ILLIMITY ENDS 2020 WITH A NET PROFIT OF 31 MILLION EURO (FROM 16 MILLION EURO LOSS IN 2019) EQUAL TO AN ROE[1] OF 5.5% ABOVE POST-COVID GUIDANCE FIGURES

SOLID GROWTH PROSPECTS FOR 2021 VOLUMES AND PROFITS CONFIRMED

APPOINTMENT OF TWO NEW NON-EXECUTIVE INDEPENDENT DIRECTORS

- ***Strong increase in net customer loans and investments (+35% over end 2019) to 2.2 billion euro***
- ***Assets of 4.1 billion euro (3 bln at 31 December 2019) including liquidity of around 980 million euro***
- ***Robust capital base with a CET1 Ratio of 17.9% (18.4% pro-forma)***
- ***Significant growth in profits expected in 2021***

Milan, 11 February 2021 – Chaired by Rosalba Casiraghi, the Board of Directors of illimity Bank S.p.A. ("**illimity**" or the "**Bank**") yesterday approved the illimity Group's results at 31 December 2020.

Despite the difficult situation caused by the COVID-19 pandemic, illimity has fully met the results contained in its earnings guidance announced at the end of the first half year, reporting a **net profit of 31.1 million euro for the year as a whole** (**a loss of 16.1 million euro in 2019**) and already achieving an ROE(1) of approximately 5.5% in the Bank's first full year of operations.

The fourth quarter provided a significant contribution to the annual results, posting a pre-tax profit of 8.3 million euro, despite investments were made in new strategic projects whose positive effects will only be felt in future years.

The main driver of growth for profits during the year was the positive dynamic of **net customer loans and investments**, which amounted to **2.2 billion euro** at 31 December 2020, a rise of 35% over the figure of 1.6 billion euro at the end of 2019, with the total **representing an increase of 20% over the balance** at 30 September 2020.

All the Bank's business lines contributed to this rise in volumes.

In the **SME Division**, **net customer loans climbed by 55%** over the figure at the end of December 2019 to reach **817 million euro at 31 December 2020** (representing an increase of 19% over the end of September 2020). The new business generation underwent an acceleration from the summer and also continued vigorously in the last part of the year, with all sectors making a positive contribution – Factoring, Crossover & Acquisition Finance and Turnaround – benefiting among other things from the strong demand for the loans with public guarantees introduced by government

[1] Return on Equity calculated as net profit for the period divided by average shareholders' equity (1/1-31/12/2020)

decrees issued as a consequence of the pandemic crisis.

Volumes in the **DCIS Division** rose by 30% in 2020 to reach **1,308 million euro**, with an acceleration in the generation of new business taking place in the last part of the year, further emphasising the seasonality typical of this sector which sees transactions in distressed credit concentrated in this period. Also in the fourth quarter 2020, the Bank continued its dynamic portfolio management strategy in place, which led to further gains from asset disposals and closed positions for 13.2 million euro.

illimity's asset quality continued to be solid: loans to corporates in the SME Division did not suffer any notable deterioration. At the end of 2020 gross organic non-performing loans therefore remained **constant at 37.4 million euro**, almost entirely relating to the business portfolio of the former Banca Interprovinciale network, and the ratio with **total gross customer loans fell to 3.2%**, compared to the September 2020 figure of 3.8% and 4.2% at the end of 2019.

Direct funding taken with the Bank's retail and corporate customers reached approximately **2.4 billion euro** at 31 December 2020, a rise of 44% over the figure at the end of 2019 (and an increase of 22% over the end of the third quarter of 2020), with all funding channels making an important contribution. Within this total, funding by the direct bank illimitybank.com exceeded 1 billion euro at the end of December 2020, representing 48% year-on-year growth.

illimity made its debut on the bond market in December with the issue of its first senior preferred bond of 300 million euro, which has a 3-year maturity and pays interest at 3.375%.

Liquidity consisting of cash, the net interbank position, high-quality liquid assets and other marketable securities – that will serve the business growth planned for 2021 - remained at excellent levels, also as the result of the bond placement, and **rose to approximately 980 million euro** at 31 December 2020 (700 million euro at 30 September 2020).

Taken overall, illimity's **total assets reached 4.1 billion euro** at 31 December 2020, compared to 3 billion euro at 31 December 2019.

As the result of the significant increase in business, **risk-weighted assets** (**RWAs**) stood at **2,851 million euro at the end of 2020**, a rise of 32% compared to the same period in 2019.

Lastly, **CET1 capital rose to 509 million euro** at the end of December 2020 compared to 478 million euro at 30 September 2020 (462 million euro at December 2019). The main contributions to the increase over the quarter came from the more favourable treatment of the intangible asset related to the software resulting from the implementation of the "Banking Package", net profit for the quarter, the substantial disappearance of the negative mark-to-market position of the securities portfolio and the utilisation of deferred tax assets.

These factors led the continuation of a robust **CET1 ratio**, which ended 2020 at **17.9%**. On the basis of unchanged assets, the Bank's pro-forma CET1 ratio, meaning that including special shares of 14.4 million euro, stood at 18.4%.

With a net profit of 31.1 million euro for the full year, the **Bank's profitability** (measured by ROE[2]) **amounted to around 5.5%** in its first year of full operations.

