



**illimity**

BANCA OLTRE LA FORMA

# **Strategic Plan 2021-25**

22 June 2021

# Strategic Plan 2021-25

*Corrado Passera, CEO*



# illimity - **Unique new paradigm bank**

illimity is a **new paradigm bank** designed specifically for the ever growing, highly attractive **Italian SME** market; credit skills and technology innovation are the two main enablers of our strategy

illimity began operating at the **start of 2019** and **foundations for success** are now firmly in place

**The 2021-25 Strategic Plan confirms illimity's solid investment case and underlines the impressive growth ahead**

# illimity - Foundations for success are in place



## MARKET

We focus on **large attractive market segments** where we hold a **significant position** through **sustainable competitive advantages**



## PEOPLE

Our **management team** is **strong** and cohesive and we have **attracted talent from over 200 different organisations**



## TECHNOLOGY

We built a **unique IT strategy and architecture** which is proving to be a **key success factor**



## VALUES

We are **ESG native** and take this responsibility very seriously



## PROFITABILITY

We expect to reach a **10% ROE<sup>(1)</sup> in FY21** (8% in 1Q21)

# illimity - Highly attractive Italian SME market focus



We focus our lending and investment on **Italian SME's**: immense and growing markets, further increasing as a result of the Covid-19 pandemic, and considerably underserved by traditional banks

**SME  
Performing  
loans**

~**€700bn<sup>(1)</sup>**  
**stock**  
**+9.5% YoY**

**SME  
UTP**

**>€35bn<sup>(2)</sup>**  
Expected  
cumulated  
transactions  
2021-25 (GBV)

**SME  
NPL**

**>€140bn<sup>(2)</sup>**  
Expected  
cumulated  
transactions  
2021-25 (GBV)

# illimity - Significant market positions through sustainable competitive advantages



## Growth Credit Division

**€1.1bn**  
Originated  
business

*A well-recognised  
player in SME  
market: lead  
arranger on many  
Acquisition Finance  
deals*



## Distressed Credit Division

**€1.7bn**  
Originated  
business

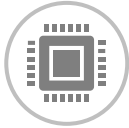
*Within top three  
private investors in  
the Italian distressed  
credit market*



**Full banking license** enables **complete interaction with customers** and a **lower cost of funding** than non-bank operators



**Proven credit skills + Tutors' industrial expertise**



**Unique IT architecture** capable of continuous integration of **innovation**



**End-to-end business model in distressed credit**



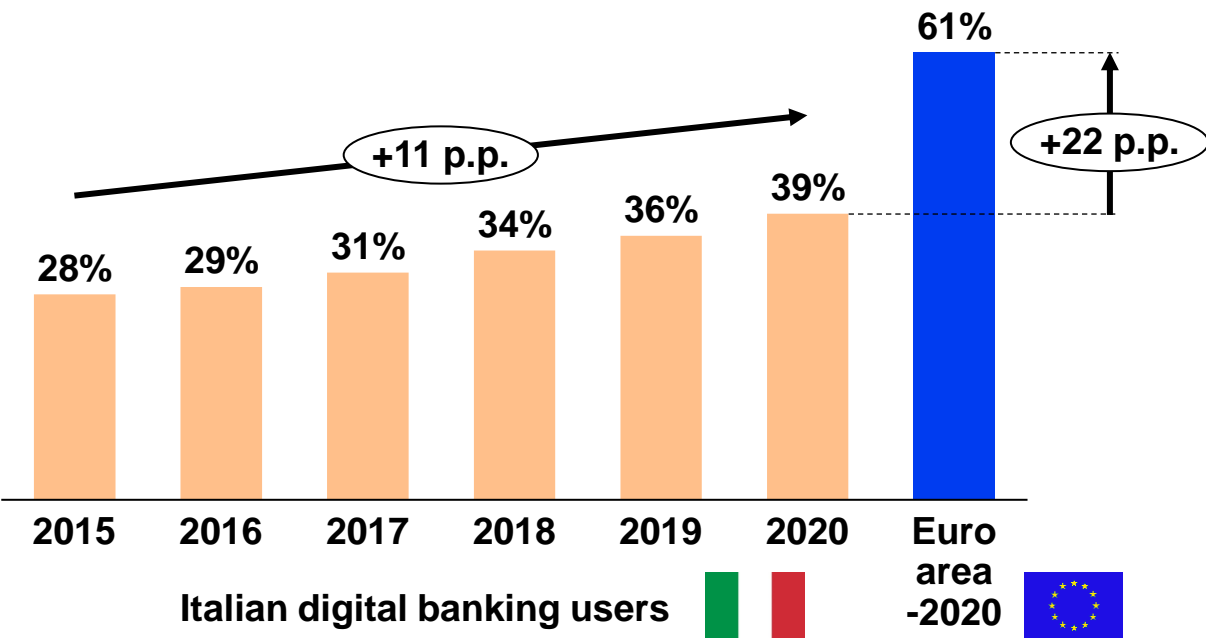
# illimity - Ready to lead in the Open platform services world



Through our direct bank, initially planned for collecting deposits only, we have been riding **the growing wave of Open banking** according to different customer needs

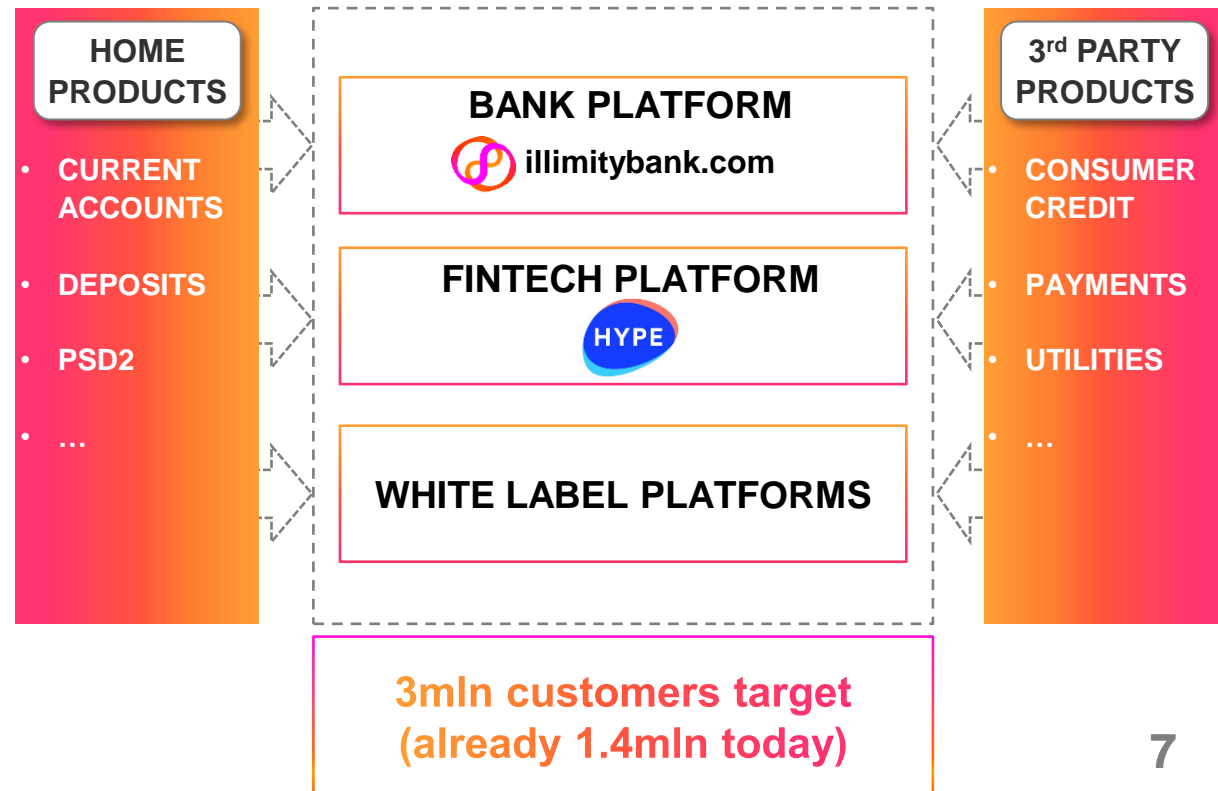
## Steady growth of digital banking users in Italy with significant gap still to fill

Data in % of individuals aged 16 to 74 using internet banking

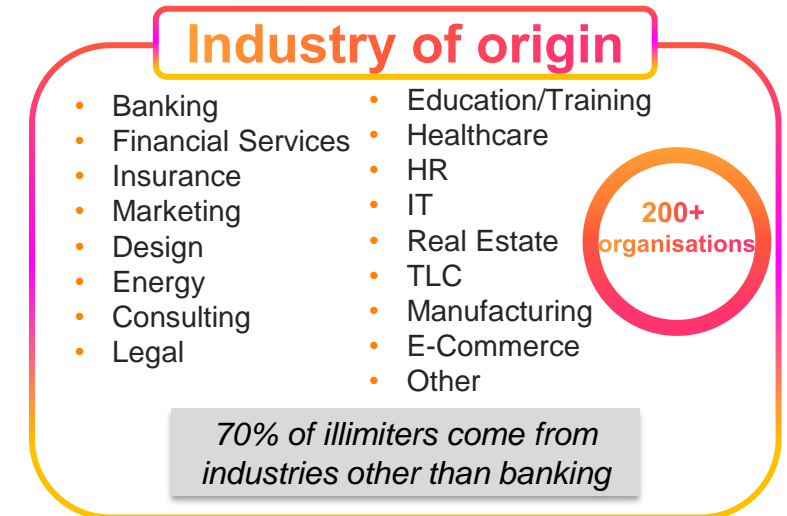
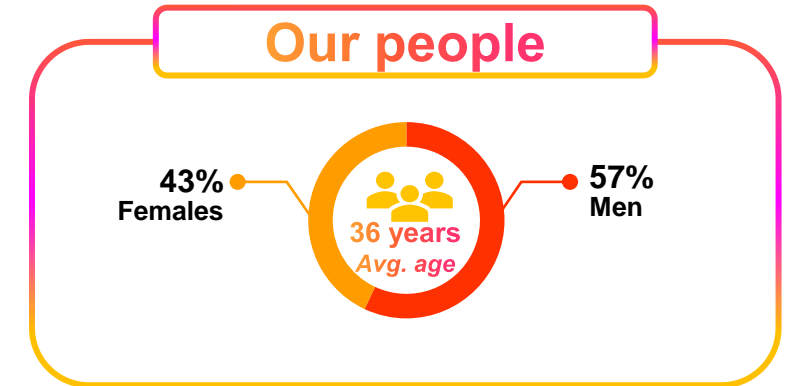
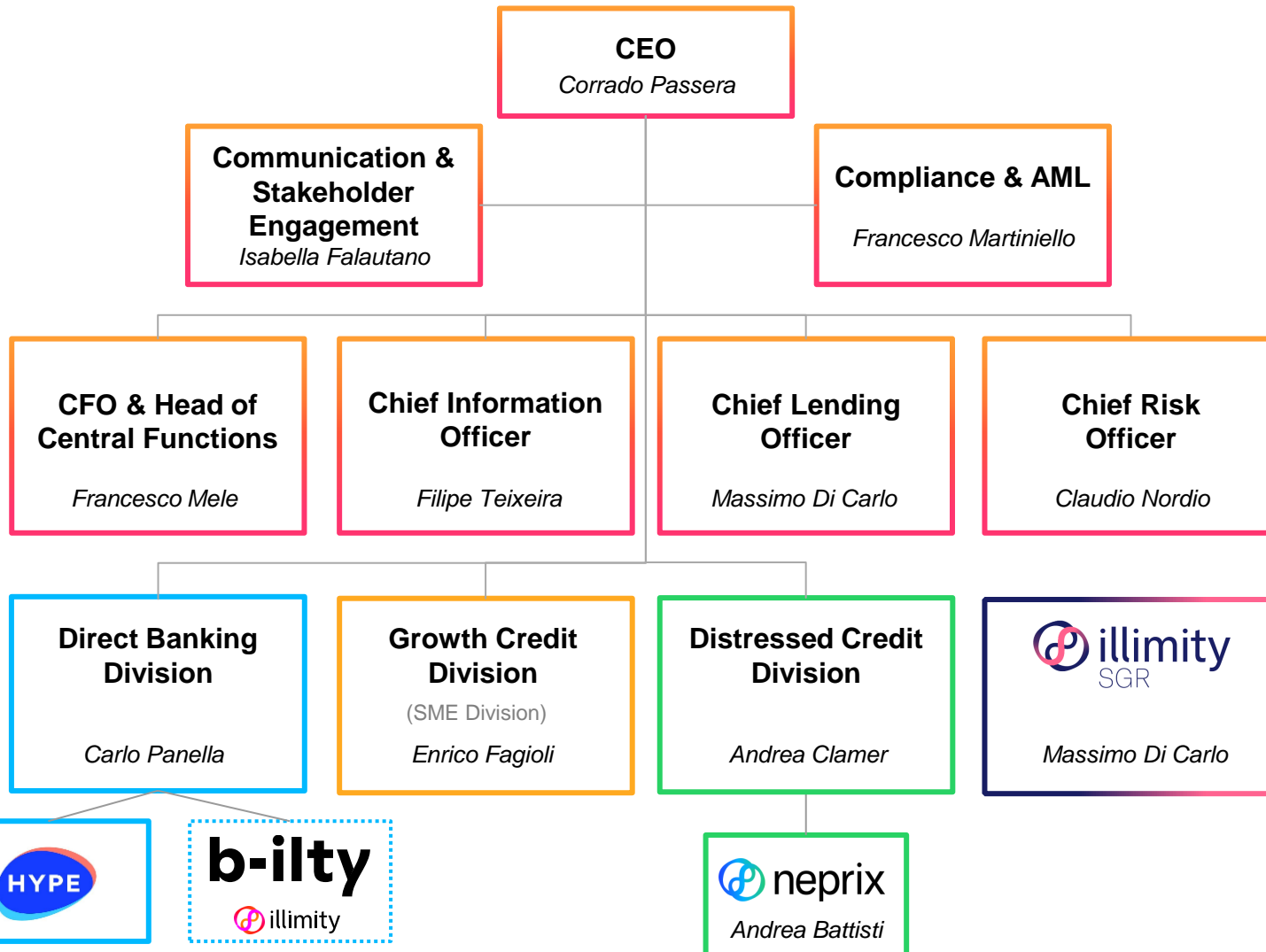


Source: Eurostat – Individuals using internet for banking services.

## Already active on all three layers

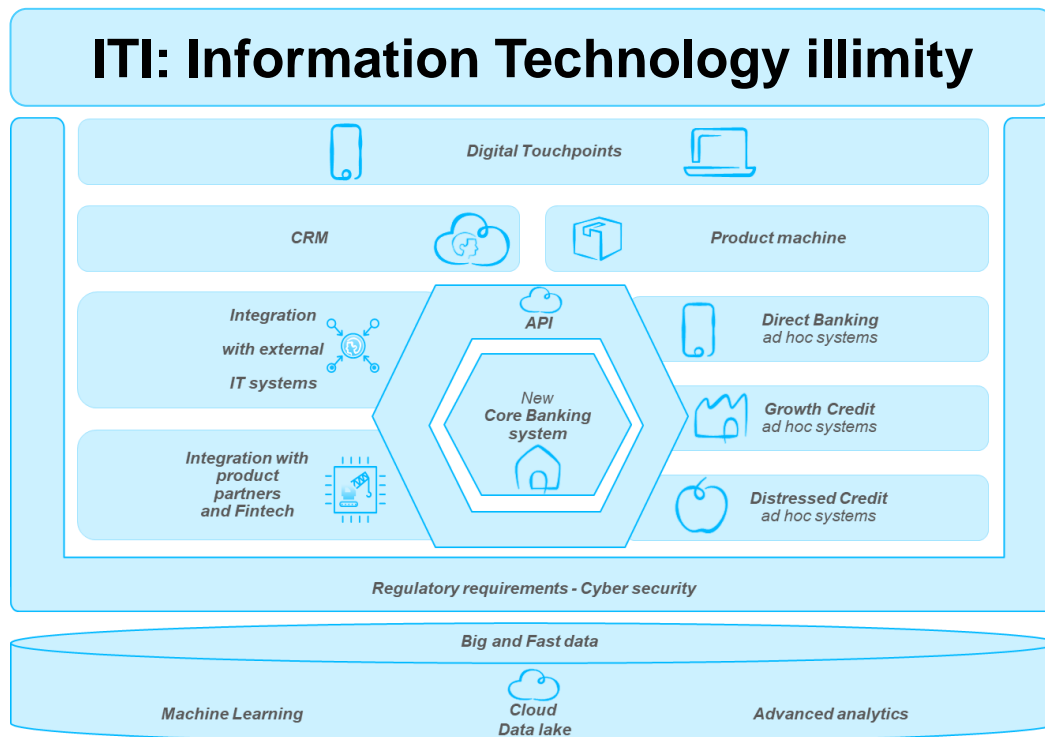


# illimity - Passionate and united team with key competences from other industries





# illimity - Unique IT architecture – technology can replace scale



## ITI key strengths

- **Fully scalable**: natively in-cloud, no dimensional constraints
- **Easily integrates third-party** systems and **applications**
- A **single data lake** of structured and unstructured data



# illimity - Strong ESG responsibility: our purpose is to unlock SME's and individuals' potential



## Main achievements

## Commitment 2021-25



Environment

- **Carbon Neutral** as of **2020**
- **100% renewable energy** for main office buildings
- **ESG Rating** for SME
- **Commitment to finance green projects**, circular economy projects etc

- Embed ESG in **credit risk assessment** and in the **Risk Appetite Framework**
- Maintain **Group Carbon Neutrality** (Scope 1 and 2), **assess** and **address financed emissions** (Scope 3)
- Exploit energy desk by re-activating **renewable energy plants**



Social

- **Diversity & Inclusion** by **gender** (43% vs 57%), **age** (4 generations), **20 nationalities**, from over **200 organizations**
- Capable of up to **100%** smart working
- **100%** recipients of flexben and stock ownership plans
- **Gender Pay Gap** less than 4%
- Full **Gender Equity** in **talent pool** distribution
- **Great Place to Work®** and **Best Workplace**

- **Gender equity**: double the number of **women managers** (“dirigenti”)
- Maintain full gender equity in the **talent pool** distribution and in the **pay range with a maximum deviation of 5%**
- **Employee Engagement Index** above **70%**
- Real estate impact projects through **illimity Foundation**



