



BANCA IFIS

2019 PRELIMINARY RESULTS

11 FEB 2020

01

2019 results

02

Appendices

2.1

Key financial data

2.2

NPL business

2.3

La Scogliera: implications of CRD IV

2.4

Focus on DTA and PPA



4Q 2019

Net income

- €39m net income
- Reversal of PPA** (net of tax) at €15m (€6m in 3Q19)

Net banking income

- €167m (€112m in 3Q19) driven by the pick up in NPL recovery

Operating costs

- €82m (€74m in 3Q19) due to higher NPL variable recovery costs

LLP

- Cost of risk of €38m, of which €11m provisions on a few ex-Interbanca positions



STOCK

Customer loans**

- €7.7bn (€0.5bn QoQ)
- Factoring: €3.2bn
 - Leasing: €1.4bn
 - Corporate Banking & Lending: €0.7bn
 - NPL: €1.3bn
 - Non core & G&S: €0.9bn

NPL business**

- ERC €2.5bn
- In 4Q 19: €76m cash collection vs. €78m P&L* contribution

Funding

- €5.3bn customer deposits stable QoQ
- €1.1bn wholesale including +€0.1bn placement of the 2018-23 bond in 4Q 19, which was owned by the Bank

CET1

- 10.96% La Scogliera Group Scope, well above the 8.12% SREP
- 14.28% Banca IFIS Group Scope
- Dividend at €1.1 per share

(€ mln)	3Q 19	4Q 19	FY 18	FY 19
Net interest income	91.1	134.2	469.3	458.9
Net commission income	22.2	25.3	84.5	94.1
Trading and other revenues	(1.2)	7.5	22.7	5.4
Net banking income	112.0	167.1	576.5	558.3
Loan loss provisions (LLP)	(14.0)	(38.2)	(100.1)	(87.2)
Net banking income – LLP	98.1	128.9	476.4	471.1
Personnel expenses	(31.5)	(34.3)	(111.6)	(130.0)
Other administrative expenses	(43.7)	(56.2)	(176.5)	(214.3)
Other net income/expenses	1.3	8.8	14.7	49.3
Operating costs	(74.0)	(81.7)	(273.4)	(294.9)
Gains (Losses) on disposal of investments	-	-	-	(0.4)
Pre tax profit	24.1	47.2	203.0	175.8
Taxes	(8.3)	(8.1)	(56.2)	(52.6)
Net income attributable to the parent company	15.7	39.1	146.8	123.1
Customer loans	7,118	7,651	7,314	7,651
- of which NPL Business	1,189	1,280	1,093	1,280
Total assets	10,249	10,526	9,382	10,526
Total funding	8,233	8,463	7,438	8,463
- of which customer deposits	5,257	5,286	4,673	5,286
- of which TLTRO	694	792	695	792
Shareholders Equity	1,501	1,539	1,459	1,539

Non-recurrent items

Data in €mln	2Q 19	3Q 19	9M 19	4Q 19	12M 19
Other admin. expenses	(31)	0	(31)	0	(31)
Other net income /expenses	39	4	42	4	46
Operating costs	8	4	11	4	15
Taxes	(8)	(4)	(11)	(4)	(15)
Net income	0	0	0	0	0

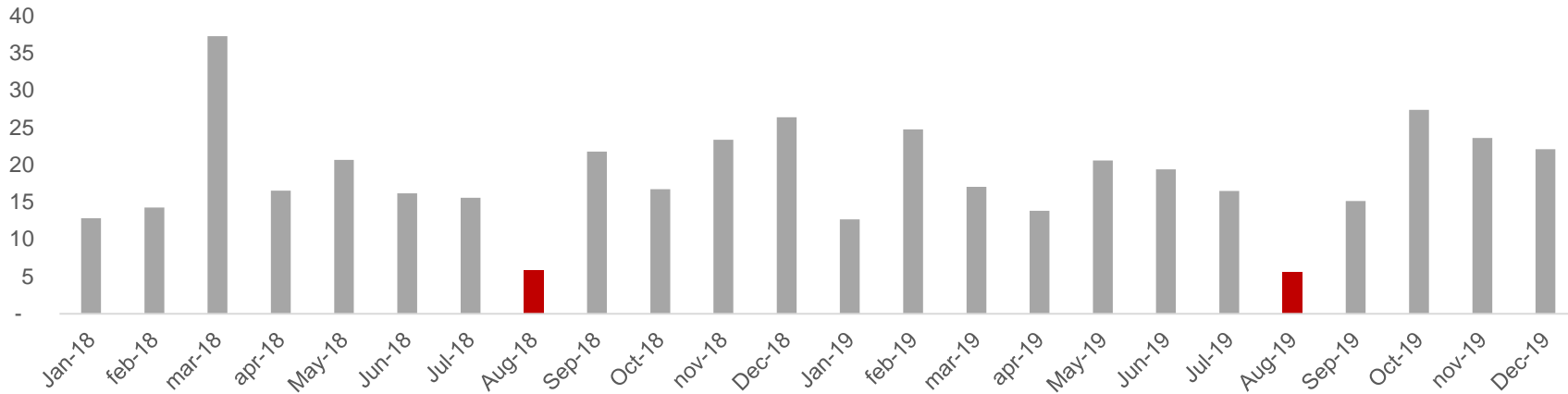
- 2Q 19, 3Q 19 and 4Q 19 included the closing of a tax proceeding of former Interbanca with no impact on Banca IFIS Group's net income
- Taxes benefited from positive one offs due to the payment of substitute tax for the goodwill of FBS and the re-introduction of ACE tax incentives
- Loan loss provisions were impacted by €28m provisions on 4 large positions

