

SEPTEMBER 2018

PRESENTATION
3Q 2018
FINANCIAL RESULTS



FINANCIAL HIGHLIGHTS

Positive financial performance

- Net banking income at €403.6m (+7.5% vs. 9M2017) stemming from positive contribution of both Enterprise segment as well as NPL segment
- Operating cost well under control; loan loss provision increased due to two historical large position
- 9M2018 Net profit €89m / 3Q18 €23m

Solid capital position

- Shareholders' equity at €1.397m (slightly up vs. FY2017) with CET1 14.63% (15.64% at 31 December 2017) and TCR 19.60% (21.07% at 31 December 2017) at Banca IFIS Banking Group scope*
- Best in class in Italian market: 29% government bond portfolio on net equity (€423m of nominal value/€406m at fair value as of 9M2018)
- Government bond portfolio negatively affected CET1 -20 bps as of 9M2018 (-8 bps in 3Q18)

Strong liquidity position

- €1.3BN deposit in Bank of Italy
- LCR over 2000% vs minimum regulatory requirement of 100%
- Continued effort on diversification as well as lengthening maturity funding profile

Fitch rating confirmed in Sep'18 as BB+ Outlook stable



* 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. The CET1 at 30 September 2018 including La Scogliera S.p.A. amounted to 10.67%. compared to 11.66% at 31 December 2017, while the Total Own Funds Ratio totalled 14.74%, compared to 16.15% at 31 December 2017.

CONSIDERATIONS ON THE 3Q/9M RESULTS

For comparison purposes the financials included in this Presentation, as a consequence of IFRS 9 introduction and redefinition of operating segments of the Bank are compared with those at 1 January 2018, whereas in the case of the income statement the comparative information has been re-aggregated to ensure accounting consistency with the corresponding amounts at 30 September 2018.

- Quarterly key trends overall **confirming** positive developments of **Enterprise segment** and its commercial network for the “industrial” business component
- Corporate banking area down vs. 9M17 mainly due to **lower PPA reversal** (€14m vs €24m in 3Q2017 and €-28m year on year)
- **Higher loan loss provisions** in 9M2018 in Trade Receivables Area (€54.5m vs €16.0m in 9M2017) mainly as a consequence of **two historical** large positions
- **NPL Segment** took advantage of good opportunities **restarting with purchase** in 3Q2018 (€103m of net book value unsecured NPL vs €239m FY2017)
- Valuation risk model metrics extended to larger portion of the NPL portfolio contributes to positive income (€27m net of related costs) which will continue in the next quarters
- Completed acquisition of 70% of Credifarma. Key step to become leader in specialty finance for Italian pharmacies



MARGINS (NBI* and NPFA**)

(€m)

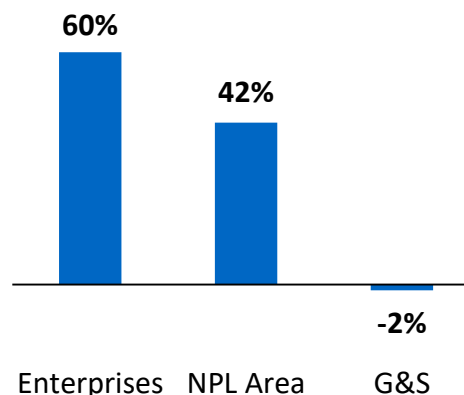
NBI: €403.6m

(€375.3m 9M 2017) +7.5%

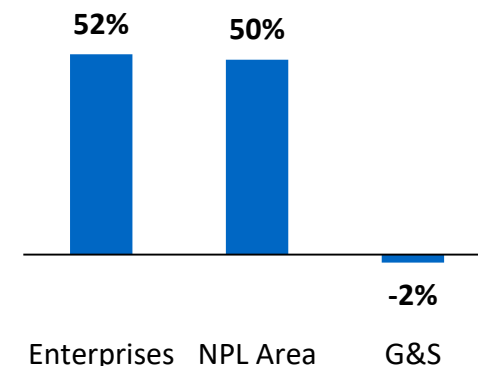
NPFA: €334.6m

(€386.3m 9M 2017) -13.4%

NBI 9M 2018 by Segment



NPFA 9M 2018 by Segment



Enterprises segment includes:

- Trade receivables & M/L term lending
- Corporate banking
- Leasing
- Tax receivables

