# Consolidated interim report as of 31 March 2022

illimity
BANCA OLTRE LA FORMA

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## Consolidated interim report as of 31 March 2022

# Composition of Corporate Bodies

## Board of Directors(*)

**Chair**
Rosalba Casiraghi

**Chief Executive Officer**
Corrado Passera

**Directors**
Filippo Annunziata
Marco Bozzola
Massimo Brambilla
Patrizia Canziani
Stefano Caringi
Elena Ciallìè
Nadia Fontana
Paola Elisabetta Galbiati
Francesca Lanza Tans
Giovanni Majnoni D'Intignano
Marcello Valenti

## Audit and Internal Control Committee

**Chair**
Marco Bozzola

**Members**
Stefano Caringi
Nadia Fontana

(*) Board Directors appointed by the Shareholders' Meeting of 28 April 2022.

## Board Committees

**Nominations Committee**
Marcello Valenti,
Chair
Giovanni Majnoni D'Intignano
Rosalba Casiraghi

**Remuneration Committee**
Paola Elisabetta Galbiati,
Chair
Francesca Lanza
Marcello Valenti

**Risks Committee**
Elena Cialliè, Chair
Filippo Annunziata
Patrizia Canziani
Stefano Caringi

**Committee for Related Party Transactions**
Giovanni Majnoni D'Intignano, Chair
Paola Elisabetta Galbiati
Nadia Fontana

**Sustainability Committee**
Rosalba Casiraghi,
Chair
Massimo Brambilla
Elena Cialliè
Patrizia Canziani

## Financial Reporting Officer

Sergio Fagioli

## Independent Auditors

KPMG S.p.A.

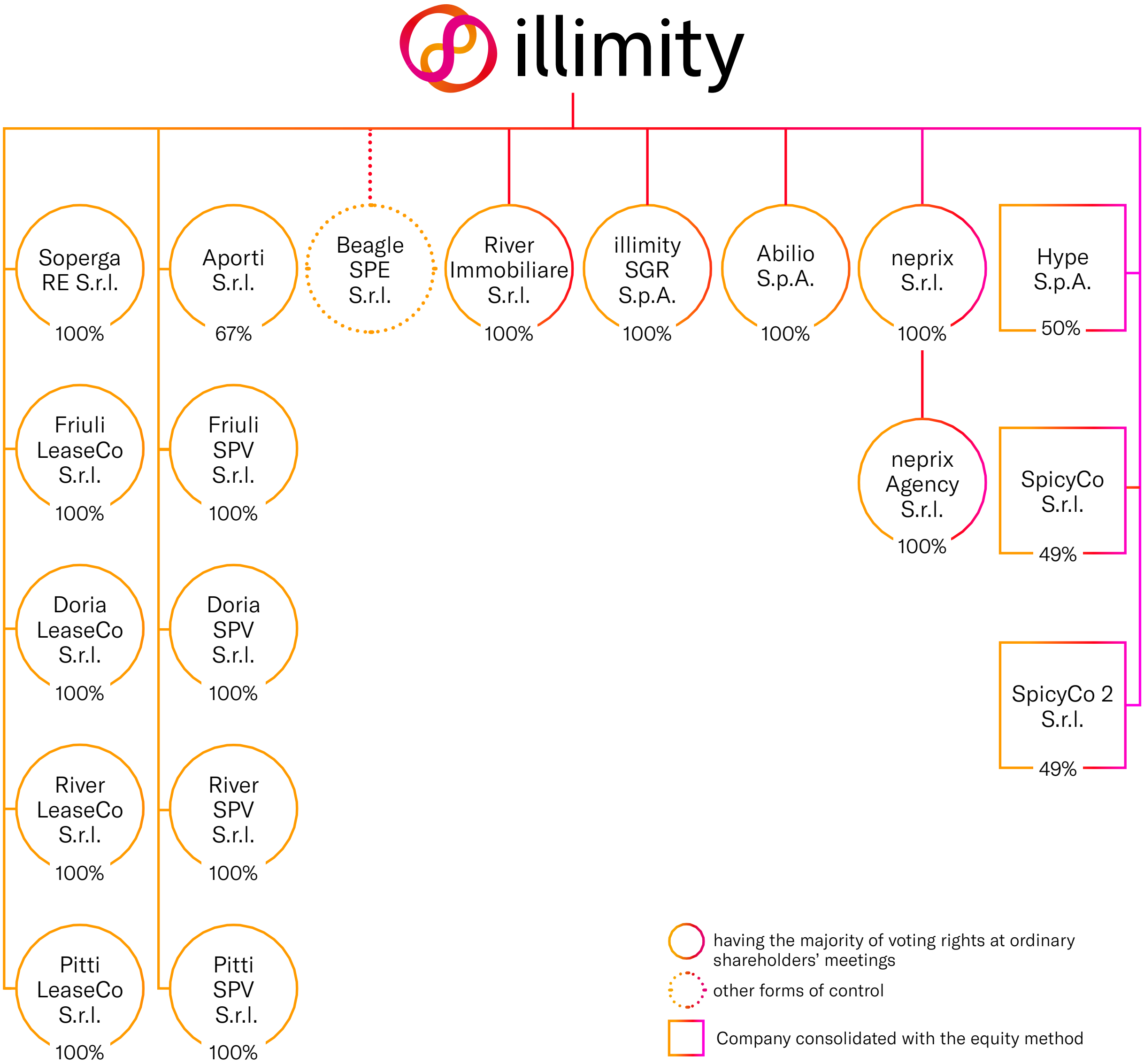
# Consolidated interim report

as of 31 March 2022

illimity

# The illimity Group

This Report on Consolidated Operations illustrates the performance and the related data and results for the 2021 financial year of illimity Bank S.p.A. ("illimity" or the "Bank") and of the entities included in the scope of consolidation (together with the Bank, the "illimity Group" or the "Group"). illimity performs management and coordination functions for the Group and has its registered office in Milan, at via Soperga, 9[1].




The illimity Group is engaged in the provision and management of credit through the Growth Credit, Distressed Credit and Direct Banking Divisions. Specifically, illimity provides credit to high-potential SMEs, purchases distressed corporate credit and manages it through its own platform – neprix – and offers direct digital banking services through illimitybank.com. The Group also includes an Investment Banking Division, established on 1 January 2022, and illimity SGR, which sets up and manages Alternative Investment Funds. illimity Bank's business also make use of the operations of the other Group companies. The scope of the Group includes the LeaseCos, which support the bank in the management of lease operations, the ReoCos, which are active in the management of the properties linked to the acquired portfolios, and the Special Purpose Vehicles (SPVs) established to undertake securitisation operations.

1 The Bank also operates a branch office located in Modena, at F. Lamborghini 88/90.

# Alternative performance measures as of 31 March 2022

The Group's main consolidated measures are set out below.

The figures presented, although not covered by IFRS/IAS, are provided in compliance with indications in CONSOB Communication No. 6064293 of 28 July 2006 and the ESMA Recommendation on alternative performance measures.

*(amounts in thousands of euros)*

| PERFORMANCE MEASURES | 31 March 2022 | 31 March 2021 | Chg. | Chg. % |
|---|---|---|---|---|
| Total net operating income | 78,452 | 55,671 | 22,781 | 41% |
| Operating expenses | (44,927) | (36,146) | (8,781) | 24% |
| Operating profit (loss) | 33,525 | 19,525 | 14,000 | 72% |
| Total net losses/recoveries | (5,625) | 3,128 | (8,753) | N/A |
| Profit (loss) from operations before taxes | 24,082 | 19,102 | 4,980 | 26% |
| Profit (loss) for the period | 15,675 | 12,556 | 3,119 | 25% |

*(amounts in thousands of euros)*

| BALANCE SHEET MEASURES | 31 March 2022 | 31 December 2021 | Chg. | Chg. % |
|---|---|---|---|---|
| **Net non-performing loans - organic**[2] | **21,232** | **21,025** | **207** | **1%** |
| *of which: Bad loans* | *5,273* | *4,987* | *286* | *6%* |
| *of which: Unlikely-to-pay* | *15,449* | *15,902* | *(453)* | *(3%)* |
| *of which: Past-due positions* | *510* | *136* | *374* | *>100%* |
| **Net non-performing loans - inorganic (POCI)**[3] | **1,008,820** | **1,048,358** | **(39,538)** | **(4%)** |
| *of which: Bad loans* | *678,340* | *699,429* | *(21,089)* | *(3%)* |
| *of which: Unlikely-to-pay* | *330,480* | *348,929* | *(18,449)* | *(5%)* |
| **Performing loans – inorganic (Public Procurement Claims)** | **70,179** | **-** | **-** | **n.a** |
| **Net non-performing securities - inorganic (POCI)** | **73,844** | **10,037** | **63,807** | **>100%** |
| *of which: Unlikely-to-pay* | *73,844* | *10,037* | *63,807* | *>100%* |
| **Net performing HTC securities - Government Bonds** | **107,565** | **-** | **107,565** | **N/A** |
| **Net performing HTC securities - Business** | **306,668** | **242,019** | **64,649** | **27%** |
| *of which: Growth Credit securities* | *43,516* | *24,229* | *19,287* | *80%* |
| *of which: Distressed Credit securities* | *263,152* | *217,790* | *45,362* | *21%* |
| **Loans to financial entities** | **159,964** | **199,857** | **(39,893)** | **(20%)** |
| **Net performing loans to customers** | **1,351,006** | **1,440,501** | **(89,495)** | **(6%)** |
| **Financial instruments (HTCS + FV)** | **506,734** | **376,187** | **130,547** | **35%** |
| **Direct customer funding** | **3,569,480** | **3,317,934** | **251,546** | **8%** |
| **Total Assets** | **4,922,409** | **4,660,590** | **261,819** | **6%** |
| **Shareholders' equity** | **777,427** | **772,820** | **4,607** | **1%** |

2 The definition of organic receivables and securities (performing and non-performing) includes organic loans to customers on the factoring, cross-over, acquisition finance and turnaround segments and receivables acquired in investing in portfolios of distressed loans, which underwent a change in accounting status following the purchase or disbursement (excluding receivables acquired as bad loans), the loan portfolio of the former Banca Interprovinciale and senior financing to non-financial investors in distressed loans.

3 POCI = Purchased or Originated Credit Impaired

| RISK RATIOS | 31 March 2022 | 31 December 2021 |
|---|---|---|
| Gross Organic NPE Ratio[4] | 2.3% | 2.3% |
| Net Organic NPE Ratio[5] | 1.3% | 1.2% |
| Coverage ratio for organic non-performing loans[6] | 46.6% | 46.8% |
| Coverage ratio for organic bad-debt positions[7] | 73.1% | 73.8% |
| Coverage ratio for performing loans[8] | 0.7% | 0.6% |
| Cost of organic credit risk (BPS)[9] | 13 | 4 |

| STRUCTURAL RATIOS | 31 March 2022 | 31 December 2021 |
|---|---|---|
| Shareholders' equity/Total Liability | 15.8% | 16.6% |
| Interbank Funding/Total Funding | 10.4% | 11.0% |
| Liquidity coverage ratio | ~220% | ~180% |
| Net Stable Funding Ratio | >100% | >100% |
| Net loans with customers/Total assets[10] | 59.7% | 59.3% |
| Direct customer funding/Total Liability | 72.5% | 71.2% |

| CAPITAL RATIOS | 31 March 2022 | 31 December 2021 |
|---|---|---|
| Tier I capital ratio (Tier I capital/Total weighted assets) | 17.65% | 18.83% |
| Total capital ratio [(Tier I + Tier II)/Total weighted assets] | 23.19% | 24.71% |
| Own Funds | 849,161 | 842,899 |
| of which: Tier I capital | 646,484 | 642,467 |
| Risk-weighted assets | 3,662,016 | 3,411,468 |

4 Ratio of provisions for losses on loans to the gross value of organic loans to customers on the factoring, cross-over, acquisition finance and turnaround segments and receivables acquired in investing in portfolios of distressed loans, which underwent a change in accounting status following the purchase or disbursement (excluding receivables acquired as bad loans), the loan portfolio of the former Banca Interprovinciale and senior financing to non-financial investors in distressed loans.

5 Ratio of provisions for losses on loans to the net value of organic loans to customers on the factoring, cross-over, acquisition finance and turnaround segments and receivables acquired in investing in portfolios of distressed loans, which underwent a change in accounting status following the purchase or disbursement (excluding receivables acquired as bad loans), the loan portfolio of the former Banca Interprovinciale and senior financing to non-financial investors in distressed loans.

6 Ratio of losses on organic non-performing loans to gross exposure of non-performing organic loans.

7 Ratio of losses on organic bad loans to gross exposure of organic bad loans.

8 Ratio of losses on performing client loans to gross exposure of performing client loans.

9 Ratio of the sum of annualised losses on performing customer loans (net of investments with financial entities and government bonds), organic non-performing loans and HTC securities to net exposures of same at the end of the period.

10 Ratio of customer loans and Distressed Credit and Growth Credit securities at amortised cost to total assets.

# Composition and organisational structure

illimity operates in the banking sector and is authorised to provide banking, investment and trading services. illimity currently has four Business Divisions:

- Distressed Credit
- Growth Credit
- Investment Banking
- Direct Banking.

There is also the Asset Management Company ("SGR"), which manages the assets of closed-end alternative investment funds, established with own funds and the funds of third-party institutional investors.

The Bank's organisational structure also comprises other units supporting the Business and monitoring risks.

Below is a description of the Bank's organisational structure as of 31 March 2022.

## Distressed Credit Division

The Distressed Credit Division is the business area operating in the following segments:

- purchase of secured and unsecured corporate distressed loans in competitive processes or off-market purchases, on both the primary and secondary markets;
- financing services, mainly in the form of senior financing, to investors in distressed loans;
- management (servicing) of corporate NPL portfolios and underlying assets, through a specialised servicing platform developed internally or under commercial agreements with specialised operators.

The Distressed Credit Division has the following structure:

1) Portfolios, Senior Financing, Special Situations – Real Estate and Special Situations – Energy Areas, responsible for the origination of the investment opportunities in NPL portfolios and Senior Financing, as well as the coordination of the entire negotiation and bidding process, until the final closing phase;
2) The Servicing Area, responsible for performing due diligence procedures and for adapting, implementing and monitoring recovery strategies through the coordination of internal and external servicers. The Servicing Unit neprix, tasked with debt recovery, reports to the Area;
3) The Portfolio & Asset Optimisation Area, which is responsible for optimising portfolio, single name and Repossessed Property management by identifying market opportunities for their sale (or redevelopment in the case of properties), in accordance with the thresholds set by the Bank, while coordinating the entire process, from the initial analysis phase to post-sales;
4) The Pricing Area, responsible, under the supervision of the Risk Management Function, for developing, implementing and maintaining the pricing models of portfolios/single name (special situations)/ senior financing and the capital structure of all investments, as well as the activities of Due Diligence Coordination;
5) Business Portfolio Analysis & Monitoring Area, responsible for governing and managing the cost monitoring process, the income statement and the portfolios/single names or the trend in performance of the Division;
6) The Operations & Analytics Area, tasked with coordinating and monitoring the Division's activities, overseeing relations with other Bank units and decision-making bodies and providing legal advice related to individual investment opportunities and initiatives. It is also responsible for governing and managing the process of acquiring, transforming and using the data originated and used by the Division in business processes and for managing the onboarding process.

In more detail, the "Investments" perimeter, which includes the organisational units Portfolios, Special Situations – Real Estate and Special Situations – Energy, is responsible for overseeing the market for opportunities to acquire distressed credit assets (financial receivables classified as bad loans or UTPs) from

corporate counterparties, partly backed by first-degree mortgage guarantees or leased assets ("secured") and partly devoid of underlying real estate or secured by second-degree mortgages ("unsecured"). Credits are acquired both in the so-called "primary" market, i.e. directly from the credit intermediaries that originally granted the credit to the counterparties, and in the "secondary" market, i.e. from other investors who in turn purchased the credits from the aforementioned credit intermediaries.
The Investments perimeter is divided into three organisational units, described below:

a) Portfolios, aimed at investments in distressed credit portfolios, mainly or totally represented by the corporate type (any retail receivables purchased are destined for sale on the secondary market);
b) Special Situations – Real Estate, aimed at investment opportunities in so-called "single name" receivables, meaning exposures to a single borrower or, at most, a cluster of corporate counterparties, both secured and unsecured;
c) Special Situations – Energy, aimed at investment opportunities in single name loans involving corporate counterparties operating in the renewable energy sector.

On the other hand, the Senior Financing Area is responsible for overseeing, both at the commercial and product level, the market of asset-backed financing opportunities to third-party investors who purchase or have purchased non-performing loans (bad loans/UTPs) and for monitoring the related operations in their structuring and throughout all phases until finalisation of the contractual documentation and disbursement.

At the organisational level, the aforementioned areas report to the Head of the Distressed Credit Division and interact with the other areas of the Division (Pricing, Operations & Analytics, Servicing, Business Portfolio Analysis & Monitoring) and the Bank's structures (General Counsel, Administration & Accounting, CRO, Budget & Control, Compliance & AML), acting as an interface between internal units and investors.

In line with illimity's business model of internalising the entire value chain, the Bank is supported by neprix for the management of distressed loans, and forms commercial agreements with servicers selected from time to time on the basis of the characteristics of the assets acquired.

neprix, the company where servicing activities for NPLs acquired by illimity, are centralised, relies on the services of professionals with specific experience and know how in due diligence and in managing non-performing loans.

Following the merger with IT Auction (the company acquired by the Group in 2020 and merged into neprix with legal effect from 1 February 2021), the neprix Sales Area was created, for managing and selling property and capital goods originating from insolvency proceedings and foreclosure, through its own network of platforms/online auctions and a network of professionals operating nationwide. Note that in the initial months of 2022, Abilio S.p.A (former neprix sales branch), a subsidiary of illimity, was incorporated.

To carry out its operations concerning distressed credit, illimity works with the vehicles Aporti, Friuli SPV, Doria SPV, River SPV, Pitti SPV and Beagle SPE and with the companies Soperga RE, Friuli LeaseCo, Doria LeaseCo, River LeaseCo, Pitti LeaseCo, River Immobiliare and SpicyCo.

## Growth Credit Division

The objective of the Growth Credit Division is to serve businesses, usually medium-sized, with a credit standing that is not necessarily high, but that have a good industrial potential and which, due to the complex nature of operations to finance, or their financial difficulties, require a specialist approach to supporting business development programmes or plans to rebalance and relaunch industrial activities.
Therefore the Division mainly focuses on structuring detailed funding operations that meet the complex needs of its clients, directly supporting companies and, if considered appropriate, acquiring credit positions with third-party banks, mainly at a discount, for turnaround operations.

The Growth Credit Division is active in the following segments:

- factoring: financing of the supply chain of the operators of Italian chains and industrial districts through the activity of recourse and non-recourse purchasing of customers' trade receivables, through a dedicated digital channel;

- crossover & acquisition finance: financing to high-potential businesses with a suboptimal financial structure and/or with a low rating or no rating; the crossover segment also includes financing solutions dedicated to acquisition activities (acquisition finance);
- turnaround: the purchase of loans classified as unlikely-to-pay (UTP), with the aim of recovering and restoring them to performing status by identifying optimal financial solutions, which may include new loans or the purchase of existing loans.

The Growth Credit Division is organised by specialised business areas, on the basis of the segments and products defined above, each of which is responsible for managing activities for its own customers. Each Area is tasked with analysing the customers and sector within its portfolio to design the optimal financing solution, assess the risk level of each position, define product pricing or transaction specifications, interface with customers to monitor the risk profiles of counterparties and intervene promptly, where necessary, in the event of problems, in coordination with the Bank unit responsible for monitoring loans.

These areas, specialised by Business segment, are flanked by dedicated units, supporting business activities: the Legal SME Area supports the business areas regarding legal and contractual aspects; the Business Operations & Credit Support Area manages the annual reporting of the Division, monitors relations with tutors, manages the Modena branch and oversees the portfolio of the former Banca Interprovinciale regarding progressive divestment.

## Investment Banking Division

The Investment Banking Division is responsible for defining and executing capital markets operations (both in the equity segment and the debt segment for corporate customers), for derivatives trading on own behalf and for third parties, for structuring funding transactions and capital optimisation to support the other units of the Bank.

The Division's Value Proposition provides:

- alternative solutions for companies in addition to those already offered by the Bank, exploiting the synergies with the Growth Credit and Distressed Credit Divisions (i.e. Basket Bonds, Basket Loans, Securitisations of secured and unsecured single tranche loans, IPOs, M&A, derivatives);
- structuring funding transactions and capital optimisation (i.e. SRTs), also supporting other Company Divisions and Functions.

The Division is split into three organisational units, described below:

a) Capital Markets, which provides complementary solutions to companies in relation to the Growth Credit Division's offering;
b) Corporate Solutions, which invests in corporate bonds and alternative debt and offers solutions to SMEs and Mid Caps to hedge market risks;
c) Structuring, which takes care of implementing complex financial transactions for the Bank and for companies.

## Direct Banking Division

Through its Direct Banking Division, illimity offers digital banking products and services to Retail and Corporate customers. The Division aims to develop a range of products and services that can fulfil the needs of the market and to manage the online and app channels. It is responsible for designing the value proposition and its relative commercial and pricing characteristics, and for formulating the characteristics of the front-end and the overall user experience for the customer. In addition, it formulates the Bank's communications plan and brand development strategy to ensure positioning, customer acquisition results and optimal customer management. This is achieved through a platform supported by the most innovative technologies available. The optimisation of the service is also supported by the Contact Centre, Back Office and design of processes, as well as by dedicated data management oversight.

The Direct Banking Value Proposition currently extends to the following products and services categories:
1) *Deposits accounts* with competitive rates and a simple, customisable product structure;
2) *Spending projects,* to simply and automatically save to achieve goals;
3) *Current accounts,* offered through an innovative, digital User Experience, with associated credit, debit and prepaid cards managed in collaboration with nexi;
4) *Account Aggregator* and Payment Initiation Service, i.e. features that enable the aggregation in each customer's home banking of accounts held with other banks, providing an overview of the customer's financial situation within a single screen, and bank credit transfers from the accounts of participating banks directly from the customer's illimity personal area;
5) *A complete* range of other products, including personal loans, American Express credit cards and insurance products, made available to customers through partnerships with selected market operators.

The Division's offering is completed by digital credit products, targeted to small and medium-sized enterprises with turnover of EUR 2 million to EUR 10 million, with the goal of improving their financial management.

## Asset Management Company

illimity SG S.p.A. is the Asset Management Company ("SGR") of the illimity Bank Group which manages the assets of closed-end alternative investment funds, established with own funds and the funds of third-party institutional investors.

The SGR was set up with the aim of operating and developing activities in the strategic areas indicated by its parent company illimity Bank S.p.A. and the banking group of which the latter is the parent, and is a professional operator for establishing, administering, managing, organising, promoting and selling alternative investment funds.

