



illimity 3Q19 Results

November 11, 2019

Key highlights

Corrado Passera, CEO



illimity - **All strategic milestones met**



Money: raised already all the equity needed to fund the plan



People: team on board (~330 people from 120 different companies)



IT infrastructure: fully digital, modular, in cloud IT systems tested and operational



Volumes: positive trajectory in line with plan



Break even is on the horizon



illimity - The first Italian “New Paradigm Bank”

Strong sustainable competitive advantages



No legacy – now or in the future



Fully digital – with **human touch**



Fully on cloud and capable to integrate **fintech solutions**

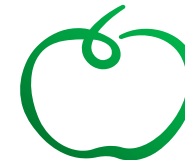


Significant and sustainable **cost advantages**

Focused on large, profitable, underserved markets



SME specialist

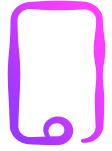


Corporate NPL specialist



State-of-the-art **digital banking**

illimity - 3Q19 **in full sail**



Successful launch of ***illimitybank.com***



Accelerated **business momentum**



3Q19 net **economic result** in line with plan



New strategic initiative in 3Q19:  **illimity SGR** to boost our Turnaround business

illimity - Business plan targets affirmed

		2020	2023
	Total Assets	€3.5 – 4.3 bn	€6.6 bn
	Net Profit	€55 – 70 mln	€280 mln
	ROE	9 – 10%	25%
	CET1 ratio	>15%	>15%

Note: rounded figures.

illimity - Business origination in line with target

Data in €mln
Customer loans where not otherwise stated
Non accounting figures



**SME
Division**



**NPL I&S
Division**



**Cross-over & Acq.
Fin.**



Turnaround



Factoring



NPL Investments



Senior Financing



Servicing⁽⁸⁾

AUM (GBV/Managed assets)

	A	B	C	A+B+C	Target 2020
	Originated Business ⁽¹⁾ inception to date (October 31, 2019)	Terms agreed ⁽²⁾ to be signed	Advanced pipeline ⁽³⁾	Total	
	~1,506	~279	~616	~2,401	~3,000-3,500
	296 ⁽⁴⁾	~92	~80	~468 ⁽⁴⁾	~300
	134 ⁽⁵⁾	~29	~163	~326	600-700
	48 T/O 157⁽⁶⁾	~120	~86 ⁽⁷⁾	~254	~300
	670	~16	~254	~940	1,700-2,000
	358	~22	~33	~413	100-200
	~6,000	~55	~2,600	~8,655	5,100-6,300

Note: (1) Non accounting figures. This aggregate includes both the SME loans granted/purchased and the NPL investments booked in the period already income-producing, and the value of the deals signed but yet to be booked, owing to a settlement structure based on multiple tranches or to a time lag between the signing of the master agreement and the date of loan disbursement/onboarding. This aggregate additionally includes part of the net loans to existing customers of Banca Interprovinciale, due to their features considered consistent with illimity's SME segment for about €101mln; (2) Deals in final stage of the formalization of the agreement/contractual terms; (3) Specific business opportunities for which the bank envisages there is a reasonable expectation to close the transactions in the forthcoming months; (4) Including BIP Core SME loans for about €101mln; (5) It also includes financial instruments, such as quasi-equity instruments, which are included in the balance sheet item "20. c) Other financial assets mandatorily at fair value" for accounting purposes; (6) Turnover related to Factoring (7) Credit line to be granted; (8) The AUM of the servicing unit includes the gross book value of NPL purchased and the value of property & capital goods managed by IT Auction

3Q19 Financial review

Francesco Mele, CFO & Head of Central Functions



illimity - **Accelerating economic trajectory in 3Q19**



Further acceleration in **commercial momentum** in 3Q19



Significant revenue step-up in 3Q19 and further to come in 4Q19 on the back of the originated business



Costs affected by expenses in connection with the **digital direct bank launch**



Diversification and **extension** in maturity of **funding sources**

illimity - Total assets reaching ~€2bn

Amounts in million of euro

	Reclassified Balance sheet	31.03.2019	30.06.2019	30.09.2019	% change 30.09/30.06.2019
1	Cash and cash equivalent	171	42	110	161%
	Due from banks	137	123	271	121%
2	Customer loans	516	775	1,255	62%
	- NPL investments	109	158	488	209%
	- NPL senior financing	50	241	334	38%
	- SME ¹	219	247	320	30%
	- Non-core former Banca Interprovinciale	139	129	113	-12%
3	Financial assets Held To Collect (HTC) ²	114	103	103	0%
	Financial assets Held To Collect & Sell (HTCS) ³	78	90	92	2%
	Financial assets measured at FVTPL ⁴	17	17	10	-44%
	Goodwill	22	22	22	0%
	Intangible assets	6	9	15	69%
	Other assets	60	72	78	8%
	Total assets	1,120	1,253	1,956	56%
	Due to banks	71	239	397	66%
4	Due to customers	446	381	906	138%
	Shareholders' Equity	552	549	543	-1%
	Other liabilities	50	84	110	30%
	Total liabilities	1,120	1,253	1,956	56%
5	Common Equity Tier 1 Capital	494	480	466	-3%
	Risk Weighted Assets	598	995	1,613	62%

1 ~€67m cash and net adjusted interbank position
Other **liquidity buffers** available for ~€340m worth of HQLA and other marketable securities
Mostly unencumbered balance sheet

2 **Customer loans growth** further accelerated in 3Q19 to >60% q/q with **strong contribution across all business lines**

3 **Stable securities portfolio** at ~€200m

4 **Acceleration of direct customer funding to over €600m** on strong results from European deposit platform, initial contribution from illimity digital direct banking, corporate and wholesale funding

5 CET1 capital of €466m, RWA up 62% to ~€1.6 bn reflecting growth in business

Note: Rounded figures

(1) This figure includes part of the net loans to existing customers of Banca Interprovinciale, which due to their features are considered consistent with illimity's SME segment. (2) HTC: Financial assets measured at amortised cost. (3) HTCS: Financial assets measured at fair value through comprehensive income. (4) FVTPL: other financial assets at fair value through profit or loss. This item includes equity financial instruments purchased as part of a turnaround transaction and junior tranches acquired as part of senior financing transactions for a total of about €7m. Any failure to reconcile the stated figures arise exclusively from rounding.

illimity - Steeper economic trajectory

Amounts in million euro

	Reclassified Profit & Loss	1Q19	2Q19	3Q19	Q/Q %
1	Net interest income	7.2	8.9	13.8	54%
2	Net fees and commissions	0.6	1.9	2.6	33%
	Net result from trading	0.9	0.3	0.1	-67%
	Net other income/expenses	0.3	0.1	(0.1)	n.s.
	Operating income	9.0	11.3	16.4	45%
	Staff costs	(6.4)	(8.3)	(7.0)	-16%
	Other operating expenses	(10.0)	(11.8)	(13.8)	17%
	Depreciation & Amortisation	(0.5)	(0.7)	(0.9)	32%
3	Operating costs	(16.9)	(20.8)	(21.7)	4%
	Operating profit	(7.9)	(9.5)	(5.3)	n.s.
4	Loan loss provisions	0.0	(2.7)	(3.9)	46%
	of which loan loss provision charges	(1.2)	(2.8)	(2.5)	-11%
	of which value adjustments on purchased NPL	1.4	0.1	(1.4)	n.s.
	of which value adjustments on HTC securities and loans to banks	(0.1)	0.0	(0.0)	n.s.
	Other net provisions	(0.2)	0.2	0.0	n.s.
	Provisions for risks and charges	(0.2)	(0.2)	(0.2)	-14%
	Profit (loss) before tax	(8.3)	(12.2)	(9.4)	-23%
	Income tax	2.4	6.8	2.5	-63%
	Net result	(5.9)	(5.4)	(6.8)	n.s.