Governance

- **44% Board Gender Equality** (45% vs 55%)
- **Sustainability Committee**
- **2020 Voluntary Consolidated Non-Financial Statements**
- **illimity way policy**

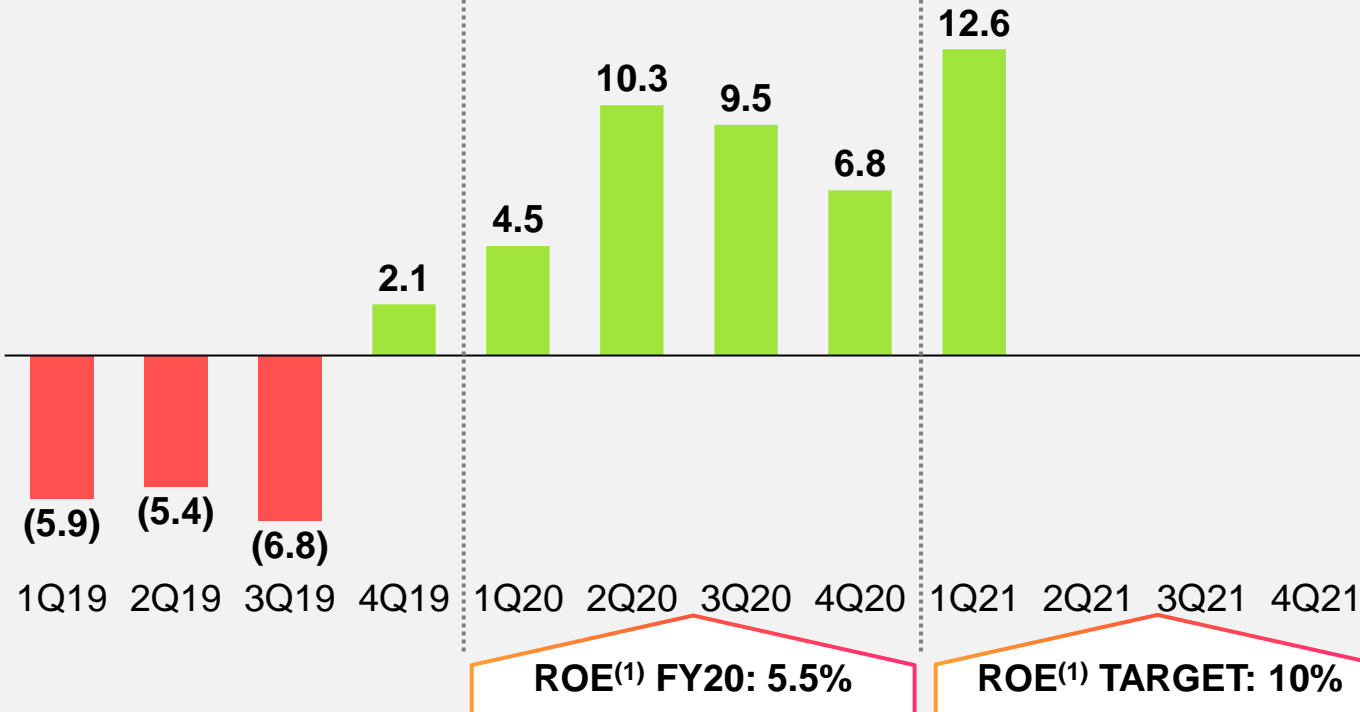
- Enhance illimity **ESG Ratings**
- Integrate **ESG Goals** in **incentive plans**

# illimity - 10% ROE expected in 2021



## NET PROFIT EVOLUTION

Data in €mln



## Q1 2021

~18%  
CET1

~3%  
Gross Organic  
NPE Ratio<sup>(3)</sup>

~€1bn  
Available  
Liquidity<sup>(2)</sup>

Notes: (1) Return on average equity; (2) It includes cash, net adjusted interbank position and liquidity buffers; (3) Ratio of gross NPE to total gross loans to customers from Factoring, Cross-over, Acquisition Finance, High-yield bond, Turnaround performing (including UTP exposures returned to performing), 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 - Investment case even stronger



**ROE<sup>(1)</sup> and net profit set to grow significantly throughout Plan horizon**



**Visible operating leverage gains** across all our businesses



**Several initiatives** are strengthening our strategic portfolio of activities

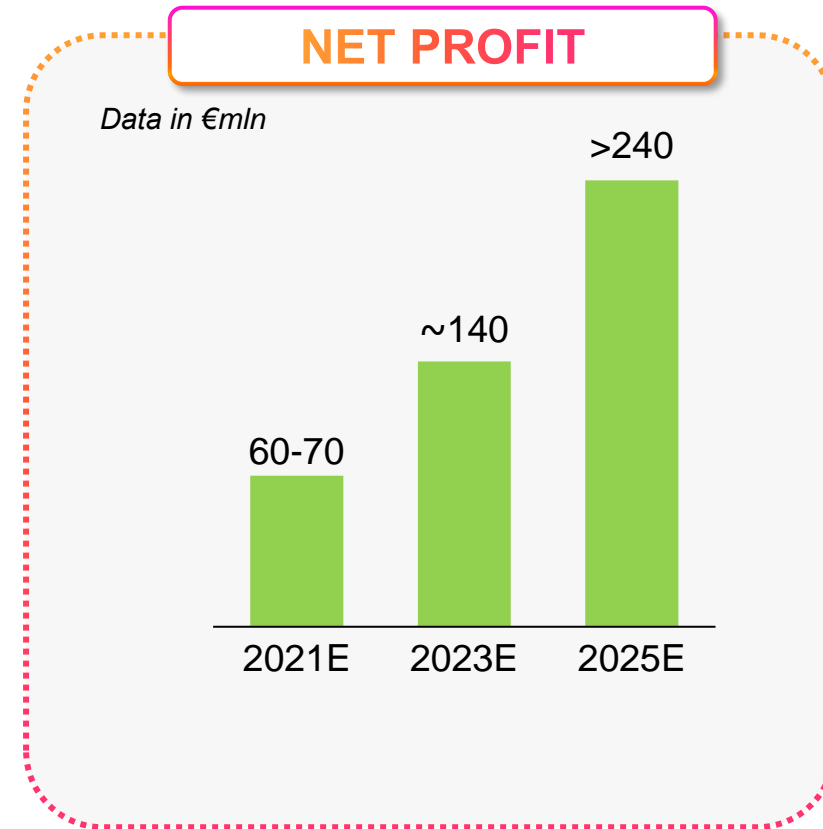
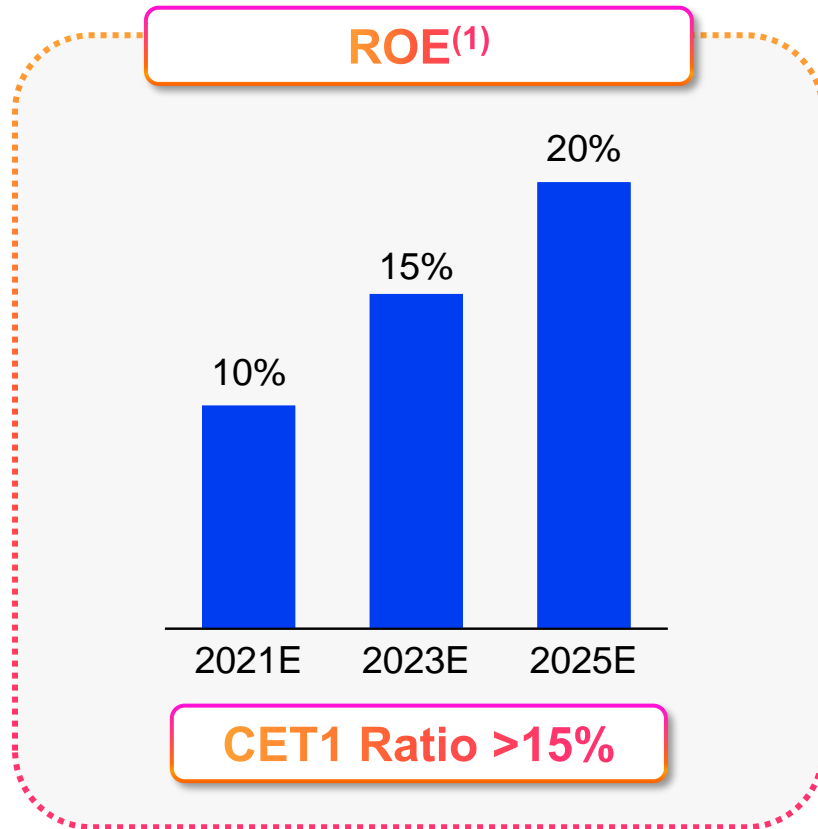


**Role of technology further embedded and leveraged**



**Partnership with ION's ecosystem as a booster on top of Strategic Plan**

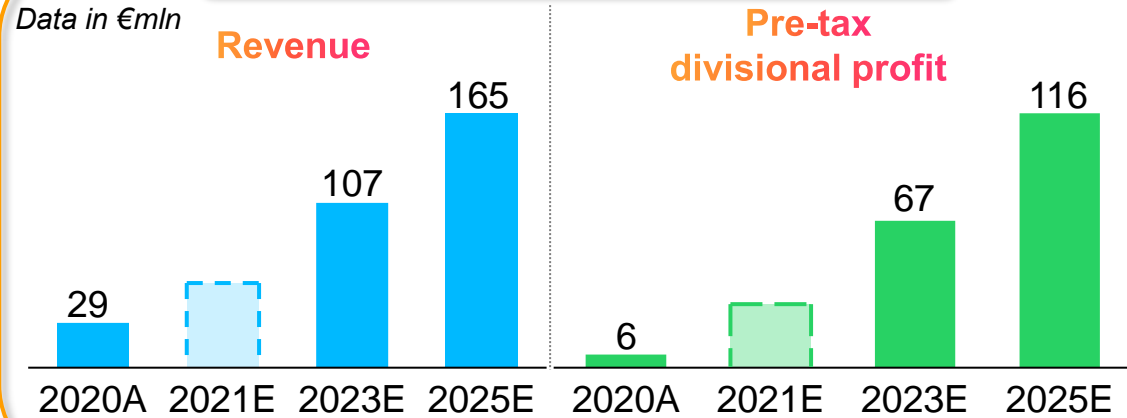
# illimity - Strong profitability growth on recurring basis



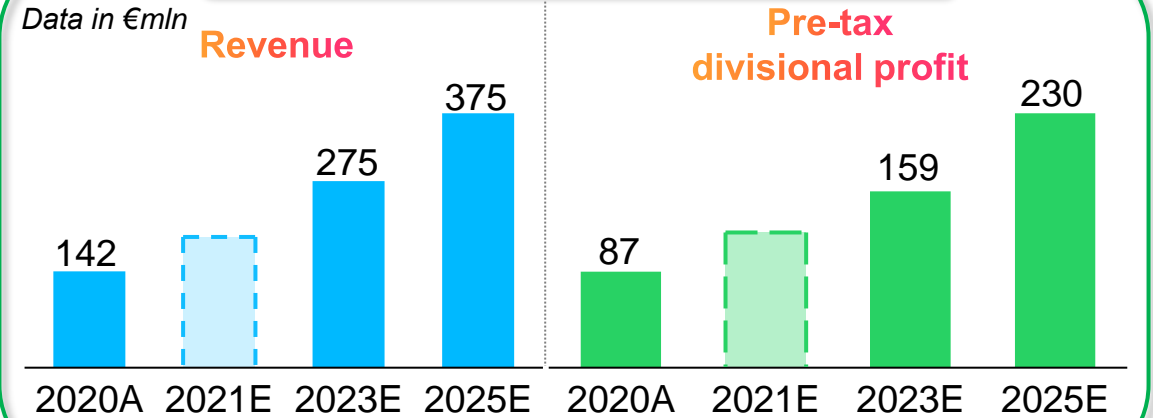
- Strategic Plan embeds ~€180mln worth of cumulated dividends<sup>(2)</sup>
- 20%-30% dividend pay-out ratio from 2022 according to high ROE business opportunities<sup>(2)</sup>

# illimity - Operating leverage gains already visible across all our businesses

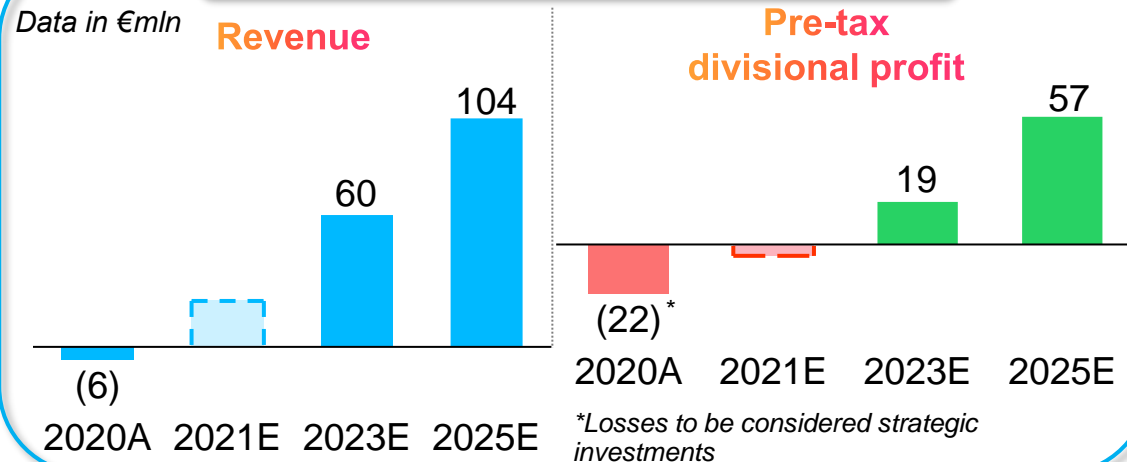
## Growth Credit Division



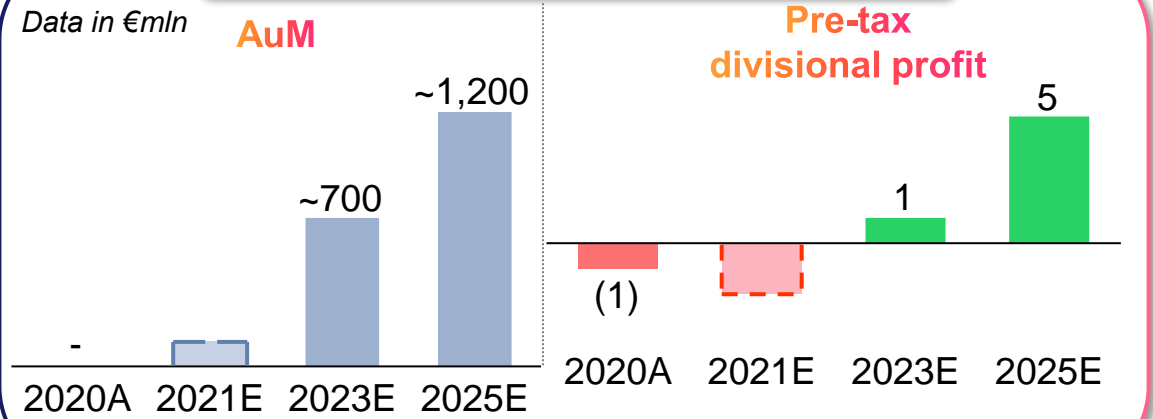
## Distressed Credit Division



## Direct Banking Division



## illimity SGR



# illimity - Three strategic projects just launched already with visible positive results...



## UTP portfolios

**Purchase of UTP portfolios** through integrated and synergistic approach between Growth Credit Division and Distressed Credit Division teams  
illimity already positions as **leading player** with transactions worth over **€1.3bn** GBV



Launch of **alternative investment funds** specialising in illimity's core areas of expertise  
**First closing of UTP Contribution Fund** with €120mln AuM



## Capital market desk for SME

**Development of capital market solutions (ECM & DCM) for SMEs**  
**5 mandates** already signed

# illimity - ... and further two will strengthen our portfolio of activities as early as 2021

**b-ilty**



Enter small corporates market with **fully fledged digital platform** offering digital lending and complete offer of banking services & Value-Added Services<sup>(1)</sup>

“New”



Evolution from Digital Banking Services Platform to “**Money Management Hub**” thanks to **integration of illimity’s open banking and cloud technology** and several other third-party product



# Illimity - At forefront in technology, but we are just at the beginning

## TODAY...

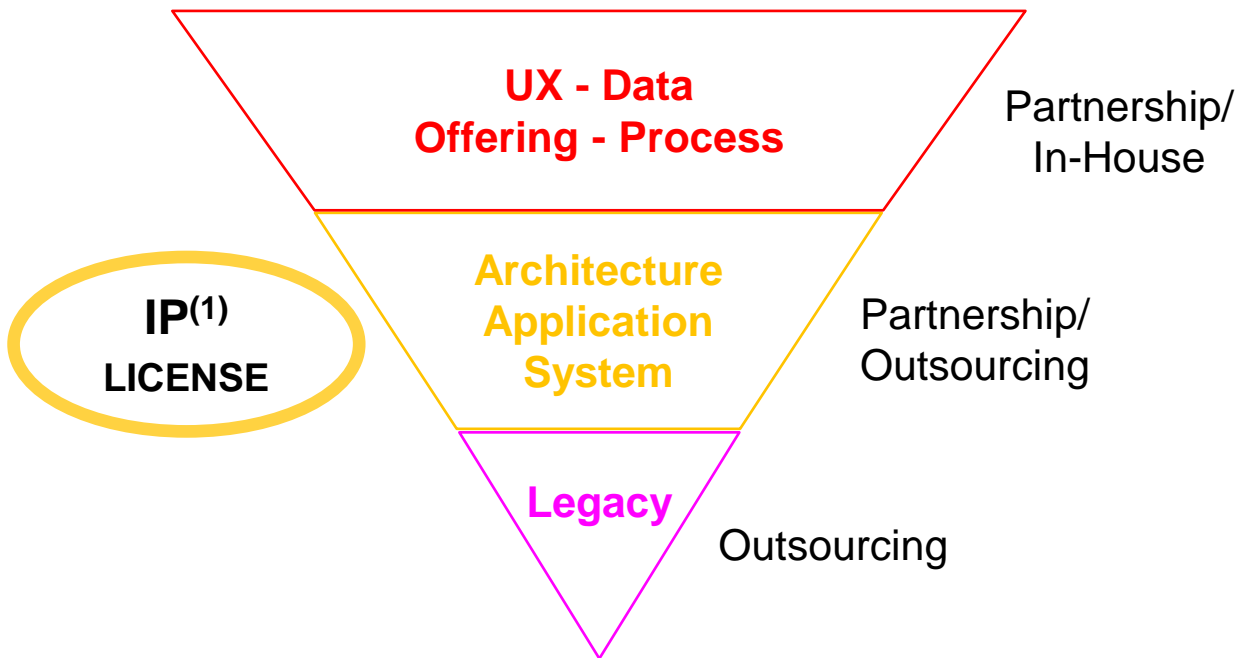
- Data-driven procedures
- Direct channels
- Modular and in-cloud architectures
- Enhanced and fast decision-making processes
- Open and cross-industry platforms

