



**BANCA IFIS**

**3Q 2019 RESULTS**

**7 NOV 2019**

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**Summary results**

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**Appendix**



## Working on the industrial plan, which will be presented in mid January and will focus on 3 main pillars:

- Becoming the reference partner for SMEs, with a dedicated service model and a full range of customized products
- Preserving leadership in unsecured NPLs, broadening servicing and purchasing skills to other NPL classes while maintaining control of IFIS NPL
- Capital strengthening and maintaining a strong liquidity profile



## Main takeaways of 3Q results

- CET1 at 11.1% (+0.30% QoQ), which does not include 3Q 19 net income
- Net income impacted by seasonality in NPL and physiological decline in PPA
- Customer deposits +€0.2bn QoQ confirming Banca IFIS's strong capital and liquidity ratios



## In October, completed acquisition of FBS's minority shares to streamline integration synergies

- Consideration of ~€12mln, with no significant impact on CET1



## Ongoing disposal of non-core real estate in Milan expected to be completed in 4Q 19 or in 1Q 20

- We have already received the binding offers, which showed a capital gain





3Q 2019

### Net income

- €16mIn net income
- Reversal of PPA at €10mIn (€21mIn in 2Q19; €17mIn in 1Q19)

### Net banking income

- €112mIn:
- 37% NPL business
  - 39% Trade receivables
  - 12% Leasing
  - 11% Corporate banking
  - 1% Others

### Operating costs

- €74mIn (€64mIn in 2Q 19 due to positive one-offs; €74mIn in 1Q 19)

### LLP

- Cost of risk of €14mIn (101 bps Enterprises segment), showing normalization



STOCK

### Customer loans

- €7.1bn (-€0.2bn QoQ)
- Trade receivables (-€0.3bn QoQ) as some large transactions with limited revenue contribution were not pursued
  - NPLs stable as 3Q 19 due to limited NPL acquisitions

### NPL business

- ERC €2.4bn
- In 3Q 19: €59mIn cash collection vs. €44mIn P&L contribution

### Funding

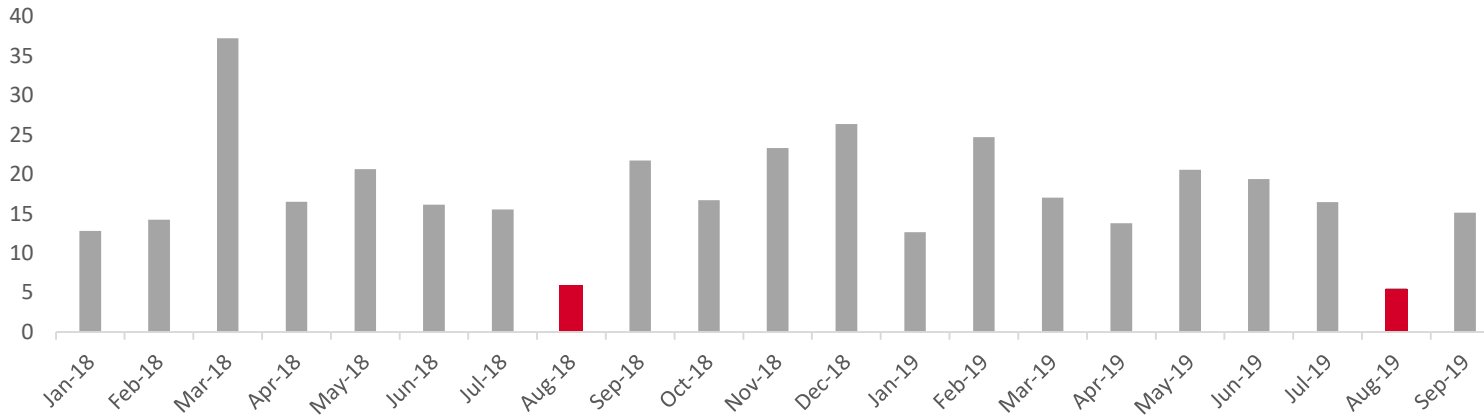
- €1.0bn Wholesale
- €5.3bn customer deposits (+€0.2bn QoQ), confirming the Bank's ability to attract retail clients

### CET1

- 11.1% La Scogliera Group Scope, well above the 8.12% SREP
- 14.7% Banca IFIS Group Scope

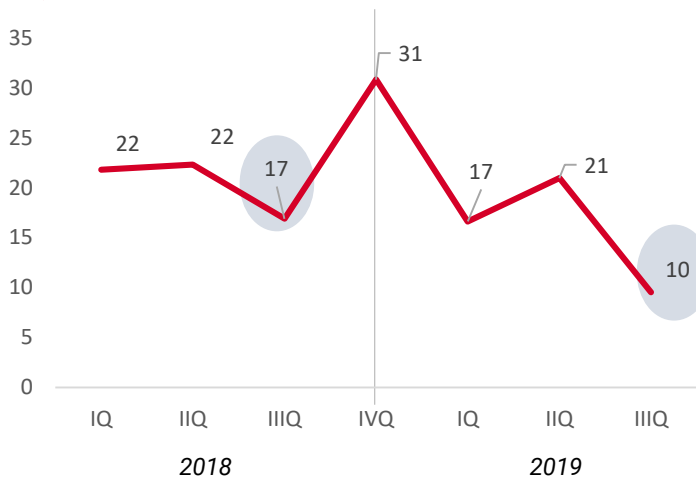
# Seasonality in NPL and physiological decline in PPA impacting revenues and profitability

## Net interest income in NPL



Seasonality due to courts shutting in August

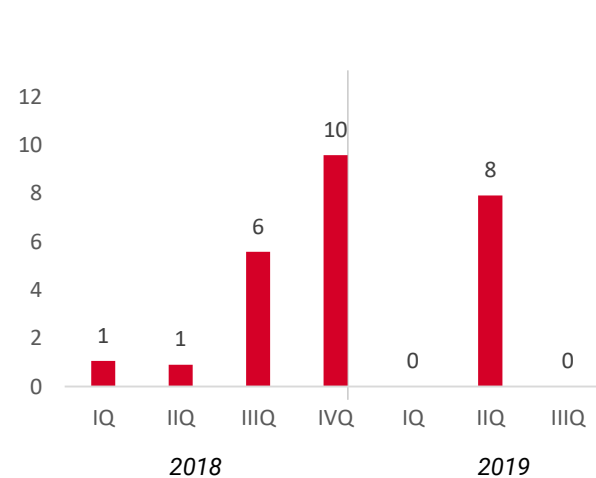
## Write back of PPA (pre tax)



PPA down €11mln vs. 2 Q19 and €7mln vs. 3Q18

Variability due to write back of PPA depending on the prepayment / disposal of ex-Interbanca's loans

## Capital gains from NPL disposal



Gains down €8mln vs. 2Q 19 and €6mln vs. 3Q 18

Variability on the disposal of NPL already worked out by IFIS NPL to specialized operators

