

Consolidated interim report as of **30 September 2021**





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as of 30 September 2021



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Composition of Corporate Bodies

BOARD OF DIRECTORS



We are continuing our commitment to generate benefits for all our stakeholders, by making strategic, responsible, inclusive choices with strong values shared at all levels of the organization.

Rosalba Casiraghi
Chair

BOARD OF STATUTORY AUDITORS

Chair

Ernesto Riva

Standing Auditors

Stefano Caringi
Nadia Fontana

Substitute Auditors

Riccardo Foglia Taverna
Michela Zeme

Chief Executive Officer

Corrado Passera

Directors

Massimo Brambilla

Patrizia Canziani

Elena Cialliè

Paola Elisabetta Galbiati

Giovanni Majnoni d'Intignano

Martin Ngombwa^(*)

Marcello Valenti

FINANCIAL REPORTING OFFICER

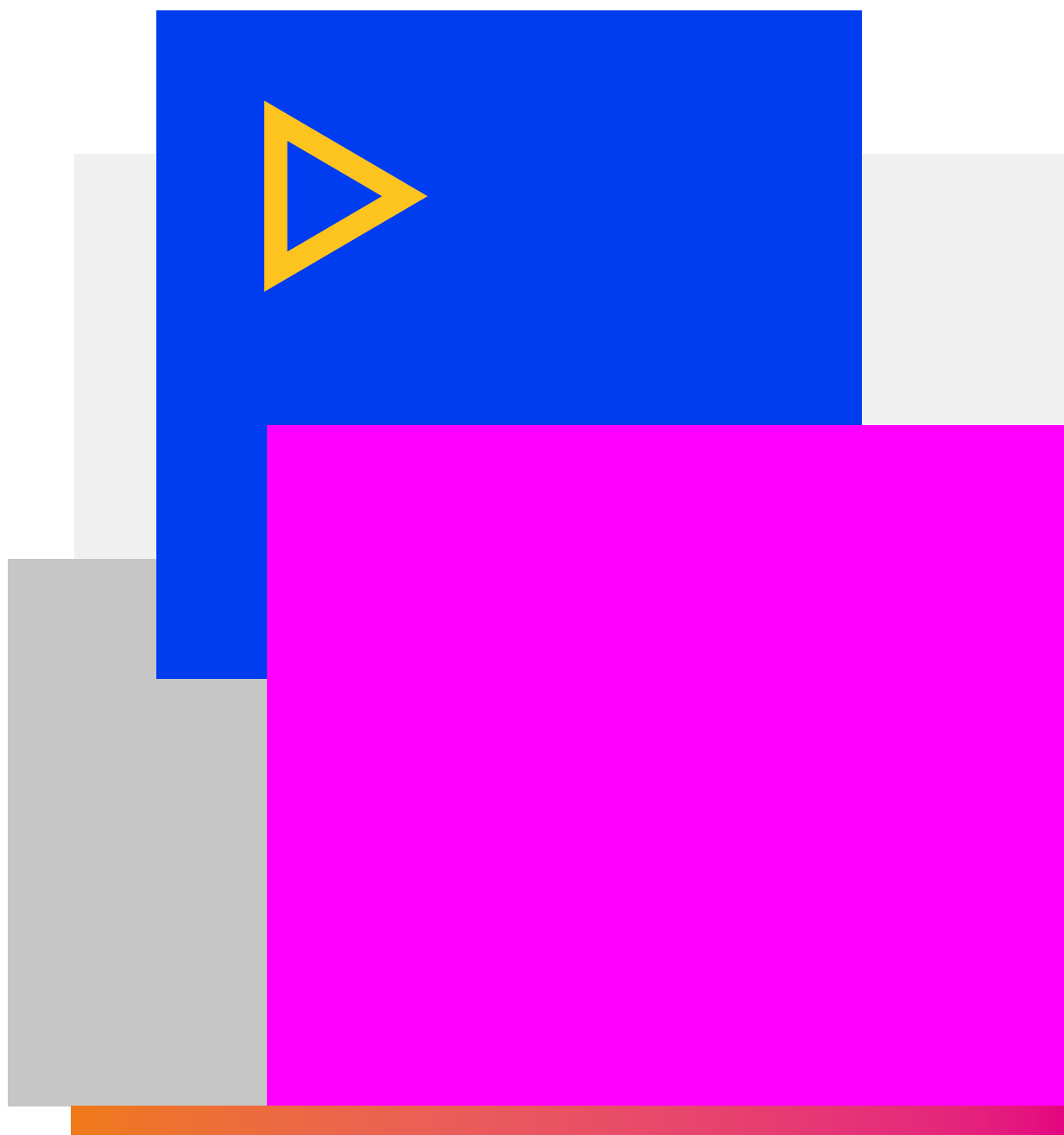
Sergio Fagioli

INDEPENDENT AUDITORS

KPMG S.p.A.

The Board of Directors of illimity has been in office since 22 April 2021.

(*) Board Director who resigned on 10 November 2021



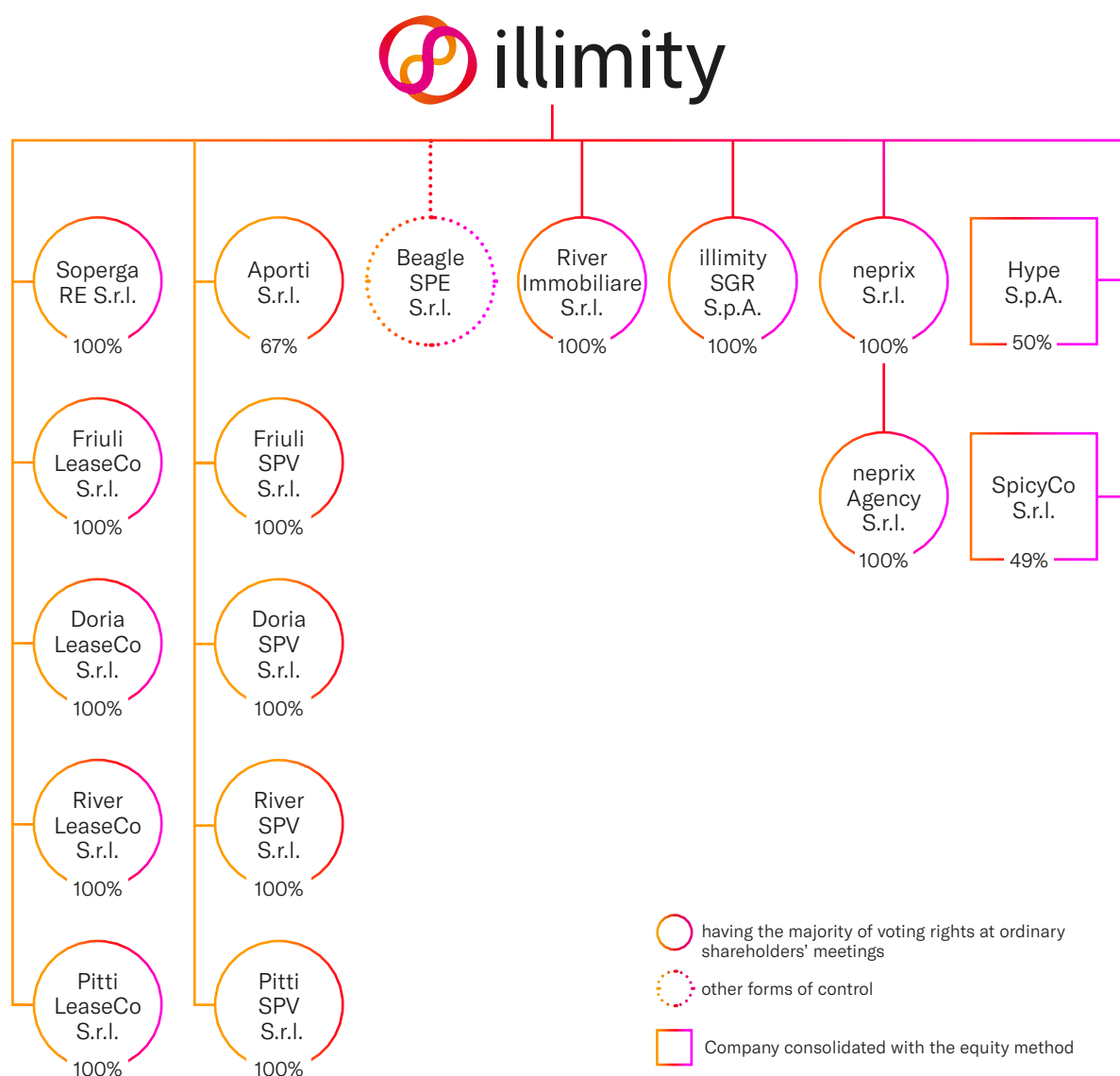
Consolidated interim report

as of 30 September 2021



The illimity Group

This Consolidated Interim Financial Report illustrates the performance and the related financial results for the first nine months of 2021 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 "Group"). illimity exercises the management and coordination of the Group and has its registered office in Milan, at Via Soperga 9¹.



1 The Bank also operates a branch office located in Modena at Via Emilia Est 107.

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 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.

Alternative performance measures as of 30 September 2021

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	30 September 2021	30 September 2020	Chg.	Chg. (%)
Total net operating income	193,373	115,892	77,481	67%
Operating expenses	(115,896)	(87,858)	(28,038)	32%
Operating profit (loss)	77,477	28,034	49,443	>100%
Total net adjustments/recoveries	(2,792)	2,375	(5,167)	N/A
Profit (loss) from operations before taxes	68,714	30,369	38,345	>100%
Profit (loss) for the period	46,199	24,321	21,878	90%

(amounts in thousands of euros)

BALANCE SHEET MEASURES	30 September 2021	31 December 2020	Chg.	Chg. (%)
Net non-performing loans - organic²	19,077	19,055	22	0%
<i>of which: Bad loans</i>	5,169	6,108	(939)	(16%)
<i>of which: Unlikely-to-pay</i>	12,393	12,521	(128)	(1%)
<i>of which: Past-due positions</i>	1,515	426	1,089	>100%
Net non-performing loans - inorganic (POCI)³	1,054,086	1,054,778	(692)	(0%)
<i>of which: Bad loans</i>	703,198	744,260	(41,062)	(7%)
<i>of which: Unlikely-to-pay</i>	350,888	310,439	40,449	20%
<i>of which: Past-due positions</i>	-	79	(79)	(0%)
Net performing HTC securities	235,751	249,913	(14,162)	(5%)
<i>of which: Growth Credit securities - High Yield</i>	17,768	4,154	13,614	>100%
<i>of which: Distressed Credit securities - Senior Financing</i>	217,983	245,759	(27,776)	(10%)
Loans to financial entities	169,825	109,993	59,832	43%
Net performing loans to customers	1,164,201	881,162	283,039	43%
Financial instruments (HTCS + FV)	368,116	109,877	258,239	>100%
Direct funding from customers	3,220,823	2,853,141	367,682	17%
Total Assets	4,645,569	4,126,289	519,280	15%
Shareholders' equity	755,762	583,122	172,639	30%

2 The definition of organic receivables and securities (performing and non-performing) includes loans to customers in the crossover and acquisition finance segments, factoring, disbursement of senior financing, high-yield securities, turnaround and the stock of receivables from customers of the former Banca Interprovinciale.

3 POCI = Purchased or Originated Credit Impaired

RISK RATIOS	30 September 2021	31 December 2020
Gross Organic NPE Ratio ⁴	2.5%	3.2%
Net Organic NPE Ratio ⁵	1.3%	1.7%
Coverage ratio for organic non-performing loans ⁶	48.3%	49.1%
Coverage ratio for organic bad-debt positions ⁷	72.8%	69.4%
Coverage ratio for performing loans ⁸	0.9%	1.2%
Cost of organic credit risk (BPS) ⁹	12	52

STRUCTURAL RATIOS	30 September 2021	31 December 2020
Shareholders' equity/Total Liability	16.3%	14.1%
Interbank Funding/Total Funding ¹⁰	14.5%	15.8%
Liquidity coverage ratio	>300%	>700%
Net Stable Funding Ratio	>100%	>100%
Net loans with customers/Total assets ¹¹	53.2%	53.4%
Direct customer funding/Total Liability	69.3%	69.1%

CAPITAL RATIOS	30 September 2021	31 December 2020
Tier I capital ratio (Tier I capital/Total weighted assets)	20.10%	17.86%
Total capital ratio [(Tier I + Tier II)/Total weighted assets]	26.54%	17.86%
Own Funds	825,503	509,127
of which: Tier I capital	625,161	509,127
Risk-weighted assets	3,110,686	2,850,572

- 4 Ratio of non-performing organic gross loans to total organic gross loans, plus gross performing client loans (net of exposure to financial entities), senior financing instruments and high-yield instruments.
- 5 Ratio of non-performing organic net loans to total organic net loans plus net performing client loans (net of exposure to financial entities), senior financing instruments and high-yield instruments.
- 6 Ratio between adjustments/recoveries on organic non-performing loans and gross exposure of non-performing organic loans.
- 7 Ratio between adjustments/recoveries on organic bad loans and gross exposure of organic bad loans.
- 8 Ratio between adjustments/recoveries on performing client loans and gross exposure of performing client loans.
- 9 Ratio between the sum of annualised adjustments/recoveries on performing client loans (net of investments with financial entities), organic non-performing loans and HTC securities and net exposures of same at the end of the period.
- 10 Ratio of amounts due to banks to the sum of amounts due to banks, due to customers (net of the *lease liability*) and outstanding securities
- 11 Ratio of customer loans, Growth Credit securities at amortised cost and Senior Financing 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 three Business Divisions:

- Growth Credit
- Distressed Credit
- 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.

Growth Credit Division

The objective of the Growth Credit Division (formerly SME 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 (so-called 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 Growth Credit area supports the business areas regarding legal and contractual

aspects; the Business Operations & Credit Support area manages the annual reporting of the Division, and oversees the business related to the sale of so-called Ecobonus tax credits, manages the Modena branch, also monitoring the portfolio of the former Banca Interprovinciale with a view to progressive divestment.

Distressed Credit Division

The Distressed Credit Division (formerly Distressed Credit Investment & Servicing 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 Optimisation Area*, which is responsible for optimising portfolio and single name management by identifying market opportunities for their sale, 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) *The Business Operations Area*, tasked with coordinating and monitoring the Division's activities, overseeing relations with other Bank units and decision-making bodies, providing legal advice related to individual investment opportunities and initiatives, and monitoring the Division's performance;
- 6) *The Data Architecture & Analytics Area*, responsible for governing and managing the process of acquiring, transforming and using the data originated and used by the Distressed Credit Division in business processes; it is also responsible 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, Business Operations, Servicing, Data Architecture & Analytics) and the Bank's structures (General Counsel, Administration & Accounting, Finance, Risk, 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.

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.

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 Center, Back Office and design of processes, as well as by dedicated data management oversight.

The Direct Banking Value Proposition for retail customers 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, along with payment and cash management services provided through a platform that combines the most innovative tools available on the market with household budget management services;
- 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, Amazon vouchers which can be purchased in instalments (through interest-free loans and with no extra costs) and insurance products, made available to customers through partnerships with selected market operators;
- 6) illimity Hubs, i.e. innovative collaboration models enabling the Customer to use the functionalities offered by our partners - so far Mimoto and Fitbit - via integration into the illimitybank.com platform, and to activate complementary banking services.

The Division's product range is completed with Digital Factoring, a product for small and medium enterprises, with a turnover in the range of EUR 2 million and EUR 10 million - with the aim of improving own financial management, thanks to an involved, fully comprehensive digital platform and an entirely innovative UX.

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:

- two "Business Areas" comprising:
 - the UTP & Turnaround Funds Area, with the activities previously managed by the former "Investments Area" of the original organisation. The UTP & Turnaround Funds Area, focussed 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, newly established, with the aim of setting up and managing AIFs with investment strategies and policies targeting asset classes with underlying financial instruments issued by performing companies.
- two "Support Areas" comprising:
 - the Sales & Business Development Area, set up with the aim of steering, coordinating and monitoring the commercial promotion and distribution of all products and services provided by the SGR for its own customers, and organising and promoting new business activities within the SGR;

- the Operations & Administration Area, which groups the activities of the pre-existing Administration, Finance and Control Area, with a focus on operating areas and providing support for the Business Areas.

