

illimity Bank S.p.A.

"3Q20 results Conference Call"

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 ANDREA CLAMER, HEAD OF DISTRESSED CREDIT INVESTMENT AND SERVICING

CORRADO PASSERA, CHIEF EXECUTIVE OFFICER

Good morning everyone and thank you for your time.

Here with me is:

- Carlo Panella, Head of Direct Banking & Digital Operations
- Francesco Mele CFO & Head of Central Functions
- Enrico Fagioli Head of SME Division,
- Andrea Clamer, Head of Distressed Credit Investments and Servicing Division,

I am happy to announce that illimity's Third Quarter results are very positive and in line with the guidance we gave for the entire 2020 fiscal year.

In September, we also marked a significant move in the strategy of our Direct Banking Division, by setting up a **Joint Venture** in Hype. This Joint Venture has created the national champion of the open banking fintech arena. In addition, the Sella Group, one of the most innovative banking groups in Italy, who previously controlled Hype and with whom we have a longstanding technological relationship, has also decided to invest in illimity.

Let's get started with slide 2.

Slide 2 - On track to reach our €30mln guidance for the FY20 equal to a 5% ROE

We are on track to deliver a net profit guidance in the region of €30mln for Fiscal Year 20, corresponding to a 5% ROE for our first full year of activity.

These results demonstrate great resilience on all fronts:

Volumes are up 4% despite continuously being very selective and disciplined in our approach to business origination.

Profitability is up! Pre-tax profit increased further from €10mln euro in the 2nd quarter to €13mln in the 3rd quarter, and net profit stood at €9.5mln.

The **quality of our asset portfolio is strong**: we see no deterioration for the time being in our SME's loan book and we continue to see solid cash flows on our distressed credit portfolios.

Capital and liquidity are even stronger than expected! Our CET1 Ratio increased to 19%, one of the highest in the industry, despite volume growth. If we included special shares and the expected benefits from the EU banking package, this figure would exceed 20%. We also show a very robust liquidity position of €700mln.

Slide 3 - Despite selectivity, business origination progresses further

We report a further **growth in business origination**, even if we continue to be firmly disciplined in the selection of investments and new loans.

From August to date, the Bank has generated new business for nearly €300mIn, a significant increase versus the previous period (from May to July).

Since inception, the originated business – including both the business already booked and the business signed, which will be booked in the following months – exceeded €2.4bn (column A).

On top of this figure (column B) there is €200mIn worth of business referring to transactions where we are negotiating the final terms of the agreements and about half billion euro worth of transactions in the advanced pipeline (column C).

A+B+C makes around €3.1bn of customer loans and investments.

Finally, our servicing platform, neprix. Assets under management reached €9.4bn including both loans and assets well above our planned targets.

Moving forward to Slide 4.

Slide 4 - Emerging opportunities in all target markets

We see emerging opportunities in all our target markets.

The activity in our **SME division has sped up** since this summer and continued strongly into October. Most new business origination was concentrated in loans with public guarantees, a profitable sub-segment with high demand most likely to continue at least for the first half of 2021.

The **Distressed Credit division** has posted another **strong quarter**: particularly noteworthy is the active management of our portfolios, which once again generated sizeable profits and gross cash flows above the initial plan.

The leading message here is that all illimity Divisions are not only delivering according to plan, but they are also developing **new significant areas of growth**: UTP portfolios and open banking services are two relevant examples.

As to UTP portfolios, I am proud to confirm that we just signed the acquisition of a major one worth about €600mIn. We are proving to be one of the top players in this attractive and expanding market. We have already bought €1.7bn of UTP loans in terms of Gross Book Value. Andrea will give you more details.

Let me now elaborate a bit on open banking and in particular, the Hype Joint Venture, before I leave it to Carlo. What is our vision behind this JV? How do we expect to make money in a business where most other players are not?

Let's move to slide 5.

Slide 5 - Our unique approach captures the retail banking evolution

The progress in technology and regulation – as well as the Covid crisis - have given a strong evolutionary momentum to the world of open banking platforms.

