



# illimity Business Plan update and SPAXS FY2018 results

March 6, 2019



Key highlights – *Corrado Passera*, CEO



FY2018 results and Business Plan update – *Francesco Mele*, CFO & Head of Central Functions



SME Division – *Enrico Fagioli*



NPL Investment & Servicing – *Andrea Clamer*



Direct Bank and Digital Operations – *Carlo Panella*

# Key highlights

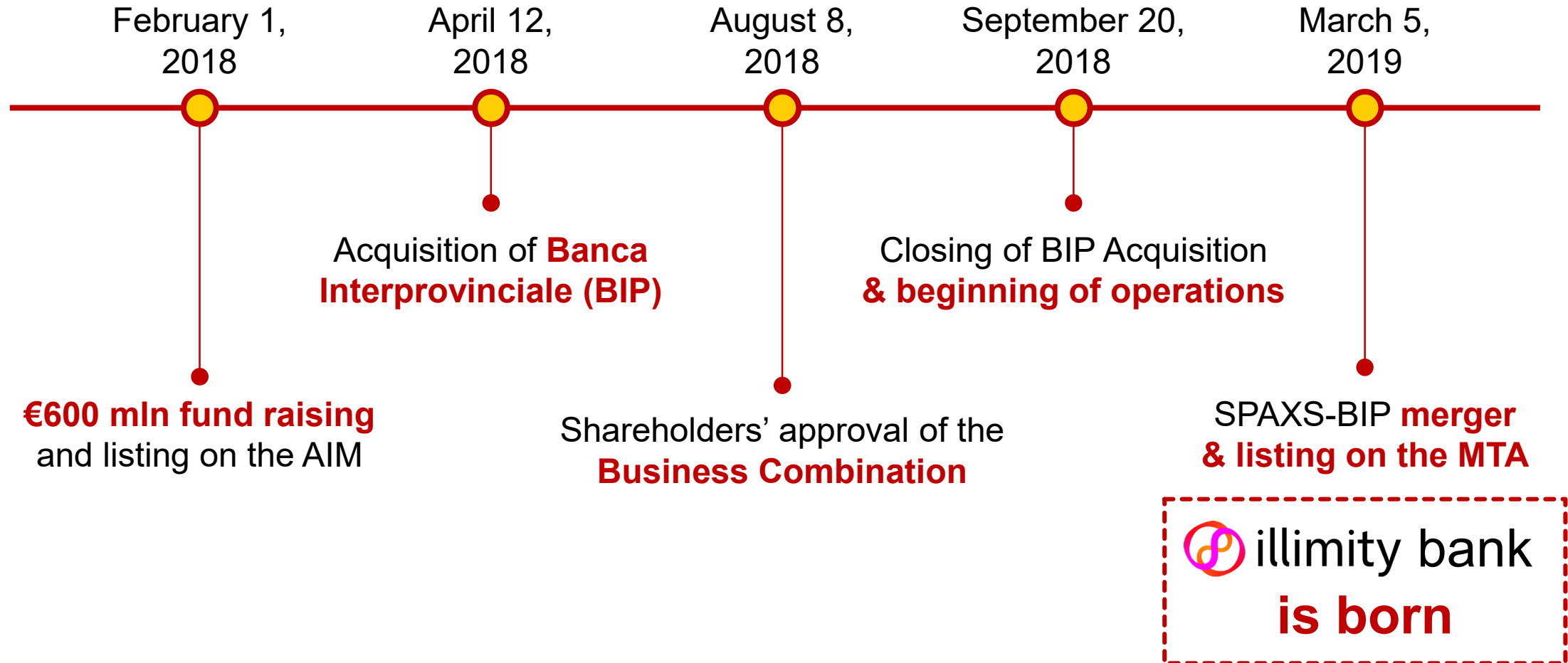
*Corrado Passera*, CEO



# illimity: **plan on track**



# illimity: from an idea to the MTA **in just 12 months**



# illimity: **strong** management team

Internal Audit

*Fabio Marchesi*



CEO

*Corrado Passera*



Chief Communication  
Officer

*Isabella Falautano*



CFO & Head of  
Central Functions

*Francesco Mele*



Chief Risk Officer

*Claudio Nordio*



Direct Bank &  
Digital Operations

*Carlo Panella*



SME Division

*Enrico Fagioli*



NPL Investment  
& Servicing

*Andrea Clamer*



# illimity: first line of senior managers with **top & diversified experience**

 <b>NPL Investment &amp; Servicing</b> <i>Andrea Clamer</i>	Single Name <i>D. Bianchi</i>	Senior Financing <i>L. Preziosi</i>	Portfolios <i>A. Montana</i>	Pricing <i>D. Weisz</i>	Ops & Recovery <i>A. Battisti</i>	Strategy & Perf. Mgmt. <i>D. Togni</i>	PMO & Boosters <i>A. Clamer a.i.</i>	
 <b>SME Division</b> <i>Enrico Fagioli</i>	Invoice Lending <i>F. Marcarini</i>	Turnaround <i>U. Moretti</i>	Cross-over & Acq. Finance <i>S. Ortolano</i>	Credit Machine <i>T. Campanella</i>	Organic NPE <i>E. Fagioli a.i.</i>	Customer Operations <i>G. Davoli</i>	Mgmt. Control & Reporting <i>P. Piovini</i>	Tutors
 <b>Direct Bank &amp; Digital Operations</b> <i>Carlo Panella</i>	Prod. Cust & Bus. Developm. <i>M. Montagnani</i>	Design & Web Strategy <i>G. Montella</i>	Mktg. & Comm Communication <i>S. Termite</i>	IT & Innovation <i>F. Teixeira</i>	Process & Organisation <i>S. Tognolini</i>	PMO & Project Control <i>N. Gatto</i>	Digital Customer Operations <i>C. Bonifazi</i>	
 <b>CFO &amp; Head of Central Functions</b> <i>Francesco Mele</i>	General Counsel Corp. & Legal <sup>1</sup> <i>G. Lombardi</i>	Admin. & Accounting <i>S. Fagioli</i>	Budget & Control <i>I. Zucchi</i>	IR & Strategic Planning <i>S. Benzi</i>	ALM & Treasury <i>F. Lionetti</i>	HR <i>M. Russomando</i>	Procurement <i>A. Vanzini</i>	
 <b>Chief Risk Officer</b> <i>Claudio Nordio</i>	Compliance & AML <i>F. Martiniello</i>	Risk Strategy <i>N. Andreis</i>	Risk Management <i>L. Giada</i>	Risk Analytics <i>G. Le Pera</i>				

1. Covering also the role of Secretary of the Board of Directors reporting to the Chairman and the CEO

# illimity **up & running**

~ **200** illimiters on board



Note: rounded figures



~ **€415 mln**  
business assets  
as of Feb-19



**SME  
Division**

**€251  
mln**

- €87 mln **Turnaround & Cross-over and Acq. finance new deals**
- €164 mln of SME lending **portfolio**

+ further ~ €30 mln to be **executed shortly**


**NPL I&S  
Division**

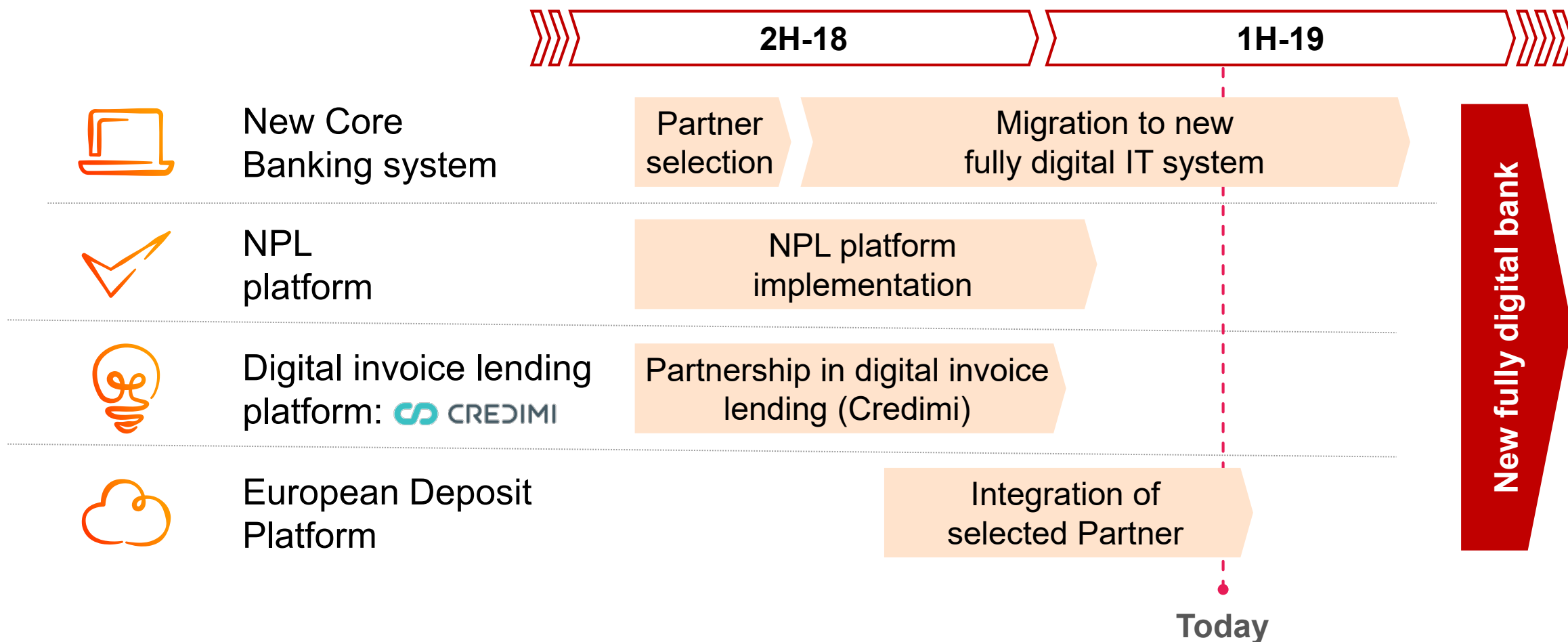
**€163  
mln**

- €97 mln of **NPL investments** + €15 mln signed today
- €51 mln of **Senior Financing** to NPL investors

+ further ~ €108 mln to be **executed shortly**



 illimity digital platform **well on track**: all strategic decisions already made. Implementation by 2Q-19



# illimity **investment case confirmed** after embedding market & regulatory challenges – 1/2



**Growth & profitability targets** confirmed



**Solid risk profile** confirmed



**Full alignment of interests** confirmed



**Strategy** confirmed



**Low execution  
risk** confirmed

# illimity **investment case confirmed** after embedding market & regulatory challenges – 2/2



Relevant  
markets larger  
than expected

- **Dynamics of targeted markets** (SME lending, corporate NPL, direct banking services) **more favourable than expected**
- Plenty of room to cherry-pick **profitable business**



Italy sovereign  
risk addressed

- **Cost of downsizing** BIP's Italian Government bonds portfolio **already been expensed** in 2018



Regulatory  
impacts  
embedded

- **Regulatory challenges already embedded** in Business Plan targets
  - EBA requirements on unsecured NPE risk weightings (from 100% to 150%)
  - Prudential Backstop criteria introduction into CRR<sup>1</sup>