Lastly, the SGR's organisation comprises 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.

Other functions - Corporate Center

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, finance 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*, that 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 *Communication & Stakeholder Engagement 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 (registered office);
- Modena – Via Emilia Est, 107 (branch).

Human resources

As of 30 September 2021, the Bank's registered employees numbered 703 (587 as of 31 December 2020). A breakdown of the workforce is given below, divided by job level:

Category	30 September 2021			31 December 2020			Changes	
	Number of employees	in %	Average age	Number of employees	in %	Average age	Number of employees	in %
Senior managers	62	9%	46	55	9%	46	7	13%
Middle managers	298	42%	38	242	41%	37	56	23%
Other employees	343	49%	33	290	49%	34	53	18%
Employees	703	100%		587	100%		116	20%

Macroeconomic scenario

The recovery in the world economy continued, despite continual bottlenecks on the supply side and the spread of the more contagious Delta variant of COVID-19 dimming prospects for growth in the short term. The latest surveys conducted by the European Central Bank indicate a slight slowdown in the pace of expansion, particularly in emerging economies. Compared to the previous year, the macroeconomic projections made in September 2021 by ECB experts revise prospects for world economic growth slightly upwards, above all for 2022.

This year, the growth in world GDP in real terms (excluding the euro area), should increase, reaching 6.3%, and then slow down to 4.5% in 2022 and 3.7% in 2023. Compared to previous projections, foreign demand was revised upwards and should grow by 9.2% this year, and then by 5.5% in 2022 and by 3.7% in 2023. This chiefly reflects the greater vigour of world imports at the start of 2021 compared to estimates of previous projections, as well as the greater procyclical nature of trade which occurs during an economic recovery. Export prices of competitors in the euro area were revised upwards for the current year, against price increases in commodities and an increase in demand.

The risks for the baseline scenario related to the world economy are more or less connected with future developments in the pandemic. The ECB believes that other risks for the prospects for activity at a global level are trending downwards as regards growth, and upwards as regards inflation. In the second quarter of the year, the economy in the euro area recovered by 2.2%, above expectations, heading towards strong growth in the third quarter. The recovery is based on the success of vaccination campaigns in Europe, which allowed for a significant reopening of the economy. With restrictions stopped, the services sector is benefitting from customers returning to shops and restaurants, and the travel and tourism industry picking up. The manufacturing sector has recorded a vigorous performance, despite production still being hampered by a shortage of materials and equipment. The spread of the Delta variant has not yet required lockdown measures to be reintroduced, but could slow down the recovery of world trade and full reopening of the economy.

Consumer spending is on the rise, although consumers are still cautious to some extent, in view of how the pandemic is evolving. The labour market is rapidly improving, with a predicted increase in income and expenditure. Unemployment is decreasing and the number of people benefitting from salary subsidies fell to around 28 million, compared to the peak of last year. The recovery in domestic and global demand has further increased the optimism of businesses, supporting their investments. However, time is still needed to recover from the economic damage caused by the pandemic. There are still two million less people employed compared to the pre-pandemic period, especially among young and less qualified people. The number of people benefitting from salary subsidy measures is still high.

After the extremely expansive budget policies implemented from the start of the pandemic, a limited number of additional stimulus measures have been adopted in the last few months, as budget planning documents for 2022 are still being prepared and the economy appears to be recovering at a slightly more robust pace than expected. Consequently, the macroeconomic projections made by ECB experts in September 2021 expect an improvement over the budget projections for the euro area made last June.

While the ratio between the gap and GDP should stay high, at 7.1% in 2021, after 7.3% in 2020, the next improvement should be rapid, with the pandemic slowing down and economic recovery consolidating. The ECB therefore expects a decrease in this ratio to 3.0% in 2022, and to 2.1 in 2023, at the end of the projection's time horizon. As a result of these developments, euro area debt should peak at just under 99% of GDP in 2021, to then fall to around 94% of GDP in 2023. To support the recovery, an ambitious, targeted and coordinated budget policy should continue to operate alongside monetary policy.

The macroeconomic projections of ECB experts made in September 2021 forecast an annual growth in GDP in real terms equal to 5% in 2021, 4.6% in 2022 and 2.1% in 2023. In relation to the projections of euro system experts in June, prospects for 2021 were revised upwards, mainly due to results that were more solid than forecast in the first half of the year. The figures for 2022 and 2023 have basically stayed the same.

In August, inflation in the euro area went up to 3%. Inflation is still expected to increase in the autumn, and then decrease the following year. The current increase in inflation is considered to be mainly temporary, as it reflects above all the considerable hike in oil prices registered from around the middle of the previous year, the withdrawal of the temporary reduction in VAT in Germany, the delayed start to summer sales in 2020 and cost pressures due to the temporary shortage of material and equipment. These factors should scale down in 2022, or will no longer be considered in the calculation of inflation over twelve months. Pressures on inflation intensified.

With a further recovery in the economy, and thanks to support from monetary policies adopted by the Executive Committee, basic inflation is expected to rise in the medium term. This increase should only be gradual, as it will take time for the economy to pick up completely, and so a barely moderate growth in salaries is expected. Expectations for inflation in the long term continued to increase, but are still at a certain distance from the 2% objective pursued by the ECB.

This valuation is reflected in the macro-economic projections made by ECB experts in September 2021, which predict an annual inflation rate of 2.2% in 2021, 1.7% in 2022 and 1.5% in 2023, revised upwards compared to projections for the year, made in June. Compared to the June projections, inflation has been revised upwards, net of the energy and food component which, on average, would stand at 1.3% in 2021, 1.4% in 2022 and 1.5% in 2023.

In Italy, the increase in GDP, which was well above expectations in the second quarter, continued in the summer months. Based on available indicators, industrial production in the third quarter went up by 1% and GDP by over 2%. The increase in the number of vaccinations administered, and in mobility, provided the conditions for household spending to pick up, associated with a recovery in investments, already in progress. In surveys conducted by the Bank of Italy, household expectations of the Italian economic situation improved overall. Spending in sectors most affected by the pandemic, including hotels, bars and restaurants, also recovered. However, there is still caution over spending, above all in less wealthy households. Businesses have confirmed very favourable opinions on investment conditions.

The growth in Italian exports, which was robust and higher than world trade figures in the second quarter, continued in the third quarter. In summer, spending by foreign tourists was far higher than the same period of the previous year, but still lower than figures for 2019. Purchases by non-residents of Italian securities for portfolio investments continued.

The improved economic situation resulted in a considerable increase in employment in spring, above all in fixed-term employment, and in hours worked. In July and August, the number of employed further increased, albeit at a slower pace. The effects of the pandemic have not yet been entirely overcome, and there are still signs of an underuse of work. Salary subsidies are still used to a considerable extent, although they are below the record levels of 2020, and the rate of activity is below the levels of two years ago.

In September, inflation reached 2.9%, driven by a considerable increase in energy product prices. The projections do not consider the increase to go beyond the mid-term. Recent contract increases have not yet contemplated an acceleration in salaries. Companies have revised expected increases in price lists upwards, which are still below an annual 2%.

During the summer, the growth in loans to non-financial companies decreased, following reduced loan applications from businesses. This had an impact on the abundant liquidity accumulated and on the improved economic situation, which led to a recovery in cash flows. Loan conditions were still relaxed.

Overall, this information led most observers to modify their projections for growth in Italy in the current year upwards. Based on Bank of Italy evaluations, GDP should increase to around 6%, which is far higher than the estimate in the July economic bulletin.

The Executive Committee updated estimates and budget objectives for the next three-year period. In 2021, net debt would stand at 9.4% of GDP (from 9.6% in 2020), and debt at 153.5% (from 155.6%). Unlike plans made in spring, this scenario points to improved accounts compared to 2020. The new estimates discount a product growth above expectations and consider, among others, some favourable aspects identified while monitoring incomings and expenditure of the public administration.

Significant events in the first nine months of 2021

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

As the evolution of the COVID-19 epidemic continues to have an impact both in economic and operational terms, the illimity Group has maintained 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, related to the logistical limitations that have continued during the first nine months of the year.

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 intervals on the actual and potential economic, financial and operational 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.

Corporate transactions

On 5 January 2021, illimity announced the new composition of its share capital, as follows: (i) the reserved capital increase for Fabrick S.p.A. totalling EUR 44,670,596.42 (of which EUR 3,491,882.89 as capital) freed up via the transfer to illimity of shares representing 37.66% of Hype S.p.A. (which took place on 29 December 2020, effective from 1 January 2021), the registration in the Companies' Register of the statement of the directors pursuant to Article 2343-quater of the Italian civil code (made on 5 January 2021) and consequent issue of 5,358,114 new ordinary shares for this increase, as well as (ii) the cash increase in capital for Banca Sella Holding S.p.A. for a total of EUR 16,544,676.46 (of which EUR 1,293,290.83 as capital), subscribed on 29 December 2020 with effect from 1 January 2021 (with regulation dated 5 January 2021), and consequent issue of 1,984,488 new ordinary shares, for this increase. Hype is a company providing "light banking" services, the objective of which is to establish itself as a leading operator on the Italian market in the segment of innovative financial services provided by non-banking operators.

On 13 January 2021, the deed was signed by which Core, IT Auction and Mado were merged into neprix. The merger became effective on 1 February 2021. The accounting and fiscal effects of the merger started from 1 January 2021. Following the merger, neprix holds 100% of the shares in the company neprix Agency, previously held by IT Auction. This merger has no effects on the consolidated financial statements, as these companies were already controlled by the Group and included in the consolidated financial statements on a line-by-line basis.

On 1 April 2021, illimity SGR announced it had completed the first closing of the illimity Credit & Corporate Turnaround fund (the "Fund" or "iCCT"), dedicated to investments in unlikely-to-pay positions of SMEs, with prospects for them to recover and relaunch. The initial portfolio included receivables for a total gross amount of over EUR 200 million with 33 companies operating in highly diversified sectors. These receivables were sold by 7 banks and banking groups, becoming holders of units in the Fund. Initial funding - subscribed by professional investors, including illimity Bank - amounted to EUR 25 million, to use in managing purchased receivables and to support the turnaround of companies in which the Fund assets have invested. The Fund supports the financial restructuring of companies with the aim not only of overcoming the crisis, but also of valuing their potential and pursuing a concrete prospect of being relaunched.

On 15 June 2021, illimity announced the establishment of the illimity foundation ("foundation"), launched with the aim of creating new spaces for inclusion, cohesion and shared well-being, including through the regeneration of real estate assets to be allocated to projects of social utility and with a strong focus on sustainability issues (ESG).

The foundation is a separate and independent body from the illimity Group, a bank born with a clear mission: to recognise and develop the potential of people, families and businesses. For illimity generating value does not simply mean making profits, but being useful. This mission, deeply rooted in illimity, is confirmed by the establishment of the illimity foundation, which will recognise the potential of real estate assets to be transformed into new spaces that can recreate value for the community.

On 17 June 2021, illimity announced that it had signed a binding letter of intent to form a joint venture (50/50) ("JV") with some funds managed by Apollo Global Management Inc (NYSE: APO) ("Apollo") aimed at investing up to EUR 500 million in non-performing single name loans related to real estate in Italy.

The JV will have an initial investment period of two years with the possibility of extension and will pursue investments in bad and unlikely-to-pay loans mainly guaranteed by the underlying property and with a unit price of up to EUR 50 million. The JV, which will see illimity and Apollo as 50/50 investors with equal governance rights, also provides for the contribution by illimity of approximately EUR 231 million of gross book value of loans previously purchased by illimity and representing part of the Bank's current investment portfolio in the Bank's special situation real estate world. The JV will see the direct involvement of illimity's Special Situations Real Estate teams and Apollo's European Principal Finance teams. The JV selected neprix as exclusive special servicer for the management of the investments. It is expected that the final agreements will be signed and the transaction finalised by the third quarter of 2021.

On 29 July 2021, the extraordinary shareholders' meeting of illimity approved the increase in share capital reserved for the ION Group, part of the broader strategic alliance between the two Groups, which took place in full during the third quarter of 2021. As part of the new 2021-25 Strategic Plan, a broad collaboration agreement was signed by illimity and the ION Group which will be implemented through:

- a licence agreement for information systems developed by illimity, which will generate EUR 90 million of cumulative revenues for the Bank in the years 2021-25;
- long-term collaboration agreements that can generate important investment and commercial synergies between the two groups in crucial sectors and services including among others data analytics, credit scoring and market intelligence.

On 1 October, illimity announced the new composition of its share capital, as follows: (i) the full increase in share capital with the exclusion of the option right pursuant to Article 2441, paragraph 4, second sentence of the Italian Civil Code, for a total amount of EUR 57,535,660.00 (including the share premium) with an increase in share capital for a total of EUR 3,749,598.96 and issuance of all 5,753,566 ordinary shares, on 30 September, following the increase subscribed by FermION Investment Group Limited, a subsidiary of ION Investment Corporation S.à r.l.

Other significant information

The other significant events described below took place in the first nine months of 2021.

On 29 January 2021, illimity obtained certification as a Great Place to Work® for the second year running. Great Place to Work® is an organisational consulting company in the HR field, leader in Italy in business climate studies and analysis.

On 10 March 2021, illimity was qualified by the Bank of Italy as a Nomad (Nominated Adviser), for companies that, through listing on the AIM Italy market, wish to raise capital to consolidate their competitive position and accelerate their growth.

On 7 April 2021, viafintech and illimity announced a partnership enabling customers of illimitybank.com to use the viacash function in the mobile banking app. The service, provided by viafintech, allows customers to deposit cash in a smart, efficient way, while they shop.

On 22 April 2021, the Ordinary Shareholders' Meeting of illimity was held, which as indicated in the press releases, among other things approved the financial statements as of 31 December 2020 and appointed the new Board of Directors of the Bank, which is composed of the following members: Rosalba Casiraghi (Chair), Corrado Passera (CEO), Massimo Brambilla, Patrizia Canziani, Elena Cialliè, Paola Elisabetta Galbiati, Giovanni Majnoni d'Intignano, Martin Ngombwa and Marcello Valenti.

On 25 May 2021, illimity and Flee, a brand owned by Aon, announced that they had entered into a partnership aimed at offering illimitybank.com customers and all bank employees a new idea of mobility thanks to exclusive rental services. Flee is the first mileage-based long-term car rental – pay per use that combines the savings, security and convenience of an all-digital service.

On 31 May 2021, Kerakoll Group, an international leader in the green building sector, and illimity informed the market of their partnership aimed at providing companies and professionals with a comprehensive assistance service to take advantage of the opportunities offered by the 110% Superbonus. The services are aimed at companies operating in the sectors of building energy upgrades and seismic safety that opt for the transfer of the tax credit to make use of the new tax relief measure.

On 9 June 2021, the illimity Board of Directors approved the capital increase servicing the 2021 “Employee Stock Ownership Plan - ESOP” for a total of EUR 78,542.13, corresponding to 120,515 ordinary shares.

On 22 June 2021, the illimity Board of Directors approved the Group's business plan for the 2021-2025 period (the “Plan”). The Plan's objectives include:

- a net profit of approximately EUR 60-70 million already in 2021, increasing to approximately EUR 140 million in 2023 and to more than EUR 240 million in 2025, corresponding to an average annual growth of approximately 51% in the period 2020-25;

- Revenues growing by more than 30% on average each year in the 2020-25 period, reaching over EUR 450 million in 2023 and about EUR 660 million in 2025;
- Operating costs are expected to grow less than proportionally compared to revenues, and operating leverage is expected to progressively and significantly improve; the cost income ratio is expected to decrease from 76% in 2020 to less than 50% in 2023 and further decrease below 40% by 2025.
- Expected net customer loans of over EUR 5 billion in 2023 and over EUR 7 billion in 2025, with total expected assets of over EUR 7 billion in 2023 and about EUR 10 billion in 2025;
- RWA: consistent with the growth in business volumes, this is expected to increase to EUR 5.4 billion in 2023 and EUR 7 billion in 2025;
- CET1 Ratio: the Bank's commitment to maintaining a robust capitalisation is confirmed, with a CET1 Ratio target of more than 15% over the course of the entire Plan and a Total Capital Ratio of around 18%.