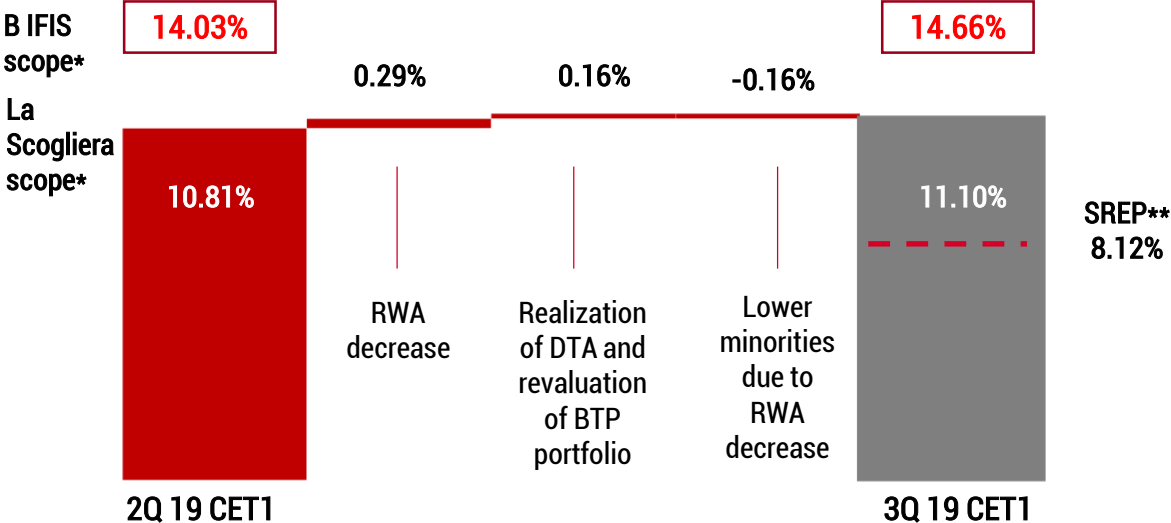
(€ mln)	2Q 19	3Q 19	9M 18	9M 19
Net interest income	118.3	91.1	329.2	324.6
Net commission income	22.7	22.2	60.0	68.7
Trading and other revenues	8.1	(1.2)	14.3	(2.1)
<b>Net banking income</b>	<b>149.1</b>	<b>112.0</b>	<b>403.6</b>	<b>391.2</b>
Loan loss provisions (LLP)	(22.0)	(14.0)	(68.9)	(49.0)
<b>Net banking income – LLP</b>	<b>127.1</b>	<b>98.1</b>	<b>334.6</b>	<b>342.2</b>
Personnel expenses	(32.7)	(31.5)	(83.3)	(95.7)
Other administrative expenses	(71.0)	(43.7)	(133.8)	(158.1)
Other net income/expenses	39.8	1.3	8.2	41.4
<b>Operating costs</b>	<b>(64.0)</b>	<b>(74.0)</b>	<b>(208.9)</b>	<b>(212.4)</b>
Gains (Losses) on disposal of investments	(1.3)	-	-	(1.3)
<b>Pre tax profit</b>	<b>61.8</b>	<b>24.1</b>	<b>125.8</b>	<b>128.6</b>
Taxes	(23.5)	(8.3)	(36.7)	(44.5)
<b>Net income</b>	<b>38.3</b>	<b>15.7</b>	<b>89.0</b>	<b>84.0</b>

Customer loans	7,344	7,118 <sup>(*)</sup>	6,919	7,118 <sup>(*)</sup>
- of which NPL Business	1,174	1,189	945	1,189
Total assets	9,888	10,249	9,843	10,249
Direct funding	7,171	7,319	7,080	7,319
- of which customer deposits	5,069	5,257	4,985	5,257
Shareholders Equity	1,472	1,501	1,397	1,501

## Non-recurrent items

Data in €mln	2Q 19	3Q 19	9M 19
Other admin. expenses	(31)	0	(31)
Other net income /expenses	39	4	42
<b>Operating costs</b>	<b>8</b>	<b>4</b>	<b>11</b>
Taxes	(8)	(4)	(11)
<b>Net income</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 2Q 19 and 3Q 19 included the closing of a tax proceeding of former Interbanca with no impact on Banca IFIS's net income








**CET1 +0.30% QoQ** mainly due to RWA decrease driven by (i) lower volumes and stronger focus on margins in factoring (ii) optimization of the proprietary portfolio

## Capital generation in future quarters

- ↑ CET1 does not include 3Q 19 net income
- ↑ Real estate disposal expected to be completed in 4Q 19 or 1Q 20
- ↑ Progressive use of DTA against future profits (€111.3mln as at 30 Sep 19) currently fully deducted from CET1 (~128bps)
- ↑ Ordinary winding down of former Interbanca customer loans (€0.5bn as at 30 Sep 19)

Data in €bn			
	2Q 19	3Q 19	
<b>Banca IFIS Group Scope</b>			
RWA	9.0	8.7	
CET1	1.3	1.3	
Total Capital	1.7	1.7	
Total Capital %	18.49%	19.25%	
<b>La Scogliera Group scope</b>			
RWA	9.0	8.7	
CET1	1.0	1.0	
Total Capital	1.3	1.3	
Total Capital %	14.51%	14.84%	
Excess CET1 not inc. in La Scogliera	0.3	0.3	

	<b>Banks</b>	<ul style="list-style-type: none"> <li>• Early detection / intervention at the early signs of financial difficulties</li> </ul>	<ul style="list-style-type: none"> <li>• New calendar provisioning regulation</li> </ul>
	<b>Companies</b>	<ul style="list-style-type: none"> <li>• Increase in scale / consolidation</li> <li>• Increase financial planning and reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Negotiate with banks restructuring plans at the early signs of financial difficulties</li> </ul>
	<b>Services</b>	<ul style="list-style-type: none"> <li>• Consolidation with 3/4 large players and several specialized players</li> </ul>	<ul style="list-style-type: none"> <li>• Potential partnership with financial institutions to inject new financing</li> </ul>
	<b>Investors</b>	<ul style="list-style-type: none"> <li>• NPE market to continue to provide attractive returns in the medium terms</li> </ul>	<ul style="list-style-type: none"> <li>• NPL as a new asset class</li> </ul>
	<b>Regulator</b>	<ul style="list-style-type: none"> <li>• Regulatory requirements</li> <li>• Capital requirements</li> <li>• Calendar</li> </ul>	<ul style="list-style-type: none"> <li>• provisioning</li> <li>• Asset quality targets</li> </ul>





- 1 **Banca IFIS acts as investor and servicer**
- 2 **Leader in unsecured NPLs**
- 3 **Strengthening servicing and accelerating integration of FBS by acquiring the remaining 10% minority stake**



## Consolidating

## Growth

	Consolidating		Growth		
	Unsecured retail	Small secured Corporate	Medium secured Corporate	Bankruptcy procedures	Large Corporate
Ticket	10k-150k	100k-500k	1mln-30mln	1mln-50mln	>30-50mln
Type	Judicial and extrajudicial recovery	Judicial and extrajudicial recovery Real estate disposals	Extrajudicial recovery Restructuring Asset disposals	Judicial and extrajudicial recovery Auction management	Managed internally by banks Selective single name disposals
	 				

Acquisition of FBS's minority stake  
+  
Full integration of FBS

Potential acquisition/ partnership/ agreements on specific transactions with specialized services and potential hiring of experienced professionals

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**Summary results**

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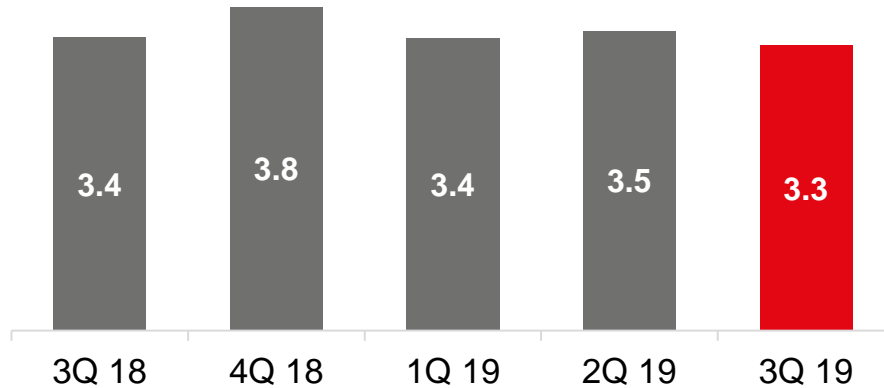
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**Appendix**

Data in € mln

	Enterprises				NPL	G&S	Total
	Trade Receivables	Leasing	Corporate Banking	Tax Receivables			
Net banking income	127	42	47	10	169	(3)	391
- of which PPA	3	-	39	-	-	6	47
Loan loss provisions (LLP)	(32)	(8)	(6)	0	-	(3)	(49)
Net banking income - LLP	95	34	41	10	169	(6)	342
% total	28%	10%	12%	3%	49%	(2)%	100%
Net customer loans	3,286	1,425	733	185	1,189	300 <sup>(4)</sup>	7,118
RWA from counterparty risk <sup>(1)</sup>					1,634	165	6,173
% total					26%	3%	100%
Counterparty RWA on other group assets <sup>(2)</sup>							1,555
Operating and market risks and CVA <sup>(3)</sup>							1,016
<b>Total RWA</b>							<b>8,743</b>