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[2] Return on Equity calculated as net profit for the period divided by average shareholders' equity (1/1-31/12/2020)

Corrado Passera, **illimity's CEO**, commented: "*illimity has fully met the results for the year included in its earnings guidance, guaranteeing shareholders a Return On Equity (ROE) of 5.5% despite the challenging economic situation created by the pandemic. The Bank has never once interrupted its growth path in this difficult situation and has also invested in new strategic initiatives whose positive effects will become visible in future years.*

Alongside the resilience of its economic and capital results, illimity also made important strategic and operational progress in the year that allows us to look to the future with optimism: from entry into the UTP portfolio market – winning one of the most important bids in the sector – to the launch of Open banking and the joint venture in HYPE.

In 2021 we will continue to grow together with our customers and are expecting to see a significant increase in our results, despite the costs we will have to incur and the investments required for the development of new projects and the completion of the build of the new paradigm bank that we have promised our investors."

Key balance sheet figures

Data in million euro

Reclassified Balance sheet	31.12 2019	31.03 2020	30.06 2020	30.09 2020	31.12 2020	Δ 31.12.2020 / 30.09.2020	Δ 31.12.2020 / 31.12.2019
Cash and cash equivalent	772	219	311	543	945	74%	22%
Due from banks and other financial institutions	345	657	643	645	641	(1)%	86%
Customer loans	**1,638**	**1,662**	**1,766**	**1,831**	**2,205**	**20%**	**35%**
- DCIS[1] investments	*667*	*674*	*724*	*733*	*972*	*33%*	*46%*
- DCIS[1] senior financing	*341*	*334*	*337*	*331*	*336*	*2%*	*(2)%*
- SME[2]	*527*	*556*	*613*	*685*	*817*	*19%*	*55%*
- Cross-over & Acq. Finance[2]	*261*	*278*	*315*	*366*	*412*	*13%*	*58%*
- High yield bond	*-*	*-*	*13*	*23*	*4*	*(82)%*	*n.s.*
- Turnaround	*131*	*154*	*156*	*173*	*243*	*40%*	*85%*
- Factoring	*135*	*123*	*129*	*123*	*158*	*29%*	*18%*
- Non-core former Banca Interprovinciale	*103*	*99*	*92*	*83*	*80*	*(3)%*	*(22)%*
Financial assets Held To Collect (HTC)	-	-	-	-	-	n.s.	n.s.
Financial assets Held To Collect & Sell (HTCS)[3]	126	335	286	137	91	(33)%	(27)%
Financial assets measured at FVTPL[4]	9	8	12	17	19	8%	114%
Goodwill	22	36	36	36	36	--	67%
Intangible assets	19	22	26	29	33	14%	73%
Other assets (Incl. Tangible and tax assets)	95	114	158	154	156	1%	64%
Total assets	**3,025**	**3,052**	**3,238**	**3,392**	**4,126**	**22%**	**36%**
Due to banks	377	468	583	541	534	(1)%	42%
Due to customers	1,963	1,901	1,913	2,123	2,552	20%	30%
Bond/Securities	15	10	2	2	301	13,241%	1,860%
Shareholders' Equity	544	537	563	575	583	1%	7%
Other liabilities	125	135	176	151	156	3%	24%
Total liabilities	**3,025**	**3,052**	**3,238**	**3,392**	**4,126**	**22%**	**36%**
Common Equity Tier 1 Capital	462	439	466	478	509	6%	10%
Risk Weighted Assets	**2,162**	**2,347**	**2,548**	**2,497**	**2,851**	**14%**	**32%**

1. *DCIS: Distressed Credit Investment & Servicing Division (previously named NPL I&S)*
2. *This figure includes part of the net loans to existing customers of Banca Interprovinciale, which due to their features are considered consistent with illimity's SME segment*
3. *HTCS: Financial assets measured at fair value through comprehensive income*
4. *FVTPL: other financial assets at fair value through profit or loss. This item includes equity financial instruments purchased as part of a Turnaround transaction, junior tranches acquired as part of Senior Financing transactions and investments in distressed energy credit purchased as part of the DCIS division's activities.*

Any failure to reconcile the stated figures arise exclusively from rounding

SME Division

Net loans to customers of the **SME Division** reached **817 million euro** at 31 December 2020**, representing a rise** of 19% over 30 September 2020 and **55% over the figure** of 527 million euro **at 31 December 2019**.

Following the slowdown in the first half of the year caused by the COVID-19 health emergency, the second half saw an acceleration in the generation of new business, favoured also by the strong boost arising from loans backed by state guarantees, with attention being constantly given to maintaining a solid level of credit quality. All business lines contributed to the positive dynamic of the fourth quarter 2020.

The **Cross-over and Acquisition Finance** originated business amounting to 74 million euro in the fourth quarter of 2020, of which around half consisted of loans backed by state guarantees, an instrument that has proven to be very effective for illimity, enabling a decrease in risk profile and capital absorption with the resulting increase in the return on equity. The Bank disbursed a further

12 million euro in January 2021, to which should be added loans of 44 million euro not yet booked but already approved.

After a first half year characterised by a very selective approach, given the uncertainty caused by the pandemic, the **Turnaround** underwent a significant boost in the fourth quarter of 2020, winning new business of 121 million euro, equal to almost 70% of the total of new investments and loans made throughout the whole of 2020 in this segment. Nearly two-third of new business in the fourth quarter 2020 consisted of state-backed loans. The Bank generated new business of a further 5 million euro in this segment in January, to which should be added loans of a further 3 million euro not yet booked but already approved.