It is a fact that a growing number of customers are leaving traditional banks, and they are moving and will continue moving, towards three different types of open banking platforms.

There is a **first group of customers** who want to keep a full banking relationship but with more simple, transparent, comprehensive, services and onboarding procedures. Our response to these needs is illimitybank.com that will continue with its successful strategy.

Then, there is a **second group of customers**, already sizable and growing quickly who do not want a formal bank relationship but are seeking easy-to-use fintech platforms initially for making payments and financial transactions. This group is also progressively available to buy other products and services on such platforms. Our response to these needs is Hype.

Our **third offering** will be “white label platforms”. The customers of large non-financial companies will benefit from our open banking services, through customized versions of our platform managed directly by the companies themselves. In the next few months, we will announce the first applications of such a framework.

In Slide 6 we explain how we are going to be profitable in open banking despite most competitors – incumbents and challengers – are not making money.

Slide 6 - How to make Open banking profitable

Traditional retail banks serve the retail market through physical branches, complemented by home banking tools. Very often these banks run their own product factories to cover most of the product offer range. This model leads to high costs and, in a context of decreasing volumes, makes the business very often unprofitable. Then we have...

Open banking fintech players, including in recent years, several non-banking operators that emerged in the international arena: call them neobanks, fintechs, apps, payment services providers etc. The development strategy of these players is generally based on particularly good user experiences, but on a limited product offering, which is often easy to copy. They generally operate in multiple countries giving them high total volumes, but in most cases no local leadership and much suffering from regulatory complexities. Most of these players are still largely unprofitable and some of them openly exclude profitability for the foreseeable future.

What is the formula that will make illimity profitable?

- Firstly, we offer the market a multiple choice of open banking platforms – full bank, fintech, and white label – all of them featuring excellent user experiences. Thanks to these three different kinds of platforms illimity can cover a large portion of the new retail banking market with strong commercial and technological synergies;
- Secondly, our leadership position on the Italian market and the scale second to none that we will further consolidate, will make it possible for us to attract product partnerships that will continuously enrich our offer with very attractive conditions.

Such sustainable competitive advantages will quite rapidly lead to attractive profitability: Carlo and Francesco will further elaborate.

I would like now to hand over to Carlo Panella and Francesco Mele who will add details about the Hype transaction and our strong Q3 results.

CARLO PANELLA, HEAD OF DIRECT BANKING AND DIGITAL OPERATIONS

Good morning everybody and thank you Corrado.

I am really thrilled to describe the Joint Venture with HYPE with more detail.

It's a game changing initiative, that represents a ground-breaking step-up in illimity's Direct Banking strategy, and that will reshape the open banking market in Italy.

Let's move straight to slide 8, to frame this Joint Venture within illimity's outlook on the New Retail Banking Sector.

Slide 8 – The JV: a unique way to address the retail banking arena

Leading on from Corrado's comments on the sector, I will share the rationale for this deal.

The market is composed of three tiers, and illimity's strategy is to address every segment with specific initiatives:

- Be the leader amongst digital banks with illimitybank.com
- Provide specific partners with our customized platforms based on our technology.
- Be the leader amongst fintech challengers

To exploit this last market segment, we evaluated whether to launch our own initiative or to partner with an existing player.

We had the opportunity to meet HYPE, the Italian market leader for this segment, and explore this opportunity.

We **discovered**:

- a full alignment of long-term objectives
- a strong cultural fit
- a complementary product offering

We **decided** to join forces, for a number of good reasons:

- **Time to success**: we are already now where we would have been in 5 years time by proceeding alone.
- **Execution risk reduction**: HYPE is already the market leader with demonstrated results and the market might get crowded in the future
- **Value creation**: the Joint Venture will have more value than the sum of the two parts by exploiting synergies, competencies and technology

Before leading you through further details of the Joint Venture, let me say that this opportunity has been made possible by the very good results of illimitybank.com

And on the following slide I will describe the key figures.

Slide 9.

