

**illimity**

BANCA OLTRE LA FORMA

2Q23 & 1H23

Consolidated Results

4<sup>th</sup> August 2023

# Key highlights

*Corrado Passera*, CEO



# Pillimity - Significant increase in profitability despite challenging scenario

**Robust increase in profitability**

**Some external challenges impacting 1H23 performance  
expected to be temporary**

**Solid capital position and robust liquidity profile**

**Very strong performance in SME lending business**

**Distressed Credit Division: resilient NII amid very soft NPE market**

**Strategic partnership on IT platform, with 2023  
and long-term benefits**

# illimity - Progressing towards yearly profit guidance

## P&L TREND

€/mln	1H22	1H23	Chg. Y/Y
Net interest income	74.1	97.7	32%
Net fees and commissions	27.6	32.3	17%
Other net operating income	57.3	74.2	29%
<b>Operating income</b>	<b>159.0</b>	<b>204.2</b>	<b>28%</b>
Staff costs and OAE	(86.1)	(95.2)	11%
D&A	(7.3)	(10.5)	43%
<b>Operating profit</b>	<b>65.6</b>	<b>98.5</b>	<b>50%</b>
LLPs	(3.0)	(6.0)	98%
Other provisions, value adjustments and equity investments	(12.4)	(6.6)	(47)%
Contribution to banking sector schemes and other non-recurring charges	(2.1)	(6.2)	197%
Income tax	(16.6)	(27.6)	66%
<b>Net result</b>	<b>31.5</b>	<b>52.2</b>	<b>66%</b>

Includes €45.5mln net effect of IT partnership\*

+4% excluding change in perimeter and one-offs

Cost of risk at 42bps

Includes resolution cost of previous IT partnership booked in 1Q23

**FY23 net profit guidance >€100M confirmed**

\*Net effect calculated as follows: +€54mln revenues from IT partnership, taking into account -€8.5mln of lower revenues (€17mln for the full year) following the consensual resolution of previous IT agreement

# Pillimity - Some external challenges impacting 1H23 expected to be temporary

**Soft NPE market with very few transactions, impacting on opportunities**

Market to gradually recover by year-end, following typical seasonal trend. Strong pipeline of DC division

**Cost of funding grew more than expected**

In 2H23 expected to be offset by volume growth and repricing time period (3-6 months) of our SMEs loans

**Investment Banking affected by both soft capital market activity and shift of some deals to 2H23**

2H23 robust pipeline equal to >€300mln of which €210mln already signed in July

# illimity - Solid capital position with CET1 ratio at 15.4%



**15.4%**  
**CET1 ratio**



**+633bps**  
**Buffer vs. SREP**



**19.9%**  
**Total Capital ratio**

**Unrealised losses on HTC securities limited to 1.2% of Shareholders' Equity  
(under €11mIn euro)**

# illimity - Robust liquidity profile boosted by 1H23's retail deposit growth



**~€1bn**  
**Liquidity<sup>(1)</sup>**



**~276%**  
**LCR**



**116%**  
**NSFR**



**+€390mIn**  
**YTD**  
**Retail deposits**



**85%**  
**Term deposits**  
**on retail funding**

# illimity - Strong performance in SME lending business



## GROWTH CREDIT DIVISION

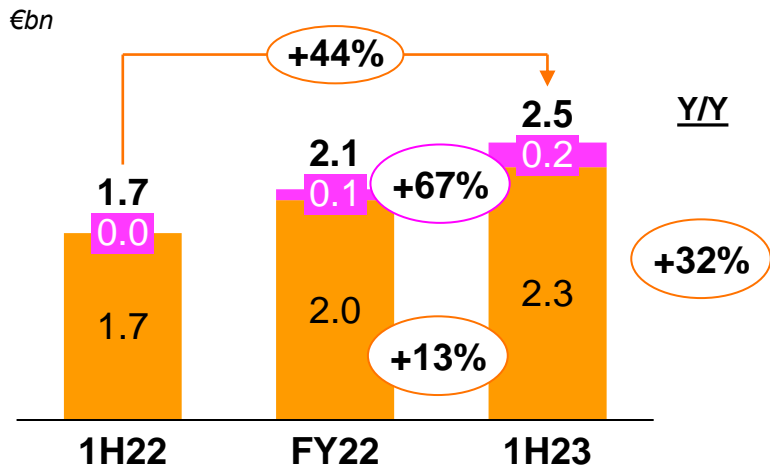
- **Significant net customer loan progression:** +32% YoY and +13% in 1H23, despite early repayments
- **Excellent operating leverage**
- **Further improvement in profitability** with pre-tax profit up 81% y/y



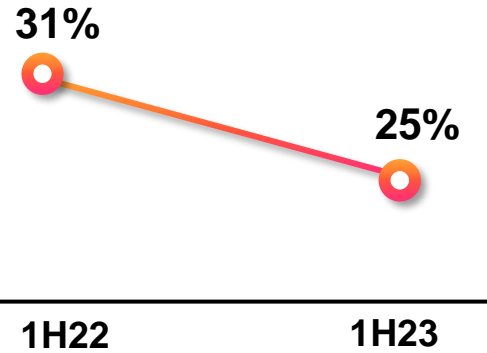
## INVESTMENT BANKING DIVISION

- **Volumes up: +67% in 1H23** driven by strong business origination (145mln vs 189mln in FY22)
- Profitability impacted by slowdown in fee-based business (capital market/advisory) expected to recover in 2H23
- **Pre-tax profit at €1.8mln, set to accelerate in 2H23**, on back of robust pipeline already signed

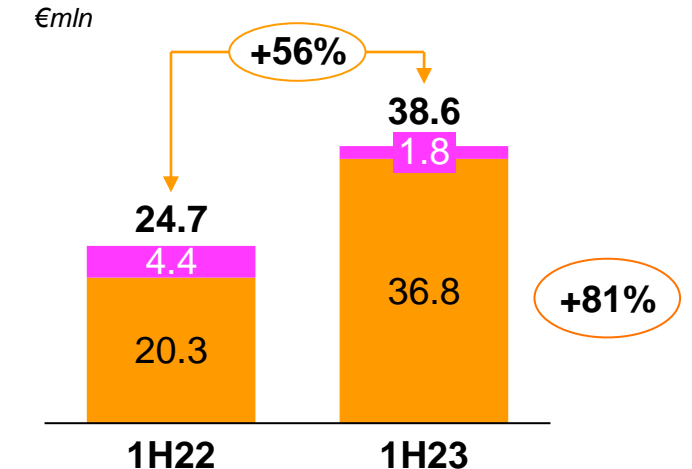
### Net customer loans



### Cost Income (GC+IB)



### Profit before tax



Legend: Growth Credit (Orange), Investment Banking (Purple)

Notes: (1) Turnaround and Cross Over & Acquisition Finance.



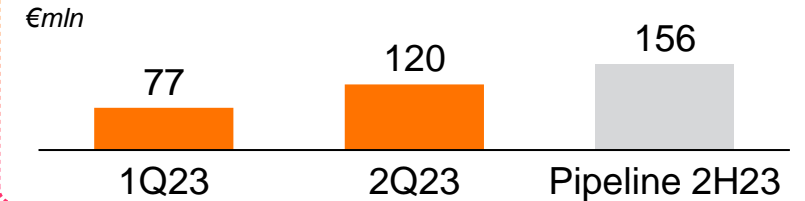
# illimity - SME Business: strong pipeline ahead



## Turnaround

Business origination up 57% QoQ with pipeline of €156m

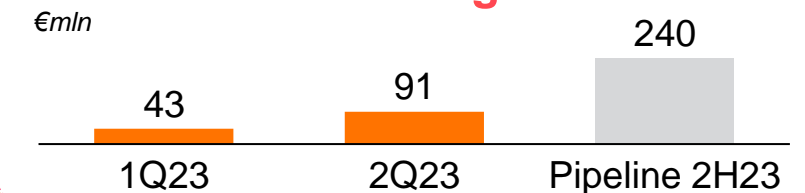
### Business origination



## Cross-over & Acquisition Finance

Business origination more than doubled in 2Q (+111% QoQ) set to further accelerate

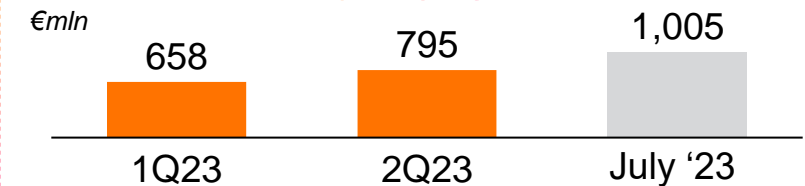
### Business origination



## Factoring

Turnover continues to gain further momentum (+21% QoQ)

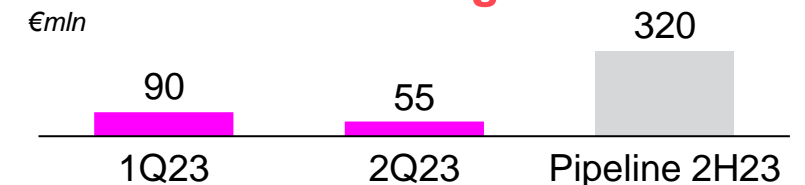
### Turnover



## Investment Banking

Volumes to accelerate on back of strong pipeline on corporate solutions and structuring activity

### Business Origination



# Illimity - SME Business: asset quality remains under control with cost of risk at 42bps



**~55%**

**Guaranteed/Insured loans**

*as % of total gross loans<sup>(2)</sup>*



**~0.8%**

**Stage 2 Loans**

*as % of total gross loans<sup>(2)(3)</sup>*

**GROSS NPE RATIO<sup>(1)</sup>**

Gross NPE ratio

3.7%

4.7%

Gross NPE ratio

(excluding State guaranteed positions)

1.5%

1.3%

Most exposures under restructuring

**Cost of risk to remain contained**

1Q23

2Q23

1Q23

2Q23

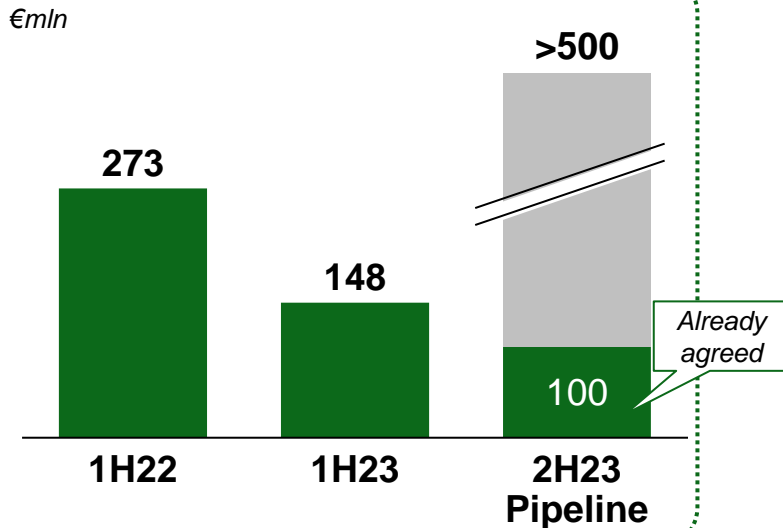
# illimity - Resilient NII of DC investment business, amid very soft NPE market

Resilient NII (+2.2% YoY), despite higher cost of funding

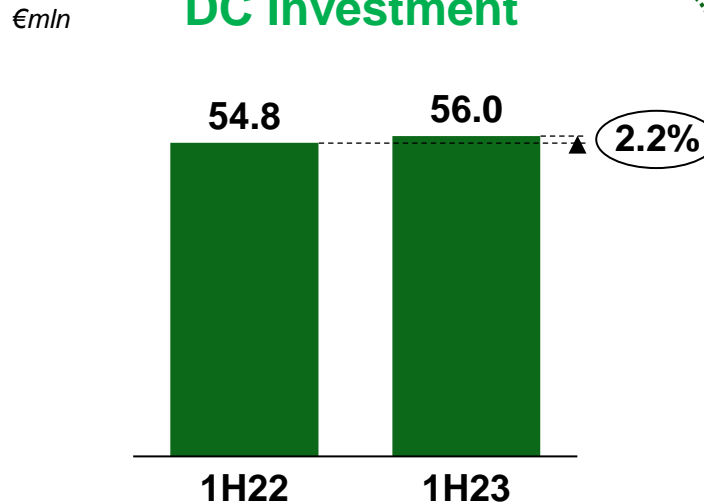
Softer NPE market than sector expectations with few transactions, resulting in lower investments and disposals opportunities

