



BANCA IFIS

2018 Full Year Results

11 February 2019

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4Q 2018

Net income

- €58mln net income (€23mln in 3Q)

Net banking income

- €173mln (€125mln in 3Q)
- +€23mln QoQ NII on NPLs segment
- €17mln income from NPLs disposals and Liability Management
- +€12mln QoQ income from corporate banking

Operating costs

- €65mln stable QoQ

LLP

- Cost of risk of €31.2mln (€28.9mln in 3Q)



STOCK

Customer loans

- €7.31bn (+€0.39bn QoQ)
- +€0.20bn QoQ trade receivables
- +€0.15bn QoQ IFIS NPL

IFIS NPL

- ERC €2.3bn*
- €181mln annual cash collected in 2018 (€128mln in 2017)
- €1.7bn NPLs purchased in 4Q

Funding

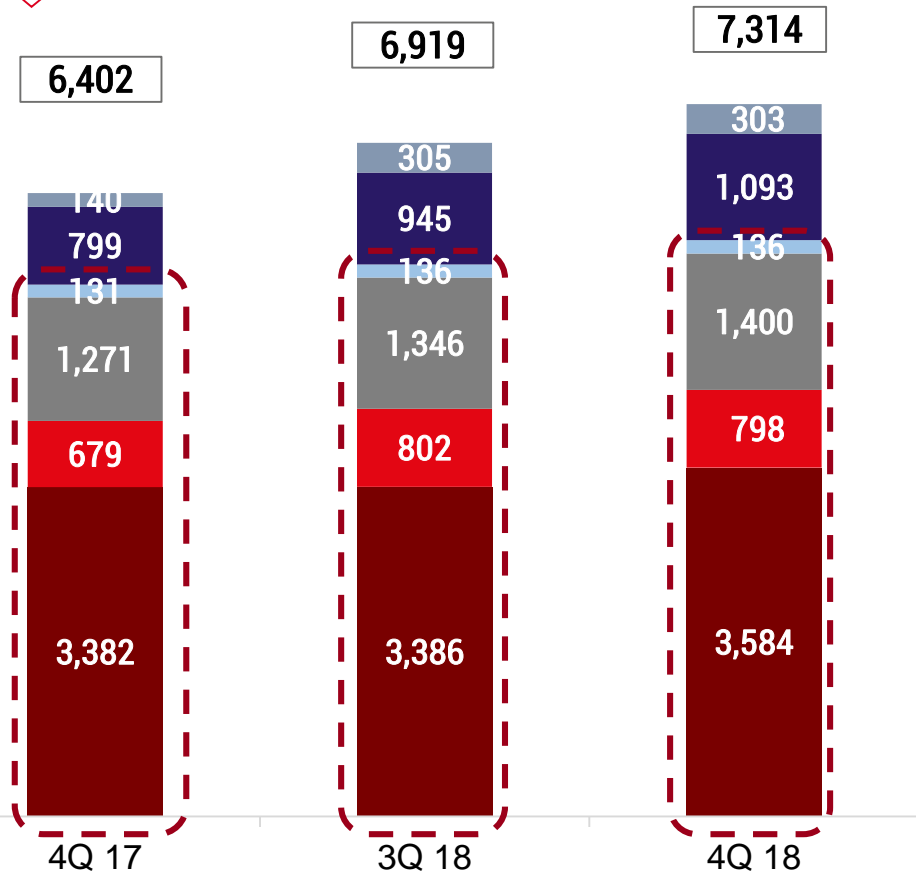
- €0.98bn Wholesale
- €4.67bn customer deposits (-€0.31bn QoQ) due to excess liquidity and expected year end seasonality
- New Rendimax campaign: ca. +€140mln deposits in 1/1/2019 – 6/2/2019

