

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

**"Strategic Plan 2021-2025 Conference Call"**

**Tuesday, 22 June 2021, 09:00 a.m. CET**

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MASSIMO DI CARLO, CHAIRMAN OF illimity SGR

## **CORRADO PASSERA, CHIEF EXECUTIVE OFFICER**

Good morning and thank you for joining us today.

Today is a very important day for illimity –2 years ago we were little more than a powerpoint presentation - and now we are a team of 650 passionate people with a bright future in front of us.

### **Slide 3 - Unique new paradigm bank**

illimity is a new paradigm bank designed around the needs of Italian SMEs, a very large, growing and highly attractive market. A new paradigm bank combines the best of traditional banking – especially in terms of credit underwriting skills - with the most advanced technologies: it is the combination of these two elements that drive our strategy.

In just over 2 years we have laid solid foundations which now form part of a structured business that is ramping up.

Over the last 2 years we have learnt a lot. We corrected our direction when needed. And we came out of the Covid crisis even stronger.

We are confident to say that our 2021-2025 business plan makes our investment case even stronger and underlines the exciting growth ahead of us.

Moving on to slide 4.

### **Slide 4 - Foundations for success are in place**

illimity has been built on 5 strong pillars:

- First, Our market focus;
- Second, Our people;
- Third, a unique IT strategy and architecture;
- Fourth, Our ESG values;
- And the fifth pillar is a 10% ROE we expect to reach in FY21.

Let me move on to explain the 5 pillars in more detail, starting with our market focus

Slide 5

### **Slide 5 - Highly attractive Italian SME market focus**

We focus on only a few, large, attractive and underserved segments of the market

In short, the 3 segments of the market we are focusing-on are enormous. Some of them are going to grow even further as a result of the pandemic.

Performing loans: the world of credit for SME's is massive and is represented as 700 bn euro.

And then we have the world of non-performing exposures. We are expecting a large quantity of transactions over the next few years: nearly 180 bn euro worth of transactions in NPE till 2025, divided between loans classified as UTP – over 35 bn euro - and NPL.

Let's now move to Slide 6 to further look at our market positioning

## **Slide 6 – Significant market positions through sustainable competitive advantages**

illimity has already built a prominent market positioning across all our service lines.

Our SME Division – we decided to call it Growth Credit Division - has originated over 1.1 bn euro of loans and is a well-recognised player, for example in the acquisition finance segment, where illimity has been mandated lead arranger in several deals.

Our Distressed Credit Division has originated over 1.7 bn, positioning within the top three private investors in the market.

We count on effective and sustainable competitive advantages:

illimity is a bank, and being a bank gives us two major advantages: Very competitive cost of funding and deep customer knowledge.

Credit is our specialty. We created a network of industry experts across every industry we operate in adding expertise to our internal skills.

Our outstanding IT architecture gives us a number of advantages that probably no one else has.

In the distressed credit division we have developed a unique end to end business model that is not being offered by any other market participant.

Slide 7

## **Slide 7 - Ready to run a leading role in the Open Platform services world**

Even though SME credits is our specialty, we also decided to capitalise on Open banking.

We began this journey with a very innovative retail bank platform – illimity bank.com - just to gather deposits. The structural digitalisation of our country became so relevant that we decided to capitalize on it. In order to scale up rapidly, we partnered with HYPE and created a new generation of white label platforms. The opportunities in the new retail banking world are huge and we have entrusted this mission mainly to the New Hype venture the ownership of which we share with the Sella Group.

Slide 8 shows the 2nd pillar, which is actually the most crucial, the illimity team.

## **Slide 8 – Passionate and united team with key competences from other industries**

Our people are our principal force. Our management team is a super competent, passionate, cohesive team.

On the left-hand side of this slide you see our basic org structure: simple, easy to understand.

illimity enjoys a wide diversity of professionalism: illimiters, come from over 200 different organisations, 70% coming from non-banking sectors. The team has been carefully created; every team member has been handpicked bringing together unconventional, innovative minds with totally diverse backgrounds. Entrepreneurship and creativity need this kind of diversity.

illimiters are our lethal weapon: their commitment, drive, expertise, energy and capability-to-cooperate is the main driver to our success.

Slide 9 underlines the importance of our 3rd pillar, our unique IT architecture.

## **Slide 9 - Unique IT architecture - technology can replace scale**

We believe technology is the main driver of change and also one of the main weapons to compete, so we created a complete IT architecture that is fully digital, fully modular and fully in-cloud. We believe that

technology can actually replace scale in the area of efficiency and can push the boundaries of effectiveness well beyond traditional standards. Our totally scalable, proprietary architecture enables easy integration of third parties' applications, and benefits from a single data lake.

Our technology is embedded in data analysis, credit underwriting, portfolio management and other risk mitigation processes.

illimity's architecture is a unique case in Italy and we are not aware of comparable cases in Europe.

We are now completing the necessary investments and just started enjoying the benefits of such innovative architecture.

Let me say that we have over performed and created real value in this area and I cannot emphasise enough the importance of Filipe Teixeira, our super CIO's role.

ESG is our 4th pillar and a short summary of what we mean is on Slide 10

### **Slide 10 – Strong ESG responsibility: our purpose is to unlock SMEs and individuals' potential**

Our contribution to sustainable growth

We consider ESG a serious responsibility and definitely not a marketing exercise.

ESG for illimity means sustainability in every aspect of our activity.

We have a very ESG purpose: unlocking companies' and individuals' potential.

We fully integrate ESG-based metrics in our underwriting practice, we have integrated ESG values into our long-term incentive scheme and we will work to raise our ESG profile even further.

### **Slide 11 - 10% ROE expected in 2021**

On Slide 11 we combine all the pillars:

A solid business with a ROE already approximately 10%.

We have a ROE higher than most banks, certainly higher than comparable ones with a very low risk profile and very high equity and liquidity ratios.

All these five foundations have strong roots, and they are what we will continue to capitalise on.