(€ mln)	FY 19 A	FY 19 E*
Net banking income	558.3	557.3
Loan loss provisions (LLP)	(87.2)	(84.8)
Net banking income – LLP	471.1	472.5
Personnel expenses	(130.0)	(129.7)
Other administrative expenses	(214.3)	(214.7)
Other net income/expenses	49.3	50.3
Operating costs	(294.9)	(294.1)
Gains (Losses) on disposal of investments	(0.4)	(1.3)
Pre tax profit	175.8	177.1
Taxes	(52.6)	(54.3)
Net income	123.1	122.8
Customer loans	7,651	7,668
- of which NPL Business	1,280	1,350
Total assets	10,526	10,412
Total funding	8,463	8,339
- of which customer deposits	5,286	5,139
- of which TLTRO	792	800
Shareholders Equity	1,539	1,540

Highlights

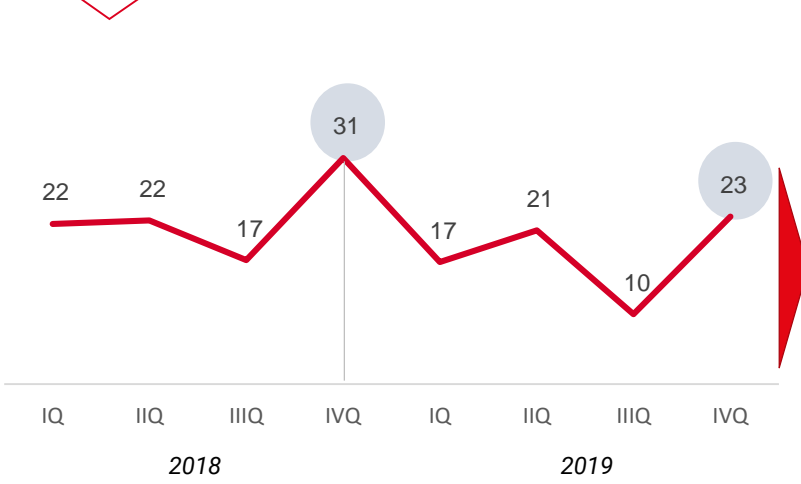
- No significant differences between 2019 actual figures and 2019 preview presented on 14 Jan 2020 in the context of the 2020-22 Industrial Plan

Net interest income in NPL



The IV quarter is usually the strongest of the year

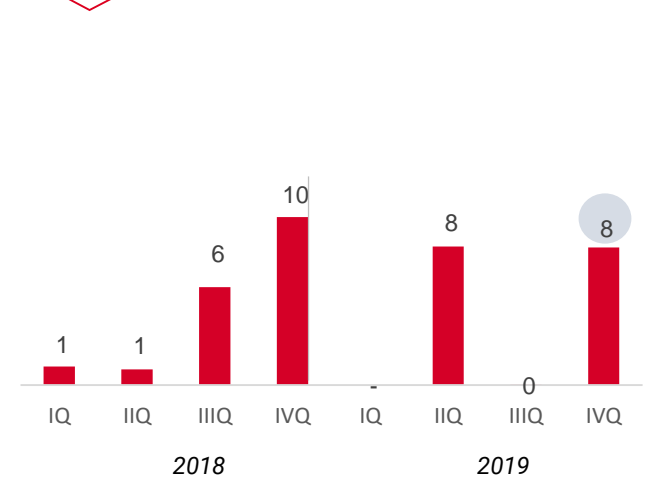
Reversal of PPA (pre-tax)*



4Q 19 pre tax reversal PPA at €23m due to the closing of a few large positions

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

Capital gains from NPL disposal



4Q 19 gains at €8m


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

Commercial & Corporate banking

Data in € mln	NPL	Factoring	Leasing	Corp. Banking & Lending	Non core & G&S	Consolidated
Net interest income	224	98	41	20	77	459
Net commission income	6	67	12	8	1	94
Trading & other revenues	15	0	0	(2)	(8)	5
Net banking income	245	165	53	26	70	558
<i>-Of which PPA</i>	<i>(2)¹</i>	<i>0</i>	<i>0</i>	<i>3</i>	<i>67</i>	<i>68</i>
Loan loss provisions	0	(36)	(10)	(6)	(36)	(87)
Operating costs	(157)	(86)	(24)	(6)	(23)	(295)
Net income	62	30	17	10	4	123
Net income (%)	50%	25%	13%	8%	3%	100%
Cost / income (%)	64%	52%	45%	22%	33%	53%
Customer Loans	1,280	3,229	1,448	747	946	7,651
RWA²	2,046	2,955	1,403	881	937	8,221
Capital allocation³	224	324	154	97	103	901
Return on allocated capital⁴	28%	9%	11%	11%	4%	14%

