GOOD PROGRESS IN ILLIMITY'S RESULTS FOR THE THIRD QUARTER OF 2020: PRE-TAX QUARTERLY PROFIT OF 13.2 MILLION EURO (+31% OVER THE PREVIOUS QUARTER), CET1 RATIO ABOVE 19%, GROWTH IN VOLUMES

NET PROFIT OF 24 MILLION EURO IN THE FIRST NINE MONTHS OF 2020 COMPARED TO A LOSS OF 18 MILLION EURO IN THE SAME PERIOD IN 2019

- ***Net loans to customers and investments increase to 1.83 billion euro (+46%) in the first nine months (1.26 bln at 30 September 2019), despite the selective approach to generating new business. Confirmation of a solid pipeline for the last part of the year***
- ***Total assets rise to 3.4 billion euro (2 bln euro at 30 September 2019) and include liquidity of around 700 million euro***
- ***Capital base robust and growing further: CET1 Ratio 19.2% (over 20% pro-forma)***
- ***Outlook 2020: confirmation of net profit target of around 30 million euro for the current year (ROE 5%)***

Milan, 11 November 2020 – Chaired by Rosalba Casiraghi, the Board of Directors of illimity Bank S.p.A. ("**illimity**" or the "**Bank**") yesterday approved the results at 30 September 2020.

Despite the persistence of the difficult environment caused by the COVID-19 emergency, illimity has continued to post solid results in all the sectors in which it operates, confirming the path towards its target of net profit of around 30 million euro for the current year, a figure which corresponds to an ROE of around 5% already in the first full year of the Bank's activities.

In addition to its positive results, illimity also carried out an **important strategic initiative in its Direct Bank Division** in the quarter just ended, signing the agreement for the **joint venture in HYPE**. This initiative will provide significant momentum to the Bank's strategy in digital financial services, creating a national champion in the field of fintech platforms for digital services.

The first nine months ended with a **net profit of 24.3 million euro** (**-18.2 million euro in the first nine months of 2019**) to which the good performance of the **third quarter** contributed, posting a **pre-tax profit rising to 13.2 million euro** (from 10 million euro in the second quarter of 2020) and a **net profit of 9.5 million euro.**

The main driver behind the rise in profits during the year has been the positive trend of **net customer loans and investments**, which totalled **1.83 billion euro** at 30 September 2020, representing a rise of 46% over the figure of 1.26 billion euro at the corresponding date in 2019. Compared to June 2020, **the balance rose by 4%**.

The growth in the quarter can be attributed above all to the **SME Division**, with **net customer loans rising by 12%** over June 2020 to reach **685 million euro** (more than double the figure for the corresponding period in 2019). The new business origination took off in the summer and continued after the end of the third quarter, with a positive contribution being made by all the business sectors – Factoring, Crossover & Acquisition Finance, and Turnaround – and among other things benefited from the strong demand for loans with public guarantees introduced by recent government decrees. A robust pipeline exists for the final part of the year.

Volumes in the **DCIS segment** remained **stable in the quarter at 1,064 million euro**, with an acceleration in the generation of new business following the end of the third quarter, consistent with the typical seasonality of this sector which sees distressed credit transactions concentrated in the last part of the year. Following the end of the quarter, in fact, the Bank generated new investments exceeding 250 million euro. The third quarter also benefited from the Bank's dynamic outstanding portfolio management strategy, which led to further gains of 11.6 million euro being earned from sales and closed positions.

The **quality of illimity's assets continued to be solid in the third quarter of 2020**: no deterioration in the SME Division's customer loans, with the **ratio between gross doubtful organic loans and gross total organic loans to customers falling to 3.8%**, and robust cash flow from purchased distressed loan portfolios.

Direct funding by the Bank's retail and corporate customers exceeded **1.9 billion euro**, representing an increase of 7% in the third quarter of 2020, above all driven by the funding channelled through the digital direct bank *illimitybank.com*, of which around 60% is medium-long term.

The Bank's **liquidity** remained excellent, **rising to around 700 million euro** at 30 September 2020 (500 million euro at 30 June 2020) and consisting of cash, the net interbank position and high-quality liquid financial assets and other marketable securities, to be redeployed against the significant pipeline of business forecast to arise in the last part of the year.

Taken overall, illimity's **total assets** at 30 September 2020 **reached approximately 3.4 billion euro** compared to 2 billion euro at 30 September 2019.

