ILLIMITY ENDS THE FIRST QUARTER OF 2021
WITH A NET PROFIT OF 12.6 MILLION EURO
(+180% OVER 1Q20, +86% OVER 4Q20)

NET CUSTOMER LOANS AND INVESTMENTS UP 34% YEAR ON YEAR TO OVER 2.2 BILLION EURO, WITH SME COMPONENT ON THE RISE

THE RESULT CONFIRMS THE SIGNIFICANT GROWTH TRAJECTORY EXPECTED IN PROFIT FOR THE YEAR 2021

22 JUNE 2021: PRESENTATION OF THE NEW 2021-25 STRATEGIC PLAN

- ***Assets at 4.3 billion euro*** *(3 billion euro at 1Q20) with* ***net customer loans and investments exceeding 2.2 billion euro*** *(+34% y/y)*
- ***SME Division:*** *net loans to customers at* ***869 million euro*** *at the end of March 2021 (+56% y/y) with all business units making a positive contribution*
- ***DCIS Division:*** *stock of loans and investments rising by 28% year on year to* ***1.3 billion euro*** *at the end of March 2021*
- ***Direct Bank Division: illimitybank.com's*** *direct customer funding at* ***1.2 billion euro*** *(+42% y/y). HYPE customers increased to 1.4 million (+26% y/y)*
- ***Liquidity of 1 billion euro and a robust capital base, with a CET1 ratio of 17.6% (18.0% pro-forma)***

Milan, 11 May 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 March 2021.

illimity reported robust results in the quarter ended 31 March 2021, continuing the positive performance achieved in 2020 and posting a **net profit of 12.6 million euro**, its best quarterly result ever and a figure almost three times higher than that achieved in the first quarter of 2020 (4.5 million euro) and about twice the amount reported in the previous quarter (6.8 million euro).

Assets stood at over 4.3 billion euro at 31 March, a 5% increase over the previous quarter and 41% up on the figure of 3 billion euro posted at 31 March 2020. The total includes **net customer loans and investments** of **2.2 billion euro** at 31 March 2021, a rise of 34% over the balance of 1.7 billion euro at the corresponding date in 2020 and slightly up (by 1%) over the previous quarter, despite the sale of positions and discounted payoff transactions.

The rise in volumes in the quarter was driven by the **SME Division**, whose net customer loans grew by 6% over the end of December 2020 (+56% compared to 31 March 2020) to reach **869 million euro** at the end of March 2021. The acceleration in the growth of the business, which began in the second half of 2020, also continued decisively in the first quarter of 2021, with a positive contribution arriving from all business sectors – Factoring, Crossover and Acquisition Finance and Turnaround – and benefiting from the strong demand for the state-backed loans introduced by government decrees issued as part of the pandemic crisis. The SME Division also posted **profits** of approximately **3 million euro** in the quarter **earned on credit revaluation events deriving from Turnaround transactions**. In the quarter the Division posted a **pre-tax profit** of **4.7 million euro**.

The **quality of illimity's asset portfolio remains solid**, with no significant impairment occurring in the SME Division's net customer loans. Total gross organic non-performing loans at 31 March 2021 accordingly **fell to 35.9 million euro** (from 37.4 million euro at 31 December 2020), almost all of which arising from the business portfolio of the former Banca Interprovinciale network, while the ratio of these to **total gross organic customer loans decreased to 3.0%** at 31 March 2021 compared to 3.2% at the end of December 2020 and 4.2% at the end of March 2020. At the end of March 2021, loans with moratorium amounted to 49 million euro, down significantly from the December 2020 figure of 65 million euro (and compared to a peak amount requested during 2020 of 86 million euro).

The first quarter of the year is usually characterised by a somewhat sluggish dynamic of transactions on the distressed loan market. As a result of this seasonality, volumes in the **DCIS Division** remained more or less unchanged over the quarter ended 31 March 2021, closing at **1.3 billion euro**, also due to the effect of sale of positions and discounted payoff transactions. On the basis of a solid pipeline of potential transactions which can be estimated in around 260 million euro, also this year a gradual acceleration is expected to be seen in the division's investment activity over the next few months. Operating trends remained very strong with gross cash flows exceeding expectations. The Bank continued its dynamic management strategy on existing portfolios in this quarter too, posting additional **profits from disposals and closed positions of 9.5 million euro**. In the quarter the division posted a **pre-tax profit** of **31.4 million euro**.

Total assets managed by **neprix**, the illimity Group's platform specialising in servicing distressed corporate loans, stood at **9.0 billion euro** at 31 March 2021 in terms of the gross book value ("GBV") of the loans serviced and the real estate assets and capital goods held for sale.