- **Corporate banking and lending:** includes structured finance, commercial medium long term lending guaranteed by MCC and lending towards pharmacies
- **Non Core:** former Interbanca performing and non performing portfolios. In 2019, its loan loss provisions were impacted by 3 large positions of former Interbanca (total provisions of ca.€19mln)
- **G&S:** central services, treasury and costs not allocated to other business units. In 2019, operating costs included €15mln from the closing of a tax proceeding of former Interbanca with no impact on Banca IFIS's net income

 Net income at €123mln. Contribution of PPA* (net of tax) down from €61mln in 2018 to €47mln in 2019

 Self financing business growth coupled with increase in CET1 ratio and dividends

- **Business growth: +€0.2bn RWA vs. 2018**
- **CET1 ratio increase at 10.96%: +0.66% vs. 2018**
- **Dividends increase: €1.1 per share vs. €1.05 in 2018**

 Working on the management actions of the Industrial Plan

01 ▶ **2019 Results**

02 ▶ **Appendices**

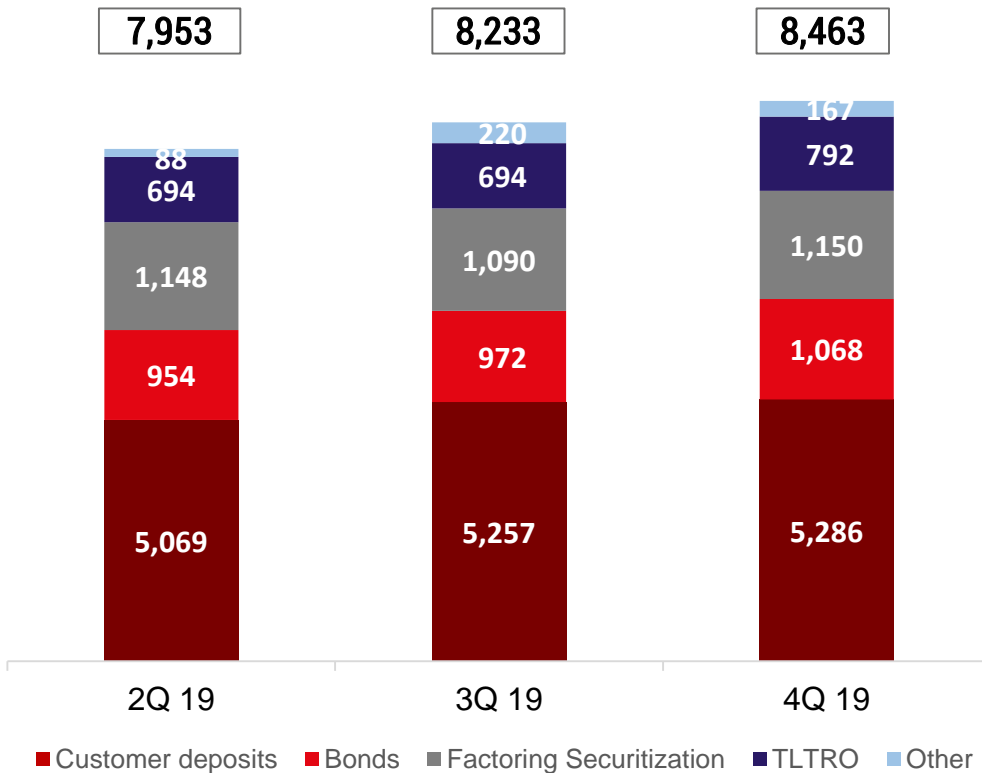
2.1 ▶ **Key financial data**

2.2 ▶ **NPL business**

2.3 ▶ **La Scogliera: implications of CRD IV**

2.4 ▶ **Focus on DTA and PPA**

Funding (€ mln)



	2Q 19	3Q 19	4Q 19
LCR*	>1,300%	>1,600%	>1,100%
NSFR*	>100%	>100%	>100%

Highlights

- 4Q 19 customer deposits at € 5,286mln (+€29mln QoQ) despite negative seasonality
- +€98mln TLTRO and the placement of the €96mln 2018-23 bond (which was owned by the Bank) as part of our funding strategy, taking into account the diversification and stability of our ALM
- No significant change in average cost of funding which remains substantially stable at ca. 1.4%*
- In 2019, Rendimax e Contomax funding was +8.3% YoY at €4.791mln, confirming the Group's financial stability
- The average duration of retail funding increased from 1Y and 8 months as at 31 Dec 2018 to 1Y and 11 months as at 31 Dec 2019, driven by the increase in term deposits with 5Y maturity which have more than doubled (€427mln as at 31 Dec 2018 to €866mln as at 31 Dec 2019)

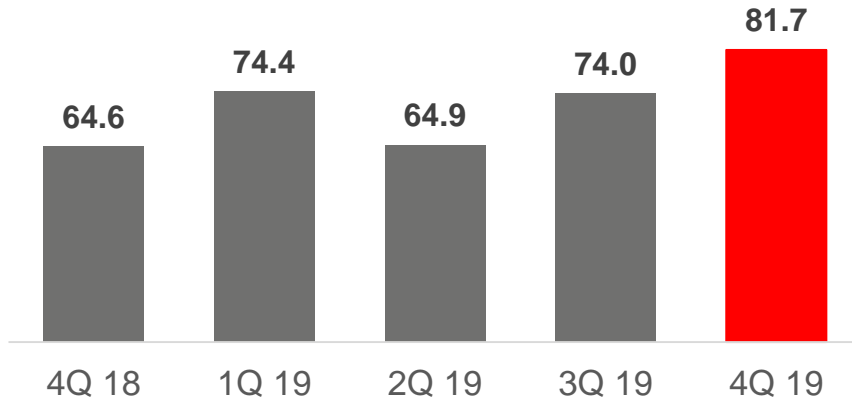
Commercial & Corporate Banking	Gross Coverage %		Net
Bad loans	205	80%	42
UTP	173	49%	89
Past due	105	8%	96
Total	483	53%	226