After looking at the foundations I would like to walk you through our future developments and targets for the years to come.

On Slide 12 you will find the strategic ambitions that make our investment case even stronger than before

### **Slide 12 - Investment case even stronger**

- We expect to at least double our 2020 net profit this year and exceed 20% ROE by the end of the Plan. All divisions will contribute to these solid results;
- Several initiatives both recently started and about to start are strengthening our strategic portfolio of activities, contributing to the delivery of our plan;
- We will continue to reinforce our technological leadership and, in this context,, I am happy to announce a strong partnership with the ION Group.

Moving to slide 13

### **Slide 13 - Strong profitability growth on recurring basis**

In short, these are our plan's key targets. A ROE that moves from 10% to 15% in 2023 then to 20% in 2025  
Net profit will evolve from 60-70 in 2021 to nearly 140 mln in 2023 to 240 mln + in 2025.

A sustainable and increasing flow of dividends starting from 2022: we embedded 180 mln euro in the plan horizon. The dividend ratio will range between 20 and 30% according to high ROE investment opportunities.  
CET1 ratio will remain steadily above 15% and total capital ratio around 18%.

Francesco will explain in more detail.

Moving ahead to slide 14, we see how each division is increasingly contributing to our overall results.

#### **Slide 14 - Operating leverage gains already visible across all our businesses**

The SME division – we renamed it Growth Credit Division - is now complete and the results, as you can see, will thrive. We created a very strong set-up and will leverage on our powerful organisation in the years to come.

Our Distressed Credit division is already a strong contributor to illimity's profitability and will continue to show a robust growth trajectory with high profitability.

The direct banking division has undergone major investments and it's now ready to generate significant profits, unlike the many new direct banks born in Europe in the last few years.

SGR is, as today, a smaller activity, but with a very important mission: to allow illimity to grow without equity limits.

Moving forward to Slide 15, we see three initiatives that were launched in recent months and that are already strengthening the market position of our two larger divisions.

#### **Slide 15 - Three strategic projects just launched already with visible positive results...**

We entered the UTP portfolio market last year, we built a dedicated unit and we won one of the biggest transactions in the segment. We have already bought 1.3 bn euro worth of UTP's positions.

In illimity SGR we have already closed our first fund with initial assets under management of 120 mln euro.

We have just set-up a capital markets desk to widen our offer to SME clients. In only a few weeks we have already gathered several mandates and many more are currently under study.

Two important initiatives are about to be launched in the Direct Banking Division. Carlo will describe them more in length, but I have a short summary here on Slide 18

#### **Slide 16 - ...And a further two will strengthen our portfolio of activities as early as 2021**

First project: B-ILTY the direct bank for small business specialising in digital lending, a very interesting segment of the SME market: huge and underserved

Our business model will be based, on the one side, on a high level of automation that capitalises the state-of-the-art digital platform we have already developed for retail customers, and on the other side, the proven credit underwriting skills we enjoy internally and on a number of ad hoc technological partnerships.

Second project: the New Hype. Last January we set up a joint venture with HYPE, the leading Italian fintech with more than 1.4 mln customers. By the Summer, Hype will turn into "New Hype", thanks to illimity's technology and a series of additions that will accelerate the development of a sustainable revenue flow, driving profitability.

The last two slides will focus on technology and the partnership with the ION Group.

Slide 17

**Slide 17 - At the forefront in technology, but we are just at the beginning**

Today illimity is at the forefront of new technology, however the innovation trend that has begun in our sectors is destined to accelerate and open up opportunities that are quite difficult to imagine.

Today we can certainly say that we are more than satisfied to have:

Data-driven procedures

Direct channels

Modular and totally in-cloud architectures

Enhanced and fast decision-making processes

Open and cross-industry platforms

But because all that is not enough, we have already begun preparing for new stages of innovation that are even more drastic and pervasive

- Much more advanced data analytics;
- Fully AI-based and real-time decision-making processes.

and also:

- Programmable assets;
- Smart contracts;
- and so on.

New business models and disruptive products will have to be continuously developed and in such a context the right partnerships will be crucial

**Slide 18 – Structural IP partnership with ION Group**

Moving to Slide 18, one of today's most relevant announcement, the partnership with the ION Group

Targeted investments and strategic partnership with ION

To catch the innovation wave, it will be necessary to concentrate investments on technology layers that are able to create clear differentiating competitive advantages and to develop targeted strategic partnerships. This concept is abstracted on the left-hand side of the slide.

The starting point of the partnership with the ION Group was the licensing of our IT architecture - our field of excellence – but we decided to extend the partnership to several other sectors to capitalise on the shared vision of the future.

We signed a license agreement on the information systems developed by illimity, which will lead to an accelerated diffusion of the new architecture. This agreement will bring in approx 90 mln in the first five years, without us losing any intellectual property and, without impacting our operations.

We have identified a first set of long-term collaboration areas in crucial sectors such as data analytics, credit scoring, market intelligence, SW developments and many others.

Slide 19

**Slide 19 - Interests with ION aligned through a capital increase**

In order to keep our two Groups' interests aligned, illimity Board has decided on a capital increase reserved for ION of up to 9.99% of illimity new share capital. The capital increase will be proposed to our Shareholders' Meeting to be held before the end of July.

The potential investment and commercial synergies between our two groups are extraordinary, and not only in Italy. We have not yet estimated or, even less, included the effects of this initiative in the Plan's forecasts.

I will come back with some final remarks at the end of the presentation, but it's now my pleasure to leave the floor to Francesco who will give you further details of our Plan.

## **FRANCESCO MELE, CHIEF FINANCIAL OFFICER AND HEAD OF CENTRAL FUNCTION**

### **Slide 21 - Strong starting point for 2021**

- Thank you Corrado and good morning everyone;
- Let's move to slide 21;
- The first year of our business plan starts with a convincing performance in Q1. We delivered our best quarterly result ever, even more notable considering the seasonality affecting some of our business lines in the first part of every year;
- I am sure you are familiar with the key figures, let me remind you of the €12.6mln net profit for an 8% ROE.