1. "Capital Requirements Regulation" (EU) no. 575/2013

# illimity **growth and profitability** targets confirmed

	2020	2023
 Total Assets	€3.5 – 4.3 bn	€6.6 bn
 Net Profit	€55 – 70 mln	€280 mln
 ROE	9 – 10%	25%

Note: rounded figures

 illimity **solid risk profile** confirmed



CET1 ratio  
always above  
15%



Strong liquidity  
position at  
all times

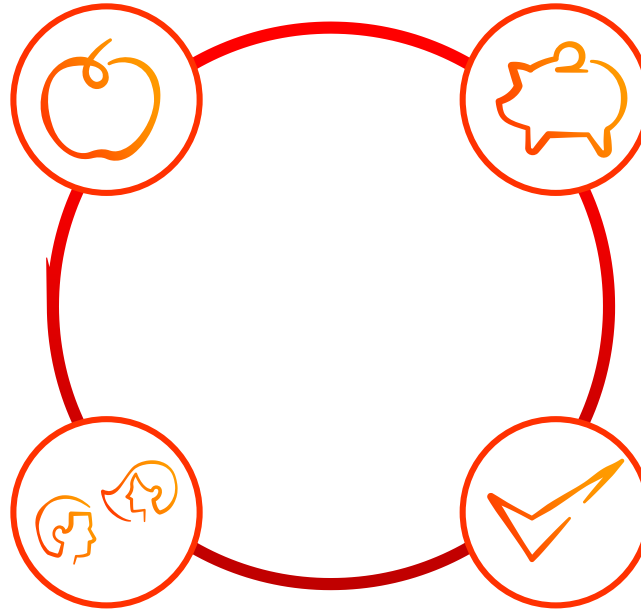


Strict assets &  
liabilities  
management

# illimity: **full alignment of interests** confirmed

Sponsors and Top Management special shares will **convert only when ordinary share price exceeds €14**

Strong **Board of Directors**  
Several **independent** members,  
relevant skills and experience,  
**fruitful diversity**

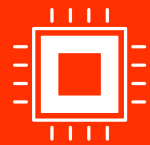


**Managers' stock option plan**  
tied to **2023 targets**

**All employees are shareholders**

Employees Stock Ownership Plan  
granted **to all illimiters**

# illimity: our new paradigm bank is the **answer** to banking industry's challenges



New digital technologies



Powerful new entrants



New stricter regulations



Monetary policy

**Banking industry**



**Losers**

Small to mid-sized "traditional" banks



**Possible winners**

- Large banking groups
- Big Techs

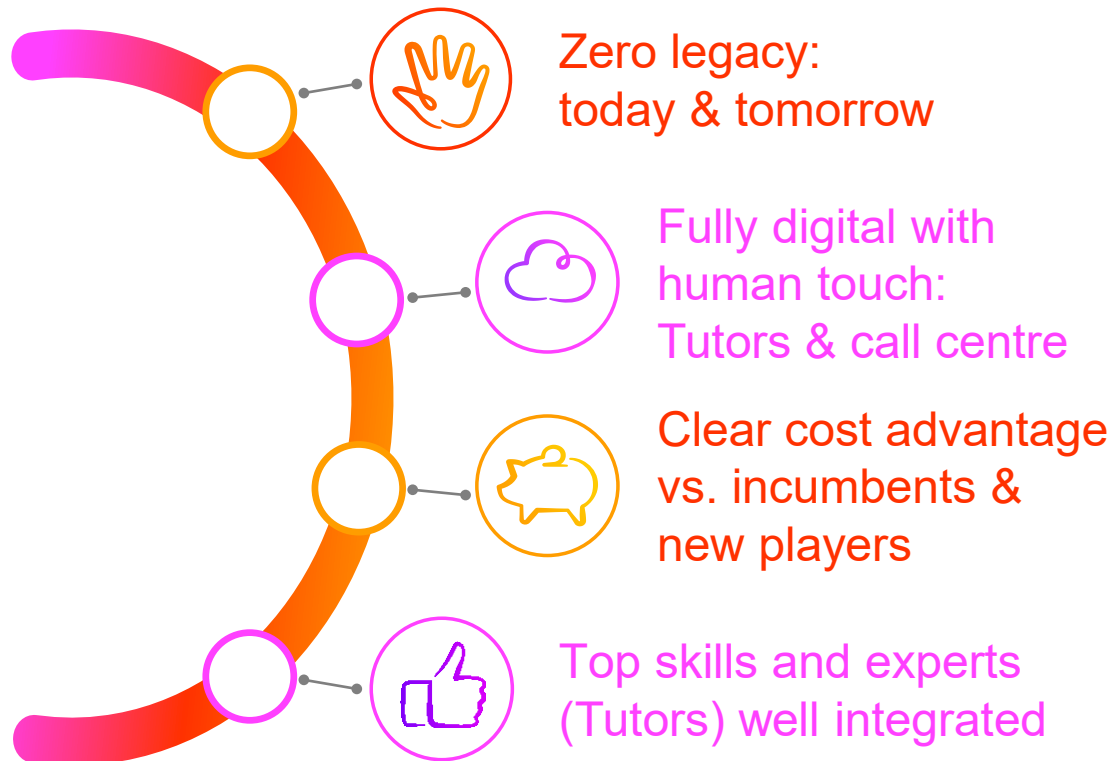


**Winners**

New paradigm banks like  illimity

# illimity **the first new paradigm bank:** specialised with an **unconventional business model**

## Sustainable competitive advantages



to become leader in 3 large underserved markets



Partner of Italian SMEs



Corporate NPL Specialist



State-of-the-art Direct Bank



# FY2018 results and Business Plan update

*Francesco Mele*, CFO & Head of Central Functions



# illimity: **new challenges fully embedded** in our Business Plan

We reacted to new challenges...



Equity withdrawal rights

- 6% of ordinary share capital (€38 mln)



Regulatory tightening

- Unsecured NPE risk-weightings<sup>1</sup>
- Prudential Backstop<sup>2</sup>



Italy sovereign risk

- Volatility in Government bond value

Focus on next slides

...with **managerial actions** & **entrepreneurial mindset**

- **Potential negative impact fully absorbed** by the buffers included in the Business Plan presented in July 2018
- **Strategically addressed** through **review** of the **business mix** towards higher secured component, also based upon the current pipeline
- **Downsizing** of Italian Government bonds portfolio held by Banca Interprovinciale with **costs fully expensed** in 2018



**Further diversification of funding mix** reducing related costs and **review of Business Plan hypotheses** based on market dynamics and actual results following the start of operations

1. European Banking Authority's (EBA) answer given in relation to Article 127 of Regulation (EU) no. 575/2013 ("CRR"); 2. European Parliament amendment to Regulation (EU) no. 575/2013 ("CRR")

 illimity: new challenges fully embedded

# EBA requirements on unsecured **NPE risk weightings**

EBA clarification on Art. 127 of Regulation (EU) no. 575/2013

On September 21, 2018 the European Banking Authority (EBA) clarified the rules to be applied by banks applying the standardised approach for the purpose of determining the Risk Weighted Assets on unsecured Non-Performing Exposures (NPEs). The EBA stated that:

- A risk weighting of 100% must be applied on secured NPEs
- A risk weighting of 150% must be applied on purchased unsecured NPEs, in line with factor applicable to unsecured NPEs with coverage below 20% - de-facto not recognising selling bank cumulated provisions and against 100% risk weighting established market practice for specialised NPE banks



Our plan embeds such rules

 illimity: new challenges fully embedded

# Prudential backstop

European Parliament amendment to Regulation (EU) no. 575/2013

January 3, 2019 – The Council of European Union submitted to the EU Parliament the proposal to amend Regulation (EU) no. 575/2013 (“CRR”):

- **Key provision of new regulation:** minimum progressive loss coverage over time, for prudential purposes only<sup>1</sup>, on non-performing exposures – the so-called **Prudential Backstop**
- All banks must comply, with **no exception for banks specialised in NPE** purchase & servicing
- **Discount to GBV** for purchased NPE explicitly qualifies as **coverage for Prudential Backstop purposes**

1. In the form of negative filter applied to regulatory capital

## A solid capitalisation is going to be even more a key competitive advantage



Potential impact is **limited** within the business plan time horizon and **manageable** in the long-run



Gradual impact means **ample room** to put in place **actions/initiatives** to **minimise** the impact



### **Solid capital base confirmed**

CET1 ratio volatility minimised by capital release driven by collection in excess of Prudential Backstop relevant coverage

# Prudential backstop

European Parliament amendment to Regulation (EU) no. 575/2013



## How will it work?

- Banks must set aside, for prudential purposes, certain minimum loss coverage ratios on their NPE exposures – Pillar I requirement
- A partial mitigating effect is that the exposures for which the backstop provision is fully applied will have no RWA weighting
- The purchase price discount is taken into account for the purposes of the calculation of the prudential backstop coverage requirement

	Unsecured	Secured by immovable assets	Secured by other assets
Year 1	0%	0%	0%
Year 2	0%	0%	0%
Year 3	35%	0%	0%
Year 4	100%	25%	25%
Year 5		35%	35%
Year 6		55%	55%
Year 7		70%	80%
Year 8		80%	100%
Year 9		85%	100%
Year 10		100%	100%



## Limited impact over the Business Plan horizon, manageable thereafter

- High vintage of purchased **NPL** implies **no expected impact within the strategic plan time horizon** and up until 2042 before all the NPL purchase would fall within the scope of the new backstop rule
- High vintage of **UTP** means an **expected gradual impact from 2023**
- The **credit cycle of the new finance** business is **shorter than the period** when the prudential backstop will start to bite – hence we foresee **no impact on this business**
- The deterioration of the **organic core business** is going to be **limited and gradual over time**

*The backstop provision will be applied to all NPEs where the exposures will be originated after the entry into force of the Regulation (expected by Apr-19)*

# Prudential Backstop **impact focus: NPL case**

Evolution of acquired NPL portion impacted by Prudential Backstop

**4 years**



from origination  
**to NPL** for the seller

- 0-2 year performing to NPE
- 2-4 year NPE to NPL

**Mid-2019**



Prudential Backstop  
rule enters into force:

- Loans originated after implementation of revised CRR<sup>1</sup> (incl. Prudential Backstop) will fall within the rule framework