Factoring continued the growth trend beginning after the summer into the fourth quarter of the year, developing turnover of 290 million euro and as a result taking the figure for the whole of 2020 to 736 million euro, more than twice the level achieved in 2019, to which loans of 158 million euro corresponded at 31 December 2020. At the present date illimity has developed relations with approximately 120 clients and more than 500 debtors. This positive business dynamic continued in January 2021, with turnover volumes reaching 53 million euro.

Taken as a whole, the **SME Division has originated business[3] of 1,029 million euro** from the start of operations in September 2018 to the end of January 2021.

Distressed Credit Investment & Servicing ("DCIS") Division

Volumes of net loans and investments in the **DCIS Division** stood at **1,308 million euro** at 31 December 2020, representing an increase of **30% over the figure of 1,008 million euro at the end of the previous year** and 23% over that at 30 September 2020. The Bank concluded new business transactions in this segment of approximately 484 million euro in the year as a whole, of which around 284 million euro in the fourth quarter. Cash flows from non-performing loan portfolios purchased by the DCIS Division remained robust for the whole of 2020.

Regarding investments in non-performing loan portfolios, **illimity finalized purchases of 251 million euro in the fourth quarter of 2020**, equal to approximately 63% of the total for the year as a whole, this emphasising the seasonality typical of this sector which sees a large portion of transactions in non-performing loans concentrated in the last part of the year. After an animated 2019, a year in which illimity consolidated its market positioning, in 2020 the DCIS Division increasingly concentrated on specific segments of the distressed loan market, focusing its investments on UTP portfolios and secured corporate exposures. Following the end of the quarter, investments of a further 22 million euro were made in January 2021 plus 26 million euro not yet booked but already signed, taking **total business originated from the start of operations to the end of January 2021 to 1,168 million euro**[4].

The dynamic management of the portfolio of existing distressed loans continued throughout the quarter, leading to **profits totalling 13.2 million euro from the disposal of loans and discounted payoff ("saldo e stralcio") transactions**.

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[3] Loans purchased or disbursed, including transactions agreed but yet to be booked (thus not income-producing), owing to a settlement structure based on multiple tranches or a time lag between the signing of the master agreement and the date of the loan disbursement. Non accounting figures.

There was also an increase in 2020 in the assets managed by **neprix**, the illimity Group's platform specialising in servicing distressed corporate loans, whose gross book value had reached **9.1 billion euro** at 31 December 2020 in terms of managed loans and capital goods and real estate assets held for remarketing. This figure represents a slight fall over the balance at the end of the previous quarter of 9.4 billion euro, mostly as the result of the sales of loans carried out.

In January 2021 neprix completed the process of integrating IT Auction, a company specialising in the management and remarketing of capital goods and real estate assets through online auctions held on its portal network. The new neprix is confirming its vocation as the first integrated operator specialising in corporate NPLs with a distinctive end-to-end approach, thanks to its ability to cover the whole value chain in managing NPLs from due diligence advisory services to collateral remarketing.

Lastly, **Senior Financing** activities continued with transactions of 33 million euro carried out during the fourth quarter of 2020, concluded mainly to support primary investment funds and companies specialising in the purchase of non-performing loans. Considering also the disbursements of 10 million euro made in January 2021, total senior financing disbursements made from the start of operations to today's date amount to **484 million euro**.

From the start of operations to date the **Distressed Credit Investment & Servicing Division has originated business[4] of almost 1.7 billion euro**.

Direct Banking Division

As stated earlier, total direct deposits taken with the Bank's retail and corporate customers reached nearly 2.4 billion euro at the end of the year, a rise of approximately 22% over 30 September 2020 and 44% over 31 December 2019, with a positive contribution being made by all of illimity's funding channels.

More specifically, funding by the digital direct bank ***illimitybank.com*** launched in September 2019 amounted to **1,080 million euro** at the end of 2020, representing a rise of approximately 13% over 30 September 2020, with additional funding of around 150 million euro with duration over 18 months taken in the fourth quarter.

The Bank continued to attract new customers, taking the **total number to 43,000 at the end of January**, with **good progress also being made in terms of customer engagement**: approximately 86% of the customer base is active and it is estimated that of these customers, around 29% use *illimitybank.com* as their main bank.

Direct deposits taken with retail and corporate customers acquired on illimity's offline channels rose significantly during the fourth quarter to reach **864 million euro**, representing an increase of 35% over September 2020, due in particular to deposits made by certain corporate counterparties.

Deposits made through the partnership with **Raisin** – the pan-European platform for the collection of deposits on the German market – also made a positive contribution to funding, with a stock of

[4] Loans purchased or disbursed, including transactions agreed but yet to be booked (thus not income-producing), owing to a settlement structure based on multiple tranches or a time lag between the signing of the master agreement and the date of the loan disbursement/onboarding. Non accounting figures.

409 million euro existing at the end of 2020, representing an increase of approximately 24% over the end of the previous quarter.

In addition to the good advances made as a banking platform, during the quarter illimity also completed the corporate transaction, effective 1 January 2021, aimed at finalising the **agreement for the Joint Venture with the Sella Group in HYPE, the leading Italian fintech challenger by number of customers**. Complete information about this transaction can be found in the press release dated 29 December 2020. The aim of the joint venture in HYPE is to achieve further consolidation of the biggest fintech platform on the Italian market providing financial and payment services, with a business model directed towards sustainable profitability, among other things through key technological, managerial, commercial and cost-saving synergies that will result from the integration with the assets in illimity's Open Banking. Various strategic initiatives geared towards accelerating growth were already started in HYPE in January 2021, also by leveraging on approximately 1.4 million customers, of whom 21% with paying subscription at the end of 2020.