To pursue its business objectives in an effective and consistent manner, the SGR has adopted a "traditional" governance model, which has a structure comprising a Board of Directors and a Board of Statutory Auditors. The structure, described below, has been set up for the best management possible of the operational model defined for the Company in line with regulatory principles and guidelines, and also with guidance from the Parent Company. In accordance with the characteristics of its own operations, with future planned developments and with the guidelines of the long-term business plan of the SGR and the Group it belongs to, the SGR has the following organisation:

"Business Areas" comprising:
- The UTP & Turnaround Funds Area, focused on setting up and managing AIFs with investment strategies and policies centred on the turnaround market and on businesses in financial difficulty with prospects for relaunch;
- the Private Capital Funds Area, focused on setting up and managing AIFs with investment strategies and policies targeting asset classes with underlying financial instruments issued by performing companies.
- The NPL Small Medium Tickets Funds Area, focused on setting up and managing AIFs with investment strategies and policies in the granular (typically unsecured) Non-Performing Loans (NPL) market, with potential counterparties both small corporates and retail businesses, and different areas of origination (utilities, consumer, commercial credit, etc.)

A transversal support area named Operations & Administration, which supports the organisation as a whole in all formal, administrative and operational aspects connected with managing AIFs and the SGR.

Lastly, the SGRs will establish Compliance and AML, Risk Management and Internal Audit functions, outsourced to the central units of the parent company illimity Bank, in order to have a structured system to monitor internal controls. It also appoints a Supervisory Body pursuant to Legislative Decree 231/01, whose composition, in accordance with the approach adopted by the Group, consists of the Company's Board of Statutory Auditors.

## Other functions - Corporate Centre

The organisation also monitors risk management and support activities through functions directly reporting to the Chief Executive Officer:

- The *Chief Financial Officer & Central Functions*, responsible for coordinating the overall planning and control and administration process, to optimise operating and procurement costs, and human resources management, as well as manage the organisational activities of supervision and transversal coordination for the Bank;
- the *Chief Risk Officer*, responsible for guaranteeing the strategic oversight and definition of risk management policies;
- the *Chief Lending Officer*, who monitors credit analysis and approval activities;
- the *Chief Information Officer*, responsible for IT infrastructure management;
- the *Compliance & AML* Department, responsible for compliance risk management and oversight of money laundering and terrorist financing risk;
- The *Strategy, Sustainability & IR Department*, responsible for managing strategic planning, relations with the financial community and development of the *Corporate Social Responsibility plan*;
- the *Communication Department*, responsible for promoting and supporting the development of a single, shared identity of the Bank among various stakeholders.

## Bank branches and offices

The Bank's branches and offices are as follows:

- Milan - Via Soperga, 9 (head office);
- Modena – Via F. Lamborghini 88/90.

## Human resources

As of 31 March 2022, the Bank's registered employees numbered 765 (725 as of 31 December 2021). A breakdown of the workforce is given below, divided by job level:

| Category | 31 March 2022 | | | 31 December 2021 | | | Changes | |
|---|---|---|---|---|---|---|---|---|
| | Number of employees | in % | Average age | Number of employees | in % | Average age | Number of employees | in % |
| Senior managers | 63 | 8% | 47 | 67 | 9% | 47 | (4) | (6%) |
| Middle managers | 315 | 41% | 38 | 303 | 42% | 38 | 12 | 4% |
| Other employees | 387 | 51% | 33 | 355 | 49% | 33 | 32 | 9% |
| **Employees** | **765** | **100%** | | **725** | **100%** | | **40** | **6%** |

# Macroeconomic scenario

As stated by the European Central Bank ("ECB") in the Macroeconomic Projects for the euro area, published in March 2022, the outlook for activity and inflation has become very uncertain and depends crucially on how the Russian war in Ukraine unfolds, on the impact of current sanctions and on possible further measures. Soaring energy prices and negative confidence effects imply significant headwinds to domestic demand in the near term, while the announced sanctions and sharp deterioration in the prospects for the Russian economy will weaken euro area trade growth. Over the medium term, growth is projected to converge towards historical average rates, despite a less supportive fiscal stance and an increase in interest rates in line with the technical assumptions based on financial market expectations.

Also according to the ECB, following a series of exceptional energy price shocks, the conflict in Ukraine implies that headline inflation in the baseline is projected to remain at very high levels in the coming months, before easing slowly towards the target in the following period, averaging 5.1% in 2022, 2.1% in 2023 and 1.9% in 2024. Near-term price pressures have risen significantly, in particular those related to oil and gas commodities. These pressures are assessed to be more lasting than previously expected and to be only partly offset by dampening effects on growth from lower confidence and by weaker trade growth related to the conflict. Nevertheless, in the absence of further upward shocks to commodity prices, energy inflation is projected to drop significantly over the projection horizon. In the short term, this decline relates to base effects, while the technical assumptions based on futures prices embed a decline in oil and wholesale gas prices resulting in a negligible contribution from the energy component to headline inflation in 2024. Inflation measured on the Harmonised Index of Consumer Prices (HICP) excluding energy and food remains high in 2022, at 2.6%, reflecting stronger price dynamics for contact-intensive services, indirect effects from higher energy prices and upward impacts from ongoing supply bottlenecks. As these pressures ease, this measure of underlying inflation is expected to decrease to 1.8% in 2023 and then to rise to 1.9% in 2024, on account of strengthening demand, tightening labour markets and some second-round effects on wages, in line with historical regularities. Compared with the December 2021 projections, in cumulative terms over the projection horizon, headline inflation has been revised upwards substantially, especially in 2022. This upward revision reflects recent data surprises, higher energy commodity prices, more persistent upward pressures from supply disruptions and stronger wage growth, also related to the planned increase in the minimum wage in Germany.

In Italy, since the beginning of the year, global economic activity showed signs of slowdown due to the spread of the Omicron variant of the coronavirus and, subsequently, the invasion of Ukraine by Russia. Inflation has risen more or less everywhere, continuing to reflect the rises in energy prices, the supply bottlenecks and the recovery in demand, especially in the United States. The Federal Reserve and the Bank of England are continuing their processes of normalising monetary policy begun at the end of 2021. Following the invasion, a large part of the international community responded promptly against Russia with unprecedented sanctions in terms of severity and scope. The immediate effects of the conflict on prices on global financial markets were significant, even though they eased from mid-March onwards. Volatility remains high in many market segments. Commodities prices, especially energy commodities, for which Russia holds a significant share of the global market, rose further. On the whole, the war has accentuated downwards risks for the global economic cycle and upwards risks for inflation. Following the slowdown at the end of 2021, the projections expect the GDP in the euro area to stagnate in the initial months of this year. The tensions connected with the war in Ukraine are triggering spikes in energy prices higher than in the rest of the world, and new difficulties of supply to businesses, in addition to the existing problems. In March, according to preliminary data, consumer inflation rose to 7.5 percent. At the end of last year, growth of the Italian economy declined, slowed by the stagnation of consumer spending and the negative contribution of net foreign demand. In the first quarter of 2022, the GDP is estimated to have fallen, impacted by the rise in infections on the changeover of the year and the trend in energy prices, in an economic scenario of significant uncertainty regarding the developments of the invasion of Ukraine. Based on the high frequency indicators, industrial production decreased in the first quarter, returning to levels slightly lower than those prior to the outbreak of the pandemic. The costs of inputs and the difficulties in supplies of commodities and intermediate products contributed to this decline. Household spending, estimated in decline, was also penalised by the rise in infections, especially at the beginning of the year, and the loss of purchasing power due to the general increase in prices. According to the valuations expressed by businesses in February and March, investing conditions worsened, but the impact on the growth of investments expected for 2022 is low. During the fourth quarter of 2021 the expansion of exports slowed, while growth in imports continued at a strong pace. The country's current account surplus remained at high levels overall in 2021, though it was impacted by the worsening of its energy balance. More than one-fifth of Italian imports of energy inputs come from Russia. For natural gas alone, the share exceeds 45 percent. According to preliminary assessments, if flows of gas from Russia are cut off, about two-fifths could be compensated by the end of 2022, without dipping into the national methane reserves, by increasing imports of liquefied natural gas, increasing the use of other suppliers and increasing extractions of natural gas from national deposits. In the medium-term, it would be possible to fully compensate for Russian gas imports through much larger investments in renewable sources, as well as by increasing imports from other countries.

In the last quarter of 2021, the employment rate and the number of hours worked continued to grow, though at a slower pace than in the two previous quarters. The growth in the number of jobs weakened in the first two months of 2022. The unemployment rate decreased slightly. The recent price hikes were not reflected in contractual remuneration, whose trend remains low. In Italy, inflation reached 7% in March, coming to the highest levels since the 1990’s, mainly driven by the exceptional growth in energy prices and, to a lesser extent, food prices. The core component rose slightly, but remains lower than 2%. Pressures on gas and oil prices contemplate high inflation over the year. Companies also estimate extensive upwards revisions of their price lists compared on the valuations of last December. In the first part of 2022, Italian financial markets were impacted by the worsening uncertainty and risk aversion. Share prices, especially those in the banking sector, decrease in connection with the start of the war; they then partially recovered. The sovereign spread and borrowing costs of companies and banks rose.

Growth in loans to non-financial companies remained low. The demand for new loans remained modest due to the presence of significant available funds accumulated over the last two years, in a context marked by numerous factors of uncertainty. Rates of decline in loans to businesses remained at historically low levels. In 2021, return on capital of significant banking groups more than doubled on the previous year. The exposure of Italian banks to Russia is limited on the whole.

# Significant events in the first three months of 2022

## The economic scenario created by the COVID-19 epidemic and the business continuity of the illimity Group

In the current context, which is still influenced – both at economic and operational levels – by the evolution of the COVID-19 epidemic, the illimity Group continues to maintain the primary measures for mitigating the related risks, including the use of teleworking for employees and the factoring in of the framework of reference (macro forecasts, fiscal and monetary policy choices, regulatory developments, etc.), the management of credit strategies and policies and credit risk, the portfolio of financial assets, customer relations and the governance of its own business models.

The effectiveness of illimity's commercial and technological proposal has been a strength in understanding and meeting the increased demand for remote financial services.

The Group's highly conservative approach to pricing investments and providing funding, continuous monitoring and its limited exposure to economic sectors or asset classes most affected by the pandemic, are all factors that demonstrate the resilience of the business model in a reference scenario still characterised by considerable risks.

The managerial committees and governing boards of the Group carry out assessments at regular interval, considering, *inter alia,* the impacts of the pandemic on the strategic and operational choices of the various business lines.

Finally, the macro scenarios that also take into account the evolution of the epidemiological context and the responses of the Authorities, markets, companies and consumers were used to guide the prospective capital adequacy (ICAAP) and liquidity (ILAAP) assessments and the preparation of the Recovery Plan, as required by the prudential supervisory regulations, for the update of the Risk Appetite Framework and the sustainability assessment of the new 2021-2025 Strategic Plan.

## Impacts of the Ukraine crisis on the strategic and operational context of the illimity Group

The outbreak of the military conflict in Ukraine in the first quarter of 2022 had considerable consequences in terms of political and economic-financial actions by various countries and multilateral organisations, with the tightening of sanctions on Russia and, in general, significant effects in terms of stress on the global financial and money markets (primarily the spike in commodities prices).

In this context, the illimity Group set up managerial and operational actions in line with the measures that characterised its handling of the effects of the pandemic since early March 2020.

At governance level, a specific managerial committee has been set up that usually meets periodically, with the aim of continuously monitoring the situation and updating the Group's governance bodies with regard to the actual and potential impacts, of an economic-financial and operational nature, of the crisis, and in order to render the process of managing risk mitigation actions more efficient.

Furthermore, a group of market indicators has been identified that is continuously monitored and reported to the aforementioned committee, in order to make it aware of the current context.

Specifically, since the start of the conflict, the direct and indirect exposures to Russian counterparties or those who depend on Russian operators and markets for their business (supply, sales, orders, etc.) were quantified in order to assess the possible impacts in terms of credit and liquidity risk. The initial analyses conducted and direct discussions with businesses show a low level of exposure, though subject to constant monitoring, given that the continuation of the crisis could produce negative impacts also on companies that are demonstrating resilience in this phase, also due to the measures implemented by company management, specifically those regarding supply chain continuity and management of commodities and energy prices. The Compliance & AML Department also operated in that context, to ensure, for borrowers, compliance with the provisions of the sanctions imposed by Italy and European and international bodies to Russian parties (natural and legal persons).

Secondly, with a view to mitigating the financial risks associated with the management of the HTCS and HTC financial portfolios, it has been ascertained that the current risk profile of the portfolios is under control, there is no direct exposure to Russia or Ukraine and that the relevant development activities, as envisaged in the 2022 Budget, are being implemented, taking due consideration of the changed context. Furthermore, considering that said portfolios relate to debts, monetary policy decisions, which could be revised given the evolution of the crisis, are continuously monitored.

Lastly, the impacts of the Ukraine-Russia crisis were factored into the (baseline and stressed) macroeconomic scenarios used to support the forward-looking assessments of capital adequacy (ICAAP 2022) and liquidity (ILAAP 2022) and in preparing the Recovery Plan, transmitted to the Supervisory Authorities at the end of April 2022.

Overall, we can confirm the resilience of illimity's business model, even in a complex and uncertain context like the current one, as a result of both its contained exposure to direct risks and its business mix, in which lines of activity have limited correlation.

## Corporate transactions

On 21 February 2022, the Extraordinary Shareholders' Meeting approved the new text of the Articles of Association for the adoption by the Bank of the "one-tier" method of administration and control. The changes to the Articles of Association also entail the explicit inclusion of "sustainable success".

## Other significant information

On 11 February 2022, illimity presented b-ilty, the first digital business store for financial and credit services for small and medium-sized enterprises. b-ilty was created with the aim of making life easier for entrepreneurs, thanks to a latest-generation platform that combines specialist expertise with cutting-edge technology and offers customers the products and services of an all-round bank.

# Reclassified consolidated financial statements as of 31 March 2022

This consolidated interim financial report has been prepared on the basis of tables in the Bank of Italy Circular no. 262 of 22 December 2005, as amended.

In this document, the mandatory financial statements have been reclassified according to a managerial approach better suited to representing the Group's financial performance and financial position, in view of the typical characteristics of the financial statements of a banking group. The goal has been to simplify the use of these financial statements through the specific aggregations of line items and reclassifications detailed below. This consolidated interim report therefore includes a reconciliation between the financial statements presented and the mandatory financial reporting format laid down in Bank of Italy Circular no. 262, the values from which have been included in the items of the reclassified financial statements.

Reconciliation with the items of the mandatory financial statements aids in reclassification of the items in question, but above all facilitates the understanding of the criteria adopted in constructing the consolidated interim report. Additional details useful to this end are provided below:

- recoveries of taxes recognised among other operating expenses/income are deducted directly from the indirect taxes included among other administrative expenses and therefore their amount has been set off against the relevant item of the mandatory financial statements;
- the cost components related to Raisin's operations are deducted from net interest;
- personnel expenses also include documented, itemised reimbursements of room, board and travel expenses incurred by employees on business trips and the costs of mandatory examinations;
- contributions and membership fees are reclassified from other administrative expenses and recognised separately, in a dedicated item;
- interest expense resulting from the *lease liability* (IFRS 16) is recognised under other administrative expenses;
- net write-downs/write-backs on closed positions include profits and losses generated from the sale of property investments;
- net credit exposure to customers on closed positions is shown separately from net losses/recoveries for credit risk.

Some assets and liabilities in the statement of financial position were grouped together, concerning:

- the inclusion of assets held for sale and cash and cash equivalents in the residual item other assets;
- the aggregation in a single item of property and equipment and intangible assets;
- the aggregation of financial assets designated at fair value through other comprehensive income and financial assets held for trading;
- separate indication of loans to financial entities and securities at amortised cost;
- the reclassification of *Lease* agreement liabilities, recognised under payables to customers based on IFRS 16, to other liabilities for operational purposes;
- the inclusion of the Provision for Risks and Charges and employee severance pay in residual items of other liabilities;
- the aggregate indication and items comprising shareholders’ equity.

## RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*(amounts in thousands of euros)*

| Components of official items of the Statement of Financial Position | Assets | 31 March 2022 | 31 December 2021 | Chg. | Chg. % |
|---|---|---|---|---|---|
| 20 a) + 30 | Property portfolio - Securities at FV | 428,100 | 300,436 | 127,664 | 42% |
| 20 c) | Financial instruments mandatorily measured at fair value | 78,634 | 75,751 | 2,883 | 4% |
| 40 a) | Due from banks | 54,729 | 267,969 | (213,240) | (80%) |
| 40 b) | Loans to financial entities | 159,964 | 199,857 | (39,893) | (20%) |
| 40 b) | Loans to customers HTC | 2,451,237 | 2,509,884 | (58,647) | (2%) |
| 40 b) | Government Bonds HTC | 107,565 | - | 107,565 | N/A |
| 40 b) | Securities at amortised cost - Growth Credit | 53,751 | 34,266 | 19,485 | 57% |
| 40 b) | Securities at amortised cost – Distressed Credit | 326,761 | 217,790 | 108,971 | 50% |
| 70 | Investments in equity | 78,147 | 79,953 | (1,806) | (2%) |
| 90 + 100 | Property and equipment and intangible assets | 168,091 | 153,984 | 14,107 | 9% |
| | of which: Goodwill | 36,257 | 36,257 | - | 0% |
| 110 | Tax assets | 51,144 | 45,672 | 5,472 | 12% |
| 10 + 120 + 130 | Other assets | 964,286 | 775,028 | 189,258 | 24% |
| | of which: Cash and cash equivalents | 695,296 | 507,779 | 187,517 | 37% |
| | **Total assets** | **4,922,409** | **4,660,590** | **261,819** | **6%** |

*(amounts in thousands of euros)*

| Components of official items of the Statement of Financial Position | Liabilities | 31 March 2022 | 31 December 2021 | Chg. | Chg. % |
|---|---|---|---|---|---|
| 10 a) | Due to banks | 412,190 | 411,314 | 876 | 0% |
| 10 b) | Amounts due to customers | 3,064,799 | 2,818,146 | 246,653 | 9% |
| 10 c) | Securities issued | 504,681 | 499,788 | 4,893 | 1% |
| 20 | Financial liabilities held for trading | 1,855 | 59 | 1,796 | >100% |
| 60 | Tax liabilities | 26,747 | 20,256 | 6,491 | 32% |
| 80 + 90 + 100 | Other liabilities | 134,710 | 138,207 | (3,497) | (3%) |
| (*) | Shareholders' equity | 777,427 | 772,820 | 4,607 | 1% |
| | **Total liabilities and shareholders' equity** | **4,922,409** | **4,660,590** | **261,819** | **6%** |

(*) 120 + 150 + 160 + 170 + 180 + 190 + 200.

## Summary of consolidated statement of financial position data

The Group's total assets amounted to EUR 4,922.4 million as of 31 March 2022, up by 6% on 31 December 2021, when it amounted to EUR 4,660.6 million.

The Group's assets as of 31 March 2022 mainly included financial assets arising from loans to customers of EUR 2,451.2 million (down compared to EUR 2,509.9 million recorded as of 31 December 2021). The decrease in this component during the period was mainly attributable to portfolio disposals by the Bank to the securitisation vehicle Convivio SPV, of which illimity subscribed the single-tranche note in a joint venture with Apollo Global Management. Likewise, there was an increase in securities at amortised cost, referring to the Distressed Credit Division, as well as the subscription of senior notes of a specific securitisation regarding Public Procurement Claims.

Loans due from banks totalled EUR 54.7 million, down compared to 31 December 2021 due to the significant closing of reverse repurchase agreements, and were mainly comprised of deposits.

With reference to securities, financial assets measured at fair value through other comprehensive income, held within a held-to-collect-and-sell business model, primarily represented by government bonds and instruments with other banks and financial institutions and high yield corporate bonds, amounted to approximately EUR 424.3 million, up significantly, by approximately EUR 124.8 million, compared to 31 December 2021. As of 31 March 2022, the Group had a total negative net valuation reserve of approximately EUR 18.8 million, due primarily to a general rise in interest rates and the increase in Italian risk caused by general uncertainty about the political and macroeconomic context.

During the first quarter of 2022, the Bank's Treasury office increased its portfolio, compared to the previous quarter's stock, mainly due to the launch of the new business strategy of purchasing government bonds, recognised in the HTC portfolio.

Financial instruments mandatorily measured at fair value through profit or loss as of 31 March 2022 amounted to EUR 78.6 million and include investments in equity instruments/earnouts for EUR 9.5 million attributable to the Growth Credit Division. The item also includes an energy business operation for EUR 59.3 million, units of an investment fund of illimity SGR for EUR 3.8 million, attributable to the Growth Credit Division, investments in Senior Financing for EUR 3.2 million and in notes of securitisation vehicles for EUR 1 million, attributable to the Distressed Credit Division. The item also includes Structured Products for EUR 1.8 million.

The "Equity investments" item, which amounted to EUR 78.1 million as of 31 March 2022, consists predominantly of the value of the equity investment held by illimity in Hype, insofar as it was consolidated using the equity method.

As of 31 March 2022, property and equipment and intangible assets amounted to EUR 168.1 million, increasing by approximately EUR 14.1 million compared to 31 December 2021, due to the entry into the portfolio of properties accounted for pursuant to IAS 2 as part of *datio in solutum* transactions. The Group's intangible assets included the goodwill from the business combination of SPAXS with Banca Interprovinciale (equal to EUR 21.6 million), goodwill recognised at the acquisition of IT Auction (now merged into neprix), and its subsidiaries (equal to EUR 14.6 million) as well as the goodwill recognised at the acquisition of 100% of the units of the securitisation vehicles Doria SPV S.r.l., Friuli SPV S.r.l., Pitti SPV S.r.l. and River SPV S.r.l., and 66.7% of the units of the securitisation vehicle Aporti S.r.l. The item also included the intangible assets held by Group companies.

Group property and equipment mainly consisted of assets covered by IAS 2, namely *datio in solutum* real estate involved in the lending business and items for functional use arising from the recognition of the right of use of assets acquired through lease agreements (IFRS 16).

Total consolidated liabilities and shareholders' equity as of 31 March 2022 amounted to EUR 4,922.4 million. Amounts due to customers, net of the lease liability referred to IFRS 16, amounted to EUR 3,064.8 million, increasing compared to 31 December 2021. Due to banks – including the central bank component – amounted to EUR 412,2 million and was substantially stable on the comparative figure as of 31 December 2021. Securities issued were equal to EUR 504.7 million, up on the figure for the end of 2021, mainly due to the components of interest accrued pro-rata during the first quarter of 2022.

Total shareholders' equity of the Group came to EUR 777.4 million, up compared to the end of 2021, mainly due to the contribution of the profit for the period, net of negative changes recorded in the valuation reserves.