Data 9M	Enterprises	NPL Area	G&S	Total
NBI 2018(€m)	241.6	168.2	-6.2	403.6
NBI 2017 (€m)	260.6	108.4	6.3	375.3
<i>% Change</i>	<i>-7.3%</i>	<i>+55.3%</i>	<i>n.s.</i>	<i>+7.5%</i>
NPFA 2018 (€m)	173.1	168.2	-6.7	334.6
NPFA 2017 (€m)	270.7	108.4	7.2	386.3
<i>% Change</i>	<i>-36.1%</i>	<i>+55.3%</i>	<i>n.s.</i>	<i>-13.4%</i>

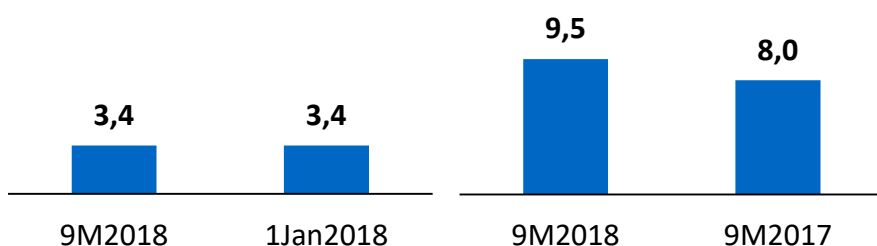


*NBI = Net banking income

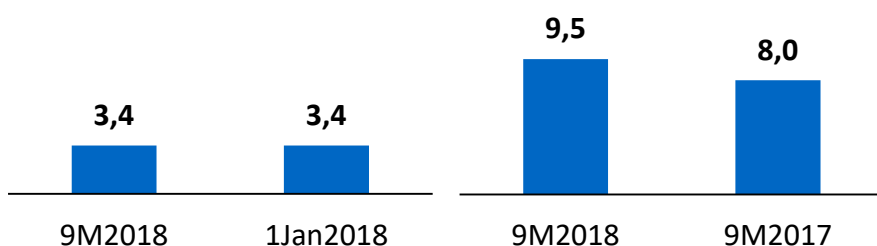
**NPFA = Net Profit from Financial Activities

TRADE RECEIVABLES (FACTORING + M/L TERM LENDING)

Loans to customers (€bn)

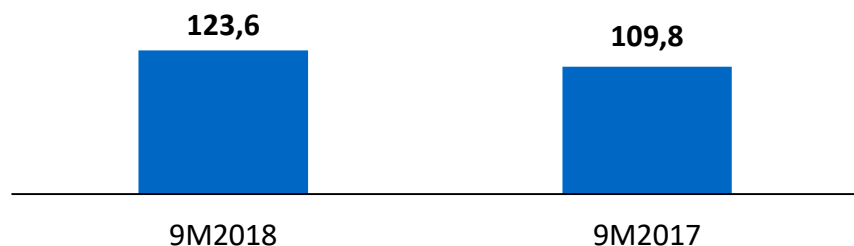


Turnover (€bn)



- Strong performance of commercial network: turnover at +20,0% vs 9M2017 (€9.5bn) and # of factoring clients +9,9% vs 9M2017
- Loans to customers at €3.4bn (+0,1% vs 1Jan2018)

Net Banking Income (€m)



- NBI +12,6% in 9M2018 vs 9M2017 as increase in turnover more than counterbalance slight pressure on margins

Net Profit From Financial Activity (€m)



- NPFA decrease in 9M2018 vs. 9M2017 due to €54.5m provisions (€16.0m in 9M2017) mainly related to two large relevant historical positions

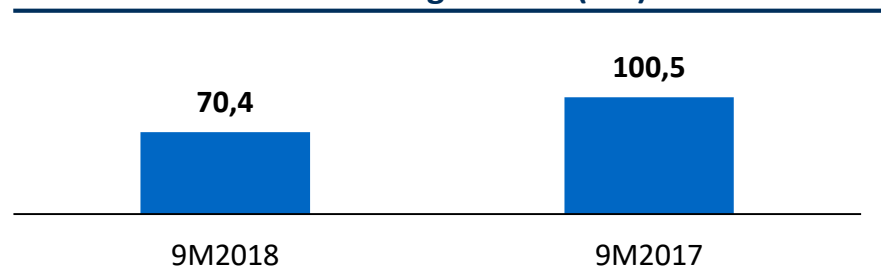


CORPORATE BANKING

Loans to customers (€m)