Note: Rounded figures

(1) Employee Stock Ownership Plan

1

Increased pace of growth in net interest income, up 54% q/q – a strong acceleration vs 2Q19 based on business momentum

Strong contribution from the NPL I&S Division

Gross cash collection in NPL better than expected

2

Further acceleration in commission income driven by NPL senior financing and SME structuring fees

3

Operating costs including ~€3mIn costs associated to the **launch of illimity digital direct bank**

Personnel costs down q/q on lower costs due to no ESOP⁽¹⁾ in the quarter and increased component of capitalised staff cost

YTD capitalisation of €1.3mIn IT-related costs for staff involved in innovation, design and risk management projects

4

€3.9mIn loan-loss provisions of which €2.5mIn related to calibration of collective provisions, volume growth and impairments on BIP legacy portfolio and €1.4mIn to adjustments to the NPL investment following business plan periodic revision

illimity - KPIs improving further

	1Q19	2Q19	3Q19	Target 2020
Cost-Income	187%	184%	132%	<50%
Cost of Risk (bps) Annualised ⁽¹⁾	~124 bps	~190 bps	~138 bps	185 – 225 bps
Gross Organic NPE ratio ⁽²⁾	8.2%	6.2%	5.0%	5 - 7%
CET1 ratio	~83%	~48%	~29%	>15%
LCR	813%	~210%	>1,000%	>130%

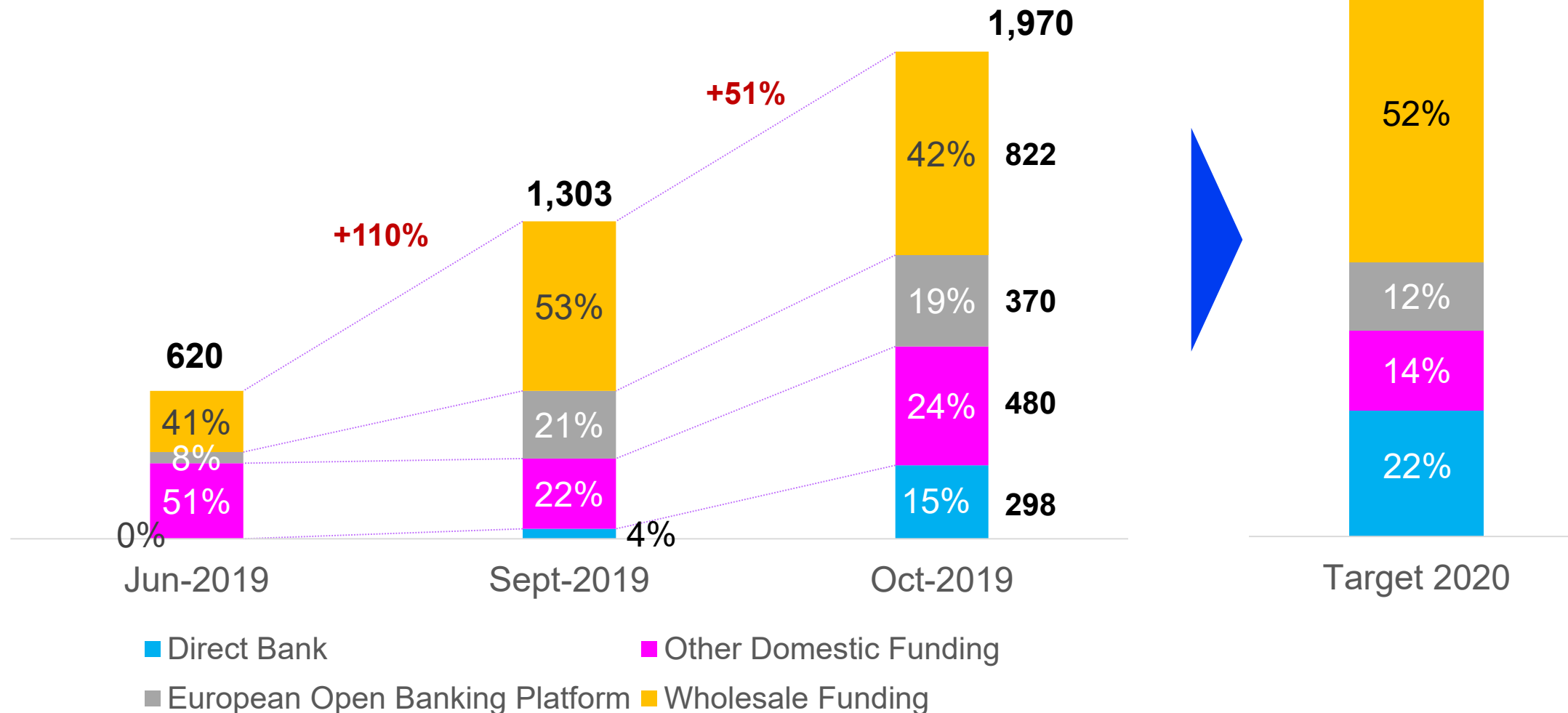


- **Cost-Income ratio** significantly improving vs 2Q19
- **Lower cost of risk for 138bps** resulting from calibration of collective provisions and impairments on BIP legacy portfolio
- **Organic NPE ratio** down to **5.0%** following loans build-up
- **Robust CET1 ratio at ~29%**
- Ample liquidity buffer
- **NSFR** comfortably above minimum requirements

Note: (1) Ratio of loan loss provisions to net loans to customers end of period from factoring, cross-over, new finance, BIP legacy book and senior financing to non-bank NPL investors - thus excluding UTP loans purchased as part of the restructuring and refinancing business and the investments in NPL portfolios. (2) Ratio of gross NPE to total gross loans to customers from factoring, cross-over, new finance, BIP legacy book and senior financing to non-bank NPL investors - thus excluding UTP loans purchased as part of the restructuring and refinancing business and the investments in NPL portfolios. Any failure to reconcile the stated figures arise exclusively from rounding.

