

Dear Shareholders,

in the current uncertain market situation and in view of the upcoming annual meeting due to approve illimity first Annual Report, we have decided to add this present communication to our usual periodic reporting.

With regard to the recent spreading of “Covid-19”, which has resulted in a global health crisis that is impacting on civil society and which is expected to have very significant effects, although not yet accurately quantifiable, on the Italian and world economy, illimity takes this opportunity to provide the following details on the way in which the company has been operating in this period as well as an initial assessment of the possible effects that may result from the present situation.

In the difficult environment that has emerged, a collective and exceptional effort is needed: there will be an increasing need for a bank like illimity to finance entrepreneurial initiatives and turnaround projects. We have not slowed down even a moment since the beginning of the crisis and even more than before we will work to promote a new phase of sustainable growth in our country.

This communication should be seen within the context of a constantly changing external framework. illimity accordingly commits to supplement and update, where appropriate, the information presented at the presentation of its quarterly results as of 31 March 2020, which the Board of Directors plans to approve on 11 May.

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***illimity is confidently coping with the “Covid-19” contingency and would like to recall some of the characteristics and strategic and managerial choices that we believe to be distinctive even in the current context:***

1. illimity is a high-tech bank, well-balanced and specialising in four high-potential mutually synergic business sectors: lending to SMEs, the purchase of loans and/or new disbursements as part of SME restructuring transactions (UTP), the purchase and management of distressed loans and direct digital banking services;
2. illimity has an extremely solid capital and liquidity base, as shown in the preliminary results announced on February 12 and detailed in the Financial Statements published today;
3. illimity can natively guarantee and, in fact, has guaranteed since February 23<sup>rd</sup>, extended operational continuity involving all of its employees, thanks to its ICT and organisational architecture, without the need for additional investments or other measures and enabling it to work at full capacity;
4. the SME Division continues to operate in all its market segments: Crossover, Acquisition Finance, Turnaround and Factoring. The Division is in daily contact with its customers to monitor their performance and assess the need for any intervention that may be required, and its outstanding loans portfolio shows no signs of critical issues at present;
5. the Distressed Credit I&S Division is continuing with its three activities: investment, exploiting any new market opportunities arising from the reduction in competition, servicing and senior financing. The extremely positive start to gross cash collection during the first few months of 2020, showing further improvement over the performance achieved in 2019, will act as a mitigating factor for the effects arising from the temporary slowdown in Courts activities;
6. the activity of the Direct Banking Division has not suffered any slowdowns, with results to date

confirming growth trends;

7. lastly, illimity reacted immediately to the new situation thanks to its highly flexible operating structure and the long experience of its management team, continues to work on all its strategic projects and even anticipates new market opportunities.

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**1. *illimity is a high-tech bank specialising in four high-potential mutually synergic business sectors:***

- a) lending to high-potential SMEs, structured finance operations and acquisition financing;
- b) purchase of loans or new disbursements as part of SME restructuring operations (Unlikely-To-Pay);
- c) purchase of secured and unsecured distressed corporate loans, financing for the purchase of distressed loans and servicing through its platform neprix;
- d) innovative direct digital banking services for retail and corporate customers through its direct digital bank [illimitybank.com](http://illimitybank.com).

**2. *illimity has an extremely solid capital and liquidity base, as shown in the preliminary results announced on February 12 and detailed in the Financial Statements published today:***

- a) illimity had a CET1 ratio of 21% at the end of 2019;
- b) illimity also had an extremely robust liquidity base at the end of 2019 (1.1 billion euro consisting of cash, net interbank position and liquidity buffers), further reinforced by the fact that a large portion of deposits are term deposits (approximately 1.2 billion euro, or more than 70% of direct customer funding); this strength is confirmed at the end of the first quarter of 2020;
- c) illimity's business mix ensures that the Bank has a relatively small exposure to a decline in interest rates (limited interest rate sensitivity) and a limited government bonds portfolio with short duration;
- d) illimity is not vulnerable to derivatives as it does not operate in that area.