CET1 ratio

- 10.30% La Scogliera
- 13.74% Banca IFIS

* Source: management accounting, risk management data

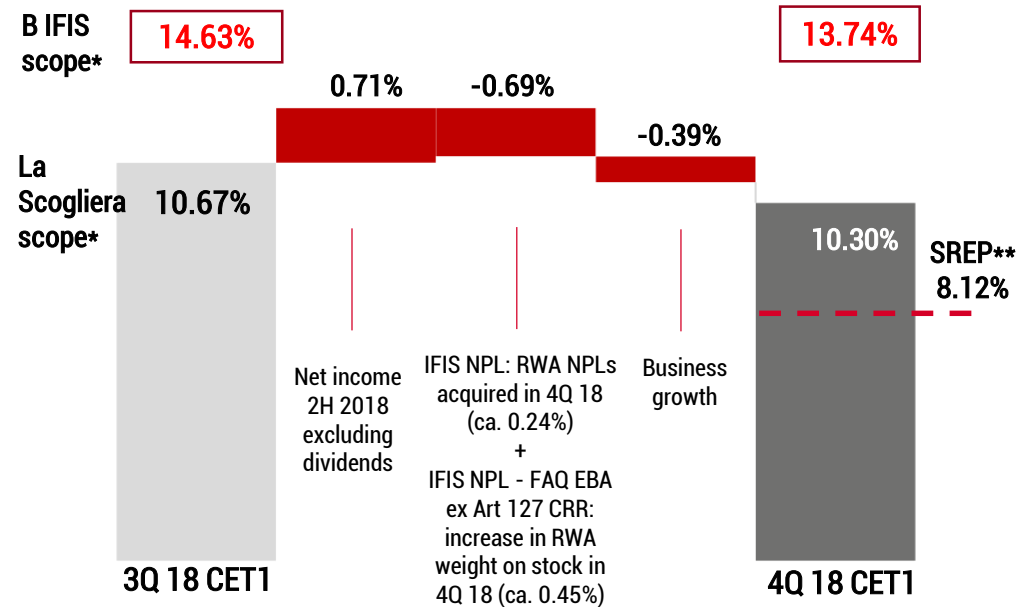
Customer loans (€ mln)



- Trade receivables
- Leasing
- NPL
- Corporate banking
- Tax receivables
- Governance & Services

Highlights

- Focus on short term loans, very selective on long term maturities
- +€198mln and €54mln customer loans QoQ increase in trade receivables and leasing, respectively
 - Ongoing repricing of new loans to reflect general cost of funding increase in line with market trend. Banca IFIS is facilitated by short term maturity
- +€148mln QoQ growth in NPLs is driven by portfolio acquired in 4Q 18
- Current trend expected to continue in coming quarters



Expected impact on 1Q 19 CET1

- ↑ +0.26% (expected) due to increase in Capital Conservation Buffer from 1.9% to 2.5% due to regulation 2013/36/EU. This applies only to La Scogliera scope capital requirements; the CET1 increase is due to excess capital reduction
- ↓ Ca. -30/45bps in CET1 (preliminary estimate) due to acquisition of FBS. The final results will depend on the purchase price allocation on FBS assets and liabilities

Capital generation in future quarters

- ↑ Retained earnings
- ↑ Progressive winding down of former Interbanca PPA (€229mln gross of taxes as at 31 Dec 18, indicative maturity of ca. 3Y)
- ↑ Progressive use of DTA against future profits (€144.5mln as at 31 Dec 18) currently fully deducted from CET1
- ↑ Ordinary winding down of former Interbanca customer loans (€0.6bn as at 31 Dec 18)

