

**ILLIMITY REACHES AN AGREEMENT
 TO PURCHASE AURORA RECOVERY CAPITAL (“AREC”)**

**THE INTEGRATION BETWEEN AREC AND NEPRIX, ILLIMITY’S SERVICER,
 WILL CREATE A LEADING OPERATOR
 WITH ASSETS UNDER MANAGEMENT OF OVER 9 BILLION EURO
 SPECIALISED IN MANAGEMENT OF DISTRESSED CREDIT
 AND A STRONG EXPERTISE IN CORPORATE UTP
 AND REAL ESTATE ASSET MANAGEMENT**

**TRANSACTION CLOSING REMAINS SUBJECT TO
 COMPLETION OF THE AUTHORIZATION PROCESS AND
 TO THE RESOLUTION OF ILLIMITY SHAREHOLDERS’ MEETING
 TO WHICH THE PROPOSAL FOR THE CAPITAL INCREASE FOR THE TRANSACTION
 SHALL BE SUBMITTED BY SUMMER**

Milan, 11 May 2022 – **illimity Bank S.p.A.** (“**illimity**” or the “**Bank**”) and the shareholders of **Aurora Recovery Capital S.p.A.** (“**Arec**” or the “**Company**”) reached an agreement for the purchase by illimity of **Arec**, a company specialised in managing Unlikely to Pay (“UTP”) loans with a focus on the corporate real estate segment.

Founded in 2016 by institutional shareholders having proven experience in the management of distressed loans and real estate assets, with offices in Rome and Milan, **Arec**, with 2.1 billion euro of third party loans under management (at 31 December 2021), and an average gross book value (“GBV”) of single positions of ca. 30 million euro, turns out to be the third largest servicer on the Italian corporate UTP market and a primary operator for specialisation in UTPs¹.

The Company is currently owned by three institutional investors: Finance Roma S.p.A. and GWM Group Holding S.A. both hold a 40% stake, and Oxalis Holding S.à r.l. the remaining 20%.

The Company ended 2021 with an EBITDA of 3.1 million euro, with third-party management mandates from several international institutional investors and from Italian and foreign banks, and had a team of around 40 professionals with specialist skills ranging from managing insolvency procedures and distressed credit restructuring processes to running and turning around complex property estates. From 2022, significant variable fees relating to the performance of a number of managed portfolios under management are expected to contribute to the Company's EBITDA. Arec operates as special servicer of securitised mid and large ticket UTP corporate real estate loans, as

¹ On the basis of UTP loans proportion to total managed assets.

well as provides specialist consulting and asset management services.

Arec is moreover acknowledged by the market as a highly-specialised operator in the real estate sector, achieving important results in managing distressed loans including an ability to return these loans to performing status. Arec's specialist approach focuses on maximising the value of the assets securing the loan under management, generating an economic benefit for both the creditor and the debtor; to this aim it prefers a consensual approach over a judicial and/or liquidation process, often also through the provision of new finance to support the turnaround of the debtor and the real estate initiative securing the loan.

Through **neprix**, the Bank's wholly controlled servicer, illimity has specialised from the very start in managing distressed corporate loans with a highly innovative business model that covers the entire value chain of the management process, from the investment to the remarketing of assets used as collaterals for the loans. Combining top-level vertical skills with latest generation technologies, neprix covers highly-specialised areas of activity – such as real estate and energy – and at 31 March 2022 had ca. 7 billion euro of loans under management, ending 2021 with an EBITDA of approximately 4.9 million euro².

Strategic rationale behind the deal

From the integration of Arec in the illimity Group (the "**Group**") – aimed at the subsequent merger with neprix – a complete player, leader in the servicing of corporate distressed credit will arise, capable of maximising the value of various types of distressed loans, regardless of their size, with specific focus on the UTP credit segment. In this respect the entity arising from the integration will be able to count on over 9 billion euro of loans under management³, of which over 3 billion euro regarding UTP corporate loans.

With this transaction neprix will further strengthen its market positioning, by enhancing its expertise in large-scale real estate deals, and it will significantly expand the number of third party management mandates, thus further asserting itself as a market servicer relying on a consolidated experience, a brand and a high level of reliability recognised by the market.