illimity - Significant growth and diversification in funding

Data in €mln

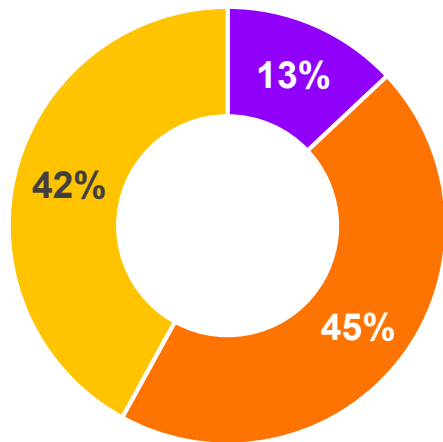


Note: non accounting figures

illimity - Stable and cost effective funding base

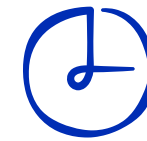
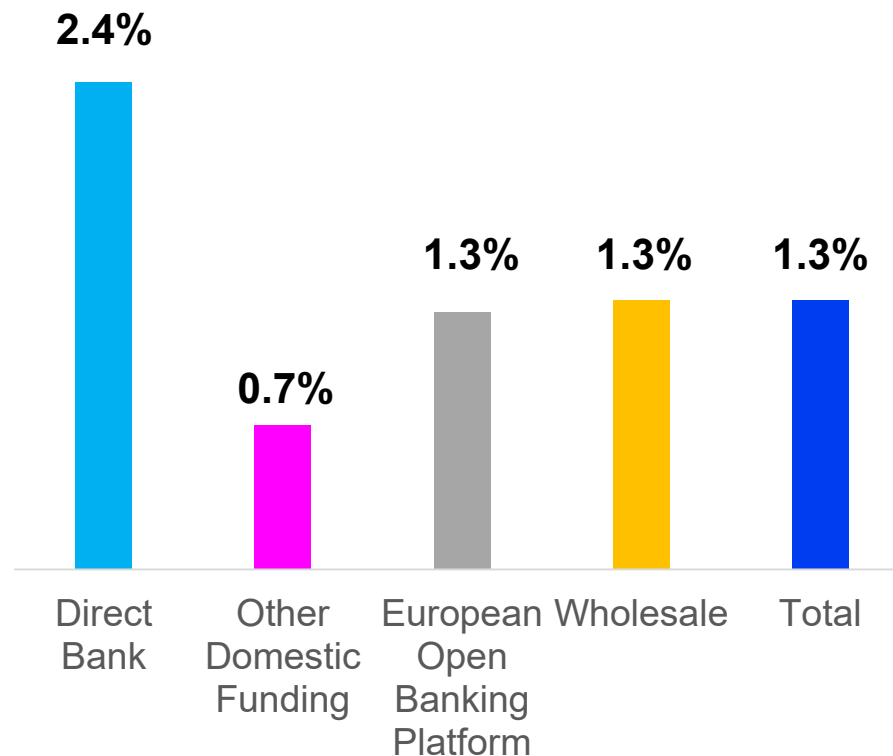
Data as of October 31, 2019

Maturity Mix



- Sight
- Short Term
- Medium-Long Term

Cost of funding



Strict management of asset-liabilities duration mismatching



Medium-Long Term funding maturity over **3 years**

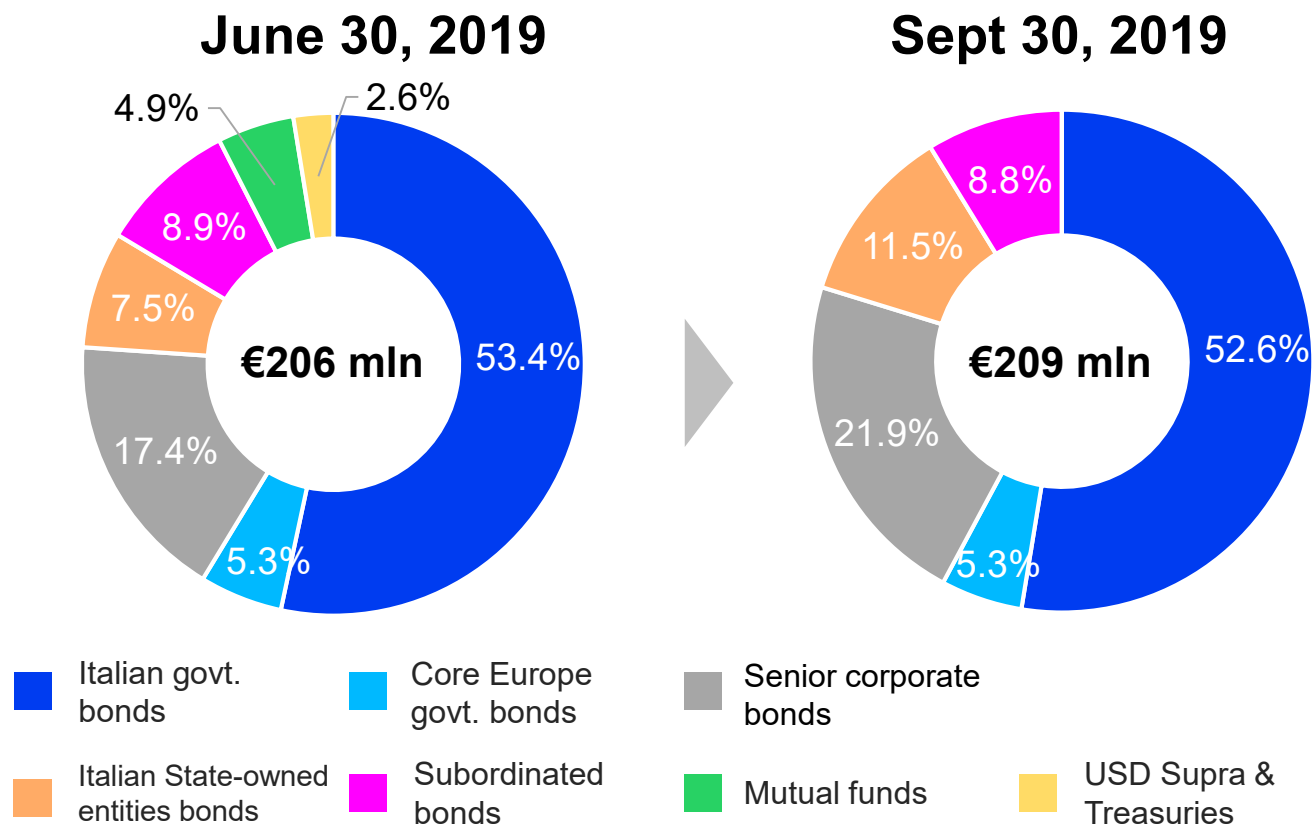


1.3% blended average cost of funding

illimity - Well diversified securities portfolio

Securities portfolio

Portfolio composition by notional amount



- **Unrealised gains** from MTM of HTC and HTCS portfolios reached nearly **€13.6 mln** as of September 2019
- **~2.0% yield to maturity**
- **Duration** of **~3.3 years**
- **Italian govt. bonds** accounted as HTC ~2.3 years duration, ~1.9% yield

SME Division

Enrico Fagioli



illimity - Building the **Italian SME specialist lender**



Cross-over and Acquisition finance

SMEs with industrial potential and corporates willing to pursue external growth strategies

- Cross-over
- Acquisition financing



Turnaround finance

Unlikely-to-pay corporate exposures with potential to return to a performing status

- Refinancing
- Restructuring
- New finance



Factoring

Support to industrial districts value chain

- Short-term financing through factoring



**~€300-350 bn
addressable
market⁽¹⁾**

illimity - A distinctive business model in SME

Top professional expertise with top technologies



Value for clients

- **Tailor-made** credit solutions
- **Best response** time

Value for illimity

- **Competitive advantage** in credit underwriting and monitoring




illimity SME Division - Promising volume growth

Deal focus

- **234 deals analysed** since inception **worth ~€2.9 bn** in nominal value
- **#127 deals declined** worth **~€1.5 bn**
- **10 deals** with **terms agreed** and **to be signed shortly** worth **~€121m**
- **14 deals** currently under evaluation in **advanced status** worth **~€242 m**
- **Other opportunities** identified for additional **~€710 m**

28 deals signed since inception

Data in €m
Customer loans unless otherwise stated
Non accounting figures

	A Originated business ⁽¹⁾	B Terms agreed ⁽²⁾ to be signed	C Advanced pipeline ⁽³⁾	A+B+C Total	Target 2020
 Cross-over & Acq. Finance	Inception to date (October 31, 2019) 296 ⁽⁴⁾	~92	~80	~468	~300
 Turnaround⁽⁵⁾	134	~29	~163	~326	600 - 700
 Factoring	48 T/O ⁽⁶⁾ 157	~120	~86 ⁽⁷⁾	~254	~300
Total SME Originated business	478	~241	~329	~1,048	~1,200-1,300