## Turnover\* - €bn



Net customer loans - €mln

3,386

3,584

3,595

3,560

3,286

- of which Factoring\*

2,824

2,983

2,915

2,872

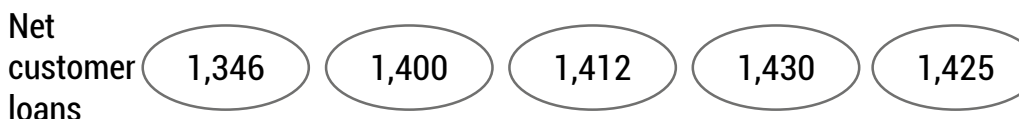
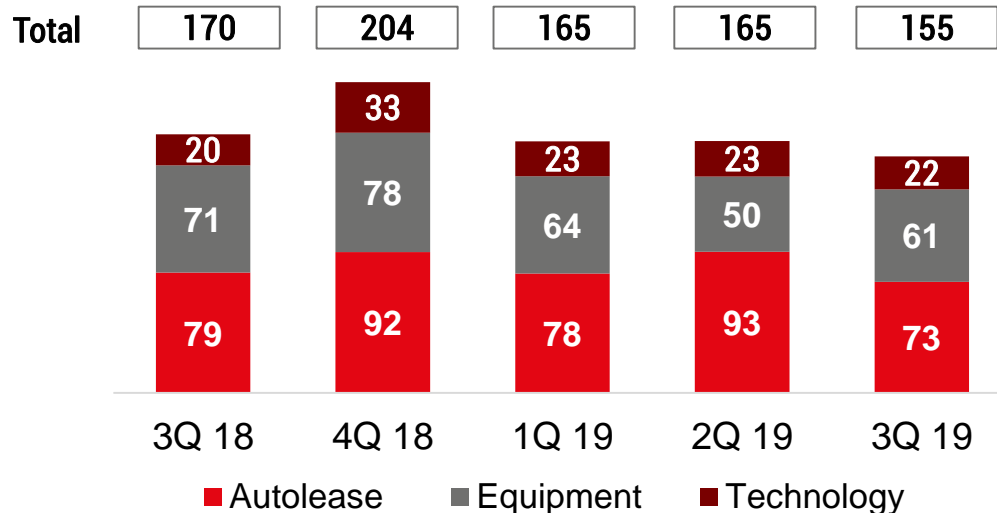
2,594

## Highlights\*

- Trade receivables down by -€0.2bn QoQ, with limited revenue impact. In 3Q 19 there was stronger focus on margins and some large transactions with limited revenue contribution were not pursued
- Lending and turnover are expected to improve in 4Q 2019, which is usually the stronger quarter of the year
- Net banking income / average customer loans at 5.1%,
- Loan loss provisions of €5mln showing some stabilization. In 2018 and 1H 2019, LLP was impacted by one-off provisions on a few large tickets

Data in euro million*	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19
Net banking income	43	46	41	43	43
- of which PPA	1	1	1	1	1
Net banking income / average customer loans	5.3%	5.6%	4.8%	4.9%	5.1%
Loan loss provisions	(26)	(20)	(9)	(18)	(5)

## New business\* - €mln



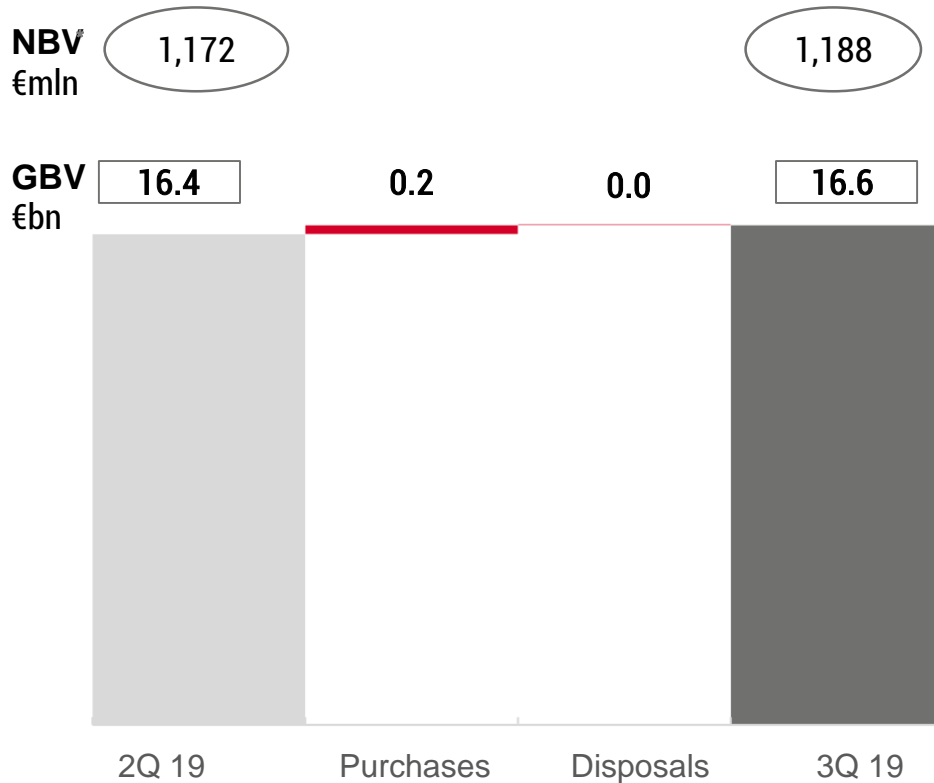
Data in euro million*	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19
Net banking income	12	13	14	15	14
Net banking income / average customer loans	3.6%	3.8%	3.9%	4.1%**	3.8%
Loan loss provisions	(3)	(3)	(2)	(3)	(4)

## Highlights\*

- New leasing -6% vs QoQ, especially in transportation
- New leasing production is expected to improve in 4Q 2019, which is usually the strongest quarter of the year
- Stability in terms of asset quality
- Time to money: ca 2/3 of leasing approval within same day for auto and equipment; real time for technology. Acceptance rate of ca. 65%-70%
- Third party contracts for re-marketing of returned leasing/rentals provide clear recovery estimates



## NPL portfolio evolution



## Key numbers

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

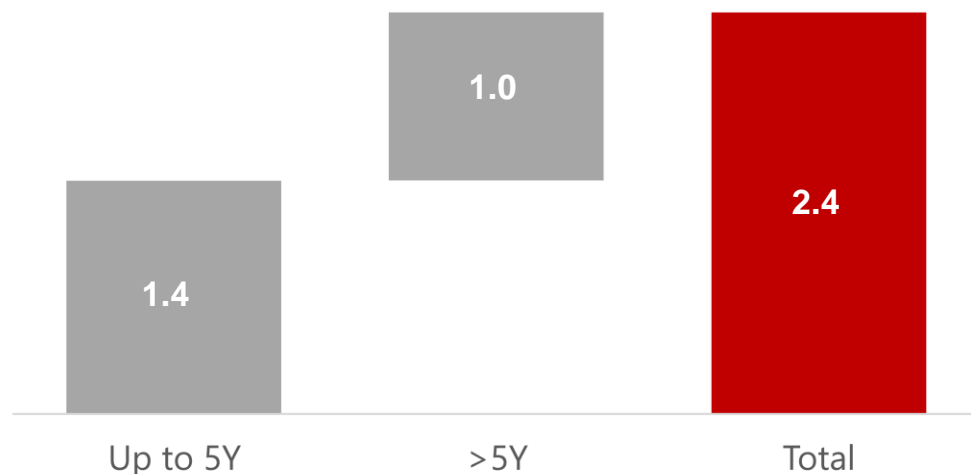
## NPLs acquired in 3Q: €0.2bn GBV

- In 3Q 2019, Banca IFIS carried out few NPL acquisitions as there were limited disposals in the market
- Banca IFIS is participating in all the ongoing disposal processes of unsecured NPLs with estimated GBV of €4bn. The closing of these processes is expected in 4Q 19 and 1Q 20