Non core	Gross Coverage %		Net
Bad loans	46	15%	39
UTP	101	39%	62
Past due	2	22%	2
Total	149	31%	102

Highlights

- NPL Business not included in this analysis
- NPEs ratio in Commercial & Corporate Banking and Non core
 - Gross NPE %: 9.9%
 - Net NPE %: 5.4%
- Gross NPEs in Commercial and Corporate Banking include ~€90mln factoring technical past due mainly due from the PA which does not represent an asset quality risk
- NPEs in Non Core 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

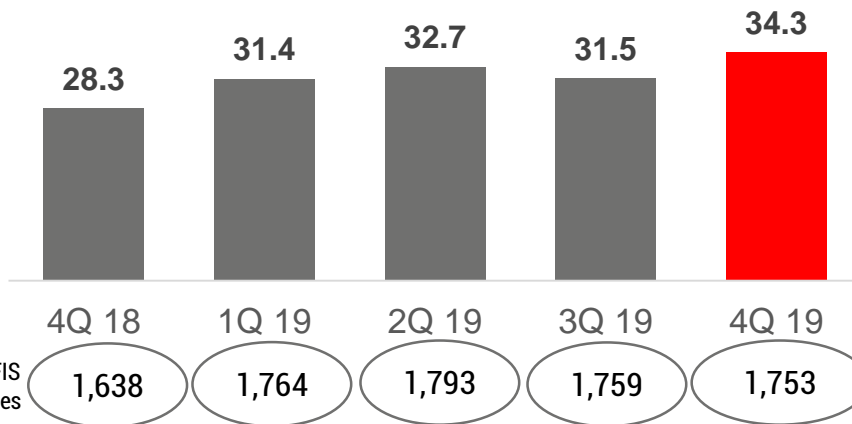
Operating costs (€mln)



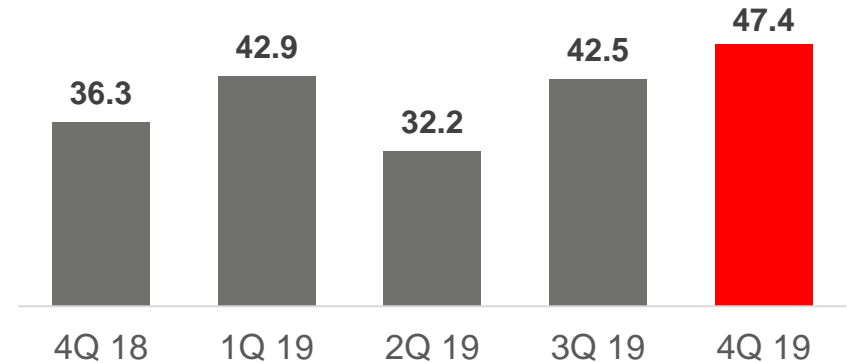
Highlights

- Operating costs ~+€7.7mln vs. 3Q 19, mainly driven by:
 - ~+2.7mln increase in cost of personnel
 - ~+€5mln increase in variable legal and recovery costs in the NPL business following pick up in recovery
- FY 19 cost / income ratio at 52.8% (47.4 % at FY 18)

Personnel expenses (€mln)