Note: (1) This aggregate includes the loans originated/purchased in the period, thus already income-producing, and the deals signed but yet to be booked, owing to a settlement structure in multiple tranches or to a time lag between the signing and the date of loan disbursement; (2) Deals in final stage of the formalization of the agreement/contractual terms; (3) Specific business opportunities for which the bank envisages there is a reasonable expectation to close the transactions in the forthcoming months; (4) Including BIP core SME for about €101m; (5) It also includes financial instruments, such as quasi-equity instruments, which are included in "20. c) Other financial assets mandatorily at fair value" for accounting purposes; (6) Turnover related to Factoring; (7) Credit line to be granted

illimity - Cross-over & Acq. Finance ahead of schedule

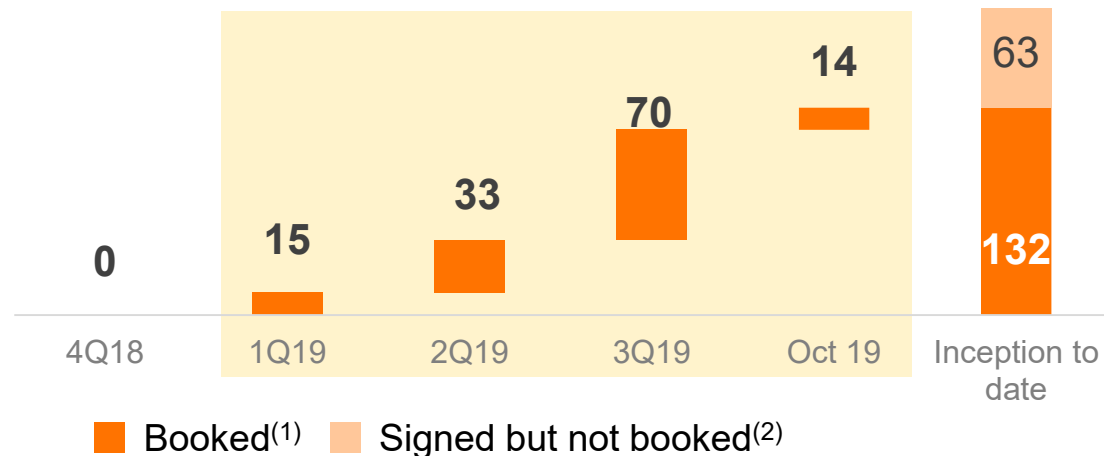
Originated business

Data in € mln

Total **296**

+ BIP Core **101**

195



A

B

C

A+B+C

Target 2020

Terms agreed to be signed

Advanced pipeline

Total

~92

~80

~468

~300

Deal features

- Avg. ticket size ~ €5 - 10 mln
- Acquired considerable market credibility in acquisition finance: **11 deals and mandate lead arranger on Acquisition Finance deals** in only a few months since business launch
- Industrial sectors:** construction, food, industrial, pharma, shipping, fashion, services sector

Note: (1) income-producing loans; (2) deals signed but not yet booked, owing to a time lag between the signing of the master agreement and the date of loan disbursement

illimity - Since July **new platform** accelerates Factoring business

Originated business

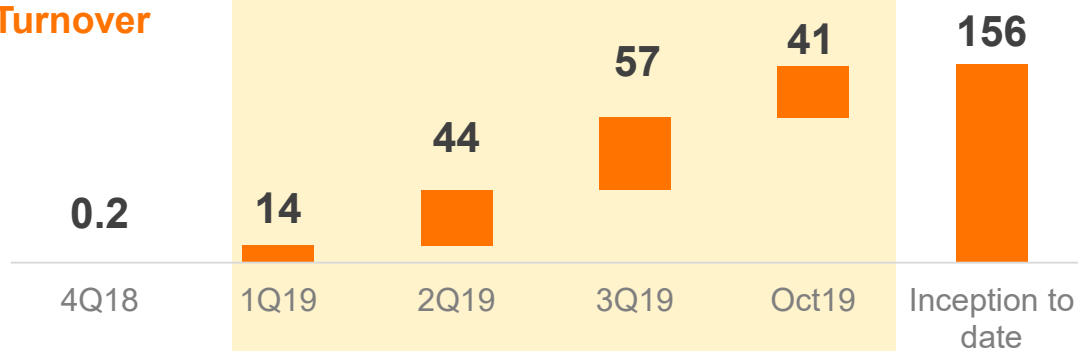
Data in € mln

Outstanding



Total **48**

Turnover



A

B

Terms agreed to be signed

~120

C

Advanced pipeline

~86

A+B+C

Total

~254

Target 2020

~300

Key features

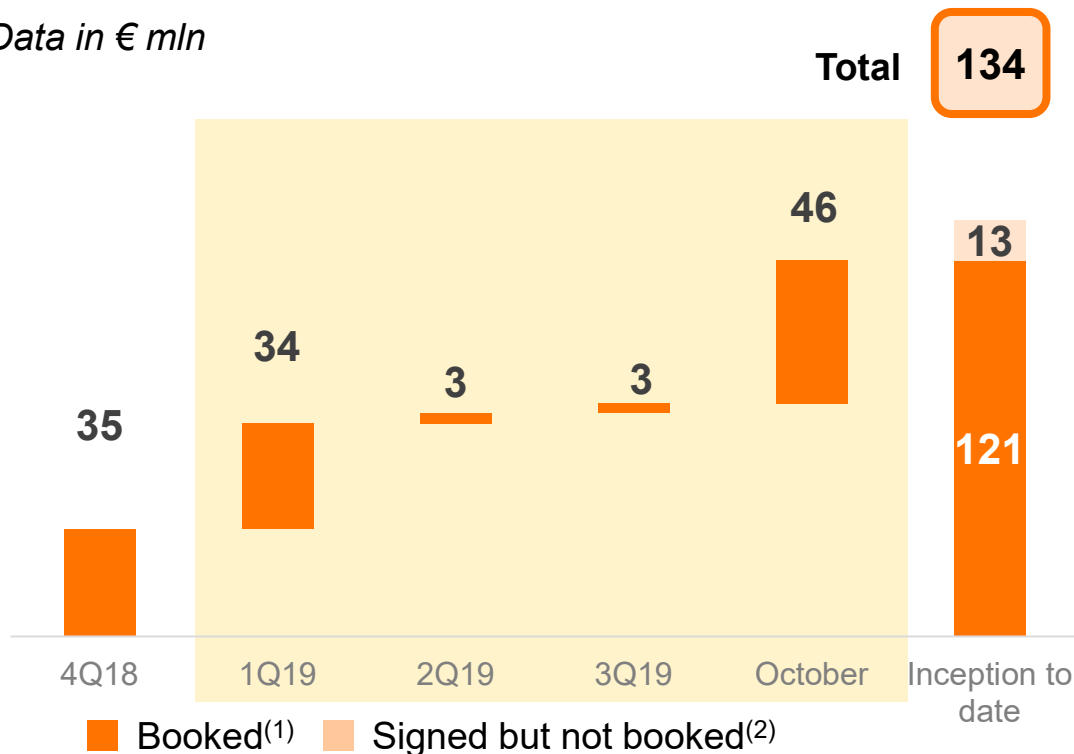
- Focus on the promising segments of the supply chain factoring: **46 suppliers and ca. 100 debtors** for a total credit line granted of €142 mln as of end October
- New Factoring **platform implemented** and fully functional⁽¹⁾. Expected acceleration in monthly run-rate going forward.

