

**BANCA IFIS**



# **Business Plan 2020-2022**

**14 January 2020**

## 1 Mission and track record

## 2 Strategic guidelines and financial targets

2.0 Strategic highlights

2.1 Financial targets

2.2 Conclusions

## 3 Appendix

3.1 NPL business

3.2 Commercial and Corporate Banking

3.3 Enhancing operating machine

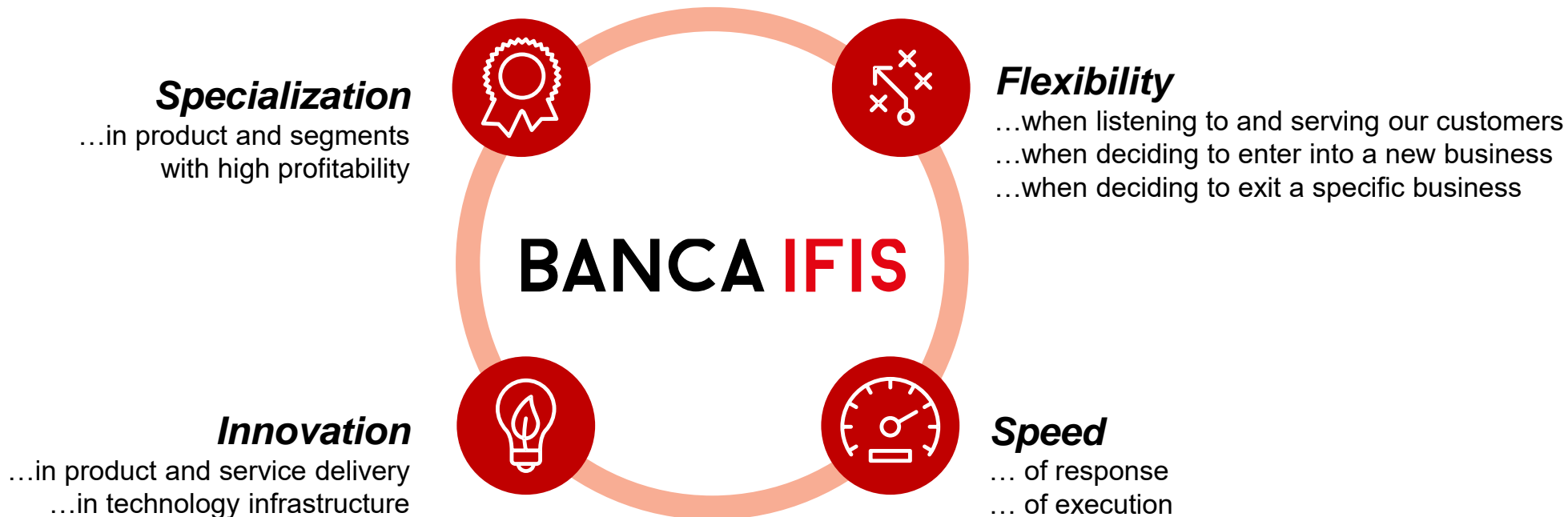
3.4 Segment reporting

3.5 Definition of default & Calendar provisioning



Banking group leader in specialty finance, focused on market segments with high profitability, a “go-to” partner to SMEs with a dedicated service model and a full range of customized products with proven leadership in unsecured NPL

## A unique and resilient business model



Creating sustainable earnings, self funding, growth while delivering attractive dividends

# BANCA IFIS



\* 2019 figures are purely indicative and are based on 2019 most recent projections

\*\*Non core and G&S represented ca. 3% of 2019 net income

# 2019 estimate<sup>1</sup>: P&L pro forma break-down by business unit

## Commercial & Corporate banking

Data in € mln	NPL	Factoring	Leasing	Corp. Banking	Lending	Non core & G&S	Consolidated
Net banking income	244	166	53	20	5	69	557
-Of which PPA	-2			3		56	58
Loan loss provisions	0	-40	-11	-1	-1	-32	-85
Operating costs	-156	-85	-25	-3	-3	-40	-312
Extraordinary items	0	0	0	0	0	18	18
<b>Net income <sup>(1)</sup></b>	<b>62</b>	<b>29</b>	<b>15</b>	<b>12</b>	<b>1</b>	<b>4</b>	<b>123</b>
<b>Net income (%)</b>	<b>51%</b>	<b>24%</b>	<b>12%</b>	<b>10%</b>	<b>1%</b>	<b>3%</b>	<b>100%</b>
Cost of credit (bps)	-	131	81	11	61	-	-
Cost / income (%)	64%	51%	47%	15%	49%	58%	56%
<b>RWA <sup>(2)</sup></b>	<b>2.050</b>	<b>2.875</b>	<b>1.469</b>	<b>698</b>	<b>212</b>	<b>1.122</b>	<b>8.426</b>
<b>Capital allocation <sup>(3)</sup></b>	<b>225</b>	<b>315</b>	<b>161</b>	<b>77</b>	<b>23</b>	<b>123</b>	<b>924</b>
<b>Return on allocated capital <sup>(4)</sup></b>	<b>28%</b>	<b>9%</b>	<b>9%</b>	<b>15%</b>	<b>5%</b>	<b>3%</b>	<b>13%</b>

- **Lending** includes commercial medium long term lending in Italy and pharmacies
- **Corporate banking** includes structured finance, special situations and equity investments
- **Non Core:** former Interbanca performing and NPL portfolios. In 2019, its loan loss provisions were impacted by a 3 large positions of former Interbanca (total provisions of ca. €21mln)
- **G&S:** central services, treasury and costs not allocated to other business units. In 2019, extraordinary items includes €15mln from the closing of a tax proceeding of former Interbanca with no impact on Banca IFIS's net income

(1) 2019 figures are purely indicative and are based on 2019 most recent projections

(2) RWA Credit risk only. It excludes RWA from operating, market risks and CVA (€1bn)

(3) RWA (Credit risk only) x CET1 2019 expected

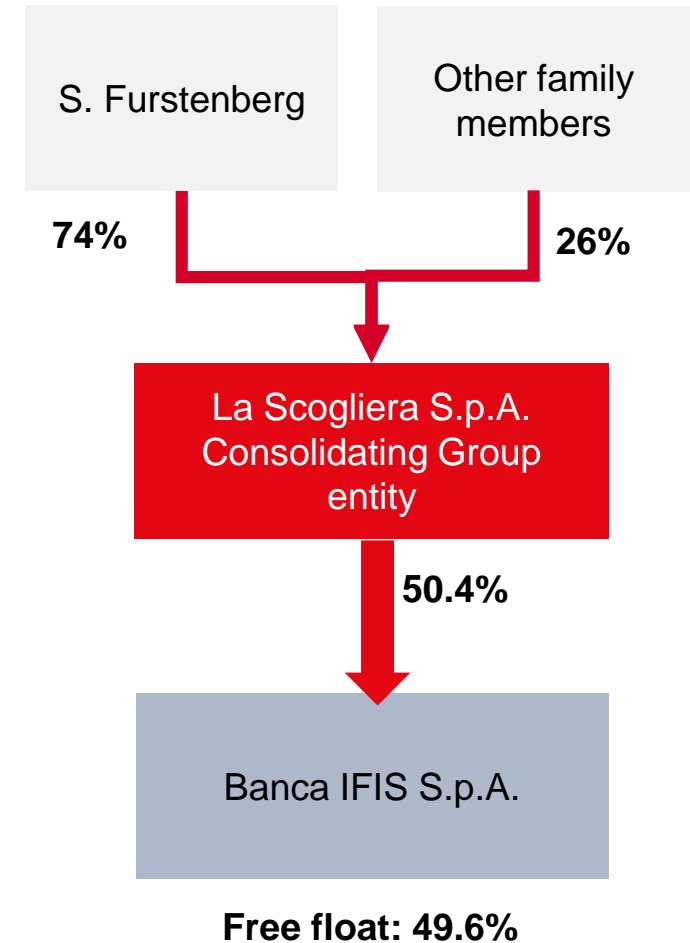
(4) Net income on capital allocation

## The Chairman S. Furstenberg

- S. Furstenberg is the founder and has been serving as Chairman since 1983. His vision encompasses:
  - Long term value creation with a strategy focused on creating continuous adequate earnings, self funding superior growth and delivering attractive and steady dividends
  - Forefront in business and digital innovation
  - Prudent attitude towards risks but able seize industrial opportunities when they arise (i.e. acquisition of Interbanca, pioneering the NPL market)

## La Scogliera – 50.4% of Banca IFIS

- La Scogliera provides, as main shareholder, continuity and cohesion in the management of Banca IFIS
- La Scogliera does not have any other material assets and liabilities other than Banca IFIS
- Under the current interpretation of the application of the 2013/36/EU (CRD IV) Directive and EU Regulation 575/2013 (CRR) La Scogliera consolidates Banca IFIS from a regulatory standpoint





**CEO**

**Luciano Colombini**

3Y CEO Banca Finint, 9Y General Manager at BP Verona, Unipol Banca, Banco Desio, 13Y at BPV



**General Manager**

**Alberto Staccione**

33Y General Manager, Factoring Manager and Business Manager at Banca IFIS



**Commercial Business**

**Raffaele Zingone**

7Y Business Development and Business Director, 7Y Head of Strategic Planning & Control at Banca IFIS



**Finance**

**Mariacristina Taormina**

4Yas CFO at Banca IFIS, 15Y Senior manager specialized in banking and financial institution at KPMG



**Operations**

**Emanuel Nalli**

5Y advisory Banca IFIS, 10Y in reorganization projects across financial services industry at KPMG Advisory



**Strategic Planning**

**Paolo Formigoni**

7Y Deputy General Manager in retail banking, Head of Strategic Planning at Crédit Agricole, 12Y management consulting, 3Y in US

New



**Investor Relations & Corporate Development**

**Martino Da Rio**

10Y investment banking at Lehman and Credit Suisse in Milan and London, 6Y Head of IR, real estate and M&A at MPS



**Capital Markets**

**Saverio Bonavita**

10Y CFO Unipol Banca, 15Y asset management at Unicredit and Intesa Sanpaolo

New



**Marketing & Communication**

**Rosalba Benedetto**

5Y external relations and comm director at Ilva, 8Y Head of Corporate Comm at Autogrill, 4Y comm consultant

New



**Legal & Corporate Affairs**

**Lucia Martinoli**

20Y management in sales, ICT, compliance, coordination and Legal at BP Intra, Veneto Banca, Banca Intermobiliare e Intesa Sanpaolo

New



**Risk Management**

**Walter Vecchiato**

4Y Principal Bank Sector Regulatory Expert EBA, 2Y CRO Gruppo Cassa Centrale, previously several roles at leading Italian banks

New



**NPL Transactions**

**Riccardo Sigauco**

2Y Head of the Origination Team for IFIS NPL, 10Y in the Corporate Finance & Strategy



**NPL Workout & FBS**

**General manager**

**Francesco De Marco**

8Y in Banca IFIS in many different positions. previously at KPMG and Mediobanca

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### 2.3 Conclusions

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### 3.1 NPL business

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### 3.4 Segment reporting

### 3.5 Definition of default & Calendar provisioning: deep dive



### Growing and strengthening NPL business

#### Strategic actions

- 1 **Streamlining corporate structure with 2 wholly owned specialized companies:** IFIS NPL Investing (NPL purchase) and IFIS Servicing (NPL management)
- 2 **€8.5bn NPL purchases in terms of GBV** (unsecured and secured)
- 3 Implementation of a **capital light** model (from 2022-2023 for NPLs subject to calendar provisioning)
- 4 **Improving workout** (judicial and extrajudicial). Investments in digitalization, IT and AI to streamline valuation, onboarding and monitoring processes

### Growing and strengthening COMMERCIAL & CORPORATE BANKING

#### Strategic actions

- 1 **Focus on selected business** and customer segments and reinforcing our leadership in factoring
- 2 **Digital innovation** in distribution strategy & internal process
- 3 **Strengthening credit risk management**
- 4 **New communication and brand strategy**

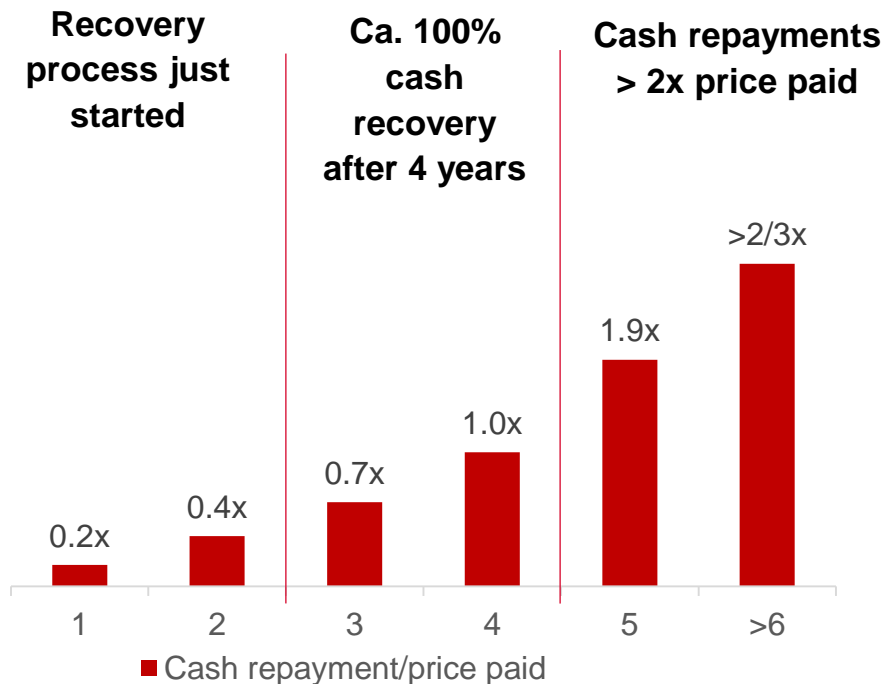
### Streamlining ENHANCING OPERATING MACHINE

#### Strategic actions

- 1 **Cost efficiency**
- 2 **Streamlining real estate portfolio**
- 3 **Simplification and streamlining of reporting lines:** 4 main units (Commercial and Corporate Banking, Capital Markets, Operations, Finance)
- 4 **RWA optimization**
- 5 **Funding strategy**

Action	Description	Impact	Expected results
<b>1</b> <b>Streamlining corporate structure</b>	<ul style="list-style-type: none"> <li>Acquisition of FBS minority stakes</li> <li>New corporate structure with 2 wholly owned specialized companies:                             <ul style="list-style-type: none"> <li>IFIS NPL Investing: NPL purchase</li> <li>IFIS Servicing: NPL management</li> </ul> </li> <li>Potential acquisition of servicers / hiring professionals in specific NPL segments</li> </ul>	<ul style="list-style-type: none"> <li>Speed up the full integration of FBS</li> <li>Leveraging on complementary know-how of Banca IFIS (unsecured retail) and FBS (secured &amp; corporate)</li> <li>Broaden purchasing to secured and unsecured NPL</li> </ul>	<b>2020-22 NPL purchases</b> €8.5bn
<b>2</b> <b>Continuing NPL purchasing</b>	<ul style="list-style-type: none"> <li>Acquisition of unsecured and secured NPLs</li> <li>Continuing active participation in all disposal processes</li> </ul>	<ul style="list-style-type: none"> <li>In 2020-2022, purchase of €8.5bn GBV of NPLs (total investment of €0.8bn)</li> <li>In 2022, Banca IFIS will manage €24.5bn own NPLs (+€9bn in servicing)</li> </ul>	<b>2020-22 Investments</b> €0.8bn
<b>3</b> <b>Capital light model (from 2023)</b>	<ul style="list-style-type: none"> <li>From 2023 onwards, for NPL subject to calendar provisioning, become an asset manager with purchasing power capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Attract co-investors in NPL subject to calendar provisioning</li> <li>Offer opportunity to invest in secured and unsecured NPLs in the form of equity and senior</li> </ul>	
<b>4</b> <b>Improving workout</b>	<ul style="list-style-type: none"> <li>Improve judicial and extrajudicial workouts in unsecured and secured NPLs. Investing in digitalization and IT in NPL valuation, onboarding and monitoring (transform FTEs processes requiring ca. 25% of IFIS workforce)</li> </ul>	<ul style="list-style-type: none"> <li>Streamlining timeframe of collection</li> <li>Economy of scale</li> </ul>	

## NPL portfolios by year of purchase\*

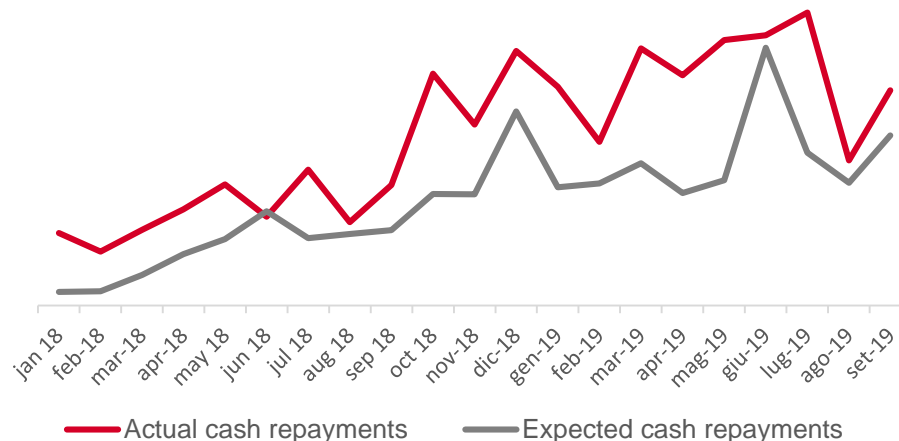


- On average full cash recovery of the NPL price paid after ca. 4 years
- Average purchase prices slightly up as NPLs acquired in 2018-2019 present better quality in terms of documentations and vintage

## Actual cash repayments > expected cash repayments \*

Judicial + non judicial recovery, data in €mln

### Cash repayments > internal model estimates



- Actual cash repayment proved to be higher than expected cash recovery projected by internal models

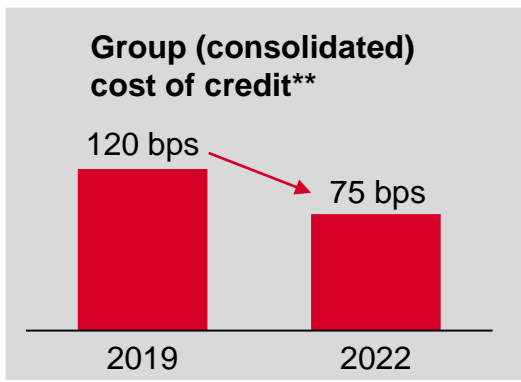
No significant impact of calendar provisioning expected in 2020-22