Overall profitability set to recover in 2H23 thanks to robust pipeline ahead

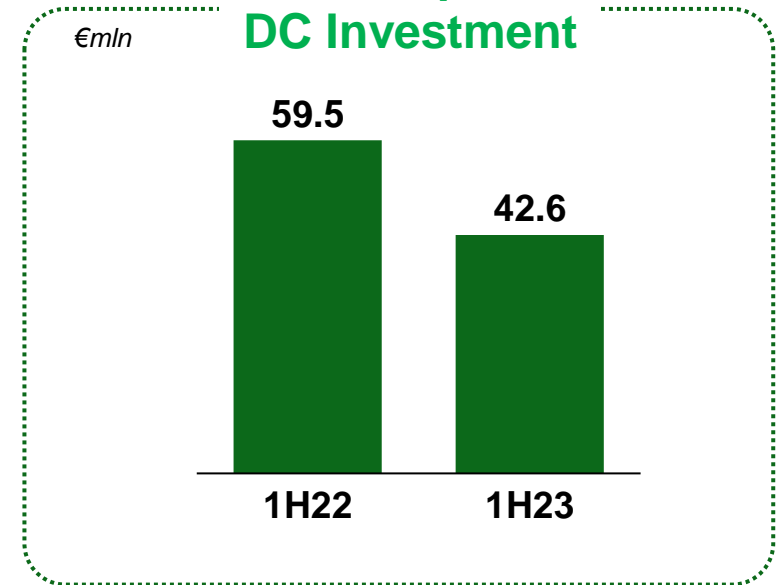
### Business origination<sup>(1)</sup>



### Net Interest Income DC Investment



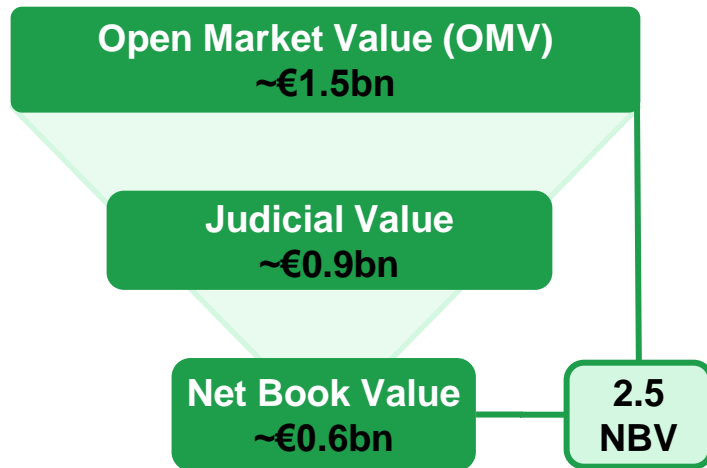
### Pre-tax profit DC Investment



Notes: Non accounting figures. (1) See 'Business origination' in the Glossary at the end of this document.

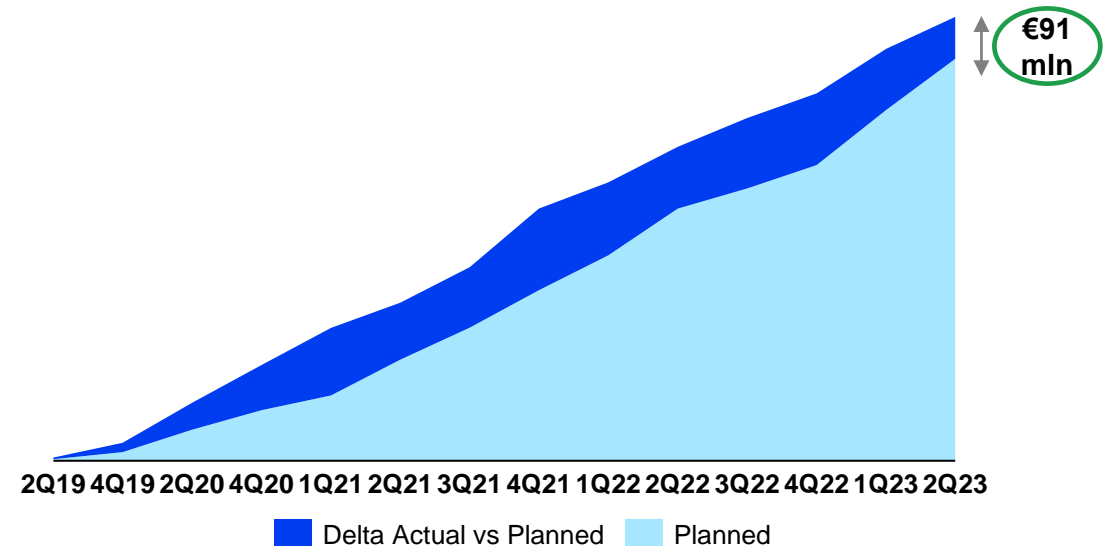
# illimity - Asset quality underpinned by cash flows and prudent pricing model

## Real Estate collateral value



85% of DC investments portfolio is secured with solid real estate values (high buffer vs. Open Market Value)

## Cumulated cash flow: actual vs. planned



Cumulated cash flows continued to stay well above initial plans

# AREC neprix - Profitability to benefit from back-book and new third-party mandates pipeline



3<sup>rd</sup> largest market player in corporate UTP management industry in Italy<sup>(1)</sup> with ~€10.8bn AuM (+9.3% QoQ)



From servicing to end-to-end asset management company (distressed credit and real estate) supporting clients across entire value chain

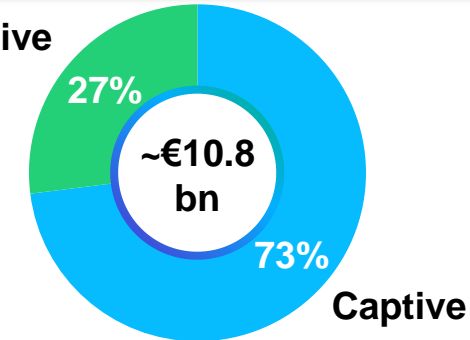


Profitability in 2H23 to benefit from back-book generating revenue in 2H23 and strong pipeline of third-party mandates

## Asset Under Management

€bn

Non Captive



Captive

## Key results 1H23<sup>(2)</sup>



€16.5mIn

Revenue



19%

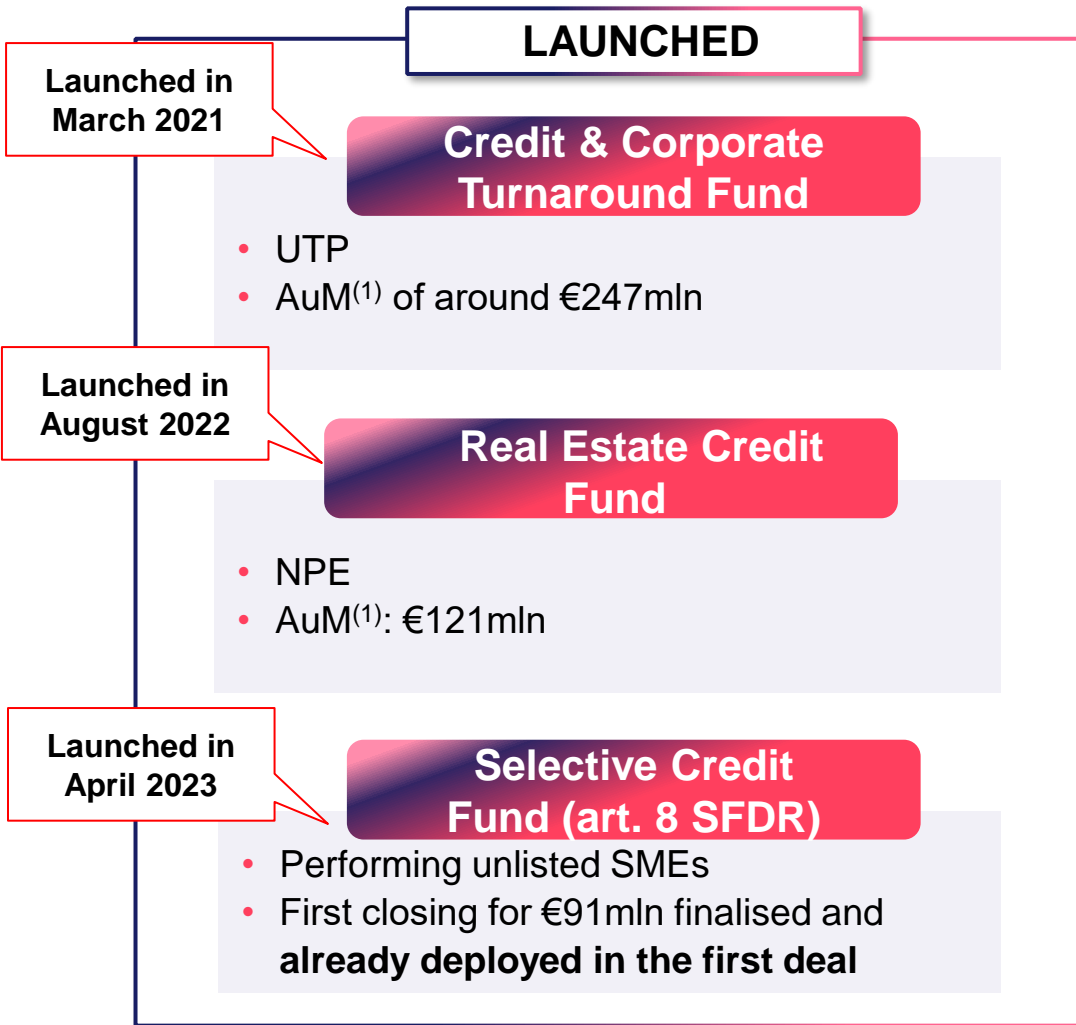
EBITDA margin



€2.6mIn

Pre-tax profit

# illimity SGR - Profitability up driven by AUM growth



Revenue at €2.6mln more than doubled YoY, driving Net profit to 0.9mln from -0.2mln in 1H22



**Total AUM** reached **ca. €459mln<sup>(1)</sup>** more than doubled YoY (+125%), expected to further increase, thanks to launch of new funds over next quarters



**Synergies** between **SGR**, and business divisions **already visible** and set to generate further benefits

# illimity - Strategic partnership on IT platform with Engineering with 2023 and long-term benefits



**€55.5mln\***

Revenue booked in  
2Q23

+

**€4.5mln**

in return for further optional  
platform upgrades (€0.5mln  
per year in period 2024-  
2032)



**Significant royalties for  
10 years**

bolstering long term profitability



**Long-term IT service contract**

(with investments already included in our plan)  
that will allow us to plan IT investments in long term at  
favorable conditions

**State-of-art solutions of illimity IT  
platform, immediately deployable  
to market in proprietary, licensing  
or "as service" solutions in high-  
potential segments**

# illimity - Tech initiatives advancing toward high value creation



**Italian fintech leader in retail world<sup>(1)</sup>**  
*with clients further increased to 1.8mln*



**First Italian fully-fledged digital bank for small corporates**  
*Operational from 1Q23*



**Leading prop-tech in Italian Real Estate brokerage market**  
*Strategic partnership completed with COIMA in open market*





# - Top retail fintech with unique offer in Italian financial services market

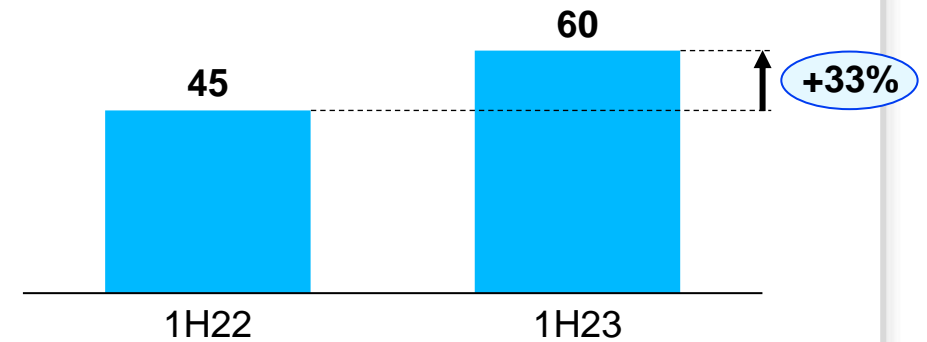
**+21% YoY**  
**~34** Average transactions per client in 1H23

