illimity
BANCA OLTRE LA FORMA

YET ANOTHER SOLID SET OF RESULTS FOR ILLIMITY

NET PROFIT OF 14.9 MILLION EURO IN THE SECOND QUARTER OF 2021 (+18% OVER 1Q21)

TAKING THE NET RESULT FOR THE HALF-YEAR TO 27.4 MILLION (+85% VS. 1H20)

GROWTH IN VOLUMES, SIGNIFICANT PROFITS FROM DYNAMIC MANAGEMENT OF DISTRESSED CREDIT, IMPROVEMENTS IN OPERATING LEVERAGE DRIVE THE RESULTS

2021-25 STRATEGIC PLAN TARGETS PRESENTED IN JUNE CONFIRMED

- ***Growth Credit Division:*** *highly dynamic quarter with net customer loans rising by 16% over the previous quarter (+64% y/y) to 1 billion euro and a tangible contribution coming from the initiatives launched at the beginning of the year*

- ***Distressed Credit Division:*** *strong progression in economic results also thanks to credit management generating very significant profit from closed distressed credit positions and investments driven by the dynamism of the Energy sector*

- ***Direct Banking Division:*** *solid operating progress in the development of the new initiatives envisaged by year end: "New HYPE" and B-ILTY*

- ***Liquidity*** *of 0.8 billion euro and* ***robust capital base*** *with CET1 Ratio of 17.2% (17.6% pro-forma)*

Milan, 6 August 2021 – Chaired by Rosalba Casiraghi, the Board of Directors of illimity Bank S.p.A. ("**illimity**" or the "**Bank**") approved yesterday the illimity Group's results at 30 June 2021.

illimity reports **solid financial and operating performance** in the second quarter of 2021, a strong foundation to develop the trajectory of achieving its **short and medium-long term targets** set out in its 2021-25 Strategic Plan presented on 22 June 2021.

In detail:

- **net profit for the second quarter reached 14.9 million euro**, up by 18% over the previous quarter. Net profit for the half year totalled 27.4 million euro (14.8 million euro in the first half 2020), corresponding to an **ROE[1] of ca. 9%** on an annualised basis;
- the **generation of new lending and investments** remained **robust and in acceleration** in the second quarter, driven by corporate lending with public guarantees, factoring and investments in distressed credit especially in the Energy segment. In total, net customer loans exceeded 2.3 billion euro at 30 June 2021, a rise of 4% over the first quarter and 32%

[1] ROE – Return On Equity: calculated as ratio between net profit annualised for the period and average half-year equity (1/1-30/6/2021)

over the same period of the previous year;

- the quarter benefited from the **early contribution from the initiatives launched during 2021**- capital markets activity for SME customers, illimity SGR, the purchasing of tax credits arising from the government's Ecobonus scheme – which led the considerable progress in fees and commissions, which were up by 76% over the previous quarter;
- **the dynamic management of distressed credit portfolio** once again made a **significant contribution to the quarter's profits**, generating income of 26 million euro, of which 3.7 million arising from credit revaluation already recognised in the first quarter;
- also due to these significant profits, and with a gradual increase in the scalability of the Bank's operating structure as business volumes increase, the quarterly **Cost income ratio fell** to 58% (62% for the first half year);
- the Bank made real operating progress in the **development of the new initiatives envisaged in the Plan**: a pilot project was launched for **B-ILTY**, the new fully digital direct bank designed for small corporates, while the offer of the "New **HYPE**" is currently being finalised;
- the Bank's **risk profile** once again proved itself **very robust**: the CET1 Ratio stood at 17.2% at the end of June 2021 (17.6% pro-forma including special shares), despite the rise in volumes; the ratio between gross organic doubtful loans and total gross organic loans to customers remained at 3%, and would fall to below 1% if the loan portfolio of the former Banca Interprovinciale is excluded. Liquidity was abundant at approximately 800 million euro at the end of June 2021.

Corrado Passera, **CEO** and **Founder** of **illimity**, commented: "*We are very pleased with the results delivered, which confirm the trajectory of reaching the targets for the short and medium-long term set in the Strategic Plan presented in June. All the growth drivers included in the Plan are moving in the right direction: the increase in loan and investment activity, the quality of our portfolios, the scale effect that is becoming increasingly visible and the first sizeable contributions coming from the initiatives launched during 2021.*

In the quarter just ended and in July we also laid real operating foundations for the development of the initiatives related to the launch of B-ILTY, an innovative digital bank designed for small corporates, and we are finalising activities for the launch of the "New HYPE".

Lastly, with the unanimous vote of our shareholders at the general meeting held at the end of July, we have added another step to our partnership with the ION Group, which we hope, starting with the licensing of our IT platform, which we will already benefit from this year, will be extended to new important collaboration in other areas".