\* Management data

**Action**    **Description**    **Impact**    **Expected results\***

<p><b>1</b> Focus on selective business and customer segments</p>	<ul style="list-style-type: none"> <li>• Focus on Mid Corporate segment, with a specific relationship model vs. model based on rating/processes</li> <li>• Commercial offering boost (i.e. Fast Finance, Green Business for leasing)</li> </ul>	<ul style="list-style-type: none"> <li>• Increase mid corporate clients</li> <li>• Improve cross selling</li> <li>• Increase customer retention</li> </ul>
<p><b>2</b> Digital innovation</p>	<ul style="list-style-type: none"> <li>• Redesign and innovate commercial banking and go-to-market with new digital interaction channels</li> <li>• Online targeting specific businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Growing factoring business</li> <li>• New commercial opportunities due to new digital platform; cost saving due to back office automation</li> </ul>
<p><b>3</b> Credit risk management</p>	<ul style="list-style-type: none"> <li>• Evolution of internal risk processes to ensure an improved, automated and fully integrated risk management</li> <li>• New team focused on high-risk sectors, new early warning, new forward looking approach</li> </ul>	<ul style="list-style-type: none"> <li>• Disciplined organization</li> <li>• Maintain a high quality portfolio</li> <li>• Cost of risk reduction</li> <li>• Reduction of concentration risk</li> <li>• Strengthen credit underwriting, monitoring and management</li> </ul>
<p><b>4</b> New communication and brand strategy</p>	<ul style="list-style-type: none"> <li>• Review brand identity and communication strategy</li> <li>• Innovate marketing coverage</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitating commercial efforts</li> <li>• Consolidating digital channels in website that can act a “unique point of entry” to the Group on the web</li> </ul>

Net banking income ('19-'22)	€51mln
Customer loans '22	€6.9bn

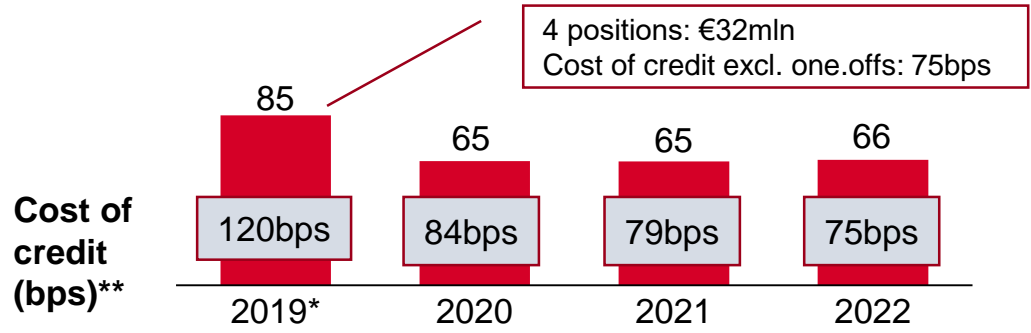


\* 2019 figures are purely indicative and are based on 2019 most recent projections

\*\* Group cost of credit expected to decrease from 120bps in 2019 to 75bps in 2022. Cost of credit of commercial & corporate banking unit expected to decrease from 101bps in 2019 to 83bps in 2022

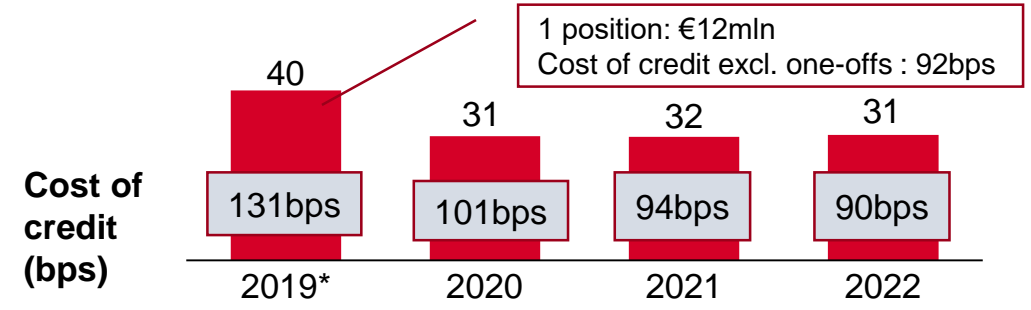
**Loan loss provisions**

**Group excl. NPL business**



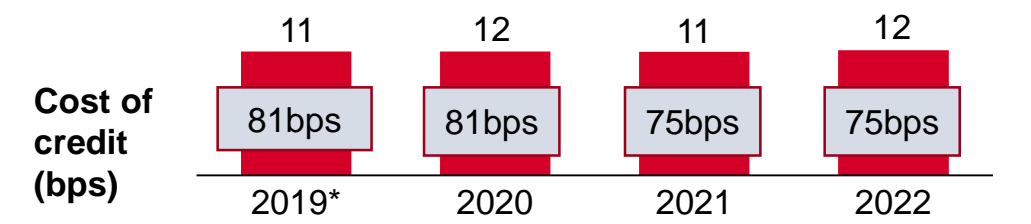
- 2019 includes provisions on a few large positions (mainly former Interbanca) related to constructor businesses and an Italian cloth business
- Business plan envisage reduction in concentration risk

**Of which: Factoring**



- 2019 includes provision on a large constructor
- Industrial Plan: new credit policy and strengthening of credit risk management

**Of which: Leasing**





- Low-risk lending
- Proved track record in asset quality
- Proved track record in remarketing of returned assets

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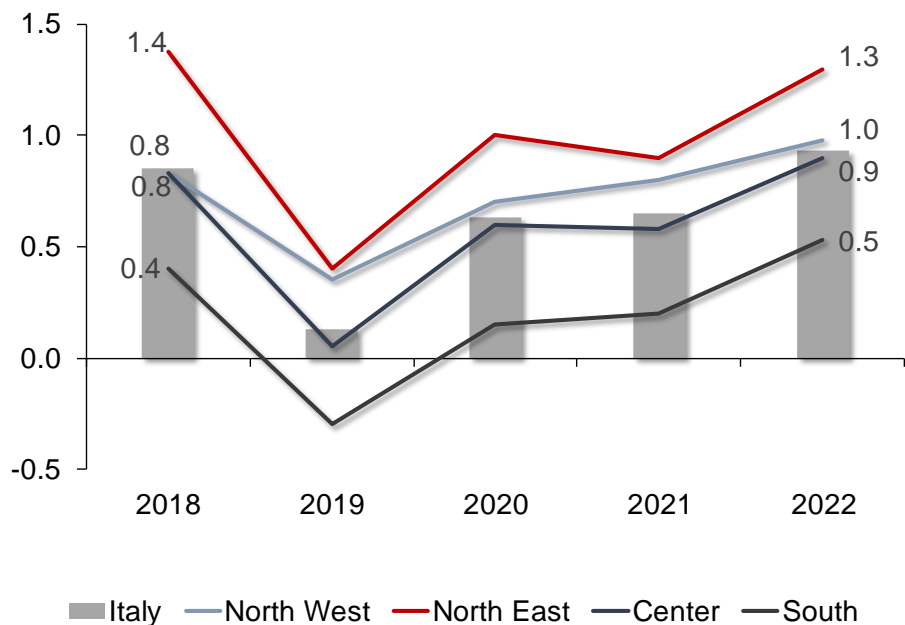
\*\* excludes NPL business



Action	Description	Impact	Expected results*
<b>1</b> <b>Cost efficiency</b>	<ul style="list-style-type: none"> <li>Rationalization of IT expenses</li> <li>Focus on investments related with strategic priorities</li> </ul>	<ul style="list-style-type: none"> <li>Full concentration of procurement for overhead costs</li> <li>Consolidate relationships with info providers and suppliers</li> </ul>	<p><b>Cost/income (%)</b></p> <p>55.9      52.1</p> <hr/> <p><b>2019 pro forma      2022</b></p>
<b>2</b> <b>Streamlining real estate portfolio</b>	<ul style="list-style-type: none"> <li>Streamlining group headquarters</li> </ul>	<ul style="list-style-type: none"> <li>Disposal of the building on C. Venezia in Milan (capital gain of +€25mIn, annual cost saving €1.5mIn). Building a new RE in Mestre (2022 delivery)</li> </ul>	 
<b>3</b> <b>Simplification of organizational structure</b>	<ul style="list-style-type: none"> <li>Simplification of organizational structure</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of direct reporting to CEO and GM</li> <li>Strengthening management team</li> </ul>	
<b>4</b> <b>RWA optimization</b>	<ul style="list-style-type: none"> <li>RWA optimization</li> </ul>	<ul style="list-style-type: none"> <li>Transformation of NPLs in forbearances according to certain conditions</li> <li>Lower RWA on Fast Finance bank guarantees provided to the PA</li> <li>Acquisition of rating for specific customers</li> </ul>	<p><b>Lower RWA      -€0.4bn</b></p> <p><b>CET1 (bps)      +40bps</b></p>
<b>5</b> <b>Funding strategy</b>	<ul style="list-style-type: none"> <li>Funding mix diversification</li> </ul>	<ul style="list-style-type: none"> <li>TLTRO, bond issue, foreign deposits, retail funding reduction</li> </ul>	<p><b>Cost of funding</b></p> <p>1.4%      1.2%</p> <hr/> <p><b>2019      2022</b></p>

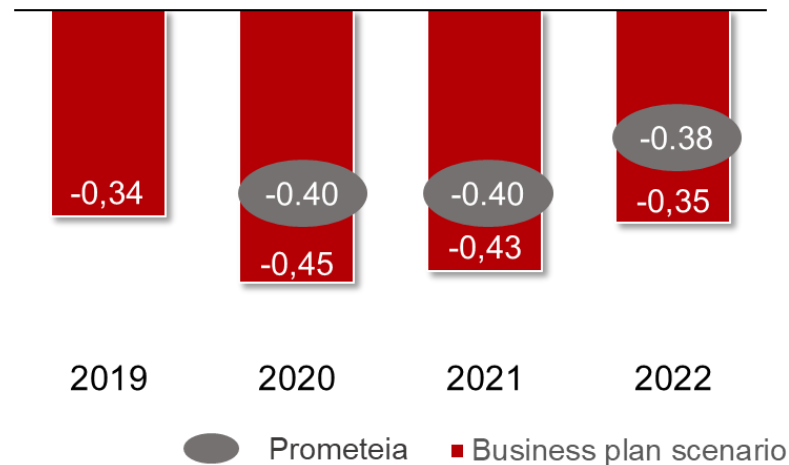
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## GDP (Growth Rates %)

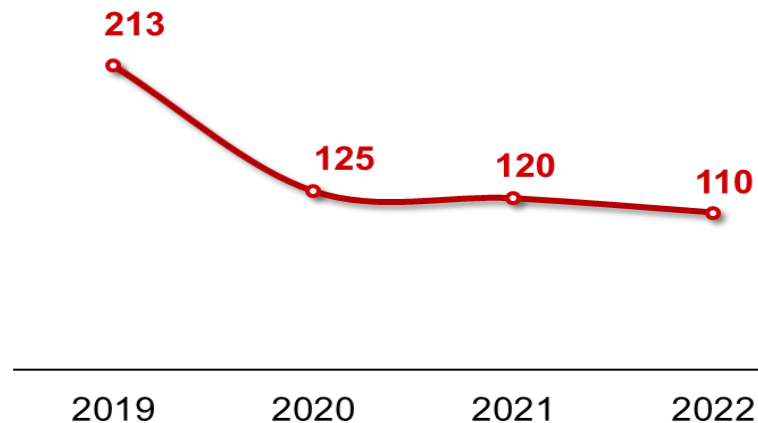


- Banca IFIS is focused on Italian regions with the highest GDP growth

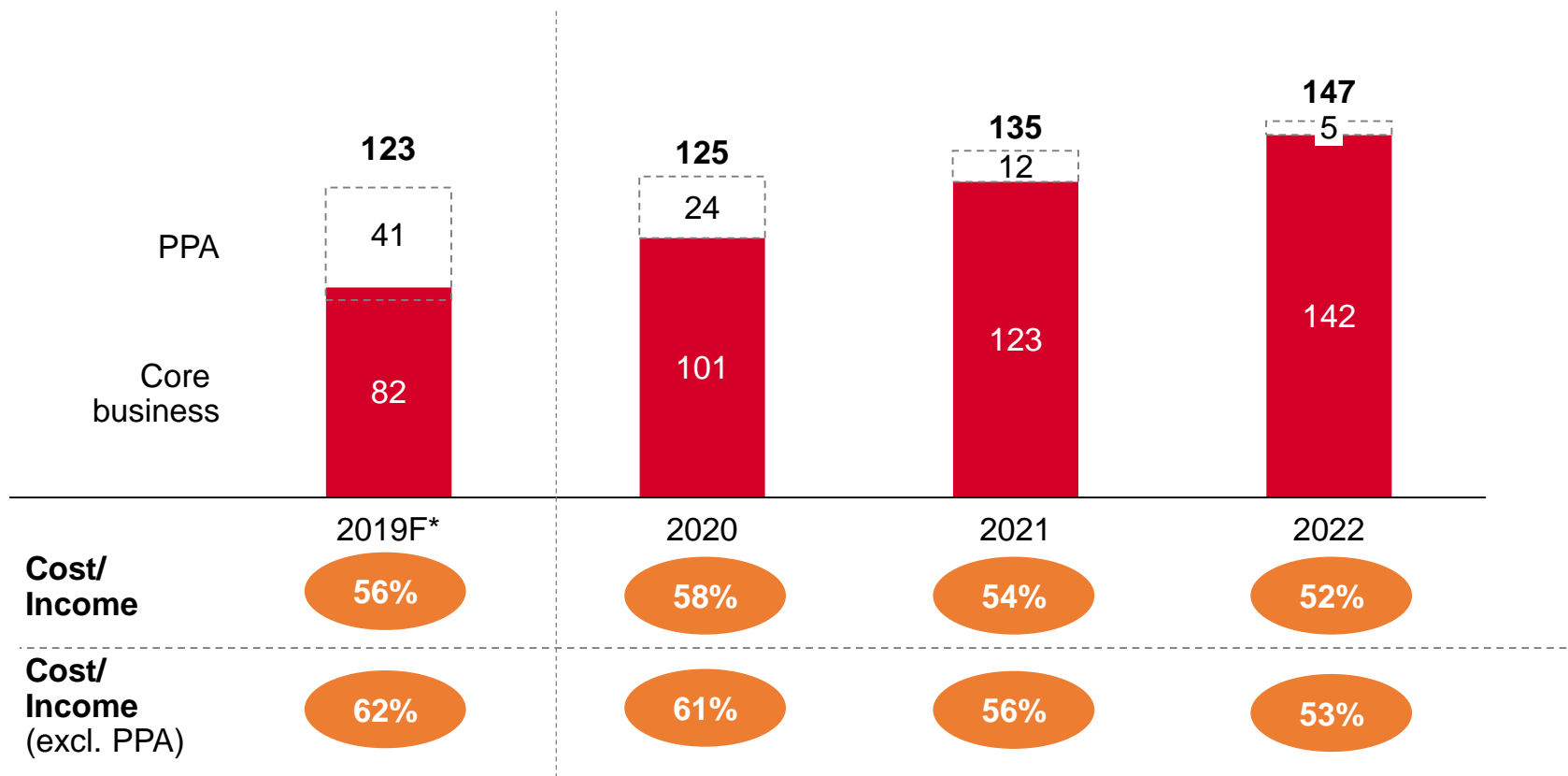
## 3M Euribor % (annual average)



## BTP – Bund spread (annual average, value%)



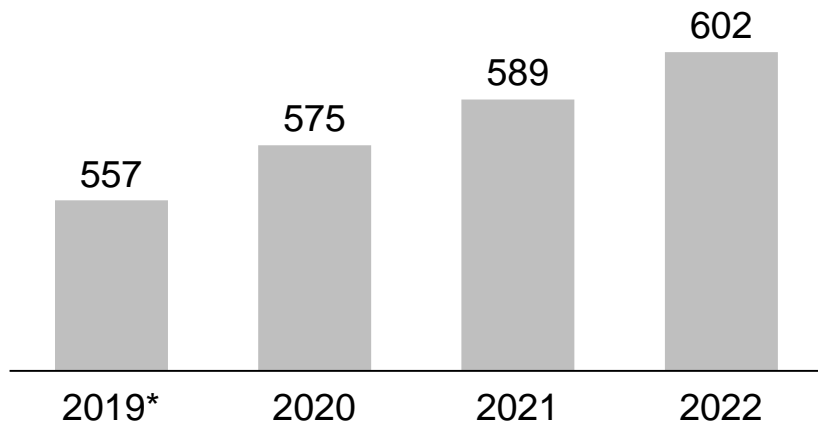
## Net income (€mln)



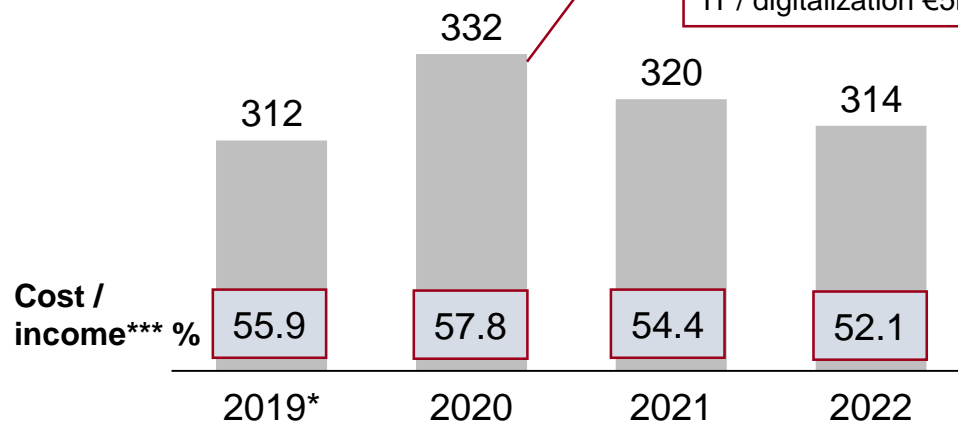
Core business shows a resilient underlying net profit

\* 2019 figures are purely indicative and are based on 2019 most recent projections

Net banking income (€mln)

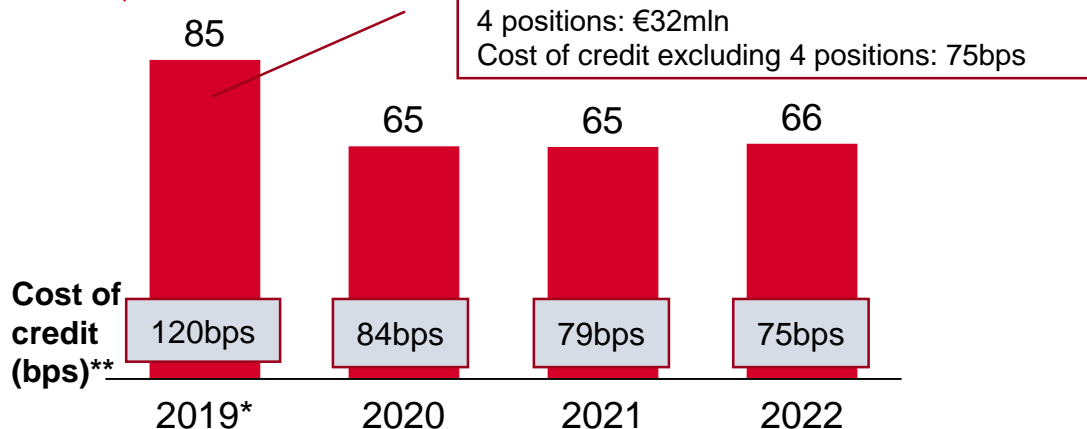


Operating costs (€mln)