**+101% YoY**  
**€17.0m** Gross revenue (including NII) in 1H23

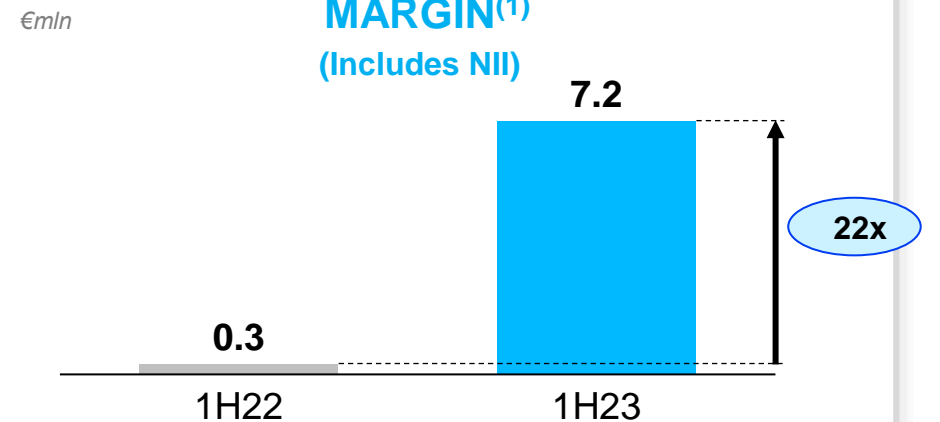
**+9% YoY**  
**~1.8m** Customers

Hub of solutions recently enriched with new products from leading partners in credit and insurance

**NUMBER OF TRANSACTIONS**  
(Data in millions)



**CONTRIBUTION MARGIN<sup>(1)</sup>**  
(Includes NII)



# b-ilty - Volumes more than doubled in 2Q23



**Net customer loans at €154mln** more than doubled Q/Q



**All loan exposures** are assisted by **public guarantees**



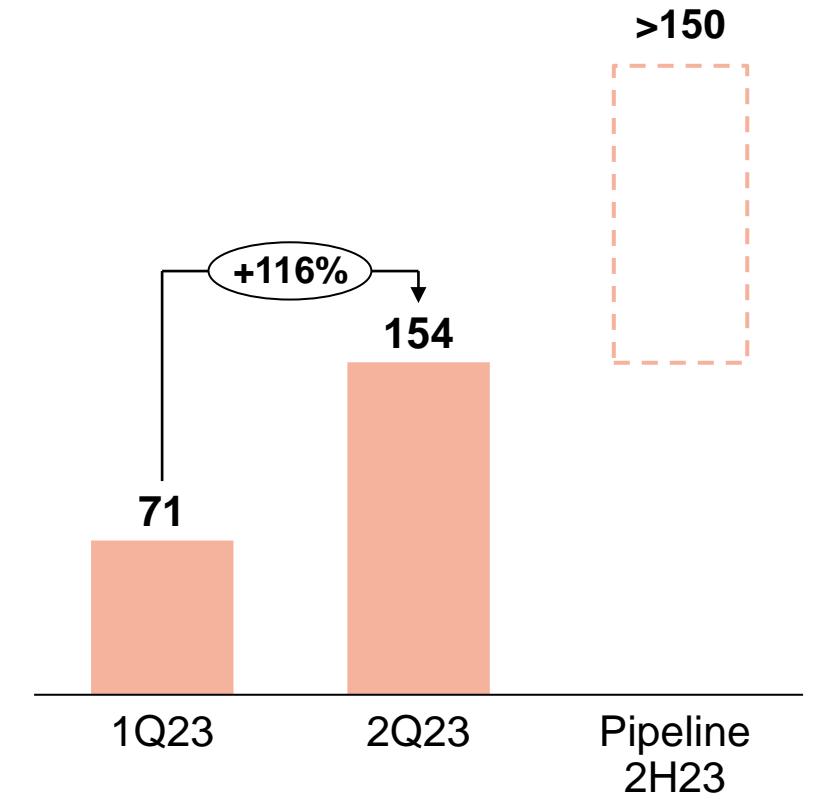
**Additional partnership and commercial distribution agreements** finalised to support business growth



**Profitability improving** expected close to breakeven in 2024, as planned

## Net Customer Loans

€mln



# quimmo - Leading proptech in judicial market with strong acceleration in open market strategy

## JUDICIAL MARKET

- Leader in judicial market with increasing market share (from 10% in 2021 to 17% in 1H23)
- Further opportunities in judicial market which is potentially worth €7bn

## OPEN MARKET

- Signed partnership in open residential market brokerage with COIMA<sup>(1)</sup>
- Potential pipeline of €1bn, with benefit on future profitability



Assets sold in 2Q23: €110mln  
(+44% QoQ)



Generated leads 26K in 1H23



AuM ~€2.2bn, of which 91% non-captive



As of 1H23 revenue at €9.2m with pre-tax result of €-1.8m<sup>(2)</sup>

# illimity - Remarkable results in Sustainability strategy with further strong improvements

## Main achievements



**Carbon Neutrality  
Scope 1&2**



**4.6%  
Gender Pay Gap**  
(Among lowest in sector)



**Gender Equality  
certified**



**Signatory of PRI by  
illimity SGR**



**EE-  
Outlook  
Positive**



Long Term Expected Corporate  
Rating (SER) at EE+



**A**



**B**



**Low Risk**



**New regulatory tools in place to support  
group's environmental goals towards low-  
carbon economy**

- ✓ **New *Green, Social & Sustainability-linked Loans Framework*** included in the credit offer
- ✓ ***ESG Investment Policy*** in Treasury and Investment Banking, to achieve 100% under ESG due diligence
- ✓ **Enforcement of ESG Ambassadors' role** to include climate risk prevention



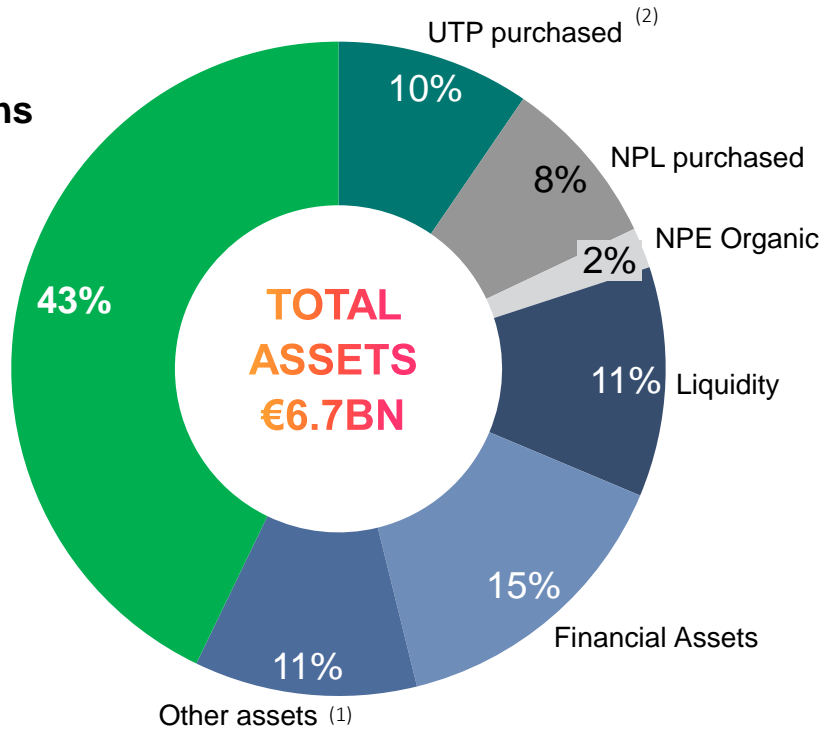
# illimity - Strong asset diversification to remain key strength to adapt to evolving scenario

## BREAKDOWN OF TOTAL ASSETS

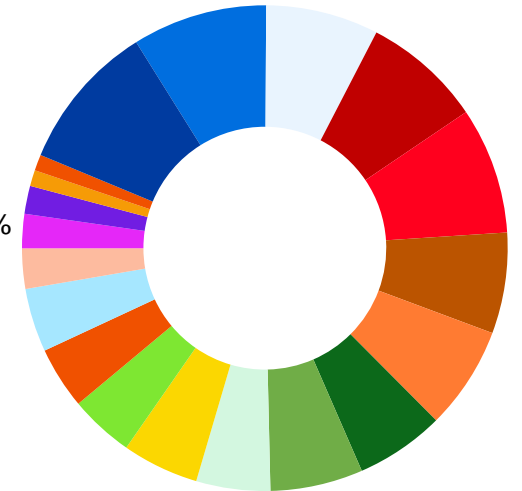
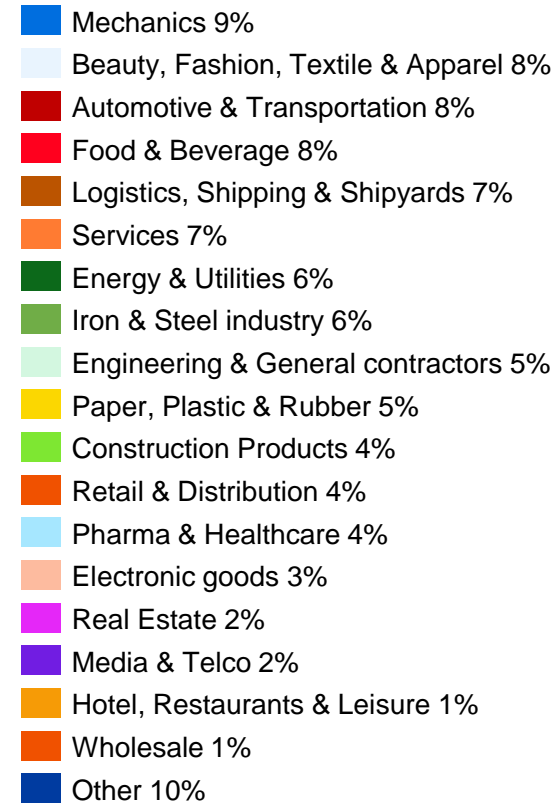
Performing loans



Growth Credit  
Senior financing  
Investment Banking  
b-ilty  
PPC and Other



## LOAN BOOK BREAKDOWN BY ECONOMIC SECTOR<sup>(3)</sup>



# Financial review

*Silvia Benzi, CFO*



# illimity - Lending growth accelerates

Reclassified Balance sheet	30.06 2022	30.09. 2022	31.12 2022	31.03 2023	30.06 2023	Δ 30.06.2023 / 31.03.2023	Δ 30.06.2023 / 30.06.2022
Cash and cash equivalent	397	364	681	340	536	58%	35%
Due from banks and other financial institutions	191	184	183	213	228	7%	19%
<b>Customer loans</b>	<b>3,194</b>	<b>3,318</b>	<b>3,776</b>	<b>3,927</b>	<b>4,222</b>	<b>7%</b>	<b>32%</b>
- Distressed Credit investments	921	860	1,021	991	1,054	6%	14%
- Distressed Credit senior financing	436	446	469	505	429	(15)%	(2)%
- Growth Credit	1,733	1,800	2,037	2,116	2,294	8%	32%
- Cross-over & Acq. Finance <sup>1</sup>	731	809	891	903	933	3%	28%
- Turnaround	630	612	665	725	833	15%	32%
- Factoring	372	379	481	488	528	8%	42%
- b-ilty	24	38	50	71	154	116%	n.s.
- Investment banking	16	108	133	178	223	26%	n.s.
- Non-core former Banca Interprovinciale	64	64	66	65	67	2%	4%
Financial assets Held To Collect (HTC) <sup>2</sup>	161	215	428	403	428	6%	166%
Financial Assets Held To Collect & Sell (HTCS) <sup>3</sup>	416	396	392	384	451	17%	8%
Financial assets measured at FVTPL <sup>4</sup>	118	150	105	111	118	7%	0%
Investments in associates and companies subject to joint control	76	78	76	83	82	(2)%	8%
Goodwill	71	65	65	65	70	7%	(2)%
Intangible assets	56	65	70	72	75	4%	32%
Other assets (incl. Tangible and tax assets) <sup>5</sup>	446	455	579	500	514	3%	15%
<b>Total assets</b>	<b>5,127</b>	<b>5,291</b>	<b>6,355</b>	<b>6,098</b>	<b>6,724</b>	<b>10%</b>	<b>31%</b>
Due to banks	539	581	1,205	899	951	6%	76%
Due to customers	3,107	3,186	3,409	3,411	3,863	13%	24%
Bond/Securities	510	515	653	662	731	10%	43%
Shareholders' Equity <sup>6</sup>	802	813	841	857	899	5%	12%
Other liabilities	169	196	246	270	281	4%	66%
<b>Total liabilities</b>	<b>5,127</b>	<b>5,291</b>	<b>6,355</b>	<b>6,098</b>	<b>6,724</b>	<b>10%</b>	<b>31%</b>