Net Banking Income (€m)



Net Profit From Financial Activity (€m)

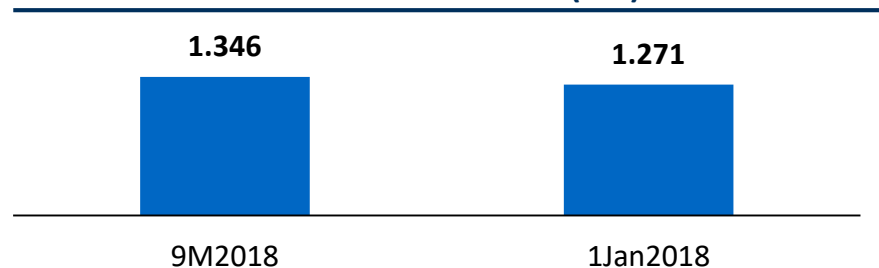


- Strong contribution from commercial network with new loans at €225m in 9M2018 (+8.4% vs. 9M2017) that more than offset the decrease in the run off portfolio
- Loans to customers at €802m (+18% vs 1Jan18) mainly driven by Structured Finance
- New loans margin in line with comparable period of previous year
- Decrease in NBI/NPFA from lower PPA reversal (€50m in 9M2018 vs €78m in 9M2017) and lower positive contribution from Asset valued at FV through P&L (+€8m in 9M2018 vs +€16m in 9M2017)
- Decrease in NPFA mainly due to higher net impairment losses driven by 9M2017 significant releases of workout & recovery



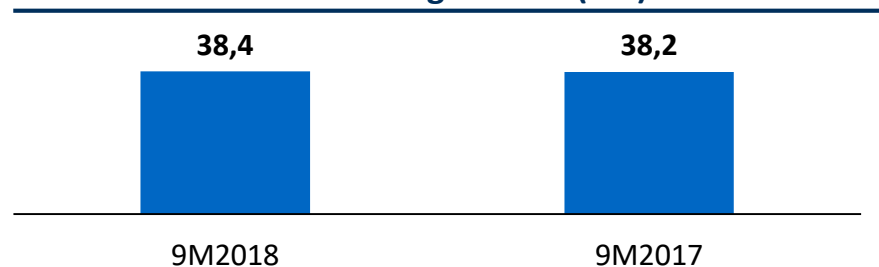
LEASING

Loans to customers (€m)



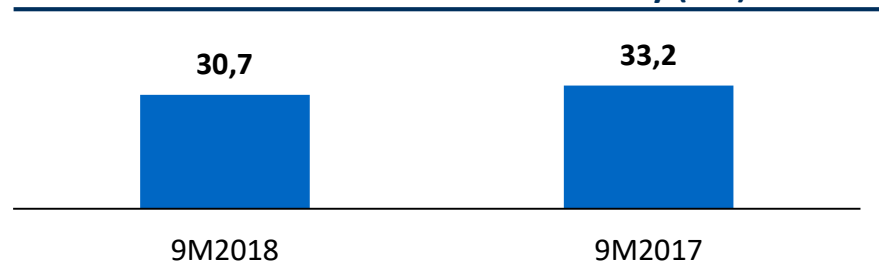
- Strong contribution from commercial network with new loans at €503m (+8,0% vs 9M2017)
- Loans to customers increased by 5,9% (vs. 1Jan18)

Net Banking Income (€m)



- NBI for 9M2018 in line with 9M2017 as increase in volumes offset decrease in margin on new loans and maturity of older portfolio at higher yields

Net Profit From Financial Activity (€m)