At the end of March 2021, **direct customer funding** remained stable at approximately **2.4 billion euro** compared to the December 2020 figure and up by 36% year on year. Within this total, ***illimitybank.com***'s funding reached **1.2 billion euro** as at March 2021, up 7% on the previous quarter (and +42% y/y). Funding through **Raisin**, pan-European deposit platform, stood at **492 million euro**, a 20% advance quarter on quarter (+27% y/y). Corporate customer funding on a quarterly basis declined to 719 million euro (-17% q/q, +35% y/y).

It is recalled that in December 2020 illimity made its debut on the bond market with the issue of its first senior preferred bond worth 300 million euro, with a maturity of three years and a coupon of 3.375%. Overall, illimity's **total sources of funding** at 31 March 2021 stood at **3.5 billion euro**, up approximately 3% on the December 2020 figure and 47% year on year.

Also as the result of the above mentioned bond placement, **liquidity** consisting of cash, the net interbank position, high-quality liquid assets and other marketable securities – to be used to service the business growth planned for 2021 - remained at excellent levels and totalled **approximately 1 billion euro** at 31 March 2021.

Alongside its solid economic and capital results, illimity carried out two important strategic initiatives in the first quarter of 2021. On 1 January 2021 the Bank concluded the acquisition of an investment of 50% in **HYPE**, a leading player in the Italian market for mobile-based financial services platforms.

HYPE recorded a significant growth in customer numbers, up 26% year on year to 1.4 million. Starting this quarter, therefore, illimity is recognising its **joint investment in HYPE** in its consolidated financial statements using the equity method, leading to a **carrying amount of 85.6 million euro** at 31 March 2021.

During the quarter **illimity SGR** completed work on the launch of its inaugural fund "illimity Credit & Corporate Turnaround", whose first closing was announced on 1 April 2021 at a gross amount of more than 200 million euro. It is a contribution fund dedicated to investments in Unlikely To Pay ("UTP") loans due from SMEs with turnaround prospects. This launch consolidates illimity's market positioning in the UTP sector, a segment where the Bank is already playing a leading role through its investment in single name and portfolios exposures through its DCIS and SME Divisions.

The increase in assets, together with the effects arising from the consolidation of the investment in HYPE, led to a rise in **risk-weighted assets (RWAs)**, which at the end of March 2021 stood at **3,018 million euro**, up by 6% over the figure of 2,851 million euro at the end of 2020 and by 29% over the same period in 2020.

Lastly, **CET1 capital** rose to approximately **530 million euro** at the end of the first quarter of 2021 compared to 509 million euro at the end of December 2020 (439 million euro at March 2020), mostly as the result of the net profit for the quarter.

These factors led the continuation of a robust **CET1 ratio**, which ended March 2021 at **17.6%**. 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 18.0%.

Corrado Passera, **illimity's CEO**, commented: "*We are very satisfied about the start of 2021. The growth of our lending activity, the quality of our portfolios, the scale effect that is now emerging in various areas of our business and the resulting economic performance all confirm the choices we have made so far. In recent months, very promising activities have been launched in Open Banking (HYPE) and asset management (illimity SGR). A number of strategic developments not initially foreseen are also emerging and will be presented on 22 June with the update of our Strategic Plan."*.

Key balance sheet figures

Data in million euro

Reclassified Balance sheet	31.03 2020	30.06 2020	30.09 2020	31.12 2020	31.03 2021	Δ 31.03.2021 / 31.12.2020	Δ 31.03.2021 / 31.03.2020
Cash and cash equivalent	219	311	543	945	733	(22)%	234%
Due from banks and other financial institutions	657	643	645	641	676	5%	3%
Customer loans	**1,662**	**1,766**	**1,831**	**2,205**	**2,234**	**1%**	**34%**
- DCIS [1] investments	*674*	*724*	*733*	*972*	*973*	*0%*	*44%*
- DCIS [1] senior financing	*334*	*337*	*331*	*336*	*316*	*(6)%*	*(5)%*
- SME [2]	*556*	*613*	*685*	*817*	*869*	*6%*	*56%*
- Cross-over & Acq. Finance [2]	*278*	*315*	*366*	*412*	*450*	*9%*	*62%*
- High yield bond	*-*	*13*	*23*	*4*	*1*	*(66)%*	*n.s.*
- Turnaround	*154*	*156*	*173*	*243*	*260*	*7%*	*69%*
- Factoring	*123*	*129*	*123*	*158*	*157*	*(1)%*	*27%*
- Non-core former Banca Interprovinciale	*99*	*92*	*83*	*80*	*76*	*(6)%*	*(23)%*
Financial assets Held To Collect & Sell (HTCS)[3]	335	286	137	91	310	240%	(7)%
- Securities Portfolio	*335*	*286*	*137*	*91*	*268*	193%	(20)%
- Securities Portfolio high yield bond	-	-	-	-	*43*	n.s	n.s.
Financial assets measured at FVTPL[4]	8	12	17	19	50	173%	567%
Investments in associates and companies subject to jo	0	0	0	0	86	n.s	n.s.
Goodwill	36	36	36	36	36	--	--
Intangible assets	22	26	29	33	33	1%	55%
Other assets (Incl. Tangible and tax assets)	114	158	154	156	157	1%	39%
Total assets	**3,052**	**3,238**	**3,392**	**4,126**	**4,316**	**5%**	**41%**
Due to banks	468	583	541	534	627	17%	34%
Due to customers	1,901	1,913	2,123	2,552	2,568	1%	35%
Bond/Securities	10	2	2	301	302	0%	2,835%
Shareholders' Equity	537	563	575	583	665	14%	24%
Other liabilities	135	176	151	156	154	(1)%	14%
Total liabilities	**3,052**	**3,238**	**3,392**	**4,126**	**4,316**	**5%**	**41%**
Common Equity Tier 1 Capital	439	466	478	509	530	4%	21%
Risk Weighted Assets	**2,347**	**2,548**	**2,497**	**2,851**	**3,018**	**6%**	**29%**