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



01 ▶ **2019 Results**

02 ▶ **Appendices**

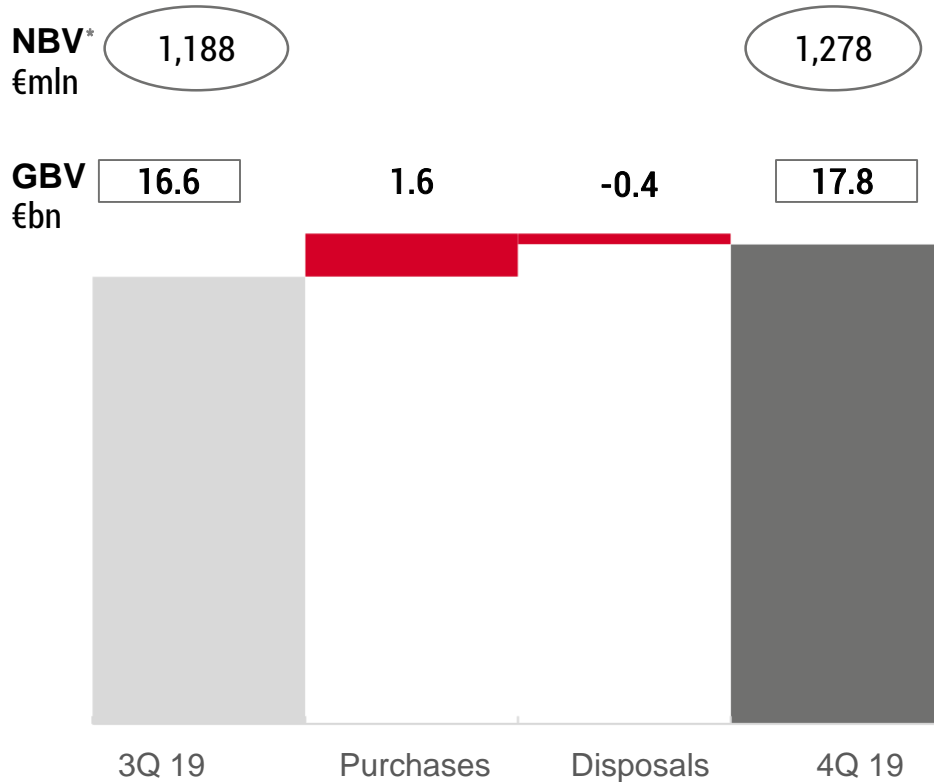
2.1 ▶ **Key financial data**

2.2 ▶ **NPL business**

2.3 ▶ **La Scogliera: implications of CRD IV**

2.4 ▶ **Focus on DTA and PPA**

NPL portfolio evolution



Key numbers**

- 1.8mln tickets, #1.3mln borrowers
- Extensive portfolio diversification by location, type and age of borrower

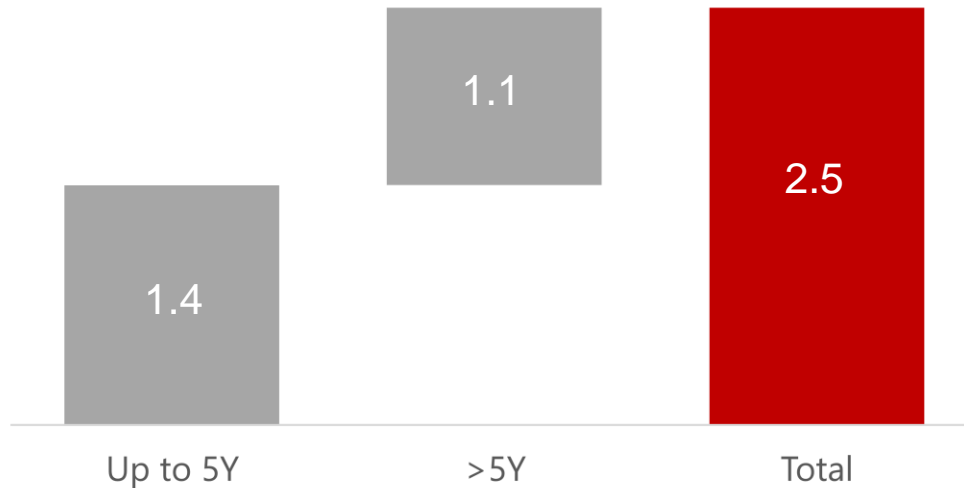
NPLs acquired in 4Q: €1.6bn GBV

- In 4Q 19, €1.6bn of NPLs (in GBV) were acquired in 13 transactions with major counterparties such as UniCredit, Findomestic Banca and various securitisation vehicles (GACS)
- In 1H 2020, the pipeline in unsecured NPLs is estimated at ca. €1.5-2bn. ** Banca IFIS is actively participating in all NPL disposal processes. We will be disciplined in acquisition prices

NPLs disposed in 4Q 19: €0.4bn GBV

- In order to rationalize its NPL portfolio, in 4Q 19, Banca IFIS sold portfolio tails with GBV of ca. €0.4bn to specialized operators realizing a pre tax capital gain of €8mln

ERC: €2.5bn



ERC breakdown

Data in € bn	GBV	NBV	ERC
Waiting for workout - At cost	1.8	0.1	0.2
Extrajudicial positions	10.4	0.4	0.6
Judicial positions	5.7	0.8	1.6
Total	17.8	1.3	2.5

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 4Q 19), court injunction ["precetto"] issued and order of assignments (GBV of €1.2bn in 4Q 19) have already been expensed in P&L
- €1.1bn cash recovery (including proceeds from disposals) in 2014 - 2019

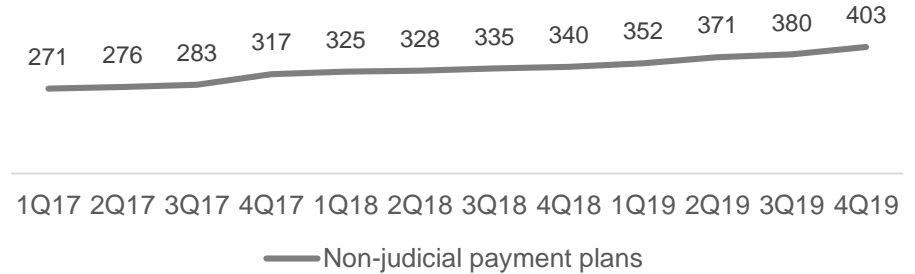
Judicial recovery

Judicial recovery (€ mln)	GBV	%
Freezed**	2,521	44%
Court injunctions ["precetto"] and foreclosures	543	10%
Order of assignments	639	11%
Secured and Corporate	1,965	35%
Total	5,669	100%