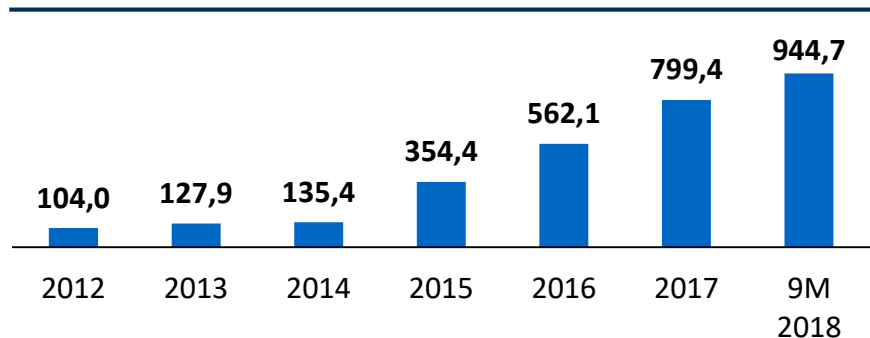


- NPFA for 9M2018 lower than 9M2017 due to slightly higher loan loss provisions

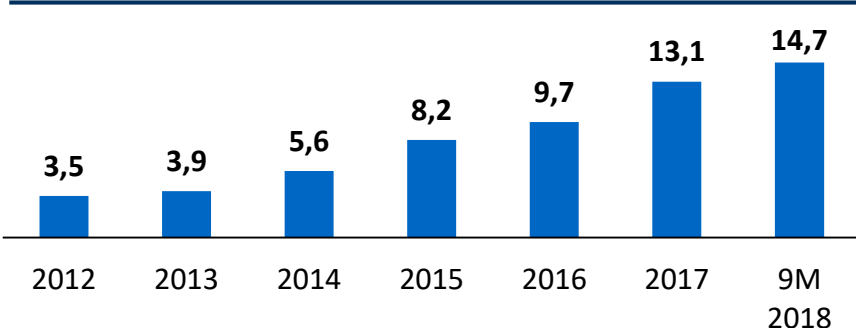


NPL AREA

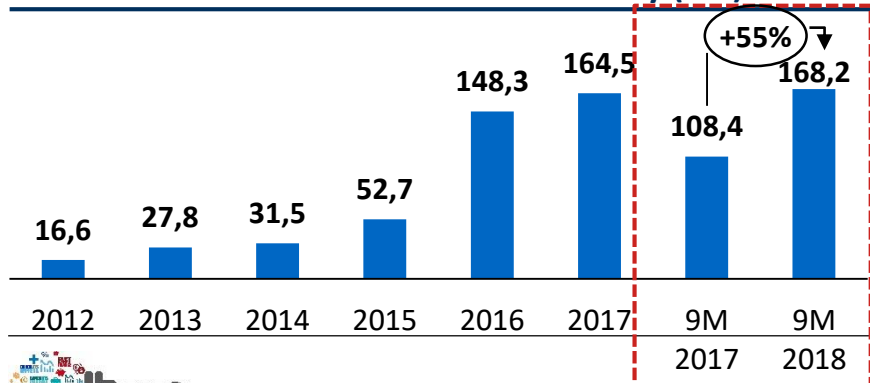
Net Book Value (€m)



Gross Book Value (€bn)



Net Profit From Financial Activity (€m)



- NPL portfolio gross and net book value as of 9M2018 stood at €14.7bn and €945m respectively
- Banca IFIS took advantage of market opportunity in 3Q18 acquiring new unsecured NPL portfolios for €1.8bn; average price again in area 5%
- Strong performance with NPFA at €168m for 9M2018 (+55% vs. 9M2017)
- Valuation risk model metrics extended to larger portion of the NPL portfolio previously at cost contribute to positive income (€27m net of related costs) which will continue in the next quarters
- The NPFA is also positively impacted by the effect of some disposal but less than 9M2017 (€7.5m vs €17.7m 9M2017)



NPL AREA

- # Total Positions: 1.6m
- # Total Debtors: 1.1m
- Average Ticket: €9k
- Strong collection capabilities for Banca IFIS

