

Consolidated interim report as of 31 March 2023



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Composition of Corporate Bodies

Board of Directors^(*)

Chair

Rosalba Casiraghi

Chief Executive Officer

Corrado Passera

Directors

Filippo Annunziata

Marco Bozzola

Massimo Brambilla

Patrizia Canziani

Stefano Caringi

Elena Cialliè

Nadia Fontana

Paola Elisabetta Galbiati

Giovanni Majnoni D'Intignano

Francesca Lanza

Marcello Valenti

Management Control Committee

Chair

Marco Bozzola

Members

Stefano Caringi

Nadia Fontana

(*) Board Director appointed by the Shareholders' Meeting of 28 April 2022.

Board Committees

Nominations Committee

Marcello Valenti, Chair
Rosalba Casiraghi
Giovanni Majnoni D'Intignano

Remuneration Committee

Paola Elisabetta Galbiati, Chair
Francesca Lanza
Marcello Valenti

Risks Committee

Elena Cialliè, Chair
Filippo Annunziata
Patrizia Canziani
Stefano Caringi

Committee for Related Party Transactions

Giovanni Majnoni D'Intignano, Chair
Paola Elisabetta Galbiati
Nadia Fontana

Sustainability Committee

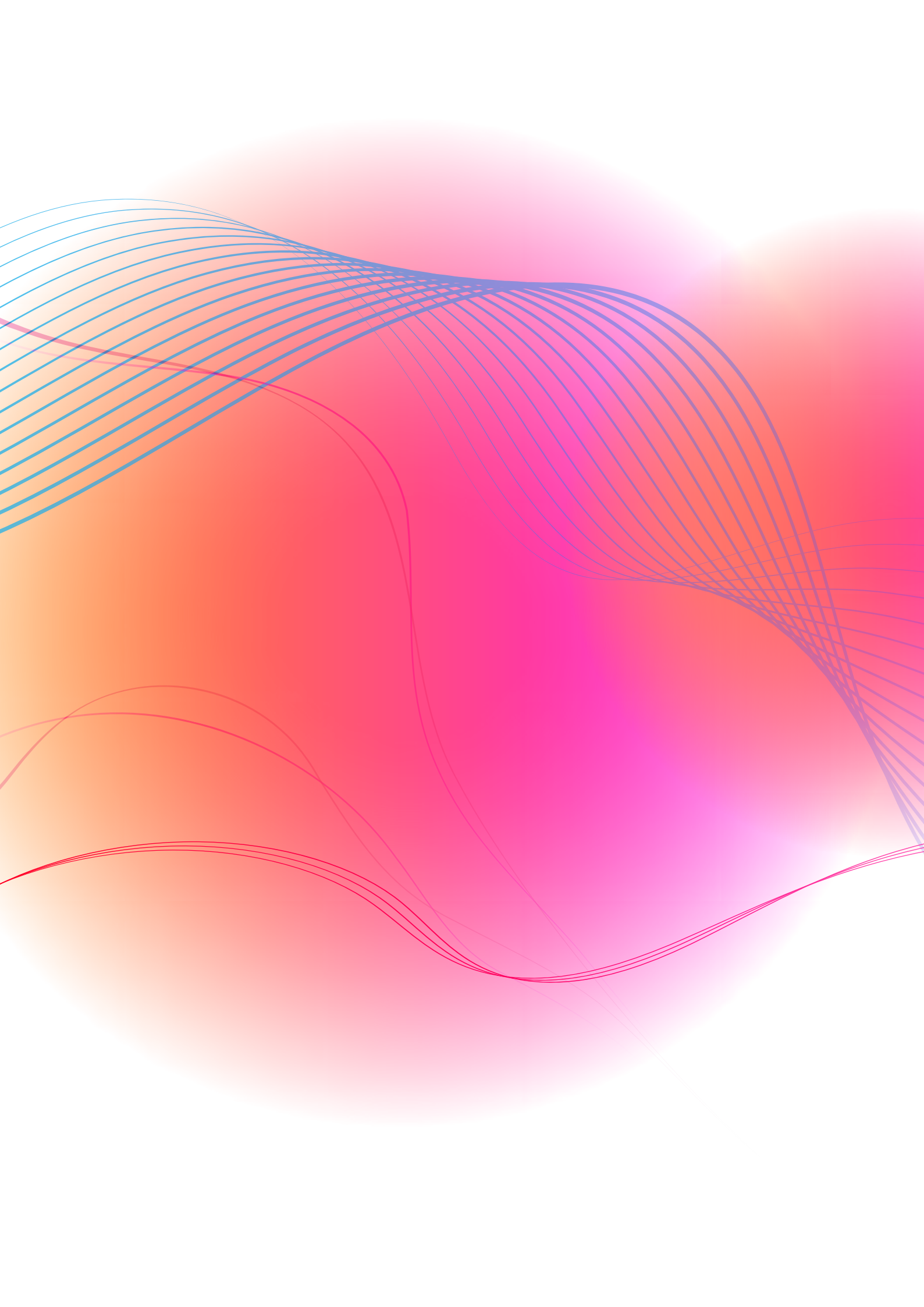
Rosalba Casiraghi,
Chairperson
Massimo Brambilla
Elena Cialliè
Patrizia Canziani

Financial Reporting Officer

Sergio Fagioli

Independent Auditors

KPMG S.p.A.



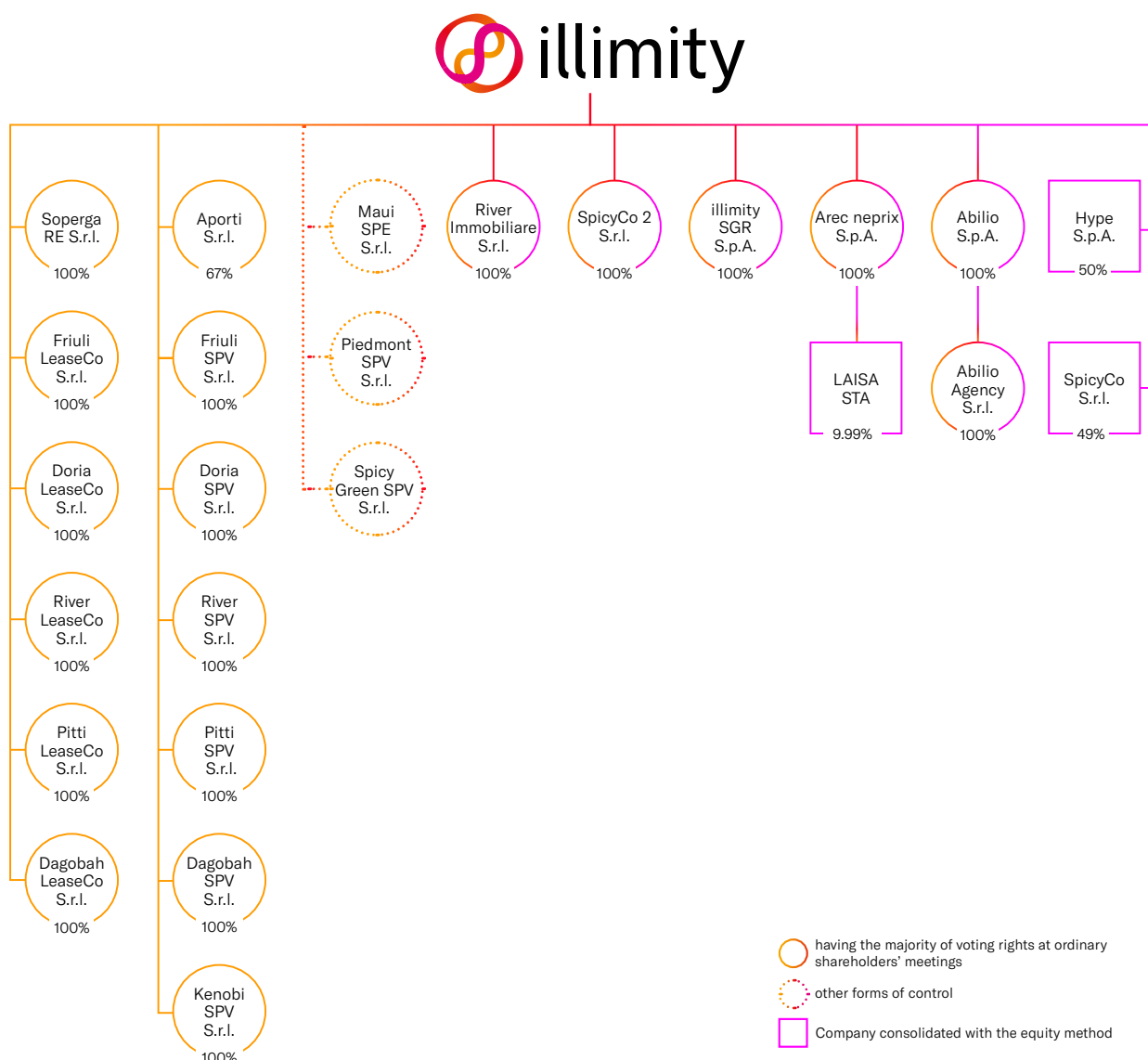


Consolidated interim report

as of 31 March 2023

The illimity Group

This Consolidated Interim Financial Report illustrates the performance and the related financial results for the first nine months of 2023 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.



The illimity Group is engaged in the provision and management of credit through the Growth Credit, Distressed Credit, b-ilty and Investment Banking Divisions. Specifically, illimity provides credit to high-potential SMEs, purchases distressed corporate credit and manages it through its own platform – Arec neprix – and offers direct digital banking services through illimitybank.com. Moreover, the Group includes illimity SGR, which sets up and manages Alternative Investment Funds.

illimity Bank's business also makes 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.

¹ The Bank also operates a branch office located in Modena, at F. Lamborghini 88/90.

Alternative performance measures as of 31 March 2023

The Group's main consolidated measures are set out below.

The figures presented, although not covered by IAS/IFRS, 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	31 March 2023	31 March 2022	Chg.	Chg. %
Total net operating income	72,148	78,452	(6,304)	(8%)
Operating expenses	(50,028)	(44,927)	(5,101)	11%
Operating profit (loss)	22,120	33,525	(11,405)	(34%)
Total net adjustments/recoveries	(2,729)	(5,625)	2,896	(51%)
Profit (loss) from operations before taxes	12,058	24,082	(12,024)	(50%)
Profit (loss) for the period	7,789	15,675	(7,886)	(50%)

(amounts in thousands of euros)

BALANCE SHEET MEASURES	31 March 2023	31 December 2022	Chg.	Chg. %
Net non-performing loans - organic²	96,540	41,943	54,597	>100%
<i>of which: Bad loans</i>	<i>11,981</i>	<i>6,152</i>	<i>5,829</i>	<i>95%</i>
<i>of which: Unlikely-to-pay</i>	<i>55,739</i>	<i>35,511</i>	<i>20,228</i>	<i>57%</i>
<i>of which: Past-due positions</i>	<i>28,820</i>	<i>280</i>	<i>28,540</i>	<i>>100%</i>
Net non-performing loans - inorganic (POCI) ³	1,128,442	1,129,131	(689)	(0%)
<i>of which: Bad loans</i>	<i>591,338</i>	<i>618,740</i>	<i>(27,402)</i>	<i>(4%)</i>
<i>of which: Unlikely-to-pay</i>	<i>527,424</i>	<i>499,617</i>	<i>27,807</i>	<i>6%</i>
<i>of which: Past-due positions</i>	<i>9,680</i>	<i>10,774</i>	<i>(1,094)</i>	<i>(10%)</i>
Performing loans – inorganic (Public Procurement Claims)	87,546	85,386	2,160	3%
Net non-performing securities - inorganic (POCI)	100,427	102,108	(1,681)	(2%)
<i>of which: Unlikely-to-pay</i>	<i>100,427</i>	<i>102,108</i>	<i>(1,681)</i>	<i>(2%)</i>
Net non-performing securities - organic	4,284	2,693	1,591	59%
<i>of which: Unlikely-to-pay</i>	<i>4,284</i>	<i>2,693</i>	<i>1,591</i>	<i>59%</i>
Net performing HTC securities - Government Bonds	403,036	428,309	(25,273)	(6%)
Net performing HTC securities - Business	448,452	447,309	1,143	0%
<i>of which: Growth Credit securities</i>	<i>78,563</i>	<i>81,840</i>	<i>(3,277)</i>	<i>(4%)</i>
<i>of which: Distressed Credit securities</i>	<i>231,945</i>	<i>271,479</i>	<i>(39,534)</i>	<i>(15%)</i>
<i>of which: Investment Banking Securities</i>	<i>137,944</i>	<i>93,990</i>	<i>43,954</i>	<i>47%</i>
Loans to financial entities	115,313	125,588	(10,275)	(8%)
Net performing loans to customers	2,061,582	1,967,050	94,532	5%
Financial instruments (HTCS + FV)	494,969	496,753	(1,784)	(0%)
Direct customer funding	4,072,175	4,062,304	9,871	0%
Total Assets	6,098,466	6,355,125	(256,659)	(4%)
Shareholders' equity	856,928	841,322	15,606	2%

2 The definition of organic receivables and securities (performing and non-performing) includes organic loans to customers on the factoring, cross-over, acquisition finance and turnaround segments and receivables acquired in investing in portfolios of distressed loans, which underwent a change in accounting status following the purchase or disbursement (excluding receivables acquired as bad loans), the loan portfolio of the former Banca Interprovinciale and senior financing to non-financial investors in distressed loans.

3 POCI = Purchased or Originated Credit Impaired.

RISK RATIOS	31 March 2023	31 December 2022
Gross Organic NPE Ratio ⁴	4.7%	2.6%
Net Organic NPE Ratio ⁵	3.9%	1.8%
Coverage ratio for organic non-performing loans ⁶	19.8%	31.2%
Coverage ratio for organic bad loans ⁷	57.9%	70.0%
Coverage ratio for performing loans ⁸	0.50%	0.57%
Cost of organic credit risk (BPS) ⁹	43	30

STRUCTURAL RATIOS	31 March 2023	31 December 2022
Shareholders' equity/Total Liability	14.1%	13.2%
Interbank Funding/Total Funding	18.1%	22.9%
Liquidity coverage ratio	~310%	~317%
Net Stable Funding Ratio	>100%	>100%
Net loans with customers/Total assets ¹⁰	71.0%	66.2%
Direct customer funding/Total Liability	66.8%	63.9%

PROFITABILITY INDICATORS	31 March 2023	31 March 2022
Cost/Income ratio (Operating expenses/Net operating income)	69%	57%
ROAE ¹¹ [Profit (Loss) for the period/Average Shareholders' equity]	3.7%	8.1%

CAPITAL RATIOS	31 March 2023	31 December 2022
Tier I capital ratio (Tier I capital/Total weighted assets)	15.58%	15.77%
Total capital ratio [(Tier I + Tier II)/Total weighted assets]	20.26%	20.41%
Own Funds	879,930	883,659
of which: Tier I capital	676,898	682,872
Risk-weighted assets	4,344,230	4,329,921

- 4 Ratio of gross organic non-performing loans to the gross value of organic loans to customers on the factoring, cross-over, acquisition finance and turnaround segments and receivables acquired in investing in portfolios of distressed loans, which underwent a change in accounting status following the purchase or disbursement (excluding receivables acquired as bad loans), the loan portfolio of the former Banca Interprovinciale and senior financing to non-financial investors in distressed loans.
- 5 Ratio of net organic non-performing loans to the net value of organic loans to customers on the factoring, cross-over, acquisition finance and turnaround segments and receivables acquired in investing in portfolios of distressed loans, which underwent a change in accounting status following the purchase or disbursement (excluding receivables acquired as bad loans), the loan portfolio of the former Banca Interprovinciale and senior financing to non-financial investors in distressed loans.
- 6 Ratio of write-downs/write-backs on organic non-performing loans and securities to gross exposure of organic non-performing loans and securities.
- 7 Ratio of write-downs/write-backs on organic bad loans to gross exposure of organic bad loans.
- 8 Ratio of write-downs/write-backs on performing client loans to gross exposure of performing client loans.
- 9 Ratio of the sum of annualised write-downs/write-backs on performing customer loans (net of investments with financial entities and government bonds), organic non-performing loans and HTC securities to net exposures of same at the end of the period.
- 10 Ratio of customer loan, government bonds and Distressed Credit, Growth Credit and Investment Banking securities at amortised cost to total assets.
- 11 The average shareholders' equity is calculated as the arithmetic average of the opening balance and the closing balance.

Composition and organisational structure

illimity operates in the banking sector and is authorised to provide banking, investment and trading services. illimity currently has four Business Divisions, in addition to the Chief Information Officer for the retail customer management component:

- Distressed Credit
- Growth Credit
- Investment Banking
- b-ilty
- Chief Information Officer.

There is also the Asset Management Company (illimity “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.