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

Non judicial recovery – Voluntary plans

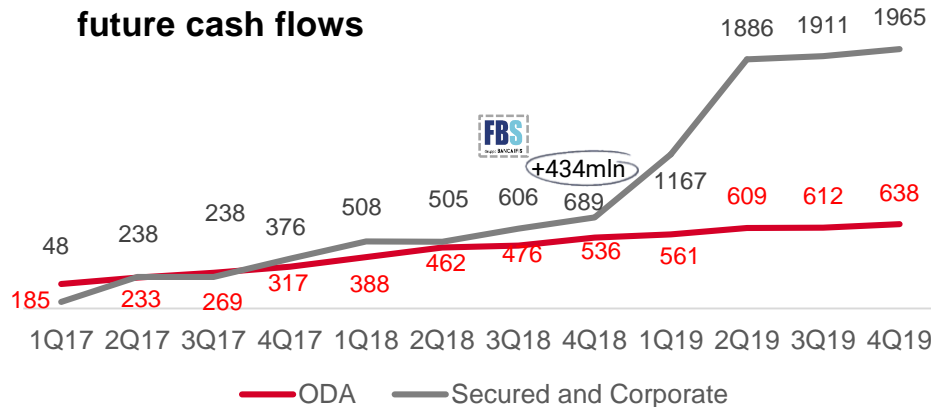
GBV, data in €mln



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:
 - €76mln in 4Q 19, +29% vs. 3Q 19 and +38% vs. 4Q 18
 - €258mln in FY 19; +43% vs. FY 18 and +102% vs. FY 17
- 4Q is usually the strongest quarter of the year. 3Q is impacted by seasonality due to courts shutting in August

Data in € mln (excluding disposals)	2018								2019				2017 YE			2018 YE			2019 YE		
	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19	4Q 19	2017 YE	2018 YE	2019 YE	2017 YE	2018 YE	2019 YE			
Cash collection	25	29	30	44	40	41	45	55	57	67	59	76	128	181	258						
Contribution to P&L**	35	36	32	58	67	56	46	69	66	60	44	78	162	238	248						
Cash collection / contribution to P&L	70%	80%	93%	75%	60%	73%	98%	79%	87%	112%	132%	97%	79%	76%	104%						

Cluster	GBV 4Q19 €mln	% total	Description	Average time frame	Accounting valuation	Cash proceeds
Waiting for workout - Positions at cost	1,794	10%	Recently acquired, under analysis to select the best recovery strategy, to be assigned either to extrajudicial or to judicial recovery	6 months	Acquisition cost	
Extrajudicial positions	10,378	58%				
-Ongoing attempt of recovery	9,975	56%	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	403	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
Judicial positions	5,669	32%				
- Frozen**	2,521	14%	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")	543	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	639	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	1,965	11%	Ongoing execution of real estate collaterals	4 years	Analytical valuation (expected time frame and amount to be recovered)	Yes
Total	17,841	100%				

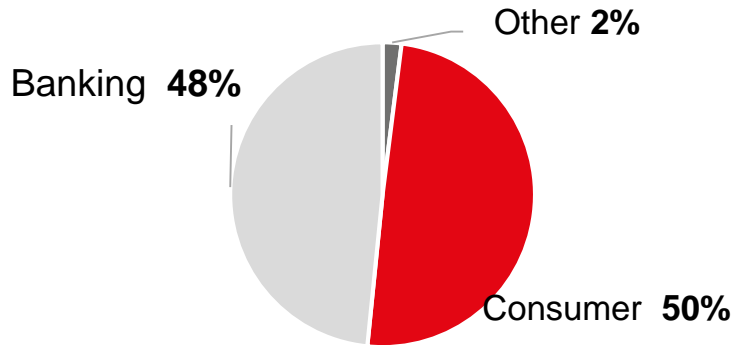
GBV - €mln	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19	4Q 19
Waiting for workout - Positions at cost	2,525	2,325	3,614	2,522	2,298	2,014	1,840	3,472	2,864	1,598	1,783	1,794
Extrajudicial positions	6,047	6,573	6,702	8,050	8,050	8,145	9,667	8,956	9,745	9,862	9,574	10,378
- Ongoing 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	9,975
- Non-judicial payment plans	271	276	283	317	325	328	335	340	352	371	380	403
Judicial positions	1,874	2,127	2,220	2,503	2,664	2,738	3,170	3,327	4,015	4,913	5,226	5,669
- Frozen**	1,640	1,655	1,713	1,810	1,515	1,435	1,712	1,692	1,822	1,931	2,192	2,521
- Court injunctions ["precetto"] issued and foreclosures	0	0	0	0	253	336	376	411	464	487	511	543
- Order of assignments	185	233	269	317	388	462	476	536	561	609	612	639
- Secured and Corporate	48	238	238	376	508	505	606	689	1,167	1,886	1,911	1,965
Total	10,445	11,025	12,536	13,075	13,011	12,897	14,676	15,756	16,624	16,373	16,583	17,841

