illimity Bank S.p.A.

4Q22 & FY22 Results Conference Call

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MODERATORS: CORRADO PASSERA, CHIEF EXECUTIVE OFFICER

SILVIA BENZI, CHIEF FINANCIAL OFFICER

Corrado Passera – CEO

Good morning and thank you for joining us.

This presentation marks our fourth year of operation.

4 years ago, there was practically no illimity, then we started lending and investing, soon we broke even, then we grew to a team of 900 people and to a pre tax profit of more than 100 million euro.

We achieved all of this in just 4 years and under circumstances not always easy.

We are proud of what we have done in 4 short years.

We have tangibly proven that we are highly capable of continuing high growth together with high profitability, while continuing – at the same time – investing for the future.

Let's go now through the presentation:

- First, I will focus on the main trends and key highlights, as well as the outlook we see in front of us.
- Then, Silvia, our CFO, will provide more detail on Q4 and the fiscal year 2022

In the appendix, you will find the usual further information on each business division. This information will be used during the Q&A section, also by the division leaders, who are here with me.

Moving straight to the results on slide 2

Slide 2 – 4Q22 best quarter ever

As planned, we confirm a *very nice* acceleration trend in the second part of the year both in volumes and profitability.

- New business origination more than doubled qoq to over 660mln euro, making this quarter the strongest quarter of the year.
- Operating income advanced 22% on the previous quarter driven by an increase in Net Interest Income and net fees, which grew 40% qoq and is expected to further increase in 2023.
- Net profit went up 29% qoq, to almost 25mln euro, confirming the typical seasonality pattern of illimity's earning stream. Highest quarterly net profit ever.

Slide 3

Slide 3 – FY22: Improving profitability combined with excellent asset quality and solidity

Overall, 2022 was yet another year of steadily improving results from any point of view:

- The guidance was met, reporting a profit before tax slightly above 100mln euro (up 25% yoy) and 75.3mln euro net profit, up 15% yoy, with a ROE of approximately 9%.
- Loans and investments grew significantly, up 37% yoy, reaching 3.8bln euro.
- Risk profile remained very low with the gross organic NPE ratio of the business generated by illimity at 1,8%. Among the best in class.
- CET1 ratio came in at 15.8% with a buffer of more than 660bps on top of our SREP requirements.
- A liquidity buffer, that will support growth, sits at approximately 600mln euro

Slide 4

Slide 4 –– Remarkable combination of growth and profit trends with investments for the future

Our trends since inception, despite the challenges, demonstrate a remarkable combination of growth and profit.

On top of all of this, we also managed to keep investing for the future:

- We launched 3 tech initiatives that will further add to the value of our Group
- In 2022 we completed the development of our unique new generation IT system and
- we completed the building of our central and control functions, that are now ready to ramp up the Group

Growth, profit and strategic investments all together is a combination of strengths, not often found in the new world of financial services.

Moving now to our main ESG achievements on slide 5

Slide 5 – Forerunner in ESG commitment

At illimity we follow the motto: "Make profit and be useful". Sustainability has always been at the forefront of all our strategies. ESG values and targets are embedded in our processes and governance rules.

The evidence of our results is visible in the huge number of rating improvements we received this year. On this slide, you can see only few of our achievements:

- We are already carbon neutral in Scope 1 and Scope 2.
- We are Gender Equality certified and Best Workplace in Europe
- And in addition, we launched the illimity Foundation supporting urban regeneration projects

Our targets, for the coming years, in all ESG areas are very ambitious: these targets will keep us at the forefront.

Moving now to our core businesses and starting with the excellent results of our SME businesses.

Slide 6

Slide 6 – Excellent results in SME businesses

SME business results come from both our Growth credit division and our Investment Banking division. I want to highlight here that also the Imvestment banking division, which started its activity during 2021, is already a well-recognized player in the SME market.

Overall, we reported exceptional growth in both volumes and profitability:

- Net customer loans increased by more than 50% to 2.2bn euro yoy underpinned by strong business origination in all areas of activity: growth, acquisition and turnaround financing and factoring.
- Operating leverage gains are very visible with Cost/Income further improved to 27%
- Pre-tax profit up by 79% to 61mln euro yoy driven by significant acceleration in both divisions.