Below is a description of the Bank’s organisational structure as of 31 March 2023.

Distressed Credit Division

The Distressed Credit 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 and Unit Claims Solutions Areas, responsible for the origination of the investment opportunities in distressed loans, in the area of litigation (Public Procurement Claims) and in Senior Financing operations, as well as the coordination of the entire negotiation and bidding process, until the final closing phase;
2. The Portfolio & Asset Optimisation Area, which is responsible for optimising portfolio, single name and repossessed property management by identifying market opportunities for their sale (or redevelopment in the case of properties), in accordance with the thresholds set by the Bank, while coordinating the entire process, from the initial analysis phase to post-sales;
3. 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;
4. Monitoring & Analytics Area, responsible for governing and managing the cost monitoring process, the income statement and the portfolios/single names or the trend in performance of the Division;
5. The Operating Model & Servicing Coordination Area, tasked with coordinating and monitoring the Division’s activities, overseeing and coordinating the Servicing companies, relations with other Bank units and decision-making bodies and providing legal advice related to individual investment opportunities and initiatives.

In more detail, the “Investments” perimeter, which includes the organisational units Portfolios, Special Situations – Real Estate, Special Situations – Energy and Claims Solutions, is responsible for overseeing the market for opportunities to acquire distressed credit assets (financial receivables classified as bad loans or unlikely-to-pay positions (“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”), in addition to Public Procurement Claims). Credits are acquired both in the “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 four organisational units, described below:

1. 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);
2. Special Situations – Real Estate, aimed at investment opportunities in “single name” real estate receivables, meaning exposures to a single borrower or, at most, a cluster of corporate counterparties, both secured and unsecured;
3. Special Situations – Energy, aimed at investment opportunities in single name loans involving corporate counterparties operating in the renewable energy sector;
4. Claims Solutions, aimed at seeking out, assessing, investing in and managing investment opportunities in the area of litigation (Public Procurement Claims) and at intervening in all the phases of the process of investment and management of disputes.

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 structures report to the Head of the Distressed Credit Division and interact with the other areas of the Division (Pricing, Operating Model & Servicing Coordination and Portfolio Monitoring & Analytics) and the Bank’s structures (General Counsel, Administration, Accounting & Control, CRO, Chief Compliance & AFC Officer), 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 Arec neprix S.p.A., created through the merger by incorporation of Arec S.p.A. (acquired on 30 June 2022) by neprix S.r.l. with legal effect from 1 January 2023, for the management of distressed loans, which also enters into commercial agreements with servicers selected from time to time on the basis of the characteristics of the assets acquired.

Arec 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.

The Bank is also supported by Abilio S.p.A., a company formed by the proportional partial spin-off of neprix S.r.l. that is wholly owned by the Bank and became operational on 1 April 2022. The company manages and sells 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, Maui SPE, Kenobi SPV, Dagobah SPV and Spicy Green SPV, and with the companies Soperga RE, Friuli LeaseCo, Doria LeaseCo, River LeaseCo, Pitti LeaseCo, Dagobah LeaseCo, River Immobiliare, SpicyCo and SpicyCo 2.

Growth Credit Division

The objective of the Growth Credit 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:

1. 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;
2. 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);
3. 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 SME Area supports the business areas regarding legal and contractual aspects; the Business Operations & Credit Support Area manages the annual reporting of the Division, provides support to the Business Areas by defining tools and processes, manages the Modena branch and oversees the portfolio of the former Banca Interprovinciale regarding progressive divestment.

Investment Banking Division

The Investment Banking Division is responsible for defining and executing capital markets operations (both in the equity segment and the debt segment for corporate customers), for derivatives trading on own behalf and for third parties, for structuring structured finance transactions for funding and capital optimisation purposes to support the other units of the Bank.

The Division's Value Proposition provides:

- alternative solutions for companies in addition to those already offered by the Bank, exploiting the synergies with the Growth Credit and Distressed Credit Divisions (i.e. Basket Bonds, Basket Loans, Securitisations of secured and unsecured single tranche loans, IPOs, M&A, derivatives);
- structuring funding transactions and capital optimisation (i.e. SRTs), also supporting other Company Divisions and Functions.

The Division is divided into three organisational units, described below:

1. Capital Markets, which provides complementary solutions to companies in relation to the Growth Credit Division's offering;
2. Corporate Solutions, which invests in corporate bonds and alternative debts and offers solutions to SMEs and Mid Caps to hedge market risks;
3. Structuring, which takes care of implementing complex financial transactions for the Bank and for companies.

In order to conduct its Investment Banking business, illimity also works with the vehicle Piedmont SPV.

b-ilty Division

illimity, via the b-ilty Division, offers digital banking and digital lending products and services to Business customers or to small and medium-sized enterprises with turnover of EUR 2 million to EUR 10 million, with the goal of improving their financial management. The Division aims to develop a range of products and services that can fulfil the needs of the market. It is responsible for designing the Value Proposition and its relative commercial and pricing components.

The b-ilty Value Proposition currently extends to the following products and services categories:

- Deposit accounts with competitive rates and a simple, customisable product structure;
- Current accounts, offered through an innovative, digital User Experience, with associated credit, debit and prepaid cards managed in collaboration with nexi;
- Account Aggregator Service, a feature that enables 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;
- Digital credit, which includes factoring and green financing operations;
- Insurance products offered to customers through partnerships with selected market operators.

The Division is divided into the organisational units described below:

1. Digital Lending Product & Management Unit, which focuses primarily on defining the target market for corporate credit customers;
2. Process & Product Factory Unit, which focuses primarily on structuring products and services for the Division and designing the relevant disbursement processes;
3. Business Support & Strategy Unit, which is responsible primarily for the Division's strategic planning and achieving its cost management goals;
4. Business Partnership Area, which is responsible for defining partnership development strategies and managing relations, as well as managing associations and insurance distribution;
5. Business Development Area, which focuses on achieving target results, defining business models and developing the commercial network, including through the Top Network Unit, which reports directly to this Area;
6. CRM & Commercial Planning Area, which manages and develops the Division's information assets, as well as devising the customer segmentation model.

Chief Information Officer (CIO)

The Chief Information Officer (CIO) is responsible for managing IT infrastructure as well as managing the funding platform, i.e. the app and web channel for retail customers.

Through ICT Platforms & Data Monetization, which reports to the CIO, illimity offers digital banking products and services to retail customers. The objective of this structure is to manage the technological platforms and initiatives for developing and monetising the platforms.

The Direct Banking Value Proposition for retail customers currently extends to the following products and services categories:

- Current accounts, offered through an innovative, digital User Experience, with associated credit, debit and prepaid cards managed in collaboration with nexi;
- Deposit accounts with competitive rates and a simple, customisable product structure;
- Spending projects, to simply and automatically save to achieve goals;
- 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, making it possible to perform transactions;
- Offer of a complete range of products (i.e. personal loans, American Express credit cards and insurance products).

Asset Management Company

illimity SGR 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:

"Business Areas" comprising:

- The UTP & Turnaround Funds Area, focused 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, focused on setting up and managing AIFs with investment strategies and policies targeting asset classes with underlying financial instruments issued by performing companies.
- The NPL Small Medium Tickets Funds Area, focused on setting up and managing AIFs with investment strategies and policies in the granular (typically unsecured) Non-Performing Loans (NPL) market, with potential counterparties both small corporates and retail businesses, and different areas of origination (utilities, consumer, commercial credit, etc.).

A transversal support area named Operations & Administration supports the organisation as a whole in all formal, administrative and operational aspects connected with managing AIFs and the SGR.

Lastly, the SGRs will establish 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. It also appoints a Supervisory Body pursuant to Legislative Decree 231/01, whose composition, in accordance with the approach adopted by the Group, consists of the Company's Board of Statutory Auditors.

Other functions - Corporate Centre

The organisation also monitors risk management and support activities through functions directly reporting to the Chief Executive Officer:

- The Chief Financial Officer (CFO), responsible for coordinating the complex process of planning, control and administration, managing strategic planning and relations with the financial community, as well as developing the Corporate Social Responsibility Plan;
- The Chief HR & Organisation Officer, responsible for optimising operating and procurement costs, managing human resources, as well as managing the organisational activities of supervision and transversal coordination for the Bank;
- The General Counsel, responsible for legal and corporate support and managing the corporate secretariat, as well as general affairs and relations with authorities;
- The Chief Risk Officer (CRO), responsible for guaranteeing the strategic oversight and definition of risk management policies;
- The Chief Lending Officer (CLO), who monitors credit analysis and approval activities;
- The Chief Information Officer (CIO), responsible for managing IT infrastructure, Back Office activities and the Contact Centre. The CIO is also responsible – via the Division – for the platforms owned by illimity (illimity.com) and related development opportunities, as well as the customers managed through those platforms;
- The Chief Compliance & AFC Officer, responsible for compliance risk management and oversight of money laundering and terrorist financing risk;
- The Chief Communication & Marketing Officer: responsible for promoting and supporting the development of a single, shared identity of the Bank among the stakeholders and formulating the Bank's communications plan and brand development strategy to ensure positioning, customer acquisition results and optimal customer management.

Bank branches and offices

The Bank's branches and offices are as follows:

- Milan - Via Soperga, 9 (head office);
- Modena - Via F. Lamborghini 88/90.

Human resources

As of 31 March 2023, the Bank's registered employees numbered 871 (853 as of 31 December 2022). A breakdown of the workforce is given below, divided by job level:

Category	31 March 2023			31 December 2022			Changes	
	Number of employees	in %	Average age	Number of employees	in %	Average age	Number of employees	in %
Senior managers	78	9%	46	77	9%	46	1	1%
Middle managers	382	44%	38	350	41%	38	32	9%
Other employees	411	47%	34	426	50%	34	(15)	(4%)
Employees	871	100%		853	100%		18	2%

Macroeconomic scenario

In the first quarter of the year both the global economy and international trade showed signs of weakness, due to the ongoing geopolitical uncertainty caused by the Russia-Ukraine conflict, together with persistently high levels of inflation in the major developed economies. The main international institutions expect global GDP to slow in 2023, albeit to a lesser extent than was estimated in autumn 2022. The price of oil fell in March, and natural gas prices have seen a further reduction in Europe thanks to large stocks and moderate temperatures.

Economic activity in the eurozone is showing signs of recovery, with slight growth and a reduction in consumer inflation thanks to a sharp drop in energy prices; nevertheless, food inflation and core inflation have remained high.

At its meetings in February and March the ECB's Governing Council increased its benchmark interest rate by 50 basis points, to 3.0%.

In the first quarter of 2023 Italy's GDP grew by 0.5% compared with the previous quarter, an increase of 1.8% compared with the first quarter of 2022. This growth was mainly spurred by the manufacturing sector, which benefited from the fall in energy prices and improved supply chains.

However, household spending remains weak due to persistently high inflation, causing people to favour saving. Employment continues to rise, though wage growth does not show any signs of accelerating.

Inflation fell on average in the first quarter, standing at 8.2% in March, but the core component continues to rise, impacted by higher costs caused by energy shocks and end prices.

There was a decrease in bank loans due to the increase in rates which, in turn, was transferred to the cost of credit. Bank loans fell between November and February, particularly those to businesses, due to weak demand and stricter conditions.

In March the difficulties suffered by certain intermediaries in the United States and Switzerland caused downward pressures on share prices. Nevertheless, the position of banks in the eurozone, including Italian banks, was much better than in previous crises, thanks to high levels of capital, abundant liquidity and recovering profitability.

The government forecasts a net-debt-to-GDP ratio of 4.5% for 2023 and of 3.7% for 2024, much lower than the 8% recorded in 2022.

Significant events in the first three months of 2023

The impact of external factors on the strategic and operational context of the illimity Group

In relation to the current context, which is still characterised by various elements of uncertainty linked to the development of internationally relevant factors, such as the Russia-Ukraine military conflict, the spikes in inflation associated with raw materials markets, and the evolution of the epidemiological context in certain countries, the illimity Group has defined its business model and developed and applied its risk government policies, ensuring that they are resilient in a context still characterised by significant risks, based on the following key elements:

- contained exposure to direct risks and a business mix in which lines of activity have limited correlation;
- a commercial and technological proposal that can understand and meet the growing demand for remote financial services that has characterised the key markets and continues to do so;
- a highly conservative approach to pricing investments and providing funding;
- continuous monitoring and limited exposure to the economic sectors or asset classes most affected by the pandemic;
- a governance structure that relies on the managerial committees and governing boards of the Group to carry out assessments at regular intervals on the actual and potential economic, financial and operational impacts of the current context on the strategic and operational choices of the various business lines;
- an impact assessment of macro scenarios that also take into account the evolution of the context and the responses of the Authorities, markets, companies and consumers. This assessment is also formalised in the prospective capital adequacy (ICAAP) and liquidity (ILAAP) assessments and in the preparation of the Recovery Plan, and used for the update of the Risk Appetite Framework and the sustainability assessment of the Strategic Plan.

In relation to the Russia-Ukraine conflict, the direct and indirect exposures to Russian counterparties or those who depend on Russian operators and markets for their business (supply, sales, orders, etc.) are quantified and carefully monitored in order to assess the possible impacts in terms of credit and liquidity risk. The analyses conducted and direct discussions with businesses confirm that the level of exposure is still low, with attention paid to the potential negative effects of the crisis, including on companies that are demonstrating resilience (due to the measures implemented by company management, specifically those regarding supply chain continuity and management of commodities and energy prices). The Chief Compliance & AFC Officer also operates in that context, to ensure, for borrowers, compliance with the provisions of the sanctions imposed by Italy and European and international bodies on Russian parties (natural and legal persons).

Secondly, with a view to mitigating the financial risks associated with the management of the HTCS and HTC financial portfolios, the current risk profile of the portfolios - which is at a low level - is subject to analysis and monitoring, and there is no direct exposure to Russia or Ukraine. Furthermore, considering that said portfolios relate to debts, monetary policy decisions, which could be revised given the evolution of the crisis, are continuously monitored.

Corporate transactions

With effect from 1 January 2023, the merger by incorporation of the subsidiary Arec S.p.A. into neprix S.r.l. was completed, resulting in the creation of the legal entity Arec neprix S.p.A. That operation has had no effects on the consolidated financial statements, as both companies were wholly controlled by illimity Bank S.p.A. and included in the consolidated financial statements on a line-by-line basis.

Main business transactions

On 1 March 2023, AREC neprix S.p.A. ("ARECneprix"), the illimity Group's asset management and structuring company, announced that it had entered into an agreement in the capacity of arranger and special servicer relating to the structured finance operation, for a total of Euro 495 million, between a leading Italian banking group and an important real estate company.

On 6 March 2023, illimity Bank S.p.A. announced that it had acted as Global Coordinator in the context of the process of admission and subsequent listing on the market of a leading company in the restoration of concrete works of art of high strategic value (tunnels, bridges, motorway viaducts, etc.).

On 16 February 2023, illimity SGR S.p.A. ("illimity SGR"), the fund management company, and "illimity Credit & Corporate Turnaround Fund" ("iCCT") supported a company in its growth plan through the Fund's acquisition of a majority stake in the company.

Other significant information

On 5 January 2023, illimity Bank S.p.A. announced that it could no longer be classified as an SME (small or medium-sized enterprise) thanks to the growth of its market capitalisation above the relevant threshold (Euro 500 million) for three consecutive years (2020-2021-2022), with the transitional turnover criteria having ceased to apply.

On 26 January 2023 illimity SGR S.p.A. completed a new closing of its "illimity Real Estate Credit" ("iREC") Fund, a contribution Fund dedicated to investments in distressed credits – mainly UTPs – secured by real estate assets, under the form of both mortgage loans and finance leases.

The new closing saw receivables with a nominal value of approximately Euro 95 million contributed to the Fund, bringing total funding to around Euro 270 million. Currently the portfolio includes loans to 86 different companies operating predominantly in the real estate sector, with highly diversified activities (hospitality, energy, commercial, industrial, residential etc.). The finalisation of a new closing, only a few months after the Fund's launch, confirms the quality of the initiative and the validity of illimity SGR's fund management model.

On 10 February 2023, the Board of Directors of illimity Bank S.p.A. approved the results of the illimity Group for the period ended 31 December 2022, which closed with a net profit of Euro 75.3 million, up by 15% compared with 31 December 2021.

On 9 March 2023, the Board of Directors approved the draft separate financial statements and the consolidated financial statements as of 31 December 2022, proposing, for the first time in illimity's history, to distribute a dividend of Euro 0.18 per share and approving the consolidated non-financial declaration relating to the 2022 financial year.

On 13 March 2023, illimity SGR signed a commitment to apply and promote the Principles for Responsible Investment ("PRI" or "Principles") supported by the United Nations, confirming its commitment to integrate sustainability into all aspects of its activity and consolidating active dialogue with institutions and peers in the sector on the impacts of sustainable finance. illimity Group's adoption of and commitment to applying and promoting the PRI is part of its wider strategy, having paid close attention to ESG matters from day one.