On 30 June 2021, illimity announced that it had successfully placed the first Tier 2 subordinated bond with a duration of 10 years and a 5-year call option, for a total amount of EUR 200 million. Due to high investor interest, the bond coupon was set at 4.375%, better than the initial indication of 4.50%-4.75%, and the issue was raised to EUR 200 million compared to an initial plan for EUR 150 million. Listed on Euronext Dublin (Regulated Market) on 7 July 2021, the bond is part of the EMTN programme and was given a B- rating by Fitch.

Reclassified consolidated financial statements of the Group as of 30 September 2021

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;
- interest expense resulting from the *lease liability* (IFRS 16) is recognised under other administrative expenses;
- net credit exposure to customers on closed positions is shown separately from net losses/recoveries for credit risk;
- profit from discontinued operations after tax was broken down into interest income and income tax and reallocated to these financial statement items.

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 HTCS loans;
- separate indication of Loans to financial entities and securities at amortised cost;
- separate indication of Loans mandatorily measured at fair value;
- the reclassification of *Leasing* 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	30 September 2021	31 December 2020	Chg.	Chg. (%)
20 a) + 30	Property portfolio - Securities at FV	264,768	91,427	173,341	>100%
30	Loans to customers HTCS	15,806	-	15,806	N/A
20 c)	Financial instruments mandatorily measured at fair value	87,021	18,450	68,571	>100%
20 c)	Loans mandatorily measured at fair value	521	-	521	N/A
40 a)	Due from banks	401,572	530,922	(129,350)	(24%)
40 b)	Loans to financial entities	169,825	109,993	59,832	54%
40 b)	Loans to customers HTC	2,237,364	1,954,995	282,369	14%
40 b)	Securities at amortised cost - Growth Credit	17,768	4,154	13,614	>100%
40 b)	Securities at amortised cost - Senior Financing	217,983	245,759	(27,776)	(11%)
70	Investments in equity	81,775	-	81,775	N/A
90 + 100	Property and equipment and intangible assets	153,986	147,816	6,170	4%
	of which: Goodwill	36,257	36,224	33	0%
110	Tax assets	24,247	35,403	(11,156)	(32%)
10 + 120 + 130	Other assets	972,933	987,370	(14,437)	(1%)
	of which: Cash and cash equivalents	745,447	944,832	(199,385)	(21%)
	Total assets	4,645,569	4,126,289	519,280	13%

(amounts in thousands of euros)

Components of official items of the Statement of Financial Position	Liabilities	30 September 2021	31 December 2020	Chg.	Chg. (%)
10 a)	Amounts due to banks	546,046	534,345	11,701	2%
10 b)	Amounts due to customers	2,713,706	2,552,161	161,545	6%
10 c)	Securities issued	507,117	300,980	206,137	68%
60	Tax liabilities	8,354	4,207	4,147	99%
80 + 90 + 100	Other liabilities	114,584	151,474	(36,888)	(24%)
(*)	Shareholders' equity	755,762	583,122	172,640	30%
	Total liabilities and shareholders' equity	4,645,569	4,126,289	519,280	13%

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

Summary of consolidated statement of financial position data

The Group's total assets amounted to EUR 4,645.6 million as of 30 September 2021, up on the figure of EUR 4,126.3 million as of 31 December 2020 - mainly due to the increase in financial assets measured at fair value through other comprehensive income, held within a held-to-collect-and-sell business model and the increase in customer loans measured at amortised cost.

The Group's assets as of 30 September 2021 mainly included financial assets arising from loans to customers of EUR 2,237.4 million (up compared to EUR 1,955 million recorded as of 31 December 2020). The increase in this component in the period under review is primarily attributable to new transactions undertaken by the Distressed Credit Division in the period (net of portfolio disposals in the period), and the Growth Credit Division. For further information, refer to the section "Contribution from operating segments to the Group's results".

With reference to the Group's liquidity profile, the cash and cash equivalents component came to EUR 745.4 million as of 30 September 2021, down on EUR 944.8 million as of 31 December 2020, due to greater uses in the Growth Credit Division, Distressed Credit Division and own portfolio.

Financial assets at amortised cost - due from banks - amounted to EUR 401.6 as of 30 September 2021, down by EUR 129.4 million compared to 31 December 2020, and chiefly consist of reverse repurchase agreements. Taking loans to financial entities into account, as of 30 September 2021, total net exposure to banks and financial entities was EUR 571.4 million.

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 264.8 million, up significantly, by approximately EUR 173.3 million, compared to 31 December 2020. As of 30 September 2021, the Group had a negative valuation reserve of approximately EUR 2.9 million, mainly due to the performance of the markets regarding securities in the Held to Collect & Sell portfolio.

Financial instruments mandatorily measured at fair value through profit or loss (net of loans at fair value) amounted to EUR 87 million as of 30 September 2021 and include investments in equity instruments/earnouts for EUR 7.2 million, attributable to the Growth Credit Division, and for EUR 5 million attributable to the Distressed Credit Division. The item also includes an energy business operation for EUR 68.5 million, units of an investment fund of illimity SGR for EUR 3.7 million, attributable to the Growth Credit Division, investments in Senior Financing for EUR 2.5 million and in junior and mezzanine notes for EUR 0.1 million, attributable to the Distressed Credit Division.

As of 30 September 2021, property and equipment and intangible assets amounted to EUR 154 million, increasing by approximately EUR 6.2 million compared to 31 December 2020. The Group's intangible assets refer to 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 - although of a marginal impact - 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., River SPV S.r.l., and 66.7% of the units of the securitisation vehicle Aporti S.r.l., and the intangible assets held by Group companies. Group property and equipment mainly consist 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 30 September 2021 amounted to EUR 4,645.6 million. Amounts due to customers, net of the lease liability referred to IFRS 16, amounted to EUR 2,713.7 million, increasing compared to 31 December 2020. Amounts due to Banks - including the central banks component - stood at EUR 546 million, increasing by EUR 11.7 million compared to 31 December 2020, mainly following due to the increase in time deposits. Securities issued were equal to EUR 507.1 million, up on the figure for the end of 2020, mainly due to the issue of the subordinated bond during the third quarter of 2021.

As of 30 September 2021, shareholders' equity, including the result for the period, amounted to EUR 755.8 million, increasing compared to 2020. The main changes refer to profit accrued in the first nine months of 2021 and to the capital increases undertaking for the joint venture in Hype S.p.A and for the ION Group.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(amounts in thousands of euros)

Components of official items of the Income Statement	Income Statement items	30 September 2021	30 September 2020	Chg.	Chg. (%)
10 + 20 + 320	Net interest margin	98,649	72,502	26,147	36%
40 + 50	Net fee and commission income	23,917	8,275	15,642	>100%
80 + 100 + 110	Gains/losses on financial assets and liabilities	12,441	5,739	6,702	>100%
130 a)	Net write-downs/write-backs on closed positions - HTC Clients - POCI	44,503	28,642	15,861	55%
280	Other profits (losses) from the disposal of investments	2,278	-	2,278	N/A
140 + 230	Other operating expenses and income (excluding taxes)	11,584	734	10,850	>100%
Total net operating income		193,373	115,892	77,481	67%
190 a)	Personnel expenses	(51,470)	(36,040)	(15,430)	43%
190 b)	Other administrative expenses	(56,592)	(45,660)	(10,932)	24%
210 + 220	Net write-downs/write-backs on property and equipment and intangible assets	(7,834)	(6,158)	(1,676)	27%
Operating expenses		(115,896)	(87,858)	(28,038)	32%
Operating profit (loss)		77,477	28,034	49,443	>100%
130 a)	Net losses/recoveries for credit risk - HTC Banks	45	47	(2)	(4%)
130 a)	Net losses/recoveries for credit risk - HTC Financial entities	(129)	(140)	11	(8%)
130 a)	Net losses/recoveries for credit risk - HTC Clients	923	2,664	(1,741)	(65%)
130 b)	Net losses/recoveries for credit risk - HTCS	(684)	-	(684)	N/A
200 a)	Net losses/recoveries for commitments and guarantees	(2,947)	(196)	(2,751)	>100%
Total net adjustments/recoveries		(2,792)	2,375	(5,167)	N/A
200 b)	Other net provisions	-	(40)	40	(100%)
250	Other income (expenses) on investments	(5,970)	-	(5,970)	N/A
Profit (loss) from operations before taxes		68,714	30,369	38,345	>100%
300 + 320	Income tax for the period on continuing operations	(22,515)	(6,048)	(16,467)	>100%
Profit (loss) for the period		46,199	24,321	21,878	90%

Consolidated income statement highlights

The Group's total net operating income for the period ended 30 September 2021 amounted to EUR 193.4 million, up sharply on the same period of the previous year, when it came to approximately EUR 115.9 million.

The increase in total net operating income is to be attributed to the introduction and expansion of various lines of business by the Bank in 2021, which contributed to the increase in the net interest margin of the Group from EUR 72.5 million as of 30 September 2020 to EUR 98.6 million as of 30 September 2021. Net fee and commission income, which amounted to EUR 23.9 million as of 30 September 2021, 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.

Total net operating income also includes net write-backs on customer HTC positions closed in the first nine months of 2021 for a total of EUR 44.5 million (28.6 million as of 30 September 2020), and income from disposals of investments for EUR 2.3 million, related to the sale of the business unit Fluid, as part of the joint venture for 50% control of HYPE. Lastly, the balance of other operating expenses/income went up significantly due to licence rights granted to ION for the IT platform developed by illimity (positive contribution of EUR 5 million), and to the increase in services and sales in the real estate segment related to the management of securitised NPL portfolios.

Overall net adjustments/recoveries on portfolio positions were negative for EUR 2.8 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. During the period, net losses/recoveries for credit risk - HTCS were also recorded, due to an increase in the portfolio.

Operating expenses of EUR 115.9 million for the period ended 30 September 2021 were up by approximately EUR 28 million compared to the same period of the previous year. In detail, personnel expenses increased compared to the previous year by approximately EUR 15.4 million, mainly 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. Another factor that increased personnel costs is the MBO portion used to consolidate individual incentive systems for employees.

Other administrative expenses also increased, by approximately EUR 10.9 million compared to the same period of the previous year, due to the increase in Bank operations and the allocation to FITD regarding the ordinary contribution for 2021. Finally, the item includes net write-downs/write-backs for property and equipment and intangible assets totalling around EUR 7.8 million, up by EUR 1.7 million compared to 30 September 2020, 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 30 September 2021, before taxes, amounted to EUR 68.7 million.

Net of income tax for the period on continuing operations and activities being disposed of, equal to approximately EUR 22.5 million, consolidated net profit as of 30 September 2021 stood at EUR 46.2 million, compared to a profit of EUR 24.3 million as of 30 September 2020.

Basic and diluted earnings per share as of 30 September 2021, calculated by dividing the result for the period by the weighted average number of ordinary shares issued, was equal to EUR 0.63. Trailing earnings per share as of 30 September 2021 of the Group, calculated considering the economic results and weighted average number of ordinary shares outstanding in the last twelve months, would amount to EUR 0.74 per share, for both the basic scenario and diluted scenario. See the section “Basic and diluted earnings per share” for details of the methodology to calculate earnings per share.

Key statement of financial position figures

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	30 September 2021		31 December 2020		Change	
	Book value	Inc. %	Book value	Inc. %	Absolute	Chg. (%)
Cash and cash equivalents	745,447	17.9%	944,832	24.2%	(199,385)	(21%)
Financial assets held for trading	114	0.0%	52	0.0%	62	>100%
Financial instruments mandatorily measured at fair value	87,542	2.1%	18,450	0.5%	69,092	>100%
- Distressed Credit Division	76,065	1.8%	11,167	0.3%	64,898	>100%
- Growth Credit Division	11,351	0.3%	7,167	0.2%	4,184	58%
- ALM & Treasury portfolio	126	0.0%	116	0.0%	10	9%
HTCS Financial assets	280,460	6.7%	91,375	2.3%	189,085	>100%
- ALM & Treasury portfolio	236,802	5.7%	91,375	2.3%	145,427	>100%
- Structured Products Portfolio	27,852	0.7%	-	0.0%	27,852	n.a
- Distressed Credit portfolio - POCI	15,806	0.4%	-	0.0%	15,806	n.a
Due from banks	401,572	9.7%	530,922	13.6%	(129,350)	(24%)
- of which: Repurchase agreements	298,837	7.2%	395,167	10.1%	(96,330)	(24%)
Loans to financial entities	169,825	4.1%	109,993	2.8%	59,832	54%
Loans to customers	2,237,364	53.8%	1,954,995	50.1%	282,369	14%
- Organic non-performing loans	19,077	0.5%	19,055	0.5%	22	0%
- Inorganic non-performing loans	1,054,086	25.4%	1,054,778	27.0%	(692)	(0%)
- Performing loans	1,164,201	28.0%	881,162	22.6%	283,039	32%
Loans to customers - Securities	235,751	5.7%	249,913	6.4%	(14,162)	(6%)
- Distressed Credit Division (Senior Financing) - performing	217,983	5.2%	245,759	6.3%	(27,776)	(11%)
- Growth Credit Division - performing	17,768	0.4%	4,154	0.1%	13,614	>100%
Total invested assets	4,158,075	100%	3,900,532	100%	257,543	7%

Loans to customers amounted to approximately EUR 2,237.4 million, up from EUR 1,955 million at the end of the previous year, mainly due to new transactions completed in the period by the Distressed Credit Division (net of portfolio disposals in the period), and the Growth Credit Division. The line item also includes NPLs of approximately EUR 1,054.1 million classified as POCI (Purchased or Originated Credit Impaired), down slightly from EUR 1,054.8 million recorded as of 31 December 2020, due to the new purchase transactions concluded by the business divisions. Considering Securities, financing to customers amounted to EUR 2,473.1 million.

Financial assets measured at fair value through other comprehensive income, held within a Held to Collect & Sell Business Model, amounted to approximately EUR 280.5 million, and refer mainly to government bonds and instruments with financial institutions and high yield corporate bonds. The item also includes loans relating to POCI portfolios purchased during the period for which the Bank has adopted an HTCS business model.

Financial instruments mandatorily measured at fair value through profit or loss amounted to EUR 87.5 million and include investments in equity instruments/earnouts for EUR 7.2 million, attributable to the Growth Credit Division, and for EUR 5 million attributable to the Distressed Credit Division. The item also includes an energy business operation for EUR 68.5 million, units of an investment fund of illimity SGR for EUR 3.7 million, attributable to the Growth Credit Division, investments in Senior Financing for

EUR 2.5 million and in junior and mezzanine notes for EUR 0.1 million, attributable to the Distressed Credit Division and a loan measured at fair value for EUR 0.5 million.

The remaining EUR 235.8 million of securities was measured at amortised cost (held-to-collect business model) and mainly comprises EUR 218 million of Senior Financing securities and EUR 17.8 million from high-yield securities of the Growth Credit Division.

(amounts in thousands of euros)

INVESTED ASSETS BY TECHNICAL FORM	30 September 2021		31 December 2020		Change	
	Book value	Inc. %	Book value	Inc. %	Absolute	Chg. (%)
Cash and cash equivalents	745,447	17.9%	944,832	24.2%	(199,385)	(21%)
Current accounts and deposits	102,735	2.5%	135,755	3.5%	(33,020)	(24%)
Repurchase agreements	298,837	7.2%	395,167	10.1%	(96,330)	(24%)
Due from banks	401,572	9.7%	530,922	13.6%	(129,350)	(24%)
Loans to financial entities	169,825	4.1%	109,993	2.8%	59,832	54%
Current accounts held by customers	265,734	6.4%	273,971	7.0%	(8,237)	(3%)
Loans	1,971,630	47.4%	1,681,024	43.1%	290,606	17%
Loans to customers	2,237,364	53.8%	1,954,995	50.1%	282,369	14%
Loans to customers HTCS	15,806	0.4%	-	0.0%	15,806	n.a
Loans mandatorily measured at fair value	521	0.0%	-	0.0%	521	n.a
Debt securities	571,455	13.7%	352,454	9.0%	219,001	62%
- Government bonds	193,044	4.6%	-	0.0%	193,044	n.a
- Bank bonds	42,769	1.0%	79,464	2.0%	(36,695)	(46%)
- Structured Products	334,644	8.0%	261,081	6.7%	73,563	28%
- Treasury	998	0.0%	11,909	0.3%	(10,911)	(92%)
Financial Derivatives	81	0.0%	-	0.0%	81	n.a
Financial instruments/earnouts	12,191	0.3%	7,167	0.2%	5,024	70%
Equity securities	19	0.0%	18	0.0%	1	6%
Units of UCIs	3,794	0.1%	151	0.0%	3,643	>100%
Securities and derivatives	587,540	14.1%	359,790	9.2%	227,750	63%
Total	4,158,075	100%	3,900,532	100%	257,543	7%

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 amounted to EUR 401.6 million, down compared to 31 December 2020, and consisted mainly of reverse repurchase agreements. Loans to customers increased instead, due to the constant operations of the Bank's Divisions, mainly for the disbursement of loans secured by public guarantees.

