

## **Banca Ifis D.O.E.S.: 2022-2024 business plan approved**

### **Digitisation, strategic partnerships, efficiency and sustainability are the Bank's growth drivers for the next three years**

#### **The main plan objectives**

Banca Ifis will continue to focus on business segments with the highest opportunity for growth and profitability to strengthen market leadership: Commercial and corporate banking for SMEs and Npls.

In 2024, **164 million Euro of net profit** (161 million Euro in profit pertaining to the Parent Company) and an **ROE of 9%** are expected; in the three-year period 2022-2024, a **cumulative net profit in excess of 400 million Euro** is expected. The Bank aims to create shareholder value with a dividend payout of approximately a **cumulative 200 million Euro** over the period 2022-2024, making for a **payout ratio of around 50%**. CET1 is expected to be 15,1% as of 2024 and will conservatively be above 14% throughout the plan period.

Moody's has assigned **Banca Ifis a rating of Baa3 (investment grade)** with a stable outlook due to the Bank's profitability and solid capital and liquidity position.

#### **To support profitable growth, the Bank has defined a business plan based on four pillars:**

- **Digital:** **76 million Euro in new digital technology investments** and a dedicated team to speed up innovation.
- **Open:** a **"bank-as-a-platform"** model and the launch of high-potential strategic partnerships to capture opportunities in both credit product distribution and Npl acquisition and management.
- **Efficient:** Rigorous cost management, automation and process redesign to finance investments in digitisation at the service of growth.
- **Sustainable:** strong initiatives to enhance the core business in an ESG perspective and set up a **Social Impact Lab** to promote high social impact projects in the culture, health and territory.

People at the heart of transformation: **200 new hires of which 150 young people** and a training and reskilling program to strengthen and expand on employees' distinctive skills.

#### **Main targets through to 2024**

Reclassified data<sup>1</sup>

- **Revenues up from 603 million Euro in 2021 to 689 million Euro in 2024** (CAGR of +5%) supported by increased volumes, technological innovation and new strategic partnerships. The contribution to growth will be fairly balanced by business and asset type.
- **Operating expenses, net of other mainly extraordinary costs, increase from 348 million Euro in 2021 to 372 million Euro in 2024** (CAGR +2%).
- **Cost/income down sharply from 62% in 2021 to 56% in 2024** partly thanks to targeted efficiency and cost containment actions. Cost rationalisation will be an important contributor to funding business transformation.
- **Digitisation as a strategic priority: investments of 76 million Euro over the three years.**
- **Profit up sharply from 102 million Euro in 2021** (101 million profit attributable to the Parent Company) **to 164 million Euro at the end of the plan** (161 million Euro profit attributable to the Parent Company) thanks to the four strategic levers - D.O.E.S. - grafted onto a solid model based on specialisation and diversification.
- **Customer loans:** from 10,3 billion Euro in 2021 to 12,1 billion Euro in 2024 driven by the launch of digital products, growth in high-profitability segments and partnerships with strategic players.
- **Asset quality: Net NPE ratio improving from 3,9% in 2021 to 2,8% in 2024.**
- **Funding from 10,8 billion Euro in 2021 to 13,6 billion Euro in 2024.** The Bank will continue to pursue diversification of funding sources including through securitisations and bond issues.
- A **CET 1 ratio above 14%** throughout the plan will support the Bank's dividend policy.

<sup>1</sup> Net impairment losses/reversals on receivables of the Npl Segment have been reclassified to interest receivable and similar income to the extent to which they represent business operations and are an integral part of the return on the investment. This is another reason why, beyond the specific transactions, the effects of an analysis also performed in response to the Covid-19 pandemic were classified under impairment

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- **MREL significantly above the regulatory requirement thresholds of 10%.** Regulatory LCR ratios (greater 1500% in 2024) and NSFR (120% in 2024) well above minimum regulatory requirements over the life of the plan.

Milan, 10 February 2022 – The Board of Directors of Banca Ifis, chaired by the Deputy Chairman, Ernesto Fürstenberg Fassio, has approved the 2022-2024 Business Plan.

### **Ernesto Fürstenberg Fassio, Deputy Chairman of Banca Ifis:**

"With the 2022-2024 Business Plan Banca Ifis confirms to be a challenger bank that purses goals of sustainable value generation in high profitability segments.