NBV - €mln	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19	4Q 19
Waiting for workout - Positions at cost	147	132	128	94	61	57	96	225	174	148	160	109
Extrajudicial positions	231	244	239	283	287	285	302	291	306	313	308	356
- Ongoing attempt of recovery	130	139	139	160	160	154	167	153	162	164	154	190
- Non-judicial payment plans	101	105	100	122	127	131	135	138	144	149	154	166
Judicial positions	254	325	349	423	484	509	547	577	643	711	720	813
- Frozen**	189	219	229	266	222	194	203	188	205	207	215	274
- Court injunctions ["precetto"] issued and foreclosures	0	0	0	0	52	80	94	107	118	118	118	128
- Order of assignments	63	82	95	123	148	174	183	209	227	244	245	259
- Secured and Corporate	2	25	25	33	62	61	67	73	94	142	142	152
Total	631	701	716	799	832	851	945	1,093	1,123	1,172	1,188	1,278

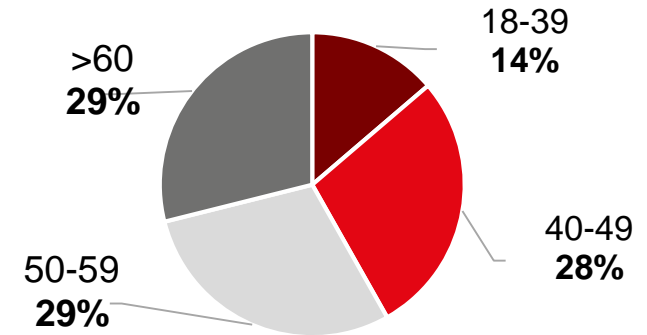
P&L - €mln	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19	4Q 19
Waiting for workout - Positions at cost												
Extrajudicial positions	18	15	16	28	21	13	13	17	19	19	19	20
- Ongoing attempt of recovery	1	1	(1)	0	2	(3)	(3)	(4)	(3)	(2)	(1)	4
- Non-judicial payment plans	17	14	18	28	19	16	16	21	22	21	20	17
Judicial positions	17	21	16	31	46	43	33	53	46	42	26	58
- Freezed**	0	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	40
- Secured and Corporate	0	1	1	2	3	2	7	11	9	14	7	18
Total	35	36	32	58	67	56	46	69	66	60	44	78

Cash - €mln	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19	4Q 19
Waiting for workout - Positions at cost												
Extrajudicial positions	18	19	21	29	21	21	22	26	27	32	27	38
- Ongoing attempt of recovery	2	3	3	6	4	4	3	3	4	6	4	10
- Non-judicial payment plans	16	16	18	23	17	17	19	23	23	26	23	28
Judicial positions	7	10	10	15	19	20	23	29	30	35	32	38
- Freezed**	0	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	27
- Secured and Corporate	0	2	0	3	4	3	4	7	6	11	7	11
Total	25	29	30	44	40	41	45	55	57	67	59	76

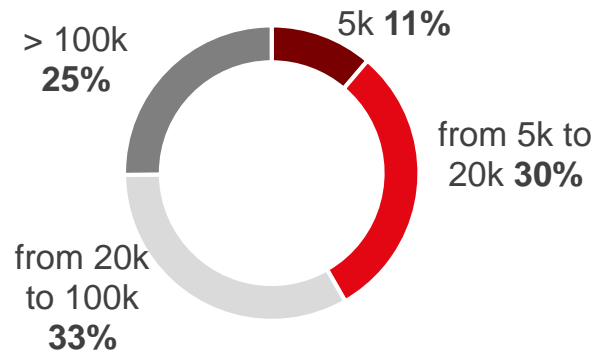
Breakdown of GBV by type



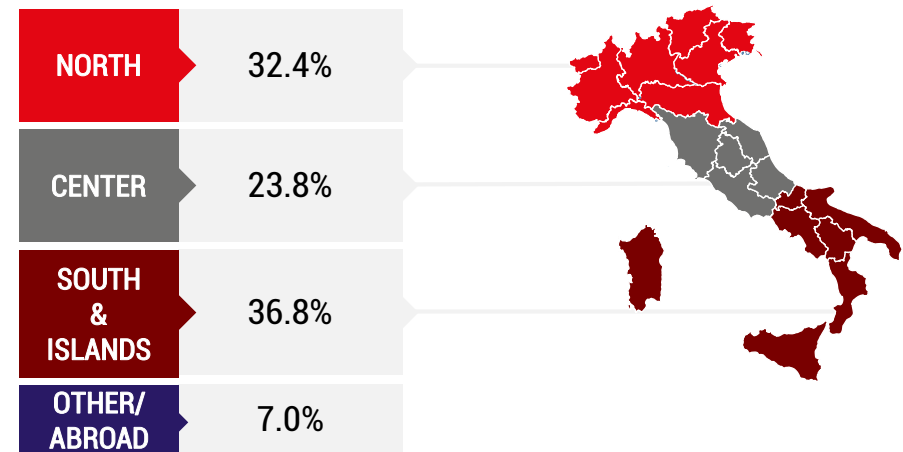
Breakdown of GBV by borrower age



Breakdown of Gross Bad Loans by ticket size



Gross NPL breakdown by region



01 ▶ **2019 Results**

02 ▶ **Appendices**

2.1 ▶ **Key financial data**

2.2 ▶ **NPL business**

2.3 ▶ **La Scogliera: implications of CRD IV**

2.4 ▶ **Focus on DTA and PPA**

- 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 31 Dec 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		0.7	49.3%	0.4	1.3
CET1 %	14.3%	7.0%		49.3%		11.0%
Total Capital %	18.6%	10.5%		49.3%		14.6%
RWA	9.2					9.2