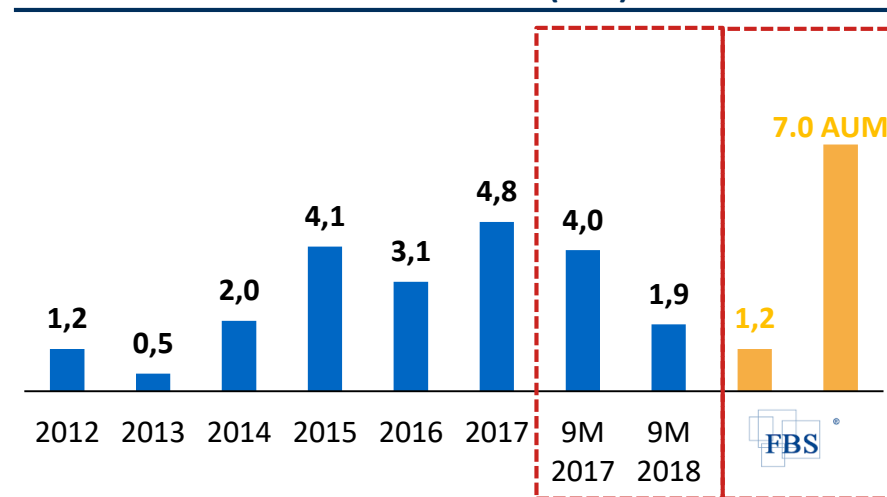


Quarter Cash Collected (€m)

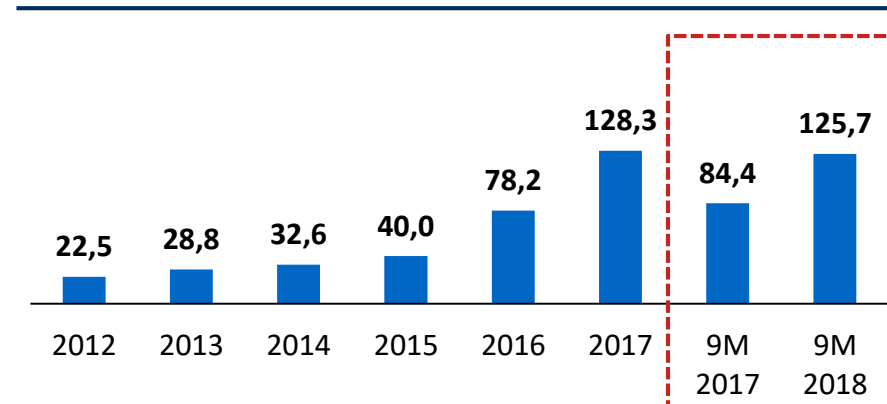
	2016	2017	2018
1Q	17	25	40
2Q	18	29	41
3Q	21	30	45
Total	56	84	126



Purchases in GBV (€bn)



Year Cash Collected (€m)



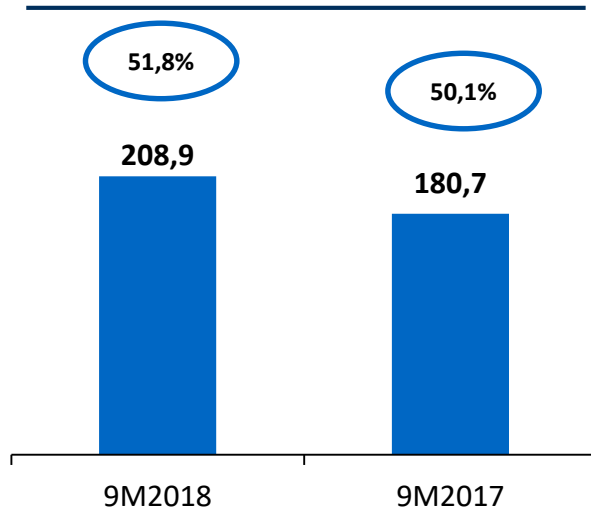
NPL AREA

9M 2018 Data	Collection	NPL Gross Portfolio	Value	Book Value / NPL Portfolio	Contribution on P&L	Cash
Waiting for the workout		€1,818m	€94m	5%	€0m	€0m
Processed at least one time		€9,148m	€163m	2%	-€9m	€9m
Internal and External Recovery Department	Non-Judicial Payment Plans	€593m	€145m	25%	€55m	€51m
Legal Recovery Department	Waiting for the judicial workout	€2,240m	€265m	12%	€13m	€15m
	Judicial ongoing workout	€379m	€94m	25%	€47m	€0m
	Order of Assignment Wage	€498m	€183m	37%	€63m	€51m
		€14.7bn	€945m	6%	€168m	€126m

