CONSOLIDATED RESULTS FOR THE FINANCIAL YEAR 2018

ILLIMITY, THE NEW DIGITAL BANK SPECIALISED IN LENDING TO SMES AND CORPORATE NPLS, LISTED ON THE MTA, ENTERS 2019 WITH PLENTY OF LIQUIDITY AND A CET1 RATIO ABOVE 90% TO BE INVESTED IN ITS GROWTH PLAN

THE 2020-2023 PROFITABILITY TARGETS THAT EMBED THE NEW ECONOMIC AND REGULATORY SCENARIO ARE CONFIRMED

- ***Illimity, the new digital banking start-up specialized in high value-added segments of the SME market, born from the merger between SPAXS and Banca Interprovinciale and listed on the MTA of the Italian Stock Exchange since 5 March 2019, is already fully operational, with 415 million euros of business assets in the Corporate NPL segment and lending to SMEs and about 200 employees***
- ***Based on the consolidated results of SPAXS approved today, illimity begins 2019 with a large capital base - a CET1 ratio in excess of 90% - and plentiful liquidity, to support the growth envisaged by the plan***
- ***The 2020-2023 business plan targets for profitability, capital strength and liquidity are widely confirmed and embed the new and more challenging economic and regulatory scenario***

Milan, 6 March 2019 - The Board of Directors of **illimity Bank S.p.A.** ("**illimity**" or the "**Bank**"), the company resulting from the merger of SPAXS S.p.A. ("**SPAXS**") into Banca Interprovinciale S.p.A. ("**Banca Interprovinciale**" or "**BIP**"), which became effective on 5 March 2019, today approved the draft financial statement of Banca Interprovinciale and the consolidated results of SPAXS for the year ended 31 December 2018.

These results, which represent the starting point for the prospective evaluation of **illimity**, show a negative net result of 23.5 million euros. This includes a loss of 9.4 million euros for the entire 2018 period of SPAXS and three months of economic results for Banca Interprovinciale, with a negative of 13.5 million euros, and is affected by the costs of implementing the *Business Combination*, that are non-recurring, and the first investments in resources and systems of the new Bank.

Based on SPAXS consolidated results, the Bank enters 2019 with a high capital base, with a CET1 ratio higher than 90% in December 2018, 440 million euros of cash and cash equivalent available at Central Banks and at other financial institutions and additional liquidity buffers for a nominal value of 126 million euros represented by unencumbered High Quality Liquid Assets, to support the growth envisaged by the 2018-2023 business plan.

Illimity largely confirms the profitability targets of the 2018-2023 business plan presented in July 2018, which envisages a Cost Income Ratio for 2023 of less than 30% and a ROE of 25%. The net income is expected to reach 280 million euros in 2023, up from 55-70 million euros in 2020, reaching 6.6 billion euros in total assets and maintaining a CET1 ratio higher than 15% throughout the plan timeline. These targets fully include the effects of recent and more challenging changes to the economic and regulatory environment.

Corrado Passera, CEO of **illimity**, commented:
"*In just one year we have transformed a business idea into a new bank, with a highly innovative model that responds to the opportunities created by the new environment for financial services. We met all the deadlines we had set ourselves and since yesterday we are listed on the MTA of the Milan Stock Exchange.* ***Illimity*** *today is fully operational, the managerial team is completed and 200 illimiters are already on board.*

Illimity *begins 2019 with significant capital base and liquidity to invest in the robust pipeline built in the past few months.*

We confirm our strategy and our business plan targets, which already fully embed both the changes in the scenario and the regulatory changes that have taken place since last July."

SPAXS Consolidated Results for the financial year 2018

In 2018, the foundations were laid for the launch of a highly digitized banking start-up specializing in lending to SMEs, which began with Banca Interprovinciale, whose merger with SPAXS, completed on March 5, 2019, gave rise to **illimity**. It follows that, in line with what was forecast in the business plan, SPAXS balance sheet and income statement for 2018 reflect the costs involved in implementing the Business Combination and constructing the new bank model, including initial investments in human resources and technology. They are also affected by the impact of the de-risking activities of the government bond portfolio, proactively reduced in the second half of the year to deal with the changing macroeconomic context.