01 ▶ **2019 Results**

02 ▶ **Appendices**

2.1 ▶ **Key financial data**

2.2 ▶ **NPL business**

2.3 ▶ **La Scogliera: implications of CRD IV**

2.4 ▶ **Focus on DTA and PPA**

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

103.1
(81.2+21.9*)

Other non-convertible DTAs

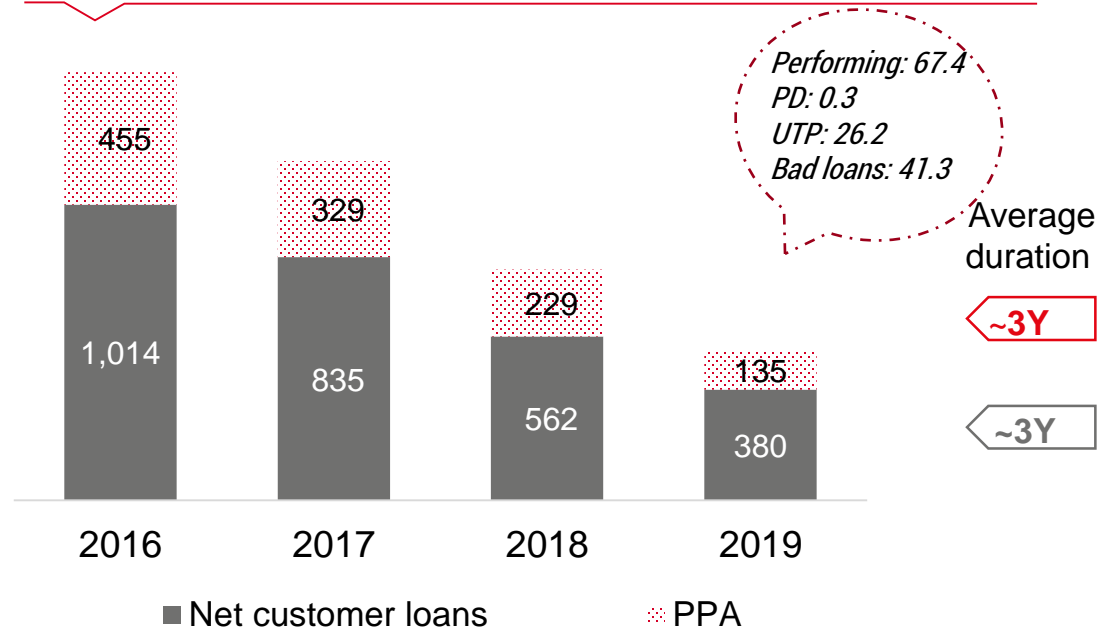
- DTAs generated due to negative valuation reserves and provisions for risks and charges
- Capital requirements: deduction from CET1 or weighted in RWA depending on certain thresholds. For Banca IFIS they would be weighted at 250% but they are all offset by DTL

34.7**

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 31 Dec 19, the residual amount of pre-tax PPA is €135mIn

Net customer loans and PPA - €mIn



PPA Reversal in P&L (pre-tax)	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19	4Q 19	Outstanding 4Q 19
Total	22	22	17	31	17	21	10	23	135

FY 18: €92mIn

FY 19: €70mIn. o/w:

- €3mIn Corp. Banking & Lending
- €67mIn Non core& G&S

4Q 19 Outstanding, o/w:

- €6mIn Corp. Banking & Lending
- €130mIn Non core& G&S

- This Presentation may contain written and oral “forward-looking statements”, which includes all statements that do not relate solely to historical or current facts and which are therefore inherently uncertain. All forward-looking statements rely on a number of assumptions, expectations, projections and provisional data concerning future events and are subject to a number of uncertainties and other factors, many of which are outside the control of Banca IFIS (the “Company”). There are a variety of factors that may cause actual results and performance to be materially different from the explicit or implicit contents of any forward-looking statements and thus such forward-looking statements are not a reliable indicator of future performance. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable law. The information and opinions contained in this Presentation are provided as at the date hereof and are subject to change without notice. Neither this Presentation nor any part of it nor the fact of its distribution may form the basis of, or be relied on or in connection with, any contract or investment decision.
- The information, statements and opinions contained in this Presentation are for information purposes only and do not constitute a public offer under any applicable legislation or an offer to sell or solicitation of an offer to purchase or subscribe for securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments. None of the securities referred to herein have been, or will be, registered under the U.S. Securities Act of 1933, as amended, or the securities laws of any state or other jurisdiction of the United States or in Australia, Canada or Japan or any other jurisdiction where such an offer or solicitation would be unlawful (the “Other Countries”), and there will be no public offer of any such securities in the United States. This Presentation does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States or the Other Countries.
- Mariacristina Taormina, Manager charged with preparing the financial reports of Banca IFIS S.p.A., pursuant to the provisions of Art. 154 bis, paragraph 2 of Italian Legislative Decree no.58 dated 24 February 1998, declares that the accounting information included into this document corresponds to the related books and accounting records.
- Neither the Company nor any member of Banca IFIS nor any of its or their respective representatives directors or employees accept any liability whatsoever in connection with this Presentation or any of its contents or in relation to any loss arising from its use or from any reliance placed upon it.