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Oggetto	:	Banca IFIS Group: 180,8 million Euro in profit, extremely robust capital ratios (CET1:16,64%). The dividend guidance continues improving, 1 euro/share

Testo del comunicato

Vedi allegato.

FY17

Banca IFIS Group: 180,8 million Euro in profit, extremely robust capital ratios (CET1: 15,64%[1]). The dividend guidance continues improving, 1 Euro/share.

Mestre (Venice), 8 February 2018 – The Board of Directors of Banca IFIS met today under the chairmanship of Sebastien Egon Fürstenberg and approved the preliminary results for the year 2017.

"In terms of operations, 2017 was a year in which relevant attention was addressed towards internal integration processes and efficiency improvements within the individual business units, as well as through the streamlining of the corporate structure," said Banca IFIS CEO Giovanni Bossi. "The change in the core banking system, the adoption of a new CRM system at the Group level, and the launch of new web platforms—leveraging digital innovation to improve the relationship with the customer—had a significant impact on the Group's operations throughout the year. To make all this possible, we had to make considerable investments in human resources, providing training as well as looking for new skilled talents to join the Group.
The current market scenario and the search for new growth opportunities led the Bank to consider expanding into new business areas. The recent acquisition of Cap.Ital.Fin—which specialises in salary-backed loans—and the binding agreements entered into for the acquisition of Credifarma are aimed at providing the best possible service to more and more customers, be they individuals or SMEs.
During the year a lot of work was done in order to diversify funding sources and rationalise their cost—stressed the CEO—resulting in greater flexibility, easier access to funding, and stronger liquidity and capital ratios. Also the issuer rating received from Fitch contributed to this end. The Group's goals for 2018 are consistent with those set for 2017: we will relentlessly seek to promote synergies, streamline operations, create value and innovate" concluded the CEO, thanking all the employees that, together with him, worked incessantly and that will continue to commit to new challenges.

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CEO Giovanni Bossi

NBI	ROE	Profit for the period	Net NPL/net loans ratio	CET1 and T1 ratio	Total Own Funds Capital Ratio
+59,4% 519,6 mln €	13,9%	180,8 mln €	1,3%	15,64% (Banca IFIS only)	21,07% (Banca IFIS only)

1 The reported CET1 refers only to the scope of the Banca IFIS Group, thus excluding the effects of the prudential consolidation in the parent La Scogliera S.p.A..

The analysis of the preliminary data for the year 2017 must take into account a number of differences compared with 2016 and, in particular, the consolidation of the former Interbanca Group for the entire year 2017, included only for the month of December 2016 in relation to comparative data. The Banca IFIS Group's preliminary results can be summarised as follows:

- Consolidated **net banking income**[2] amounted to 519,6 million Euro, up 59,4% from 2016 (326,0 million Euro).

  Specifically, the net banking income towards SMEs, which include the Trade Receivables, Corporate Banking, Leasing and Tax Receivables segments, grew by 117,1% to 355,2 million Euro (163,6 million Euro in 2016). The positive performance was the result of a series of factors, such as the consolidation of the former Interbanca Group over the entire 12 months and the positive impact of the breakdown of the difference between the fair value as measured in the business combination and the carrying amount of the receivables recognised by Interbanca and IFIS Leasing over time. Another contribution came from the robust results of the Tax Receivables segment, whereas the pressure on margins in short-term lending to SMEs (Trade Receivables) especially affected operations with medium- and large-sized corporate customers even though in the last quarter a 7% like- for-like increase in the margin began to highlight the ongoing repositioning work of the business unit. As a matter of fact, for comparative purposes, please note that the amount for the previous year included the 15,8 million Euro positive impact of the review of cash flows from the receivables purchased outright (ATD, *Acquisto a Titolo Definitivo* in Italian) due from Italy's National Health Service.

  Net interest income in the SMEs sector totalled 263,7 million Euro in 2017, rising 120,8% from 119,4 million Euro in 2016, while commission income was up 69,7%. Here below is the breakdown:

12M Data (preliminary)	**Trade receivables**	**Corporate banking**	**Leasing**	**Tax receivables**
NBI 2017 (mln €)	130,8	146,1	62,7	15,6
NBI 2016 (mln €)	148,5	3,0	-1,2	13,3
% Change	*-11,9%*	*ns*	*ns*	*17,0%*

As for the NPL Area, it achieved remarkably positive results by effectively managing existing portfolios as well as thanks to the improved quality of payment arrangements. The business unit was able to grow even though it sold less portfolios than in the previous year, which resulted in lower capital gains.