### RECLASSIFIED CONSOLIDATED INCOME STATEMENT

*(amounts in thousands of euros)*

| Components of official items of the Income Statement | Income Statement items | 31 March 2022 | 31 March 2021 | Chg. | Chg. % |
|---|---|---|---|---|---|
| 10 + 20 + 320 | Net interest margin | 36,046 | 31,207 | 4,839 | 16% |
| 40 + 50 | Net fee and commission income | 12,837 | 4,944 | 7,893 | >100% |
| 80 + 100 + 110 | Gains/losses on financial assets and liabilities | 2,751 | 3,833 | (1,082) | (28%) |
| 130 a) + 130 b) + 200 a) + 280 | Net gains/losses on closed positions | 20,556 | 11,406 | 9,150 | 80% |
| 280 | Other profits (losses) from the disposal of investments | - | 2,278 | (2,278) | (100%) |
| 140 + 230 | Other operating expenses and income (excluding taxes) | 6,262 | 2,003 | 4,259 | >100% |
| **Total net operating income** | | 78,452 | 55,671 | 22,781 | 41% |
| 190 a) | Personnel expenses | (20,701) | (16,638) | (4,063) | 24% |
| 190 b) | Other administrative expenses | (20,814) | (16,538) | (4,276) | 26% |
| 210 + 220 | Net adjustments/recoveries on property and equipment and intangible assets | (3,412) | (2,970) | (442) | 15% |
| **Operating expenses** | | (44,927) | (36,146) | (8,781) | 24% |
| **Operating profit (loss)** | | 33,525 | 19,525 | 14,000 | 72% |
| 130 a) | Net losses/recoveries for credit risk - HTC Banks | 183 | (15) | 198 | N/A |
| 130 a) | Net losses/recoveries for credit risk - HTC Financial entities | (1) | (31) | 30 | (97%) |
| 130 a) | Net losses/recoveries for credit risk - HTC Clients | (5,789) | 6,185 | (11,974) | N/A |
| 130 b) | Net losses/recoveries for credit risk - HTCS | (542) | (1,504) | 962 | (64%) |
| 200 a) | Net losses/recoveries for commitments and guarantees | 524 | (1,507) | 2,031 | N/A |
| **Total net losses/recoveries** | | (5,625) | 3,128 | (8,753) | N/A |
| 200 b) | Other net provisions | (28) | (25) | (3) | 12% |
| 250 | Other income (expenses) on investments | (1,828) | (2,123) | 295 | (14%) |
| 190 b) | Contributions and other non-recurring expenses | (1,962) | (1,403) | (559) | 40% |
| **Profit (loss) from operations before taxes** | | 24,082 | 19,102 | 4,980 | 26% |
| 300 + 320 | Income tax for the period on continuing operations | (8,407) | (6,546) | (1,861) | 28% |
| **Profit (loss) for the period** | | **15,675** | **12,556** | **3,119** | **25%** |

## Consolidated income statement highlights

The Group's total net operating income for the period ended 31 March 2022 amounted to EUR 78.5 million, up sharply on the same period of the previous year, when it came to approximately EUR 55.7 million.

The increase in total operating income is to be attributed to the introduction and expansion of various lines of business by the Bank in 2021 and the first quarter of 2022, which contributed to the increase in the interest margin of the Group from EUR 31.2 million as of 31 March 2021 to EUR 36 million as of 31 March 2022. Net fee and commission income, which amounted to EUR 12.8 million as of 31 March 2022, also increased in relation to comparative data, due on the one hand to increased operations of the Bank Divisions, and on the other as a consequence of more operations, in the period, undertaken by neprix and its subsidiary neprix Agency, which contribute to the item through the "auction commissions" earned on the use of proprietary real estate portals.

The total net operating income also included the net profit/loss on positions closed in the first three months of 2022 for a total of EUR 20.6 million (11.4 million as of 31 March 2021), a figure that includes both net recoveries on closed customer POCI positions and the net write-downs/write-backs on disposal of properties.

Lastly, the balance of other operating expenses/income went up significantly, due primarily to licence rights granted to ION for the IT platform developed by illimity, which made a positive contribution of EUR 4.3 million in the first quarter of 2022.

Overall net losses/recoveries on portfolio positions were negative for EUR 5.6 million. In detail, net write-downs on HTC positions are primarily related to individual and collective assessments of loans to customers and the effects of the revision of expected cash flows from the NPL portfolios for existing positions.

Operating expenses of EUR 44.9 million for the period ended 31 March 2022 were up by approximately EUR 8.8 million compared to the same period of the previous year.

In detail, personnel expenses increased compared to the previous year by approximately EUR 4.1 million, as a result of new resources being employed, to support the increased activities of the Bank's Divisions, and also due to the operating activities of neprix.

Other administrative expenses also increased, by approximately EUR 4.3 million compared to the same period of the previous year, due to the increase in Group operations.

Contributions and other non-recurring expenses were also recorded for around EUR 2 million, attributable to the Single Resolution Fund for approximately EUR 1.8 million.

Finally, the item includes net write-downs for property and equipment and intangible assets totalling around EUR 3.4 million, up by EUR 0.4 million compared to 31 March 2021, primarily due to the amortisation of IT investments and depreciation of materials managed in application of IFRS 16.

Based on the above, profit for the period ended 31 March 2022, before taxes, amounted to EUR 24.1 million.

Net of income tax for the period on continuing operations, equal to approximately EUR 8.4 million, consolidated net profit as of 31 March 2022 stood at EUR 15.7 million, compared to a profit of EUR 12.6 million as of 31 March 2021.

Basic earnings per share as of 31 March 2022, calculated by dividing the result for the period by the weighted average number of ordinary shares issued, was equal to EUR 0.20, while diluted earnings per share as of the same date amounted to EUR 0.19.

Moreover, trailing earnings per share as of 31 March 2022 of the Group, calculated considering the economic results and weighted average number of ordinary shares issued in the last twelve months, would amount to EUR 0.87 per share in the basic scenario, compared to EUR 0.85 in the diluted scenario.

See the section "Basic and diluted earnings per share" for details of the methodology to calculate earnings per share.

# Key data on capital

## Invested assets

A table of invested assets broken down by Business Division and/or type of financial asset, is shown below:

*(amounts in thousands of euros)*

| DETAILS OF INVESTED ASSETS | 31 March 2022 | | 31 December 2021 | | Change | |
|---|---|---|---|---|---|---|
| | Book value | Inc. % | Book value | Inc. % | Absolute | Chg. % |
| **Cash and cash equivalents** | **695,296** | **16.0%** | **507,779** | **12.3%** | **187,517** | **37%** |
| **Financial assets held for trading** | **3,778** | **0.1%** | **928** | **0.0%** | **2,850** | **>100%** |
| **Financial assets mandatorily measured at fair value** | **78,634** | **1.8%** | **75,751** | **1.8%** | **2,883** | **4%** |
| *- Distressed Credit Division* | 63,451 | 1.5% | 62,332 | 1.5% | 1,119 | 2% |
| *- Growth Credit Division* | 13,266 | 0.3% | 13,289 | 0.3% | (23) | (0%) |
| *- ALM & Treasury portfolio* | 134 | 0.0% | 130 | 0.0% | 4 | 3% |
| *- Structured Products Portfolio* | 1,783 | 0.0% | - | 0.0% | 1,783 | n.a |
| **HTCS Financial assets** | **424,322** | **9.7%** | **299,508** | **7.3%** | **124,814** | **42%** |
| *- ALM & Treasury portfolio* | 340,180 | 7.8% | 261,566 | 6.4% | 78,614 | 30% |
| *- Structured Products Portfolio* | 84,142 | 1.9% | 37,942 | 0.9% | 46,200 | >100% |
| **Due from banks** | **54,729** | **1.3%** | **267,969** | **6.5%** | **(213,240)** | **(80%)** |
| *– of which: Repurchase agreements* | - | 0.0% | 191,291 | 4.7% | (191,291) | (100%) |
| **Loans to financial entities** | **159,964** | **3.7%** | **199,857** | **4.9%** | **(39,893)** | **(20%)** |
| **Government Bonds** | **107,565** | **2.5%** | **-** | **0.0%** | **107,565** | **n.a** |
| **Loans to customers** | **2,451,237** | **56.3%** | **2,509,884** | **61.0%** | **(58,647)** | **(2%)** |
| *– Organic non-performing loans* | 21,232 | 0.5% | 21,025 | 0.5% | 207 | 1% |
| *– Inorganic non-performing loans* | 1,008,820 | 23.2% | 1,048,358 | 25.5% | (39,538) | (4%) |
| *– Performing loans* | 1,351,006 | 31.0% | 1,440,501 | 35.0% | (89,495) | (6%) |
| *– Public Procurement Claims* | 70,179 | 1.6% | - | 0.0% | 70,179 | n.a |
| **Loans to customers - Securities** | **380,512** | **8.7%** | **252,056** | **6.1%** | **128,456** | **51%** |
| *– Distressed Credit Division – performing* | 263,152 | 6.0% | 217,790 | 5.3% | 45,362 | 21% |
| *– Distressed Credit Division – inorganic POCI* | 63,609 | 1.5% | - | 0.0% | 63,609 | n.a |
| *– Growth Credit Division – performing* | 43,516 | 1.0% | 24,229 | 0.6% | 19,287 | 80% |
| *– Growth Credit Division – inorganic POCI* | 10,235 | 0.2% | 10,037 | 0.2% | 198 | 2% |
| **Total invested assets** | **4,356,037** | **100%** | **4,113,732** | **100%** | **242,305** | **6%** |

Loans to customers amounted to approximately EUR 2,451.2 million, down compared to EUR 2,509.9 million recognised at the end of the previous year, mainly due to portfolio disposals by the Bank to the securitisation vehicle Convivio SPV, of which illimity subscribed the single-tranche note in a joint venture with Apollo Global Management. The item also includes NPLs of approximately EUR 1,008.8 million classified as POCI (Purchased or Originated Credit Impaired), down from EUR 1,048.4 million recorded as of 31 December 2021, due to the disposal transactions concluded by the business divisions. As of 31 March 2022, Public Procurement Claims Group invested assets were also present for a total of EUR 70.2 million, acquired during the first quarter of 2022. Considering Securities, financing to customers amounted to EUR 4,356 million.

Financial assets measured at fair value through other comprehensive income, held within a held-to-collect-and-sell business model, amounted to approximately EUR 424.3 million, and refer mainly to government bonds and instruments with other banks and financial institutions and high yield corporate bonds.

Financial instruments mandatorily measured at fair value through profit or loss as of 31 March 2022 amounted to EUR 78.6 million and include investments in equity instruments/earnouts for EUR 9.5 million attributable to the Growth Credit Division. The item also includes an energy business operation for EUR 59.3 million, units of an investment fund of illimity SGR for EUR 3.8 million, attributable to the Growth Credit Division, investments in Senior Financing for EUR 3.2 million and in notes of securitisation vehicles for EUR 1 million, attributable to the Distressed Credit Division. The item also includes Structured Products for EUR 1.8 million.

The remainder of the securities, equal to EUR 488.1 million, was measured at amortised cost (held-to-collect business model). That portfolio was composed of EUR 107.6 million in government bonds, EUR 263.2 million in senior financing securities, EUR 63.6 million in inorganic securities relating to the Distressed Credit Division, EUR 10.2 million in inorganic securities relating to the Growth Credit Division and EUR 43.5 million in high-yield securities in the Growth Credit Division.

*(amounts in thousands of euros)*

| INVESTED ASSETS BY TECHNICAL FORM | 31 March 2022 | | 31 December 2021 | | Change | |
|---|---|---|---|---|---|---|
| | Book value | Inc. % | Book value | Inc. % | Absolute | Chg. (%) |
| **Cash and cash equivalents** | **695,296** | **16.0%** | **507,779** | **12.3%** | **187,517** | **37%** |
| **Due from banks** | **54,729** | **1.3%** | **267,969** | **6.5%** | **(213,240)** | **(80%)** |
| Current accounts and deposits | 54,729 | 1.3% | 76,678 | 1.9% | (21,949) | (29%) |
| Reverse Repurchase Agreements | – | 0.0% | 191,291 | 4.7% | (191,291) | (100%) |
| **Loans to financial entities** | **159,964** | **3.7%** | **199,857** | **4.9%** | **(39,893)** | **(20%)** |
| **Loans to customers** | **2,451,237** | **56.3%** | **2,509,884** | **61.0%** | **(58,647)** | **(2%)** |
| Current accounts held by customers | 212,344 | 4.9% | 229,126 | 5.6% | (16,782) | (7%) |
| Loans | 2,168,714 | 49.8% | 2,280,758 | 55.4% | (112,044) | (5%) |
| Public Procurement Claims | 70,179 | 1.6% | – | | 70,179 | n.a |
| **Securities and financial derivatives** | **994,811** | **22.8%** | **628,243** | **15.3%** | **366,568** | **58%** |
| Debt securities | 977,651 | 22.4% | 613,059 | 14.9% | 364,592 | 59% |
| – *Government bonds* | 375,430 | 8.6% | 199,178 | 4.8% | 176,252 | 88% |
| – *Banking* | 85,826 | 2.0% | 61,405 | 1.5% | 24,421 | 40% |
| - *Financial companies* | 427,317 | 9.8% | 299,932 | 7.3% | 127,385 | 42% |
| - *Non-financial companies* | 89,078 | 2.0% | 52,544 | 1.3% | 36,534 | 70% |
| Financial Derivatives | 3,745 | 0.1% | 896 | 0.0% | 2,849 | >100% |
| Financial instruments/earnouts | 9,502 | 0.2% | 10,352 | 0.3% | (850) | (8%) |
| Equity securities | 19 | 0.0% | 19 | 0.0% | - | 0% |
| Units of UCIs | 3,894 | 0.1% | 3,917 | 0.1% | (23) | (1%) |
| **Total** | **4,356,037** | **100%** | **4,113,732** | **100%** | **242,305** | **6%** |

In accordance with document no. 2011/226, issued by the European Securities and Markets Authority (ESMA) on 28 July 2011, the table above shows the incidence of the various technical forms on total invested assets.

Loans due from banks totalled EUR 54.7 million, down compared to 31 December 2021 due to the significant closing of reverse repurchase agreements, and were mainly comprised of deposits.

Lastly, debt securities amounted to EUR 977.7 million and related to government entities and financial companies.

The following is a summary of loans to customers measured at amortised cost broken down by business division.

*(amounts in millions of euros)*

| FINANCING BY BUSINESS DIVISION | 31 March 2022 | Inc. % | 31 December 2021 | Inc. % | Chg. | Chg. % |
|---|---|---|---|---|---|---|
| Distressed Credit Division | 1,340 | 43.2% | 1,259 | 42.5% | 81 | 6% |
| Growth Credit Division | 1,389 | 44.8% | 1,400 | 47.3% | (11) | (1%) |
| Loans to ordinary former BIP customers (Growth Credit) | 96 | 3.1% | 100 | 3.4% | (4) | (4%) |
| Direct Banking Division | 7 | 0.2% | 3 | 0.1% | 4 | >100% |
| **Total due from customers (Loans and Securities)** | **2,832** | **91.4%** | **2,762** | **93.2%** | **70** | **3%** |
| Loans to financial entities | 160 | 5.2% | 200 | 6.8% | (40) | (20%) |
| Government Bonds HTC | 108 | 3.5% | - | 0.0% | 108 | N/A |
| **Total loans to customers measured at amortised cost** | **3,100** | **100%** | **2,962** | **100%** | **138** | **5%** |

## Financial assets measured at amortised cost

The table below provides an overview of the Group's main financing at amortised cost, compared with the relevant values as of 31 December 2021.

*(amounts in thousands of euros)*

| FINANCIAL ASSETS AT AMORTISED COST | 31 March 2022 | | | | | | 31 December 2021 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gross Exposure | Inc. % | Recoveries (losses) | Book value | Inc. % | Coverage ratio (*) | Gross Exposure | Inc. % | Recoveries (losses) | Book value | Inc. % | Coverage ratio (*) |
| **Due from banks** | **54,794** | **1.5%** | **(65)** | **54,729** | **1.7%** | **0.12%** | **268,226** | **8.2%** | **(257)** | **267,969** | **8.3%** | **0.10%** |
| - Loans | 54,794 | 1.5% | (65) | 54,729 | 1.7% | 0.12% | 268,226 | 8.2% | (257) | 267,969 | 8.3% | 0.10% |
| - *Stage 1/2* | 54,794 | 1.5% | (65) | 54,729 | 1.7% | 0.12% | 268,226 | 8.2% | (257) | 267,969 | 8.3% | 0.10% |
| **Loans to financial entities** | **160,196** | **4.4%** | **(232)** | **159,964** | **5.1%** | **0.14%** | **200,131** | **6.1%** | **(274)** | **199,857** | **6.2%** | **0.14%** |
| - Loans | 160,196 | 4.4% | (232) | 159,964 | 5.1% | 0.14% | 200,131 | 6.1% | (274) | 199,857 | 6.2% | 0.14% |
| - *Stage 1/2* | 160,196 | 4.4% | (232) | 159,964 | 5.1% | 0.14% | 200,131 | 6.1% | (274) | 199,857 | 6.2% | 0.14% |
| **Government Bonds – HTC** | **107,692** | **2.9%** | **(127)** | **107,565** | **3.4%** | **0.12%** | **-** | **0.0%** | **-** | **-** | **0.0%** | **N/A** |
| - *Stage 1/2* | 107,692 | 2.9% | (127) | 107,565 | 3.4% | 0.12% | - | 0.0% | - | - | 0.0% | N/A |
| **Loans to customers** | **3,334,819** | **91.2%** | **(503,070)** | **2,831,749** | **89.8%** | **N/A** | **2,790,810** | **85.6%** | **(28,870)** | **2,761,940** | **85.5%** | **N/A** |
| Securities - Business | 382,061 | 10.4% | (1,549) | 380,512 | 12.1% | 0.41% | 253,354 | 7.8% | (1,298) | 252,056 | 7.8% | 0.51% |
| - *Stage 1/2* | 308,085 | 8.4% | (1,417) | 306,668 | 9.7% | 0.46% | 243,317 | 7.5% | (1,298) | 242,019 | 7.5% | 0.53% |
| - *Stage 3* | 73,976 | 2.0% | (132) | 73,844 | 2.3% | 0.18% | 10,037 | 0.3% | - | 10,037 | 0.3% | 0.00% |
| Loans | 2,408,955 | 65.9% | (27,897) | 2,381,058 | 75.5% | 1.16% | 2,537,456 | 77.9% | (27,572) | 2,509,884 | 77.7% | 1.09% |
| - *Stage 1/2* | 1,360,392 | 37.2% | (9,386) | 1,351,006 | 42.8% | 0.69% | 1,449,544 | 44.5% | (9,043) | 1,440,501 | 44.6% | 0.62% |
| - *Stage 3* | 1,048,563 | 28.7% | (18,511) | 1,030,052 | 32.7% | N/A | 1,087,912 | 33.4% | (18,529) | 1,069,383 | 33.1% | N/A |
| Public Procurement Claims | 543,803 | 14.9% | (473,624) | 70,179 | 2.2% | N/A | - | 0.0% | - | - | 0.0% | N/A |
| **Total** | **3,657,501** | **100%** | **(503,494)** | **3,154,007** | **100%** | **N/A** | **3,259,167** | **100%** | **(29,401)** | **3,229,766** | **100%** | **N/A** |

(*) In the column "Coverage ratio", the value "n/a" was inserted as it refers to net losses/recoveries and therefore is not correlated to the gross exposure in terms of coverage representation.

Financial assets at amortised cost, equal to EUR 3,154 million as of 31 March 2022, were mainly composed of loans to customers, which comprise 89.8% of the total of the item, in addition to due from banks (1.7% of the total), loans to financial entities (5.1% of the total) and government bonds (3.4% of the total).

In terms of the quality of loans, most of the assets at amortised cost refer to performing financial assets (65% of the total), while 35% is composed of non-performing loans. That figure has naturally been influenced by the component of inorganic securities and loans, which comprise the core business of the Distressed Credit Division.

Compared to the composition of the portfolio as of 31 December 2021, loans at amortise cost now include Government Bonds of EUR 107.6 million and Public Procurement Claims of EUR 70.2 million.

A breakdown of the credit quality to customers (loans and securities) and a comparison to the previous year is provided below.

*(amounts in thousands of euros)*

| LOANS TO CUSTOMERS | 31 March 2022 | | | | | | 31 December 2021 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gross Exposure | Inc. % | Recoveries (losses) | Book value | Inc. % | Coverage ratio (*) | Gross Exposure | Inc. % | Recoveries (losses) | Book value | Inc. % | Coverage ratio (*) |
| **- Non-performing loans – organic** | **39,743** | **1.2%** | **(18,511)** | **21,232** | **0.7%** | **46.58%** | **39,554** | **1.4%** | **(18,529)** | **21,025** | **0.8%** | **46.84%** |
| - Bad loans | 19,620 | 0.6% | (14,347) | 5,273 | 0.2% | 73.12% | 19,014 | 0.7% | (14,027) | 4,987 | 0.2% | 73.77% |
| - Unlikely-to-pay positions | 19,594 | 0.6% | (4,145) | 15,449 | 0.5% | 21.15% | 20,370 | 0.7% | (4,468) | 15,902 | 0.6% | 21.93% |
| - Past-due positions | 529 | 0.0% | (19) | 510 | 0.0% | 3.59% | 170 | 0.0% | (34) | 136 | 0.0% | 20.00% |
| **Non-performing loans - inorganic** | **1,008,820** | **30.3%** | **-** | **1,008,820** | **35.6%** | **N/A** | **1,048,358** | **37.6%** | **-** | **1,048,358** | **38.0%** | **N/A** |
| - Bad loans | 678,340 | 20.3% | - | 678,340 | 24.0% | N/A | 699,429 | 25.1% | - | 699,429 | 25.3% | N/A |
| - Unlikely-to-pay positions | 330,480 | 9.9% | - | 330,480 | 11.7% | N/A | 348,929 | 12.5% | - | 348,929 | 12.6% | N/A |
| - Past-due positions | - | 0.0% | - | - | 0.0% | N/A | - | 0.0% | - | - | 0.0% | N/A |
| **Non-performing securities - Inorganic** | **73,976** | **2.2%** | **(132)** | **73,844** | **2.6%** | **N/A** | **10,037** | **0.4%** | **-** | **10,037** | **0.4%** | **N/A** |
| - Unlikely-to-pay positions | 73,976 | 2.2% | (132) | 73,844 | 2.6% | N/A | 10,037 | 0.4% | - | 10,037 | 0.4% | N/A |
| **Public Procurement Claims** | **543,803** | **16.3%** | **(473,624)** | **70,179** | **2.5%** | **N/A** | **-** | **0.0%** | **-** | **-** | **0.0%** | **N/A** |
| **Performing loans** | **1,668,477** | **50.0%** | **(10,803)** | **1,657,674** | **58.5%** | **0.65%** | **1,692,861** | **60.7%** | **(10,341)** | **1,682,520** | **60.9%** | **0.61%** |
| - Securities | 308,085 | 9.2% | (1,417) | 306,668 | 10.8% | 0.46% | 243,317 | 8.7% | (1,298) | 242,019 | 8.8% | 0.53% |
| Growth Credit | 44,285 | 1.3% | (769) | 43,516 | 1.5% | 1.74% | 24,741 | 0.9% | (512) | 24,229 | 0.9% | 2.07% |
| Distressed Credit | 263,800 | 7.9% | (648) | 263,152 | 9.3% | 0.25% | 218,576 | 7.8% | (786) | 217,790 | 7.9% | 0.36% |
| - Loans | 1,360,392 | 40.8% | (9,386) | 1,351,006 | 47.7% | 0.69% | 1,449,544 | 51.9% | (9,043) | 1,440,501 | 52.2% | 0.62% |
| **Total** | **3,334,819** | **100%** | **(502,938)** | **2,831,749** | **100%** | **N/A** | **2,790,810** | **100%** | **(28,870)** | **2,761,940** | **100%** | **N/A** |

(*) In the column "Coverage ratio", the value "n/a" was inserted as it refers to net losses/recoveries and therefore is not correlated to the gross exposure in terms of coverage representation.