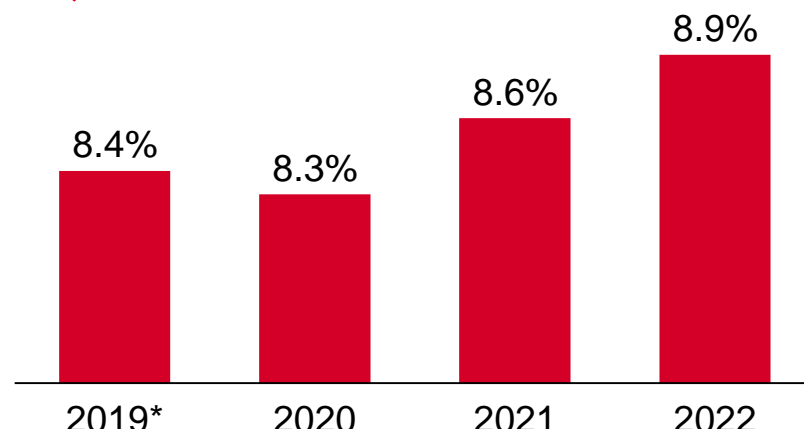
Main delta vs. 2019:  
 NPL recovery €8mln  
 Rebranding €7mln  
 IT / digitalization €5mln

Loan loss provisions (LLP) – Excl. NPL business (€mln)



4 positions: €32mln  
 Cost of credit excluding 4 positions: 75bps

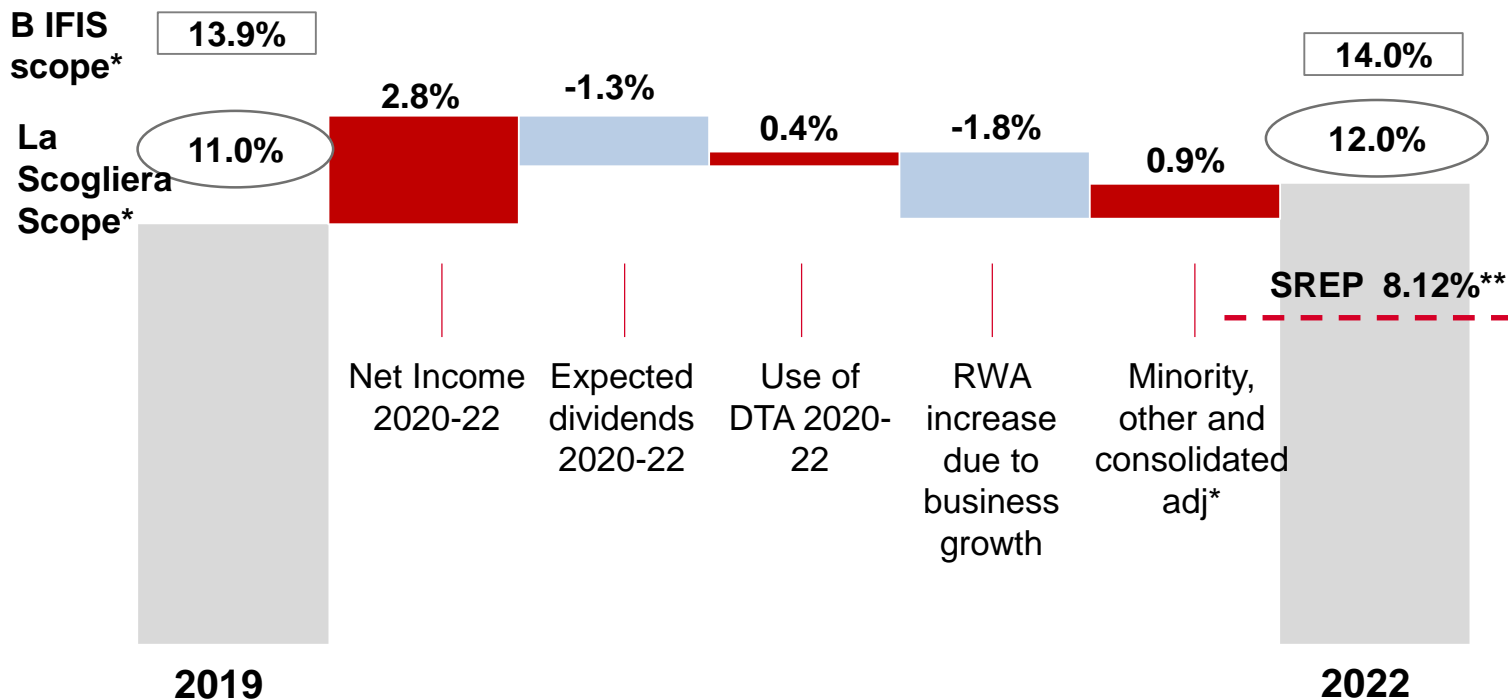
Return on tangible equity (%)



\* 2019 figures are purely indicative and are based on 2019 most recent projections

\*\* Cost of credit excluding NPL business

\*\*\* Excludes extraordinary items



**Management actions, prudently not included in the Industrial Plan, that can provide ca. 40bps of further increase in CET1**

- ✓ Transformation of court orders from NPLs into performing, according to certain conditions to be agreed with Regulator. The borrower is paying Banca IFIS on the basis of a judicial recovery plan
- ✓ Lower RWA on bank guarantees to be provided to the Public Administration in the context of the acquisition of fiscal credits in bankruptcy procedures (to be agreed with Regulator)
- ✓ Acquire rating from External Credit Assessment Institutions (“ECAI”) for SME/Corporate clients to lower RWA

2020-2022 payout ratio assumed in the range of ca. 40%-45% of annual net income

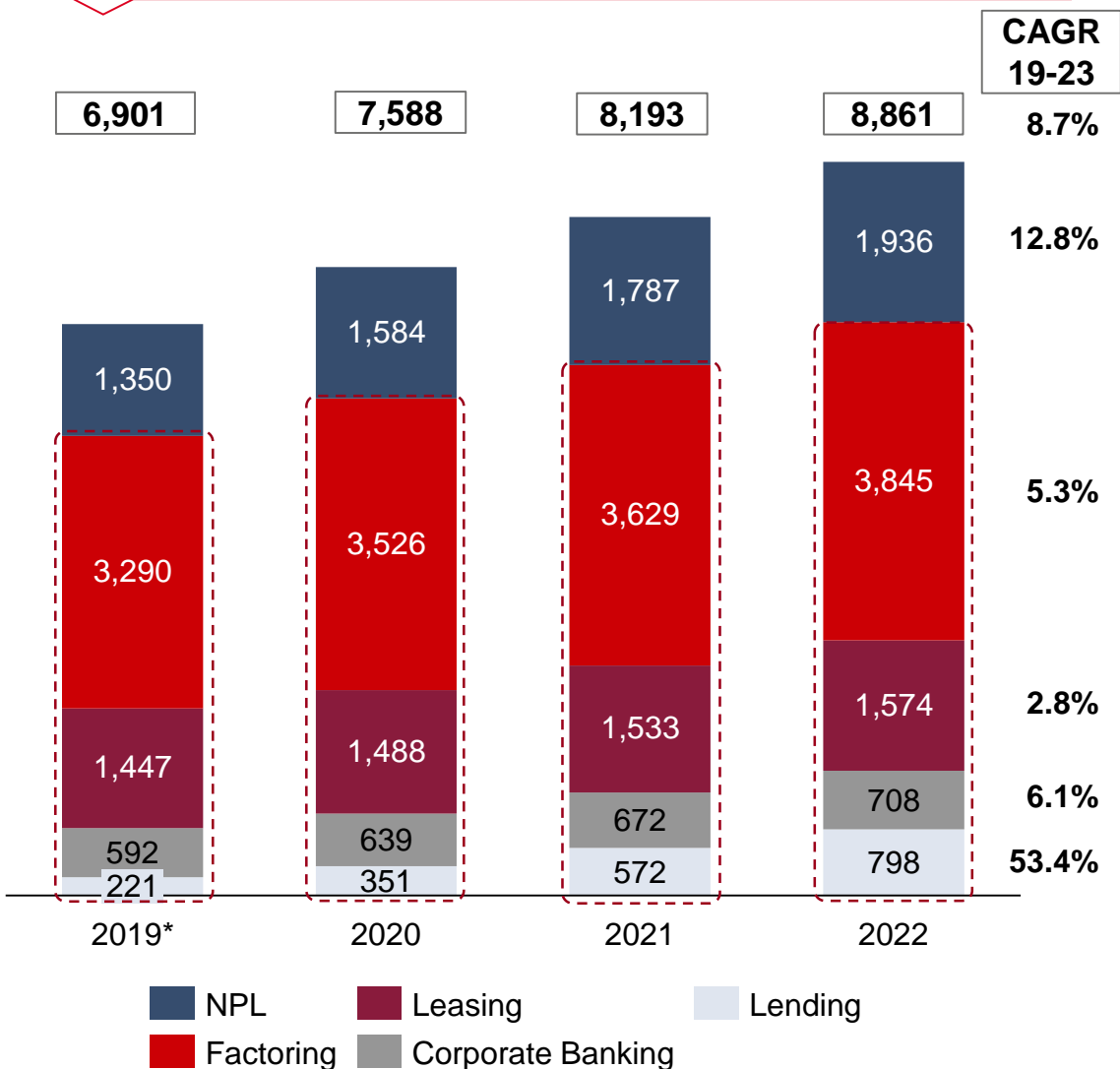
\*The application of the 2013/36/EU (CRD IV) Directive and EU Regulation 575/2013 (CRR) envisages that only 50.4% of the excess capital of Banca IFIS Group Scope is included in the CET1 of La Scogliera Group Scope

\*\* SREP received by the Bank of Italy in January 2019, to be applied in 2019

\*\*\*Includes change in minorities booked in CET1, change in reserves and intangible assets, differences between 2020-22 net incomes and dividends at Banca IFIS consolidation scope and at La Scogliera consolidation scope



## Customer loans (€ mln)



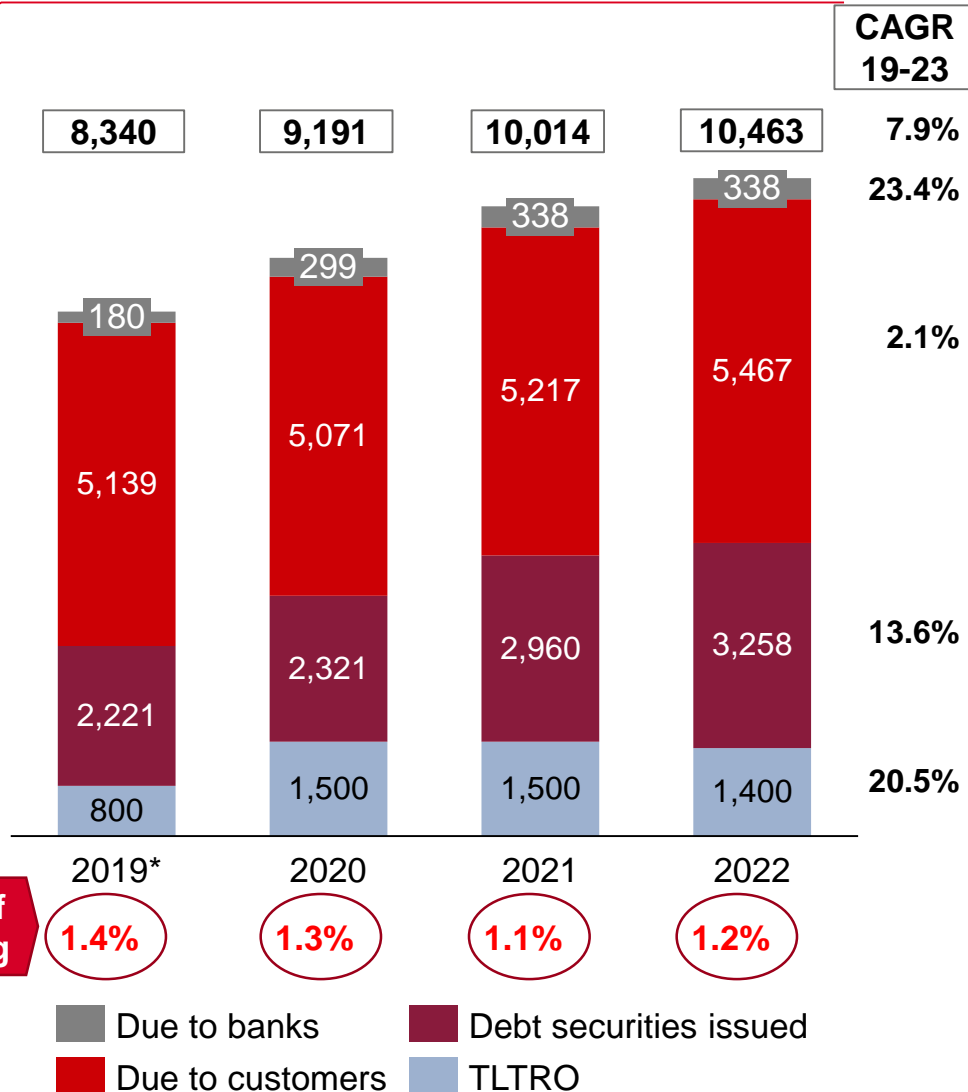
## Highlights

- Factoring business is driven by client growth, digital innovation and new brand strategy
- Selective growth in corporate banking with lending up to 4 years, with new advisory services
- Focus on credit management: underwriting, management and monitoring. Reduction of concentration risk
- NPL growth driven by €0.8bn net book value purchases in 2020-22

\* 2019 figures are purely indicative and are based on 2019 most recent projections

Commercial and corporate banking

## Funding (€ mln)

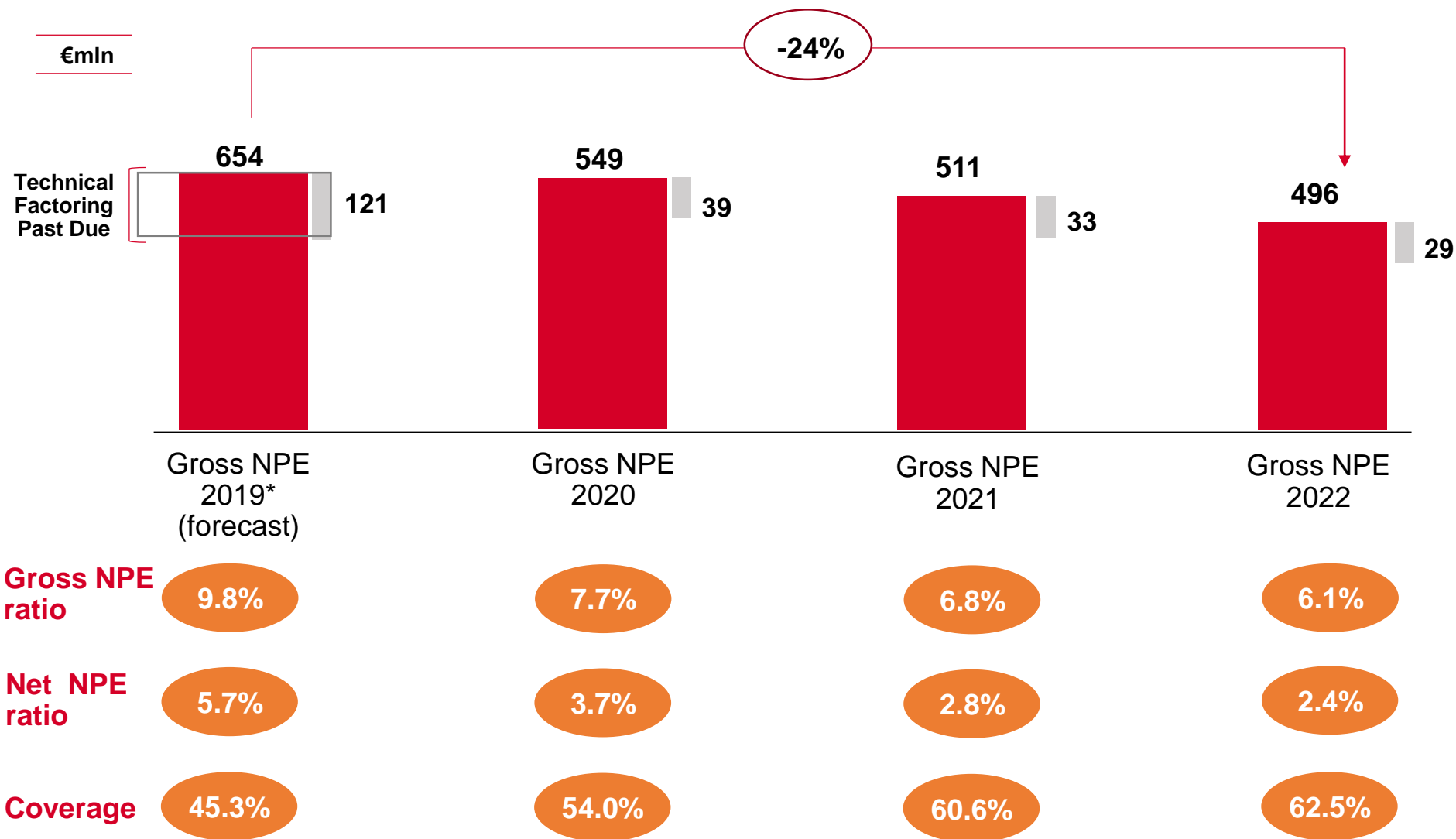


## Highlights

Diversify funding mix, monitoring liquidity and cost of funding






- Continue retail funding through Rendimax
- Increasing short term corporate funding
- Non Italian retail funding through international platform
- New bond issue up to €1bn (EMTN program)
- Use of TLTRO III up to €1.5bn
- Disposal of senior notes as part of NPL securitization (starting from 2023)

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## Management actions

- New credit department to evaluate exposures above a certain threshold 
- New credit policy in order to reduce counterparty and business sector concentration risk 
- Credit information and process improvement in order to streamline early warning and detection, monitoring and data analysis 
- Strengthening credit management in order to promptly address new NPEs and improve cure rate 
- Reducing factoring "technical" past due (i.e. positions in past because of technical factors, not representing asset quality risks) 

## NPL disposals

- Disposal of ca. €27mIn NPLs (net book value as at 31 Dec 2020) of former Interbanca, already identified and worked out by Banca IFIS
- Disposal of ca. 27mIn (net book value as at 31 Dec 2021) of former Interbanca mortgages and some factoring NPLs
- Potential disposal of factoring NPLs from 2021 onwards
- UTP disposal
- Write offs of NPLs already fully provisioned

€mln

	2019*	2020	2021	2022	CAGR 19-22
<b>Net banking income</b>	<b>557</b>	<b>575</b>	<b>589</b>	<b>602</b>	<b>2.6%</b>
- o/w PPA	58	35	18	8 <sup>1</sup>	-47.8%
Loan loss provisions (LLP)	-85 <sup>2</sup>	-65	-65	-66	-8.2%
<b>Net banking income – LLP</b>	<b>473</b>	<b>510</b>	<b>524</b>	<b>537</b>	<b>4.3%</b>
<b>Operating costs</b>	<b>-312</b>	<b>-332</b>	<b>-320</b>	<b>-314</b>	<b>0.2%</b>
- o/w personnel costs	-130	-137	-135	-134	1.0%
- o/w other costs	-182	-196 <sup>3</sup>	-185	-180	-0.3%
<b>Extraordinary Items</b>	<b>18 <sup>4</sup></b>	<b>-22</b>	<b>0</b>	<b>0</b>	
<b>P/L from sales of investments</b>	<b>-1</b>	<b>25 <sup>5</sup></b>	<b>0</b>	<b>0</b>	
<b>Pre-tax profit</b>	<b>177</b>	<b>181</b>	<b>203</b>	<b>223</b>	<b>8.0%</b>
<b>Net income</b>	<b>123</b>	<b>125</b>	<b>135</b>	<b>147</b>	<b>6.1%</b>
- o/w PPA	41	24	12	5	-49.0%
<b>Cost/income</b>	<b>55.9%</b>	<b>57.8%</b>	<b>54.4%</b>	<b>52.1%</b>	
<b>Cost/income (excluding NPL business)</b>	<b>49.7%</b>	<b>52.6%</b>	<b>49.6%</b>	<b>47.1%</b>	
<b>Cost of credit (excluding NPL business)</b>	<b>-1.20%</b>	<b>-0.84%</b>	<b>-0.79%</b>	<b>-0.75%</b>	