On 11 April 2023, illimity Bank announced that it had structured - with regard to the first quarter of 2023 - an operation involving the securitisation of a portfolio of performing loans worth around Euro 150 million. illimity acted as the Co-Arranger of the securitisation, and simultaneously underwrote senior ABS notes in the amount of Euro 90 million.

Reclassified consolidated financial statements of the Group as of 31 March 2023

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 the net interest margin;
- dividends received from financial assets measured at fair value through profit or loss were included in the Profits (losses) on trading and financial assets and liabilities;
- 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;
- contributions and membership fees are excluded from other administrative expenses and recognised in a separate item, named "Contributions and other non-recurring fees". Write-downs/write-backs and one-off components related to the valuation of trade receivables were also classified in that item;
- interest expense resulting from the lease liability (IFRS 16) is recognised under other administrative expenses;
- net write-downs/write-backs on closed positions include profits and losses generated from the sale of property investments and *datio in solutum* transactions;
- net credit exposure to customers on closed positions is shown separately from net losses/recoveries for credit risk.

Some assets and liabilities in the statement of financial position were grouped together, concerning:

- the inclusion of hedging derivative assets, 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 loans to financial entities and securities at amortised cost;
- the reclassification of Leasing agreement liabilities, recognised under payables to customers based on IFRS 16, to other liabilities for operational purposes;
- the inclusion of hedging derivative liabilities, 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	31 March 2023	31 December 2022	Chg.	Chg. %
20 a) + 30	Property portfolio - Securities at FV	415,108	422,856	(7,748)	(2%)
20 c)	Financial instruments mandatorily measured at fair value	37,190	37,836	(646)	(2%)
20 c)	Loans mandatorily measured at fair value	42,671	36,061	6,610	18%
40 a)	Due from banks	97,682	57,213	40,469	71%
40 b)	Loans to financial entities	115,313	125,588	(10,275)	(8%)
40 b)	Loans to customers HTC	3,374,110	3,223,510	150,600	5%
40 b)	Government Bonds HTC	403,036	428,309	(25,273)	(6%)
40 b)	Securities at amortised cost - Growth Credit	93,375	95,144	(1,769)	(2%)
40 b)	Securities at amortised cost - Distressed Credit	321,844	362,976	(41,132)	(11%)
40 b)	Securities at amortised cost - Investment Banking	137,944	93,990	43,954	47%
70	Investments in equity	83,221	76,375	6,846	9%
90 + 100	Property and equipment and intangible assets	269,952	263,484	6,468	2%
	of which: Goodwill	65,376	65,372	4	0%
110	Tax assets	75,773	78,592	(2,819)	(4%)
10 + 50 + 120 + 130	Other assets	631,247	1,053,191	(421,944)	(40%)
	of which: Cash and cash equivalents	339,632	680,777	(341,145)	(50%)
	Total assets	6,098,466	6,355,125	(256,659)	(4%)

(amounts in thousands of euros)

Components of official items of the Statement of Financial Position	Liabilities	31 March 2023	31 December 2022	Chg.	Chg. %
10 a)	Due to banks	899,067	1,205,048	(305,981)	(25%)
10 b)	Amounts due to customers	3,410,542	3,409,302	1,240	0%
10 c)	Securities issued	661,633	653,002	8,631	1%
20	Financial liabilities in own portfolio - instruments at FV	24,774	27,244	(2,470)	(9%)
60	Tax liabilities	39,881	36,724	3,157	9%
40 + 80 + 90 + 100	Other liabilities	205,641	182,483	23,158	13%
(*)	Shareholders' equity	856,928	841,322	15,606	2%
	Total liabilities and shareholders' equity	6,098,466	6,355,125	(256,659)	(4%)

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

Summary of consolidated statement of financial position data

The Group's total assets amounted to EUR 6,098.5 million as of 31 March 2023, down by 4% on 31 December 2022, when they amounted to EUR 6,355.1 million. The EUR 256.7 million decrease was due primarily to the use of liquidity to reduce interbank funding and optimise the cost of funding.

The own portfolio measured at fair value, equal to EUR 415.1 million as of 31 March 2023 and down by 2% on the comparative figure, includes financial assets held for trading and financial assets held with an HTCS business model. Specifically, financial assets held for trading amounted to EUR 30.8 million and consisted primarily of financial derivatives – operations that were consolidated as of the 2022 financial year.

Financial assets held with an HTCS business model were mainly represented by government bonds and securities issued by other banks and financial entities and high yield corporate bonds. The item totalled EUR 384.3 million, down by EUR 7.4 million on 31 December 2022, due primarily to Alternative Debt operations following the closure of a significant operation, though this was partially offset by the increase in the ALM & Treasury portfolio.

As of 31 March 2023, the Group had a total negative net valuation reserve of EUR 41.4 million, due primarily to the negative contribution of the reserve on securities managed through the HTCS business model. However, the reserve did see an improvement of around EUR 6.4 million compared with the closing balance for the 2022 financial year

Financial assets mandatorily measured at fair value through profit and loss amounted to EUR 79.9 million as of 31 March 2023, up by EUR 6 million on 31 December 2022. These financial assets consist of loans measured at fair value (EUR 42.7 million) and financial instruments (EUR 37.2 million).

Loans measured at fair value refer primarily to loans pertaining to the Growth Credit Division (around EUR 30 million) and an Energy Business loan pertaining to the Distressed Credit Division that is mandatorily measured at fair value (EUR 12 million), held via the securitisation vehicle Spicy Green SPV.

The financial instruments refer primarily to the measurement of units of the iREC Fund for EUR 20.7 million (attributable to the Distressed Credit Division), to Equity Instruments/Earnouts referring to the Growth Credit Division for EUR 8.7 million, and to Mezzanine and Junior instruments for the remainder.

Loans due from banks totalled EUR 97.7 million, up compared to 31 December 2022 due to the increase in interbank deposits.

Loans to financial entities – which amounted to EUR 115.3 million as of 31 March 2023, were also down on the end of the previous year, when they amounted to EUR 125.6 million.

The Group's assets as of 31 March 2023 mainly included financial assets measured at amortised cost arising from loans to customers of EUR 3,374.1 million (up compared to EUR 3,223.5 million as of 31 December 2022). The increase in the component in question was mainly attributable to the new operations concluded during the period by the Growth Credit Division.

During the first quarter of 2023, the Bank's ALM & Treasury Unit reduced its portfolio compared to the stock at the end of 2022, due in part to the sale of government securities managed using the HTC business model, an operation which generated a positive contribution of around EUR 1 million to the income statement for the quarter. This disposal fell within the thresholds of significance and frequency set out by the illimity Group's specific Policy.

It is also noted that the securities measured at amortised cost (Held to Collect business model) include securities of the Growth Credit Division for EUR 93.4 million, securities of the Distressed Credit Division for EUR 321.8 million and securities of the Investment Banking Division for EUR 137.9 million.

The "Equity investments" item, which amounted to EUR 83.2 million as of 31 March 2023, consists predominantly of the value of the joint control equity investment held by illimity in Hype, insofar as it was consolidated using the equity method, which was up by EUR 6.8 million on December 2022 due to the capital increase that was finalised in the first quarter of 2023, net of the result for the period.

As of 31 March 2023, property and equipment and intangible assets amounted to EUR 270 million, up by approximately EUR 6.5 million compared with 31 December 2022, due primarily to the *datio in solutum* operations completed during the quarter.

The Group's intangible assets, equal to EUR 137.4 million, include the residual value of the specific intangible assets identified in carrying out the Purchase Price Allocation process following the acquisition of the business unit of Arec (now merged by incorporation into Arec neprix S.p.A.), equal to EUR 6.8 million as of 31 March 2023, in addition to the residual difference recorded under goodwill for EUR 29.1 million. The item also includes 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 Abilio) and its subsidiaries in 2020 (equal to EUR 14.6 million), as well as the goodwill – albeit in a lesser amount – 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. and River SPV S.r.l. and Kenobi SPV S.r.l., and 66.7% of the units of the securitisation vehicles Aporti S.r.l. This item also includes the IT investments made by Group companies.

Group property and equipment, equal to EUR 132.6 million, mainly consisted 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).

Tax assets amounted to EUR 75.8 million, down on the EUR 78.6 million recognised as of 31 December 2022, and comprise EUR 8.6 million in current tax and EUR 67.2 million in deferred tax assets. Deferred tax assets other than those convertible into tax credits (Article 2, paragraph 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 refer primarily to the effects recorded during the year of the exercise of the tax relief option on goodwill and other intangible assets recognised in the financial statements following extraordinary operations and purchases of equity investments, and of the write-downs recorded on the portfolio of securities measured at fair value through other comprehensive income.

Total consolidated liabilities and shareholders' equity as of 31 March 2023 amounted to EUR 6,098.5 million. Amounts due to customers, net of the lease liability referred to IFRS 16, amounted to EUR 3,410.5 million, increasing compared to 31 December 2022. Amounts due to Banks - including the central banks component - stood at EUR 899.1 million, down by EUR 306 million compared to 31 December 2022, pursuant to the strategy aimed at optimising the cost of funding. Securities issued were equal to EUR 661.6 million, up on the figure for the end of 2022, mainly due to the accrual of interest expense on bonds.

Financial liabilities held for trading, equal to EUR 24.8 million as of 31 March 2023, were fully comprised of derivative liabilities. The balance fell by around EUR 2.5 million compared to the comparative figure.

Tax liabilities amounted to EUR 39.9 million, up by EUR 3.2 million compared to December 2022 due to the recognition of taxes for the period.

The Group's shareholders' equity amounted to EUR 856.9 million, up on 2022 due primarily to the positive result achieved in the quarter and to the positive changes in the valuation reserve during the period.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(amounts in thousands of euros)

Components of official items of the Income Statement	Income Statement items	31 March 2023	31 March 2022	Chg.	Chg. %
10 + 20 + 320 + 140	Net interest margin	48,355	36,046	12,309	34%
40 + 50	Net fee and commission income	15,128	12,837	2,291	18%
70 + 80 + 100 + 110	Profits/losses on financial assets and liabilities	(84)	2,751	(2,835)	N/A
130 a) + 130 b) + 200 a) + 280	Net write-downs/write-backs on closed positions	7,798	20,556	(12,758)	(62%)
280	Other profits (losses) from the disposal of investments	-	-	-	N/A
230	Other operating expenses and income (excluding taxes)	951	6,262	(5,311)	(85%)
Total net operating income		72,148	78,452	(6,304)	(8%)
190 a)	Personnel expenses	(23,145)	(20,701)	(2,444)	12%
190 b)	Other administrative expenses	(21,635)	(20,814)	(821)	4%
210 + 220	Net adjustments/recoveries on property and equipment and intangible assets	(5,248)	(3,412)	(1,836)	54%
Operating expenses		(50,028)	(44,927)	(5,101)	11%
Operating profit (loss)		22,120	33,525	(11,405)	(34%)
130 a)	Net losses/recoveries for credit risk - HTC Banks	(121)	183	(304)	N/A
130 a)	Net losses/recoveries for credit risk - HTC financial entities	38	(1)	39	N/A
130 a)	Net losses/recoveries for credit risk - HTC Clients	(2,098)	(5,789)	3,691	(64%)
130 b)	Net losses/recoveries for credit risk - HTCS	(241)	(542)	301	(56%)
200 a)	Net adjustments/recoveries for commitments and guarantees	(307)	524	(831)	N/A
Total net adjustments/recoveries		(2,729)	(5,625)	2,896	(51%)
200 b)	Other net provisions	(150)	(28)	(122)	>100%
250	Other income (expenses) on investments	(1,162)	(1,828)	666	(36%)
190 b) + 230	Contributions and other non-recurring expenses	(6,021)	(1,962)	(4,059)	>100%
Profit (loss) from operations before taxes		12,058	24,082	(12,024)	(50%)
300 + 320	Income tax for the period on continuing operations	(4,269)	(8,407)	4,138	(49%)
Profit (loss) for the period		7,789	15,675	(7,886)	(50%)

Consolidated income statement highlights

The Group's total net operating income for the period ended 31 March 2023 amounted to EUR 72.1 million, down on the same period of the previous year, when it came to approximately EUR 78.5 million.

The decrease in the total net operating income was due primarily to the reduced contribution of profits from positions closed by the Distressed Credit Division, as well as the fall in operating income related (in the first quarter) to the consensual termination of the agreement with ION, with effect from December 2022, with regard to the granting of the licence to use the IT platform (as announced to the market on 18 April 2023).

The net interest margin increased by EUR 12.3 million, due mainly, with regard to interest income, to the greater disbursements made by the Growth Credit Division and the higher interest deriving from the HTC and HTCS securities portfolios. The interest expense component also included an increase in the cost of funding due to the trend in interest rates, starting from the second half of 2022.

Net fee and commission income, which amounted to EUR 15.1 million as of 31 March 2023, also increased compared to the comparative figure of EUR 12.8 million, particularly as a result of the operations of Arec neprix within the group, following the acquisition of Arec's business, which was finalised in June 2022 and made a positive contribution thanks to servicing commissions.

That item also includes the revenues of Abilio and its subsidiary Abilio Agency (now Quimmo Agency), which contribute to the commission margin through the "auction commissions" accrued for the use of the proprietary real estate portals.

The total net operating income included the net profit/loss on positions closed in the first quarter of 2023 for a total of EUR 7.8 million (EUR 20.6 million as of 31 March 2022), which refers primarily to net recoveries on closed customer POCI positions and, for the remainder, to the profits (losses) on the sale of properties.

Lastly, the balance of other operating expense and income was down, due primarily to the aforementioned termination of the agreement with ION.

Operating expenses of EUR 50 million for the period ended 31 March 2023 were up by approximately EUR 5.1 million compared to the same period of the previous year.

In detail, personnel expenses increased compared to the first quarter of 2022 by approximately EUR 2.4 million, as a result of new resources being employed, to support the increased activities of the Bank's Divisions, and also due to the incorporation of Arec (now Arec neprix) into the Group.

Other administrative expenses were more or less in line with the same period of the previous year (having increased by EUR 0.8 million). Please refer to the "Business Performance" section for further details on the contribution of the individual expenditure categories and the changes therein compared to 31 March 2022.

Finally, the item includes net adjustments/recoveries for property and equipment and intangible assets totalling around EUR 5.2 million, up by EUR 1.8 million compared to 31 March 2022, both due to the amortisation of IT investments and depreciation of materials managed in application of IFRS 16 and due to the amortisation of the specific intangible assets identified in the Purchase Price Allocation process relating to the acquisition of the business unit of AREC.

Overall net losses/recoveries on portfolio positions were negative for EUR 2.7 million. In detail, net losses on positions measured at amortised cost 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.

The item "Other net provisions" was negative in the amount of EUR 0.2 million, up compared with the figure recorded as of 31 March 2022.

Moreover, expenses on investments, related to results for the period of consolidated companies with the equity method, came to EUR 1.2 million.

The item “Contributions and other non-recurring expenses” includes, as well as the contributions allocated for the sustainability of the banking system (Resolution Fund) for EUR 1.8 million, write-downs/write-backs attributable to trade receivables related to the terminated agreement with ION concerning the granting of the licence to use the IT platform.

Based on the above, as of 31 March 2023, profit for the year before taxes amounted to EUR 12.1 million.

Net of income tax for the period on continuing operations, equal to approximately EUR 4.3 million, consolidated net profit as of 31 March 2023 stood at EUR 7.8 million, down compared to a profit of EUR 15.7 million as of 31 March 2022.

Basic earnings per share as of 31 March 2023, calculated by dividing the result for the year by the weighted average number of ordinary shares issued, was equal to EUR 0.09, more or less in line with the diluted earnings per share as of the same date. See the section “Basic and diluted earnings (loss) per share” for details of the methodology used to calculate earnings per share.