Key balance sheet figures

Data in million euro

Reclassified Balance sheet	30.06 2020	31.12 2020	31.03 2021	30.06 2021	Δ 30.06.2021 QoQ %	Δ 30.06.2021 YoY %
Cash and cash equivalent	311	945	733	508	(31)%	63%
Due from banks and other financial institutions	643	641	676	615	(9)%	(4)%
Customer loans	**1,766**	**2,205**	**2,234**	**2,330**	**4%**	**32%**
- Distressed Credit[1] investments	*724*	*972*	*973*	*943*	*(3)%*	*30%*
- Distressed Credit[1] senior financing	*337*	*336*	*316*	*311*	*(1)%*	*(8)%*
- Growth Credit[2]	*613*	*817*	*869*	*1,006*	*16%*	*64%*
- Cross-over & Acq. Finance[3]	*328*	*416*	*452*	*517*	*14%*	*57%*
- Turnaround	*156*	*243*	*260*	*303*	*16%*	*94%*
- Factoring	*129*	*158*	*157*	*186*	*19%*	*44%*
- Non-core former Banca Interprovinciale	*92*	*80*	*76*	*70*	*(7)%*	*(23)%*
Financial assets Held To Collect & Sell (HTCS)[4]	286	91	310	315	2%	10%
Financial assets measured at FVTPL[5]	12	19	50	*139*	175%	1,041%
Investments in associates and companies subject to joint control	-	-	86	84	(2)%	n.s.
Goodwill	36	36	36	36	0%	0%
Intangible assets	26	33	33	37	11%	44%
Other assets (Incl. Tangible and tax assets)[6]	158	156	157	267	69%	69%
Total assets	**3,238**	**4,126**	**4,316**	**4,331**	**0%**	**34%**
Due to banks	583	534	627	582	(7)%	(0)%
Due to customers	1,913	2,552	2,568	2,643	3%	38%
Bond/Securities	2	301	302	304	1%	n.s.
Shareholders' Equity	563	583	665	681	2%	21%
Other liabilities	176	156	154	121	(21)%	(31)%
Total liabilities	**3,238**	**4,126**	**4,316**	**4,331**	**0%**	**34%**
Common Equity Tier 1 Capital	466	509	530	543	3%	17%
Risk Weighted Assets	**2,548**	**2,851**	**3,018**	**3,168**	**5%**	**24%**

1. *Distressed Credit (DC) Division (formerly named DCIS Division).*
2. *Growth Credit Division (formerly named SME Division).*
3. *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 segment; it also includes corporate high yield bond classified as HTC.*
4. *HTCS: financial assets measured at fair value through comprehensive income. This item includes the Bank's securities portfolio and loans of ca. 16 million euro of the Distressed Credit Division which will probably be sold.*
5. *FVTPL: other financial assets at fair value through profit or loss. This item includes equity financial instruments purchased as part of Turnaround transactions, junior tranches of securitised non-performing loans acquired as part of Senior Financing transactions and investments in distressed energy credit purchased as part of the DC Division's activities.*
6. *It includes assets arising from the purchasing of tax credits (the so-called "Ecobonus") for 21 million euro and senior notes for approximately 61 million euro resulting from the securitisation of a distressed credit portfolio that are expected to be sold.*

Any failure to reconcile the stated figures arises exclusively from rounding.

At 30 June 2021, the Bank's **total assets exceeded 4.3 billion euro**, representing a rise of 34% over the same period of the previous year and in line with the figure at the end of the quarter closed on 31 March 2021, albeit with a different mix.

This item includes **net customer loans** of more than **2.3 billion euro**, an increase of 4% over the previous quarter and 32% over the first quarter of 2020. The Growth Credit Division contributed to the loans dynamics, posting a rise of 16% on a quarterly basis (64% over the same period of the previous year), with a significant contribution being made by all the business lines. Total customer loans and investments in the Distressed Credit Division fell slightly over the previous quarter due to an acceleration in loan collections and sales during the quarter with the resulting generation of very significant profits.

The Bank's asset quality remains solid and at the top levels of the system. At the end of June 2021,

gross doubtful organic loans (a total that excludes purchased NPLs and UTP loans) amounted to **39.4 million euro** compared to 35.9 million euro at the end of March 2021 due to certain exposures in the former Banca Interprovinciale's loan portfolio. The **ratio between gross doubtful organic customer loans and total gross organic customer loans remained unchanged at 3%** compared to the end of the previous quarter. This ratio falls **to less than 1% if the former Banca Interprovinciale's loan portfolio is excluded**. The stock of **net doubtful organic loans** at 30 June 2021 amounted to **20.7 million euro**, this too representing an increase over the previous quarter (18.0 million euro), and corresponding to a ratio **of 1.6% between net doubtful organic customer loans and net total organic customer loans**, unchanged over the previous quarter.

At the end of June 2021, loans with moratorium requests totalled **47 million euro, down to approximately 22 million euro at the end of July 2021** (and significantly down compared to the peak amount of 86 million euro requested during 2020), and equal to **around 2% of the loan portfolio** of the Growth Credit Division..

The second quarter also confirmed the Bank's **robust liquidity position**, which amounted to approximately **800 million euro** and consisted of cash, the net interbank position and high-quality liquid securities to be used to service business growth.

During the second quarter, illimity's **securities portfolio** remained essentially stable and totalled **299 million euro** compared to 310 million euro at the end of March 2021. The securities portfolio mark-to-market stood at negative 1.5 million euro (0.5 million euro at the end of the previous quarter). The securities portfolio, all of which classified as Hold to Collect and Sell strategy, is **well-diversified** and consists of Italian government bonds (58%) and senior bonds (36%), with the remainder being subordinated bonds (6%).

For the first time Other assets include the contribution arising from the **purchasing of tax credits** – the government's "**Ecobonus**" scheme – this amounting to 21 million euro.

illimity's **total financing** reached **3.5 billion euro** at 30 June 2021, consistent with the figure at the end of March 2021 and representing a rise of 41% on an annual basis. This item includes approximately 2.4 billion of deposits from retail and corporate customers and over 1 billion euro wholesale funding.