- <sup>1</sup> In 2022, remaining PPA is expected at ca. €40mln In 2022, DTA due to tax losses (non-convertible) are expected at ca. €60mln
- <sup>2</sup> In 2019, loan loss provisions include €32mln extraordinary provisions on 4 large tickets
- <sup>3</sup> In 2020, the pick up in other costs is mainly driven by €8mln higher NPL recovery costs, €7mln rebranding costs and €5mln higher IT/digitalization costs
- <sup>4</sup> In 2019 extraordinary items include €15mln from the closing of a tax proceeding of former Interbanca with no impact on Banca IFIS's net income. In 2020, they include the cost of voluntary exits
- <sup>5</sup> €25 capital gain from the disposal of the Milan real estate



## Group financial targets: highlights

€mln

	2019*	2020	2021	2022	CAGR 19-22
Customer loans	7.668	8.378	8.941	9.654	8.0%
- o/w IFIS NPL	1.350	1.584	1.787	1.936	12.8%
Total assets	10.412	11.299	12.196	12.730	6.9%
Direct funding	8.339	9.191	10.014	10.463	7.9%
- o/w customer deposits	5.139	5.071	5.217	5.467	2.1%
Shareholders Equity	1.540	1.597	1.674	1.759	4.5%
<b>ROE</b>	<b>8.2%</b>	<b>8.1%</b>	<b>8.3%</b>	<b>8.6%</b>	
<b>ROTE**</b>	<b>8.4%</b>	<b>8.3%</b>	<b>8.6%</b>	<b>8.9%</b>	
CET1*** <b>1</b>	1,036	1,141	1,229	1,350	
<b>CET1 ratio</b>	<b>11.0%</b>	<b>11.3%</b>	<b>11.5%</b>	<b>12.0%</b>	
Total capital ratio	14.6%	14.7%	14.8%	15.2%	
RWA***	9,446	10,099	10,667	11,223	
LCR	900%	600%	550%	350%	
NSFR	110%	110%	110%	110%	

**1** CET1 and RWA do not fully consider RWA optimization strategy estimated at ca. 40bps

\* 2019 figures are purely indicative and are based on 2019 most recent preview

\*\* Net profit on average equity excluding intangible

\*\*\* CET1 and RWA do not fully consider RWA optimization strategy



Sustainable earnings



Transparency in financial disclosure



All business units are profitable



Focus on core business: factoring and NPL



Solid and achievable targets



Attractive dividend payout

## 2022 targets

- Net income at €147mln
- ROTE at ca. 9%
- Cost/income at 52%
- CET1 at 12%
- Annual dividend payout in the range of ca. 40%-45% in the business plan

## 1 Mission and track record

## 2 Strategic guidelines and financial targets

### 2.1 Strategic highlights

### 2.2 Financial targets

### 2.3 Conclusions

## 3 Appendix

### 3.1 NPL business

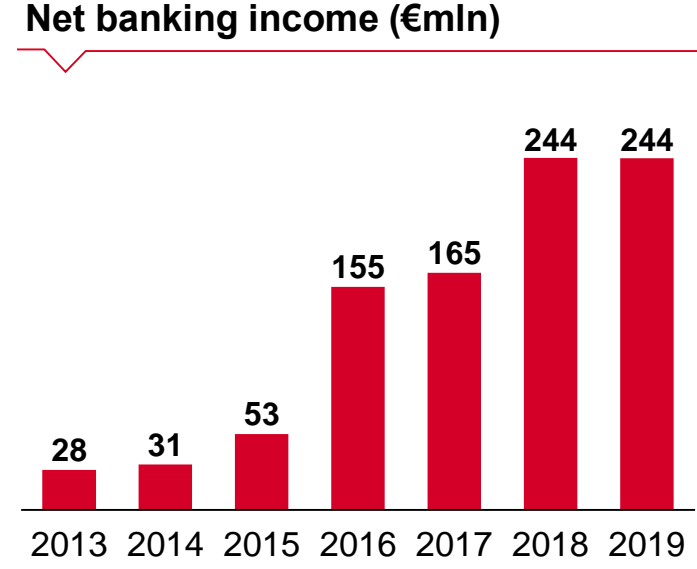
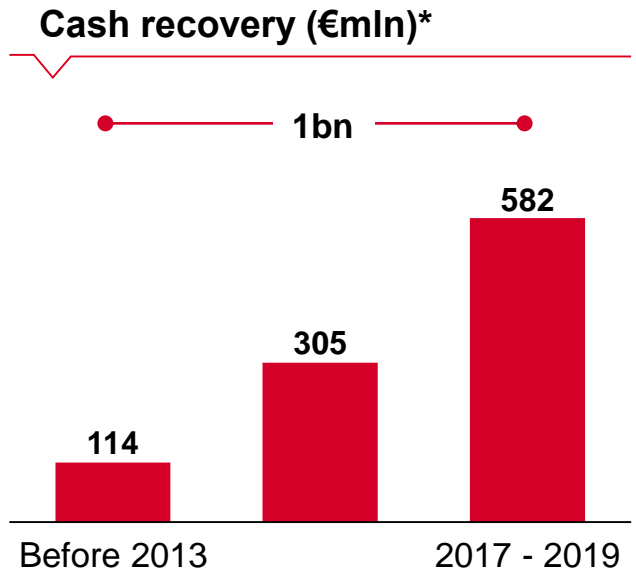
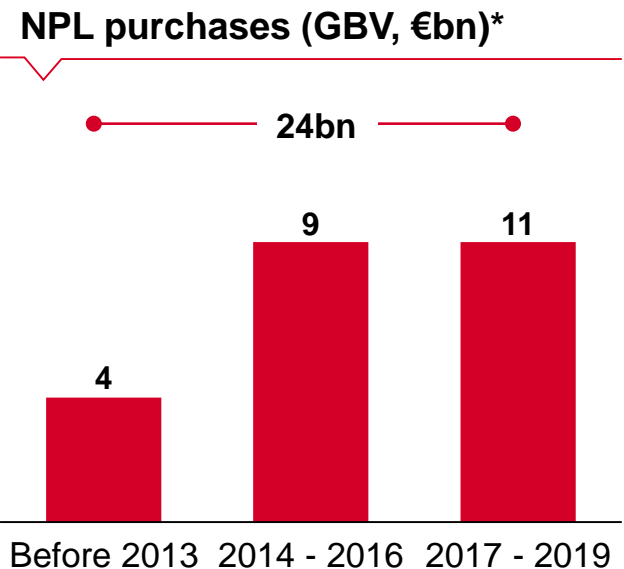
### 3.2 Commercial and Corporate Banking

### 3.3 Enhancing operating machine



















### 3.4 Segment reporting

### 3.5 Definition of default & Calendar provisioning

- Pioneer in entering the Italian NPL market with experience since 2011 in **investing** and **servicing**
- Leader in principle investment in unsecured NPLs, with consolidated service business
- First in class track record
  - €24bn of GBV acquired
  - €1bn of cash recovery
  - GBV at €16.6bn, NBV at €1.2 bn and Expected Rate of Collection (ERC) of €2.4bn as of 30 Sept 2019
  - Proprietary database based on 1.2mln borrowers divided by cluster in terms of type of borrower, location, age, amount due, employment status, timeframe of recovery, probability of default
  - Proprietary servicing platform



\* 2019 figures are purely indicative and are based on 2019 most recent projections

Type	Player	Property NPL portfolio	NPL under servicing (banks, investors)	
Investor with internal servicer	BANCA IFIS 	72%	28%	<ul style="list-style-type: none"> <li>Banca IFIS acts as principle investor with one of the best proprietary servicers on the Italian market</li> <li>Competitive advantage is the combination of purchasing and servicing skills</li> </ul>
	Hoist Finance 	100%		
	J Invest 	100%		
	MBCREDIT SOLUTIONS 	76%	24%	
	illimity 	100%		
Integrated: Investors with servicer	intrum 	26%	74%	<ul style="list-style-type: none"> <li>Servicing with selective purchasing capabilities</li> </ul>
	CREDITO FONDIARIO 	25%	75%	
Servicers	doValue 		100%	<ul style="list-style-type: none"> <li>Economy of scale</li> <li>Business model: serve all NPL clusters or specializations on NPL niches</li> </ul>
	Cerved 		100%	
	PRELIOS 		100%	
	PHOENIX ASSET MANAGEMENT 		100%	
	SISTEMIA 		100%	
Opportunistic Investors without partnership	DE Shaw & Co 	J.C. FLOWERS & Co. 	OAKTREE 	<ul style="list-style-type: none"> <li>Opportunistic investors</li> <li>Invested amount depending variable on different years</li> </ul>
	The Blackstone Group 	GoldenTree ASSET MANAGEMENT LP 	APOLLO INVESTMENT CORPORATION 	

(\*)Source: company data, PWC. Data as of 31 December 2018

Top 10 Italian special servicers ranked by NPLs AuM<sup>(\*)</sup>

Company	Shareholders	NPLs AuM (€bn)	Average Ticket (€k)	Secured (%) ● Unsecured (%) ●
<b>doValue</b>	Fortress/public market	78.2	178.9	27% 73%
<b>intrum</b>	INTRUM	41.8	35.4	47% 53%
<b>Cerved</b>	Public company	41.0	76.1	54% 46%
<b>BANCA IFIS</b>	La Scogliera/public market	24.4	12.5	10% 90%
<b>PRELIOS</b>	DAVIDSON KEMPNER/public market	19.1	278.4	62% 38%
<b>CREDITO FONDIARIO</b>	Morgan Stanley/Elliot	14.2	97.3	42% 58%
<b>PHOENIX ASSET MANAGEMENT</b>	Anacap/Pimco	9.1	310.4	44% 56%
<b>SISTEMIA</b>	KKR	9.0	28.2	71% 29%
<b>Hoist Finance</b>	Hoist	8.2	7.2	5% 95%
<b>Guber</b>	Värde/funders	8.0	774.7	20% 80%

<sup>(\*)</sup>Source: company data, PWC. Data as of 31 December 2018. For Banca IFIS data as at 31 Dec 2019

## Focus of next 6-12 months: *Efficiency*

### Strategy

- **Acquisition** of minority stake in FBS
  - **Reduction** in management costs
  - **Acquisition** of NPLs, continuing active participation in all disposal processes
  - **Broadening** purchasing to secured and unsecured NPLs
- **Potential acquisition** of specialized servicers / potential hiring professionals in specific NPL segments

### Management action

- **Accelerating** the full integration of FBS, leveraging on complementary know-how of Banca IFIS (unsecured retail) and FBS (secured & corporate)
- **Streamline** the judicial and extrajudicial workout in secured and unsecured NPL
- **Invest** in digitalization / IT / Artificial Intelligence (AI)

## Focus of next 12-24 months: *Capital light*

### From 2023 for NPLs subject to calendar provisioning

- **Become an investor** in all NPL classes with a capital light model
- **Structuring investments** for third parties
- Leverage on Banca IFIS's brand, strong origination capabilities, consolidated relationships with sellers, purchasing and recovery track record

- **Attract** co-investors in NPLs
- **Offer** opportunity to invest in secured and unsecured NPLs and in the form of equity and senior



Become an asset manager with purchasing power capabilities with a capital light model



# Portfolio Purchase - Focus on next 6-12 months: efficiency

## Consolidating of

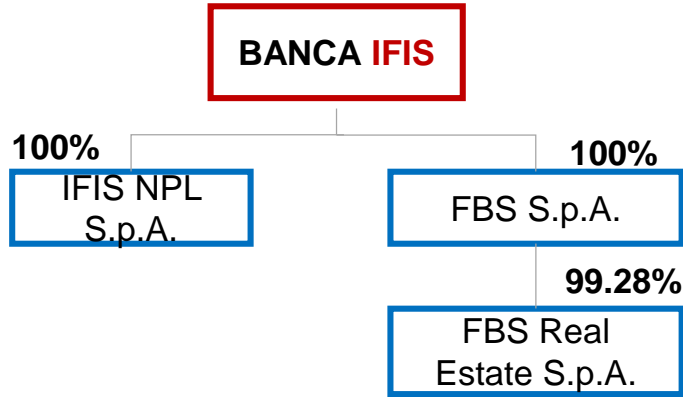
## Growth in

	Consolidating of		Growth in	
	Unsecured retail	Small secured Corporate	Medium secured Corporate	Large Corporate
Ticket	10k-150k	100k-1mln	1mln-30mln	>30-50mln
Type	Judicial and extrajudicial recovery	Judicial and extrajudicial recovery Real estate disposals	Extrajudicial recovery Restructuring Asset disposals	Managed internally by banks Selective single name disposals
Market	 			
Strategy	Attractive and profitable market segment Barriers to entry		Competition by several players Need for specific professional skills	
	Acquisition of FBS's minority stake + full integration of FBS		Potential acquisition/partnership on specific transactions with specialized services or potential hiring of experienced professionals	

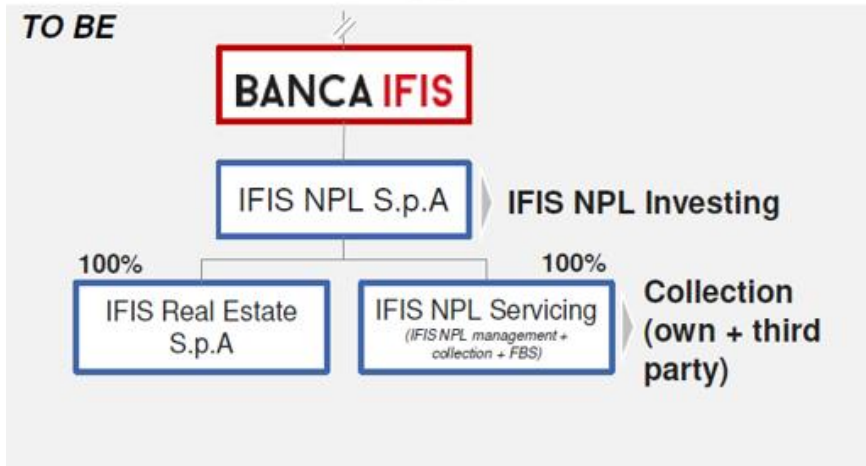
## Company Structure

## Activities to be completed in 2020

AS IS



TO BE



- 1 Re-naming of FBS and FBS RE
- 2 "IFIS NPL Servicing" will result in holding all servicing activities
- 3 IFIS NPL Investing will result in holding "IFIS NPL Servicing" and IFIS Real Estate

**a** **Creation of two companies**

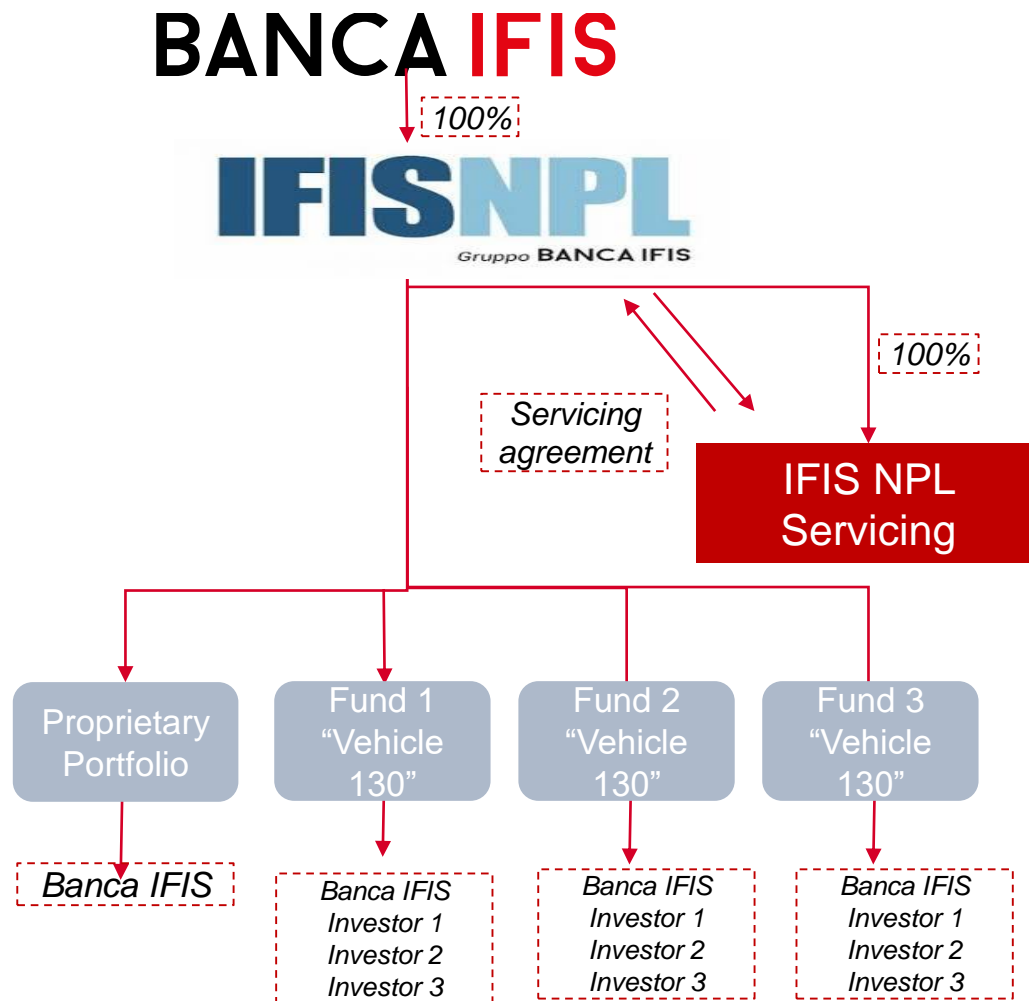
- **Investment company** owning proprietary NPL portfolio (wholly owned) and several funds for NPL portfolios (open to co-investor)
- **Servicing company** acting as special servicer to own NPL portfolio and to newly acquired NPLs

**b** **Creation of funds for newly acquired NPLs**

- Banca IFIS to act as co-investor
- Servicing performed by Banca IFIS

**c** **Disposal of junior/senior notes depending on Banca IFIS requirements for NPL portfolio subject to calendar provisioning**

- Attract co-investors in NPLs



Disposal of junior / senior notes only starting from 2023 for NPL portfolios subject to calendar provisioning (does not apply to current proprietary portfolio)

## Portfolio valuation

**A**

Clustering valuation, recovery estimate (timing, cash amount, cost), collateral valuation

## Onboarding

**B**

Documentation assessment (completion and compliance), documentation storage

## Select best recovery strategy

**C**

Judicial vs. extrajudicial recovery  
External vs. internal recovery, best recovery team / company, predictive and behavioural scoring