Lastly, **Common Equity Tier 1 capital (CET1 Capital) increased** to **478 million euro** at 30 September 2020 as the result of the profit for the quarter and the decrease in the negative mark-to-market of the securities portfolio. At the same time the first benefits arising from the RWA optimisation initiatives contributed to a **reduction of approximately 2% in RWAs** during the quarter compared to the figure at the end of June 2020. As the result of these dynamics, illimity's **CET1 ratio** remained solid and **rose to 19.2%** at the end of September 2020. On a pro-forma basis the Bank's CET1 ratio would rise to approximately 20.4% if the effects of the special shares of 14.4 million euro (subject to regulatory approvals) and the positive impact of the application of the measures included in the banking package recently approved by the European Commission, with particular reference to the reduced deductibility of the intangible assets regarding software and IT, are included.

Corrado Passera, **illimity CEO**, commented: "*illimity's first full year of activity, 2020, is turning out to be particularly significant. Despite the continuation of the crisis, the Bank is showing considerable resilience on every front and achieving very positive results: volumes and earnings have grown, capital and liquidity have risen above expectations. We are therefore able to confirm the target of an ROE of approximately 5% for the year.*

In addition, illimity has once again demonstrated its ability to innovate, not only by initiating new strategic projects in the business areas in which it operates, but also by entering new segments such as fintech. In this respect the agreement signed with Banca Sella in September will, through HYPE, enable us to add and develop a high-growth business such as non-banking financial services.

Backed by the strength of our results, the projects we have got under way and a robust pipeline, we will face the upcoming months with the prudence which in previous months has enabled us to keep the quality of our portfolio high, but also with the usual dynamism that distinguishes illimity, so that we will be ready to grasp the opportunities arising in our target markets, which are expected to grow even more than initially forecast".

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Key balance sheet figures

Data in million euro

Reclassified Balance sheet	30.09 2019	31.12 2019	31.03 2020	30.06 2020	30.09 2020	Δ 30.09.2020 / 30.06.2020	Δ 30.09.2020 / 30.09.2019
Cash and cash equivalent	110	772	219	311	543	74%	391%
Due from banks and other financial institutions	271	345	657	643	645	0%	138%
Customer loans	**1,255**	**1,638**	**1,662**	**1,766**	**1,831**	**4%**	**46%**
- DCIS [1] investments	*488*	*667*	*674*	*724*	*733*	*1%*	*50%*
- DCIS [1] senior financing	*334*	*341*	*334*	*337*	*331*	*(2%)*	*(1%)*
- SME [2]	*320*	*527*	*556*	*613*	*685*	*12%*	*114%*
- Cross-over & Acq. Finance [2]	*219*	*261*	*278*	*315*	*366*	*16%*	*67%*
- High yield bond	*-*	*-*	*-*	*13*	*23*	*80%*	*n.s*
- Turnaround	*61*	*131*	*154*	*156*	*173*	*11%*	*184%*
- Factoring	*40*	*135*	*123*	*129*	*123*	*(5%)*	*207%*
- Non-core former Banca Interprovinciale	*113*	*103*	*99*	*92*	*83*	*(10%)*	*(27%)*
Financial assets Held To Collect (HTC)	103	-	-	-	-	n.s	n.s
Financial assets Held To Collect & Sell (HTCS)[3]	92	126	335	286	137	(52%)	49%
Financial assets measured at FVTPL[4]	10	9	8	12	17	41%	76%
Goodwill	22	22	36	36	36	0%	67%
Intangible assets	15	19	22	26	29	13%	92%
Other assets (Incl. Tangible and tax assets)	78	95	114	158	154	(2%)	97%
Total assets	**1,956**	**3,025**	**3,052**	**3,238**	**3,392**	**5%**	**73%**
Due to banks	397	377	468	583	541	(7%)	36%
Due to customers	906	1,979	1,911	1,915	2,125	11%	135%
Shareholders' Equity	543	544	537	563	575	2%	6%
Other liabilities	110	125	135	176	151	(14%)	38%
Total liabilities	**1,956**	**3,025**	**3,052**	**3,238**	**3,392**	**5%**	**73%**
Common Equity Tier 1 Capital	466	462	439	466	478	3%	3%
Risk Weighted Assets	**1,613**	**2,162**	**2,347**	**2,548**	**2,497**	**(2%)**	**55%**

1. *DCIS: Distressed Credit Investment & Servicing Division (previously named NPL I&S)*
2. *This figure includes part of the net loans to existing customers of Banca Interprovinciale, which due to their features are considered consistent with illimity's SME segment*
3. *HTCS: Financial assets measured at fair value through comprehensive income*
4. *FVTPL: other financial assets at fair value through profit or loss. This item includes equity financial instruments purchased as part of a Turnaround transaction, junior tranches acquired as part of Senior Financing transactions and investments in distressed energy credit purchased as part of the DCIS division's activities.*

Any failure to reconcile the stated figures arise exclusively from rounding

SME Division

At 30 September 2020 the **SME Division's net customer loans** amounted to **685 million euro**, representing a rise of 12% over 30 June 2020 and more than doubling the figure of 320 million euro at 30 September 2019. All the Division's business areas contributed to the progress made in the quarter.