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** rose to **869 million euro** at 31 March 2021**, up by** 6% over 31 December 2020 and **56% over the figure** of 556 million euro **at 31 March 2020**, confirming the good progression in the rise in volumes beginning in the second half of last year.

Crossover and Acquisition Finance made the largest contribution to the growth in the Division's business volumes in the first quarter of 2021, disbursing new loans to customers of 63 million euro – almost double the corresponding amount in the same period in 2020. Over 75% of new business is in state-backed loans, an instrument enabling a reduction in risk profile and capital absorption. The Bank disbursed another 12 million euro after the end of the quarter, to which should be added loans of a further 39 million euro not yet booked but already approved.

Turnaround also contributed to the advances made during the quarter, this generating new loans and investments of approximately 15 million euro. The activity continued in April with new business of a further 25 million euro generated in this segment, to which should be added loans of a further 3 million euro not yet booked but already approved.

Factoring made a good start to the year too, achieving a turnover of 199 million euro in the first quarter of 2021, a rise of 24% over the first quarter of 2020. At the present date illimity has established relations with approximately 130 clients and more than 650 debtors. This positive business dynamic also continued after the end of the quarter, with turnover volumes reaching 52 million euro in April 2021.

Distressed Credit Investment & Servicing (“DCIS”) Division

Volumes of net loans and investments in the **DCIS Division** stood at **1,289 million euro** at 31 March 2021, a rise of **28% over the figure of 1,007 million euro at the end of the previous year** and effectively in line with that posted at 31 December 2020 (-1% q/q), also due to the effect of sale of positions and discounted payoff transactions. The volume trend in the quarter on the one hand reflects 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, and on the other the dynamic management of the loan portfolio that in this quarter too led to significant profits being earned on the sale and early settlement of certain exposures, consistent with the Bank’s management strategies.

Regarding **investments in non-performing loan portfolios**, illimity finalised purchases of 47 million euro in the first quarter of 2021, an increase over the figure of 37 million euro for the first quarter of 2020, to which should be added transactions worth a further 8 million euro not yet booked but already approved. The stock of net loans and investments stood at 973 million euro at the end of March 2021, of which approximately 70% representing secured portfolios.

Total assets managed by **neprix**, the illimity Group’s platform specialising in servicing distressed corporate loans, remained stable at **9.0 billion euro** at 31 March 2021 in terms of the gross book value (“GBV”) of the loans serviced and the real estate assets and capital goods held for sale.

Lastly, **Senior Financing** activities continued with transactions of 12 million euro carried out during the first quarter of 2021, concluded mainly to support primary investment funds and companies specialising in the purchase of non-performing loans. In line with the amount disbursed in 2020, new senior financing disbursements consist of transactions having higher yields, enabling increased returns on equity to be achieved.

Direct Bank Division

Total direct deposits taken with the Bank’s retail and corporate customers stood at approximately **2.4 billion euro**, effectively in line with the figure at the end of the previous quarter and representing an increase of 36% over 31 March 2020.

As part of this total, funding by the digital direct bank ***illimitybank.com*** amounted to **1,158 million euro**, a rise of approximately 7% over the figure at the end of December 2020, with around 78% of the additional funding relating to deposit accounts with an average remaining term of 28 months.

The Bank continued to attract new customers, taking the **total number to around 48,000 at the end of April**, 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 30% use ***illimitybank.com*** as their main bank, a further advancement 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 **492 million euro** at the end of March 2021 and representing an increase of approximately 20% over the end of the previous quarter.

Direct deposits taken with corporate customers stood at **719 million euro** at the end of March 2021, representing a decrease of 17% over December 2020 due to the ordinary rotation in the cash management strategies of certain corporate counterparties.

In addition to the good advances made as a banking platform, illimity also completed an important strategic initiative transaction during the first quarter of 2021: the acquisition of a 50% investment in the share capital of **HYPE**, the **leading Italian fintech challenger by number of customers**, effective 1 January 2021. Starting this quarter, therefore, illimity is recognising its **investment in the joint venture in HYPE** in its consolidated financial statements using the equity method, **leading to a carrying amount of 85.6 million euro** at 31 March 2021 after a pro-rata loss for the quarter of 2.1 million euro.