## ...TOMORROW

- Advanced data analytics
- Fully AI-based and real-time decision-making processes
- Programmable assets
- Data becoming collaterals

**New business models and disruptive products and services**

# illimity - Structural IP partnership with ION Group



**IP partnership: €90mIn license**  
fees within Plan horizon

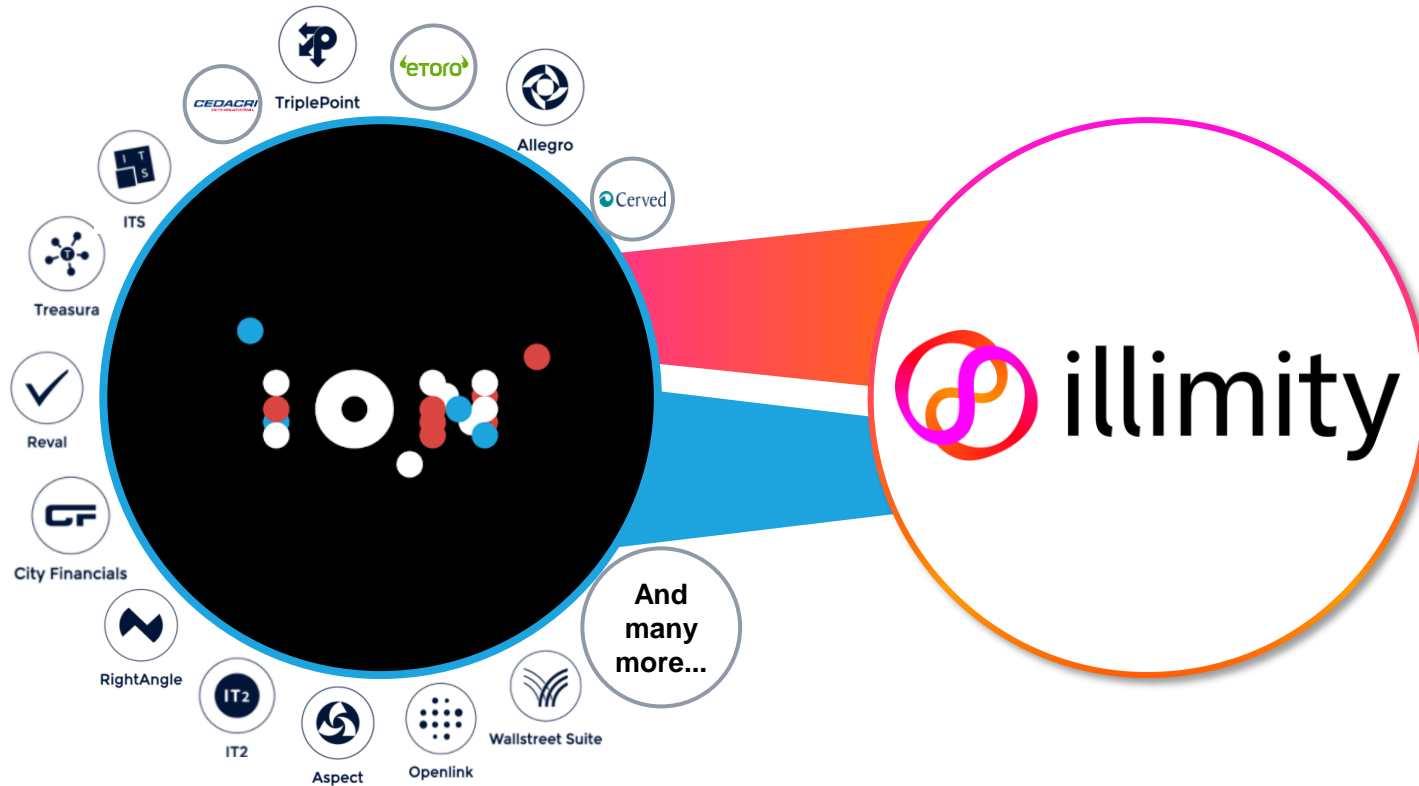


**Accelerated diffusion** of  
new IT architecture



**illimity** will drive **future**  
**development** by retaining  
**identity and governance to**  
**drive** with leading tech and  
digital protagonist support

# illimity - Interests with ION aligned through capital increase



**SYNERGIES IN:**

- Credit scoring
- Data analytics
- Software development
- Market intelligence

**ION Group to obtain overall stake of up to 9.99% in illimity new share capital through reserved capital increase**

# Key financial targets

*Francesco Mele*, CFO & Head of Central Functions



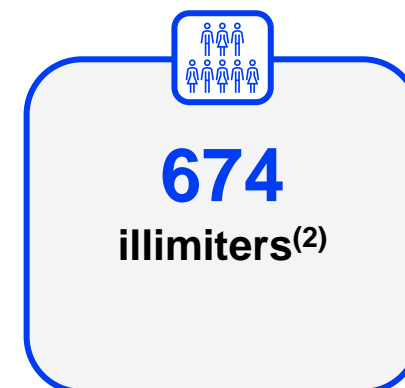
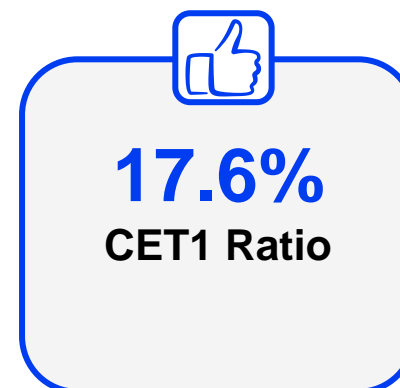
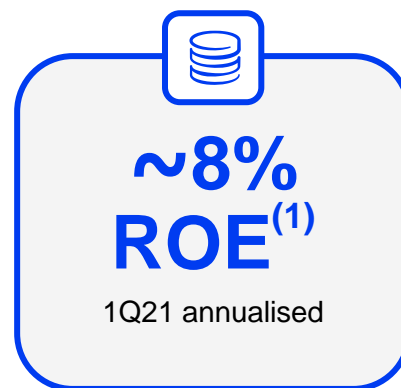
# illimity - Strong starting point for 2021

Data in €mln

Reclassified Profit & Loss	1Q21	Δ 1Q21/ 4Q20	Δ 1Q21/ 1Q20
Net interest income	31.2	1%	46%
Net fees and commissions	4.9	(25%)	80%
Other income	19.5	(6%)	52%
<b>Operating income</b>	<b>55.7</b>	<b>(4%)</b>	<b>50%</b>
<b>Operating costs</b>	<b>(37.5)</b>	<b>(14%)</b>	<b>28%</b>
<b>Operating profit</b>	<b>18.1</b>	<b>25%</b>	<b>133%</b>
Provisions	3.1	n.s.	n.s.
Other income from equity investments	(2.1)	n.s.	n.s.
<b>Profit (loss) before tax</b>	<b>19.1</b>	<b>130%</b>	<b>167%</b>
Income tax	(6.5)	320%	146%
<b>Net profit</b>	<b>12.6</b>	<b>86%</b>	<b>179%</b>

Data as of 1Q21

## Our key numbers



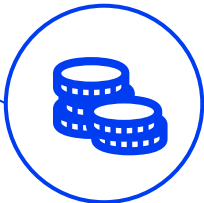
# illimity - Targeting 10% ROE in 2021



**Volume growth set to gradually accelerate throughout the year** based on typical seasonality of distressed credit investment business and robust pipeline across all businesses



**Revenue growth to accelerate significantly** underpinned by **volume growth**, continued **dynamic portfolio management** and initial impact from **IT strategic partnership**



**Strong operating leverage gains becoming increasingly visible in 2021** with cost income ratio set to improve further



**Cost of risk projected to remain low** in 2021

**€60-70mln net profit expected in FY21**

# illimity - Trends embedded in strategic priorities driving financial targets

## — MACRO-TRENDS —

- **Post pandemic macroeconomic backdrop** due to generate **waves of NPE**
- **Regulatory pressure** on banks for further **de-risking**
- **Acceleration of digitalisation** of both Italian **households and corporates**

## — STRATEGIC PRIORITIES & FINANCIAL TARGETS —



Pursue **value accretive volume growth** in core businesses



Build and develop **capital-light revenue streams** to enhance earning diversification and profitability

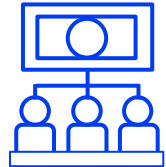






Maintain **high liquidity and a balanced funding mix**



Maintain an **above-industry-average CET1 ratio**

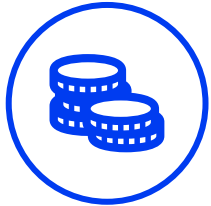
# illimity - 20% ROE by 2025

	2020A <sup>(1)</sup>	2021E	2023E	2025E
 <b>ROE<sup>(2)</sup></b>	5.5%	~10%	~15%	~20%
 <b>Total Assets</b>	~€4bn	€4.5-5bn	€7-8bn	€9-10bn
 <b>Net Profit</b>	€31mln	€60-70mln	~€140mln	>€240mln
 <b>Cost income ratio</b>	~76%	65-70%	<50%	<40%
 <b>CET1 ratio</b>	17.9%	>18%	>15%	>15%

Notes: (1) 2020 restated; (2) Return on average equity.



# illimity - Value accretive volume growth



Capital allocation prioritises segments with high return on capital



~€11bn

Cumulated business origination in 2021-25

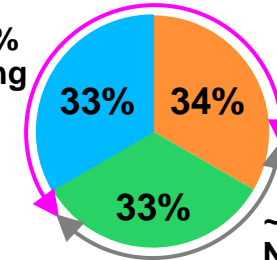


Growth contribution balanced by divisions and asset type



Breakdown of cumulated business origination 2021-25

~60%  
Performing



- Direct Banking Division
- Growth Credit Division
- Distressed Credit Division

~40%  
Non Performing



Capital management and co-investment initiative to boost returns



RWA density<sup>(1)</sup> to remain at <70% despite end of public guarantees

# illimity - Almost €10bn total assets by 2025

Data in €bn

Selected Balance sheet items	2020A	2023E	2025E	CAGR 2020-25
Net customer loans	2.2	5.3	7.3	27%
<i>o.w. Growth Credit Division</i>	0.9	2.3	3.1	28%
<i>o.w. Distressed Credit Division</i>	1.3	1.9	2.3	12%
<i>o.w. Direct Banking Division</i>	-	1.1	1.9	<i>n.s.</i>
Loans to banks	0.6	0.1	0.1	(30%)
Securities portfolio	0.1	0.8	1.1	65%
Cash	0.9	0.7	0.7	(6%)
Other assets	0.2	0.6	0.6	20%
<b>Total assets</b>	<b>4.1</b>	<b>7.6</b>	<b>9.8</b>	<b>19%</b>
Direct customer funding	2.4	3.6	4.9	16%
Wholesale funding	1.1	2.8	3.3	26%
<i>o.w. Bond</i>	0.3	1.0	1.5	37%
<b>Shareholders' equity</b>	<b>0.6</b>	<b>1.0</b>	<b>1.4</b>	<b>18%</b>
<b>Common Equity Tier 1 Capital</b>	<b>0.5</b>	<b>0.8</b>	<b>1.1</b>	<b>17%</b>
<b>RWA</b>	<b>2.9</b>	<b>5.4</b>	<b>7.0</b>	<b>20%</b>

- **Total assets** more than **double** to €9.8bn **by 2025**
- **Strong growth in customer loans** approx. 27% per year
- **Securities portfolio steadily at around 10%** of total assets and robust liquidity position
- **Shareholders' equity more than double** to around **€1.4bn in 2025** including dividend policy<sup>(1)</sup>



# illimity - Revenue growth and operating leverage drive profitability



**Strong revenue growth** with balanced contribution from net interest income and other revenue streams



**Significant operating leverage gains** as scalability of operations unfolds



**Prudent loan loss provisions**

## Key 2023-2025 targets

Data in €mln

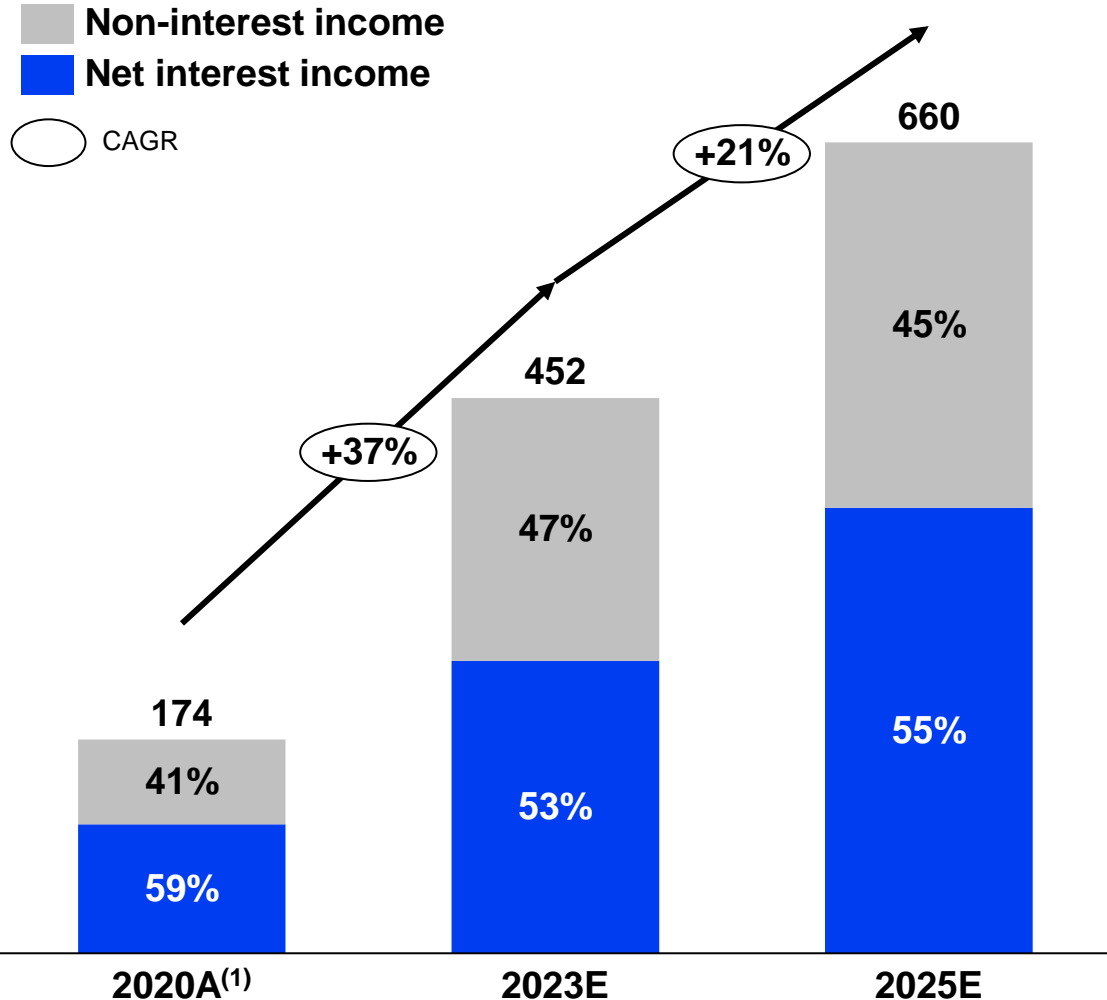
Reclassified Profit & Loss	2020A <sup>(1)</sup>	2023E	2025E	CAGR 2020-25
Net interest income	103	238	362	29%
Net fees and commissions	15	85	143	57%
Other income	56	130	154	22%
<b>Operating income</b>	<b>174</b>	<b>452</b>	<b>660</b>	<b>31%</b>
<b>Operating costs</b>	<b>(132)</b>	<b>(216)</b>	<b>(255)</b>	<b>14%</b>
<b>Operating profit</b>	<b>43</b>	<b>236</b>	<b>405</b>	<b>57%</b>
Provisions <sup>(2)</sup>	(4)	(33)	(47)	66%
Other income from equity investments	-	2	8	n.s.
<b>Profit (loss) before tax</b>	<b>39</b>	<b>205</b>	<b>366</b>	<b>57%</b>
<b>Net profit</b>	<b>31</b>	<b>~140</b>	<b>&gt;240</b>	<b>51%</b>

# illimity - Strong and balanced revenue growth



## OPERATING INCOME EVOLUTION

Data in €mln

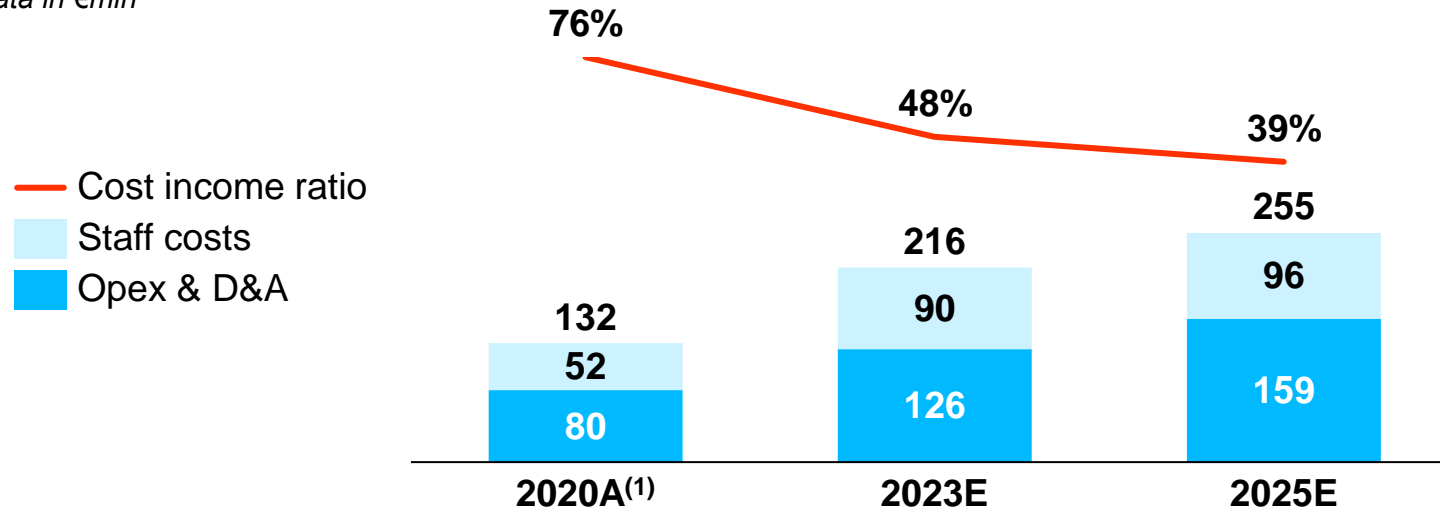


Note: (1) 2020 restated.

