

Banca IFIS acquires FBS, creating the first integrated player for Italy's NPLs

Closing expected in September.

The CEO Giovanni Bossi: “This acquisition gives rise to Italy's first completely integrated Asset Management Company, with over 20 billion of assets managed both on our own and on behalf of third parties”.

TRANSACTION HIGHLIGHTS

- The servicer FBS joins the Banca IFIS Group;
- With this acquisition, Banca IFIS can now offer a comprehensive range of solutions for all asset classes of the NPL market;
- Under the deal, Banca IFIS acquires 90% of FBS for €58,5 million;
- Paolo Strocchi, majority shareholder of FBS since its foundation, will continue to act as Chief Executive Officer together with the current top management, retaining 10% of the company overall;
- The scope of the transaction includes also a proprietary portfolio of non-performing loans totalling over 1,28 billion Euro;
- FBS manages about 7.0 billion of NPL through its 127 employees and it's the fourth player in the Italian servicing sector;
- Strong enhancement of the secured portfolio of Banca IFIS;
- FBS ended 2017 with an Ebitda of approximately 10 million Euro and a net profit of 5,6 million Euro.

Milan, 15 May 2018 – Banca IFIS announces it has finalised an agreement to acquire control over FBS S.p.A., a company established by Paolo Strocchi operating in the NPL segment as a servicing specialist (including both master and special services), manager of secured and unsecured NPL portfolios, due diligence advisor, and investor authorised to conduct NPL transactions.

“This merger—says **Giovanni Bossi**, Banca IFIS CEO—represents a turning point for Banca IFIS and for the Italian market. It gives rise to the **first integrated platform of investment and of asset management on the Italian market**, capable of providing a comprehensive service—either servicing, investment, or a combination of the two—for all non-performing loan categories, from dispersed unsecured consumer portfolios to corporate and real estate ones. Italy's banks and financial institutions require comprehensive solutions that can help them dispose of their non-performing loans; the answers to these needs may be complex, and only an in-depth knowledge of receivables and the solutions for debtors allows to identify the optimal solution. Several banks are currently de-consolidating their NPL portfolios—including by taking advantage of favourable regulations; however, they are not *addressing* their loans, but rather taking them off their balance sheets. *Addressing* them—stresses Mr Bossi—will require several years as well as a high level of expertise and specialisation, so as to make the most of differences and opportunities in the market. For Banca IFIS, the

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business combination with FBS represents a first significant step in this direction, as it gives the Group world-class expertise in servicing loans with underlying real estate and corporate assets. Combined with the Bank's formidable experience in unsecured loans, this will result **in specialist services being integrated within a single player for the first time**. The Bank's financial strength complements the product range: also the world of UTPs, which entails more complexity and uncertainty, can be approached directly by a Bank that has already developed all the necessary specialist skills in terms of analysis, servicing, and investment and a strong experience in lending to SMEs. With FBS, Banca IFIS now has over 14 billion Euro worth of non-performing loans and services an additional 7 billion Euro in receivables on behalf of third parties, bringing the managed portfolio at over 20 billion Euro. Thus—concludes Mr Bossi—a joint platform with approximately 400 employees and that involves also 200 legal advisers as well as almost 300 professionals is born. This is Italy's largest player, and it looks forward to changing the rules of the non-performing loan market in the interest of all stakeholders.”

Paolo Strocchi, Chief Executive Officer of FBS, commented: "The transaction with Banca IFIS is the natural conclusion of a successful entrepreneurial venture begun in 1997 that, year after year, saw the growth of FBS up to becoming the 4th Italian operator in the NPL segment. The financial skills of Banca IFIS, together with the reliability and expertise of FBS, which is fully aware of the logic and dynamics of a unique and complex market such as the Italian one, will allow our company to play an even more prominent for the sake of the NPL market and of its players. In the last two years, we have received several partnership proposals from foreign and domestic operators. We have always believed that the answer to the great NPL issue, which is not yet solved in our Country, should come from Italy: a system transaction for the system. Thanks to Banca IFIS, a fully Italian opportunity to combine the capital of a private bank with the Italian management know-how of a qualified provider such as FBS is accomplished".

As part of the transaction, besides the servicing platform, Banca IFIS acquires also a proprietary mixed (secured and unsecured) portfolio with a par value of approximately €1,28 billion (over 45 thousand debtors with an average ticket size of nearly 28 thousand Euro).

Strategic guidelines – The transaction—financed entirely with Banca IFIS's robust liquidity—involves:

- extracting more value from the banking and real estate portfolio of Banca IFIS's NPL Area through the FBS servicing platform;
- expanding the range of services, streamlining processes, and cutting asset conversion times;
- maximising the organisational and process integration; leveraging FBS's proprietary technological platform;
- retaining FBS staff: approximately 127 individuals across 3 offices (Ravenna, Milan, Bari);
- extending Banca IFIS's technological investments to promote the digital transformation of the processes and loan servicing operations of the NPL Area.

The stages - The acquisition closing is expected by September and entails the following:

- Banca IFIS acquires 90% of FBS for 58,5 million Euro;
- Paolo Strocchi retains 7,5% of the company, while the managers Elena Ruo and Giorgio Fedocci (who have a long history at FBS) keep a combined 2,5% stake.

At the end of 2017, the Ebitda of FBS amounted to nearly 10 million Euro; the net profit for the year increased by 5.6 million compared to 2.1 million Euro in the prior year, while consolidated equity was equal to 17 million Euro with a financial position essentially reset. FBS, which has decades of experience in servicing bank and secured loans, is based in Milan and has branches in Ravenna and Bari. It has received ratings both from Fitch

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(RSS2+/CSS2+/ABSS2) and from Standard&Poor's ("Above Average as special servicer of residential and commercial mortgages" and "Above Average as special servicer of consumer finance")¹.

The Law Firm Clifford Chance (by the partner Alberta Figari) acted as legal adviser to Banca IFIS.

The shareholders of FBS S.p.A. were assisted by Lazard acting as financial adviser and Studio Legale Grande Stevens (by the Partner Daniele Bonvicini) acting as legal adviser

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¹ In addition, Standard&Poor's has assigned FBS a rating for the servicing of unsecured loans, citing the company's steady "recovery rate" as well as the high quality of its top management and IT systems.