## No NPLs disposed in 3Q 19

- No NPL disposals in 3Q 19. Potential disposal processes in 4Q 19

## ERC €2.4bn\*



## ERC breakdown\*

Data in € bn	GBV	NBV	ERC
Waiting for workout - At cost	1.8	0.2	0.4
Extrajudicial positions	9.6	0.3	0.6
Judicial positions	5.2	0.7	1.5
<b>Total</b>	<b>16.6</b>	<b>1.2</b>	<b>2.4</b>

## ERC assumptions

- ERC based proprietary statistical models built using internal historical data series and homogeneous clusters of borrowers
  - Type of borrower, location, age, amount due, employment status
  - Time frame of recovery
  - Probability of decay
- ERC represents Banca IFIS's expectation in terms of gross cash recovery. Internal and external costs of positions in non-judicial payment plans (GBV of €0.4bn in 3Q 19), court injunction ["precetto"] issued and order of assignments (GBV of €1.1bn in 3Q 19) have already been expensed in P&L
- €0.9bn cash recovery (including proceeds from disposals) in 2014 - 3Q 2019

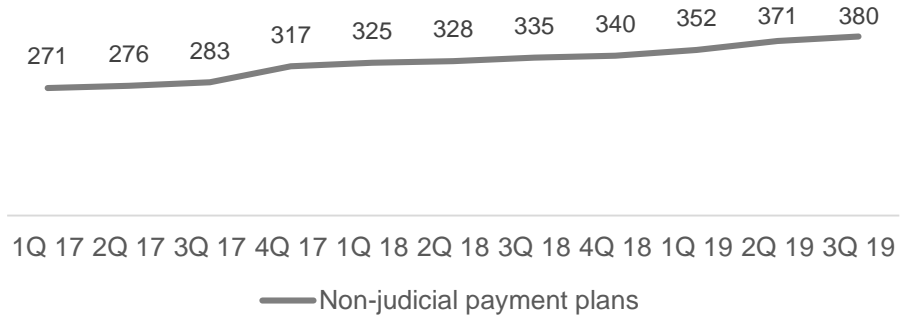
## Judicial recovery

Judicial recovery (€ mln)	GBV	%
Freezed*	2,192	42%
Court injunctions ["precetto"] and foreclosures	511	10%
Order of assignments	612	12%
Secured and Corporate	1,911	37%
<b>Total</b>	<b>5,226</b>	<b>100%</b>

**Ongoing processing**  
 Towards ODA or secured and corporate / future cash flows

## Non judicial recovery – Voluntary plans

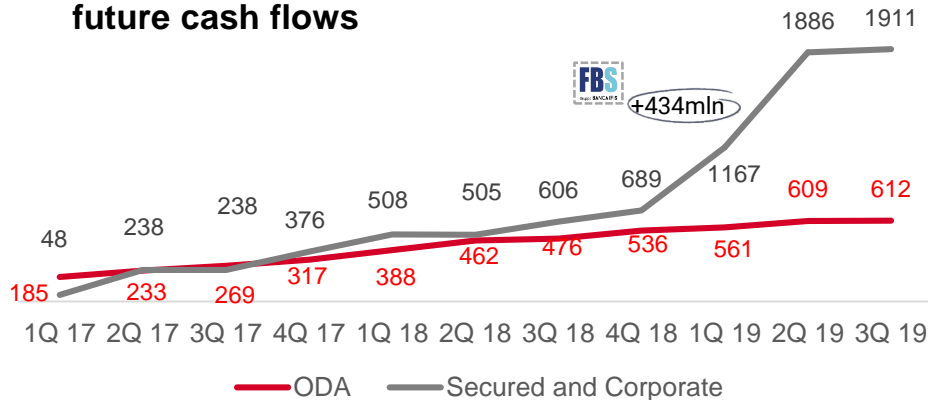
GBV, data in €mln



## Judicial recovery - Growth of ODA and secured

GBV, data in €mln

**Strong growth to drive future cash flows**



## Actual cash repayments > expected cash repayments \*\*

Judicial + non judicial recovery, data in €mln

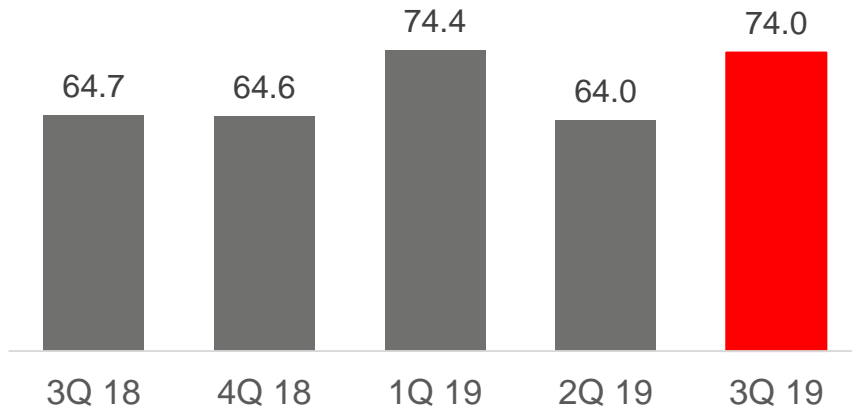
**Cash repayments > internal model estimates**



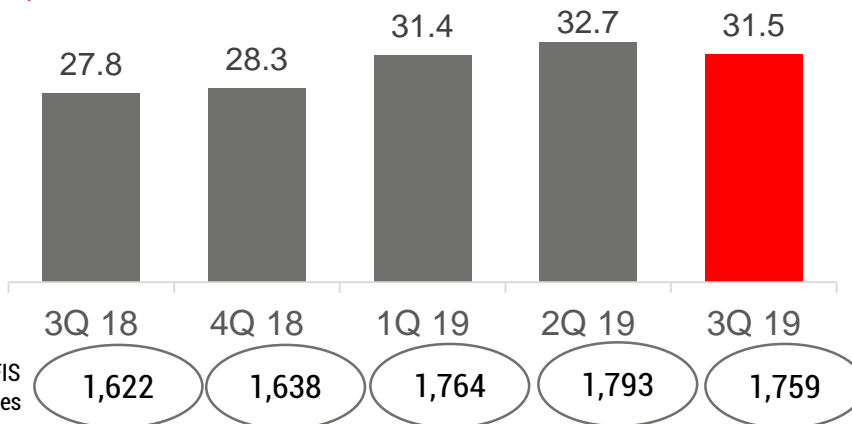
- Confirmation of Banca IFIS's strong know-how in recovery with continuous increase in cash collections
- Cash collections:
  - €59mln in 3Q 19, -13% vs. 2Q 19 and +30% vs. 3Q 18
  - €183mln in 9M 19; +45% vs. 9M 18 and +117% vs. 9M 17
- 3Q was impacted by usual seasonality due to courts shutting down in August

Data in € mln (excluding disposals)	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19	2017 YE	2018 YE
Cash collection	25	29	30	44	40	41	45	55	57	67	59	128	181
Contribution to P&L*	35	36	32	58	67	56	46	69	66	60	44	162	238
Cash collection / contribution to P&L	70%	80%	93%	75%	60%	73%	98%	79%	87%	112%	132%	79%	76%

## Operating costs (€mln)



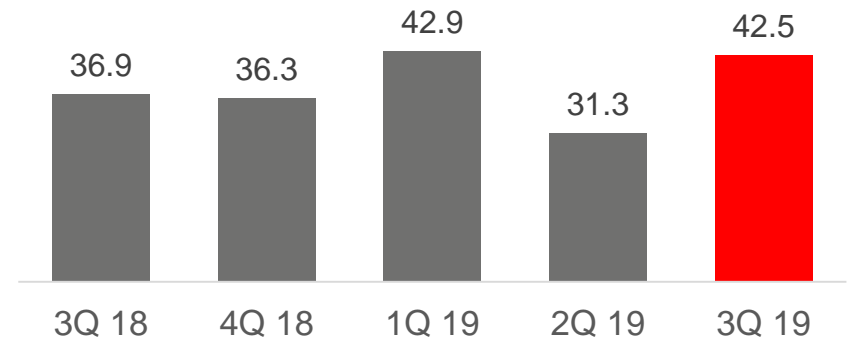
## Personnel expenses (€mln)