Overall, by carrying out this transaction, the Group confirms its focus on the UTP segment, a market of significant size (Italian banks' UTP gross loans totalled approximately 41 billion euro at 31 December 2021, having exceeded the total of bad loans) which is expected to grow further and in which the Group has always operated with a single, innovative and specialised approach. In this respect it is recalled that illimity was created to support companies with potential: through its Growth Credit Division it restructures UTP loans with the aim of getting back borrower companies to a performing status; through its Distressed Credit Division it invests by purchasing non-performing exposures – which it manages through neprix – and provides financing solutions to other investors in the sector; with illimity SGR, the Group has set up and manages an UTP-dedicated contribution fund in which the Bank has invested in new finance units alongside other operators.

The combination of skills in loan restructuring, analysis and investment, as well as in managing and servicing abilities, developed synergistically in the various divisions of the Bank, has provided the

² Non-accounting figures, referring to the EBITDA of the Credit Management Division of neprix standalone solely.

³ Considering loans under management of neprix at 31 March 2022 and loans under management of Arec at 31 December 2021.

illimity Group with a unique positioning in the corporate UTP market, which today's transaction is set to strengthen even further, also in light of the new business opportunities which the Group, as a whole, will be able to seize, especially by the enhancement of real estate assets value.

The deal is expected to lead to significant synergies in the servicing activities deriving from the further opening up of neprix to third party asset management, as well as positive effects resulting from the strengthening of deal structuring skills – which will generate additional fees from complex transactions originated by the illimity Group – the optimisation of the management and subsequent enhancement of the value of the managed real estate assets – which will translate into higher divestment values with positive effects on the performance of loans under management – and the investment opportunities for illimity alongside other investors in UTP positions identified on the market, including senior financing transactions.

Main expected impacts on the Group's results

Management estimates that the acquisition and potential synergies above mentioned will have a positive impact on illimity's Group pre-tax profit that may be estimated in around 8 million euro in 2023 and around 11 million euro in 2025, incremental with respect to 2021-25 Strategic Plan targets.

Structure of the transaction

illimity will acquire 100% of the share capital of a newly established company ("**NewCo**") into which the entire Arec business perimeter, valued at 40 million euro of enterprise value, will be previously contributed; this valuation reflects the structure of the company and its potential to generate new business, as well as fixed commissions and significant variable commissions relating to existing contracts. This evaluation has been examined pursuant to art. 2343-ter, paragraph 2, letter b) of the Civil Code, by the independent expert appointed for this purpose. The transaction will be settled as follows: (i) contribution in illimity of 90% of NewCo shares, for an amount of 36 million euro, as payment for a share capital increase of illimity, with the exclusion of option rights pursuant to Article 2441, paragraph 4, of the Civil Code, reserved to Arec, to be paid by way of the above-mentioned contribution in kind, by the issuance of no. 2,769,230 new ordinary shares at an issue price for the new illimity shares determined at 13.00 euro per share, also taking into consideration the stock market price before the conflict between Russia and Ukraine, and (ii) purchase of the remaining 10% of the shares of NewCo for a total of 4 million euro to be paid in cash. It should be noted that the cash component will be suitably adjusted to reflect the NewCo's net financial position, determined at the date of the completion of the transaction.

The completion of the transaction, which is expected to occur by the end of 2022, is subject to the prior authorisation of the Supervisory Authority and the approval by illimity's Shareholders' Meeting, as well as to the occurrence of standard conditions precedent for this kind of transaction, including the release by the illimity external auditing firm of the opinion on the fairness of the issue price of the shares pursuant to art. 2441, paragraph 6, of the Civil Code, as well as to the confirmation of the independent expert's appraisal, should the timing of completion of the contribution in kind require it. In accordance with applicable laws and regulations, illimity will make available illustrative reports for its Shareholders' Meeting – that it is hoped will be held as soon as possible depending on the authorization process above mentioned, to which the whole transaction remains subject –

to which the proposed resolutions for the approval of the transaction will be submitted.