Balance Sheet highlights

SPAXS CONSOLIDATED BALANCE SHEET	2018
Data in million euros	
Cash and cash equivalent	68
Due from banks	372
Loans to customers	597
- NPL	*138*
- SME	*34*
- Banca Interprovinciale	*312*
- Financial Assets Held To Collect (HTC)	*114*
Financial Assets Held To Collect & Sell (*HTCS*)	108
Financial Assets at FVTPL	29
Goodwill	22
Tangible and intangible assets	3
Other assets (including Tax assets)	36
Total assets	**1,235**

Due to banks	109
Customer deposits	454
Debt securities	81
Shareholders' Equity	557
Other liabilities (including Tax liabilities)	34
Total liabilities	**1,235**

1. HTC: Financial assets measured at amortised costs
2. HTCS: Financial assets valued at fair value with impact on comprehensive income
3. FVTPL: financial assets valued at fair value through profit or loss
Any failure to reconcile the data shown in the table above depends solely on rounding.

On 31 December 2018 SPAXS had liquid assets represented by cash and cash equivalent available at Central Banks and at other financial institutions for 440 million euros and additional liquidity buffers for a nominal value of 126 million euros represented by unencumbered High-Quality Liquid Assets.

On the same date the net customer loans totalled 597 million euros. Based on the new IFRS9 accounting principle and in accordance with Bank of Italy Circular no. 262, as at 31 December 2018 loans to customers included Italian government bonds for a total book value of 114 million euros classified as *Held To Collect* ("HTC").

Following the *Business Combination*, effective on 20 September 2018, Banca Interprovinciale began new operations in the business segment envisaged in the business plan and in the fourth quarter of 2018 recorded loans to customers of 172 million euros. Out of this, around 87 million euros represent the carrying amount as of 31 December 2018 of NPL portfolios purchased, acquired through a securitisation vehicle. This value corresponds to a *Gross Book Value* or GBV of the NPL portfolios acquired by the Bank as of 31 December 2018 totalling around 1.15 billion euros. The main part of the total portfolio (81% of the GBV) is represented by unsecured NPLs and around 75% of the GBV is made up of corporate NPL.

The Bank also provided 51 million euros in *senior financing*, which is guaranteed by a portfolio of *non-performing corporate secured* credits with a gross nominal value of 1.2 billion euros.

The SME Division executed two deals in the Turnaround area for an overall value granted of 34 million euros.

Loans to long-standing customers of the Bank remained substantially stable at 312 million euros, of which approximately 164 million euros refer to SME customers consistent with the scope of business envisaged in the business plan.

For a detailed description of the asset quality of the Bank in 2018, please refer to the press release dated 11 February regarding the preliminary results from Banca Interprovinciale S.p.A., confirmed with today's approval of the draft statutory financial statements as at 31 December 2018.

During 2018, certainty was gained regarding the completion of the Business Combination and in response to the changed macroeconomic context, a series of *de-risking* actions have been taken on the portfolio of government securities owned by the Bank. This activity has led to a reduction of the exposure in government bonds classified within the *Held to Collect and Sell* ("HTCS") category, former AFS IAS 39, in the balance sheet of around 84%, to the value of 81 million euros at the end of 2018. With a negative impact before taxes of 2.1 million euros following the Business Combination (equivalent to 15 million euros before taxes in the individual financial statement of

Banca Interprovinciale for the full year 2018), the de-*risking* activity has yielded a substantial reduction in the risk parameters of the HTCS portfolio. In 2019, a further 65 million euros government bonds were sold, with a negligible economic impact. Overall, through these activities, the interest rate risk and the credit risk of the HTCS portfolio were reduced to negligible figures, and the overall portfolio of government bonds, including the bonds classified as HTC and accounted at amortised cost, was reduced by more than 75% up until today.