Slide 9 – illimitybank.com continues to record impressive results in customer engagement

illimitybank.com continues collecting impressive results:

- **Funding**:
 - €1.0bn worth of deposits with an average duration of 42 months
 - Very interesting Cost of funding further decreased by 30 bps since January
- **Customers**
 - 85% are active customers
 - and loyal customers, having both payroll and SDD, almost doubled in the last 12 months
- **Brand awareness** is at 30%
- **NPS score**, the customer experience index, is at the top of the industry: 51 in September vs the market average of 9

And now let's move on to slide 10 with some more details about Hype.

Slide 10 – HYPE: by far the leading fintech challenger in Italy per number of users

This slide gives an overview of HYPE's main figures and positioning.

In the last five years HYPE became the leader in the Italian market thanks to its massive customer acquisition: over 1,3 million accounts. Hype's two main competitors have around 700 and 500 thousand customers each. This total figure is less than HYPE.

Hype's main **value drivers** are:

- 20% of customers pay for subscriptions
- capability to acquire new customers: between 1 and 2 thousand new accounts per day, leveraging their proprietary algorithm for digital marketing
- activity rate: over 4 million transactions per month and over 40% of active monthly users

No other fintech challenger can say the same!

Let's move now to slide 11 to have a view of product offering.

Slide 11 - HYPE: becoming one of the challengers with the most complete proposition

HYPE is a Payment Institution with an offering aligned to competitors and easy user experience.

All the basic services are free, others are tied to different subscription fees.

The offer is already very competitive but it will be significantly enhanced thanks to the Joint Venture with illimity:

- Mobile and standard payments systems
- PSD2 features: account aggregators and multi bank accounts
- Deposit accounts and consumer credit
- Insurance
- State of the art user experience

The Hype offering will soon be the most complete and competitive on its market.

Slide 12 – Strong benefits from integration of technology and expertise

The Joint Venture will benefit from the specific areas of excellence that both parties will bring to the New HYPE:

- **Acquisition:** HYPE demonstrates a strong capability to gain new accounts
- **Customer engagement:** illimity's CRM allows top of the market KPI for loyalty, quality and engagement
- **Technology:** illimity open banking features and cloud architecture, will be available to HYPE to speed up technology upgrades and enhance the product offering.
- **Competencies and culture:** both parties have a strong culture, based on innovation and entrepreneurship, but developed skills in complementary areas. Combining skills and culture will boost innovation

Furthermore, the new HYPE will be led by the actual CEO, who will drive a strong team composed of a mix of HYPE and illimity's resources.

Let me say, there is no such a team!

Integration of the two components will be further facilitated by the fact that both platforms are based on the same technology.

Cost synergies will also be very significant.

Let's move now to slide 13.

Slide 13 – HYPE key targets fuelled by Joint Venture

The "new" Hype has ambitious but reachable objectives:

- Customers: over 3 million accounts by 2025, focusing acquisition strategy on subscriptions;
- Break even by last Q 2022, and 3.5 million net profit in 2023 and 17 million net profit in 2025.

Just after the closing of the deal – end of December, beginning of February – we will present the detailed BP of Hype.

Now I hand it over to Francesco that will describe the transaction.

FRANCESCO MELE, CHIEF FINANCIAL OFFICER AND HEAD OF CENTRAL FUNCTIONS

Thank you, Carlo. I am now on slide 15.

Slide 15 – HYPE partnership transaction structure

Let me summarise how the partnership in Hype has been structured.

As you can see Hype is currently fully owned by Fabrick, Sella's subsidiary fintech hub.

illimity is due to acquire a 50% stake in Hype through the following corporate transactions:

- €30mln cash **capital increase reserved to illimity** and quantified on the basis of Hype's expected capital and liquidity requirements to execute its Business Plan;
- 5.3mln **newly issued illimity shares reserved to** Fabrick and equal to a 7.5% stake in illimity for a consideration of around €45mln;
- **illimity selected assets** in open banking technology (including proprietary IT and relevant headcount).

The agreement envisages an earnout scheme for an additional 2.5% stake illimity has assigned to the Sella Group conditional upon Hype meeting its economic targets in 2023 and 2024.