Following the transaction, the current shareholders of Arec will hold, through Arec, approximately 3.4% of illimity's ordinary share capital, without considering diluting effects. Such entities will make the commitment not to transfer around 83% of the newly-issued illimity shares assigned to them on regulated markets for a period of 12 months (remaining the outstanding shares subject to lock up for 3 months after the completion of the transaction) and, in any event, not to carry out sales in manners that may cause a detrimental effect on ordinary negotiation trends in the illimity share price in accordance with best market practices.

Marco Sion Raccah, the current General Manager of Arec, will become General Manager of the new company arising from the integration between neprix and Arec, bringing to the Group an experience of over 18 years in creating value from real estate assets, turning around distressed corporate loans and structuring complex transactions. Arec's top management and team will join along with him, people who over the years have distinguished themselves for their professional competence, high level of specialisation, reliability and results.

Andrea Clamer, Head of illimity's Distressed Credit Division, commented: *"An operator will arise from the integration with Arec, with managed assets of over 9 billion euro and a strong focus on UTPs, which will represent over a third of its portfolio. This focus is consistent with illimity's unique and distinctive positioning which is capable of combining neprix's management skills with the Bank's ability to support companies in financial difficulties, but with potential, and support them in their return to profitability. We will work together with Arec's team to further develop this important area of activity and generate significant synergies for the benefit not only of the Group as a whole but also of the businesses we support and the eco-system in which they operate."*

Andrea Battisti, CEO of neprix, commented: *"neprix is continuing along its growth path and by way of this acquisition it will further strengthen its positioning in both UTPs and real estate. In addition, credit management will also be significantly extended in favour of third parties out of the illimity Group. We are aiming to grow further in this area and enhance the potential arising from the combination of the high technical skills of the neprix and Arec teams, with the objective of creating a new leader in the servicing sector."*

Marco Sion Raccah, General Manager of Arec, stated: *"The integration between neprix and Arec is a combination of two complementary centres of excellence which will release significant business opportunities. Thanks to the already conquered market positioning, the resulting company will be a benchmark player in several asset classes, while thanks to the tools provided by the illimity Group it will be able to extend its range of action in developing the financing of complex deals and the relative structuring. Many synergies between Arec, neprix and illimity will arise, but the core mission will be to take the tailored approach that Arec currently brings to its mid and large investments to the management of small and unsecured investments, as always with a view to creating value, exploiting the high potential, experience and expertise of the two teams, the integrated IT infrastructure and the processes tried and tested over many years of experience. Personally, I find it an exciting combination that opens the way to a potential as yet unexplored on the Italian market, with a significant capacity for growth thanks to the high level of the team's professional*

competence.”.

EY Advisory S.p.A. acted as M&A advisor to illimity in the operation and assisted it in performing the financial due diligence; for illimity, law firm Studio Gatti Pavesi Bianchi Ludovici looked after legal and tax aspects related to the transaction and law firm Studio Morpurgo e Associati the employment law aspects.

Arec and its shareholders were assisted by Studio Legale Cappelli RCCD as legal and tax advisor and by PwC as transaction servicer.

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illimity Bank S.p.A.

illimity is the high-tech banking group founded and headed by Corrado Passera that was created with the aim of responding to specific market needs by way of an innovative and specialist business model. More specifically, illimity extends financing to high-potential SMEs, purchases distressed corporate loans and services these through its platform neprix, and provides digital direct banking services through illimitybank.com. illimity SGR, which sets up and manages alternative investment funds, the first of which dedicated to UTP loans, is also a member of the Group. The story of the illimity Group began in January 2018 with the launch of the special purpose acquisition company SPAXS S.p.A., which ended with a record 600 million euro being raised on the market. SPAXS subsequently acquired Banca Interprovinciale S.p.A., with the resulting merger between the two giving rise to “illimity Bank S.p.A.” which has been listed on the Italian Stock Exchange since 5 March 2019 (ticker “ILTY”), first on the MTA exchange and since September 2020 on the Star Segment. The banking group, headquartered in Milan, can already count on over 760 employees and ended March with assets of around 4.9 billion euro.