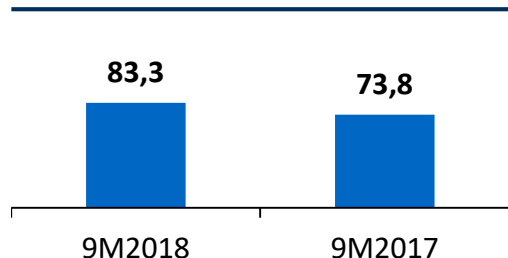


OPERATING COSTS

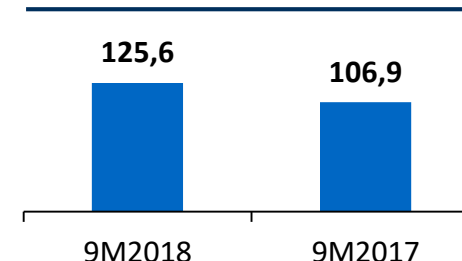
Operating costs (€m) and Cost/income (%)



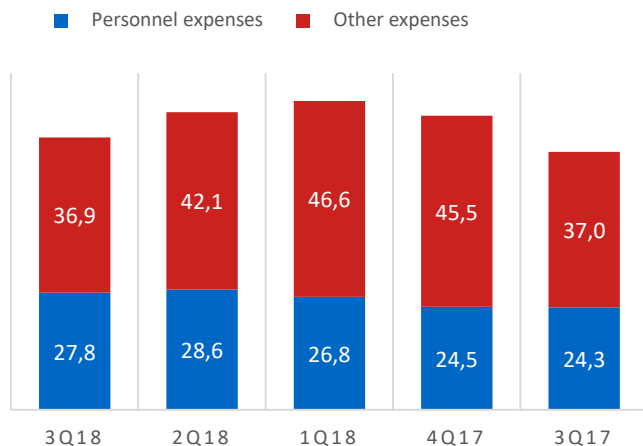
Personnel expenses (€m)



Other expenses* (€m)



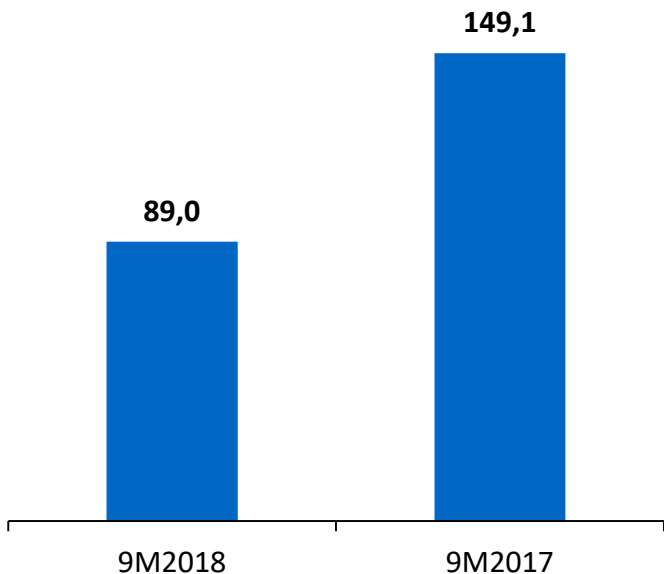
- Personnel expenses at €83.3m for 9M2018 (+12.9% vs 9M2017) in line with the growth of the employees (1,622 vs 1,433, +13.2%). Increase due also to the first consolidation of Capitalfin and Credifarma
- Other expenses at €125.6m for 9M2018 vs €106.9m (+17.4% vs 9M2017) including €20.1m of recovery costs of NPL portfolio previous at cost at which was applied the risk model valuation. Also included €3.9m of gain on bargain purchase from Credifarma business combination
- Cost/income ratio at 51.8% at 9M2018 vs 50.1% at 9M2017



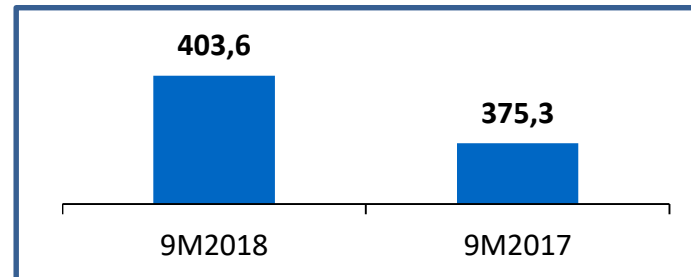
*Other expenses include: Other administrative expenses, Net allocations to provisions for risks and charges, Net impairment losses/reversal on property, plant and equipment, on intangible assets and Other operating income/expenses.