Concerning net impairment losses on receivables of the NPL Area, totalling 33,5 million Euro (32,6 million Euro at 31 December 2016), they were reclassified to interest receivable and similar income to present more fairly this particular business, for which net impairment losses represent an integral part of the return on the investment.

12M data (preliminary)	**Area NPL**
NBI 2017 (mln €)	164,5
NBI 2016 (mln €)	148,3
% Change	*10,9%*

Consolidated net banking income was also affected by funding costs (at the end of 2017, interest expense totalled 107,0 million Euro, compared to 57,3 million Euro in 2016), which the Group sought to rationalise throughout the year.

2 Net impairment losses on receivables of the NPL Area, totalling 33,5 million Euro at 31 December 2017 compared to 32,6 million Euro at 31 December 2016, were reclassified to interest receivable and similar income to present more fairly this particular business, for which net impairment losses represent an integral part of the return on the investment.

Specifically Banca IFIS:

- at the end of May, finalised a 300 million Euro stand-alone unrated senior bond issue on the Irish Stock Exchange with a 3-year maturity, a 1,75% coupon rate, and a yield to maturity at issue of 1,85%;
- halfway through October, finalised a 400 million Euro Tier 2 bond issue with a 10-year maturity and callable after 5 years on the Irish Stock Exchange, with a 4,5% coupon rate;
- on 31 October 2017, changed interest rates on the rendimax savings account and the contomax current account—whose average cost for the period amounted to 1,55%, including stamp duty costs borne by Banca IFIS—as well as announced that, as far as retail funding is concerned, effective 1 January 2018 customers will be responsible for stamp duty costs for both the rendimax savings account and the contomax current account;
- optimised the costs of the securitisation transactions launched for the acquisition of the former Interbanca Group, winding some of them down;
- optimised the management of excess liquidity by making short/medium-term investments to mitigate the impact of negative interest rates on deposits with the Bank of Italy;
- took part in March 2017 to the TLTRO auction, ECB's last monetary policy action, for 700 million euro. Considering the expected development of Banca IFIS's loans to customers, the cost of the TLTRO is expected to be -0,40% for the duration of 4 years.

- At the end of the year, **net impairment losses** totalled 14,8 million Euro, compared to 26,6 million Euro in 2016. Specifically, these included 18,4 million Euro in impairment losses on loans to customers (22,3 million Euro at 31 December 2016, -17,4%), 2 million Euro in impairment losses on unlisted securities (4,4 million Euro in December 2016, -53,1%), and 5,6 million Euro in reversals of impairment losses on other financial transactions. The cost of the quality of loans to businesses amounted to 31 bps. The increase in impairment losses reported by the Trade Receivables segment in the fourth quarter concerned an individually significant position.

- **Operating costs** totalled 256,3 million Euro (202,5 million Euro in 2016 net of the gain on bargain purchase). The cost/income ratio stood at 49,3%. Personnel expenses amounted to 98,3 million Euro (65,9 million Euro in 2016, +49,1%). At the end of 2017, the Group's employees numbered 1.470, rising 11,1% from 1.323 at 31 December 2016. Other administrative expenses totalled 152,6 million Euro, up 20,9% from 126,3 million Euro in the prior-year period—largely because of software licensing and support costs. To put the increase in total costs into context, in 2017 the former Interbanca Group was consolidated over the entire 12 months (as opposed to only December in 2016).

At 31 December 2017, **Group net profit for the period** (including the contribution of the former Interbanca Group over the 12 months) totalled 180,8 million Euro, compared to 697,7 million Euro (restated amount) at 31 December 2016. The acquisition of the former Interbanca Group had a significant impact (633,4 million Euro) deriving from the gain on bargain purchase on the result at 31.12.2016.

At 31 December 2017, earnings per share amounted to 3,38 Euro. The Board of Directors issued a **dividend** guidance of 1 Euro per share, up 22% from the previous year.

