



**illimity**

BANCA OLTRE LA FORMA

# Company Presentation

September 2020

# illimity - Agenda

1

ILLIMITY AT A GLANCE

2

BUSINESS PROFILE  
AND STRATEGY

3

FINANCIAL  
PERFORMANCE

4

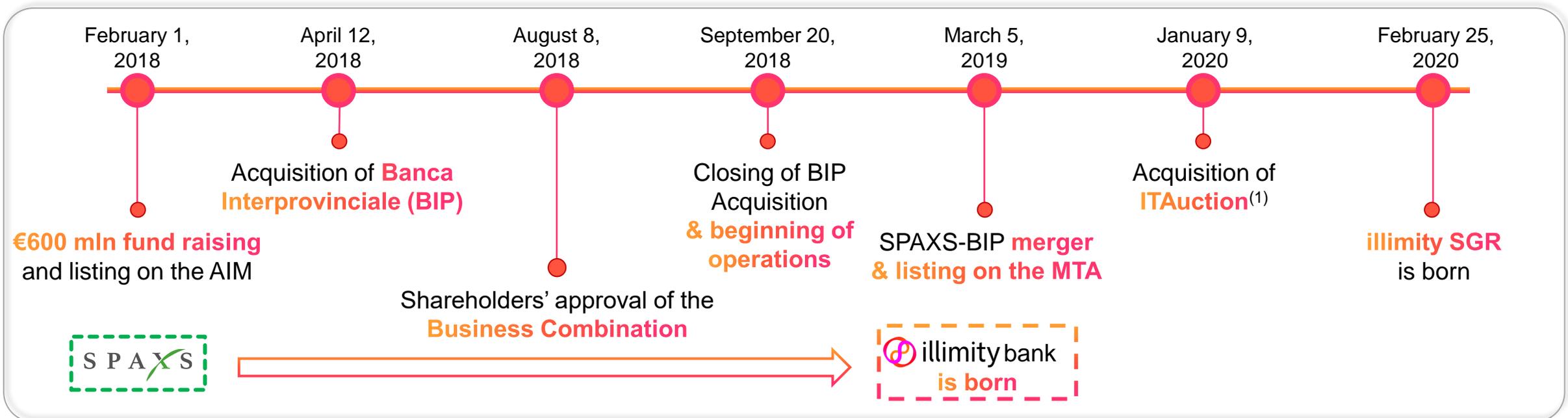
APPENDIX



# illimity - At a glance

## Who is illimity?

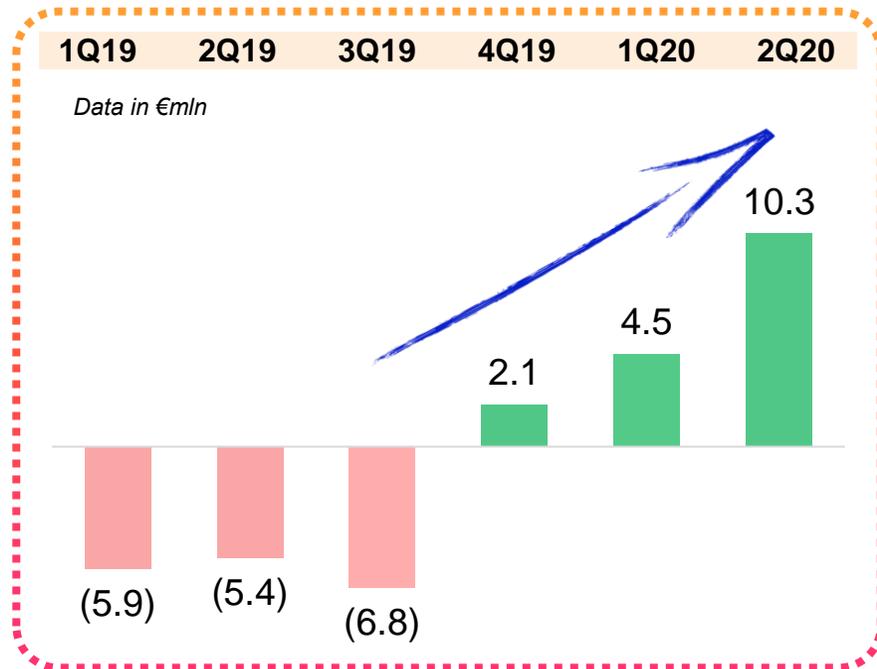
- **Banking start-up** formed in 2018 with a strongly **innovative and high-tech business model** headed by **Corrado Passera**
- illimity extends **financing to high-potential businesses** that have a low credit rating or are unrated, **including the non-performing (Unlikely-to-Pay) SME segment**
- illimity also acquires **secured distressed corporate credit** to then service these through its Neprix platform
- **Innovative direct digital banking services** for retail and corporate customers, **illimitybank.com**



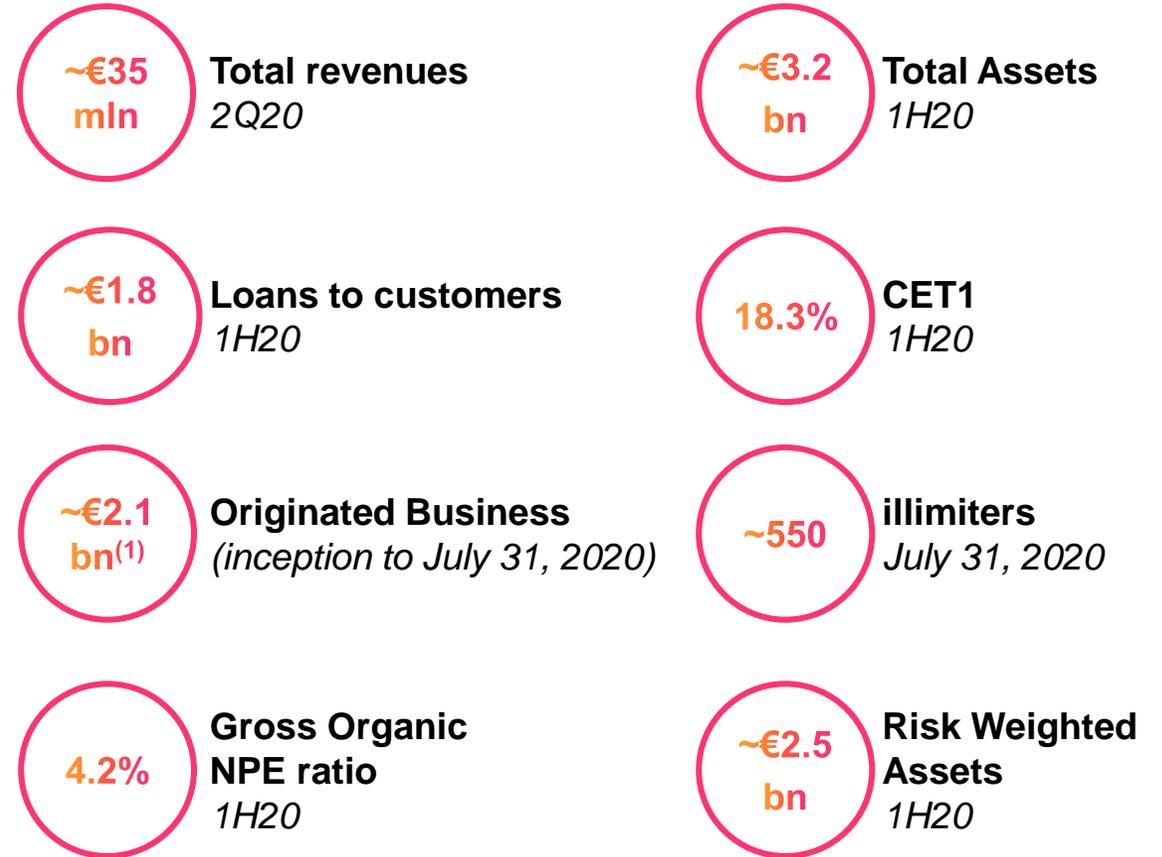
Note: (1) Acquisition of a 70% stake in Jan-20 and buyout of the remaining 30% in May-20

# illimity - 2Q20 exceeding initial expectations

## Net result evolution



## Key numbers



Notes: (1) Non accounting figures. This aggregate includes both the SME loans granted/purchased and the distressed credit 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 BIP, due to their features considered consistent with illimity's SME segment for about €65mln. It includes also the portfolio sold.

# illimity - **Agenda**

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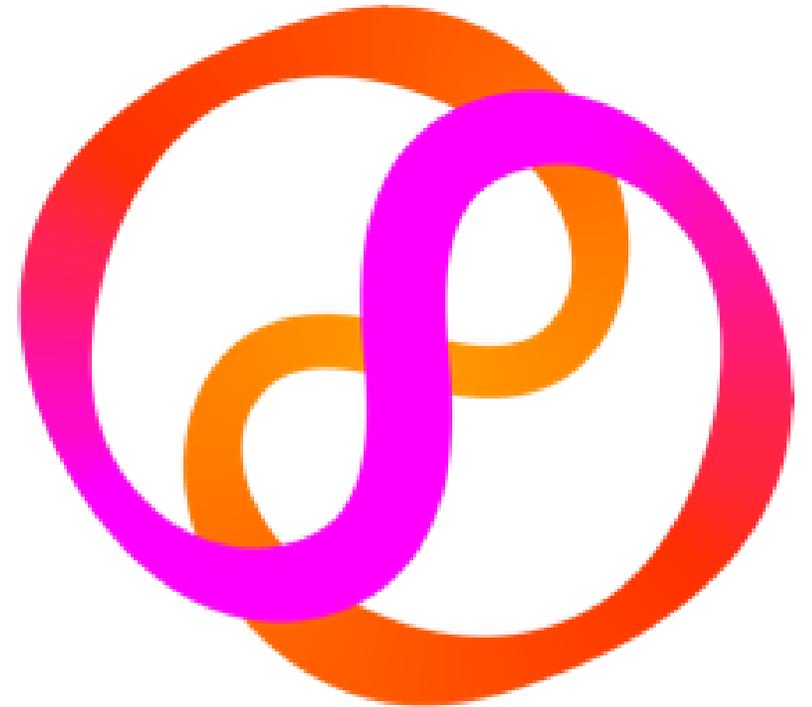
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# illimity - Our **new paradigm bank** is the **answer to banking industry's challenges**



**New digital technologies**



**Powerful new entrants**



**New stricter regulations**



**Monetary policy**

**Banking industry**



**Losers**

Generalist banks



**Possible winners**

- Large banking groups
- Big Techs



**Winners**

New paradigm banks like  illimity

# illimity - **What is unique about illimity**

## Competitive advantages



Significant and sustainable  
**cost advantages**



**No legacy** – now or in the future



**Fully digital** – with **human touch**

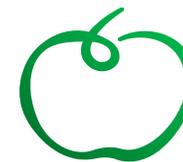


**Fully on cloud** and capable to integrate  
**fintech solutions**

## Focused strategy



**SME specialist**



**Corporate  
Distressed  
Credit specialist**



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

# illimity - The 3 Divisions of the Bank



## SME Division



**Cross-over  
& Acq. Finance**



**Turnaround**



**Factoring**



**High yield bond desk**



**illimity SGR**



## DCIS Division



**Distressed Credit  
Investments**



**Senior Financing**



**Servicing and Re-  
marketing**



## Direct Bank



**Deposits**



**Payment services**



**Personal Financial  
Management services**



**Third-party products**

# illimity - Specialist partner of Italian SME



## 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

### 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

### Turnaround

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

### Factoring

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



Specialist partner of Italian SME

# illimity - A distinctive business model in SME

## Top professional expertise with top technologies



### Bank specialists

Strong banking expertise based on our team of specialists



### Tutors

Tutors with financial and industries expertise<sup>(1)</sup>



illimityAI<sup>®</sup>

illimity  
creditmachine<sup>®</sup>

### Value for clients

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

### Value for illimity

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

# Illimity - Bond desk: an extension of our Cross-over activity by capitalising on our industry expertise



## Business opportunity

Purchase of **listed bonds** issued by **performing** corporates on the **secondary market**

## Strategic rationale

- Profitability booster
- Capitalise on our deep industry know-how to exploit **undervalued bonds' pricing**
- Loan book **diversification**

## Main features

- Bonds generally listed on **Italian exchanges** (MOT, Extra MOT, TLX)
- **Hold-to-Collect** business model<sup>(3)</sup>
- **Avg. ticket size** approx. 3-5mln