Key data on capital

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	31 March 2023		31 December 2022		Change	
	Book value	Inc. %	Book value	Inc. %	Absolute	Chg. %
Cash and cash equivalents	339,632	6.3%	680,777	12.2%	(341,145)	(50%)
Financial assets held for trading	30,840	0.6%	31,146	0.6%	(306)	(1%)
Financial instruments mandatorily measured at fair value	79,861	1.5%	73,897	1.3%	5,964	8%
- Distressed Credit Division	37,999	0.7%	38,060	0.7%	(61)	(0%)
- Growth Credit Division	41,369	0.8%	33,376	0.6%	7,993	24%
- ALM & Treasury portfolio	130	0.0%	130	0.0%	-	0%
- Investment Banking Division	363	0.0%	2,331	0.0%	(1,968)	(84%)
HTCS Financial assets	384,268	7.1%	391,710	7.0%	(7,442)	(2%)
- ALM & Treasury portfolio	286,510	5.3%	278,249	5.0%	8,261	3%
- Structured Products Portfolio	97,311	1.8%	95,720	1.7%	1,591	2%
- Alternative Debt Portfolio	-	0.0%	17,741	0.3%	(17,741)	(100%)
- Equity investments	447	0.0%	-	0.0%	447	N/A
Due from banks	97,682	1.8%	57,213	1%	40,469	71%
Loans to financial entities	115,313	2.1%	125,588	2.3%	(10,275)	(8%)
Government Bonds HTC	403,036	7.5%	428,309	7.7%	(25,273)	(6%)
Loans to customers - Loans and PPCs	3,374,110	62.7%	3,223,510	57.9%	150,600	5%
- Non-performing loans - organic	96,540	1.8%	41,943	0.8%	56,114	>100%
- Non-performing loans - inorganic	1,128,442	21.0%	1,129,131	20.3%	(2,206)	(0%)
- Performing loans	2,061,582	38.3%	1,967,050	35.4%	94,532	5%
- Public Procurement Claims	87,546	1.6%	85,386	1.5%	2,160	3%
Loans to customers - Securities	553,163	10.4%	552,110	9.9%	1,053	0%
- Distressed Credit Division (Senior Financing) - performing	231,945	4.3%	271,479	4.9%	(39,534)	(15%)
- Distressed Credit Division - inorganic POCI	89,899	1.7%	91,497	1.6%	(1,598)	(2%)
- Growth Credit Division - inorganic POCI	10,528	0.2%	10,611	0.2%	(83)	(1%)
- Growth Credit Division - organic securities	4,284	0.1%	2,693	0.0%	1,591	59%
- Growth Credit Division - performing	78,563	1.5%	81,840	1.5%	(3,277)	(4%)
- Investment Banking Division - performing	137,944	2.6%	93,990	1.7%	43,954	47%
Total invested assets	5,377,905	100%	5,564,260	100%	(186,355)	(3%)

Loans to customers and PPCs amounted to approximately EUR 3,374.1 million, up from EUR 3,223.5 million at the end of the previous year, due primarily to the new disbursements by the Growth Credit Division. The line item also includes NPLs of approximately EUR 1,128.4 million classified as POCI (Purchased or Originated Credit Impaired), down from EUR 1,129.1 million recorded as of 31 December 2022. Public Procurement Claims were also included among Group invested assets for EUR 87.5 million. Considering securities, financing to customers amounted to EUR 3,927.3 million (+4%).

Financial assets mandatorily measured at fair value through profit and loss amounted to EUR 79.9 million as of 31 March 2023, up by EUR 6 million on 31 December 2022. These financial assets consist of loans measured at fair value (EUR 42.7 million) and financial instruments (EUR 37.2 million).

Loans measured at fair value refer primarily to loans pertaining to the Growth Credit Division (around EUR 30 million) and an Energy Business loan pertaining to the Distressed Credit Division that is mandatorily measured at fair value (EUR 12 million), held via the securitisation vehicle Spicy Green SPV.

The financial instruments refer to the measurement of units of the iREC Fund for EUR 20.7 million (attributable to the Distressed Credit Division), and to Equity Instruments/Earnouts referring to the Growth

Credit Division for EUR 8.7 million.

Financial assets measured at fair value through other comprehensive income, held within a held-to-collect-and-sell business model, amounted to approximately EUR 384.3 million, and refer mainly to government bonds, securities issued by other banks and financial institutions, and high yield corporate bonds. This item was down by EUR 7.4 million on 31 December 2022, due primarily to Alternative Debt operations, though this was partially offset by the increase in the ALM & Treasury portfolio.

The remaining EUR 553.2 million of securities was measured at amortised cost (held-to-collect business model) and mainly comprises EUR 231.9 million of Senior Financing securities, EUR 89.9 million of inorganic securities of the Distressed Credit Division, EUR 78.6 million of high-yield securities of the Growth Credit Division, EUR 10.5 million of inorganic securities of the Growth Credit Division, and EUR 137.9 million of investments in securities pertaining to the Investment Banking Division.

(amounts in thousands of euros)

Invested assets by technical form	31 March 2023		31 December 2022		Change	
	Book value	Inc. %	Book value	Inc. %	Absolute	Chg. %
Cash and cash equivalents	339,632	6.3%	680,777	12.2%	(341,145)	(50%)
Due from banks	97,682	1.8%	57,213	1.0%	40,469	71%
Current accounts and deposits	97,682	1.8%	57,213	1.0%	40,469	71%
Reverse Repurchase Agreements	-	0.0%	-	0%	-	N/A
Loans to financial entities	115,313	2.1%	125,588	2.3%	(10,275)	(8%)
Loans to customers and PPCs	3,374,110	62.7%	3,223,510	57.9%	150,600	5%
Current accounts held by customers	66,157	1.2%	188,185	3.4%	(122,028)	(65%)
Reverse Repurchase Agreements	82,321	1.5%	-	-	82,321	N/A
Green Loans	3,138,086	58.4%	2,949,939	53.0%	188,147	6%
Public Procurement Claims	87,546	1.6%	85,386	1.5%	2,160	3%
Loans mandatorily measured at fair value	42,671	0.8%	36,061	0.6%	6,610	18%
Securities and financial derivatives	1,408,496	26.2%	1,441,112	25.9%	(32,616)	(2%)
Debt securities	1,347,641	25.1%	1,379,832	24.8%	(32,191)	(2%)
- Government securities	632,920	11.8%	650,356	11.7%	(17,436)	(3%)
- Bank securities	77,837	1.4%	77,962	1.4%	(125)	(0%)
- Financial companies	530,459	9.9%	544,970	9.8%	(14,511)	(3%)
- Non-financial companies	106,425	2.0%	106,544	1.9%	(119)	(0%)
Financial Derivatives	28,857	0.5%	31,117	0.6%	(2,260)	(7%)
Financial instruments/earnouts	8,695	0.2%	9,182	0.2%	(487)	(5%)
Equity securities	466	0.0%	19	0.0%	447	>100%
Units of UCIs	22,837	0.4%	20,961	0.4%	1,876	9%
Total	5,377,905	100%	5,564,260	100%	(186,355)	(3%)

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 totalled EUR 97.7 million, up compared to 31 December 2022 due to the increase in deposits. Customer loans rose to EUR 3,138.1 million as of 31 March 2023, due mainly to the new disbursements made by the Growth Credit Division. Furthermore, there are EUR 82.3 million of reverse repurchase agreements with customers, a technical form that was not present at the close of the previous financial year. Lastly, the Public Procurement Claims operations carried out by the Distressed Credit Division starting in 2022 contributed EUR 87.5 million to the total invested assets as of 31 March 2023.

Lastly, debt securities amounted to EUR 1,347.6 million and mainly related to government entities and financial companies. The main changes compared with the end of the previous year were related to the sale of government securities managed through the HTC business model and the early repayment of Senior Financing operations (measured at amortised cost). This disposal fell within the thresholds of significance and frequency set out by the illimity Group's specific Policy.

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	31 March 2023	Inc. %	31 December 2022	Inc. %	Chg.	Chg. %
Distressed Credit Division	1,497	33.7%	1,490	34.4%	7	0%
Growth Credit Division	2,092	47.1%	2,011	46.5%	81	4%
Investment Banking Division	178	4.0%	133	3.1%	45	34%
Real Estate Division	71	1.6%	50	1.2%	21	42%
Loans to ordinary former BIP customers (Growth Credit)	89	2.0%	91	2.1%	(2)	(2%)
Total due from customers (Loans and Securities)	3,927	88.3%	3,775	87.2%	153	4%
Loans to financial entities	115	2.6%	126	2.9%	(11)	(9%)
Government Bonds	403	9.1%	428	9.9%	(25)	(6%)
Financing to customers and financial entities measured at amortised cost	4,445	100%	4,329	100%	116	3%

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 2022.

(amounts in thousands of euros)

Financial assets at amortised cost	31 March 2023						31 December 2022					
	Gross Exposure	Inc. %	Write-downs/write-backs	Book value	Inc. %	Coverage ratio (*)	Gross Exposure	Inc. %	Write-downs/write-backs	Book value	Inc. %	Coverage ratio (*)
Due from banks	97,853	1.9%	(171)	97,682	2.2%	0.17%	57,263	1.1%	(50)	57,213	1.3%	0.09%
- Loans	97,853	1.9%	(171)	97,682	2.2%	0.17%	57,263	1.1%	(50)	57,213	1.3%	0.09%
- Stage 1-2	97,853	1.9%	(171)	97,682	2.2%	0.17%	57,263	1.1%	(50)	57,213	1.3%	0.09%
Loans to financial entities	115,445	2.2%	(132)	115,313	2.5%	0.11%	125,757	2.5%	(169)	125,588	2.9%	0.13%
- Loans	115,445	2.2%	(132)	115,313	2.5%	0.11%	125,757	2.5%	(169)	125,588	2.9%	0.13%
- Stage 1-2	115,445	2.2%	(132)	115,313	2.5%	0.11%	125,757	2.5%	(169)	125,588	2.9%	0.13%
Government Bonds	403,512	7.8%	(476)	403,036	8.9%	0.12%	428,829	8.6%	(520)	428,309	9.8%	0.12%
- Stage 1-2	403,512	7.8%	(476)	403,036	8.9%	0.12%	428,829	8.6%	(520)	428,309	9.8%	0.12%
Loans to customers	4,549,700	88.1%	(622,427)	3,927,273	86.4%	13.68%	4,397,598	87.8%	(621,978)	3,775,620	86.1%	14.14%
Green Loans	3,320,553	64.3%	(33,989)	3,286,564	72.3%	1.02%	3,169,374	63.3%	(31,250)	3,138,124	71.5%	0.99%
- Stage 1-2	2,071,889	40.1%	(10,307)	2,061,582	45.4%	0.50%	1,978,403	39.5%	(11,353)	1,967,050	44.8%	0.57%
- Stage 3	1,248,664	24.2%	(23,682)	1,224,982	27.0%	N/A	1,190,971	23.8%	(19,897)	1,171,074	26.7%	N/A
Securities	556,906	10.8%	(3,743)	553,163	12.2%	0.67%	555,536	11.1%	(3,426)	552,110	12.6%	0.62%
- Stage 1-2	451,020	8.7%	(2,568)	448,452	9.9%	0.57%	450,428	9.0%	(3,119)	447,309	10.2%	0.69%
- Stage 3	105,886	2.0%	(1,175)	104,711	2.3%	1.11%	105,108	2.1%	(307)	104,801	2.4%	0.29%
Public Procurement Claims	672,241	13.0%	(584,695)	87,546	1.9%	N/A	672,688	13.4%	(587,302)	85,386	1.9%	N/A
Total	5,166,510	100%	(623,206)	4,543,304	100%	N/A	5,009,447	100%	(622,717)	4,386,730	100%	N/A

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

Financial assets at amortised cost, equal to EUR 4,543.3 million as of 31 March 2023, were mainly composed of loans to customers and PPCs, which comprise 86.4% of the total of the item, in addition to due from banks, which comprise 2.2% of the total, loans to financial entities and government bonds, which comprise 2.5% and 8.9% of the total, respectively.

A breakdown of the quality of organic customer credit (loans and securities, net of loans to financial entities) and a comparison to the previous year is provided below.

(amounts in thousands of euros)

Loans to customers - organic	31 March 2023						31 December 2022					
	Gross Exposure	Inc. %	Write-downs/ write-backs	Book value	Inc. %	Coverage ratio (*)	Gross Exposure	Inc. %	Write-downs/ write-backs	Book value	Inc. %	Coverage ratio (*)
- Non-performing loans - organic	120,222	4.5%	(23,682)	96,540	3.7%	19.70%	61,840	2.5%	(19,897)	41,943	1.7%	32.17%
- Bad loans	28,483	1.1%	(16,502)	11,981	0.5%	57.94%	20,505	0.8%	(14,353)	6,152	0.3%	70.00%
- Unlikely-to-pay positions	61,421	2.3%	(5,682)	55,739	2.1%	9.25%	40,992	1.6%	(5,481)	35,511	1.4%	13.37%
- Past-due positions	30,318	1.1%	(1,498)	28,820	1.1%	4.94%	343	0.0%	(63)	280	0.0%	18.37%
Non-performing securities - organic	5,459	0.2%	(1,175)	4,284	0.2%	N/A	3,000	0.1%	(307)	2,693	0.1%	10.23%
- Unlikely-to-pay positions	5,459	0.2%	(1,175)	4,284	0.2%	N/A	3,000	0.1%	(307)	2,693	0.1%	10.23%
Performing loans	2,522,909	95.3%	(12,875)	2,510,034	96.1%	0.51%	2,428,831	97.4%	(14,472)	2,414,359	98.2%	0.60%
- Loans	2,071,889	78.2%	(10,307)	2,061,582	79.0%	0.50%	1,978,403	79.3%	(11,353)	1,967,050	80.0%	0.57%
- Securities	451,020	17.0%	(2,568)	448,452	17.2%	0.57%	450,428	18.1%	(3,119)	447,309	18.2%	0.69%
Growth Credit	79,629	3.0%	(1,066)	78,563	3.0%	1.34%	83,230	3.3%	(1,390)	81,840	3.3%	1.67%
Distressed Credit	233,281	8.8%	(1,336)	231,945	8.9%	0.57%	272,956	10.9%	(1,477)	271,479	11.0%	0.54%
Investment Banking	138,110	5.2%	(166)	137,944	5.3%	0.12%	94,242	3.8%	(252)	93,990	3.8%	0.27%
Total	2,648,590	100%	(37,732)	2,610,858	100%	N/A	2,493,671	100%	(34,676)	2,458,995	100%	1.39%

Organic non-performing loans amounted to EUR 96.5 million, higher than the figure recorded as of 31 December 2022. The coverage ratio for organic non-performing loans as of 31 March 2023 was equal to 19.7%, down from the figure as of 31 December 2022. This is due primarily to the fact that a large number of secured credit exposures have now become UTPs and bad loans. This resulted in a reduction in the proportion of the group's organic non-performing loans represented by unsecured credit.

As of 31 March 2023, performing loans amounted to EUR 2,061.6 million and performing securities amounted to EUR 448.5 million, both up on 31 December 2022 in relation to increased operations of the Growth Credit Division and the Investment Banking Division. The total performing portfolio thus grew compared to EUR 2,414.4 million as of 31 December 2022.

The coverage ratio for performing loans of the Bank as of 31 March 2023 was equal to 0.5%, a decrease on the comparative figure as of 31 December 2022 due to the disbursements made during the quarter, characterised by a large number of secured exposures.

Below is a breakdown of the inorganic component of the portfolio, which comprises loans, securities and Public Procurement Claims.

(amounts in thousands of euros)

Loans to customers - inorganic & PPCs	31 March 2023						31 December 2022					
	Gross Exposure	Inc. %	Write- downs/ write- backs	Book value	Inc. %	Coverage ratio (*)	Gross Exposure	Inc. %	Write- downs/ write- backs	Book value	Inc. %	Coverage ratio (*)
Non-performing loans - inorganic	1,128,442	59.4%	-	1,128,442	85.7%	N/A	1,129,131	59.3%	-	1,129,131	85.8%	N/A
- Bad loans	591,338	31.1%	-	591,338	44.9%	N/A	618,740	32.5%	-	618,740	47.0%	N/A
- Unlikely-to-pay positions	527,424	27.7%	-	527,424	40.1%	N/A	499,617	26.2%	-	499,617	37.9%	N/A
- Past-due positions	9,680	0.5%	-	9,680	0.7%	N/A	10,774	0.6%	-	10,774	0.8%	N/A
Non-performing securities - Inorganic	100,427	5.3%	-	100,427	7.6%	N/A	102,108	5.4%	-	102,108	7.8%	N/A
- Unlikely-to-pay positions	100,427	5.3%	-	100,427	7.6%	N/A	102,108	5.4%	-	102,108	7.8%	N/A
PPCs	672,241	35.4%	(584,695)	87,546	6.7%	N/A	672,688	35.3%	(587,302)	85,386	6.5%	N/A
Total	1,901,110	100%	(584,695)	1,316,415	100%	N/A	1,903,927	100%	(587,302)	1,316,625	100%	N/A

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

Inorganic non-performing loans amounted to EUR 1,128.4 million, of which:

- EUR 591.3 million relating to purchase transactions concluded by the Growth Credit and Distressed Credit Divisions classified as Bad loans, registering a decrease compared to EUR 618.7 million as of 31 December 2022;
- EUR 527.4 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 499.6 million as of 31 December 2022;
- EUR 9.7 million relating to purchase transactions concluded by the Growth Credit and Distressed Credit Divisions classified as *past due*, registering a decrease compared to EUR 10.8 million as of 31 December 2022.

Instead, inorganic non-performing securities, equal to EUR 100.4 million as of 31 March 2023, decreased on the comparative figure, which was EUR 102.1 million.