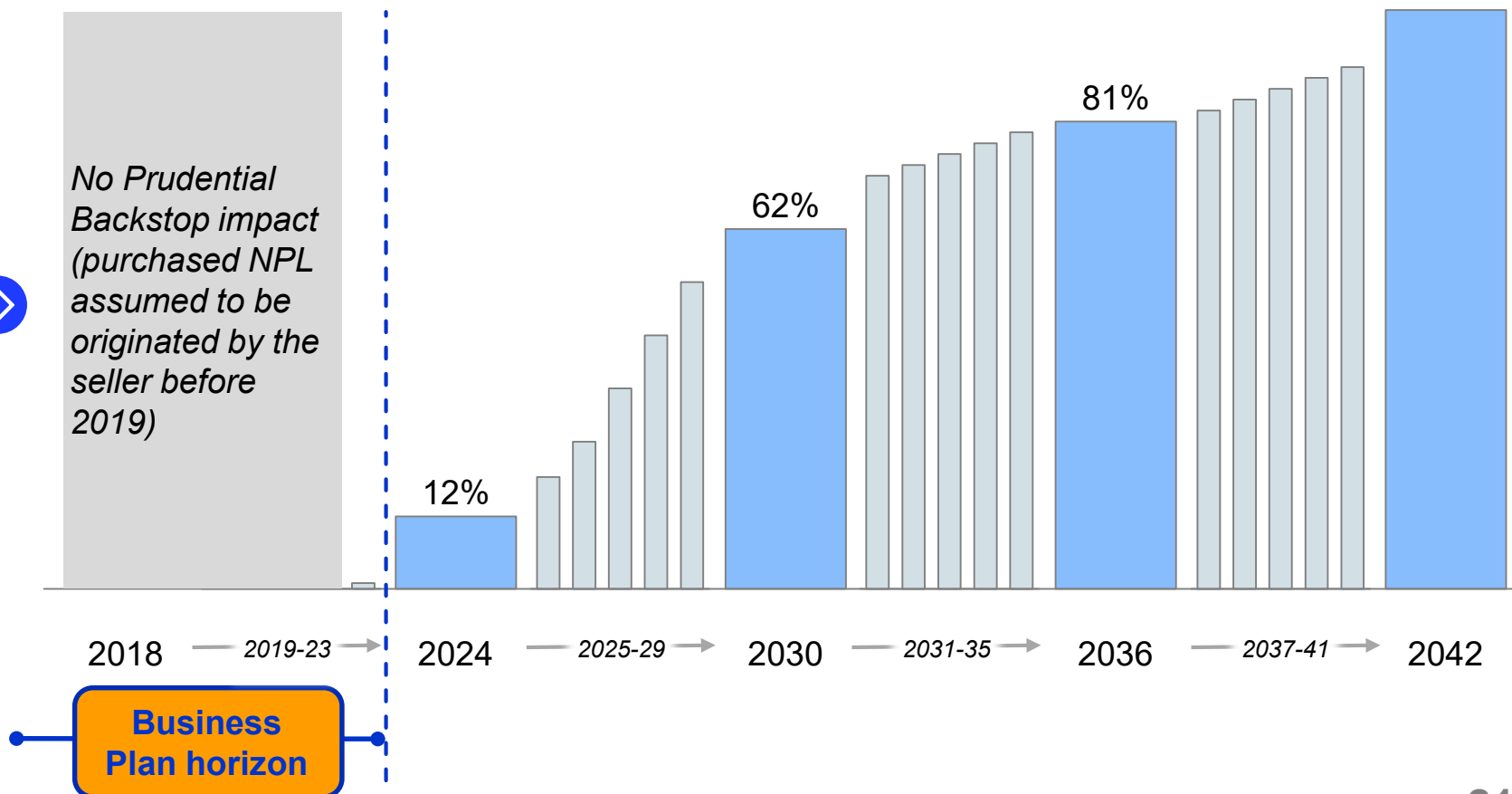
**>2023**



First year when the  
purchased NPL will  
have an impact in  
terms of prudential  
backstop



*No Prudential  
Backstop impact  
(purchased NPL  
assumed to be  
originated by the  
seller before  
2019)*

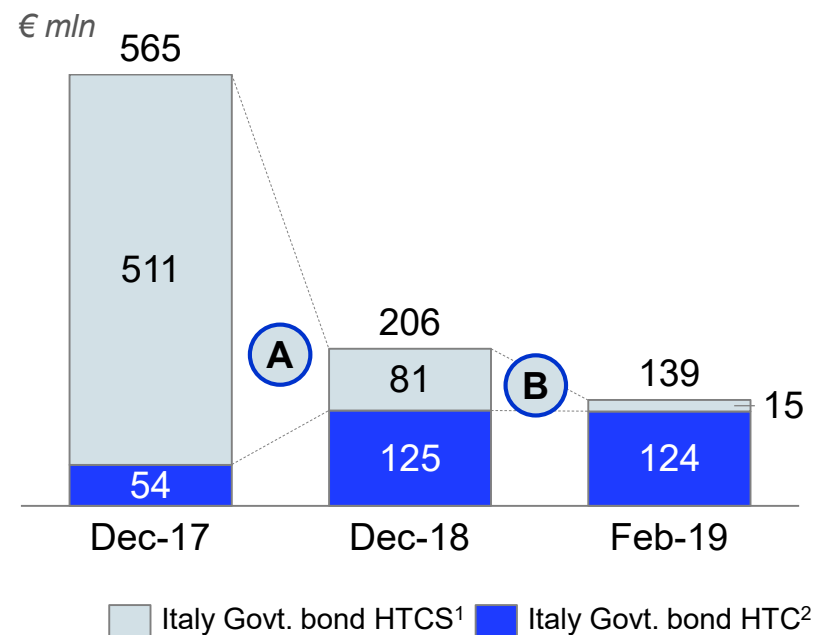


1. Regulation (EU) no. 575/2013

 illimity: new challenges fully embedded

# Italy sovereign risk: downsizing of Italian Government bond portfolio held by Banca Interprovinciale

Evolution of Italian Government bond portfolio held by Banca Interprovinciale



Note: rounded figures

Economic impact fully expensed

FY18 loss after taxes

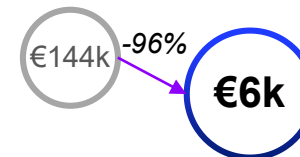


Feb-19 loss after taxes

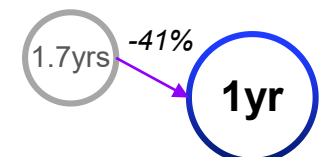


Substantial risk reduction

HTCS credit risk sensitivity<sup>3</sup>



HTCS modified duration



- Reached long-term target of Govt. bond as portion on total assets **well in advance vs. plan**
- Started diversification of financial portfolio

~ 10%

1. HTCS: Held To Collect & Sell: former AFS, this category includes financial assets measured at fair value through other comprehensive income

2. HTC: Held To Collect – financial assets measured at amortised cost

3. Credit Risk Sensitivity – CR01: the change in a bond value due to a 1bp change in credit spread

# illimity: 2018, a year of laying solid foundations



Strong liquidity and capital as a starting point to support growth in 2019 and beyond

**€566 mln**

Cash, cash equivalent & liquidity buffers (unencumbered HQLA at nominal value)

**~90%**

CET1 ratio



Launch of new businesses in 4Q-18 with solid commercial results

**€172 mln**

Net assets from new businesses as of December 31, 2018

**~€415 mln**

Business assets as of Feb-19



Initial investments in human resources and technology

**138 FTE**

End 2018

**~200 FTE**

As of Feb-19



Net loss of €23.5 mln includes the effect of start-up costs and sale of Italian Government bonds

**€2.1 mln**

Impact from de-risking of Italian Govt. bonds after Business Combination<sup>1</sup>

**~€13.6 mln**

One-off start-up costs related to Business Combination

Note: rounded figures

1. Full Year impact before tax from de-risking amounts to €15 mln (of which €2.1 mln in 4Q-19 following Business Combination)



# illimity- 2018 consolidated P&L: **start-up and de-risking costs fully expensed**

## SPAXS CONSOLIDATED P&L

	2018
€ mln	
Net interest income	5.1
Net fees and commissions	(0.0)
Net result from trading	(2.1)
Net other income/expenses	(0.1)
<b>1 Operating income</b>	<b>2.9</b>
<b>2 Operating costs</b>	<b>(25.6)</b>
<b>Operating profit</b>	<b>(22.7)</b>
Loan loss provisions	(3.3)
Other net provisions	(0.1)
<b>3 Provisions for risks and charges</b>	<b>(2.4)</b>
<b>Profit before tax</b>	<b>(28.5)</b>
Income tax	4.8
Minorities	0.1
<b>4 Net income (loss)</b>	<b>(23.5)</b>

**Scope of consolidation:** 12 months of SPAXS stand alone results and 3 months of BIP results (fully consolidated since 20 September 2018)

1

Limited revenues contribution from the €172 mln worth of new business launched in Q4-18; **effects** will **become fully visible from 1Q-19**  
Negative net result from trading due to de-risking

2

**€4 mln staff costs** for FY18 driven by headcount recruitment in 4Q-18  
**~€13.6 mln one-off costs** related to set-up and execution of the Business Combination  
Most of the other G&A costs are due to consulting and advisory

3

Includes ~€2 mln costs related to the termination of the current IT outsourcing contract in order to migrate to the target IT platform

4

Net loss resulting from €9.4 mln losses for SPAXS stand alone and BIP 3 months contribution of €13.5 mln net loss and other minor adjustments

Note: rounded figures

# illimity: entering 2019 with a **strong cash and capital** position to support future growth

## SPAXS CONSOLIDATED BALANCE SHEET

€ mln	2018
1 Cash	68
Due from banks	372
2 Loans to customers	597
- NPL I&S	138
- SME	34
- Banca Interprovinciale	312
- Financial Assets HTC <sup>1</sup>	114
Financial Assets HTCS <sup>2</sup>	108
Financial Assets at FVTPL <sup>3</sup>	29
3 Goodwill	22
Tangible and intangible assets	3
Other assets	36
<b>Total assets</b>	<b>1,235</b>
Due to banks	109
Customer deposits	454
Debt securities	81
4 Shareholders' Equity	557
Other liabilities	34
<b>Total liabilities</b>	<b>1,235</b>

1

**€440 mln cash and cash equivalent** with Central Banks and other financial institutions

Other **liquidity buffers** available for a nominal value of €126mln (High Quality Liquid Assets)

2

**€484 mln commercial loans to customers**, of which €172 mln from new businesses launched in 4Q18

3

**€21.6 mln goodwill** mostly due to the negative impact from the sale of Italian Government bond portfolio

4

**€557 mln equity** including the effect of:

- 6.2% withdrawal rights
- €23.5 mln net loss for 2018

1. HTC: Held to Collect – financial assets measured at amortised cost. €114mln represented by Italian Govt. bonds net of PPA
2. HTCS: Held To Collect & Sell: former AFS, this category includes financial assets measured at fair value through other comprehensive income. €81mln represented by Italian Govt. bonds
3. FVTPL: Fair Value Through Profit or Loss

Note: rounded figures

# illimity: key 2020 & 2023 targets



## Key Balance Sheet and P&L items

		2020	2023
<b>Balance Sheet</b> (€ bn)	Total assets	3.5 - 4.3	6.6
	Equity	0.6 - 0.7	1.1
	RWA	3.4 - 4.0	6.5
<hr/>			
<b>P&amp;L</b> (€ mln)	Total revenues	250 - 310	675
	Operating costs	(110 - 140)	(160)
	Loan Loss Provisions	(50 - 63)	(95)
	<b>Net profit</b>	<b>55 - 70</b>	<b>280</b>