- **Strong revenue growth**: +31% CAGR in 2020-25
- **Balanced contribution to growth** from net interest income and other revenue streams as early as 2023
- Progression in net interest income driven by **volume growth**
- **Unique mix of income sources**:
  - ✓ Progressive **development of tech-driven and capital-light revenue streams** - neprix, B-ILTY, capital markets, illimity SGR - driving **significant growth in net fees contribution**
  - ✓ Steady recurring contribution from **profit from distressed credit closed position**
  - ✓ **Gains from credit revaluation events in turnaround business** becoming an increasingly important contributor as size of business grows

# illimity - Significant operating leverage gains

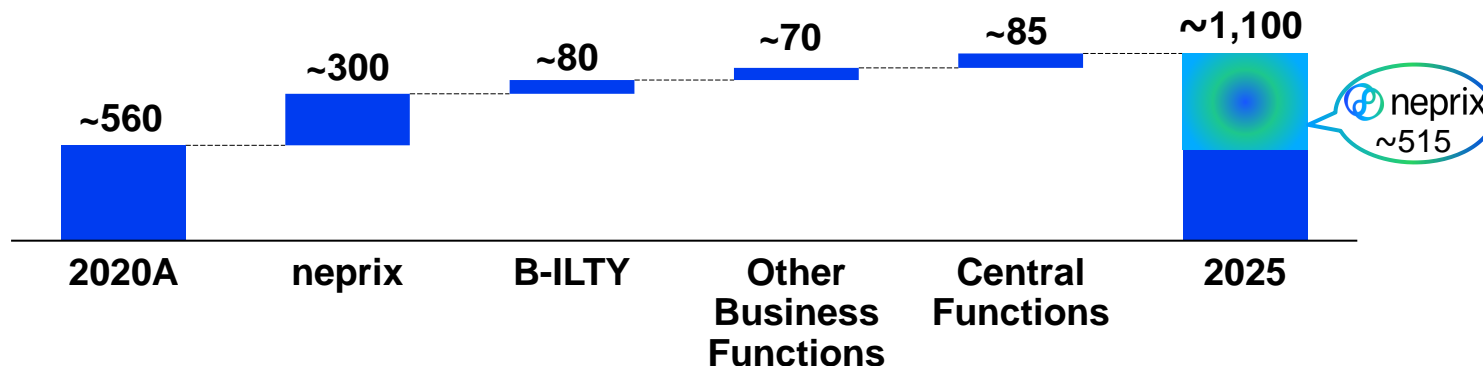
Data in €mln



- **Scalability** of our operating structure becoming **increasing visible** with sharp decline expected in cost income ratio over time
- Cost growth in 2020-23 reflecting **ramp-up of new initiatives**
- New hiring over Plan horizon focused on **new initiatives** and **business growth**

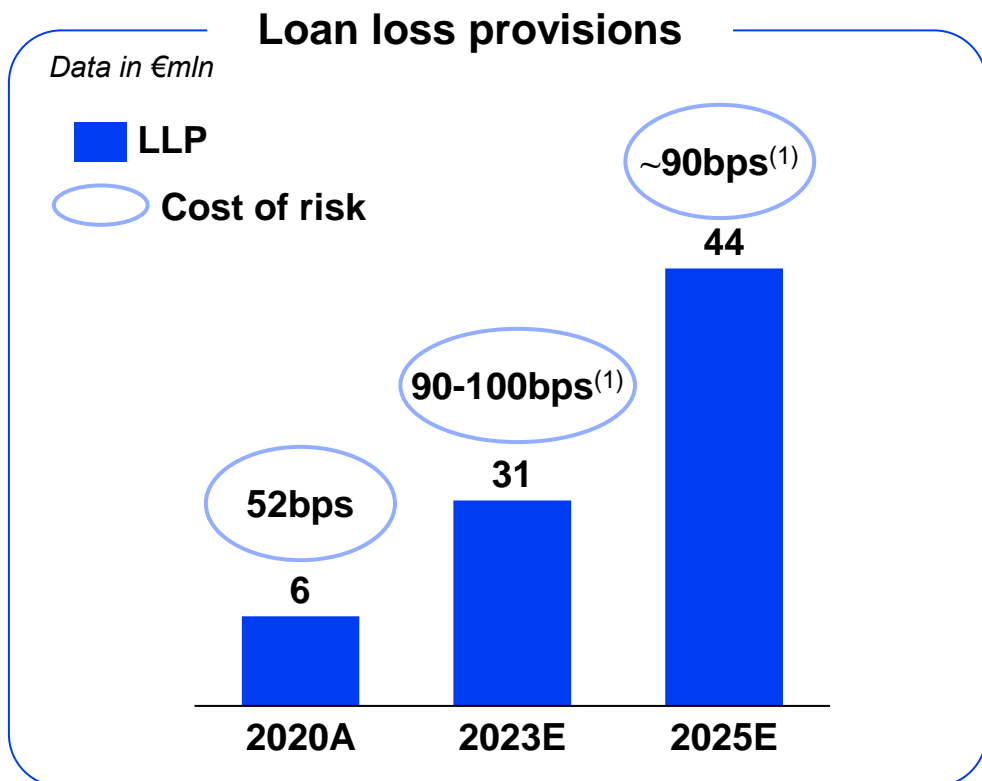
## illimiters

# Headcounts



Note: (1) 2020 restated.

# illimity - Conservative loan loss impairment assumptions

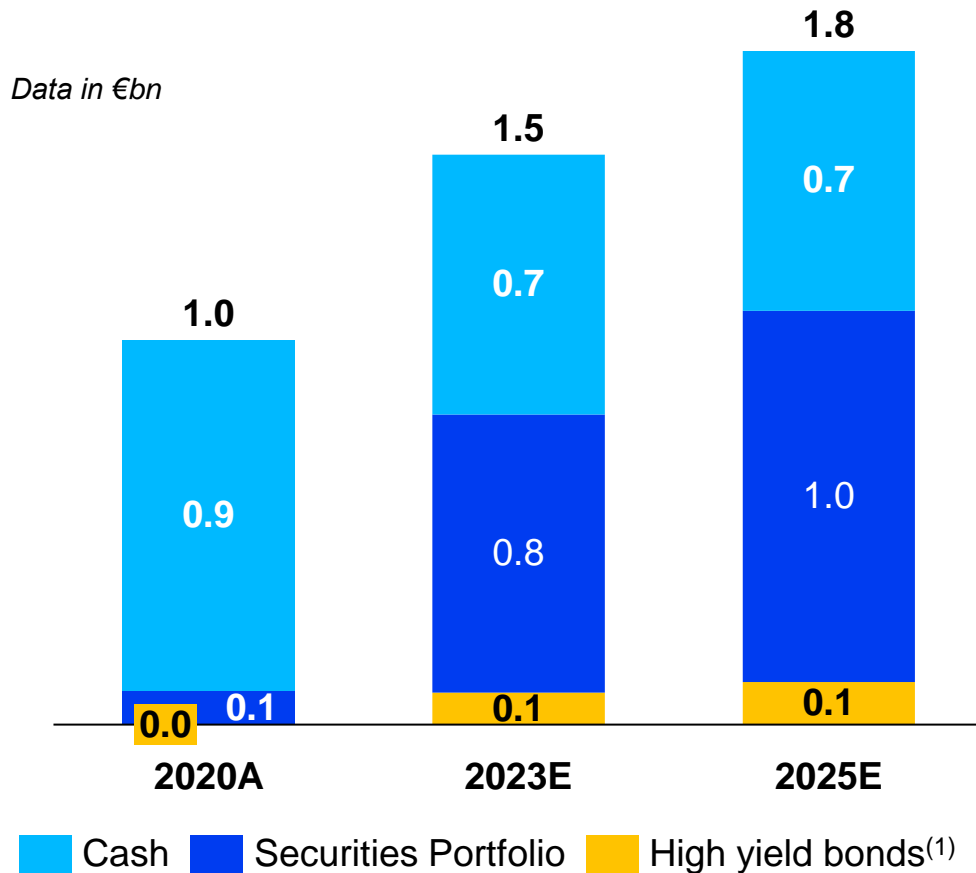


1 year PD<sup>(2)</sup> across our businesses reflects conservative assumptions



Coverage ratio organic NPE at top end of industry average

# illimity - Strong liquidity position across Plan horizon



- **Prudent liquidity profile<sup>(2)</sup>**, accounting for nearly 20% of total assets
- **Securities portfolio target size** equal to ~10% of total assets
- **Portfolio Securities average yield** ~1.5% with average duration 4.5 years. High yield bond component at ~10% of securities portfolio
- **NSFR** and **LCR** consistently above minimum requirements

# illimity - Well diversified funding mix



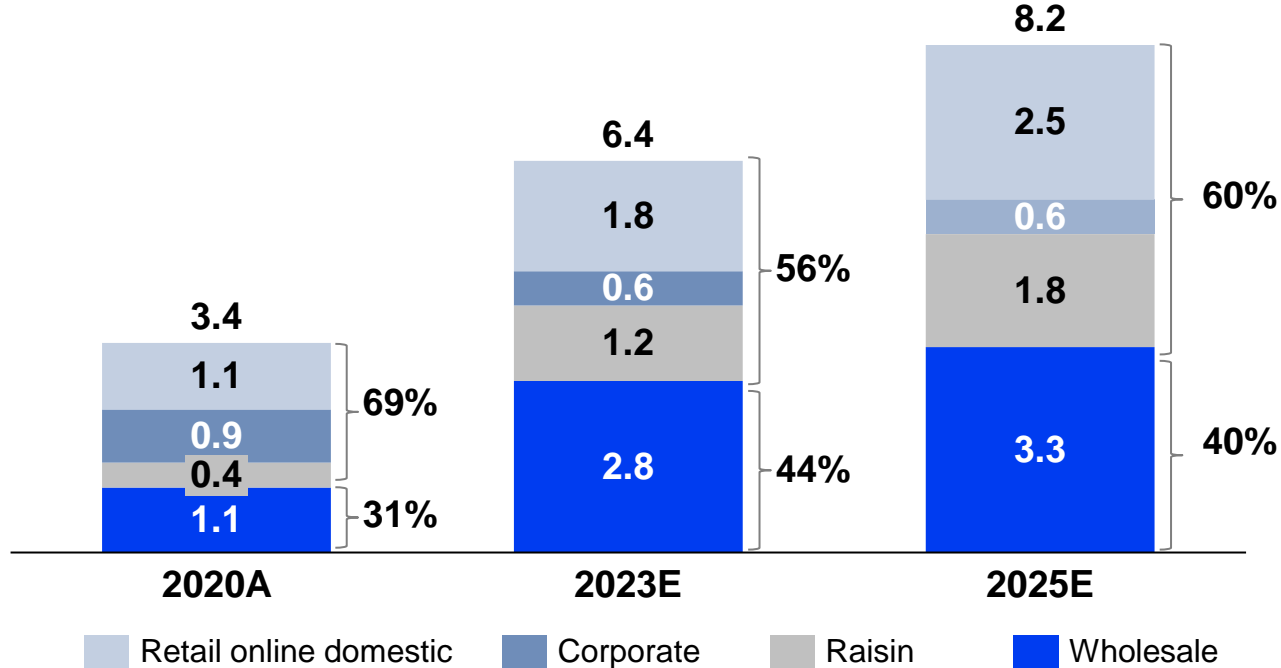
Data in €bn

Cost of funding

~160 bps<sup>(1)</sup>

~160 bps

~150 bps



**Cost of funding** set to remain **largely stable across Plan horizon** with marginal decline in 2025 due to expiry of the promotional funding connected to the launch of [illimitybank.com](http://illimitybank.com)

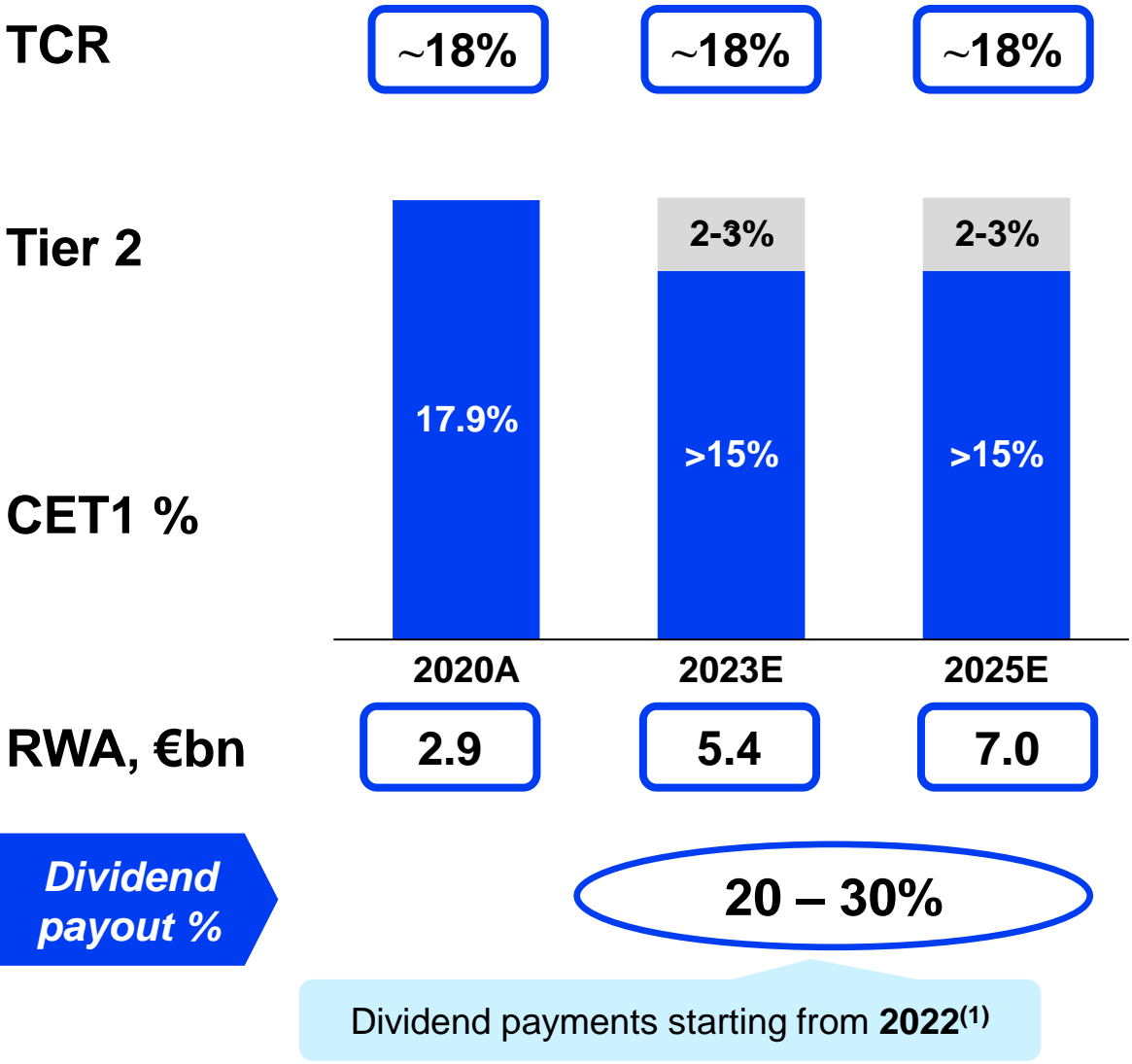


## Institutional funding Plan:

- €150mln Tier 2 in 2021
- Cumulative €1.3bn Senior Preferred in 2022-25



# illimity - Commitment to strong capital buffers



- illimity commits to **>15% CET1 ratio** across the Plan horizon
- **Calendar provisioning** early impact only from 2023 and **largely manageable**
- **Special shares** included in CET1 capital from 3Q22
- **Amendment to art. 127 CRR** expected to enter into force by YE21
- **First dividend payment on 2022 profit, flexible dividend policy with pay-out in 20-30% range across the Plan horizon**

Note: (1) Under the condition that current ECB limitations on dividend payments set until September 30, 2021 will not be confirmed.

# illimity - Strong contribution from all businesses

Data in €mln

  
**GROWTH CREDIT DIVISION**  
 (BIP included)

  
**DISTRESSED CREDIT DIVISION**

  
**DIRECT BANKING DIVISION**

  
**SGR**

  
**CORPORATE CENTER**

  
**TOTAL**

	Operating Income			Profit (loss) before tax		
	2020A <sup>(1)</sup>	2023E	2025E	2020A <sup>(1)</sup>	2023E	2025E
GROWTH CREDIT DIVISION (BIP included)	29 73%	107 23%	165 15%	6	67	116
DISTRESSED CREDIT DIVISION	142 37%	275 38%	375 35%	87	159	230
DIRECT BANKING DIVISION	(6) n.s.	60 60%	104 45%	(22)	19	57
SGR	- n.s.	7 91%	12 56%	(1)	1	5
CORPORATE CENTER	9 n.s.	4 n.s.	4 n.s.	(31)	(41)	(42)
<b>TOTAL</b>	<b>174</b> 76%	<b>452</b> 48%	<b>660</b> 39%	<b>39</b>	<b>205</b>	<b>366</b>

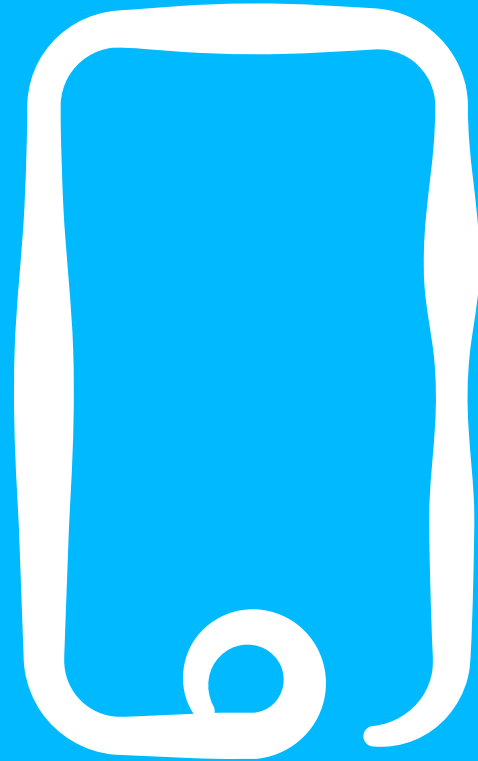
- **Growth Credit Division**: strong **operating leverage gains** throughout the period of the Plan as volumes grow
- **Distressed Credit Division**: already at full capacity and highly efficient, **profit will advance with volume growth**
- **Direct Banking Division**: becoming a **key profit contributor** driven by B-ILTY and development of HYPE strategic Plan
- **illimity SGR**: up and running and scalable capital light business with increasingly visible contribution
- **Corporate center**: stable over time reflecting scalability of operations

Note: (1) 2020 restated.