Complete information on the joint venture in HYPE can be found in the press release issued on 22 September 2020 and subsequent releases. The purpose of the joint venture in HYPE is to consolidate the biggest fintech platform on the Italian market providing financial and payment services, with a business model geared towards sustainable profitability, this to be achieved among other things by way of key technological, managerial, commercial and cost-saving synergies that will result from the integration with the assets in illimity's Open Banking and contribute to the new product proposals expected to emerge over the next few months.

In the first quarter **HYPE** recorded a **significant increase in the number of its customers** (+26% over the same period in 2020), these exceeding **1.4 million** at the end of March 2021. In the same period, the penetration rate among customers with a fee-paying account rose by 4 percentage points over the same period of the previous year, to reach 20.6%. The number of transactions totalled approximately 5.1 million in March, up by 74% over March 2020, with a simultaneous rise (+38% y/y) in the average number of transactions per customer to reach 3.6. Against gross revenues of 2.8 million euro in the first quarter 2021, an increase of 91% year on year, the company ended the quarter with a loss of 4.2 million euro as the result of costs incurred for strengthening the central structures and developing new initiatives, in line with the business plan envisaged for the joint venture.

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At the end of the first quarter illimity's securities portfolio had risen to **310 million euro** compared to 91 million euro at the end of December 2020. This increase is on the one hand due to the replenishment of the Bank's securities portfolio, in accordance with its medium-long term investment policy, following the tactical portfolio reduction approach pursued in 2020 to limit the impact of market volatility; and on the other to the purchase of high-yield corporate securities, this arising from the previously announced strategy by investing in corporate bonds traded on the secondary market, exploiting the Bank's expertise in credit analysis and knowledge of the industrial sectors. At 31 March 2021 a total of 43 million euro was invested in bonds of this nature, all of which purchased in the quarter and classified as part of the HTCS strategy.

As a result of the increase in the securities portfolio, the **mark-to-market position** stood at negative 0.5 million euro at 31 March 2021 compared to negative 0.2 million euro at the end of December 2020 (amounts stated after tax). The securities portfolio, all of which classified as part of the Hold to Collect and Sell strategy, consists of Italian government securities (56%), senior bonds (33%) and subordinated bonds (11%).

At the end of March 2021 the Bank's stock of **gross organic doubtful loans** (which excludes purchased NPLs and UTPs) amounted to **35.9 million euro, representing a decrease of 4.1%** over the figure of 37.4 million euro at 31 December 2020. 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 3.0%** compared to the figure of 3.2% at 31 December 2020. The stock of **net doubtful organic loans** amounted to **18.0 million euro at 31 March 2021, this too falling (by 5.6%) over the previous quarter**, corresponding to a **ratio between net doubtful organic loans and net total loans to customers of 1.6%,** 10 basis points lower than the previous quarter.

At the end of March 2021, loans with moratorium amounted to 49 million euro, down significantly from the December 2020 figure of 65 million euro (and compared to a peak amount requested during 2020 of 86 million euro).

CET1 Capital increased in the first quarter to reach **530 million euro**, with the main contributions coming from the net profit for the quarter and the utilisation of deferred tax assets[1] (12.6 and 3.8 million euro respectively), to which should be added the positive contribution of 4.7 million euro arising from the previously mentioned joint venture agreement with the Sella Group in HYPE – due to the increase in illimity's capital by approximately 69.8 million euro net of implicit goodwill of approximately 65.1 million euro, the latter calculated on the basis of the value of the shareholding in HYPE booked at the time of the acquisition compared to the pro-rata net equity of the company.

Risk-weighted assets increased by 167 million euro over the quarter to 3,018 million euro, a rise principally due to the investments made during the quarter and the pro-rata consolidation of HYPE. The combination of all these factors led to a **CET1 ratio of 17.6%** at the end of March 2021. 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 March 2021) would be 18.0%.

The **Liquidity Coverage Ratio (LCR)** stood at over 1,100% at the end of the first quarter of 2021, confirming a significant liquidity buffer, while the **Net Stable Funding Ratio (NSFR)** was **significantly above minimum regulatory requirements**.

[1] Including deferred tax assets recognised on the carryforward of unused tax losses and on the ACE profit reinvestment subsidy.