€27mln

INVESTMENT<sup>(1)</sup>

€23mln

CARRYING AMOUNT<sup>(2)</sup>

~10%

AVG. YIELD

# illimity - SGR as SME business booster



- illimity SGR - fully owned by illimity - is set up to manage the assets of **closed-ended alternative collective investment schemes**. Authorization on February 25<sup>th</sup>
- **Credit Corporate Turnaround Fund** is the first fund to be launched by illimity SGR and will be focused on UTP exposures, a market segment with attractive risk/return profiles, where illimity bank is already strategically present with its SME division
- The fund will **invest in UTP loans** to Italian companies in financial distress but with concrete possibilities of recovery through an appropriate financial or industrial turnaround

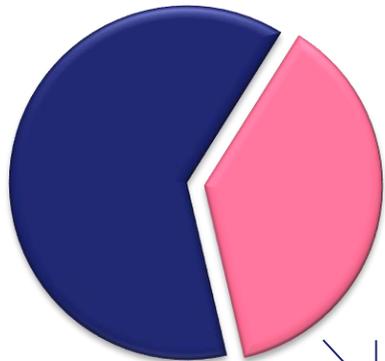
Fund holding period: **8 years + 1 (potential) + 1 (potential)**

Credit & Corporate  
Turnaround fund

Target dimension: ~€350mln

**CREDIT  
Units**

- **Contribution in kind/sale** of UTP loans by the originating banks in exchange for Fund's Units

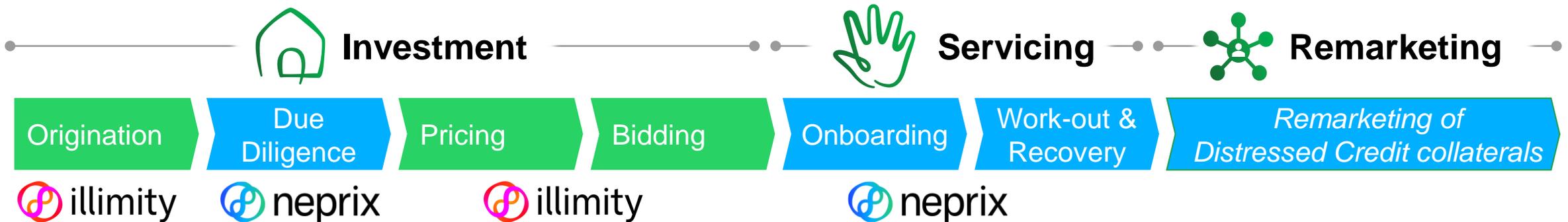
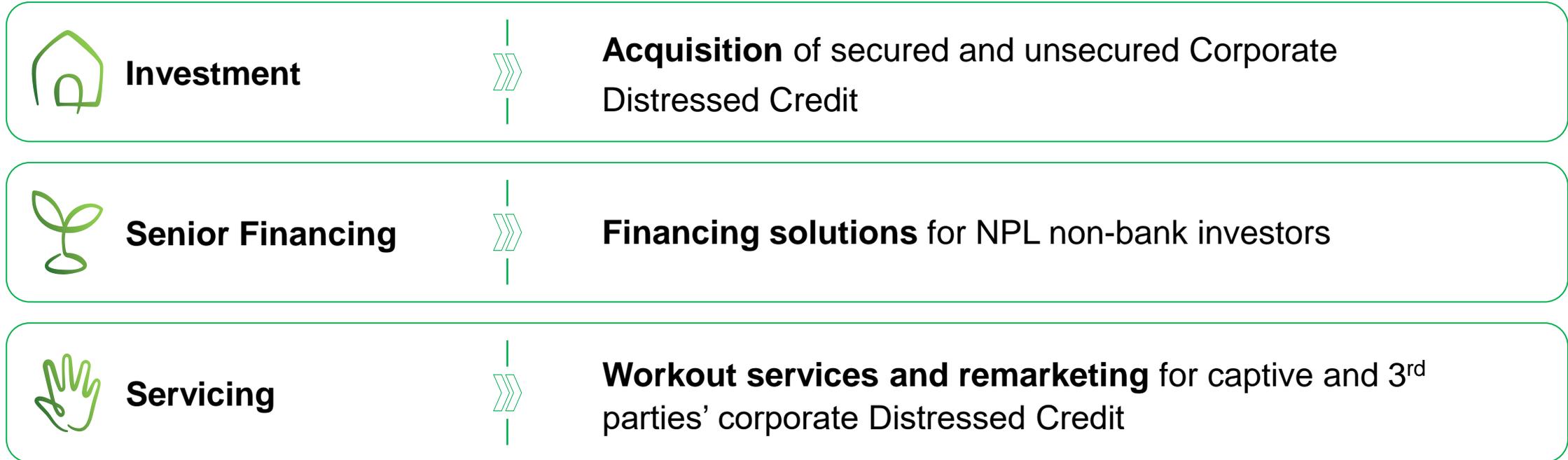


25% / 50%

**FINANCE  
Units**

- Funds raised with **institutional investors**. illimity Bank will subscribe ~20%
- Cash invested in **UTP loans purchase, new finance and equity** to the Targets - all part of a strategy aimed at **maximizing the success of the restructuring** of the Targets and ensure the **highest recovery of the exposures**

# illimity - Building the Italian Corporate Distressed Credit champion



# illimity - We built a unique digital retail bank



- Fully-fledged digital bank
- Direct and paperless: mobile&web
- First Payment Initiator Service Provider on the Italian market as evolution of the PSD2 service
- Advanced Personal Financial Management
- **illimity Hubs**: enhancement of services provided through new partnership with non-financial players

# illimity - State of the art IT Infrastructure

## Phase 1: Completed

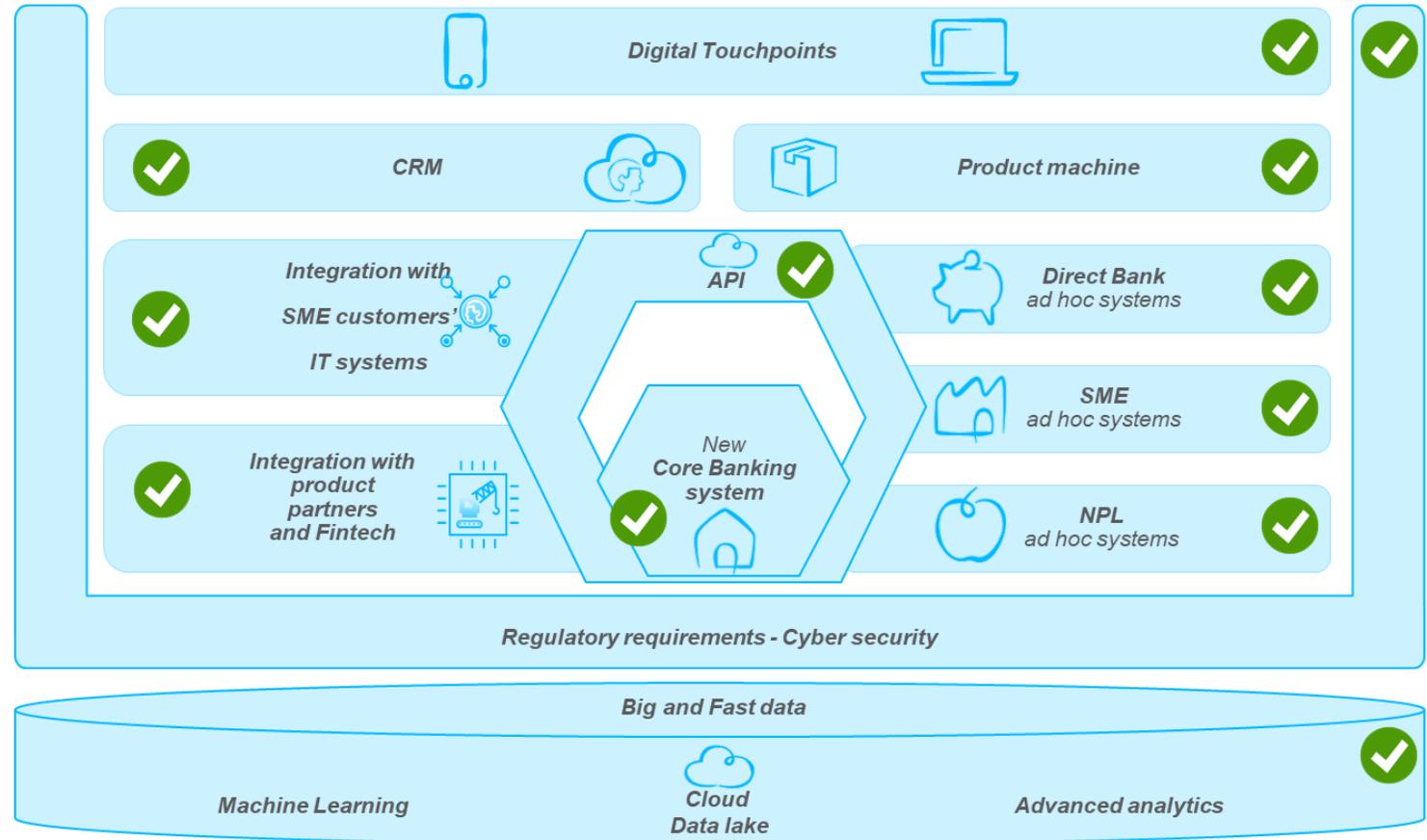
Building a fully-fledged and fully in cloud modular platform

## Phase 2: Well underway

Continuous innovation based on data, digital platform and AI technologies

Currently on the way:

- A unique solution to manage NPL
- A brand new system to manage complex credit solutions, with flexibility
- A tool to support customer management in UTP portfolios



# illimity - Good practices to mitigate risk



# illimity - Outlook for full year 2020



We aim at reaching a **FY20 net profit in the range of €30mIn**



In 2020 we **are laying the foundations for a number of strategic initiatives** – also in response to the changes and the new opportunities we see across our markets – which **will start paying off from next year**



**Revenue** reinforced by **business generated since outset** and further boosted by our **solid pipeline**

# illimity - 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 Banking & Digital Operations  
*Carlo Panella*



SME Division  
*Enrico Fagioli*



DCIS Division  
*Andrea Clamer*



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# illimity - **Strong progression of economic results**



**Good economic results in 2Q20:** €10mIn net profit



**Net customer loans and investments up 9% qoq** in 2Q20 on a pro-forma basis despite an even more selective approach and **solid pipeline ahead**



**Quality of the existing business confirmed:** no deterioration in the SME Division loan book, strong cash flow in the DCIS Division



**Robust capital at over 18% - reaching up to 19.5%** on a pro-forma basis

# illimity - Business origination to 31 July 2020

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

  
**SME  
Division**

  
**Distressed  
Credit I&S  
Division**

 **Cross-over  
& Acq. Finance**

 **Turnaround**

 **Factoring**

 **Distressed Credit  
Investments**

 **Senior Financing**

 **Servicing<sup>(9)</sup>**  
*AUM (GBV/Managed assets)*

	A	B	C	A+B+C
	Originated Business <sup>(1)</sup> <i>inception to date (31 July 2020)</i>	Terms agreed <sup>(2)</sup> to be signed	Advanced pipeline <sup>(3)</sup>	Total
	<b>~2,096</b>	<b>~231</b>	<b>~670</b>	<b>~3,000</b>
<b>Cross-over &amp; Acq. Finance</b>	425 <sup>(4)</sup>	~82	~121	~628
<b>Turnaround</b>	196 <sup>(5)</sup>	~18	~50	~264
<b>Factoring</b>	137 <sup>(6)</sup> <span style="border: 1px solid orange; border-radius: 50%; padding: 2px;">T/O 339<sup>(7)</sup></span>	~115	~101 <sup>(8)</sup>	~353
<b>Distressed Credit Investments</b>	913	-	~346	~1,259
<b>Senior Financing</b>	425	~16	~52	~493
<b>Servicing<sup>(9)</sup></b> <i>AUM (GBV/Managed assets)</i>	~8,600	-	~1,800	~10,400

Notes: Non accounting figures; (1) This aggregate includes both the SME loans granted/purchased and the distressed credit 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 BIP, due to their features considered consistent with illimity's SME segment for about €65mln. It includes also the portfolio sold; (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 €65mln and contribution of high yield bond for €23mln; (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) Outstanding at 31 July 2020; (7) Turnover related to Factoring only for the year 2020; (8) Credit line to be granted; (9) The AUM of the servicing unit includes the gross book value of distressed credit and the value of property and capital goods managed by IT Auction.