Finally, debt securities were equal to EUR 571.5 million and mainly attributable to the transactions of the Treasury Portfolio in financial assets measured at fair value through other comprehensive income.

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	30 September 2021	Inc. %	31 December 2020	Inc. %	Chg.	Chg. (%)
Distressed Credit Division	1,239	46.9%	1,308	56.5%	(69)	(5%)
Growth Credit Division	1,121	42.4%	763	33.0%	358	47%
Loans to ordinary former BIP customers (Growth Credit)	113	4.3%	134	5.8%	(21)	(16%)
Total due from customers (Loans and Securities)	2,473	93.6%	2,205	95.3%	268	12%
Loans to financial entities	170	6.4%	110	4.7%	60	55%
Total loans to customers measured at amortised cost	2,643	100%	2,315	100%	328	14%

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 2020.

(amounts in thousands of euros)

FINANCIAL ASSETS AT AMORTISED COST	30 September 2021						31 December 2020					
	Gross Exposure	Inc. %	Adjustments/ recoveries	Book value	Inc. %	Coverage ratio (*)	Gross Exposure	Inc. %	Adjustments/ recoveries	Book value	Inc. %	Coverage ratio (*)
Due from banks	401,760	13.1%	(188)	401,572	13.2%	0.05%	531,103	18.5%	(181)	530,922	18.7%	0.03%
- Loans	401,760	13.1%	(188)	401,572	13.2%	0.05%	531,103	18.5%	(181)	530,922	18.7%	0.03%
- Stage 1-2	401,760	13.1%	(188)	401,572	13.2%	0.05%	531,103	18.5%	(181)	530,922	18.7%	0.03%
Loans to financial entities	170,068	5.5%	(243)	169,825	5.6%	0.14%	110,108	3.8%	(115)	109,993	3.9%	0.10%
- Loans	170,068	5.5%	(243)	169,825	5.6%	0.14%	110,108	3.8%	(115)	109,993	3.9%	0.10%
- Stage 1-2	170,068	5.5%	(243)	169,825	5.6%	0.14%	110,108	3.8%	(115)	109,993	3.9%	0.10%
Loans to customers	2,502,575	81.4%	(29,460)	2,473,115	81.2%	1.18%	2,234,313	77.7%	(29,405)	2,204,908	77.5%	1.32%
- Securities	236,356	7.7%	(605)	235,751	7.7%	0.26%	250,281	8.7%	(368)	249,913	8.8%	0.15%
- Stage 1-2	236,356	7.7%	(605)	235,751	7.7%	0.26%	250,281	8.7%	(368)	249,913	8.8%	0.15%
- Loans	2,266,219	73.7%	(28,855)	2,237,364	73.5%	1.27%	1,984,032	69.0%	(29,037)	1,954,995	68.7%	1.46%
- Stage 1-2	1,175,202	38.2%	(11,001)	1,164,201	38.2%	0.94%	891,852	31.0%	(10,690)	881,162	31.0%	1.20%
- Stage 3	1,091,017	35.5%	(17,854)	1,073,163	35.2%	N/A	1,092,180	38.0%	(18,347)	1,073,833	37.7%	N/A
Total	3,074,403	100%	(29,891)	3,044,512	100%	N/A	2,875,524	100%	(29,701)	2,845,823	100%	N/A

(*) In the column "Coverage ratio", the value "n.a." was inserted as it refers to net value adjustments/write-backs and therefore which cannot be correlated to the gross exposure in terms of coverage representation.

As of 30 September 2021, the item due from banks amounted to EUR 401.6 million, compared to EUR 530.9 million as of 31 December 2020, and consisted primarily of current accounts, on-demand deposits and reverse repurchase agreements.

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	30 September 2021						31 December 2020					
	Gross Exposure	Inc. %	Adjustments/ recoveries	Book value	Inc. %	Coverage ratio (*)	Gross Exposure	Inc. %	Adjustments/ recoveries	Book value	Inc. %	Coverage ratio (*)
- Non-performing loans - organic	36,931	1.5%	(17,854)	19,077	0.8%	48.34%	37,402	1.7%	(18,347)	19,055	0.9%	49.05%
- Bad loans	19,023	0.8%	(13,854)	5,169	0.2%	72.83%	19,988	0.9%	(13,880)	6,108	0.3%	69.44%
- Unlikely-to-pay positions	16,123	0.6%	(3,730)	12,393	0.5%	23.13%	16,961	0.8%	(4,440)	12,521	0.6%	26.18%
- Past-due positions	1,785	0.1%	(270)	1,515	0.1%	15.13%	453	0.0%	(27)	426	0.0%	5.96%
Non-performing loans - inorganic	1,054,086	42.1%	-	1,054,086	42.6%	N/A	1,054,778	47.2%	-	1,054,778	47.8%	N/A
- Bad loans	703,198	28.1%	-	703,198	28.4%	N/A	744,260	33.3%	-	744,260	33.8%	N/A
- Unlikely-to-pay positions	350,888	14.0%	-	350,888	14.2%	N/A	310,439	13.9%	-	310,439	14.1%	N/A
- Past-due positions	-	0.0%	-	-	0.0%	N/A	79	0.0%	-	79	0.0%	N/A
Performing loans	1,411,558	56.4%	(11,606)	1,399,952	56.6%	0.82%	1,142,133	51.1%	(11,058)	1,131,075	51.3%	0.97%
- Securities	236,356	9.4%	(605)	235,751	9.5%	0.26%	250,281	11.2%	(368)	249,913	11.3%	0.15%
Growth Credit	18,062	0.7%	(294)	17,768	0.7%	1.63%	4,227	0.2%	(73)	4,154	0.2%	1.73%
Senior Financing	218,294	8.7%	(311)	217,983	8.8%	0.14%	246,054	11.0%	(295)	245,759	11.1%	0.12%
- Loans	1,175,202	47.0%	(11,001)	1,164,201	47.1%	0.94%	891,852	39.9%	(10,690)	881,162	40.0%	1.20%
Total	2,502,575	100%	(29,460)	2,473,115	100%	N/A	2,234,313	100%	(29,405)	2,204,908	100%	N/A

(*) In the column "Coverage ratio", the value "n.a." was inserted as it refers to net value adjustments/write-backs and therefore which cannot be correlated to the gross exposure in terms of coverage representation.

Organic non-performing loans amounted to EUR 19.1 million, basically in line with the figure as of 31 December 2020, like the coverage ratio, which was equal to 48.3%.

Inorganic non-performing loans amounted to EUR 1,054.1 million, of which:

- EUR 703.2 million relating to purchase transactions concluded by the Growth Credit and Distressed Credit Divisions classified as bad loans, registering a decrease compared to EUR 744.3 million as of 31 December 2020;
- EUR 350.9 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 310.4 million as of 31 December 2020.

Performing loans amounted to EUR 1,164.2 million, up compared to EUR 881.2 million as of 31 December 2020, as a result of new transactions during the first nine months of 2021.

The coverage ratio for performing loans of the Bank as of 30 September 2021 was equal to 0.94%, down slightly on 31 December 2020, due to the provision of loans with a state guarantee (SACE).

Funding

(amounts in thousands of euros)

CUSTOMER FUNDING BY TECHNICAL FORM	30 September 2021		31 December 2020		Change	
	Book value	Inc. %	Book value	Inc. %	Absolute	Chg. (%)
Amounts due to customers (A)	2,713,706	72.0%	2,552,161	75.3%	161,545	6.3%
Securities issued (B)	507,117	13.5%	300,980	8.9%	206,137	68.5%
Total direct customer funding (A) + (B)	3,220,823	86%	2,853,141	84%	367,682	12.9%
Due to banks (C)	546,046	14.5%	534,345	15.8%	11,701	2.2%
Total debt (A) + (B) + (C)	3,766,869	100%	3,387,486	100%	379,383	11.2%

At the end of the reporting period, funding amounted to approximately EUR 3,766.9 million, up compared to 31 December 2020, primarily due to the issue of a subordinated loan, completed in the third quarter of 2021, which had a considerable impact on the item Securities issued. In addition, new subscriptions to repurchase agreements with bank counterparts and the increase in time deposits increased the items Due to customers and Due to banks.

Property and equipment and intangible assets

Property and equipment amounted to approximately EUR 78.1 million as of 30 September 2021, basically in line compared to EUR 78.4 million as of 31 December 2020. In accordance with IFRS 16, the item includes the right of use of assets acquired through lease agreements, of approximately EUR 19.5 million, net of accumulated depreciation. The item also includes the value of an owned property for functional purposes, as well as real-estate investments acquired through enforcement, by auction, as part of NPL transactions.

Intangible assets as of 30 September 2021 amounted to approximately EUR 75.9 million, compared to EUR 69.4 million as of 31 December 2020, 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., in addition to IT investments made by Group companies.

Tax assets and tax liabilities

Tax assets amounted to approximately EUR 24.2 million as of 30 September 2021, down from the EUR 35.4 million recognised as of 31 December 2020. Details of the breakdown of tax assets are shown below.

(amounts in thousands of euros)

TAX ASSETS	30 September 2021	31 December 2020	Chg.	Chg. (%)
Current	4,061	3,206	855	27%
Deferred	20,186	32,197	(12,011)	(37%)
Total	24,247	35,403	(11,156)	(32%)

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 include the benefits from the tax exemption of the goodwill arising from the merger by absorption of SPAXS with

Banca Interprovinciale and the tax exemption of the goodwill and other intangible assets arising on consolidation, following the acquisition of 100% of the stake in IT Auction (of which 70% by neprix and 30% by the Bank).

The reduction in deferred tax assets is mainly due to the use in the period of tax losses and ACE (Economic Aid Subsidies) from previous years, offsetting taxable income (IRES - Corporate income tax).

Deferred tax liabilities as of 30 September 2021 amounted to Euro 8.4 million, up compared to Euro 4.2 million as of 31 December 2020, due to higher taxes as a result of the positive financial results for the period.

(amounts in thousands of euros)

TAX LIABILITIES	30 September 2021	31 December 2020	Chg.	Chg. (%)
Current	7,554	3,460	4,094	>100%
Deferred	800	747	53	7%
Total	8,354	4,207	4,147	99%

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 so-called CRR) and in Directive 2013/36/EU (Capital Requirements Directive, the so-called 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 19 March 2020 illimity Bank, following the Supervisory Review and Evaluation Process (SREP) performed on the illimity Banking Group, received notification from the Bank of Italy of the prudential requirements to be observed at the consolidated level with effect from 31 March 2020. 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 identified the following capital levels, which the illimity Banking Group was invited to maintain on an ongoing basis:

- Common Equity Tier 1 (CET1) ratio of 9.20%;
- Tier 1 ratio of 11.10%;
- Total Capital ratio of 13.70%.

The supervisory authority also indicated a need – without prejudice to the additional supervisory requirements set out in the notification sent – for observance of the commitment to keep the CET1 ratio over 15% on an ongoing basis. On 29 March 2021, the Bank of Italy, considering the complex evaluation aspects available to the regulatory authorities concerning the corporate situation of the illimity Group, confirmed the outcome of the SREP 2020.

Considering the result for the period, net of any foreseeable charges and dividends pursuant to Article 26 (2) (b) of the CRR and Articles 2 and 3 of Commission Delegated Regulation (EU) no. 241/2014, the composition of own funds at the reporting date would be as follows:

(amounts in thousands of euros)

Capital ratios	30 September 2021	31 December 2020
Common Equity Tier 1 (CET1) capital	625,161	509,127
Additional Tier 1 (AT1) capital	-	-
Tier 2 (T2) capital	200,343	-
Total own funds	825,503	509,127
<i>Credit risk</i>	238,974	218,290
<i>Credit valuation adjustment risk</i>	-	-
<i>Settlement risks</i>	-	-
<i>Market risks</i>	142	17
<i>Operational risk</i>	9,739	9,739
<i>Other calculation factors</i>	-	-
Total minimum requirements	248,855	228,046
Risk-weighted assets	3,110,686	2,850,572
Common Equity Tier 1 ratio	20.10%	17.86%
<i>(Common Equity Tier 1 capital after filters and deductions/Risk-weighted assets)</i>		
Tier 1 ratio	20.10%	17.86%
<i>(Tier 1 capital after filters and deductions/Risk-weighted assets)</i>		
Total capital ratio	26.54%	17.86%
<i>(Total own funds/Risk-weighted assets)</i>		

As of 30 September 2021, 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 20.56% and the Total Capital Ratio equal to 27.00%.

Changes in shareholders' equity

As of 30 September 2021, shareholders' equity, including the result for the period, amounted to EUR 755.8 million, increasing compared to 2020. The main changes refer to profit accrued in the first nine months of 2021 and to the capital increases undertaking for the joint venture in Hype S.p.A and for the ION Group.

Items/Technical forms	30 September 2021	31 December 2020
1. Share capital	52,620	44,007
2. Share premium reserve	597,589	487,373
3. Reserves	63,122	21,766
4. Equity instruments	-	-
5. (Treasury shares)	(832)	(832)
6. Valuation reserves	(2,941)	(278)
7. Profit (loss) for the period	46,199	31,086
Total shareholders' equity attributable to the Group	755,757	583,122
Shareholders' equity attributable to minority interests	5	-
Total shareholders' equity	755,762	583,122

Share capital and ownership structure

At 30 September 2021, the Bank's share capital amounted to EUR 55,686,623.00, 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 Mercato Telematico Azionario (MTA) 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 MTA market.

The Bank's Special Shares are not traded.

Treasury shares

Following the purchases made in previous years, as of 30 September 2021, the Bank held 98,505 treasury shares for a value of EUR 832 thousand, in line with figures as of 31 December 2020. 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 30 September 2021:

	Shareholders' equity	Result
illimity Bank S.p.A.	761,055	49,994
Effect of consolidation of subsidiaries	(7,506)	-
Results of the consolidated companies	1,890	1,890
Consolidation adjustments	6,293	285
Dividends	-	-
Effect of measuring associates and joint ventures using the equity method	(5,975)	(5,970)
Group	755,757	46,199

Financial performance

Net interest margin

(amounts in thousands of euros)

Items/Technical forms	Loans / Payables	Debt securities	Other transactions	30 September 2021	30 September 2020	Absolute changes	Change %
Interest and similar income							
1. Financial assets measured at fair value through profit or loss	11	799	-	810	35	775	>100%
<i>Held for trading</i>	-	80	-	80	-	80	N/A
<i>Carried at FV</i>	-	-	-	-	-	-	N/A
<i>Mandatorily measured at fair value</i>	11	719	-	730	35	695	>100%
2. Financial assets at FV through other comprehensive income	-	3,198	-	3,198	1,942	1,256	65%
3. Financial assets at amortised cost	85,915	51,765	-	137,680	100,479	37,201	37%
<i>Due from banks</i>	534	-	-	534	431	103	24%
<i>Loans to customers</i>	85,381	51,765	-	137,146	100,048	37,098	37%
4. Hedging derivatives	-	-	-	-	-	-	N/A
5. Other assets	-	-	173	173	4	169	>100%
6. Financial liabilities	-	-	-	2,245	468	1,777	>100%
Total interest income	85,926	55,762	173	144,106	102,928	41,178	40%
Interest expenses							
1. Financial liabilities at amortised cost	(30,938)	(10,164)	-	(41,102)	(27,493)	(13,609)	49%
<i>Due to central banks</i>	(24)	-	-	(24)	(12)	(12)	100%
<i>Due to banks</i>	(3,692)	-	-	(3,692)	(4,779)	1,087	(23%)
<i>Amounts due to customers</i>	(27,222)	-	-	(27,222)	(22,590)	(4,632)	21%
<i>Securities issued</i>	-	(10,164)	-	(10,164)	(112)	(10,052)	>100%
2. Financial liabilities held for trading	-	-	-	-	-	-	N/A
3. Financial liabilities carried at FV	-	-	-	-	-	-	N/A
4. Other liabilities and provisions	-	-	(1,475)	(1,475)	(1,262)	(213)	17%
5. Hedging derivatives	-	-	-	-	-	-	N/A
6. Financial assets	-	-	-	(2,880)	(1,671)	(1,209)	72%
Total interest expenses	(30,938)	(10,164)	(1,475)	(45,457)	(30,426)	(15,031)	49%
Net interest margin	54,988	45,598	(1,302)	98,649	72,502	26,147	35%

As of 30 September 2021, the interest margin amounted to approximately EUR 98.6 million, up considerably on the same period of the previous year, when it amounted to approximately EUR 72.5 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 37.1 million compared to the same period of the previous year. This increase is due to larger portfolio volumes in the Bank's assets in the first nine months of 2021.