### **Slide 22 -Targeting 10% ROE in 2021**

- Let's start with the current fiscal year on slide 22;
- Revenue growth will be driven not only by the build up of volumes, which are expected to accelerate throughout the year thanks to a robust pipeline, but also by our distressed credit dynamic portfolio management and by the initial impact of the newly established IT partnership in the form of licensing fees;
- Revenue acceleration is also leading to further gains in operating leverage with an improving cost income ratio;
- Last, thanks to the significant contribution of government guarantee lending and a stable asset quality, cost of risk is projected to remain low throughout the year;
- The above dynamics lead to a guidance of net income for 2021 of €60-70mln, which is a significant jump compared to 2020, and should allow us to move to a double-digit ROE in our second full year.

### **Slide 23 - Trends embedded in strategic priorities driving financial targets**

- Turning to slide 23 I'll summarise the most relevant macro trends. For the distressed credit market, the post pandemic macroeconomic backdrop will inevitably lead to waves of new NPE, particularly when government support measures end;
- Ongoing regulatory pressure will lead to further de-risking requests to commercial banks;
- Digitalisation also saw a broad acceleration in many sectors including in financial services. We expect demand for digital financial services from both households and corporates to keep rising anticipating a secular trend;
- These trends are embedded in our strategic priorities and support our financial targets.
- We identified 4 strategic priorities:
  - pursue value accretive volume growth in core businesses such as distressed credit, turnaround and digital lending to small corporates
  - build and develop capital light revenue streams retaining focus on our core markets

- generate sustainable results maintaining high liquidity and a balanced funding mix ...
- ... as well as an above industry CET1 ratio

#### **Slide 24 - 20% ROE by 2025**

- Let me start with our key summary financial targets on slide 24;
- To provide more visibility on the expected trajectory of our results, we will provide you with targets throughout the plan horizon up to 2025, when we expect illimity to be running at full steam, with a halfway checkpoint at 2023. We will also lay out short term targets for 2021;
- We expect ROE to move from around 10% in 2021 to around 15% in 2023 and then to 20% in 2025. We consider the target a low-risk ROE because it is originated by a balanced asset mix;
- Total assets are expected to increase from the current level to €7-8bn in 2023 and to €9-10bn in 2025;
- Moving to P&L, we expect net profit of around €140mln in 2023 and of around €240mln in 2025;
- For operating leverage we expect to move from a cost income of 65-70% this year to below 50% in 2023 and below 40% in 2025;
- Such results will be produced maintaining a solid capitalisation with CET1 ratio above 15% throughout the plan – as per our original commitment - from around 18% expected at the end of the year.

#### **Slide 25 - Value accretive volume growth**

- Moving to business origination on slide 25, let me say that an effective capital allocation is a key success factor to reach our targets as we will be gradually approaching our 15% steady state capitalisation threshold;
- In this context the almost €11bn of cumulated business origination during the plan horizon will be allocated to segments with high return on capital such as distressed credit investments, UTP single names and portfolios;
- We expect a balanced contribution from all our 3 divisions, each contributing 1/3 of total production;
- The same applies to asset types with performing loans representing around 60% of total production over the plan horizon;
- The return on capital - driving capital allocation – includes capital management initiatives (such as in factoring) and co-investment initiatives (notably for illimity SGR and for real estate single name investments). The average RWA density is expected to remain below 70% even after the emergency phase of extensive supply of government guarantee lending expires.

#### **Slide 26 - Almost €10bn total assets by 2025**

- Let's look at our balance sheet projections on slide 26;
- We expect total assets to more than double reaching almost €10bn by 2025;
- Growth will be driven by net customer loans and distressed investments with a 27% compound annual growth rate;
- Looking at business lines, the underlying trends reflect not only origination capacity and market size but also different strategies;
- Growth Credit is expected to grow at 28% compound annual growth rate to €3.1bn in 2025;
- on the other side Distressed Credit is expected to grow at 12% compound annual growth rate to €2.3bn due to its dynamic portfolio management strategy applied to volumes originated of a similar size;
- Direct Bank is expected to reach €1.9bn of loans by 2025 essentially through B-ILTY;
- Last, our shareholders' equity is expected to more than double to €1.4bn in 2025 including dividends' payment from 2022.

#### **Slide 27 - Revenue growth and operating leverage drive profitability**



- Moving to P&L projections on slide 27, you can see profitability is driven by two major trends:
  - on one side revenue growth
  - on the other operating leverage
- Starting from net income of €60-70mIn this year we expect to reach net income of €140mIn in 2023 and over €240mIn in 2025 - representing ROE of 15% and 20% respectively – through:
  - strong revenue growth with operating income over €660mIn in 2025 and a 31% compound annual growth rate with a visible rebalancing between net interest income and other income. In particular, net fees and commissions are expected to grow 57% annually reaching over €140mIn in 2025;
  - stabilisation of operating costs, with a 14% compound annual growth rate and deceleration more visible from 2022;
  - prudent provisioning with €47mIn of provisions in 2025.

#### **Slide 28 - Strong and balanced revenue growth**

- Let's look at revenue expected development more in detail on slide 28;
- We expect not only strong revenue growth but also a healthy and balanced trend through revenue stream diversifications deriving from a capital-light low-risk approach;
- Rebalancing between interest and non-interest income will already be visible by 2023 with the contribution of non-interest revenue reaching 47% of total operating income from the current 40%;
- The progression of non-interest revenue is fuelled mostly by capital-light businesses driving a significant growth in net fees. The main contributors are neprix, B-ILTY, capital markets and illimity SGR;
- Within non-interest components we expect profits from closed positions to maintain a steady contribution over time whilst gains from credit revaluation in turnaround business to become more visible due to a growing portfolio.