Note: (1) Following an initial phase in partnership with fintech Credimi

illimity - Ready to capture the **robust pipeline** in Turnaround

Originated business

Data in € mln



A

B

C

A+B+C

Target 2020
600 - 700

Terms agreed to be signed

Advanced pipeline

Total

~29

~163

~326

Deal features

- Avg. ticket size €15 - 25 mln
- Potential upside⁽³⁾** Up to €15 mln
- 9 deals signed since inception in:** steel, IT payments, automotive, fashion, shipping and construction
- Set-up of an asset management company** dedicated to UTP investment to complement our Turnaround strategy

Note: (1) income-producing gross loans origination, including new finance, acquired credit and related instruments. It includes ~€7 mln of financial instruments, such as quasi-equity instruments, which are included in "20. c) Other financial assets mandatorily at fair value" for accounting purposes; (2) deals signed but not yet booked, owing to a time lag between the signing of the master agreement and the date of loan disbursement; (3) Additional potential revenue related to revaluation of equity and quasi equity instruments

illimity SGR – Turnaround business booster

- illimity SGR - fully owned by illimity - is set up to manage the assets of **closed-ended alternative collective investment schemes**
- This kind of asset management company set-up – we call them “boosters” – was **envisaged in our strategy** but without prediction of results
- The first fund will **invest in unlikely-to-pay loans** with restructuring prospects and opportunities to return to performing status
- Governance and management defined. Expected to be fully operational by 1H20 following relevant authorization

Turnaround Fund 1



CREDIT

- ❑ Sale/contribution in kind of UTP loans by the banks originating the exposure in exchange for fund's units

FINANCE

- ❑ Fund raising with **institutional investors**
- ❑ New finance, investment in equity and in additional debt share of wallet of companies involved in the Credit compartment
- ❑ illimity may contribute up to 20% of the funds related to the finance unit only

NPL I&S Division

Andrea Clamer



illimity - Building the **Italian Corporate distressed credit champion**



Investment

Acquisition of secured and unsecured Corporate distressed credit



Senior Financing

Financing solutions for NPL non-bank investors

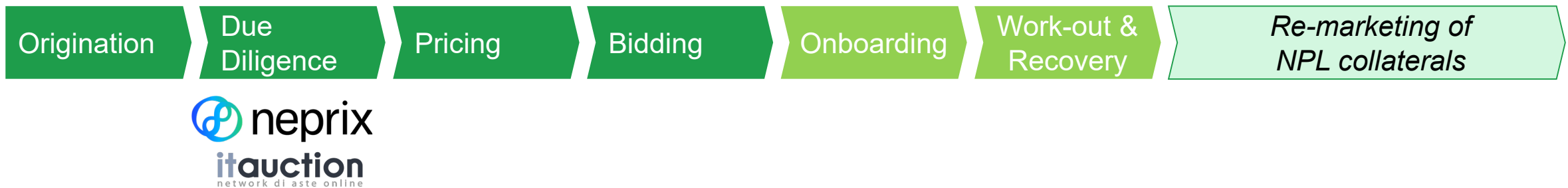
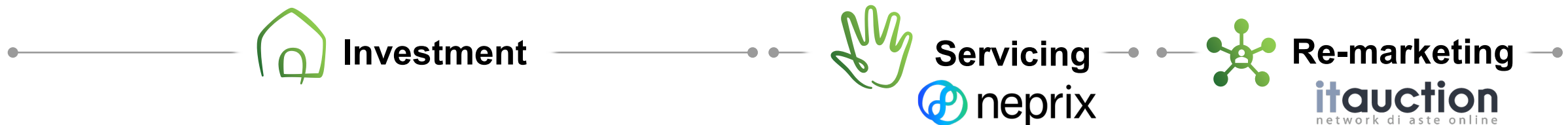


Servicing

Workout services and remarketing for captive and 3rd parties' corporate distressed credit

Strong synergy across the 3 businesses

illimity - Our distinctive end-to-end business model in distressed credit



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)**

illimity - Accelerating business momentum

Deal focus: NPL Investment

- ~ €38 bn of GBV analysed since inception
- ~ €31 bn of GBV declined/lost
- ~ €4 bn of GBV signed since inception
- ~ €3 bn of GBV currently under evaluation

Data in €mln
Customer loans unless otherwise stated
Non accounting figures

	A	B	C	A+B+C	
	Originated business ⁽¹⁾				Target 2020
	Inception to date (Oct 31, 2019)	Terms agreed ⁽²⁾ to be signed	Advanced pipeline ⁽³⁾	Total	
 NPL Investment	670	16	~254	~940	1,700-2,000
 Senior Financing	358	22	~33	~413	100-200
Total NPL Originated business	1,028	38	~287	~1,353	1,800-2,200
 Servicing⁽⁴⁾ <i>AUM (GBV/Managed assets)</i>	~6,000	~55	~2,600	~8,655	5,100-6,300

Note: (1) This aggregate includes the origination/purchase of income-producing loans and NPL investments, and deals signed but yet to be booked, owing to a settlement structure in multiple tranches or to a time lag between the signing of the master agreement and the date of loan disbursement/onboarding; (2) Deals in final stage of the formalization of the agreement/contractual terms; (3) Specific business opportunities for which the bank envisages there is a reasonable expectation to close the transactions in the forthcoming months; (4) The AUM of the servicing unit includes the gross nominal value of NPL purchased and the value of property & capital goods managed by IT Auction

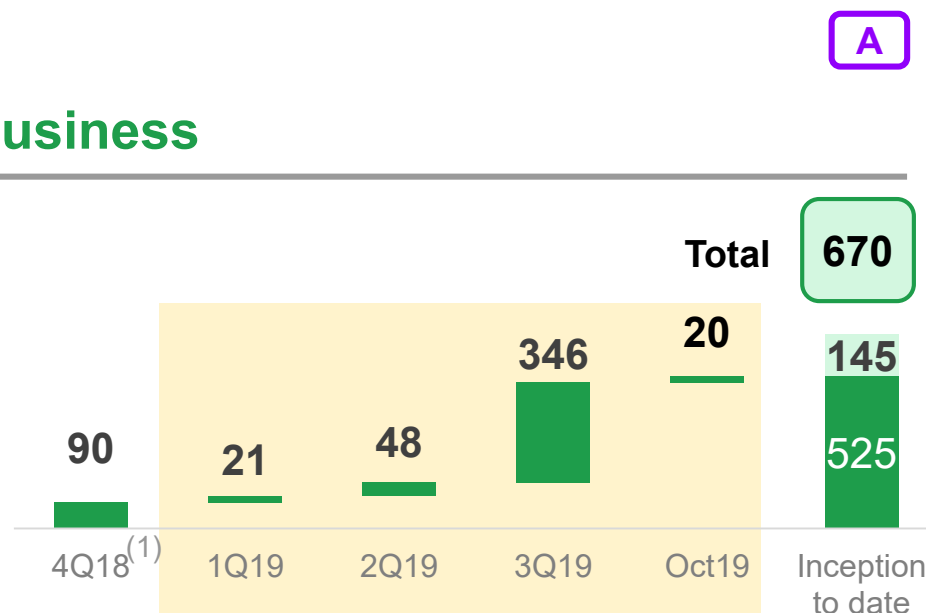
illimity - Strong volumes acceleration in 3Q19