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Dynamic management of the Bank's **securities portfolio** continued in the fourth quarter, this being aimed at limiting the effects arising from market volatility: illimity's securities portfolio had been reduced to **91 million euro** by 31 December 2020 compared to 137 million euro at the end of September 2020. This strategy enabled the year end **mark-to-market position to be taken to neutral levels** from the negative 1.7 million euro posted at the end of September (amounts stated after tax). 69% of the securities portfolio, all of which classified as part of the Hold to Collect and Sell strategy, consists of senior corporate bonds and the remaining 31% of subordinated bonds.

At the end of December 2020, the Bank's stock of **gross organic doubtful loans** (which excludes purchased NPLs and UTPs) amounted to **37.4 million euro, representing a decrease of 2.8%** over the figure of 38.5 million euro at 30 September 2020 and in line with that of 37.7 million euro posted at the end of 2019. This stock arises almost entirely from exposures in the former Banca Interprovinciale's loan portfolio. The ratio between gross doubtful organic loans and gross total organic loans to customers fell further to 3.2% over the figures of 3.8% at 30 September 2020 and 4.2% at the end of 2019. The stock of **net doubtful organic loans** amounted to **19.1 million euro** at 31 December 2020, **this too falling (by -4.1%) over the previous quarter (and by -2.1% over 31 December 2019)**, corresponding to a ratio between **net doubtful organic loans and net total loans to customers of 1.7%**, 0.4 percentage points lower than the previous quarter and 0.6 percentage points lower than the end of 2019.

CET1 Capital increased by 30.9 million euro over the fourth quarter to reach **509 million euro**, with the main contributions coming from the reduced deduction of intangible assets (this in particular relating to the capitalisation of software assets) by an amount of 19.2 million euro[5], the net profit for the quarter of 6.8 million euro, the decrease of 1.6 million euro in the negative mark-to-market position of the securities portfolio and the utilisation of 3.2 million euro[6] of DTA ("*Deferred tax*

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[5] Due to the contribution of the "Banking Package" issued by the European Commission which anticipated the measures envisaged by CRR II.

[6] Considering DTA on fiscal losses and on Allowance for Corporate Equity (ACE)

assets").

Risk-weighted assets increased by 354 million euro over the quarter to 2,851 million euro, a rise principally due to the investments made during the quarter and the increase in operating risk due to the significant uplift in the Bank's revenues. The combination of all these factors led to a **CET1 ratio of 17.9%** at the end of December 2020. If special shares of 14.4 million euro are included in own funds, the Bank's pro-forma CET1 ratio (calculated using the figure for RWAs at the end of December 2020) would stand at 18.4%.

The **Liquidity Coverage Ratio (LCR)** was over 700% at the end of the fourth quarter of 2020, a significant liquidity buffer, while the **Net Stable Funding Ratio (NSFR)** was significantly above the minimum regulatory requirements.

In addition, it should be noted that on 3 December 2020, **the Bank successfully completed its first issue of a senior preferred bond** of 300 million euro having a 3-year maturity. The issue, reserved to institutional investors and forming part of the EMTN programme, met with a robust demand of up to a billion euro (over three times the allocated amount) arriving from 160 investors with a good domestic and international spread. The bond, which pays a fixed coupon of 3.375%, is listed on the Irish Stock Exchange regulated market, with the issue receiving a B rating from Fitch. This first bond issue represents a further goal on the way to the diversification of funding sources.

Key income statement figures

Data in million euro

Reclassified Profit & Loss	1Q20	2Q20	3Q20	4Q20	Δ 4Q20/ 3Q20 %	FY19	FY20	Δ 12M20/ 12M19 %
Interest income	32.1	33.2	37.7	43.1	14%	62.7	146.0	133%
Interest expenses	(10.2)	(8.9)	(10.0)	(11.5)	14%	(13.4)	(40.7)	204%
Net interest income	**21.8**	**24.3**	**27.6**	**31.6**	**14%**	**49.3**	**105.3**	**114%**
Net fees and commissions	2.5	2.1	2.9	5.9	101%	6.6	13.5	104%
Net result from trading	3.7	(0.0)	2.1	2.7	33%	10.3	8.5	(17%)
Net other income/expenses	0.0	0.2	0.5	4.1	790%	1.9	4.8	153%
Gains from closed purchased distressed credit positions[1]	9.1	7.9	11.6	14.0	21%	9.1	42.6	368%
Operating income	**37.2**	**34.5**	**44.7**	**58.4**	**31%**	**77.2**	**174.8**	**126%**
Staff costs	(11.3)	(13.2)	(11.5)	(16.0)	39%	(31.1)	(52.1)	68%
Other operating expenses	(16.3)	(12.9)	(17.0)	(25.4)	49%	(55.2)	(71.6)	30%
Depreciation & Amortisation	(1.8)	(2.0)	(2.3)	(2.5)	7%	(3.1)	(8.6)	174%
Operating costs	**(29.4)**	**(28.2)**	**(30.8)**	**(43.9)**	**42%**	**(89.4)**	**(132.3)**	**48%**
Operating profit	**7.8**	**6.4**	**13.9**	**14.5**	**4%**	**(12.2)**	**42.5**	**n.s.**
Loan loss provision charges	(2.7)	(1.2)	(0.3)	(1.7)	420%	(7.6)	(5.9)	(21%)
Value adjustments on purchased distressed credit	2.8	4.6	(0.4)	(3.4)	684%	(8.2)	3.5	n.s.
Value adjustments on HTC securities and loans to banks	(0.3)	0.2	(0.1)	0.1	n.s.	(0.0)	(0.0)	24%
Other net provisions	(0.5)	0.2	0.4	0.1	(77%)	0.0	0.1	n.s.
Provisions for risks and charges	0.1	(0.1)	(0.2)	(1.2)	405%	(0.5)	(1.4)	167%
Profit (loss) before tax	**7.2**	**10.0**	**13.2**	**8.3**	**(37%)**	**(28.5)**	**38.7**	**n.s.**
Income tax	(2.7)	0.3	(3.7)	(1.6)	(58%)	12.4	(7.6)	n.s.
Net result	**4.5**	**10.3**	**9.5**	**6.8**	**(29%)**	**(16.1)**	**31.1**	**n.s.**