Note: rounded figures

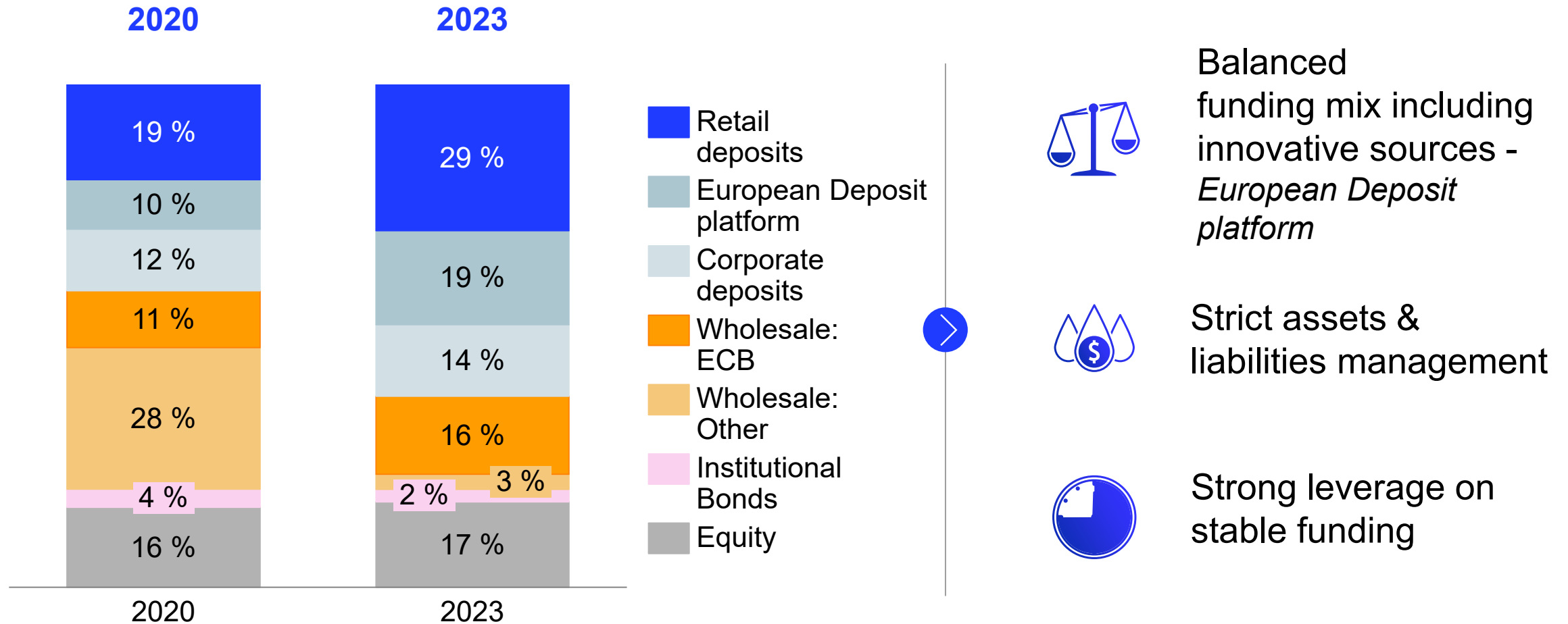


## Main KPIs

	2020	2023
Cost Income	<50%	<30%
ROE	9 - 10%	25%
Cost of Risk (bps)	185 - 225	170
Gross organic NPE ratio <sup>1</sup>	5 - 7%	7%
CET1 ratio	>15%	>15%
Dividends	-	€70 mln
Yearly Payout ratio	-	25%

1. Ratio of gross NPE to total gross loans to customers from invoice lending, cross-over, new finance, BIP and senior financing to non-bank NPL investors - thus excluding UTP loans purchased as part of the restructuring and refinancing business

# illimity: a well balanced and diversified funding mix



Note: rounded figures

# SME Division

*Enrico Fagioli*



# illimity: **specialist partner of Italian SMEs.** Innovative approach based on Tutors & technologies



Dedicated  
approach

## Tutors

- **Professionals combining industrial and financial competence** to support SMEs in finding appropriate financing solutions and generate opportunities

## Advanced technologies

- Proprietary tools to perform a **deep data analysis** based on big data and artificial intelligence



High-value  
products &  
services

## Turnaround

- Purchase single name **UTP loans** where we see potential for restructuring, often combining **new finance and refinancing opportunities**

## Cross-over & Acquisition Finance

- Lending to **performing SMEs** with **sub-optimal financial structure, low rating or no rating**
- Financing corporates and Private Equity funds pursuing **M&A opportunities**

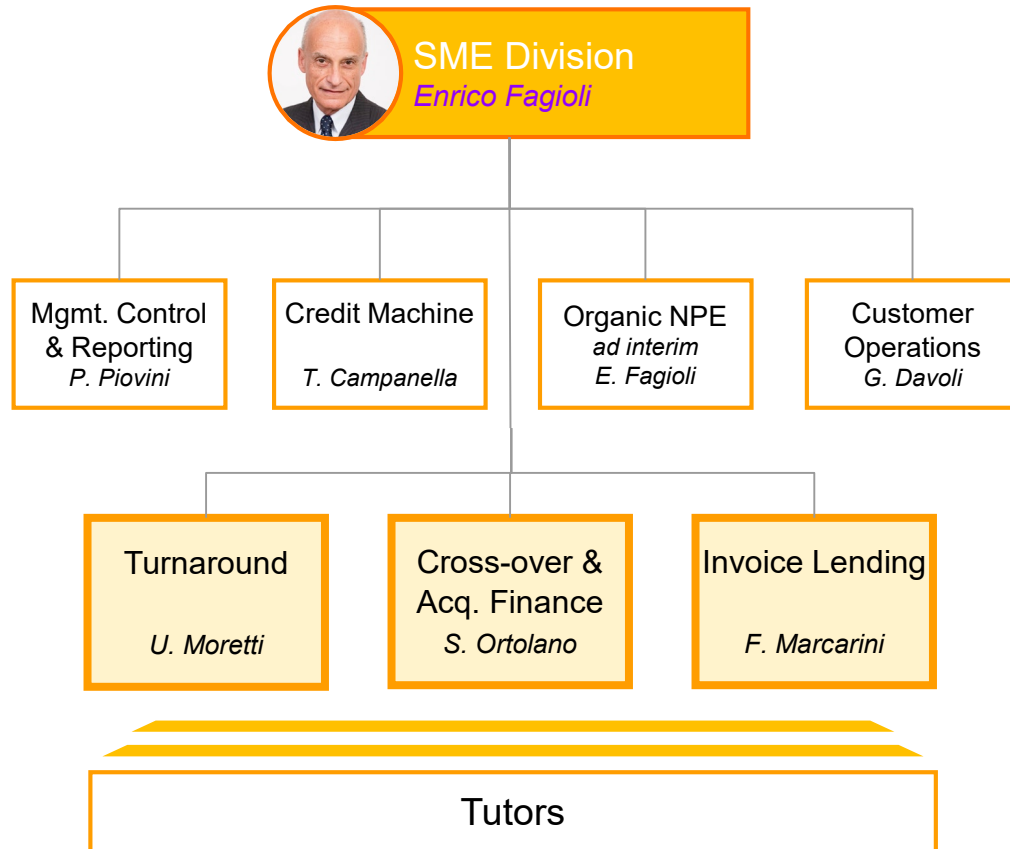
## Invoice Lending

- Invoice lending offered via **digital platform** with focus on **companies part of industrial districts** ("filiera")
- Leverage for **effective asset-based funding**

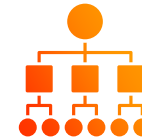


Specialist  
partner of  
Italian SMEs

# Organisation chart completed



## Main achievements



- **Second line of management** on board with 57 FTEs



- **First 8 Tutors** focusing on the industries<sup>1</sup> representing Italian excellence, who already generated new business



- **BIP integration** well on track

# Up & running with plenty of opportunities

- **97 deals** analysed for ~€1 bn nominal value
- **51 deals** currently under evaluation worth >€600 mln
- 37 deals declined worth €300 mln
- 4 deals to be executed shortly

**5 deals executed**



## Turnaround

- ✓ 3 Turnaround deals

**€75 mln**

Deals' amount



## Cross-over & Acq. Finance

- ✓ 2 Cross-over and Acquisition Finance deals executed

**€176 mln**

New deals & BIP SME lending portfolio<sup>1</sup>

**+** ~€30 mln in 4 deals to be executed shortly



## Invoice Lending

- ✓ Partnership with  CREDIMI on digital invoice lending active since Dec-18

**~€30 mln**

Invoice lending commitment / plafond approved

Note: rounded figures

1. Total BIP portfolio NBV €312 mln (o/w ~€150 mln consumer loans, residential mortgage loans, small business and other exposures)



# Balance Sheet, P&L and KPI targets



The **operating leverage** and **return profile** of Turnaround business (with earn-out/PIK at the end of the loan life-cycle)...

		2020	2023
<b>Balance Sheet</b> (€ bn)	Turnaround	0.6 - 0.7	1.2
	Cross-over & Acq. Finance <sup>1</sup>	0.3 - 0.4	0.8
	Invoice Lending	~ 0.3	1.3
	<b>Net customer loans</b>	<b>1.2 - 1.4</b>	<b>3.3</b>

<b>P&amp;L</b> (€ mln)	Total revenues	100 - 120	385
	Operating costs	(30 - 35)	(55)
	Loan loss provisions	(50 - 60)	(90)
	<b>Net profit</b>	<b>10 - 15</b>	<b>160</b>



...will lead to **high efficiency and profitability** even with conservative Cost of Risk assumptions

	2020	2023
Gross organic NPE ratio <sup>2</sup>	5 - 7%	8%
Organic Cost of Risk <sup>3</sup> (bps)	220 - 270	170
Cost Income	30%	14%
ROE	5 - 8%	27%
No. of Tutors	~ 25	35
No. of FTEs <i>excl. Tutors</i>	125 - 145	145

Note: rounded figures

1. Including BIP; 2. Ratio of gross NPE to total gross loans to customers from invoice lending, cross-over, new finance and BIP - thus excluding UTP loans purchased as part of the restructuring and refinancing business; 3. Ratio of loan loss provisions of each year to average total net loans to customers of each year from invoice lending, cross-over, new finance and BIP - thus excluding UTP loans purchased as part of the restructuring and refinancing business

# Focus: KPIs by business

**Target 2023**



## Turnaround

- High-yield business
- Compelling risk-reward profile
- Requires an integrated set of skills
- Tutors are a key source of competitive advantage vs. traditional banks

Cumulated NBV investments 2018-23

**~ €2.8 bn**

	IRR	Danger rate
Refinancing	7-10%	10-15%
Restructuring	10-20%	~ 20%
New Finance	8-13%	~ 20%



## Cross-over & Acq. Finance

- A huge, underserved market
- Diversified business, suitable for securitisation
- Credit machine key to ensure speed and adequate asset quality

Cumulated NBV origination 2018-23

**€1.6 bn**

IRR	Cost of risk
<b>&gt;5%</b>	<b>~150 bps</b>



## Invoice Lending

- Low-risk and efficient business from funding perspectives
- Instrumental for cross-selling of other SME products
- Risk transfer solutions under evaluation to enhance the risk-reward profile

Outstanding target 2023

**€1.3 bn**

*with yearly turnover ~4x*

Asset yield	Cost of risk
<b>~3.5%</b>	<b>~100 bps</b>



## Current pipeline and next steps



### Pipeline of ~ €680 mln NBV

- Turnaround: evaluating 16 deals for potential ~ €180 mln
- Cross-over & Acq. Finance: analysing 35 deals for an amount of ~ €420 mln
- Invoice Lending: analysing ~ €80 mln commitment