#### **Slide 29 - Significant operating leverage gains**

- Let's now move to operating costs on slide 29;
- Our business model is scalable and operating leverage will be increasingly visible with cost income expected to sharply decline over time dipping below 50% in 2023 and below 40% in 2025;
- Importantly, cost growth is mostly concentrated in the next 2,5 years with a compound annual growth rate of 18% in 2020-2023 down to 9% in 2023-2025;
- Such costs reflect the ramp-up of the new initiatives, B-ILTY in particular, as well as business growth;
- Similar considerations apply also to our headcount, expected to reach around 1,100 units by 2025, over 500 refer to neprix and -considering the labor intensive nature of this business - are inevitably connected to growth in volumes. New hiring is mostly focused on new initiatives and business growth and broadening scope of certain activities (such as neprix sales);
- Additions to central functions are marginal, aimed at completing our scalable platform, and mostly concentrated in 2021.

#### **Slide 30 - Conservative loan loss impairment assumptions**

- We have embedded a number of conservative assumptions in our projections, starting from provisioning, as you can see on slide 30;
- 2020 and 2021 cost of risk was and is still affected by public support measures such as government guarantee schemes. As such, the current starting point is not particularly relevant when it comes to provisioning estimates;
- Assuming a general deterioration following the unwind of public support measures we have projected a significant increase in provisioning both in absolute terms (with loan loss provisions expected to reach €44mIn in 2025) as well as in relative terms (with cost of risk in the 90-100bps range over time);

- 1 year PD consistently reflects an increase of default rates in 2022-2023 and a more normalised trend from 2024 onwards;
- These projections of PD are very prudent: considering the SME loan book and including B-ILTY, we project that over 50% of the stock of performing loans to customers will benefit from public guarantees or credit insurance;
- We are also assuming top-end coverage ratios for our organic NPE.

### **Slide 31 - Strong liquidity position across the Plan horizon**

- Moving to liquidity on slide 31 ...
- Maintaining a prudent liquidity profile has always been a core component of our strategy. We consider the approach particularly appropriate for our business model with some business lines – such as distressed credit investments - growing in a non-linear way. We confirm this approach targeting to maintain cash and liquid assets at around 20% of total assets, reaching €1.8bn in 2025.
- Securities continue to play an important role in our expected liquidity profile as we target to maintain a portfolio at around 10% of total assets.
- Our investment policy is going to remain prudent as we target a 1.5% yield with a duration of around 4.5 years. Within our portfolio we expect to maintain high yield bonds leveraging on our credit expertise at around 10%.
- Our prudent strategy will allow us to maintain regulatory liquidity ratios (NSFR and LCR) well above minimum requirements throughout the plan.

### **Slide 32 - Well diversified funding mix**

- Our liquidity is generated through a solid and well diversified funding, as you can see moving to slide 32;
- Funding is expected to more than double in order to support business origination, reaching over €8bn in 2025;
- We also expect a shift in funding mix with wholesale component stabilising at around 40% of total funding;
- Cost of funding is projected to remain flat over the plan, ending with a marginal decrease when around €400mln of the promotional 5-year term deposits offered upon launch of illimitybank.com are going to mature;
- Our institutional funding plan envisages a Tier 2 issuance in 2021 and cumulative €1.3bn in senior preferred bonds over the plan.

### **Slide 33 - Commitment to strong capital buffers**

- The Tier 2 bond is part of our capital structure optimisation strategy as you can see on slide 33;
- Our original 15% minimum CET1 ratio remains confirmed. It includes ordinary shares deriving from the conversion of €14mln Special Shares from Q3 2022;
- Including Tier 2 we therefore target an 18% Total Capital ratio across the plan;
- Calendar provisioning starts to affect CET1 capital in 2023 but with a manageable impact;
- Moving to RWA, we expect the amendment to the art. 127 CRR requested by the European Commission as part of its NPL Action Plan to become effective by year end, releasing around €330mln of RWA based on March figures;
- RWA are expected to grow to around €7.0bn by 2025;
- Closing with dividends, assuming current regulatory recommendations are lifted, we expect to start paying dividends out of 2022 net income with a dividend pay out of 20-30% depending on availability of high return on capital investment opportunities as we aim at maximising shareholders' return.

### **Slide 34 - Strong contribution from all businesses**

- Let me close on slide 34 with our divisional performance;
- We expect all our divisions to perform strongly across the plan with Distressed Credit confirming its role of main contributor, Growth Credit achieving scale and operating gains and Direct Banking becoming a key contributor of profits thanks to B-ILTY and HYPE improving results;
- Carlo, Enrico, Andrea and Massimo will provide relevant details in their sections;
- All in all we believe we have built a prudent and solid business plan underpinned by attractive financial targets;
- Let me now hand over to Carlo.

## **CARLO PANELLA – HEAD OF DIRECT BANKING DIVISION**

Good morning everybody and thanks Francesco.

I am excited to introduce you to the Business Plan of our Direct Bank Division, where we can now see the results of our investments since illimity was born.

### **Slide 36 – Ambitious goals have been rapidly reached since inception**

Let's move to slide 36 to start with the 3 important goals we have for the following years.

The unique platform we have developed is now delivering some game changing initiatives in the world of open banking.

Our division has three main goals over the next five years

- To secure retail funding to the Illimity Group. We have already been very successful in this activity by collecting 1.5 bn worth of deposits through illimitybank.com and through Raisin. By 2025 we expect to reach 4.4 bn;
- To contribute to the success of HYPE, our Joint Venture with the Sella Group. Hype will consolidate its leadership, also thanks to illimity's technology, and the "New HYPE". The new HYPE will be presented to the market in Q3 and we expect to see its customers grow from 1.4 to almost 3 million, with a very satisfactory level of profitability;
- To launch B-ILTY, the first Direct Bank for Small Corporates, by the end of this year. I suggest you keep an eye on B-ILTY, it's a great project!.

### **Slide 37 - Significant contribution to group results after investment phase**

Let's now go to slide 37 to see the contribution to the group result.

2021 will be the last purely investment year.