In addition to inorganic loans and securities, new investments in loans for Public Procurement Claims amounted to EUR 87.5 million.

Funding

(amounts in thousands of euros)

Customer funding by technical form	31 March 2023		31 December 2022		Change	
	Book value	Inc. %	Book value	Inc. %	Absolute	Chg. %
Amounts due to customers (A)	3,410,542	68.6%	3,409,302	64.7%	1,240	0.0%
Securities issued (B)	661,633	13.3%	653,002	12.4%	8,631	1.3%
Direct customer funding (A)+(B)	4,072,175	81.9%	4,062,304	77%	9,871	0.2%
Due to banks (C)	899,067	18.1%	1,205,048	22.9%	(305,981)	(25.4%)
Total debt (A)+(B)+(C)	4,971,242	100%	5,267,352	100%	(296,110)	(5.6%)

The Group's liabilities present total "direct funding" of EUR 4,971.2 million, broken down between customers for EUR 4,072.2 million and banks for EUR 899.1 million. The increase on securities issued is due primarily to the accrual of interest expense on bonds. Due to banks – including the central bank component – was down on the comparative figure as of 31 December 2022 with a view to optimising the cost of funding.

Property and equipment and intangible assets

Property and equipment as of 31 March 2023 amounted to approximately EUR 132.6 million, up from EUR 128.4 million as of 31 December 2022, due mainly to the inclusion of new real estate portfolios accounted for pursuant to IAS 2, in the context of *datio in solutum* operations, net of disposals. In accordance with IFRS 16, the item includes the rights of use of assets acquired through lease agreements, of approximately EUR 22.1 million, net of accumulated depreciation.

The Group's intangible assets, equal to EUR 137.4 million, include the residual value of the specific intangible assets identified in carrying out the Purchase Price Allocation process following the acquisition of the business unit of Arec (now merged by incorporation into Arec neprix S.p.A.), equal to EUR 6.8 million as of 31 March 2023, in addition to the residual difference recorded under goodwill for EUR 29.1 million. The item also includes 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 Abilio) and its subsidiaries in 2020 (equal to EUR 14.6 million), as well as the goodwill - albeit in a lesser amount - 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. and River SPV S.r.l. and Kenobi SPV S.r.l., and 66.7% of the units of the securitisation vehicles Aporti S.r.l. This item also includes the IT investments made by Group companies.

Tax assets and tax liabilities

Tax assets amounted to approximately EUR 75.8 million as of 31 March 2023, down from the EUR 78.6 million recognised as of 31 December 2022. Details of the breakdown of tax assets are shown below.

(amounts in thousands of euros)

Tax assets	31 March 2023	31 December 2022	Chg.	Chg. %
Current	8,552	7,828	724	9%
Deferred	67,221	70,764	(3,543)	(5%)
Total	75,773	78,592	(2,819)	(4%)

Deferred tax assets other than those convertible into tax credits (Article 2, paragraph 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 refer primarily to the effects recorded during the year of the exercise of the tax relief option on goodwill and other intangible assets recognised in the financial statements following extraordinary operations and purchases of equity investments, and of the write-downs recorded on the portfolio of securities measured at fair value through other comprehensive income.

Deferred tax liabilities as of 31 March 2023 amounted to Euro 39.9 million, up compared to Euro 36.7 million as of 31 December 2022, due to higher taxes as a result of the financial results achieved during the quarter.

(amounts in thousands of euros)

TAX LIABILITIES	31 March 2023	31 December 2022	Chg.	Chg. %
Current	36,836	33,372	3,464	10%
Deferred	3,045	3,352	(307)	(9%)
Total	39,881	36,724	3,157	9%

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 CRR) and in Directive 2013/36/EU (Capital Requirements Directive, the 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 17 March 2022 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 2022. 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 communicated the following capital levels, which the illimity Banking Group was invited to maintain on an ongoing basis:

- Common Equity Tier 1 (CET1) ratio of 9.10%;
- Tier 1 ratio of 11.00%;
- Total Capital ratio of 13.50%.

As of the approval date of this document, the Regulator has not issued any supplementary communication in addition to that mentioned above. In that regard, it is noted that the Bank continues to substantially comply with the original voluntary commitment to maintain the CET1 ratio at a level above 15% on an ongoing basis.

In determining own funds the profit (loss) for the period was allocated net of all charges and dividends that may be forecast pursuant to the CRR, Article 26, paragraph 2, letter b) and Delegated Regulation (EU) 241/2014, articles 2 and 3. In particular, CET1 capital included 80% of profits for the period, based on a consolidated payout ratio of 20%, in line with the current business plan. That being said, the breakdown of own funds at the reporting date was as follows:

(amounts in thousands of euros)

Capital ratios	31 March 2023	31 December 2022
Common Equity Tier 1 (CET1) capital	676,898	682,872
Additional Tier 1 (AT1) capital	-	-
Tier 2 (T2) capital	200,032	200,787
Total own funds	879,930	883,659
<i>Credit risk</i>	314,316	312,920
<i>Credit valuation adjustment risk</i>	-	-
<i>Settlement risks</i>	-	-
<i>Market risks</i>	4,326	4,577
<i>Operational risk</i>	28,897	28,897
<i>Other calculation factors</i>	-	-
Total minimum requirements	347,538	346,394
Risk-weighted assets	4,344,230	4,329,921
Common Equity Tier 1 ratio (Phased-in)	15.58%	15.77%
Common Equity Tier 1 ratio (Fully Loaded)	15.52%	15.31%
Total capital ratio (Phased-in)	20.26%	20.41%
Total capital ratio (Fully Loaded)	20.15%	19.95%

The difference between the Fully Loaded ratio and the Phased-in ratio is due to the application of Regulation 2020/873, in relation to the application of IFRS 9 to own funds and capital ratios.

Changes in shareholders' equity

Consolidated shareholders' equity came to EUR 856.9 million, up on the end of 2022 due to the profit recorded in the first quarter of 2023 and the improvement in the valuation reserves.

(amounts in thousands of euros)

Items/Technical forms	31 March 2023	31 December 2022
1. Share capital	54,514	54,514
2. Share premium reserve	624,583	624,583
3. Reserves	212,212	135,516
4. Equity instruments	-	-
5. (Treasury shares)	(747)	(747)
6. Valuation reserves	(41,428)	(47,875)
7. Profit (loss) for the year	7,789	75,326
Total shareholders' equity attributable to the Group	856,923	841,317
Shareholders' equity attributable to minority interests	5	5
Total shareholders' equity	856,928	841,322

Share capital and ownership structure

As of 31 March 2023, the Bank's share capital amounted to EUR 54,513,905.72, fully subscribed and paid up, divided into 83,645,108 ordinary shares.

The Ordinary Shares were admitted to trading on the Euronext Milan market 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 Euronext Milan market.

Treasury shares

As of 31 March 2023, the Bank held 88,445 treasury shares for a value of EUR 747 thousand, in line with figures as of 31 December 2022. 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 31 March 2023:

(amounts in thousands of euros)

	Shareholders' equity	Result
illimity Bank S.p.A.	868,187	8,966
Effect of consolidation of subsidiaries	(2,112)	-
Result of subsidiaries	(2,777)	(2,777)
Consolidation adjustments	10,134	2,762
Dividends		
Effect of measuring associates and joint ventures using the equity method	(16,509)	(1,162)
Group	856,923	7,789

Financial performance

Net interest margin

(amounts in thousands of euros)

Items/Technical forms	Loans/ Payables	Debt securities	Other transactions	31 March 2023	31 March 2022	Absolute changes	Change %
Interest and similar income							
1. Financial assets measured at fair value through profit or loss	-	80	-	80	402	(322)	(80%)
<i>Held for trading</i>	-	14	-	14	-	14	N/A
<i>Carried at FV</i>	-	-	-	-	-	-	N/A
<i>Mandatorily measured at fair value</i>	-	66	-	66	402	(336)	(84%)
2. Financial assets at FV through other comprehensive income	-	2,322	-	2,322	1,447	875	60%
3. Financial assets at amortised cost	63,836	13,047	-	76,883	48,608	28,275	58%
<i>Due from banks</i>	3,136	1	-	3,137	55	3,082	>100%
<i>Loans to customers</i>	60,700	13,046	-	73,746	48,553	25,193	52%
4. Hedging derivatives	-	-	6,203	6,203	-	6,203	N/A
5. Other assets	-	-	567	567	814	(247)	(30%)
6. Financial liabilities	-	-	-	236	464	(228)	(49%)
Total interest income	63,836	15,449	6,770	86,291	51,735	34,556	67%
Interest expenses							
1. Amounts due to customers	(22,812)	(8,630)	-	(31,442)	(14,239)	(17,203)	>100%
<i>Due to central banks</i>	(1,015)	-	-	(1,015)	(9)	(1,006)	>100%
<i>Due to banks</i>	(6,498)	-	-	(6,498)	(769)	(5,729)	>100%
<i>Amounts due to customers</i>	(15,299)	-	-	(15,299)	(8,567)	(6,732)	79%
<i>Securities issued</i>	-	(8,630)	-	(8,630)	(4,894)	(3,736)	76%
2. Financial liabilities held for trading	-	-	-	-	-	-	N/A
3. Financial liabilities carried at FV	-	-	-	-	-	-	N/A
4. Other liabilities and provisions	-	-	(791)	(791)	(626)	(165)	26%
5. Hedging derivatives	-	-	(5,544)	(5,544)	-	(5,544)	N/A
6. Financial assets	-	-	-	(159)	(824)	665	(81%)
Total interest expenses	(22,812)	(8,630)	(6,335)	(37,936)	(15,689)	(22,247)	>100%
Net interest margin	41,024	6,819	435	48,355	36,046	12,309	34%

As of 31 March 2023, the net interest margin amounted to approximately EUR 48.4 million, up on the same period of the previous year, when it amounted to approximately EUR 36 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 25.2 million compared to the same period of the previous year. This increase is due primarily to larger portfolio volumes in the Bank's assets compared with the first quarter of the previous year, as well as the increase in interest rates on the comparative quarter.

Interest income on financial assets measured at *fair value* through other comprehensive income also increased slightly.

Interest expense also increased by around EUR 22.2 million compared with 31 March 2022. This increase was due to the increase in interest expense on amounts due to customers (EUR 6.7 million) and in interest expense on amounts due to banks and central banks (EUR 6.7 million), directly related to the increase in funding volumes and interest rates.

Interest expense on securities issued was also up by around EUR 3.7 million - due primarily to the issue of ordinary and subordinated bonds in late 2022.

Lastly, spreads on hedging derivatives (an operation that was begun and consolidated during 2022) increased, in terms of both the income and expense components. The net effect of these spreads amounted to EUR 0.7 million as of 31 March 2023.

Net fee and commission income

(amounts in thousands of euros)

Items/Technical forms	31 March 2023	31 March 2022	Absolute changes	Change %
Fee and commission income				
a) Financial instruments	100	-	100	N/A
b) Corporate Finance	1,272	2,495	(1,223)	(49%)
e) Collective portfolio management	1,427	571	856	>100%
f) Custody and administration	-	-	-	N/A
g) Central administrative services for collective portfolio management	-	32	(32)	(100%)
i) Payment services	350	276	74	27%
j) Distribution of third party services	48	-	48	N/A
l) Servicing activities for securitisation operations	19	-	19	n.a
n) Financial guarantees issued	201	68	133	>100%
o) Loan operations	7,200	5,679	1,521	27%
p) Currency trading	10	8	2	25%
r) Other fee and commission income	5,756	4,491	1,265	28%
Total	16,383	13,620	2,763	20%
Fee and commission expense				
a) Financial instruments	-	-	-	N/A
d) Custody and administration	(56)	(50)	(6)	12%
e) Collection and payment services	(433)	(325)	108	(33%)
f) Servicing activities for securitisation operations	(25)	(178)	153	(86%)
h) Financial guarantees received	(81)	-	(81)	N/A
k) Other fee and commission expense	(660)	(230)	(430)	>100%
Total	(1,255)	(783)	(472)	60%
Net fee and commission income	15,128	12,837	2,291	18%

Net fee and commission income amounted to EUR 15.1 million, up compared to the period ended 31 March 2022, when it amounted to EUR 12.8 million.

The increase in fee and commission income arising from the inclusion of AREC into the Group (now merged by incorporation into ARECneprix S.p.A.) was partially offset by lower fees and commissions related to Capital Markets activities and Sales & Agency operations put in place by Abilio and Abilio Agency (now Quimmo Agency).

Other operating expenses and income

(amounts in thousands of euros)

Items/Technical forms	31 March 2023	31 March 2022	Absolute changes	Change %
Other operating expenses				
Amortisation of expenses for improvements on third party assets	(45)	(23)	(22)	96%
Other operating expenses	(1,030)	(515)	(515)	100%
Total	(1,075)	(538)	(537)	100%
Other operating income				
Recoveries of expenses from other customers	338	1,124	(786)	(70%)
Other income	1,071	4,847	(3,776)	(78%)
Rental income	617	829	(212)	(26%)
Total	2,026	6,800	(4,774)	(70%)
Other operating income/expenses	951	6,262	(5,311)	(85%)

The item includes operating income and expenses of the Bank and its subsidiaries. The decrease in other operating income derives primarily from the non-recognition of the fee related to the granting of the licence to use the IT platform to ION, following the consensual termination of the contract, with effect from December 2022. Other main components refer to rental income for the management of real-estate complexes, recognised under Property and Equipment, acquired through *Datio in solutum* operations.

Personnel expenses

(amounts in thousands of euros)

Items/Technical forms	31 March 2023	31 March 2022	Absolute changes	Change %
1. Employees	(21,985)	(19,700)	(2,285)	12%
2. Other personnel in service	(531)	(403)	(128)	32%
3. Directors and statutory auditors	(629)	(598)	(31)	5%
Personnel expenses	(23,145)	(20,701)	(2,444)	12%

Personnel expenses amounted to approximately EUR 23.1 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 the increase in personnel to support the Group's new, increased operations, as well as the inclusion of Arec (now merged into Arec neprix S.p.A.).

The Group had a total of 871 employees as of 31 March 2023, up on 31 March 2022 (when it was equal to 765).

Other Administrative expenses

(amounts in thousands of euros)

Items/Technical forms	31 March 2023	31 March 2022	Absolute changes	Change %
Insurance	(839)	(910)	71	(8%)
Various consulting services	(2,168)	(2,219)	51	(2%)
Cost of services	(1,134)	(1,236)	102	(8%)
Financial information	(976)	(776)	(200)	26%
Adverts and advertising	(1,028)	(1,440)	412	(29%)
Financial statement audit	(291)	(181)	(110)	61%
IT and software expenses	(6,822)	(5,954)	(868)	15%
Legal and notary's fees	(2,376)	(2,621)	245	(9%)
Property management expenses	(1,308)	(1,035)	(273)	26%
Expenses for professional services	(2,515)	(2,335)	(180)	8%
Utilities and services	(360)	(417)	57	(14%)
Other indirect taxes and duties	(835)	(1,138)	303	(27%)
Others	(983)	(552)	(431)	78%
Total other administrative expenses	(21,635)	(20,814)	(821)	4%

Other administrative expenses amounted to approximately EUR 21.6 million, increasing by EUR 0.8 million compared to the same period of the previous year, and refer primarily to IT and software expenses, expenses for professional services, consulting and legal and notary's fees.

Net adjustments/recoveries on property and equipment and intangible assets

(amounts in thousands of euros)

Items/Technical forms	31 March 2023	31 March 2022	Absolute changes	Change %
Net adjustments/recoveries on property and equipment				
Property and equipment with functional use				
<i>of which: Own property and equipment</i>	(95)	(100)	5	(5%)
<i>of which: Inventories</i>	(245)	-	(245)	n.a
<i>of which: Rights of use acquired through lease agreements</i>	(803)	(692)	(111)	16%
Total	(1,143)	(792)	(351)	44%
Net adjustments/recoveries on intangible assets				
Finite useful life	(4,105)	(2,620)	(1,485)	57%
Indefinite useful life	-	-	-	n.a
Total	(4,105)	(2,620)	(1,485)	57%
Net adjustments/recoveries on property and equipment and intangible assets	(5,248)	(3,412)	(1,836)	54%

Net adjustments/recoveries on property and equipment and intangible assets amounted to approximately EUR 5.2 million, compared to EUR 3.4 thousand as of 31 March 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, following the acquisition of AREC (subsequently merged into ARECneprix S.p.A.).