1 Strong liquidity position – with approx. €1bn liquidity buffer

2 Net customer loans growth accelerating in 2Q to 7% QoQ – and up 32% YoY, driven by our Corporate and Investment Banking business, with b-ilty ramping up

3 Financial portfolio increasing slightly following investments in green Government bonds and new investments in IB desks

4 Balanced growth in funding across all sources

Notes: Rounded figures; (1) This figure includes part of the net loans to existing customers of Banca Interprovinciale, which due to their features are considered consistent with illimity's Growth Credit Division segment; it also includes corporate high yield bonds classified as HTC; (2) This figure includes the Bank's securities portfolio classified at amortised cost; (3) HTCS: financial assets measured at fair value through comprehensive income; (4) 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 credits, as part of the Distressed Credit Division's activities; (5) It includes assets arising from the purchasing of tax assets (the so-called "Ecobonus") for €92.4mln; (6) Includes ~5.3mln of minority interests.

# illimity - Robust profitability despite challenging environment

Data in €mln

Reclassified Profit & Loss	1Q23	2Q23	Δ Q/Q%	1H22	1H23	Δ Y/Y%
Interest income	86.3	94.6	10%	106.1	180.9	70%
Interest expenses <sup>1</sup>	(37.9)	(45.2)	19%	(32.1)	(83.2)	159%
<b>1 Net interest income</b>	<b>48.4</b>	<b>49.4</b>	<b>2%</b>	<b>74.1</b>	<b>97.7</b>	<b>32%</b>
Net fees and commissions	15.1	17.1	13%	27.6	32.3	17%
Net result from trading and Fair Value assets	(0.1)	(0.9)	n.s.	8.6	(1.0)	(112)%
Net other income/expenses	1.0	55.3	n.s.	12.0	56.3	371%
Profit from closed purchased distressed credit positions <sup>2</sup>	7.8	11.1	43%	36.8	18.9	(49)%
<b>Operating income</b>	<b>72.1</b>	<b>132.1</b>	<b>83%</b>	<b>159.0</b>	<b>204.2</b>	<b>28%</b>
Staff costs	(23.1)	(27.2)	18%	(43.5)	(50.4)	16%
Other operating expenses	(21.6)	(23.2)	7%	(42.7)	(44.9)	5%
Depreciation & Amortisation	(5.2)	(5.2)	0%	(7.3)	(10.5)	43%
<b>5 Operating costs</b>	<b>(50.0)</b>	<b>(55.7)</b>	<b>11%</b>	<b>(93.5)</b>	<b>(105.7)</b>	<b>13%</b>
<b>Operating profit</b>	<b>22.1</b>	<b>76.4</b>	<b>245%</b>	<b>65.6</b>	<b>98.5</b>	<b>50%</b>
<b>6 Loan loss provision charges</b>	<b>(2.8)</b>	<b>(3.1)</b>	<b>11%</b>	<b>(3.0)</b>	<b>(6.0)</b>	<b>98%</b>
Value adjustments on purchased distressed credit	0.8	(4.4)	n.s.	(7.8)	(3.6)	(54)%
Value adjustments on securities and loans to banks and off-balance	(0.7)	(0.1)	(86)%	(0.7)	(0.8)	14%
Other net provisions for risks and charges	(0.2)	0.4	n.s.	(0.0)	0.2	n.s.
Other income from equity investments	(1.2)	(1.3)	9%	(3.8)	(2.4)	(37)%
Contribution to banking sector schemes and other non-recurring charges	(6.0)	(0.2)	(97)%	(2.1)	(6.2)	n.s.
<b>Profit (loss) before tax</b>	<b>12.1</b>	<b>67.7</b>	<b>460%</b>	<b>48.1</b>	<b>79.7</b>	<b>66%</b>
Income tax	(4.3)	(23.3)	446%	(16.6)	(27.6)	66%
<b>Net result</b>	<b>7.8</b>	<b>44.4</b>	<b>468%</b>	<b>31.5</b>	<b>52.2</b>	<b>66%</b>

- 1 Net interest income up 2% QoQ** despite increasing cost of funding, benefitting from higher volumes. 1H23 results up **32% YoY**
- 2 Net fees and commissions up +13 QoQ** driven by higher contribution from SME lending business
- 3 Other income benefitted from €54mln euro revenue** booked in 2Q23 related to IT partnership with Engineering
- 4 1H23 dynamic of profit from closed positions** impacted by soft NPL market
- 5 Operating costs up 11% QoQ** mainly on seasonal costs related to ESOP plan and some one-off components, amounting to €2.6mln total. **1H23 YoY growth** driven by IT investments and, with underlying trends more moderate
- 6 Organic loan loss provisions up both 11% QoQ** mainly due to analytical adjustments to certain non performing exposures

Notes: Rounded figures; It should be noted that starting from the fourth quarter of 2021 operating costs are restated as a result of the reclassification of contribution to banking sector schemes to a specific item in the Group's income statement, in line with industry practice. (1) Interest expenses restated to exclude costs related to Debt for leasing, now reclassified as administrative costs, and to include commission expenses and stamp duty of European deposit platform (Raisin), previously classified as commission expenses and other operating expenses; (2) Gains from definitive closure of non-performing exposures either through disposal to third parties or through discounted payoff agreed with the debtor. See 'Profit from closed purchased distressed credit positions' in the Glossary at the end of this document.



# illimity - Strong SME and technology contribution



**DISTRESSED CREDIT DIVISION**



**GROWTH CREDIT DIVISION**  
(BIP included)



**INVESTMENT BANKING**

**b-ilty**  
illimity



**CIO DIVISION**



**HQ FUNCTIONS**

**illimity SGR**



**HYPE**



**TOTAL**

<i>Data in €mln</i>	1H22	1H23	1H22	1H23	1H22	1H23	1H22	1H23	1H22	1H23	1H22	1H23	1H22	1H23	1H22	1H23		
Net interest income	54.8	56.0	15.9	33.4	1.3	4.1	0.1	1.4	2.0	2.8	-	-	-	-	74.1	97.7		
Net fees and commissions	6.9	12.2	13.6	14.4	5.7	2.5	0.4	1.1	(0.3)	(0.6)	-	-	1.3	2.7	27.6	32.3		
Other income	45.6	20.5	2.7	0.9	0.7	(1.1)	-	-	8.5	54.0	-	-	(0.1)	(0.1)	57.4	74.2		
<b>Operating income</b>	<b>107.3</b>	<b>88.7</b>	<b>32.2</b>	<b>48.7</b>	<b>7.7</b>	<b>5.5</b>	<b>0.5</b>	<b>2.5</b>	<b>10.2</b>	<b>56.2</b>	-	-	<b>1.2</b>	<b>2.6</b>	<b>159.0</b>	<b>204.2</b>		
Staff costs	(16.1)	(20.5)	(6.6)	(6.5)	(2.1)	(2.4)	(2.2)	(3.1)	(3.8)	(5.0)	(11.6)	(11.4)	(1.2)	(1.5)	(43.5)	(50.4)		
Other operating expenses and D&A	(21.6)	(22.4)	(3.2)	(3.0)	(0.6)	(1.4)	(4.1)	(2.7)	(11.8)	(16.0)	(8.6)	(9.6)	(0.2)	(0.2)	(50.1)	(55.3)		
<b>Operating costs</b>	<b>(37.7)</b>	<b>(42.9)</b>	<b>(9.8)</b>	<b>(9.5)</b>	<b>(2.7)</b>	<b>(3.8)</b>	<b>(6.3)</b>	<b>(5.8)</b>	<b>(15.6)</b>	<b>(21.0)</b>	<b>(20.2)</b>	<b>(21.0)</b>	<b>(1.4)</b>	<b>(1.7)</b>	<b>(93.5)</b>	<b>(105.7)</b>		
<b>Operating profit</b>	<b>69.6</b>	<b>45.8</b>	<b>22.4</b>	<b>39.2</b>	<b>5.0</b>	<b>1.7</b>	<b>(5.8)</b>	<b>(3.3)</b>	<b>(5.4)</b>	<b>35.2</b>	<b>(20.2)</b>	<b>(21.0)</b>	<b>(0.2)</b>	<b>0.9</b>	<b>65.6</b>	<b>98.5</b>		
Provisions	(8.8)	(7.3)	(2.1)	(1.8)	(0.6)	0.1	(0.1)	(1.4)	-	-	-	-	-	-	(11.6)	(10.4)		
Other net provisions and contribution to banking sector schemes	-	0.8	-	(0.6)	-	-	-	-	-	(4.3)	(2.1)	(1.9)	-	-	(2.1)	(6.0)		
Other income from equity investments	(0.1)	(0.2)	-	-	-	-	-	-	-	-	-	-	-	(3.7)	(2.3)	(3.8)	(2.4)	
<b>Profit (loss) before tax</b>	<b>60.7</b>	<b>39.1</b>	<b>20.3</b>	<b>36.8</b>	<b>4.4</b>	<b>1.8</b>	<b>(5.9)</b>	<b>(4.7)</b>	<b>(5.4)</b>	<b>30.9</b>	<b>(22.3)</b>	<b>(22.9)</b>	<b>(0.2)</b>	<b>0.9</b>	<b>(3.7)</b>	<b>(2.3)</b>	<b>48.1</b>	<b>79.7</b>
Cost income ratio	35%	48%	30%	20%	35%	69%	n.s.	n.s.	153%	37%	n.s.	n.s.	117%	65%	n.s.	n.s.	59%	52%
Interest earning assets	1,708	1,810	2,061	2,815	132	420	27	173	-	0	588	764	0	0	-	-	4,515	5,983
Other assets	152	215	135	154	-	2	-	1	76	121	173	165	0	0	76	82	611	741
<b>RWA</b>	<b>2,150</b>	<b>2,007</b>	<b>1,270</b>	<b>1,831</b>	<b>119</b>	<b>174</b>	<b>5</b>	<b>47</b>	<b>33</b>	<b>128</b>	<b>358</b>	<b>365</b>	<b>3</b>	<b>5</b>	<b>36</b>	<b>44</b>	<b>3,974</b>	<b>4,601</b>

Combined: ~€38.6mln  
+56% YoY



**Distressed Credit** profitability in 1H23 affected by soft NPE market, which compares with 1H22 benefiting from some large disposal. Costs trend affected also by acquisition of AREC occurred in 2H22



**Growth Credit** significant profitability increase with visible operating leverage gains



**Investment Banking** affected by muted capital market activities, shift of few deals, and negative value adj. on some securities portfolio investments

**b-ilty** Activity visibly kicked-in, with remarkable revenue progression while costs are declining as bulk of set-up investments incurred in 2022



