

**illimity Bank S.p.A.**

**4Q21 & FY21 Results Conference Call**

**Thursday, 11 February 2021, 09:00 a.m. CET**

MODERATORS: CORRADO PASSERA, CHIEF EXECUTIVE OFFICER  
FRANCESCO MELE, CHIEF FINANCIAL OFFICER AND HEAD OF CENTRAL FUNCTION  
CARLO PANELLA, HEAD OF DIRECT BANKING DIVISION  
ENRICO FAGIOLI, HEAD OF GROWTH CREDIT DIVISION  
ANDREA CLAMER, HEAD OF DISTRESSED CREDIT DIVISION

## Corrado Passera - CEO

- Good morning and thank you for joining us today.
- Here with me I have:
- Francesco Mele, CFO & Head of Central Function
- Carlo Panella, Head of Direct Banking Division
- Enrico Fagioli, Head of Growth Credit Division
- Andrea Clamer, Head of Distressed Credit Division

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### Slide 2 - 2010: year of strong delivery

Well, what can I say, 2021 was a heck of a year!

We exceeded all our expectations.

We more than doubled our operating profit, from €45 to €111mIn, and we fully delivered the profitability guidance for the year: a net profit of €66mIn; this was, equal to an ROE of 10% despite the heavy investments for an even brighter future.

Our business is continuing to grow strongly, in spite of the fact that we're nearly 2 years into the pandemic. We made a remarkable 24% advance from 2020: there are very few banks in Italy who can demonstrate such growth and, at the same time, offer the quality of business that we provide.

Very importantly, in 2021 we laid the groundwork to launch two, entirely new tech-based initiatives that will drive our future profitability well above the sector average. From 2022, illimity will become even more "tech":

Today, right after we end this call, the full commercial launch of b-ilty will take place. b-ilty is a fully digital, complete bank offer, designed around meeting the needs of small corporates. It's the first of its kind, a real trailblazer in the market!

And in the next few weeks, thanks to our existing digital and real estate capabilities, we will also launch the most innovative proptech company in Italy. More on these two initiatives shortly.

We want to fully exploit the shift from analogic to digital in the financial services market and in this light, we entered into a partnership with ION Group; initially centred on the licensing of our IT platform, we are now working on extending it, across other important fields.

illimity SGR saw multiple closings of its first Turnaround fund; and three other funds that are currently on the launch pad. Our SGR will progressively increase its role in the development of our Group.

We further advanced our sustainable growth journey, anchoring our ESG values even more strongly in our relationships with both customers and the general public alike. Carbon neutrality, Great Place to work - for the third year in a row, the illimity foundation, UN Global Compact are just examples of this.

Because of all that, we enter 2022 with a sense of great confidence.

### **Slide 3 - From start-up to 10% ROE in 3 years**

I am extremely proud of what we have achieved in the first three years of our life.

We reached breakeven, just 4 quarters after illimity was born.

And, in only three years, we've moved from a humble start-up to a very profitable bank.

As previously mentioned, in 2021 we delivered on our promises: posting a net profit of €66mIn and an ROE of 10%. This already puts us at the top end of the industry.

Our balance sheet is among the strongest in town! Our CET1 ratio stands at a high, almost 19%, while the organic gross NPE ratio of the new business we originated is only 0.7%. As of today our moratorium positions are practically zero.

### **Slide 4 - Growth in business origination despite moratorium**

The pandemic did not stop us.

Our business origination, between loans and investments, stood at over €1.1bn in 2021, a 24% growth versus 2020, reaching almost €2.8bn.

In the Growth Credit Division, all business lines have experienced a strong momentum throughout the year:

- Origination continued strongly in turnaround, acquisition finance and crossover lending, with a large chunk supported by public guarantees, boosting profitability
- And factoring turnover exceeded €1bn, over 60% growth on 2020

The Distressed Credit Division has surpassed over €15bn worth of investments and senior financing transactions, in terms of GBV.

As expected, the market for distressed credit transactions in Italy was soft during 2021, following the extension of the moratorium. Against this backdrop, illimity has been able to source new investment opportunities in highly specialised market segments, such as Real Estate and Renewable Energy. And more recently as the public procurement claims segment.

Strikingly high amount of business origination in January and a very robust pipeline.