Following the purchase of 99.2% of Banca Interprovinciale, which was completed on 20 September 2018, a goodwill was booked in SPAXS's consolidated accounts for around 21.6 million euros. This is mainly due to the loss recorded by Banca Interprovinciale in the first nine months, owing to the downsizing of the government bonds portfolio and to marked-to-market of the HTC bonds portfolio at the consolidation date.

As a result of the above, as of 31 December 2018, SPAXS total assets are reported as 1,235 million euros.

As of 31 December 2018, the Shareholders' Equity stood at 557 million euros. This figure takes into account the net loss of around 23.5 million euros; the capital repaid as a result of the exercise of the withdrawal right, pursuant to Article 2437, paragraph 1, letters a) and e), and paragraph 2, letter a), of the Italian Civil Code, arising from the Extraordinary Shareholders' Meeting of SPAXS held on 8 August 2018 in relation to the Business Combination, amounting to 38 million euros and representing 6.2% of the ordinary share capital of the company; the capital increase of 10 million euros reserved to part of Banca Interprovinciale shareholders, to be paid through contribution of the shares of Banca Interprovinciale as part of the *Business Combination*; and finally, the costs connected to the admission of SPAXS to trading on the AIM Italia managed by Borsa Italiana.

Profit & Loss highlights

SPAXS CONSOLIDATED INCOME STATEMENT	2018
Data in million euros	
Net interest income	5.1
Net fees and commissions	(0.0)
Net result from trading	(2.1)
Net other income/expenses	(0.1)
Operating income	**2.9**
Operating costs	**(25.6)**
Operating profit	**(22.7)**
Loan loss provision charges	(3.3)
Other net provisions on other assets	(0.1)
Provision for risks and charges	(2.4)
Profit before tax	**(28.5)**
Income tax	4.8
Minorities	0.1
Profit (Loss) for the period	**(23.5)**

Any failure to reconcile the data shown in the table above depends solely on rounding.

Net interest income, equal to 5.1 million euros, benefited only marginally from the Bank's new businesses in the fourth quarter of the year, as a result of the timing of the completion of the various transactions during the quarter, and the time interval that typically occurs, in the case of NPL portfolios purchase, between the date of the transaction and the date on which the portfolio begins to generate revenues (due to onboarding process and data entry).

From the Business Combination date to the reporting date, trading activities recorded a net loss of nearly 2.1 million euros (i.e. a 15 million euros pre-tax loss in the individual financial accounts of BIP for the full year 2018), mainly as a result of losses made on the sales of government bonds.

Operating costs included 4 million euros worth of personnel costs associated with new hiring following the Business Combination – with the headcount having risen to 138 units at the end of 2018.

Other administrative costs, worth 21.6 million euros, include advisory service costs (technical, legal, tax or strategic consultancy and others), start-up costs and Business Combination implementation costs – of which 13.6 million euros can be considered as non-recurring.

Net provisions for risk and charges, equal to 2.4 million euros, relate to one-off costs incurred for the advance termination of the current IT outsourcing contract in order to migrate to the target IT platform; this amount includes the applied penalty and the additional costs of migrating to a new platform.

Loan loss provisions amounted to around 3.3 million euros and include the effects of the increase in exposures classified as non-performing. For further details on the evolution of credit quality and the relative cost of risk, see the press release issued on 11 February 2019 on the preliminary results of the individual financial statements of Banca Interprovinciale for the year 2018.

The year 2018, therefore, ended with a net loss of 23.5 million euros, in line with the business plan.