It is additionally recalled that illimity issued a **200 million euro Tier 2 subordinated bond** in July 2021 having a 10-year maturity, callable after 5, and bearing interest at 4.375%. This loan is not included in the sources of financing at 30 June 2021.

CET1 Capital increased in the second quarter **to reach 543 million euro**, with the main contributions arriving from the net profit for the quarter and the utilisation of deferred tax assets[2] (14.9 and 2.5 million euro respectively). The main negative effect, amounting to 4 million euro, arises from an increase in intangible assets, owing to new investments in the quarter and to an increase from 5 to 7 years in the useful life of certain specific software that is considered strategic.

Risk-weighted assets (RWA) **increased by ca. 150 million euro to reach 3,168 million euro during the quarter**, up mainly as the result of the rise in loans and investments over the quarter. The ratio between the Bank's RWAs and its total assets remained contained at around 70%.

The combination of the above-mentioned dynamics led to a **CET1 Ratio of 17.2%** at the end of

[2] Including deferred tax assets (so-called "DTA").

2021. If special shares of 14.4 million euro are included in own funds, the Bank's pro-forma CET1 Ratio (calculated using RWAs at the end of June 2021) would be 17.6%.

The **Liquidity Coverage Ratio (LCR)** stood at ca. 700% at the end of the second quarter 2021, confirming a significant liquidity buffer, while the **Net Stable Funding Ratio (NSFR)** was **significantly above minimum regulatory requirements**. It should be noted that starting from the second quarter of 2021, the liquidity ratios reflect a change in the approach for regulatory purposes to the pro-forma consolidation of HYPE from the proportionate method to the equity method, in line with accounting consolidation methodology.

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Key income statement figures

Data in million euro

Reclassified Profit & Loss	2Q20	1Q21	2Q21	Δ Q/Q%	Δ Y/Y%	1H20	1H21	Δ H/H%
Interest income	33.2	46.0	47.5	3%	43%	65.3	93.5	43%
Interest expenses[1]	(9.3)	(14.8)	(14.3)	(3%)	53%	(20.0)	(29.1)	45%
Net interest income	**23.9**	**31.2**	**33.2**	**6%**	**39%**	**45.3**	**64.4**	**42%**
Net fees and commissions	2.4	4.9	8.7	76%	269%	5.1	13.6	168%
Net result from trading	(0.0)	3.8	1.1	(72%)	n.s.	3.7	4.9	33%
Net other income/expenses	0.2	2.0	2.1	7%	842%	0.3	4.1	1,417%
Profit from closed purchased distressed credit positions[2]	7.9	11.4	26.0	128%	228%	17.0	37.4	120%
Gain (loss) from disposal of investments	-	2.3	-	n.s.	n.s.	-	2.3	n.s.
Operating income	**34.4**	**55.7**	**71.1**	**28%**	**107%**	**71.4**	**126.8**	**78%**
Staff costs	(13.2)	(16.6)	(19.0)	14%	43%	(24.5)	(35.6)	45%
Other operating expenses	(12.7)	(17.9)	(19.8)	10%	56%	(28.8)	(37.7)	31%
Depreciation & Amortisation	(2.0)	(3.0)	(2.2)	(25%)	9%	(3.9)	(5.2)	34%
Operating costs	**(28.0)**	**(37.5)**	**(41.0)**	**9%**	**46%**	**(57.2)**	**(78.5)**	**37%**
Operating profit	**6.4**	**18.1**	**30.2**	**66%**	**373%**	**14.1**	**48.3**	**241%**
Loan loss provision charges	(1.2)	0.8	(1.6)	n.s.	32%	(3.9)	(0.8)	(79%)
Value adjustments on purchased distressed credit	4.4	3.9	(4.6)	n.s.	n.s.	7.4	(0.7)	n.s.
Value adjustments on securities and loans to banks	0.4	(1.6)	0.3	n.s.	(33%)	(0.4)	(1.3)	231%
Other net provisions for risks and charges	0.0	(0.0)	0.0	n.s.	(31%)	-	-	-
Other income from equity investments	-	(2.1)	(1.9)	(13%)	n.s.	-	(4.0)	-
Profit (loss) before tax	**10.0**	**19.1**	**22.4**	**17%**	**123%**	**17.2**	**41.5**	**141%**
Income tax	0.3	(6.5)	(7.5)	15%	n.s.	(2.4)	(14.1)	497%
Net result	**10.3**	**12.6**	**14.9**	**18%**	**44%**	**14.8**	**27.4**	**85%**

1. *This item does not include costs related to leasing liabilities, which have been classified as administrative costs; on the other hand, it includes commission expense and stamp duty related to deposits on the Raisin platform.*
2. *Gains from the definitive closure of non-performing exposures either through disposal to third parties or through a discounted payoff strategy ("saldo e stralcio") agreed with the debtor.*

Any failure to reconcile the stated figures arises exclusively from rounding.

Net interest income in the second quarter totalled **33.2 million euro**, up by 6% on a quarterly basis (and by 39% y/y). Of this total, **47.5 million euro** came from **interest income**, rising by 3% over the quarter ended 31 March 2021, only partially benefiting from the generation of new lending and investments in the quarter as most of the business origination occurred at the end of the period. On the other hand **interest expenses** fell by 3% on a quarterly basis to **14.3 million euro**, mainly due a reduction in excess liquidity, gradually deployed in remunerative business activities.