Organic non-performing loans amounted to EUR 21.2 million, substantially in line with that recorded as of 31 December 2021. The coverage ratio for organic non-performing loans as of 31 March 2022, was equal to 46.6%, in line with the comparative figure.

Inorganic non-performing loans amounted to EUR 1,008.8 million, of which:

- EUR 678.3 million relating to purchase transactions concluded by the Growth Credit and Distressed Credit Divisions classified as Bad loans, registering a decrease compared to EUR 699.4 million as of 31 December 2021;
- EUR 330.5 million relating to purchase transactions concluded by the Growth Credit and Distressed Credit Divisions classified as unlikely-to-pay positions, registering an increase compared to EUR 348.9 million as of 31 December 2021.

Performing loans amounted to EUR 1,657.7 million, in addition to EUR 70.2 million in Public Procurement Claims, thus resulting in a total of EUR 1,727.9 million. The total performing portfolio thus grew compared to the EUR 1,682.5 million as of 31 December 2021, especially due to the purchase of the portfolio of disputes relating to technical reserves from procurement.

Performing securities amounted to EUR 306.7 million as of 31 March 2022, up on 31 December 2021 in relation to increased operations of both the Distressed Credit Division and the Growth Credit Division.

The coverage ratio for performing loans of the Bank as of 31 March 2022, net of Public Procurement Claims, was equal to 0.69%, up slightly from the comparative figure as of 31 December 2021.

## Funding

*(amounts in thousands of euros)*

| CUSTOMER FUNDING BY TECHNICAL FORM | 31 March 2022 | | 31 December 2021 | | Change | |
|---|---|---|---|---|---|---|
| | Book value | Inc. % | Book value | Inc. % | Absolute | Chg. % |
| Amounts due to customers (A) | 3,064,799 | 77.0% | 2,818,146 | 75.6% | 246,653 | 8.8% |
| Securities issued (B) | 504,681 | 12.7% | 499,788 | 13.4% | 4,893 | 1.0% |
| **Total direct customer funding (A) + (B)** | **3,569,480** | **90%** | **3,317,934** | **89%** | **251,546** | **7.6%** |
| Due to banks (C) | 412,190 | 10.4% | 411,314 | 11.0% | 876 | 0.2% |
| **Total debt (A) + (B) + (C)** | **3,981,670** | **100%** | **3,729,248** | **100%** | **252,422** | **6.8%** |

At the end of the period, funding amounted to approximately EUR 3,981.7 million, up on 31 December 2021, mainly due to the increase in funding from customers in the form of time deposits.

## Property and equipment and intangible assets

Property and equipment as of 31 March 2022 amounted to approximately EUR 79.4 million, up from EUR 68.7 million as of 31 December 2021, due mainly to the inclusion in the portfolio of property accounted for pursuant to IAS 2, in the context of *datio in solutum* operations. In accordance with IFRS 16, the item includes the right of use of assets acquired through lease agreements, of approximately EUR 22.9 million, net of accumulated depreciation.

Intangible assets as of 31 March 2022 amounted to approximately EUR 88.7 million, compared to EUR 85.2 million as of 31 December 2021, and mainly include goodwill from the acquisition of IT Auction (the company now merged into neprix), and its subsidiaries during 2020 (for EUR 14.6 million), as well as the goodwill recognised following the business combination of SPAXS with Banca Interprovinciale (equal to EUR 21.6 million), as well as the goodwill - although marginal - recognised on the acquisition of 100% of the units in the securitisation vehicles Doria SPV S.r.l., Friuli SPV S.r.l., Pitti SPV S.r.l., River SPV S.r.l., and 66.7% of the units of the securitisation vehicle Aporti SPV S.r.l. This item also includes the IT investments made by Group companies.

## Tax assets and tax liabilities

Tax assets amounted to approximately EUR 51.1 million as of 31 March 2022, up from the EUR 45.7 million recognised as of 31 December 2021. Details of the breakdown of tax assets are shown below.

*(amounts in thousands of euros)*

| TAX ASSETS | 31 March 2022 | 31 December 2021 | Chg. | Chg. % |
|---|---|---|---|---|
| Current | 5,168 | 5,168 | - | 0% |
| Deferred | 45,976 | 40,504 | 5,472 | 14% |
| **Total** | **51,144** | **45,672** | **5,472** | **12%** |

Deferred tax assets other than those convertible into tax credits (Article 2, paragraphs 55 et seq, of Italian Legislative Decree no. 225/2010) are recognised on the basis of the likelihood of earning taxable income in future years able to reabsorb the temporary differences. Deferred tax assets also include the effects of the exercise of the tax relief option on goodwill and other intangible assets recognised in the financial statements following extraordinary operations and purchases of equity investments.

Deferred tax liabilities as of 31 March 2022 amounted to EUR 26.7 million, up compared to EUR 20.3 million as of 31 December 2021, due to higher taxes as a result of the positive financial results for the period.

*(amounts in thousands of euros)*

| TAX LIABILITIES | 31 March 2022 | 31 December 2021 | Chg. | Chg. % |
|---|---|---|---|---|
| Current | 25,654 | 19,156 | 6,498 | 34% |
| Deferred | 1,093 | 1,100 | (7) | (1%) |
| **Total** | **26,747** | **20,256** | **6,491** | **33%** |

# Capital adequacy

On 1 January 2014, the new prudential requirements for banks and investment firms came into force, which are contained in Regulation (EU) No 575/2013 (Capital Requirements Regulation, the CRR) and in Directive 2013/36/EU (Capital Requirements Directive, the CRD IV), which have transposed into the EU the standards set by the Basel Committee on Banking Supervision (Basel 3 Framework). The CRR entered into effect in the Member States directly, whereas the rules laid down in CRD IV were transposed into Italian law by Legislative Decree no. 72 of 12 May 2015, which entered into force on 27 June 2015. Following a public consultation process launched in November, on 17 December 2013 the Bank of Italy published Circular no. 285, "Prudential supervisory regulations for banks", implementing the new EU rules to the extent of its competency, together with Circular no. 286, "Instructions for completing prudential reports for banks and securities brokerage firms" and the update to Circular no. 154 "Supervisory reports by credit and financial institutions. Reporting formats and instructions for submitting data streams" (the above set of rules has been updated on several occasions).

On 17 March 2022, as part of the Supervisory Review and Evaluation Process (SREP) performed on the illimity Banking Group, illimity Bank received notification from the Bank of Italy of the start of the related proceedings, indicating the capital requirements to be observed at the consolidated level with effect from 31 March 2022. To ensure compliance with the binding requirements even in the event of a deterioration in the economic and financial scenario (Pillar 2 Guidance - P2G), the Bank of Italy communicated the following capital levels, which the illimity Banking Group was invited to maintain on an ongoing basis:

- Common Equity Tier 1 (CET1) ratio of 9.10%;
- Tier 1 ratio of 11.00%;
- Total Capital ratio of 13.50%.

In that regard, it is noted that, pending the formal conclusion of that process (SREP) in 2022, which was still under way at the date of approval of this report, the Bank continues to substantially comply with the original voluntary commitment to maintain the CET1 ratio at a level above 15% on an ongoing basis.

In determining own funds the profit (loss) for the period was allocated net of all charges and dividends that may be forecast pursuant to the CRR, article 26, paragraph 2, letter b) and Delegated Regulation (EU) 241/2014, articles 2 and 3. In particular, CET1 capital included 80% of profits for the period, based on a consolidated payout ratio of 20%, in line with the current business plan. That being said, the breakdown of own funds at the reporting date was as follows:

| CAPITAL RATIOS | 31 March 2022 | 31 December 2021 |
|---|---|---|
| **Common Equity Tier 1 (CET1) capital** | **646,484** | **642,467** |
| **Additional Tier 1 (AT1) capital** | **-** | **-** |
| **Tier 2 (T2) capital** | **202,677** | **200,432** |
| **Total own funds** | **849,161** | **842,899** |
| *Credit risk* | *273,024* | *253,619* |
| *Credit valuation adjustment risk* | *-* | *-* |
| *Settlement risks* | *-* | *-* |
| *Market risks* | *1,420* | *780* |
| *Operational risk* | *18,518* | *18,518* |
| *Other calculation factors* | *-* | *-* |
| **Total minimum requirements** | **292,961** | **272,917** |
| **Risk-weighted assets** | **3,662,016** | **3,411,468** |
| **Common Equity Tier 1 ratio** | **17.65%** | **18.83%** |
| *(Common Equity Tier 1 capital after filters and deductions/Risk-weighted assets)* | | |
| **Tier 1 ratio** | **17.65%** | **18.83%** |
| *(Tier 1 capital after filters and deductions/Risk-weighted assets)* | | |
| **Total capital ratio** | **23.19%** | **24.71%** |
| **(Total own funds/Risk-weighted assets)** | | |

As of 31 March 2022, the Bank did not include the positive effect of EUR 14.4 million attributable to special shares in own funds. If special shares had been included in CET1 capital, the CET1 ratio would have been equal to 18.05% and the Total Capital Ratio equal to 23.58%.

## Changes in shareholders’ equity

As of 31 March 2022, shareholders' equity, including the result for the period, amounted to approximately EUR 777.4 million, increasing compared to 2021, mainly due to the contribution of the profit earned in the first three months of 2022, net of the change in valuation reserves, attributable to the trend in interest rates, which had a negative impact on the value of financial assets HTCS.

| Items/Technical forms | 31 March 2022 | 31 December 2021 |
|---|---|---|
| 1. Share capital | 52,620 | 52,620 |
| 2. Share premium reserve | 597,589 | 597,589 |
| 3. Reserves | 131,154 | 63,904 |
| 4. Equity instruments | – | – |
| 5. (Treasury shares) | (832) | (832) |
| 6. Valuation reserves | (18,784) | (6,057) |
| 7. Profit (loss) for the period | 15,675 | 65,591 |
| **Total shareholders’ equity attributable to the Group** | **777,422** | **772,815** |
| Shareholders’ equity attributable to minority interests | 5 | 5 |
| **Total shareholders' equity** | **777,427** | **772,820** |

## Share capital and ownership structure

At 31 March 2022, the Bank's share capital amounted to EUR 54,189,951.66, of which EUR 52,619,881.24 was subscribed and paid up, divided into 79,300,100 ordinary shares and 1,440,000 special shares without par value.

The Ordinary Shares were admitted to trading on the Euronext Milan market organised and managed by Borsa Italiana S.p.A. on 5 March 2019. By order of the Bank of Italy no. 8688 of 2 September 2020, the ordinary shares were admitted to trading on the STAR (Securities with High Requirements) segment of the Euronext Milan market. The Bank's Special Shares are not traded.

# Treasury shares

Following the purchases made in previous years, as of 31 March 2022, the Bank held 98,505 treasury shares for a value of EUR 832 thousand, in line with figures as of 31 December 2021. The Bank's subsidiaries do not hold any shares in it.

# Parent company reconciliation - consolidated

The table below gives a reconciliation of the shareholders' equity and the result of illimity Bank S.p.A. with the respective data for the Group as of 31 March 2022:

| | Shareholders’ equity | Result |
|---|---|---|
| illimity Bank S.p.A. | 784,260 | 17,534 |
| Effect of consolidation of subsidiaries | (3,493) | - |
| Result of subsidiaries | (121) | (121) |
| Consolidation adjustments | 6,340 | 90 |
| Dividends | - | - |
| Effect of measuring jointly-owned associates or subsidiaries using the equity method | (9,564) | (1,828) |
| **Group** | **777,422** | **15,675** |

# Financial performance

## Net interest margin

(amounts in thousands of euros)

| Items/Technical forms | Loans/ Payables | Debt securities | Other transactions | 31 March 2022 | 31 March 2021 | Absolute changes | Chg. % |
|---|---|---|---|---|---|---|---|
| Interest and similar income | | | | | | | |
| 1. Financial assets measured at fair value through profit or loss | - | 402 | - | 402 | 152 | 250 | >100% |
| *Held for trading* | - | - | - | - | 78 | (78) | -100% |
| *Carried at FV* | - | - | - | - | - | - | N/A |
| *Mandatorily measured at fair value* | - | 402 | - | 402 | 74 | 328 | >100% |
| 2. Financial assets at FV through other comprehensive income | - | 1,447 | - | 1,447 | 876 | 571 | 65% |
| 3. Financial assets at amortised cost | 44,342 | 4,266 | - | 48,608 | 44,608 | 4,000 | 9% |
| *Due from banks* | 55 | - | - | 55 | 236 | (181) | (77%) |
| *Loans to customers* | 44,287 | 4,266 | - | 48,553 | 44,372 | 4,181 | 9% |
| 4. Hedging derivatives | - | - | - | - | - | - | N/A |
| 5. Other assets | - | - | 814 | 814 | 14 | 800 | >100% |
| 6. Financial liabilities | - | - | - | 464 | 318 | 146 | 46% |
| **Total interest income** | **44,342** | **6,115** | **814** | **51,735** | **45,968** | **5,767** | **13%** |
| **Interest expenses** | | | | | | | |
| 1. Amounts due to customers | (9,345) | (4,894) | - | (14,239) | (13,193) | (1,046) | 8% |
| *Due to central banks* | (9) | - | - | (9) | (6) | (3) | 50% |
| *Due to banks* | (769) | - | - | (769) | (1,389) | 620 | (45%) |
| *Amounts due to customers* | (8,567) | - | - | (8,567) | (9,141) | 574 | (6%) |
| *Securities issued* | - | (4,894) | - | (4,894) | (2,657) | (2,237) | 84% |
| 2. Financial liabilities held for trading | - | - | - | - | - | - | N/A |
| 3. Financial liabilities carried at FV | - | - | - | - | - | - | N/A |
| 4. Other liabilities and provisions | - | - | (626) | (626) | (453) | (173) | 38% |
| 5. Hedging derivatives | - | - | - | - | - | - | N/A |
| 6. Financial assets | - | - | - | (824) | (1,115) | 291 | (26%) |
| **Total interest expenses** | **(9,345)** | **(4,894)** | **(626)** | **(15,689)** | **(14,761)** | **(928)** | **6%** |
| **Net interest margin** | **34,997** | **1,221** | **188** | **36,046** | **31,207** | **4,839** | **16%** |

As of 31 March 2022, the interest margin amounted to approximately EUR 36 million, up considerably on the same period of the previous year, when it amounted to approximately EUR 31.2 million.

The change described above is mainly due to the increase in interest income accrued on financial assets at amortised cost: in particular, interest on loans to customers increased by EUR 4.2 million compared to the same period of the previous year. This increase is due to larger portfolio volumes in the Bank's assets, mainly referring to the Growth Credit Division.

Interest income also increased on financial assets measured at fair value through profit and loss and through other comprehensive income due the purchase of securities assigned to this own portfolio.

Interest expense increased by approximately EUR 0.9 million compared to 31 March 2021, due to the rise of EUR 2.2 million in interest expense on securities issued - mainly following the issue of ordinary and subordinated bonds, which was partially offset by the reduction in income expense on amounts due to banks and customers, totalling EUR 1.2 million, respectively linked to the reduction in repurchase agreement operations with banking counterparties and the decrease in interest rates on direct customer funding.

## Net fee and commission income

*(amounts in thousands of euros)*

| Items/Technical forms | 31 March 2022 | 31 March 2021 | Absolute changes | Chg. % |
|---|---|---|---|---|
| **Fee and commission income** | | | | |
| a) Financial instruments | - | 1 | (1) | (100%) |
| b) Corporate Finance | 2,495 | - | 2,495 | N/A |
| e) Collective portfolio management | 571 | - | 571 | N/A |
| f) Custody and administration | - | 1 | (1) | (100%). |
| i) Payment services | 276 | 1,130 | (854) | (76%) |
| g) Central administrative services for collective portfolio management | 32 | 32 | - | 0% |
| m) Financial guarantees | 68 | 24 | 44 | >100% |
| o) Financing operations | 5,679 | 2,343 | 3,336 | >100% |
| p) Currency trading | 8 | 9 | (1) | (11%) |
| r) Other fee and commission income | 4,491 | 2,454 | 2,037 | 83% |
| **Total** | **13,620** | **5,994** | **7,626** | **>100%** |
| **Fee and commission expense** | | | | |
| a) Financial instruments | - | (64) | 64 | (100%) |
| c) Collective portfolio management | - | (31) | 31 | (100%) |
| d) Custody and administration | (50) | (218) | 168 | (77%) |
| d) Collection and payment services | (325) | - | (325) | N/A |
| f) Servicing activities for securitisation operations | (178) | - | (178) | N/A |
| g) Commitments to receive funds | - | (1) | 1 | (100%) |
| j) Currency trading | - | (479) | 479 | (100%) |
| k) Other fee and commission expense | (230) | (257) | 27 | (11%) |
| **Total** | **(783)** | **(1,050)** | **267** | **(25%)** |
| **Net fee and commission income** | **12,837** | **4,944** | **7,893** | **>100%** |

Net fee and commission income amounted to EUR 12.8 million, up significantly compared to the period ended 31 March 2021, when it amounted to EUR 4.9 million. The positive change was due primarily to commissions for capital market activities, included in the Corporate Finance category, higher commissions related to factoring and loan operations, and the significant rise in other fee and commission income.

Specifically, this latter item included fee and commission income from the specific business of Group companies relating to neprix and neprix Agency – and, in particular, the auction commissions and commissions from associated services, accrued on the use of the company's real estate portfolios – for approximately EUR 2.7 million.

## Other operating expenses and income

*(amounts in thousands of euros)*

| Items/Technical forms | 31 March 2022 | 31 March 2021 | Absolute changes | Chg. % |
|---|---|---|---|---|
| Other operating expenses | | | | |
| Amortisation of expenses for improvements on third party assets | (23) | (18) | (5) | 28% |
| Other operating expenses | (515) | (293) | (222) | 76% |
| **Total** | **(538)** | **(311)** | **(227)** | **73%** |
| Other operating income | | | | |
| Recoveries of expenses from other customers | 1,124 | 307 | 817 | >100% |
| Other income | 4,847 | 981 | 3,866 | >100% |
| Rental income | 829 | 1,026 | (197) | (19%) |
| **Total** | **6,800** | **2,314** | **4,486** | **>100%** |
| **Other operating income/expenses** | **6,262** | **2,003** | **4,259** | **>100%** |

The item includes operating income and expenses of the Bank and its subsidiaries. Other operating income is mainly from the amount regarding ION to use the licence on the IT platform developed by illimity, for EUR 4.3 million, and sales revenues of neprix and the Group's real estate companies. Other main components refer to rental income for the management of real-estate complexes, recognised under Property and Equipment, acquired through the NPL business.

## Personnel expenses

*(amounts in thousands of euros)*

| Items/Technical forms | 31 March 2022 | 31 March 2021 | Absolute changes | Chg. % |
|---|---|---|---|---|
| 1. Employees | (19,700) | (15,643) | (4,057) | 26% |
| 2. Other personnel in service | (403) | (469) | 66 | (14%) |
| 3. Directors and statutory auditors | (598) | (526) | (72) | 14% |
| **Personnel expenses** | **(20,701)** | **(16,638)** | **(4,063)** | **24%** |

Personnel expenses amounted to approximately EUR 20.7 million and consist mainly of employee wages and salaries and the related social security contributions. This item went up compared to the same period of the previous year due to new personnel being employed to support the Group's new, increased operations.

The Group had a total of 765 employees as of 31 March 2022, up on 31 March 2021 (equal to 621).

## Other Administrative expenses

*(amounts in thousands of euros)*

| Items/Technical forms | 31 March 2022 | 31 March 2021 | Absolute changes | Chg. % |
|---|---|---|---|---|
| Insurance | (910) | (742) | (168) | 23% |
| Various consulting services | (2,219) | (1,649) | (570) | 35% |
| Cost of services | (1,236) | (1,024) | (212) | 21% |
| Financial information | (776) | (589) | (187) | 32% |
| Adverts and advertising | (1,440) | (683) | (757) | >100% |
| Financial statement audit | (181) | (137) | (44) | 32% |
| IT and software expenses | (5,954) | (4,975) | (979) | 20% |
| Legal and notary's fees | (2,621) | (1,422) | (1,199) | 84% |
| Property management expenses | (1,035) | (1,001) | (34) | 3% |
| Expenses for professional services | (2,335) | (1,566) | (769) | 49% |
| Utilities and services | (417) | (410) | (7) | 2% |
| Other indirect taxes and duties | (1,138) | (1,981) | 843 | (43%) |
| Others | (552) | (359) | (193) | 54% |
| **Total other administrative expenses** | **(20,814)** | **(16,538)** | **(4,276)** | **26%** |

Other administrative expenses amounted to approximately EUR 20.8 million, increasing by EUR 4.3 million compared to the same period of the previous year, and refer primarily to IT and software expenses, expenses for professional services relating to operations of the Distressed Credit Division and legal and notary's fees.

## Net adjustments/recoveries on property and equipment and intangible assets

*(amounts in thousands of euros)*

| Items/Technical forms | 31 March 2022 | 31 March 2021 | Absolute changes | Chg. % |
|---|---|---|---|---|
| **Net write-downs/write-backs on property and equipment** | | | | |
| Property and equipment with functional use | | | | |
| *of which: own Property and equipment* | (100) | (458) | 358 | (78%) |
| *of which: Rights of use acquired through lease agreements* | (692) | (572) | (120) | 21% |
| **Total** | **(792)** | **(1,030)** | **238** | **(23%)** |
| **Net write-downs/write-backs on intangible assets** | | | | |
| Finite useful life | (2,620) | (1,940) | (680) | 35% |
| Indefinite useful life | - | - | - | n.a |
| **Total** | **(2,620)** | **(1,940)** | **(680)** | **35%** |
| **Net write-downs/write-backs on property and equipment and intangible assets** | **(3,412)** | **(2,970)** | **(442)** | **15%** |

Net adjustments/recoveries on property and equipment and intangible assets amounted to approximately EUR 3.4 million, compared to EUR 3 thousand as of 31 March of the previous year. The increase was due to the amortisation of considerable IT investments made by the Bank, as well as greater depreciation for right of use assets, acquired through lease agreements, as indicated in IFRS 16, as well as the amortisation of intangible assets recognised in accordance with IFRS 3.

