

Investor Presentation

Milan, 20 July 2018

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Slide 2

Our goal is to be the specialist in Italian SMEs by offering high value products and services through an innovative approach that integrates Tutors with deep data analysis based on advanced technologies.

Slide 3: how big is our addressable market

Within the broader SME space, we will target specific markets and specific products. Each of our core markets and products is large, growing, under-served and profitable.

Turnaround: single name UTP loans with the potential to return to performing. There is a potential addressable market worth 30 billion euros.

Crossover: within a market worth over 200 billion euros in terms of lending stock to SMEs with BB-B credit rating or unrated, we will focus on those companies with attractive growth prospects but with a sub-optimal financial structure.

We will also target Corporates or financial sponsors that embark on inorganic growth strategies, a market worth 10 billion euros in new loans a year.

We will balance the overall risk profile with more granular and short-term invoice lending

Slide 4: Our key success factors

We will be a specialised and very focused player in selected segments of the SME market. Corrado has provided already a full description of the competitive advantages of our business model. In the SME Division I would like to focus your attention in particular on two of them:

1. We have an innovative channel: Tutors – will come back to this feature in a minute
2. We will have cost of funding and leverage advantages

Slide 5: Tutors – the heart of our business model for SMEs

Professional with a mainly industrial background and financial knowledge. Many will have senior management experience in industrial/financial sectors, and therefore inside knowledge of specific industries or sectors. The Tutors' network will be organised flexibly based on their expertise – industrial or geographic. Several forms of job contracts, as Tutors can be either employees or independent professionals.

Their remuneration will have a relatively low fixed base component and a strong variable component based on the Economic Value Added over a 2-year period of the customers they sign on and develop. The most relevant Tutors will also participate in the share option plan

Slide 6: Tutors will work with the best technology to deliver a strong customer experience and value creation

The Tutors will be responsible for the relationship with their customers. They will provide financial and industrial advice based on their specialist knowledge.

Tutors bring the experience that allows them to “ask the right questions” about business plans that need financing, or a company’s strategic development. In this, they will be aided by the most advanced technologies in big data and artificial intelligence, which will provide deep analytics to support both the credit underwriting and the monitoring processes

Our business model will create value for our shareholders and provide a strong customer experience. For example, we will be able to use the insights generated by data analytics to provide our clients with valuable information relevant to their business (for example benchmarking data)

Slide 6: Turnaround

The addressable UTP market is huge. The market is set to increase further due to new regulation. We will focus on those SMEs where there is real potential for industrial restructuring.

We will do three things:

1. Purchase UTP loans – single names
2. Provide new finance eventually linked to capital injection provided by private equity partner
3. Offer fronting service activities – such as cash, treasury and working capital management – to the non-bank investors in UTP portfolio

The services of Digital CFO to our SME, which we will provide through our Direct Bank, will be instrumental to our UTP business.

We will have substantial key competitive advantage vs both banks and non-bank players.

Vs non-bank players:

- Being a bank, the borrower’s banks will perceive us as a friendlier counterpart vs non-bank player, as we will buy a portion of their exposure to the same debtor. This will be crucial to a smooth process in obtaining agreement on a restructuring plan
- Lower cost of debt and higher leverage vs non-bank players
- We can provide a full set of banking products and services to the corporates

Vs banks: traditional banks have no appetite to increase their UTP exposure. Having no legacy increases our capacity to provide new finance

We will engage our customers in the credit origination and monitoring process by requiring access to periodic and timely internal data

Slide 8: crossover and acquisition finance

A huge market worth over 200 billion euros made of corporates with 30-250 million euros in turnover and BB-B credit rating or unrated. Traditional banks are **disengaging from this market** given their reduced risk appetite and their relatively limited capacity to assess the business potential of these corporates and their legacies make it difficult to have an open mind approach

What will we offer:

- A full range of banking products
- Industrial advice to structure the best financing solutions, also working with the existing lenders
- Acquisition finance

Our key success factors in crossover and acquisition finance are:

- The Tutors
- Deep data analysis through extensive use of artificial intelligence will support the design of the best credit solutions for customers and for credit monitoring
- Our customers will be fully engaged throughout the underwriting and monitoring phase as we will require access to periodic and timely internal data and we will provide market and industry data

Slide 9: Invoice finance

Factoring in Italy is a large and growing market. There are already several players mainly controlled by banks. Banks however have not been able to sell factoring solutions to SMEs in a fully integrated way with other working capital financing instruments.