As for the contribution of **individual segments**[3] to the operating and financial results at 31 December 2017, here below are the highlights:

3 For a better understanding of the results for the year and the comparative data, please note that, starting from 2017, changes in market interest rates and the bank's funding rates required recalculating the internal transfer rates. To facilitate the comparison of the two reference periods, the 2016 results have been restated according to the 2017 funding approach across all segments.

- The **Trade receivables** segment generated 130,8 million Euro in net banking income, down 11,9% from 148,5 million Euro in December 2016; the result for the previous year included the 15,8 million Euro positive impact of the review of cash flows from the receivables purchased outright (*ATD A Titolo Definitivo* in Italian) due from Italy's National Health Service. Excluding this item, on an annual basis net banking income declined by 1,4%. At the end of the year, the net value of the segment's receivables amounted to 3 billion Euro (-1,7%) and the turnover rose to 11,7 billion Euro (+11,0% from 31 December 2016), with 5.447 corporate customers (+2% compared to the previous year). Net impairment losses on receivables totalled 33,6 million Euro, compared to 20,3 million Euro at 31 December 2016 (+65,7%). This increase was largely attributable to the impairment losses recognised in the fourth quarter of 2017 on an individually significant position (115 bps credit cost at 31 December 2017). Excluding these, net impairment losses amounted to 20,5 million Euro, resulting in a 70 bps credit cost.
- The **Corporate banking** segment generated 146,1 million Euro in net banking income. This amount included the 109,9 million Euro positive impact of the breakdown of the difference between the fair value as measured in the business combination and the carrying amount of the receivables recognised by the former subsidiary Interbanca over time. This largely arose from the positions allocated to Workout & Recovery as well as Structured Finance. The net exposure of receivables in the Corporate Banking segment amounted to 1,1 billion Euro (+17%). The segment reported positive 28,4 million Euro in reversals of net impairment losses as a result of both debt collection operations and successful restructuring transactions.
- The **Leasing** segment's net banking income totalled 62,7 million Euro thanks mainly to the growth in the loans to customers, with an increase in market share, and included the positive impact of the breakdown of the difference between the fair value as measured in the business combination and the carrying amount of the receivables recognised by the subsidiary IFIS Leasing over time, which amounted to 10,9 million Euro euro related to a mortgages portfolio. The net amount of the segment's receivables was 1,4 billion Euro (+12,4%). Net impairment losses on receivables totalled 8,0 million Euro, resulting in a 58 bps credit cost.
- The **Tax receivables segment** generated 15,6 million Euro in net banking income, up 17% from 13,3 million Euro at 31 December 2016. Net impairment losses on receivables totalled 0,3 million Euro, (0,4 million Euro at 31 December 2016). The net amount of the segment's receivables was 130,6 million Euro (+4,7%).
- The **NPL Area**[4] reported 164,5 million Euro in net banking income, compared to 148,3 million Euro in the prior year (+10,9%). This amount included 19 million Euro in gains on the sale of portfolios (44,5 million Euro at 31 December 2016); net of the sales, yearly margin increased by 40,2%. The net amount of the segment's receivables was 799,4 million Euro (+42,2%). In 2017, the NPL Area acquired portfolios of receivables with a par value of 4,7 billion Euro, exceeding 1.5 million positions for an overall par value of 13,1 billion Euro.
- The net banking income of the **Governance and Services** was nil, compared to 14 million Euro in the previous year. The decrease was largely because of the lower overall contribution from the government bond portfolio—which in 2016 contributed 11,1 million Euro in interest income—as well as the fact that Banca IFIS incurred, and continued incurring in 2017, funding costs associated with, among other things, the closing of the acquisition of the former Interbanca Group. As already mentioned, these costs were rationalised throughout the year.

4 Net impairment losses on receivables of the NPL Area, totalling 33,5 million Euro at 31 December 2017 compared to 32,6 million Euro at 31 December 2016, were reclassified to interest receivable and similar income to present more fairly this particular business, for which net impairment losses represent an integral part of the return on the investment.