Originated business

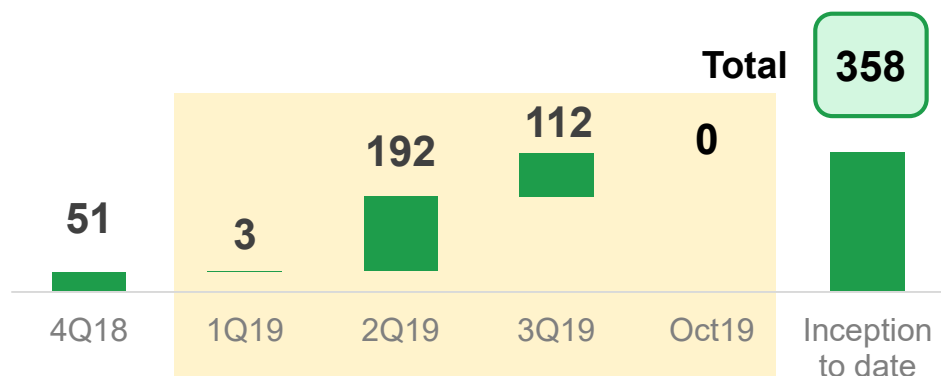
Data in € mln



NPL Investment



Senior Financing



A

B

C

A+B+C

Terms agreed to be signed

Advanced pipeline

Total

16

~254

~940

Target 2020

1,700-2,000

~22

~33

~413

100-200

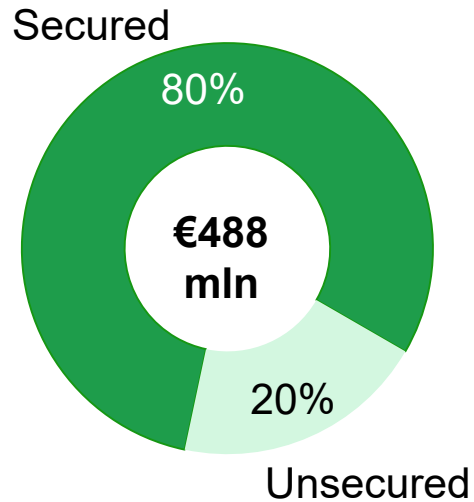
■ Booked⁽²⁾ ■ Signed but not booked⁽³⁾

Note: rounded figures. (1) Including September 2018; (2) Income-producing gross loans origination (NPL senior financing) and NPL investments (portfolios including leasing and single name); (3) Deals signed but not yet booked, owing to a settlement structure in multiple tranches or to a time lag between the signing of the master agreement and the date of loan disbursement/purchase.

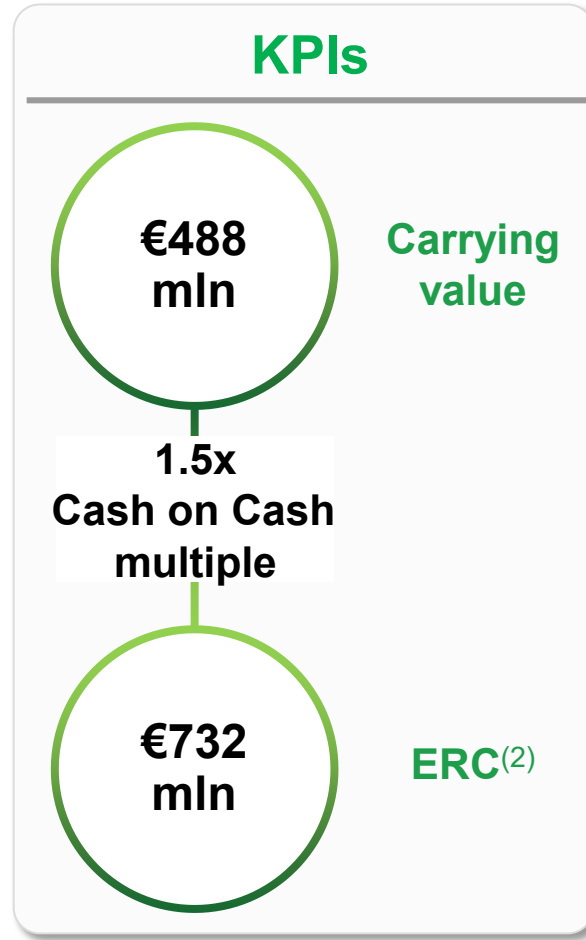
illimity - Portfolio size and quality in line

Data as of 30 September 2019

NBV breakdown by type of guarantee

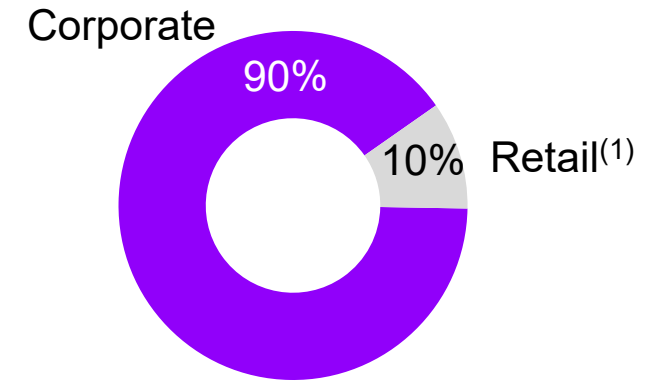


KPIs

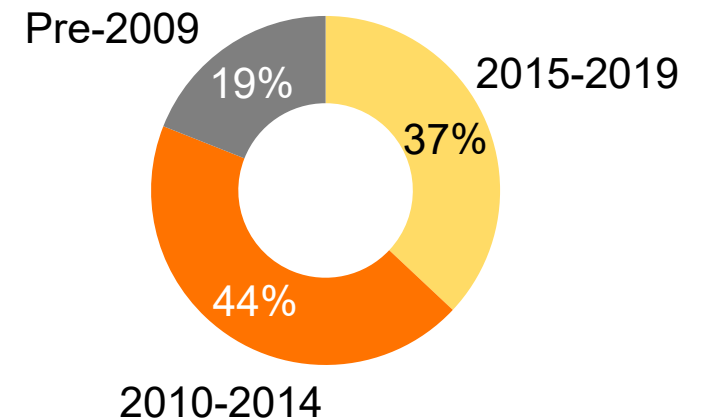


Data as of 30 September 2019

GBV breakdown by type of borrower



GBV breakdown by vintage ⁽³⁾



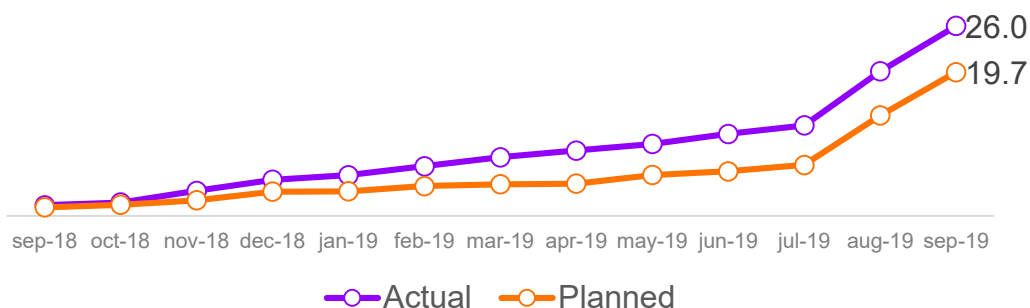
Note: rounded figures, (1) Strategically non-core, will be sold in due course; (2) Estimated Remaining Collections on booked investments; (3) Only considering bad loans

illimity - Building on revenue and cash collection

Cash Flow view

Data in € mln

Cumulative collections: actual vs. planned⁽¹⁾



	Actual Cash Flows	Expected Cash Flows	Delta Cash Flows
Q3 19	14.8	13.6	+1.2
Cumulative	26.0	19.7	+6.3

Economic quarterly view

Data in € mln

	Interest ⁽²⁾ Q3	Fee income Q3	Adjustments ⁽³⁾ Q3	Revenues Q3	Revenues 9M19
NPL Investment	9.0	-	-1.4	7.6	18.1
Senior Financing ⁽⁴⁾	2.7	1.2	-	3.9	7.0
Total	11.7	1.2	-1.4	11.5	25.1

Interest ⁽²⁾ Q3	=	NBV	×	Gross IRR	×	Period from onboarding
Adjustments Q3 -1.4	=	Delta Cash Flow +1.2	+	ERC Update -2.6		
Adjustments 9M +0.1	=	Delta Cash Flow +6.3	+	ERC Update -6.2		

Note: rounded figures. (1) Collections from receivables, including amounts paid by borrowers from projects' cut-off to closing date; (2) Measured based on amortized cost; (3) Outcome of NPL business plan periodic review; for accounting purposes, this is classified in the P&L item "130. a) Net write-downs / write-backs for credit risks relating to financial assets measured at amortized cost"; (4) Non accounting figures.