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Business Plan 2018-2023

When it is fully operational the Bank aims to make a **net profit** of approximately **280 million euros** in 2023 with a **Return on Equity (ROE)** of around **25%.** The Bank also intends to achieve a satisfactory result as early as in 2020, when a **profit of 55 to 70 million euros** is expected, which corresponds to a **ROE of around 9-10%**. The performance of assets and the Bank's lean operating structure will help achieve a **cost-income ratio of less than 55%** as early as in 2020 and of **less than 30%** or so at the end of the plan.

Assets are estimated to grow initially to a **targeted 3.5 to 4.3 billion euros by 2020** and to around **6.6 billion euros in 2023** once the Bank will be fully operational. The objective of prudent risk management has been confirmed, with a targeted organic gross NPE ratio as percentage of gross customer loans of around 7%[1] at the end of the plan, as well as the application of stringent asset liability management rules.

[1] Organic NPE Ratio: ratio between gross non-performing exposures and total gross customer loans including Invoice Lending, Cross-over, BIP loans and loans granted as new finance within Turnaround deals in the SME Division – thus excluding the loans purchased within Restructuring and Refinancing transactions

The Bank confirms the objective of maintaining a solid capital base, with a **CET1 ratio that will remain constantly above 15%** throughout the plan period. This objective includes a conservative dividend policy, with a growing dividend distribution starting from the reporting period 2022, when a 20% pay-out is assumed, which will grow to 25% in 2023.

The Bank's liquidity profile is set to remain excellent, with a net stable funding ratio (**NSFR**) that will remain structurally above **115%** over the entire plan period and a liquidity coverage ratio (**LCR**) also steadily **above 130%**.

The effect of the regulatory changes that occurred in recent months and the effect of the turbulence on the financial markets are already fully reflected in the industrial plan targets.

Main changes in the economic and regulatory scenario

Several changes have occurred since 20 July 2018, when SPAXS presented to the financial community its 2018-2023 business plan for a *Business Combination* with Banca Interprovinciale. Part of these changes is associated with the implementation of the *Business Combination*, including the new Bank's entry into operation and the exercise of the right of withdrawal by the SPAXS shareholders (as mentioned above), which drove the overall Shareholders' Equity down by around 38 million euros.

Changes have also occurred in the economic and regulatory scenario, such as the recent regulatory changes affecting the risk weightings, for the purpose of calculating the value of risk weighted assets with regard to loans classified as non-performing (i.e. non-performing exposure or "NPE"), the approval of the Prudential Backstop, and the deterioration and greater volatility of Italian sovereign debt.

On 21 September 2018, the European Banking Authority (EBA) provided its official clarification about its interpretation of the Capital Requirement Regulation (CRR) for the treatment of unsecured doubtful loans acquired by banking institutions, with express reference to weighting ratios for calculating the value of weighted risk assets (i.e. 100% for provisions above 20%, and 150% in all other cases). The clarification envisages that, for the purposes of the weighting ratio, only the coverage of loans recognised in the income statement by the bank that originated or acquired them are valid. As a result, from now onwards, 150% weighting shall be applied to the acquired unsecured non-performing credit exposures.

Subsequently, the European institutions worked on several planned amendments to the CRR[2], which will be formally approved shortly. The most significant amendment to be introduced is the Prudential Backstop, or a gradual minimum loss coverage on non-performing exposures (NPEs) over time, for prudential purposes only. The Prudential Backstop applies to all banks (including those specialised in the acquisition of portfolios and loans classified as non-performing) for loans originated after the formal implementation of the new CRR, which is expected in spring.

[2] European Parliament amendment to Regulation (EU) no. 575/2013

Our managerial approach

All these challenges have promptly been included and embedded in the business plan. As part of a well-defined and entirely confirmed strategic vision, the Management has adopted a proactive approach, identifying strategic levers and specific actions to react to the new, more complex regulatory and industry scenarios.