- *Transform top FTEs absorbing processes requiring ca. 25% of IFIS NPL workforce towards high/full automation*
- *Achieving economy of scale and streamlining efficiency*

## Monitoring and payment collection

**D**

Payment reconciliation, payment automation, payment solicitation, delinquency monitoring

Be always at the cutting edge in digitalization, IT and Artificial Intelligence (AI)

## Main drivers

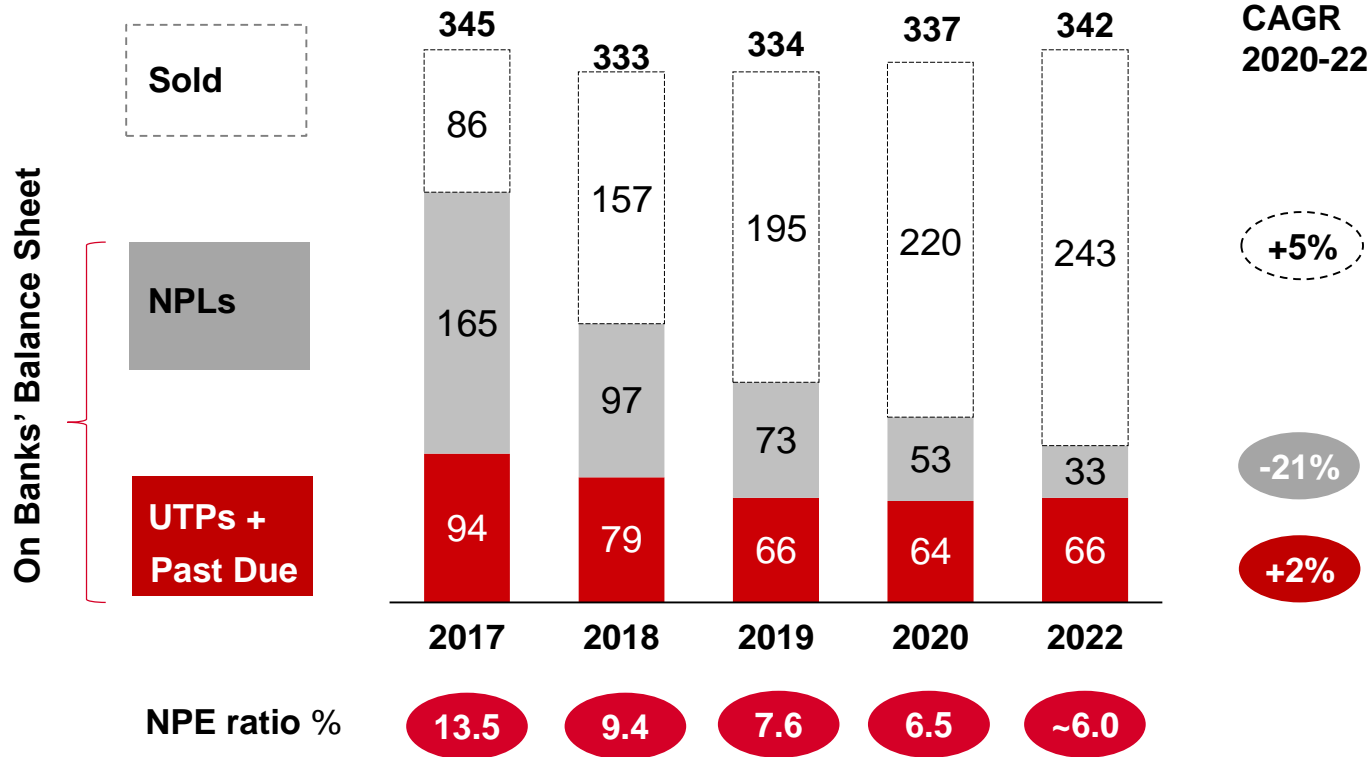
### Inflows

- Migration from UTPs and past due to NPLs at 16% of the previous year stock
- Migration from performing loans to NPE at 1.3% of previous year's loan stock

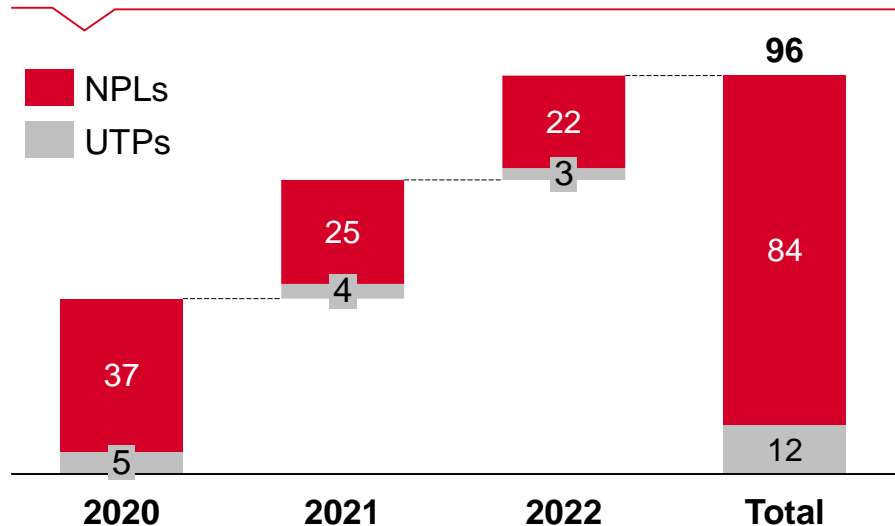
### Outflows

- Annual NPE recovery at
  - 3% for sold NPL portfolios
  - 11% for NPLs in bank/originator book
  - 16% for UTP in bank/originator book

## NPE in the Italian market



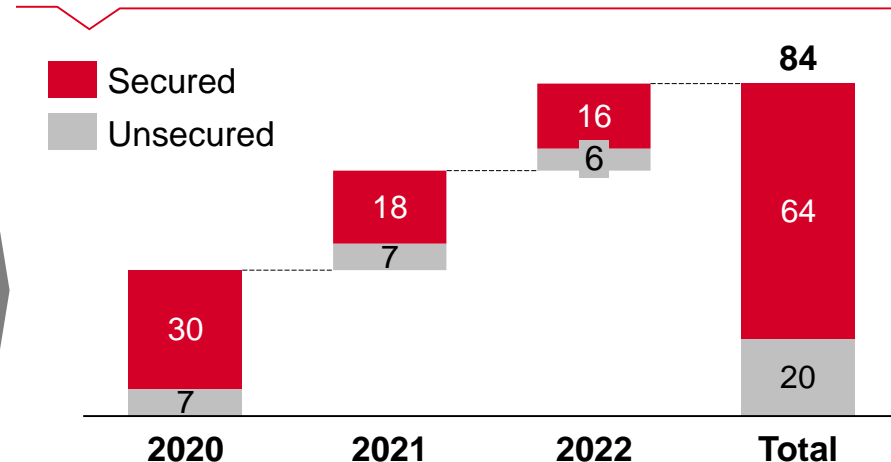
## NPE disposals (€ bn)



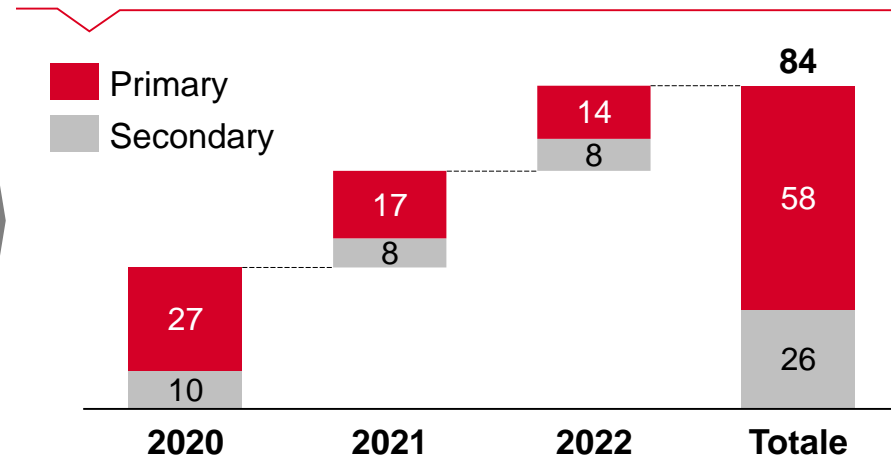
## Main drivers

- In 2020-22, ca. 70% of transactions will happen in the primary market and ca. 30% in the secondary market
- In 2020-22, the secondary market is expected to be driven by
  - GACS regulation, which includes the periodic review of the servicers performance
  - Disposals of part of the NPL portfolios acquired in 2017-2018
- Ca. 23% of NPL disposals will be unsecured. In 2020-22, the total disposals of unsecured NPLs is estimated at ca. €20bn

## NPL disposals by unsecured and secured (€ bn)

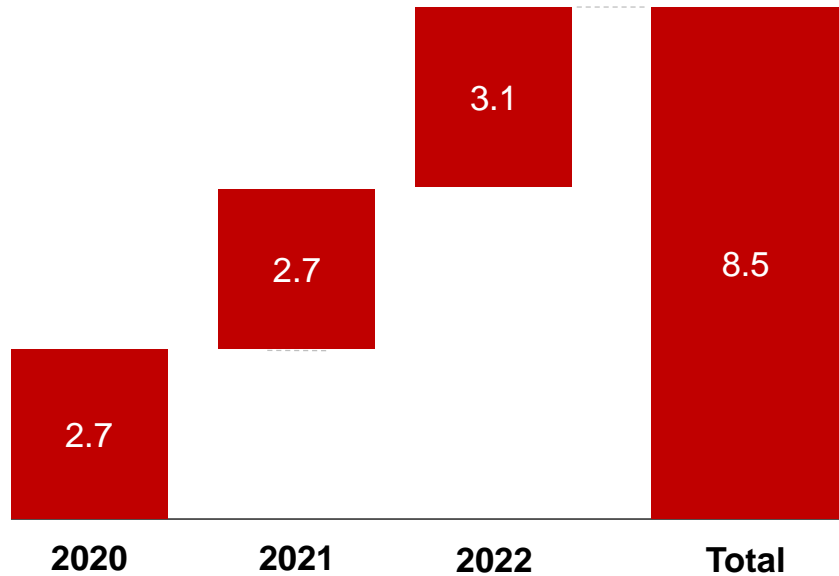


## NPL disposals on primary / secondary market (€ bn)



## NPL Purchases\* (€ bn)

GBV  
€17.9bn  
2019YE\*



Purchase Price  
(€bn)

GBV  
€24.5bn  
2022

## Main drivers

- In 2020-22, Banca IFIS purchases are estimated at €8.5bn, (unsecured and opportunistic secured / corporate NPLs)
- In 2020-22, total net investment is estimated at €0.8bn

\* 2019 figures are purely indicative and are based on 2019 most recent projections





## Servicing

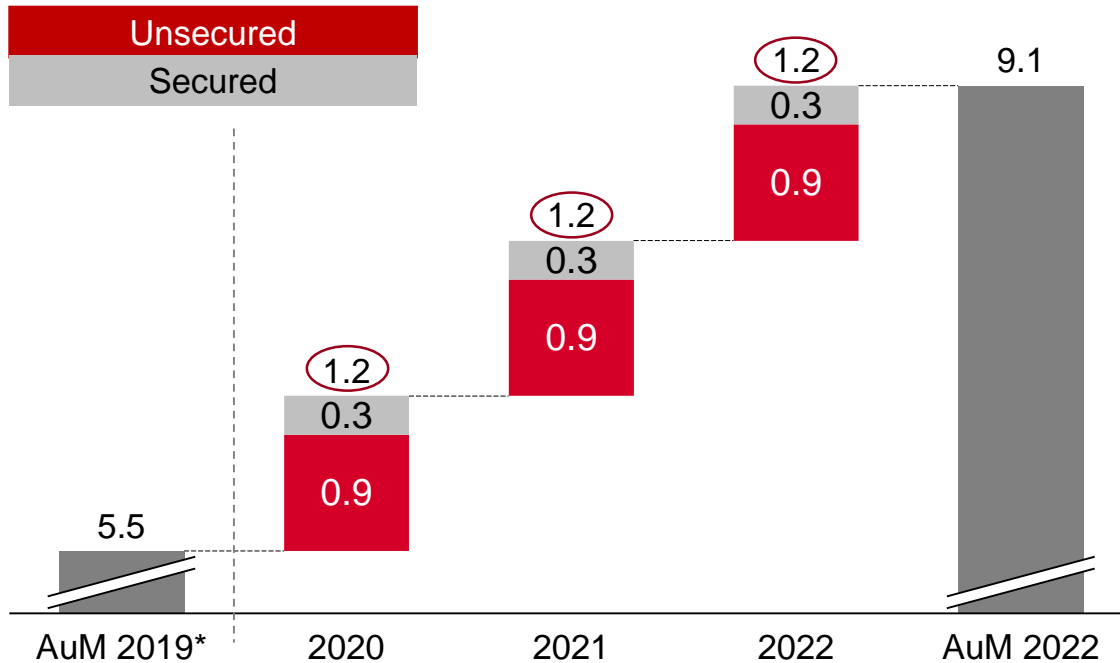
- Servicing is opportunistic and complementary to principle investment
- Enter GACS as master servicer
- Focus on UTP servicing
- Investment in IT and Artificial Intelligence



## Servicing as part of capital light strategy

- Fee based business
- Working all NPL classes with specialization in unsecured/secured small tickets
- Proven track record in recovery
- Clear service contracts and reporting

## Servicing (€ bn)



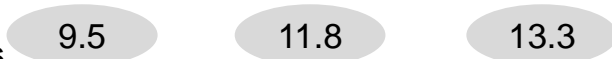
## Main drivers

- €1.2bn of new AuM per year, with a cumulated AuM by the end of 2022 of 9.1bn
- Opportunistic servicing in secured (ca. 25% of new volumes) and unsecured (ca. 75% of new volumes)
- Focused on UTP and GACS servicing
- In 2019\*, Banca IFIS expected, in terms of GBV, €5.5bn NPLs under servicing, of which €3.9 and €1.6bn of unsecured and secured NPLs, respectively. In 2019, net banking income from servicing is expected at €7.1mIn

Asset under servicing



Net banking income from servicing business for 3rd parties



\* 2019 figures are purely indicative and are based on 2019 most recent projections

## 1 Mission and track record

## 2 Strategic guidelines and financial targets

### 2.1 Strategic highlights

### 2.2 Financial targets

### 2.3 Conclusions

## 3 Appendix

### 3.1 NPL business

### 3.2 Commercial and Corporate Banking

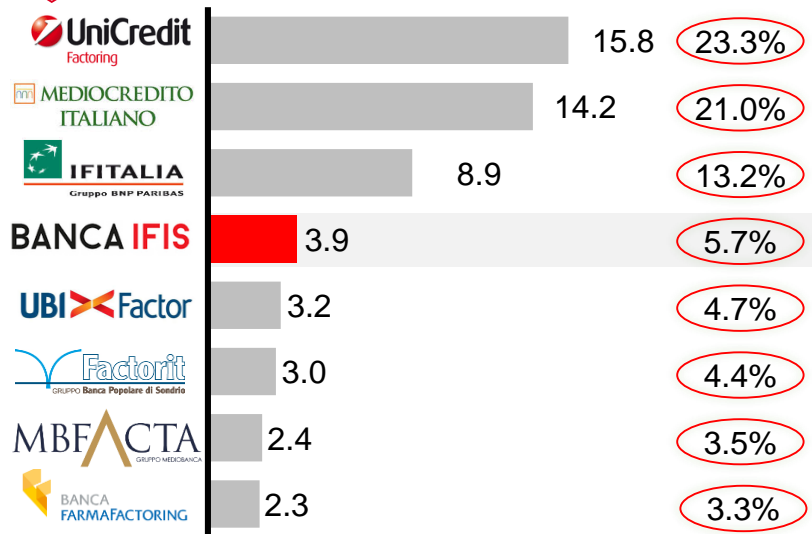
### 3.3 Enhancing operating machine

### 3.4 Segment reporting

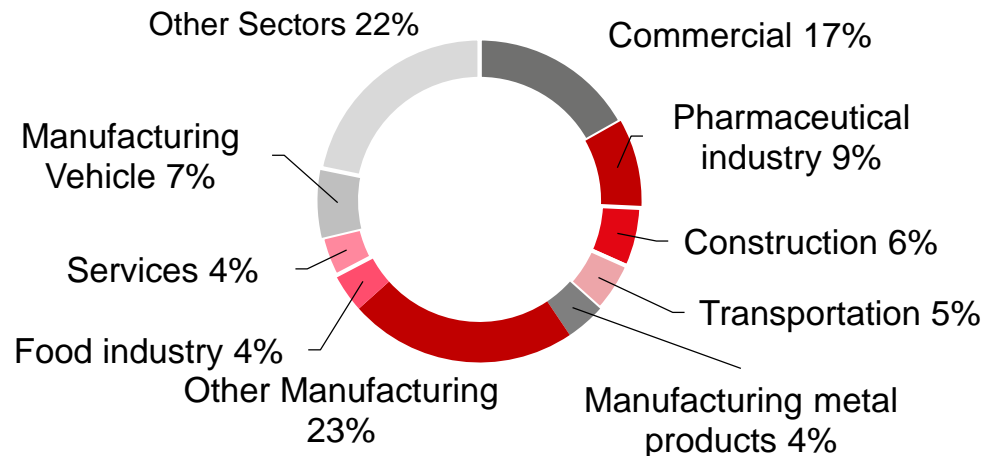
### 3.5 Definition of default & Calendar provisioning