Following the slowdown in April and May caused by the COVID-19 health emergency, a substantial pick-up in origination activity began in June, continuing in the third quarter and after the end of the quarter.

The **Cross-over and Acquisition Finance** business generated new volumes of 68 million euro during the third quarter of 2020. Of this, more than half is represented by the disbursement of loans secured by public guarantees, a much-requested instrument that is proving to be both effective and suited to the operations of illimity, a bank specialising in SME lending, thereby reducing its risk profile and increasing the profitability of its capital. The positive business dynamic also continued in October with the disbursement of a further 27 million euro, to which should be added loans of 34 million euro not yet disbursed but already approved.

The **Turnaround** business – Unlikely-To-Pay exposures with restructuring and return to performing status prospects – also posted a robust pick-up in activity: business volumes of 31 million euro have been generated since July 2020, to a large extent backed by state guarantees. These represent cases in which loans are granted to companies already at the end of a debt restructuring plan and are accordingly classified as performing, but where as a result of the COVID-19 situation the businesses involved have suffered from a renewed fragility of their financial structure, leading to the need for new intervention. The Bank generated further business in this segment of 17 million euro in October, to which should be added loans of 23 million euro not yet booked but already approved.

The third quarter confirmed the pick-up in the turnover of the **Factoring** business, which started during the summer, thanks also to illimity's ability to acquire new customers during the lockdown period as the result of having a wholly digital onboarding process. Average monthly turnover in the third quarter returned to the levels seen at the beginning of 2020. Contrary to expectations, Days Sales Outstanding ("DSO") for clients remained contained and in line with pre-COVID figures, to the benefit of commission flows, with a slight fall in the outstanding factoring stock at the end of the period. Lastly, a credit facility agreement for 73 million euro was signed in October and this will begin generating revenue in the fourth quarter.

Taken as a whole the **SME Division has originated volumes of 846 million euro** since the start of the Bank's operations in September 2018 to date.

Distressed Credit Investment & Servicing ("DCIS") Division

At 30 September 2020 the **DCIS Division** had **net customer loans and investments** amounting to a total of **1,064 million euro**, in line with 30 June 2020 and representing a rise of approximately 30% over the figure of 822 million euro reported at 30 September 2019.

During the third quarter illimity concluded purchases of investments in non-performing loan portfolios amounting to 12 million euro, also as the result of the temporary postponement of the closing of certain transactions. Since the end of the quarter the Bank has generated new investments exceeding 250 million euro, taking the total of business **originated**[1] since the start of operations to date to over **1.1 billion euro**.

Dynamic management of the outstanding distressed loans portfolio continued in the quarter, leading to the realisation of **gains of 11.6 million euro from the sale of loans and discounted**

[1] Distressed loans purchased, including transactions agreed but yet to be booked (thus not yet income-producing), owing to a settlement structure based on multiple tranches or to a time lag between the signing of the master agreement and the date of loan onboarding. Non accounting figures.

payoff transactions.

At 30 September 2020, **neprix,** the ilimity Group's platform specialising in the servicing of distressed corporate loans, had **assets under management of 9.5 billion euro** in terms of gross book value ("GBV") of the loans and real estate and equipment, representing an increase over the corresponding figure of 8.6 billion euro at the end of the previous quarter. It is recalled that, during 2019, neprix undertook a strategic development with the aim of positioning itself as the first integrated end-to-end operator in the management of distressed corporate loans, from onboarding to servicing and remarketing services. To this end, in June 2019 neprix entered an agreement for the purchase of the capital of IT Auction, a company specialising in the management and remarketing of capital goods and real estate assets through online auctions on its portal network. The agreement was concluded in January 2020. Subsequently, on 27 May 2020, a deed was signed for the contribution of the remaining 30% of IT Auction to neprix by way of a capital increase reserved to IT Auction's minority shareholders. IT Auction will be merged into neprix in January 2021, strengthening neprix's strategic positioning by extending the range of services provided and integrating the expertise of the two companies.

Lastly, **Senior Financing** activities continued with the disbursement of 27 million euro in the third quarter, in support of leading investment funds and companies specialising in the purchase of distressed loans. Senior financing totalling approximately **441 million euro** has been disbursed since the start of operations.

Taken as a whole, the **Distressed Credit Investment & Servicing Division has originated business[2] of almost 1.6 billion euro** since the start of operations.