1. *Gains from definitive closure of non-performing exposures either through disposal to third parties or through discounted payoff strategy (the so-called "saldo e stralcio") agreed with the debtor.*

Any failure of the stated figures to reconcile is due exclusively to rounding.

Despite the difficult situation caused by the COVID-19 pandemic, illimity fully met the results contained in the earnings guidance it announced at the end of the first half year, posting a net profit of 31.1 million euro for 2020 as a whole.

Interest income accelerated further in the fourth quarter to reach **43.1 million euro**, representing an increase **of 14%** over the previous quarter, despite the fact that a significant part of the quarter's new volumes were onboarded and booked at the end of the period.

Interest expenses also rose during the quarter, by 14%, amongst other things due to the cost arising from depositing the abundant available liquidity with central banks.

Net fees and commissions increased significantly over the quarter to arrive at **5.9 million euro**, double the 2.9 million euro posted for the third quarter of the year. Contributing to this result were the rise in volumes in the quarter, the business acceleration of neprix sales (formerly IT Auction) and the positive dynamics of factoring turnover.

Income from closed positions in the DCIS Division – meaning the revenues earned from the definitive settlement of distressed credit positions, achieved by way of payment recovery strategies agreed with the debtor ("discounted payoff" transactions) and the sale of positions – once again proved itself as one of the recurring items in illimity's revenue in the fourth quarter of 2020, with profits of approximately **13.2 million euro** being achieved thanks to the Division's dynamic portfolio management approach, to which should be added additional profits of 0.8 million euro arising from credit revaluation event of closed turnaround positions.

Taken overall **operating income** for the fourth quarter of 2020 reached **58.4 million euro**, representing a rise of 31% over the figure of 44.7 million euro posted in the previous quarter.

Operating costs closed at **43.9 million euro** in the fourth quarter of 2020, a rise of 42% on a quarterly basis. Cost trends in the quarter were partially affected by non-recurring items, such as the seasonality of the variable component of staff remuneration recognised in the quarter. The increase in other administrative expenses is in part due to the growth of the business – in particular connected with the costs incurred on cash flows received from the distressed credit portfolios and the onboarding costs for the new portfolios acquired – as well as to the investments made in new strategic investments (such as for example the servicing platform for the Unlikely-To-Pay portfolios) which will already produce benefits in 2021.

As a result of the above movements the **cost-income ratio** ended the fourth quarter of 2020 at **75%**.

Customer loan loss provisions amounted to **1.7 million euro** in the fourth quarter, corresponding to an annualised organic cost of risk of **59bps**[7] - and **52bps for the whole of 2020**. This contained figure can be explained by the fact that a significant portion of the new loans disbursed during the period are backed by state guarantees, to which should be added a solid and stable credit quality. The **coverage ratio of the Bank's performing loans** at 31 December 2020, excluding the factoring business, remained robust at **1.36%**.

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[7] Ratio of loan loss provisions to net loans to customers end of period (1,150 million euro as of 4Q20) from Factoring, Cross-over, Acquisition Finance, High-yield bond, Turnaround performing (including Turnaround 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 business and the investments in Distressed Credit portfolios.

As a result of the above dynamics the Bank ended the fourth quarter of 2020 with a **pre-tax profit of 8.3 million euro**.

After an income tax charge of 1.6 million euro, which benefited from a positive effect of 1.3 million euro arising from the fiscal recognition of the goodwill of IT Auction, the fourth quarter ended with a net profit of **6.8 million euro**, which took net profit for the whole of 2020 to **31.1 million euro**, compared to the net loss of 16.1 million euro posted in 2019.

Contribution of the business units to the Group's results

The following table sets out the key figures summarising the way in which the illimity Group's businesses evolved during 2020.

	SME	DCIS	Direct Banking	SGR	Corporate Center	Total
Net interest income	17.7	88.5	(4.3)	-	3.4	105.3
Net fees and commission	7.4	7.7	(1.2)	-	(0.4)	13.5
Other income	3.9	45.8	-	-	6.3	56.0
Operating income	**29.0**	**142.0**	**(5.5)**	**-**	**9.3**	**174.8**
Staff costs	(10.9)	(17.0)	(3.8)	(0.6)	(19.8)	(52.1)
Other administrative expenses and D&A	(10.4)	(36.2)	(12.4)	(0.5)	(20.7)	(80.2)
Operating costs	**(21.3)**	**(53.2)**	**(16.2)**	**(1.1)**	**(40.5)**	**(132.3)**
Operating profit	**7.7**	**88.8**	**(21.7)**	**(1.1)**	**(31.2)**	**42.5**
Provisions	(2.2)	(1.6)	-	-	-	(3.8)
Profit (loss) before tax	**5.5**	**87.2**	**(21.7)**	**(1.1)**	**(31.2)**	**38.7**
Interest earning assets	905	1,319	-	-	1,677	3,901
Other assets	4	88	-	0	133	226
RWA	**706**	**1,845**	**n.m.**	**n.m.**	**300**	**2,851**

As stated in illimity's business plan, the contribution to profitability made by the individual divisions reflects their different natures and the speed of execution of each of their businesses. The DCIS Division has therefore had the highest rate of growth in these first years, the SME Division will gradually follow.