Furthermore, neprix has confirmed its strong focus on corporate distressed credit servicing and manages €8.5bn GBV.

### **Slide 5 - 2022: three factors drive growth**

Three factors will accelerate our growth, even more:

- Growing core markets
- New tech initiatives
- Ion synergies

Our core markets – both performing SMEs and corporate distressed credit – look set to become increasingly larger in the post pandemic scenario.

From 2022, we will launch two new tech initiatives – b-ilty and a new proptech - that will add to the success of our fintech, HYPE. These will capitalise on our core areas of expertise and give us the ability to extend the use of digital, to large, attractive and underserved contiguous markets.

Both our traditional activities and new tech initiatives will develop significant synergies with ION Group, that are currently under study, which could also lead to strong value creation.

### **Slide 6 - New tech-led initiatives underway with significant upside potential**

We are becoming more and more “tech”.

As mentioned earlier, today we launch b-ilty: the first fully fledged digital platform for small corporates. A paradigm shift in the way SMEs use banking services: subscription model.

The offer of the new bank is designed to fulfil the specific needs of small corporates and stems from the combination of two traditional strength areas: open banking technologies on the one side together with credit and industry expertise, on the other.

Carlo will present b-ilty in more detail later on and you are all invited to attend our press conference at 11.

In the coming weeks we will also launch Italy's most innovative proptech company.

Our neprix sales platform is already Italy's leading digital platform for remarketing of real estate and capital goods. Informed by the successful performance we've delivered in the judicial market, we will lead the new company into the open real estate market. It is a truly huge market, with unsatisfied needs. A new player, with an innovative offer, can become a real disruptor.

During 2022 we will continue investing in HYPE, the leading fintech in Italy by number of users, that should have exceeded 1.5 million as we speak.

We have successfully integrated our open banking tools and customer engagement skills there. Also thanks to our contribution, HYPE will be able to significantly accelerate its growth through new strategic projects, boosting its journey to profitability, as well.

All three of these initiatives - lendtech, proptech, and fintech – share a number of common traits typical of tech-led sectors:

- They serve huge markets
- The technology and operations they use are massively scalable
- And their results can be boosted through partnerships and expansion into other countries.

### **Slide 7 - Our Business Plan embeds attractive profitability targets with further potential upside**

Let me conclude.

In 2021 we reached all our targets and continued investing heavily in our future.

From 2022, our growth will come not only from our core markets, but also thanks to the new tech activities that are about to be launched.

With the 2021 to 25 Strategic Plan, we have set ourselves ambitious targets. €140m worth of net profit in 2023; and over €240m in 2025. Ambitious, yes, but achievable targets, and we believe there is also the potential for additional upside:

- First, in the Plan we have foreseen a relatively slow pick-up of the three tech initiatives

- We have not included the boosting effects of different kinds of partnerships and, in particular, the Plan has not taken into consideration any of the potential synergies with the ION Group
- And, the macro scenario might also help thanks to our business mix.

And, let me add just one more thing.

Our BP embeds only projects that are already fully developed.

And you should know us, by now: surely, you'd be surprised if we didn't invent a number of others, in the years to come.

Over to you Francesco.

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## Francesco Mele - CFO & Central Functions

### Slide 9 - FY21 profit guidance fully met

Thank you Corrado and good morning everyone.

Let's move to slide 9. As Corrado mentioned, 2021 has been a very positive year and we remained aligned to the business plan trajectory:

- First, we fully met our profit guidance for 2021, with €66mln. This is particularly noteworthy, as we recognised only around 50% of the annual fee in relation to the IT licence agreement as commissions started to accrue only in the second part of the year
- 4Q operating performance was driven by solid recurring revenue, up 34% y/y with a balanced contribution from net interest and non-interest income, which I'd like to remind you is one of the targets of the business plan. Revenue for the full year was up 56%
- Operating income was driven by robust SME origination and continued progression in commissions, as well as by profit from distressed credit closed positions
- Despite some one-off costs, operating leverage started to become visible with cost income for the year down 15 points to 59%
- Cost of risk remained low, reflecting strong asset quality – which led to review in internal credit rating model – and loss given default driven down by the extensive use of public guarantees. Considering the overall results, we took a conservative approach to the valuation of our existing distressed credit portfolio
- Let's now look at the figures.