Direct Bank Division

As already noted, total direct funding by the Bank's retail and corporate customers exceeds 1.9 billion euro. The digital direct bank ***illimitybank.com*** has made a significant and constantly increasing contribution to this figure since its launch in September 2019: at the end of September 2020 the direct funding generated by this channel's customers totalled approximately **955 million euro**, a rise of approximately 10% over the corresponding amount at the end of June 2020, divided between current accounts and deposits.

The Bank continued to attract new customers, taking the total number to approximately **39,000 by the end of October**, with **good progress also being made in terms of customer engagement**: approximately 85% of the customer base is active, and it is estimated that of these customers around 28% use *illimitybank.com* as their bank of reference. The growth of the digital direct bank in terms of funding is consistent with the financing targets set for this channel as part of illimity's wider funding structure as a whole, this being separated into numerous funding sources including the recent activation of the TLTRO-III facility.

Direct funding obtained from retail and corporate customers through illimity's offline

[2] Distressed loans purchased or disbursed, including transactions agreed but yet to be booked (thus not yet income-producing), owing to a settlement structure based on multiple tranches or to a time lag between the signing of the master agreement and the date of loan onboarding. Non accounting figures.

channels rose strongly during the third quarter to **639 million euro**, representing an increase of 12% over June 2020, while the contribution from the partnership with Raisin - the pan-European platform for the collection of retail deposits on the German market – fell slightly by 7% as the result of the scheduled contractual maturity of certain deposits.

Alongside the good business progress made during the third quarter the Direct Bank Division was also an active player in an important strategic development: in September 2020, illimity announced that it had entered a joint venture agreement with the Sella Group in HYPE, the leading Italian fintech challenger by number of customers. The agreement provides for the acquisition of 50% of HYPE's share capital by illimity via a series of corporate operations which among others include the contribution to HYPE of certain resources and technologies developed by illimity in the Open Banking field. Information on the full features of this deal can be found in the press release issued on 22 September 2020. The aim of the joint venture is to create the largest fintech platform on the Italian market providing financial and payment services, with a business model directed towards sustainable profitability, this to be achieved through the considerable technological, managerial, commercial and cost synergies that will emerge from the integration with illimity's Open Banking assets. The deal will give significant momentum to illimity's growth strategy in the financial services and digital direct banking fields, at the same time reducing execution risk and generating positive incremental effect on the Bank's future profits from the start.

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The dynamic management of the Bank's **securities portfolio** continued in the third quarter, aiming at limiting the effects arising from significant market volatility: at the end of September 2020, illimity's securities portfolio had been reduced to **137 million euro** compared to 286 million euro at the end of June 2020. This strategy, achieved without incurring trading losses, enabled the **negative mark-to-market position to fall to 1.7 million euro** from the figure of 4.4 million euro posted at the end of the second quarter of 2020 (after tax amounts). Of the securities portfolio, all of which classified in the Hold to Collect and Sell strategy, 33% consists of Italian government bonds (all short term), 49% of corporate senior bonds and 18% of subordinated bonds.

At the end of September 2020, the Bank's **gross doubtful organic loans** (a figure which excludes purchased NPLs and UTPs) amounted to **38.5 million euro**, **a fall of 4%** over the corresponding figure of 39.9 million euro at 30 June 2020. The ratio between gross doubtful organic loans and gross total organic loans to customers fell to 3.8%.The stock of **net doubtful organic loans, this falling too (by 8%) over the previous quarter**, amounted to **19.9 million euro**, corresponding to a **ratio between net doubtful organic loans and net total loans to customers of approximately 2.0%**, 30bps lower than the previous quarter.

During the third quarter the Bank's **CET1 capital rose** by over 12 million euro to **478 million euro**, with the main contributions coming from profit for the quarter of 9.5 million euro, the decrease of 2.3 million euro in the negative mark-to-market of the securities portfolio and the utilisation of DTA (Deferred Tax Assets) of 2.9 million euro, the latter partially offset by an increase in intangible assets arising from capitalised costs.

Risk-weighted assets fell in the quarter by approximately 50 million euro to 2,497 million euro, despite the rise in total assets, thanks to the first benefits arriving from the capital optimisation initiatives. Taken together the above-mentioned dynamics led to a **CET1 ratio of 19.2%** at the end of September 2020, representing a rise over what was already a robust level at the end of June. Taking into consideration the inclusion of the special shares of 14.4 million euro in own funds once the supervisory authority's approval process has been completed and the positive effect of applying the measures contained in the banking package recently approved by the European Commission, the Bank's pro-forma CET1 ratio (calculated using the figure for RWAs for the end of September) would amount to around 20.4%.