## Net write-downs/write-backs for assets measured at amortised cost

*(amounts in thousands of euros)*

| Transaction/ Income items | Losses (1) | | | | | | Recoveries (2) | | | | 31.03.2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage one | Stage two | Stage three | | Purchased or originated impaired | | Stage one | Stage two | Stage three | Purchased or originated impaired | |
| | | | Write-offs | Others | Write-offs | Others | | | | | |
| **A. Due from banks** | **(20)** | **-** | **-** | **-** | **-** | **-** | **202** | **-** | **-** | **-** | **182** |
| - loans | (20) | - | - | - | - | - | 202 | - | - | - | 182 |
| - debt securities | - | - | - | - | - | - | - | - | - | - | - |
| **B. Loans to customers:** | **(1,716)** | **(412)** | **-** | **(563)** | **-** | **(36,047)** | **1,407** | **207** | **409** | **51,474** | **14,759** |
| - loans | (1,084) | (412) | - | (563) | | (35,914) | 1,140 | 89 | 409 | 51,474 | 15,139 |
| - debt securities | (632) | - | - | - | | (133) | 267 | 118 | - | - | (380) |
| **Total** | **(1,736)** | **(412)** | **-** | **(563)** | **-** | **(36,047)** | **1,609** | **207** | **409** | **51,474** | **14,941** |

Net losses/recoveries for assets measured at amortised cost amounted to EUR 14.9 million. In particular, net recoveries on POCI loans amounted to EUR 15.4 million, as shown in the table above, of which EUR 20.6 million relating to closed positions. Item 130 a) also includes net losses/recoveries relating to banks, financial entities and open POCI positions. The sub-item "purchased or originated impaired financial assets" refers to the amount of losses/recoveries on loans classified as purchased or originated credit impaired as a result of collections or revisions of business plans.

## Basic and diluted earnings (losses) per share

The basic earnings (loss) per share is calculated by dividing the Group's net profit (loss) for the period by the weighted average number of ordinary shares in issue during the year.

*(amounts in thousands of euros)*

| Basic and diluted earnings per share | Profit/(Loss) for the period | Average number of shares | Basic and diluted earnings per share |
|---|---|---|---|
| Period ended 31 March 2022 | 15,675 | 79,201,595 | 0.20 |
| Period ended 31 March 2021 | 12,556 | 73,096,014 | 0.17 |

*(amounts in thousands of euros)*

| Diluted earnings (loss) per share | Profit/(Loss) for the period | Average number of shares | Diluted earnings (loss) per share |
|---|---|---|---|
| Period ended 31 March 2022 | 15,675 | 81,232,689 | 0.19 |
| Period ended 31 March 2021 | 12,556 | 73,096,014 | 0.17 |

Trailing earnings per share as of 31 March 2022 of the Group, calculated considering the economic results and weighted average number of ordinary shares issued in the last twelve months, would amount to EUR 0.87 per share in the basic scenario, compared to EUR 0.85 in the diluted scenario.

# Quarterly trend

The quarterly trend of the reclassified consolidated statement of financial position and consolidated income statement is presented below.

## Reclassified Statement of Financial Position

*(amounts in thousands of euros)*

| Assets | 31 March 2022 | 31 December 2021 | 30 September 2021 | 30 June 2021 | 31 March 2021 |
|---|---|---|---|---|---|
| Property portfolio - Securities at FV | 428,100 | 300,436 | 264,768 | 299,513 | 342,635 |
| Loans to customers HTCS | - | - | 15,806 | 15,856 | - |
| Financial instruments mandatorily measured at fair value | 78,634 | 75,751 | 87,021 | 138,439 | 17,789 |
| Loans mandatorily measured at fair value | - | - | 521 | 505 | 512 |
| Due from banks | 54,729 | 267,969 | 373,040 | 438,603 | 516,608 |
| Loans to financial entities | 159,964 | 199,857 | 169,825 | 169,842 | 139,943 |
| Loans to customers | 2,831,749 | 2,761,940 | 2,473,115 | 2,330,341 | 2,233,732 |
| Government Bonds HTC | 107,565 | - | - | - | - |
| Investments in equity | 78,147 | 79,953 | 81,775 | 83,727 | 85,564 |
| Property and equipment and intangible assets | 168,091 | 153,984 | 153,986 | 152,371 | 147,191 |
| Tax assets | 51,144 | 45,672 | 24,247 | 29,449 | 31,088 |
| Other assets | 964,286 | 775,028 | 1,001,465 | 672,108 | 800,975 |
| **Total assets** | **4,922,409** | **4,660,590** | **4,645,569** | **4,330,754** | **4,316,037** |

*(amounts in thousands of euros)*

| Liabilities | 31 March 2022 | 31 December 2021 | 30 September 2021 | 30 June 2021 | 31 March 2021 |
|---|---|---|---|---|---|
| Due to banks | 412,190 | 411,314 | 546,046 | 581,628 | 626,660 |
| Amounts due to customers | 3,064,799 | 2,818,146 | 2,713,706 | 2,643,308 | 2,567,758 |
| Securities issued | 504,681 | 499,788 | 507,117 | 304,067 | 302,402 |
| Financial liabilities in own portfolio – instruments at FV | 1,855 | 59 | - | - | - |
| Tax liabilities | 26,747 | 20,256 | 8,354 | 5,268 | 6,859 |
| Other liabilities | 134,710 | 138,207 | 114,584 | 115,741 | 146,865 |
| Shareholders’ equity | 777,427 | 772,820 | 755,762 | 680,742 | 665,493 |
| **Total liabilities and shareholders’ equity** | **4,922,409** | **4,660,590** | **4,645,569** | **4,330,754** | **4,316,037** |

## Reclassified Income Statement

*(amounts in thousands of euros)*

| Income Statement items | 1Q 2022 | 4Q 2021 | 3Q 2021 | 2Q 2021 | 1Q 2021 |
|---|---|---|---|---|---|
| Net interest margin | 36,046 | 34,484 | 34,227 | 33,215 | 31,207 |
| Net fee and commission income | 12,837 | 11,639 | 10,275 | 8,698 | 4,944 |
| Gains/losses on financial assets and liabilities | 2,751 | 6,153 | 7,545 | 1,063 | 3,833 |
| Net write-downs/write-backs on closed positions | 20,556 | 18,956 | 7,076 | 26,021 | 11,406 |
| Other profits (losses) from the disposal of investments | - | - | - | - | 2,278 |
| Other operating expenses and income | 6,262 | 6,579 | 7,443 | 2,138 | 2,003 |
| **Total net operating income** | **78,452** | **77,811** | **66,567** | **71,135** | **55,671** |
| Personnel expenses | (20,701) | (22,215) | (15,871) | (18,961) | (16,638) |
| Other administrative expenses | (20,814) | (23,337) | (17,083) | (19,234) | (16,538) |
| Net write-downs/write-backs on property and equipment and intangible assets | (3,412) | (2,898) | (2,649) | (2,215) | (2,970) |
| **Operating expenses** | **(44,927)** | **(48,450)** | **(35,603)** | **(40,410)** | **(36,146)** |
| **Operating profit (loss)** | **33,525** | **29,361** | **30,964** | **30,725** | **19,525** |
| Net losses/recoveries for credit risk - HTC Banks | 183 | (137) | 48 | 12 | (15) |
| Net losses/recoveries for credit risk - HTC Other financial entities | (1) | (30) | - | (98) | (31) |
| Net losses/recoveries for credit risk - HTC Clients | (5,789) | (13,699) | 1,159 | (6,421) | 6,185 |
| Net losses/recoveries for credit risk - HTCS | (542) | (222) | 459 | 361 | (1,504) |
| Net losses/recoveries for commitments and guarantees | 524 | 218 | (1,630) | 190 | (1,507) |
| **Total net losses/recoveries** | **(5,625)** | **(13,870)** | **36** | **(5,956)** | **3,128** |
| Other net provisions | (28) | (218) | - | 25 | (25) |
| Other income (expenses) on investments | (1,828) | (1,788) | (1,996) | (1,851) | (2,123) |
| Contributions and other non-recurring expenses | (1,962) | (1,351) | (1,765) | (569) | (1,403) |
| **Profit (loss) from operations before taxes** | **24,082** | **12,134** | **27,238** | **22,374** | **19,102** |
| Income tax for the period on continuing operations | (8,407) | 7,258 | (8,457) | (7,512) | (6,546) |
| **Profit (loss) for the period** | **15,675** | **19,392** | **18,781** | **14,862** | **12,556** |

The interest margin in the first quarter of 2022 amounted to EUR 36 million, up on the previous quarter and up strongly on the same period of 2021, following the purchases of NPL portfolios in the period and the disbursements carried out by the Growth Credit Division. The Distressed Credit Division was able to make a significant contribution also to the result for the period, in spite of the challenging market conditions.

Total net operating income for the first quarter of 2022 amounted to EUR 78.5 million. Besides net interest, revenues for the quarter included net commission for EUR 12.8 million, a net gain on positions closed in the quarter for approximately EUR 20.6 million, a positive contribution from trading for EUR 2.8 million and other net income, attributable to both more operations in the real estate sector connected with the management of securitised NPL portfolios, and the sale to ION of licence rights for the IT platform developed by illimity.

Operating expenses in the first quarter of 2022, equal to EUR 44.9 million, improved over the previous quarter. Personnel costs decreased, despite the growth in the workforce, due to a lower impact of costs attributable to the MBO portion recognised in the last part of 2021 in relation to the results achieved, and individual incentives for employees. Other administrative expenses also improved on the last quarter of 2021, a period which was impacted by the effect of higher consultancy fees and IT costs and higher indirect taxes and charges linked to the Group's real estate portfolio.

Net losses/recoveries, negative in the amount of EUR 5.6 million, are essentially linked to the valuation of the Customer HTC portfolio, with an impact, though negative, significantly improving on the previous quarter, and deriving from the usual ongoing analysis of individual positions carried out by the management.

Lastly, expenses on investments, related to results for the period of companies consolidated using the equity method, came to EUR 1.8 million, in addition to membership fees and other non-recurring expenses for approximately EUR 2 million, mainly relating to the contributions to the Single Resolution Fund.

As a result of the above dynamics, the first quarter of 2022 ended with a profit before taxes on continuing operations equal to EUR 24.1 million. The net profit realised by the Group in the quarter amounted to EUR 15.7 million.

## Contribution of operating segments to the Group's results

The illimity Group operates through an organisational structure comprising five Operating Segments:

a) Distressed Credit
b) Growth Credit
c) Investment Banking
d) Direct Banking;
e) Asset Management Company.

In addition, the Corporate Centre has the function of steering, coordinating and controlling the entire Group.

illimity Group segment reporting is based on elements that management uses to make its operating decisions ("management approach"), in line with the reporting requirements of IFRS 8.

The next table shows the main data summarising developments in the operating segments of the illimity Group in the first three months of 2022.

| Economic performance | Distressed Credit | Growth Credit | Investment Banking | Direct Banking | SGR | Corporate Centre | 31 March 2022 |
|---|---|---|---|---|---|---|---|
| Net interest margin | 26.5 | 7.9 | 0.5 | 1.1 | - | - | 36.0 |
| Net fee and commission income | 3.5 | 5.9 | 2.8 | - | 0.6 | - | 12.8 |
| Other economic components | 24.3 | 0.8 | 0.5 | 3.5 | (0.1) | 0.7 | 29.7 |
| **Total net operating income** | **54.3** | **14.6** | **3.8** | **4.6** | **0.5** | **0.7** | **78.5** |
| Personnel expenses | (7.3) | (3.1) | (0.9) | (1.9) | (0.6) | (6.9) | (20.7) |
| Other administrative expenses and Net write-downs/write-backs on property and equipment and intangible assets | (10.7) | (1.7) | (0.2) | (4.5) | (0.2) | (6.9) | (24.2) |
| **Operating expenses** | **(18.0)** | **(4.8)** | **(1.1)** | **(6.4)** | **(0.8)** | **(13.8)** | **(44.9)** |
| **Operating profit (loss)** | **36.3** | **9.8** | **2.7** | **(1.8)** | **(0.3)** | **(13.2)** | **33.5** |
| Total net write-downs/write-backs and other provisions | (5.5) | 0.3 | (0.4) | - | - | - | (5.6) |
| Contributions and other non-recurring expenses | (0.3) | (0.4) | - | (0.4) | - | (0.9) | (2.0) |
| Other income (expenses) on investments | (0.1) | - | - | (1.7) | - | - | (1.8) |
| **Profit (loss) from operations before taxes** | **30.4** | **9.7** | **2.3** | **(3.9)** | **(0.3)** | **(14.1)** | **24.1** |

| Financial data | Distressed Credit | Growth Credit | Investment Banking | Direct Banking | SGR | Corporate Centre | 31 March 2022 |
|---|---|---|---|---|---|---|---|
| Financial assets measured at fair value through profit or loss | 63.6 | 15.8 | 3.0 | - | - | - | 82.4 |
| Loans to customers | 1,013.0 | 1,430.9 | - | 7.3 | - | - | 2,451.2 |
| Asset securities at amortised cost | 388.3 | 98.2 | 1.4 | 0.2 | - | - | 488.1 |
| Property and Equipment | 55.4 | - | - | - | - | 24.0 | 79.4 |
| Amounts due to customers and Securities issued | - | - | - | 2,024.9 | - | 1,571.3 | 3,596.2 |
| RWAs | 2,112.1 | 1,034.3 | 91.7 | 68.8 | 2.6 | 352.5 | 3,662.0 |

Shown below are the main economic data illustrating developments in the operating segments of the illimity Group in the first quarter of 2021.

| Economic performance | Distressed Credit | Growth Credit | Investment Banking | Direct Banking | SGR | Corporate Centre | 31 March 2021 |
|---|---|---|---|---|---|---|---|
| Total net operating income | 42.6 | 9.2 | 0.5 | 3.0 | - | 0.3 | 55.7 |
| Operating expenses | (13.8) | (4.3) | (0.7) | (4.2) | (0.6) | (12.5) | (36.1) |
| **Profit (loss) from operations before taxes** | **31.4** | **6.1** | **(1.4)** | **(3.5)** | **(0.6)** | **(12.9)** | **19.1** |

*Amounts in millions of euros. Any discrepancies between the figures presented are due solely to rounding.*

The Distressed Credit Division reported approximately EUR 26.5 million of net interest income in the first quarter of 2022, and a net operating income of EUR 54.3 million (approximately 69.2% of the illimity Group's net operating income). Profits before taxes amounted to EUR 30.4 million for the first quarter of 2021.

The Growth Care Division reported a profit before taxes of EUR 9.7 million in the first quarter of 2022, a net increase compared to the result achieved in the same period of the previous year, which amounted to EUR 6.1 million.

The Investment Banking Division, established on 1 January 2022, reported operating profit of approximately EUR 2.7 million, especially due to Capital Markets commissions.

The Direct Banking Division, as of 31 March 2022, reported an operating loss of approximately EUR 1.8 million and includes the majority component of the positive contribution deriving from the granting of the licence to use the IT platform between illimity and the ION Group.

The joint venture in Hype is expected to produce benefits, above all significant cost sharing, as well as revenues enabled from cross selling opportunities.

The SGR contributed to consolidated results as of 31 March 2022 with an operating loss of approximately EUR 0.3 million. It is believed that the growing operation of illimity SGR will gradually benefit the Group, especially in terms of improving the commission margin.

Lastly, the central functions of the Corporate Centre reported an operating loss of EUR 13.2 million in the first quarter of 2022, which is consistent with its nature as a cost centre for all other functions of the Group.

# Distressed Credit

## Direct Acquisitions

As of 31 December 2021, the Distressed Credit Division had purchased EUR 8.6 billion of *distressed* loans, in terms of gross book value, for the price of approximately EUR 1,332 million.

Throughout the first quarter of 2022, a total of approximately EUR 119 million was invested in loan purchase operations, for a total nominal value of around EUR 631 million. These opportunities were finalised through three different structural types:

- acquisitions completed through securitisation vehicles pursuant to Law 130/1999: these transactions were concluded by subscribing 100% of the notes issued by the securitisation vehicles (with the exception of the Convivio transaction, of which illimity subscribed 50% of the single-tranche note as part of a joint venture with Apollo Global Management), which in turn receive from illimity the funding necessary for the acquisition of the loans. In this case, the purchase may only concern positions classified as bad loans, or in any case revoked credit lines;
- acquisitions or new loan disbursements executed directly by illimity: loans are purchased (or disbursed) directly by illimity and accounted for in the Bank's financial statements; this case is necessary, for example, for the purchase of still-active positions, usually classified as *unlikely-to-pay*, for which the transfer of both the credit right and the associated banking relationship is required.

Also taking into account investments made in previous years, as of 31 March 2022 the Distressed Credit Division finalised investment transactions in *distressed* loans, both on its own and through controlled securitisation vehicles, for a total amount of approximately EUR 1,451 million, as shown below.

*(Amounts in millions of euros)*

| Investment transactions in Distressed Loans | Price | GBV |
|---|---|---|
| **Investments up to 31/12/2020** | **1,120** | **7,567** |
| Q1 2021 | 47 | 245 |
| **Total as of 31/03/2021** | **1,167** | **7,812** |
| Q2 2021 | 49 | 213 |
| **Total as of 30/06/2021** | **1,216** | **8,025** |
| Q3 2021 | 35 | 352 |
| **Total as of 30/09/2021** | **1,251** | **8,377** |
| Q4 2021 | 81 | 217 |
| **Total as of 31/12/2021** | **1,332** | **8,594** |
| Q1 2022 | 119 | 631 |
| **Total as of 31/03/2022** | **1,451** | **9,225** |

## Senior Financing Operations

During the course of the first quarter of 2022, the operations finalised by the *Senior Financing* area amounted to EUR 57 million disbursed.

Also taking into consideration the investments made by the *Senior Financing* area in previous years, as of 31 March 2022 the Bank signed *asset-backed* loan-agreements in support of professional investors in the *distressed credit* and *distressed assets* sectors, for a total of EUR 543 million, as shown below.

*(Amounts in millions of euros)*

| Asset-backed financing on Distressed Loans | Amount paid |
|---|---|
| **Investments up to 31/12/2020** | **456** |
| Q1 2021 | 2 |
| **Total as of 31/03/2021** | **458** |
| Q2 2021 | 2 |
| **Total as of 30/06/2021** | **460** |
| Q3 2021 | 9 |
| **Total as of 30/09/2021** | **469** |
| Q4 2021 | 17 |
| **Total as of 31/12/2021** | **486** |
| Q1 2022 | 57 |
| **Total as of 31/03/2022** | **543** |

## Special Situations - Real Estate operations in the context of note subscriptions

During the course of the first quarter of 2022, there were no new subscriptions of notes in the Special Situations Real Estate area.

Taking into account investments made in previous years, as of 31 March 2022 the Bank subscribed notes with the support of the Special Situations - Real Estate area, for a total amount of approximately EUR 55 million.

## Energy operations

The current positions of Special Situations Energy in the portfolio are recognised under the item “financial instruments mandatorily measured at fair value” in a note (a brief description of an investment in an asset portfolio), and recognise the following income components overall in profit or loss:

- a monthly component of coupon interest related to the outstanding amount of the underwritten note, reflecting a business plan equal to 3% of portfolio profitability;
- an extra-return component recognised under the item “Net result of assets mandatorily measured at fair value”.

In addition to the above, on 4 August 2021, following the favourable decision of the Credit and Investments Committee of 19 May 2021, illimity granted a revolving credit facility to SpicyCo S.r.l. (“SpicyCo”) and Spicy Green SPV S.r.l. (“Spicy Green”) for a maximum agreed amount of EUR 7.5 million, to support financial requirements arising from optimisation strategies already decided for Special Situations Energy positions, which often require financing the purchase of units of assigned vehicles that have production facilities under guarantee (“Leakage”) and therefore the actions necessary to solve technical or administrative stress “CapEx”). During the first quarter of 2022, the agreed amount was increased to EUR 10 million.

During the first quarter of 2022, there were no new investments in the Special Situations Energy sector, with the exception of the drawdown of EUR 2.5 million of the Revolving Credit Facility.

In view of the above, considering also the investments made in previous years, as of 31 March 2022, the Distressed Credit Division finalised investment transactions in the Special Situations Energy sector, through the securitisation vehicle in the joint venture Spicy Green SPV S.r.l., for an overall amount of approximately EUR 88 million, in terms of the purchase price of positions, against a gross nominal value of purchased positions of approximately EUR 117 million, plus it used EUR 7.2 million of the granted Revolving Credit Facility. Considering the stake held by illimity in the joint venture, the total amount in terms of net book value invested by the Bank in the Special Situations - Energy segment as of 31 March 2022 amounted to around EUR 77 million.

## Growth Credit Division

As of 31 December 2021, the Growth Credit portfolio had a gross exposure of EUR 1,528 million, broken down as follows:

- former BIP portfolio, amounting to EUR 118 million (8%);
- Turnaround amounting to approximately EUR 440 million (29%);
- Crossover and Acquisition Finance amounting to EUR 600 million (39%);
- Factoring, amounting to EUR 370 million (24%).

In the first quarter of 2022, receivables of the Growth Credit Division went down slightly by approximately EUR 15 million (-1.0% compared to 31 December 2021), with new investments (disbursements and purchases of loans) of approximately EUR 135 million, and repayments of approximately EUR 90 million, as well as a decrease in the exact figure for factoring loans of approximately EUR 79 million.

The portfolio of corporate bonds as of 31 March totalled EUR 41 million, up by EUR 17 million compared to 31 December 2021.

In brief, the main qualitative trends relating to the first quarter of 2022 are as follows:

a) new loans secured by public guarantees for a total of approximately EUR 92 million;
b) disbursement of unsecured loans for almost EUR 35 million;
c) purchases of loans for EUR 8 million;
d) repayments for approximately EUR 90 million, of which EUR 7 million connected with refinancing operations and EUR 83 million referring to early repayment.

As regards factoring, there was a decrease in volumes linked to the seasonality of the business, which, in the initial months of the year, takes the form of a physiological reduction in volumes linked to the normalisation of year-end transactions, and a quicker portfolio rotation. Turnover in the first quarter came to approximately EUR 332 million, a sharp improvement on the first quarter of 2021.

The run-off of the former BIP portfolio continues, which, in the first quarter of 2022 recorded a decrease in exposures of almost EUR 5 million.