Here below is the breakdown of **net non-performing loans concerning loans to SMEs**:

- **net bad loans** amounted to 75,5 million Euro, compared to 65,1 million Euro at the end of 2016 (+16%); the net bad-loan ratio was 1,3%, in line with the amount at 31 December 2016 (1,2%). The coverage ratio stood at 90,7% (92,0% at 31 December 2016);
- the balance of **net unlikely to pay** was 212,5 million Euro, +2,4% from 207,5 million Euro at the end of 2016; the coverage ratio declined to 43,8% from 45,9% at 31 December 2016;
- **net non-performing past due exposures** totalled 115,8 million Euro, compared with 137,4 million Euro in December 2016 (-15,7%). The coverage ratio of net non-performing past due exposures stood at 11,8% (19,4% at 31 December 2016).

Overall, **gross non-performing loans to SMEs** (including the Trade receivables, Corporate Banking, Leasing and Tax Receivables segments) totalled 1,3 billion Euro, with 0,9 billion Euro in impairment losses and a coverage ratio of 69,5%. The net non-performing loans/net equity ratio amounted to 29,5%.

At the end of the year, consolidated **equity** totalled 1.368,7 million Euro, compared to 1.228,6 million Euro (restated amount) at 31 December 2016 (+11,4%). The ROE totalled 13,9%, compared to a normalised 15,5% in 2016.

The **consolidated CET1[5], Tier 1 Capital (T1) and Total Own Funds Ratio** of the Banca IFIS Group alone, excluding the effect of the consolidation of the Parent Company La Scogliera at 31 December 2017, amounted to 15,64%, compared to 15,82% both for CET1 and T1 ratios at 1 January 2017 (restated amount), while amounted to 21,07%, compared to 15,83% for the consolidated Total Own Funds Ratio at 1 January 2017 (restated amount).

Today, the Board of Directors of Banca IFIS S.p.A. formally launched the reverse merger of La Scogliera S.p.A. into Banca IFIS S.p.A. As part of the transaction, the owners of La Scogliera S.p.A. will receive the Banca IFIS S.p.A. shares directly owned by La Scogliera, thus avoiding the need to carry out a capital increase. The rationale of the transaction is to streamline the ownership structure, making it leaner, and improve regulatory ratios by removing the impact of La Scogliera's minorities from the calculation of the Bank's capital adequacy ratios, thus laying stronger foundations for growth. In relation to 31/12/2017 please note that the regulatory capital ratios calculated on Banca IFIS Banking Group's current structure compared to the regulatory capital ratios after the transaction show as follows:

Consolidated own funds and capital adequacy ratios	Banca IFIS Group with La Scogliera	Banca IFIS Group without La Scogliera
(in thousands of Euro)	31/12/2017[6]	31/12/2017[7]
Common Equity Tier 1 (CET1)	859.944	1.152.603
Total Own Funds	1.191.097	1.552.792
Total risk-weighted assets	7.376.306	7.369.921
Ratio – Common equity tier 1	11,66%	15,64%
Ratio – Total own funds	16,15%	21,07%

5 The reported total own funds ratio refers only to the scope of the Banca IFIS Group, thus excluding the effects of the prudential consolidation in the parent La Scogliera S.p.A. Consolidated own funds, risk-weighted assets and solvency ratios at 31 December 2017 were calculated based on the regulatory principles set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) dated 26 June 2013, which were transposed in the Bank of Italy's Circulars no. 285 and 286 of 17 December 2013. Article 19 of the CRR requires to include the unconsolidated holding of the banking Group in prudential consolidation. The CET1 at 31 December 2017 including La Scogliera S.p.A amounted to 11,66%, compared to 14,80% at 31 December 2016, the Tier 1 Capital (T1) amounted to 12,18% compared to 15,05%, and the Total Own Funds Ratio totalled 16,15%, compared to 15,39% at 31 December 2016. Please note that the comparative data at 31 December 2016 was restated to account for the change in the opening balances following the definition of the price paid for the acquisition of the former GE Capital Interbanca Group to the seller.
6 2017 data are preliminary.
7 2017 data are preliminary.

The merger will be submitted to the competent Supervisory Authorities for approval, and a Shareholders' Meeting will be convened to vote on the matter.

Declaration of the Corporate Accounting Reporting Officer.

Pursuant to Article 154 bis, Paragraph 2 of the Consolidated Law on Finance, the Corporate Accounting Reporting Officer, Mariacristina Taormina, declares that the accounting information contained in this press release corresponds to the accounting records, books and entries.

Banca IFIS S.p.A.

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