### Slide 10 - Rebalance towards yielding assets

... starting from the balance sheet on slide 10 ...

- Liquidity decreased to a very comfortable level of €0.7bn between cash, the net adjusted interbank position and liquidity buffers, as it was partially used to fund new loans and investments in 4Q
- Turning to business volumes, customer loans went up 12% q/q driven by Growth Credit – which itself went up 23% q/q - with fitch investments marginally up as some significant deals were finalised in early 2022. Volumes for the full year were up 25%
- The increase in intangible assets reflects our significant investment in new initiatives
- Tax assets from the so-called Ecobonus increased to €92mln. As confirmed by recent amendments to relevant regulations, which limit the disposal to other parties, such tax assets have been toned down to be consistent with our estimated tax capacity
- Switching to liabilities, retail and corporate funding increased to €2.6bn
- Finally, CET1 capital increased to €642mln, essentially due to quarterly profit. RWAs are up 10% to €3.4bn due to business volumes.

### Slide 11 - FY21 profit guidance met

Moving to profit and loss on slide 11 ... where we can see a robust progression across all business lines, leading to our best net quarterly result in terms of revenue at €78mln

- Net interest income was broadly flat q/q, on reported numbers of €35mln, but was up around 4% on a normalised basis, as 3Q included some one-off gains in connection with TLTRO. Net interest income for the year was up 29%
- Commissions continued to grow - up 13% q/q or 78% y/y to €11.6mln, mostly due to structuring fees generated by business origination, Neprix sales solid performance and significant turnover in factoring. Net commissions for the full year were up 140%
- Net other income included the €4.25mln quarterly income from the IT license agreement.
- One of the recurring features of our P&L, profits from closed positions, was confirmed in 4Q with €19mln. This was essentially generated by the Distressed Credit Division including €6mln from the sale of repossessed assets
- Overall, operating income increased by 17% q/q to €78mln. Operating income for the full year was up 56% to €271mln
- On the costs side, operating costs increased by 15% y/y to €48mln, mainly due to the anticipated investments and some top up of variable compensation on good results. Again, a significant portion of these costs refer to initiatives which are only starting to produce results in 2022 and which we are confident will be key contributors to our P&L in coming years
- Loan loss provisions remained low thanks to origination, largely in loans backed by a state guarantee, and to the partial release of conservative buffers embedded in our risk models
- €14mln of value adjustments on the existing distressed credit portfolio were inspired by a conservative approach, also fostered by overall strong results and reflect some changes of workout strategy for selected distressed credit positions
- From this quarter, we have separately highlighted the contribution to banking sector schemes (€1.4mln in 4Q of €5.1m for the full year). Previous quarters were adjusted accordingly
- The net result takes into account HYPE's pro-rata negative result and a positive €10.9mln tax recognition in connection with HYPE goodwill.

### Slide 12 - Growth Credit ramping-up. Distressed Credit continues delivering

Moving to divisional performance on slide 12 where we can see both highly profitable and accelerating results

- Growth Credit/SME acceleration continued thanks to volume growth with pre-tax profits of €33mln, around 4x the result of 2020. Cost income is steadily improving and reached 41%.
- DC, as we anticipated in our business plan and consistent with faster deployment expectations, still represents 73% of total revenue and a dominant share of profit before tax. Cost income remained strong and was trimmed down to 34%
- The Direct Bank benefitted from the first partial recognition of the IT licence agreement, while operating costs mostly refer to new initiatives set to produce revenue from 2022 (particularly thanks to b-ilty's expected business volumes)

- The Corporate Centre absorbed €49mIn in net costs.

### **Slide 13 - Positive operating jaws in FY21**

Let's move to KPIs on slide 13 ... which confirm a strong asset quality and robust capitalisation.

- Starting from cost income ... which confirmed the positive trend, despite some scheduled investment in connection with new initiatives decreasing to 59% for the full year (or 62% in 4Q)
- Cost of risk on loans to customers remained low - on an annualised basis - to 4bps as it still reflects significant government guaranteed lending and solid asset quality, including partial release of conservative buffers embedded in our risk models
- The solid asset quality is confirmed by the gross organic NPE ratio of the portfolio originated by illimity at 0.7% (or 2.3% if we include Banca Interprovinciale legacy portfolio). This is thanks to a growing portfolio
- In terms of liquidity, LCR stands at around 180%
- Lastly, CET1 and Total Capital ratios remained solid at 18.8% and 24.7% respectively despite a significant growth in business volumes.