As of 31 March 2022, the Growth Credit portfolio had a gross exposure of EUR 1,513 million, broken down as follows:

- former BIP portfolio, amounting to EUR 113 million (7%);
- Turnaround amounting to approximately EUR 491 million (32%);
- Crossover and Acquisition Finance amounting to EUR 618 million (41%);
- Factoring, amounting to EUR 291 million (19%).

## Investment Banking

On 1 January 2022, the new business division named Investment Banking was established, which targets companies, financial companies and public institutions in order to support them in structuring market and private operations, to meet their needs for capital, debt and strategic growth, not only through IPOs, but also through bond issues and structuring securitisations. The offering also includes the structuring and provision of risk hedging operations and consulting for operations such as mergers, spin-offs, incorporations, acquisitions and corporate restructuring.

The Division's operations break down into the following activities:

- Capital Markets;
- Corporate Solutions;
- Structuring.

These activities are managed by dedicated, separate organisational structures in the Division.

As of 31 March 2022, the Division's KPIs were as follows (considering the previous operations carried in in 2021 within the other business divisions):

- investment portfolio (corporate bonds and alternative debt) of approximately EUR 84 million;
- 5 IPOs successfully concluded in the Euronext Growth Milan (of which 4 as Sole Global Coordinator and Euronext Growth Advisor) for total funding of EUR 77 million;
- over EUR 130 million in nominal value of instruments traded with customers;
- 3 structuring mandates in which illimity will act as Arranger (Basket Bonds, securitisation of trade receivables and securitisation of secured loans).

## Capital Markets Operations

Capital Markets operations aim to define and structure solutions for access to capital markets, personalised for SMEs and mid-caps that intend to pursue a process of organic and non-organic growth and optimise their financial structures.

As part of IPOs, the Capital Markets structure performs the role of Global Coordinator and Euronext Growth Advisor (EGA), assisting companies in their processes of listing on the Euronext Growth Milan (EGM) market. With regard to bond issues, the structure holds the role of Arranger and placement agent on the market with institutional investors. illimity's Capital Markets also acts as strategic advisor for operations such as mergers, spin-offs, incorporations, corporate restructuring and corporate broking.

As of 31 March 2022, in addition to acquiring numerous Global Coordinator, EGA and advisory mandates, the Division successfully completed an IPO on EGM for a total of EUR 23 million in placements.

## Corporate Solutions Operations

The Corporate Solutions structure manages the Division's investment portfolio and structures solutions such to manage and hedge risks for companies, by trading derivatives on own behalf.

With regard to the management of the investment portfolio, the structure invests in the (primary and secondary) markets of corporate bonds and alternative debt (*tranches* of securitisations, hybrid instruments, etc.) to support companies and finance their current operations and growth, guaranteeing quick execution and time-to-market.

As of 31 March 2022, the investment portfolio managed by Corporate Solutions amounted to a nominal value of approximately EUR 84 million, with the following characteristics:

- extensive single name, geographical and sector diversification (the portfolio is invested in over 70 instruments, with over 70% of investments made in domestic issuers and in around 30 industries);
- an average duration limited to 4 years.

Due to the synergies with the other business divisions, the Investment Banking Division offers customers a wide range of risk hedging solutions, providing them with the necessary instruments to reduce and limit the risks linked to their operations and statement of financial position structures. Since it began operating at the end of 2021, it has managed and structured a total of EUR 130 million (of which EUR 71 million in the first quarter of 2022).

## Structuring Operations

The activities of the Structuring Unit consist of defining and identifying efficient structured financing solutions that require extensive financial specialisation and expertise to achieve the objectives of diversifying funding sources, improving companies' financial positions and optimising/freeing up the capital of our customers.

The structure operates as an Arranger and Lead Manager in structurings and placements on the market, for institutional investors, of securitisations, basket bonds and alternative debt.

Since its creation at the start of 2022, Structuring has acquired 3 mandates in which it will act as Arranger (under way as of 31 March 2022) with regard to basket bonds, securitisations of trade receivables and secured loans, all of which are bond issues and loans to businesses.

# Direct Banking

## Direct Banking projects

In the first quarter of the year, the Direct Bank Division launched b-ilty on the market. Presented at the press conference of 11 February , b-ilty is the first Digital Business Store of financial and credit services, created based on suggestions collected from hundreds of entrepreneurs. It is a fully digital Direct Bank for SMEs with turnover mainly between EUR 2 million and EUR 10 million, whose offering can be fully accessed 24-7, founded on technological best practices and on a network of Relationship Managers serving companies' credit needs. Due to the design created by the plan developed during 2021, customers of b-ilty have access (in line with the PSD2 standards, and on a single open platform) to all accounts that they hold, even with other banks, as well as to products and services of a comprehensive bank, easy and natural to use, guaranteed by an evolved user experience.

b-ilty is available in the Try&Buy formula (which provides a free trial of the platform and the current account and transactional services for the first 3 months) and, after this trial period, an all-inclusive fee that allows customers unlimited operations, by paying a fixed, transparent monthly fee.

The IT platform, which is expected to be completed by the end of June, was inaugurated in July 2021, when the Family&Friends phase was launched. During this phase, significant end-to-end onboarding was successfully concluded and the first loans were disbursed through the new channels and fully digital processes.

The next quarters will see:

- The completion of the IT platform, which will speed up processing times, reducing the Time-to-Cash and making it possible to quickly analyse various indicators that will gradually align with the characteristics of the various economic sectors;
- The expansion of the Business Store with additional features, products and services which - also considering the specific needs of the various sectors of the economy - will be integrated and updated in the platform, which already includes numerous products such as payment accounts and services, medium/long-term credit to finance investments, factoring to finance working capital and insurance solutions through partnerships to protect business owners and businesses.

In the Retail segment, the Division continues to play the role of the main source of funding to support the Group's commitments.

In the initial months of the year, campaigns regarding the deposit account were launched both on the Raisin channel in Germany and on customers of illimitybank, with a view to meeting the Group's funding needs, diversifying funding channels and guaranteeing a balanced funding mix.

## Retail Business performance

As of 31 March 2022, Direct Bank funding was broken down as follows:

- the partnership with the German fintech platform Raisin, operational since May 2019, contributed EUR 565 million to funding thanks to its approximately 15,200 customers. The campaign developed during the quarter grew the stock of funding by around EUR 100 million (+23% QoQ) and gained around 2,500 new customers;
- the digital bank illimitybank.com (including the customers acquired through the strategic partnership with Azimut) contributed EUR 1,420 million to funding. The funding increased by approximately EUR 60 million during the last quarter, and by EUR 268 million compared to the same period of 2021 (+23%).

Total direct funding from the above channels (Raisin and illimitybank.com) amounted to EUR 1.99 billion. As regards the illimitybank.com channel, the strategy of the last year made it possible to change the cost of funding from 1.97% (end of the first quarter of 2021) to 1.66% (as of 31 March 2022).

In addition to these channels, a contribution was provided by the Hype deposit products, whose pilot phase was launched during the quarter on a selected segment of the customer base. Including all sources of funding, the cost of funding came to 1.62%.

The Direct Bank customer base (excluding customers in the German channel Raisin) currently comprises some 57,000 customers (+23% compared to the end of the first quarter of 2021, and over 2,500 customers more in the first quarter of 2022).

As regards the main KPIs that describe the Division's operations on the Retail segment, the following is reported:

- The number of active customers, i.e. customers who use the Bank's services, is stable, currently amounting to 89%, reflecting a customer base that is satisfied and engaged;
- The number of loyal customers, that use the products and services of the Bank to a considerable extent, which currently stands at 38%, increased by +52% in terms of the number of customers choosing illimity as the Bank their salary is paid into, compared to the same quarter of 2021;
- The number of customers that access the platform each month stands at 70%, with an average of approximately 18 visits a month, with 83% from smartphones.

### b-ilty Business Performance

Since 11 February, the b-ilty business store can be accessed by requesting a pass through the Bank's channels, such as the website bilty.illimity.com.

As of 31 March, following only one month and a half since the commercial launch, more than 100 thousand visits to the site were recorded by over 90 thousand users, for a total of over 700 passes requested and 600 passes approved.

This make it possible to form an initial user base, and contributed to fuelling a pipeline of applications for loans of approximately EUR 180 million at the end of March, equal to around 300 negotiations managed by the team of Relationship Managers, to date comprised of 10 professionals dedicated to the SME segment.

The partnerships activated with over 30 networks of credit mediators, some of the most important sector operators, contribute to the pipeline. This will accelerate origination in the next few months, providing an important contribution to the Division's results. These factors made it possible to successfully conclude the first deals during the quarter

## Asset Management Company ("SGR")

During the first quarter of 2022, the SGR continuously performed the activities connected with managing the illimity Credit & Corporate Turnaround Fund, also implementing the necessary activities in preparation of deciding whether to invest in additional receivables, in line with the provisions of the Management Regulation and the Fund's policies and investment strategy.

In line with the strategies of the SGR and of the specific Group , in the rest of the year, the SGR of illimity will implement the necessary activities to pursue and differentiate business opportunities, in line with its status and having conducted the analyses necessary to ensure compliance with the regulations applicable in each case, and the consistently with its organisational structure. To that end, it is specifically noted that, in accordance with the prospects outlined in its 2021-2025 Business Plan, the SGR has launched a series of project activities aimed at extending its operations:

- to the sector of UTP loans, making use of the skills and experience of the UTP & Turnaround Funds Area in the management of problematic receivables secured by real estate assets, through the creation, through resolution of the Board of Directors of the SGR dated 29 March 2022, of a new contribution alternative investment fund (AIF) named illimity Real Estate Credit, whose marketing and launch of operations is expected to occur during the year;
- in the performing loans sector, through the creation of a Private Capital AIF in the context of the Private Capital Area.

## Corporate Centre

The Corporate Centre, which oversees the steering, coordination and control of the Entire Group, manages financial data arising from:

- activities supporting other Group segments, overseen by CIO;
- planning and control, administration and risk management overseen by the central units;
- treasury activities, own portfolio management and Asset & Liability Management overseen by the Finance Department.

### CIO

In the first quarter of 2022 there were no slowdowns due to the continuing COVID-19 pandemic. All illimiters work at the company and remotely as necessary, facilitated by the IT architecture (e.g. reserving workstations in the office when necessary and using the resources made available by the company) and related updates. The plan for attendance at offices was defined in accordance with measures decided by authorities to contain the spread of infection and working methods promoted by illimity.

### IT platform projects

As part of IT4IT projects, initiatives dedicated to the technological evolution of infrastructure continued. Specifically, a project was approved for the evolution of the technological API management platform, which will move from an "IAAS" to a "Hybrid PAAS" paradigm. The design and analysis phases have been completed. The execution phase was launched in the first quarter of 2022 and will be completed in the second quarter of 2022. The intervention will reduce infrastructure and platform management costs.

In the area of Data Quality, as regards the definition of ownership/responsibilities over the Core Banking data, ownership was assigned on almost all of the data tables available to the Bank, following meetings with the operating structures. The remaining tables were not assigned ownership because they are technical or generic. The scope of the databases on which ownership/responsibility will be assigned is constantly evolving, until full coverage is achieved.

In the same area, the "illimity Data Governance" is active, which, through a web app and a monitoring dashboard, accessible by Data Owners, enables continuous creation and analysis of Data Quality controls. Moreover, additional upgrades of the Data Quality tools are under way, based on feedback from users. The team in charge of data governance continued its work to support Data Owners in the creation of controls in various areas, monitoring the outcomes with the business officers and checking data reconciliation (if necessary).

In the area of security, project activities are under way to develop an Identity Governance framework. Those activities will enable the control of access to company systems based on "least privilege" and "need to know" principles.

In addition, the IT team manages Disaster Recovery and Business Continuity activities on a continual basis, also overseeing their development and consolidation. During the weekend of 18-20 March, Disaster Recovery tests were conducted for the scenario "Unavailability of the IT system – Microsoft" for all Group entities(illimity, neprix and the SGR). The areas in which tests were conducted are:

1) Retail Banking (web&app)
2) Institutional websites and public websites
3) b-ilty Corporate Banking
4) Credit ecosystem

For all four areas, the overall result was positive and the tests were successfully completed. Tests on the additional scenarios set out in the Business Continuity Plan are scheduled during the year.

## Projects in support of the other divisions

In addition, the IT Function is supporting the Direct Banking, Growth Credit and Distressed Credit Divisions in developing the projects identified in their respective masterplans:

### *Direct Banking Division*

- In the first quarter of 2022, the evolved digital transactional platform B-ilty was issued, with an inclusive value proposition of credit products and value-added services dedicated to small and micro-enterprises. The digital acquisition process is subject to prior assessment of potential prospects. In the second quarter of 2022, acquisition will be extended to the entire public, save for the acceptance criteria defined by the Business.
- The evolution of Open Banking for Payment Initiation and Account Information services also continued, for the purpose of ensuring that the platform aligns with the Directives of the EBA and BankIT.

### *Growth Credit Division*

- The development of the module in the COMS (Credit Origination & Management System) application which will centralise the management of write-downs/write-backs and reclassification of loan relations in the Group's portfolio in a single point was completed.
- In the first quarter of 2022, the new operations of the Trade Finance Business were launched.
- In the area of Factoring, the project to manage EIB guarantees was completed.

### *Distressed Credit Division*

The first quarter of 2022 was market by projects aimed at:

- Consolidating the Business Plan, Collections and sales modules in order to improve the user experience and strengthen the management process to obtain even more robust representation.
- Upgrade the application with a new CMIT module to manage analytical and lump-sum write-downs.

The main projects launched which will cover the upcoming quarters are as follows, among others:

- Credit administrative database for the purpose of decommissioning the current EPC, eliminating the annual licences, also aimed at improving the user management cycle on the account, regarding both captive and non-captive users.
- Cost administrative database aimed at monitoring the payable cycle of SPV, LeaseCo and ReoCo invoicing of the illimity group.
- Single real estate database for the purpose of creating a sole database at real estate level, comprising Real Estate Units, Assets and Lots within the scope of illimity or received through interfacing with external providers.
- Real Estate accounting administrative database to handle LeaseCo and ReoCo collections and costs and the parallel management of real estate BP.
- In-house Master Servicer for the in-house management of the accounting and reporting on Vehicles, LeaseCo and ReoCo.
- Restyling of origination forms to consolidate and improve the lifecycle of the A&S, LDT Ingestion, Pricing, DDK and Senior Financing forms.
- UX Restyling to improve the User Experience within the COMS infrastructure.
- iRec Fund to create a new SGR fund.

Lastly, in the Data area, in the first quarter of 2022, the credit data warehouse was released, containing everything that is currently present in the various illimity systems.

### *Central Functions*

With regard to the main projects under way, dedicated to the Central Functions, micro and macro measures are continuing to constantly improve the Corporate Performance Management systems, in line with the evolution of the Bank's scope of business. The project to build the calculation engine for the ITR (internal transfer rate, whose expected benefits include a better understanding and measurement of business income as well as enabling active management of interest rate risk) was released in terms of definition of the curves and the pricing. The reporting stream is being developed.

The Credit and Securities DWH is in production. This represents the database that will be the foundation of the monthly RWA calculation engine under Risk's responsibility. Following the release of the front-to-back system to manage new operations on OTC (Over-the-Counter) derivatives, the work to integrate new derivative products, both on the interest rate and FX sides, is proceeding.

The implementation of the project to equip the Bank with a calculation engine for profitability by product, as per the requests from BankIT; the project will be finalised during 2022. Work continues, both internal and in partnership with Centrico, to identify anomalies and solutions to mitigate time frames and errors in generating the financial statements.

**illimity Bank share performance**

The ordinary shares of illimity are traded on the Mercato Telematico Azionario Euronext Milan organised and managed by Borsa Italiana since 5 March 2019. From 10 September 2020, the ordinary shares were admitted to trading on the STAR (Securities with High Requirements) segment of the Euronext Milan market. The performance of the share since it has been listed, is reported below:


Significant shareholders with a stake of at least 5% in the share capital with voting rights in illimity, with the percentages calculated by the Bank based on the number of shares resulting from the most recent information available and number of ordinary shares issued, updated at 5 May 2022, are reported below:

| Declaring entity, i.e. subject at the head of the control chain | Direct shareholder | Share held | Holding % of the ordinary capital | Holding % of the voting capital |
|---|---|---|---|---|
| Banca Sella Holding S.p.A. | Banca Sella Holding S.p.A. | Owned | 10.00% | 10.00% |
| LR Trust - FIDIM | Fidim Srl | Owned | 8.12% | 8.12% |
| ION Investment Corporation Sàrl | FermION Investment Group Limited | Owned | 7.26% | 7.26% |
| Tensile Capital Management LLC | Tensile-Metis Holdings Sàrl | Owned | 7.01% | 7.01% |
| Atlas Merchant Capital LLC | AMC Metis Sàrl | Owned | 6.56% | 6.56% |

In relation to the ownership structure, AMC Metis S.a.r.l., Metis S.p.A. and Corrado Passera entered into an agreement on 18 March 2019 pertaining directly and indirectly to shares of Tetis S.p.A. (a company nearly wholly-owned by Metis S.p.A. which in turn is 90% owned by Corrado Passera and holds ordinary and special shares in the company) and ordinary shares of illimity, containing shareholders' pact measures. Specifically, this agreement, which governs AMC Metis S.a.r.l.'s pre-emptive right to ordinary illimity shares held by Tetis subject to certain conditions, provides among other things that Corrado Passera and Metis

S.p.A. take steps to ensure that the illimity shareholders' meeting appoints, depending on the make-up of the Company's Board of Directors, one or two non-executive directors nominated by AMC Metis S.a.r.l.

# Subsequent events

In April 2022, illimity presented Quimmo, the Italian pro-tech created to meet the needs of both private and institutional buyers and sellers. A cutting-edge platform created to simplify the purchase and sale of properties and cover the entire value chain.

Quimmo was created the illimity Group's extensive investment in technology and its experience in the field accumulated in property brokerage in recent years. It is now one of illimity's significant operations which, in 2021 alone, generated 26 million visits to the portal, 900 thousand registered users and over 2,000 property transactions, also due to the presence of over 200 professionals, both central and local structures.

On 1 April 2022, the spin-off to Abilio S.p.A. of the scope of assets and liabilities of the neprix Sales area, previous comprised within neprix, of the equity investment in neprix agency S.r.l. And of a portion of the Tech area, also previously included within neprix, was approved. The accounting and tax effects of the operation were set for 1 April 2022.

On 28 April 2022, the Shareholders' Meeting approved the financial statements of illimity Bank as of 31 December 2021 and approved the appointment of the Board of Directors, following approval of the move to the "single-tier" governance system previously approved by the Shareholders' Meeting of 21 February 2022.

Following the resolutions passed by illimity, on 10 May 2022, the agreements were defined for the acquisition of Aurora Recovery Capital (AREC), through contribution of the business of AREC to illimity, which, subject to the necessary authorisations, will be submitted to a Shareholders' Meeting to be called.

As announced, the integration of AREC into neprix will create a leading operator with over EUR 8 billion in assets under management, specialising in the management of distressed credit, with extensive specialisation in medium and large corporate UTP exposures, focused on real estate and real estate asset management.

# Business outlook

In the next few months, business volumes are expected to continue their robust growth in all business segments of the Bank.

The Growth Credit Division is expected to see further growth in customer loan volumes also in the next few quarters, in line with that reported in the first quarter of 2022, also considering the promising pipeline which, including loans that have already been approved, is now expected to be approximately EUR 290 million. All segments in which illimity operates are showing positive trends. Loans backed by a public guarantee are expected to continue to play an important role in terms of contribution to new disbursements, also in view of the extension of the measures of government guarantees to the whole of 2022.

The Distressed Credit Division is expected to continue the recovery in volumes seen in the first quarter of 2022, due partly to the end of the moratoria, as suggested by the pipeline of investment opportunities, which is already looking very healthy for the second quarter of 2022, at almost EUR 400 million.

The new business volumes will result in growth in the net interest margin, which is expected to continue its robust growth throughout 2022. The initiative b-ilty is expected to provide an increasing contribution, especially from the second half of 2022 onwards, when the initial test phase will be completed, providing full impulse to the potential of a unique initiative that guarantees the provision of a digital platform with a comprehensive offering fully dedicated to SMEs.

The positive trend in net fee and commission income is also expected to continue throughout 2022, boosted by the growth in the aforementioned business volumes and the further development of new initiatives: alongside the Investment Banking operations for SMEs and illimity SGR, which are expected to enjoy strong growth, the contribution of Quimmo as well as that deriving from the acquisition of the Arec business should gradually become visible during 2022.

As previously noted, following the end of the year, illimity finalised the agreements for the acquisition of the business line fro Arec, a leading company in managing UTP loans secured by properties, and medium and large real estate development projects. The acquisition and potential synergies described above will generate a positive contribution to illimity, starting from the finalisation of the operation, expected by the end of 2022.

Those contributions will be joined by income from the closing of distressed credit positions, a recurring component of illimity's business model, as seen also in the first quarter of 2022.

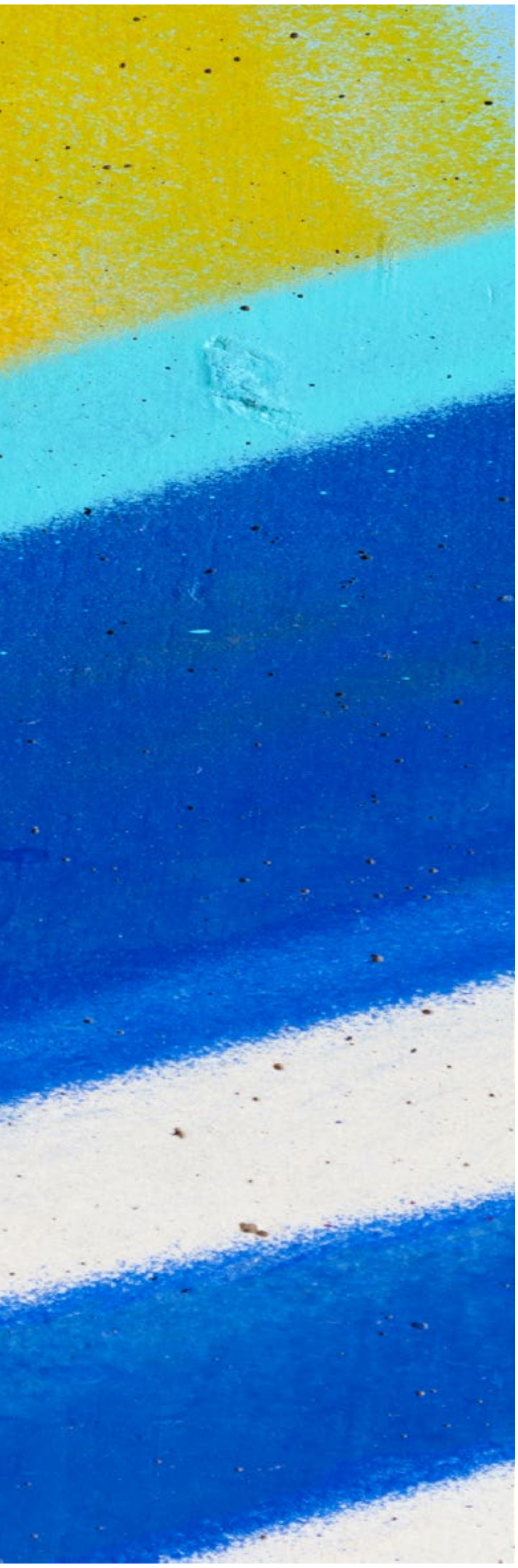
The IT platform licence agreement, signed by illimity and the ION Group in the third quarter of 2021, will bring a positive contribution of EUR 4.25 million also in the subsequent quarters, making an annual total of EUR 17 million in 2022.