Direct Banking & Digital Operations

Carlo Panella



illimity - Digital direct bank Up & Running

12th September

illimitybank.com is officially live

~ 14,000

real customers on-board
70% *Active customers*

~ € 300 mln

Deposits gathered as of Oct 31

~ 30,000

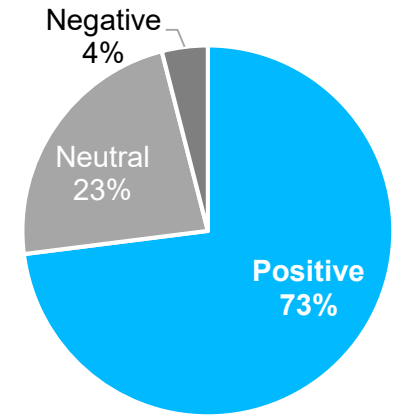
Transactions per month



illimity - Positive reaction from the market



- Over 1.000 Articles & Posts



Sentiment on social network



- Positive qualitative feedback from the market, as testified by EFMA Customer Insight & Growth banking innovation award



- Positive feedback confirmed by our customers, as shown by illimity Net Promoter Score

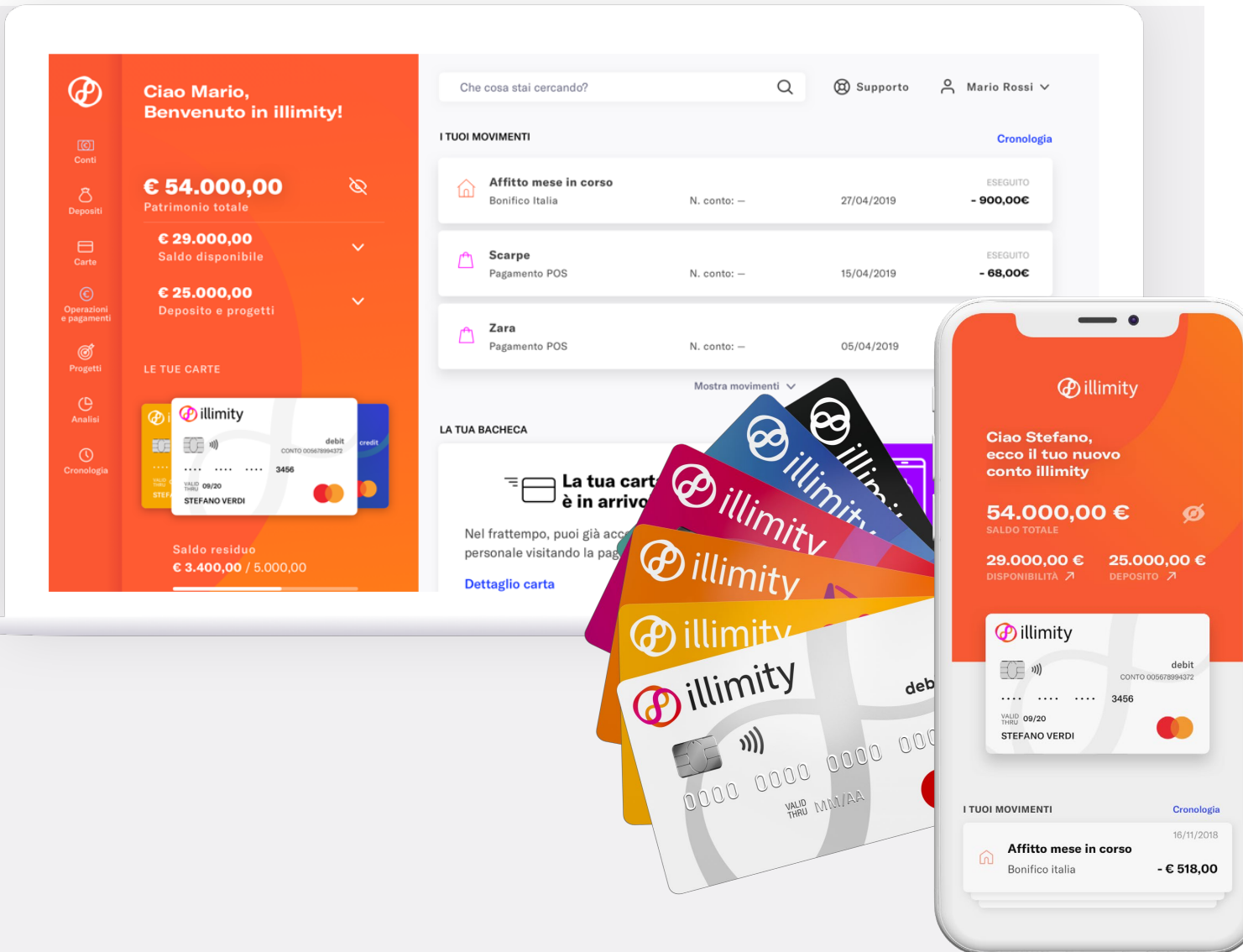
illimity NPS value: 44

- average market value: 9
- average digital bank: 23
- best performer: 41

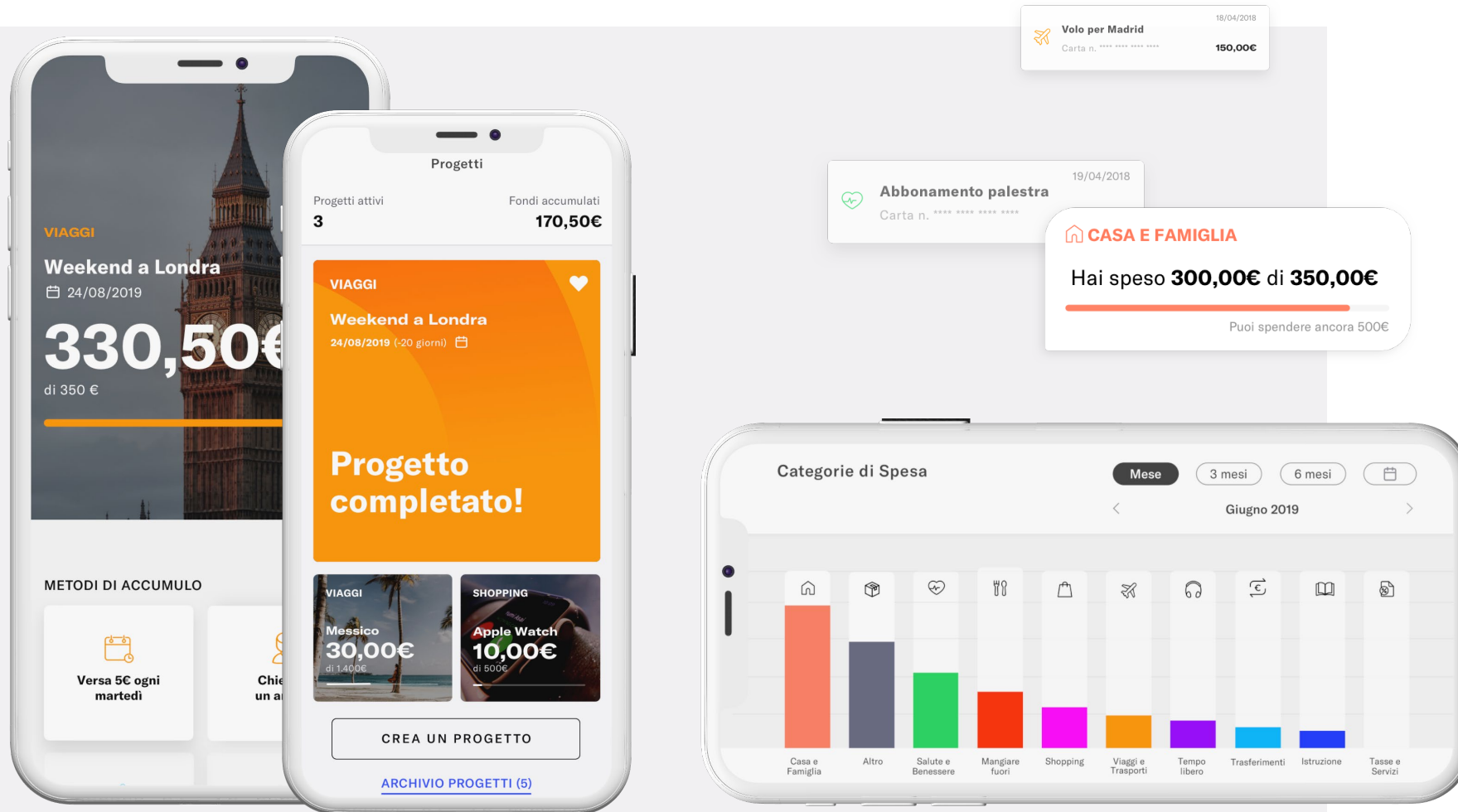
illimity - Unique and fully-fledged digital offer