### **Slide 14 - Growth fuelled by strong 18.8% CET1 ratio**

Let me now shed more light on CET1 capital on slide 14...

- During the quarter, CET1 capital increased to €642mIn This was mostly driven by quarterly profits and DTA release, which were partially offset by an increase in negative valuation reserves for our HTCS portfolio and by higher intangibles
- RWA increased by around €300mIn in the quarter to €3.4bn due to business volumes and the annual update of operating risk for a CET1 ratio of 18.8%
- As a usual reminder, if we include €14.4mIn of illimity special shares our CET1 ratio will reach 19.3% on a pro forma basis.

### **Slide 15 - Dynamic securities portfolio**

Moving very briefly to our securities portfolio on slide 15 ... which increased to €300mIn, in accordance with our investment strategy

- In terms of asset mix, 66% refers to Italian govies, 25% to senior bonds
- Our portfolio has a duration of almost 6 years and an average yield of 2.0%.

### **Slide 16 - Credit rating upgraded to BB-**

Moving to slide 16, let me provide an update on our credit rating upgrade occurred during 4Q

- Even if it was largely expected from our side and we consider this only a starting point, we were still pleased with the underlying commentary to justify the upgrade of our long term issuer default rating to BB-



- The rationale for the upgrade was summarised in recognising: i) a consistent generation of positive profitability, ii) the increased diversification of funding sources, iii) strong capital ratios and robust liquidity, and iv) a low NPE ratio
- We obviously have no intentions to stop here.

### **Slide 17 - Stable and well-diversified funding mix**

Switching to funding on slide 17 ...

- At the end of the year our total funding remained largely stable at around €3.7bn
- As you can see, term funding represents 70% of the total, and the maturity of the medium-to- long term component remains in the region of 3 years to ensure consistency with asset duration
- Wholesale represents 30% of total funding, consistent with the trajectory set in the business plan
- And the average cost of funding decreased to 1.6%, thanks to deposit repricing
- Let me close by saying that our performance in 2021 has put us on the right trajectory to deliver on our business plan

Now over to Carlo.

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## **Carlo Panella - Head of Direct Banking Division**

Thank you, Francesco, and good morning, everybody.

Today is a very important day for us, and not only because of our excellent 2021 results. Let's go directly to slide 19 to see why.

### **Slide 19 - Welcome b-ilty**

It's an important event, - not only for illimity, but, we hope, for the entire Small Corporates world, as we launch b-ilty onto the market.

b-ilty is an extremely innovative digital banking platform, designed specifically for the small corporate.

There is nothing like it on the market today: b-ilty represents a totally new way to use a bank.

illimity has not only put the best of its experience and technology into the new platform, but has also taken inspiration from the most successful companies in the digital world.

And, following on from what Corrado has already said, I am thrilled to announce that b-ilty is available from today.

Let me present it, starting with slide 20.

### **Slide 20 - New market, huge potential**

It is a well-known fact that there is a market segment made up of companies that are underserved by Traditional banks

The small corporations we are referring to have a turnover of between €2 and €10mln.

It's a new market for illimity, not initially included in our plans, but that's now being addressed thanks to leveraging:

- The digital platform
- Our Credit expertise

This market has a huge potential for us, as it counts over 1 million small corporates.

### **Slide 21 - For Small Corporates by Entrepreneurs**

We started from our experience and listened to entrepreneurs.

Our research team spoke to over 600 companies, and the outcome was a completely new proposition for a bank: starting from non-banking paradigms of use, and drawing inspiration from the most widespread digital solutions.

We built b-ilty based on exactly what small corporates asked for, we gave them exactly what they had been missing:

- A dedicated and complete offering
- Fast credit solutions
- A full digital experience, 100% paperless
- With a human touch

- Simple to use, as well
- Giving full control of business and company

Let's move to slide 22.

### **Slide 22 - Fully-fledged, fully digital offer designed around Small Corporates needs**

It is fundamental for a bank to have a complete offer.