[●]% = Cost income ratio

# Direct Banking Division

*Carlo Panella*



# illimity - Ambitious goals have been rapidly reached since inception



Secure Retail Funding to illimity Group

€1.5bn  
2020A → €4.4bn  
2025E



Consolidate **HYPE** leadership in Italy

NEW  by 3Q21

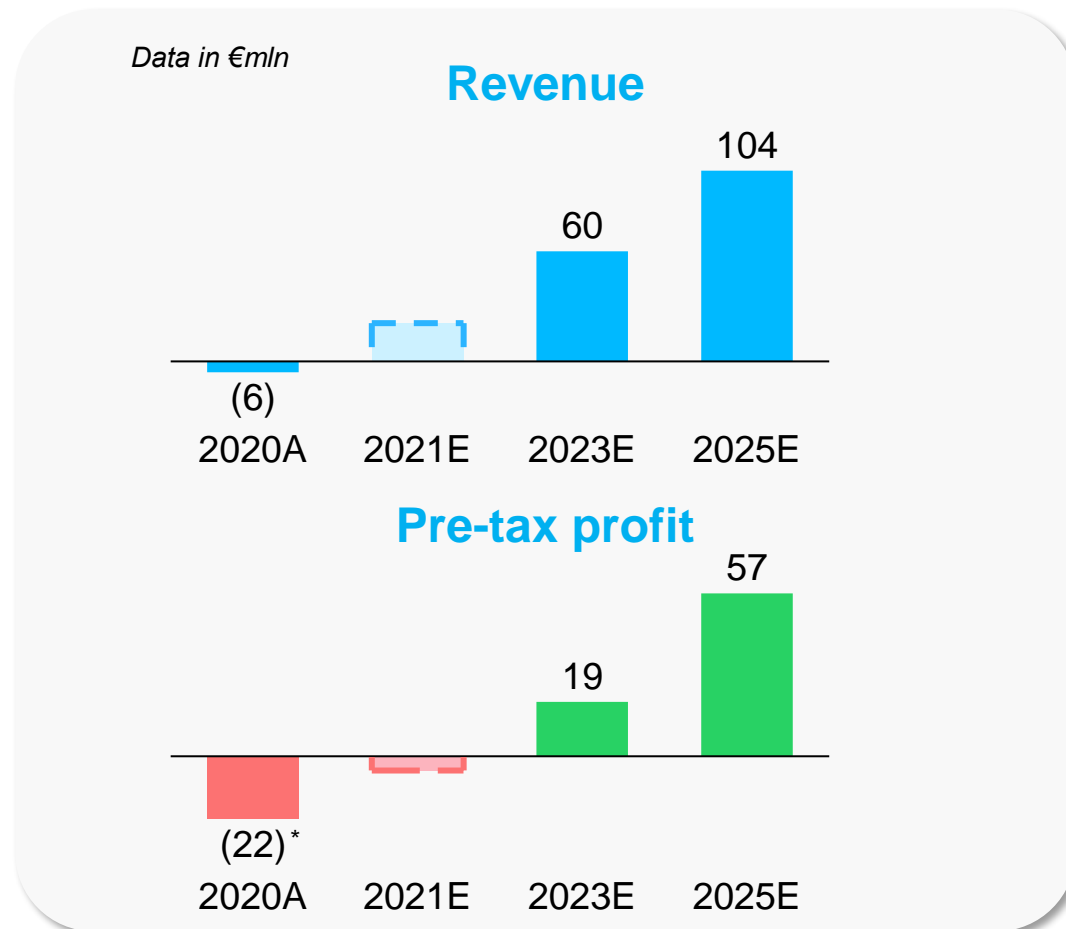


Create the first Direct Bank for Small Corporates

**b-ilty** by 4Q21  


# illimity - Significant contribution to group results after investment phase

## Direct Banking Division – Key 2021-2025 targets



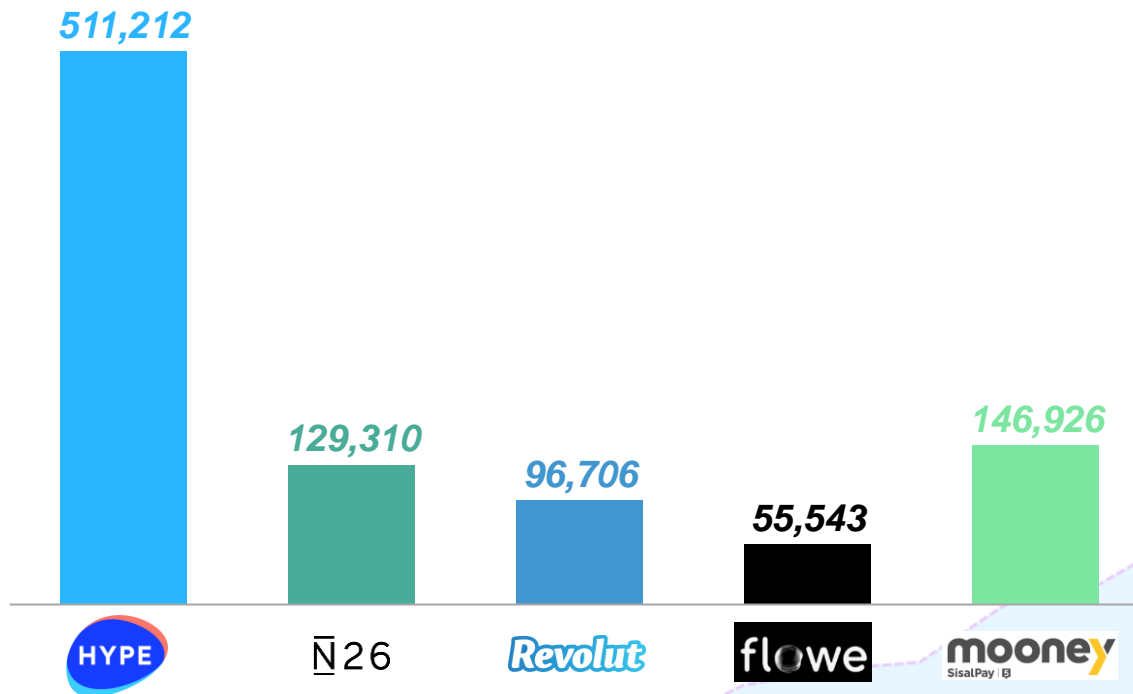
- Strong **investments** in 2019-21 to create a **digital platform at the forefront of user experience**
- From 2023 **HYPE and B-ILTY will take off...**
- ...driving **visible operating leverage gains** and producing **substantial profitability**

\*Losses to be considered strategic investments

# Illimity - HYPE quickly scaled customer base to gain market dimensional leadership

## HYPE holds leading position in Italy in terms of app usage

(Monthly Active Users as of May 2021 in Italy<sup>(1)</sup>)



**1.4m** Users



**+5m** transactions per month



**Number 1** in Italy



**2<sup>nd</sup> biggest challenger** bank based in continental Europe by number of users



**Larger than N26 and Revolut, combined** in Italy<sup>(2)</sup>

# illimity - Ready to present "New HYPE"

Growing in 2021



## Transactions

**+74% YoY** monthly transaction



## Revenue

**+91% YoY** Gross Revenues

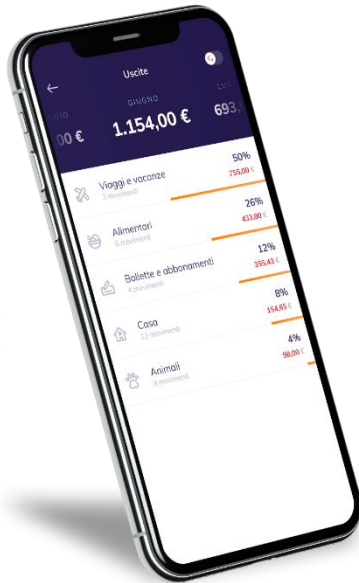


## Subscribers penetration

**+4p.p. YoY** paying customers

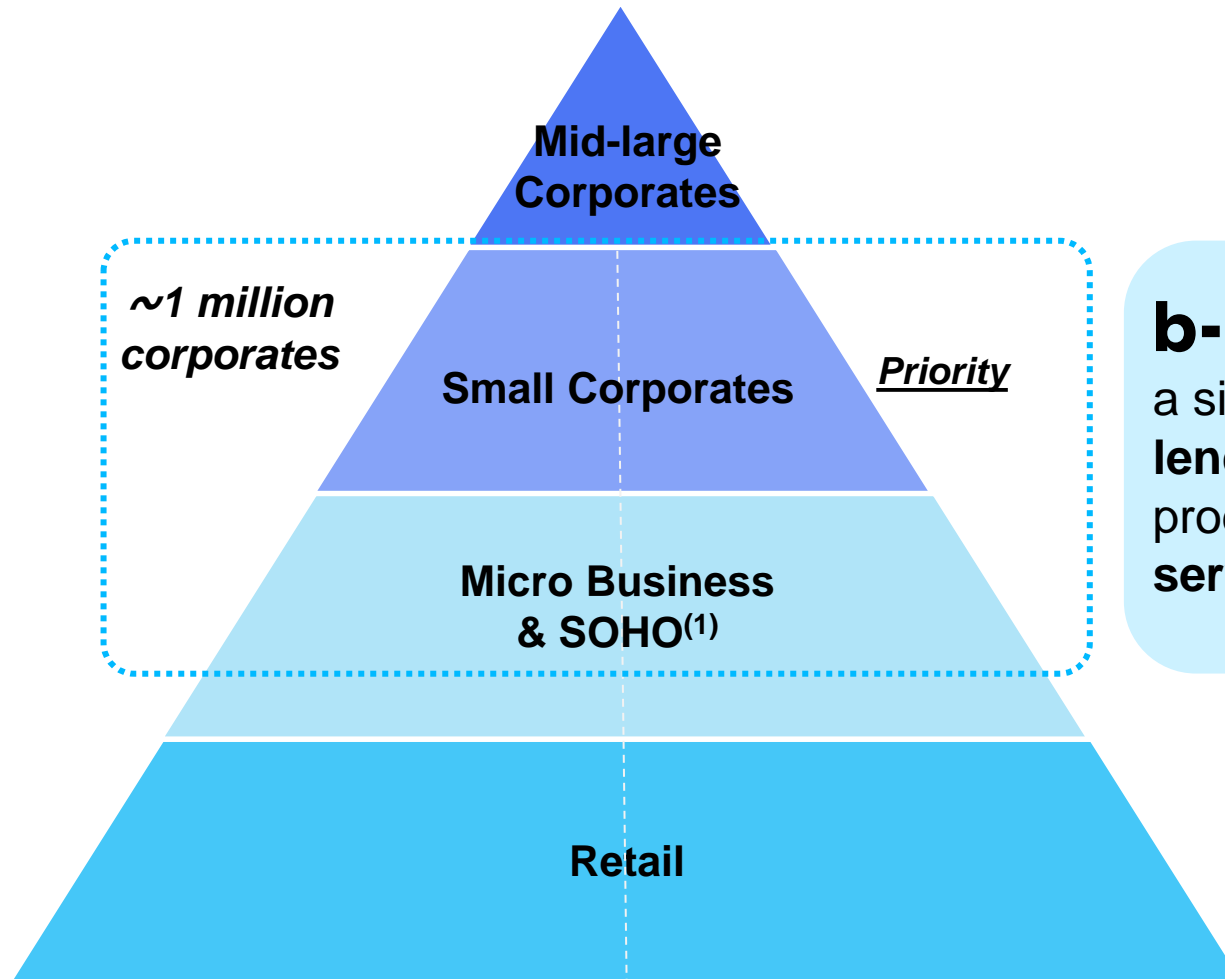
## Ready to present the "New HYPE" by 3Q21

Evolving HYPE from Digital Banking Services Platform to **Money Management HUB**



- ✓ **New Technology**
- ✓ **PSD2 features** as key to build-up engagement
- ✓ **New Brand Positioning**
- ✓ **A even more complete Product Offering**
- ✓ **New CRM strategy** to push conversion to high-value tiers

# illimity - B-ILTY, first Direct Bank for Small Corporates: huge market potential



## **b-ilty**

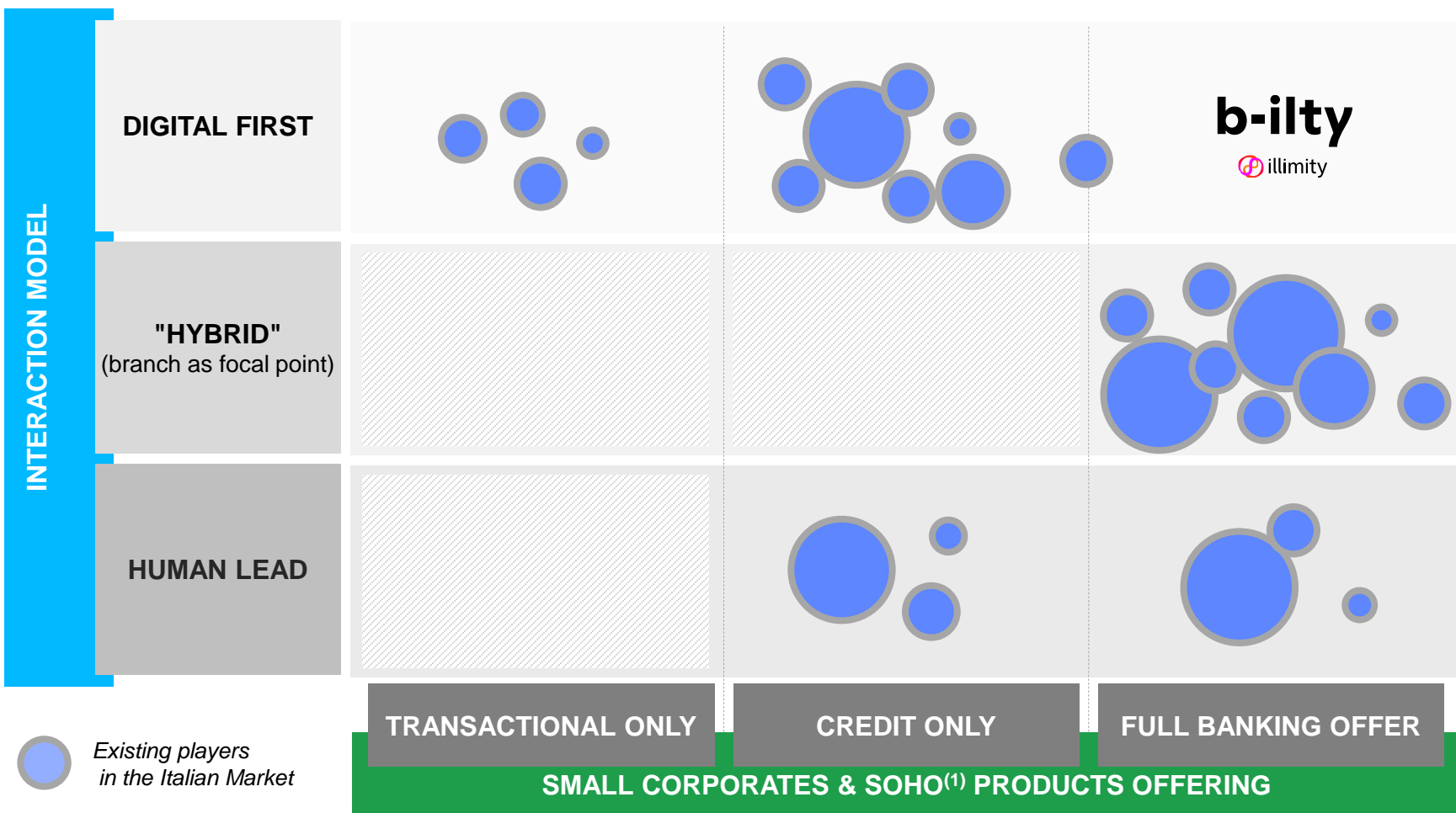
a simple and **digital easy-access to lending**, fast response and specialised products together with **high value-added services**