# illimity - Steady growth despite selective approach

Data in €mln

Reclassified Balance sheet	30.06 2019	31.12 2019	31.03 2020	30.06 2020	Δ 30.06/ 31.03.2020	Δ 30.06.2020 / 30.06.2019
1 Cash and cash equivalent	42	772	219	311	42%	634%
Due from banks and other financial institutions	123	345	657	643	(2%)	424%
2 <b>Customer loans</b>	<b>775</b>	<b>1,638</b>	<b>1,662</b>	<b>1,766</b>	<b>6%</b>	<b>128%</b>
- DCIS <sup>1</sup> investments	158	667	674	724	8%	359%
- DCIS <sup>1</sup> senior financing	241	341	334	337	1%	40%
- SME <sup>2</sup>	247	527	556	613	10%	148%
- Cross-over & Acq. Finance <sup>2</sup>	162	261	278	315	13%	95%
- High yield bond	-	-	-	13	n.s.	n.s.
- Turnaround	59	131	154	156	1%	164%
- Factoring	26	135	123	129	5%	397%
- Non-core former Banca Interprovinciale	129	103	99	92	(7%)	(29%)
Financial assets Held To Collect (HTC)	103	-	-	-	0%	n.s.
3 Financial assets Held To Collect & Sell (HTCS) <sup>3</sup>	90	126	335	286	(15%)	218%
Financial assets measured at FVTPL <sup>4</sup>	17	9	8	12	61%	(30%)
Goodwill	22	22	36	36	-	67%
Intangible assets	9	19	22	26	19%	186%
Other assets (Incl. Tangible and tax assets)	72	95	114	158	39%	118%
<b>Total assets</b>	<b>1,253</b>	<b>3,025</b>	<b>3,052</b>	<b>3,238</b>	<b>6%</b>	<b>158%</b>
Due to banks	239	377	468	583	25%	144%
4 Due to customers	381	1,979	1,911	1,915	0%	402%
Shareholders' Equity	549	544	537	563	5%	3%
Other liabilities	84	125	135	176	31%	110%
<b>Total liabilities</b>	<b>1,253</b>	<b>3,025</b>	<b>3,052</b>	<b>3,238</b>	<b>6%</b>	<b>158%</b>
5 Common Equity Tier 1 Capital	480	462	439	466	6%	(3%)
<b>Risk Weighted Assets</b>	<b>995</b>	<b>2,162</b>	<b>2,347</b>	<b>2,548</b>	<b>9%</b>	<b>156%</b>

1 **Robust liquidity profile:** approximately €500mln between cash, net adjusted interbank position and liquidity buffers

2 **Net customer loans up 6% - and 9%** restated for repossessed assets<sup>(5)</sup> – with good contribution from both DCIS and SME Divisions

3 **Securities portfolio at €286mln** with reduced negative mark-to-market from equity of approximately €4mln after tax

4 **Retail & corporate funding up 3% to nearly €1.8bn** on further growth in deposits at illimitybank.com

5 **CET1 capital up to €466mln** mainly underpinned by profit generated in the quarter, the effect of the buyout of 30% of IT Auction and the lower M-t-M of the securities portfolio

Notes: Rounded figures. IT Auction consolidated for the first time in 1Q20; (1) DCIS: Distressed Credit Investment & Servicing Division (previously named NPL I&S); (2) 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; (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, junior tranches acquired as part of senior financing transactions and investments in distressed energy credit purchased as part of the DCIS division's activities. (5) ~€49mln of real estate assets owned directly by the Bank as of 30.6.2020 as a result of a *datio in solutum* transaction and other repossession workout strategies, accounted for as tangible assets.

# illimity - Securities M-t-M moving in right direction

## Securities portfolio



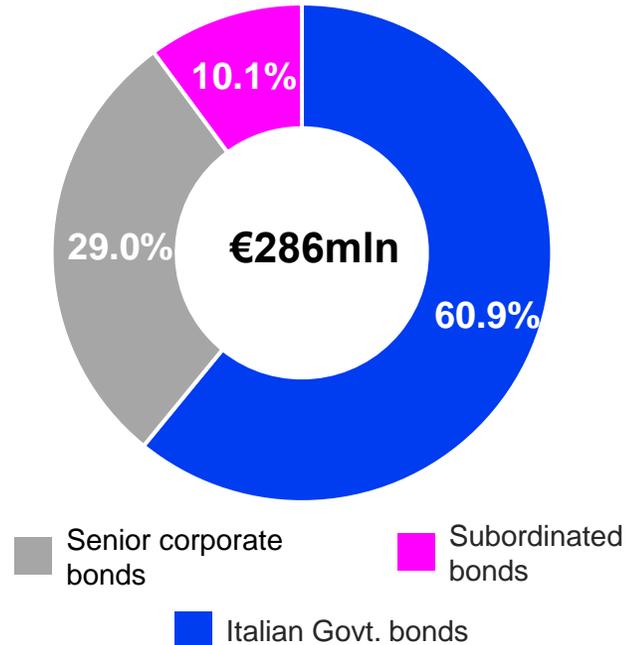
Mar-20

Jun-20

HTCS

## Portfolio composition

30 June 2020



Senior corporate bonds

Subordinated bonds

Italian Govt. bonds

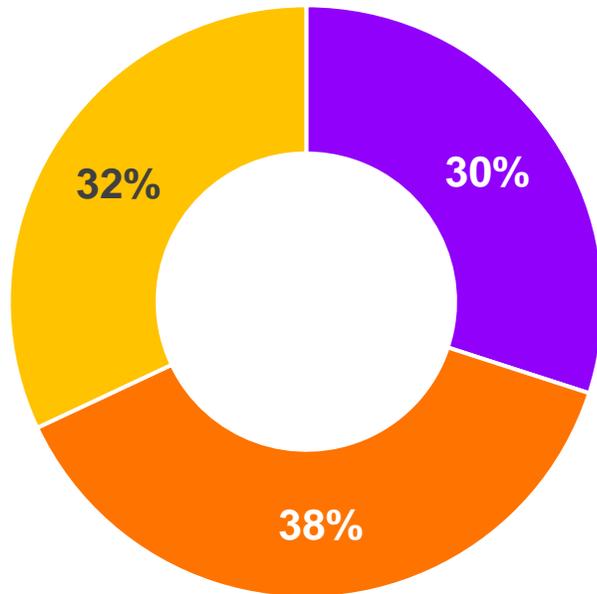
## Dynamic treasury management

- Dynamic treasury portfolio management to reduce exposure to market volatility
- Portfolio size in line with target of 10% of total assets by YE20
- Negative M-t-M<sup>(1)</sup> at approx. €4mln on 30 June, further reduced to around €2mln as of August 4<sup>th</sup>
- Duration 3.6 years
- Average yield approx. 1.0%

# illimity - **Balanced and inexpensive funding**

## Maturity mix

Total funding | 30 June 2020  
€2.5bn



■ Sight ■ Short Term ■ Medium-Long Term



Medium-Long Term funding  
maturity **3.5 years**

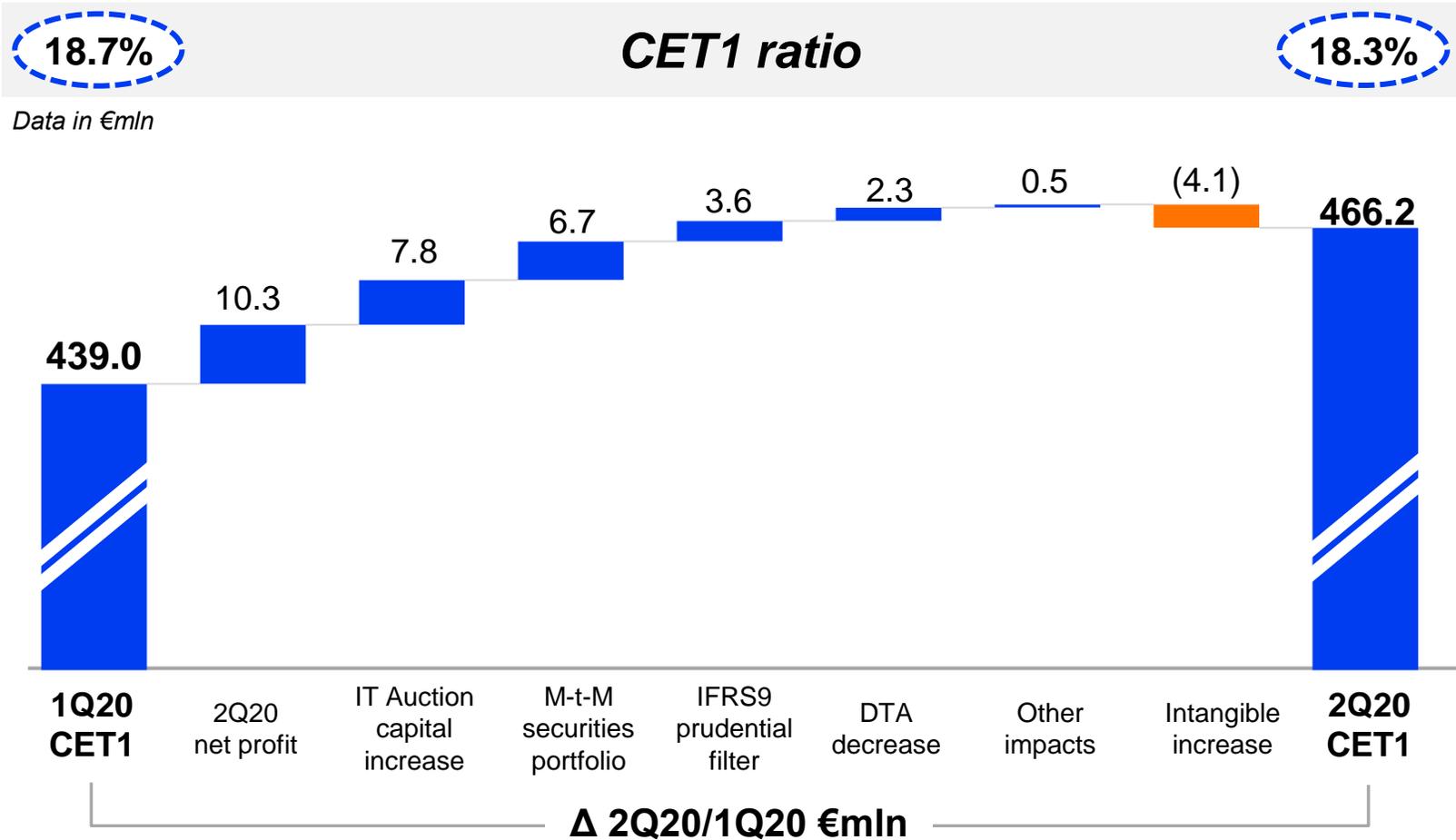


~**1.5%** blended average cost  
of funding



€185mIn **TLTRO-III**

# illimity - CET1 capital bridge in 2Q20



- Including special shares<sup>(1)</sup> and estimated benefit from the EU banking package, CET1 ratio would reach around **19.5% on a pro-forma basis**
- Increase in RWA density as of June 2020 expected to revert in 2H20
- Capital optimisation initiatives expected to generate 5-10% RWA relief



Note: Rounded figures. (1) Following EBA approval process.