Key income statement figures

Data in million euro

Reclassified Profit & Loss	1Q20	2Q20	3Q20	4Q20	1Q21	Δ 1Q21/ 4Q20	Δ 1Q21/ 1Q20
Interest income	32.1	33.2	37.7	43.1	46.0	7%	43%
Interest expenses[1]	(10.7)	(9.3)	(10.4)	(12.3)	(14.8)	20%	38%
Net interest income	**21.4**	**23.9**	**27.2**	**30.8**	**31.2**	**1%**	**46%**
Net fees and commissions	2.7	2.4	3.2	6.5	4.9	(25%)	80%
Net result from trading	3.7	(0.0)	2.1	2.7	3.8	40%	4%
Net other income/expenses	0.0	0.2	0.5	4.1	2.0	(51%)	n.s.
Profit from closed purchased distressed credit positions[2]	9.1	7.9	11.6	14.0	11.4	(19%)	25%
Gain (loss) from disposal of investments	-	-	-	-	2.3	-	-
Operating income	**37.0**	**34.4**	**44.5**	**58.2**	**55.7**	**(4%)**	**50%**
Staff costs	(11.3)	(13.2)	(11.5)	(16.0)	(16.6)	4%	47%
Other operating expenses	(16.1)	(12.7)	(16.9)	(25.2)	(17.9)	(29%)	11%
Depreciation & Amortisation	(1.8)	(2.0)	(2.3)	(2.5)	(3.0)	21%	62%
Operating costs	**(29.2)**	**(28.0)**	**(30.6)**	**(43.7)**	**(37.5)**	**(14%)**	**28%**
Operating profit	**7.8**	**6.4**	**13.9**	**14.5**	**18.1**	**25%**	**133%**
Loan loss provision charges	(2.7)	(1.2)	(0.3)	(1.7)	0.8	n.m.	n.m.
Value adjustments on purchased distressed credit	2.9	4.4	(0.6)	(4.2)	3.9	n.m.	34%
Value adjustments on securities and loans to banks	(0.8)	0.4	0.3	0.2	(1.6)	n.m.	95%
Other net provisions for risks and charges	(0.0)	0.0	(0.0)	(0.4)	(0.0)	(94%)	(31%)
Other income from equity investments	-	-	-	-	(2.1)	-	-
Profit (loss) before tax	**7.2**	**10.0**	**13.2**	**8.3**	**19.1**	**130%**	**167%**
Income tax	(2.7)	0.3	(3.7)	(1.6)	(6.5)	320%	146%
Net result	**4.5**	**10.3**	**9.5**	**6.8**	**12.6**	**86%**	**179%**

1. *This item does not include costs related to leasing liabilities, which have been reclassified as administrative costs; on the other hand, it includes commission expense and stamp duty related to deposits on the Raisin platform.*
2. *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.

Interest income rose significantly in the first quarter to reach **46.0 million euro**, an increase of 7% over the previous quarter, despite the fact that a significant part of the quarter's new volumes were originated at the end of the period.

Interest expenses also rose during the quarter, by 20%, to arrive at **14.8 million euro**, mostly due to the above-mentioned inaugural bond issue made by the Bank in December 2020.

Net fees and commissions increased to **4.9 million euro** for the quarter, representing a rise of 80% over the first quarter of 2020 but a fall when compared to the 6.5 million euro reported in the fourth quarter of 2020, due to the lower business volumes originated during the period, which was affected by seasonality in certain segments, and partly to the lower level of commission related to financing with public guarantees. In addition, the first fees earned by the new capital markets desk were recognised in the first quarter of 2021. It should be recalled that illimity qualified as a Nominated Advisor (Nomad) on the AIM Italia market on 10 March 2021, thereby extending the range of its offer thanks to a platform dedicated to SMEs and designed to support their growth and transformation plans.

Income from closed positions in the DCIS Division – meaning revenues earned from the definitive settlement of distressed credit positions, achieved by way of payment workout strategies agreed with the debtor ("discounted payoff" transactions) and the sale of positions – totalled **9.5 million euro in the quarter**, confirming the recurring nature of this source of income, to which should be added profits of **1.9 million euro** earned on **credit revaluation events** deriving from closed turnaround positions.

Lastly, as part of the **HYPE** joint venture agreement, the quarter saw the finalisation of the contribution of a selected number of illimty's Open Banking assets, which led to a **capital gain of 2.3 million euro**.

Taken overall, **operating income** for the first quarter of 2021 totalled **55.7 million euro**, representing a slight fall (of 4% q/q) over the figure of 58.2 million euro posted in the previous quarter and a rise of 50% over the first quarter of 2020.

Operating costs closed at **37.5 million euro** in the first quarter of 2021, a decrease of 14% on a quarterly basis. Cost trends in the quarter reflect the seasonality of certain businesses in terms of lower costs for due diligence advisory services and the onboarding of distressed loan portfolios acquired in the quarter.

As a result of the above movements the **cost-income ratio** ended the first quarter of 2021 at **67%**, **8 percentage points lower than the previous quarter**. Notwithstanding the investments in business growth and new initiatives, the scalability achieved by the Bank's operations in many of its businesses will start to produce operating leverage gains already visible during 2021.