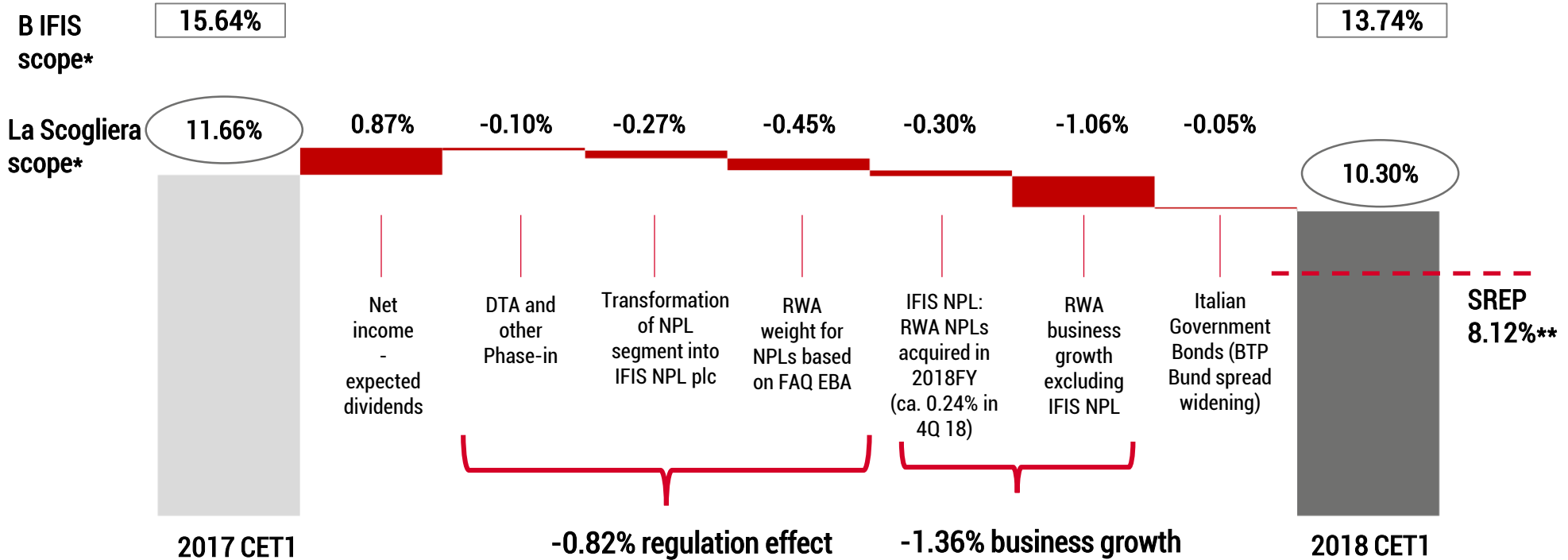
Data in €bn

Banca IFIS Group Scope	3Q 18	4Q 18
RWA	8.1	9.0
CET1	1.2	1.2
Total Capital	1.6	1.6
Total Capital %	19.6%	18.2%

Excess CET1 not inc. in La Scogliera	0.3	0.3
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La Scogliera Group scope	3Q 18	4Q 18
RWA	8.1	9.0
CET1	0.9	0.9
Total Capital	1.2	1.3
Total Capital %	14.7%	14.0%

In 2018, CET1 impacted by -0.82% due to regulation



CET 1: ca. 1.36% decrease YoY of which ca. 0.82% due to regulation

- ↓ - 0.82% due to regulation (i.e. DTA and other phase-in, EBA FAQ Art. 127 on RWA on NPL, transformation of NPL segment into IFIS NPL plc)
- ↓ - 0.05% due to BTP-Bund spread widening in 2018
- ↑ + 0.87% organic capital generation less expected dividends
- ↓ - 1.36% RWA increase due to business growth

Regulation

EBA FAQ Art 127 Capital Requirements Regulation

- According to EBA's answer to Art. 127 of the CRR 575/2013, if NPLs are written-down by more than 20%, RWA should be 100%, otherwise 150%
- Only write-downs made by the NPLs buyer shall be accounted for (i.e. not previous write-downs made by previous owners of the exposure)

Calendar Provisioning to be approved by EU Parliament (Pillar 1)

- New regulation under review; final draft shall be approved by EU Parliament
- Timeframe for enforcement and final calendar provision to be defined
- Current proposal envisages, for new originated loans only, full coverage for NPLs over [9] and [3] years for secured and unsecured NPEs, respectively

BANCA IFIS

IFIS NPL – Capital impact included in 4Q 18

- No major impact expected on our business model for future acquisitions
- CET1 impact of ca. -45bps from the NPLs portfolio as at 4Q 18
- New NPLs acquired will be weighted at 150% on the net consideration paid

IFIS NPL

- We estimate there may be time lag of [3-6] years from enforcement before it may impact Banca IFIS capital requirements:
 - We assume that banks may sell NPLs [1-3] years after classification into NPEs
 - We estimate further [2-3] years before newly acquired NPLs represent a significant portion of IFIS NPL portfolio
- In the medium term we expect new business opportunity for Banca IFIS as banks speed up recoveries / disposals

Banca IFIS

- Strict credit policy. Bad loans coverage > 80% for Enterprise Segment (excluding POCl)

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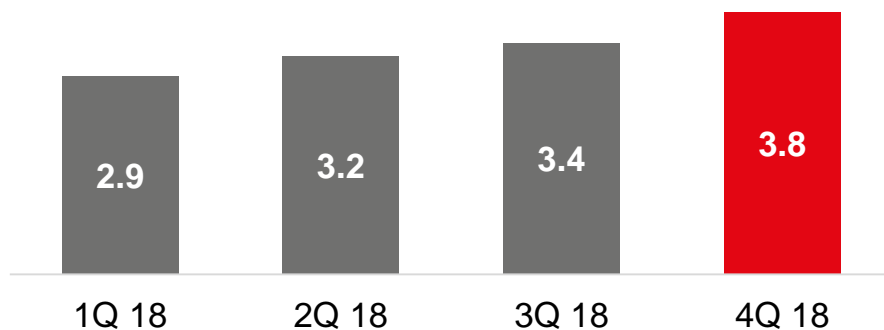
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Data in € mln