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



## PLAYER POSITIONING

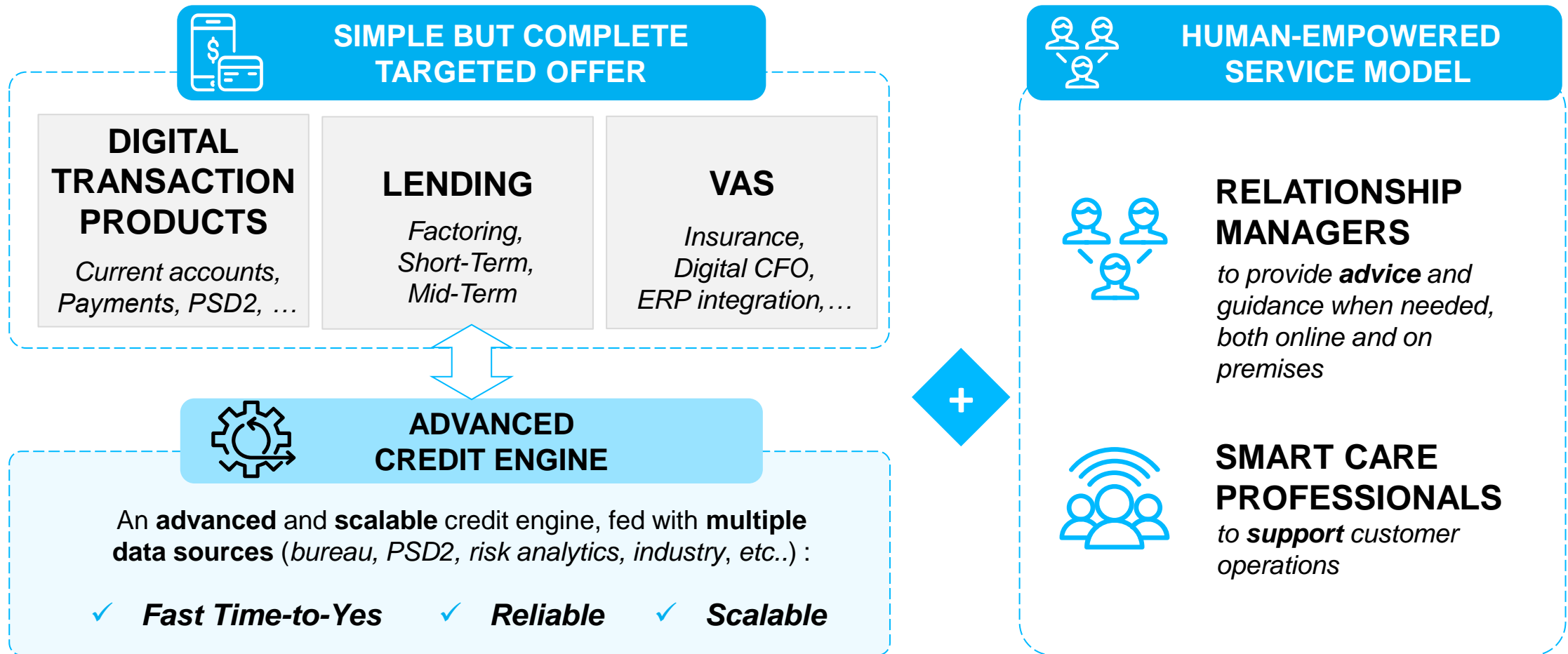


## KEY HIGHLIGHTS

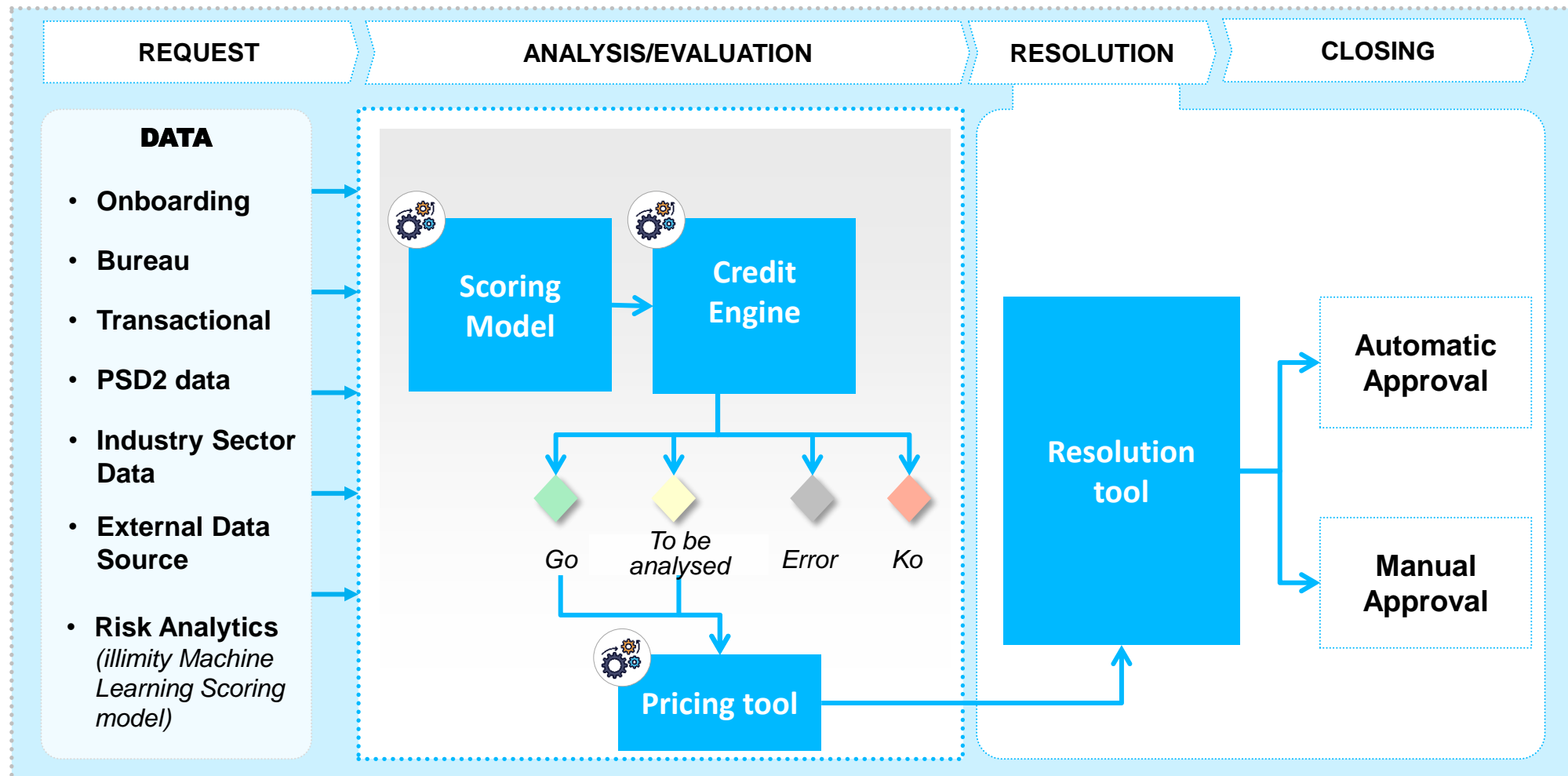
- No other **fully-digital and comprehensive** (transactional and lending) **service model** for Small business **in place today**
- B-ILTY will play a **key role** in the **market arena with first fully-digital banking platform**

Note: (1) Small Office Home Office. Source: Management analysis based on several sources - See Disclaimer at the end of this Document.

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



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

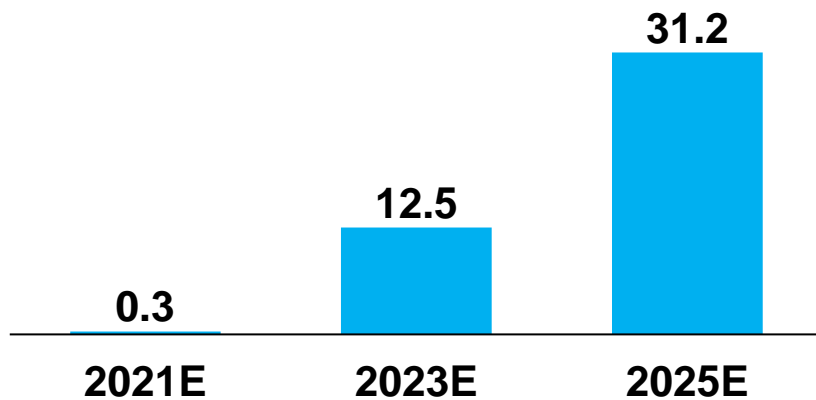


# illimity - B-ILTY, the first Direct Bank for Small Corporates: 31k clients in 2025 and €3.7bn cumulated business origination

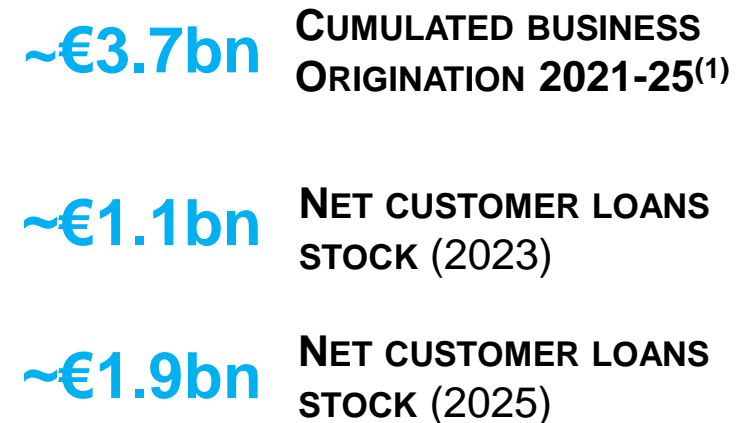


## CUSTOMER TARGETS

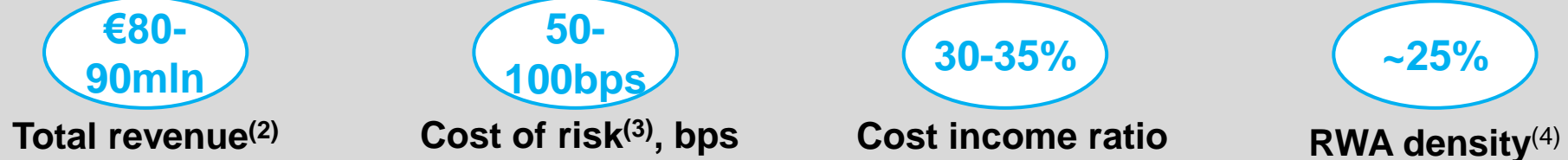
Data in '000 of number of customers



## VOLUME TARGETS



## 2025 TARGETS



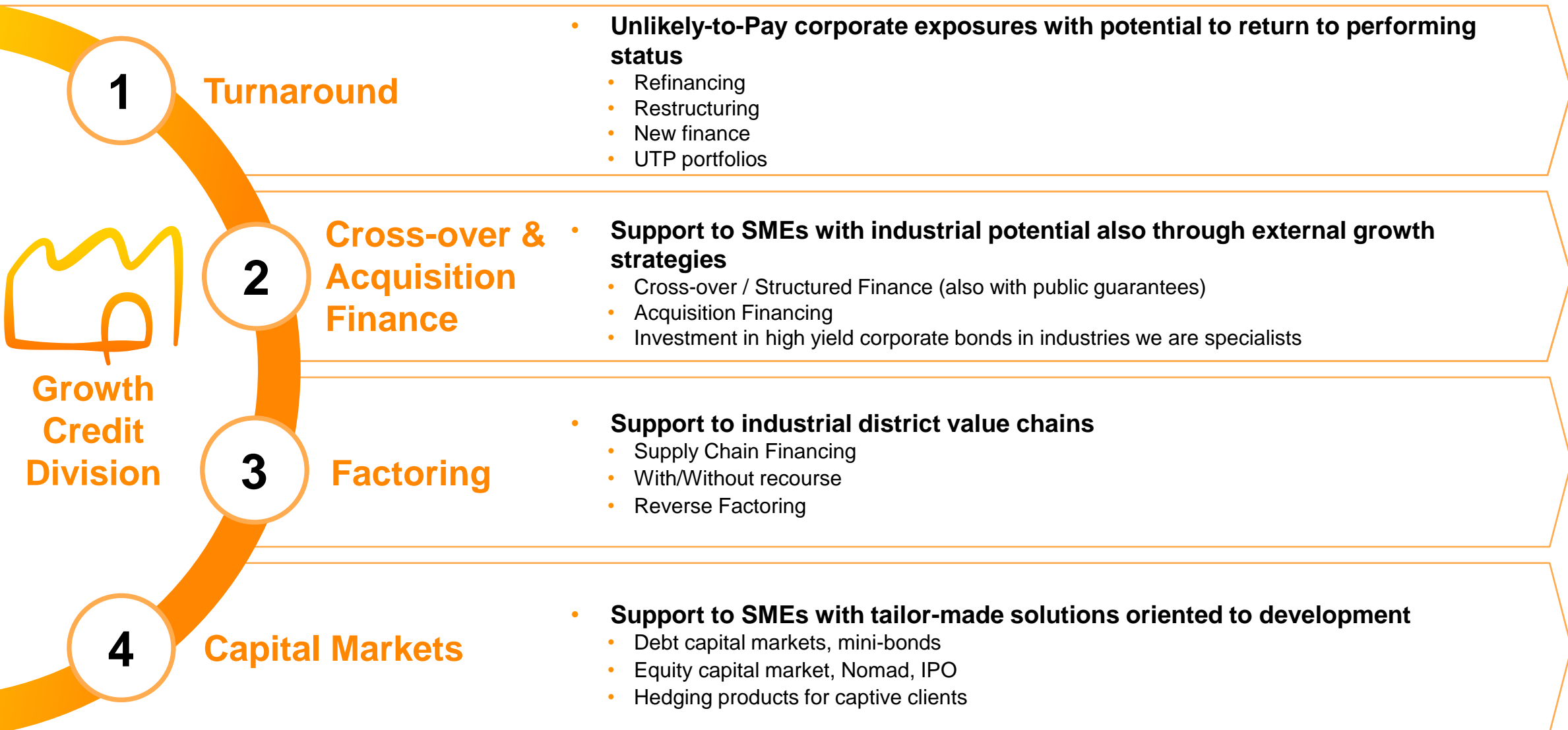
Notes: (1) Factoring origination considered as incremental stock YoY as a proxy; (2) Total revenues calculated as net interest income and net fees and commission; (3) Cost of risk calculated as loan loss provisions on average net customer loans; (4) On 2023-25 net customer loans.

# Growth Credit Division

*Enrico Fagioli*



# illimity - Italian SMEs specialist partner

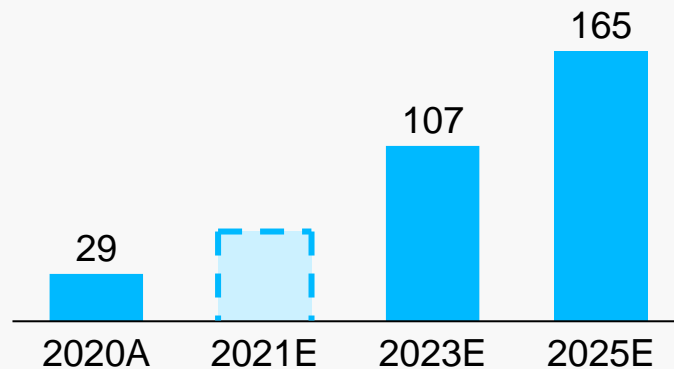


# illimity - Tangible positive impact on Group P&L becoming more visible

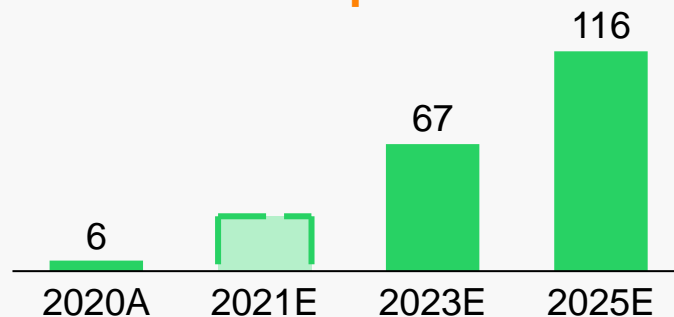
## Growth Credit Division – Key 2021-2025 targets

Data in €mln

### Revenue



### Pre-tax profit



- Highly **scalable organisation completed by 2021**
- **Operating leverage** to become strongly visible from 2021 as volumes grow
- **Profitability of Turnaround business** in terms of profit from **credit revaluation** to significantly materialise towards end of Plan horizon

# illimity - Core markets with strong outlook

## Our core markets

### Turnaround

- **Growing Turnaround single name and UTP Portfolios transactions** is relatively recent business and strong booster for growth

### Cross-over & Acq. Finance

- **Robust and stable demand for structured and acquisition finance transactions** (also through specialised debt funds)

### Factoring

- Room for **significant increase in factoring**

### Market Size

>€35bn<sup>(1)</sup>

Expected cumulated UTP transactions 2021-25 (GBV)

€250-300bn<sup>(2)</sup>

Performing loans to non-financial companies with >€10mln turnover

~€230bn<sup>(3)</sup>

Total Turnover in Italy



# Illimity - Strong origination capabilities with highly selective approach



Illimity has become well-recognised player in the market **with more than €1bn originated business and very selective approach**



Significant and rapid **growth in factoring**



Primary **role** played in lending activities **with public guarantees**

## Key underwriting highlights

**~500 Cross-over & Turnaround deals analysed** since inception **worth ~€5bn** in nominal value



**~100 deals signed**

## Net customer loans at 1Q21

**€260mIn**

**Turnaround**

**€451mIn**

**Crossover & Acq. Finance**

**€157mIn**

**Factoring**

**T/O <sup>(1)</sup>  
€199mIn**

# illimity - Asset quality very good notwithstanding difficult market conditions

## Credit revaluation events



Tangible **evidence of profit from credit revaluation** events in **Turnaround** business



€6mIn

FY2020

€3mIn

1Q2021



**Strong asset quality reflecting selective approach**



0.8%

**Gross Organic NPE ratio  
Growth Credit Division Core Business<sup>(1)</sup>**



Fast approach to take market opportunities to **maximise the risk-adjusted profile** with good share of **public guarantees**



44%

**% Performing stock with  
Public Guarantees<sup>(2)</sup>**



Strong development of **factoring business volumes** with **high insurance coverage** and near to zero defaults



59%

**% factoring stock insured<sup>(3)</sup>**

# Illimity - Turnaround: focusing origination on highly profitable segment with positive momentum



## STRATEGIC PRIORITIES

- Consolidating presence as investor in **single name UTP**
- Be **leading player** in emerging **UTP portfolios market**



## KEY SUCCESS FACTORS

- Deep **knowledge** of many **industrial markets**, increasing our **Tutors' network**
- Leverage on **cross functional expertise with Distressed Credit Division** in **UTP portfolios**
- Unique ability to **provide working capital financing solutions**
- Further development of **customised IT solution** to manage UTP positions



## MARKET SIZE

>€35bn

Expected cumulated UTP transactions 2021-25<sup>(1)</sup> (GBV)



## TARGETS

~€1.3bn

Cumulated business origination 2021-25

~9-12%

IRR risk-adjusted

~110%

Avg. RWA Density<sup>(2)</sup>

# Illimity - Cross-over & Acquisition Finance: selective growth



## STRATEGIC PRIORITIES

- Consolidating presence as **specialist partner** of **Italian SMEs** with **industrial potential**
- **Capital allocation** focused on **risk adjusted returns**



## KEY SUCCESS FACTORS

- **Tailor-made approach** on financing solutions design
- Deep **knowledge** of many **industrial markets** increasing **Tutors' network**
- Focus on **transactions with efficient capital allocation**



## MARKET SIZE

€250-300bn

Performing loans to non-financial companies with > €10mln turnover <sup>(1)</sup>



## TARGETS

~4%

Avg. Annual Spread

~€1.2bn

Cumulated business origination 2021-25

~2%

Avg. Origination fee

~50-60%

Avg. RWA Density<sup>(2)</sup>

# Illimity - Factoring: capital optimisation initiatives through extensive credit coverage

## STRATEGIC PRIORITIES

- **Growth in business** consolidating our market presence
- **Increase profitability through capital management** actions

## KEY SUCCESS FACTORS

- **Strengthening of sales team** and **establishing long term relationships with clients**
- **“Snowball effect”** in the **growth of customer base** particularly through **Reverse Factoring** transactions
- Innovative **capital management solutions** combining credit insurance with applicable public guarantees to **lower credit risk and obtain capital relief**

## MARKET SIZE

**€230bn** Total turnover in Italy in 2020<sup>(1)</sup>

## TARGETS

	2023	2025		
<b>Turnover</b>	~€2.0bn	~€4.3bn	<b>Avg. Gross revenue on outstanding loans<sup>(2)</sup></b>	~3.0-3.5%
<b>Outstanding</b>	~€0.6bn	~€1.1bn		<b>Avg. RWA Density<sup>(3)</sup></b>

Sources: (1) Report Assifact in December 2020; (2) Interest income and net commissions on average outstanding loans; (3) On 2023-25 outstanding loans.