## Highlights

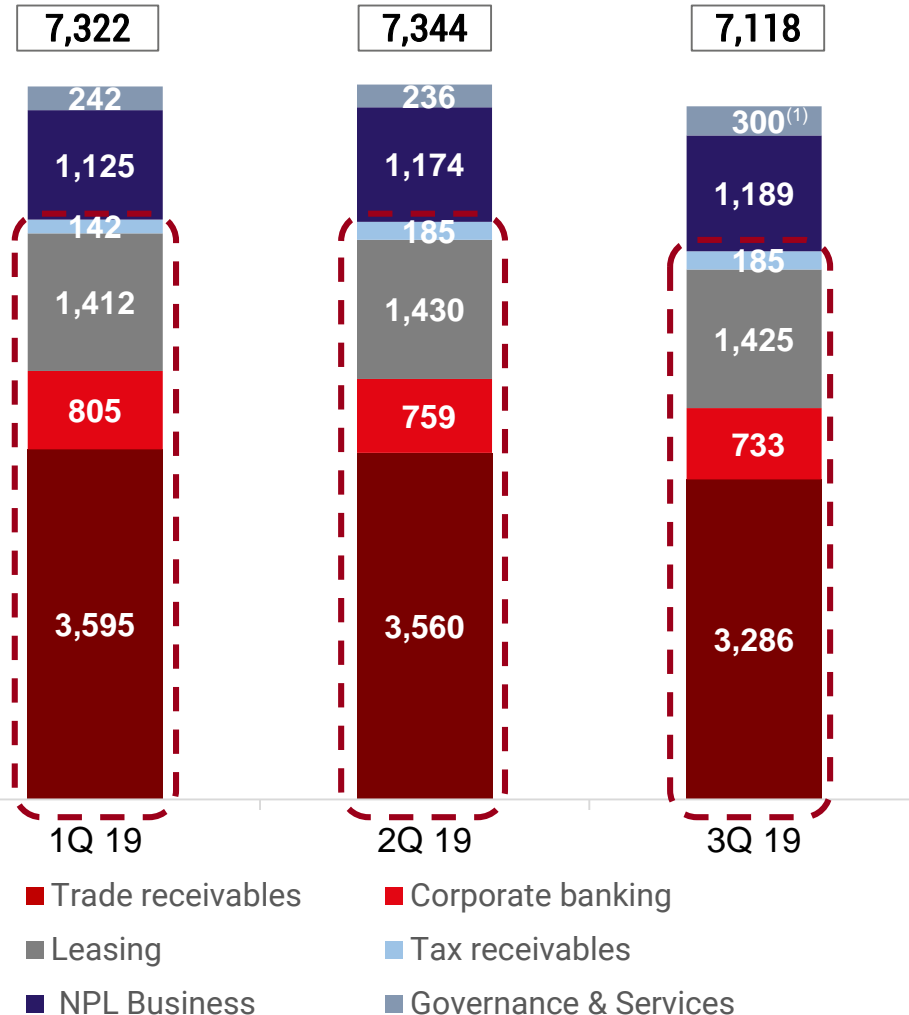
- Operating costs ~+€10mln vs. 2Q 19
  - ~+€4mln one-off due to the closing of a tax proceeding of former Interbanca with no impact on Banca IFIS's net income. This one-off was ~+€8mln in 2Q 19 and ~+€4mln in 3Q 19 (~+ €4mln in operating costs QoQ)
  - ~+€3mln due to FITD and Resolution Fund
  - ~+€3mln due to increase in advisory fees, legal and recovery costs and decrease in cost of personnel
  - 9M 19 cost / income ratio at 54.3% (51.8 % at 9M 18)

## Other adm. expenses and other income / expenses (€mln)





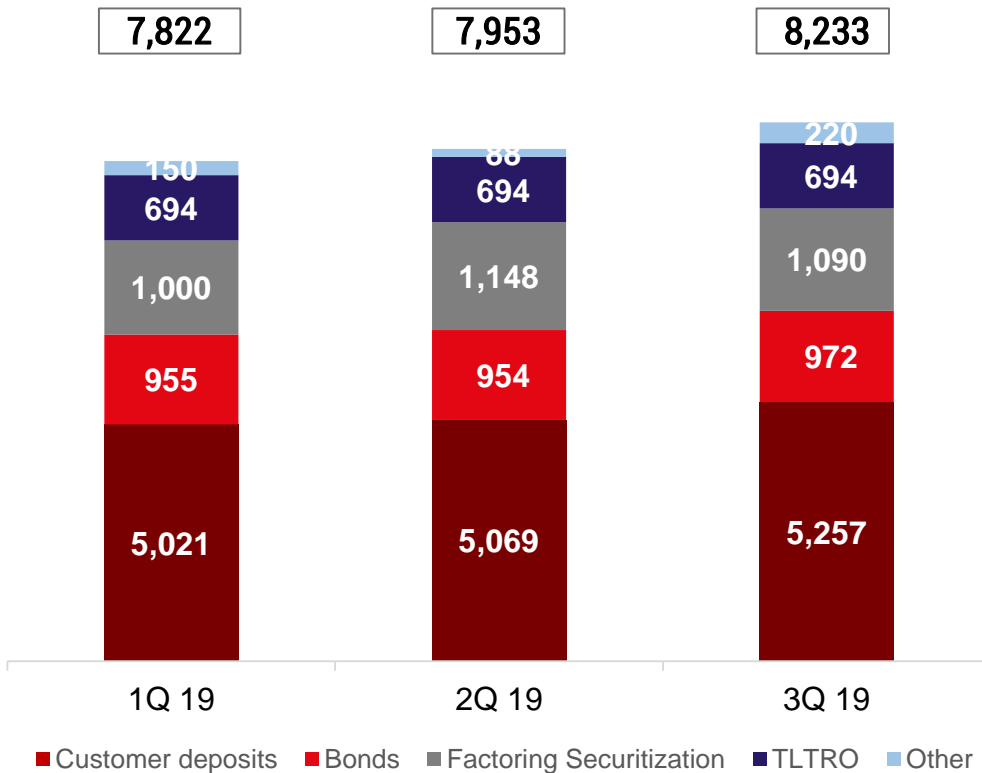
## Customer loans (€ mln)



## Highlights

- Focus on short term loans, very selective on long term maturities. This trend is expected to continue in coming quarters
- Trade receivables were down -€0.3bn QoQ with limited revenue impact. In 3Q 19, there was stronger focus on margins and some large transactions with limited revenue contribution were not pursued
- NPL stable QoQ due to very few acquisitions. Banca IFIS is participating in all the ongoing disposal processes of unsecured NPLs

## Funding (€ mln)



	1Q 19	2Q 19	3Q 19
LCR	>1,000%	>1,300%	>1,600%
NSFR	>100%	>100%	>100%

## Highlights

- 3Q 19, customer deposits at €5,257mln (+€188mln QoQ) confirming Banca IFIS's strong capital and liquidity ratios
- No significant change in average cost of funding which remains substantially stable at ca. 1.5%
- New bond issuance to be considered only at attractive yields and after the presentation of the industrial plan
- We are considering the TLTRO as part of our funding strategy, taking into account the diversification and stability of our ALM

Enterprises	Gross Coverage %		Net
Bad loans	230	70%	69
UTP	233	46%	126
Past due	136	8%	125
<b>Total</b>	<b>599</b>	<b>47%</b>	<b>320</b>

Enterprises Net of POCI	Gross Coverage %		Net
Bad loans	203	80%	41
UTP	210	51%	102
Past due	136	8%	125
<b>Total</b>	<b>549</b>	<b>51%</b>	<b>269</b>