	Enterprises				NPL	G&S	Total
	Trade Receivables	Leasing	Corporate Banking	Tax Receivables			
Net banking income	170	52	100	14	244	(3)	577
- of which PPA	7	-	78	-	-	7	92
Loan loss provisions (LLP)	(75)	(11)	(12)	0	-	(3)	(100)
Net banking income - LLP	95	41	89	13	244	(6)	476
% total	20%	9%	19%	3%	51%	(1)%	
Net loans	3,584	1,400	798	136	1,093	303	7,314
RWA from counterparty risk	4,793				1,584	116*	6,494
% total	74%				24%	2%	
Counterparty RWA on other group assets (i.e. DTA, other assets, financial assets)							1,508
Operating and market risks and CVA							973
Total RWA							8,975

Business diversification and client fragmentation across all business segments

Turnover* - €bn

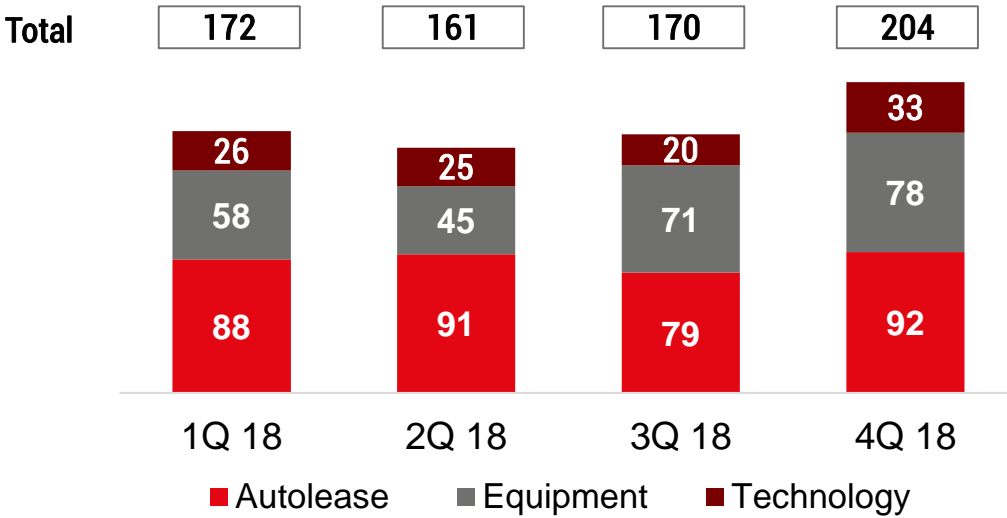


Data in euro million*	1Q 18	2Q 18	3Q 18	4Q 18
Net banking income	40	40	43	46
- of which PPA	1	3	1	1
Net banking income / average customer loans	5.0%	5.0%	5.3%	5.6%
Loan loss provisions	(7)	(22)	(26)	(20)

Highlights*

- QoQ growth in turnover driven by seasonality, new customer development and positive market momentum
- Strategy in trade receivables:
 - **SMEs:** ca. 80% of customers are SMEs with total revenues less than €10mln
 - **Short term lending:** average factoring duration of ca. 3-4 months
 - **Customer fragmentation:** average ticket of ca. €400k well diversified across all major business segments
- Ongoing repricing: +0.3% in 4Q 18 vs. 3Q 18 in net banking income / average customer loans (+0.6% vs. 1Q 18)
- In 2018, Banca IFIS started medium / long term lending guaranteed by the Central Guarantee Fund
 - Factoring / total loans decreased slightly, from 88% in 1Q 18 to 85% in 4Q 18
- In 2018, loan loss provisions were impacted by one-offs provisions on a few large tickets

