

Public disclosure

Pillar III

as of 30 June 2023

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1. Introduction

The prudential supervisory requirements stipulate, in order to strengthen “market discipline”, that banks must publish a public disclosure (the “Public or Pillar 3 Disclosure”) that guarantees an adequate level of transparency concerning the exposure, monitoring and management of the risks assumed, assigning particular significance to capital adequacy. In particular, the Public (Pillar 3) Disclosure is directly governed by the CRR, Part Eight and Part Ten, Title I, Chapter 3, and by the technical regulation or implementation rules issued by the European Commission to govern:

- standard models for the publication of information about own funds;
- disclosure obligations regarding capital reserves;
- standard models for the publication of information about indicators of systemic importance;
- disclosure concerning unencumbered balance sheet assets;
- standard models for the publication of information about the leverage ratio.

The regulations also require the addition of further information about governance, remuneration, unencumbered assets and disclosures concerning the leverage ratio. The regulations set out a list of minimum information required, without requiring dedicated synoptic tables (the Tables from the previous regulations), except as indicated above.

Furthermore, at a European level the EBA published the “*Guidelines on disclosure requirements under Part Eight of Regulation (EU) No. 575/2013*” in order to increase the coherence and comparability of the information to be provided in the Pillar 3 Public Disclosure, which apply, from 31 December 2017, to *Globally and Other Systemically Important Institutions* (G-SIIs and O-SIIs). The competent Authorities have the option to require institutions other than G-SIIs and O-SIIs to apply some or all of the provisions set out in the *Guidelines*. To that end it should be pointed out that, following the illimity Group’s transition from classification as a *Small and non-complex Institution* to a *Regular Institution*, the regulatory authority exercised its option to require the full application of the *Guidelines* to institutions classified as *Other Institutions* (Article 433c of the CRR). Accordingly at 30 June 2023 the simplified half-yearly information containing the principal metrics required by Article 447, namely the main indicators for capital solidity, indebtedness and liquidity and the regulatory requirements that must be complied with, has been prepared. Consequently, the public disclosure procedure for the illimity Group (the Group) is in line with the requirements of Part Eight of the CRR.

The Group does not use internal systems to calculate capital requirements related to Pillar 1 risks, and consequently Articles 452, 454 and 455 of Regulation (EU) No. 575/2014 do not apply to this document. Tables without information are not published, and quantitative information is presented in thousands of euros, unless expressly indicated otherwise.

The information must be published via the Group's website at least once a year, to coincide with the publication of the financial statements. The Group is publishing this Public Disclosure via its website, www.illimity.com, in the Investor Relations section.

The document includes the disclosures already provided in the Consolidated half-yearly financial report as of 30 June 2023 (subject to external audit by KPMG S.p.A.), as well as in the supervisory report. Elements common to the liquidity and capital adequacy control process were also used in the preparation of this document.

2. Disclosure of key metrics (Template EU KM1 of Regulation (EU) No. 637/2021)

Own funds, risk-weighted assets and solvency ratios are determined based on the standardised rules for banks and investment firms contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) No. 575/2013 (CRR) of 26 June 2013, and based on Bank of Italy Circulars no. 285 and no. 286 (issued in 2013 and 2014) and on the update to Circular no. 154.

The regulatory provisions relating to own funds stipulated that the new regulatory framework be introduced gradually, by means of a transition period, during which certain elements that will eventually be fully deductible or calculable in Common Equity shall impact Common Equity Tier 1 capital only in terms of a given percentage (the “Phase-In”).

1. Common Equity Tier 1 (CET1) capital

Common Equity is made up primarily of capital, reserves and valuation reserves, in addition to deductions and prudential filters.

2. Additional Tier 1 (AT1) capital

As of the closing date of the financial year, the Group does not have any element that can be calculated in Additional Tier 1 capital.

3. Tier 2 (T2) capital

As of 30 June 2023, the Group has one Tier 2 capital instrument.

The supervisory rules introduced with Bank of Italy Circular no. 285/2013 require Italian banks belonging to banking groups to comply with the following **minimum ratio limits**, expressed as a percentage of Risk Weighted Assets (RWA):

- CET1 equal to 4.5%;
- Tier 1 equal to 6%;
- Total capital ratio equal to 8%.

Furthermore, Italian banks belonging to banking groups are required to comply with the following minimum ratio limits:

- **Capital Conservation Buffer (CCB)**: consisting of Common Equity Tier 1, equal to an additional requirement of 2.5%. The Bank of Italy, unlike other national regulatory authorities, decided to apply the capital conservation buffer in full to all banks starting from 2014;
- **Countercyclical Capital Buffer**: also consisting of Tier 1 capital, this must be accumulated during periods of economic growth in order to deal with potential future losses based on a specific ratio determined on a national basis. The Bank of Italy, as the authority designated to adopt macro-prudential measures in the banking sector, published the document with which it decided to maintain the ratio of the Countercyclical Capital Buffer (CCB) at a level equal to 0%;
- **Additional buffers for Global & Other Systemically Important Institutions (G-SII & O-SII)**: both consisting of Tier 1 capital, they refer directly to entities of particular importance on a global or

national scale. The buffer for G-SII may vary between a minimum level of 1% and a maximum of 3.5%, while that for O-SII exclusively has a non-binding maximum threshold equal to 2%; this is not applicable to the illimity Group;

- **Systemic risk buffer:** equal to at least 1% of the related exposures to risk, this is determined by each individual Member State and essentially serves to mitigate long-term non-cyclical macro-prudential risk, and therefore to deal with negative consequences related to unexpected systemic crises.