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

Interest expense increased by approximately EUR 15 million compared to 30 September 2020, mainly due to the rise of EUR 10.1 million in interest expense on securities issued - following the issue of ordinary and subordinated bonds - and the increase in income expense on amounts due to customers, for approximately EUR 4.6 million, directly related to the increase in volumes of direct funding.

Net fee and commission income

(amounts in thousands of euros)

Items / Technical forms	30 September 2021	30 September 2020	Absolute changes	Change %
Fee and commission income				
a. guarantees given	51	62	(11)	(18%)
c. management, brokerage and advisory services	939	309	630	>100%
d. collection and payment services	261	153	108	71%
f. factoring services	2,041	1,196	845	71%
i. maintenance and management of current accounts	324	231	93	40%
j. other services	23,934	8,750	15,184	>100%
Total	27,550	10,701	16,849	>100%
Fee and commission expense				
a. guarantees received	(1)	(1)	-	0%
c. management and brokerage services	(311)	(99)	(212)	>100%
d. collection and payment services	(809)	(660)	(149)	23%
e. other services	(2,512)	(1,666)	(846)	51%
Total	(3,633)	(2,426)	(1,207)	50%
Net fee and commission income	23,917	8,275	15,642	>100%

Net fee and commission income amounted to EUR 23.9 million, up significantly compared to the period ended 30 September 2020, when they amounted to EUR 8.3 million.

The "other services" sub-item of fee and commission income mainly includes commissions from the specific business of Group companies referred to neprix and neprix Agency - and in particular commissions from auctions and related services, accrued for the use of the companies' property portals - for approximately EUR 8.6 million, as well as commissions on the operations of the Distressed Credit and Growth Credit Divisions of the Bank, for approximately EUR 5.8 million. The sub-item "other services" also includes commission from Ecobonuses for EUR 4.5 million and commission from Capital Market activities for EUR 3 million.

Other operating expenses and income

(amounts in thousands of euros)

Items/Technical forms	30 September 2021	30 September 2020	Absolute changes	Change %
Other operating expenses				
Amortisation of expenses for improvements on third party assets	(65)	(55)	(10)	18%
Other operating expenses	(1,363)	(1,721)	358	(21%)
Total	(1,428)	(1,776)	348	(20%)
Other operating income				
Recoveries of expenses from other customers	1,275	1,112	163	15%
Other income	9,711	9	9,702	>100%
Rental income	2,026	1,389	637	46%
Total	13,012	2,510	10,502	>100%
Other operating income/expenses	11,584	734	10,850	>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, equal to EUR 5 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	30 September 2021	30 September 2020	Absolute changes	Change %
1. Employees	(48,366)	(33,368)	(14,998)	45%
2. Other personnel in service	(1,462)	(1,218)	(244)	20%
3. Directors and statutory auditors	(1,642)	(1,454)	(188)	13%
Personnel expenses	(51,470)	(36,040)	(15,430)	43%

Personnel expenses amounted to approximately EUR 51.5 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. Another factor that increased costs is the MBO portion used to consolidate individual incentive systems for employees.

The Group had a total of 703 employees as of 30 September 2021, up on 31 December 2020 (587). The following table shows the number of employees as of 30 September 2021, broken down by classification, together with changes compared to 31 December 2020.

Category	30 September 2021			31 December 2020			Changes	
	Number of employees	in %	Average age	Number of employees	in %	Average age	Number of employees	in %
Senior managers	62	9%	46	55	9%	46	7	13%
Middle managers	298	42%	38	242	41%	37	56	23%
Other employees	343	49%	33	290	49%	34	53	18%
Employees	703	100%		587	100%		116	20%

Other Administrative expenses

(amounts in thousands of euros)

Items / Technical forms	30 September 2021	30 September 2020	Absolute changes	Change %
Insurance	(2,422)	(1,232)	(1,190)	97%
Various consulting services	(6,046)	(8,321)	2,275	(27%)
Sundry contributions	(3,737)	(885)	(2,852)	>100%
Cost of services	(2,540)	(2,609)	69	(3%)
Financial information	(1,773)	(786)	(987)	>100%
Adverts and advertising	(1,727)	(2,226)	499	(22%)
Financial statement audit	(551)	(464)	(87)	19%
IT and software expenses	(15,654)	(12,751)	(2,903)	23%
Legal and notary's fees	(4,208)	(3,741)	(467)	12%
Property management expenses	(2,711)	(2,863)	152	(5%)
Expenses for professional services	(6,680)	(5,098)	(1,582)	31%
Utilities and services	(1,113)	(1,248)	135	(11%)
Other indirect taxes and duties	(6,523)	(3,125)	(3,398)	>100%
Others	(907)	(311)	(596)	>100%
Total other administrative expenses	(56,592)	(45,660)	(10,932)	24%

Other administrative expenses amounted to approximately EUR 56.6 million, increasing by EUR 10.9 million compared to the same period of the previous year, and refer primarily to IT and software expenses other indirect duties and taxes and legal and notary's fees. The allocation to FITD relative to the ordinary contribution for 2021 also contributes to the balance.

With regard to the other indirect taxes and taxes component, the increase is mainly attributable to the combined effect of the IMU property tax on datio in solutum properties acquired during 2020 and to lower tax recoveries compared to the comparison period – listing expenses and advertising investments.

Net write-downs/write-backs on property and equipment and intangible assets

(amounts in thousands of euros)

Items / Technical forms	30 September 2021	30 September 2020	Absolute changes	Change %
Net write-downs/write-backs on property and equipment				
Property and equipment with functional use	(2,400)	(2,023)	(377)	19%
<i>of which: own Property and equipment</i>	(672)	(405)	(267)	66%
<i>of which: Rights of use acquired through lease agreements</i>	(1,728)	(1,618)	(110)	7%
Total	(2,400)	(2,023)	(377)	19%
Net adjustments/recoveries on intangible assets				
Finite useful life	(5,434)	(4,135)	(1,299)	31%
Indefinite useful life	-	-	-	n.a
Total	(5,434)	(4,135)	(1,299)	31%
Net write-downs/write-backs on property and equipment and intangible assets	(7,834)	(6,158)	(1,676)	27%

Net write-downs/write-backs on property and equipment and intangible assets amounted to approximately EUR 7.8 million, compared to EUR 6.2 million as of 30 September 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 losses/recoveries for credit risk relating to financial assets measured at Amortised Cost

(amounts in thousands of euros)

Transaction/Income item	Adjustments			Recoveries		30 September 2021
	Stage one and Stage two	Stage three Write-offs	Others	Stage one and Stage two	Stage three	
A. Due from banks	(17)	-	-	62	-	45
- loans	(17)	-	-	62	-	45
- debt securities	-	-	-	-	-	-
<i>of which: purchased or originated impaired financial assets</i>	-	-	-	-	-	-
B. Loans to customers:	(1,654)	-	(93,372)	989	139,010	44,972
- loans	(1,401)	-	(93,373)	974	139,010	45,210
- debt securities	(253)	-	-	15	-	(238)
<i>of which: purchased or originated impaired financial assets</i>	-	-	(84,184)	-	125,614	41,430
Total	(1,671)	-	(93,372)	1,051	139,010	45,017

Net adjustments/recoveries for assets measured at amortised cost amounted overall to EUR 45 million, due to POCI for EUR 41.4 million and to the improvement in the quality of the organic loans portfolio (performing and non-performing) for EUR 3.6 million.

In addition, as regards the overall contribution of POCI loans, a positive effect equal to EUR 44.5 million refers to closed positions.

Basic and diluted earnings (losses) per share

Basic earnings (loss) per share are calculated by dividing the Group's profit for the period by the weighted average number of ordinary shares in issue. The diluted profit per share as of 30 September 2021 coincides with the basic profit per share, as the market warrants were issued with an effective date of 30 September 2021.

(amounts in thousands of euros)

Basic and diluted earnings per share	Profit/(Loss) for the period	Average number of shares	Basic and diluted earnings (loss) per share
Period ended 30 September 2021	46,199	73,269,601	0.63
Period ended 30 September 2020	24,321	65,571,594	0.37

Trailing earnings per share as of 30 September 2021 of the Group, calculated considering the economic results and weighted average number of ordinary shares outstanding in the last twelve months, would amount to EUR 0.74 per share, for both the basic scenario and 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	30 September 2021	30 June 2021	31 March 2021	31 December 2020	30 September 2020
Property portfolio - Securities at FV	264,768	299,513	342,635	91,427	139,861
Loans to customers HTCS	15,806	15,856	-	-	-
Financial instruments mandatorily measured at fair value	87,021	138,439	17,789	18,450	13,962
Loans mandatorily measured at fair value	521	505	512	-	-
Due from banks	401,572	444,780	536,023	530,922	504,806
Loans to financial entities	169,825	169,842	139,943	109,993	139,974
Loans to customers	2,473,115	2,330,341	2,233,732	2,204,908	1,830,969
Investments in equity	81,775	83,727	85,564	-	-
Property and equipment and intangible assets	153,986	152,371	147,191	147,816	137,264
Tax assets	24,247	29,449	31,088	35,403	35,368
Other assets	972,933	665,931	781,560	987,370	589,854
Total assets	4,645,569	4,330,754	4,316,037	4,126,289	3,392,058

(amounts in thousands of euros)

Liabilities	30 September 2021	30 June 2021	31 March 2021	31 December 2020	30 September 2020
Amounts due to banks	546,046	581,628	626,660	534,345	540,953
Amounts due to customers	2,713,706	2,643,308	2,567,758	2,552,161	2,123,218
Securities issued	507,117	304,067	302,402	300,980	2,256
Tax liabilities	8,354	5,268	6,859	4,207	4,627
Other liabilities	114,584	115,741	146,865	151,474	146,489
Shareholders' equity	755,762	680,742	665,493	583,122	574,515
Total liabilities and shareholders' equity	4,645,569	4,330,754	4,316,037	4,126,289	3,392,058

Reclassified Income Statement

(amounts in thousands of euros)

Income Statement items	3Q2021	2Q2021	1Q2021	4Q2020	3Q2020
Net interest margin	34,227	33,215	31,207	30,801	27,226
Net fee and commission income	10,275	8,698	4,944	6,548	3,176
Gains/losses on financial assets and liabilities	7,545	1,063	3,833	2,747	2,071
Net write-downs/write-backs on closed positions - HTC Clients - POCI	7,076	26,021	11,406	13,995	11,596
Other profits (losses) from the disposal of investments	-	-	2,278	-	-
Other operating expenses and income	7,443	2,138	2,003	4,112	461
Total net operating income	66,567	71,135	55,671	58,203	44,530
Personnel expenses	(15,871)	(18,961)	(16,638)	(16,023)	(11,495)
Other administrative expenses	(18,848)	(19,803)	(17,941)	(25,244)	(16,851)
Net write-downs/write-backs on property and equipment and intangible assets	(2,649)	(2,215)	(2,970)	(2,456)	(2,298)
Operating expenses	(37,368)	(40,979)	(37,549)	(43,723)	(30,644)
Operating profit (loss)	29,199	30,156	18,122	14,480	13,886
Net losses/recoveries for credit risk - HTC Banks	48	12	(15)	57	(72)
Net losses/recoveries for credit risk - HTC Other financial entities	-	(98)	(31)	25	11
Net losses/recoveries for credit risk - HTC Clients	1,159	(6,421)	6,185	(5,108)	(761)
Net losses/recoveries for credit risk - HTCS	459	361	(1,504)	82	353
Net losses/recoveries for commitments and guarantees	(1,630)	190	(1,507)	(785)	(200)
Total net adjustments/recoveries	36	(5,956)	3,128	(5,729)	(669)
Other net provisions	-	25	(25)	(428)	(40)
Other income (expenses) on investments	(1,996)	(1,851)	(2,123)	-	-
Profit (loss) from operations before taxes	27,238	22,374	19,102	8,323	13,177
Income tax for the period on continuing operations	(8,457)	(7,512)	(6,546)	(1,558)	(3,694)
Profit (loss) for the period	18,781	14,862	12,556	6,765	9,483

The interest margin in the third quarter of 2021 amounted to EUR 34.2 million, increasing slightly compared to the previous quarter and up strongly on the same period of 2020, following the significant purchases of NPL portfolios in the last 12 months. 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 caused by the COVID-19 pandemic.

Total net operating income for the third quarter of 2021 amounted to EUR 66.6 million. Besides net interest, revenues for the quarter included net commission for EUR 10.3 million, a positive net result on customer HTC positions closed in the quarter for approximately EUR 7.1 million, a positive contribution from trading for EUR 7.5 million and other net income from more operations in the real estate sector connected with the management of the securitised NPL portfolio, and the disposal of licence rights of the IT platform developed by illimity to the benefit of ION.

Operating expenses in the third quarter of 2021, equal to approximately EUR 37.4 million, improved over the previous quarter. Personnel costs decreased, despite the increase in staff, attributable to summer holidays taken by the staff of the Bank and subsidiaries, besides the one-off cost of the ESOP, for EUR 1.2 million identified exclusively in the second quarter. Other administrative expenses, also considering the effect of the ordinary contribution to the FITD recognised in the third quarter of 2021, decreased over the previous quarter.

Net adjustments/recoveries, relating mainly to the valuation of the HTC Clients portfolio, had a negligible effect in the third quarter. Lastly, expenses on investments, related to results for the period of consolidated companies with the equity method (Hype 50% and SpicyCo 49%), came to EUR 2 million.

As a result of the above dynamics, the third quarter of 2021 ended with a profit, before taxes on continuing operations and on assets held for disposal, equal to EUR 27.2 million. The net profit realised by the Group in the quarter amounted to EUR 18.8 million.

Contribution of operating segments to the Group's results

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






- Distressed Credit
- Growth Credit
- Direct Banking;
- Asset Management Company.

In addition, the Corporate Center 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 nine months of 2021.

(amounts in millions of euros)

						
Economic performance	Distressed Credit	Growth Credit	Direct Banking	SGR	Corporate Center (*)	30 September 2021
Net interest margin	81.2	14.3	3.1	-	-	98.6
Net fee and commission income	7.6	15.7	(0.2)	0.8	-	23.9
Other economic components	57.3	5.9	7.2	-	0.5	70.9
Total net operating income	146.1	35.9	10.1	0.8	0.5	193.4
Personnel expenses	(18.7)	(8.8)	(5.7)	(1.6)	(16.7)	(51.5)
Other administrative expenses and Net adjustments/recoveries on property and equipment and intangible assets	(28.6)	(8.4)	(9.1)	(0.3)	(18.0)	(64.4)
Operating expenses	(47.3)	(17.2)	(14.8)	(1.9)	(34.7)	(115.9)
Operating profit (loss)	98.8	18.7	(4.7)	(1.1)	(34.2)	77.5
Total net adjustments/recoveries and other provisions	(3.2)	0.4	-	-	-	(2.8)
Other income (expenses) on investments	(0.1)	-	(5.9)	-	-	(6.0)
Profit (loss) from operations before taxes	95.5	19.1	(10.6)	(1.1)	(34.2)	68.7

(amounts in millions of euros)

Financial data	Distressed Credit	Growth Credit	Direct Banking	SGR	Corporate Center (*)	30 September 2021
Financial instruments mandatorily measured at fair value	76.1	11.3	-	0.1	-	87.5
Loans to customers	1,021.1	1,216.3	-	-	-	2,237.4
Asset securities at amortised cost	218.0	17.8	-	-	-	235.8
Property and Equipment	57.8	-	-	-	20.3	78.1
Amounts due to customers and Securities issued	-	-	2,531.2	-	711.5	3,242.7
RWAs	1,997.7	804.7	33.9	0.3	274.1	3,110.7

(*) Intersector eliminations are carried out at the Corporate Center.