New business* - €mln

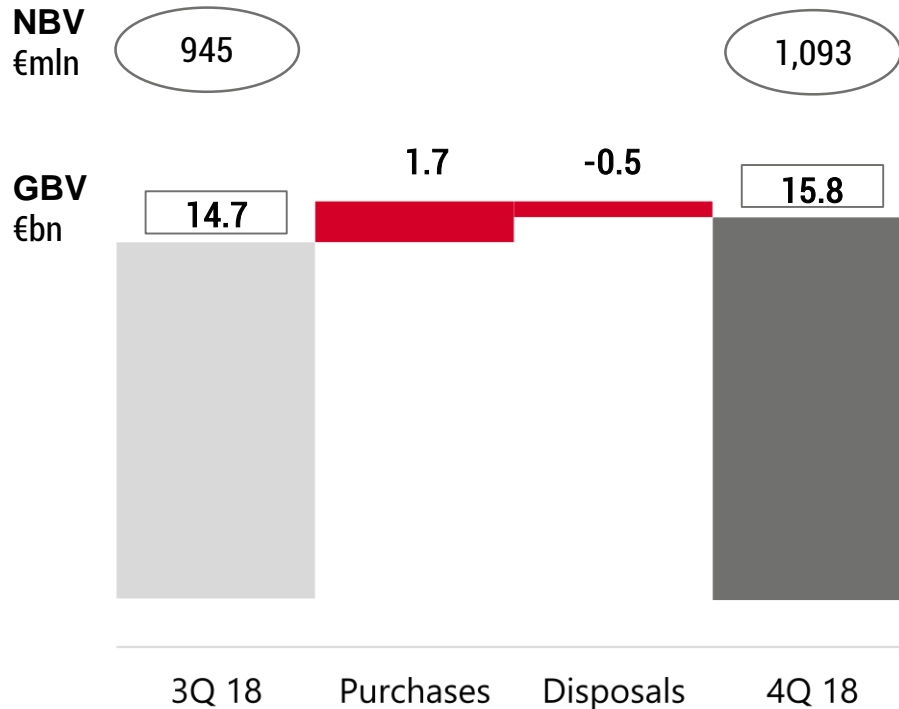


Data in euro million*	1Q 18	2Q 18	3Q 18	4Q 18
Net banking income	12	14	12	13
Net banking income / average customer loans	4.0%	4.2%	3.6%	3.8%
Loan loss provisions	(2)	(2)	(3)	(3)

Highlights*

- New business growth (+20% QoQ) due to:
 - Seasonality in the auto and technology industries
 - Final rush of investments to benefit of the fast depreciation (“Super Ammortamento”) fiscal incentive in the equipment industry
- Customer fragmentation to minimize asset quality risk: ca. 70k clients, mainly SMEs
- Forefront in innovation with targeted campaigns on hybrid and electric automotive, new medical equipment, full service rental, new insurance coverages, high added value services for customers
- Third party contracts for re-marketing of returned leasing/rentals provide clear recovery estimates

NPL evolution



€3.6bn NPLs acquired in 2018FY

Key numbers

- 1.7mln tickets, #1.2mln borrowers
- Extensive portfolio diversification by geography, type and age of borrower

NPLs acquired in 4Q: €1.7bn GBV

- Positive market momentum
- Portfolios consistent with Banca IFIS business model:
 - Personal loans, current accounts and SMEs loans
 - Small tickets (ca. 190k tickets), predominately unsecured
 - Strong seller knowledge (i.e. MPS, other small banks) from which Banca IFIS has already acquired several portfolios

NPLs disposed in 4Q: €0.5bn GBV

- Already worked out by IFIS NPL
- Disposal to specialized operators
- €10mln capital gain in 4Q

Cash recovery*

Data in € mln	1Q 18	2Q 18	3Q 18	4Q 18	Total 2018	Disposals 2018	Total 2018 including disposals
Cash collection	40	41	45	55	181	21	203
Contribution to P&L	67	56	46	69	238	17	255
Cash collection / contribution to P&L	60%	73%	98%	80%	76%		80%

2018 annual data		P&L	Cash collection
Waiting for the workout		0	0
Processed at least one time		-13	13
Internal and external recovery department	Non-judicial payment plans	75	72
Legal recovery department	Waiting for judicial workout*	25	24
	Ongoing judicial workout	68	0
	Order of assignment	83	72
Total		238	181
Disposals		17	21
Total including disposals		255	203

Cash collection vs. contribution to P&L

- Difference between cash collection and contribution to P&L mainly due to NPLs managed by legal recovery department:
 - Legal proceeds to get court injunctions (“prechetto”) last on average ca. 6-12 months
 - Once the court injunctions have been issued, NPLs are valued based on internal recovery models. This leads to an increase in accounting value due to the increased recoverable amount
 - Once the order of assignment has been issued, there is another update in the accounting value due to the completion of the legal process
 - Judicial actions to get the final order assignment last on average ca. 1.5-2.5 years from the acquisition date
- Cost of ongoing judicial actions are expensed in P&L partially at issuance of court injunctions (“prechetto”) and the remaining at the issuance of the order of assignment
- Cash collection starts following the issuance of the order of assignment. Costs of judicial actions have been already expensed

Full services in the NPLs market

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FBS
Gruppo BANCA IFIS

Unsecured retail loans

Small ticket

Judicial recovery: order of assignment

Extrajudicial recovery voluntary payment

- 15Y experience in unsecured retail loans
- 1.7 million loans, 1.2 million borrowers
- GBV ca. €15.8bn property portfolio
- Extensive proprietary database and performance monitoring tools
- Internal call center, consolidated network of home collectors and of internal and external lawyers
- Judicial and extrajudicial recovery experience