Net reversals of loan loss provisions of 0.8 million euro were recognised in the quarter. Loan provisioning benefited from the state-backed instruments made available by government decrees, these representing around 25% of the SME Division's customer loan portfolio at 31 March 2021 and 75% of new disbursements made during the period, to which should be added the benefit arising from the refinancing of existing positions by means of the state-backed instruments (with the resulting release of previously accrued collective adjustments from loan loss provisions in the balance sheet) and the repayment of positions, partly referring to non-performing exposures previously written down.

The **coverage ratio** of the Bank's performing loans at 31 March 2021, excluding the factoring business, remained robust at **1.24%**.

As a consequence of the pro-forma consolidation of HYPE, accounted for using the equity method, illimity recognised a **loss on investments** of 2.1 million euro during the period.

The above dynamics enabled the Bank to end the first quarter of 2021 with a **pre-tax profit** of **19.1 million euro**, an increase of 130% over the previous quarter and 167% over the first quarter of 2020.

After an income tax charge of 6.5 million euro, the quarter closed with a **net profit of 12.6 million euro**.

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 quarter of 2021.

	SME	DCI&S	Direct Banking	SGR	Corporate Center	Total
Net interest income	3.8	26.6	0.7	-	0.1	31.2
Net fees and commission	3.0	2.1	-	-	(0.2)	4.9
Other income	2.9	13.9	2.3	-	0.4	19.5
Operating income	**9.7**	**42.6**	**3.0**	**-**	**0.3**	**55.7**
Staff costs	(2.7)	(5.9)	(1.5)	(0.5)	(6.0)	(16.6)
Other operating expenses and D&A	(2.6)	(8.1)	(2.9)	(0.1)	(7.2)	(20.9)
Operating costs	**(5.3)**	**(14.0)**	**(4.4)**	**(0.6)**	**(13.2)**	**(37.5)**
Operating profit	**4.4**	**28.6**	**(1.4)**	**(0.6)**	**(12.9)**	**18.1**
Provisions	0.3	2.8	-	-	-	3.1
Other income from equity investments	-	-	(2.1)	-	-	(2.1)
Profit (loss) before tax	**4.7**	**31.4**	**(3.5)**	**(0.6)**	**(12.9)**	**19.1**
Interest earning assets	1,085	1,510	-	-	1,409	4,003
Other assets	4	88	86	-	135	313
RWA	**827**	**1,996**	**30**	**-**	**165**	**3,018**

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

The **DCIS Division** posted revenues of around 42.6 million euro in the first quarter of 2021, equal to approximately 76% of the Bank's total operating income, and **pre-tax profits of 31.4 million euro**. The Division's cost-income ratio closed well below 35% in the first quarter.

The **SME Division**, more gradual in putting in place its operating structure and loan and investment portfolio, ended the first quarter with revenues of 9.7 million euro, equal to 17% of total operating income, and a **pre-tax profit of 4.7 million euro**, a significant rise compared to the profit of 5.5 million euro earned for the whole of 2020. The acceleration of business volumes occurring in the last part of the quarter, together with the scalability of its operating platform, will lead to operating leverage benefits from now onwards.

For the first time the **Direct Bank Division** reflects the contribution arising from the finalisation of the joint venture in HYPE, consolidated using the equity method, in its results. In the quarter, the economic effects of the 50% investment in the share capital of HYPE resulted in the recognition of a loss of 2.1 million euro, corresponding to the pro-rata portion of the company's result for the period, in line with expectations for the joint venture, to which should be added the recognition of a capital gain of 2.3 million euro arising on the valuation of the part of illimity's Open Banking assets contributed to HYPE in accordance with the partnership agreement. The Division ended the quarter with a **pre-tax loss of 3.5 million euro**. The joint venture in HYPE is expected to bring benefits arising from the significant savings to be achieved through cost sharing, as well as the revenue possibilities opened up by the cross-selling opportunities that will emerge over the next few years.

Lastly, the **Corporate Center** function posted **12.9 million euro pre-tax loss** in the quarter.

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Business Outlook

Despite the persistent uncertainties caused by the pandemic, illimity posted robust results in the first quarter of 2021, continuing the good performance of the Bank's business already in evidence in 2020. All the business areas in which illimity operates are lively, and the future growth prospects for some of these – for example the distressed credit transaction sector – could turn out to be better than originally forecast.

A further rise in the SME Division's business volumes is expected over the next few months, this expectation also being based on the loans already approved and available pipeline totalling approximately 280 million euro in April 2021, consistent with the dynamism shown by all business segments over 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 expected extension of the scheme to the whole of 2021.

By virtue of the seasonality typical of the distressed credit transaction market, a gradual acceleration in the DCIS Division's investments can already be expected to arrive in the next quarter and continue throughout 2021, moreover in consideration of a medium-term pipeline that can be quantified in over 260 million euro.

The acceleration in the generation of business volumes will be the main driver for revenue growth during the year, this being accompanied by the expected positive contribution arriving from the continuing dynamic management of the distressed loan investment portfolio.