The **Liquidity Coverage Ratio** was around 700% at the end of the third quarter of 2020, confirming a significant liquidity buffer, while the **Net Stable Funding Ratio (NSFR)** was considerably above the minimum regulatory requirements.

Key income statement figures

It should be noted that the results of IT Auction have been consolidated in illimity since the first quarter of 2020.

Data in million euro

Reclassified Profit & Loss	4Q19	1Q20	2Q20	3Q20	Δ 3Q20/ 2Q20 %	9M20
Interest income	27.5	32.1	33.2	37.7	13%	102.9
Interest expenses	(9.0)	(10.2)	(8.9)	(10.0)	12%	(29.2)
Net interest income	**18.5**	**21.8**	**24.3**	**27.6**	**14%**	**73.8**
Net fees and commissions	1.5	2.5	2.1	2.9	38%	7.6
Net result from trading	8.9	3.7	(0.0)	2.1	n.s.	5.7
Net other income/expenses	1.6	0.0	0.2	0.5	n.s.	0.7
Gains from closed purchased distressed credit positions[1]	9.1	9.1	7.9	11.6	46%	28.6
Operating income	**39.7**	**37.2**	**34.5**	**44.7**	**29%**	**116.4**
Staff costs	(9.1)	(11.3)	(13.2)	(11.5)	(13%)	(36.0)
Other operating expenses	(19.0)	(16.3)	(12.9)	(17.0)	32%	(46.2)
Depreciation & Amortisation	(1.1)	(1.8)	(2.0)	(2.3)	13%	(6.2)
Operating costs	**(29.2)**	**(29.4)**	**(28.2)**	**(30.8)**	**9%**	**(88.4)**
Operating profit	**10.4**	**7.8**	**6.4**	**13.9**	**118%**	**28.0**
Loan loss provision charges	(1.0)	(2.7)	(1.2)	(0.3)	n.s.	(4.3)
Value adjustments on purchased distressed credit	(8.2)	2.8	4.6	(0.4)	n.s.	6.9
Value adjustments on HTC securities and loans to banks	0.0	(0.3)	0.2	(0.1)	n.s.	(0.1)
Other net provisions	0.1	(0.5)	0.2	0.4	n.s.	-
Provisions for risks and charges	0.1	0.1	(0.1)	(0.2)	138%	(0.2)
Profit (loss) before tax	**1.4**	**7.2**	**10.0**	**13.2**	**31%**	**30.4**
Income tax	0.6	(2.7)	0.3	(3.7)	n.s.	(6.0)
Net result	**2.1**	**4.5**	**10.3**	**9.5**	**(8%)**	**24.3**

1. *Gains from definitive closure of non-performing exposures either through disposal to third parties or through discounted payoff strategy (the so-called "saldo e stralcio") agreed with the debtor.*

Any failure of the stated figures to reconcile is due exclusively to rounding.

Despite the difficult situation, illimity progressed well as far as profits for the third quarter of the year are concerned, confirming the resilience of its business model.

Net interest income** underwent a further acceleration in the third quarter, rising **by 14%** over the previous quarter to **27.6 million euro**, benefiting from both the arrival of revenues from the business generated in the second quarter and the new volumes originated in the quarter under review. Included in interest income again for this quarter are profits of **0.4 million euro** earned from the credit revaluation of a loan in the Turnaround business, a key component in the revenue model of this segment.

This item includes interest expense for the quarter which posted an increase of 12%, due among other things to the cost of depositing abundant available liquidity with central banks.

Net fees and commissions rose significantly during the third quarter of 2020, increasing by 38% to **2.9 million euro**. This performance benefited from a pick-up in Law Court activities in September, a key factor in IT Auction's operations, an acceleration of activities in the Factoring business and more generally from the good dynamics arising from new business originated in the quarter.

The DCIS Division continued with the dynamic management of its outstanding portfolio in the third quarter, generating income of **11.6 million euro** from closed positions – meaning earnings arising from the definitive settlement of distressed credit positions, achieved through the use of payment recovery strategies agreed with the debtor ("discounted payoff" or "saldo e stralcio"), and from the sale of positions.

Overall, total **operating income** reached **44.7 million euro** in the third quarter of 2020, representing an increase of 29% over the figure of 34.5 million euro reported in the previous quarter.

Operating expenses for the third quarter of 2020 increased by 9% on a quarterly basis to reach **30.8 million euro**, mainly as the result of the increase in the variable costs connected with cash flow received from the distressed credit portfolios and the onboarding costs for the new portfolios acquired.

As a result of the above movements, the **cost-income ratio** ended the third quarter of 2020 at **69%**, a decrease over previous quarters.