As part of the overall agreement between illimity and the Sella Group, upon closing illimity will issue 2 million new ordinary shares reserved to the Sella Group bringing its total stake in illimity – before the potential impact of the earnout - to 10%.

Terms for the two illimity capital increases leading to a 10% stake have been set at an issue price of €8.337 per share.

Moving to value creation on slide 16...

Slide 16 – HYPE will create substantial value for illimity

Let me start by saying that Hype's new detailed business plan will be unveiled once the transaction is completed which, depending on regulatory authorisations, could occur as early as year end and no later than in 1Q21.

In that context we will provide full details on Hype's strategic and economic targets.

However, based on the preliminarily agreed guidelines of the business plan, it is already clear that this partnership will create substantial value for illimity.

First, costs related to illimity direct banking (including operating and marketing expenses) will be immediately reduced as they will be mostly shared in the Joint Venture.

In addition, we expect to benefit from revenue synergies as selected illimity products will be placed through a Hype strengthened marketplace.

Lastly, we also expect funding diversification resulting in lower funding costs due to a more granular deposit base.

Synergies generated in Hype will allow illimity to benefit pro rata (for our 50% stake) from its economic results, preliminarily estimated at €3.5mIn in 2023 and at €17mIn in 2025.

Considering direct synergies for illimity and pro rata of Hype results we expect a positive contribution to illimity's net results from the first year of the Joint Venture and due to increase to around €10mIn in 2023 and €20mIn in 2025.

Considering the issuance of 7.3 million new illimity shares the impact on illimity EPS can be estimated as neutral.

Finally, thanks to illimity's two capital increases reserved to the Sella Group for an aggregate of €72mIn which are going to offset the €66mIn goodwill generated by the investment in Hype, the transaction is capital accretive already at closing increasing illimity CET1 ratio by around 20bps. The direct synergies for illimity as well as the significant acceleration in Hype results are going to increase such accretion even further in the next few years.

Slide 17 - 3Q20: another resilient quarter

Let's move to our 3Q results on slide 17.

illimity's strong performance continued in 3Q driven by its resilient business model, which allowed further progression.

I would like to highlight the following trends for the quarter:

- first **recurring revenue** made further progress driven by net interest income double digit quarter on quarter growth mainly due to business booked at the end of the previous quarter and by a commissions income increase in light of resumed tribunal activity and a more dynamic deal-flow;
- if we look at our **business lines**, the SME Division delivered a resilient performance driven by robust volumes in government guaranteed lending which, in turn, led to reduced provisions;
- also the DCIS Division confirmed a solid performance with **cash collections** exceeding expectations, and steady streams of profits from closed positions; notably CET1 ratio increased over 19% (and above 20% on a pro forma basis).

Let's now delve into the figures. Starting from the balance sheet on slide 18...

Slide 18 – Solid balance sheet

Total assets increased 5% to €3.4bn.

If we start from liquidity, as you can see it increased to €700mln between cash, net adjusted interbank position and liquidity buffers. Such liquidity remains available, to be redeployed into new loans and investments.

Turning to business volumes, customer loans are up 4% quarter on quarter to €1.8bn. Looking at our business lines:

- DCIS investments remained substantially stable at €733mln with the pipeline mostly shifted to 4Q;
- on the other side SME is up 12% to €685mln.

Then there is the financial portfolio which, during the quarter, was reduced to €137mln with its negative mark to market falling to €1.7mln.

Switching to the liabilities side, retail and corporate funding increased 7% quarter on quarter to €1.9bn, mostly driven by our digital platform illimitybank.com.

Finally, CET1 capital is up to €478mln, mostly due to quarterly profit and a reduction in the negative mark to market of the securities portfolio. Early benefit of RWA optimisation initiatives led to a 2% quarter on quarter reduction in RWA.

Slide 19 – Solid revenue progression drives resilient economic performance

Moving to profit and loss on slide 19...