Net fees and commissions posted a significant increase of 76% during the quarter to close at **8.7 million euro**. Alongside the good progress in fees and commissions deriving from factoring, lending and neprix sales – the neprix division specialising in remarketing of real estate assets and capital goods through the management of online auction portals – the second quarter of 2021 also saw the initial tangible contributions coming from the new initiatives launched at the beginning of 2021, and in particular the capital markets activity directed at SMEs, the launch of the first alternative fund managed by illimity SGR and the commencement of the activity arising from the government's "Ecobonus" scheme, namely the purchase of tax credits arriving from measures taken to improve energy efficiency, reduce seismic risk and retrieve building stock contained in the government's Revival Decree (110% Superbonus and other building subsidies).

Of significant note during the quarter was the generation of income by the Distressed Credit Division also thanks to **profits from closed positions** – namely the revenues earned from the final resolution of positions in purchased distressed loans – which amounted in total to **26.0 million euro**, of which 3.7 million euro recognised as credit revaluation in the first quarter of 2021. Excluding the latter, income from positions closed during the quarter would be ca. 22 million euro, thereby confirming the effectiveness of the Bank's distressed credit management strategy, based on the one hand on acceleration in the amount generated by collections from core credit positions mainly pursued by the use of "discounted payoff" transactions or the sale of single-name positions, and on the other on a focus on corporate loans achieved by selling non-core positions on the market, such as granular exposures to retail and small business customers.

In total, **operating income** reached **71.1 million euro** in the second quarter of 2021, a figure more than double that for the second quarter of 2020 and up significantly (+28%) over the 55.7 million euro posted in the previous quarter. Operating income for the second half of 2021 accordingly reached 126.8 million euro, representing a rise of 78% over the first half of 2020.

Operating costs for the second quarter of 2021 totalled **41.0 million euro,** up by 9% on a quarterly basis. Of the rise in the quarter, around 1.2 million euro reflects costs arising from the annual tranche of the Employee Stock Ownership Plan ("ESOP"), an item that is always recognised in full in the second quarter of each year, and additional costs incurred due to the increase in business volumes and the start of activities for the development of B-ILTY, a key strategic initiative included in the Plan. It should be remembered that a significant portion of operating costs – including the costs relating to the Direct Banking Division – are connected with initiatives that will only begin generating profits from 2022. Depreciation and amortisation charges fell as a result of the increase from 5 to 7 years of certain specific software items considered to be strategic. Operating costs for the first half of 2021 therefore closed at 78.5 million euro, an increase of 37% over the first half of 2020.

As a result of the above dynamics, the **Cost income ratio** ended the second quarter of 2021 at **58%**, a decrease of 9 percentage points over the previous quarter, thanks to the effect of operating leverage and the significant contribution arriving from profit from closed positions.

Net adjustments to loans of ca. 1.6 million euro were recognised during the quarter, corresponding to an annualised organic cost of risk of approximately **50bps**[3] in the quarter and of **13bps in the first half of 2021**. This dynamic is mainly attributable to individual impairment of certain positions originated by the former Banca Interprovinciale, while collective adjustments to

[3] Calculated as the ratio between loan loss provisions and net organic loans to customers at 30 June 2021 (1,287 million euro) for the segments Factoring, Cross-over, Acquisition Finance, performing Turnaround (including returns to performing loans), the loan portfolio of the former Banca Interprovinciale and Senior Financing to non-financial investors in distressed loans – though excluding UTP loans purchased as part of the Turnaround business and investments in distressed loan portfolios.

new loans granted by illimity continue to be at minimum levels, also due to the high component of loans with public guarantees made available by government Decrees, which represent around 90% of new lending made during the period.

Net write-downs of purchased distressed loans of 4.6 million euro were recognised during the quarter. A large part of this item (3.7 million euro) reflects the reclassification under profits from closed positions of positive value adjustments that were recognised in the first quarter of 2021 and relate to positions that were sold or were part of discounted payoff transactions in the second quarter of 2021, generating a gross profit of 26 million euro (excluding this item, income of 22 million euro in the second quarter).

There was a **loss from equity investments** of 1.9 million euro in the quarter, relating to the pro-rata consolidation of HYPE which is accounted for using the equity method and as planned does not yet benefit from the new initiatives that will be launched during the second half of the year.

As a result of the above dynamics, the Bank posted a **pre-tax profit** of 22.4 million euro in the second quarter 2021, up by 17% over the previous quarter and by 123% over the second quarter of 2020.

After an income tax charge of 7.5 million euro, the Bank ended the quarter with a **net profit of 14.9 million euro**, which accordingly enabled it to achieve a **net profit of 27.4 million for the first half of 2021**, up by 85% over the first half of 2020.

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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 business segments evolved during the first half of 2021.