The Bank already incurred costs and expenditure on investments in strategic initiatives in the latter part of 2020, in support of its medium to long term growth prospects. Investments in new strategic projects, which will bring their results in future years, will also continue in 2021, with acceleration over the following quarters, thereby further strengthening the market positioning of all the Bank's activities. Even with these investments, the scalability achieved by the Bank's operations in many of its businesses will start to generate operational leverage benefits already visible in the course of 2021.

Given the quality of the existing corporate portfolio and the contribution of 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 credit in 2021 will also remain at contained levels over the upcoming quarters.

Taken overall, management is expecting there to be a further significant rise in the Bank's net profit in 2021, despite the costs to be incurred for the new strategic initiatives which will be announced to the market on the presentation of illimity's strategic plan on 22 June 2021.

The positive evolution of own funds through the generation of profits, despite an important growth in risk-weighted assets, will ensure that the Common Equity Tier 1 Ratio will remain 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 new **2021-2025 Strategic Plan to the financial community** on **22 June 2021 at 9.00 a.m. CET**. Comments on the results for the first quarter of 2021 will also be provided on this occasion. The presentation on the results for the quarter is available from today on the Bank's website www.illimity.com under the Investor Relations section.

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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 2020 with assets exceeding 4 billion euro

CONSOLIDATED BALANCE SHEET

(values in thousands of euro)

		31.03.2020	30.06.2020	30.09.2020	31.12.2020	31.03.2021
10	Cash and cash balances	219,063	311,387	542,952	944,832	732,759
20	Financial assets measured at fair value through profit or loss	7,567	12,184	17,158	18,502	50,475
	a) financial assets held for trading	62	52	3,196	52	32,174
	b) financial assets designated at fair value	-	-	-	-	-
	c) other financial assets mandatorily measured at fair value	7,505	12,132	13,962	18,450	18,301
30	Financial assets measured at fair value through other comprehensive income	335,187	285,679	136,665	91,375	310,461
40	Financial assets measured at amortised cost	2,318,513	2,408,726	2,475,749	2,845,823	2,909,698
	a) due from banks	566,799	502,844	504,806	530,922	536,023
	b) loans to customers	1,751,714	1,905,882	1,970,943	2,314,901	2,373,675
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
80	Technical insurance reserves reassured with third parties	-	-	-	-	-
90	Tangible Assets	25,775	72,058	71,948	78,434	77,585
100	Intangible assets	57,808	61,888	65,316	69,382	69,606
	of which goodwill	36,224	36,224	36,224	36,224	36,224
110	Tax assets	39,043	39,500	35,368	35,403	31,088
	a) current	3,152	2,433	2,515	3,206	3,175
	b) deferred	35,891	37,067	32,853	32,197	27,913
120	Non-current assets held for sale and discontinued operations	-	-	-	-	-
130	Other assets	48,814	46,434	46,902	42,538	48,801
	Total Assets	**3,051,770**	**3,237,856**	**3,392,058**	**4,126,289**	**4,316,037**

(values in thousands of euro)

		31.03.2020	30.06.2020	30.09.2020	31.12.2020	31.03.2021
10	Financial liabilities measured at amortized cost	2,401,891	2,520,946	2,688,895	3,410,034	3,519,411
	a) due to banks	*468,190*	*582,970*	*540,953*	*534,345*	*626,660*
	b) due to customers	*1,923,399*	*1,935,722*	*2,145,686*	*2,574,709*	*2,590,349*
	c) debt securities issued	*10,302*	*2,254*	*2,256*	*300,980*	*302,402*
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	2,156	3,187	4,627	4,207	6,859
	a) current	*1,125*	*2,301*	*3,880*	*3,460*	*5,512*
	b) deferred	*1,031*	*886*	*747*	*747*	*1,347*
70	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-
80	Other liabilities	100,006	146,995	120,093	121,789	115,632
90	Employee termination indemnities	1,712	2,175	2,449	2,656	2,680
100	Provisions for risks and charges:	1,047	1,393	1,479	4,481	5,962
	a) commitments and guarantees issued	*459*	*326*	*795*	*3,296*	*4,602*
	b) pensions and similar obligations	*3*	*4*	*5*	*7*	*8*
	c) other provisions for risks and charges	*585*	*1,063*	*679*	*1,178*	*1,352*
110	Technical reserves	-	-	-	-	-
120	Valuation reserves	(10,946)	(4,199)	(1,855)	(278)	(559)
130	Redeemable shares	-	-	-	-	-
140	Equity instruments	-	-	-	-	-
150	Reserves	20,217	21,237	21,501	21,766	61,733
160	Share premium reserves	480,156	487,373	487,373	487,373	543,803
170	Share capital	43,408	44,007	44,007	44,007	48,792
180	Treasury shares	(96)	(96)	(832)	(832)	(832)
190	Minority interests	-	-	-	-	-
200	Profit (loss) for the period attributable to the Group (+/-)	4,500	14,838	24,321	31,086	12,556
	Group equity	**537,239**	**563,160**	**574,515**	**583,122**	**665,493**
	Profit (loss) for the period attributable to minority interests (+/-)	-	-	-	-	-
	Equity of minority interests	**-**	**-**	**-**	**-**	**-**
	Total liabilities and equity	**3,051,770**	**3,237,856**	**3,392,058**	**4,126,289**	**4,316,037**