Secured and corporate unsecured

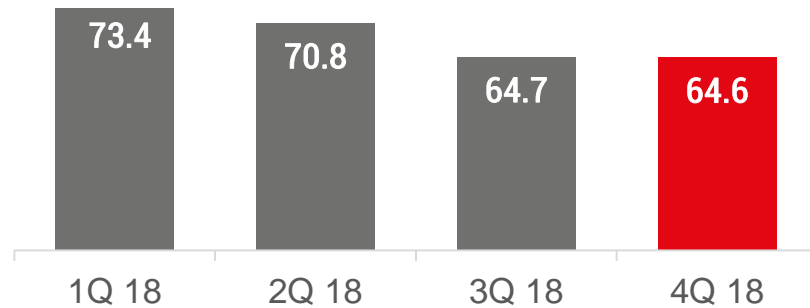
Medium/High tickets

Judicial recovery: bankruptcies and foreclosure

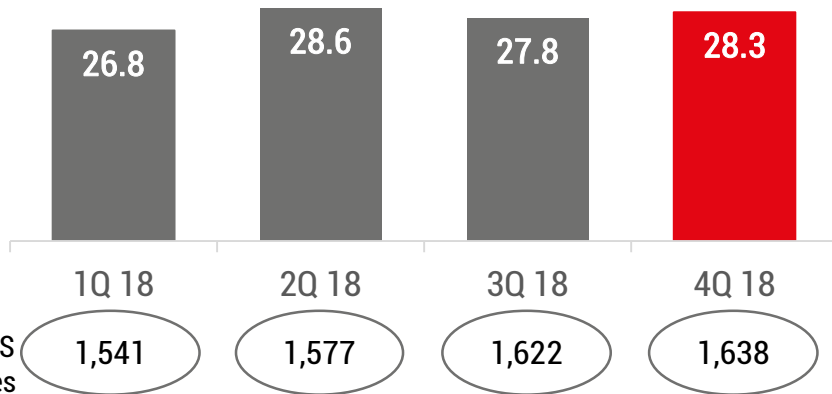
Extrajudicial voluntary sale / foreclose

- Over 20 years of experience in UTPs and NPLs management
- GBV ca. €7bn under servicing and ca. €1bn property portfolio
- Extensive bankruptcy experience
- Judicial and extrajudicial recovery experience
- Rated by agencies since 2003. Fitch rating: Italian residential and commercial special servicer ratings at "RSS2+" and "CSS2+"; S&P "Above Average"

Operating costs (€mln)



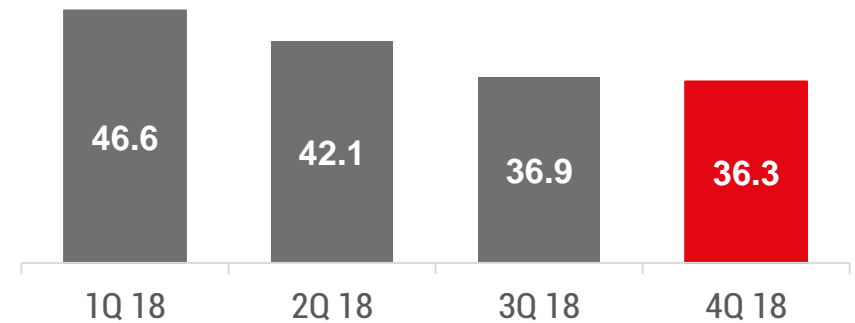
Personnel expenses (€mln)



Highlights

- Other administrative and other income / expenses came in at €36.3mln (-€0.6mln QoQ). However, adjusting for €3.9mln one off for the consolidation of Credifarma, they would report a decrease of €4.5mln
- 2018FY operating costs include €2.3mln and €3.7mln on FITD and Resolution Fund, respectively
- In 2018FY cost / income ratio at 47.4% (47.7% in 2017FY)

Other administrative expenses and other income / expenses (€mln)



Enterprises	Gross	Coverage %	Net
Bad loans	251	73%	68
UTP	234	37%	147
Past due	107	11%	95
Total	592	48%	310

Enterprises Net of POCI	Gross	Coverage %	Net
Bad loans	224	82%	41
UTP	194	44%	108
Past due	107	11%	95
Total	525	54%	244

POCI	Gross	Coverage %	Net
Bad loans	27	0%	27
UTP	39	0%	39
Past due	0	0%	0
Total	67	0%	67