**illimity SGR** higher commissions driven by new funds



**CIO** Strong positive impact from IT partnership agreement



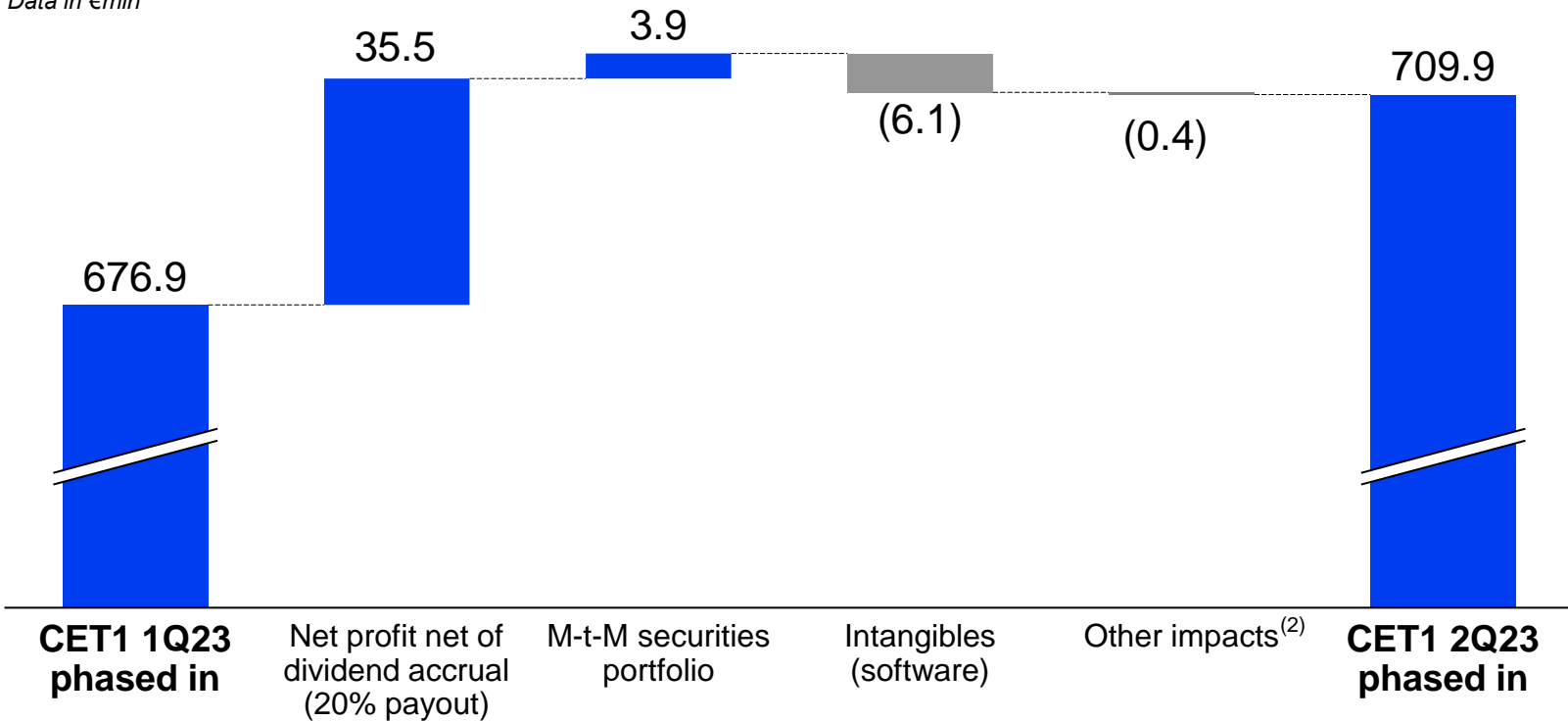
**Corporate centre** in line YoY with set-up substantially completed and target sizing reached

# illimity - Robust CET1 ratio at 15.4%

**20.3%** *Total Capital ratio* **19.9%**

**15.6%** *CET1 ratio* **15.4%**

Data in €mln



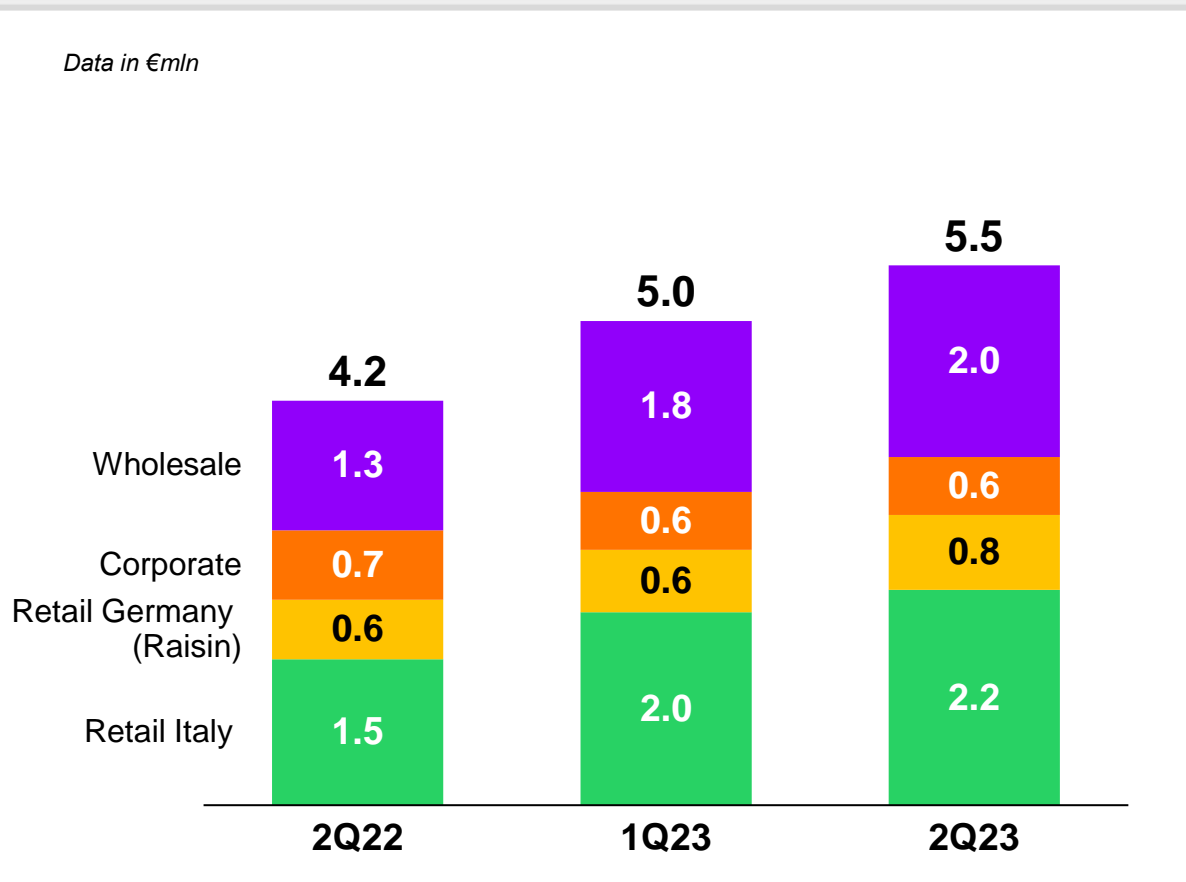
- **CET1 ratio phased-in to 15.4%** (15.4% fully loaded) – **more than 600bps vs. SREP requirement**
- **CET1 Capital<sup>(1)</sup> in 2Q23** increased by about €33mln, driven by profit generation in quarter
- **RWA increase driven by business volumes**, with stable RWA density

**4,344** *RWA* **4,601**

Notes: Rounded figures; (1) Phased-in definition; (2) Including also other minor components.

# illimity - Well balanced growth in funding

Data in €mln



**Well-diversified funding mix** with balanced growth across all sources

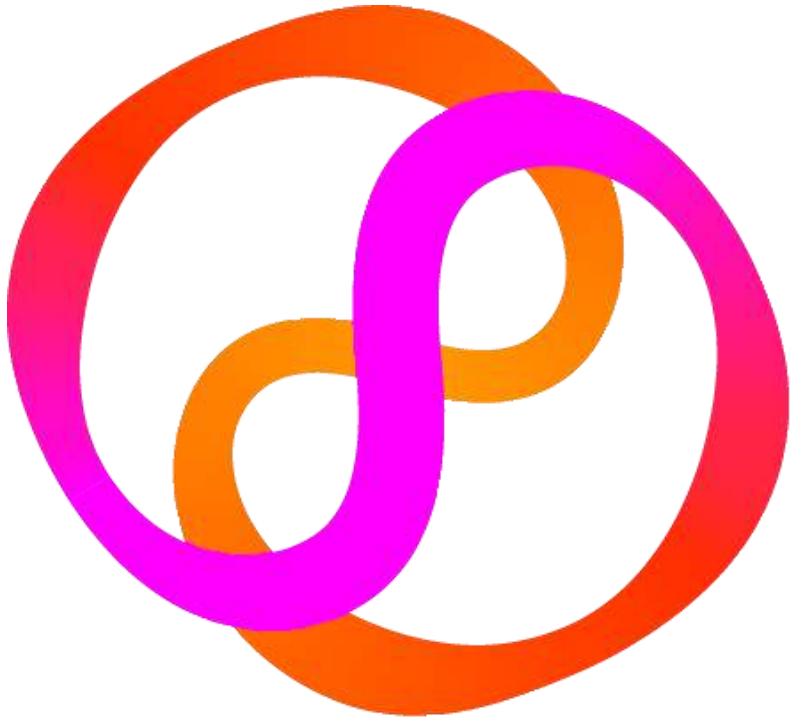


**Retail deposits totalled €3.0bn**, up 14% QoQ with strong contribution from our proprietary retail platform [illimitybank.com](https://illimitybank.com)








**Wholesale funding up 12% QoQ** driven by secured funding

# Appendix



# illimity- Originated volumes

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

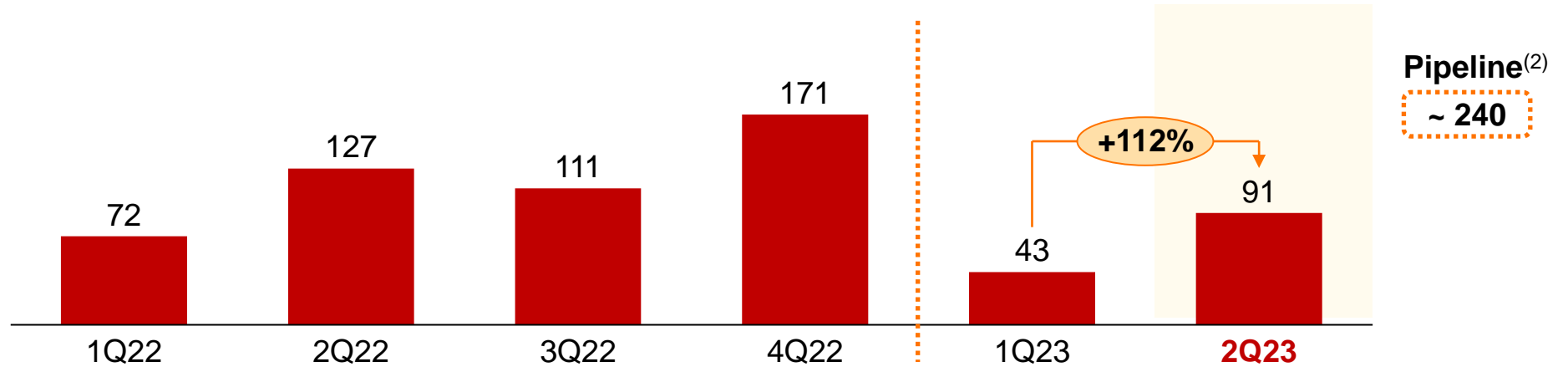
		Originated Business <sup>(1)</sup>			
		1H22	1H23	Δ%YoY	Pipeline <sup>(2)</sup>
		~767	~779	+2%	>1,367
	<b>Growth Credit Division</b>	452	378	-16%	396
	<b>Factoring Turnover</b>	786	3,300	320%	4,305
	<b>Investment Banking Division</b>	18	145	+715%	320
	<b>Distressed Credit Division</b>	273	148	-46%	>500
	<b>b-ilty</b>	24	107	346%	>150