Net adjustments/recoveries for assets measured at amortised cost

(amounts in thousands of euros)

Transaction/Income item	Adjustments/recoveries (1)						Recoveries (2)				31 March 2023
	Stage one	Stage two	Stage three		Purchased or originated impaired		Stage one	Stage two	Stage three	Purchased or originated impaired	
			Write-offs	Others	Write-offs	Others					
A. Due from banks	(135)	-	-	-	-	-	14	-	-	-	(121)
- loans	(135)	-	-	-	-	-	14	-	-	-	(121)
- debt securities	-	-	-	-	-	-	-	-	-	-	
B. Loans to customers:	(1,483)	(1,837)	-	(4,685)	-	(33,165)	2,299	2,660	301	40,961	5,051
- loans	(877)	(1,837)	-	(3,817)		(33,165)	1,395	2,363	301	40,961	5,324
- debt securities	(606)	-	-	(868)		-	904	297	-	-	(274)
Total	(1,618)	(1,837)	-	(4,685)	-	(33,165)	2,313	2,660	301	40,961	4,930

Net adjustments/recoveries for assets measured at amortised cost amounted to EUR 4.9 million. In particular, net recoveries on POCI loans amounted to EUR 7.8 million, primarily attributable to *closed positions*. Item 130 a) also includes net adjustments/recoveries relating to banks, financial entities and open POCI positions. The sub-item "purchased or originated impaired financial assets" refers to the amount of losses/recoveries on loans classified as purchased or originated credit impaired as a result of collections or revisions of business plans.

Basic and diluted earnings (losses) per share

The basic earnings (loss) per share is calculated by dividing the Group's net profit (loss) for the period by the weighted average number of ordinary shares in issue during the same period.

(amounts in thousands of euros)

Basic and diluted earnings (loss) per share	Profit/(Loss) for the period	Average number of shares	Basic and diluted earnings (loss) per share
Period ended 31 March 2023	7,789	83,556,663	0.09
Period ended 31 March 2022	15,675	79,201,595	0.20

(amounts in thousands of euros)

Diluted earnings (losses) per share	Profit/(Loss) for the period	Average number of shares	Diluted earnings (losses) per share
Period ended 31 March 2023	7,789	85,587,757	0.09
Period ended 31 March 2022	15,675	81,232,689	0.19

Trailing earnings per share as of 31 March 2023 of the Group, calculated considering the economic results and weighted average number of ordinary shares issued in the last twelve months, would amount to EUR 0.82 per share in the basic scenario, compared to EUR 0.80 in the 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	31 March 2023	31 December 2022	30 September 2022	30 June 2022	31 March 2022
Property portfolio - Securities at FV	415,108	422,856	428,554	432,345	428,100
Financial instruments mandatorily measured at fair value	37,190	37,836	95,477	79,237	78,634
Loans mandatorily measured at fair value	42,671	36,061	22,500	22,500	-
Due from banks	97,682	57,213	38,504	30,737	54,729
Loans to financial entities	115,313	125,588	145,115	160,022	159,964
Loans and securities to customers	3,927,273	3,775,620	3,317,820	3,194,213	2,831,749
Government Bonds	403,036	428,309	215,290	160,846	107,565
Investments in equity	83,221	76,375	78,336	76,145	78,147
Property and equipment and intangible assets	269,952	263,484	248,943	218,739	168,091
Tax assets	75,773	78,592	65,934	61,302	51,144
Other assets	631,247	1,053,191	634,636	690,578	964,286
Total assets	6,098,466	6,355,125	5,291,109	5,126,664	4,922,409

(amounts in thousands of euros)

Liabilities	31 March 2023	31 December 2022	30 September 2022	30 June 2022	31 March 2022
Due to banks	899,067	1,205,048	581,314	539,198	412,190
Amounts due to customers	3,410,542	3,409,302	3,186,094	3,106,712	3,064,799
Securities issued	661,633	653,002	514,632	509,630	504,681
Financial liabilities in own portfolio – instruments at FV	24,774	27,244	24,293	13,413	1,855
Tax liabilities	39,881	36,724	28,476	16,211	26,747
Other liabilities	205,641	182,483	142,848	139,636	134,710
Shareholders' equity	856,928	841,322	813,452	801,864	777,427
Total liabilities and shareholders' equity	6,098,466	6,355,125	5,291,109	5,126,664	4,922,409

Reclassified Income Statement

(amounts in thousands of euros)

Income Statement items	1Q2023	4Q2022	3Q2022	2Q2022	1Q2022
Net interest margin	48,355	46,125	42,045	38,009	36,046
Net fee and commission income	15,128	19,779	14,145	14,809	12,837
Profits/losses on financial assets and liabilities	(84)	(73)	4,647	5,890	2,751
Net write-downs/write-backs on closed positions	7,798	18,464	8,553	16,195	20,556
Other operating expenses and income (excluding taxes)	951	6,725	5,155	5,694	6,262
Total net operating income	72,148	91,020	74,545	80,597	78,452
Personnel expenses	(23,145)	(21,757)	(20,900)	(22,768)	(20,701)
Other administrative expenses	(21,635)	(26,614)	(21,414)	(21,859)	(20,814)
Net adjustments/recoveries on property and equipment and intangible assets	(5,248)	(4,850)	(4,587)	(3,912)	(3,412)
Operating expenses	(50,028)	(53,221)	(46,901)	(48,539)	(44,927)
Operating profit (loss)	22,120	37,799	27,644	32,058	33,525
Net losses/recoveries for credit risk - HTC Banks	(121)	150	43	(162)	183
Net losses/recoveries for credit risk - HTC Other financial entities	38	55	59	(8)	(1)
Net losses/recoveries for credit risk - HTC Clients	(2,098)	(9,658)	7,351	(5,679)	(5,789)
Net losses/recoveries for credit risk - HTCS	(241)	(374)	(205)	(171)	(542)
Net adjustments/recoveries for commitments and guarantees	(307)	(801)	(875)	110	524
Total net adjustments/recoveries	(2,729)	(10,628)	6,373	(5,910)	(5,625)
Other net provisions	(150)	-	-	(10)	(28)
Other income (expenses) on investments	(1,162)	(1,968)	(1,817)	(2,020)	(1,828)
Contributions and other non-recurring expenses	(6,021)	(1,992)	(2,622)	(127)	(1,962)
Profit (loss) from operations before taxes	12,058	23,211	29,578	23,991	24,082
Income tax for the period on continuing operations	(4,269)	1,518	(10,449)	(8,198)	(8,407)
Profit (loss) for the period	7,789	24,729	19,129	15,793	15,675

The net interest margin in the first quarter of 2023 amounted to EUR 48.4 million, up on the previous quarter and up strongly on the same period of 2022, due mainly to the disbursements carried out by the Growth Credit Division and the purchases of NPL and PPC portfolios carried out in 2022.

Total net operating income for the first quarter of 2023 amounted to EUR 72.1 million. Besides net interest, revenues for the quarter included net commission for EUR 15.1 million, a net gain on positions closed in the quarter for approximately EUR 7.8 million, a more-or-less *neutral* contribution from trading and other net income, attributable primarily to operations in the real estate sector connected with the management of securitised NPL portfolios. The quarter-on-quarter decrease in operating income related to the withdrawal, in the first quarter of 2023, of the economic benefits related to the granting to ION of the licence to use the IT platform developed by illimity, following the consensual termination of the contract with effect from December 2022.

Operating expenses in the first quarter of 2023, equal to EUR 50 million, fell compared with the previous quarter. Personnel costs increased due to the growth in the workforce in support of the Group's new and expanded operations. Other administrative expenses were down sharply compared with the previous quarter, due primarily to savings achieved on advertising and marketing costs, as well as on expenses related to the operations of the *Sales & Agency* unit.

Net adjustments/recoveries, negative in the amount of EUR 2.7 million, are essentially linked to the valuation of the Customer HTC portfolio, with a much improved impact compared with the previous quarters - albeit negative - related to the usual ongoing analysis of individual positions carried out by the management and as a consequence of the profits made on closed positions.

Moreover, expenses on investments, related to results for the period of consolidated companies with the equity method, came to EUR 1.2 million, a considerable improvement over the previous quarter.

The item "Contributions and other non-recurring expenses" includes, as well as the contributions allocated for the sustainability of the banking system (Resolution Fund) for EUR 1.8 million, write-downs/write-backs attributable to trade receivables related to the consensually terminated agreement with ION concerning the granting of the licence to use the IT platform.

Net of income tax on continuing operations, equal to approximately EUR 4.3 million, consolidated net profit as of 31 March 2023 stood at EUR 7.8 million, down compared to the profit of EUR 24.7 million recorded in the fourth quarter of 2022 and compared with the profit of EUR 15.7 million in the corresponding period of the previous year.

Contribution of operating segments to the Group's results









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









- Distressed Credit
- Growth Credit
- Investment Banking
- B-ilty
- CIO
- Asset Management Company.

In addition to these, the Group also has Hype, a fintech company that illimity co-owns as a joint venture with the Sella Group, and the Corporate Center, which oversees the steering, coordination and control of the entire Group.









The 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 quarter of 2023.

									
Economic performance	Distressed Credit	Growth Credit	Investment Banking	b-ilty	SGR	CIO	Corporate Center	Hype	31 March 2023
Net interest margin	28.7	15.8	2.1	0.4	-	1.4	-	-	48.4
Net fee and commission income	5.4	6.2	2.0	0.5	1.2	(0.2)	-	-	15.1
Other economic components	8.0	0.6	0.1	-	(0.1)	0.1	-	-	8.7
Total net operating income	42.1	22.5	4.2	0.9	1.1	1.3	-	-	72.1
Personnel expenses	(9.4)	(2.9)	(1.2)	(1.5)	(0.7)	(1.9)	(5.5)	-	(23.1)
Other administrative expenses and Net adjustments/ recoveries on property and equipment and intangible assets	(11.1)	(1.4)	(0.7)	(1.2)	-	(7.8)	(4.6)	-	(26.8)
Operating expenses	(20.5)	(4.4)	(1.9)	(2.7)	(0.7)	(9.7)	(10.1)	-	(50.0)
Operating profit (loss)	21.6	18.1	2.3	(1.8)	0.4	(8.4)	(10.1)	-	22.1
Total net adjustments/ recoveries and other provisions	(2.2)	0.2	(0.2)	(0.6)	-	-	-	-	(2.8)
Contributions and other non-recurring expenses	-	-	-	-	-	(4.3)	(1.8)	-	(6.0)
Other income (expenses) on investments	(0.1)	-	-	-	-	-	-	(1.1)	(1.2)
Profit (loss) from operations before taxes	19.3	18.3	2.1	(2.4)	0.4	(12.7)	(11.8)	(1.1)	12.1

									
Economic performance	Distressed Credit	Growth Credit	Investment Banking	b-ilty	SGR	CIO	Corporate Center	Hype	31 March 2023
Financial assets measured at fair value through profit or loss	38.1	61.9	10.6	-	0.1	-	-	-	110.7
Customer loans	1,174.5	2,088.5	39.7	71.4	-	-	-	-	3,374.1
Asset securities at amortised cost	466.3	315.4	164.1	10.4	-	-	-	-	956.2
Property and Equipment	109.4	-	-	-	-	-	23.2	-	132.6
Amounts due to customers and securities issued	-	-	-	38.4	-	2,583.8	1,450.0	-	4,072.2
RWAs	2,069.8	1,601.30	168.6	22.9	5.2	93.2	338.8	44.4	4,344.20

Shown below are the main economic data illustrating developments in the operating segments of the illimity Group in the corresponding quarter of 2022, calculated pro forma based on the new organisational structure in force to guarantee compatibility with the data as of 31 March 2023.

									
Economic performance	Distressed Credit	Growth Credit	Investment Banking	b-ilty	SGR	CIO	Corporate Center	Hype	31 March 2022
Total net operating income	54.2	14.6	3.8	0.1	0.5	5.3	-	-	78.5
Operating expenses	(16.9)	(5.1)	(1.3)	(3.2)	(0.8)	(8.1)	(9.5)	-	(44.9)
Profit (loss) from operations before taxes	31.9	9.6	2.1	(3.1)	(0.3)	(2.8)	(11.6)	(1.7)	24.1

Amounts in millions of euros. Any discrepancies between the figures presented are due solely to rounding.

The Distressed Credit Division reported approximately EUR 28.7 million of net interest income in the first quarter of 2023, and total net operating income of EUR 42.1 million (approximately 58.4% of the illimity Group's total net operating income). Profits before taxes amounted to EUR 19.3 million for the quarter.

The Growth Credit Division reported a profit before taxes of EUR 18.3 million, a net increase compared to the same period of 2022, which amounted to EUR 9.6 million.

The Investment Banking Division reported operating profit of approximately EUR 2.3 million, especially due to interest income on securitisation operations and structuring commissions.

The b-ilty Division presented a loss before taxes of approximately EUR 2.4 million, referring mainly to around EUR 0.4 million of net interest, EUR 0.5 million of net commission, EUR 2.7 million of operating costs and EUR 0.6 million of write-downs on loans, an improvement on the same period of the previous year.

The CIO Division brings together the inter-divisional remuneration of the various forms of funding. Furthermore, the costs arising from the operations of the illimitybank.com channel, as well as the amortisation of the software capitalised by the Bank and expenses pertaining to personnel dedicated to the Division's specific operations, are allocated to that Division. Lastly, in the first quarter of 2023 the Division incorporated the write-downs/write-backs deriving from the termination of the agreement with ION, as previously mentioned.

The SGR contributed to consolidated results as of 31 March 2023 with an operating profit of approximately

EUR 0.4 million. It is believed that the growing operation of illimity SGR will gradually bring greater benefits to the Group, especially in terms of improving the commission margin.

The central functions of the Corporate Centre reported an operating loss of EUR 11.8 million in the first quarter of 2023, which is consistent with its nature as a cost centre for all other functions of the Group.

Lastly, the joint venture in Hype is expected to produce benefits, above all significant cost sharing, as well as revenues enabled from *cross selling* opportunities.

Distressed Credit

Direct Acquisitions

As of 31 December 2022, the Distressed Credit Division had purchased EUR 11.2 billion of distressed loans, in terms of gross book value, for the price of approximately EUR 1.7 billion.

In the first quarter of 2023, a total of approximately EUR 4 million was invested in loan purchase operations, for a total nominal value of around EUR 60 million. These opportunities were finalised by means of acquisitions completed through securitisation vehicles pursuant to Italian 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.

Also taking into account investments made in previous years, as of 31 March 2023 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 1.7 billion, as shown below.

(Amounts in millions of euros)

Investment transactions in Distressed Loans	Price	GBV
Investments up to 31/12/2021	1.332	8.594
Q1 2022	119	631
Total as of 31/03/2022	1.451	9.225
Q2 2022	73	1.427
Total as of 30/06/2022	1.524	10.652
Q3 2022	10	114
Total as of 30/09/2022	1.534	10.766
Q4 2022	164	413
Total as of 31/12/2022	1.698	11.179
Q1 2023	4	60
Total as of 31/03/2023	1.702	11.239

Senior Financing Operations

During the course of the first quarter of 2023, the operations finalised by the *Senior Financing* area amounted to EUR 80 million disbursed.

In 2022 the area finalised operations for a total of EUR 118 million disbursed. Also taking into consideration the investments made by the *Senior Financing* area in previous years, as of 31 March 2023 the Bank signed *asset-backed* loan-agreements in support of professional investors in the *distressed credit* and *distressed assets* sectors, for a total of EUR 684 million, as shown below.

(Amounts in millions of euros)

Asset-backed financing on Distressed Loans	Amount paid
Investments up to 31/12/2021	486
Q1 2022	57
Total as of 31/03/2022	543
Q2 2022	21
Total as of 30/06/2022	564
Q3 2022	20
Total as of 30/09/2022	584
Q4 2022	20
Total as of 31/12/2022	604
Q1 2023	80
Total as of 31/03/2023	684

Special Situations - Real Estate operations in the context of note subscriptions

Taking into account investments made in previous years, as of 31 March 2023 the Bank subscribed notes with the support of the Special Situations - Real Estate area, for a total amount of approximately EUR 105 million, as shown below. Note that this figure does not include the Convivio transaction, as it is already included in the new investments in distressed loans in the amount of 50%, as illimity's contribution to the joint venture with Apollo Global Management.

(Amounts in millions of euros)

Asset-backed financing on Distressed Loans	Amount paid
Investments up to 31/12/2021	58
Q1 2022	0
Total as of 31/03/2022	58
Q2 2022	0
Total as of 30/06/2022	58
Q3 2022	21
Total as of 30/09/2022	79
Q4 2022	26
Total as of 31/12/2022	105
Q1 2023	0
Total as of 31/03/2023	105

Energy operations

Up to the date of acquisition of the entirety of the notes of the vehicle Spicy Green SPV in December 2022, the Bank recorded its Special Situations Energy positions under the item “financial instruments mandatorily measured at fair value” by means of the notes, and the following income components were therefore recognised 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 securitisation vehicle), 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;
- a component consisting of recoveries or adjustments to increase or decrease the return recognised under the item “Net result of assets mandatorily measured at fair value”.

With the acquisition of 100% of the “notes”, the conditions were met for the consolidation on a line-by-line basis of the assets and liabilities of the cover pool of the vehicle within the consolidated financial statements of the illimity Group.