## Outstanding 2018\* €bn

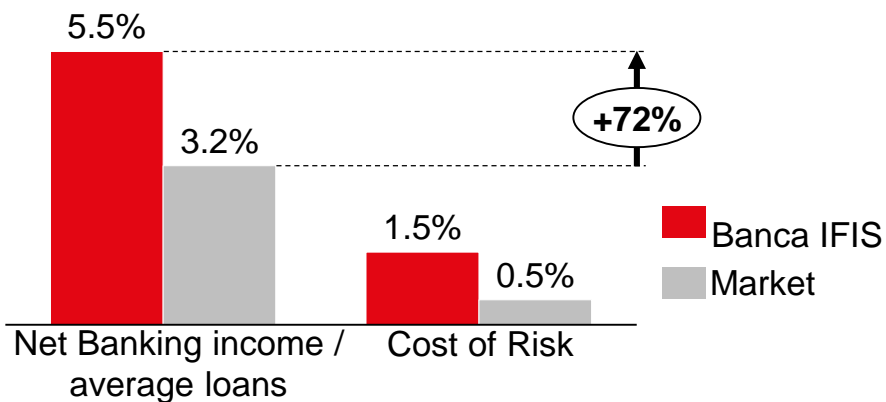
## Market share %



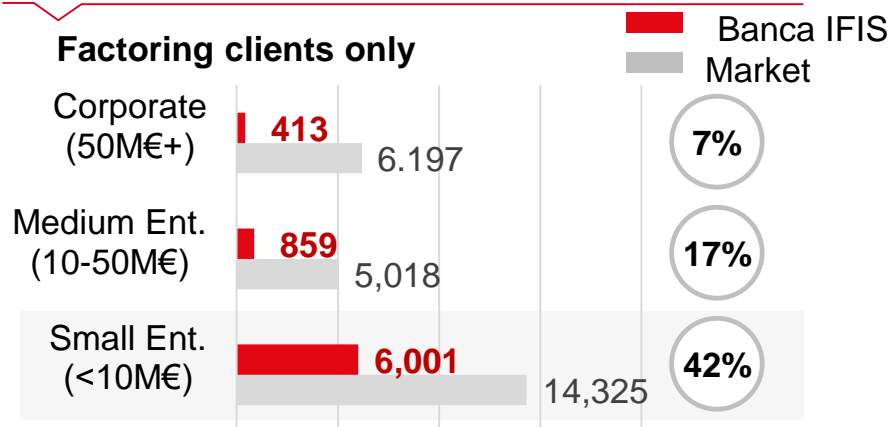
## Net customer loans by sector\*\*



## Leadership in SME factoring\*\*\*



## Customer Market share by Turnover\*



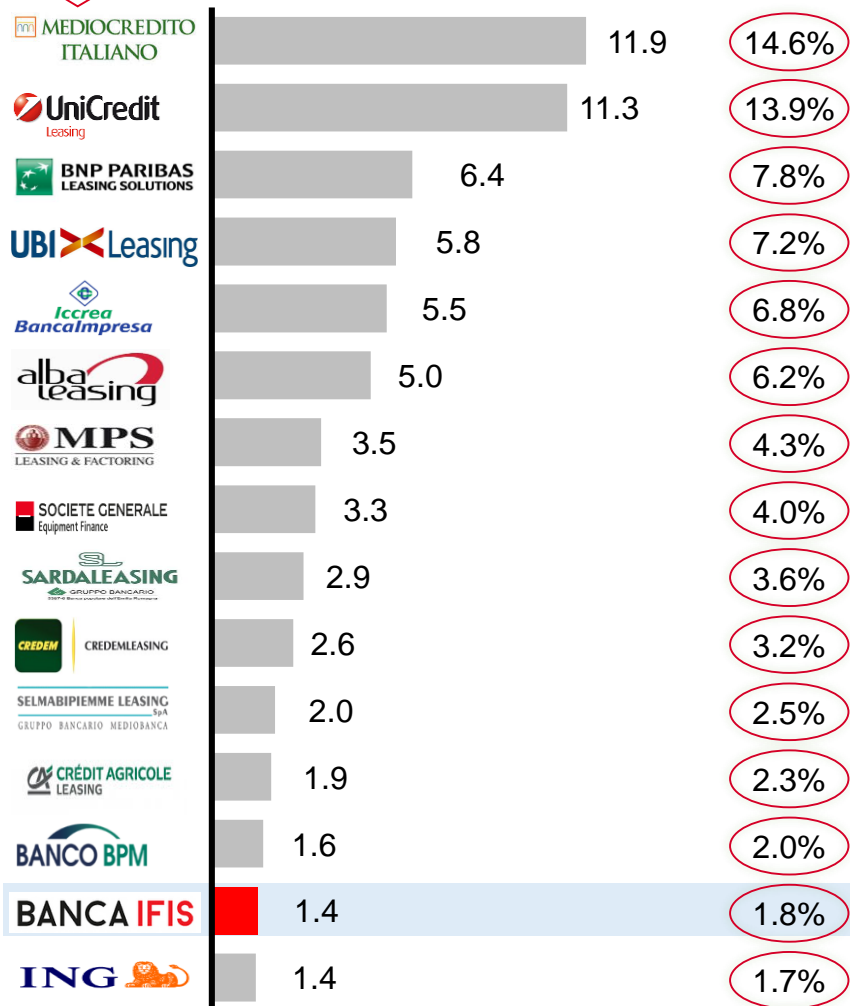
\* Source: Assifact

\*\* Source: Management accounting, data as of 30 June 2019

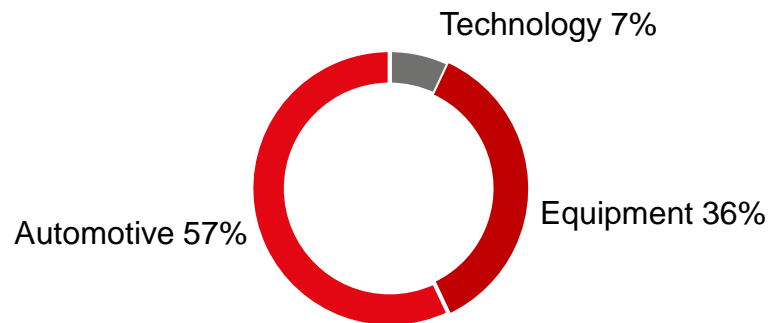
\*\*\* Source: Assifact, management accounting

## Outstanding 2018\* €bn

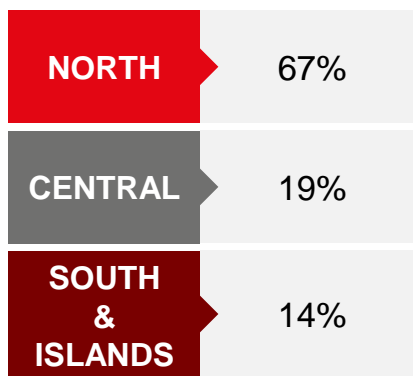
## Market share %



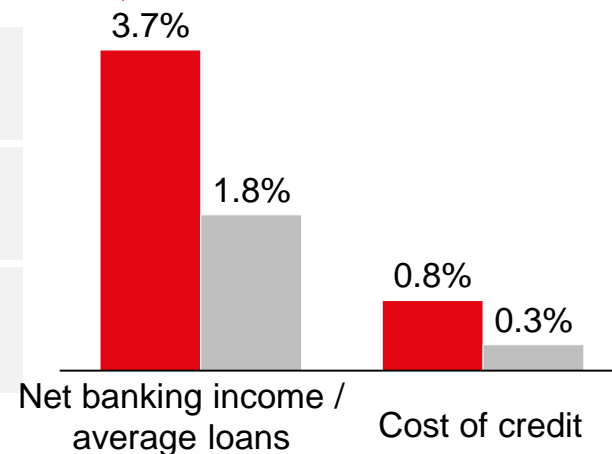
## Leasing by sector\*\*



## Leasing by region\*\*



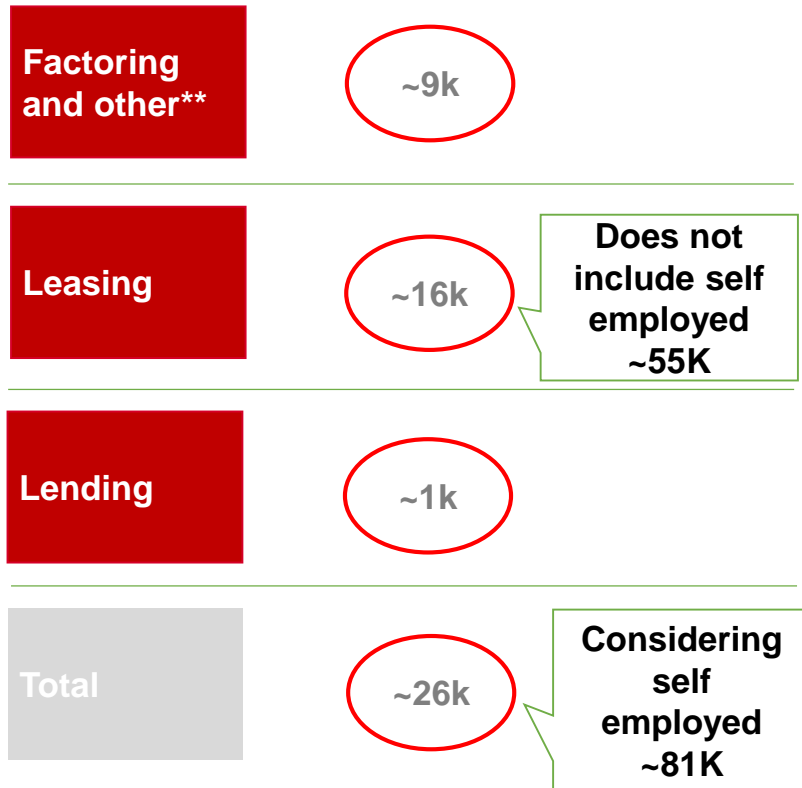
## Leadership in SMEs leasing\*\*\*



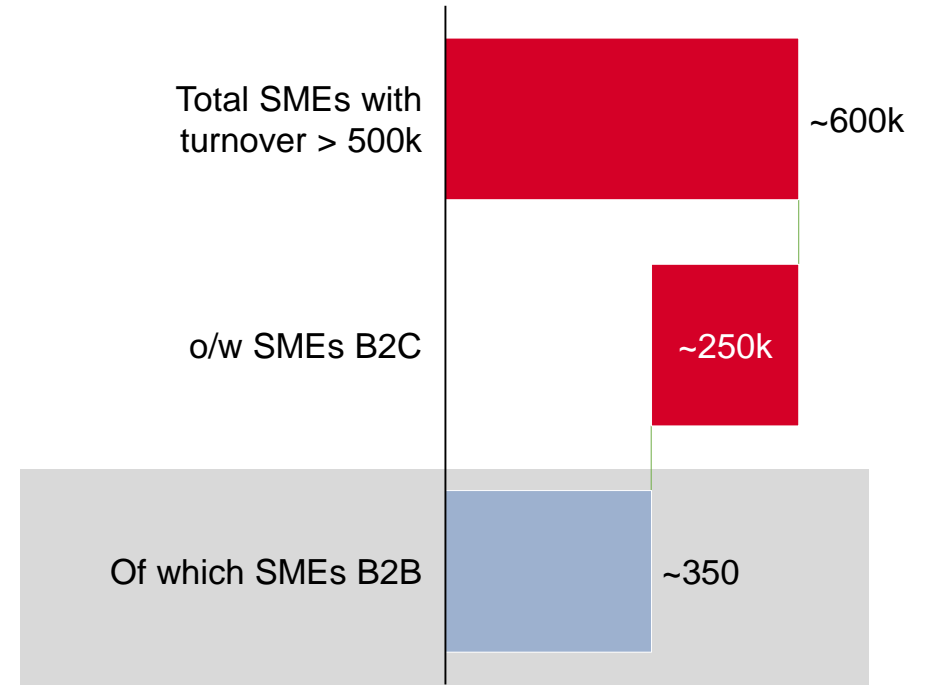
\* Source: Assilea

\*\* Source: Management accounting for Banca IFIS, Assilea for market

## Customers\*



## Potential market share



Strengthening customer relationships to increase market share

\* Does not consider cross selling customers  
 \*\* Including 2.4k pharmacy customers



## BUSINESS & CUSTOMER SEGMENTS

A

Rethinking **commercial coverage** to exploit untapped potential in **specific customer clusters**

- A** *Mid Corporate with a specific relationship model*
- A** *New Territorial coverage for selected areas*
- A** *Commercial offering **rewamp** (i.e. Fast Finance, Green Business for leasing)*



## DIGITAL INNOVATION

B

Redesign and innovate **Commercial Banking go-to-market approach** with new digital interaction channels

- B** *New “Online Hub” for **Commercial & Corporate banking***
- B** ***Online Portals** targeted to specific **customer clusters** or **products** (i.e. CQS)*
- B** ***Streamlined & automated Customer management and back office***
- B** ***Increase market share in factoring***



## ADVANCED CREDIT & RISK MANAGEMENT

C

**Evolution of internal risk processes** to ensure improved, automated and fully integrated **risk management**

- C** ***New automated risk processes** based on **advanced decision engines** and **bigdata analytics***



## NEW COMMUNICATION & BRAND STRATEGY

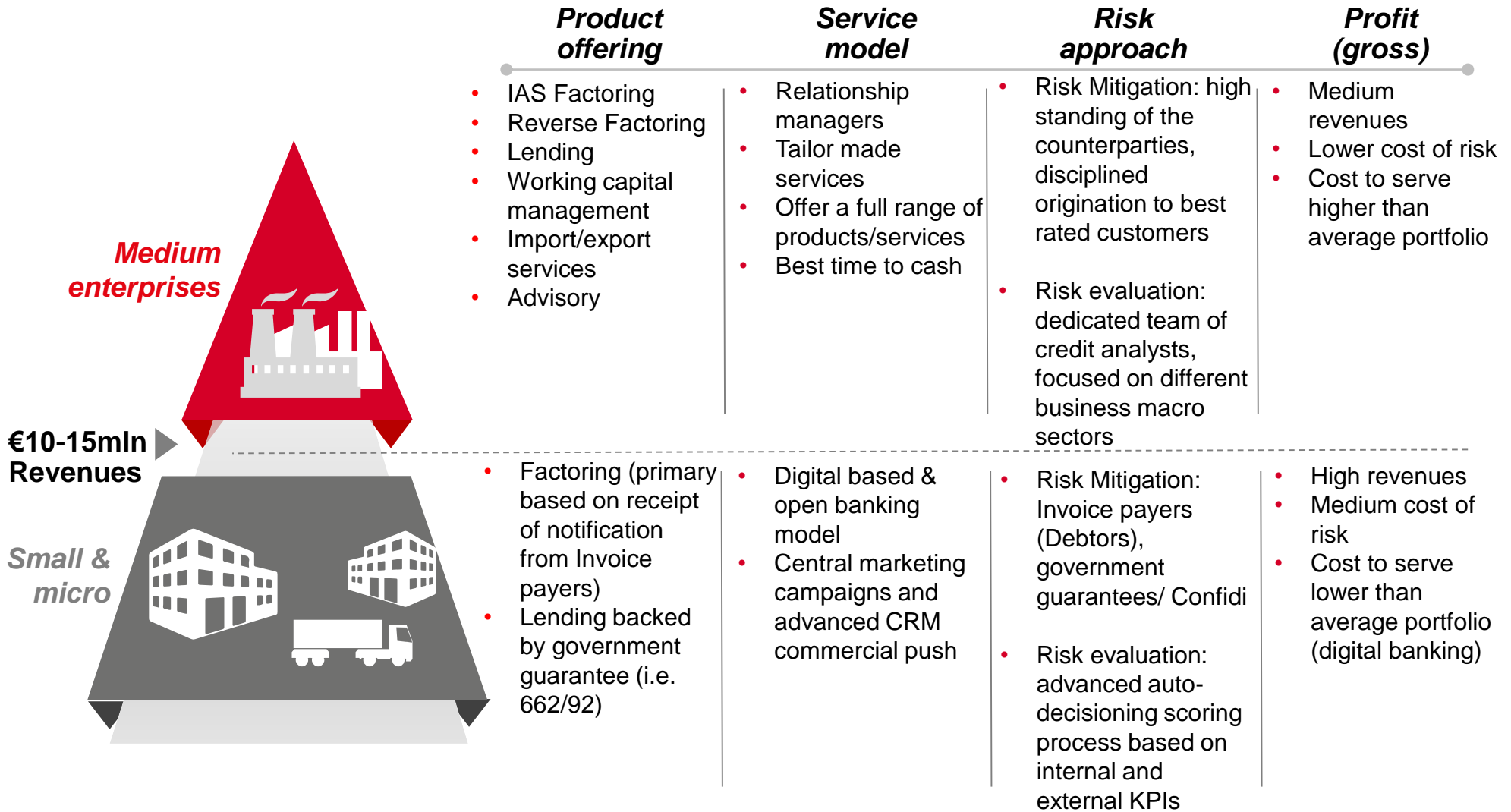
D

**Review Brand identity, communication strategy and positioning** to strengthen marketing coverage

- D** ***Branding restyling***
- D** ***Consolidate digital channels website** to provide a “**single point of entry**”*



Two different customer segments with different needs



### Banca IFIS's strategy

Innovate Bank's distribution strategy towards a tailored multichannel approach to improve commercial coverage, optimize cost to serve, streamline & digitize internal processes and multiply customer interactions

### Key impacts

#### Commercial & Corporate banking Digital Pillars

Evolve «**customer contact model**» introducing new **digital interaction opportunities** and "just in time" delivery

Optimize **cost to serve** and **Bank's service model** by "right-channelling" every interaction

Increase customer **profitability** with new **end to end digital selling** and ease the **origination process**



**Net banking income boost thanks to new cross&up selling**



**Investments in IT and Digital**

**INCREASE CUSTOMER INTERACTIONS**

**MATCH "RIGHT INTERACTION WITH RIGHT CHANNEL"**

**BOOST UP & CROSS SELL OPPORTUNITIES**

**~86%** of Italian SMEs/ Corporate\* highlight the need for an up-to-date, complete and comprehensive **digital platform**

Superior customer experience - €18mln IT and digital investments

\* EFMA «Digitise and Grow Report», 2018

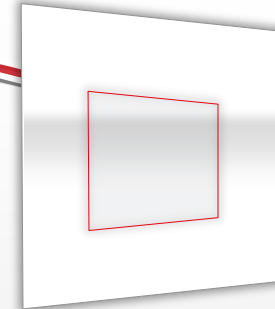


**The New Bank's ONLINE HUB...**  
*private and innovative area*



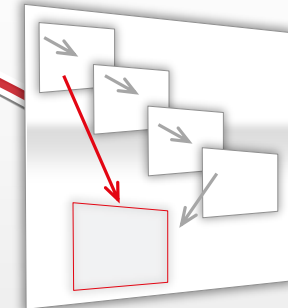
### Extensive coverage on all Bank's Products & Services

- Full visibility on customer product portfolio and all Bank's business offer (i.e. current account, lending, Factoring, Leasing, ...)
- A «fully fledged» platform able to let Customers manage digitally all products and services with the Bank



### End to End digital proposition for customers & prospects

- Digital Cross and Up sell process to let Customers buy Bank's products and services in a full "self service" approach
- New digital onboarding for prospects thanks to full integration between the pre and post login web areas



## Credit process



## Key interventions



### Underwriting

- Definition of a new policy on **credit concentration** and **single name**
- Optimization of the **underwriting process** through the **automation** of **small** and **low risk ticket underwriting and revision processes**
- **Factoring guaranteed by MCC** (ex Law 662)



### Monitoring

- Strengthening the adoption of **forward looking perspective** for early identification of potential **credit profile downgrade**
- Process improvement in order to streamline early warning and detection, monitoring and data analysis



### Management

- Reinforcement of **internal credit recovery activities to improve cure rate**
- Dedicated credit recovery resources in main branches

Target: high quality portfolio with low credit risk

**Brand awareness framework\***

**Goals**

**Commercial & marketing tools**

**Targets**

- Prospect companies have a vague and superficial knowledge of Banca IFIS (Brand awareness index=27/100)
- Presentation of Banca IFIS as Bank specialized in SMEs

**BRAND AWARENESS**  
Increase brand awareness among all stakeholders

**BANK POSITIONING**  
Strengthen the perception of Banca IFIS as a key player for Italian SMEs

**EMPLOYER BRANDING**  
Develop sense of identity and belonging

- ADV offline
- Social Media
- Non-conventional Marketing
- Events

- ADV online
- Search engine optimization & search engine marketing
- Targeted Events

- SMEs
- Individuals
- Investors
- Press

- SMEs

**Banca IFIS people**

2020 re-branding investment ~ €7mIn

\*Fact-finding results by Doxa research carried out from March and May 2019 among Italian SMEs.