That's why we made all of the relevant products available within b-ilty:

- Transactions
- Debit and Credit Cards,
- Credit products: Factoring, Loans and cash advances.
- Insurance: credit protection.
- ESG dedicated products thanks to the partnership with OpenES
- And customers can open a current account in just 30 minutes.

We have made it possible for Small Corporates to open and access a world-class digital banking service in the blink of an eye!

Thanks to the digital platform all of this is available 7 days a week, 24 hours a day: no more paper, no more branches.

And we will upgrade all these features on a quarterly basis.

slide 23

### **Slide 23 - Digital but also personal: human empowered business model**

b-ilty is digital, as customers can do everything online.

But there's more: every small corporation has its own history, its own specific need, and a specific potential.

And while the digital platform, itself, is complete and easy to use, an entrepreneur also needs somebody to talk with, somebody that can take care of his company and support him to exploit its full potential.

That's why b-ilty will also have a human touch: relationship managers with industry sector skills, along with our 'smart care' support, that will take care of customer assistance. 7 days a week.

slide 24

### **Slide 24 - Fast: Credit Engine, b-ilty's secret weapon**

The main product companies seek from Banks is credit.

That's why we've developed a state of the art, fully digitalized credit engine that covers the entire credit lifecycle.

All of this is enabled by a massive usage of data: behaviour, bank accounts, credit bureau, industry sector, web reputation and balance sheet KPIs, and this data is collated to provide a truly holistic picture. Then an AI-based engine will run specific rules to analyse and highlight every company's true potential.

This engine will be available for the whole bank and, after a short time, it will also support GC and UTP Portfolio management.

This places illimity at the cutting edge of the lendtech industry.

slide 25

### **Slide 25 - Empowering Entrepreneurs by providing advanced dashboard**

Too often the bank-entrepreneur relationship is difficult because each side looks at its own information.

So we put all current accounts in one single place: the entrepreneur, or the CFO, will be able to take control of their organisation's entire financial position at a glance.

And we'll add key credit information to the platform, to create awareness about the company's risk profile as well as a Digital CFO.

It is just the beginning, but we think this will be a game changer.

slide 26

### **Slide 26 - Simple: first subscription based online banking service**

As I said before, b-ilty has been designed with best digital services in mind.

The key success factors are represented in this slide, and we designed b-ilty around them:

- All-in-one solution: meeting all needs with a single subscription, unlimited transactions and no hidden costs
- 'try before you buy': our new clients have 3 months to give b-ilty a trial, without the need to commit
- Easy, or it is better to say, natural experience, designed to be incredibly easy to use, thanks to our "one-less-click" approach

Let me say that we have shaped b-ilty around the subscription economy.

Moving ahead to slide 27 and a look at our long-term objectives

### **Slide 27 - Our goals: €3.7bn cumulated business origination**

We know there is a huge underserved market of about 1 million small corporates.

And thanks to that and to everything I have just presented, we expect b-ilty to gain momentum

Let me say we have been somewhat prudent when estimating its contribution to illimity's overall results, as we have not included any new partnership.

Here, we are talking about some seriously big figures in business plan time:

- €3.7bn of cumulated lending origination
- €1.9bn stock (by 2025)
- €80 to €90mIn of total revenue

So, we expect to see a really strong contribution to our Growth.

And now, we are ready to start the journey...

That's all for b-ilty, for now. Let's move-over to HYPE, on slide 29.

### **Slide 29 - HYPE: market leader in Fintech**

HYPE is the most important fintech in Italy - the true market leader. It's a Joint Venture between illimity and the Sella Group.

Its target market is individuals, and, having over 1.5 million customers, it is larger than the sum of its four main competitors.

But attracting customers is not our only target: customer base loyalty is of key importance to us, and it's increasing year on year. We've measured it against several KPIs.

Revenues are now close to €14mln in 2021, growing by 83% compared to last year and I also point out that subscriber customers now amount to 23% of the entire customer base.

A benchmark in the digital banking landscape.

Slide 30

### **Slide 30 - From payment method to money management hub**

2021 has been a very important year for HYPE's development.

In 12 months, the fintech went through a number of transformations, including:

- The evolution from just payments to a high street service
- The migration of it systems to the cloud, leveraging illimity's architecture
- And it also became an independent company, with its own, full organisation in place.

However, rest assured that HYPE's growth has only just begun. We will continue to invest and are working on new strategic projects.