There is no doubt that the SME market has huge potential with more than 750bn stock of performing loans at system level and it offers a number of very attractive segments open to exploit for a specialised bank, like us.

Moving to slide 7

Slide 7 - Growth Credit: Excellent asset quality in SMEs lending business

Our prudent and disciplined approach won us outstanding asset quality despite a more difficult environment than expected.

- The gross organic NPE ratio of the originated business since inception is still very low at 1.8% (0.5% excluding loans with public guarantees). The role of industry experts, the Tutors, here is crucial.
- About 55% of the stock to SMEs is backed by public guarantees or insured.
- Stage 2 loans represent only 3% of the outstanding loan book

In addition, our loan book is highly diversified across more than 30 economic sectors, none of them with a concentration higher than 10% of the total Growth Credit book.

Slide 8

Slide 8 – Solid Results in Distressed Credit Investment business

Now, looking to our Distressed Credit Division that includes three different businesses all enjoying relevant synergies, but with very different economics, cost/income ratios and equity consumption:

- the investment business, here on this slide,
- the servicing business we incorporated in ArecNeprix and
- the real estate brokerage business we incorporated in Abilio/Quimmo.

On this slide, we can see the very solid results of the investment business:

- Business origination was very strong up 61% on 2021 and totaling 562mln euro.
- Profit before tax of a huge 123mln euro, proves continual high profitability, which doesn't include any revaluation based on models.
- Operations remain very lean, with cost income ratio at 29%.
- Cumulated cash flow amounted to 156mln euro demonstrating a continuous overperformance on our initial business plans.

The DC investment business has strong growth potential also given the large amount of Stage 2 loans at system level that are expected to follow, at least partially, the worsening climate.

Slide 9

Slide 9 – Distressed Credit: Prudent valuation criteria

We are often asked about the impact of the new scenario on our distressed credit investment portfolio, and we always respond confidently thanks to our asset mix and our very prudent pricing models. We expect to maintain our position.

- 79% of our total investment is secured, with high real estate collateral type diversification.
- Our net book value of 700 million euro is backed by the judicial value of our real estate collaterals of almost 1bln euro and 1.5bln euro of open market value. Meaning, we have a buffer of more than double the net book value, against the possible further deterioration of macro-economic environment.
- And on top of all of this, the average duration of our distressed credit portfolio is above 2 years, meaning that even if there were a short-term real estate market correction, the bulk of our portfolio would have the necessary time to be properly valorised.

Let’s look now at our servicing business and at the newly merged ArecNeprix on slide 10

Slide 10 – Servicing business accelerating and evolving through the acquisition of AREC

During 2022, we significantly strengthened our position in the servicing business through the acquisition of AREC. This decision has made us the 3rd largest player in Italy in the corporate UTP management industry.

In terms of figures, we report:

- Total assets under management equal to approximately 10bln euro.
- Pro-forma revenue amounts to 34.7mln, with an EBITDA margin of 33% and a pre-tax profit of 11.4 mln euro.

This strategic maneuver has given us a very valuable scalable model, with significant economies of scale expected and a more specialised approach to large ticket real estate asset management.

I'd like to go ahead now and highlight the strategy behind our three tech initiatives, starting on slide 11.

Slide 11 - Tech initiatives set to create high value for illimity

In addition to gaining very satisfactory results from our two core businesses, we launched three innovative tech initiatives that will all create substantial value for our shareholders:

- b-ilty
- Quimmo and
- Hype

Over the last two years we wisely invested a fraction of our profits (a pre-tax profit impact of close to 20mln in 2022) to these initiatives in order to exploit, even further, the opportunities of the ongoing digital transformation in the banking industry.

These initiatives are now fully operational, we expect them to reduce their negative contribution to P&L significantly already in 2023, and to become increasingly profitable from 2024.

They will accelerate new equity creation for the illimity Group also through strategic partnership. As we all know, the true value of these kinds of assets is only partially based on the short-term bottom line.

Slide 12

Slide 12 – b-ilty is the first fully fledged digital bank for small corporates

Starting with b-ilty. We invested in b-ilty to capitalise on the untapped small corporate market and on our skills in SME lending and data technologies.

Nowadays *many* traditional banks have forgotten about this market. In Italy alone, there are 1 *million* underserved small corporates, and we see no other competitor in sight taking a similar approach.

b-ilty, a first in Italy, and certainly among the first in Europe, is a fully-fledged digital bank, designed specifically for small corporates.