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### 2.1 Strategic highlights

### 2.2 Financial targets

### 2.3 Conclusions

## 3 Appendix

### 3.1 NPL business

### 3.2 Commercial and Corporate Banking

### 3.3 Enhancing operating machine

### 3.4 Segment reporting

### 3.5 Definition of default & Calendar provisioning

## 3.3 Enhancing operating machine

3.31 Operating expenses

3.32 Optimization of real estate portfolio

3.33 Organizational structure simplification

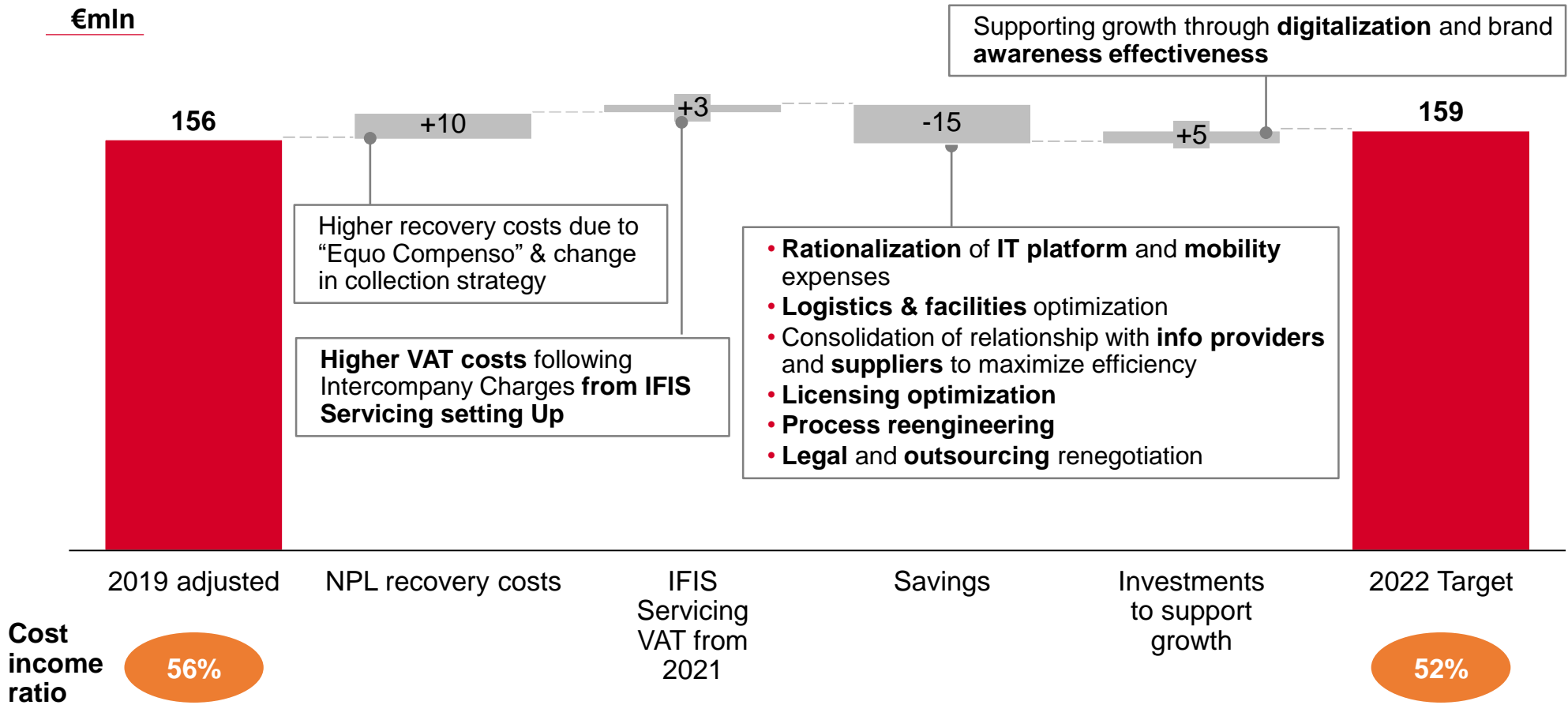
3.34 Becoming an ESG compliant company

3.35 Opportunistic M&A



## Operating expenses (€mIn)

€mIn

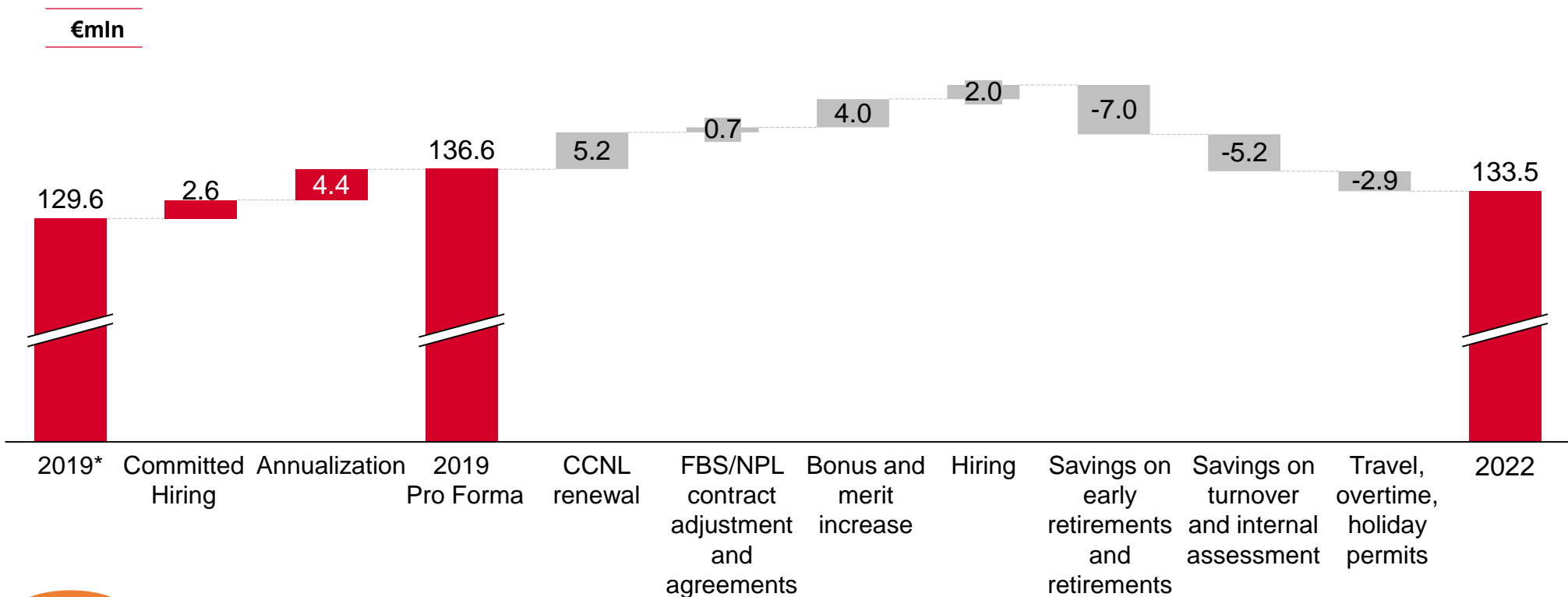


Cost income ratio **56%**

**52%**

Current cost level stable despite relevant investments

## Personnel costs (€mln)



1,753

FTE number

1,688

FTE number

FTEs decrease despite new hiring due to voluntary exits, natural turnover and internal rotation

### Disposal of Milan building

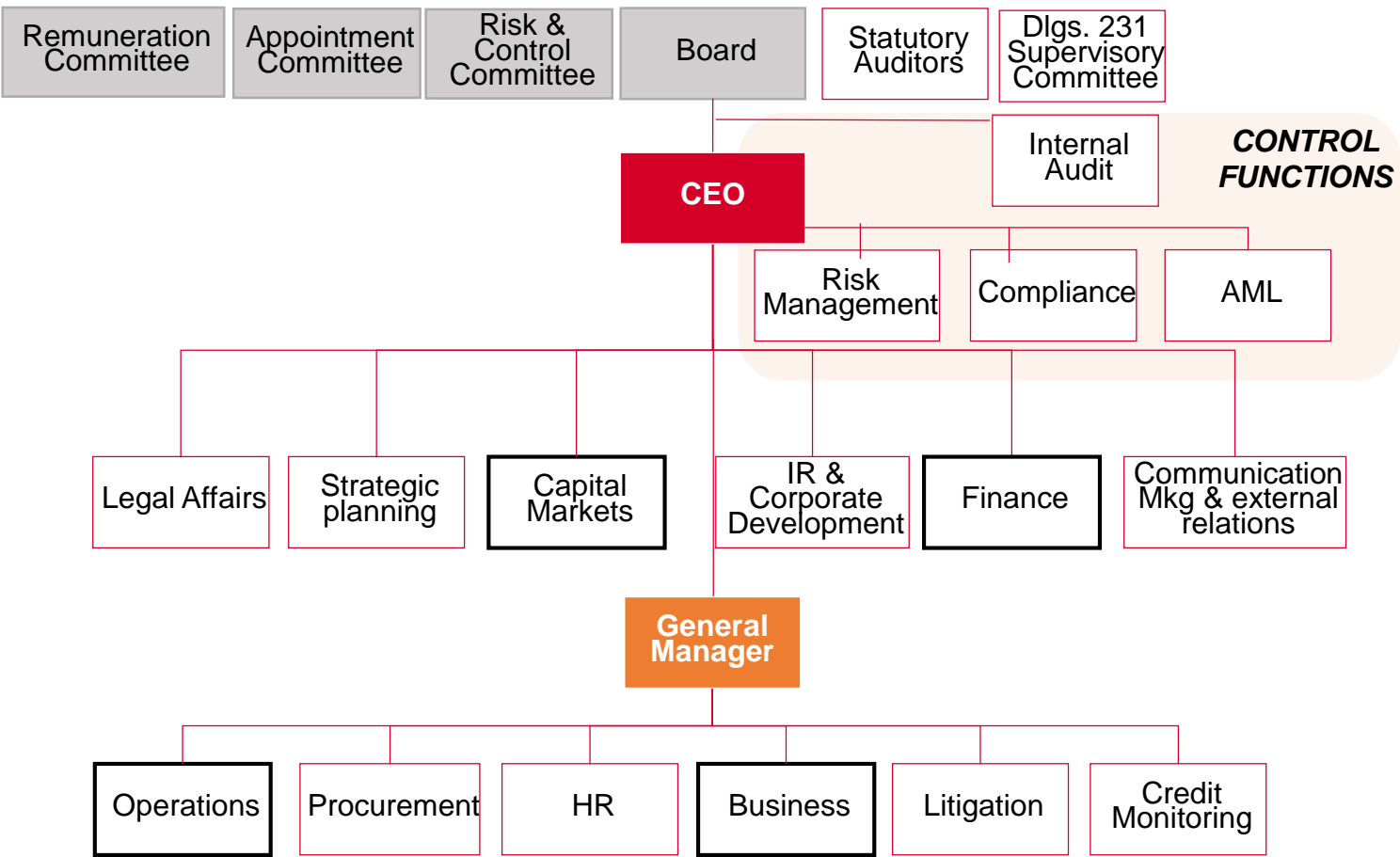


- **Banca IFIS disposed of a property located at Corso Venezia 56 in Milan for €50.5m**
- **The sale of the property** is aimed at rationalizing space management and at containing costs. Today, ca 300 FTEs in Milan are distributed between Corso Venezia and on the nearby Via Borghetto. Following the sale, all Milan employees will be relocated to Via Borghetto, which will be upgraded
- **The sale of Corso Venezia will yield a pre-tax capital gain of €25m ( +8bps on CET1) to be booked in 2020 and an annual cost saving of approx. €1.5m**

### Development of new building in Mestre



- **Strategic investment:** creation of a new headquarter building to considerably increase employees comfort, safety, and to optimize building energy consumption with particular focus on renewables
- **Rationalization and centralization of current real estate set-up in Mestre**
- ~5,000 square meters of building surface, expected to be delivered by 2022



- **Simplification and streamlining of reporting lines: 4 main units** (Business, Capital Markets Operations, Finance)
- **New Commercial & Corporate Banking division** to coordinate SME activity
- **Strengthening of the management team**

4 "Main units"



## Environmental



## Social



## Governance

### **BANCA IFIS WILL OPERATE AS AN EMPOWERED BANK**

- | Ensure sound management of our systemic risk
- | Value community and territory
- | Minimize business environmental footprint
- | Educate employee community on environmental protection
- | Provide top quality products with adequate sustainability content
- | Include support of entrepreneurship, especially to small and micro companies
- | Equalize gender balance in workforce

- 100% green energy from renewable sources in all Banca IFIS locations
- Invest in eco-friendly buildings in Milan and Mestre with 50% Co2 reduction by 2022
- Launch of IFIS Leasing Green, the first leasing service to support development of electric and plug-in hybrid vehicles

**2022 TARGET: ESG compliance certification (Bloomberg, Sustainalytics indexes)**



Opportunistic small / specific M&As in target sectors



Acquisition of small and specific servicers to strengthen / complete some business units and/or hiring of specialist teams



Acquisition / partnership in Commercial Banking with high innovative technology businesses in order to be at the forefront of innovation



Acquisitions to provide incremental earnings and value creation for shareholders

## 1 Mission and track record

## 2 Strategic guidelines and financial targets

### 2.1 Strategic highlights

### 2.2 Financial targets

### 2.3 Conclusions

## 3 Appendix

### 3.1 NPL business

### 3.2 Commercial and Corporate Banking

### 3.3 Enhancing operating machine

### 3.4 Segment reporting

### 3.5 Definition of default & Calendar provisioning

**Current business units included in the segment**

<b>Commercial &amp; Corporate Banking</b>	<b>Factoring*</b>	<ul style="list-style-type: none"> <li>• <b>Commercial credit in Italy</b>, related exclusively to factoring (excluding short and medium-long term credit)</li> <li>• <b>Pharmacies</b>, related exclusively to factoring (excluding short and medium-long term credit**)</li> <li>• <b>Pharma</b></li> <li>• <b>International</b></li> <li>• <b>Tax receivables</b></li> </ul>
	<b>Leasing</b>	<ul style="list-style-type: none"> <li>• <b>Financial leasing</b></li> <li>• <b>Operating leasing</b></li> </ul>
	<b>Lending</b>	<ul style="list-style-type: none"> <li>• <b>Commercial credit in Italy</b>, for the part of the business relating to short and medium-long term credit</li> <li>• <b>Pharmacies</b>, for the part of business relating to short and medium-long term credit</li> </ul>
	<b>Corporate Banking</b>	<ul style="list-style-type: none"> <li>• <b>Structured Finance</b></li> <li>• <b>Special Situations</b></li> <li>• <b>Equity investments</b></li> <li>• <b>Advisory</b></li> </ul>
<b>NPL</b>		<ul style="list-style-type: none"> <li>• <b>IFIS NPL</b></li> <li>• <b>FBS</b></li> </ul>
<b>Non core</b>		<ul style="list-style-type: none"> <li>• <b>Workout &amp; Recovery area</b>, part of the portfolio acquired by GE capital</li> <li>• <b>Comm. Lending area</b>, part of the portfolio acquired by GE capital</li> <li>• <b>PTF Retail</b></li> </ul>
<b>G&amp;S</b>		<ul style="list-style-type: none"> <li>• <b>Central Services</b></li> <li>• <b>Treasury</b></li> <li>• <b>Capitalfin</b></li> </ul>

\* Includes other trade receivables  
 \*\* Corresponds to the Credifarma BU



€mln

	2019*	2020	2021	2022	CAGR 19-22
<b>Net banking income</b>	<b>244</b>	<b>264</b>	<b>276</b>	<b>281</b>	<b>4.8%</b>
<b>Operating costs</b>	<b>-156</b>	<b>-169</b>	<b>-166</b>	<b>-162</b>	<b>1.3%</b>
- o/w personnel costs	-39	-42	-42	-42	2.5%
- o/w other costs	-117	-127	-124	-121	0.9%
<b>Pre-tax profit</b>	<b>88</b>	<b>96</b>	<b>111</b>	<b>119</b>	<b>10.5%</b>
<b>Net income</b>	<b>62</b>	<b>66</b>	<b>74</b>	<b>78</b>	<b>7.9%</b>
Net NPLs	1,350	1,584	1,787	1,936	12.8%
RWA	2,050	2,485	2,775	2,913	12.4%
Allocated capital	225	281	320	350	16.0%
<b>Cost/income</b>	<b>63.9%</b>	<b>63.8%</b>	<b>59.9%</b>	<b>57.8%</b>	
<b>Return on allocated capital</b>	<b>27.7%</b>	<b>23.7%</b>	<b>23.1%</b>	<b>22.3%</b>	

- Revenue and cost growth driven by new NPL purchases and workout progress of outstanding NPL portfolio
- Operating costs consist mainly on legal, recovery networks and FTEs charges
- Costs related to the judicial and extrajudicial activities are booked in the P&L with the progress of the workouts. Consequently, when the cash recovery begins, the operating costs have been already expensed
- The return on allocated capital is expected to decrease slightly, mainly due to higher funding costs. Efficiency and better NPL quality (in terms of documentation, vintage and collateral) are partially offsetting higher NPL acquisition prices

€mln

	2019*	2020	2021	2022	CAGR 19-22
<b>Net banking income</b>	<b>244</b>	<b>256</b>	<b>283</b>	<b>295</b>	<b>6.6%</b>
Loan loss provisions (LLP)	-53	-49	-52	-55	1.4%
<b>Net banking income – LLP</b>	<b>191</b>	<b>207</b>	<b>231</b>	<b>240</b>	<b>7.9%</b>
<b>Operating costs</b>	<b>-115</b>	<b>-127</b>	<b>-124</b>	<b>-121</b>	<b>1.5%</b>
- o/w personnel costs	-78	-84	-83	-81	1.4%
- o/w other costs	-37	-43	-41	-39	1.8%
<b>Pre-tax profit</b>	<b>76</b>	<b>80</b>	<b>107</b>	<b>120</b>	<b>16.4%</b>
<b>Net income</b>	<b>57</b>	<b>58</b>	<b>73</b>	<b>79</b>	<b>11.8%</b>
Turnover	14,006	14,662	15,663	16,273	5.1%
Customer loans	5,551	6,004	6,406	6,925	7.6%
RWA**	5,254	5,576	5,892	6,453	7.1%
Allocated capital	576	630	679	776	10.5%
<b>Cost/income</b>	<b>47.3%</b>	<b>49.6%</b>	<b>43.9%</b>	<b>40.9%</b>	
<b>Cost of credit</b>	<b>1.01%</b>	<b>0.88%</b>	<b>0.85%</b>	<b>0.83%</b>	
<b>Return on allocated capital</b>	<b>9.9%</b>	<b>9.2%</b>	<b>10.8%</b>	<b>10.2%</b>	

- Revenues resilient in a negative rates scenario
- Revenue growth driven by client growth, digital innovation and new brand strategy
- Cost control and process digitalization
- Loan loss provisions at ca. 80bps by the end of 2022 due to new credit risk management process aimed at reducing concentration risk and underwriting process

## Interest rates environment

	Euribor 3M (average %)		
Business plan scenario	-0.45	-0.43	-0.35
Prometeia	-0.40	-0.40	-0.38
	<b>2020</b>	<b>2021</b>	<b>2022</b>

Reduction mainly related to the RWA increase in equity investments due to Basel IV