Therefore, the Bank recorded in the consolidated financial statements, starting on 14 December 2022, the vehicle's loan portfolio (broken down into performing positions recognised under financial assets measured at amortised cost classified as performing loans - stage 1, non-performing positions recognised under financial assets measured at amortised cost classified as POCI - stage 3 and, for a specific position, financial instruments mandatorily measured at fair value for which the underlying asset has already been repossessed), as well as the vehicle's other assets and liabilities. In the same way, the vehicle's results were 100% recognised through Group profit and loss starting on 14 December 2022.

In view of the above, considering also the investments made in previous years, as of 31 December 2022, the Distressed Credit Division had finalised investment transactions in the Special Situations Energy sector, through the vehicle Spicy Green, for an overall amount of approximately EUR 111 million, in terms of the purchase price of positions, against a gross nominal value of purchased positions of approximately EUR 257 million.

The figures recorded did not change in the first quarter of 2023.

Growth Credit Division

As of 31 December 2022, the Growth Credit portfolio had a gross exposure of EUR 2,158 million, broken down as follows:

- former BIP portfolio, amounting to EUR 108 million (5%);
- Turnaround amounting to approximately EUR 692 million (32%);
- Crossover and Acquisition Finance amounting to EUR 874 million (41%);
- Factoring, amounting to EUR 484 million (22%).

In the first quarter of 2023, receivables of the Growth Credit Division grew by approximately EUR 88 million, mainly due to new investments (disbursements and acquisition of loans) of approximately EUR 119 million and repayments for approximately EUR 30 million, as well as a slight increase in factoring loans.

The portfolio of corporate bonds of the Crossover and Acquisition Finance Desk as of 31 March 2023 totalled EUR 51 million.

In brief, in the first quarter of 2023, the following may be noted:

- new loans secured by public guarantees for approximately EUR 38 million, of which EUR 28 million relating to the Crossover & Acquisition Finance Area and EUR 10 million relating to the Turnaround Area;
- disbursement of unsecured financing for over EUR 49 million, of which some EUR 34 million relating to the Turnaround Area and the remaining EUR 15 million relating to the Crossover & Acquisition Finance Area;
- acquisition of loans for EUR 32 million, relating to the Turnaround Area;
- early repayments for around EUR 30 million, relating mainly to loans disbursed by the Crossover & Acquisition Finance Area, including in particular the completion of a significant transaction, in late March, for over EUR 20 million.

As regards factoring, there was growth in loans, which were at values higher than those recorded as of 31 December 2022, equal to EUR 484 million. The trend in turnover was also positive, amounting to EUR 658 million in the first quarter.

The *run-off* of the former BIP portfolio continues, which, in the first quarter of 2023 recorded a decrease in exposures of almost EUR 2 million. Note that due to operating practices the aggregate also includes loans granted to illimity Group employees.

As of 31 March 2023, the Growth Credit portfolio had a gross exposure of EUR 2,246 million, broken down as follows:

- former BIP portfolio, amounting to EUR 106 million (5%);
- Turnaround amounting to approximately EUR 760 million (34%);
- Crossover and Acquisition Finance amounting to EUR 889 million (40%);
- Factoring, amounting to EUR 491 million (22%).

b-ilty Division

One year on from its creation, b-ilty, the first completely digital banking platform dedicated to small and medium-sized enterprises, is already capable of offering its customers not only a complete range of digital financial solutions - including loans dedicated to technological transformation, environmental sustainability projects and a complete transnational banking offering - but also its very own ecosystem of services and products to help entrepreneurs manage every aspect of their company. The intense activities carried out in recent months have ensured that its customers can currently make use of - for example - digital tools such as payment collection and insurance products, which are offered via the best partners on the market, in order to guarantee entrepreneurs the best possible services for the development of their business.

In the coming months, the master plan will involve a number of initiatives, leading to:

- The expansion of the offering, with the continuous launch of services and products in partnership with other leading players on the market in order to - on the one hand - guarantee customers an ever more complete *user experience* and - on the other - make the offering available to an ever broader target customer base;
- Scheduled credit interventions with a view to optimising loan application assessment and approval times, also with positive consequences for disbursement times.

In addition, activities aimed at perfecting the onboarding process, extending the mobile channel and reinforcing the origination channels are also in the pipeline.

Market development channels

In the first quarter of 2023, b-ilty consolidated its network of credit mediators by signing new commercial agreements, taking its total network to over 40 of the best mediators in Italy. B-ilty also redefined its annual targets in terms of volumes and commission schedules, and entered into preferential agreements with the three main entities active in the mediation business, with large volumes originated and wide-reaching networks.

Through the credit mediation channel, b-ilty recorded a total of EUR 14.3 million of disbursements as of 31

March, double the figure recorded in the last quarter of 2022.

In addition, collaborations are in place with employers' associations with a view to sharing financial solutions for members.

A joint planning project was also launched with an important insurance group with a view to assessing the possibility of collaborating on the distribution, by 2023, of banking products to b-ilty customers using the agent and insurance network.

Lastly, with regard to direct origination, updates have been made to the layout of our site in order to make it easier to open a current account and to perform self-checks on eligibility prerequisites.

Dialogue with entrepreneurs

With the aim of meeting entrepreneurs' needs, in February 2023 b-ilty launched a communication campaign in support of the promotion of its current account product for businesses, the unlimited business account. For the entire duration of the initiative the current account was offered at a price of EUR 20, instead of EUR 40.

During the communication campaign and promotion of the offer, consideration channels were launched with the aim of expanding b-ilty's engagement audience, and performance channels were used to obtain new leads.

In general, for the entire duration of the quarter media platforms were optimised, with the intention of improving the quality of hot leads.

Events on the ground and online

In the first three months of 2023, b-ilty carried out various initiatives with the aim of reinforcing its presence on the ground, increasing its brand awareness and helping Italian businesses to fulfil their potential.

These included events carried out in partnership with entities such as Italfinance and Confindustria.

The first, carried out in early February and titled "b-real. La semplicità della relazione", represented an opportunity for the bank to hold a dialogue with one of its strategic partners in credit mediation. The event, which focused on the importance of the relationship as a tool for creating a solid base for the work to be carried out together, was also an opportunity to discuss the current needs of Italian businesses.

The second event, held at the headquarters of Confindustria in Pescara, in collaboration with ANDAF (the National Association of Administrative and Financial Managers), covered issues such as the capital and financial balance of businesses, and recent changes in regulations relating to credit issue and management. The dialogue and discussion was interspersed with various testimonies from corporate area managers, including the managers of the Finance, Management Control and Credit units.

b-ilty also helped to foster close relations with entrepreneurs through online events. The b-ilty webinars, developed and constructed as a "how to" narrative, acted as a tool to provide practical, concrete support to entrepreneurs: what are their needs? What b-ilty products and/or services might be useful? And how?

Loan processes and business results

As regards loan processes, 2022 saw the successful conclusion of the parallel run phase of the loan engine – the only one of its kind on the market – which made it possible to perfect the credit assessment process for loan applications. In particular, starting in the first few months of 2023, the sustainability of loans of lesser amounts is assessed automatically based on qualitative and quantitative parameters. The many benefits deriving from the implementation of this new method of analysis include the speed with which a decision can be made and the loan itself consequently disbursed.

In the first quarter of 2023, all the key business indicators had significantly improved; these include the Time-to-Yes and the Time-to-Cash, which were considerably reduced compared with the last quarter of 2022. The improvement in these KPIs was also due to the optimisation of the analysis model for certain phases of the credit disbursement cycle, with a view to reducing the times necessary for disbursement.

Furthermore, the work aimed at streamlining the cost base that was carried out in 2022 and continued in the last quarter enabled the division to build a scalable operating cost structure that is variable depending on volumes and fully efficient, significantly limiting the presence of fixed costs not directly related to the business.

The effectiveness of the new loan engine developed by b-ilty is also proven by the increase in business volumes. At the end of the first quarter of 2023 the volumes disbursed amounted to around EUR 28 million, of which approximately EUR 20 million related to medium- and long-term loans (+67% compared with the previous quarter). Given the advanced pipeline to date, volumes for April 2023 are expected to improve further compared with the performance recorded in March.

The gross exposure (GBV) of the portfolio as of 31 March was EUR 71.5 million, of which approximately EUR 66.4 million related to medium- and long-term loans.

Asset Management Company (“SGR”)

In the first quarter of 2023 the SGR continuously performed the activities connected with investment and management of the assets of the illimity Credit & Corporate Turnaround Fund (“iCCT Fund”) and the illimity Real Estate Credit Fund (“iREC Fund”), in line with the provisions of the Management Regulations and the Fund’s policies and respective investment strategies.

With effect from 29 March 2023, the SGR completed the first closing of the Alternative Investment Fund (AIF) “illimity Selective Credit” (the “iSC Fund”), with an initial subscription amount of EUR 90.9 million. The iSC Fund is an alternative investment fund for direct lending that can act as a medium-/long-term strategic partner for non-listed performing Italian SMEs, through the use of a broad spectrum of financial instruments, and therefore will invest primarily in senior debt instruments, whereas the remainder of the Fund’s portfolio will be made up of subordinated debt instruments and equity instruments.

During the first quarter of 2023, the SGR completed a new closing, carried out in two tranches, of the iCCT Fund, following which additional receivables were contributed for a gross total of around EUR 23.8 million. The receivables were contributed by banks that already held units in the Fund and expanded their subscription.

During the first quarter of 2023, cash receivables were acquired for a gross total of EUR 6.8 million. The portfolio currently includes loans to around 86 companies operating in vastly different sectors (industrial, commercial, residential, hospitality, energy, etc.).

In line with the strategies of the SGR and of the specific Group, in the rest of the year, the SGR of illimity will implement the necessary activities to pursue and differentiate business opportunities, in line with its status, having conducted the analyses necessary to ensure compliance with the regulations applicable in each case, and the consistently with its organisational structure. To that end, it is specifically noted that, in accordance with the prospects outlined in its 2021-2025 Business Plan, the SGR has launched a series of project activities aimed at extending its operations:

- in the UTP exposures sector, through the project of a new, flexible (Equity/Debt) AIF for selected Italian SMEs undergoing temporary financial imbalance;
- The NPL Small Medium Tickets Funds sector, through the setting up of an AIF with investment strategies and policies in the granular Non-Performing Loans (NPL) market, with potential counterparties both small corporates and retail businesses, and different areas of origination (utilities, consumer, commercial credit, etc.)

Investment Banking

On 1 January 2022, the Investment Banking Division was established, which targets companies, financial companies and public institutions in order to support them in structuring market and private operations, to meet their needs for capital, debt and strategic growth, not only through IPOs, but also through bond issues and structuring securitisations. The offering also includes the structuring and provision of risk hedging operations and consulting for operations such as mergers, spin-offs, incorporations, acquisitions and corporate restructuring.

The Division's operations are managed by dedicated, separate organisational structures within the Division:

- Capital Markets;
- Corporate Solutions;
- Structuring.

As of 31 March 2023, the Division's KPIs were as follows (considering the previous operations carried out in 2021 within the other business divisions):

- Six IPOs successfully concluded on Euronext Growth Milan, for total funding of EUR 101 million since the date of establishment of the Capital Markets Area;
- Investment portfolio of around EUR 115 million in corporate bonds and around EUR 175 million in alternative debt instruments;
- Around EUR 260 million in nominal value of instruments traded with customers;
- Three securitisations of trade receivables and secured loans for a total programme amount of around EUR 230 million, a multi-originator securitisation of a portfolio of secured corporate loans for EUR 40 million, and a securitisation of corporate and residential loans for EUR 150 million.

Capital Markets Operations

Capital Markets operations aim to structure strategic development plans for small and medium-sized enterprises, including through accessing the capital markets, defining organic and inorganic growth solutions, and optimising the financial structure.

As part of IPOs, the Capital Markets structure performs the role of Global Coordinator and Euronext Growth Advisor (EGA), assisting companies in their processes of listing on the Euronext Growth Milan (EGM) market. With regard to bond issues, the structure holds the role of Arranger and placement agent on the market with institutional investors. illimity's Capital Markets also acts as strategic advisor for extraordinary finance transactions and corporate broking.

As of 31 March 2023, in addition to having acquired numerous Euronext Growth Advisor and advisory mandates, the Area had successfully completed six IPOs on EGM as Global Coordinator:

- In the first quarter of 2023, an IPO was completed for a total of EUR 20 million in placements;
- During 2022, two IPOs were completed for a total of EUR 27 million in placements;
- Prior to that, three IPOs were completed for a total of EUR 54 million in placements.

Corporate Solutions Operations

The Corporate Solutions structure manages the Division's investment portfolio and structures solutions such to manage and hedge risks for companies, by trading derivatives.

With regard to the management of the investment portfolio, the structure invests in the (primary and secondary) markets of corporate bonds and alternative debt (tranches of securitisations, Collateralised Loan Obligations, etc.) to support companies and finance their current operations and growth, guaranteeing quick execution and time-to-market.

As of 31 March 2023, the investment portfolio managed by Corporate Solutions amounted to a nominal value of approximately EUR 115 million, with the following characteristics:

- extensive single name, geographical and sector diversification (the portfolio is invested in over 90 instruments, with over 70% of investments made in domestic issuers and in around 30 industries);
- an average duration limited to 4 years.

To that portfolio of corporate bonds can be added EUR 175 million invested in tranches of securitisations originated by the structuring activities of the Division of the same name.

Due to the synergies with the other business divisions, the Investment Banking Division offers customers a wide range of risk hedging solutions, providing them with the necessary instruments to reduce and limit the risks linked to their operations and statement of financial position structures. During the first quarter of 2023, derivatives with a notional value of EUR 20 million were managed and structured.

Structuring Operations

The activities of the Structuring Area consist of defining and identifying efficient structured financing solutions that require extensive financial specialisation and expertise to achieve the objectives of diversifying *funding* sources, improving companies' financial positions and optimising the capital of our customers.

The Area operates as an Arranger and Lead Manager in structurings and placements on the market, for institutional investors, of securitisations, basket bonds and alternative debt.

Since its creation in December 2022, the Structuring Area has successfully concluded three securitisations of trade receivables and secured loans for a total programme amount of around EUR 230 million. The Area also structured the first multi-originator securitisation of a portfolio of secured corporate loans for EUR 40 million, and a securitisation of corporate and residential loans for EUR 150 million.

The Area also acts for the bank – in support of the operations of the Treasury department - in the structuring of funding solutions (securitisations, repos, bond issues under the EMTN programme) and of capital management solutions (SRT securitisations, synthetic transactions and financial guarantees). In this regard, a self-securitisation was carried out for funding purposes, using corporate loans guaranteed by MCC and SACE and originated by illimity Bank, for a nominal value of EUR 570 million, as collateral.

CIO

During the first quarter of 2023, activities again continued in line with the previous months. All illimity work at the company and remotely as necessary, facilitated by the IT architecture present as per the Bank's policy.

IT platform projects

As part of IT4IT projects, initiatives dedicated to the technological evolution of infrastructure continued. Specifically, a project was launched to upgrade the technological API management platform, which will move from an "IAAS" to a "Hybrid PAAS" paradigm. February 2023 saw the definitive switch from one infrastructure to the other, resulting in lower infrastructure and platform management costs.

In the area of Data Governance, the "Data Quality" project is active, which, through dedicated apps and dashboards accessible by Control Owners, Data Owners and Data Users, enables the creation, constant monitoring and analysis of the results produced by managerial and operational data quality controls. By June 2023 the web app will evolve to include new functionalities.

In the area of IT Security, particularly with regard to fraud management in the Retail Banking channel, automatic mechanisms based on Open Source Intelligence (OSINT) were implemented that can predict potentially fraudulent conduct with a high degree of accuracy, blocking the suspected party or placing them under monitoring. These automatic mechanisms will also be implemented in the Corporate Banking channel.

Project activities are also under way to develop an Identity Governance framework. Those activities will enable the control of access to company systems based on least privilege and need to know principles.

The CIO Division is also carrying out ongoing oversight of the Business Continuity Management system and Disaster Recovery activities, partly with a view to developing and consolidating them.

Projects in support of the other divisions

In addition, the IT Function is supporting the b-ilty, Growth Credit, Investment Banking and Distressed Credit Divisions and the central functions in developing the projects identified in their respective masterplans:

b-ilty Division

- The development of a new credit assessment engine owned by illimity has been completed, which, thanks to the new credit policies and the revision of the process, will make it possible to automate the credit check process and automatically approve applications if certain conditions are fulfilled (fast lending).
- The evolution of Open Banking for Payment Initiation and Account Information services is also continuing, in order to ensure full compliance with the Directives of the EBA and Bank of Italy.
- During the fourth quarter, a project based on CRM is scheduled to be released called Omni Channel, in order to streamline the work of our back office and the user experience, as well as reducing costs.