1H21, data in million euro	**Growth Credit Division**	**Distressed Credit Division**	**Direct Banking Division**	**illimity SGR**	**Corporate Centre**	**Total**
Net interest income	8.3	54.3	1.8	-	-	64.4
Net fees and commission	8.3	4.9	-	0.5	(0.1)	13.6
Other income	3.7	42.3	2.3	-	0.5	48.8
Operating income	**20.3**	**101.5**	**4.1**	**0.5**	**0.4**	**126.8**
Staff costs	(6.0)	(12.8)	(4.1)	(1.1)	(11.6)	(35.6)
Other operating expenses and D&A	(6.2)	(20.0)	(6.3)	(0.1)	(10.3)	(42.9)
Operating costs	**(12.2)**	**(32.8)**	**(10.4)**	**(1.2)**	**(21.9)**	**(78.5)**
Operating profit	**8.1**	**68.7**	**(6.3)**	**(0.7)**	**(21.5)**	**48.3**
Provisions	(0.4)	(2.5)	-	-	0.1	(2.8)
Other income from equity investments	-	-	(4.0)	-	-	(4.0)
Profit (loss) before tax	**7.7**	**66.2**	**(10.3)**	**(0.7)**	**(21.4)**	**41.5**
Interest earning assets	1,235	1,611	-	0	1,122	3,969
Other assets	25	91	84	-	163	362
RWA	**856**	**2,055**	**28**	**-**	**229**	**3,168**

Growth Credit Division (previously named SME Division)

The Growth Credit Division saw an acceleration in new lending and investments in the quarter, with all business lines making a positive contribution.

Net customer loans stood at ca. **1,006 million euro**, up by 16% over the previous quarter and by 64% over 30 June 2020.

This growth was achieved by all segments: **Cross-over & Acquisition Finance** and **Turnaround** disbursed respectively 79 and 42 million euro in the period, an acceleration compared to the amounts disbursed and/or purchased in the previous quarter. Around 90% of the new volumes generated in both segments arose from loans with public guarantees, highly-profitable lending for the Bank due to its low risk profile and limited absorption of capital. These good commercial dynamics continued after the end of the quarter: lending reached respectively 39 and 64 million euro in July for **Cross-over & Acquisition Finance** and **Turnaround**, to which should be added respectively 38 million euro and 34 million euro not yet booked but already approved.

Factoring continued the significant growth path begun in previous quarters, achieving turnover of 232 million euro in the second quarter, a figure almost double that of the second quarter of 2020 and up by 17% on a quarterly basis. Net lending amounted to 186 million euro, representing an increase of 19% over the previous quarter and 44% over 30 June 2020. Growth was supported by the continuing increase in the number of customers – clients and debtors – by 150 and 700 respectively. The robust performance continued in July with 81 million euro turnover.

The Growth Credit Division purchased tax credits arising from measures to increase energy efficiency, reduce the seismic risk and retrieve building stock included in the Decreto Rilancio (110% Superbonus and other building subsidies). These receivables are recognised in the balance sheet as Other Assets for 21 million euro as of June 2021.

Moving on to the main income statement items, the Division ended the first half of 2021 with a pre-tax profit of 7.7 million euro. This result benefits from a significant contribution made by factoring fees and commissions, from new lending and from the new initiatives starting during the period, such as the Ecobonus activities and the provision of capital markets services to SMEs.

With the completion of the operational structure to a large extent completed, the Cost income ratio for the half year amounted to approximately 60%, an improvement compared to the figure of over 70% reported for the year 2020.

Distressed Credit Division (previously named Distressed Credit Investment & Servicing Division)

With a pre-tax profit of 66.2 million euro, the Distressed Credit Division is the main contributor to consolidated profits. The robust quarterly result is driven by the increase in volumes and by the significant revenues generated by the dynamic management of the distressed credit portfolio purchased. The Division’s Cost income ratio remained at the excellent level of 32%.

At 30 June 2021 net loans to customers of the Distressed Credit Division stood at **1,254 million euro**, up by 18% over the figure for the previous year and falling by 3% over that reported at 31 March 2021, despite the good dynamics of the new investments. In this respect the quarterly progress in volumes reflects the dynamic management of the loans portfolio, which also generated substantial profits in this quarter through the sale and early resolution of certain positions, consistent with the Bank’s management strategy.

During the quarter the Distressed Credit Division originated new investments totalling 112 million euro, a significant acceleration over the figure of 59 million euro for the first quarter of 2021, which reflected the seasonality that is characteristic of this sector. Of significance in this quarter were the investments in distressed Energy credit[4], an attractive segment and one served relatively little by the non-performing loans market, where in just a few years illimity has achieved a leadership position thanks to its team's high level of technical specialisation and the joint venture with Vei Green II S.p.A., an industrial operator with a long experience in managing renewable energy plants. The conversion of the plants connected with the loans portfolio already purchased will enable around 17,000 tonnes/year of CO2 emissions to be saved, in line with the Bank's sustainability objectives.

The level of net loans and investments in Senior Financing was essentially unchanged compared to 31 March 2021 and 8% lower than the figure for the previous year following the planned repayments. New transactions are the result of a highly selective process, consistent with the announced contents of the 2021-25 Strategic Plan, and envisage higher yields to ensure a greater return on equity.

Total assets managed by **neprix**, the illimity Group's platform specialising in servicing distressed corporate loans, stood at **8.7 billion euro** at 30 June 2021 in terms of the gross book value ("GBV") of the loans serviced and the real estate assets and capital goods held for sale.

Direct Banking Division

Direct customer funding at the end of June 2021 remained constant at ca. **2.4 billion euro** compared to the end of March 2021 and represented a rise of 36% on an annual basis. Within this total, funding from ***illimitybank.com*** **rose by 6% on a quarterly basis** (and by 41% y/y), exceeding 1.2 billion euro at the end of June 2021, with around 50% of the incremental funding relating to deposit accounts with an average maturity of 24 months.