# illimity - Doubled net profit without trading contribution

Data in €mln

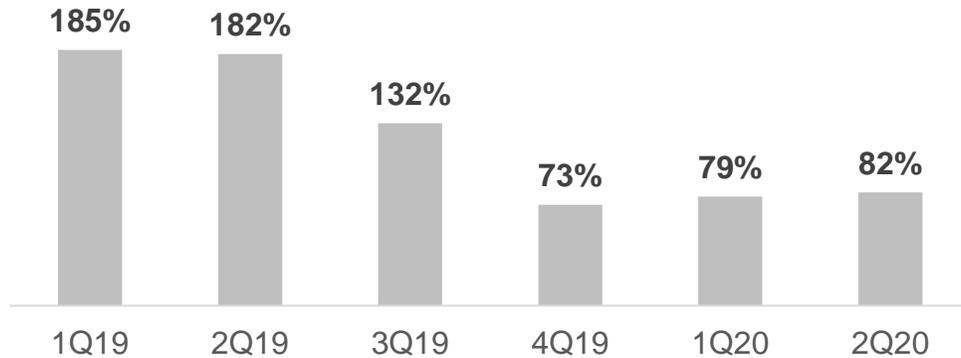
	4Q19	1Q20	2Q20	Δ 2Q20/ 1Q20 %
<b>Reclassified Profit &amp; Loss</b>				
1 Interest income	27.5	32.1	33.2	4%
Interest expenses <sup>1</sup>	(9.0)	(10.2)	(8.9)	(13%)
<b>Net interest income</b>	<b>18.5</b>	<b>21.8</b>	<b>24.3</b>	<b>11%</b>
2 Net fees and commissions	1.5	2.5	2.1	(15%)
Net result from trading	8.9	3.7	(0.0)	n.s.
Net other income/expenses	1.6	0.0	0.2	n.s.
3 Gains from closed purchased distressed credit positions <sup>2</sup>	9.1	9.1	7.9	(13%)
<b>Operating income</b>	<b>39.7</b>	<b>37.2</b>	<b>34.5</b>	<b>(7%)</b>
Staff costs	(9.1)	(11.3)	(13.2)	17%
Other operating expenses	(19.0)	(16.3)	(12.9)	(21%)
Depreciation & Amortisation	(1.1)	(1.8)	(2.0)	11%
4 <b>Operating costs</b>	<b>(29.2)</b>	<b>(29.4)</b>	<b>(28.2)</b>	<b>(4%)</b>
<b>Operating profit</b>	<b>10.4</b>	<b>7.8</b>	<b>6.4</b>	<b>(18%)</b>
5 Loan loss provision charges	(1.0)	(2.7)	(1.2)	(55%)
6 Value adjustments on purchased distressed credit	(8.2)	2.8	4.6	64%
Value adjustments on HTC securities and loans to banks	0.0	(0.3)	0.2	n.s.
Other net provisions	0.1	(0.5)	0.2	n.s.
Provisions for risks and charges	0.1	0.1	(0.1)	n.s.
<b>Profit (loss) before tax</b>	<b>1.4</b>	<b>7.2</b>	<b>10.0</b>	<b>40%</b>
7 Income tax	0.6	(2.7)	0.3	n.s.
<b>Net result</b>	<b>2.1</b>	<b>4.5</b>	<b>10.3</b>	<b>130%</b>

- 1 Growth in net interest income** only partially benefiting from the business originated at the end of the quarter. Interest income includes **€0.8mln** arising from the **first recognition of a credit revaluation event** on a **Turnaround** transaction
- 2 Net fees** affected by lower contribution from factoring and IT Auction's subdued activity due to Law court inactivity
- 3 Steady stream of gains** from closed distressed credit positions either sold to third parties or agreed with debtors (DPO<sup>(3)</sup>)
- 4 Operating costs** largely flat vs 1Q20; include €0.9mln of costs related to the ESOP<sup>(4)</sup> plan (a cost typically booked in the second quarter of each year)
- 5 Stabilisation of collective provisioning** following 1Q20 conservative approach
- 6 €4.6mln Distressed Credit positive value adjustments** mostly driven by actual cash flow in excess of expectations
- 7 Positive tax effect** due to goodwill tax recognition

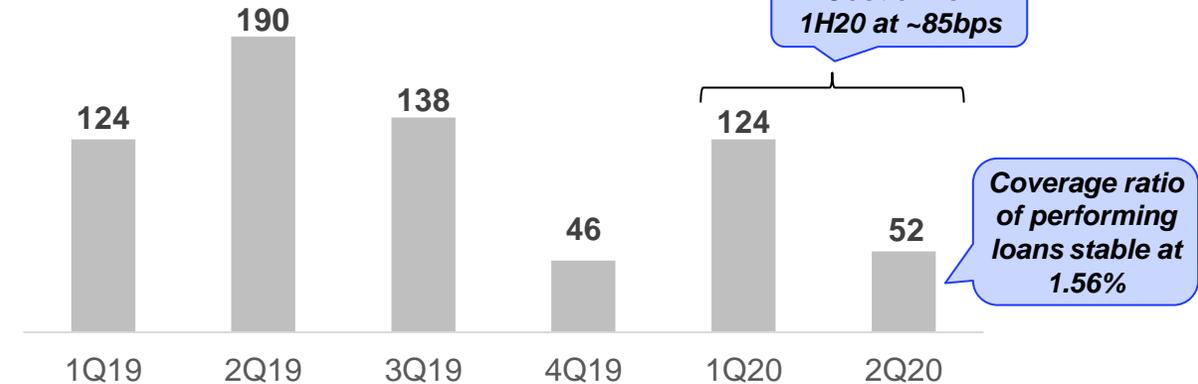
Notes: Rounded figures. IT Auction consolidated for the first time in 1Q20; (1) Interest expenses restated to exclude costs related to Debt for leasing, now included as administrative costs; (2) Gains from definitive closure of non-performing exposures either through disposal to third parties or through discounted payoff agreed with the debtor; (3) Discounted pay off recovery strategy (the so-called "saldo e stralcio"); (4) Employee Stock Ownership Plan.

# illimity - KPIs confirming strong asset quality and liquidity

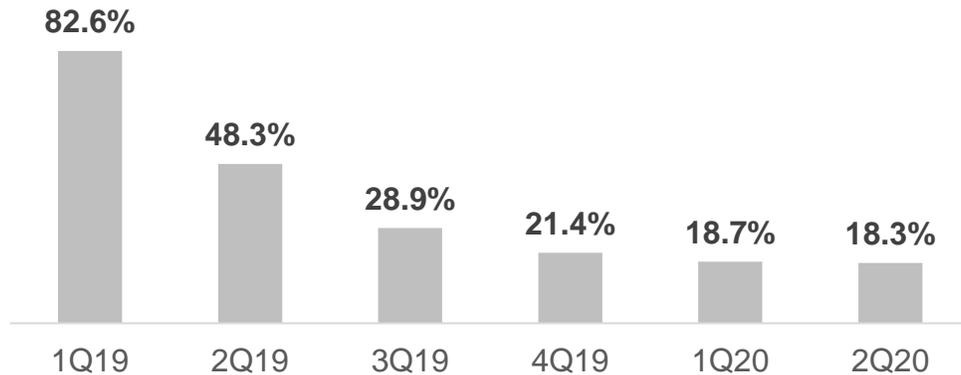
Cost/Income



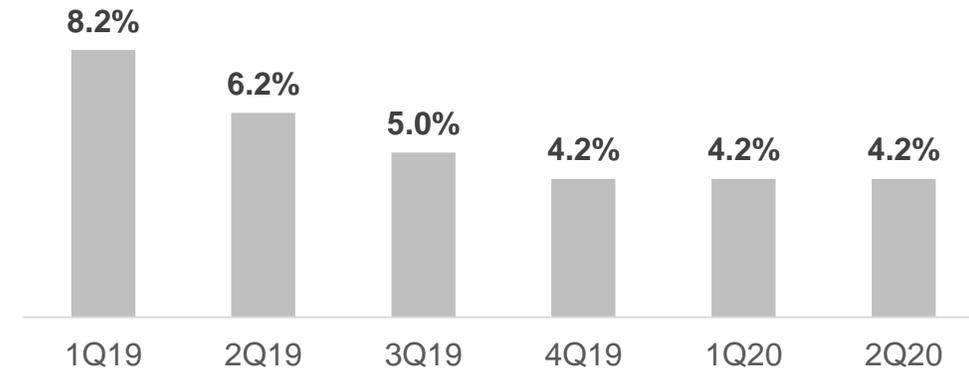
Organic cost of risk (bps)<sup>(1)</sup>



CET1 ratio



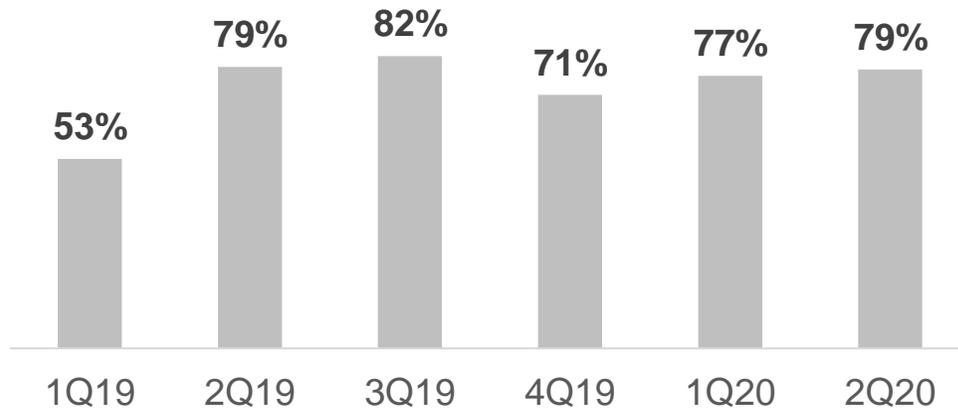
Organic NPE Ratio<sup>(2)</sup>



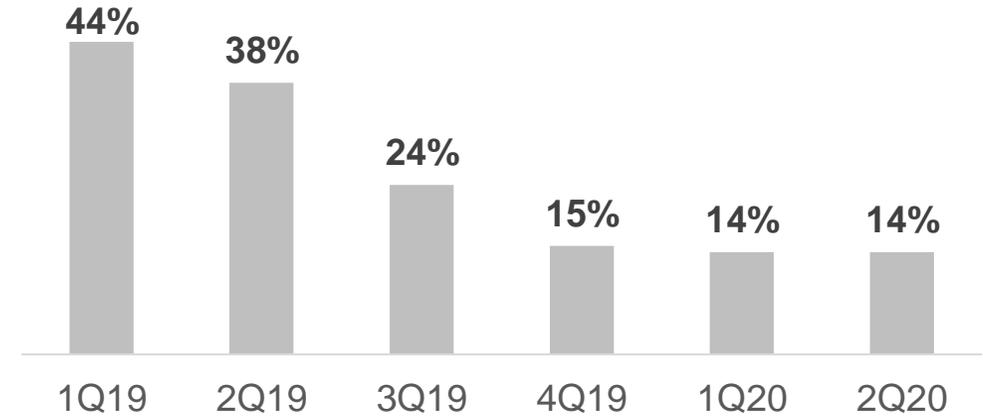
Notes: (1) Ratio of loan loss provisions to net loans to customers end of period (€926.4mIn as of 2Q20) from factoring, cross-over, acquisition finance, BIP legacy book and senior financing - thus excluding UTP loans purchased or originated as part of the Turnaround business and the investments in Distressed Credit portfolios; (2) Ratio of gross NPE to total gross loans to customers from factoring, cross-over, acquisition finance, BIP legacy book and senior financing to non-bank Distressed Credit investors - thus excluding UTP loans purchased or originated as part of the Turnaround and the investments in Distressed Credit portfolios. Any failure to reconcile the stated figures arise exclusively from rounding.

# illimity - Other Regulatory Ratios

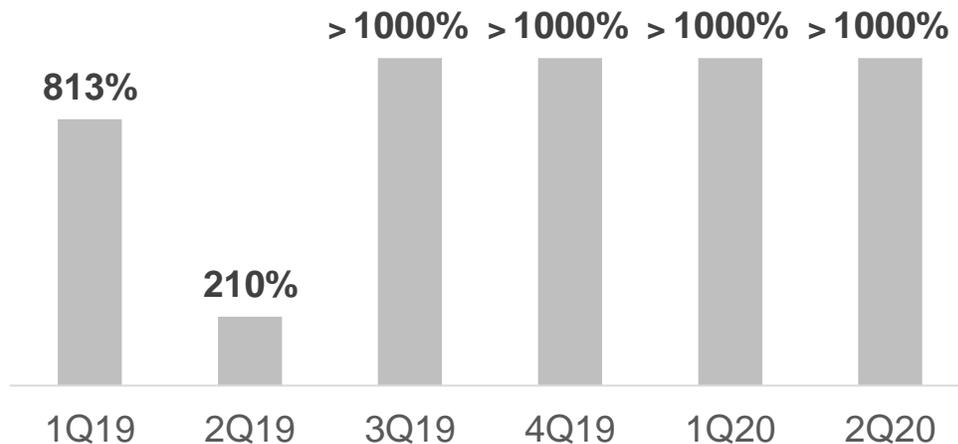
RWA Density<sup>(1)</sup>



Leverage ratio



LCR



- LCR confirms a significant liquidity buffer
- Net Stable Funding Ratio above the minimum regulatory requirements

Encumbrance Ratio  
1H20

~23%

Cash and high quality liquid assets  
1H20

~€500mln

Notes: (1) Calculated as the ratio of total RWA to Total Assets

# SME Division

*Enrico Fagioli*



# illimity - From start-up to recognised player in the market



SME

€758mln Originated Business<sup>(1)</sup>

€613mln Customer Loans<sup>(2)</sup>

€328mln o/w Cross-over & Acq. Finance

€156mln o/w Turnaround

€129mln o/w Factoring (Outstanding)  
€339mln di Turnover as of July 2020

#50

deals signed since inception<sup>(1)</sup>  
~400 deals analysed



Business origination becoming even more selective



Turnaround: high discount purchases with **super seniority position** compared to the debtor's other creditors