The Bank comes to this appointment with an important endowment, linked to the **transfer of the Holding Company office increasing the CET1 ratio at 15.4%. The Bank faces a post Covid scenario with strong financial figures.**

**This plan perfectly embodies** a long-term vision shared with the controlling shareholder and aims to strengthen the Bank's leadership in the core businesses in which it already operates and aims to become a more innovative, digital, hi-tech, efficient in the industrialisation of processes, based on the skills of its people and sustainable.

Over the next three years, we will lead the Bank's transformation **by focusing on our goals**, under the banner of sustainability, **with the aim of generating a positive and tangible impact for all stakeholders.** The new **Social Impact Lab** will be focused on promoting a more inclusive society. We will continue to **invest in our people**, including training programmes and dedicated welfare plans, as well as working methods that promote a healthy work-life balance".

### **Frederik Geertman, Chief Executive Officer of Banca Ifis:**

"The new Business Plan aims to consolidate Banca Ifis's leadership in business areas with the highest opportunity for growth and profitability: Commercial and Corporate Banking for SMEs and Npl, where the Bank is the absolute leader in the small-ticket unsecured segment. **Over the next three years, we will become a Bank that is increasingly digital, efficient, open to new partnerships, and focused on sustainable growth. This is the meaning of D.O.E.S: digital, open, efficient, sustainable.**

Going into detail about the **financial targets**, over the Plan period we expect to **generate approximately 400 million Euro in cumulative net income and distribute approximately 200 million Euro in cumulative dividends.** We will achieve a ROE of over 9% in 2024 while CET1 will remain above 14% for the entire three-year period, asset quality will improve through careful management of concentration risk, also thanks to the strengthening of the credit policy.

**Digitisation and innovation are, and will continue to be, strategic drivers** by which to increase our competitive advantage and achieve cost-effective growth. We are speeding up the digitisation process of our commercial service to SMEs: by 2024 we aim to acquire over 40% of new customers through digital channels, twice as much as today, and to grant over 90% of new loans in less than three days, while in the Npl area we will expand the use of robotics and artificial intelligence systems to optimise collection strategies.

**Through the "Bank-as-a-platform" model, we will enter into partnerships with banking and industrial players** growing like ourselves, in order to keep our cost base flexible and leverage third-party distribution capabilities. We already have credit distribution agreements in place with Banca Generali and on collections with Fineco, while in the Impaired Loans Business we will evaluate collaborations with transferors of Npl portfolios and co-investors to maximise the profitability of collection for all.

**We will increase efficiency** by reducing operating costs and optimising processes to free up resources and **self-fund the transformation.** Over the plan period, operating expenses are expected to increase by approximately 2% per year with revenues growing by 5%. We will increase IT investments by 80 percent from 42 million Euro in the previous three-year period to 76 million Euro in 2022-24 (both opex and capex).

**For Banca Ifis, sustainability is a value creation lever.** We have already embarked on an ESG journey with important initiatives, obtaining an "A" rating from MSCI. We are the first Italian challenger bank to join the Net-Zero Banking Alliance, we have already started a path to support SMEs in their sustainable transition, while in the Npl segment we have developed an ethical and sustainable collection model for the financial re-inclusion of families. We are also the first institution to have been certified for gender equity by the Winning Women Institute.

The 2022-2024 Business Plan is based on the **distinctive skills of our people, the most important guarantee of our success.** An ambitious plan that will allow us to accelerate the transformation of a more digital, open, efficient and sustainable Bank".

### **Our strategy for sustainable and valuable growth**

The industrial plan of Banca Ifis is based on a solid model with an almost 40-year track-record: specialisation and leadership in highly profitable segments, first and foremost factoring and Npl. The Bank also has an excellent position

in lending, leasing and renting and in corporate finance and boasts a widespread commercial network, well established in the most advanced and industrialized areas of the country. Banca Ifis is the market leader in small ticket unsecured Npls, not only for the size of the portfolios acquired, but also for the professionalisation and industrialisation of collection activities: a distinctive business model vertically integrated and proven by track records with originators, investors and other servicers, supported by pricing capabilities and a proprietary database with over 2,1 million debt positions.