In the 2023 and 2025 forecast we will welcome the contribution coming from our Open Banking operations in both the retail segment, through Hype, and in the Small Corporate segment through B-ILTY.

Our Direct Bank Division is moving – as planned - from a purely funding machine, to a fully-fledged business line, contributing to illimity group results with over 50 mln euro Profit Before Tax by 2025.

Let's now move to the next slides, to talk about HYPE

### **Slide 38 - HYPE quickly scaled customer base to gain market dimensional leadership**

Hype is the leading fintech in Italy and one of the largest in continental Europe.

In relation to app usage, Hype's figures last May equal the sum of all the other 4 followers put together.

Hype is also the market leader for users - more than 1.4 mln - and usage with more than 5 mln transactions per month

Let's now move-on to the next slide to have a look at HYPE evolution

### **Slide 39 - Ready to present "New HYPE"**

Here we can see some updated figures on Hype's growth in the first four months of 2021

- Transactions are almost doubling, and growing by 75%;
- And revenues are boosting too: + 90%;
- Paying subscribers penetration is increasing by 4 percentage points and we will see an acceleration after launching the "New Hype" in Q3.

The New Hype will prove to be the real innovation booster!

I will give you just a hint of what the new HYPE will be like, leaving the details for the market launch.

It will be:

- Multi Bank;
- With a fully-fledged offering;
- Based on a new CRM technology and in cloud;

All this has been made possible also thanks to the contribution from the illimity team, and technology.

A real benchmark at the European level!

Now, let's move to slide 40 to the other important business line.

### **Slide 40 - B-ILTY, first Direct Bank for Small Corporates: huge market potential**

I am happy to announce the new initiative, which will be launched by the end of the year: B-ILTY, the first direct bank for small corporates. A real game changer for Direct Banking!

B-ILTY will cover a huge underserved market of at least 1 mln small corporates, as

- Traditional bank-branches are not designed for them;
- Purely digital channels are not adequate for them;
- They need a simple but complete offer;
- They need products but also advisory services.

Let's move to slide 41 to see where B-ILTY will be positioned in the competitive landscape.

### **Slide 41 - B-ILTY, first Direct Bank for Small Corporates: distinctive positioning in the Italian arena**

We have the full span of the offer on the horizontal axis and the possible channel mix on the vertical. The blue circles represent the different market players and their size.

- Fintech, are digital natives - They have limited offerings - like credit or transaction, and generally do not reach scale;
- Big incumbent banks are fully fledged, but branches are still the focal point of interaction.

Illimity, thanks to B-ILTY, will be the first to propose a fully-fledged offering with a "digital first" model.

By “digital first” we mean the possibility to perform all activities through digital channels, but also the possibility to rely on human advisory relationships when needed.

Let’s move forward, to see how we will do it and why B-ILTY will be different.

#### **Slide 42 - B-ILTY, first Direct Bank for Small Corporates: simple offering designed on Small Corporate needs**

We have designed the BILTY offer on the actual needs of small corporates and industry sectors.

A complete set of simple products meeting very specific needs. We are designing the offer with the help of a number of entrepreneurial associations.

- Full range of digital transaction products such as bulk payments, paying taxes, and instant payments;
- Complete range of short- and medium-term lending facilities including factoring;
- A set of Value Added Services that will continuously be renewed and enriched like insurance, digital CFO, ERP and others;

The right mix of channels

- Digital platform, to manage accounts, sign contracts and keep in touch with relationship managers;
- Smart Care, to have dedicated support by operations and support professionals;
- Relationship managers that will take care of the customer and who will be in charge of customer development.

We can move to SLIDE 43 to the “secret weapon” of B-ILTY.

#### **Slide 43 -B-ILTY, the first Direct Bank for Small Corporates: advanced Credit Engine at heart of process**

B-ILTY Credit Engine: the combination of all our experience in lending, our industry focused know how, the best available data, the best available analytics, machine learning and AI techniques.

B-ILTY is a scale business, and digital, data driven, and “intelligent” processes must drive commercial and credit actions.

The credit engine of B-ILTY will provide a high level of automation coupled with lending expertise, and will use a flexible workflow to orchestrate credit scoring coming from different sources:

- External providers;
- Credit bureau;
- All customer’s current accounts, thanks to PSD2

It will be a forward-looking engine, and it will be used also for businesses other than B-ILTY.

Let me say it is a kind of “secret weapon” which is also very useful for the whole bank.

Next slide, slide 44.

#### **Slide 44 - B-ILTY, the first Direct Bank for Small Corporates: 31k clients in 2025 and €3.7bn cumulated business origination**

This slide shows B-ILTY’s contribution to illimity’s results.

- Customers will grow to 31 thousand small corporate by the end of 2025, then;
- Loans will be 1.1 bn by the end of 2023, and 1.9 bn by the end of 2025 with a total origination of 3.7 bn euro;
- Revenue will reach 80 to 90 mln in 2025;

- RWA Density will average at 30% and;
- Cost income will be between 30-35%.

All these results will be possible thanks to an efficient digital platform, together with credit management capabilities.

And, more important, B-ILTY is scalable: there is a huge market to address, and our platform will support growth.

Let me say that B-ILTY embraces all of illimity's unique characteristics

That's all for the Direct Bank, now I leave the floor to Enrico for the Growth Credit Division.

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## **ENRICO FAGIOLI – HEAD OF GROWTH CREDIT DIVISION**

### **Slide 46 – Italian SMEs specialist partner**

Thank you, Carlo,

This opening slide of my presentation will give you a brief summary of the Growth Credit Division's core business. We are a specialist partner for Italian SMEs, providing a complete range of financing solutions for companies.

In the first part of 2021, we widened our range of services, offering capital markets advisory and products, to provide all-round assistance to our clients as they grow or relaunch.

Moving on now to slide 47

### **Slide 47 - Tangible positive impact on Group's P&L becoming more visible**

In 2021, we are starting to see the positive impact of operating leverage. This looks set to increase throughout the plan because our business is highly scalable, owing to the organisational structure we adopted for the Division and the technical nature of our ICT tools.