Customer **loan loss provisions** amounted to **0.3 million euro** in the third quarter, corresponding to an annualised cost of risk of **13bps**[3] in the quarter – and of **58bps for the first nine months of 2020**. This contained figure can be explained by the fact that a significant portion of the new loans disbursed during the period are backed by state guarantees, to which should be added the slight improvement in the asset quality during the quarter. The **coverage ratio of the Bank's performing loans** at 30 September 2020 remained robust at **1.44%**.

As a result of the above dynamics the Bank ended the third quarter of 2020 with a **pre-tax profit** of **13.2 million euro**, representing a rise of 31% over the previous quarter.

After charging income tax of 3.7 million euro, the quarter ended with a net profit of **9.5 million euro**.

Business outlook

Taken overall, Management confirms its objective of achieving net profit for the year of around **30 million euro**, which corresponds to an **ROE of approximately 5%**.

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[3] Calculated on organic net customer loans of €975.2mln at September 2020

Management is expecting a robust pipeline of new potential deals in the final part of the year. The DCIS Division will benefit from the typical seasonality that sees selling banks concentrate the disposal of their non-performing loans in the fourth quarter of the year. The pipeline of the SME Division's business lines is also solid, supported by the continuation of state guarantees which will remain until the end of the year and possibly see an extension to mid-2021.

As the result of these dynamics a further rise in interest income is expected in the fourth quarter of the year compared to that of the quarter just ended, although the full impact of the business volumes originated in the fourth quarter will only materialise in the first quarter of 2021. On the other hand only a slight quarterly increase is expected in interest expense as the consequence of direct customer funding moving towards less costly maturity and mix.

The upswing in net fees and commissions is expected to continue, these having been penalised during the first part of the year by a slowdown in activities with a larger commission component, supported by an expected increased business volumes and a pick-up in court activities and deals taking place in real estate and operating assets, a driving force behind IT Auction's activities, thereby confirming September's positive dynamic.

Operating expenses are expected to increase in the last part of the year also due to investments in new strategic projects, whose benefits are expected to arrive from 2021 onwards. Worthy of mention among the strategic projects is the development of the IT and operating platform that will enable illimity to play an active role in the emerging UTP portfolio investment business.

Given the conservative approach taken in the first half of the year with respect to the collective loan adjustment policy and the resulting accruals, the fact that the quality of the existing portfolio of SME loans continues to hold and the current support measures, the Bank expects that the cost of credit in the final part of the year will remain at contained levels. In addition, it is expected that the introduction of certain recently issued government measures will contribute to the stabilisation of the cost of credit in the final part of the year and that this will produce a reduction in the risk (and therefore in the reserve allowance already recognised in the financial statements) on a part of the existing Crossover portfolio.

As a result of the expected growth in volumes, it is envisaged that risk-weighted assets (RWAs) will continue to rise in the fourth quarter of the year, although to an extent less than proportional to the increase in loans and investments, also as a result of capital optimisation strategies, including those made available by the recent measures supporting the economy.

In addition, a positive evolution in own funds is expected in the fourth quarter arising from the generation of profits, to which should be added the benefits arising from the banking package approved by the European Commission in June, which – on the basis of the pro-forma RWAs reported at 30 September 2020 – are estimated in approximately 65bps.

It remains to assess the effects arising from the restrictive measures recently reintroduced to deal with the new heightening of the pandemic, these being currently difficult to quantify.

Pursuant to article 154 bis, paragraph 2, of Legislative Decree no. 58/1998 (the Consolidated Law on Finance), the Financial Reporting Officer, Mr. Sergio Fagioli, declares that the accounting information contained in this press release corresponds to the documented results and the *accounting books and records.*

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illimity management will present the results for the third quarter of 2020 to the financial community today 11 November 2020 at 9:00 a.m. CET. The event can be followed by Live Audio Webcast using the following link: https://87399.choruscall.eu/links/illimity201111.html or by conference call on the following numbers.

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illimity Bank S.p.A.

illimity is the high-tech banking group founded and headed by Corrado Passera that was created with the aim of responding to specific market needs by way of an innovative and specialist business model. More specifically, illimity extends financing to high-potential SMEs, purchases distressed corporate loans and services these through its platform, neprix, provides digital direct banking services through **illimitybank.com** and, with illimity SGR, over the next few months will set up and manage the first Alternative Investment Fund for corporate loans. The story of illimity began in January 2018 with the launch of the special purpose acquisition company SPAXS S.p.A., which ended with a record 600 million euro being raised on the market. SPAXS subsequently acquired Banca Interprovinciale S.p.A., with the resulting merger between the two, giving rise to "illimity Bank S.p.A." which has been listed on the Italian Stock Exchange since 5 March 2019, (ticker "ILTY"), first on MTA exchange and since September 2020 on the Star Segment. The banking group, headquartered in Milan, can already count on 500 employees and closed its first year of activity with assets of 3 billion euro.