# illimity - Originated business Growth Credit: focus on Cross-over & Acquisition Finance and Turnaround

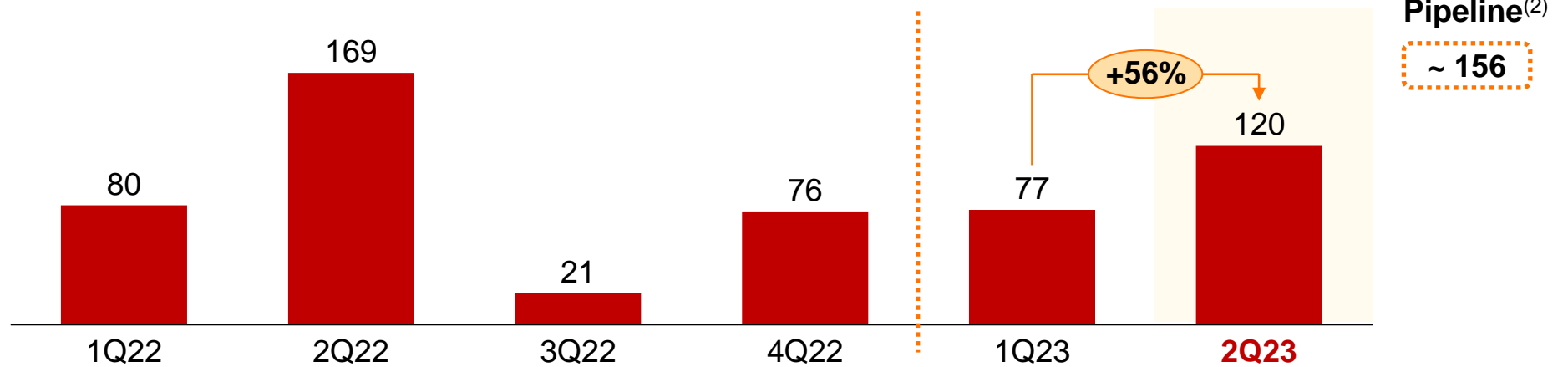
## Originated business

Data in €mln

  
Cross-over & Acq. Finance<sup>(1)</sup>



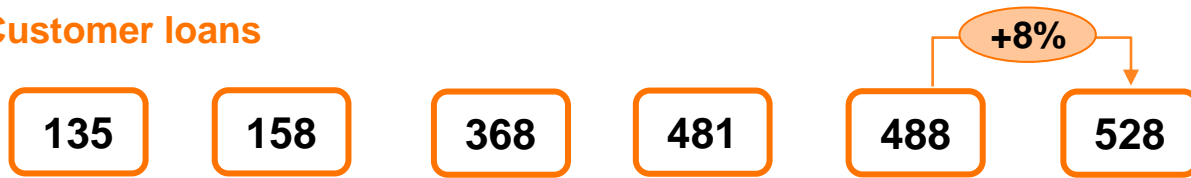
  
Turnaround



# illimity - Originated business Growth Credit: focus on Factoring

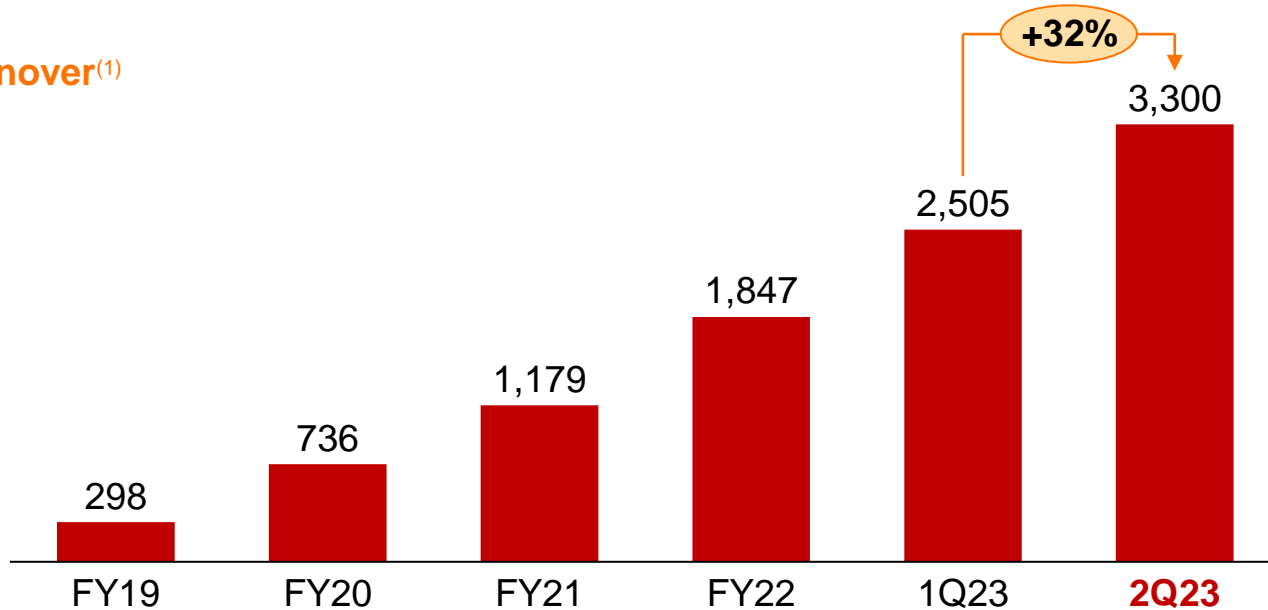
## Originated business

### Net Customer loans



Net Customer loans up 8% QoQ

### Turnover<sup>(1)</sup>



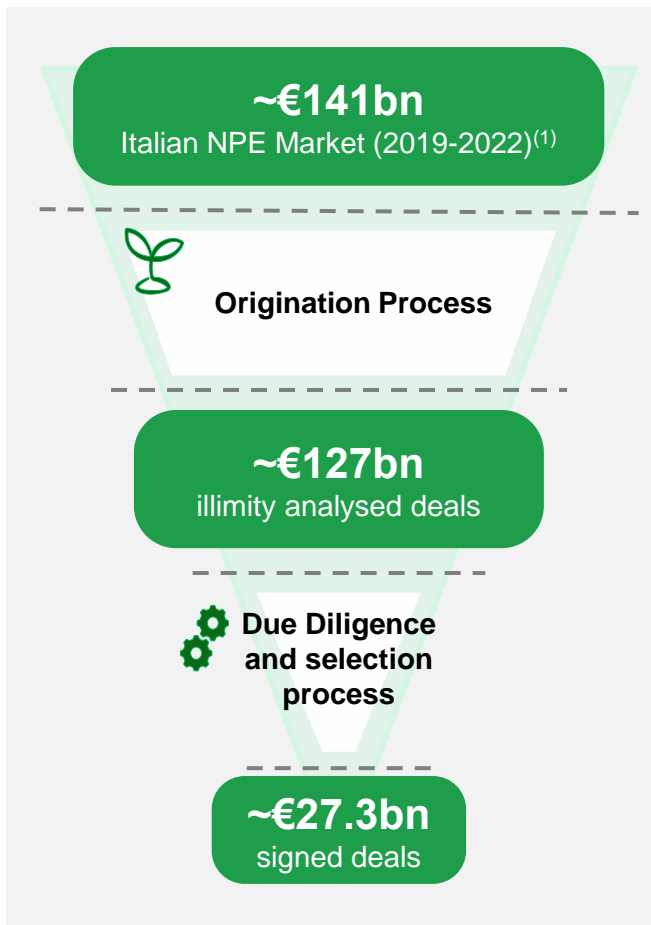
2Q23 Factoring turnover up 32% QoQ



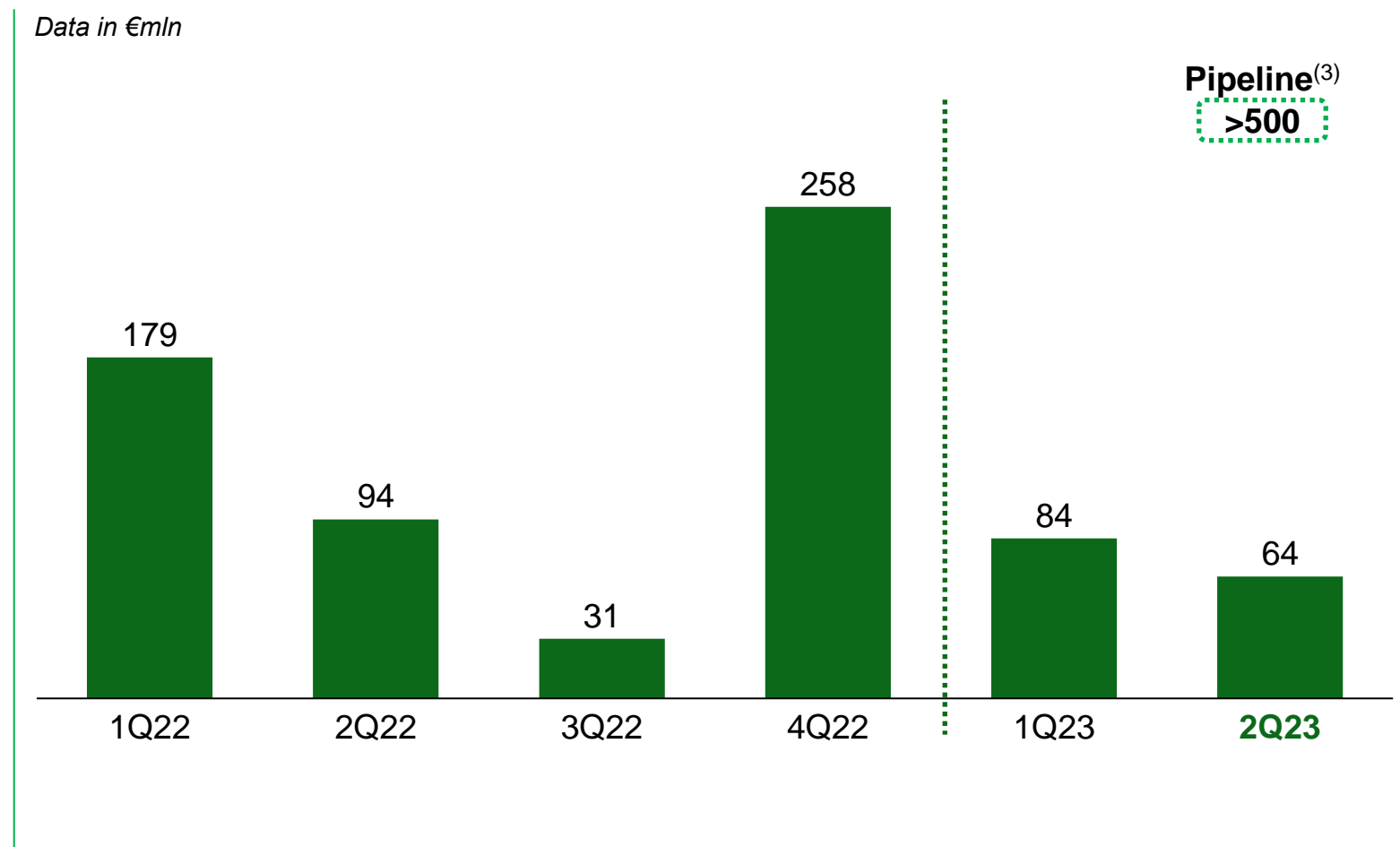
Number of clients<sup>(2)</sup> at 2Q23 increasing further to 257 and approx. 1,000 debtors

# illimity - Originated business Distressed Credit

## Selective approach



## Originated business<sup>(2)</sup>



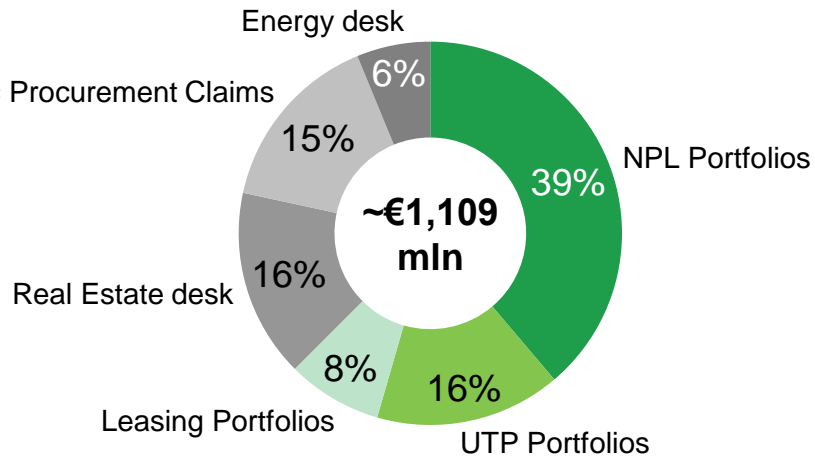
Notes: Rounded figures; (1) Source: NPE transactions. PwC, "The Italian NPE market" December 2022; (2) Distressed Credit Investments booked, and Senior Financing loans granted in the period; (3) See 'Pipeline' in the Glossary at the end of this document.