### Building data-based credit scoring

- Integration of credit scoring machine based on advanced AI and Machine Learning tools to support credit under-writing and monitoring



### Recruiting talents

- Building up skills covering business development, relationship management and data science
- Planned up to 10 Tutors fully operational in 2019

# NPL I&S Division

*Andrea Clamer*



# illimity is becoming a **leading player** in the Italian **corporate NPL** sector



## **Investment**

**Acquisition** of secured and unsecured NPL portfolios & single names



## **Senior Financing**

**Financing solutions** to NPL non-bank investors, creating synergies with data collection for the entire NPL I&S Division



## **Servicing**

Servicing captive and 3<sup>rd</sup> parties corporate NPL portfolios

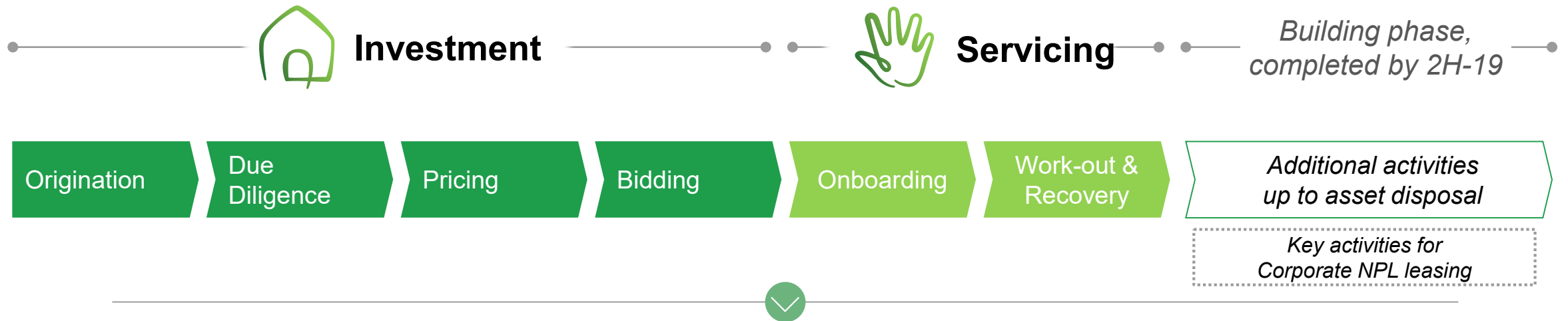


**Use of Big Data and Advanced Analytics** across the entire NPL value chain as a source of competitive advantage



**Focus on  
next slide**

# Distinctive business model **covering the entire NPL value chain**



**Integration of skills along entire value chain leveraging data-driven tools allows**



**Lower costs**



Development of  
internal **know-how**

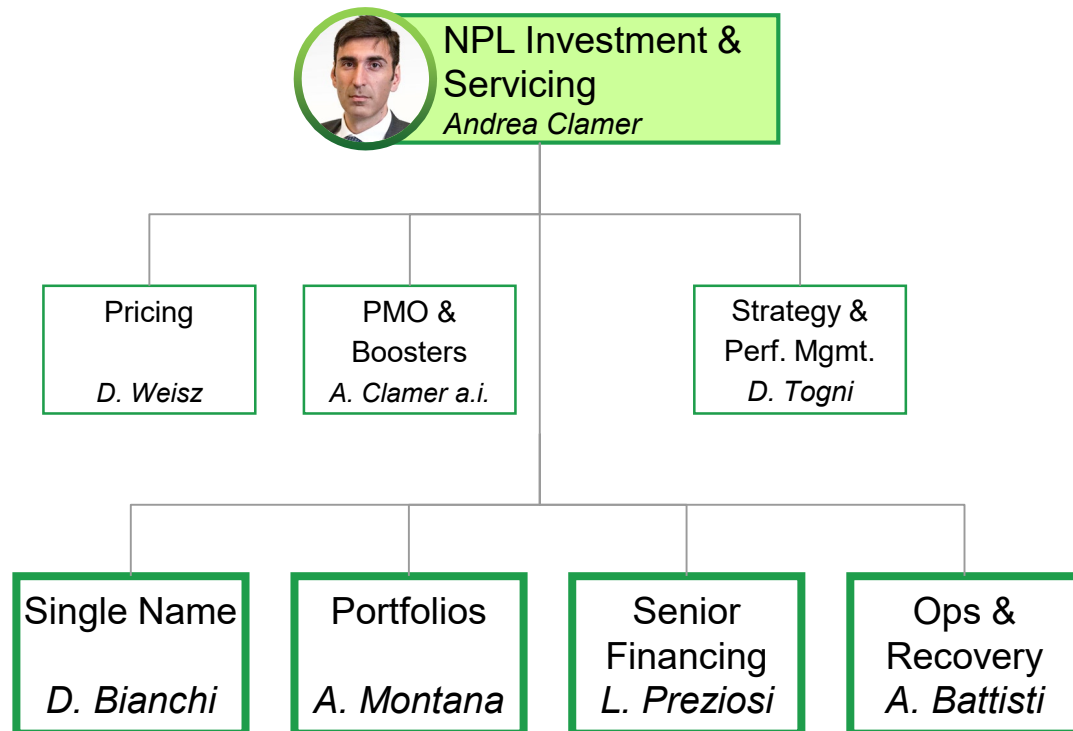


Faster collection &  
**higher recovery**



**Advantage in  
bidding (pricing)**

# Organisation chart completed



## Main achievements



- First and second line of NPL Investment team **fully operational** with 20 dedicated FTEs



- Servicing unit has **already started operations** with 25 resources engaged in a few months  
*(to be acquired and integrated by 2H-19, subject to Bank of Italy authorisation)*

# Up & running



## Investment

- NPL portfolios purchase worth ~ €1.2 bn GBV, mostly corporate and already generating collection
- Acquired portfolios' Cash on Cash (CoC) multiples and IRR higher than Business Plan assumptions
- Actual collections above pricing expectation

NPL portfolio  
Investment

€97  
mln

1.75x  
Cash  
on Cash  
multiple

ERC

~€170  
mln

+

+ ~ €15 mln signed today  
+ further ~ €26 mln  
to be executed shortly



## Senior Financing

- Market more buoyant than expected
- 1 Senior Financing deal to NPL investors closed for ~ €1.2 bn underlying GBV NPL portfolio

€51  
mln

Financing  
amount (NBV)

+ further ~ €82 mln  
to be executed shortly



## Servicing

- Servicing unit obtained license ex art. 115
- IT platform already implemented and operative
- Acting today as "special servicer" through securitisation structure for the notes underwritten by the bank

~€580  
mln

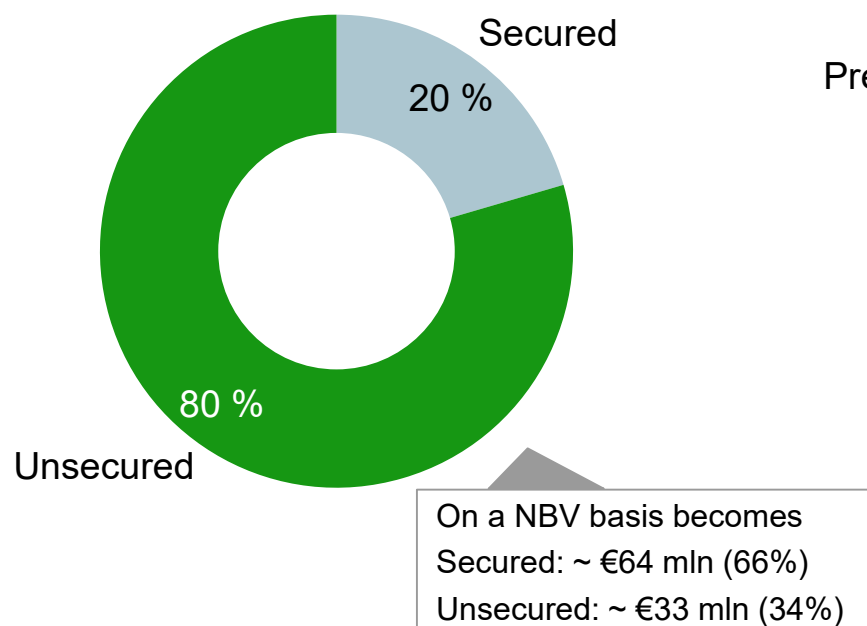
GBV under  
management



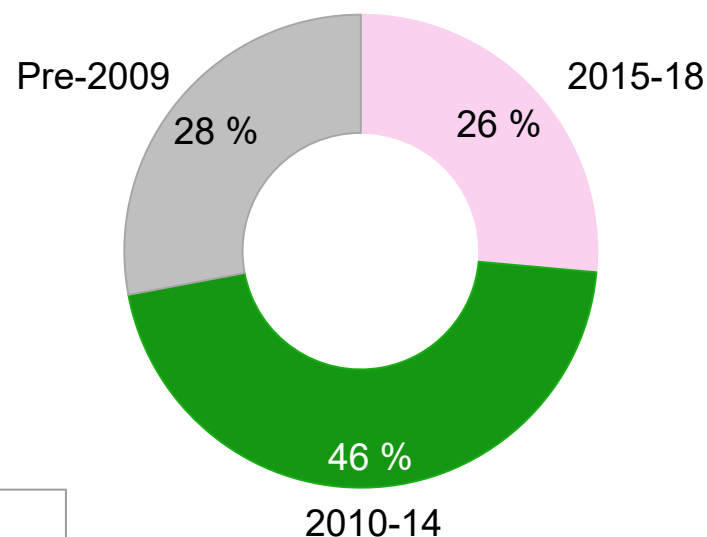
# Acquired NPL portfolios: GBV breakdown

€1.18 bn GBV

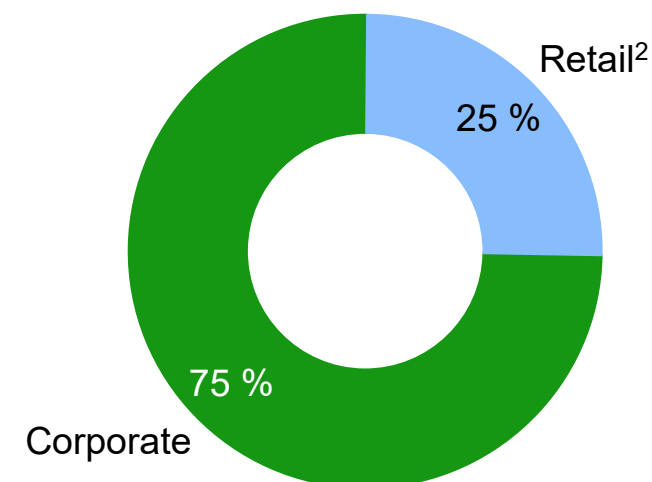
By type of guarantee



By vintage<sup>1</sup>



By type of borrower



Note: rounded figures

1. Year of classification as a NPL by the seller; 2. Strategically non-core

# Balance Sheet, P&L and KPI targets



**Ambitious deployment** to be achieved with solid **internal skills**...



...generating a **highly efficient and profitable** business

		2020	2023
<b>Assets</b> (€ bn)	NPL investments	1.7 - 2.0	2.3
	Senior Financing	0.1 - 0.2	0.3
	<b>Total assets</b>	<b>1.8 - 2.2</b>	<b>2.6</b>
<b>P&amp;L</b> (€ mln)	Total revenues	130 - 160	245
	Operating costs	(55 - 68)	(70)
	<b>Net profit</b>	<b>45 - 55</b>	<b>115</b>