The Bank continued to attract new customers, taking the **total number to around 50,000 at the end of July**, with good progress also being made in terms of **customer engagement**: approximately 87% of the customer base is active and it is estimated that of these customers, around 32% use ***illimitybank.com*** as their main bank, a further advance over the previous quarter.

The partnership with **Raisin** – the pan-European platform for the collection of deposits on the German market – made a positive contribution to funding during the period, this amounting to ca. **511 million euro** at the end of June 2021, representing an increase of approximately 44% over the previous year while remaining essentially unchanged compared to the previous quarter.

It is recalled that the transaction to purchase 50% in the share capital of **HYPE**, the leading Italian fintech challenger by number of customers, was completed with effect from 1 January 2021. This joint control stake in HYPE is recognised in the financial statements using the equity method, leading to a carrying amount of 83.7 million euro at 30 June 2021, which includes the loss for the quarter of 1.9 million euro.

During the quarter HYPE acquired a further 40 thousand users, taking the total number of customers to over 1.4 million. Of these, 21% hold a subscription account, a figure that rose by 4 percentage points over the same period of the previous year. The quarter was characterised by an

[4] Classified in the balance sheet as 'Financial assets measured at FVTPL.

increase in the number of customer transactions which totalled 5.7 million, up by 11% over the previous quarter, and by a simultaneous increase in the average number of transactions per customer, which rose to 3.9 (46% y/y and 7% q/q). Gross revenues for the quarter stood at 3.1 million euro, up over the figure of 2.8 million euro for the previous quarter, leading to a cumulative result of 5.9 million euro (+100% y/y) for the first six months of 2021. The company ended the quarter with a loss of 3.7 million euro, not yet benefiting from the new initiatives that will be launched during the second half of the year.

It is additionally recalled that the "New HYPE" will be presented in the third quarter of this year: thanks to the extension of PSD2 functionality and the offer of third-party products, HYPE will be able to increasingly satisfy customer needs, thereby evolving into a platform of constantly enriching financial suites.

The Division ended the first half of the year with a pre-tax loss of 10.3 million euro, reflecting, among others, the start-up of activities, investments and costs incurred for the development of the new B-ILTY initiative which will get under way at the end of the year and which it should be recalled represents the Division's biggest current commitment.

illimity SGR

Following the closure of the first alternative contribution fund focusing on investments in UTP loans, starting in the second quarter illimity SGR began generating management fees of 0.5 million euro. The company continues to work on building the operating team for the launch of the new funds envisaged in the Strategic Plan presented on 22 June 2021. As the result of these dynamics, illimity SGR ended the first half of 2021 with a pre-tax loss of 0.7 million euro.

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Business Outlook

A further rise in the Growth Credit Division's business volumes is expected over the upcoming months, this forecast also being based on loans already approved and available pipeline totalling around 280 million euro in July 2021. A positive contribution is expected to be made by all business segments in the wake of the commercial dynamism of the past few quarters. It is expected that loans backed by state guarantees will continue to play an important role in terms of providing a contribution to new disbursements, also given the fact that the measures have been extended to cover the whole of 2021.

By virtue of the seasonality typical of the distressed credit transaction market, a gradual acceleration in the Distressed Credit Division's investments can be expected to take place in the second half of the year, despite the fact that this will be taking place in the context of a foreseeable slowdown in transactions arising from the extension of corporate debt support measures ("moratorium") to the end of the current year. The available pipeline remains robust at ca. 250 million euro, although slightly lower than the initial forecasts due to the mentioned extension of the support measures. Transactions in distressed credit are expected to undergo a vigorous pick-up in 2022, with an expectation of around 180 billion euro at nominal value in cumulated transactions between 2021 and 2025 between NPL and UTP.

The generation of new business volumes will be the main source of support for the interest margin, whose increase in the second half of the year is expected to be contained, also given the 200 million euro Tier 2 subordinated loan issued at the beginning of July.

The good dynamics in net fees and commissions will continue, also supported by the new initiatives that have already started - Ecobonus, illimity SGR, capital markets services for SMEs – which will be accompanied by an expected positive contribution from the ongoing dynamic management of the distressed credit investment portfolio.

The user licence agreement for the IT platform entered into by illimity and the ION Group will become effective in the second half of 2021 and this will generate other income of 18 million euro for the current year.

Investments in new strategic projects – first and foremost B-ILTY – which will bring their benefits in the coming years, will also continue in the second half of 2021. Together with the growth in business volumes, the grounding of the new initiatives will lead to an increase in costs in the second half of 2021, as already anticipated in previous quarters.

Given the quality of the existing corporate loan book and the contribution of loans with public guarantees, into which a significant portion of the new business generated by the Growth Credit Division will be channelled, it is expected that the cost of risk will remain at contained levels for the year as a whole.

Taken overall, the solid results reported in the second quarter and current prospects confirm the trajectory of reaching the short and medium-long term results forecast in the 2021-25 Strategic Plan presented on 22 June, which envisages 2021 net profit closing at between 60 and 70 million euro.

The positive evolution of own funds through the generation of profits, despite an important growth in risk-weighted assets following the rise in volumes, will ensure that the Common Equity Tier 1 Ratio will remain significantly above regulatory requirements.