# illimity - Distressed Credit portfolio highlights

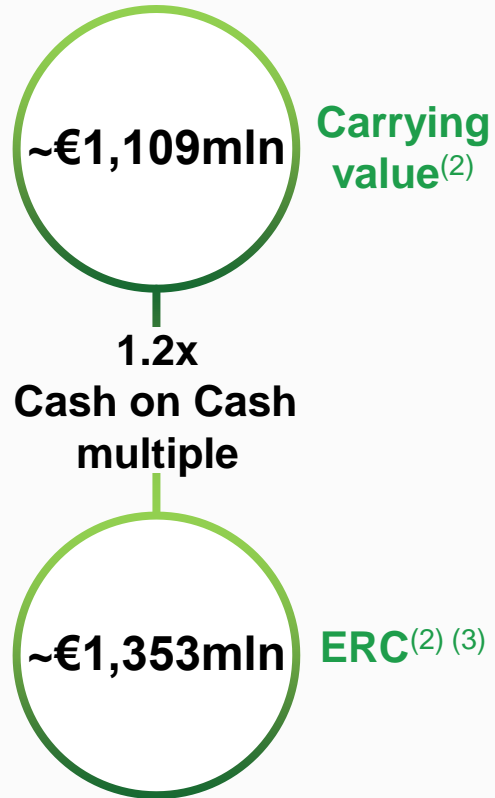
Data as of 30 June 2023<sup>(1)</sup>

## NBV breakdown by asset class

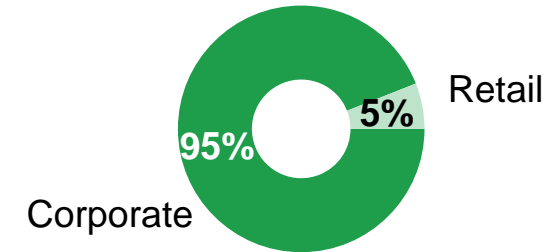


**~€350k** Average ticket size (GBV)

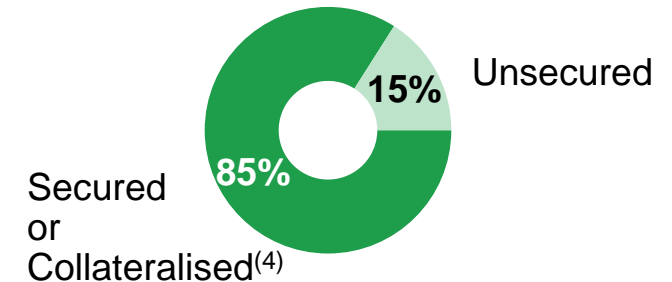
## KPIs



## Type of borrower (GBV breakdown)



## Secured/ Unsecured (NBV breakdown)

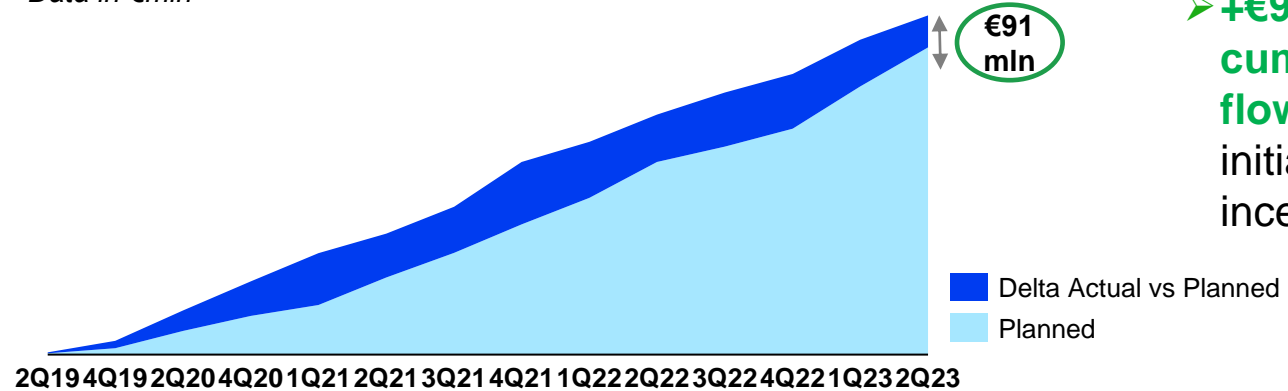


Notes: Rounded figures; (1) Data does not include repossessed assets (through ReoCo and *datio in solutum*); (2) Includes Distressed Credits investments, assets purchased by the Energy desk and some senior financing assets; (3) Estimated Remaining Collections on booked investments. See 'ERC' in the Glossary at the end of this document; (4) Secured portion includes Public Procurement Claims (15% of total) and Energy (6% of total).

# illimity - Distressed Credit key data

## Cash flow view (1)

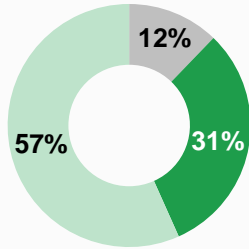
Data in €mln Cumulative cash flow: actual vs. planned



➤ **+€91mln** cumulated cash flow in excess of initial plan since inception

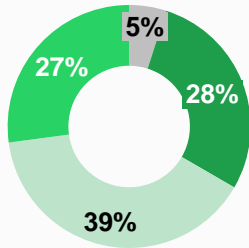
### Workout strategy in pricing model

(Cash flow breakdown)



### Actual workout strategy

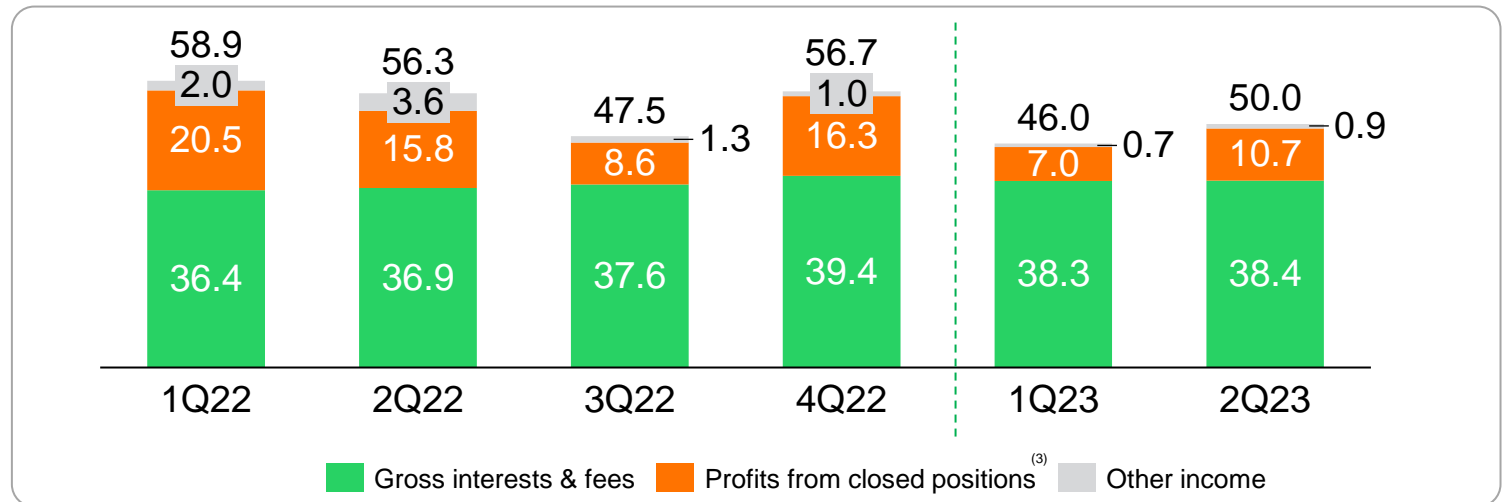
(Cash flow breakdown)



■ Judicial ■ Out-of-court settlement   
■ Disposal ■ Other

## Economic view (2)

Data in €mln



Notes: Rounded figures; (1) Cash flow from receivables; (2) Gross revenue 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.

# illimity - P&L contribution from Distressed Credit business supported by high level of collections

## CASH TO P&L Contribution

Data in €mln

	FY2020	FY2021	FY2022	1H2023
P&L contribution <sup>(1)</sup>	152	180	195	87
Cash collections	267	403	488	234
Cash to P&L ratio	1.7x	2.2x	2.5x	2.7x

(1) Includes: (i) interest income, (ii) Profit from closed purchased distressed credit positions and (iii) Value adjustments on purchased distressed credits

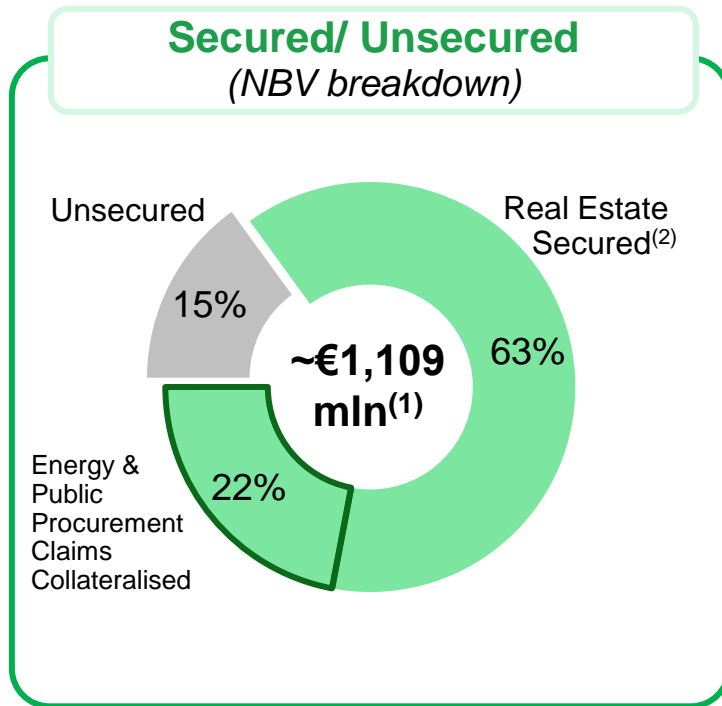
**Stable contribution to P&L** supported by solid portfolio constantly regenerated

**Strong and consistent cash flow generation**

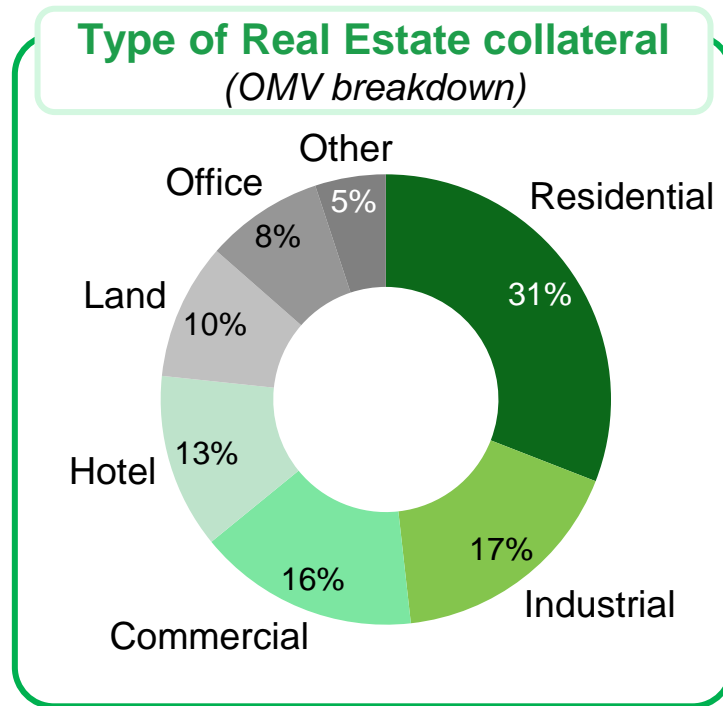
**Cash to P&L ratio boosted by different workout strategies** aimed at maximising revenue and reducing recovery time