\* 2019 figures are purely indicative and are based on 2019 most recent preview

\*\* RWA credit risk only

€mln					
	2019*	2020	2021	2022	CAGR 19-22
<b>Net banking income</b>	<b>166</b>	<b>176</b>	<b>190</b>	<b>196</b>	<b>5.7%</b>
Loan loss provisions (LLP)	-40	-31	-32	-31	-7.5%
<b>Net banking income – LLP</b>	<b>126</b>	<b>145</b>	<b>159</b>	<b>164</b>	<b>9.2%</b>
<b>Operating costs</b>	<b>-85</b>	<b>-92</b>	<b>-90</b>	<b>-87</b>	<b>0.8%</b>
- o/w personnel costs	-51	-55	-54	-53	1.2%
- o/w other costs	-34	-38	-36	-34	0.2%
<b>Pre-tax profit</b>	<b>41</b>	<b>53</b>	<b>69</b>	<b>77</b>	<b>23.4%</b>
<b>Net income</b>	<b>29</b>	<b>37</b>	<b>46</b>	<b>51</b>	<b>20.5%</b>
Turnover	14,006	14,662	15,663	16,273	5.1%
Customer loans	3,290	3,526	3,629	3,845	5.3%
RWA**	2,875	3,011	3,034	3,231	4.0%
Allocated capital	315	340	349	389	7.2%
Net banking income / customer loans	5.5%	5.7%	5.7%	5.6%	
<b>Cost/income</b>	<b>51.3%</b>	<b>52.4%</b>	<b>47.4%</b>	<b>44.5%</b>	
<b>Cost of credit</b>	<b>1.31%</b>	<b>1.01%</b>	<b>0.94%</b>	<b>0.90%</b>	
<b>Return on allocated capital</b>	<b>9.2%</b>	<b>10.8%</b>	<b>13.1%</b>	<b>13.1%</b>	

- Specialization, time to cash (< 3 days) and commercial effort as main growth drivers
- Operating costs substantially stable due to cost control and process digitalization
- Loan loss provisions at ca. 90bps by the end of 2022 due to new credit risk management process
- Strict monitoring of allocated capital and return

\* 2019 figures are purely indicative and are based on 2019 most recent projections

\*\* RWA credit risk only

€mln

	2019*	2020	2021	2022	CAGR 19-22
<b>Net banking income</b>	<b>53</b>	<b>52</b>	<b>55</b>	<b>56</b>	<b>2.1%</b>
Loan loss provisions (LLP)	-11	-12	-11	-12	0.5%
<b>Net banking income – LLP</b>	<b>41</b>	<b>41</b>	<b>44</b>	<b>45</b>	<b>2.6%</b>
<b>Operating costs</b>	<b>-25</b>	<b>-28</b>	<b>-26</b>	<b>-26</b>	<b>1.2%</b>
- o/w personnel costs	-22	-24	-23	-22	0.2%
- o/w other costs	-2	-4	-3	-3	9.7%
<b>Pre-tax profit</b>	<b>17</b>	<b>13</b>	<b>18</b>	<b>19</b>	<b>4.6%</b>
<b>Net income</b>	<b>15</b>	<b>11</b>	<b>14</b>	<b>13</b>	<b>-4.2%</b>
Leasing	1,447	1,488	1,533	1,574	2.8%
RWA**	1,469	1,455	1,490	1,398	-1.6%
Allocated capital	161	164	172	168	1.5%
Net banking income / customer loans	<b>3.7%</b>	<b>3.6%</b>	<b>3.7%</b>	<b>3.6%</b>	
<b>Cost/income</b>	<b>46.9%</b>	<b>52.8%</b>	<b>47.1%</b>	<b>45.6%</b>	
<b>Cost of credit</b>	<b>0.81%</b>	<b>0.81%</b>	<b>0.75%</b>	<b>0.75%</b>	
<b>Return on allocated capital</b>	<b>9.4%</b>	<b>6.9%</b>	<b>8.2%</b>	<b>7.9%</b>	

- Offer customized services bundled with leasing and time to cash as main growth drivers
- Cost control
- Cost of credit in line with historical track record
- Strict monitoring of allocated capital and return

\*2019 figures are purely indicative and are based on 2019 most recent preview

\*\* RWA related to credit risk, intercompany funding and investment on IFIS Rental (not included in prudential consolidation)

	NPL		Commercial & Corporate banking		Non Core and G&S	
	2019	2022	2019	2022	2019	2022
Net Income €mln (% of total)	62.3	78.2	56.9	79.5	3.6	-10.7
	51%	53%	46%	54%	3%	-7%
Capital allocation (% of total)	225	350	576	776	123	115
	24%	28%	62%	63%	13%	9%
Return on allocated capital**	27.7%	22.4%	9.9%	10.2%	3.0%	-9%

Mainly due to:

- decrease of PPA reversal (-€50mln)
- decrease of loan loss provisions (+€12mln)

Delta mainly due to cost of funding increase

\*2019 figures are purely indicative and are based on 2019 most recent preview

\*\* Net income / allocated capital. Where allocated capital = RWA credit risk \* 2019 CET1 ratio.

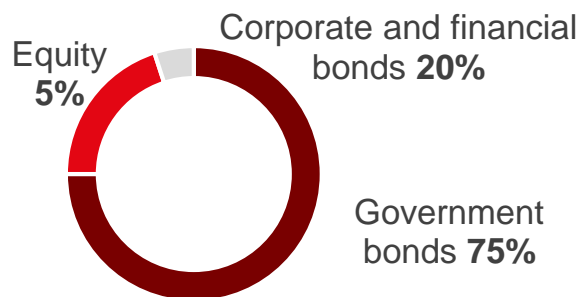
## Investment strategy

- Long term «fundamental» view with opportunistic trading approach
- Efficient management of excess cash (ECB deposits)
- Use of enhancing and hedging strategies coupled with both risk and expected credit loss control
- Low cumulative RWA level
- ECB / funding eligibility

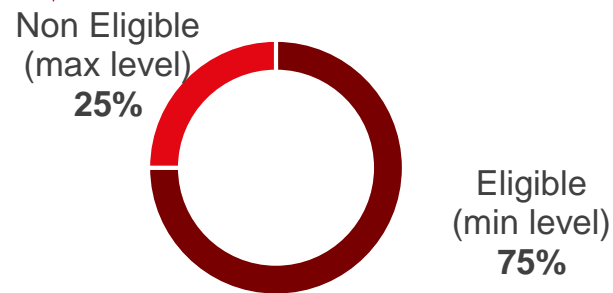
## Proprietary portfolio clusters

- Liquidity portfolio: short term government portfolio (15 months average maturity) aiming to minimize liquidity cost (€650mln)
- Core portfolio: long term bond portfolio (5Y average maturity) aiming to maximize capital appreciation while containing risk (€650mln)
- Satellite portfolio (ex Trading): tactical-medium term diversified portfolio (2Y average maturity) aiming to generate gradually increasing return (€150mln)

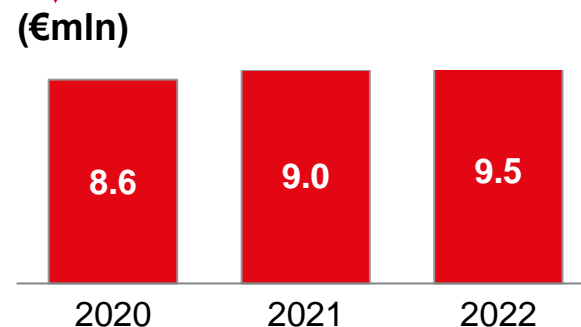
### Asset allocation



### Eligibility to ECB

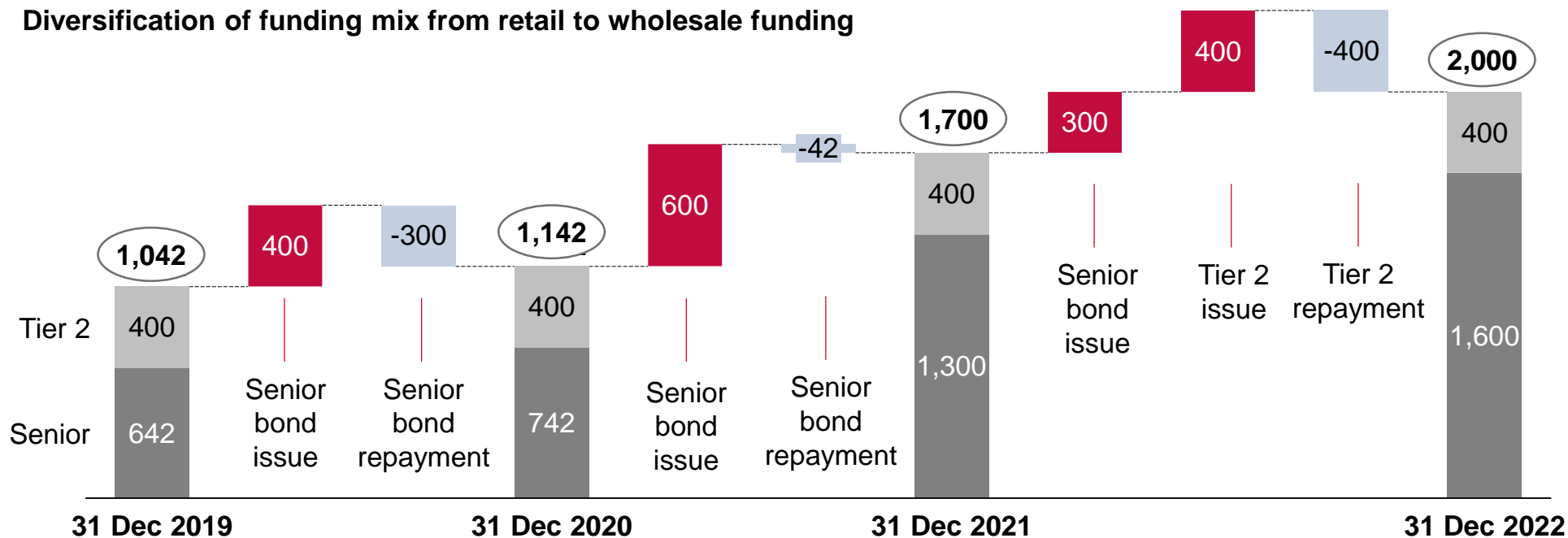


### Expected return net of funding costs and expected credit loss



## Bond issues (€ mln)

Diversification of funding mix from retail to wholesale funding



Target of €1.7bn bond issue to be reviewed in the Industrial Plan period considering funding requirements / volume growth, funding costs and funding mix diversification

## 1 Mission and track record

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### 2.1 Strategic highlights

### 2.2 Financial targets

### 2.3 Conclusions

## 3 Appendix

### 3.1 NPL business

### 3.2 Commercial and Corporate Banking

### 3.3 Enhancing operating machine

### 3.4 Segment reporting

### 3.5 Definition of default & Calendar provisioning



Issue	Description	Banca IFIS impact
Public sector exposures	<ul style="list-style-type: none"><li>Since 2021 the definition of past due loans will be similar to the private sector criteria (harmonized definition of default from EBA)</li></ul>	<ul style="list-style-type: none"><li>The potential deterioration inflow vs. Public Administration will be partially mitigated by the introduction of management actions aimed at neutralising «technical past dues»</li></ul>
Calendar provisioning	<ul style="list-style-type: none"><li>Non performing exposures (past due, UTPs and NPLs), from loans originated since April 2019, have to respect specific provisions (unsecured to be provisioned in 3Y, secured in 9Y)</li></ul>	<ul style="list-style-type: none"><li>The rule has limited impact on Banca IFIS Commercial &amp; Corporate Banking loans thanks to the asset quality and the provisioning policy already in force</li></ul>
MREL	<ul style="list-style-type: none"><li>Minimum requirement for own funds and eligible liabilities starting from 2024 (BRRD directive)</li></ul>	<ul style="list-style-type: none"><li>No relevant impact expected for Banca IFIS</li></ul>

## Calendar Provisioning: CRR Prudential Reserve – Minimum loss coverage factors

Year following classification as non performing	Unsecured	Secured by official export agencies	Secured by innovable property or residential loan guaranteed by eligible guarantor	Secured by other collateral	
1	0%	0%	0%	0%	
2					
3					
4	100%		100%	25%	80%
5				35%	
6				55%	
7		70%			
8	100%	100%	80%	100%	
9			85%		
10,...			100%		

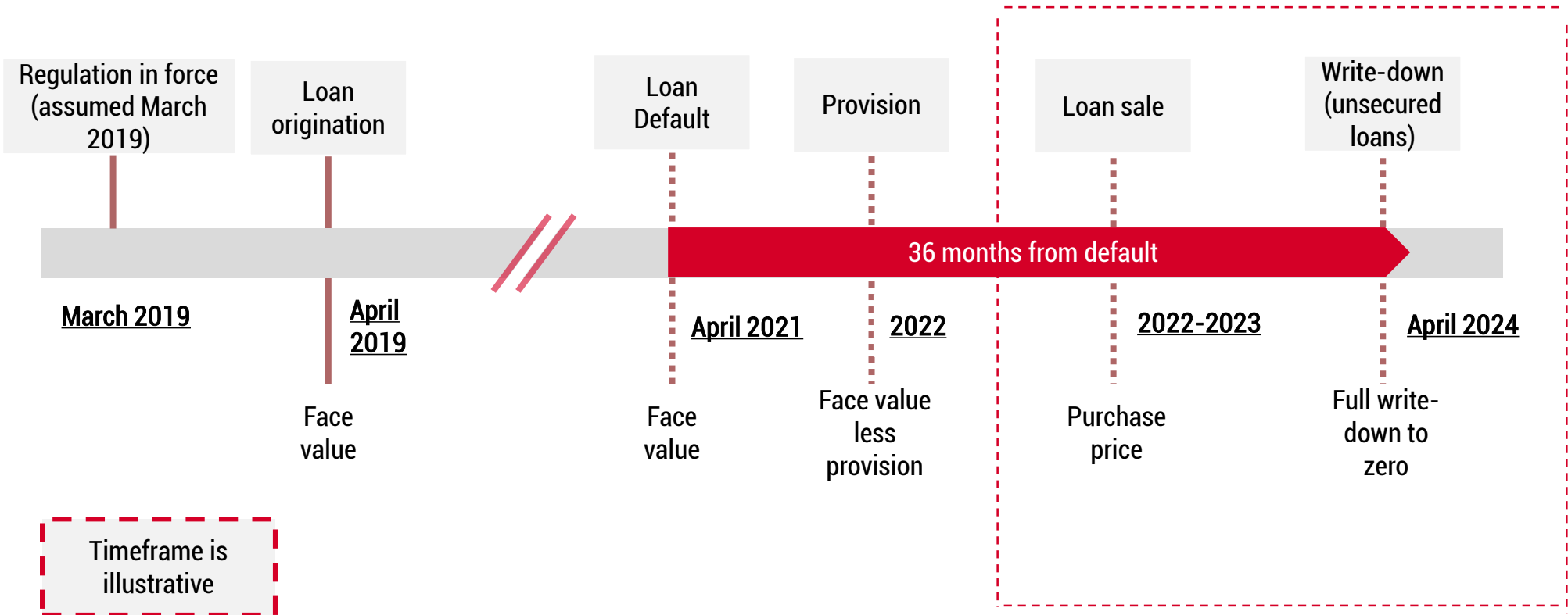
## IFIS NPL

- We estimate there may be a 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 the 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 POCI)

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

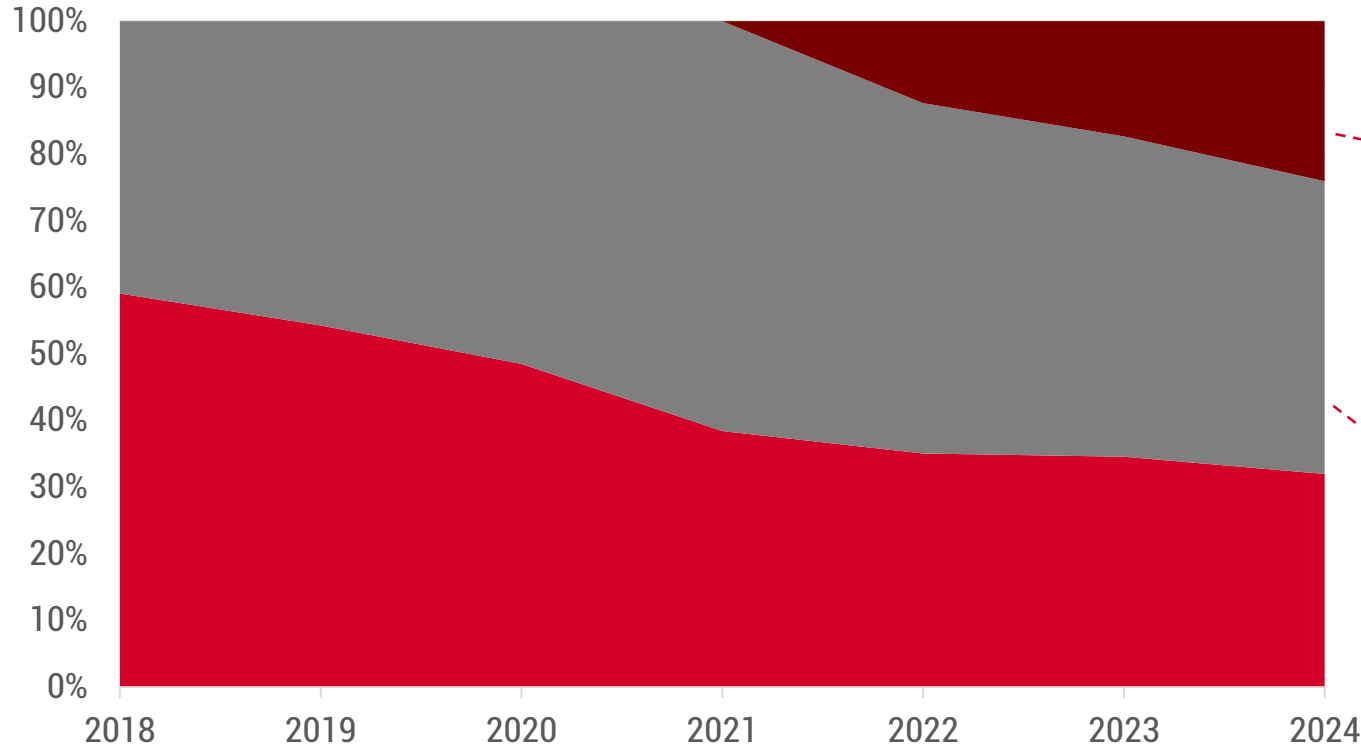


**EU calendar provisioning to start affecting Banca IFIS only in 2022-24**

# Unsecured loans: weight on the whole NPL portfolio

## Calendar Provisioning approved by EU Parliament (Pillar 1)

Chart is illustrative, based on preliminary analysis



*Unsecured NPL purchases to be impacted by EU calendar provisioning starting from ~2022-24. However, they will still represent a minority stake of Banca IFIS NPL book*

*Purchases not subject to EU calendar provisioning as these loans were granted before the enforcement of this regulation*

■ NPL purchases pre 2018   ■ 2018-2021 NPL purchases   ■ NPL purchases post 2021

Until 2022-23, NPLs subject to EU calendar provisioning will be a minority stake of Banca IFIS NPL

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- The document defines the main guidelines of economic and financial development of Banca IFIS Group considering the bank’s market potential in an positive and ordinary macro scenario. All forecast contained herein are based on 2019 year end preview: we underline that all data referred to 2019 are the best estimate at the current date and are purely indicative. At the date of this Presentation all accounting procedure are in process and will be concluded in accordance with the financial calendar of the Company. Every preliminary results and any other figures related to 2019 included in this document are therefore subject to changes and amendments
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