# illimity - Capital Markets: exploiting our deep market knowledge to offer additional advisory services

*illimity offers to SMEs different solutions to access capital markets through **structuring of tailor-made solutions oriented to development, organic and non-organic growth and to optimisation of financial structure***

## Equity Capital Market

- illimity is appointed as a **Nomad** for **Italy's Alternative Investment Market (AIM)**
- illimity acts as **Global Coordinator & book runner** in Structuring & placement process activities related to **IPOs**

**~€21mIn**

*Cumulated fees 2021-25*

## Debt Capital Market

- illimity acts as **Arranger and book runner** in **Minibonds structuring & placement process** both public and private
- **Structuring & Placement process** activities both **public & private**

**~€11mIn**

*Cumulated fees 2021-25*

## Risk mitigation solutions

- **Interest rate and currency risks hedging** for **Bank SMEs customers**

**~€17mIn**

*Cumulated income  
2021-25*

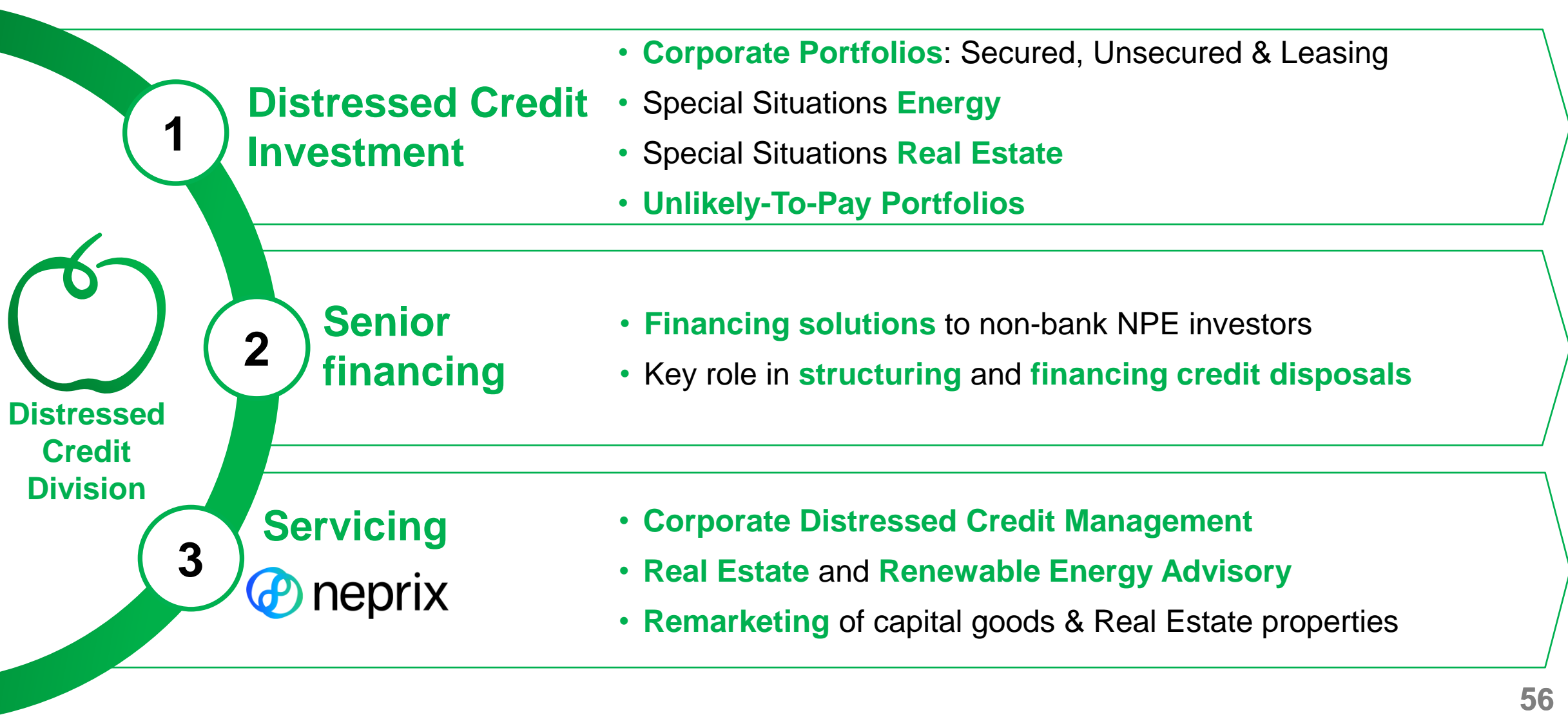
*Activities up and running since 1Q21. Already obtained five interesting Capital Market mandates*

# Distressed Credit Division

*Andrea Clamer*

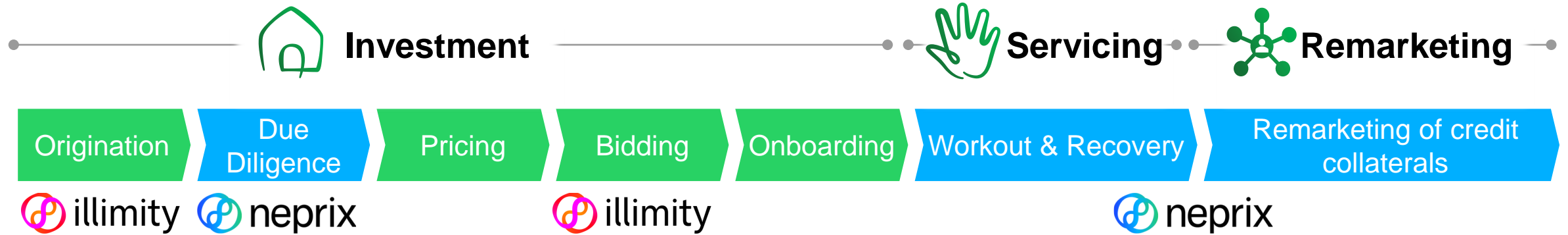


# illimity - Specialised player in Corporate Distressed Credit





# illimity - Fully-integrated value chain



## Key success factors



**Cross-fertilisation** of different competencies across value chain



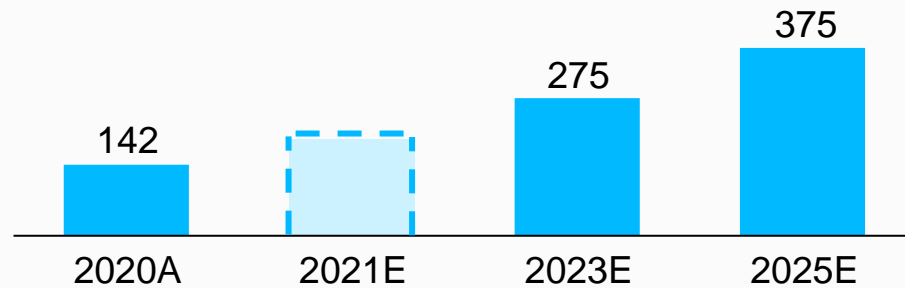
**Data-driven business** for a dynamic streamline of origination, pricing, recovery and asset management strategies by leveraging the information gathered through the circular value chain

# illimity - Distressed Credit Division: strong contribution to Group P&L

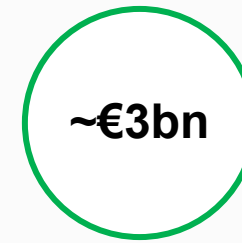
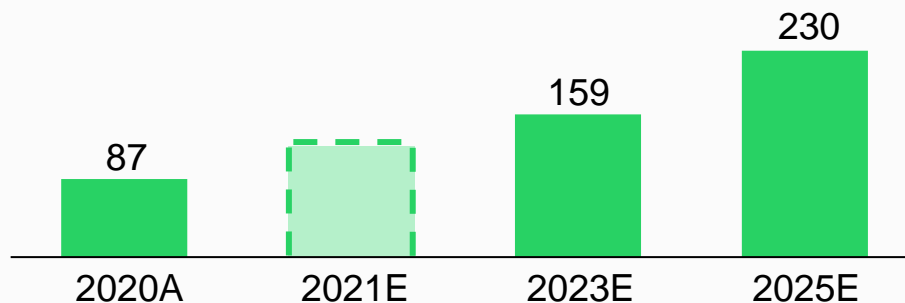
## Distressed Credit Division – Key 2021-2025 targets

Data in €mln

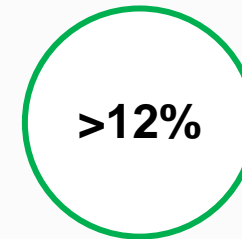
### Revenues



### Pre-tax profit



Cumulated 2021-25 **Net Book Value** in new **Distressed Credit** investments



DC Investment average **gross IRR**



Cumulated 2021-2025 **Senior Financing**

# illimity - Major investor in the Italian market



Among **top three private investors in the Italian market** with ~€8bn GBV purchased as of 1Q21 and ~€1.2bn purchase price



**Corporate Distressed Credit** across all credit classes, from NPL to UTP



**Senior Financing** focused on **high-yield opportunities** and cross competences on **structuring of credit disposals**



**Proprietary** servicing platform with **specific expertise as key success factor**

## Business volumes as of 1Q21

	Distressed Credit Investments	Senior Financing	Distressed Credit Division Total
<b>Originated Business<sup>(1)</sup></b>	~€1.2bn	~€0.5bn	~€1.7bn
	Loans	Properties	Servicing Total
<b>Servicing AuM<sup>(2)</sup></b>	~€6.6bn	~€2.4bn	~€9.0bn

Notes: (1) This aggregate includes Distressed Credit investments booked, Senior Financing loans cumulatively granted until the end of the period, 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) The AuM of the Servicing unit includes the gross book value of distressed credit, net of cash flow and portfolio disposals, and the value of property and capital goods managed by neprix sales.

# illimity - Very strong track record



**Outperformance** in gross cash flows vs. initial plan



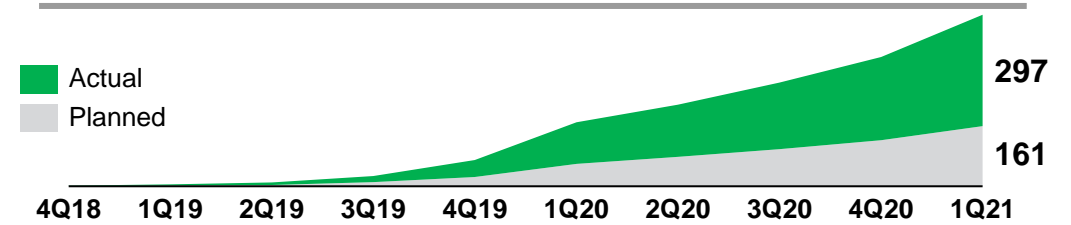
Strong **profit generation** from **dynamic portfolio management** approach...

- Gains from exit strategy anticipation (DPO)
- Gains from credit disposal

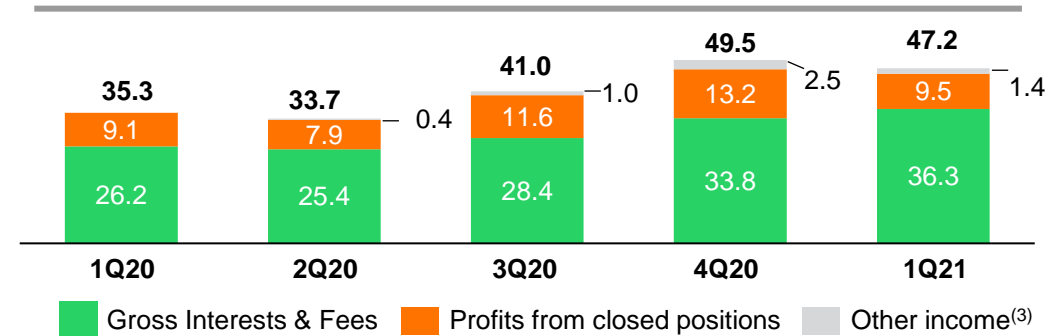
... **facilitated** by very conservative pricing ...

... and our workout approach based on **Accelerated value creation** on credits' **underlying assets and businesses**

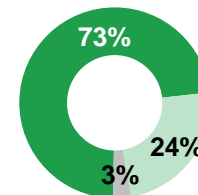
Cumulative cash flow<sup>(1)</sup>: actual vs. planned (€mln)



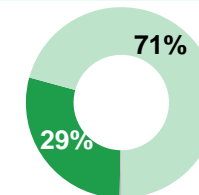
Economic view by quarter<sup>(2)</sup> (€mln)



Workout strategy in pricing model (NBV breakdown)



Actual workout strategy (Cash flow breakdown)



■ Judicial<sup>(4)</sup>  
■ Out-of-court settlement

Notes: (1) Cash flow from receivables; (2) Gross revenues before any cost of funding and other divisional rebates; (3) Profit from rental income on repossessed assets and other income on assets accounted for as FVTPL; (4) Purchase prices as % of GBV in Judicial strategies are generally lower than in out-of-court strategies as the result of longer collection period, lower cash flow and higher legal costs.

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

## 1. NPL first stage

- Foreign investors as **NPL buyers**
- **Large, non-specialised** servicers with no “skin in the game”
- **mid/long term** exit strategy, in **gone-concern** perspective

## 2. From NPL to NPE

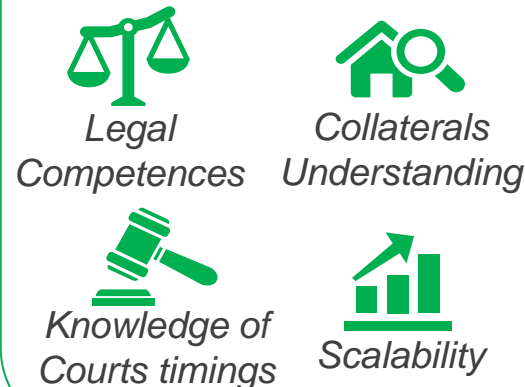
- Increase of **UTP exposures** in **going-concern** perspective
- **Specialisation** of investors and servicers
- Deep **industrial know-how** required to servicers
- Centrality of **Remarketing** capabilities

illimity has all the **critical success factors** to tackle NPE market challenges, both in **gone** and **going-concern** approach to credit management

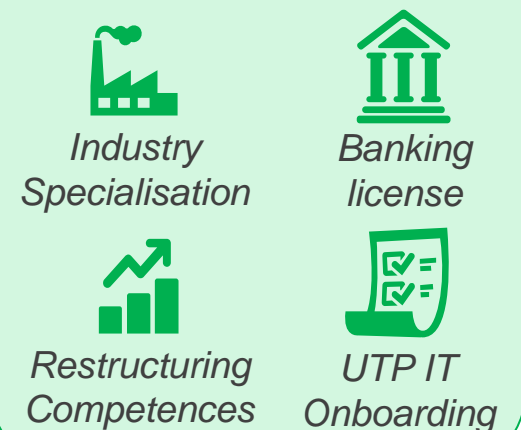


**CRITICAL SUCCESS FACTORS**

### Gone-concern

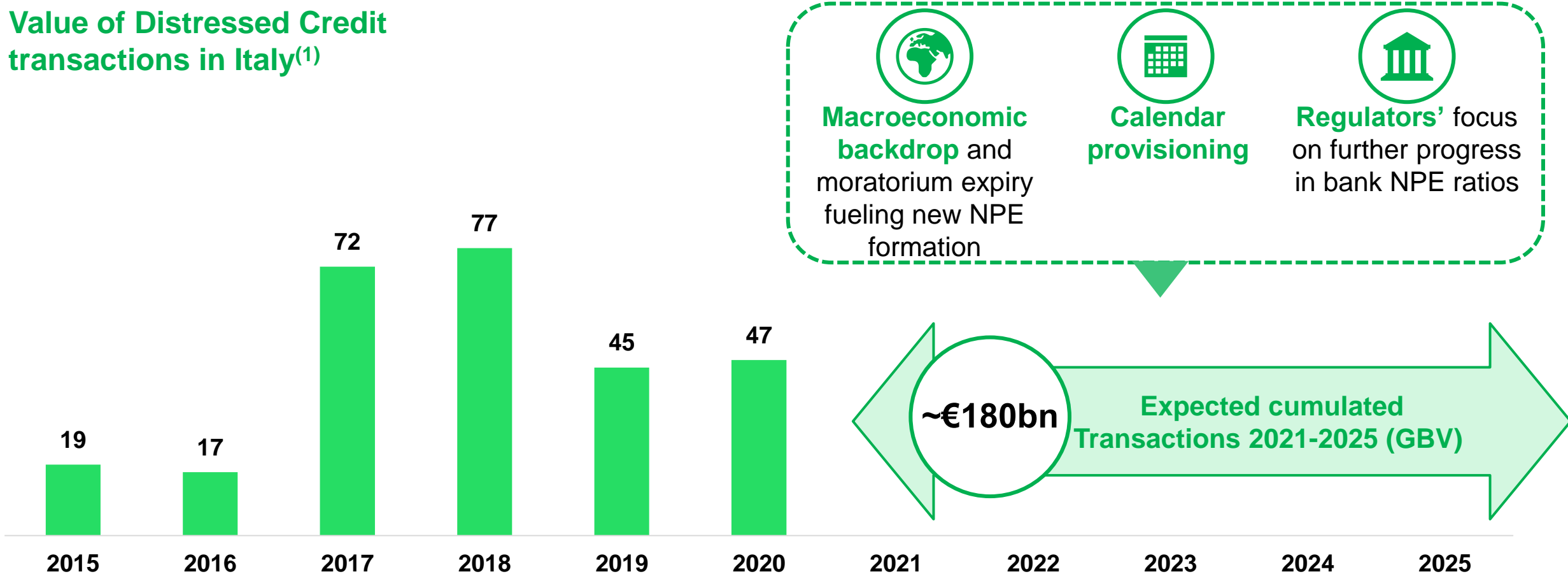


### Going-concern



# illimity - Large and dynamic addressable market

Value of Distressed Credit transactions in Italy<sup>(1)</sup>



Source: (1) Market estimates based on various sources (e.g. Bank of Italy, PwC etc). Estimates refer to the entire NPE transaction market - See Disclaimer attached at the end of this Document.