Growth in revenue and margins follows positive increases across all business areas, including revaluations and upside elements of turnaround.

We have laid solid foundations and expect to enjoy a steady growth.

Looking now at our core markets

### **Slide 48 - Core markets with a strong outlook**

Our core markets are huge and have a positive medium-long term outlook.

Take Turnaround. In Italy the forecast for the UTP market is of over 35 bn euro cumulated transactions in terms of GBV between 2021 and 2025. This process will gain momentum from restructuring needs as the moratoriums and other exceptional measures adopted to combat the pandemic crisis come to an end.

Focusing on the Crossover/Acquisition Finance market, demand should be stable and sustained, with a potential market of approximately 250-300 bn euro. In relation to this, we see further business potential by working through specialized private debt funds, that could be complementary in executing our financing solutions.

Factoring, with a 230 bn euro turnover in Italy in 2020, remains an attractive option for many companies to fund their working capital requirements, with flexible, customisable solutions. Our forecast is for increased growth in this area in the future.

I'd now like to take you through the approach we have taken and how that has resulted in very good asset quality and overall results.

#### **Slide 49 - Strong origination capabilities with an industry focused highly selective approach**

We have become a serious player in each of the Division business segments, with over 1 bn euro of originated business.

At the end of 1Q21, Turnaround had 260 mln euro in assets, less than the targets we had when we started, as we followed a very strict risk adjusted return approach while the pandemic effects temporarily negatively impacted the UTP single name transactions market.

Elsewhere, in Crossover & Acquisition Finance, the around 450 mln euro in loans exceeds the targets we had when we started.

The Factoring business is growing significantly and rapidly, reaching a turnover of around 200 mln euro in 1Q21.

We have developed specific expertise in lending backed by public guarantees, playing a leading role in this segment.

Finally, illimity is at the forefront in applying ESG rating to all Turnaround and Crossover clients and, other than extending this evaluation to factoring clients, we are working to be ready to disclose the green asset ratio of our financing activities.

It is very important to note that we grew while maintaining a very selective risk appetite approach with an industry focus. In the 2 and a half years illimity has been operational, to execute close to 100 transactions, we have analysed in the region of 500 Crossover and Turnaround dossiers. This selective approach is the reason behind a very good asset quality, which I will now look at in more depth on slide 50.

#### **Slide 50 - Asset quality very good notwithstanding difficult market conditions**

Our Gross organic NPE ratio, considering all the transactions executed since inception, is 0.8%, which is one of the best in the Italian banking system.

Plus, our ratio of state-backed financing on total performing assets, excluding factoring, is one of the highest in the business, with 44% of performing assets secured with SACE or MCC guarantees. This has positive repercussions for portfolio risk and the efficient allocation of capital.

Finally, credit risk mitigation is also central to our factoring business. Here, nearly 60% of our stock is insured and in 2Q21 we started factoring with state guarantees, becoming one of the first movers in this specific segment.

In the next few slides I'm detailing each area of the Growth Credit Division to highlight our performance expectations for the Division.

#### **Slide 51 - Turnaround: focusing origination on highly profitable segment with positive momentum**

Starting with Turnaround:

As the market for UTP transactions will be large in the coming years, we have ambitious, but reachable targets, in terms of a cumulated business origination amount of E 1,3bn, while the targeted IRR risk adjusted

in the range of 9%-12% and RWA density around 110% are based on the relevant data of the deals executed so far.

Our goals are reachable due to the following factors:

- deep knowledge of many industrial markets, obtained through our Tutors network, that will grow to increase the coverage of specific industries;
- the cross functional expertise with Distressed Credit Division regarding UTP portfolios investments;
- the unique ability to provide working capital solutions, leveraging on our factoring activities;
- a further development of our IT Solution to manage UTP positions efficiently.

Let's look at Cross-over & Acquisition Finance.

### **Slide 52 - Cross-over & Acquisition Finance: selective growth**

The credit market for SMEs will remain large in the coming years, we have reasonable and reachable targets, based on our track record, either in terms of cumulated business origination amount of E 1,2bn or in terms of returns, around 4% spread and 2% arranging fees, while the RWA density target demonstrates the efficient capital allocation.

To hit our targets, we will be drawing on the following key factors:

- a deep knowledge of many industrial markets, again as in the Turnaround, obtained through our tutors network, that will grow significantly in the coming years;
- an unparalleled expertise in designing and executing tailor made transactions for complex financing needs;
- an efficient capital allocation, to be obtained also leveraging on our relevant experience in lending activities with public guarantees.

Let's move to Factoring.

### **Slide 53 - Factoring: capital optimisation initiatives through extensive credit coverage**

The market size of Factoring is huge, and it is expected to further grow in the coming years, our targets in terms of turnover (2,0bn in 2023 – 4,3 bn in 2025) and outstanding volumes (0,6 in 2023 – 1,1bn in 2025) are reachable, while the target in terms of gross return (3 – 3,5%) are based on the transactions executed so far. The target in terms of RWA density of 35% - 45% demonstrates the efficient capital allocation also for Factoring.

To achieve our goals, we will be drawing on the following key factors:

- the establishment of long-term relationships with clients together with the strengthening of the sales team;
- the experience in reverse factoring transactions that create a 'snowball effect' for the growth of the customer base;
- seamless digital operations management, allowing to scale up turnover volumes;
- innovative capital management solutions, combining eligible credit insurance with public guarantees, based on the relevant experience matured in lending with public guarantees.

And now, my last slide will bring to your attention a recently added capital light area of business, Capital Markets.

### **Slide 54 - Capital Markets: exploiting our deep market knowledge to offer additional advisory services**



We started our advisory Capital Markets activities early in 2021, capitalising on our deep knowledge of SMEs and of their financial needs. We are providing our clients different, integrated solutions to access capital markets, to finance their growth, optimising the capital structure, and mitigating interest rate and currency risks.