Consistent with its greater rate of investment and accordingly the faster these investments become fully operational, the **DCIS Division posted** revenues of around 142 million euro in 2020, equal to approximately 80% of the Bank's total operating income, and **pre-tax profits of 87 million euro**, being over 90% of the total, before the costs of the Direct Banking and the Corporate Center.

In addition to having to pay for its forecast slower rate of growth than the DCIS business, in 2020 the **SME Division** was also affected by the temporary slowdown in the generation of business due to the COVID-19 health emergency. Nevertheless, thanks also to the recovery in performance observed in the second half of 2020, the Division **posted a pre-tax profit of 5.5 million euro**. Also included in the SME Division are net loans of 134 million euro arising from the portfolio inherited from the previous Banca Interprovinciale, the majority of which are non-core with respect to illimity's business and have a decisively lower risk-adjusted profitability compared to the Division's new business. The negative contribution made to the Division's profitability by this component will rapidly fall as a proportion of the results achieved over the next few years, in line with the gradual decrease in the percentage of these loans compared to the Division's new business.

The SME Division has substantially completed its operating platform and will therefore be able to benefit from a scalable business model from now on.

The **Direct Banking Division** had net costs of 21.7 million euro absorbed in 2020. Nonetheless it is expected that the joint venture in HYPE will bring benefits, above all relating to a significant sharing of the costs as well as revenues assisted by cross-selling opportunities.

Lastly, in 2020 the **Corporate Center** function absorbed net costs of 31.2 million euro (of which 13 million euro relating to the Digital Operations sub-division), mainly regarding the costs required to build a scalable platform for the future evolution of the business.

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Business Outlook

While still suffering from the uncertainty arising from the pandemic, management believes that all the business areas in which illimity works will continue to be highly dynamic, and it is expected that the future growth prospects of certain of these will actually be greater than initially forecast. An example of this is the distressed credit transaction market – in its UTP and bad loans components – where significant growth is expected to be seen over the next few years, also as the result of the economic slowdown resulting from the pandemic. The digital financial service sector will continue the significant growth it has shown in recent years and it is expected that a rising number of SMEs with growth plans will turn to the banking sector to find the right financing solutions.

These favourable conditions on the market, the solid pipeline of new potential deals currently available and the robust generation of new business in the last quarter of the year will further fuel an additional significant increase in interest income during 2021. A robust rise in net fees and commissions is also forecast, driven by the growth in volumes and the expected acceleration in the activity of neprix (whose integration with IT Auction is planned to be completed in February 2021).

The Bank already began incurring costs and making investments in strategic initiatives in support of medium-long term growth prospects in the final part of 2020. An example of this is the investment in the IT and operational platform set up to work in the UTP portfolio market – a new segment of the distressed credit sector, which is likely to grow significantly over the next few years and to offer an important profitability. These investments enabled illimity to be awarded one of the most important transactions occurring in this sector during the year. Investing in new strategic projects that will bring their fruits in the years to come will also continue in 2021 as a means of further strengthening the market positioning of all of the Bank’s activities.

Given the extent to which the quality of the portfolio with businesses has held up and the support measures in place, including state-backed loans into which a significant portion of the new business generated by the SME Division will be channelled, it is expected that the cost of risk will remain at contained levels in 2021.

An increase in risk-weighted assets is forecast as a result of the expected growth in volumes, although to a lesser extent compared to the rise in loans and investments, also due to the adoption of capital optimisation strategies that are in the process of being realised.

The positive evolution of own funds through the generation of profits, albeit in the presence of the important growth of risk-weighted assets, will ensure that the Common Equity Tier 1 Ratio will remain above regulatory requirements.

Taken as a whole, management is expecting a further significant rise in the Bank's profits in 2021 despite the costs to be incurred for the new strategic initiatives, which will be announced to the market by the end of the first half of the year on the presentation of illimity's updated long-term strategic plan.

Pursuant to article 154 bis, paragraph 2, of Legislative Decree no. 58/1998 (the Consolidated Law on Finance), the Financial Reporting Officer, Mr. Sergio Fagioli, declares that the accounting information contained in this press release corresponds to the documented results and the accounting books and records.

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illimity management will present the results for the fourth quarter of 2020 to the financial community today, 11 February 2021, at 9:00 a.m. CET. The event can be followed by Live Audio Webcast using the following link: https://87399.choruscall.eu/links/illimity210211.html or by conference call on the following numbers:

ITALY:	+39 02 8020911
UNITED KINGDOM:	+44 1 212818004
USA:	+1 718 7058796; +1 855 2656958

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Appointment of two new independent non-executive directors

The Bank announces that on 10 February 2021, the Board of Directors, following the announcement made on 29 December 2020, has decided to replenish the composition of the Board of Directors by co-opting the independent non-executive Directors Paola Elisabetta Galbiati and Marcello Valenti, verifying, pursuant to the law, the existence of the requirements of professionalism, integrity, propriety, independence and time commitment (Fit & Proper). In particular, the Board verified the compliance with the independence requirements pursuant to article 26 of Legislative Decree. n. 385/1993 (TUB) and by article 147-ter paragraph 4 and 148, paragraph 3, of the Legislative Decree n. 58/1998 (TUF) as well as pursuant to article 2 of the Corporate Governance Code. The Board also proceeded to consequently review the composition of its Committees, with the exception of the Risk Committee which remains unchanged, as follows.