The Distressed Credit Division reported approximately EUR 81.2 million of net interest income in the first nine months of 2021, and a net operating income of EUR 146.1 million (approximately 75.6% of the Group's net operating income). Profits before taxes amounted to EUR 95.5 million for the period.

The Growth Care Division reported a profit before taxes of EUR 19.1 million in the first nine months of 2021, a net increase compared to the annual profit for 2020, which amounted to EUR 5.5 million.

The Direct Banking Division as of 30 September 2021 reported an operating loss of approximately EUR 4.7 million and includes the positive contribution from the granting of the licence to use the IT platform between illimity and the ION Group, which generated a further EUR 5 million of revenues in the quarter just ended.

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 30 September 2021 with an operating loss of approximately EUR 1.1 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 Center reported an operating loss of EUR 34.2 million in the first nine months of 2021, which is consistent with its nature as a cost center for all other functions of the Group.

Distressed Credit

Direct Acquisitions

As of 30 June 2021, the Distressed Credit Division had purchased EUR 8.0 billion of distressed loans, in terms of gross book value, for the price of approximately EUR 1,216 million.

During the third quarter of 2021, the Investments area finalised transactions for an invested amount of approximately EUR 35 million. These opportunities were finalised through two 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, which in turn receive from illimity the funding necessary for the acquisition of the credits. In this case, the purchase may only concern positions classified as bad loans, or in any case revoked credit lines;
- acquisitions executed directly by illimity: credits are purchased 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 UTPs, for which the transfer of both the credit right and the associated banking relationship is required.

Taking also into account investments made by the Investments area in previous years, as of 30 September 2021 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 1,251 million, as shown below.

(Amounts in millions of euros)

Investment transactions in Distressed Loans	Price	GBV
Acquisitions as of 31/12/2019	720	5,301
Q1 2020	37	174
Total as of 31/03/2020	757	5,475
Q2 2020	100	282
Total as of 30/06/2020	857	5,757
Q3 2020	12	485
Total as of 30/09/2020	869	6,242
Q4 2020	251	1,325
Total as of 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
<i>of which: items being processed</i>	<i>17</i>	<i>300</i>
Total as of 30/09/2021	1,251	8,377

Senior Financing Operations

During the third quarter of 2021, the subscription of senior, mezzanine and junior notes for approximately EUR 9 million was completed, with non-performing loans as the underlyings (i.e. *Senior Financing*). The operation, which took place on 23 July 2021, is in addition to a previous Senior Financing operation completed on 29 June 2020 for an amount of approximately EUR 13 million and its purpose was for the same investor to acquire additional distressed credits, mainly regarding the corporate secured segment.

In view of the above, considering the investments made by the Senior Financing area in 2018, 2019 and 2020, as well as the two transactions undertaken with the support of the Special Situations Real Estate area through illimity's subscription of senior notes and any minority portion of junior notes issued by securitisation vehicles pursuant to Italian Law no. 130/1999, as of 30 September 2021, the Bank had entered into 22 asset-backed loan agreements on distressed loans for a total amount of approximately EUR 497 million, as shown below.

(Amounts in millions of euros)

Asset-backed financing on Distressed Loans	Amount paid
Investments up to 31/12/2019	390
Q1 2020	11
Total as of 31/03/2020	401
Q2 2020	13
Total as of 30/06/2020	414
Q3 2020	27
Total as of 30/09/2020	441
Q4 2020	33
Total as of 31/12/2020	474
Q1 2021 ¹	12
Total as of 31/03/2021	486
Q2 2021	2
Total as of 30/06/2021	488
Q3 2021	9
Total as of 30/09/2021²	497

1 The amount disbursed in 2019 and Q1 2021 also includes two transactions finalised by the *Special Situations Real Estate* area of the Distressed Credit Division.

2 As of 30 September 2021, the outstanding accounting balance (paid) amounted to approximately EUR 364.8 million, of which EUR 282.4 million of notes and EUR 82.4 million of loans.

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», to the extent that an amount of cash is received (therefore, net of costs and cash reserves of the operation identified by the SPV), greater than the amount of the coupon, on condition that future cash flows of the business plan are confirmed and therefore extra cash is not attributable to time advances of future cash flows.

On 4 August 2021, following the favourable decision of the Credit and Investments Committee of 19 May 2021, illimity granted a revolving credit facility («RCF») 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»). As of 30 September 2021, the amount drawn of the RCF is equal to approximately EUR 4.7 million.

In view of the above, considering also the investments made in previous years, as of 30 September 2021, 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 4.7 million of the granted Revolving Credit Facility.

Growth Credit Division

As of 30 June 2021, the Growth Credit portfolio had a gross exposure of EUR 1,105 million, broken down as follows:

- former BIP portfolio, amounting to EUR 136 million (12%);
- Turnaround amounting to approximately EUR 305 million (28%);
- Crossover and Acquisition Finance amounting to EUR 476 million (43%);
- Factoring, amounting to EUR 188 million (17%).

In the third quarter of 2021, receivables of the Growth Credit Division went up considerably, by approximately EUR 158 million (+14% compared to 2Q2021), due to new loans of approximately EUR 152 million, as well as an increase in factoring loans of approximately EUR 24 million.

The corporate bond portfolio, which during the first half of 2021 saw an expansion of the investment strategy to include the HTCS business model in order to increase the range of possible investments – compared to a strategy aimed at mere retention in the portfolio (HTC) – as of 30 September 2021 amounted to a total of EUR 46 million, of which EUR 28 million HTCS and EUR 18 million HTC.

In brief, the main trends observed in the third quarter of 2021 are as follows:

- new loans secured by public guarantees for a total of approximately EUR 96 million, mainly relating to the Turnaround Area;
- disbursement of unsecured loans, largely attributable to disbursements on operations of the Crossover & Acquisition Finance Area;
- purchases of receivables of the Turnaround Area related to portfolios and single name positions.

With regard to factoring, the positive trend continued in the third quarter, leading to a total Turnover since the start of the year of almost EUR 684 million (approximately EUR 252 million in the third quarter of 2021, up 9% compared to the previous quarter). The GBV as of 30 September 2021 was close to EUR 212 million, the highest value achieved so far.

The gradual reduction in former BPI portfolio exposures continued, with a decrease of around EUR 5 million in the third quarter of 2021. Note that due to operating practices the aggregate also includes loans granted to illimity Group employees.

As of 30 September 2021, the Growth Credit portfolio had a gross exposure of EUR 1,263 million, broken down as follows:

- former BIP portfolio, amounting to EUR 131 million (10%);
- Turnaround amounting to approximately EUR 392 million (31%);
- Crossover and Acquisition Finance amounting to EUR 528 million (42%);
- Factoring, amounting to EUR 212 million (17%).

Direct Banking

Direct Banking projects

In the third quarter, the Direct Bank Division worked on completing projects started in the first 6 months of the year, and implemented the strategic business initiative presented in the 2021-2025 Business Plan.

One of the most significant Direct Bank Division projects is *B-ilty*, the initiative to create a direct digital bank for small and medium enterprises, with a focus on companies with a turnover below EUR 10 million. The initiative aims to expand illimity's current pool of small corporate customers, only partly served by the Bank's other business Divisions, creating customised business solutions based on the needs of each entrepreneur. The Value Proposition of this initiative is to help customer companies improve their own financial management thanks to an evolved, fully comprehensive digital platform, simple products designed to meet the needs of entrepreneurs and an entirely innovative user experience. This project has been enabled by extending the digital platform already used for the retail market to a corporate public.

In July, a first pilot began with a subset of functionalities that currently includes digital factoring products for small and medium enterprises. Since the start of the pilot stage, the first digital end-to-end onboarding stages have been successfully completed. The last quarter of the year will be dedicated to completing the platform and its functionalities, and integrations with third-party solutions to guarantee the launch of a complete product on the market at the start of 2022.

In addition, as stated when presenting the Business Plan, and one year from the announcement of the joint venture between Fabrick and illimity, the new Hype was launched in September.

The purpose of the new Hype is to make financial management for a pool of 1.5 million customers even more personal and effective, through a latest-generation technological platform, with a fully restyled interface, that offers an increasingly comprehensive range of banking products and services (savings, payment, credit, investment and other instruments) from a single access point, guaranteeing an even more streamlined, immediate user experience. The initiative benefits considerably from the synergy with illimity, in both technological and strategic terms, in particular with the integration of PSD2 account aggregation functions - which *illimity bank* was the first to launch on the Italian market in 2019 - and the completion of its offering, with new Personal Financial Management functions (e.g. "radar" and "piggy bank") and third-party products (investments, etc.), in addition to a new CRM, brand positioning and new graphic design.

In the retail segment, the Division continued to be a main source of funding supporting the Group's loans. Starting from the commercial launch of B-ilty, loans related to this channel will also begin to be registered.

Retail Business performance

As of 30 September 2021, Bank funding was broken down as follows:

- the partnership with the German fintech platform Raisin, operational since May 2019, contributed EUR 509 million to funding thanks to its approximately 14,000 customers; Funding was steady compared to the previous quarter, and up by +55% compared to the end of the third quarter of 2020;
- the strategic partnership with Azimut, a leading advisory and wealth management firm, contributed EUR 62 million to the Bank's funding, which was steady compared to the last quarter and up by 59% compared to the same period of 2020;
- the digital bank *illimitybank.com*, contributed EUR 1,230 million to funding. The funding raised by *illimitybank.com* increased by approximately EUR 60 million during the last quarter, and by EUR 310 million compared to the same period of 2020 (+34%);
- The Direct Bank customer base (including the Azimut channel) currently comprises some 52,000 customers (+38% compared to the end of the third quarter of 2020, and around 2,500 customers more in the third quarter of 2021).

Total direct funding from the above channels (Raisin, Azimut, *illimitybank.com*) amounted to EUR 1,800 million. As regards *illimitybank.com* funding, the strategy of the last year made it possible to change the cost of funding from 2.20% (end of the third quarter of 2020), to 1.88% (as of 30 September 2021).

Lastly, as regards the main KPIs that describe the Division's operations, the following is reported:

- The Net Promoter Score (NPS) also in Q3 stayed at excellent levels, amounting in total to 48 points compared to 49 in Q2 and 44 in Q1 2021;
- Brand Awareness stood at 27% in September, in line with the average of the previous quarter, despite the substantial absence of investments;
- The number of active customers, i.e. customers who use the Bank's services, is stable, currently amounting to 88%, 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 34%, increased by 63% in terms of the number of customers choosing *illimity* as the Bank their salary is paid into, compared to the same quarter of 2020;
- The number of customers that access the platform each month stands at 70%, with an average of approximately 20 visits a month, with 89% from smartphones.

Asset Management Company ("SGR")

On 31 March 2021, with effect from 1 April 2021, the SGR completed the first closing of the "illimity Credit & Corporate Turnaround" AIF (the "Fund" or "iCCT"), a contribution fund dedicated to investments in unlikely-to-pay positions of SMEs, with prospects for them to recover and relaunch. The initial portfolio includes receivables for a total gross amount of over EUR 200 million with 33 companies operating in highly diversified sectors. These receivables were sold by 7 banks and banking groups, becoming holders of units in the Fund. The Fund envisaged an initial funding – subscribed by professional investors, including *illimity* Bank – amounting to EUR 25 million, that will be used by the SGR to manage purchased UTP receivables and to support the turnaround of companies in which the Fund assets have invested. In addition to the valuation and management of the various positions by the SGR on behalf of the Fund, additional cash receivables were also acquired in June and July 2021. The SGR has therefore launched full management operations.

During the month of June 2021, as part of the multi-year strategic planning process, the sole shareholder *illimity* Bank made a payment on account for a future capital increase of EUR 2 million aimed at supporting the development of the SGR in full compliance with the capital requirements.

In September 2021, further subscriptions were made to the Fund, to finance turnaround strategies for a total of EUR 5 million.

Corporate Center

The Corporate Center, 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 third quarter of 2021 there were no slowdowns due to the continuing COVID-19 pandemic. All illimityers 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

illimity recently started a strategic alliance with ION, which includes a licence agreement for developed information systems.

As part of IT4IT projects, initiatives dedicated to the platform's technological evolution are continuing, and will provide a number of benefits, both in qualitative terms (e.g. a general improvement in the performance of IT systems involved), and in quantitative terms (e.g. a reduction in the times necessary for development and related costs). These include the release of the project for the development of the Front-End (web/mobile) architecture, which has already brought clear benefits with respect to user satisfaction of mobile channels.

As regards Data Quality, the “illimity Data Governance” project includes, among various activities, the creation of a web application which Data Owners and the team in charge of data governance will access to monitor the outcomes of controls configured with the business officers.

Project activities concerning security were launched, to develop Identity Governance, enabling 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. In the last quarter of the year, Business Continuity and Disaster Recovery tests will be completed.

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

- As announced during the presentation of the 2021-2025 Business Plan, development of the B-ILTY project was launched in order to build and release a digital transactional platform that offers customers an inclusive value proposition of credit products and value-added services dedicated to small and micro-enterprises. The first release of the initiative, including the basic functions, was rolled out in July, with the release target currently planned for the first quarter of 2022. One of the fundamental parts of the B-ILTY project concerns the process to acquire customers, and digital on-boarding, guaranteeing high added value (for both costs and times), considering the bureaucratic complexity of the operation;
- The evolution linked to open banking for Payment Initiation and Account Information services also continued, expanding the pool of banks through which the two services are accessible to customers from home banking and mobile banking. The aim of this project is to consolidate experience in using the services, also in response to periodic requests from EBA and BankIT.

Growth Credit Division

- Development of the Ecobonus Module was completed, an application for illimity to manage the purchase of tax credits accrued by third parties, which features an engine to calculate the interest to recognise in financial statements;
- The development of the module in the COMS (Credit Origination & Management System) application continued, which will centralise the management of write-downs/write-backs and reclassification of loan relations in the Group's portfolio in a single point, and is scheduled for completion at the end of 2021.

Distressed Credit Division

- Releases and developments of the modules related to COMS continued. This vertical application will guide the user through all phases of the process related to the world of credit, from origination to management, both distressed and performing. In the first half of the year, the modules to support the management of the Business Plan and related receipts, acquisition and screening (in the second half), as well as the amortisation of transaction costs, were released and consolidated. In addition, an advanced version of the Pricing and LDT (Loan Data Tape) ingestion modules was released. The former is useful for the creation and management of the pricing models of the portfolios being valued, the latter expands COMS by introducing the ingestion of data from the Virtual Data Room of the sellers by digitising the load process.
The part concerning loan disbursement will be released. This module will manage the entire life cycle of the loan disbursement process, starting from the creation of the portfolio up to the sale (including related accounting aspects).
- Lastly, in the Data sector, in collaboration with the Growth Credit Division, the creation of a single credit Data Warehouse continues, containing the current content of various illimity systems. The project saw an acceleration in the second quarter and release before the end of 2021 is confirmed.

Central Functions

As regards main projects underway and dedicated to central Functions, activities continued on Corporate Performance Management systems used to guarantee the correct monitoring and management of the company's economic and financial performance (and related decision-making KPIs), the project to revise the TIT (internal transfer rate) calculation model, with expected benefits that include a better understanding and measurement of business income, and the active management of interest rate risk. The model is being implemented (including the database) to enable the Bank to calculate and monitor the RWA. Lastly, the front-to-back system to manage new operations on OTC derivatives was completed.

illimity Bank share performance

The ordinary shares of illimity are traded on the Mercato Telematico Azionario (MTA) organised and managed by Borsa Italiana since 5 March 2019. Since 10 September 2020, the ordinary shares have been traded on the STAR (Securities with High Requirements) segment of the MTA 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 November 2021, 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
Gruppo Sella	Gruppo Sella	Owned	10.00%	10.00%
LR Trust	Fidim Srl	Owned	8.12%	8.12%
ION Investment Corporation Sàrl	FermlION 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

On 21 October 2021, following the decision-making stages of the investment process, the first stage was completed of a second closing of the Investment Fund, managed by illimity SGR, concerning the acquisition of a portfolio of loans with companies already debtors of the Fund and with new target companies for a gross amount of EUR 30.4 million sold by three banking groups that already hold units in the fund. For this second closing, the finalisation of a second investment phase in November has been planned.