So stay tuned!

Slide 32

### **Slide 32 - illimitybank.com: secures funding goals while preserving outstanding customer experience**

2021 has also been an important year for illimitybank.com, our retail funding channel in Italy.

Stable deposits are at €1.4bn and the cost of funding decreased by 35 basis points.

Customer behaviour and retention has been proven, with 88% of active customers.

And NPS, the customer experience index, is at 46: well above any benchmark in the banking sector.

So, illimitybank.com remains a leader in digital retail banking; it will continue to provide our customers with the best possible service.

This slide ends up my presentation of Direct Banking Division.

Let me say that all in all, In each and every segment our goals have been achieved.

And what's more, the best is yet to come...

I look forward to seeing you shortly at the press conference that will unveil b-ilty to the world

I'll now hand you over to Enrico for the Growth Credit Division results.

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## **Enrico Fagioli - Head of Growth Credit Division**

Thank you, Carlo, now moving onto the Growth Credit Division.

### **Slide 34 - Italian SME's specialist partner**

This opening slide gives you a brief summary of the Growth Credit Division's core business.

We have become a well-known partner for Italian SMEs, providing them with a complete range of solutions for companies with potential. Since the beginning of 2021, this has included the provision of capital markets advisory services and products

### **Slide 35 - Great 4Q21 makes 2021 a turning point**

We maintained a strong momentum in 2021, with strong revenue growth and Cost income improvement, which we will look at in more depth on the next slide.

4Q21 was an excellent quarter for us, in all our market segments, and we had a strong business origination, with a positive trend that continued into January of this year.

A significant share of our new business origination over the past four months has come from loans backed with public guarantees, a particularly interesting product which assures a high return on capital. We are going to leverage on loans with public guarantees until at least June 2022.

The quality of our Division's loan portfolios can be highlighted by a Gross Organic NPE ratio stable at 0.9%. It's a great result if we consider the impacts of the two-year-long pandemic. The remaining moratorium as of the end of 2021, €18mln, had decreased to almost zero by the end of January this year, without the need to extend further forbearance measures.

2021 was also a successful year for the new Capital Markets unit as well, which completed 3 IPOs and achieved revenue of around €0.9mln from its risk mitigation solutions platform.

### **Slide 36 - Revenue growth and positive operating jaws driving profitability**

Our 2021 results clearly show a positive impact of operating leverage. Our total revenue reached €55mln (+70% compared to 2020) with a decreasing cost income down from 65% in 2020 to 41% in 2021. Our cost income will decrease even further in forthcoming years as we will benefit from the cross-fertilisation of the digital operations developed by b-ilty.

Our revenue mix is well balanced between interest and non-interest income, thanks to a strong increase in net fees and commissions. These have come from new business origination, Factoring and the new initiatives we've launched, such as Capital Markets.

On the other hand, net interest income continued to grow, supported by the great performance of business origination over the past few months. We have a significant revenue component, related to credit revaluation, which provides a distinctive revenue stream for our Division.

### **Slide 37 - Business momentum accelerating in 4Q21**

Starting with Cross-over & Acquisition Finance: business origination enjoyed significant growth throughout 4Q21, a trend that was also confirmed in January with an additional €49mIn executed. Total business origination in 2021 reached €314mIn (up33% compared to 2020). Our advanced pipeline now stands at approximately €60mIn.

We experienced a terrific quarter for turnaround: €121mIn in 4Q, bringing a total of €269mIn for the whole of 2021 (up 53% compared to 2020). Moreover, in January we executed an additional €33mIn and we are working on an even stronger pipeline at approximately €90mIn.

Overall, our lending has benefited from public guarantees, which represented more than 40% of new business.

Let me conclude this slide by saying that our strong pipeline gives us a very positive outlook for these two segments in 2022 as well.

### **Slide 38 - Factoring: above €1bn turnover in 2021**

2021 was a pivotal year for Factoring.

We exceeded €1bn of turnover in 2021 (up to 60% compared to 2020), an amount that continues to grow quarter by quarter, thanks to the specific snowball effect of this product: each customer we acquire leads to the acquisition of yet further customers.

Net customer loans reached €368mIn at the end of December, an amount more than doubled what was achieved at the end of December 2020, and we are very confident of further strong growth in factoring in 2022.