Regarding the equity capital market, illimity has already been appointed as NOMAD for the Italian Alternative Market (AIM) and it is providing advisory for IPO on this market, while, regarding debt capital market, the focus is on mini-bond placement either on the EXTRA-MOT market or private placement.

For Risk mitigation activities, we are providing hedging solutions for interest rate and currency risks for SMEs that are already illimity clients. We act as brokers and this activity is starting in the 2H of 2021.

The fees generated by Capital Market activities are highly reasonable and reachable, considering the massive market dimension and our existing client base.

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

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## **ANDREA CLAMER – HEAD OF DISTRESSED CREDIT DIVISION**

Good morning everyone and thank you Enrico.

### **Slide 56 - Specialised player in Corporate Distressed Credit**

In Slide 56, let me start with a high-level description of the Distressed Credit Division.

We are a leading player in the Corporate Distressed Credit industry, specialised in a number of attractive market segments and fully integrated in the industry's value chain: investment, senior financing of other NPE investors, servicing, and remarketing of real estate assets and capital goods.

### **Slide 57 - Fully-integrated value chain**

In Slide 57, you will see a snapshot of our fully integrated approach

Our full integration in the value chain, from Origination, to Pricing, to Workout, to the Remarketing of collaterals, allows us to have a deep understanding of the whole process, and drives the building of great synergies across the whole chain.

The data we collect in each individual phase is capitalised during the following phases, enhancing both selective bidding and recovery strategy execution.

Now you have a good idea of the division approach, I will continue with: the results we have achieved, the foundations we have put down, and our future expectations for the division.

### **Slide 58 - Distressed Credit Division: strong contribution to Group P&L**

Going to Slide 58, let me introduce the key targets for the following years

Distressed Credit Division has provided a strong profit contribution to illimity's P&L so far. For the next few years, we will expand our portfolio base and further consolidate our dynamic approach to portfolio management. We expect additional consolidated revenue to come from third-party mandates for neprix, and the valorisation of neprix Sales as a key player in the Real Estate industry.

In terms of new business, our target is to reach 3 bn euro in terms of total net book value of new Investments, with an average gross IRR above 12%, while Senior Financing is expected to generate 0.4bn of additional volumes in 21-25.

### **Slide 59 - Major investor in the Italian market**

In the next Slide, slide 59, let's take a look at the business origination.

Over recent years, the Division has promptly captured new opportunities: this has put us among the top 3 Italian Distressed Credit investors, with overall investments in 8 bn GBV as of today, ranging from NPL to UTP, corresponding to a purchase price of 1.2 bn euro.

Our team has granted almost 500 mln euro of Senior financing. In 2020, this area was refocused on high-return opportunities and our structuring know-how will also be crucial in credit disposals.

neprix achieved a very promising total of 9 bn euro Assets Under Management between loans and assets, thanks to the data centric servicing platform.

Moving to Slide 60

### **Slide 60 - Very strong track record**

We see that the credit portfolio has been experiencing a robust track record of cash flows, way above initial expectations, and leading to a strong-recurring profit contribution: these profits were made possible through both our conservative pricing approach and our dynamic servicing. Also the periodic sale of Retail exposures in the secondary market brought a positive contribution to the P&L.

### **Slide 61 - NPE market evolution leads to new opportunities for illimity as a whole**

Next Slide 61, explains where illimity sits in the current NPE market and how we are going to strengthen our position.

Over the last few years "UTP going concern" positions have grown, we expect this trend to continue. Global operators are becoming more and more selective and specialised: servicers, in particular, are required to prove deep-industrial-know-how, as well as remarketing capabilities.

Illimity has all the critical success factors to tackle the challenges of the new NPE market. For gone-concern NPE we have the best legal skills and data related to court timings. For going-concern NPE we possess restructuring and industrial know-how, an onboarding IT platform for large UTP portfolios, and a banking license to provide all possible credit solutions.

### **Slide 62 - Large and dynamic addressable market**

Moving on to Slide 62, where I will give you an idea of the addressable market size

Recent studies estimate the NPE market for 2021 to 2025 will be close to 180 bn euro in terms of GBV transactions. We have been further developing our competences to accommodate the new market trends, which are driven by the macroeconomic downturn fuelling a new moratorium wave, Calendar Provisioning and the Regulators' focus on the NPE de-risking.

As I now move forward over the following slides, I will give you relevant information on neprix.

### **Slide 63 – Data-centric approach and technology enable specialisation and scale**

neprix is already a leading player in the corporate credit servicing industry, operating two business functions:

- neprix Credit Management, specialised in the Due Diligence, Workout and Recovery activities concerning corporate credits, ranging from NPL to UTP with going- and gone- concern positions;
- neprix Sales, covering a wide range of activities concerning the Remarketing of credit collaterals, and Web Marketing of distressed assets through proprietary Web platforms, which are dedicated to real estate assets and capital goods;

By the end of 2025, neprix is set to achieve a target of 25 bn in terms of GBV, including both captive and extra-captive loans and assets, 110 mln net revenue for 2025 and a 46% EBITDA margin.

#### **Slide 64 – Technology: keystone to combine high specialisation and large volumes**

Moving to next Slide 64, I want to highlight how through the value chain, we can move from a tailored approach to a standard approach, affecting the volumes.

Despite neprix being a typically industrialised player, it maintains a tailor-made approach and capitalises on deep know-how in Real Estate, focusing on mid to large tickets.

Furthermore, neprix is supported by an innovative and integrated tech platform, which allows efficient management along the Corporate Servicing value chain. This integrated platform is the enabler of the approach and allows for successful Scaling.

In short, we will standardise the tailor-made approach through technology and scale up!

#### **Slide 65 – neprix sales: Already leading player in digital remarketing**

On Slide 65, I will focus on the business unit neprix Sales and the cornerstones of its strategy

neprix Sales is already a leading player in the industry, with 4 mln euro of revenue realised in the first quarter of 2021, and 5.5 thousand real estate assets in stock. There are two factors allowing it to be a successful player.