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 of the second quarter of 2021 to the financial community today **6 August 2021 at 9.00 a.m. CET.** The event can be followed via Live Audio Webcast at the link: https://87399.choruscall.eu/links/illimity210806.html or via conference call at the following numbers:

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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 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 the MTA exchange and since September 2020 on the Star Segment. The banking group, headquartered in Milan, can already count on over 600 employees and ended first half 2021 with assets exceeding 4 billion euro.

CONSOLIDATED BALANCE SHEET

(Data in thousands of euro)

		30.06.2020	30.09.2020	31.12.2020	31.03.2021	30.06.2021
10	Cash and cash balances	311,387	542,952	944,832	732,759	507,653
20	Financial assets measured at fair value through profit or loss	12,184	17,158	18,502	50,475	138,977
	a) financial assets held for trading	52	3,196	52	32,174	33
	b) financial assets designated at fair value	-	-	-	-	-
	c) other financial assets mandatorily measured at fair value	12,132	13,962	18,450	18,301	138,944
30	Financial assets measured at fair value through other comprehensive income	285,679	136,665	91,375	310,461	315,336
40	Financial assets measured at amortised cost	2,408,726	2,475,749	2,845,823	2,909,698	2,944,963
	a) due from banks	502,844	504,806	530,922	536,023	444,780
	b) loans to customers	1,905,882	1,970,943	2,314,901	2,373,675	2,500,183
50	Hedging derivatives	-	-	-	-	-
60	Fair value change of financial assets in hedged portfolios (+/-)	-	-	-	-	-
70	Investments in associates and companies subject to joint control	-	-	-	85,564	83,727
80	Technical insurance reserves reassured with third parties	-	-	-	-	
90	Tangible Assets	72,058	71,948	78,434	77,585	79,047
100	Intangible assets	61,888	65,316	69,382	69,606	73,324
	of which goodwill	36,224	36,224	36,224	36,224	36,257
110	Tax assets	39,500	35,368	35,403	31,088	29,449
	a) current	2,433	2,515	3,206	3,175	4,077
	b) deferred	37,067	32,853	32,197	27,913	25,372
120	Non-current assets held for sale and discontinued operations	-	-	-	-	61,402
130	Other assets	46,434	46,902	42,538	48,801	96,876
	Total Assets	**3,237,856**	**3,392,058**	**4,126,289**	**4,316,037**	**4,330,754**

(Data in thousands of euro)

		30.06.2020	30.09.2020	31.12.2020	31.03.2021	30.06.2021
10	Financial liabilities measured at amortized cost	2,520,946	2,688,895	3,410,034	3,519,411	3,551,095
	a) due to banks	*582,970*	*540,953*	*534,345*	*626,660*	*581,628*
	b) due to customers	*1,935,722*	*2,145,686*	*2,574,709*	*2,590,349*	*2,665,400*
	c) debt securities issued	*2,254*	*2,256*	*300,980*	*302,402*	*304,067*
20	Financial liabilities held for trading	-	-	-	-	-
30	Financial liabilities designated at fair value	-	-	-	-	-
40	Hedging derivatives	-	-	-	-	-
50	Adjustments in value of generic hedging financial liabilities (+/-)	-	-	-	-	-
60	Tax liabilities	3,187	4,627	4,207	6,859	5,268
	a) current	*2,301*	*3,880*	*3,460*	*5,512*	*3,977*
	b) deferred	*886*	*747*	*747*	*1,347*	*1,291*
70	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-
80	Other liabilities	146,995	120,093	121,789	115,632	85,422
90	Employee termination indemnities	2,175	2,449	2,656	2,680	2,896
100	Provisions for risks and charges:	1,393	1,479	4,481	5,962	5,331
	a) commitments and guarantees issued	*326*	*795*	*3,296*	*4,602*	*4,086*
	b) pensions and similar obligations	*4*	*5*	*7*	*8*	*8*
	c) other provisions for risks and charges	*1,063*	*679*	*1,178*	*1,352*	*1,237*
110	Technical reserves	-	-	-	-	
120	Valuation reserves	(4,199)	(1,855)	(278)	(559)	(1,502)
130	Redeemable shares	-	-	-	-	-
140	Equity instruments	-	-	-	-	
150	Reserves	21,237	21,501	21,766	61,733	62,980
160	Share premium reserves	487,373	487,373	487,373	543,803	543,803
170	Share capital	44,007	44,007	44,007	48,792	48,870
180	Treasury shares	(96)	(832)	(832)	(832)	(832)
190	Minority interests	-	-	-	-	5
200	Profit (loss) for the period attributable to the Group (+/-)	14,838	24,321	31,086	12,556	27,418
	Group equity	**563,160**	**574,515**	**583,122**	**665,493**	**680,737**
	Profit (loss) for the period attributable to minority interests (+/-)	-	-	-	-	-
	Equity of minority interests	**-**	**-**	**-**	**-**	***5***
	Total liabilities and equity	**3,237,856**	**3,392,058**	**4,126,289**	**4,316,037**	**4,330,754**

CONSOLIDATED BALANCE SHEET

(Data in thousands of euro)