The deliberate delay launching this initiative, ensured we refined the AI credit machine to the perfect level of effectiveness.

The digital services b-ilty offers are already more comprehensive than any other competitor, but will get progressively broader and broader.

Not only are all products available 24-7, but every customer enjoys personalised care, direct from their own personal account manager.

This innovative initiative joins much needed digital innovation with invaluable expert human interaction and support.

Now onto Quimmo on slide 13

Slide 13 – Quimmo is already a leading brokerage proptech in Italy

Quimmo, our prop tech, is another worthy investment and is already the leader in the real estate digital brokerage for the judicial market.

- Assets under management are equal to 2.2bn, with approximately 90% from non-captive business.
- Growth potential can be seen not only in the judicial market, but also on the larger free market.

Quimmo, unlike most of our competitors, has been profitable since before 2022. Despite investing this year's margins to enter the free market, we still closed FY2022 close to breakeven.

Quimmo will grow independently and we will continue to look for innovative ways to accelerate growth: partnerships will be an effective way to do so.
Slide 14

Slide 14 – Hype: Top retail finech in Italy

Hype is already the fintech market leader in Italy for retail clients, and one of the biggest in Europe for numbers.

We jointly own it with the Sella Group and over the last two years we invested primarily in structure and technology

Hype reports the following results:

- A customer base of 1.7mln up 11% yoy, with 22% paying subscriptions
- Transaction numbers increased to 103mln by 36% yoy
- A positive contribution margin since Q4 21
- A breakeven expectation date of 2024

Less than a month ago, we proudly welcomed Hype's new CEO; Giuseppe Virgone: one of the most highly regarded top managers in the payment world. His objective now is to accelerate and enrich Hype's ambitious development projects.

Turning back now to illimity as a Group.

It is only through innovative technologies and entrepreneurial spirit that a bank can continually come up with ways of capturing market opportunities and turning them into profitability and solid growth.

These two elements are our distinctive strengths, and we think of them as competitive advantages.

Let me explain more on slide 15.

Slide 15 – Strong competitive advantage in technology

We know technology will reshape the banking industry, and machine learning with AI technology opportunities are potentially enormous. Considering this, we strategically developed an innovative, unique - legacy free - new generation IT architecture.

When we say "new generation IT architecture" we mean:

- Fully digital, centered on data
- Fully modular, reducing integration costs by orders of magnitude: the opposite of mainframe based systems which need endless and costly interventions.
- Cloud native with elaboration power and a level of cybersecurity that traditionally only mega banks can enjoy. With a fraction of traditional systems capex and opex.

The significant investment is well behind us, and we are now starting to reap the rewards of such innovation in operational efficiency and effective decision-making processes.

Moving on to entrepreneurship: I'm talking about us, the illimiters!

Slide 16 – The illimiters: experience, talent and diversity fosters innovation

Illimity was founded and is now lead by a group of entrepreneurial top managers with very relevant experiences.

The almost 900 team members bring to illimity an incredibly high level of diversity: more than 20 industries and even more nationalities. They survived a pandemic, a war and serious inflation and they always found new opportunities.

We will keep devoting a lot of effort to attract and retain top talents and to develop each illimiter's potential, because we know that the quality and the motivation of people will become even more crucial in the foreseeable future.

And now, what we expect for 2023 and beyond, our outlook.

Slide 17

Slide 17 – Key pillars of our strategy and business model confirmed

Our strategy is re-confirmed and we will continue to:

- Focus on the most attractive segments in both SME and Corporate Distressed markets.
- Work dynamically, by optimising the use of capital and funding also through the best use of our SGR, which is developing rapidly: the two present funds will become at least four by the end of 2023.
- We will take our three tech initiatives to full deployment
- We will defend our technological edge by applying the best data and AI technologies to all our activities
- We will keep investing in the illimiters
- Distinguish ourselves even further in terms of our ESG responsibility

And lastly, as we have always done, we will keep the right balance between short and mid-term targets.

Moving to my last slide, slide 18

Slide 18 – Outlook 2023

You are certainly going to ask me if we are reconfirming not only our strategic trajectory, but also the Business Plan targets we set almost two years ago in Spring 2021.