Strength of our offer

- **Complete** bank
- Really **direct**: a mobile&web-only bank
- **Digital** bank **with human touch**
- **Very competitive** pricing
- **PSD2** native
- Advanced **Personal Financial Management**



illimity - **Advanced Personal Financial Management** fully integrated in illimity's experience



Saving projects

Spending analytics

Designed for **savers** and developed to **build a healthy cycle of loyalty and engagement**, thanks to **AI-enabled insights** based on profile and behaviour

Personal Financial Management fully integrated in customer experience

illimity - Open Bank by design: Partnerships ecosystem

nexi

Partner in payment services



Agreement to distribute to Azimut's customers customized digital direct banking services



To be announced in November

To be announced in November

Agreement to distribute personal loans through illimity digital banking platform

Agreement to distribute insurance products through illimity digital banking platform





New



New

illimity - Deposits ahead of plan

Data as of October 31, 2019

	Digital Direct Bank illimitybank.com	Other Domestic Direct Funding <i>Offline retail and corporate customers</i>	European Open Banking Platform <i>Raisin</i>	TOTAL
 CUSTOMERS	~ 14,000	~ 5,600	~ 11,000	~ 30,600
 FUNDING	~ €300 mln	~ €480 mln	~ €370 mln	~ €1,1 bln



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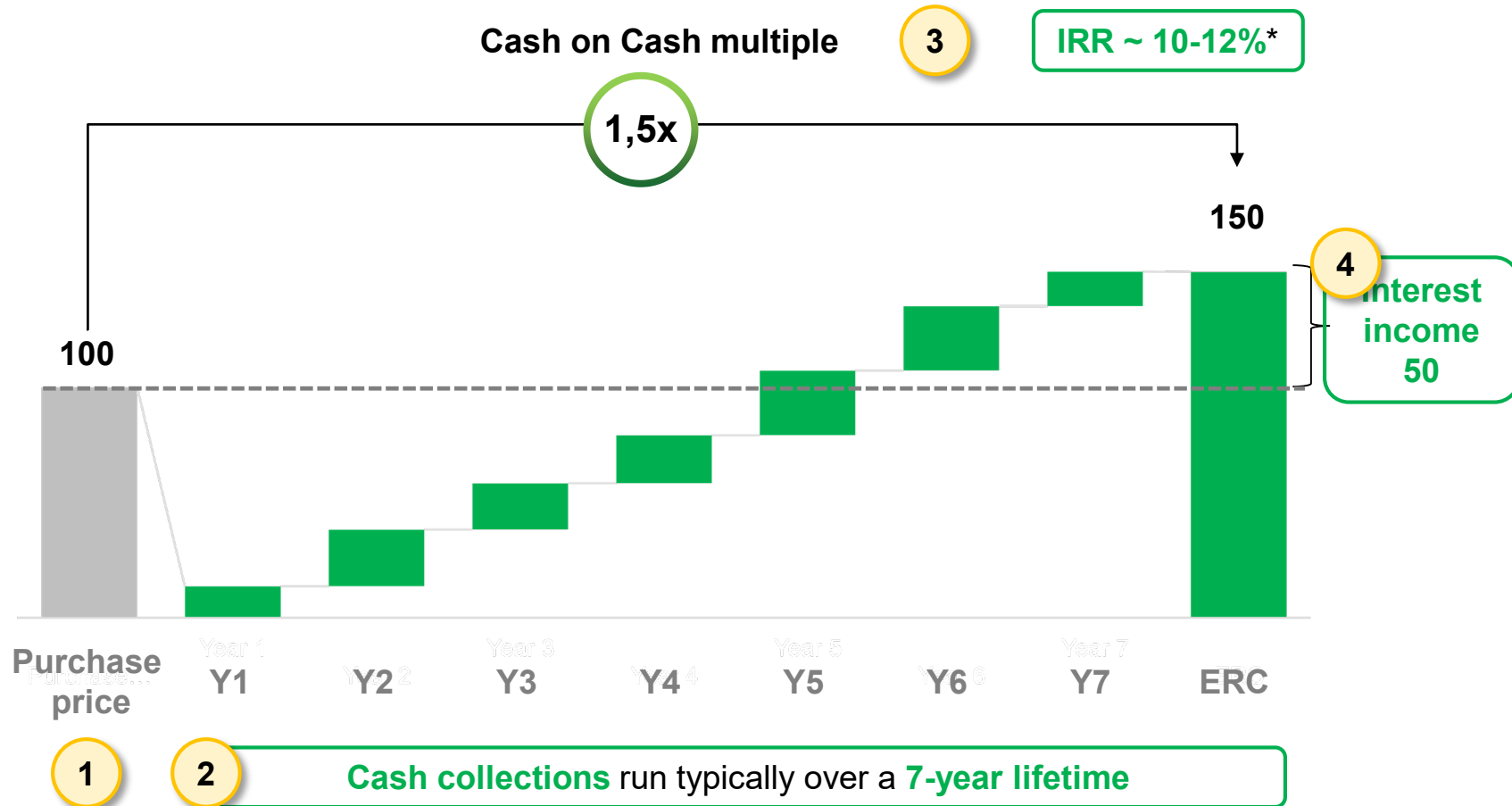
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Annex I

Accounting explained

NPL accounting explained

Illustrative



- 1 Acquisition of an **NPL** portfolio at a **purchase price of 100**
- 2 **Cash collection distributed according to collection curves** (which vary depending on the type of NPL portfolios) over the entire life of the portfolio, for a total of 150 (ERC)
- 3 **1.5x Cash on Cash** multiple equals to a Gross Unlevered **IRR** in the **10-12%** range
- 4 For accounting purposes, cash flows are reported based on the **amortised cost** method and accounted for as interest income. It follows that, over the lifetime of the portfolio, cumulated cash flows equal cumulated interest income albeit with a different timing (see next slide for details)

Note: (*) Calculated on annual cash flows

NPL accounting – key accounting elements

Illustrative



In this example, in the first two years Gross Cash Collections are slightly below net interest income and become higher from year 3

- 1 **Interest income** is calculated based on the amortised cost method:
- Carrying value of the NPL portfolio \times IRR of the portfolio
- The **carrying value** of the NPL portfolio in each period is equal to:
- Carrying amount of the previous period
+ interest income
- cash collections

Note: (*) Calculated on annual cash flows

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