NET PROFIT

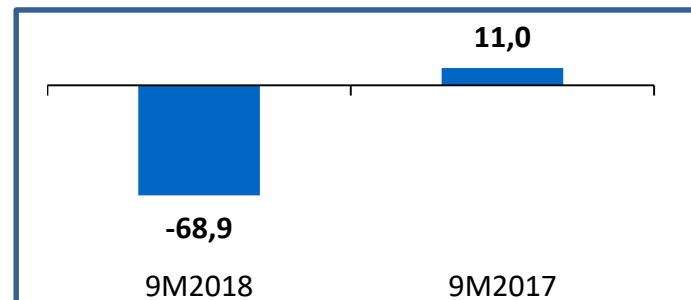
Net Profit (€m)



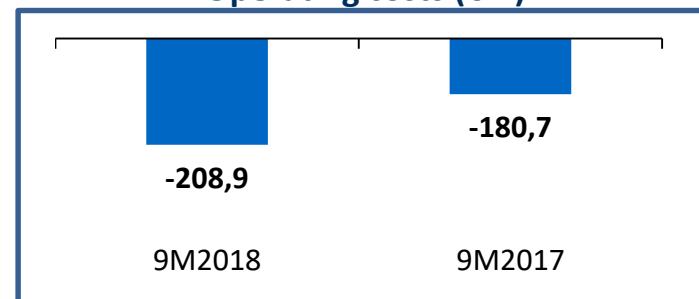
Net banking income(€m)



Loan loss provision (€m)



Operating costs (€m)



$f(x)$

- 9M2018 aligned with FY2018 net expected profitability
- 9M2017 affected by significant reasonable non recurring positive events
- Good performance of Net banking income, with strong contribution from NPL Area
- Negative trend in loan loss provision to be reasonable considered extraordinary
- Operating cost coherent with business development



BALANCE SHEET – ASSET STRUCTURE

(€m) % change 30-Sep-2018 vs 01-Jan-2018

Loans to Customers

€6,919.5m +8.1%

€5,669.5m Enterprises
 €944.7m Area NPL
 €305.3m G&S

Financial Asset = €593.9m +10.7%

According to IFRS9

Through P&L	€31.9m (HFT)
Through P&L at Fair Value	€133.7m (FV TPL)
Through OCI	€428.3m (FV OCI)

Due from banks

€1,452.0m -17.5%

Other Assets

€877.6m +1.4%

Tax Assets	€409.3m of which:
Current tax assets	€47.4m
DTA	€361.9m

Main impact from adoption of IFRS9

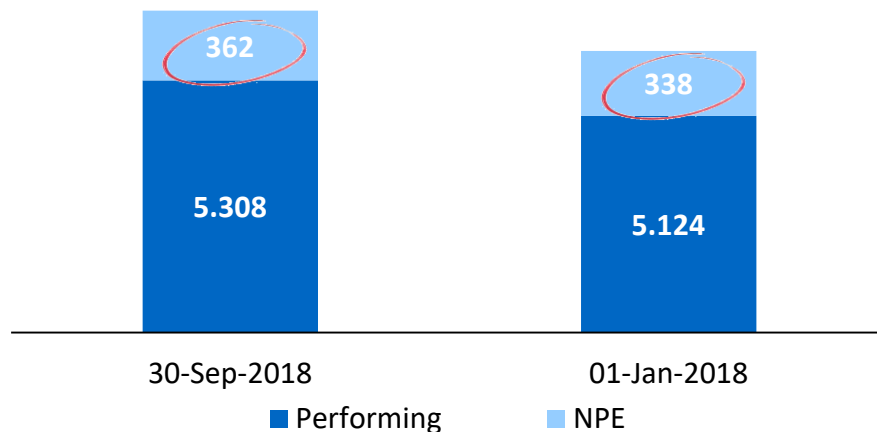
Excess of liquidity as a buffer for bank's ongoing activities

Expected reduction in DTA for future profitability



ASSET QUALITY & NPE TREND IN ENTERPRISES SEGMENT

9M 2018 €m



	30-Sep-2018	01-Jan-2018
Gross NPE	641	564
Gross NPE/Loans	10.7%	9.9%
Net NPE	362	338
% Net NPE/Loans	6.4%	6.2%
Cost of credit	160 bps	31 bps