	2020	2023
ROE	14 - 15%	23%
Cost Income	43%	30%

## Servicing unit P&L on a stand-alone basis

Total revenues	19 - 23	65
- o/w on captive AUM	13 - 16	35
- o/w on non-captive AUM	6 - 7	30
Operating costs	(18 - 23)	(36)

# Focus: KPIs by business

## Targets 2018-23

  
**Investment**

**€3  
bn**

Cumulated  
2018-23 NPL  
purchase

	<u>Secured</u>	<u>Unsecured</u>	
<i>Cum. GBV</i>	€5 bn	€11 bn	<i>Target Gross IRR</i>
<i>Price (% of GBV)</i>	30 - 40%	5 - 10%	8-12%
<i>CoC multiple</i>	1.6x	1.7 - 1.8x	

  
**Senior  
Financing**

**€0.9  
bn**

Cumulated  
2018-23  
origination

- Asset spread ~4.0%

  
**Servicing**

**€11  
bn**

2023 AUM  
(GBV) target

- ~ 45% EBIT margin target 2023
- Up to ~ 160 FTEs by 2023 to build internal skills and the structure covering the entire servicing value chain

# Current pipeline & next steps



## Investment

- 1 NPL portfolio purchase under closing for a total GBV of ~ €85 mln
- €2 bn GBV pipeline of NPL portfolios currently under evaluation



## Senior Financing

- 1 Senior Financing deal under closing for a total NBV amount of ~82 mln
- 4 Senior Financing deals currently under evaluation for a total NBV amount of ~ €125 mln



## Servicing

- 3<sup>rd</sup> party NPL management platform operational by 2H-19
- Servicing unit GBV under management for a total amount of ~ €1 bn expected by 1H-19

# Direct Bank

*Carlo Panella*



# illimity: **Direct Bank ready by 2Q-19**

Our Direct Bank designed  
around **our customers**



Households



SMEs &  
Corporates



**Partner to all  
our business**



**Best-in-market  
solution**



Be the key channel to serve  
our customers



Attract stable retail and  
SME's deposits



Enhance  illimity  
brand equity



**Simplicity + completeness**



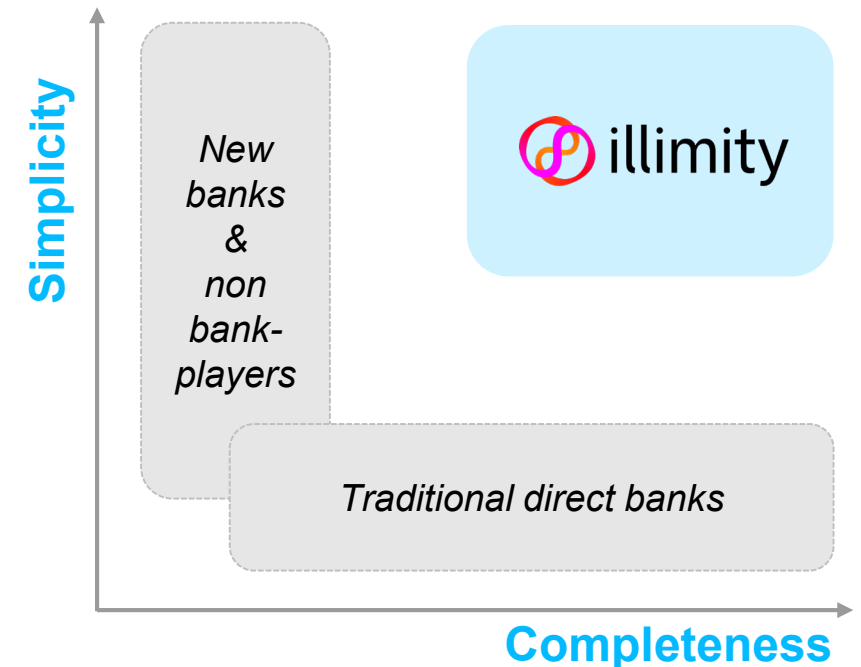
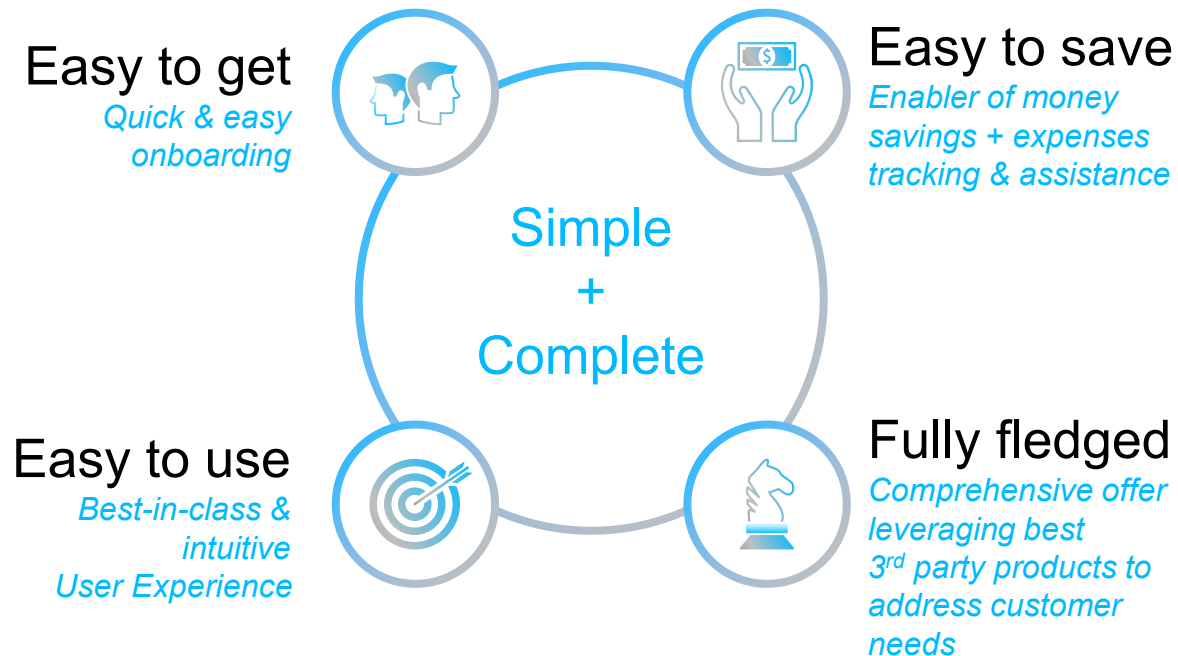
**Technology + human touch**

# Combine simplicity + completeness to build a competitive advantage vs. all market players

Select best practices from different markets...



...gaining a **new & unique positioning**



# A **state-of-the-art Direct Bank** combining **technology** with **human touch**

## Built on 4 technology pillars

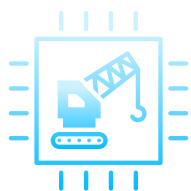


Open by  
design

Products

Customers

Solutions



Natively  
fully digital

Paperless

Fast

Process centric



Data driven

CRM

Profiling

Customer journey



Leading edge  
experience

Non bank UX

Search engine

Predict behaviour



## Based on **value-to-customers**



Human  
touch

Our customers will be supported not only by distinctive technology but also by a best-in-class customer centre supporting at every stage of our relationship



# Making this real: our community is helping us to anticipate needs and prototyping solutions



Unique asset...



...to design our Direct Bank



**~ 20,000  
people focus  
group**



Testing of features



Opinions driving decisions



Pricing strategy of products



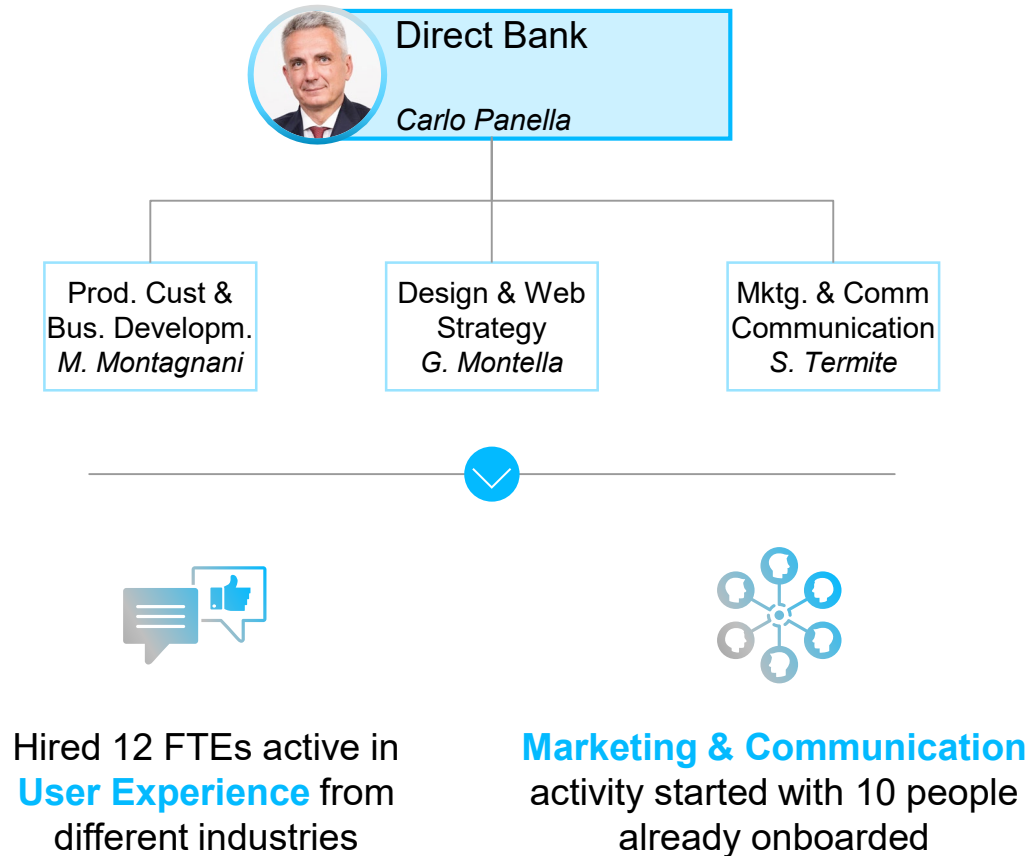
Development of engagement

**Co-design**



**Future  
Ambassadors**

# Organisation chart completed



## Main achievements



### Commercial launch

- Defined **product offer** & features
- Built product **architecture** & **User Experience**
- Designed **onboarding** process
- Launched **Customer Centre**



### AI-enabled IT architecture

- Started IT systems configuration
- Almost completed **IT architecture** & **platform**
- Embedded **Fintech solutions** and **AI** engine for retail

# Balance Sheet, P&L and KPI targets



Attract and retain stable and **high-quality deposits**...