POCI	Gross Coverage %		Net
Bad loans	27	0%	27
UTP	24	0%	24
Past due	-	0%	-
<b>Total</b>	<b>51</b>	<b>0%</b>	<b>51</b>

## Highlights

- NPL Business not included in this analysis
- Enterprises (net of POCI): bad loans and UTP coverage at 80% and 51% 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 %: 10.1% (9.4% at 30 June 2019)
  - Net NPE %: 5.7% (5.3% at 30 June 2019)
- In addition for Enterprises Segment (highlighted in the left table), as at 30 Sept 2019, G&S had € 40mIn gross NPEs, of which:
  - €26mIn gross other loans (of which €7mIn gross bad loans, €16mIn gross UTP and €3mIn gross past due)
  - €15mIn POCI

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**Appendix**

- **Working on the business plan to be presented in mid January**
- **CET 1 of 11.1% (+0.30% QoQ), which does not include 3Q 19 net income**
- **3Q 19 net income impacted by seasonality in NPL and physiological decline in PPA**
- **We expect 2019 net income target around our guidance provided on 11 February 2019, subject to the inclusion of the capital gain on the disposal of the real estate in Milan in 4Q 2019**



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**Appendix:**

- La Scogliera: CRD IV
- Segment breakdown
- Focus on DTA and PPA
- NPL Business

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**La Scogliera: implications of CRD IV**

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**Focus on DTA and PPA**

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**NPL Business**

- NPL Business: stock by recovery phase
- Judicial and extrajudicial workout
- NPL Business: GBV and NBV evolution
- NPL Business: P&L and cash evolution
- Accounting of extrajudicial workout
- Accounting of judicial workout
- NPL portfolio diversification

- The application of the 2013/36/EU (CRD IV) Directive and EU Regulation 575/2013 (CRR) envisages that 49.3% of the excess capital of the Banca IFIS Group Scope is not included in the CET1 of La Scogliera Group Scope. CET1 excess capital of €0.4bn is not included in La Scogliera Group Scope

La Scogliera S.p.A.  
Consolidating Group  
entity



**50.7%\*\***  
Banca IFIS S.p.A.

Data in €billion

Data as at 30 Sept 2019	Banca IFIS Group Scope	Capital requirements*	Excess capital	Minority stake of La Scogliera	Excess capital not included	La Scogliera Group Scope
CET1	1.3		0.7	49.3%	0.4	1.0
Total Capital	1.7		0.8	49.3%	0.4	1.3
CET1 %	14.7%	7.0%		49.3%		11.1%
Total Capital %	19.2%	10.5%		49.3%		14.8%
RWA	8.7					8.7

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**La Scogliera: implications of CRD IV**

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**Focus on DTA and PPA**

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**NPL Business**

- NPL Business: stock by recovery phase
- Judicial and extrajudicial workout
- NPL Business: GBV and NBV evolution
- NPL Business: P&L and cash evolution
- Accounting of extrajudicial workout
- Accounting of judicial workout
- NPL portfolio diversification

# Segment breakdown (1/2)

Consolidated P&L - Data in €mln	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19
Net interest income	100	140	115	118	91
Net commission income	20	25	24	23	22
Trading and other income	6	8	(9)	8	(1)
<b>Net banking income</b>	<b>125</b>	<b>173</b>	<b>130</b>	<b>149</b>	<b>112</b>
Loan loss provisions (LLP)	(29)	(31)	(13)	(22)	(14)
<b>Net banking income – LLP</b>	<b>97</b>	<b>142</b>	<b>117</b>	<b>127</b>	<b>98</b>
Personnel expenses	(28)	(28)	(31)	(33)	(32)
Other administrative expenses	(39)	(43)	(43)	(71)	(44)
Other net income/expenses	2	6	0	40	1
<b>Operating costs</b>	<b>(65)</b>	<b>(65)</b>	<b>(74)</b>	<b>(64)</b>	<b>(74)</b>
Gains (Losses) on disposal of investments	-	-	-	(1)	-
<b>Pre-tax profit</b>	<b>32</b>	<b>77</b>	<b>43</b>	<b>62</b>	<b>24</b>
Taxes	(9)	(19)	(13)	(24)	(8)
<b>Net income</b>	<b>23</b>	<b>58</b>	<b>30</b>	<b>38</b>	<b>16</b>

P&L breakdown - Data in €mln	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19
<b>Net interest income</b>	<b>100</b>	<b>140</b>	<b>115</b>	<b>118</b>	<b>91</b>
o/w Enterprises	57	75	53	62	53
o/w NPL <i>Business</i>	43	66	61	56	40
o/w G&S	(0)	(1)	1	(0)	(2)
<b>Net commission Income</b>	<b>20</b>	<b>25</b>	<b>24</b>	<b>23</b>	<b>22</b>
o/w Enterprises	20	24	22	22	21
o/w NPL <i>Business</i>	0	0	1	1	1
o/w G&S	(0)	0	0	(0)	(0)
<b>Trading and other income</b>	<b>6</b>	<b>8</b>	<b>(9)</b>	<b>8</b>	<b>(1)</b>
o/w Enterprises	(1)	(5)	(8)	2	(1)
o/w NPL <i>Business</i>	6	10	0	8	(0)
o/w G&S	1	4	(1)	(1)	0
<b>Net banking income</b>	<b>125</b>	<b>173</b>	<b>130</b>	<b>149</b>	<b>112</b>
o/w Enterprises	76	94	67	86	73
o/w NPL <i>Business</i>	49	76	63	65	41
o/w G&S	0	3	1	(2)	(2)
<b>o/w PPA</b>	<b>17</b>	<b>31</b>	<b>17</b>	<b>21</b>	<b>10</b>
o/w Enterprises	15	29	14	19	8
o/w NPL <i>Business</i>	-	-	-	-	-
o/w G&S	1	2	2	2	1



Enterprises - Data in €mln	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19
Bad loans (net)	63	68	74	68	68	72	69
Unlikely to pay (net)	160	144	165	147	150	140	126
Past due loans (net)	120	156	122	95	89	103	125
<b>Total non performing loans (stage 3)</b>	<b>343</b>	<b>368</b>	<b>362</b>	<b>310</b>	<b>307</b>	<b>315</b>	<b>320</b>
Performing loans (stage 1 and 2)	5,030	5,232	5,308	5,608	5,648	5,619	5,309
<b>Total loans</b>	<b>5,373</b>	<b>5,600</b>	<b>5,669</b>	<b>5,918</b>	<b>5,955</b>	<b>5,934</b>	<b>5,629</b>

NPL Business - Data in €mln	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19
Bad loans (net)	563	582	676	782	818	864	883
Unlikely to pay (net)	268	268	266	306	301	303	299
Past due loans (net)	0	1	1	0	0	0	0
<b>Total non performing loans (stage 3)</b>	<b>831</b>	<b>850</b>	<b>943</b>	<b>1,088</b>	<b>1,120</b>	<b>1,167</b>	<b>1,182</b>
Performing loans (stage 1 and 2)	1	1	2	5	6	7	7
<b>Total loans</b>	<b>832</b>	<b>851</b>	<b>945</b>	<b>1,093</b>	<b>1,125</b>	<b>1,174</b>	<b>1,189</b>

G&S - Data in €mln	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19
Bad loans (net)	13	13	13	12	12	11	13
Unlikely to pay (net)	14	14	14	19	20	17	13
Past due loans (net)	5	7	7	5	4	4	3
<b>Total non performing loans (stage 3)</b>	<b>32</b>	<b>34</b>	<b>34</b>	<b>36</b>	<b>35</b>	<b>32</b>	<b>28</b>
Performing loans (stage 1 and 2)	220	225	272	267	207	204	271
<b>Total loans</b>	<b>252</b>	<b>259</b>	<b>305</b>	<b>303</b>	<b>242</b>	<b>236</b>	<b>300</b>

01

**La Scogliera: implications of CRD IV**

02

**Segment breakdown**

03

**Focus on DTA and PPA**

04

**NPL Business**

- NPL Business: stock by recovery phase
- Judicial and extrajudicial workout
- NPL Business: GBV and NBV evolution
- NPL Business: P&L and cash evolution
- Accounting of extrajudicial workout
- Accounting of judicial workout
- NPL portfolio diversification