As a result of the investments in strategic projects, operating expenses are expected to grow in 2022, although in a manner less than proportional to the expected growth in revenues, due to the gradual scalability of the various businesses of the Bank, which will also benefit from the technological investments made in the last few years.

The quality of the existing portfolio due from businesses was been confirmed as sound, and at the best levels of the industry, in the first quarter of 2022, also in a difficult macroeconomic context, due to a prudent approach in analysing and selecting receivables and investments, and to parameters calibrated on highly prudent macroeconomic scenarios. On its robust start, and considering that a significant portion of new loans that will be disbursed during the year will be covered by insurance and/or public guarantees, the cost of credit is expected to remain at reasonably low levels, also for the rest of 2022.

As a result of the above dynamics, the positive results reported in the first quarter of 2022 and current prospects confirm that the Bank is on course to achieve the short- and medium-to-long-term targets set out in the 2021-25 Strategic Plan.

Lastly, the Bank's considerable own funds capacity and expected profits will ensure that its Common Equity Tier 1 Ratio remains significantly below regulatory requirements, despite increased weighted risk activities arising from the growth in business volumes.



# Consolidated financial statements

as of 31 March 2022

illimity

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| Assets | | 31 March 2022 | 31 December 2021 |
|---|---|---|---|
| 10. | Cash and cash equivalents | 695,296 | 507,779 |
| 20. | Financial assets measured at fair value through profit or loss | 82,412 | 76,679 |
| | a) financial assets held for trading | 3,778 | 928 |
| | b) financial assets at fair value | - | - |
| | c) other financial assets mandatorily measured at fair value | 78,634 | 75,751 |
| 30. | Financial assets measured at fair value through other comprehensive income | 424,322 | 299,508 |
| 40. | Financial assets measured at amortised cost | 3,154,007 | 3,229,766 |
| | a) due from banks | 54,729 | 267,969 |
| | b) receivables due from customers | 3,099,278 | 2,961,797 |
| 50. | Hedging derivatives | - | - |
| 60. | Fair value change of financial assets in hedged portfolios (+/-) | - | - |
| 70. | Equity investments | 78,147 | 79,953 |
| 80. | Technical reinsurance reserves | - | - |
| 90. | Property and equipment | 79,430 | 68,735 |
| 100. | Intangible assets | 88,661 | 85,249 |
| | of which: | | |
| | – goodwill | 36,257 | 36,257 |
| 110. | Tax assets | 51,144 | 45,672 |
| | a) current | 5,168 | 5,168 |
| | b) deferred | 45,976 | 40,504 |
| 120. | Non-current assets held for sale and discontinued operations | 38,246 | 43,117 |
| 130. | Other assets | 230,744 | 224,132 |
| | **Total assets** | **4,922,409** | **4,660,590** |

## CONTINUED: CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| Liabilities and shareholders' equity | | 31 March 2022 | 31 December 2021 |
|---|---|---|---|
| 10. | Amounts due to customers | 4,008,434 | 3,752,384 |
| | a) due to banks | 412,190 | 411,314 |
| | b) due to customers | 3,091,563 | 2,841,282 |
| | c) securities issued | 504,681 | 499,788 |
| 20. | Financial liabilities held for trading | 1,855 | 59 |
| 30. | Financial liabilities designated at fair value | - | - |
| 40. | Hedging derivatives | - | - |
| 50. | Fair value change of financial liabilities in hedged portfolio (+/-) | - | - |
| 60. | Tax liabilities | 26,747 | 20,256 |
| | a) current | 25,654 | 19,156 |
| | b) deferred | 1,093 | 1,100 |
| 70. | Liabilities associated with non-current assets held for sale and discontinued operations | - | - |
| 80. | Other liabilities | 99,124 | 105,595 |
| 90. | Employee severance pay | 3,467 | 3,695 |
| 100. | Allowances for risks and charges | 5,355 | 5,781 |
| | a) commitments and guarantees given | 3,725 | 4,482 |
| | b) post-employment benefits | 21 | 18 |
| | c) other allowances for risks and charges | 1,609 | 1,281 |
| 110. | Technical reserves | - | - |
| 120. | Valuation reserves | (18,784) | (6,057) |
| 130. | Redeemable shares | - | - |
| 140. | Equity instruments | - | - |
| 150. | Reserves | 131,154 | 63,904 |
| 160. | Share premium reserve | 597,589 | 597,589 |
| 170. | Share capital | 52,620 | 52,620 |
| 180. | Treasury shares (-) | (832) | (832) |
| 190. | Equity attributable to minority interests (+/-) | 5 | 5 |
| 200. | Profit (loss) for the period (+/-) | 15,675 | 65,591 |
| | **Total liabilities and shareholders' equity** | **4,922,409** | **4,660,590** |

## CONSOLIDATED INCOME STATEMENT

| Items | | 31 March 2022 | 31 March 2021 |
|---|---|---|---|
| 10. | Interest income and similar income | 51,735 | 45,968 |
| | of which: interest income calculated according to the effective interest method | 50,635 | 44,667 |
| 20. | Interest expenses and similar charges | (15,500) | (14,687) |
| **30.** | **Net interest margin** | **36,235** | **31,281** |
| 40. | Fee and commission income | 13,620 | 5,994 |
| 50. | Fee and commission expense | (1,165) | (1,274) |
| **60.** | **Net fee and commission income** | **12,455** | **4,720** |
| 70. | Dividends and similar income | - | - |
| 80. | Profits (losses) on trading | 1,366 | 347 |
| 90. | Fair value adjustments in hedge accounting | - | - |
| 100. | Profits (losses) on disposal or repurchase of: | 30 | 2,814 |
| | a) financial assets measured at amortised cost | 40 | 302 |
| | b) financial assets measured at fair value through other comprehensive income | (10) | 2,512 |
| | c) financial liabilities | - | - |
| 110. | Profits (losses) on other financial assets and liabilities measured at fair value through profit or loss | 1,355 | 672 |
| | a) financial assets and liabilities designated at fair value | - | - |
| | b) other financial assets mandatorily measured at fair value | 1,355 | 672 |
| **120.** | **Total net operating income** | **51,441** | **39,834** |
| 130. | Net losses/recoveries for credit risks associated with: | 14,399 | 16,041 |
| | a) financial assets measured at amortised cost | 14,941 | 17,545 |
| | b) financial assets measured at fair value through other comprehensive income | (542) | (1,504) |
| 140. | Profits/losses on changes in contracts without derecognition | - | - |
| **150.** | **Net result from banking activities** | **65,840** | **55,875** |
| 160. | Net premiums | - | - |
| 170. | Other net insurance income (expense) | - | - |
| **180.** | **Profits (losses) of banking and insurance management** | **65,840** | **55,875** |
| 190. | Administrative expenses: | (44,137) | (35,134) |
| | a) personnel expenses | (20,651) | (16,614) |
| | b) other administrative expenses | (23,486) | (18,520) |
| 200. | Net allowances for risks and charges | 581 | (1,532) |
| | a) commitments and guarantees given | 609 | (1,507) |
| | b) other net provisions | (28) | (25) |
| 210. | Net adjustments/recoveries on property and equipment | (792) | (1,030) |
| 220. | Net adjustments/recoveries on intangible assets | (2,620) | (1,940) |
| 230. | Other operating income/expenses | 7,115 | 2,708 |
| **240.** | **Operating expenses** | **(39,853)** | **(36,928)** |
| 250. | Profits (losses) on equity investments | (1,828) | (2,123) |
| 260. | Net gains/losses on the measurement at fair value of property and equipment and intangible assets | - | - |
| 270. | Adjustments/recoveries of goodwill | - | - |
| 280. | Profits (losses) on disposal of investments | (77) | 2,278 |
| **290.** | **Profit (loss) before tax from continuing operations** | **24,082** | **19,102** |
| 300. | Income tax for the period on continuing operations | (8,407) | (6,546) |
| **310.** | **Profit (loss) after tax from continuing operations** | **15,675** | **12,556** |
| 320. | Net income (Loss) from discontinued operations after tax | - | - |
| **330.** | **Profit (loss) for the period** | **15,675** | **12,556** |
| 340. | Net profit (loss) for the period attributable to minority interests | - | - |
| **350.** | **Net profit (loss) for the period attributable to the parent company** | **15,675** | **12,556** |

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

| | | 31 March 2022 | 31 March 2021 |
|---|---|---|---|
| **10.** | **Profit (loss) for the period** | **15,675** | **12,556** |
| | **Other comprehensive income, after tax, that may not be reclassified to the income statement** | | |
| 20. | Equity instruments measured at fair value through other comprehensive income | - | - |
| 30. | Financial liabilities measured at fair value through profit or loss (changes in creditworthiness) | - | - |
| 40. | Hedging of equity instruments measured at fair value through other comprehensive income | - | - |
| 50. | Property and equipment | - | - |
| 60. | Intangible assets | - | - |
| 70. | Defined-benefit plans | 357 | 115 |
| 80. | Non-current assets held for sale and discontinued operations | - | - |
| 90. | Share of valuation reserves for equity investments measured at equity | 17 | - |
| | **Other comprehensive income, after taxes, that may be reclassified to the income statement** | | |
| 100. | Hedging of foreign investments | - | - |
| 110. | Foreign exchange differences | - | - |
| 120. | Cash flow hedges | - | - |
| 130. | Hedging instruments (undesignated elements) | - | - |
| 140. | Financial assets (other than equities) measured at fair value through other comprehensive income | (13,101) | (396) |
| 150. | Non-current assets held for sale and discontinued operations | - | - |
| 160. | Share of valuation reserves for equity investments measured at equity | - | - |
| **170.** | **Total other comprehensive income (after tax)** | **(12,727)** | **(281)** |
| **180.** | **Other comprehensive income (Item 10+170)** | **2,948** | **12,275** |
| 190. | Consolidated comprehensive income attributable to minority interests | - | - |
| **200.** | **Consolidated comprehensive income attributable to the parent company** | **2,948** | **12,275** |

## STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AS OF 31 MARCH 2022

| | Balance on 31 December 2021 | Change in opening balances | Balance as of 1 January 2022 | Allocation of result for the previous year: Reserves | Allocation of result for the previous year: Dividends and other allocations | Changes in reserves |
|---|---|---|---|---|---|---|
| **Share capital:** | | | | | | |
| a) ordinary shares | 51,682 | – | 51,682 | – | – | – |
| b) other shares | 938 | – | 938 | – | – | – |
| Share premium reserve | 597,589 | – | 597,589 | – | – | – |
| **Reserves:** | | | | | | |
| a) retained earnings | 29,801 | – | 29,801 | 65,591 | – | – |
| b) other | 34,103 | – | 34,103 | – | – | – |
| Valuation reserves | (6,057) | – | (6,057) | – | – | – |
| Equity instruments | – | – | – | – | – | – |
| Treasury shares | (832) | – | (832) | – | – | – |
| **Profit (loss) for the period** | **65,591** | **–** | **65,591** | **(65,591)** | **–** | **–** |
| **Group shareholders' equity** | **772,815** | **–** | **772,815** | **–** | **–** | **–** |
| **Shareholders' equity attributable to minority interests** | **5** | **–** | **5** | **–** | **–** | **–** |

*CONTINUED*

## STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AS OF 31 MARCH 2021

| | Balance on 31 December 2020 | Change in opening balances | Balance as of 1 January 2021 | Allocation of result for the previous year: Reserves | Allocation of result for the previous year: Dividends and other allocations | Change in reserves |
|---|---|---|---|---|---|---|
| **Share capital:** | | | | | | |
| a) ordinary shares | 43,069 | – | 43,069 | – | – | – |
| b) other shares | 938 | – | 938 | – | – | – |
| Share premium reserve | 487,373 | – | 487,373 | – | – | – |
| **Reserves:** | | | | | | |
| a) retained earnings | (4,229) | – | (4,229) | 31,086 | – | – |
| b) other | 25,995 | – | 25,995 | – | – | – |
| Valuation reserves | (278) | – | (278) | – | – | – |
| Equity instruments | – | – | – | – | – | – |
| Treasury shares | (832) | – | (832) | – | – | – |
| **Profit (loss) for the period** | **31,086** | **–** | **31,086** | **(31,086)** | **–** | **–** |
| **Group shareholders' equity** | **583,122** | **–** | **583,122** | **–** | **–** | **–** |
| **Shareholders' equity attributable to minority interests** | **–** | **–** | **–** | **–** | **–** | **–** |

*CONTINUED*

| | Changes in the period | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shareholders' equity transactions | | | | | | | | | |
| | Issue of new shares | Purchase of treasury shares | Extraordinary distribution of dividends | Change in equity instruments | Derivatives on treasury shares | Stock options | Changes in equity interests | Comprehensive income for the period | Shareholders' equity attributable to the Group as of 31/03/2022 | Shareholders' equity attributable to minority interests at 31/03/2022 |
| **Share capital:** | | | | | | | | | | |
| a) ordinary shares | – | – | – | – | – | – | – | – | **51,682** | **3** |
| b) other shares | – | – | – | – | – | – | – | – | **938** | **–** |
| Share premium reserve | – | – | – | – | – | – | – | – | **597,589** | **–** |
| **Reserves:** | | | | | | | | | | |
| a) retained earnings | – | – | – | – | – | 1,659 | – | – | **97,051** | **2** |
| b) other | – | – | – | – | – | – | – | – | **34,103** | **–** |
| Valuation reserves | – | – | – | – | – | – | – | (12,727) | **(18,784)** | **–** |
| Equity instruments | – | – | – | – | – | – | – | – | **–** | **–** |
| Treasury shares | – | – | – | – | – | – | – | – | **(832)** | **–** |
| **Net profit (loss) (+/-) for the financial year** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **15,675** | **15,675** | **–** |
| **Group shareholders' equity** | **–** | **–** | **–** | **–** | **–** | **1,659** | **–** | **2,948** | **777,422** | **–** |
| **Shareholders' equity attributable to minority interests** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **5** |

| | Changes in the period | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shareholders' equity transactions | | | | | | | | | |
| | Issue of new shares | Purchase of treasury shares | Extraordinary distribution of dividends | Change in equity instruments | Derivatives on treasury shares | Stock options | Changes in equity interests | Comprehensive income for the period | Shareholders' equity attributable to the Group as of 31/03/2021 | Shareholders' equity attributable to minority interests at 31/03/2021 |
| **Share capital:** | | | | | | | | | | |
| a) ordinary shares | 4,785 | – | – | – | – | – | – | – | **47,854** | **–** |
| b) other shares | – | – | – | – | – | – | – | – | **938** | **–** |
| Share premium reserve | 56,430 | – | – | – | – | – | – | – | **543,803** | **–** |
| **Reserves:** | | | | | | | | | | |
| a) retained earnings | – | – | – | – | – | – | – | – | **26,857** | **–** |
| b) other | 8,608 | – | – | – | – | 273 | – | – | **34,876** | **–** |
| Valuation reserves | – | – | – | – | – | – | – | (281) | **(559)** | **–** |
| Equity instruments | – | – | – | – | – | – | – | – | **–** | **–** |
| Treasury shares | – | – | – | – | – | – | – | – | **(832)** | **–** |
| **Net profit (loss) (+/-) for the financial year** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **12,556** | **12,556** | **–** |
| **Group shareholders' equity** | **69,823** | **–** | **–** | **–** | **–** | **273** | **–** | **12,275** | **665,493** | **–** |
| **Shareholders' equity attributable to minority interests** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |

# Accounting policies

as of 31 March 2022

# Accounting policies

## General section

illimity Bank S.p.A. is a company limited by shares with legal personality organised according to the laws of the Italian Republic having its registered office in Milan at Via Soperga 9. It is registered in the Milan Companies Register, with taxpayer identification number 03192350365, Italian Banking Association Code 03395 and Register of Banks no. 5710.

### Section 1 – Declaration of compliance with IAS/IFRS

The consolidated interim report has been prepared in accordance with paragraph 5 of Article 154-ter, of Legislative Decree No. 58 of 24 February 1998. The line items presented in this document have been valued and measured on the basis of the international accounting standards (IASs/IFRSs) issued by the International Accounting Standards Board (IASB) and include the relevant interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), as well as the guidance in Bank of Italy Circular no. 262 of 22 December 2005 (seventh revision of 29 October 2021), and in the Communication of 21 December 2021 - with particular reference to the impacts of COVID-19 and measures to support the economy - in accordance with the accounting policies adopted in preparing the consolidated financial statements of illimity Bank for the year ended 31 December 2021.

There were no departures from IAS/IFRS.

### Section 2 – Basis of Preparation

The consolidated interim report has been prepared assuming that the Group will continue as a going concern, since there are no significant uncertainties regarding events or conditions that may entail the emergence of doubts as to the Group's ability to continue to operate as a going concern.

The consolidated interim report has been prepared using euros as the Group's functional currency and consists of the consolidated statement of financial position, consolidated income statement, statement of other comprehensive income, statement of changes in consolidated shareholders' equity and the accounting policies.

The amounts presented in the consolidated financial statements and notes are stated in thousands of EUR, unless otherwise indicated. Any discrepancies between the figures presented are due solely to rounding.

The consolidated interim report as of 31 March 2022 has been prepared according to principles and policies consistent with those adopted in the consolidated financial statements of illimity Bank S.p.A. as of 31 December 2021, to which the reader is referred for a complete description of the principles and policies adopted, with the exception of the application of the new standards that entered into force with effect from 1 January 2021, the effects of which are described in the paragraph "New documents issued by the IASB and endorsed by the EU to be adopted on a mandatory basis with effect from financial statements for years beginning on or after 1 January 2022".

The consolidated interim report for the period ended 31 March 2022 was submitted for the approval of the Board of Directors on 10 May 2022.

The formats provided in the instructions for preparing financial statements issued by the Bank of Italy in its order of 22 December 2005, concurrent Circular no. 262 and subsequent updates have been adopted.

### Section 3 – Consolidation scope and methods

The consolidation policies and principles adopted in preparing the consolidated interim report for the period ended 31 March 2022 are unchanged with respect to the consolidated financial statements for the year ended 31 December 2021.

The consolidated interim report includes the accounting values of illimity and of the companies over which it directly or indirectly exercises control as of 31 March 2022, encompassing within the scope of consolidation – as specifically required by the international accounting standard IFRS 10 – the financial statements or reports of companies operating in business segments dissimilar to that of the Parent Company.

The scope of consolidation of the consolidated interim report as of 31 March 2022 includes the following entities:

i. **Aporti S.r.l.** ("Aporti"), in which the Bank holds a 66.7% stake, established to undertake the securitisation of Non-Performing Loans (hereinafter "NPLs"), through the subscription by the Bank of the notes issued by the securitisation vehicle established in accordance with Italian Law no. 130/1999;
ii. **Soperga RE S.r.l.** (REOCO) ("Soperga RE") a wholly-owned subsidiary of the Bank, established to manage the real estate assets associated with the portfolios of acquired NPLs pursuant to Article 7.1 of Italian Law no. 130/1999 on securitisation;
iii. **Friuli LeaseCo S.r.l.** ("Friuli LeaseCo"), a wholly-owned subsidiary of the Bank, established to service the lease transactions included in the portfolios of acquired NPLs, operating in accordance with Article 7.1 of Italian Law no. 130/1999 on securitisation;
iv. **Friuli SPV S.r.l.** ("Friuli SPV"), a wholly-owned subsidiary of the Bank, established to undertake the securitisation of NPL leases, through the subscription by the Bank of the notes issued by the securitisation vehicle established in accordance with Italian Law no. 130/1999;
v. **Doria LeaseCo S.r.l.** ("Doria LeaseCo"), a wholly-owned subsidiary of the Bank, established to service the lease transactions included in the portfolios of acquired NPLs, operating in accordance with Article 7.1 of Italian Law no. 130/1999 on securitisation;
vi. **Doria SPV S.r.l.** ("Doria SPV"), a wholly-owned subsidiary of the Bank, established to undertake the securitisation of NPL leases, through the subscription by the Bank of the notes issued by the securitisation vehicle established in accordance with Italian Law no. 130/1999;
vii. **River LeaseCo S.r.l.** ("River LeaseCo"), a wholly-owned subsidiary of the Bank, established to service the lease transactions included in the portfolios of acquired NPLs, operating in accordance with Article 7.1 of Italian Law no. 130/1999 on securitisation;
viii. **River SPV S.r.l.** ("River SPV"), a wholly-owned subsidiary of the Bank, established to undertake the securitisation of NPL leases, through the subscription by the Bank of the notes issued by the securitisation vehicle established in accordance with Italian Law no. 130/1999;
ix. **neprix S.r.l.** ("neprix"), a wholly-owned subsidiary of the Bank mainly operating in the non-performing loan sector, relying on the services of professionals with specific experience and know how in assessing and managing non-performing loans;
x. **illimity SGR S.p.A.** ("illimity SGR") wholly-owned by the Bank, which manages the assets of closed-end alternative investment funds (AIFs), established with own funds and the funds of third-party institutional investors;
xi. **Pitti LeaseCo S.r.l.** ("Pitti LeaseCo"), a wholly-owned subsidiary of the Bank, established to service the lease transactions included in the portfolios of acquired NPLs, operating in accordance with Article 7.1 of Italian Law no. 130/1999 on securitisation;
xii. **Pitti SPV S.r.l.** ("Doria SPV"), a wholly-owned subsidiary of the Bank, established to undertake the securitisation of NPL leases, through the subscription by the Bank of the notes issued by the securitisation vehicle established in accordance with Italian Law no. 130/1999;
xiii. **neprix Agency S.r.l.** ("neprix Agency"), wholly-owned by neprix, a real-estate broker that handles sales and leases and certifies the value of properties and companies for third parties;
xiv. **River Immobiliare S.r.l.** ("River Immobiliare"), a wholly-owned subsidiary of the Bank, set up for the purchase, the sale and management - aimed at the disposal - of the properties owned by the company.
xv. **Beagle SPE S.r.l.** ("Beagle SPE"), established to undertake the securitisation of NPL leases, through the subscription by the Bank of the notes issued by the securitisation vehicle established in accordance with Italian Law no. 130/1999;
xvi. **Abilio S.p.A.** ("Abilio"), whose entire share capital is held by illimity, and whose purpose is to execute real estate operations and develop and organise sales through online and offline public auctions;
xvii. **Hype S.p.A.** ("Hype"), held 50% by illimity through a joint venture with Fabrick (a company of the Sella group), that operates with a payment institute licence and is the digital solution for simple, efficient day-to-day money management. On the market since 2015, Hype has anticipated the response to the growing need of the public to access banking services in an entirely new way, offering other added value services.
xviii. **SpicyCo S.r.l.** ("SpicyCo"), of which illimity holds 49% of the share capital, which is responsible for the acquisition, management and sale of equity investments. Based on the company's Articles of Association, the economic and financial rights pertaining to illimity have been defined at 77.63%.

xix. **SpicyCo 2 S.r.l.** ("SpicyCo 2"), of which illimity holds 49% of the share capital, which is responsible for the acquisition, management and sale of equity investments. Based on the company's Articles of Association, the economic and financial rights pertaining to illimity have been defined at 77.63%.