Net interest income further accelerated in 3Q, posting a 14% progression quarter on quarter benefitting from the onboarding of the business generated at the end of the 2Q as well as from new business. During the quarter we recognised a €0.4mln credit revaluation event in connection with a turnaround position.

Moving to commissions, you can see a 38% rebound quarter on quarter to €2.9mln mostly due to tribunals resumed activity and factoring turnover and high rotation.

One of the recurring features of our P&L, profits from closed positions, was confirmed in 3Q with €11.6mln of profits to confirm a dynamic management of distressed credit positions.

Overall, operating income increased by 29% quarter on quarter.

On the costs side, you can see operating costs increased by 9% to €30.8mln mainly on higher collection and onboarding costs. We also remind you that during 2020 we are incurring costs to set up strategic initiatives (such as the UTP portfolio servicing platform) which are going to produce material benefits in coming years.

A notable trend in the quarter is represented by contained loan loss provisions mostly due to volumes in government guaranteed lending and overall stable asset quality.

Resulting from such trends profit before tax was up 31% quarter on quarter to €13.2mln and to €9.5mln after tax.

Let's move to KPIs on slide 20...

Slide 20 – KPIs confirming strong asset quality and robust capital and liquidity

Starting from cost income: it decreased to 69% (76% in the first nine months) thanks to an improving operating leverage.

Then there is cost of risk on loans to customers which, excluding lending to financial institutions, is down – on an annualised basis - to 58bps for the first nine months (or 13bps in 3Q) to reflect significant government guaranteed lending and stable asset quality. Cost of risk excluding the government guaranteed component, would be 118bps annualised. Also, coverage of the performing portfolio remains very prudent, and excluding factoring, is 1.44%.

To confirm a fairly stable asset quality the gross organic NPE ratio decreased to 3.8%.

In terms of liquidity LCR stands at around 700%.

Lastly, CET1 ratio remains very robust and increased to 19.2%.

Moving to slide 21 let me give you a few data points on CET1 capital evolution...

Slide 21 – CET1 Ratio above 19%

During the quarter we continued building up our common equity through accrued earnings.

Regulatory capital increased by over €12mIn to €478mIn, with the main contributions coming from 3Q net profit for €9.5mIn, reduced negative mark to market of the securities portfolio for €2.3mIn and the use of DTA for €2.9mIn which was partially offset by an increase in intangible assets due to capitalised costs.

RWA decreased by around €50mIn in the quarter to €2.5bn despite assets growth and thanks to the early benefit of capital optimisation initiatives – for a CET1 ratio of 19.2%.

On a like for like basis (which means before any capital being absorbed by new business) we expect our capital position to be 20.4%:

- first, due to the inclusion of €14.4mIn of illimity special shares, following completion of regulatory approval process;
- second, thanks to other measures introduced by the EU Banking Package, which are due to become effective by year end (in particular in connection with IT intangible assets).

Even if not included here, we will also count on additional contributions from retained earnings, reduction of interbank exposures as liquidity is redeployed, and capital optimisation initiatives.

Moving to our securities portfolio on slide 22...and very briefly.

Slide 22 – Dynamic securities portfolio

During the quarter we downsized our portfolio, in order to reduce its exposure to market volatility, to €137mIn.

In terms of asset mix, 33% is invested in Italian sovereign debt, entirely short term, 49% in senior corporate and 18% in subordinated debt.

Our portfolio has a duration of 2.3 years and an average yield of 1.2%. Negative mark to market decreased to €1.7mIn.

Concluding with cost of funding on slide 23...

Slide 23 – Balanced and inexpensive funding

At the end of the quarter our total funding increased to €2.6bn, with good progress across all funding lines.

As you can see term funding represents 70% of the total, and the maturity of the medium to long term component is over 3.2 years to ensure consistency with asset duration.

The **average cost of funding** is down to 1.4% with a slightly different mix of products and maturities and benefitting from TLTRO favourable terms.

All in all, I believe we delivered a consistent and resilient set of results and we can confidently look at the future despite current uncertainties.

I will now hand you over to Enrico who will provide detailed information on the development of the SME businesses.