Relevant **portion** of the exposure covered by credit insurance

# illimity - **Growth and pipeline with a selective approach**



## **Visible recovery in business origination since June**

- Encouraging signs of recovery starting from June after Covid-19 related slowdown in business origination in April and May
- Continual selective approach
- Strong pipeline for 2H20



First deals with **public guarantees** signed: risk mitigation, capital optimisation and opportunity to originate new business



Launch of **high yield bonds** desk capitalising on deep market knowledge



Turnaround business model put to work: first **credit revaluation** booked

# illimity - Originated business: selectiveness and return on capital

## Selective approach

- **397 deals analysed** since inception worth **~€4.2bn** in nominal value
- **265 deals declined** worth **~€3.0bn**
- **13 deals with terms agreed and to be signed shortly** worth **~€100mln**
- **21 deals** currently under evaluation in **advanced status** worth **~€171mln**
- **Other opportunities** identified for additional **~€360mln**

**50 deals signed since inception**

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

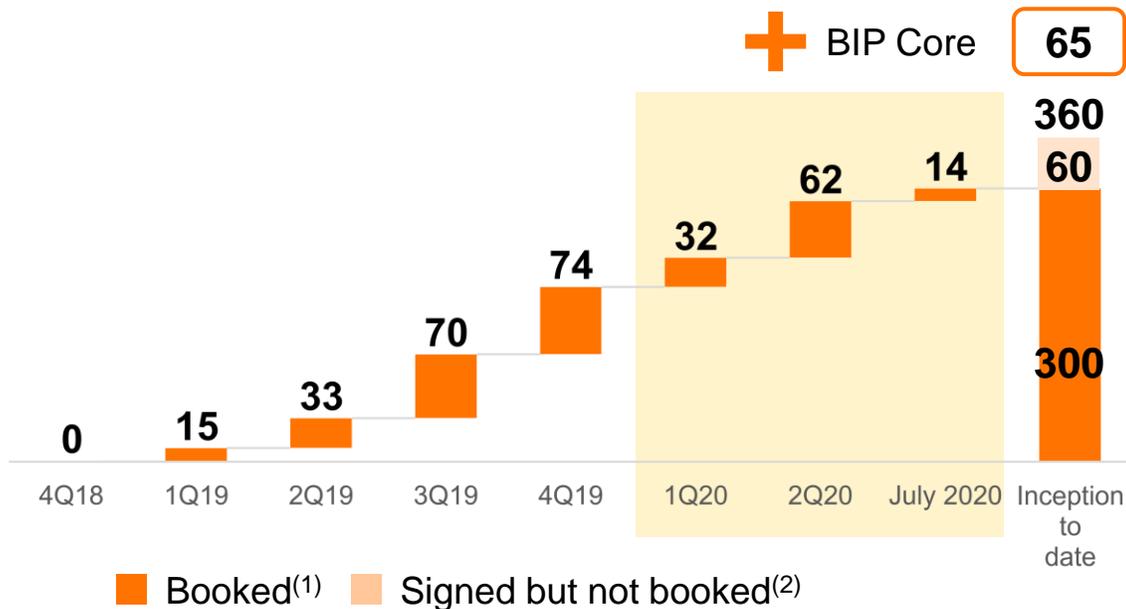
	A Originated business <sup>(1)</sup>	B Terms agreed <sup>(2)</sup> to be signed	C Advanced pipeline <sup>(3)</sup>	A+B+C Total	BP 2018-23 Target 2020
 <b>Cross-over &amp; Acq. Finance</b>	Inception to date (31 July 2020) 425 <sup>(4)</sup>	~82	~121	~628	~300
 <b>Turnaround<sup>(5)</sup></b>	196	~18	~50	~264	600 - 700
 <b>Factoring</b>	137 <sup>(6)</sup> <span style="border: 1px solid gray; border-radius: 50%; padding: 2px;">T/O<sup>(7)</sup> 339</span>	~115	~101 <sup>(8)</sup>	~353	~300
<b>Total SME Originated business</b>	<b>758</b>	<b>~215</b>	<b>~272</b>	<b>~1,245</b>	<b>~1,200-1,300</b>

Notes: Non accounting figures; (1) This aggregate includes the loans originated/purchased in the period, thus already income-producing, and the deals signed but yet to be booked, due 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 €65mln and contribution from high yield bond for €23mln; (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) Outstanding at 31 July 2020; (7) Turnover related to Factoring only for the year 2020; (8) Credit line to be granted.

# illimity - **Cross-over & Acq. Finance**: solid business origination and de-risking

## Originated business

Data in €mln



**A**

**B**

**C**

**A+B+C**

**Target 2020**  
~300

Terms agreed to be signed  
~82

Advanced pipeline  
~121

Total  
~628



**Business origination** in the quarter largely with **new customers**



**Selective de-risking** of existing portfolio through use of public guarantees



Confirmed **selective approach to pipeline** in a dynamic market

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

# illimity - **Turnaround**: ready to acquire going-concern UTP portfolios

## Originated business

Data in €mln



**A**

**B**

**C**

**A+B+C**

**Target 2020**  
**600 - 700**

Terms agreed to be signed	Advanced pipeline	Total
~18	~50	~264



Over €20mln **potential revenue upside**<sup>(3)</sup> from credit revaluation events – of which first €0.8mln booked in 2Q



**No sign of increase in credit risk** in existing portfolio



**Emerging new opportunities** from public measures for eligible turnaround situations

Notes: (1) Income-producing gross loans origination, including new finance, acquired credit and related instruments. It includes financial instruments, such as quasi-equity instruments, which are included in "20. c) **33** Other financial assets mandatorily at fair value" for accounting purposes; (2) deals signed but not yet booked, due 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, quasi-equity instruments and credit revaluation.

# illimity - Factoring: strong recovery from June

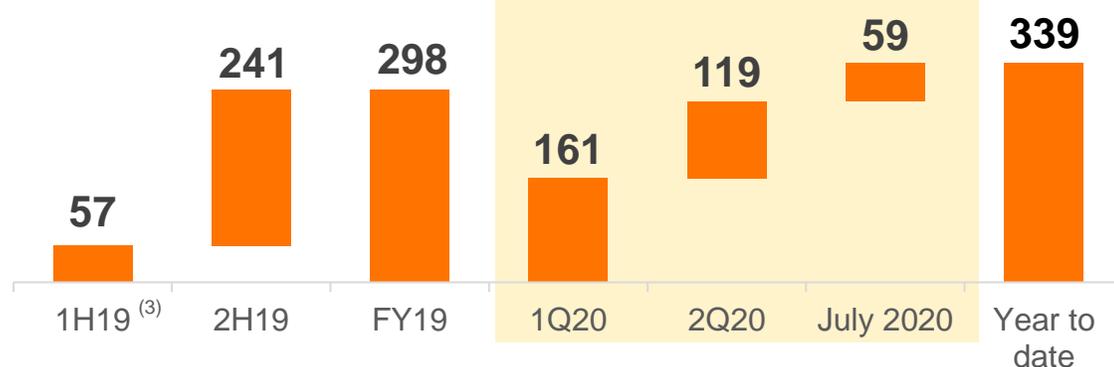
## Originated business

Data in €mln

Outstanding<sup>(1)</sup>



Turnover<sup>(2)</sup>



A

B

C

A+B+C

Target 2020  
~300

Terms agreed to be signed	Advanced pipeline	Total
~115	~101	~353



**New clients acquired even during the lockdown**, bringing number of clients<sup>(4)</sup> to over 100 and debtors to nearly 500



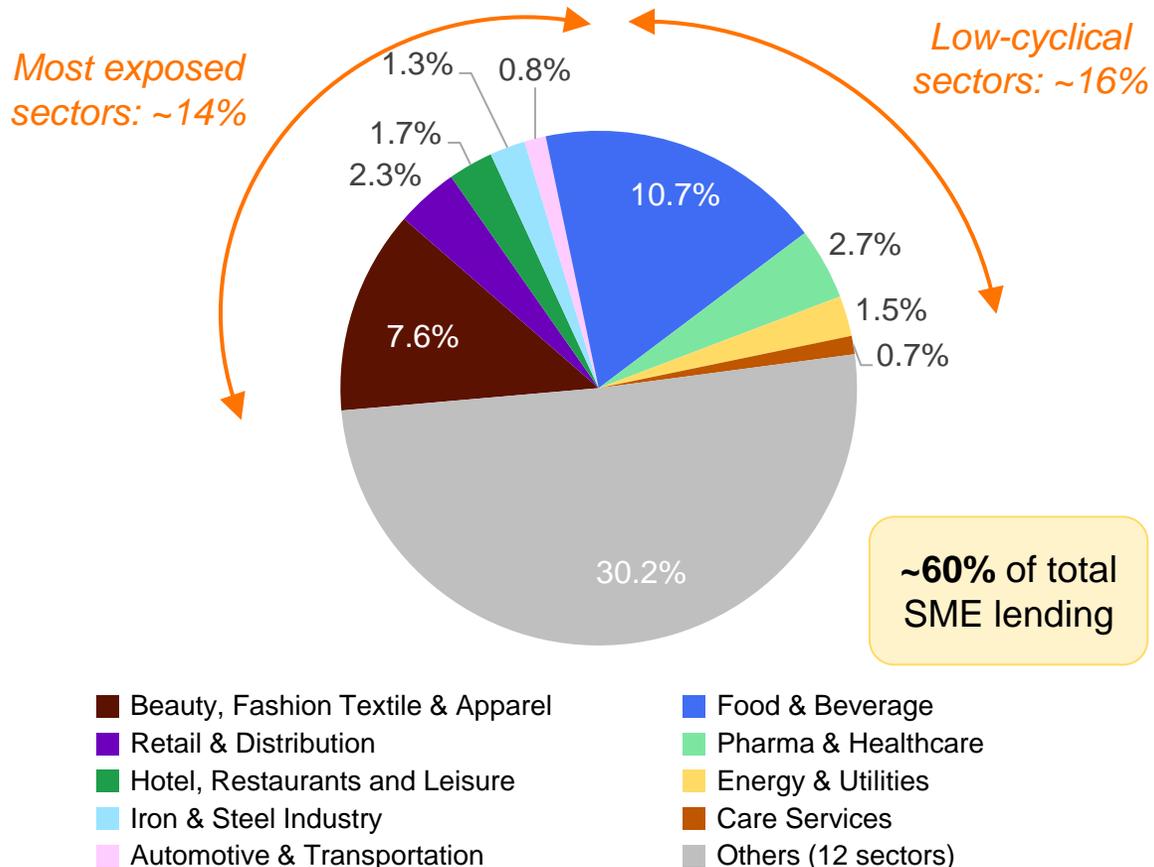
Due to COVID-19 forcing a slowdown, our clients' sales and turnover **started recovering from June**

# illimity - Cross-over & Acq. Finance: a well diversified loan book

## GBV breakdown by sector<sup>(1)</sup>

As % total SME lending

Data as of 30 June 2020



Exposures spread across over # 20 sectors

~14% exposure towards sectors most exposed to COVID-19



Risk reduced by debtor's characteristics and public measures



~16% exposure towards low-cyclical sectors



Conservative collective loan provisions

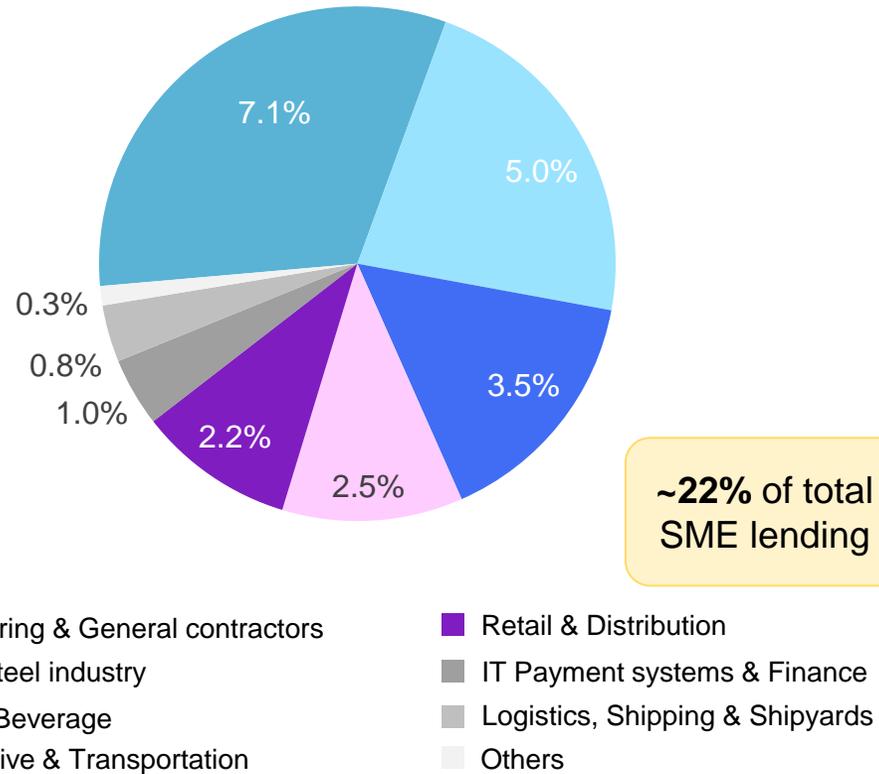
Note: Non accounting figures; (1) Excluding bad loans and including BIP Core and BIP non-core. This aggregate also includes financial instruments, such as quasi-equity instruments, which are included in "20. c) Other financial assets mandatorily at fair value" for accounting purposes.