A specific approach was adopted to optimise the allocation of the economic capital to the various business units with a view to improving the long-term risk-return profile of lending activities in the long term, while keeping the expected return on assets unchanged and further improving business diversification. As a result, the NPL business now accounts for 44% of commercial assets by 2023, vs. Turnaround and New Finance 21%, Cross-over Lending (including the BIP investment portfolio) 13% and Invoice Lending 22%.

The business mix was revised, by planning increase in the portion of business backed by collateral in NPL portfolios purchased and in the Turnaround activity, borrowed from the evidence of the business already ongoing and from the characteristics of the pipeline, and consistently directed commercial objectives. The optimisation of the mix, with the secured component now planned to achieve around 60% of total assets for the NPL business and around 30% for the Turnaround business, will have a positive impact not only in terms of allocated capital but also in terms of a lower cost of risk in the event that the exposures originated/purchased in the Turnaround business become non-performing, due to the higher recoverable value linked to the value of the collateral, with a consequent reduction in the overall risk profile of the business.

Concurrently, a further diversification of the funding mix was envisaged through the planning of securitization activities for Invoice Lending and Cross-over. Further securitisations of NPL assets are not currently included in the plan and represent a possible future actionable strategic lever.

At the same time, since the Prudential Backstop will apply to new loans after the legislation comes into force, based on our analysis on the portfolios data collected so far, the high vintage of the purchased NPLs and UTP loans would support a limited impact from new rules within the time horizon of the plan and largely manageable afterwards.

Based on the management actions described above, the targets of profitability, capital solidity and liquidity have been largely confirmed over the entire period of the plan.

Key business plan targets 2020-2023

Balance sheet *(Billion euros)*	**2020E** (range)	**2023E**
Net loans from SME Division	1.2-1.4	3.3
Net loans from NPL Investment & Servicing Division	1.8-2.2	2.6
Cash, cash equivalent and liquid assets	0.5-0.6	0.7
Due from banks	0.0	0.0
Other assets	0-0.1	0.0
Total assets	**3.5-4.3**	**6.6**
Direct deposits from retail customers	0.7-0.8	1.9
Direct deposits from corporate customers	0.4-0.5	1.0
Direct deposits from European Open Banking Platform	0.3-0.5	1.2
Wholesale funding	1.5-1.8	1.4
Shareholders' Equity	0.6-0.7	1.1
Total liabilities and equity	**3.5-4.3**	**6.6**

Income statement *(Million euros)*	**2020E** (range)	**2023E**
Total revenues	250-310	675
Operating costs	110-140	160
Operating profit	140-170	515
Loan Loss Provision Charges	50-63	95
Pre-tax profit/loss	90-107	420
Net profit/loss	**55-70**	**280**

Key financial ratios *(Billion euros)*	**2020E**	**2023E**
Return on Equity (ROE)	9%-10%	25.0%
Cost/Income ratio	<50%	<30%
Cost of Risk (bps)	185-225	170
Gross Organic NPE Ratio (excl. Turnaround)[3]	5%-7%	7%
Gross NPE Ratio (incl. Turnaround)[4]	6%-8%	10%
Liquidity Coverage Ratio (LCR)	>130%	>130%
Common Equity Tier 1 Ratio	>15%	>15%
Risk Weighted Assets (RWA), billions of euros	3.4-4	6.5
Employees (FTE)	410 – 510	610

Illimity targets to reach total revenues of 250-310 million euros by 2020 and 675 million euros by 2023 and costs amounting to 110-140 million euros in 2020 and 160 million euros in 2023.

Revenues shall mainly be composed of net interest income (approximately 90% of total income by the end of the plan), which will include the interest income on Invoice lending and Crossover lending operations, in addition to the revenues arising from the collection of NPL portfolios purchased by the Bank and the flows of interest receivable and revenues from investments in UTP loans. The commission income will, instead, depend on servicing fees from third party NPL portfolio management and, to a lesser degree, sales of third-party financing, insurance and investment products via the direct banking platform.

As regards to costs, personnel costs will account for approximately 40% of steady-state operating costs, with an end-of-plan estimated headcount of more than 610 units.