# neprix - Data-centric approach and technology enable specialisation and scale



## Distressed Credit Management



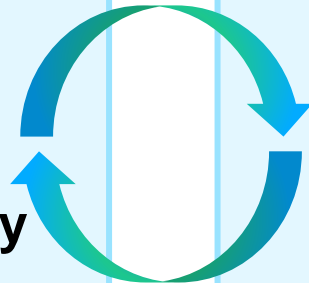
### Due Diligence

- RE & Legal Due Diligence
- Business plans valuation
- Technical appraisals



### Workout & Recovery

- Loans Asset Management
- Leasing Asset Management
- UTP Management
- Special Situations



## Sales



### Remarketing of credit collaterals

- Asset remarketing and property management
- Brokerage activities
- Auction facilitation
- Web Marketing throughout proprietary Real Estate platform
- Market research and data analysis



## Key 2025 targets

>€25bn

**AuM (Credit + Sales GBV<sup>(1)</sup>)**

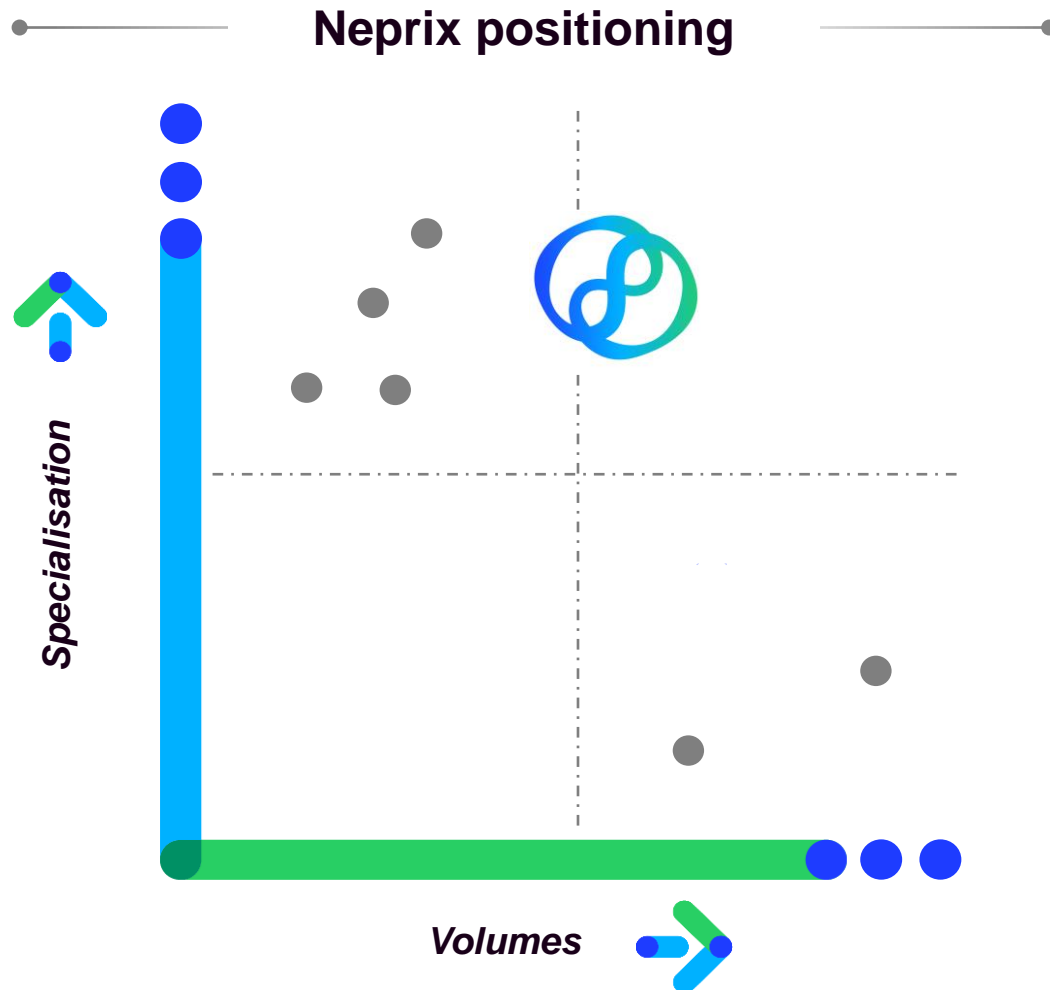
~€110 mln

**Revenue<sup>(2)</sup>**

~46%

**EBITDA margin<sup>(3)</sup>**

# neprix - Technology: keystone to combine high specialisation and large volumes



**Servicing on specific asset classes**

- Servicer for **Corporate** NPL, UTP, Leasing
- Deep know-how of Secured segment thanks to **Real Estate skills** along entire value chain
- **Large / medium** tickets (non-granular)




**Data-centric, with human touch**

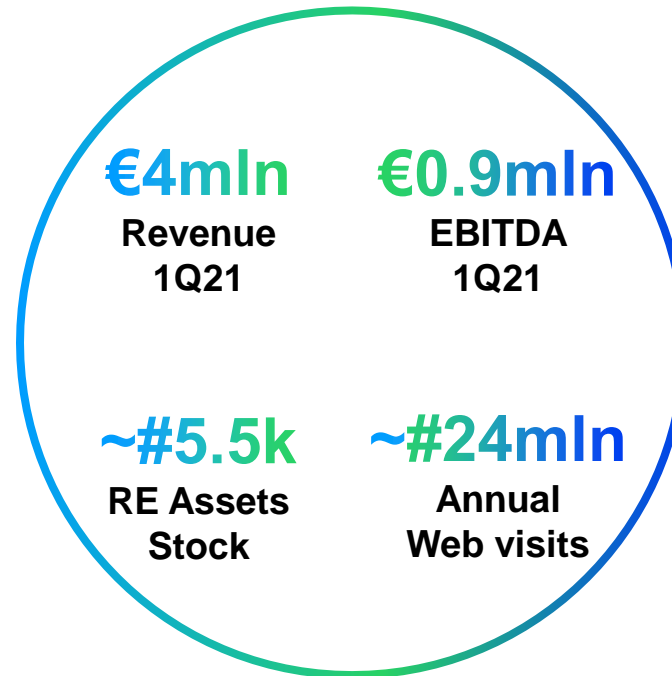
- **Highly skilled professionals** supported by advanced data management






# neprix Sales – Already leading player in digital remarketing

## Digital-native business model

-  6 multi-sector sales web portals
- ~24 million visits per year
-  Developer teams for UX and Digital Marketing
-  Proprietary database with 700k+ registered clients



## Operations best-in-class

-  Specialised multichannel service across entire chain value
-  National presidium
- Internal Agency for clients and high value assets
-  Asset inspection
- Certified documentation (appraisals, cadastral information, ...)

# neprix Sales – Ready to expand selectively

Total transactions in 2019  
Italian RE market (€bn)

	Commercial (non-Offices)	Commercial (Offices)	Residential	Total	
<b>Judicial market<sup>(1)</sup></b>	1	1	5	7	Market already covered by neprix Sales
<b>Free market</b>	New / Under Construction buildings	0.3	30	31	First step of expansion in the free market of "new" assets
	Second-Hand buildings	10	2	65	Possibility to further expand in the second- hand market
<b>Total</b>	<b>12</b>	<b>3</b>	<b>100</b>	<b>115</b>	

# illimity & neprix **strategic partner of choice of** A P O L L O

 illimity

 neprix



A P O L L O

~\$461bn AuM  
(o/w ~\$323bn in Credit  
Business)<sup>(1)</sup>



Joint Venture with A P O L L O to pursue up to **€500mIn of co-investments in Italian Real Estate Single Name NPEs**




Opportunity to tackle, together with A P O L L O , **more diversified and profitable pipeline of Special Situations**

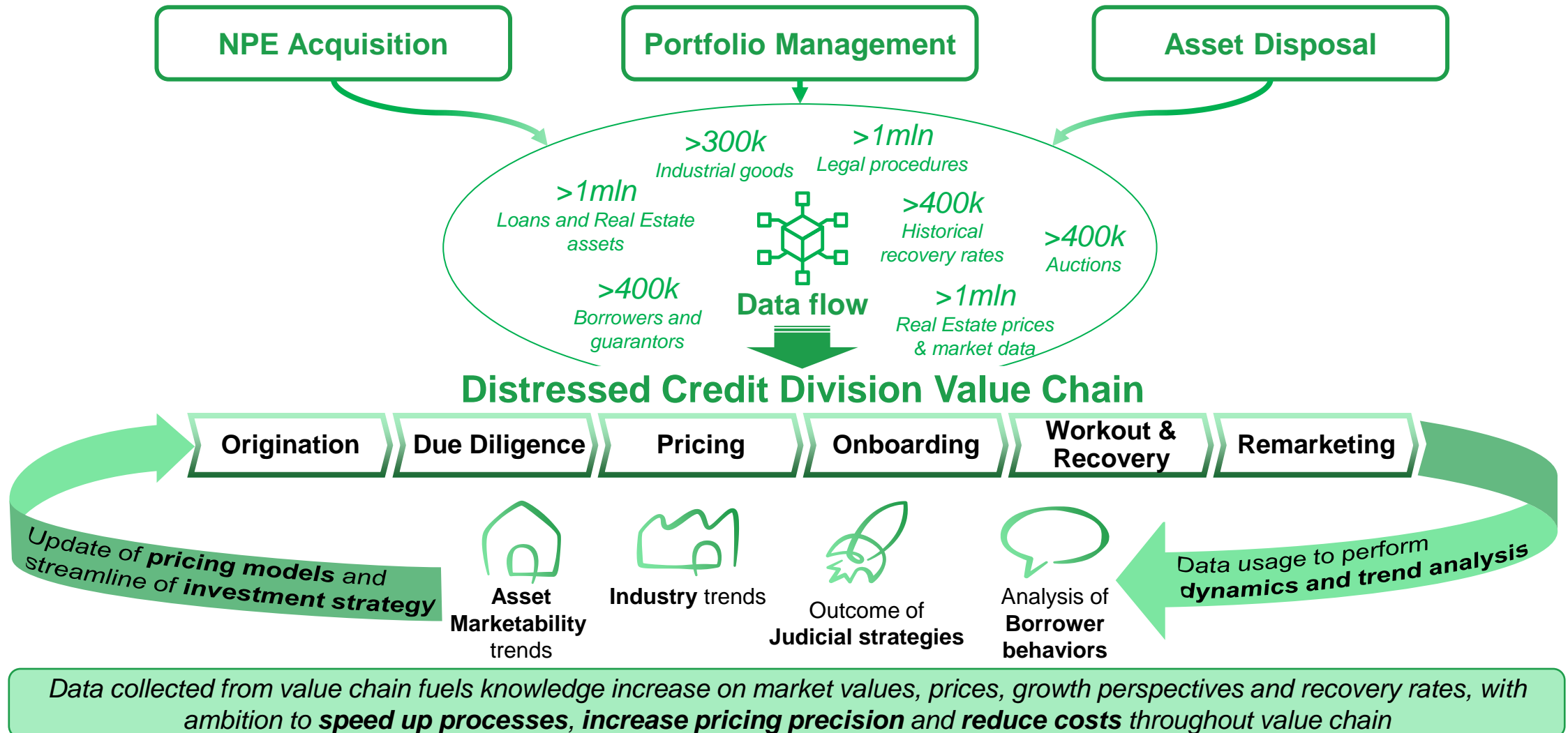


 neprix will act as **sole and fully-integrated servicer** of acquired loans, **opening its services also to the market**



We estimate that these **initiatives** will stimulate **intensive pipeline** and contribute to  neprix **2021-25 P&L** with **~€19mIn revenues** and **~€15mIn EBIT** (partially intercompany)

# illimity - Data-driven Business Model leading to successful performance



illimity SGR  illimity  
SGR

*Massimo Di Carlo*

# illimity - **Make illimity limitless**

1

**Asset Manager** able to leverage on illimity's ecosystem

2

**Capital light** tool allowing illimity to **generate fee-based revenue stream**

3

**ESG metrics** and **digital approach** in alternative fund management

4

Innovative approach due to **originate alternative funds in other asset classes**



### Credit & Corporate Turnaround Fund

**LAUNCHED**

- Investment focus on UTP contributed by originating banks

**First closing in March 2021, further closings in 2021**

**Growth Credit Division  
*Turnaround***

### Private Capital Fund

**NEW**

- Investment focus on performing corporate financial instruments (including sub-debt and private equity)

**Launch scheduled in late 2021/early 2022**

**Growth Credit Division  
*Crossover & Acquisition Finance***

### Real Estate Fund

**NEW**

- Investment focus on real estate assets
- neprix role in real estate servicing and remarketing

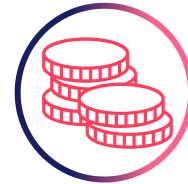
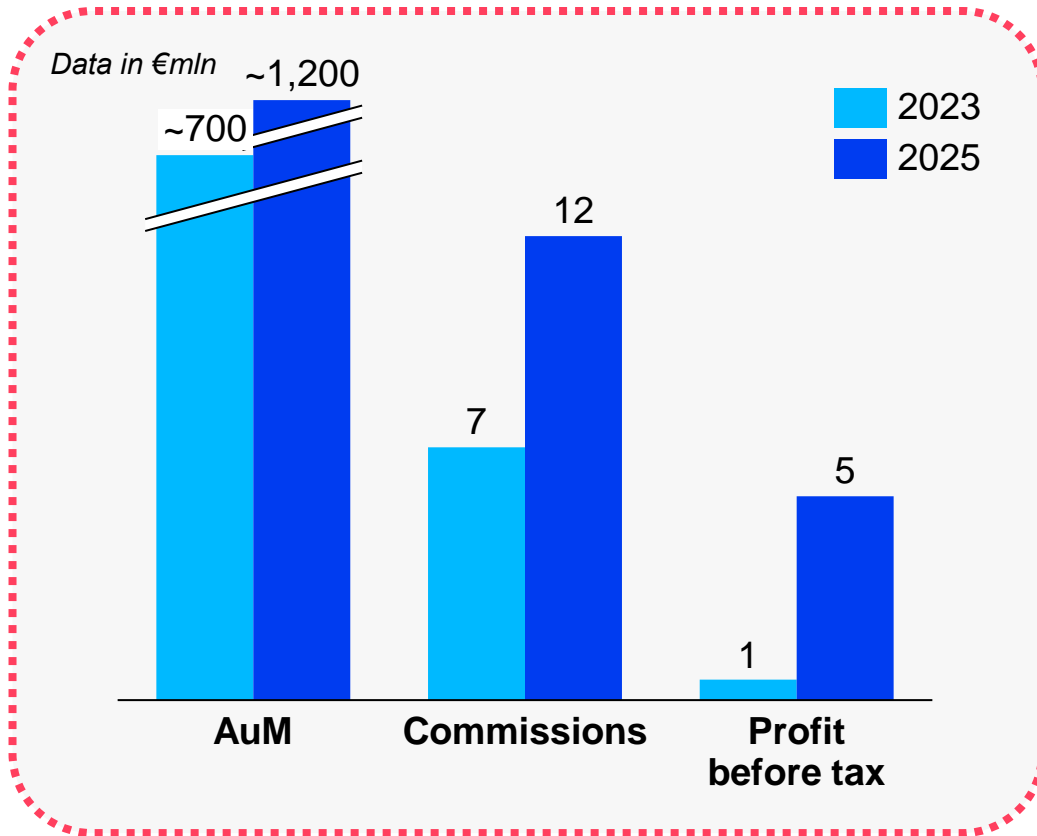


**Launch scheduled in 2022**

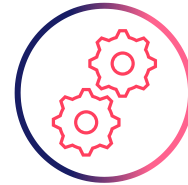
**Distressed Credit Division  
& neprix**

**Synergies with  
illimity**

# illimity SGR - Over €1bn AuM target by 2025



**~1% Avg. Management Fees**



**Carried interest to start contributing from 2027**



**~20 HCs in 2023  
and flat onwards**





**illimity**

BANCA OLTRE LA FORMA


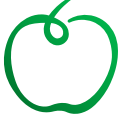




CEO final remarks



# Annex



# illimity - Profit&Loss and Balance Sheet divisional targets

	 <b>GROWTH CREDIT DIVISION</b> <small>(BIP included)</small>			 <b>DISTRESSED CREDIT DIVISION</b>			 <b>DIRECT BANKING</b>			 <b>illimity SGR SGR</b>			 <b>CORPORATE CENTER</b>			 <b>TOTAL</b>			
	2020	2023	2025	2020	2023	2025	2020	2023	2025	2020	2023	2025	2020	2023	2025	2020	2023	2025	
<i>Data in €mln</i>																			
<b>Operating income</b>	29	107	165	142	275	375	(6)	60	104	-	7	12	9	4	4	174	452	660	
<b>Profit (loss) before tax</b>	6	67	116	87	159	230	(22)	19	57	(1)	1	5	(31)	(41)	(42)	39	205	366	
<i>Data in €bn</i>																			
<b>Total assets</b>	0.9	2.9	3.8	1.4	2.5	3.0	-	1.4	2.3	-	-	-	1.8	0.8	0.8	4.1	7.6	9.8	
<b>RWA</b>	0.7	2.1	2.8	1.8	2.6	3.1	-	0.4	0.7	-	0.0	0.0	0.3	0.3	0.3	2.9	5.4	7.0	



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