CONSOLIDATED INCOME STATEMENT

(values in thousands of euro)

		1Q20	2Q20	3Q20	4Q20	1Q21
10	Interest income and similar income	32,061	33,212	37,655	43,055	45,968
20	Interest expenses and similar charges	(10,627)	(9,321)	(10,412)	(11,845)	(14,687)
30	**Net interest margin**	**21,434**	**23,891**	**27,243**	**31,210**	**31,281**
40	Commission receivable	3,862	2,734	4,105	7,828	5,994
50	Commission expense	(1,366)	(604)	(1,156)	(1,887)	(1,274)
60	**Net commission**	**2,496**	**2,130**	**2,949**	**5,941**	**4,720**
70	Dividends and similar income	-	-	-	-	-
80	Net trading result	2	(533)	83	59	347
90	Net hedging result	-	-	-	-	-
100	Gain (loss) from disposal and repurchase of:	4,914	505	238	2,042	2,814
	a) financial assets measured at amortized cost	*-*	*-*	*-*	*1,863*	*302*
	b) financial assets measured at fair value through other comprehensive income	*4,916*	*504*	*238*	*179*	*2,512*
	c) financial liabilities	*(2)*	*1*	*-*	*-*	*-*
110	Gain (loss) on other financial assets and liabilities measured at fair value through profit or loss	(1,220)	-	1,750	646	672
	a) financial assets and liabilities designated at fair value	*-*	*-*	*-*	*-*	*-*
	b) other financial assets subject to mandatory fair-value valuation	*(1,220)*	*-*	*1,750*	*646*	*672*
120	**Net interest and other banking income**	**27,626**	**25,993**	**32,263**	**39,898**	**39,834**
130	Net write-downs/write-backs for credit risks relating to:	8,399	11,687	11,127	9,051	16,041
	a) financial assets measured at amortized cost	*8,936*	*11,503*	*10,774*	*8,969*	*17,545*
	b) financial assets measured at fair value through other comprehensive income	*(537)*	*184*	*353*	*82*	*(1,504)*
140	Gain/loss from contract amendments without cancellations	-	-	-	-	-
150	**Net result from banking activities**	**36,025**	**37,680**	**43,390**	**48,949**	**55,875**
160	Net insurance premiums	-	-	-	-	-
170	Other net insurance income/expenses	-	-	-	-	-
180	**Net result from banking and insurance activities**	**36,025**	**37,680**	**43,390**	**48,949**	**55,875**
190	Administrative expenses:	(27,389)	(26,706)	(29,171)	(41,788)	(35,134)
	a) staff costs	*(11,260)*	*(13,235)*	*(11,472)*	*(15,977)*	*(16,614)*
	b) other administrative expenses	*(16,129)*	*(13,471)*	*(17,699)*	*(25,811)*	*(18,520)*
200	Net provisions for risks and charges	105	(101)	(240)	(1,213)	(1,532)
	a) commitments and financial guarantees issued	*141*	*(137)*	*(200)*	*(785)*	*(1,507)*
	b) other net provisions	*(36)*	*36*	*(40)*	*(428)*	*(25)*
210	Net value adjustments to/recoveries on tangible assets	(660)	(663)	(700)	(696)	(1,030)
220	Net value adjustments to/recoveries on intangible assets	(1,173)	(1,364)	(1,598)	(1,760)	(1,940)
230	Other operating income/expenses	253	1,185	1,496	4,831	2,708
240	**Operating expenses**	**(28,864)**	**(27,649)**	**(30,213)**	**(40,626)**	**(36,928)**
250	Profit (loss) on investments in associates and companies subject to joint control	-	-	-	-	(2,123)
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
290	**Pre-tax profit (loss) before tax from continuing operations**	**7,161**	**10,031**	**13,177**	**8,323**	**19,102**
300	Tax income (expenses) for the period on continuing operations	(2,661)	307	(3,694)	(1,558)	(6,546)
310	**Profit (loss) after tax from continuing operations**	**4,500**	**10,338**	**9,483**	**6,765**	**12,556**
320	Profit (loss) after tax from discontinued operations	-	-	-	-	-
330	**Profit (loss) for the period**	**4,500**	**10,338**	**9,483**	**6,765**	**12,556**
340	Profit (loss) for the period attributable to minority interests	-	-	-	-	-
350	**Profit (loss) for the period attributable to the Parent Company**	**4,500**	**10,338**	**9,483**	**6,765**	**12,556**