Committee for Related-Party Transactions:
Maurizia Squinzi – Chairman
Elena Ciallié
Marcello Valenti

Sustainability Committee:
Rosalba Casiraghi – Chairman
Elena Ciallié

Paola Elisabetta Galbiati

Nominating Committee:
Maurizia Squinzi – Chairman
Massimo Brambilla
Marcello Valenti

Remuneration Committee:
Paola Elisabetta Galbiati – Chairman
Martin Ngombwa
Marcello Valenti

Further information on the composition of the Bodies can be found on the website www.illimity.com, at the Sections, respectively, “Investor Relations/Shareholders and BoD Meetings” and “Investor Relations/Corporate Governance”.

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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, provides digital direct banking services through **illimitybank.com** and, with illimity SGR, over the next few months will set up and manage the first Alternative Investment Fund for corporate loans. The story of illimity 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 MTA exchange and since September 2020 on the Star Segment. The banking group, headquartered in Milan, can already count on over 600 employees and, in 2020, it closed with assets exceeding 4 billion euro.

CONSOLIDATED BALANCE SHEET

(values in thousands of euro)

		31.12.2019	31.03.2020	30.06.2020	30.09.2020	31.12.2020
10	Cash and cash balances	772,125	219,063	311,387	542,952	944,832
20	Financial assets measured at fair value through profit or loss	8,665	7,567	12,184	17,158	18,502
	a) financial assets held for trading	63	62	52	3,196	52
	b) financial assets designated at fair value	-	-	-	-	-
	c) other financial assets mandatorily measured at fair value	8,602	7,505	12,132	13,962	18,450
30	Financial assets measured at fair value through other comprehensive income	125,788	335,187	285,679	136,665	91,375
40	Financial assets measured at amortised cost	1,982,722	2,318,513	2,408,726	2,475,749	2,845,823
	a) due from banks	344,858	566,799	502,844	504,806	530,922
	b) loans to customers	1,637,864	1,751,714	1,905,882	1,970,943	2,314,901
50	Hedging derivatives	-	-	-	-	-
60	Fair value change of financial assets in hedged portfolios (+/-)	-	-	-	-	-
70	Investments in associates and companies subject to joint control	-	-	-	-	-
80	Technical insurance reserves reassured with third parties	-	-	-	-	-
90	Tangible Assets	25,395	25,775	72,058	71,948	78,434
100	Intangible assets	40,804	57,808	61,888	65,316	69,382
	of which goodwill	21,643	36,224	36,224	36,224	36,224
110	Tax assets	37,061	39,043	39,500	35,368	35,403
	a) current	5,127	3,152	2,433	2,515	3,206
	b) deferred	31,934	35,891	37,067	32,853	32,197
120	Non-current assets held for sale and discontinued operations	-	-	-	-	-
130	Other assets	32,662	48,814	46,434	46,902	42,538
	Total Assets	**3,025,222**	**3,051,770**	**3,237,856**	**3,392,058**	**4,126,289**

(values in thousands of euro)

		31.12.2019	31.03.2020	30.06.2020	30.09.2020	31.12.2020
10	Financial liabilities measured at amortized cost	2,377,250	2,401,891	2,520,946	2,688,895	3,410,034
	a) due to banks	*376,747*	*468,190*	*582,970*	*540,953*	*534,345*
	b) due to customers	*1,985,145*	*1,923,399*	*1,935,722*	*2,145,686*	*2,574,709*
	c) debt securities issued	*15,358*	*10,302*	*2,254*	*2,256*	*300,980*
20	Financial liabilities held for trading	-	-	-	-	-
30	Financial liabilities designated at fair value	-	7,719	-	-	-
40	Hedging derivatives	-	-	-	-	-
50	Adjustments in value of generic hedging financial liabilities (+/-)	-	-	-	-	-
60	Tax liabilities	770	2,156	3,187	4,627	4,207
	a) current	*53*	*1,125*	*2,301*	*3,880*	*3,460*
	b) deferred	*717*	*1,031*	*886*	*747*	*747*
70	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-
80	Other liabilities	100,568	100,006	146,995	120,093	121,789
90	Employee termination indemnities	1,097	1,712	2,175	2,449	2,656
100	Provisions for risks and charges:	1,082	1,047	1,393	1,479	4,481
	a) commitments and guarantees issued	*598*	*459*	*326*	*795*	*3,296*
	b) pensions and similar obligations	-	*3*	*4*	*5*	*7*
	c) other provisions for risks and charges	*484*	*585*	*1,063*	*679*	*1,178*
110	Technical reserves	-	-	-	-	-
120	Valuation reserves	939	(10,946)	(4,199)	(1,855)	(278)
130	Redeemable shares	-	-	-	-	-
140	Equity instruments	-	-	-	-	-
150	Reserves	36,188	20,217	21,237	21,501	21,766
160	Share premium reserves	480,156	480,156	487,373	487,373	487,373
170	Share capital	43,408	43,408	44,007	44,007	44,007
180	Treasury shares	(96)	(96)	(96)	(832)	(832)
200	Profit (loss) for the period attributable to the Group (+/-)	(16,140)	4,500	14,838	24,321	31,086
	Group equity	**544,455**	**537,239**	**563,160**	**574,515**	**583,122**
	Profit (loss) for the period attributable to minority interests (+/-)	-	-	-	-	-
	Equity of minority interests	**-**	**-**	**-**	**-**	**-**
	Total liabilities and equity	**3,025,222**	**3,051,770**	**3,237,856**	**3,392,058**	**4,126,289**

illimity
BANCA OLTRE LA FORMA

CONSOLIDATED INCOME STATEMENT

(values in thousands of euro)