Highlights

- IFIS NPL not included in this analysis
- Enterprises (net of POCI): bad loans and UTP coverage at 82% and 44%, respectively
- NPEs that arose from the acquisition of Interbanca, in accordance with IFRS 9 are qualified as POCI (“purchased or originated credit-impaired”) and are booked net of provisions
- NPEs ratio in Enterprises
 - Gross NPE %: 9.5% (9.9% as at 1Jan 2018)
 - Net NPE %: 5.2% (6.2% as at 1Jan 2018)
- In addition to Enterprises Segment (highlighted in the left table), as at 31 Dec 2018, G&S had €43mln gross NPEs, of which:
 - €26mln gross other loans (of which €4mln gross bad loans, €17mln gross UTP and €5mln gross past due)
 - €18mln POCI
- It is worth noting that total write-off as at 4Q 18 amounted to €241.8mln, of which €220.5mln in IFRS9 FTA

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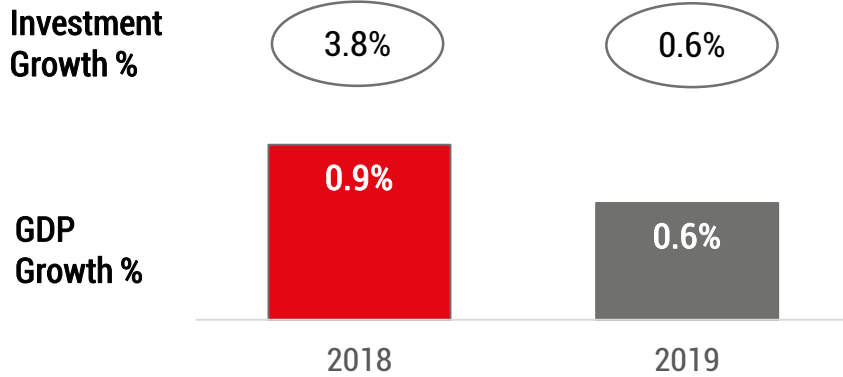
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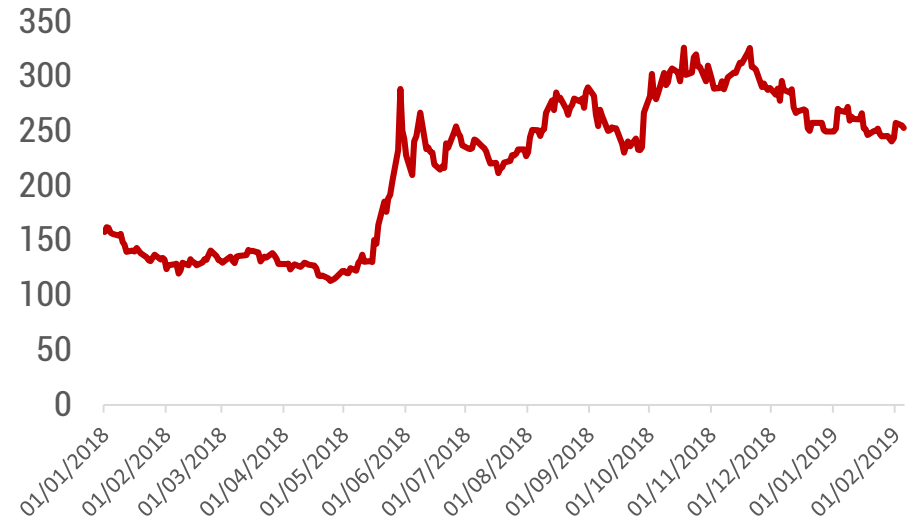
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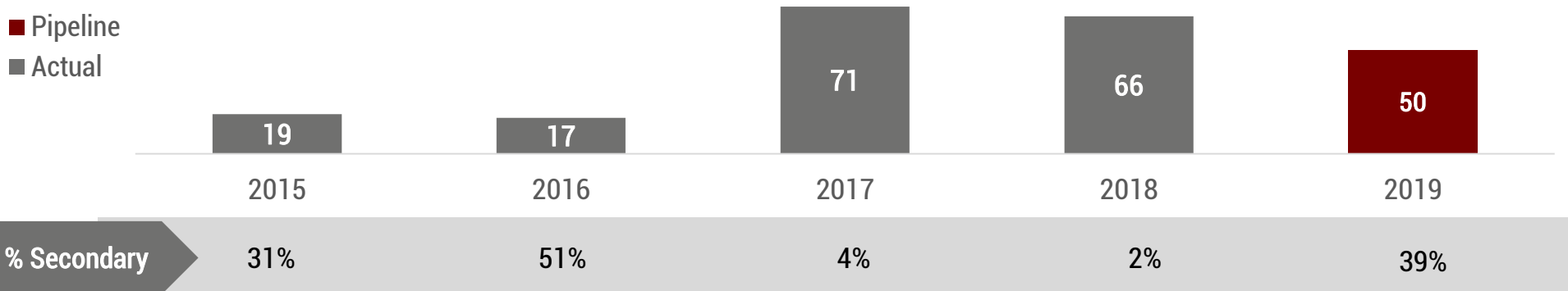
Potential slowdown in Italian GDP growth