Most assumptions have been profoundly affected by the enormous disruptions the world has faced. Geopolitical and macroeconomic uncertainties are probably there to stay, at least for the short term, therefore, the guidance we can provide today must necessarily be very prudent.

Even so, we feel confident to deliver a good Net Profit of 100 million euro in 2023 and 200 million in 2025.

To reflect our commitment to going beyond the guidance I just gave you for 2023, our top management rewarding scheme kicks-in only above a Net Profit of 100 million.

Now Silvia will go into more in detail on our full year 2022 results

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Silvia Benzi – CFO

Thank you, Corrado, and good morning, everyone.

Our 4Q results were solid, driven by accelerating business origination in the last part of the year, which is a very common characteristic of our business.

Let’s move straight ahead to the Balance Sheet figures on slide 20.

Slide 20 – Steady Balance sheet growth driven by interest-earning assets

In the last part of 2022, our balance sheet continued to grow, driven by the interest-earning assets component, while maintaining a strong liquidity position of around 600 mln euro.

Net customer loans increased further in 4Q by 14%, bringing the annual growth to a strong 37%.

The advance in volumes was mainly driven by the Growth credit division, with all business lines contributing to the trend.

Distressed Credit loans and investments grew by a solid 18% over the year, as business origination outpaced repayments, collections and disposals.

On top of this, the Investment banking division also posted significant volume growth.

Our financial portfolio gradually increased over the year, driven by investments in the hold-to-collect strategy, to take advantage of the rates environment.

Switching to liabilities. Financing sources also expanded in the last quarter driven by both retail and wholesale funding, thus keeping a good diversification.

Moving to Profit & Loss on slide 21.

Slide 21 – Strong increase in overall profitability

Net interest income progressed by a strong 22% yoy and 10% qoq, benefitting from core business volume growth that more than compensated for the slight increase recorded in cost of funding in the last part of the quarter, following a hike in interest rates.

Commissions significantly up 73% yoy and 40% qoq, driven by:

- strong business origination in our core businesses
- an acceleration in third-party servicing mandates
- further progression of the Investment Banking division
- and increasing activity at illimity SGR.

Profits from closed positions rebounded in 4Q, following a seasonally soft 3Q, and confirming to be a significant contributor to illimity’s revenue.

Operating costs increased by 21% yoy due to sizeable new hirings, investments to complete operational structure and launch of new businesses.

The increase in 4Q was related to both seasonality of low 3Q and business growth in the last part of the year.

Loan loss provisions include generic provisions on the loans originated and some analytical impairments, partly mitigated by the release of provisions on large repayments.

Finally, in the quarter we booked a 6.4 mln euro value adjustment on the distressed credit portfolio. This is the result of periodical business plan reviews on existing positions, and reflects a prudent approach in view of the expected macroeconomic slowdown.

As a note, the net result of €24.7mln in 4Q includes Hype's pro-rata negative results of 7.3mln euro.

Let's now have a look at segment reporting on slide 22

Slide 22 – Core businesses drive profitability

From this quarter, our segment reporting will change, in order to give more visibility to b-ilty and to the CIO division that includes our IT and digital operations, along with the open banking platform illimitybank.com.

Let me go through our divisional trends.

Distressed Credit remains the largest profit contributor. Revenue of 210mln euro is up 6% yoy, and accounts for approximately 65% of the group's total. Operations remain *very* lean with a pre-tax profit at €119mln, up 4% yoy.

Growth Credit: Revenue from the Growth Credit division represents today 23% of the total for the group, and it accelerated significantly in 2022, up 50% yoy, showing visible operating leverage gains. The pre-tax profit stood at €54mln up 61% yoy.

Investment Banking recorded a €7.8mln pre-tax profit, a very satisfactory result. Profitability is already excellent with a cost income ratio of 38% for the year.

Altogether, the SME business made up of Growth Credit and Investment Banking generated a combined pre tax profit of 61.4mln euro, up 79% yoy.

b-ilty. As you know, b-ilty is one of illimity's most important projects. 2022 was the set-up year of this initiative, and posted a 10.4 mln euro negative pre-tax result.

Our asset management company has posted some profit in 2022, thanks to the additional closing of the UTP fund, and the Real Estate fund launched in Q3. We are working on 2 new funds, which we plan to present in the next few months.