Looking at profitability, as mentioned in the previous quarter we are adopting an innovative capital management solution which boosted our return on capital. Our RWA density is around 50%, which ensures a double digit return on equity.

### **Slide 39 - Capital markets services gaining pace**

And now a focus on the great performance and execution capability of Capital Markets.

We started our Capital Markets advisory activities early in 2021, leveraging on our deep knowledge of SMEs and their financial needs.

We have achieved significant results in just less than a year: 3 IPOs closed with additional Nomad mandates that have produced €3.6mIn in commissions. A strong pipeline ahead makes us confident for the whole of 2022.

In addition, in July last year we launched the interest rate hedging platform, with €120mln of notional amount booked and around €0.9mln of net results of trading. In 2022 we are going to extend our offer to provide a currency hedging solution.

#### **Slide 40 - First basket bond to accelerate SME growth to promote ESG adoption**

Let me finish my speech by mentioning an absolutely complementary business to our offering: Basket Bonds.

Together with ENI, last November we launched, as an arranger, the first basket bond dedicated to companies involved in energy transition.

As you can see on the left, a basket bond is a very innovative tool, which offers support to the medium to - long term financing needs of SMEs. It does this by placing an Asset-Backed-Security guaranteed by a pool of minibonds issued by the SMEs themselves - in this case companies operating in ENI's supply chain.

The return of the ABS note is a blend of the minibonds' return and illimity, as the Arranger of the deal, will underwrite part of the notes. Another Anchor investor, typically a public entity, might come on board to invest up to 50% of the notes, as well.

We believe in basket bonds not only as a tool to provide a reliable funding option to small corporates, but also as a way to improve their sustainability profile. This is why we have decided to give them a strong ESG imprint, by encouraging virtuous behaviour aimed at improving the sustainability of borrowers.

That is all from the Growth Credit Division, I now hand you over to Andrea. Thank you

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#### **Andrea Clamer - Head of Distressed Credit Division**

Thank you, Enrico, and good morning, everyone.

#### **Slide 42 - Specialised player in Corporate Distressed Credit**

Let me start with a summary of our activities in the Distressed Credit Division on slide 42.

Specialised player in Corporate Distressed Credit.

As many of you already know we are a specialised player in Corporate Distressed Credit covering the entire value chain - from investment to financing, servicing and remarketing.

We operate in 3 main spaces:

- Investments, dedicated to the acquisition of distressed credits
- Senior financing, providing financial solutions for NPE investors
- And servicing, represented by our end-to-end servicer, neprix.



In the next slide I will summarise the main facts that drove performance in the 4Q.

### **Slide 43 - Continual value creation**

Overall 4Q was positive, and sets the stage for the strategic evolution of the Division.

To start off, the positive trend of our workout activity was confirmed, thanks to our dynamic approach towards portfolio management, heavy DPO usage, and credit and asset disposals.

Secondly, continuing our approach to value creation, we made our entry into the Public Procurement Claims market. This confirms illimity's position as a niche market specialist.

Our capability to excel can be observed by the valorisation of real estate and renewable assets, carried out in 4Q.

To conclude this slide, I would like to inform you that our servicing platform will shortly be operating as two entities. I will provide further details, in a moment

### **Slide 44 - Strong results continue**

On slide 44, we have a snapshot of our cash flow and revenue performance.

Strong results continue.

As a result of our dynamic workout, we continue to over-perform in portfolio management. Cash flows inception-to-date are 41 percent larger than the amount originally forecasted in our collection plans.

From an economic standpoint, gross revenue grew by almost 40% percent in 2021, compared to 2020. Notably, profits from disposals and DPOs reached €59mln in 2021 versus €42mln in 2020. Moreover, we sold renewable energy assets, for a profit of around €2.8mln.

Now, let's move ahead to slide 45

### **Slide 45 - Market share stable and volumes ready to take of**

Market share stable and volumes ready to take off

According to market reports NPE volumes reduced drastically in 2021 compared with 2020, nevertheless, illimity's market share remained stable over these years.

In 2022 and the following years the size of the market is expected to grow constantly: between €70 and €90bn of new NPE inflows in the next 24 months are expected.

And illimity continues focusing on niche market segments. At the beginning of 2022, a promising and robust pipeline of opportunities is waiting.