# illimity - **Turnaround:** limited impact on existing exposures

## GBV breakdown by sector<sup>(1)</sup>

As % total SME lending

Data as of 30 June 2020



Underwriting based on heavily stressed scenario



In some significant cases, super seniority position compared to the debtor's other creditors



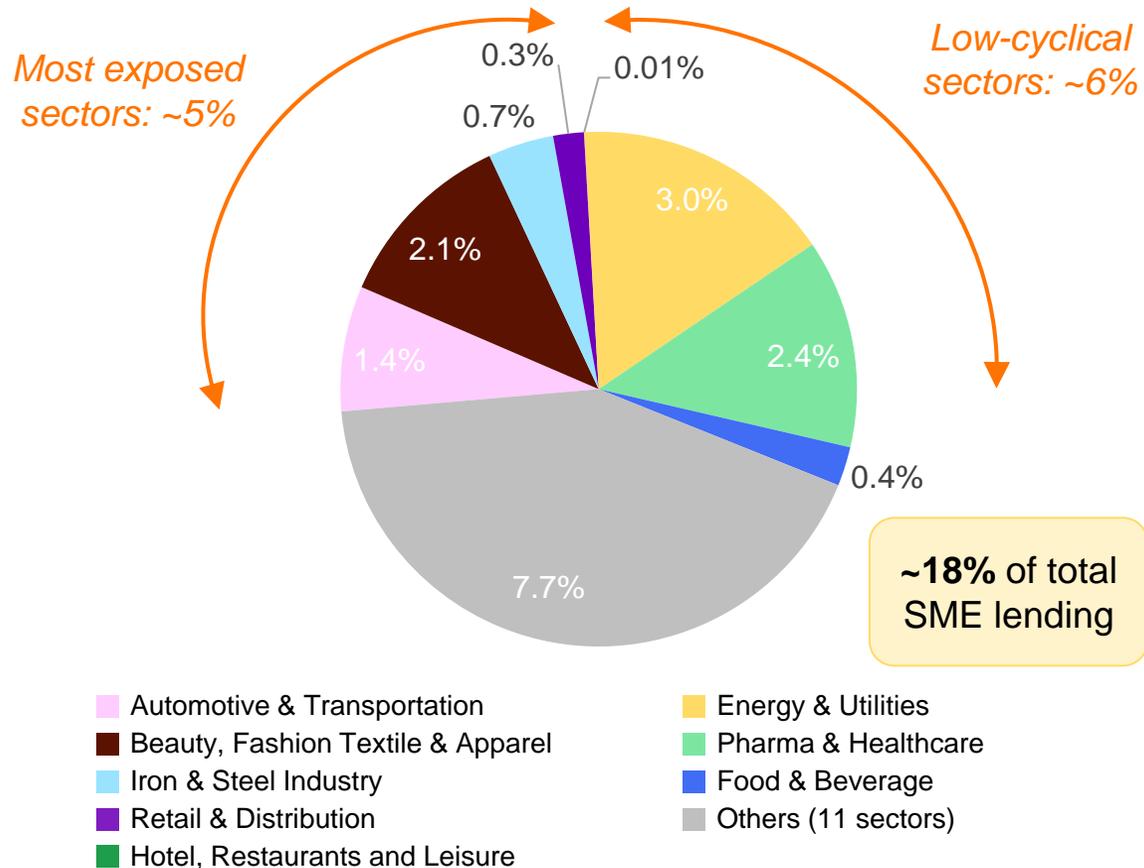
Limited number of counterparties, constantly monitored

# illimity - Factoring covered by credit insurance

## GBV breakdown by sector<sup>(1)</sup>

As % total SME lending

Data as of 30 June 2020



Relevant portion of the exposure covered by credit insurance



Balanced sector exposure

Notes: Non accounting figures; (1) Excluding bad loans and including financial instruments, such as quasi-equity instruments, which are included in "20. c) Other financial assets mandatorily at fair value" for accounting purposes.

# Illimity - First impact from significant public measures and guarantees

## REGULATORY FRAMEWORK



**'Cura Italia'**  
l. 27/2020



**'Liquidità'**  
l. 40/2020

### MORATORIUM

- Art. 56 DL 18/2020
- ABI Moratorium
- Bilateral agreements

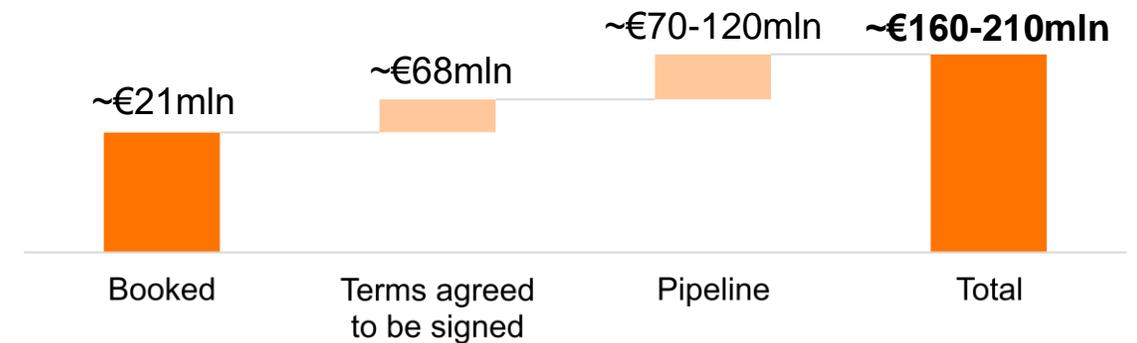
Agreed requests for **~€86mIn**

*o/w 35% with an already defined refinancing operation with public guarantee*

Enhanced monitoring on these positions

### PUBLIC GUARANTEES<sup>(1)</sup>

- Fondo Centrale Garanzia
- SACE



# Distressed Credit I&S Division

*Andrea Clamer*



# illimity - A well-recognized player



## Distressed Credit I&S

€1.3bn

Originated business<sup>(1)</sup> »



Most active investor in Italian market in 2019

€1.1bn

DCIS book value<sup>(2)</sup>

€0.7bn

Of which Investments in Distressed Credits

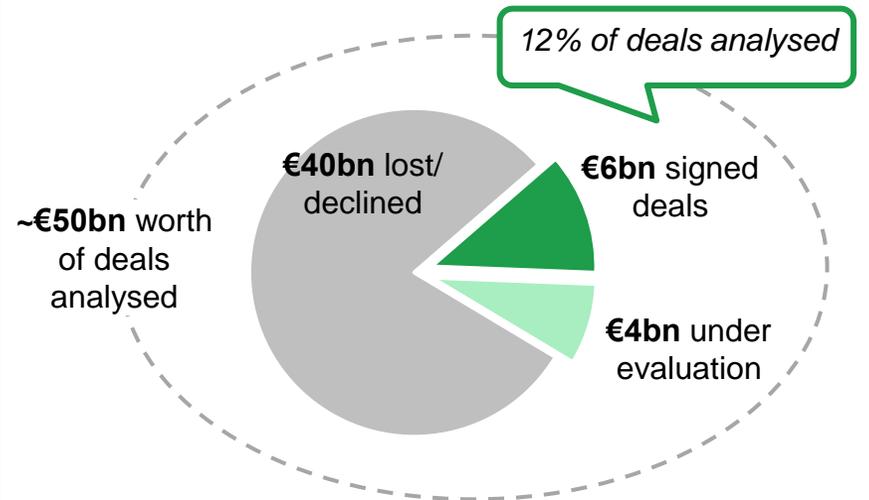
€0.3bn

Of which Senior Financing

€8.6bn

AuM managed in Servicing<sup>(1)</sup>

## Even more selective on investments (GBV since inception)



# illimity - A very positive 2Q20 with limited impact from COVID-19



Outperformance of **gross cash flow** in 2Q, underpinned by the out-of-court workout component, a key feature of our activity



For the third quarter in a row, our **dynamic portfolio strategy generated sizeable profit**



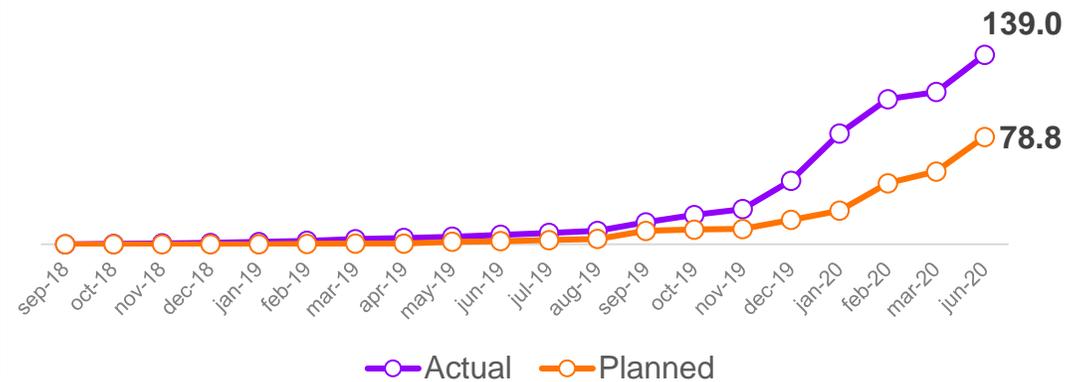
Distressed credit market very dynamic and with lower competition – **strong pipeline ahead**

# illimity - Outperformance of cash flow continued despite lockdown

## Cash Flow view<sup>(1)</sup>

Data in €mln

Cumulative cash flow: actual vs. planned



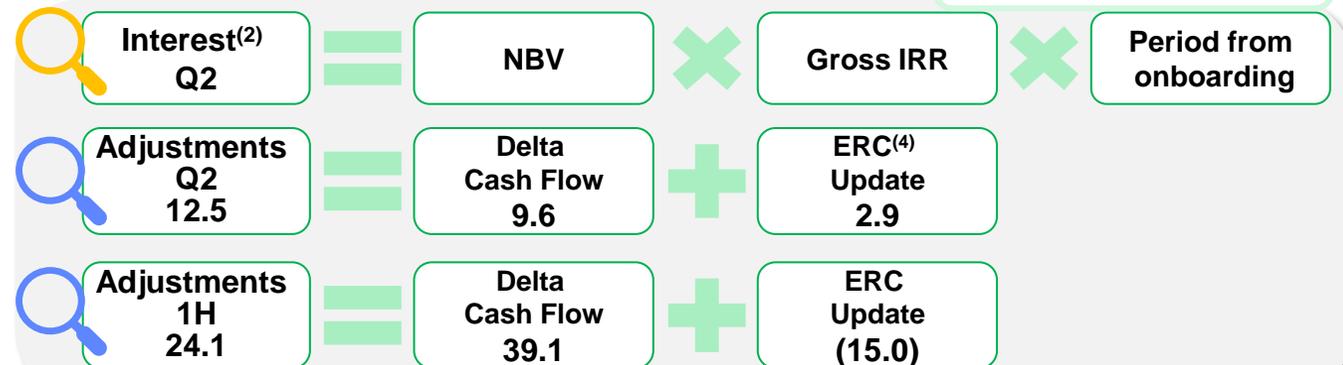
	Actual Cash Flow	Expected Cash Flow	Delta Cash Flow
<b>Q2 20</b>	<b>28.5</b>	<b>18.9</b>	<b>+9.6</b>
<b>Cumulative</b>	<b>139.0</b>	<b>78.8</b>	<b>+60.1</b>

## Economic quarterly view

Data in €mln

	Interest <sup>(2)</sup> Q2	Fee income Q2	Adjustments <sup>(3)</sup> Q2	Revenues Q2
<b>Investment</b>	21.5	-	12.5	34.0
<b>Senior Financing</b>	3.6	0.3	-	3.9
<b>Total</b>	<b>25.1</b>	<b>0.3</b>	<b>12.5</b>	<b>37.9</b>

