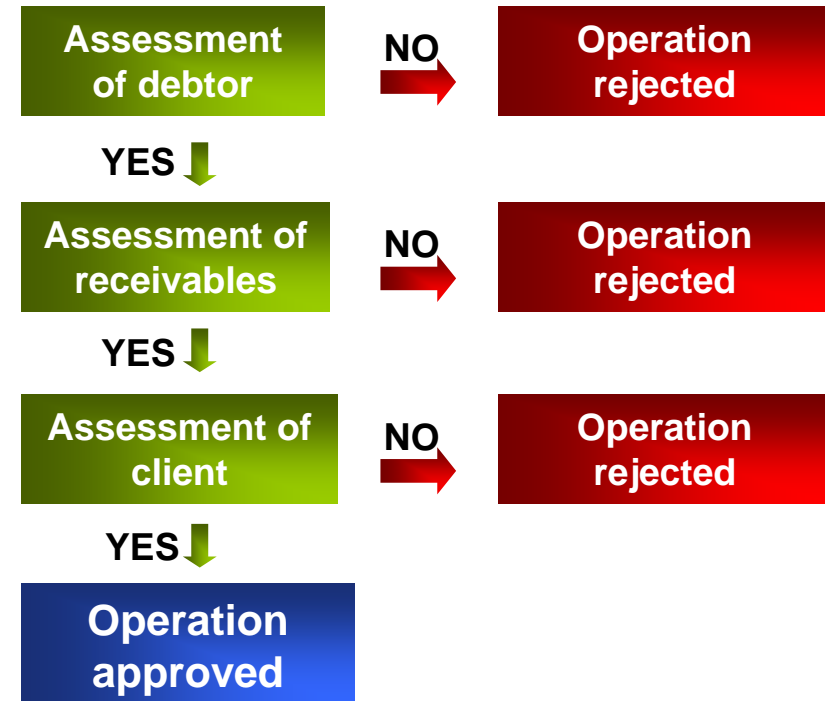
## Traditional risk assessment



Focus on ASSIGNOR

## Banca IFIS risk assessment

### The 3 pillars of risk assessment

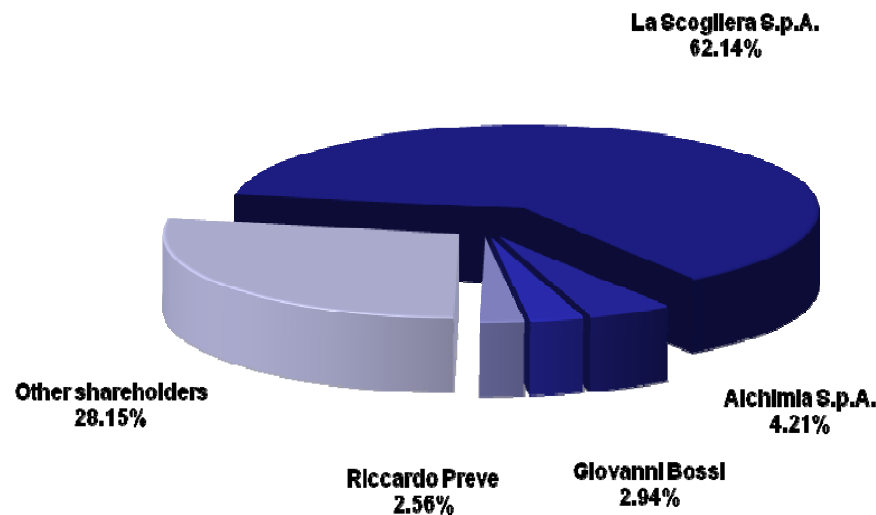


Focus on DEBTOR

# Stable shareholders

La Scogliera S.p.A. is controlled by Banca IFIS's President - Sebastien Egon Fürstenberg. Giovanni Bossi, the C.E.O., has been the bank's third largest shareholder since 1995.

## Shareholders



The fact that Banca IFIS's shareholder breakdown is so compact can allow for external growth in terms of possible acquisitions or similar.

This scenario is expected only in cases of:

- ◆ Industrial upgrading
- ◆ Creation of synergies
- ◆ Cross selling

Figures updated on 29 January 2009