ENRICO FAGIOLI, HEAD OF SME DIVISION

Thank you, Francesco. Now moving onto the SME division.

Slide 25 - Specialist partner of Italian SME

This opening slide of my presentation is just a reminder of what we do. We are a specialist partner for SME, and we serve, with a full range of lending facilities, a relevant and growing market. Since last quarter, we added the High yield bond activity, which capitalised on our strong competencies and knowledge on core Italian industries.

Slide 26 - Public guarantees supporting robust new business origination

- **First: business origination.** The origination of new business has regained steam across all our core areas of activity. The good momentum in new business origination continued strongly after the end of the quarter, despite we continue to maintain a firm discipline in the selection of investments and new loans. We see a strong pipeline ahead;
- **Second: public guarantees.** A good share of our new business origination in the past four months was in loans with public guarantees, also nearly 80% of our pipeline is relative to loans with public guarantees. These are very effective instruments and well suited to our business as they specifically support those transactions where we are specialists, reduce risk and provide attractive returns;
- **Third: revenue.** Again, this quarter we booked another profit resulting from the full repayment of one of our turnaround deals, and these events are a confirmation of our business model.

Slide 27 – Strong and very selective business origination

We present here the evolution of the originated business, with the caveat that over time the gross origination tends to diverge from the value of the outstanding loan book because of loan repayments.

Overall, our business origination inception to date amounts to €846mln, with a strong pick up in the third quarter.

All our business units reported satisfactory trends as for new business origination, and this good momentum continued after the end of the quarter.

There are additional €191mln worth of deals where terms and conditions have already been agreed upon, of which factoring granted credit-lines of €79mln.

We have an **attractive pipeline** ahead worth €242mln.

As you can see on the left side of the slide, we remain very selective in terms of business opportunities. Since the start of our operations, we have analysed nearly 446 deals and signed 66.

Slide 28 – Cross-over & Acq. Finance: robust origination continued into 3Q20

Starting with the Crossover & Acquisition Finance business.

Business origination in 3Q20 has been strong and has continued after the end of the quarter, driven largely by **activity with new customers**. More than half of the origination in the third quarter is in lending with support measures, so is most of our pipeline. We expect all public measures to remain in place until June 2021 and some of them – such as FCG – to continue to play an important role in our new business origination also beyond 2020 as these measures will remain in place.

Between transactions with terms agreed ready to be signed and the pipeline, we are confident we will be able to generate strong business in the remaining part of the year.

Slide 29 – Turnaround: taking opportunities from public measures

As anticipated last quarter, in the single name turnaround market there are several profitable opportunities arising from the application of public measures. These are financing transactions with companies already at the end of a financial restructuring plan and therefore already performing which, as a result of Covid-19, have suffered from a renewed fragility in their financial structure, hence our intervention. These transactions will also give us the opportunity to sit down with the company's other creditors at a later time and propose credit purchases or other restructuring transactions.

More than 50% of the business origination in the past four months is in deals with public measures.

We have worked during the quarter together with the DCIS division to build the right set-up to buy UTP portfolios. This is an emerging segment of the distressed credit market, attractive in terms of returns,

where illimity wants to position as a leading player, by leveraging on the **strong complementarity** in organisation and competences with the DCIS division.

In the 9M20, we booked €1.2mIn in revenue from credit revaluation events referring to turnaround deals. Our current portfolio embeds additional €20mIn of potential revenue upside to be booked in forthcoming years.

Slide 30 – Factoring: back to pre-Covid level

The third quarter saw a confirmation of the **turnover pick-up** in factoring started this summer, also reaping fruit of our ability to onboard new customers during the lockdown.

Monthly turnover returned to level in line with the beginning of 2020. Contrary to our expectations, the Days Sales Outstanding remained low and consistent with the pre-Covid trend, thus benefiting the commission stream, and resulting in a stable factoring outstanding at period end.

Our outstanding amount is approaching the level we set to apply for significant risk transfer initiatives resulting in the optimisation of the RWA and thus of the capital absorbed by this business.