Of which €7.9mln from credit disposal or DPO



# Illimity - Revenue from closed positions are core to the DCIS business model



Dynamic approach to portfolio management facilitated by very conservative pricing

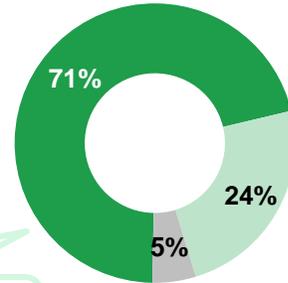
# illimity - Strong out-of-court workout component drives cash flow performance

Data as of 30 June 2020



## Pricing vs. actual workout strategy

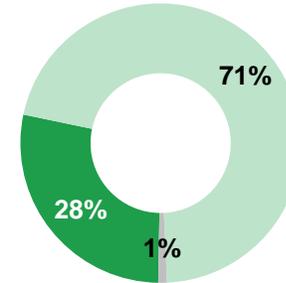
Workout strategy in pricing model (NBV breakdown)



On Judicial strategy, real estate asset value is 50% below market value

■ Judicial<sup>(1)</sup> ■ Out-of-court settlement ■ Other<sup>(2)</sup>

Actual workout strategy (Cash flow breakdown)

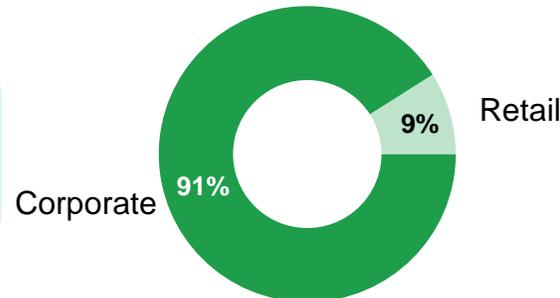


Out-of-court settlement represents >70% of actual gross cash flow – vs ~24% in pricing model



## Type of borrower

Type of borrower (GBV breakdown)



- Retail borrowers **strategically non-core** (will be sold in due course)
- ~ 40% of DCIS stock has a GBV ticket size > €2.5mln

Our debtors usually have significant assets

# illimity - A resilient business origination combined with pricing discipline

## Strong discipline drives selective approach

- ~€50bn of GBV analysed since inception
- ~€40bn of GBV declined/lost since inception
- ~€6bn of GBV signed since inception
- ~€4bn of GBV currently under evaluation

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

	A	B	C	A+B+C
	Originated business <sup>(1)</sup>			
	Inception to date (31 July 2020)	Terms agreed <sup>(2)</sup> to be signed	Advanced pipeline <sup>(3)</sup>	Total
 <b>Distressed Credit Investment</b>	913	-	~346	~1,259
 <b>Senior Financing</b>	425	~16	~52	~493
<b>Total Originated Business</b>	<b>1,338</b>	~16	~398	~1,752
 <b>Servicing<sup>(4)</sup></b> <i>AUM (GBV/Managed assets)</i>	~8,600	-	~1,800	~10,400

Notes: Non accounting figures; (1) This aggregate includes the origination/purchase of income-producing loans and Distressed Credit 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. It includes also the portfolio sold within the Dynamic Portfolio management strategy; (2) Deals in final stage of the formalisation 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 book value of distressed credit and the value of property and capital goods managed by IT Auction.

# illimity - Diversified growth

## Originated business

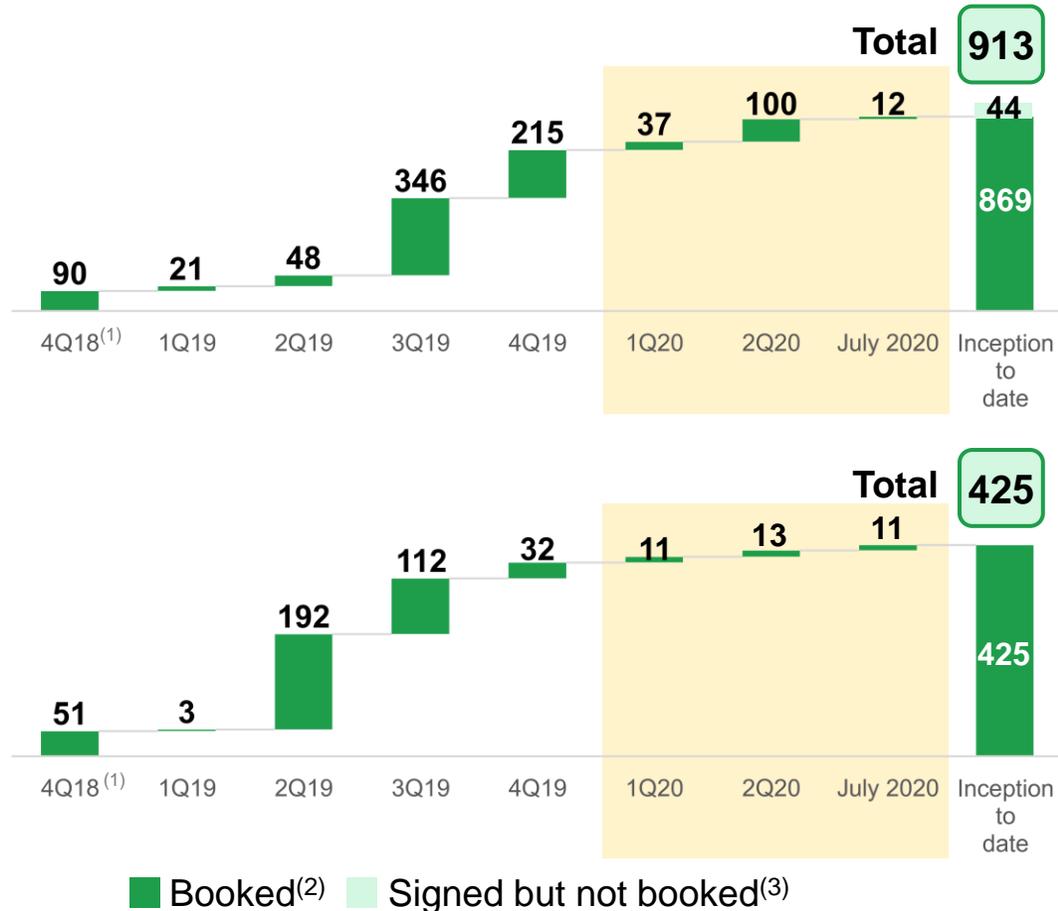
Data in €mln



**Distressed  
Credit  
Investment**



**Senior  
Financing**



Business **origination**  
**doubled** compared to 2Q19



First investment in the  
**Energy sector**

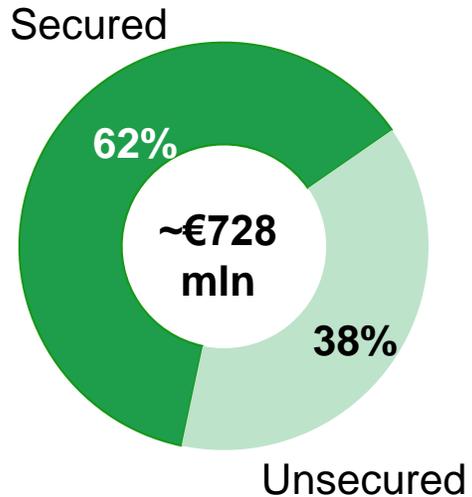


Very dynamic **Special  
Situation Real Estate**

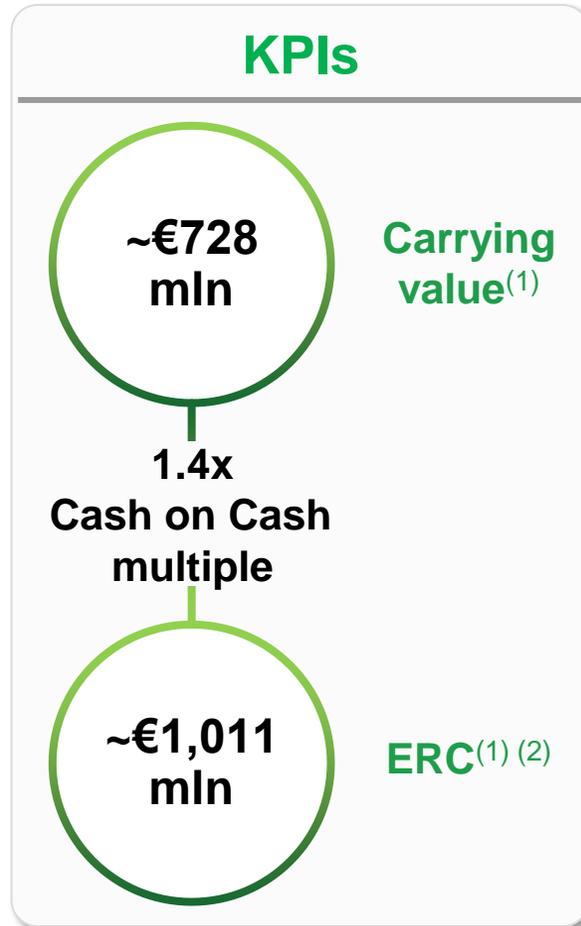
# illimity - Portfolio growing steadily

Data as of 30 June 2020

## NBV breakdown by type of guarantee



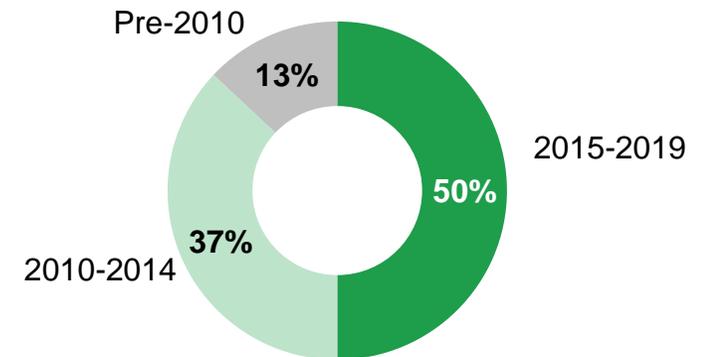
## KPIs



Not considered **€49mln** of real estate assets owned directly by the Bank

- Repossession/datio-in-solutum as part of workout strategy
- To be pursued very selectively

## Vintage<sup>(3)</sup> (GBV breakdown)



Notes: Rounded figures; (1) This includes distressed credits purchased by the Energy desk, which for accounting purposes are recognised at Fair Value (item 120 c); (2) Estimated Remaining Collections on booked investments; (3) Only considering bad loans.

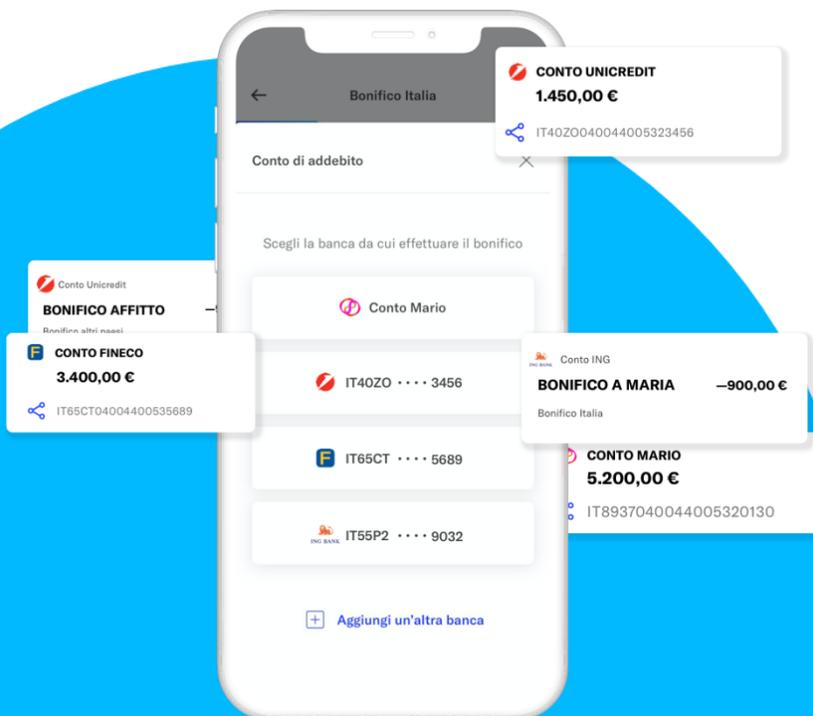
# Direct Banking

*Carlo Panella*



# illimity - [illimitybank.com](http://illimitybank.com) now a benchmark in customer engagement

- Funding goals over-achieved thanks to a stable **€1.8bn funding** with a decreasing cost of funding (-20bps on [illimitybank.com](http://illimitybank.com) June vs January)