BTP-Bund Spread may remain high



NPLs disposal expected to continue in Italian market – GBV €bn



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Appendix:

- La Scogliera: CRD IV and potential solutions
- Focus on DTA
- Focus on PPA
- NPL portfolio diversification

- The application of the 2013/36/EU (CRD IV) Directive and EU Regulation 575/2013 (CRR) envisages that only 50.2% of the excess capital of Banca IFIS Group Scope is included in the CET1 of La Scogliera Group Scope. CET1 excess capital of €0.3bn is not included in La Scogliera Group Scope
- La Scogliera has communicated to Banca IFIS that even after the next Shareholders' Meeting scheduled in April 2019 it will continue to review potential transactions to achieve substantially equivalent regulatory results to the abandoned reverse merger between the Bank and La Scogliera, safeguarding the capitalization requirements of the Bank, taking into account the interests of the family shareholders of La Scogliera and providing full commitment to support the growth of the Bank

La Scogliera S.p.A.
Consolidating Group
entity



50.2%
Banca IFIS S.p.A.

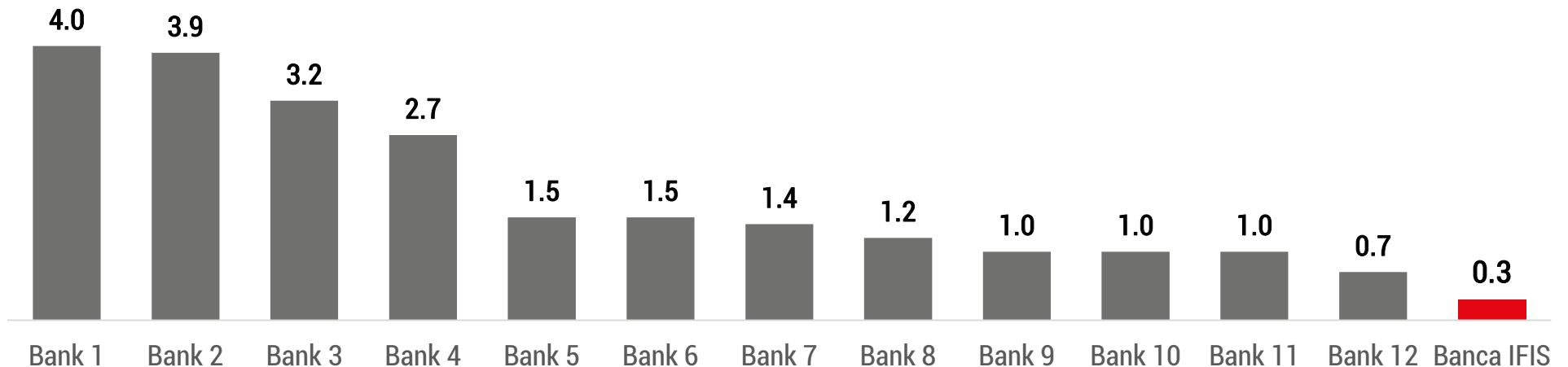
Data in €billion

Data as at 31 Dec 2018	Banca IFIS Group Scope	Capital requirements*	Excess capital	Minority stake of La Scogliera	Excess capital not included	La Scogliera Group Scope
CET1	1.2		0.7	49%	0.3	0.9
Total Capital	1.6		0.8	49%	0.4	1.3
CET1 %	13.7%	6.4%		49%		10.3%
Total Capital %	18.2%	9.9%		49%		14.0%
RWA	9.0					9.0

4Q 2018 data

- Nominal Value €423mln (Accounting Value €410mln) – 95% BTP Italia linked to Italian inflation
- Duration: 2.2Y (source Bloomberg)
- Strategy: collateral for TLTRO II
- Sensitivity to +100bps yield curve: 16bps at Banca IFIS Group Scope

Italian banks: Italian government Bonds / Shareholders Equity



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