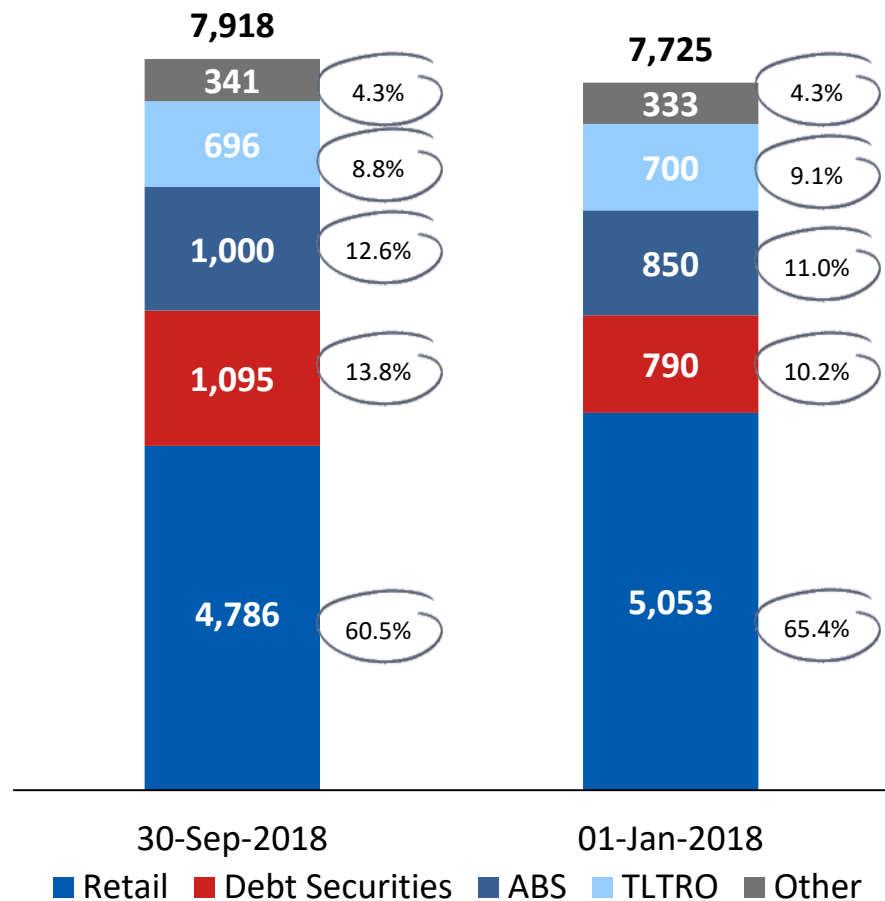
€m	30-Sep-2018	01-Jan-2018
Net Bad Loans	74.5	62.9
Coverage	70.7%	71.0%
Net UTP	165.0	163.1
Coverage	33.9%	26.5%
Net Past Due	122.4	112.0
Coverage	10.7%	10.6%

- According to IFRS 9 new POCI category and new write-off policy, the amounts of gross NPE are significantly changed
- NPE Ratio and Coverage almost in line with Jan'18
- 9M2018 Cost of credit significantly affected by provisions related to two historical large position (65bps excluding these ones).



FUNDING STRUCTURE

9M 2018 €m



Strong liquidity position

- 2018 pre-funding activity through Senior Bond issuance in April 2018
- Funding rebalancing between retail and wholesale funding sources remain the Bank's main strategy
- Restructuring of ABS transaction with widening of securitized portfolio perimeter and decrease of funding cost
- Increase of total funding duration and related funding cost even if marginal at 9M2018
- TLTRO transaction will expire in March 2021
- **LCR higher than 2000%**



REGULATORY CAPITAL RATIO

9M 2018

Regulatory capital ratio Banca IFIS Banking Group scope*	2018	2017
	30/09	31/12
Common Equity Tier 1 Ratio (CET1)	14.63%	15.64%
Total Own Fund Capital Ratio	19.60%	21.07%

Regulatory capital ratio	2018	2017
	30/09	31/12
Common Equity Tier 1 Ratio (CET1)	10.67%	11.66%
Total Own Fund Capital Ratio	14.74%	16.15%

* 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 30 September 2018 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.



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