CONSOLIDATED BALANCE SHEET

(values in thousands of euro)

		30.09.2019	31.12.2019	31.03.2020	30.06.2020	30.09.2020
10	Cash and cash balances	110,490	772,125	219,063	311,387	542,952
20	Financial assets measured at fair value through profit or loss	9,749	8,665	7,567	12,184	17,158
	a) financial assets held for trading	69	63	62	52	3,196
	b) financial assets designated at fair value	-	-	-	-	-
	c) other financial assets mandatorily measured at fair value	9,680	8,602	7,505	12,132	13,962
30	Financial assets measured at fair value through other comprehensive income	91,737	125,788	335,187	285,679	136,665
40	Financial assets measured at amortised cost	1,629,585	1,982,722	2,318,513	2,408,726	2,475,749
	a) due from banks	271,289	344,858	566,799	502,844	504,806
	b) loans to customers	1,358,296	1,637,864	1,751,714	1,905,882	1,970,943
50	Hedging derivatives	-	-	-	-	-
60	Fair value change of financial assets in hedged portfolios (+/-)	-	-	-	-	-
70	Investments in associates and companies subject to joint control	-	-	-	-	-
80	Tangible Assets	25,400	25,395	25,775	72,058	71,948
90	Intangible assets	36,808	40,804	57,808	61,888	65,316
	of which goodwill	21,643	21,643	36,224	36,224	36,224
100	Tax assets	35,039	37,061	39,043	39,500	35,368
	a) current	4,380	5,127	3,152	2,433	2,515
	b) deferred	30,659	31,934	35,891	37,067	32,853
110	Non-current assets held for sale and discontinued operations	-	-	-	-	-
120	Other assets	17,661	32,662	48,814	46,434	46,902
	Total Assets	**1,956,470**	**3,025,222**	**3,051,770**	**3,237,856**	**3,392,058**

(values in thousands of euro)

		30.09.2019	31.12.2019	31.03.2020	30.06.2020	30.09.2020
10	Financial liabilities measured at amortized cost	1,325,298	2,377,250	2,401,891	2,520,946	2,688,895
	a) due to banks	*397,005*	*376,747*	*468,190*	*582,970*	*540,953*
	b) due to customers	*912,900*	*1,985,145*	*1,923,399*	*1,935,722*	*2,145,686*
	c) debt securities issued	*15,393*	*15,358*	*10,302*	*2,254*	*2,256*
20	Financial liabilities held for trading	-	-	-	-	-
30	Financial liabilities designated at fair value	-	-	7,719	-	-
40	Hedging derivatives	-	-	-	-	-
50	Adjustments in value of generic hedging financial liabilities (+/-)	-	-	-	-	-
60	Tax liabilities	1,461	770	2,156	3,187	4,627
	a) current	*43*	*53*	*1,125*	*2,301*	*3,880*
	b) deferred	*1,418*	*717*	*1,031*	*886*	*747*
70	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-
80	Other liabilities	84,174	100,568	100,006	146,995	120,093
90	Employee termination indemnities	1,063	1,097	1,712	2,175	2,449
100	Provisions for risks and charges:	1,131	1,082	1,047	1,393	1,479
	a) commitments and guarantees issued	*662*	*598*	*459*	*326*	*795*
	b) pensions and similar obligations	-	-	*3*	*4*	*5*
	c) other provisions for risks and charges	*469*	*484*	*585*	*1,063*	*679*
110	Valuation reserves	2,572	939	(10,946)	(4,199)	(1,855)
120	Redeemable shares	-	-	-	-	-
130	Equity instruments	-	-	-	-	-
140	Reserves	35,497	36,188	20,217	21,237	21,501
150	Share premium reserves	480,156	480,156	480,156	487,373	487,373
160	Share capital	43,408	43,408	43,408	44,007	44,007
170	Treasury shares	(96)	(96)	(96)	(96)	(832)
180	Profit (loss) for the period attributable to the Group (+/-)	(18,194)	(16,140)	4,500	14,838	24,321
	Group equity	**543,343**	**544,455**	**537,239**	**563,160**	**574,515**
	Profit (loss) for the period attributable to minority interests (+/-)	-	-	-	-	-
	Equity of minority interests	**-**	**-**	**-**	**-**	**-**
	Total liabilities and equity	**1,956,470**	**3,025,222**	**3,051,770**	**3,237,856**	**3,392,058**