In October we signed an agreement on credit lines worth €73mIn, which will start producing revenue from the next quarter.

Slide 31 – Effective use of public measures

Let me conclude my presentation with a recap on the public measures, including moratorium

We have made and will continue to make extensive use of these public guarantee instruments because they are very interesting for us: not only reduce the risk profile of the financing; they are also strongly profitable as the capital absorption is fairly limited.

These instruments are also well suited to our business as we can apply them to both refinancing and crossover transactions.

It is important to stress that we apply the same underwriting criteria and origination processes to loans with support measures as we do to non-guaranteed operations.

Between 2Q, 3Q and today we granted and signed **€89mIn with the public guarantees**.

Further €79mIn have already been signed and we have additional €100mIn in short term pipeline. Overall, we expect to originate between €240 and €270mIn of financing with public guarantees by the end of the year.

Let's look at the moratorium.

The value of loans with request of **moratorium remained unchanged at €86mIn**

More than a third, in terms of volume, are related to positions – medium to large exposure - where we have already structured a refinancing transaction with public guarantee.

We expect moratorium, together with public guarantees, to be extended until June 2021.

We are constantly monitoring all the positions and working with all debtors, considering their specific situations. Based on our knowledge and activity done so far, we feel comfortable about the quality of our moratorium portfolio and expect **no major deterioration going forward**.

That's all for SME and I now hand you over to Andrea.

ANDREA CLAMER, HEAD OF DISTRESSED CREDIT INVESTMENT AND SERVICING

Thank you, Enrico, and good morning everyone. Now, I am presenting the key facts of the Distressed Credit Investment & Servicing Division, which were very positive during the 3rd quarter.

First of all, in Slide 33 I would like to give you an overview of the Division.

Slide 33 - Building the Italian Corporate Distressed Credit champion

In the last two years we have built a leading and fully-integrated player in corporate distressed credit able to cover the whole value chain of the industry: from investment to financing, servicing, and remarketing. As many of you already know, the Division does not acquire retail non-performing exposures except when they are part of mixed portfolios. These exposures are included in dedicated portfolios that we periodically sell in the secondary market.

Now, let me go through the key facts of this quarter, in Slide 34.

Slide 34 - Strong performance and dynamic portfolio management continued in 3Q20

The positive trend in cash flows, above expectations in the last year, was confirmed in the 3rd quarter. This was possible through our dynamic approach to portfolio management. **This approach has been a recurring topic over the last quarters.**

Secondly, over the past months we have seen new business segments arise for instance, a landmark transaction in the acquisition of a sizable UTP portfolio.

With regard to our market outlook we have seen intense origination activity being carried out by primary banks combined with reduced investors competition. We already have a strong pipeline ahead and a significant wave of new distressed credit is expected next year.

Slide 35 - Building the Italian Servicing Champion

In Slide 35 I would like to summarize the key features of the merger of IT Auction in neprix.

The merger will be effective from January 2021 and it marks the birth of the first **end-to-end servicer** in Italy, which totals 220 FTEs, managing approximately €9bn Assets.

The merger of a player like IT Auction, with more than 700 thousand registered users on its online portals and approximately 22mln annual views from users will certainly enhance neprix's positioning in the market by broadening its range of services.

In Slide 36, we have an overview of our quarterly performances.

Slide 36 – Outperformance of cash flow continued into 3Q20

On the left side of the slide we can see that, as anticipated, **gross cash flows realized are still overtaking credit collection plans**. Since our inception, the booked portfolio has collected around €177mln with an over-performance of €77mln compared with the business plan. On the right side we see the total gross revenues for the quarter of approximately €39mln euro.

In slide 37, we report the key aspects of illimity's first large-size transaction on a UTP portfolio.

Slide 37 - Landmark transaction in UTP portfolios

This project concerns the acquisition and management of a UTP portfolio from Unicredit with a gross book value of €600mln. With this transaction the total amount of UTP acquired by illimity is almost 1.7bn euro. The UTPs require a wide range of expertise to be successfully managed. illimity has faced this challenge opting for a cross-divisional approach.