Overall investments in the development of the IT platforms were estimated at 115 million euros over the plan period, of which 45 million euros shall be capitalised.

[3] Ratio of gross doubtful loans to total gross loans for the activities of Invoice Lending, Cross-over, BIP lending, senior financing to NPL investors and loans granted as new finance within the SME Division's Turnaround area - thus excluding loans acquired as a result of Restructuring and Refinancing transactions as well as NPL portfolios acquired as part of the NPL Investment & Servicing Division's activities

[4] Ratio of gross doubtful loans to total gross loans in the activities of Invoice lending, Cross-over, BIP lending, senior financing to NPL investors, loans granted as new finance within the SME Division's Turnaround area and loans purchased as a result of Restructuring and Refinancing operations - excluding NPL portfolios purchased within the activities of the NPL Investment & Servicing Division.

Loan loss provisions are expected to increase from 50-63 million euros in 2020 to about 95 million euros in 2023, meaning a cost of risk on average net loans of around 170 bps. Loan provisions will almost entirely be attributable to the SME division, whose cost of credit is due to remain equal to approximately 300 bps over the plan period.

From a divisional perspective, the dynamics already envisaged in the July business plan is confirmed: the NPL Division will be up and running faster, making it the largest contribution to pre-tax profit in 2020. Afterwards, when fully operational, the Bank will be fully diversified, with a balanced contribution to the economic result between NPL and SME, while the Direct Banking Division will play a decisive role in gathering deposits aimed at supporting the Bank's activities.

The Management will present the results for 2018 and an update on business progress to the financial community today at **11:00 a.m. C.E.T**. The event will be available by Live Audio Webcast on: http://services.choruscall.eu/links/illimity190306.html and by conference call on the following numbers:

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Pursuant to Article 154-bis, paragraph 2 of Legislative Decree no. 58/1998 (Unified Financial Act), the Financial Reporting Officer, Sergio Fagioli, declares that the accounting information contained in this press release corresponds to the documentary results, books and accounting records.

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illimity Bank S.p.A.

illimity is the banking start-up born in 2019 with a strongly innovative and high-tech business model, specialised in lending to SMEs and headed by Corrado Passera. **illimity** extends financing to high-potential SMEs that still have a low or no rating at all, including the non-performing SME segment (Unlikely-To-Pay); in addition, it acquires unsecured and secured Corporate NPLs in order to service them through its platform. Finally, by the end of the first half of 2019, it will start providing cutting-edge direct digital banking services for retail and corporate clients. The story of **illimity** began in January 2018 with the launch of SPAXS S.p.A. —the first Italian SPAC (special purpose acquisition company) with the mission to acquire and capitalise an entity operating in the banking industry—which raised Euro 600 million. Only two months after its launch, SPAXS announced the acquisition of Banca Interprovinciale S.p.A., whose business combination was finalised in September 2018 after obtaining the approval of the Shareholders' Meeting of SPAXS held in August 2018. The merger between SPAX and the Bank gave rise to **illimity Bank S.p.A.**, which began trading on Borsa Italiana S.p.A.'s MTA market effective 5 March 2019.

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Factors that could cause actual results to differ materially from those in the forward-looking statements include, inter alia, reductions in customer spending, a slowdown in customer payments and changes in customer demand for products and services; unanticipated changes relating to competitive factors in the industries in which the Bank operates; the ability to hire and retain key personnel; the ability to attract new customers and retain existing customers in the manner anticipated; reliance on and integration of information technology systems; changes in legislation or governmental regulations affecting the companies; international, national or local economic, social or political conditions that could adversely affect the Bank or its customers; conditions in the credit markets; risks to the industries in which the Bank operates.

Nothing in this document is intended, or is to be construed, as a profit forecast or to be interpreted to mean that the Bank's earnings for the current or any future financial years will necessarily match or exceed the Bank's expected earnings.