First of all, neprix Sales is a digital-native business managing 6 multi-sector web portals totalling 24 mln annual visits: it also benefits from a team of IT developers and the ownership of a vast database of registered clients.

Secondly, being best-in-class in operations enables neprix Sales to run fully-digital and highly-specialised processes.

Moving on, I would like to highlight the opportunities neprix has in the Italian real estate market and how we are going to capture them. Slide 66

#### **Slide 66 – neprix sales: Ready to expand selectively**

In 2019, the Italian Real Estate market recorded approximately six hundred and fifty thousand transactions with a value in excess of 115 bn.

Transactions within the free market of residential assets accounted for 95 bn euro, representing the vast majority of transactions, and one third of them involved new or under-construction buildings. To date neprix Sales has been operating only in the judicial market, which accounted for 7 bn in 2019.

neprix Sales will enter and expand in the new construction market by capitalising on the already consolidated skills developed over the past 2 years in the judicial market. And will provide solutions to the persistent “pain points” in the Real Estate market.

### **Slide 67 – Illimity & neprix strategic partner of choice of Apollo**

neprix has limitless opportunities: on the next slide I will highlight a key initiative which forms part of the business plan. Slide 67

Last week, illimity and neprix signed a landmark joint-venture agreement with the global investment fund Apollo, aimed at pursuing 500 mln euro of co-investments in Italian Single- Name-distressed-credit with real estate collateral. Apollo picked illimity as a coinvestor, and then the joint venture chose neprix.

The partnership is really a game changer for us. illimity and neprix will benefit from Apollo's brand. In addition, we have a large and profitable pipeline of Special Situations ahead, so the financial support of a global fund represents, for us, a capital-light approach to these opportunities. And finally, neprix will act as a sole servicer of acquired loans, enlarging its services to the market.

We expect this kind of partnership will contribute roughly 19 mln euro of revenue cumulatively from 2021 to 2025, to neprix, and 15 mln in terms of additional cumulative EBIT.

### **Slide 68 - Data-driven Business Model leading to successful performance**

And now my presentation ends with Slide 68, showing how our data-driven business model works and leads to great performance

As you know very well, illimity is digitally-native, so technology and data management are pillars of the business model. The capability of using data in virtuous cycles is a common driver of success for all the bank's divisions.

Thanks to the critical mass achieved in acquisition, management and disposal, coupled with the full coverage of the value chain, our Division is able:

- to first, collect and process a large amount of data on borrowers, guarantors, assets, legal procedures;
- then, to employ this data to enhance all of our activities through a virtuous circle: the data we collect increases our knowledge on market values, prices and recovery rates, this then speeds up our processes, increases pricing precision and reduces costs across the entire value chain.

To conclude, I feel very happy about the strong results and milestones achieved so far: they form the springboard for the next few years, and demonstrate, without a doubt, that the Division has what it takes to achieve its goals for 2025.

Thank you very much!

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### **MASSIMO DI CARLO, CHAIRMAN OF illimity SGR**

Good morning to everyone and thank you Andrea

### **Slide 70 - Make illimity limitless**

I am now going to present the plan for illimity SGR, the newborn in the illimity Group.

The SGR, our asset manager company, is potentially capable of breaking growth barriers for the Group, thanks to the capital light nature of its business

- The SGR is a fully licensed asset manager who is willing to leverage on illimity's core competences
- Illimity SGR will be in a position to generate a fee based and recurrent revenue stream

- Consistently with the Group's native distinctive factors, the SGR will incorporate a digital approach also in its fund management activity and best practice ESG metrics
- On top of the 3 main identified strategies, we will review in the next slide, the SGR will originate funds also in other asset classes by attracting top tier talents to its open platform

### **Slide 71 - Solid pipeline ahead**

Moving on to slide 71 we have a snapshot of the 3 closed ended funds that will be the cornerstones of our business plan

- **The Credit & Corporate Turnaround Fund**  
the investment focus of this fund is on UTP loans currently contributed by 7 banks; the first closing took place in Q1 2021 for an amount of € 140 mln. We expect another closing to take place during 2021;
- **The Private Capital Fund**  
this fund will represent a flexible one stop shop for SMEs having a need for growth and expansion capital to be served through financial instruments ranging from senior debt to minority equity and across the entire capital structure  
First closing is expected to happen late 2021 or early 2022;
- **The Real Estate Fund**  
The investment focus will be on real estate assets expected to be contributed by banks or other real estate investors looking for a professional management of complex assets. Our servicing company neprix will be the servicer of the contributed real estate assets.

As you surely noted, all 3 products do have clear synergies with 2 of the main business Divisions of the Group

### **Slide 72 - Over €1bn AuM target by 2025**

If we move to slide 72, we have a short summary of the business plan figures for the SGR

- AUM will exceed € 1 bln in 2025 and this would be a significant number for a closed ended fund manager;
- Fees will be 7 mln in 2023 and will increase to 12 mln in 2025 with a profit before tax of 5 mln in 2025;
- We expect an average fee of 1% with some carried interest from 2027 onwards. We will use a careful cost management approach with FTEs of approximately 20 colleagues from 2023 onwards.

Thank you again and I am now pleased to hand it over to Corrado for his final remarks

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### **CORRADO PASSERA, CHIEF EXECUTIVE OFFICER**

Thank you for taking the time to follow our presentation to the end.

We are convinced that we have presented you with a solid plan with robust strategic and financial targets. However not all the opportunities – both technological and commercial - we will have over the next few years are embedded in the Plan.

In addition:

- First: the partnerships that we are developing and will develop in the various areas of activity are only marginally reflected in the figures we have presented to you today;
- Second, we will continue to develop new ideas and new projects as we have done in these early years of activity and, of course, our results are set to benefit from this;
- Third, the first growth envisaged in the Plan is entirely organic, while opportunities for selective M&A transactions may occur and these are likely to increase our results.

We are available now and in the coming days to go into all the details of our Plan.