The sum of the regulatory requirements and the additional reserves determines the minimum level of capital conservation required of banking groups at the consolidated level and of banks not belonging to banking groups; for 2022, considering the obligation to keep a capital conservation buffer equal to 2.5% of risk-weighted assets, this level is as follows:

- CET1 equal to 7%;
- Tier 1 equal to 8.5%;
- Total capital ratio equal to 10.5%.

If the sum of these reserves fails to comply with the minimum requirement (Combined Requirement), this will result in a limitation on the distribution of profits and the need to adopt a capital conservation plan.

At the conclusion of the Supervisory Review and Evaluation Process (SREP), the Bank of Italy communicated the new additional capital requirements determined following the SREP and in force for 2023, requiring the adoption of a CET1 equal to 9.10%, a Tier1 equal to 11% and a TCR equal to 13.50%.

As mentioned above, Regulation (EU) No. 575/2013 stipulates that certain regulatory adjustments are subject to specific deductibles calculated, using different methods, based on Common Equity (CET1).

Composition of own funds

The following table provides in a tabular format the information required by Article 447 of Regulation (EU) No. 876/2019 as incorporated into Template EU KM1 of Regulation (EU) No. 637/2021.

Template EU KM1: key metrics

		a 30 June 2023	b 31 December 2022	c 30 June 2022
Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	709,882	682,872	641,674
2	Tier 1 capital	709,882	682,872	641,674
3	Total capital	915,185	883,659	846,621
Risk-weighted exposure amounts				
4	Total risk exposure amount	4,601,206	4,329,921	3,973,836
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	15.43%	15.77%	16.15%
6	Tier 1 ratio (%)	15.43%	15.77%	16.15%
7	Total capital ratio (%)	19.89%	20.41%	21.30%
Additional own funds requirements to cover risks other than the risk of over-leverage (as a percentage of risk-weighted exposure amount)				
EU 7a	Additional own funds requirements to cover risks other than the risk of over-leverage (%)	2.00%	2.00%	2.00%
EU 7b	Of which composed of CET1 capital (percentage points)	1.10%	1.10%	1.10%
EU 7c	Of which composed of Tier 1 capital (percentage points)	1.50%	1.50%	1.50%
EU 7d	Total SREP own funds requirements (%)	10.00%	10.00%	10.00%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-
9	Institution specific countercyclical capital buffer (%)	-	-	-
EU 9a	Systemic risk buffer (%)	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	-	-	-
11	Combined buffer requirement (%)	2.50%	2.50%	2.50%
EU 11a	Overall capital requirements (%)	12.50%	12.50%	12.50%
12	CET1 available after meeting the total SREP own funds requirements (%)	-	-	-
Leverage ratio				
13	Total exposure measure	6,922,927	6,440,331	5,328,063
14	Leverage ratio (%)	10.25%	10.60%	11.66%
Additional own funds requirements to cover the risk of over-leverage (as a percentage of total exposure measure)				
EU 14a	Additional own funds requirements to cover the risk of over-leverage (%)	-	-	-
EU 14b	of which composed of CET1 capital (percentage points)	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)				

EU 14d	Leverage ratio buffer requirement (%)	-	-	-
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%
Liquidity coverage ratio				
15	Total high-quality liquid assets (HQLA) (weighted value - average)	1,028,422	953,618	586,943
EU 16a	Cash outflows – Total weighted value	541,910	458,623	459,442
EU 16b	Cash inflows – Total weighted value	168,732	158,052	298,576
16	Total net cash outflows (adjusted value)	373,178	300,571	160,866
17	Liquidity coverage ratio (%)	275.58%	317.27%	364.86%
Net stable funding ratio				
18	Total available stable funding	5,420,920	4,957,716	4,207,257
19	Total required stable funding	4,690,908	4,263,632	3,642,870
20	NSFR ratio (%)	115.56%	116.28%	115.49%

Statement of the Financial Reporting Officer

The undersigned, Sergio Fagioli, in the capacity of Financial Reporting Officer of illimity Bank S.p.A., declares, in accordance with the provisions of Article 154-bis, paragraph 2, of Legislative Decree no. 58 of 24 February 1998 ("Consolidated Law on Financial Intermediation"), that the accounting information contained in this document, "Public disclosure as of 30 June 2023 – Pillar 3", corresponds to the contents of the accounting documents, books and records.

Milan, 3 August 2023

The Financial Reporting Officer

Sergio Fagioli