- Focus on the **Digital Platform enhancement and improvement** to increase **stickiness** and **customer engagement**

**36k**

**Total Customers**  
at 31 July 2020

**83%**

**Active Customers**  
o/w 26% already chosen illimity as primary bank

**+70%**

**Conveyed payrolls**  
June vs January

**~15%**

« PSD2 » customers

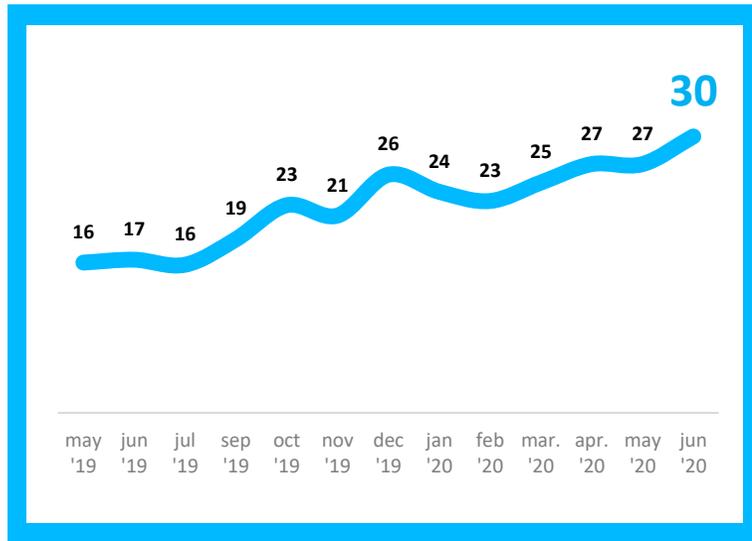
**30%**

**Advanced analytics users<sup>(1)</sup>**

Note: Data as of 30 June 2020. Non accounting figures  
(1) Web users who interact with the Analysis tools

# illimity - What do they say about us...

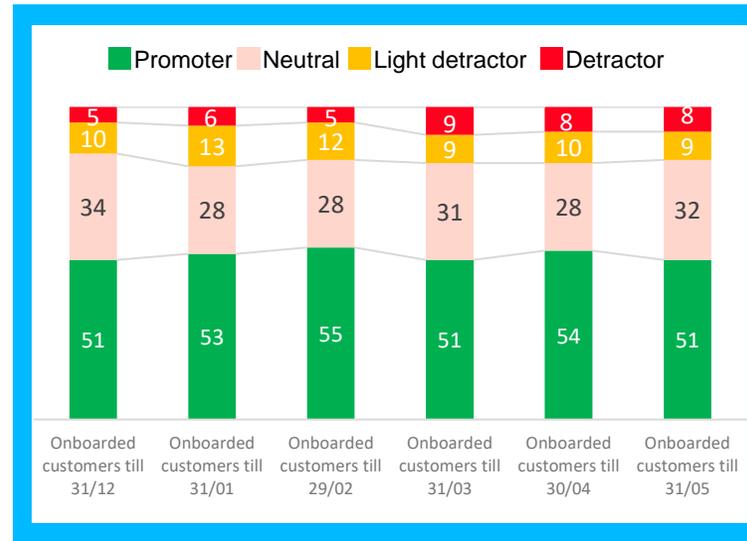
## Market



**30%**  
Brand  
Awareness

% of interviewed users who know illimity brand

## Customers



**35**  
Net Promoter  
Score

vs **9** avg market value

## Institutions



**ABI**  
Award

for most innovative Retail Bank for families and young users

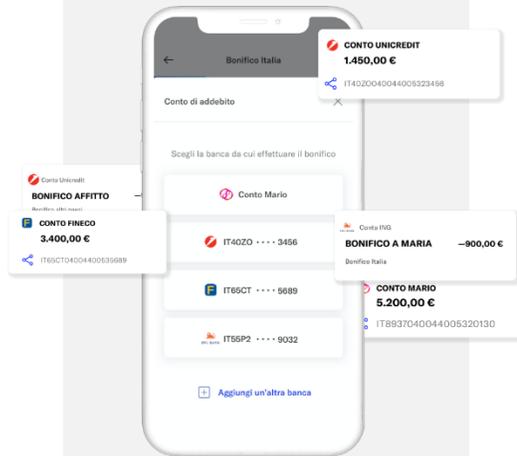
# illimity - The path towards an API-based economy

BUILD



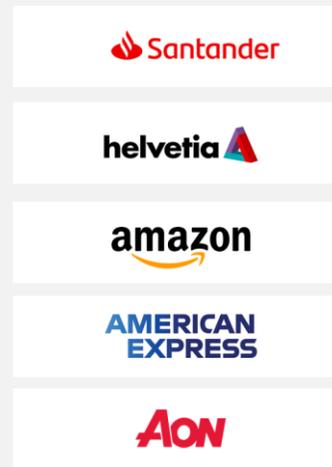
Development and launch of a **fully digital** direct bank

PSD2 NATIVE



Born to be **PSD2 compliant**: first bank in Italy to launch both *Account Information* and *Payment Initiator Services*

FULLY FLEDGED



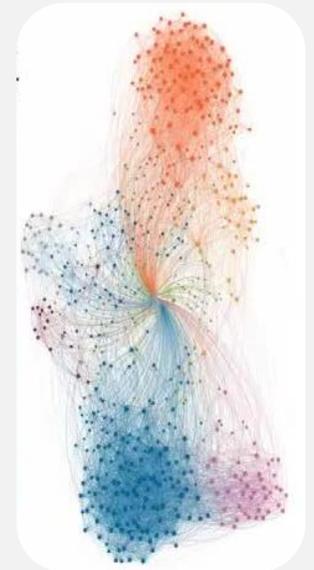
Enrichment of the commercial proposition with **Third Parties Products**, in order to provide customers with a complete product portfolio

PLATFORM



From Open Banking to Open Business with the new **illimity Hubs**: a complete and value-added integration of non-financial partners within the illimity app

API ECONOMY



What is the next level?  
To keep **scaling on the banking and data platform**

# illimity - Agenda

1

ILLIMITY AT A GLANCE

2

BUSINESS PROFILE  
AND STRATEGY

3

FINANCIAL  
PERFORMANCE

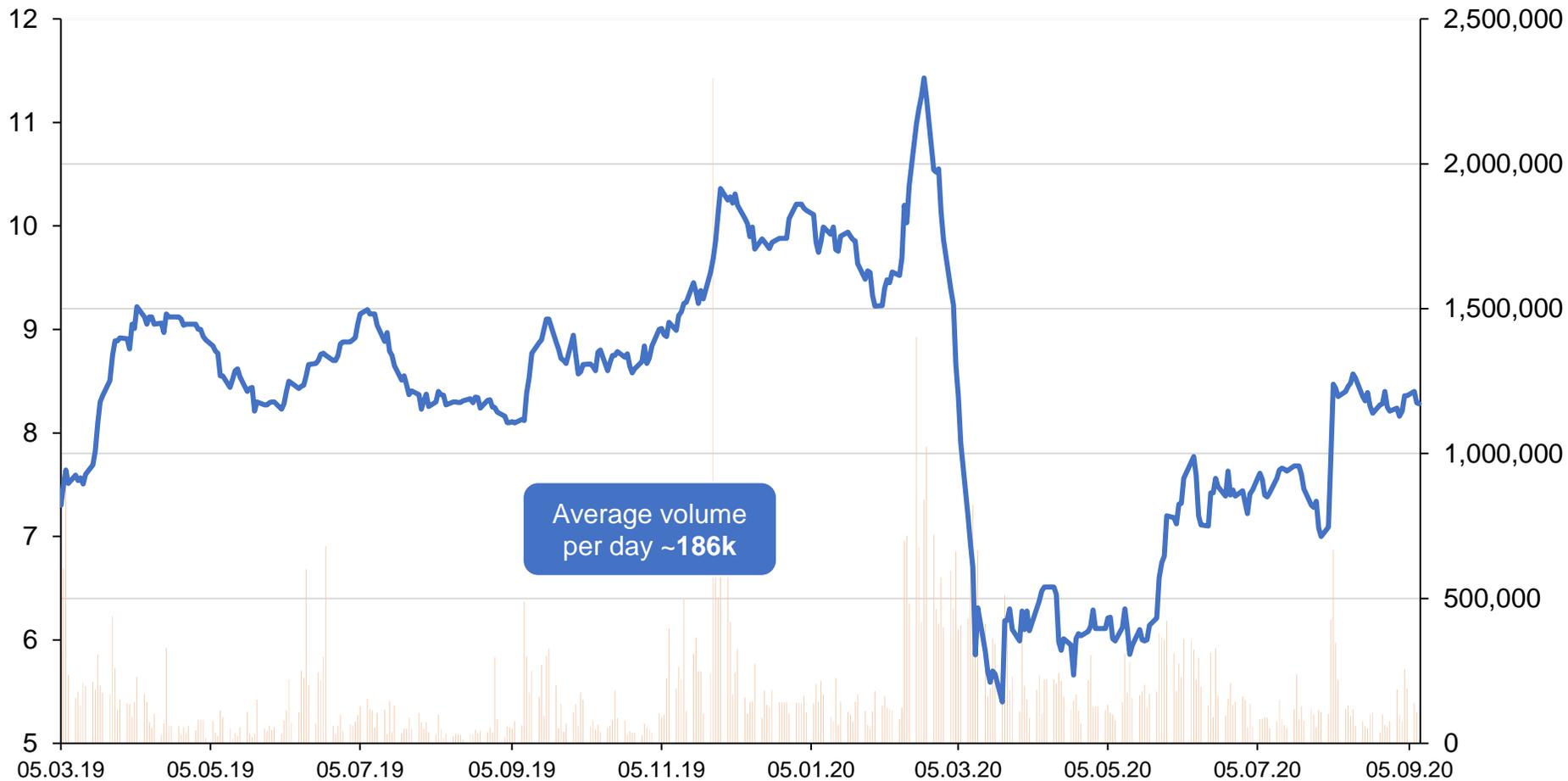
4

APPENDIX



# illimity - Listed on the STAR segment of the MTA

Since March 5, 2019, illimity ordinary shares are listed on the Mercato Telematico Azionario (MTA) managed and organised by Borsa Italiana. On September 2 illimity shares entered the STAR segment.



Average volume per day ~186k

- Average daily volume since 20-Feb: ~227,000 shares
- Market capitalisation: €542mIn

Volumes [#] right axis    Share price [€] left axis

# illimity - Management team Biographies



## Corrado Passera

Proven track record and extensive experience in the banking sector

- **Minister of Economic Development and Minister of Infrastructures/ Transportation** (2011–2013)
- **Intesa Sanpaolo – Group CEO** (2002–2011)
- **Poste Italiane – CEO** (1998–2002)



## Andrea Clamer

Deep knowledge of the Italian NPL market (10 years)

- **Banca IFIS – Head of NPL Business** (2012-2017)
- **Toscana Finanza – Head of New Markets** (2008-2011)



## Enrico Fagioli

Long-standing career in the banking sector, with strong credit know-how and deep knowledge of the Italian Corporates

- **JV Questio-Cerved – CEO** (Oct-2017/May-2018)
- **BPVicenza – CFO and Deputy GM** (Jan-Sept 2017)
- **BMPS – Head of NPL and Non-Core Unit** (2014 – 2017)



## Carlo Panella

Strong knowledge of banking operations and digital banking

- **CSE Consulting – General Manager** (2013-2018)
- **WeBank – General Manager/ Commercial Director** (2009-2013)



## Francesco Mele

Deep knowledge and strong track record in the Italian Financial Sector

- **BMPS – Group CFO** (2016–2018)
- **Nomura International – Head of Investment Banking Italy** (2010–2016)
- **Goldman Sachs Italy – FIG team** (1996–2010)



## Isabella Falautano

Strong experience in Communication, Corporate Responsibility and Stakeholder Engagement

- **AXA Italy – Director of Communications, Corporate Responsibility and Public Affairs** (2007-2018)



## Claudio Nordio

Wide experience in risk management, quantitative modelling and structuring

- **Banca Carige – CRO** (2015-2018)
- **Banco Popolare – Head of Internal Validation** (2010-2015)



## Fabio Marchesi

Strong experience in Internal Audit, with strong credit know-how

- **UBI Banca - Credit Audit Manager** (2012-2018)
- **UBI Banca - Internal Audit Project Manager** (2007-2012)



**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)

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