The Bank has always made profitability (102 million Euro of Group net income in 2021, of which 101 million pertaining to the Parent company), capital solidity (at 31 December 2021, CET1 of 15,4%) and liquidity ratios well above regulatory requirements the pillars of its action and attention to risk.

The improvement in asset risk, the solid capital position and the ample liquidity allowed Banca Ifis to obtain from **Moody's a rating of Baa3 (investment grade) with a stable outlook.**

In order to face the challenges arising from a constantly evolving market scenario and strengthen its leadership in its two core businesses, Banca Ifis has defined a strategy for the next three years based on **four pillars: digitisation, openness to business partnerships, efficiency and sustainability. In a word: D.O.E.S.**

## **Banca Ifis D.O.E.S: the four pillars of the 2022-2024 Business Plan.**

### **D.O.E.S. An increasingly Digital bank**

Banca Ifis has always boasted a very strong innovative and technological DNA that has been pioneered in all business sectors. Over the years, investments have been geared toward **developing a proprietary IT architecture that can support transformation** at low cost, providing modularity and flexibility and rapid time-to-market.

Over the next three years, **Banca Ifis will invest around 76 million Euro in digitisation (between 2019 and 2021, ICT investments amounted to 42 million Euro) and will invest in a dedicated team for the bank's digital transformation.**

In the Corporate and Commercial Banking segment, these investments will lead, by 2024, to a doubling of customer acquisition through digital channels (over 40% compared to 25% today), to having over 90% of disbursements completed in less than 3 days, and to a reduction in average response time: within 24 hours compared to around 12 days today, guaranteeing a full digital relationship with the customer.

In the Npl Sector, a multi-channel contact strategy, the use of robotics and modern analytics tools will be implemented to speed up collection processes with the aim of reducing by 30% the onboarding time of newly acquired Npl portfolios and manage more than 20% of volumes digitally and centrally.

### **D.O.E.S. Open: openness to strategic business partnerships to seize new opportunities**

With the **Bank-as-a-platform** project, **the Bank aims to open up to new strategic partnerships with specialised players** to reduce complexity and keep fixed costs down. In 2022, Banca Ifis entered into agreements with Banca Generali to distribute the Bank's portfolio banking products such as SME loans. **Over the three-year period, the aim is to expand existing agreements towards new solutions and other customer segments** (e.g. digital leasing and private hire) while launching new partnerships with industrial and banking partners.

**On the Non-Performing Loans front, the strategy will lead to the evaluation of forward flow agreements** to improve the stability of Npl purchases, **the sharing of the investment with co-investors to mitigate the impact of calendar provisioning**, but also partnerships with servicers specialised in "non-core segments" (e.g. big ticket) to optimise collection and keep fixed costs down. The impact of calendar provisioning will be managed through co-investment with players who have common objectives with those of Banca Ifis and the implementation of efficient collection strategies. Over the life of the business plan, it is estimated that the Npls acquired and subject to calendar provisioning will be around 15%.

### **D.O.E.S. Cost Effective without compromising investment**

Rigorous cost management will go a long way in helping to fund investments that serve digital transformation. The main investments will be in digitisation, the **Bank-as-a-platform** efficiency and process automation in both the Commercial & Corporate Banking and Npl segments.

Administrative expenses will be optimised through the new centralised Procurement function, the renegotiation of contracts, the synergies between the acquired companies (Farbanca, former Aigis Banca), greater effectiveness in the collection of Npls through low cost channels as well as more selective legal actions. Digitising, automating and redesigning processes will enable investment in training and upskilling employees to take on higher value-added activities.

**A hiring plan for 200 resources of which 150 young people is planned over the three-year period.**

### **D.O.E.S. Sustainability: the Social Impact Lab has been established**

Generating a positive tangible impact on all stakeholders is one of the objectives of the sustainability plan, consistent with the 17 United Nations Sustainable Development Goals and fully integrated with the business plan. Numerous initiatives have already been launched in the ESG area.