This transaction represents a key step onto the UTP market. illimity, is a fully-integrated player able to carry out a wide range of possible strategies to manage UTPs, realised thanks to the synergies among SME, DCIS, and Neprix teams. This confirms the strengths and the potential of illimity's business model, based on integrated competences among divisions.

Moving to Slide 38, let's go briefly through the origination of business volumes for the Division.

Slide 38 - A disciplined business origination

In this quarter, the business origination of the Division has been growing and new opportunities are on the horizon. Total originated volumes are almost €1.6bn and we are confident about confirming our 2020 target, while servicing units' assets under management are already above targets and are expected to increase in the following months.

Notwithstanding, our approach to deal valuation and execution remains conservative.

The Slide 39 shows how business volumes have originated over time.

Slide 39 – Entering the most dynamic season of the year

As many of you are already aware, the distressed credit activity is typically skewed towards the second half of the financial year, and most of all, this can be explained by the non-performing exposures derecognition plans of originator banks to be targeted by the end of the year. This phenomenon is well represented by the charts reported on this page, showing that the vast majority of deals are closed in the 3rd and 4th quarters.

With respect to Senior Financings, we have been focusing on high-yield investments, able to grant us larger revenue without increasing capital absorption in most cases.

Now, I would like to end my presentation with a picture of our distressed credit portfolio, reported in Slide 40.

Slide 40 - High quality portfolio in line with targets

The pie charts we usually present in this section are overall in line with previous quarters and I would like to just explain the main features.

In particular, the share of unsecured exposures is larger than the previous quarter, and this is mainly due to the acquisition of new unsecured portfolios combined with the disposal of secured positions. The acceleration of cash flows with respect to relevant business plans explains also the slight reduction occurred in the Expected Remaining Collection.

To conclude, the Division has performed very well this quarter, in line with the first half of the year, and confirms its targets for 2020's year-end. Building an end-to-end player specialized in corporate distressed credit has revealed to be an excellent solution for us. This solution will be a key success factor in a market that is going to be even larger than expected, boosted by today's health and economic crisis.

I am now pleased to give you, Corrado, for the final remarks.

Over to you, Corrado.

CORRADO PASSERA, CHIEF EXECUTIVE OFFICER – *Concluding Remarks*

Before we open the Q&A Session, I'd like to share with you a strong conviction I have about illimity: the tough times ahead for all banks might turn out to be also a booster for a new paradigm bank like illimity.

Illimity can capitalize, in fact on 6 clear differentiating factors vs most other banks.

1. **Growing markets.** Some of the markets we target are already large, but they are now set to increase beyond expectations. NPE's – both UTP's and NPL's – will grow dramatically in the next few years and digital financial services will grow even more.
2. **Sustainable margins.** Competition is not expected to grow in our specialty areas, at least in the foreseeable future. We will then have a larger market with lower competition, making some of our main businesses more attractive.
3. **Resilient portfolio quality.** Our accumulated portfolios are proving rather solid. The gross cash flows of the DCIS Division and the low level of risk embedded in our SME portfolio are evidence of such a resilience.
4. **Good time to build portfolios.** Our portfolios of distressed credits being accumulated in this downturn phase will likely enjoy, given their long duration, the revaluating effects of the inevitable recovery.
5. **Open banking leadership.** Differently from many other banks, we will ride the wave of the rapid digitalization of financial services, exploiting the potential of open banking.
6. **Opex advantage.** Our IT architecture - fully digital, fully modular and fully in cloud – and our no-legacy nature give illimity a structural advantage both in terms of cost and flexibility. Operating leverage just started to express its potential.

In summary: we expect the illimity business model will prove to be less vulnerable to the recession and more capable to manage through the cycle than most traditional banks. At the same time, we believe illimity will prove to be more resilient than most challenger banks.

The results we reported today and the confidence we have for our future, not only come from making good strategic decisions but more importantly from our extremely united illimiters, our team: superb professionals and exceptional people.

We are now available for questions.