### **Slide 46 - Increasing focus on secured portfolios**

Moving over to our credit portfolio, let me show the usual picture on slide 46

Increasing focus on secured portfolios.

The pie chart on the left shows a nice increase of the secured portfolio compared to previous quarters. This increase is thanks to the entrance of newly secured investments, combined with the de-recognition of unsecured exposures.

Carrying Value and Expected Remaining Collections reduced, mainly thanks to the anticipation of cash flows realised in 4Q.

Everything else remains in line with the previous quarter: our GBV credit portfolio is 92% corporate, and our gross cash flow is 73% from out-of-court settlements.

#### **Slide 47 - Energy desk: proven execution capability**

In this desk we adopted a unique, end-to-end business model. This model combines strong origination, execution and management skills.

In one of the initial dossiers we managed, we effectively did the following:

- In May 2020 we invested.
- In June 2021 we revamped.
- In December 2021 we sold.

This success allowed us to contribute to an annual avoidance of CO2 emissions of almost 2 thousand tons and, at the same time, we were still able to generate an above-average return.

We continue to hold a strong position in this sector.

Moving on to slide 48.

#### **Slide 48 - Entry in Public Procurement Claims segment**

Let me describe the main features of the Public Procurement Claims' market and why, entering it provides an amazing opportunity for illimity.

Put simply, PPCs are when public entities are obliged to reimburse building contractors for additional project costs. It is very typical for there to be some kind of dispute between the parties in relation to the claim amount. The contractors dispose of the claims and monetise them.

We are confident that illimity has all the papers to excel in this market, where specialisation and technical skills are key. This has the potential to be a €40 to €50bn market.

There is currently limited competition, and it is non-correlated to the cyclicity of the NPE market. It is expected that returns from these investments will be higher than NPE investments.

Our pioneering transaction with Apollo, for the purchase and financing of a PPC portfolio with a face value worth €1.8bn, represents not only an opportunity to enter the market, but also a reinforcement of our collaboration with the global fund.

To close my presentation, I am very happy to introduce the transformation we have planned for our servicing platform.

Let's move to slide 49.

#### **Slide 49 - Neprix: Moving toward real estate big tickets**

As mentioned earlier, our servicing platform will be split into two different entities. One will be neprix, our corporate distressed credit servicer. The other one will be a newco that will be launched as the most innovative Italian proptech.

Let me first focus on neprix.

Today, neprix is a well-established servicer, specialised in corporate credit. It manages 30 thousand tickets for a total of €6.4bn of gross book value, relying on the continuous effort of 45 specialised asset managers.

Capitalising on key competences gained in specific asset classes, neprix's purpose is to increase its focus on big-ticket real estate, with the ambition to become the number-one in corporate distressed credit management.

### **Slide 50 - Most innovative proptech in Italy coming soon**

Lastly on slide 50 we have a preview of our new proptech to be launched in the next few weeks.

Let me say, so far, our remarketing platform has successfully covered the judicial real estate market, worth approximately €7bn.

However, the €100bn open market opportunity is unmissable: This market, having several pain points affecting its value chain, desperately needs to be innovated.

To conclude, I am happy with the excellent performance of the Division in 2021. I believe we have what it takes to stand out in the market and achieve our goals, in accordance with the 2021-2025 Strategic Plan.

Please allow me to hand back to Corrado for his final comments.

\* \* \*

### **FINAL CEO remarks 4Q21**

We can certainly say, without the risk of sounding arrogant, that our first three years of activity have been a success.

We have proven our strong and sustainable competitive advantages, in SME performing and distressed credit: large, growing markets with attractive risk/return prospects.

At the same time, we have constantly been scouting for new business opportunities in contiguous market segments, where we can capitalise on our expertise, ability to innovate and technologies. The new tech-led businesses that we are launching these days will further strengthen illimity's business mix and might, alone, be worth more than illimity's current market cap.

We are riding on the transition from the analogue to the digital world in financial services. The change is only just beginning. It will be profound and will offer extraordinary opportunities, including the ability to undertake new high-tech initiatives.

The best for illimity is yet to come.

A big thank you – from the bottom of my heart - to all the illimiters who contributed to this important result. Without your relentless effort, competence and passion this would simply not have been possible.

I now open the floor to questions.