- **Environment:** by joining the Net-Zero Banking Alliance, the United Nations initiative aimed at accelerating the sustainable transition of the banking sector, Banca Ifis has committed to achieving zero net emissions from its loan portfolio by 2050, and to set interim targets on priority, emissions-intensive sectors by 2030. In order to support the energy transition of small and medium-sized enterprises, the Bank has launched the "Change PMI" project, which provides for the offer of dedicated products and services, such as subsidised loans and scoring services on the ESG performance of customers.
- **Social:** Banca Ifis has established a Social Impact Lab focused on three areas - culture, community and health - to develop and promote projects that have a social impact both within and outside the company. In the Npl segment, the Bank will further strengthen its ethical and sustainable collection model to facilitate the financial re-inclusion of individuals and families.
- **Governance:** a Sustainability Committee has been created, chaired by Bank's Vice Chairman Ernesto Fürstenberg Fassio, to support strategic direction and define the most relevant projects, ensuring the monitoring of achievement of results. Banca Ifis has also obtained the "A" rating from the company MSCI and is now pursuing the objective of improving its positioning.
- **People:** Banca Ifis boasts a dynamic, young and qualified team of people: the average age is under 40 and 54% of collaborators are women. The Bank is characterised by a leadership team composition, in terms of gender parity, that is a record in the banking sector: 40% of the top management reporting to the Managing Director is female and 41% of the members of the Board of Directors are women. Thanks to these numbers, Banca Ifis is the first bank in Italy to be certified for gender equality by the Women Winning Institute.

## 2022-2024 financial targets

### RECLASSIFIED DATA<sup>1</sup>

- **Net income is expected to grow from 102 million Euro in 2021** (101 million Euro pertaining to the Parent Company) **to 164 million Euro in 2024** (161 million Euro pertaining to the Parent Company) with an **ROE of 9%** at the end of the plan, when the Bank will reach its full potential through strategic partnerships, new product launches, efficiency measures and cost containment.
- **Revenues up 5% between 2021 and 2024, from 603 million Euro to 689 million Euro** driven by growth in both businesses: Non-Performing Loans and Commercial and Corporate Banking. Commercial loans are expected to increase from 6,5 billion Euro to 8,3 billion Euro. Banca Ifis will invest 650 million Euro in the purchase of new Npl portfolios.
- **Operating expenses** are estimated to increase by 2% from 2021 to 2024, from 348 million Euro to 372 million Euro, while **other costs**, mainly of an extraordinary nature, are expected to decrease by 24%, from 28 million Euro to 12 million Euro.
- **Cost/income down sharply** from 62% in 2021 to 56% in 2024 partly thanks to targeted efficiency and cost containment actions.
- **Net adjustments on loans** will decrease from 77 million Euro in 2021 to 62 million Euro in 2024. The net NPE ratio is expected to decrease from 3,9% in 2021 to 2,8% in 2024 despite an increase in 2022 due to the end of the moratoria regime.
- **Asset quality.** Asset quality will benefit from the improvement in the macroeconomic environment, the strengthening of the credit risk management process and the reduction in concentration risk.
- **Customer loans** will grow between 2021 and 2024 from 10,3 billion Euro to 12,1 billion Euro, driven by the launch of digital products, growth in highly profitable segments and partnerships that will be activated.
- **Funding** is expected to grow from 10,8 billion in 2021 to 13,6 billion Euro in 2024. The Bank continues to pursue its strategy of diversifying its sources of funding, particularly with regard to securitisation transactions and bond

<sup>1</sup> Net impairment losses/reversals on receivables of the Npl Segment have been reclassified to interest receivable and similar income to the extent to which they represent business operations and are an integral part of the return on the investment. This is another reason why, beyond the specific transactions, the effects of an analysis also performed in response to the Covid-19 pandemic were classified under impairment

issues. Retail deposits are expected to increase by 0,9 billion Euro (from 5,7 billion Euro in 2021 to 6,6 billion Euro in 2024) thanks to the development of new channels for Rendimax deposits and the increase in the long-term component. Banca Ifis wants to become a frequent issuer and plans 2,5 billion Euro of new bond placements. Issues will be determined in consultation with the regulator, based on funding requirements/volume growth, funding costs, and funding mix.