# illimity - Highly collateralised and diversified Distressed Credit investments

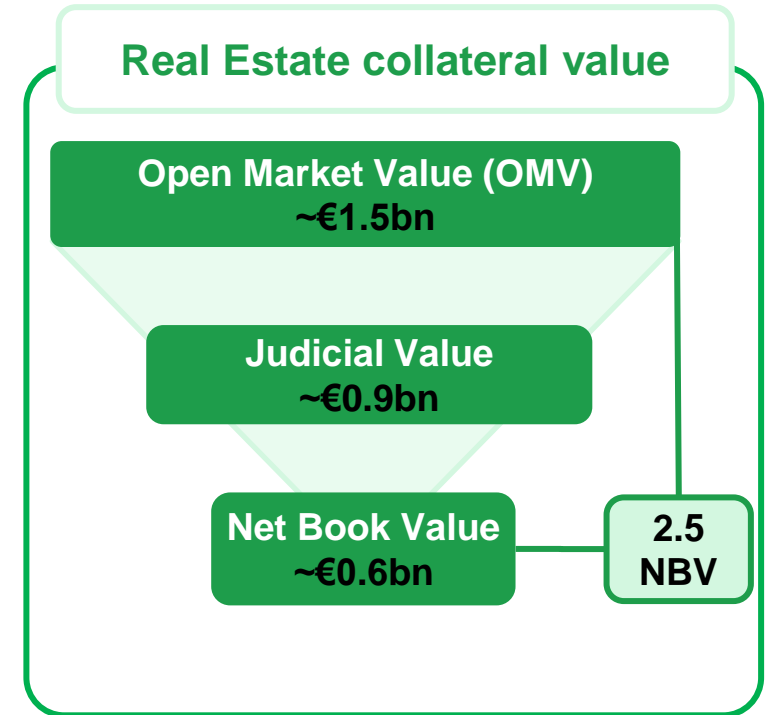
Data as of 30 June 2023



**85% of portfolio Secured or Collateralised**



**Strong diversification in type of collateral**



**Solid real estate values, with high buffer vs. Open Market Value**

Notes: Rounded figures. (1) Includes Distressed Credits investments, assets purchased by the Energy desk and some senior financing assets. (2) Secured portion includes Public Procurement Claims (15% of total) and Energy (6% of total).

# illimity - KPIs

	1Q23	2Q23	1H22	1H23
CET1 Ratio <sup>(1)</sup>	15.6%	15.4%	16.1%	15.4%
Total Capital Ratio	20.3%	19.9%	21.3%	19.9%
LCR	310%	276%	365%	276%
NSFR	114%	116%	115%	116%
Cost income ratio <sup>(2)</sup>	69%	42%	59%	52%
Gross organic NPE ratio (excluding BIP) <sup>(3)</sup>	3.7%	4.7%	0.9%	4.7%
Gross organic NPE ratio <sup>(4)</sup>	4.7%	5.6%	2.2%	5.6%
Organic cost of risk (bps) annualised <sup>(5)</sup>	43bps	44bps	30bps	42bps

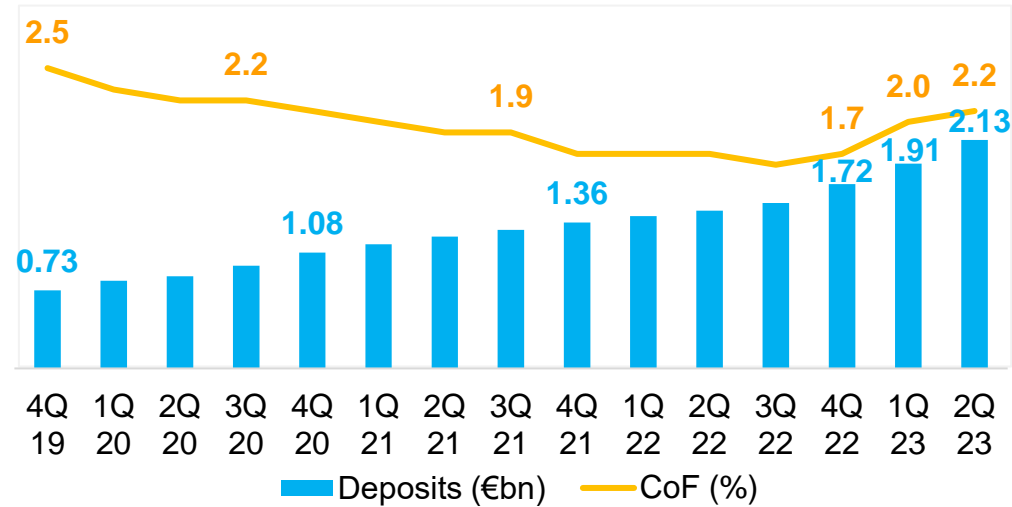
1.3% excluding State guarantees

- Solid capital position with **robust CET1 Ratio**
- **LCR** and **NSFR** comfortably above minimum requirements
- **Cost income at 52%** for first half reflect IT platform agreement, while underlying trends are affected by soft distressed credit market. C/I in 2023 expected to be below FY22
- **Organic NPE ratio on portfolio originated by illimity at 4.7%** (5.6% including former BIP portfolio) but 1.3% excluding State guarantees
- **Organic cost of risk contained and in line with 1Q23 level** backed by high share of guaranteed loans

Notes: (1) Phased-in definition; (2) Cost income ratio restated due to contribution to banking sector schemes reclassified out of Operating costs; (3) Excluding BIP legacy portfolio, see 'Gross organic NPE ratio' in the Glossary at the end of this document for further details; (4) See 'Gross organic NPE ratio' in the Glossary at the end of this document. Any failure to reconcile the stated figures arises exclusively from rounding; (5) Calculated as the ratio between loan loss provisions and net organic loans at 30 June 2023 (€2,846 million) for the segments Factoring, Cross-over, Acquisition Finance, Turnaround, b-ilty, Alternative Debt and receivables purchased as part of distressed loan portfolios that have undergone a change of credit quality classification subsequent to the time of purchase or disbursement (excluding credits acquired as bad loans), the loan portfolio of the former Banca Interprovinciale and Senior Financing to non-financial investors in distressed loans;

# illimity - [illimitybank.com](https://illimitybank.com): fulfilling funding needs of Group

## ✓ FUNDING QUALITY



**€ 2.13 bn**

Funding on  
illimitybank.com  
at 30/06/23

**82%**

Term Deposits on  
Total Funding  
as of 30-Jun

## ✓ ENGAGEMENT

**~77k**

Total  
Customers  
as of 30-Jun

**91%**

Active  
Customers  
as of 30-Jun

**40%**

Loyal  
Customers  
as of 30-Jun

## ✓ APPRECIATION

**39**

NPS  
avg  
2Q23

**37%**

Awareness  
avg  
2Q23

## 2Q23 and 1H23 trends



**+202 mln €**

New stock  
illimitybank – Q2

**3.54%**

Average  
cost of new funding – Q2

**+406 mln €**

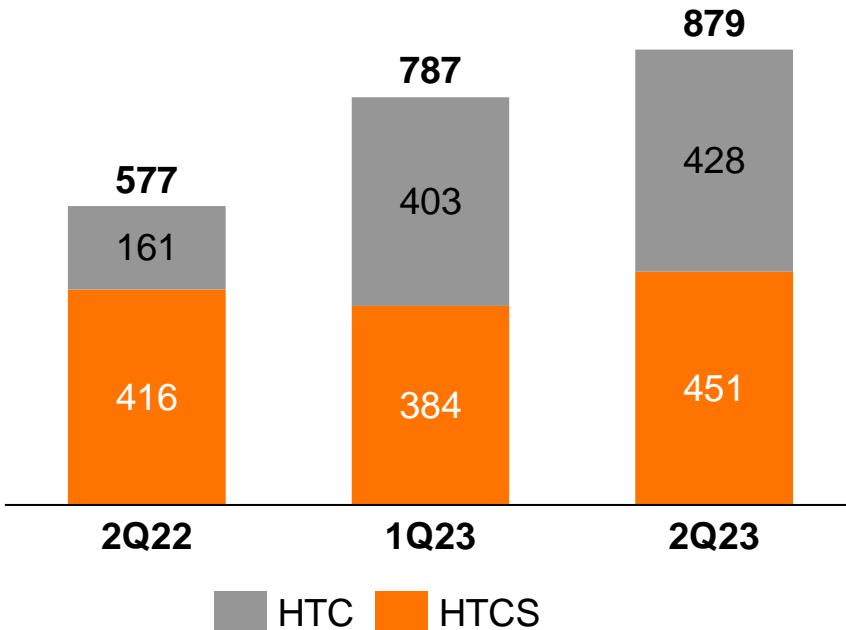
New stock funding  
illimitybank – H1

Data as of 30 June 2023

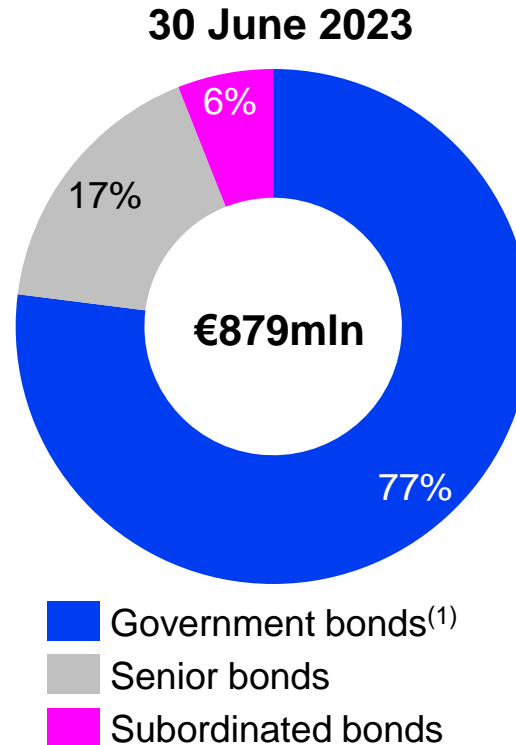
# illimity - Prudent strategy on securities portfolio

## Securities portfolio

Data in €mln



## Portfolio composition HTCS / HTC



- **Prudent strategy** with securities portfolio hold for liquidity purposes representing less than 48% of illimity shareholders' equity
- **Negligible unrealised losses on HTC securities, hedge accounting strategy in place on a large part of HTCS securities** to mitigate impact from further interest rates volatility
- Duration **~2.9 years**
- Average yield approx. **2.7%**

# illimity - Glossary

- **Pipeline:** Specific business opportunities for which the Bank envisages there is a reasonable expectation to close the transactions in the forthcoming months
- **ERC:** Estimated Remaining Collections. It is the Bank's estimated remaining gross cash flows on purchased distressed loans
- **Gross organic NPE ratio:** Ratio of gross organic NPE to total gross loans to customers from Factoring, Cross-over, Acquisition Finance, Turnaround, b-ilty, Alternative Debt and receivables purchased as part of distressed loan portfolios that have undergone a change of credit quality classification subsequent to the time of purchase or disbursement (excluding credits acquired as bad loans), the loan portfolio of the former Banca Interprovinciale and Senior Financing to non-financial investors in distressed loans
- **Business origination:** This aggregate includes Growth Credit Division loans granted/purchased (for factoring only the difference of carrying amount of the period with the historical peak, if positive), Distressed Credit Investments booked, Senior Financing, Alternative Debt and b-ilty loans granted in the period and the value of the deals signed but yet booked in the period, 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.
- **Profit from closed purchased distressed credit positions:** Gains from definitive closure of non-performing exposures either through disposal to third parties or through discounted payoff ("DPO") agreed with the debtor





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Email: [Fabio.pelati@illimity.com](mailto:Fabio.pelati@illimity.com)

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