**3. *illimity can natively guarantee and, in fact, has guaranteed since February 23rd, extended operational continuity involving all of its employees, thanks to its ICT and organisational architecture, without the need for additional investments or other measures and enabling it to work at full capacity:***

- a) from the outset illimity has developed a wholly digital, agile, and cloud-based ICT architecture which enables it to be fully operational, also remotely, with respect to all its business functions as well as to its partners and providers;
- b) illimity has created an organisational model that allows it to use smart working in an extremely flexible way and, as a matter of fact, completely switched to this approach on 23 February to ensure fully seamless uptime;
- c) all of this has enabled us to ensure full service for customers now and in the future, and will allow us to continue to operate at full capacity under any scenario;
- d) the Bank has also implemented a series of measures to safeguard its employees – such as extending their health insurance cover – and numerous initiatives to facilitate operations, with constant internal communication to ensure that co-worker involvement remains high.

**4. The SME Division continues to operate in all its market segments: Crossover, Acquisition Finance, Turnaround and Factoring. The Division is in daily contact with its customers to monitor their performance and assess the need for any intervention that may be required, and at present its outstanding loans portfolio shows no signs of critical issues:**

- a) we have individually reviewed all the credit positions in the Turnaround and Crossover/Acquisition Finance sector which, it is worth recalling, are limited in number. We are fully acquainted with all our counterparties, which are the result of a very thorough underwriting process. The assessment of their creditworthiness is always validated through the use of severe stress scenarios created ad hoc with respect to the management case (with covenants and default parameters based on such scenarios) and controlled through constant monitoring.

The actual impact will obviously depend on how long the “Covid-19” emergency lasts and its effects on economic trends. At present, it is believed that it will be possible to remain within the parameters of the stress scenarios considered when approving loans. For all its lending exposures the Bank will continue to constantly monitor the extent to which assumed stress scenarios are consistent with actual performance and forecast prospects in order to consider the effects of the “Covid-19” emergency; with the exception of the most impacted sectors indicated below, taking into account the way in which the portfolio was constructed and the characteristics of the businesses financed, it is currently believed that the impact on the Bank’s portfolio may be limited;

- b) in the Crossover/Acquisition Finance business the financed companies are performing, often successful in their respective industries, and are pursuing growth strategies. Our assets in these segments are widely diversified by sector. The Bank’s exposure to the economic sectors that are most exposed to the current situation (hotels, catering, retail distribution and businesses that depend on seriously affected supply chains, such as the automotive sector) is limited and amounts to less than 15% of total lending to customers in the SME segment;
- c) in the Turnaround/UTP business, the Bank’s overall exposure is still limited. Typically, the companies financed in this sector have a good geographical diversification of revenues. illimity has taken part in business turnaround processes in all transactions, in certain significant cases with a position of super seniority compared to the business’s other creditors. In addition, initial evidence from certain operations in progress confirm a positive evolution of the turnaround process and a resulting return to performing status. It is recalled that each operation is evaluated on the basis of business plans that are analysed and reviewed with experts in the sectors (Tutors) and assessed by using scenarios incorporating severe stress assumptions;
- d) we have individually reviewed all significant credit positions in the Factoring business – very short-term positions with limited risk, and that it has been decided to insure for over 50%. In factoring, we expect a possible need for extended payment terms which is going to lead to increased volumes of outstanding receivables, lower portfolio turnover and an increase in the use of existing facilities, also by customers which has not been very active so far. Taken overall, we expect an increased contribution in terms of interest income and a lower contribution in terms of fees;
- e) the recently confirmed moratorium giving businesses the possibility of suspending the repayment terms of their instalments by a year is expected to have a negligible effect on the Bank’s economic results, arising only from the time value effect caused by the deferral of the repayments;
- f) the Bank’s loan origination activity continues, albeit with an even more selective approach that leads to a slowdown in new origination, while the implementation of the strategic

initiatives envisaged by the plan continues, including illimity SGR (asset management business) project and the feasibility study on the opportunity of purchasing UTP portfolios;

- g) in conclusion, as of today, in light of the above-mentioned dynamics, the Bank expects a limited negative impact on the SME Division's 2020 targets due to a foreseeable slowdown in volumes, at least temporary, and to a prudent approach to collective provisioning. The benefits resulting from the recently introduced measures supporting the banking sector and all the sectors of the economy will contribute to further mitigating the effects of the new situation on the Bank's results.