CONSOLIDATED INCOME STATEMENT

(values in thousands of euro)

		4Q19	1Q20	2Q20	3Q20	09M20
10	Interest income and similar income	27,543	32,061	33,212	37,655	102,928
20	Interest expenses and similar charges	(9,416)	(10,627)	(9,321)	(10,412)	(30,360)
30	**Net interest margin**	**18,127**	**21,434**	**23,891**	**27,243**	**72,568**
40	Commission receivable	3,662	3,862	2,734	4,105	10,701
50	Commission expense	(2,148)	(1,366)	(604)	(1,156)	(3,126)
60	**Net commission**	**1,514**	**2,496**	**2,130**	**2,949**	**7,575**
70	Dividends and similar income	-	-	-	-	-
80	Net trading result	41	2	(533)	83	(448)
90	Net hedging result	-	-	-	-	-
100	Gain (loss) from disposal and repurchase of:	9,363	4,914	505	238	5,657
	a) financial assets measured at amortized cost	*7,710*	-	-	-	-
	b) financial assets measured at fair value through other comprehensive income	*1,653*	*4,916*	*504*	*238*	*5,658*
	c) financial liabilities	-	*(2)*	*1*	-	*(1)*
110	Gain (loss) on other financial assets and liabilities measured at fair value through profit or loss	(513)	(1,220)	-	1,750	530
	a) financial assets and liabilities designated at fair value	*(1)*	-	-	-	-
	b) other financial assets subject to mandatory fair-value valuation	*(512)*	*(1,220)*	-	*1,750*	*530*
120	**Net interest and other banking income**	**28,532**	**27,626**	**25,993**	**32,263**	**85,882**
130	Net write-downs/write-backs for credit risks relating to:	(38)	8,399	11,687	11,127	31,213
	a) financial assets measured at amortized cost	*(93)*	*8,936*	*11,503*	*10,774*	*31,213*
	b) financial assets measured at fair value through other comprehensive income	*55*	*(537)*	*184*	*353*	-
140	Gain/loss from contract amendments without cancellations	-	-	-	-	-
150	**Net result from banking activities**	**28,494**	**36,025**	**37,680**	**43,390**	**117,095**
160	Net insurance premiums	-	-	-	-	-
170	Other net insurance income/expenses	-	-	-	-	-
180	**Net result from banking and insurance activities**	**28,494**	**36,025**	**37,680**	**43,390**	**117,095**
190	Administrative expenses:	(28,180)	(27,389)	(26,706)	(29,171)	(83,266)
	a) staff costs	*(9,263)*	*(11,260)*	*(13,235)*	*(11,472)*	*(35,967)*
	b) other administrative expenses	*(18,917)*	*(16,129)*	*(13,471)*	*(17,699)*	*(47,299)*
200	Net provisions for risks and charges	124	105	(101)	(240)	(236)
	a) commitments and financial guarantees issued	*62*	*141*	*(137)*	*(200)*	*(196)*
	b) other net provisions	*62*	*(36)*	*36*	*(40)*	*(40)*
210	Net value adjustments to/recoveries on tangible assets	(539)	(660)	(663)	(700)	(2,023)
220	Net value adjustments to/recoveries on intangible assets	(578)	(1,173)	(1,364)	(1,598)	(4,135)
230	Other operating income/expenses	2,088	253	1,185	1,496	2,934
240	**Operating expenses**	**(27,085)**	**(28,864)**	**(27,649)**	**(30,213)**	**(86,726)**
250	Profit (loss) on investments in associates and companies subject to joint control	-	-	-	-	-
260	Valuation differences on tangible and intangible assets measured at fair value	-	-	-	-	-
270	Adjustments in value of goodwill	-	-	-	-	-
280	Gain (loss) from disposal of investments	-	-	-	-	-
290	**Pre-tax profit (loss) before tax from continuing operations**	**1,409**	**7,161**	**10,031**	**13,177**	**30,369**
300	Tax income (expenses) for the period on continuing operations	645	(2,661)	307	(3,694)	(6,048)
310	**Profit (loss) after tax from continuing operations**	**2,054**	**4,500**	**10,338**	**9,483**	**24,321**
320	Profit (loss) after tax from discontinued operations	-	-	-	-	-
330	**Profit (loss) for the period**	**2,054**	**4,500**	**10,338**	**9,483**	**24,321**
340	Profit (loss) for the period attributable to minority interests	-	-	-	-	-
350	**Profit (loss) for the period attributable to the Parent Company**	**2,054**	**4,500**	**10,338**	**9,483**	**24,321**