Where our business idea differs is that we aim to finance the supply chains – so called *filiere* or *industrial districts* – also in specific niches or business segments, which are today not completely served or are served by less efficient instruments. Italy is a country of industrial districts. Banca Interprovinciale is based in a region where there are several industrial districts.

Our key competitive advantages in factoring include:

- Factoring fully integrated with other banking services
- Tutors' knowledge of the supply chain of specific industries – thus they will proactively approach the main players in a district which are also the main debtors of their districts
- This will be complemented by a digital platform that will ensure lean processing and fast time to response and an efficient communication tool between the supplier, the bank and the debtor
- Targeting the dominant players in each district will accelerate the achievement of scale. For example, to get to our target of 4 billion euros of turnover by 2023 we need to approach 50-100 major players within a supply chain with at least 20-50 suppliers, each of which has a 200-500,000 euro credit limit

Our Digital CFO services will represent a valuable add-on tool to our invoice lending offer.

Slide 10: main financial targets

By 2023 we aim to achieve a stock of 3.7 billion euros in customer loans, a net profit of 160 million euros and a sustainable 24% ROE, with a contribution to the group's profit of about 50%

Slide 11: detailed targets

The net interest income of the UTP business includes the gain from the revaluation of the underlying loan once it moves back to a performing status, and this explains why the net interest margin moves from 10-11% at the initial stage to 23% at the end of the plan, when a portion of our restructuring loans will be cured. However, our targeted revenues do not include the capital gains from potential debt-to-equity component of the UTP restructuring.

Our business model based on Tutors – with mostly variable remuneration – and a very lean cost structure will enable our SME division to run at a sustainable cost to income ratio of circa 30%-35% already in 2020. The business will take some time to achieve full scale, thus the contribution of the SME Division to the group's profit will be in the region of 20% in 2020 and increase up to nearly 50% in 2023.

Notwithstanding very conservative assumptions on the UTP danger rate – 30% – the lower expected $NPE_{[cc1]}$ ratio for the remaining SME lending – namely crossover, invoice lending and new finance – should contain the overall gross organic $NPE_{[cc2]}$ ratio in the region of 7%.

Slide 12: target by segment

By 2023, customer loans will be nearly equally split between the three business lines. We need to gain very small market shares by 2023 in each of our core segments to achieve our targets – less than 1% in crossover lending, less than 2% in invoice lending and approximately 4% in UTP.

Slide 13: we will keep you up to date and share our progress with you, from a financial and a business perspective – this is a snapshot of the KPIs we will provide on a regular basis.

Slide 14: we are already building up momentum

We hired the Head of Turnaround and the Head of Cross-over and some relevant team members; we have a short list of candidates for Invoice Lending. We hired already **3 Tutors**. We are in advanced phase to identify the IT provider for the digital invoice lending platform and the IT credit management system. There is an ongoing analysis on 5 UTP positions. There is also an ongoing discussion with a major non-bank UTP investor regarding fronting activities.

There is deep analysis ongoing on possible crossover intervention – although for now we have no direct contact with them. We are also evaluating potential prospective clients in this specific market segment based on the existing client base

Slide 15

In terms of a roadmap for the coming months, we will be in business immediately in Turnaround, Crossover and Acquisition Finance. We will start providing Factoring services only when our digital platform is up and running – and we expect that to happen by H1 2019.