This scope has changed with respect to the consolidated financial statements for the year ended 31 December 2021. Below is a summary of the transactions that led to the change in the scope of consolidation.

## Increases

a) Incorporation of a company, Abilio S.p.A. 100%-owned by the Bank and consolidated on a line-by-line basis.

For further information on changes in the scope of consolidation during 2022, reference is made to Section 5 - Other aspects.

Details of the type of control and consolidation method for the scope of consolidated entities as of 31 March 2022 are given below:

| Name | Operational headquarters | Registered office | Type of relationship (*) | Ownership relationship | |
|---|---|---|---|---|---|
| | | | | Held by | Holding % (**) |
| **Parent Company** | | | | | |
| A.0 illimity Bank S.p.A. | Milan | Milan | | | |
| **Companies consolidated on a line-by-line basis** | | | | | |
| A.1 Aporti S.r.l. (SPV) | Milan | Milan | 1-4 | A.0 | 66.7% |
| A.2 Soperga RE S.r.l. | Milan | Milan | 1 | A.0 | 100.0% |
| A.3 Friuli LeaseCo. S.r.l. | Milan | Milan | 1 | A.0 | 100.0% |
| A.4 Friuli SPV S.r.l. (SPV) | Milan | Milan | 1-4 | A.0 | 100.0% |
| A.5 Doria Leasco S.r.l. | Milan | Milan | 1 | A.0 | 100.0% |
| A.6 Doria SPV S.r.l. (SPV) | Milan | Milan | 1-4 | A.0 | 100.0% |
| A.7 River Leasco S.r.l. | Milan | Milan | 1 | A.0 | 100.0% |
| A.8 River SPV S.r.l. (SPV) | Milan | Milan | 1-4 | A.0 | 100.0% |
| A.9 neprix S.r.l. | Milan | Milan | 1 | A.0 | 100.0% |
| A.10 illimity SGR | Milan | Milan | 1 | A.0 | 100.0% |
| A.11 Pitti Leasco S.r.l. | Milan | Milan | 1 | A.0 | 100.0% |
| A.12 Pitti SPV S.r.l. (SPV) | Milan | Milan | 1-4 | A.0 | 100.0% |
| A.13 neprix Agency S.r.l. | Faenza | Faenza | 1 | A.9 | 100.0% |
| A.14 River immobiliare S.r.l. | Milan | Milan | 1 | A.0 | 100.0% |
| A.15 Beagle SPE S.r.l. | Milan | Milan | 4 | A.0 | |
| A.16 Abilio S.p.A. | Faenza | Faenza | 1 | A.0 | 100.0% |
| **Companies consolidated on an equity basis** | | | | | |
| A.17 Hype S.p.A. | Biella | Biella | 5 | A.0 | 50.0% |
| A.18 SpicyCo S.r.l. | Milan | Milan | 6 | A.0 | 49.0% |
| A.19 SpicyCo 2 S.r.l. | Milan | Milan | 6 | A.0 | 49.0% |

(*) Type of relationship:
1 = majority of voting rights at ordinary meeting of shareholders (as per Article 2359, paragraph 1(1))
2 = dominant influence at the ordinary meeting of shareholders
3 = arrangements with other shareholders
4 = other forms of control
5 = joint control
6 = significant influence

(**) Availability of votes in the ordinary shareholders' meeting: the participation quota represents voting rights in the shareholders' meeting.

## Section 4 - Subsequent events

No events occurred after the reporting date of the consolidated interim report having an effect on the financial position and performance and cash flows of the Bank and Group which need to be reported in the Notes, other than the information presented in the specific section.

## Section 5 – Other aspects

### 5.1 – Spin-off of the neprix Sales business unit to Abilio S.p.A.

Note that on 17 March 2022, the deed of partial spin-off of the sales business unit of neprix S.r.l. To Abilio S.p.A. was entered into. The operation became effective on 1 April 2022. The accounting and tax effects of the operation started from 1 April 2022.

That operation has no effects on the consolidated financial statements, as both companies were controlled by the Group as of 31 March 2022 and included in the consolidated financial statements on a line-by-line basis.

### 5.2 - New documents issued by the IASB and endorsed by the EU, adoption of which is mandatory with effect from financial statements for years beginning on or after 1 January 2022.

| Document title | Issuedate | Effective date | Date endorsed | EU regulation and publication date |
|---|---|---|---|---|
| Improvements to IFRS (2018–2020 cycle) [Amendments to IFRS 1, IFRS 9, IFRS 16[11] and IAS 41] | May 2020 | 1 January 2022 | 28 June 2021 | (EU) 2021/1080 2 July 2021 |
| Property, plant and equipment – Proceeds before Intended Use (Amendments to IAS 16) | May 2020 | 1 January 2022 | 28 June 2021 | (EU) 2021/1080 2 July 2021 |
| Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) | May 2020 | 1 January 2022 | 28 June 2021 | (EU) 2021/1080 2 July 2021 |
| Reference to the Conceptual Framework (Amendments to IFRS 3) | May 2020 | 1 January 2022 | 28 June 2021 | (EU) 2021/1080 2 July 2021 |

As shown in the above table, the adoption of several amendments to accounting standards endorsed by the European Commission in 2022 is mandatory with effect from 2021. These amendments are not particularly relevant to the Group.

### 5.4 – Use of estimates and assumptions in preparing the consolidated interim report

According to the IFRS framework, the preparation of the consolidated interim report requires the use of estimates and assumptions that may influence the values stated in the statement of financial position and income statement.

The use of reasonable estimates is thus an essential part of preparing this interim financial report. The items subject to significant use of estimates and assumptions are indicated below:

- measurement of loans;
- measurement of financial assets not quoted in active markets;
- determination of the amount of accruals to allowances for risks and charges;
- determination of the amount of deferred taxation;
- assessments regarding the recoverability of goodwill;
- definition of the depreciation and amortisation of property and equipment and intangible assets with finite useful lives.

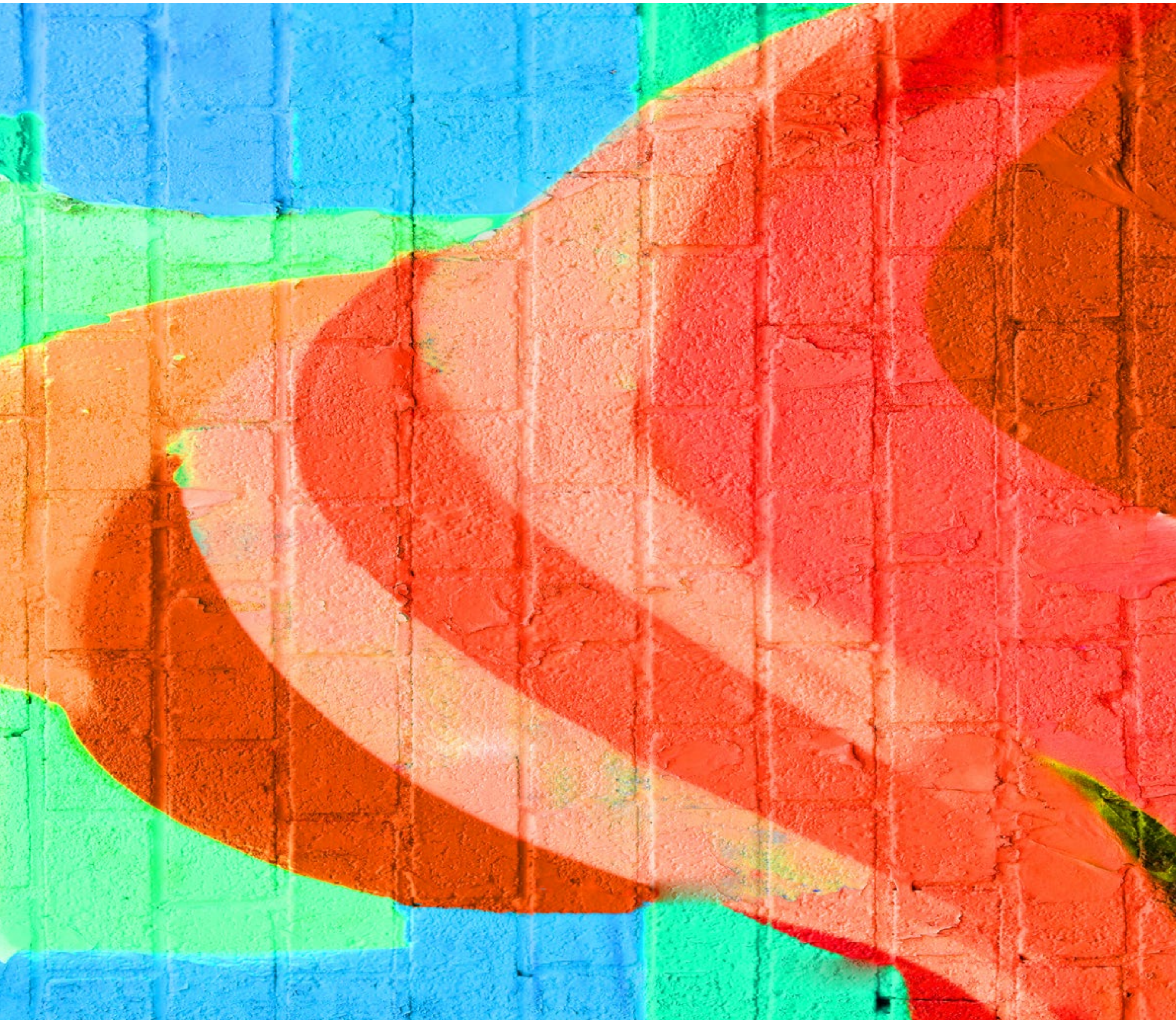
It should also be noted that an estimate may also be adjusted due to changes in the circumstances on which it was based, new information or greater experience. By nature, the estimates and assumptions used may change from one period to the next. Accordingly, the values presented in this interim report may differ, including to a significant degree, from current estimates. Any changes in estimates are applied prospectively and therefore result in an impact on the income statement in the period in which the change occurs as well as that for future years.

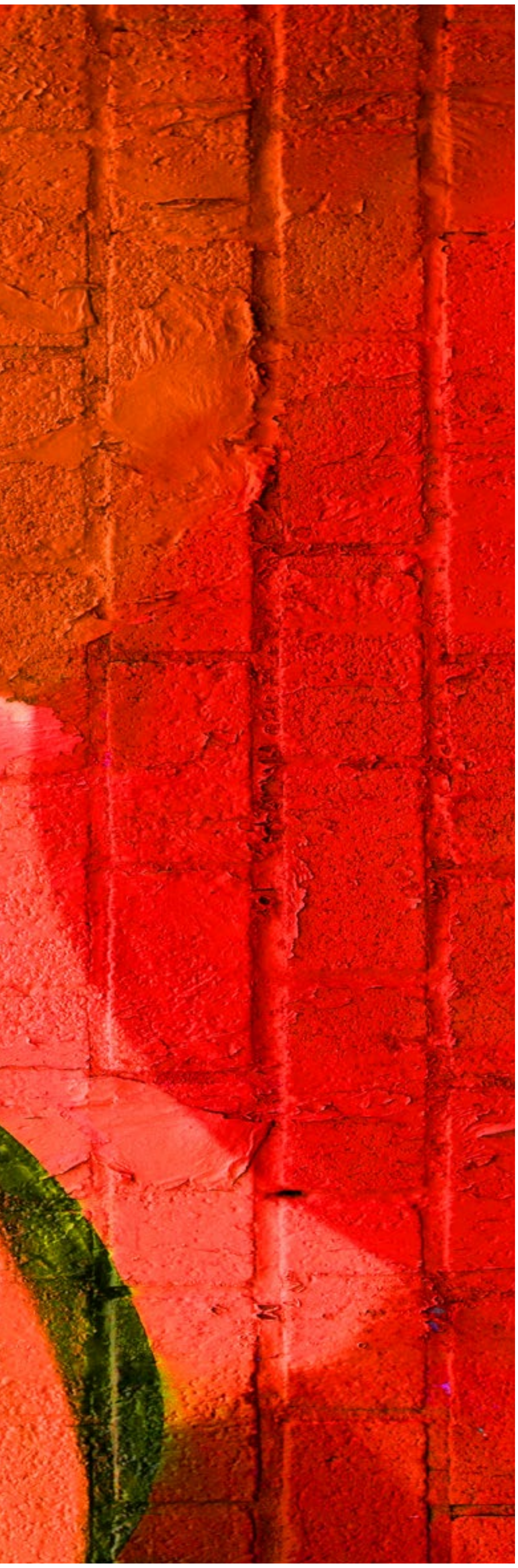
11 The amendment to IFRS 16 was not endorsed by the European Union because the change refers to an illustrative example that is not an integral part of the Standard.

# Statement of the Financial Reporting Officer

The manager responsible for preparing the company's financial reports, Sergio Fagioli, declares, pursuant to paragraph 2, Article 154-bis of the Consolidated Finance Act, that the accounting information contained in this interim report for the period ended 31 March 2022 corresponds to the contents of accounting documents, books and records.

Signature of the Financial Reporting Officer
Sergio Fagioli
Signature





# Annexes

# Annex 1 – Reconciliation between the reclassified statement of financial position and income statement and financial statements

Below are the reconciliation schemes used for the preparation of the reclassified statement of financial position and income statement. Any discrepancies between the figures presented are due solely to rounding.

## Reclassified Consolidated Statement of Financial Position

| Assets | Values as of 31/03/2022 |
|---|---|
| Property portfolio - Securities at FV | 428,100 |
| Item 20. a) Financial assets held for trading | 3,778 |
| Item 30. Financial assets measured at fair value through other comprehensive income | 424,322 |
| **Financial instruments mandatorily measured at fair value** | **78,634** |
| Item 20. c) Other financial assets mandatorily measured at fair value | 78,634 |
| **Due from banks** | **54,729** |
| Item 40. a) Due from banks | 54,729 |
| **Loans to financial entities** | **159,964** |
| Loans to financial entities | 159,964 |
| **Government Bonds HTC** | **107,565** |
| **Loans to customers - HTC** | **2,451,237** |
| Item 40. b) Loans to customers | 3,099,278 |
| To be deducted: | |
| *Loans to financial entities* | *(159,964)* |
| *Government Bonds HTC* | *(107,565)* |
| *Loans to customers - Securities* | *(380,512)* |
| **Securities at amortised cost - Growth Credit** | **53,751** |
| Item 40. b) Loans to customers | 3,099,278 |
| To be deducted: | |
| *Loans to customers* | *(2,451,237)* |
| *Government Bonds HTC* | *(107,565)* |
| *Loans to financial entities* | *(159,964)* |
| *Distressed Credit Business securities* | *(326,761)* |
| **Securities at amortised cost – Distressed Credit** | **326,761** |
| Item 40. b) Loans to customers | 3,099,278 |
| To be deducted: | |
| *Loans to customers* | *(2,451,237)* |
| *Government Bonds HTC* | *(107,565)* |
| *Loans to financial entities* | *(159,964)* |
| *Business Growth Credit securities* | *(53,751)* |
| **Investments in equity** | **78,147** |
| Item 70. Equity investments | 78,147 |
| **Property and equipment and intangible assets** | **168,091** |
| Item 90. Property and equipment | 79,430 |
| Item 100. Intangible assets | 88,661 |

| Assets | Values as of 31/03/2022 |
|---|---|
| **Tax assets** | **51,144** |
| Item 110. Tax assets | 51,144 |
| **Other assets** | **964,286** |
| Item 10. Cash and cash equivalents | 695,296 |
| Item 120. Non-current assets held for sale and discontinued operations | 38,246 |
| Item 130. Other assets | 230,744 |
| **Total assets** | **4,922,409** |

| Liabilities and shareholders' equity | Values as of 31/03/2022 |
|---|---|
| **Due to banks** | **412,190** |
| Item 10. a) Due to banks | 412,190 |
| **Amounts due to customers** | **3,064,799** |
| Item 10. b) Due to customers | 3,091,563 |
| *To be deducted:* | |
| *Lease Liability (IFRS 16)* | *(26,764)* |
| **Securities issued** | **504,681** |
| Item 10. c) Securities issued | 504,681 |
| **Financial liabilities in own portfolio - instruments at FV** | **1,855** |
| Item 20. Financial liabilities held for trading | 1,855 |
| **Tax liabilities** | **26,747** |
| Item 60. Tax liabilities | 26,747 |
| **Other liabilities** | **134,710** |
| Item 80. Other Liabilities | 99,124 |
| *Increase:* | |
| *Lease Liability (IFRS 16)* | *26,764* |
| Item 90. Employee severance pay | 3,467 |
| Item 100. Allowances for risks and charges | 5,355 |
| **Shareholders' equity** | **777,427** |
| *Capital and reserves* | |
| Item 120. Valuation reserves | (18,784) |
| Item 150. Reserves | 131,154 |
| Item 160. Share premium reserves | 597,589 |
| Item 170. Share capital | 52,620 |
| Item 180. Treasury shares (-) | (832) |
| Item 190. Equity attributable to minority interests (+/-) | 5 |
| Item 200. Profit (loss) for the period | 15,675 |
| **Total liabilities and shareholders' equity** | **4,922,409** |

## Reclassified consolidated income statement

| Income Statement items | Values as of 31/03/2022 |
|---|---|
| **Net interest margin** | **36,046** |
| Item 10. Interest income and similar income | 51,735 |
| Item 20. Interest expenses and similar charges | (15,500) |
| *Reclassification of Raisin operating components* | *(626)* |
| *To be deducted:* | |
| *IFRS 16 interest expenses* | *437* |
| **Net fee and commission income** | **12,837** |
| Item 40. Fee and commission income | 13,620 |
| Item 50. Fee and commission expense | (1,165) |
| *To be deducted:* | |
| *Raisin operating components* | *382* |
| **Gains/losses on financial assets and liabilities** | **2,751** |
| Item 80. Net trading result | 1,366 |
| Item 100. Profits (losses) from disposal or repurchase | 30 |
| Item 110. Profits (losses) on other financial assets and liabilities measured at fair value through profit or loss | 1,355 |
| **Net write-downs/write-backs on closed positions** | **20,556** |
| *of which: Net write-downs/write-backs on closed positions - Clients - POCI* | *20,633* |
| *Reclassification from item 280. Profits (losses) on disposal of investments* | *(77)* |
| **Other profits (losses) from the disposal of investments** | **-** |
| Item 280. Profits (losses) on disposal of investments | (77) |
| *To be deducted:* | |
| *Reclassification to Net write-downs/write-backs on closed positions* | *77* |
| **Other operating expenses and income** | **6,262** |
| Item 230. Other operating income/expenses | 7,115 |
| *To be deducted:* | |
| *Reclassification of recovery of other operating expenses/income to Other administrative expenses* | *(853)* |
| **Total net operating income** | **78,452** |
| **Personnel expenses** | **(20,701)** |
| Item 190. Administrative expenses: a) Personnel expenses | (20,651) |
| *To be deducted:* | |
| *Reclassification of HR expenses from other administrative expenses* | *(50)* |
| **Other administrative expenses** | **(20,814)** |
| Item 190. Administrative expenses: b) Other administrative expenses | (23,486) |
| *Reclassification of IFRS 16 interest expenses* | *(437)* |
| *Reclassification of HR expenses to personnel expenses* | *50* |
| *Reclassification of recovery of other operating expenses/income to Other administrative expenses* | *853* |
| *Raisin operating components* | *244* |
| *Reclassification of contributions and other non-recurring expenses* | *1,962* |

| Income Statement items | Values as of 31/03/2022 |
|---|---|
| **Net adjustments/recoveries on property and equipment and intangible assets** | **(3,412)** |
| Item 210. Net adjustments/recoveries on property and equipment | (792) |
| Item 220. Net write-downs/write-backs on intangible assets | (2,620) |
| **Operating expenses** | **(44,927)** |
| **Operating profit (loss)** | **33,525** |
| **Net losses/recoveries for credit risk - HTC Banks** | **183** |
| **Net losses/recoveries for credit risk - HTC Financial entities** | **(1)** |
| **Net losses/recoveries for credit risk - HTC Clients** | **(5,789)** |
| Item 130. Losses/recoveries for credit risk associated with: a) financial assets measured at amortised cost | 14,941 |
| *Reclassification of Net write-downs/write-backs on closed positions - HTC Clients - POCI off-balance to item 200* | *85* |
| *To be deducted:* | |
| *Net losses/recoveries for credit risk - HTC Banks* | *(183)* |
| *Net losses/recoveries for credit risk - HTC Financial entities* | *1* |
| *Net write-downs/write-backs on closed positions – Clients – POCI* | *(20,633)* |
| **Net losses/recoveries for credit risk - HTCS** | **(542)** |
| Item 130. Losses/recoveries for credit risk associated with: b) financial assets measured at fair value through other comprehensive income | (542) |
| **Net losses/recoveries for commitments and guarantees** | **524** |
| Item 200. Net allowances for risks and charges: a) commitments and guarantees given | 609 |
| *To be deducted:* | |
| *Net write-downs/write-backs on closed positions - HTC Clients - POCI off-balance* | *(85)* |
| **Total net losses/recoveries** | **(5,625)** |
| **Other net provisions** | **(28)** |
| Item 200. Net allowances for risks and charges: b) other net provisions | (28) |
| **Other income (expenses) on investments** | **(1,828)** |
| Item 250. Profits (losses) on equity investments | (1,828) |
| **Contributions and other non-recurring expenses** | **(1,962)** |
| *of which: Contributions and other non-recurring expenses* | *(1,962)* |
| **Other profits (losses) from the disposal of investments** | **-** |
| Item 280. Profits (losses) on disposal of investments | (77) |
| *To be deducted:* | |
| *Reclassification to Net write-downs/write-backs on closed positions* | *77* |
| **Profit (loss) from operations before taxes** | **24,082** |
| **Income tax for the period on continuing operations** | **(8,407)** |
| Item 300. Income tax for the period on continuing operations | (8,407) |
| **Profit (loss) for the period** | **15,675** |

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