**5. *The Distressed Credit I&S Division is continuing with its three activities: investment, exploiting any new market opportunities arising from the reduction in competition, servicing and senior financing. The extremely positive start to gross cash collection during the first few months of 2020, showing further improvement over the performance achieved in 2019, will act as a mitigating factor for the effects arising from the temporary slowdown in Courts activities:***

- a) it is recalled that investments in existing loan portfolios have been priced in a particularly prudent approach, mostly by using valuation criteria based on judicial strategies, even when in practice non-judicial management strategies are then pursued and executed. This approach incorporates sales prices for the underlying assets that are significantly lower than the corresponding market prices and significantly spread over time, with prudent assumptions made for the outcome of auctions. Collateralised assets accordingly receive a valuation on the basis of a judicial scenario that is on average 50% lower than a market valuation. Lastly, the pricing of investments is always validated by applying stress scenarios. The prudence of the approach taken by the DCI&S Division finds confirmation in the high level of investment selectivity carried out to date: of the total operations analysed, which have a gross book value of almost 50 billion euro, the Bank has made investments of only around 6 billion euro in terms of gross book value;
- b) we are also closely reviewing the assumptions made for the timing of collection from the existing portfolio, with particular focus on judicially managed positions. From an initial assessment, even assuming that Italian Courts will remain closed for six to nine months, the effect on the value invested in distressed loans caused by a delay in the timing of collection will be negligible. Since the portfolios have been acquired recently and have collection forecasts considerably spread over time (7 years on average), a shift in collections during the first years of the plan would have a negligible effect on total collections;
- c) investment activity continues with an increasingly selective approach in order to support profitability, also on the basis of the Bank's expectation of a prospectively more dynamic market with reduced competition;
- d) no critical issues arise from the earnings forecasts for the Senior Financing portfolios because these have been constructed on very prudent assumptions in terms of cash flow and capital structure;
- e) in conclusion, at present, taking into account the above-mentioned items a limited negative impact is expected on the DCI&S Division's 2020 targets.

**6. *The activity of the Direct Banking Division has not suffered any slowdowns, with results to date confirming growth trends:***

- a) the achieved results so far are very close to our funding targets for the whole of 2020. Funding volumes remain stable; it is worth recalling that in January 2020 the direct bank took in funding of 1.6 billion euro, of which more than 70% in term deposits;

- b) the inflow of new current accounts is continuing, even without promotional initiatives; in fact the number of customers on the illimitybank.com platform alone has risen to over 30,000;
- c) operation levels have increased thanks to the fully digital model that enables remote management of current accounts, payments and e-commerce: payments that are typically made offline are rising at a rate of 40-60% a month. Over 80% of illimity customers are active and the number of transactions is increasing even further;
- d) Smart Care, illimitybank.com's customer service, continues to be available as always from 9 a.m. to 9 p.m., 7 days a week, through the use of smart working, in a combination between a fully digital and human touch model aiming to optimise the user experience;
- e) the development of new functionalities for the illimitybank.com platform and the development of strategic partnerships designed to enhance the offering of the products and services of our Open Banking platform continues as planned.

**7. *illimity reacted immediately to the new situation thanks to its highly flexible operating structure and the long experience of its management team:***

- a) illimity has managed to maintain its operating capacity even in the current undoubtedly problematic situation for the market, and has continued working on the realisation of the projects of all the divisions in line with schedule: projects ranging from the development of illimity SGR to the full integration of IT Auction and the development of new functionalities and partnerships for the direct digital bank;
- b) the Bank is ready to use all the recently introduced initiatives and measures supporting the economy, and in particular the banking sector, aimed at encouraging lending to businesses (such as increased accessibility to the guarantee fund for SMEs and the liquidity plafonds and guarantees made available by the state investment bank Cassa Depositi e Prestiti) and at ensuring greater flexibility of the banks themselves. Included among the latter is the initiative that provides for the inclusion of additional instruments – such as special shares - when calculating CET 1 capital. While it is not currently possible to quantify the effect of these measures, they will certainly have a considerably positive effect.

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In summary: despite the critical issues that could emerge from the current scenario, backed by the results achieved in 2019, our first full year of activity and the year of listing on the primary stock exchange (MTA), it is believed that the Group is adequately structured and suitably equipped to be able to deal effectively with this challenge.

Management is convinced that the contribution to growth that a bank such as illimity can make over the next few months and years, focused on businesses with effective growth and restructuring plans, on corporate distressed assets and on direct banking services, will become increasingly important. The size and competition-based dynamics of the markets in which the Bank operates will also continue to be very attractive in the future.

We will keep our shareholders, stakeholders and the market informed on a timely basis as to how the situation evolves. An initial update of the changes taking place will be presented at the meeting held to approve the quarterly results as of 31 March 2020, scheduled for 11 May.

The CEO and the whole of top management