		2Q20	3Q20	4Q20	1Q21	2Q21	1H20	1H21
10	Interest income and similar income	33,212	37,655	43,055	45,968	47,510	65,273	93,478
20	Interest expenses and similar charges	(9,321)	(10,412)	(11,845)	(14,687)	(14,171)	(19,948)	(28,858)
30	**Net interest margin**	**23,891**	**27,243**	**31,210**	**31,281**	**33,339**	**45,325**	**64,620**
40	Commission receivable	2,734	4,105	7,828	5,994	9,815	6,596	15,809
50	Commission expense	(604)	(1,156)	(1,887)	(1,274)	(1,361)	(1,970)	(2,635)
60	**Net commission**	**2,130**	**2,949**	**5,941**	**4,720**	**8,454**	**4,626**	**13,174**
70	Dividends and similar income	-	-	-	-	-	-	-
80	Net trading result	(533)	83	59	347	1,062	(531)	1,409
90	Net hedging result	-	-	-	-	-	-	-
100	Gain (loss) from disposal and repurchase of:	505	238	2,042	2,814	671	5,419	3,485
	a) financial assets measured at amortized cost	-	-	*1,863*	*302*	-	-	*302*
	b) financial assets measured at fair value through other comprehensive income	*504*	*238*	*179*	*2,512*	*671*	*5,420*	*3,183*
	c) financial liabilities	*1*	-	-	-	-	*(1)*	-
110	Gain (loss) on other financial assets and liabilities measured at fair value through profit or loss	-	1,750	646	672	(670)	(1,220)	2
	a) financial assets and liabilities designated at fair value	-	-	-	-	-	-	-
	b) other financial assets subject to mandatory fair-value valuation	-	*1,750*	*646*	*672*	*(670)*	*(1,220)*	*2*
120	**Net interest and other banking income**	**25,993**	**32,263**	**39,898**	**39,834**	**42,856**	**53,619**	**82,690**
130	Net write-downs/write-backs for credit risks relating to:	11,687	11,127	9,051	16,041	19,875	20,086	35,916
	a) financial assets measured at amortized cost	*11,503*	*10,774*	*8,969*	*17,545*	*19,514*	*20,439*	*37,059*
	b) financial assets measured at fair value through other comprehensive income	*184*	*353*	*82*	*(1,504)*	*361*	*(353)*	*(1,143)*
140	Gain/loss from contract amendments without cancellations	-	-	-	-	-	-	-
150	**Net result from banking activities**	**37,680**	**43,390**	**48,949**	**55,875**	**62,731**	**73,705**	**118,606**
160	Net insurance premiums	-	-	-	-	-	-	-
170	Other net insurance income/expenses	-	-	-	-	-	-	-
180	**Net result from banking and insurance activities**	**37,680**	**43,390**	**48,949**	**55,875**	**62,731**	**73,705**	**118,606**
190	Administrative expenses:	(26,706)	(29,171)	(41,788)	(35,134)	(39,385)	(54,095)	(74,519)
	a) staff costs	*(13,235)*	*(11,472)*	*(15,977)*	*(16,614)*	*(18,926)*	*(24,495)*	*(35,540)*
	b) other administrative expenses	*(13,471)*	*(17,699)*	*(25,811)*	*(18,520)*	*(20,459)*	*(29,600)*	*(38,979)*
200	Net provisions for risks and charges	(101)	(240)	(1,213)	(1,532)	215	4	(1,317)
	a) commitments and financial guarantees issued	*(137)*	*(200)*	*(785)*	*(1,507)*	*190*	*4*	*(1,317)*
	b) other net provisions	*36*	*(40)*	*(428)*	*(25)*	*25*	-	-
210	Net value adjustments to/recoveries on tangible assets	(663)	(700)	(696)	(1,030)	(692)	(1,323)	(1,722)
220	Net value adjustments to/recoveries on intangible assets	(1,364)	(1,598)	(1,760)	(1,940)	(1,523)	(2,537)	(3,463)
230	Other operating income/expenses	1,185	1,496	4,831	2,708	2,879	1,438	5,587
240	**Operating expenses**	**(27,649)**	**(30,213)**	**(40,626)**	**(36,928)**	**(38,506)**	**(56,513)**	**(75,434)**
250	Profit (loss) on investments in associates and companies subject to joint control	-	-	-	(2,123)	(1,851)	-	(3,974)
260	Valuation differences on tangible and intangible assets measured at fair value	-	-	-	-	-	-	-
270	Adjustments in value of goodwill	-	-	-	-	-	-	-
280	Gain (loss) from disposal of investments	-	-	-	2,278	-	-	2,278
290	**Pre-tax profit (loss) before tax from continuing operations**	**10,031**	**13,177**	**8,323**	**19,102**	**22,374**	**17,192**	**41,476**
300	Tax income (expenses) for the period on continuing operations	307	(3,694)	(1,558)	(6,546)	(7,512)	(2,354)	(14,058)
310	**Profit (loss) after tax from continuing operations**	**10,338**	**9,483**	**6,765**	**12,556**	**14,862**	**14,838**	**27,418**
320	Profit (loss) after tax from discontinued operations	-	-	-	-	-	-	-
330	**Profit (loss) for the period**	**10,338**	**9,483**	**6,765**	**12,556**	**14,862**	**14,838**	**27,418**
340	Profit (loss) for the period attributable to minority interests	-	-	-	-	-	-	-
350	**Profit (loss) for the period attributable to the Parent Company**	**10,338**	**9,483**	**6,765**	**12,556**	**14,862**	**14,838**	**27,418**