...with a **conservative marketing plan** and a **human touch**

## Balance Sheet (€ bn)



Sight deposits  
Term deposits

	2020	2023
Sight deposits	~0.1	0.2
Term deposits	0.6 - 0.7	1.7

Italian Platform



Term deposits

	2020	2023
Term deposits	0.3 - 0.5	1.2

European Deposit Platform

**Total retail deposits 1.0 - 1.2 3.1**

## P&L (€ mln)

Total revenues	19 - 23	48
<i>o/w Net Interest Income</i>	16 - 19	33
<i>o/w Fees</i>	3 - 4	15
Operating costs	(27 - 33)	(40)
<b>Net profit/(Loss)</b>	<b>(5 - 7)</b>	<b>5</b>

Italian platform  
Customer base

	2020	2023
Italian platform Customer base	~ 75,000	> 200,000

Cumulative marketing expenses 2018-23

← ~ €50 mln →



## Direct Bank: Next steps



Launching of Direct Bank  
Platform and Customer Centre  
by 2Q-19



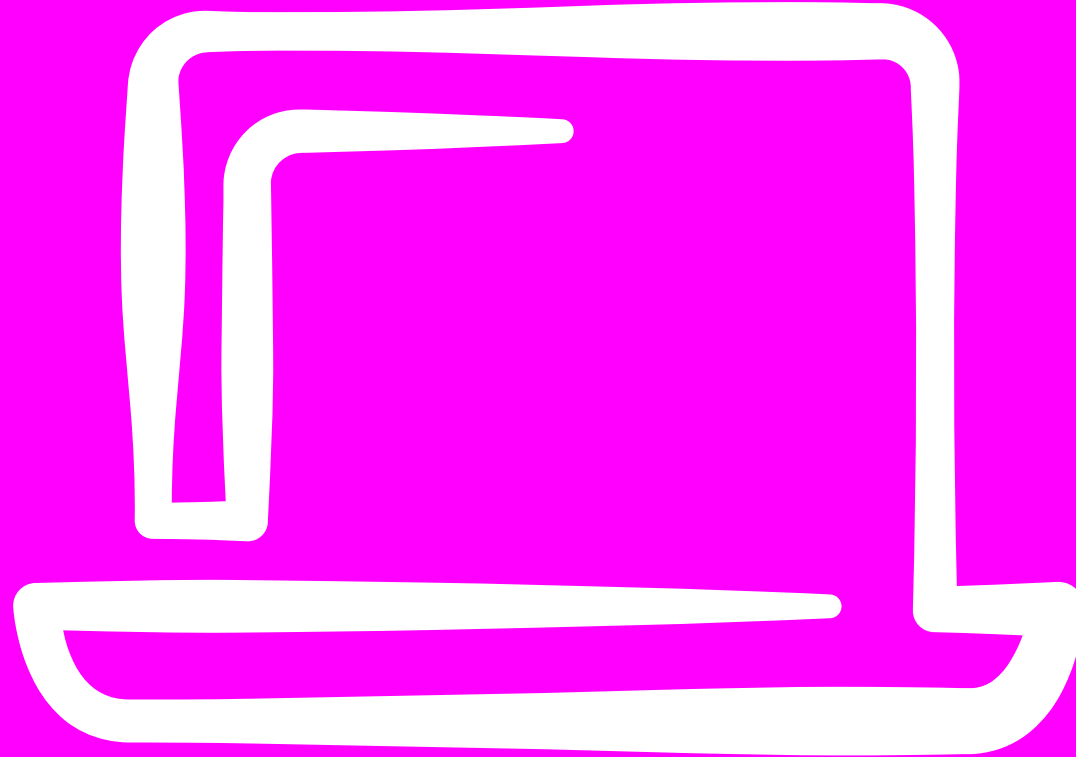
Launching of 1st customers  
acquisition campaign by 3Q-19



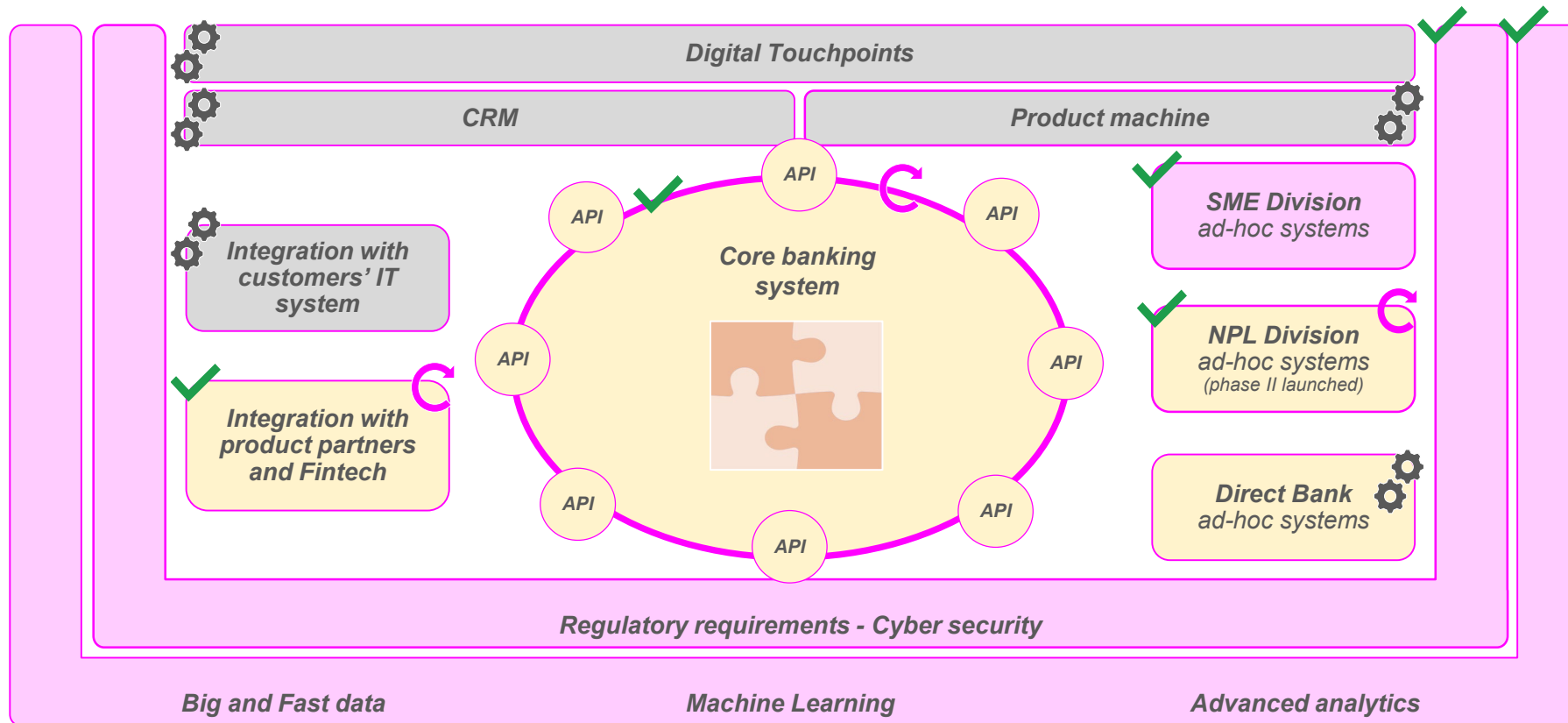
Complete 3rd party product offering  
by 3Q-19

# Digital Operations

*Carlo Panella*



# IT Architecture ready – Half way through building a fully **modular system** minimising time-to-market & costs



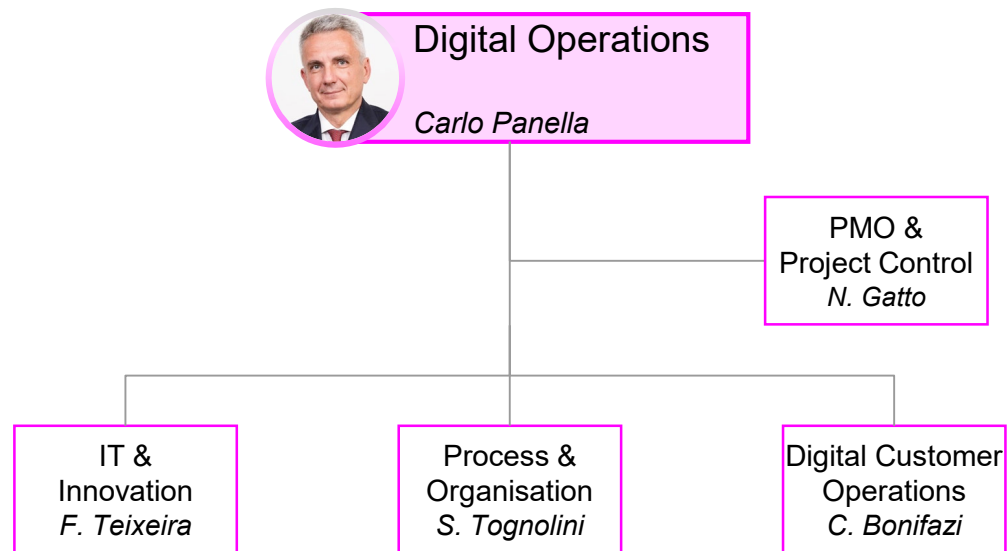
## **Main modules run**

- ✓ **Data Lake**: running
- ✓ **API Layer**: running
- ✓ **NPL**: running, phase 2 started
- ✓ **Invoice lending**: running, phase 2 deployed by 3Q-19

## **All remaining modules are under development**

- ✓ Deployments planned by 2Q-19 until to 4Q-19

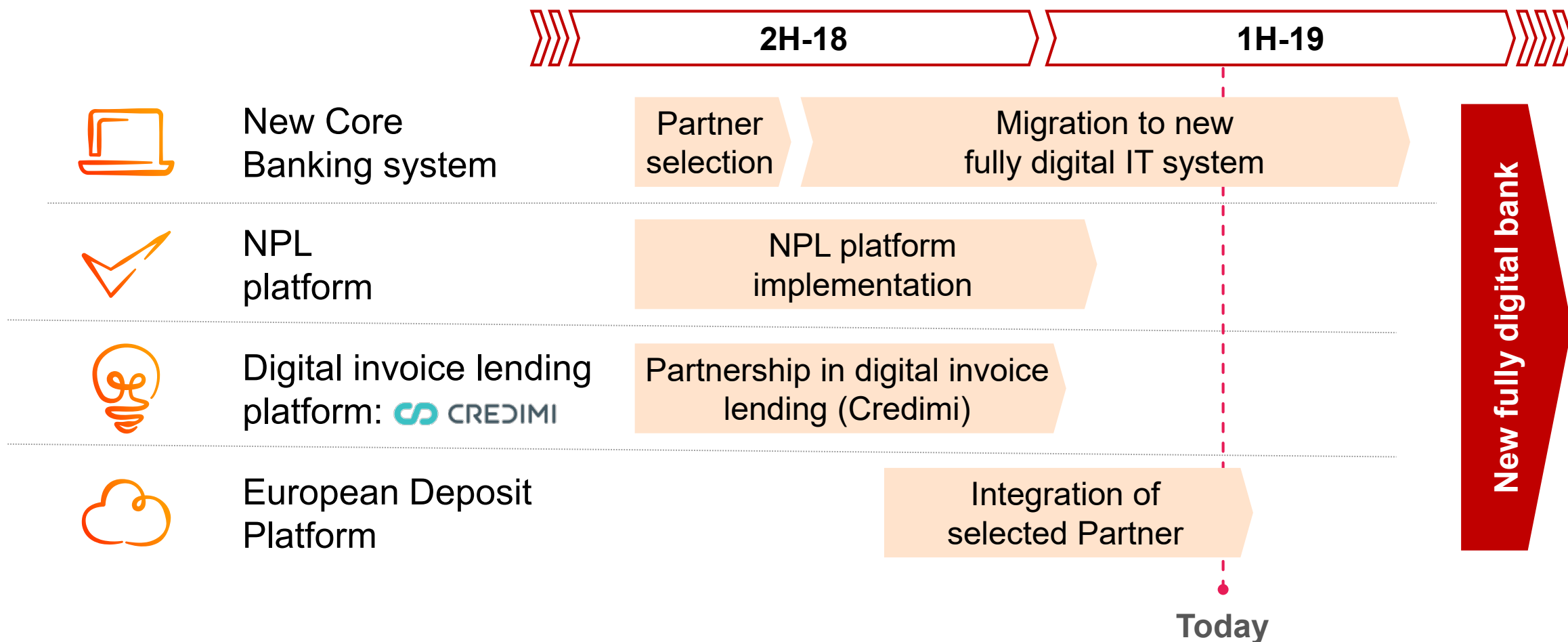
# Organisation chart completed



## Key achievements

- IT department fully operational with 25 FTEs onboarded
- Customer Centre engaged and operational
- New Digital operating model set-up (front to back processes)