- **MREL** will be significantly higher than the regulatory requirement thresholds of 10%. LCR and NSFR regulatory ratios well above minimum regulatory requirements over the life of the plan.
- **CET1**: the Bank is committed to maintaining a strong capital base, with a CET1 ratio above 14% for the duration of the plan.
- **RWA**: expected to increase, consistent with business volume growth, to 10,7 billion Euro in 2024 from 9,6 billion Euro in 2021. The co-investments in the NPL sector, together with the focus on loans to SMEs with public guarantees (through the instruments of the Central Guarantee Fund, MCC and other schemes available throughout the duration of the plan), will allow an overall weighting of RWA on total assets of around 67%.
- **Payout ratio**: equal to approximately 50% over the life of the plan to provide a stable return of value to shareholders.

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2021 results and 2024 targets for key Group financial data:

€mln	2021	2024	CAGR 2021-24 % Δ 2021-24 p.p./bps
<b>Net revenues<sup>1</sup></b>	<b>603</b>	<b>689</b>	<b>5%</b>
Loan loss provisions (LLP)	-77	-62	-7%
Operating costs	-348	-372	2%
Other costs <sup>2</sup>	-28	-12	-24%
<b>Pre-tax profit</b>	<b>150</b>	<b>243</b>	<b>17%</b>
<b>Net income</b>	<b>102</b>	<b>164</b>	<b>17%</b>
<b>Parent Company's Net income</b>	<b>101</b>	<b>161</b>	<b>17%</b>
Customer loans (inc. NPL)	10.3 €bln	12.1 €bln	5%
Cost/income, %	62%	56%	~ -6 p.p.
Cost of credit <sup>3</sup> , bps	64	56	-8 bps
Gross NPE ratio <sup>3</sup> , %	6.4%	5.7%	~ -0.7 p.p.
<b>Cost of funding, bps</b>	<b>84</b>	<b>102</b>	<b>7%</b>
<b>CET1<sup>4</sup> ratio, %</b>	<b>~15.4%</b>	<b>~15.1%</b>	<b>~ -0.3 p.p.</b>
ROE, %	~6%	~9%	~ 3 p.p.

1. Including: dividends, results from trading and hedging, profits / losses from sales  
2. Including: FITD-Fondo di risoluzione, Extraordinary Items, Bargain, provisions  
3. Excluding Ifis NPL investing and Ifis NPL servicing  
4. Considers the transfer of LS in CH

€bln	2021	2024	CAGR %
Customer loans	10.3	12.1	5%
o/w Commercial & Corporate Banking	6.5	8.3	8%
o/w NPL business	1.5	1.7	3%
<b>Total Assets</b>	<b>13.0</b>	<b>16.0</b>	<b>7%</b>
Direct funding	7.7	8.3	2%
o/w customer deposits	5.7	6.6	5%
o/w TLTRO	2.0	1.7	-6%
Securitization	1.4	1.7	5%
Bonds	1.1	2.5	33%
o/w Senior	0.7	2.1	47%
o/w Tier 2	0.4	0.4	~0%
Other liabilities	1.1	1.6	13%
Equity	1.6	1.9	5%
<b>Total liabilities and equity</b>	<b>13.0</b>	<b>16.0</b>	<b>7%</b>

**Disclaimer**

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*The press release defines the main guidelines of economic and financial development of Banca Ifis Group considering the bank's market potential in a positive and ordinary macro scenario. Data regarding PPA, asset quality ratios, cost income ratios, liquidity ratios, cost of funding, proprietary portfolio, segment reporting, business unit breakdown, commercial and corporate loan breakdown are management accounting. Data regarding Npl portfolio evolution and ERC, Npl cash recovery and Npl P&L contribution, Npl GBV and NBV evolution and breakdown, Npl P&L and cash evolution and breakdown are management accounting*

*Mariacristina Taormina, Manager charged with preparing the financial reports of Banca Ifis S.p.A., pursuant to the provisions of Art. 154 bis, paragraph 2 of Italian Legislative Decree no.58 dated 24th February 1998, declares that the accounting information referred to 31st December 2021, included into this document corresponds to the related books and accounting records.*

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**Rosalba Benedetto**

Head of Communications, Marketing  
and External Relations  
Banca Ifis S.p.A.

**Eleonora Vallin**

Head of the Press Office  
Banca Ifis S.p.A.  
M. +39 342 8554140

**Martino Da Rio**

Head of IR and Corporate Development  
Banca Ifis S.p.A.  
M. +39 02 24129953

**Cristina Fossati, Luisella Murtas**

Press Office  
Image Building  
+39 02 89011300