The partnerships with Open-es and Amazon come under the framework of the B-ILTY model. Open-es, with an innovative, inclusive tool, aims to forge an alliance of businesses committed to involving their own value chains in improving sustainability performance. Through the platform, all businesses can measure their own ESG performance, analyse and share data and experiences, and obtain customised development plans. illimity will be the first company in the banking sector to help in the platform's development and evolution, offering a fully comprehensive range of banking services and products in 2022, besides solutions to encourage and support the energy transition and sustainable growth plans of businesses. Loans will also be made available, incorporating ESG metrics, and rewarding, with a modular approach, companies that are more sustainable or more committed to concrete improvement programmes and targets. Through a partnership with Amazon, illimity will actively contribute to the financial education and digitalisation of companies, sharing its experience and knowledge in "Accelerate with Amazon", a free training programme to help businesses and gain knowledge and expertise to create its own digital experience. illimity will offer free lessons and webinars with senior executives on banking and corporate issues.

Business outlook

The final part of the year is expected to see robust loan and investment activity in all the segments in which the Bank operates.

A further growth in credit volumes is forecast for the Growth Credit Division, this also being based on loans already approved and the solid pipeline which in October amounted in total to EUR 243 million. Driven by the commercial dynamism of the past few quarters, all of the Division's business segments will contribute to growth. It is expected that loans backed by public guarantees will continue to play an important role in terms of providing a contribution to new disbursements, also given the fact that the measures have been extended to the end of June 2022.

For the Distressed Credit Division, after a slow start to the year for the distressed credit transaction market due also to the extension of business support measures (which include the "moratoria"), the market began to regain momentum at the end of the summer with the start up of various disposal procedures. In this context, the pipeline of investment opportunities for the Distressed Credit Division in the final part of the year looks robust and amounts to EUR 347 million. The pick-up in distressed credit transactions is also expected to continue in 2022 and the following years, with an expectation of approximately EUR 180 million at gross book value in cumulative NPL and UTP transactions in the period between 2021 and 2025.

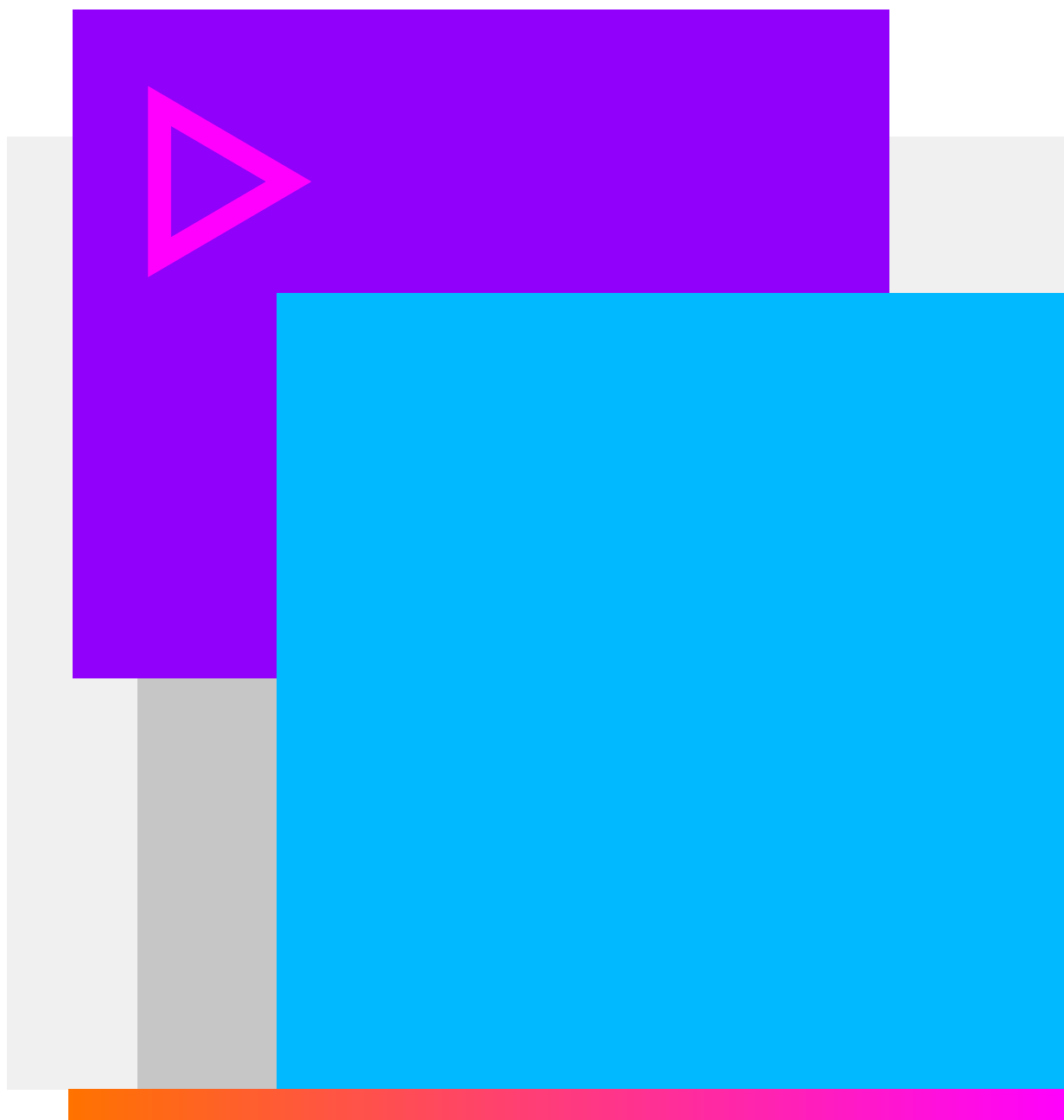
As the result of the typical onboarding dynamic of investments in distressed credit, the benefit of the rise in volumes in the final part of the year will only be fully felt from the first quarter of 2022. In the fourth quarter of 2021, therefore, a limited rise over the previous quarter is expected to be seen for net interest income, only partially benefiting from the positive dynamic of volumes.

The good dynamics in fees and commissions will continue, also supported by the new initiatives that are already under way - Ecobonus, illimity SGR, capital markets services for SMEs - which will be accompanied by an expected positive contribution from other income. It is recalled that the licence agreement for the IT platform entered into by illimity and the ION Group became effective in the third quarter; this generated other revenues of EUR 5 million in the quarter just ended and will generate a further EUR 4.25 million in the fourth quarter of this year (revenues which will be recognised in every quarter between now and September 2026).

Investments in new strategic projects, which will bring their benefits in the coming years, will also continue in the final part of the year. Together with the expected acceleration in the growth of business volumes, an increase in costs can be expected in the fourth quarter of 2021, due in particular to the formation of B-ILTY.

Given the quality of the existing corporate loan book, the solid performance already achieved in the first nine months of the year and the contribution of loans with public guarantees, into which a significant portion of the new business generated by the Growth Credit Division will be channelled, the expectation is confirmed that the cost of risk will remain at contained levels for the whole of 2021. Taken overall, the solid results reported in the first nine months of 2021 and current prospects confirm the trajectory of reaching the short and medium-long term results forecast in the 2021-25 Strategic Plan presented on 22 June, which envisages 2021 net profit closing at between EUR 60 and EUR 70 million.

Lastly, the solid starting base for own funds, which include the capital increase reserved to the ION Group, and the expected generation of profits, despite a rise in risk-weighted assets following the rise in volumes, will ensure that the Common Equity Tier 1 Ratio will remain significantly above regulatory requirements.



Consolidated financial statements

as of 30 September 2021

Consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	30 September 2021	31 December 2020
10. Cash and cash equivalents	745,447	944,832
20. Financial assets measured at fair value through profit or loss	87,656	18,502
a) financial assets held for trading	114	52
b) financial assets designated at fair value	-	-
c) other financial instruments mandatorily measured at fair value	87,542	18,450
30. Financial assets measured at fair value through other comprehensive income	280,460	91,375
40. Financial assets measured at amortised cost	3,044,512	2,845,823
a) due from banks	401,572	530,922
b) loans to customers	2,642,940	2,314,901
50. Hedging derivatives	-	-
60. Fair value change of financial assets in hedged portfolios (+/-)	-	-
70. Equity investments	81,775	-
80. Technical reinsurance reserves	-	-
90. Property and equipment	78,105	78,434
100. Intangible assets	75,881	69,382
<i>of which:</i>		
- goodwill	36,257	36,224
110. Tax assets	24,247	35,403
a) current	4,061	3,206
b) deferred	20,186	32,197
120. Non-current assets held for sale and discontinued operations	61,908	-
130. Other assets	165,578	42,538
Total assets	4,645,569	4,126,289

CONTINUED: CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Liabilities and shareholders' equity	30 September 2021	31 December 2020
10. Financial liabilities measured at amortised cost	3,788,786	3,410,034
a) due to banks	546,046	534,345
b) due to customers	2,735,623	2,574,709
c) Securities issued	507,117	300,980
20. Financial liabilities held for trading	-	-
30. Financial liabilities designated at fair value	-	-
40. Hedging derivatives	-	-
50. Fair value change of financial liabilities in hedged portfolio (+/-)	-	-
60. Tax liabilities	8,354	4,207
a) current	7,554	3,460
b) deferred	800	747
70. Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80. Other liabilities	83,161	121,789
90. Employee severance pay	3,137	2,656
100. Allowances for risks and charges	6,369	4,481
a) commitments and guarantees given	4,975	3,296
b) post-employment benefits	11	7
c) other allowances for risks and charges	1,383	1,178
110. Technical reserves	-	-
120. Valuation reserves	(2,941)	(278)
130. Redeemable shares	-	-
140. Equity instruments	-	-
150. Reserves	63,122	21,766
160. Share premium reserve	597,589	487,373
170. Share capital	52,620	44,007
180. Treasury shares (-)	(832)	(832)
190. Equity attributable to minority interests (+/-)	5	-
200. Profit (loss) for the period (+/-)	46,199	31,086
Total liabilities and shareholders' equity	4,645,569	4,126,289

CONSOLIDATED INCOME STATEMENT

Items	30 September 2021	30 September 2020
10. Interest income and similar income	143,589	102,928
<i>of which: interest income calculated according to the effective interest method</i>	139,324	101,237
20. Interest expenses and similar charges	(45,099)	(30,360)
30. Net interest margin	98,490	72,568
40. Fee and commission income	27,550	10,701
50. Fee and commission expense	(4,346)	(3,126)
60. Net fee and commission income	23,204	7,575
70. Dividends and similar income	-	-
80. Profits (losses) on trading	1,759	(448)
90. Fair value adjustments in hedge accounting	-	-
100. Profits (losses) on disposal or repurchase of	5,007	5,657
a) financial assets measured at amortised cost	302	-
b) financial assets measured at fair value through other comprehensive income	4,705	5,658
c) financial liabilities	-	(1)
110. Profits (losses) on other financial assets and liabilities measured at fair value through profit or loss	5,675	530
a) financial assets and liabilities designated at fair value	-	-
b) other financial assets mandatorily measured at fair value	5,675	530
120. Net interest and other banking income	134,135	85,882
130. Net losses/recoveries for credit risks associated with:	44,333	31,213
a) financial assets measured at amortised cost	45,017	31,213
b) financial assets measured at fair value through other comprehensive income	(684)	-
140. Profits/losses on changes in contracts without derecognition	-	-
150. Net result from banking activities	178,468	117,095
160. Net premiums	-	-
170. Other net insurance income (expense)	-	-
180. Profits (losses) of banking and insurance management	178,468	117,095
190. Administrative expenses:	(110,127)	(83,266)
a) personnel expenses	(51,389)	(35,967)
b) other administrative expenses	(58,738)	(47,299)
200. Net provisions for risks and charges	(2,622)	(236)
a) commitments and guarantees given	(2,622)	(196)
b) other net provisions	-	(40)
210. Net adjustments/recoveries on property and equipment	(2,400)	(2,023)
220. Net adjustments/recoveries on intangible assets	(5,434)	(4,135)
230. Other operating income/expenses	14,004	2,934
240. Operating expenses	(106,579)	(86,726)
250. Profits (losses) on equity investments	(5,970)	-
260. Profits (losses) of fair value valuation of property and equipment and intangible assets	-	-
270. Goodwill impairment	-	-
280. Profits (losses) on disposal of investments	2,278	-
290. Profit (loss) before tax from continuing operations	68,197	30,369
300. Income tax for the year on continuing operations	(22,373)	(6,048)
310. Profit (loss) after tax from continuing operations	45,824	24,321
320. Net income (Loss) (+/-) from discontinued operations after taxes	375	-
330. Profit (loss) for the period	46,199	24,321
340. Net profit (loss) (+/-) attributable to minority interests	-	-
350. Net profit (loss) (+/-) attributable to the Parent Company	46,199	24,321

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	30 September 2021	30 September 2020
10. Profit (loss) for the period	46,199	24,231
Other comprehensive income, net of tax, that may not be reclassified to the income statement		
20. Equity instruments measured at fair value through other comprehensive income	-	(3)
30. Financial liabilities designated 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	133	(49)
80. Non-current assets held for sale and discontinued operations	-	-
90. Share of valuation reserves for equity investments measured at equity	(5)	-
Other comprehensive income, after tax, 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	(2,791)	(2,742)
150. Non-current assets held for sale and discontinued operations	-	-
160. Share of valuation reserves connected with investments carried at equity	-	-
170. Total other comprehensive income (after tax)	(2,663)	(2,794)
180. Other comprehensive income (Item 10+170)	43,536	21,527
190. Consolidated comprehensive income attributable to minority interests	-	-
200. Consolidated comprehensive income attributable to the Parent Company	43,536	21,527

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AS OF 30 SEPTEMBER 2021

	Balance as of 31 December 2020	Change in opening balances	Balance as of 1 January 2021	Allocation of the result for the previous year	
				Reserves	Dividends and other allocations
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)	-
Shareholders' equity of the group	583,122	-	583,122	-	-
Shareholders' equity attributable to minority interests	-	-	-	-	-

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AS OF 30 SEPTEMBER 2020

	Balance as of 31 December 2019	Change in opening balances	Balance as of 1 January 2020	Allocation of the result for the previous year	
				Reserves	Dividends and other allocations
Share capital:					
a) ordinary shares	42,470	-	42,470	-	-
b) other shares	938	-	938	-	-
Share premium reserve	480,156	-	480,156	-	-
Reserves:					
a) retained earnings	12,007	-	12,007	(16,140)	-
b) other	24,181	-	24,181	-	-
Valuation reserves	939	-	939	-	-
Equity instruments	-	-	-	-	-
Treasury shares	(96)	-	(96)	-	-
Profit (loss) for the period	(16,140)	-	(16,140)	16,140	-
Shareholders' equity of the group	544,455	-	544,455	-	-
Shareholders' equity attributable to minority interests	-	-	-	-	-

	Change in reserves	Changes in the period								Shareholders' equity attributable to the Group as of 30/09/2021	Shareholders' equity attributable to minority interests as of 30/09/2021
		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		
	-	8,534	-	-	-	-	79	-	-	51,682	3
	-	-	-	-	-	-	-	-	-	938	-
	-	110,216	-	-	-	-	-	-	-	597,589	-
	-	-	-	-	-	-	(79)	-	-	26,778	2
	7	8,486	-	-	-	-	1,856	-	-	36,344	-
	-	-	-	-	-	-	-	-	(2,663)	(2,941)	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	(832)	-
	-	-	-	-	-	-	-	-	46,199	46,199	-
	7	127,236	-	-	-	-	1,856	-	43,536	755,757	-
	-	-	-	-	-	-	-	5	-	-	5

	Change in reserves	Changes in the period								Shareholders' equity attributable to the Group as of 30/09/2020	Shareholders' equity attributable to minority interests as of 30/09/2020
		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		
										43,069	-
	-	599	-	-	-	-	-	-	-	938	-
	-	-	-	-	-	-	-	-	-	487,373	-
	-	7,217	-	-	-	-	-	-	-	-	-
	(96)	-	-	-	-	-	-	-	-	(4,229)	-
	4	-	-	-	-	-	1,545	-	-	25,730	-
	-	-	-	-	-	-	-	-	(2,794)	(1,855)	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	(736)	-	-	-	-	-	-	(832)	-
	-	-	-	-	-	-	-	-	24,321	24,321	-
	(92)	7,816	(736)	-	-	-	1,545	-	21,527	574,515	-
	-	-	-	-	-	-	-	-	-	-	-

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 (sixth revision of 30 November 2018), and in the Communication of 15 December 2020 - 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 2020.