The CIO division shows a limited negative pre-tax result of nearly 13 mln euro in 2022, despite the investments and running costs related to our unique IT system and our digital retail banking platform illimitybank.com.

Finally, Corporate Centre came in with a negative pre-tax result of 56.7mln euro, of which 42.7mln euro of operating costs, 7.3mln euro related to the pro-rata net loss of Hype, and 6.7mln euro related to system charges paid in 2022. The headquarter set-up and control functions are now largely completed, and from 2023 these costs will be highly scalable.

Slide 23 – Solid KPIs

Let's have a look at our KPIs on slide 23.

First - Cost income. In 2022 it was affected by establishing our new tech initiatives, in particular Bilty and Quimmo. If we strip them out, our cost income ratio for the year would be around 52%. From 2023, our operating leverage will become increasingly visible, as our new initiatives build stronger revenue-generation power.

Second – Asset quality. As Corrado already showed us, it is very solid. In 2022 we experienced very limited deterioration of our loan book. The gross organic NPE ratio of the portfolio originated by illimity at the end of 2022 is 1.4% (or 2.6% including Banca Interprovinciale's legacy portfolio).

A resilient book, coupled with a high proportion of guaranteed or insured loans, supported a low cost of risk that in 2022 stood at 30bps.

And thirdly – Capital ratios that are very solid. Looking at them in more detail on slide 24.

Slide 24 – Robust CET1 Ratio at 15.8%

As a result of strong business origination, RWA increased by 18% in 4Q – while the density remained stable at just below 70%.

Higher RWA drove our CET1 ratio to 15.8% on a phased-in basis and 15.3% fully loaded - more than 660bps buffer on SREP requirement.

CET1 capital printed a 3% growth in the fourth quarter, mostly driven by internal capital generation.

Total capital ratio was 20.4% phased-in and 19.9% fully loaded.

Our CET1 ratio at end 2022 includes dividend accrual at a 20% pay-out ratio, as in 2022 we will start paying a dividend according to our Plan.

Let's move to our funding, on slide 25

Slide 25 – Accelerating funding plan to support business momentum

Total funding increased by 23% qoq, in support of the strong business momentum and also to fund, in advance, some of 2023's funding needs, in anticipation of a higher rates environment.

We used all sources of funding to keep a well-diversified mix.

The retail component amounted to €2.5bn, a little less than 50% of total funding. The stock grew by 9% in 4Q, driven by our successful campaign on illimitybank.com platform, that focused specifically on long term maturity.

The wholesale funding component also increased, posting 61% growth on Q3 thanks to the issuance of 3-year senior bonds for 300mln euro in December.

Following the interest rate hike in the last part of the year, which affected in particular the wholesale funding component, our cost of funding edged up to 2.1% in the month of December, bringing the blended average cost of funding for the full year to 1.7%.

And, finally, the outlook for 2023. Slide 26

Slide 26 – profit guidance for 2023

As for the 2023 guidance, taking into account the uncertainties related to the macro-economic environment, illimity is well positioned to seize new opportunities thanks to its distinctive business model.

Volume progression will be a key profit driver in 2023.

We expect revenue will continue growing at a sustained pace. We project a double-digit net interest income progression, more than compensating for the expected increase in cost of funding. Combined with continual expansion in net fees and solid other income streams.

Operating costs are expected to grow at a decelerating pace compared to the growth posted in 2022. The peak of investments in digitalisation is largely completed. Our operational and technology platforms are reaching their optimal sizing and from 2023 will become highly scalable.

We therefore expect operating leverage at group level to become clearly visible in 2023.

These dynamics are set to benefit also from the evolution of economic performance of the three tech initiatives – b-ilty, Quimmo and Hype – for which a contribution to the Group's pre-tax result is expected to improve significantly from 2022.

Given the perspective macroeconomic slowdown, there will also be some challenges. We expect cost of risk to increase in 2023, albeit remain well below the level initially projected in our Strategic Plan, also thanks to the conservative mix of SME lending, with a high proportion of loans guaranteed or insured.

All in all, we consider 100 mln euro a reasonable assumption of our results in 2023 in light of the difficult scenario and without assuming any new initiatives or inorganic strategies.

Finally, we expect results in 2023 to follow the same pattern seen in 2022, with profit generation in the second half much stronger than in the first half driven by seasonality in business origination.

I now hand back to Corrado, so we can begin the Q&A.