		4Q19	1Q20	2Q20	3Q20	4Q20	FY2020
10	Interest income and similar income	27,543	32,061	33,212	37,655	43,055	145,983
20	Interest expenses and similar charges	(9,416)	(10,627)	(9,321)	(10,412)	(11,845)	(42,205)
30	**Net interest margin**	**18,127**	**21,434**	**23,891**	**27,243**	**31,210**	**103,778**
40	Commission receivable	3,662	3,862	2,734	4,105	7,828	18,529
50	Commission expense	(2,148)	(1,366)	(604)	(1,156)	(1,887)	(5,013)
60	**Net commission**	**1,514**	**2,496**	**2,130**	**2,949**	**5,941**	**13,516**
70	Dividends and similar income	-	-	-	-	-	-
80	Net trading result	41	2	(533)	83	59	(389)
90	Net hedging result	-	-	-	-	-	-
100	Gain (loss) from disposal and repurchase of:	9,363	4,914	505	238	2,042	7,699
	a) financial assets measured at amortized cost	*7,710*	-	-	-	*1,863*	*1,863*
	b) financial assets measured at fair value through other comprehensive income	*1,653*	*4,916*	*504*	*238*	*179*	*5,837*
	c) financial liabilities	-	*(2)*	*1*	-	-	*(1)*
110	Gain (loss) on other financial assets and liabilities measured at fair value through profit or loss	(513)	(1,220)	-	1,750	646	1,176
	a) financial assets and liabilities designated at fair value	*(1)*	-	-	-	-	-
	b) other financial assets subject to mandatory fair-value valuation	*(512)*	*(1,220)*	-	*1,750*	*646*	*1,176*
120	**Net interest and other banking income**	**28,532**	**27,626**	**25,993**	**32,263**	**39,898**	**125,780**
130	Net write-downs/write-backs for credit risks relating to:	(38)	8,399	11,687	11,127	9,051	40,264
	a) financial assets measured at amortized cost	*(93)*	*8,936*	*11,503*	*10,774*	*8,969*	*40,182*
	b) financial assets measured at fair value through other comprehensive income	*55*	*(537)*	*184*	*353*	*82*	*82*
140	Gain/loss from contract amendments without cancellations	-	-	-	-	-	-
150	**Net result from banking activities**	**28,494**	**36,025**	**37,680**	**43,390**	**48,949**	**166,044**
160	Net insurance premiums	-	-	-	-	-	-
170	Other net insurance income/expenses	-	-	-	-	-	-
180	**Net result from banking and insurance activities**	**28,494**	**36,025**	**37,680**	**43,390**	**48,949**	**166,044**
190	Administrative expenses:	(28,180)	(27,389)	(26,706)	(29,171)	(41,788)	(125,054)
	a) staff costs	*(9,263)*	*(11,260)*	*(13,235)*	*(11,472)*	*(15,977)*	*(51,944)*
	b) other administrative expenses	*(18,917)*	*(16,129)*	*(13,471)*	*(17,699)*	*(25,811)*	*(73,110)*
200	Net provisions for risks and charges	124	105	(101)	(240)	(1,213)	(1,449)
	a) commitments and financial guarantees issued	*62*	*141*	*(137)*	*(200)*	*(785)*	*(981)*
	b) other net provisions	*62*	*(36)*	*36*	*(40)*	*(428)*	*(468)*
210	Net value adjustments to/recoveries on tangible assets	(539)	(660)	(663)	(700)	(696)	(2,719)
220	Net value adjustments to/recoveries on intangible assets	(578)	(1,173)	(1,364)	(1,598)	(1,760)	(5,895)
230	Other operating income/expenses	2,088	253	1,185	1,496	4,831	7,765
240	**Operating expenses**	**(27,085)**	**(28,864)**	**(27,649)**	**(30,213)**	**(40,626)**	**(127,352)**
290	**Pre-tax profit (loss) before tax from continuing operations**	**1,409**	**7,161**	**10,031**	**13,177**	**8,323**	**38,692**
300	Tax income (expenses) for the period on continuing operations	645	(2,661)	307	(3,694)	(1,558)	(7,606)
310	**Profit (loss) after tax from continuing operations**	**2,054**	**4,500**	**10,338**	**9,483**	**6,765**	**31,086**
320	Profit (loss) after tax from discontinued operations	-	-	-	-	-	-
330	**Profit (loss) for the period**	**2,054**	**4,500**	**10,338**	**9,483**	**6,765**	**31,086**
340	Profit (loss) for the period attributable to minority interests	-	-	-	-	-	-
350	**Profit (loss) for the period attributable to the Parent Company**	**2,054**	**4,500**	**10,338**	**9,483**	**6,765**	**31,086**