There were no departures from IAS/IFRS.

Section 2 – General preparation principles

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 30 September 2021 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 2020, 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 2021".

The consolidated interim report for the period ended 30 September 2021 was submitted for the approval of the Board of Directors on 10 November 2021.

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 30 September 2021 are unchanged with respect to the consolidated financial statements for the year ended 31 December 2020.

The consolidated interim report includes the accounting values of illimity and of the companies over which it directly or indirectly exercises control as of 30 September 2021, 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 30 September 2021 includes the following entities:

- i. **Aporti S.r.l.** ("Aporti"), 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. **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;
- iii. **Friuli SPV S.r.l.** ("Friuli SPV"), 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;
- iv. **Friuli LeaseCo S.r.l.** ("Friuli LeaseCo"), a wholly owned subsidiary of the Bank, established to service the leasing transactions included in the portfolios of acquired NPLs, operating in accordance with Article 7.1 of Italian Law no. 130/1999 on securitisation;
- v. **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 securitisations;
- vi. **Doria SPV S.r.l.** ("Doria SPV"), 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. **Doria LeaseCo S.r.l.** ("Doria LeaseCo"), a wholly owned subsidiary of the Bank, established to service the leasing 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"), 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. **River LeaseCo S.r.l.** ("River LeaseCo"), a wholly owned subsidiary of the Bank, established to service the leasing transactions included in the portfolios of acquired NPLs, operating in accordance with Article 7.1 of Italian Law no. 130/1999 on securitisation;
- x. **Pitti SPV S.r.l.** ("Pitti SPV"), 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;
- xi. **Pitti LeaseCo S.r.l.** ("Pitti LeaseCo"), a wholly owned subsidiary of the Bank, established to service the leasing transactions included in the portfolios of acquired NPLs, operating in accordance with Article 7.1 of Italian Law no. 130/1999 on securitisation;
- xii. **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;
- xiii. **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;

- xiv. **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;
- xv. **River Immobiliare S.r.l.** ("River Immobiliare"), held entirely by the Bank, set up for the purchase, sale and management - for disposal - of property owned by the company;
- xvi. **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.
- xvii. **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.

This scope has changed with respect to the consolidated financial statements for the year ended 31 December 2020. Below is a summary of the transactions that led to the change in the scope of consolidation.

Increases

- a) Acquisition of an investment in Hype with joint venture characteristics, consolidated according to the equity method;
- b) Acquisition of a stake in SpicyCo, consolidated according to the equity method;
- c) Acquisition of all shareholdings in Doria SPV, Friuli SPV, Pitti SPV and River SPV, in addition to the acquisition of a controlling interest (66.7% of the share capital) in Aporti.
- d) Subscription of Single Tranche Notes of the vehicle Beagle SPE.

Decreases

- a) Merger of Core, IT Auction and Mado into neprix.

On 7 January 2021, ITA Gestione changed its company name to neprix Agency S.r.l.

For further information on changes in the scope of consolidation during 2021, 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 30 September 2021 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	
Companies consolidated on an equity basis					
A.16 Hype S.p.A.	Biella	Biella	5	A.0	50.0%
A.17 SpicyCo S.r.l.	Milan	Milan	6	A.0	49.0%

(*) Type of relationship:

- 1 = majority of voting rights at the ordinary meeting of shareholders (pursuant to 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 – Acquisition of the Joint Venture Hype S.p.A.

On 22 September 2020, the Boards of Directors of illimity, Banca Sella Holding S.p.A. ("Banca Sella Holding"), Fabrick S.p.A. ("Fabrick") and Hype approved the agreement for investment by illimity in Hype, giving rise to a 50-50 joint venture between illimity and Fabrick (until then 100% owner of Hype, and in turn owned by Banca Sella Holding S.p.A.). The purpose of the industrial transaction is to increase the project's ambitions and also to accelerate the growth of Hype.

On 22 December 2020, the Shareholders' Meeting of illimity, in an extraordinary session, following relative authorisations received from the Supervisory Authorities, unanimously approved the increase in share capital to serve agreements made with the Sella Group for the establishment of a joint venture in Hype. illimity therefore signed a deed of assignment, effective from 1 January 2021, for the acquisition by Fabrick S.p.A. of 37.66% of the share capital of Hype; illimity subscribed in cash the capital increase in HYPE and a deed was signed to assign the direct banking business unit to Hype, resulting in illimity holding 50% of Hype with effect from 1 January 2021.

On 5 January 2021, illimity, following its disclosure dated 29 December 2020, announced the new composition of its share capital, as follows: (i) the reserved capital increase for Fabrick S.p.A. totalling EUR 44,670,596.42 (of which EUR 3,491,882.89 as capital) freed up via the transfer to illimity of shares representing 37.66% of Hype S.p.A. (which took place on 29 December 2020, effective from 1 January 2021), the registration in the Companies' Register of the statement of the directors pursuant to Article 2343-quater of the Italian civil code (made on 5 January 2021) and consequent issue of 5,358,114 new ordinary shares for this increase, as well as (ii) the cash increase in capital for Banca Sella Holding S.p.A. for a total of EUR 16,544,676.46 (of which EUR 1,293,290.83 as capital), subscribed on 29 December 2020 with effect from 1 January 2021 (with regulation dated 5 January 2021), and consequent issue of 1,984,488 new ordinary shares, for this increase.

Following the above events, in accordance with IFRS 11 the stake in Hype and its consolidation were reported according to the equity method, while it was reported in the separate financial statements at cost. Based on the value of the investment recorded at the time of acquisition with respect to the pro-rata shareholders' equity of Hype, an implicit goodwill of approximately EUR 65.1 million was determined.

5.2 - Merger of Core, IT Auction and Mado into neprix

On 13 January 2021, the deed of merger of the companies Core, IT Auction and Mado into neprix was signed. The merger became effective on 1 February 2021. The accounting and fiscal effects of the merger started from 1 January 2021. On 7 January 2021, the subsidiary ITA Gestione changed its company name to "neprix Agency S.r.l." ("neprix Agency").

In addition, following the merger, neprix holds 100% of the shares in the company neprix Agency (formerly ITA Gestione), previously held by IT Auction. This merger has no effects on the consolidated financial statements, as these companies were already controlled by the Group and included in the consolidated financial statements on a line-by-line basis.

5.3 - 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 2021.

Document title	Issue date	Effective date	Date endorsed	EU regulation and publication date
Extension of the Temporary Exemption from Applying IFRS 9 - Amendments to IFRS 4 Insurance Contracts	June 2020	1 January 2021	15 December 2020	(EU) 2020/2097 16 December 2020
Interest Rate Benchmark Reform - phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	August 2020	1 January 2021	13 January 2021	(EU) 2021/25 14 January 2021

As shown in the above table, the adoption of several amendments to accounting standards endorsed by the European Commission in 2020 and January 2021 is mandatory with effect from 2021. These amendments are not particularly relevant to the Group. In further detail:

- Commission Regulation (EU) 2020/2097: The amendments to IFRS 4 are aimed at remedying the temporary accounting impact of the time lag between the date of entry into force of IFRS 9 Financial instruments and the effective date of the future IFRS 17 Insurance contracts. In particular, amendments to IFRS 4 extend the temporary exemption from adopting IFRS 9 until 2023, in order to align the date of entry into force of IFRS 9 with the new IFRS 17;
- Commission Regulation (EU) 2021/25: The change is to take into account the consequences of replacing the benchmark indexes used to determine interest rates, with alternative reference rates. These amendments require specific accounting treatment to allocate, over time, changes in the value of financial instruments or lease agreements due to the replacement of the benchmark to determine interest rates, thus avoiding immediate repercussions on profit (loss) for the period and pointless suspensions in hedging following the replacement of the benchmark to determine interest rates.

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 consolidated 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 consolidated 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.

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 30 September 2021 corresponds to the contents of accounting documents, books and records.

Signature of the Financial Reporting Officer

Sergio Fagioli

Signature

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 30/09/2021
Property portfolio - Securities at FV	264,768
Item 20. a) Financial assets held for trading	114
Item 30. Financial assets measured at fair value through other comprehensive income	280,460
<i>To be deducted:</i>	
<i>Loans to customers - HTCS</i>	<i>(15,806)</i>
Loans to customers - HTCS	15,806
Financial instruments mandatorily measured at fair value	87,021
Item 20. c) Other financial instruments mandatorily measured at fair value	87,542
<i>To be deducted:</i>	
<i>Loans mandatorily measured at fair value</i>	<i>(521)</i>
Financial instruments mandatorily measured at fair value	521
Due from banks	401,572
Item 40. a) Due from banks	401,572
Loans to financial entities	169,825
<i>Loans to financial entities</i>	<i>169,825</i>
Loans to customers - HTC	2,237,364
Item 40. b) Loans to customers	2,642,940
<i>To be deducted:</i>	
<i>Loans to financial entities</i>	<i>(169,825)</i>
<i>Loans to customers - Securities</i>	<i>(235,751)</i>
Securities at amortised cost - Growth Credit	17,768
Item 40. b) Loans to customers	2,642,940
<i>To be deducted:</i>	
<i>Loans to customers</i>	<i>(2,237,364)</i>
<i>Loans to financial entities</i>	<i>(169,825)</i>
<i>Distressed Credit Business senior financing instruments</i>	<i>(217,983)</i>
Securities at amortised cost – Senior Financing	217,983
Item 40. b) Loans to customers	2,642,940
<i>To be deducted:</i>	
<i>Loans to customers</i>	<i>(2,237,364)</i>
<i>Loans to financial entities</i>	<i>(169,825)</i>
<i>Business Growth Credit securities</i>	<i>(17,768)</i>
Investments in equity	81,775
Item 70. Equity investments	81,775
Property and equipment and intangible assets	153,986
Item 90. Property and equipment	78,105
Item 100. Intangible assets	75,881

Assets	Values as of 30/09/2021
Tax assets	24,247
Item 110. Tax assets	24,247
Other assets	972,933
Item 10. Cash and cash equivalents	745,447
Item 120. Non-current assets held for sale and discontinued operations	61,908
Item 130. Other assets	165,578
Total assets	4,645,569

Liabilities and shareholders' equity	Values as of 30/09/2021
Amounts due to banks	546,046
Item 10. a) Due to banks	546,046
Amounts due to customers	2,713,706
Item 10. b) Due to customers	2,735,623
<i>To be deducted:</i>	
<i>Lease Liability (IFRS 16)</i>	<i>(21,917)</i>
Securities issued	507,117
Item 10. c) Securities issued	507,117
Tax liabilities	8,354
Item 60. Tax liabilities	8,354
Other liabilities	114,584
Item 80. Other Liabilities	83,161
<i>Increase:</i>	
<i>Lease Liability (IFRS 16)</i>	<i>21,917</i>
Item 90. Employee severance pay	3,137
Item 100. Allowances for risks and charges	6,369
Shareholders' equity	755,762
<i>Capital and reserves</i>	
Item 120. Valuation reserves	(2,941)
Item 150. Reserves	63,122
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	46,199
Total liabilities and shareholders' equity	4,645,569

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

Income Statement items	Values as of 30/09/2021
Net interest margin	98,649
Item 10. Interest income and similar income	143,589
<i>Reclassification from Profit (Loss) from discontinued operations</i>	517
Item 20. Interest expenses and similar charges	(45,099)
<i>Reclassification of Raisin operating components</i>	(1,474)
<i>To be deducted:</i>	
<i>IFRS 16 interest expenses</i>	1,116
Net fee and commission income	23,917
Item 40. Fee and commission income	27,550
Item 50. Fee and commission expense	(4,346)
<i>To be deducted:</i>	
<i>Raisin operating components</i>	713
Gains/losses on financial assets and liabilities	12,441
Item 80. Profits (losses) on trading	1,759
Item 100. Profits (losses) from disposal or repurchase	5,007
Item 110. Profits (losses) on other financial assets and liabilities measured at fair value through profit or loss	5,675
Net write-downs/write-backs on closed positions - HTC Clients - POCI	44,503
<i>of which: Net write-downs/write-backs on closed positions - HTC Clients - POCI</i>	44,503
Other profits (losses) from the disposal of investments	2,278
Item 280. Profits (losses) on disposal of investments	2,278
Other operating expenses and income	11,584
Item 140. Profits/losses on changes in contracts without derecognition	-
Item 230. Other operating income/expenses	14,004
<i>To be deducted:</i>	
<i>Reclassification of recovery of other operating charges/income to Other administrative expenses</i>	(2,420)
Total net operating income	193,373
Personnel expenses	(51,470)
Item 190. Administrative expenses: a) Personnel expenses	(51,389)
<i>To be deducted:</i>	
<i>Reclassification of HR expenses from other administrative expenses</i>	(81)
Other administrative expenses	(56,592)
Item 190. Administrative expenses: b) Other administrative expenses	(58,738)
<i>Reclassification of IFRS 16 interest expenses</i>	(1,116)
<i>Reclassification of HR expenses to personnel expenses</i>	81
<i>Reclassification of recovery of other operating charges/income to Other administrative expenses</i>	2,420
<i>Raisin operating components</i>	761
Net adjustments/recoveries on property and equipment and intangible assets	(7,834)
Item 210. Net adjustments/recoveries on property and equipment	(2,400)
Item 220. Net adjustments/recoveries on intangible assets	(5,434)
Operating expenses	(115,896)
Operating profit (loss)	77,477

Income Statement items	Values as of 30/09/2021
Net losses/recoveries for credit risk - HTC Banks	45
Net losses/recoveries for credit risk - HTC Financial entities	(129)
Net losses/recoveries for credit risk - HTC Clients	923
Item 130. Net losses/recoveries for credit risks associated with: a) financial assets measured at amortised cost	45,017
<i>To be deducted:</i>	
<i>Net losses/recoveries for credit risk - HTC Banks</i>	<i>(45)</i>
<i>Net losses/recoveries for credit risk - HTC Financial entities</i>	<i>129</i>
<i>Net write-downs/write-backs on closed positions - HTC Clients - POCI BP on-balance</i>	<i>(44,503)</i>
<i>Net write-downs/write-backs on closed positions - HTC Clients - POCI BP off-balance</i>	<i>325</i>
Net losses/recoveries for credit risk - HTCS	(684)
Item 130. Net losses/recoveries for credit risks associated with: b) financial assets measured at fair value through other comprehensive income	(684)
Net losses/recoveries for commitments and guarantees	(2,947)
Item 200. Net allowances for risks and charges: a) commitments and guarantees given	(2,622)
<i>To be deducted:</i>	
<i>Net write-downs/write-backs on closed positions - HTC Clients - POCI BP off-balance</i>	<i>(325)</i>
Total net adjustments/recoveries	(2,792)
Other net provisions	-
Item 200. Net allowances for risks and charges: b) other net provisions	-
Other income (expenses) on investments	(5,970)
Item 250. Profits (losses) on equity investments	(5,970)
Profit (loss) from operations before taxes	68,714
Income tax for the period on continuing operations	(22,515)
Item 300. Income tax for the period on continuing operations	(22,373)
<i>Reclassification from Profit (Loss) from discontinued operations</i>	<i>(142)</i>
Net income (Loss) (+/-) from discontinued operations after taxes	-
Item 320. Net income (Loss) (+/-) from discontinued operations after taxes	375
<i>To be deducted:</i>	
<i>Interest income and similar income</i>	<i>(517)</i>
<i>Income tax for the period on discontinued operations</i>	<i>142</i>
Profit (loss) for the period	46,199

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illimity.com

illimity Bank S.p.A.

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