# illimity digital platform **well on track**





# Conclusions

*Corrado Passera*, CEO



illimity

BANCA OLTRE LA FORMA

# illimity: **low execution risk** confirmed



**Favourable market dynamics** and several **countercyclical business lines**



**Strong competitive advantages**

- Top banking skills & industrial experiences (Tutors)
- State-of-the art technology
- Deep data “credit factory”
- Low & flexible operating costs
- Low cost of capital vs. non-banks



**Several conservative assumptions** in the BP figures

- Conservative cost of risk forecasts
- Boosters not factored in



**BP implementation fully on track**

- Digital bank by 2Q-19
- Speed of capital deployment in line



**Market & regulatory challenges** already embedded in the BP

 illimity: we will **share our progress with you**



**We will report  
on  
a quarterly  
basis**



**Our results**



**Our KPIs**



**Our strategic progress**



**Silvia Benzi**  
***Head of Investor Relations & Strategic Planning***  
Mobile: +39 349 7846537 - +44 7741 464948  
Email: [silvia.benzi@illimity.com](mailto:silvia.benzi@illimity.com)



# Disclaimer (1/2)

- This document (the “Document”) has been prepared by and is the sole responsibility of illimity Bank S.p.A. (the “Company”) solely for information purposes. In accessing the Document you agree to be bound by the following terms and conditions. A limited number of copies have been made and these are strictly reserved for the person to whom they are addressed: for this reason the information contained in the Document is confidential and must not be used, in whole or in part, or disclosed to third parties or copied, distributed, transmitted or reproduced.
- The Document is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of, or located in, any locality, state, country or other jurisdiction where such distribution or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction. The Document is not for publication, release or distribution in the United States, Australia, Canada or Japan or in any jurisdiction where it is unlawful to do so. The release or distribution of the Document or access to this document in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the laws of any such other jurisdiction.
- The information and data contained in the Document are not intended and do not constitute in any way investment advice or a solicitation to purchase securities, nor is it an offer or invitation or promotional message for the purchase, sale or underwriting by any person in any jurisdiction or country where such activity is contrary to law or regulation, except where there are exemptions that apply under related law.
- The terms, data and information contained in the Document are subject to revision and update; the Company and its consultants assume no responsibility to communicate, in advance or subsequently, should such revisions and updates become necessary or opportune nor for any damages that may result from improper use of the information (including communications of revisions and updates) included in the Document. Within the limits of law, the Company, its corporate executives, managers, employees, and consultants make no statement, give no guarantee or assume any responsibility, express or implied, regarding the accuracy, the adequacy, completeness and up to date nature of the information contained in the Document nor regarding any eventual errors, omissions, inaccuracies or oversights contained herein. The Document does not attempt to describe all terms and conditions that will pertain to the proposed transaction nor does it set forth the specific phrasing to be used in the documentation.
- The securities referred to herein (the “Securities”) have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any state of the United States or any other jurisdiction and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.
- This Document does not constitute or form part of, and should not be construed as an offer or the solicitation of an offer to subscribe for or purchase the Securities, and nothing contained therein shall form the basis of or be relied on in connection with any contract, commitment or investment decision in relation thereto whatsoever, nor does it constitute a prospectus relating to the Securities or a recommendation by the Company or any of the Company's advisers and/or agents regarding the Securities.
- It is recommended that any eventual investment decision regarding an investment be based on the formal documents prepared by the Company as part of the transaction which may contain information different from those included in the Document and on audit from the investors own independent, professional financial and tax advisers.
- No representation, warranty or undertaking, express or implied, is made or given by the Company or any of its affiliates, parent or subsidiary undertakings, directors, officers, advisers, agents or employees or any other person as to, and no reliance should be placed on, the fairness, adequacy, accuracy, truthfulness, reasonableness, completeness or correctness of the Document or the opinions contained therein. The Document has not been independently verified and will not be updated. No responsibility or liability whatsoever (whether arising in tort, contract or otherwise) is accepted by the Company or any of its affiliates, parent or subsidiary undertakings, directors, officers advisers, agents or employees, or any other person for any loss howsoever arising, directly or indirectly, from any use of the Document or opinions contained therein or otherwise arising in connection therewith. The Document, including but not limited to forward-looking statements, applies only as of the date of this document and is not intended to give any assurances as to future results. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to the Document, including any financial data or forward-looking statements, and will not publicly release any revisions it may make to the Document that may result from any change in the Company's expectations, any change in events, conditions or circumstances on which these forward-looking statements are based, or other events or circumstances arising after the date of this document. Market data used in the Document not attributed to a specific source are estimates of the Company and have not been independently verified.
- Any expected return is not guaranteed and is based on data shown in Euro. The Document may contain “forward-looking” information which is based upon certain assumptions about future events or conditions and is intended only to illustrate hypothetical results under those assumptions (not all of which are specified herein). Such forward looking statements include all matters that are not historical facts. Forward-looking statements give the Company's intentions, beliefs or current expectations concerning, amongst other things, the Company's financial condition, liquidity, prospects, growth, strategies and the industry in which it operates. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These statements may include, without limitation, any statements preceded by, followed by or including words such as “target,” “believe,” “expect,” “aim,” “intend,” “may,” “anticipate,” “estimate,” “plan,” “project,” “will,” “can have,” “likely,” “should,” “would,” “could” and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the Company's actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which it will operate in the future.
- Actual events or conditions are unlikely to be consistent with, and may differ materially from, those assumed. In addition, not all relevant events or conditions may have been considered in developing such assumptions. Accordingly, actual results will vary and the variations may be material. Prospective investors should understand such assumptions and evaluate whether they are appropriate for their purposes. Any data on past performance, modeling, scenario analysis or back-testing contained herein is no indication as to future performance. No representation is made as to the reasonableness of the assumptions made within or the accuracy or completeness of any modeling, scenario analysis or back-testing; for investors resident in EC countries that are not part of the Eurozone these returns can increase or decrease due to exchange rate movements.

## Disclaimer (2/2)

- The tax consequences of an investment depend on the individual circumstances of each investor and may be subject to change in the future; therefore, the present document may not be considered to have been prepared in order to offer an opinion, legal advice or tax opinion regarding the possible tax consequences of the transaction. Every prospective investor is advised to evaluate any potential investment in the transaction on the basis of independent accounting, fiscal and legal advice and should also obtain from their own financial advisors analyses of the adequacy of the transaction, the risks, the protection and the cash flows associated with the transaction, insofar as such analyses are appropriate for ascertaining the risks and merits of the transaction.*
- Prospective investors must rely on their own evaluation that a potential investment in the transaction described herein does not contravene the laws and regulations of the country of residence of the investor and must also be responsible for obtaining any necessary prior authorization required to make the investment.*
- Certain industry and market data contained in this Document has come from third party sources. Third party industry publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. While the Company believes that each of these publications, studies and surveys has been prepared by a reputable source, neither the Company nor its respective affiliates has independently verified the data contained therein. In addition, certain of the industry and market data contained in this document comes from the Company's own internal research and estimates based on the knowledge and experience of the Company's management in the market in which the Company operates. While the Company believes that such research and estimates are reasonable and reliable, they, and their underlying methodology and assumptions, have not been verified by any independent source for accuracy or completeness and are subject to change without notice. Accordingly, no reliance should be placed on any of the industry or market data contained in the information. By receiving this document and attending the presentation, you are certifying that (a) if you are in the European Economic Area, you are a "Qualified Investor"; (b) if you are in the United Kingdom, you are a "Relevant Person"; (c) you are not located in a jurisdiction where it is unlawful to do so and (d) you acknowledge and agree to the limitations and conditions set forth herein.*
- Acceptance of delivery of the Document by the recipient constitutes acceptance of the terms and conditions set out in this Disclaimer.*
- Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("MiFID II"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "MiFID II Product Governance Requirements"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the ordinary shares and the conditional share rights of Illimity Bank S.p.A. (the "Securities") have been subject to a product approval process, which has determined that such Securities are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "Target Market Assessment").*
- Notwithstanding the Target Market Assessment, Distributors should note that: the price of the Securities may decline and investors could lose all or part of their investment; the Securities offer no guaranteed income and no capital protection and an investment in the Securities is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Manufacturers will only procure investors who meet the criteria of professional clients and eligible counterparties.*
- For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Securities.*
- Each distributor is responsible for undertaking its own target market assessment in respect of the Securities and determining appropriate distribution channels.*
- By accepting or accessing this Document, you shall be deemed to have represented and warranted that (i) you have read and agreed to comply with the foregoing limitations and restrictions, (ii) you are able to receive this presentation without contravention of any applicable legal or regulatory restrictions, (iii) if you are in a member state of the European Economic Area (other than the United Kingdom), you are a Qualified Investor; (iv) if you are in the United Kingdom, you are a Relevant Person; (v) if you are in Italy, you are an Italian Qualified Investor; and (vi) you acknowledge that you understand that there are legal and regulatory sanctions attached to the misuse, disclosure or improper circulation of this document.*
- This document includes industry and market data pertaining to Company's business and markets. Such information is based on the Company's analysis of multiple sources such as industry publications and surveys, industry reports prepared by consultants, internal surveys and customer feedback. The market, economic and industry data have primarily been derived and extrapolated from reports provided by third parties. In addition, certain statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to Company's business and markets in this document are not based on published data obtained from independent third parties or extrapolations therefrom, but rather are based upon analysis, which are in turn based upon multiple third party sources.*
- All figures and numbers included in this document are rounded.*
- Pursuant to Article 154-bis, paragraph 2, of the Legislative Decree no. 58/1998 (Unified Financial Act), the Financial Reporting Officer, Mr. Sergio Fagioli, declares that the accounting information contained in this Document corresponds to the document results, books and accounting records.**