Data in €/mln

### Convertible DTA

- DTAs related to write downs of loans convertible into tax credits (under Law 214/2011)
- Their recovery is certain regardless of the presence of future taxable income and is defined by fiscal law (range ca. 5%-12% per annum, with full release by 2026)
- No time and amount limit in the utilization of converted DTA
- Capital requirements: 100% weight on RWA

218.4

### DTA due to tax losses (non-convertible)

- DTAs on losses carried forward (non-convertible) and DTAs on ACE (Allowance for Corporate Equity) deductions can be recovered in subsequent years only if there is positive taxable income
- No time limit to the use of fiscal losses against taxable income of subsequent years
- Capital requirements: 100% deduction from CET1

111.3  
(83.4+28.0\*)

### Other non-convertible DTAs

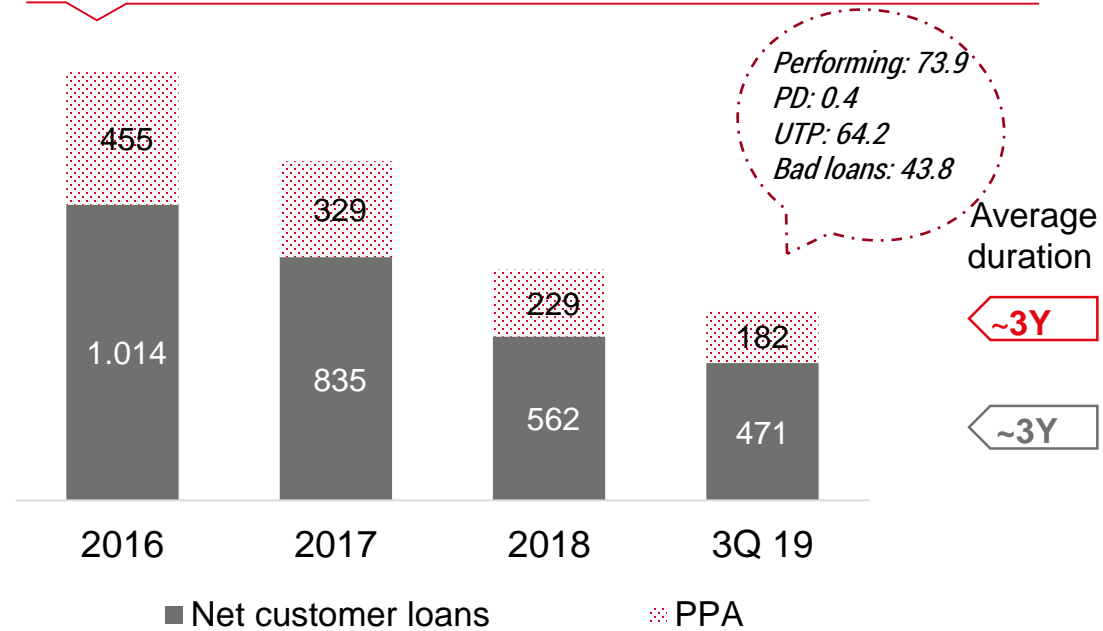
- DTAs generated due to negative valuation reserves and provisions for risks and charges
- Capital requirements: deduction from CET1 or weighted in RWA depending on certain thresholds. For Banca IFIS they would be weighted at 250% but they are substantially offset by DTL

38.5\*\*

## Description

- In 2016, following the acquisition of Interbanca, Banca IFIS valued the performing and non performing loans of Interbanca by applying a market discount and a liquidity discount to reflect purchase price
- The purchase price allocation (PPA) is written back with the progressive maturity or the disposal of Interbanca's loans
  - As at 30 Sept 19, the residual amount of pre-tax PPA is €182mIn

## Net customer loans and PPA - €mln



PPA Reversal in P&L	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19	Outstanding 3Q 19
Enterprises	20	20	15	29	14	19	8	144
G&S	1	2	1	2	2	2	1	39
<b>Total</b>	<b>22</b>	<b>22</b>	<b>17</b>	<b>31</b>	<b>17</b>	<b>21</b>	<b>10</b>	<b>182</b>

01

**La Scogliera: implications of CRD IV**

02

**Segment breakdown**

03

**Focus on DTA and BS**

04

**NPL Business**

- NPL Business: stock by recovery phase
- Judicial and extrajudicial workout
- NPL Business: GBV and NBV evolution
- NPL Business: P&L and cash evolution
- Accounting of extrajudicial workout
- Accounting of judicial workout
- NPL portfolio diversification

Cluster	GBV 3Q19 €mln	% total	Description	Average time frame	Accounting valuation	Cash proceeds
<b>Waiting for workout - Positions at cost</b>	<b>1,783</b>	<b>11%</b>	Recently acquired, under analysis to select the best recovery strategy, to be assigned either to extrajudicial or to judicial recovery	6 months	Acquisition cost	
<b>Extrajudicial positions</b>	<b>9,574</b>	<b>58%</b>				
-Ongoing attempt of recovery	9,194	55%	Managed by internal and external call centres and recovery networks. The purpose is the transformation into voluntary payment plans (or into judicial recovery if conditions arises)	NA	Statistical model (collective valuation)	No
- Non-judicial payment plans	380	2%	Sustainable cash yields agreed with debtors through call centres and collection agents	5 years	Increase in value (P&L), with valuation based on agreed plan, net of historical delinquency rate, discounted at the IRR used for acquisition	Yes
<b>Judicial positions</b>	<b>5,226</b>	<b>32%</b>				
- Frozen*	2,192	13%	Judicial process has started; but the court injunction ["precetto"] has not been issued	6-12 months	Acquisition cost	No
- Court injunctions ["precetto"] issued and foreclosures ("pignoramento")	511	3%	Court injunction ["precetto"] already issued; legal actions continue to get the order of assignment	8-12 months	#1 increase in value at court injunction ["precetto"] and #2 increase in value at foreclosure ["Pignoramento"]. Part of the legal costs are expensed in P&L	No
- Order of assignments	612	4%	Enforcement order already issued. The cash repayment plan is decided by the court and starts afterwards	2-4 months	#3 increase in value. The remaining legal costs are expensed in P&L	Yes
- Secured and Corporate	1,911	12%	Ongoing execution of real estate collaterals	4 years	Analytical valuation (expected time frame and amount to be recovered)	Yes
<b>Total</b>	<b>16,583</b>	<b>100%</b>				

GBV - €mln	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19
Waiting for workout - Positions at cost	2,525	2,325	3,614	2,522	2,298	2,014	1,840	3,472	2,864	1,598	1,783
<b>Extrajudicial positions</b>	<b>6,047</b>	<b>6,573</b>	<b>6,702</b>	<b>8,050</b>	<b>8,050</b>	<b>8,145</b>	<b>9,667</b>	<b>8,956</b>	<b>9,745</b>	<b>9,862</b>	<b>9,574</b>
- Ongoing attempt of recovery	5,776	6,297	6,420	7,733	7,725	7,817	9,332	8,617	9,393	9,491	9,194
- Non-judicial payment plans	271	276	283	317	325	328	335	340	352	371	380
<b>Judicial positions</b>	<b>1,874</b>	<b>2,127</b>	<b>2,220</b>	<b>2,503</b>	<b>2,664</b>	<b>2,738</b>	<b>3,170</b>	<b>3,327</b>	<b>4,015</b>	<b>4,913</b>	<b>5,226</b>
- Frozen*	1,640	1,655	1,713	1,810	1,515	1,435	1,712	1,692	1,822	1,931	2,192
- Court injunctions ["prechetto"] issued and foreclosures	0	0	0	0	253	336	376	411	464	487	511
- Order of assignments	185	233	269	317	388	462	476	536	561	609	612
- Secured and Corporate	48	238	238	376	508	505	606	689	1,167	1,886	1,911
<b>Total</b>	<b>10,445</b>	<b>11,025</b>	<b>12,536</b>	<b>13,075</b>	<b>13,011</b>	<b>12,897</b>	<b>14,676</b>	<b>15,756</b>	<b>16,624</b>	<b>16,373</b>	<b>16,583</b>

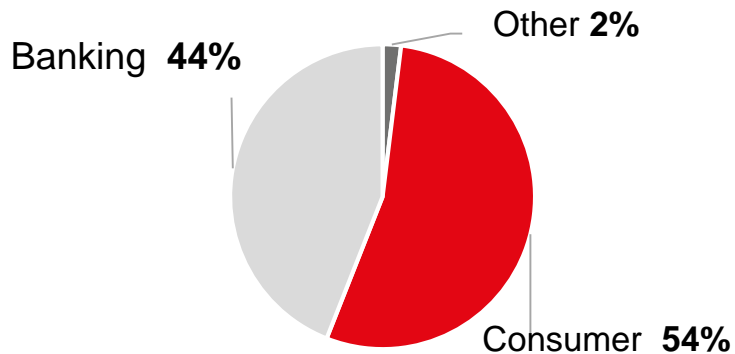
NBV - €mln	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19
Waiting for workout - Positions at cost	147	132	128	94	61	57	96	225	174	148	160
<b>Extrajudicial positions</b>	<b>231</b>	<b>244</b>	<b>239</b>	<b>283</b>	<b>287</b>	<b>285</b>	<b>302</b>	<b>291</b>	<b>306</b>	<b>313</b>	<b>308</b>
- Ongoing attempt of recovery	130	139	139	160	160	154	167	153	162	164	154
- Non-judicial payment plans	101	105	100	122	127	131	135	138	144	149	154
<b>Judicial positions</b>	<b>254</b>	<b>325</b>	<b>349</b>	<b>423</b>	<b>484</b>	<b>509</b>	<b>547</b>	<b>577</b>	<b>643</b>	<b>711</b>	<b>720</b>
- Frozen*	189	219	229	266	222	194	203	188	205	207	215
- Court injunctions ["prechetto"] issued and foreclosures	0	0	0	0	52	80	94	107	118	118	118
- Order of assignments	63	82	95	123	148	174	183	209	227	244	245
- Secured and Corporate	2	25	25	33	62	61	67	73	94	142	142
<b>Total</b>	<b>631</b>	<b>701</b>	<b>716</b>	<b>799</b>	<b>832</b>	<b>851</b>	<b>945</b>	<b>1,093</b>	<b>1,123</b>	<b>1,172</b>	<b>1,188</b>

P&L - €mln	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19
<b>Waiting for workout - Positions at cost</b>											
<b>Extrajudicial positions</b>	<b>18</b>	<b>15</b>	<b>16</b>	<b>28</b>	<b>21</b>	<b>13</b>	<b>13</b>	<b>17</b>	<b>19</b>	<b>19</b>	<b>19</b>
- Ongoing attempt of recovery	1	1	(1)	0	2	(3)	(3)	(4)	(3)	(2)	(1)
- Non-judicial payment plans	17	14	18	28	19	16	16	21	22	21	20
<b>Judicial positions</b>	<b>17</b>	<b>21</b>	<b>16</b>	<b>31</b>	<b>46</b>	<b>43</b>	<b>33</b>	<b>53</b>	<b>46</b>	<b>42</b>	<b>26</b>
- Frozen*	0	0	0	0	0	0	0	0	0	0	0
- Court injunctions and foreclosures + Order of assignments	17	20	15	28	44	41	26	42	37	28	18
- Secured and Corporate	0	1	1	2	3	2	7	11	9	14	7
<b>Total</b>	<b>35</b>	<b>36</b>	<b>32</b>	<b>58</b>	<b>67</b>	<b>56</b>	<b>46</b>	<b>69</b>	<b>66</b>	<b>60</b>	<b>44</b>

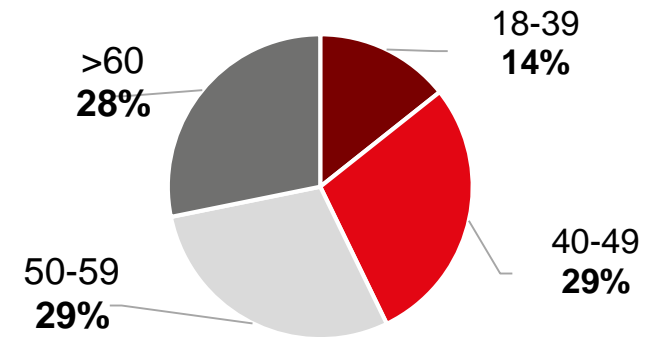
Cash - €mln	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19
<b>Waiting for workout - Positions at cost</b>											
<b>Extrajudicial positions</b>	<b>18</b>	<b>19</b>	<b>21</b>	<b>29</b>	<b>21</b>	<b>21</b>	<b>22</b>	<b>26</b>	<b>27</b>	<b>32</b>	<b>27</b>
- Ongoing attempt of recovery	2	3	3	6	4	4	3	3	4	6	4
- Non-judicial payment plans	16	16	18	23	17	17	19	23	23	26	23
<b>Judicial positions</b>	<b>7</b>	<b>10</b>	<b>10</b>	<b>15</b>	<b>19</b>	<b>20</b>	<b>23</b>	<b>29</b>	<b>30</b>	<b>35</b>	<b>32</b>
- Frozen*	0	0	0	0	0	0	0	0	0	0	0
- Court injunctions and foreclosures + Order of assignments	7	8	9	12	15	17	19	22	24	25	25
- Secured and Corporate	0	2	0	3	4	3	4	7	6	11	7
<b>Total</b>	<b>25</b>	<b>29</b>	<b>30</b>	<b>44</b>	<b>40</b>	<b>41</b>	<b>45</b>	<b>55</b>	<b>57</b>	<b>67</b>	<b>59</b>



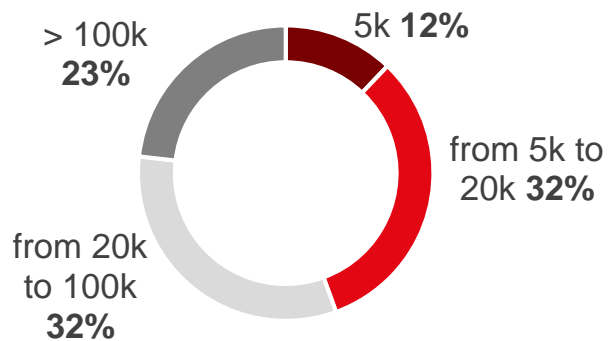
## Breakdown of GBV by type



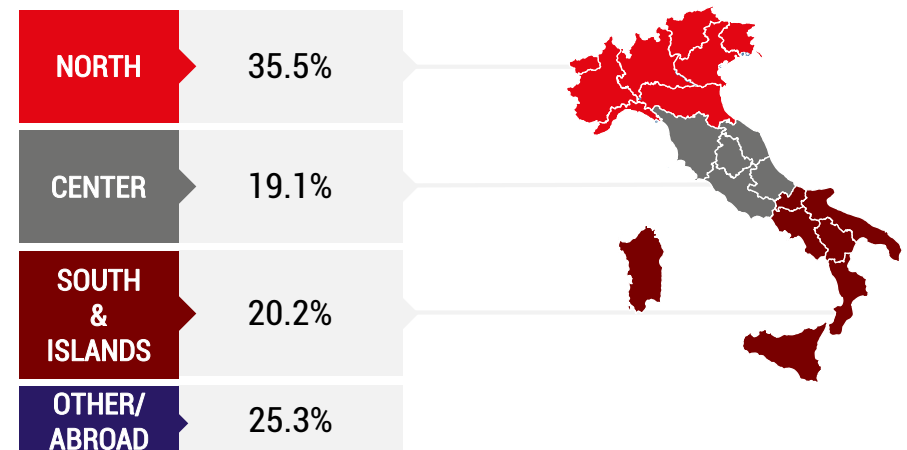
## Breakdown of GBV by borrower age



## Breakdown of Gross Bad Loans by ticket size



## Gross NPL breakdown by region



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