Growth Credit Division/CLO

- A new app that digitises and automates processes for the management of analytical and lump-sum write-downs is now operational;
- The first release was completed of IT tools that will make it possible to monitor the Bank's loan portfolio through external scores, data from info providers, and internal and external performance data (e.g. Central Risk Register).

Investment Banking Division

- The extension of the scope managed by the systems to listed derivatives (particularly BTP futures) was completed and the release of the derivative management product FX Option is under way;
- The process is under way of defining the target process for managing alternative debt instruments on a wide range of possible underlyings (receivables, basket bonds/minibonds and basket loans);
- The IT framework for the day-to-day monitoring of derivative product results and for end-of-month accounting/operational reconciliation has been released;
- The development of tools for the day-to-day monitoring of the absorption of open credit lines by positions on derivatives with non-financial clients has been completed.

Distressed Credit Division

The main events of the first quarter of 2023 were linked primarily to the consolidation of the following projects:

- New Credit Management System launched with the aim of creating a tailor-made platform with cutting-edge technology for Arec neprix users;
- In-House Master Servicer launched with the aim of supporting the accounting and reporting functions of the SPVs, ReoCos and LeaseCos, adapting the existing application system;
- Real Estate Management System created to digitise real estate business plans and subsequently developed to manage the real estate asset cycle and assets;
- Pricing Module developed to improve the pricing modelling carried out through dedicated widgets within the app;
- Senior Financing Module developed to digitise Senior Financing deals, which can be both arranged and monitored via the app;
- Due Diligence Module conceived to manage, in its first release, legal analytical Due Diligence, and subsequently the deal pricing phase;
- Sales Module conceived to map the sale pipeline and developed to manage the association of collections received with the relevant sale transfer accounts.

Central Functions

Continuation of micro- and macro-interventions to improve the Corporate Performance Management systems and the Financial Statements and reporting systems (analysis and reconciliation tools):

- The new ESG IT framework is under development, aiming to provide the Bank with an ESG assessment system for originating transactions for customers, produce reports for the market, and prepare the Non-Financial Report;
- Projects were launched with the aim of redefining methods of managing and monitoring the CET 1 Ratio target and providing a tool for capital monitoring management, in both actual and prospective terms, using a single, standardised database;
- An IT framework currently being released will help to manage the Bank's securities, by customising the current position keeping system, and support the configuration of monthly automated control processes;
- ALM&Treasury has launched a project aimed at building a tool for day-to-day liquidity monitoring.

Corporate Centre

The Corporate Centre, which oversees the steering, coordination and control of the Entire Group, manages financial data arising from:

- 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.

illimity Bank share performance

The ordinary shares of illimity are traded on the Mercato Telematico Azionario Euronext Milan organised and managed by Borsa Italiana since 5 March 2019. From 10 September 2020, the ordinary shares were admitted to trading on the STAR (Securities with High Requirements) segment of the Euronext Milan market. Share performance in the last three years is reported below:



Significant shareholders with a stake of at least 3% 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 09 May 2023, 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
Banca Sella Holding S.p.A.	Banca Sella Holding S.p.A.	Owned	10.01%	10.01%
ION Investment Corporation Sàrl	FermlION Investment Group Limited	Owned	9.39%	9.39%
LR Trust - FIDIM	Fidim Srl	Owned	7.70%	7.70%
Tensile Capital Management LLC	Tensile-Metis Holdings Sàrl	Owned	7.29%	7.29%
Atlas Merchant Capital LLC	AMC Metis Sàrl	Owned	6.22%	6.22%
Corrado Passera	Corrado Passera	Owned	4.10%	4.10%
Aurora Recovery Capital S.p.A.	Aurora Recovery Capital S.p.A.	Owned	3.27%	3.27%

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' agreement 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 18 April 2023, illimity Bank S.p.A. and the ION Group announced that the ION Group had increased its equity investment in illimity from 7.25% to 9.39%. Furthermore, in relation to the announcement made on 22 June 2021, the Bank and the ION Group announced that the licence contract signed between the parties in 2021 concerning the IT systems developed by illimity had been consensually terminated, to allow the Bank to further exploit its IT systems, including by pursuing royalty agreements otherwise not provided for by the licence contract previously in force.

On 18 April 2023, illimity Bank S.p.A. announced that it had signed a long-term industrial collaboration agreement with the Engineering Group, concerning illimity's IT platform, its marketing to third parties and its future development, for a fee of EUR 55.5 million, net of the time effect related to the deferred payment, which will be accounted for in 2023 and paid in the 2023-2026 period, to which can be added a further EUR 4.5 million in the 2024-2032 period for subsequent updates to the platform made available by illimity that Engineering has the option to acquire.

On 20 April 2023, the annual Shareholders' Meeting of illimity Bank S.p.A. approved the 2022 financial statements and the distribution of the first dividend in illimity's history, equal to EUR 0.18 per share.

On 2 May 2023 COIMA, a leader in investment, development and management of real estate assets on behalf of institutional investors, signed a real estate partnership with Abilio, the illimity Group company that specialises in the digital brokerage of property and capital goods. Specifically, the agreement provides for COIMA to acquire a stake of 18% in Abilio's share capital, by means of a reserved capital increase. The transaction, which will be completed by the end of May 2023, was resolved upon by the Shareholders' Meeting of Abilio and provides in particular for the transfer to Abilio by COIMA of 100% of its Residenze Porta Nuova company, and COIMA's subsequent acquisition of 18% of Abilio's share capital.

Business outlook

The evolution of the economic situation remains characterised by strong elements of uncertainty, with growth estimates continuing to predict a slowdown due to persistent geopolitical instability and severe inflationary pressures.

In this context, illimity is believed to be well placed to tackle the difficult economic scenario, thanks to a robust liquidity position, which can rely on a widely diversified funding base, and a solid capital position that will help to support future growth.

Customer loan volumes, despite maintaining a highly selective approach, are expected to grow, benefiting from a significant pipeline of new loans and investments in the coming months across all business divisions. In fact, the current scenario will enable the Bank to seize growing opportunities both in SME loans and in the world of non-performing loans.

With regard to operating trends, revenues are expected to grow, benefiting from a higher net interest margin thanks to both increased origination business volumes and loan repricing. These trends should more than offset the expected rise in the cost of funding.

Net fee and commission income is also expected to rise, thanks greater volumes of new business, particularly in the Growth Credit, Distressed Credit and Investment Banking Divisions, with a growing contribution from initiatives already under way (b-ilty, Quimmo and illimity SGR).

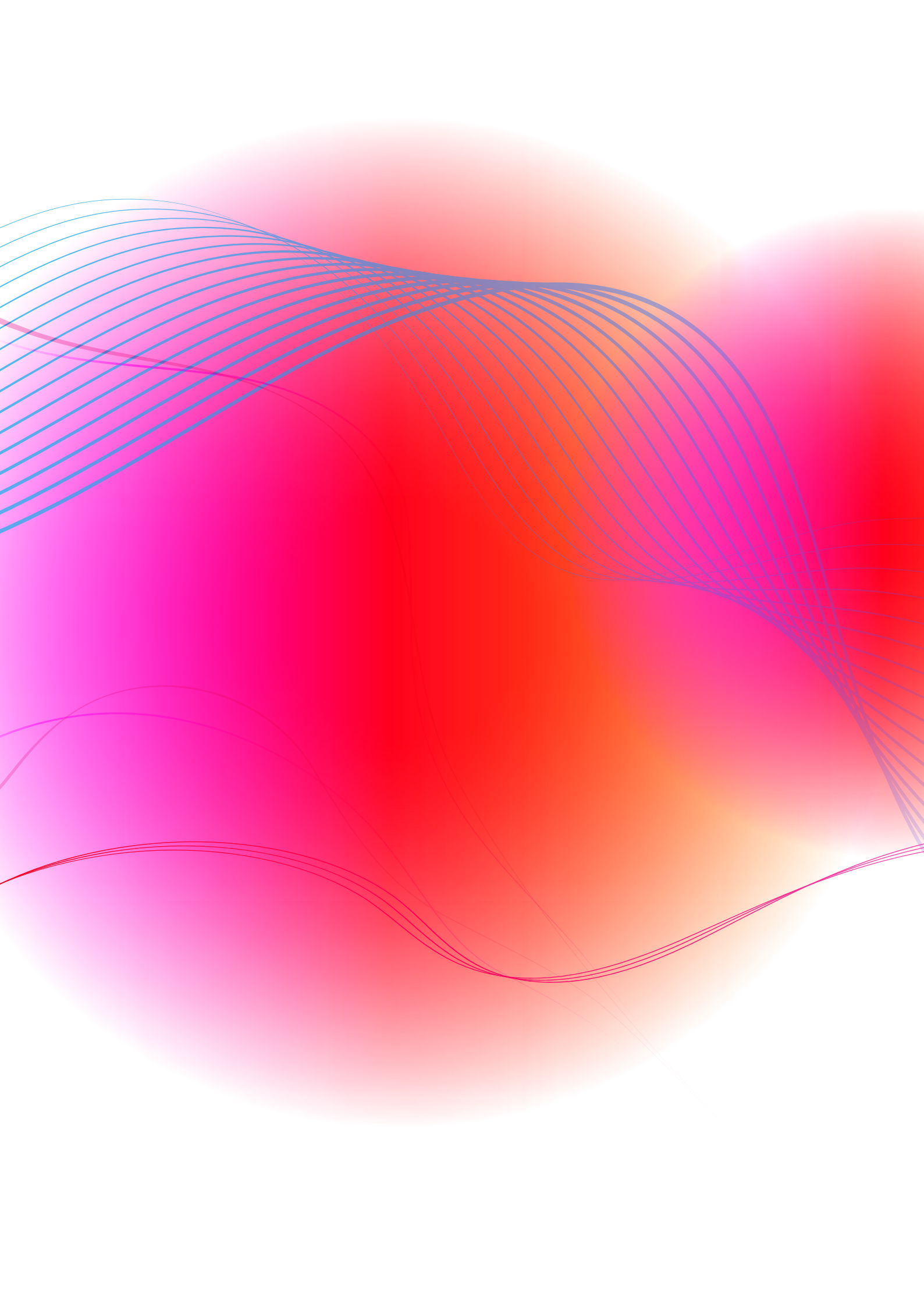
As regards operating costs, following the completion of the restructuring of the operating structures and the IT investments for the launch of tech initiatives, both carried out in 2022, costs are expected to grow at a slower rate than in the previous year, even accounting for the impact of inflation.

Operational leverage is therefore expected to improve, benefiting from the increase in revenues and the slower growth in costs.

With regard to credit quality, in view of the strong presence of customer loans secured by public guarantees, and bearing in mind that a large proportion of the new disbursements of the Growth Credit Division and all b-ilty loans will be structured similarly, the cost of credit is expected to be low, despite a higher NPE ratio than last year.

The profitability of the current financial year will also benefit from the significant contribution of the aforementioned partnership covering illimity's IT platform, worth EUR 55.5 million, net of the time effect related to the deferred payment, which will more than offset the absence of the revenues (EUR 17 million gross) relating to the consensual termination of the previous contract concerning illimity's IT systems.

In light of the aforementioned aspects, net profit in 2023 is expected to be over EUR 100 million.





Consolidated financial statements

as of 31 March 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	31 March 2023	31 December 2022
10. Cash and cash equivalents	339,632	680,777
20. Financial assets measured at fair value through profit or loss	110,701	105,043
a) financial assets held for trading	30,840	31,146
b) financial assets at fair value	-	-
c) other financial assets mandatorily measured at fair value	79,861	73,897
30. Financial assets measured at fair value through other comprehensive income	384,268	391,710
40. Financial assets measured at amortised cost	4,543,304	4,386,730
a) due from banks	97,682	57,213
b) loans to customers	4,445,622	4,329,517
50. Hedging derivatives	28,203	29,874
60. Fair value change of financial assets in hedged portfolios (+/-)	-	-
70. Equity investments	83,221	76,375
80. Insurance assets	-	-
a) insurance policies issued that constitute assets	-	-
b) disposals in reinsurance that constitute assets	-	-
90. Property and equipment	132,570	128,383
100. Intangible assets	137,382	135,101
of which:		
- goodwill	65,376	65,372
110. Tax assets	75,773	78,592
a) current	8,552	7,828
b) deferred	67,221	70,764
120. Non-current assets held for sale and discontinued operations	-	-
130. Other assets	263,412	342,540
Total assets	6,098,466	6,355,125

CONTINUED: CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Liabilities and shareholders' equity		31 March 2023	31 December 2022
10.	Amounts due to customers	4,997,565	5,294,132
	a) due to banks	899,067	1,205,048
	b) due to customers	3,436,865	3,436,082
	c) securities issued	661,633	653,002
20.	Financial liabilities held for trading	24,774	27,244
30.	Financial liabilities designated at fair value	-	-
40.	Hedging derivatives	32,289	32,646
50.	Fair value change of financial liabilities in hedged portfolio (+/-)	-	-
60.	Tax liabilities	39,881	36,724
	a) current	36,836	33,372
	b) deferred	3,045	3,352
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80.	Other liabilities	136,898	113,123
90.	Employee severance pay	3,846	3,575
100.	Allowances for risks and charges	6,285	6,359
	a) commitments and guarantees given	4,630	4,863
	b) post-employment benefits	27	28
	c) other allowances for risks and charges	1,628	1,468
110.	Insurance liabilities	-	-
	a) insurance policies issued that constitute liabilities	-	-
	b) disposals in reinsurance that constitute liabilities	-	-
120.	Valuation reserves	(41,428)	(47,875)
130.	Redeemable shares	-	-
140.	Equity instruments	-	-
150.	Reserves	212,212	135,516
160.	Share premium reserve	624,583	624,583
170.	Share capital	54,514	54,514
180.	Treasury shares (-)	(747)	(747)
190.	Equity attributable to minority interests (+/-)	5	5
200.	Profit (loss) for the period (+/-)	7,789	75,326
Total liabilities and shareholders' equity		6,098,466	6,355,125

CONSOLIDATED INCOME STATEMENT

Items	31 March 2023	31 March 2022
10. Interest income and similar income	86,291	51,735
of which: interest income calculated according to the effective interest method	76,175	50,635
20. Interest expenses and similar charges	(37,580)	(15,500)
30. Net interest margin	48,711	36,235
40. Fee and commission income	16,383	13,620
50. Fee and commission expense	(1,696)	(1,165)
60. Net fee and commission income	14,687	12,455
70. Dividends and similar income	-	-
80. Profits (losses) on trading	(994)	1,366
90. Fair value adjustments in hedge accounting	(41)	-
100. Profits (losses) on disposal or repurchase of:	1,026	30
a) financial assets measured at amortised cost	1,025	40
b) financial assets measured at fair value through other comprehensive income	1	(10)
c) financial liabilities	-	-
110. Profits (losses) on other financial assets and liabilities measured at fair value through profit or loss	(75)	1,355
a) financial assets and liabilities designated at fair value	-	-
b) other financial assets mandatorily measured at fair value	(75)	1,355
120. Total net operating income	63,314	51,441
130. Net losses/recoveries for credit risks associated with:	4,689	14,399
a) financial assets measured at amortised cost	4,930	14,941
b) financial assets measured at fair value through other comprehensive income	(241)	(542)
140. Profits/losses on changes in contracts without derecognition	-	-
150. Net result from banking activities	68,003	65,840
160. Profit (loss) from insurance services	-	-
a) insurance revenues deriving from insurance policies issued	-	-
b) costs for insurance services deriving from insurance policies issued	-	-
c) insurance revenues deriving from disposals in reinsurance	-	-
b) costs for insurance services deriving from disposals in reinsurance	-	-
170. Balance of financial revenues and costs relating to insurance management	-	-
a) net financial costs/revenues relating to insurance policies issued	-	-
b) net financial revenues/costs relating to disposals in reinsurance	-	-
180. Profits (losses) of banking and insurance management	68,003	65,840
190. Administrative expenses:	(47,663)	(44,137)
a) personnel expenses	(23,068)	(20,651)
b) other administrative expenses	(24,595)	(23,486)
200. Net allowances for risks and charges	83	581
a) commitments and guarantees given	233	609
b) other net provisions	(150)	(28)
210. Net adjustments/recoveries on property and equipment	(1,143)	(792)
220. Net adjustments/recoveries on intangible assets	(4,105)	(2,620)
230. Other operating income/expenses	(2,102)	7,115
240. Operating expenses	(54,930)	(39,853)
250. Profits (losses) on equity investments	(1,162)	(1,828)
260. Net gains/losses on the measurement at fair value of property and equipment and intangible assets	-	-
270. Write-downs/write-backs of goodwill	-	-
280. Profits (losses) on disposal of investments	147	(77)
290. Profit (loss) before tax from continuing operations	12,058	24,082
300. Income tax for the period on continuing operations	(4,269)	(8,407)
310. Profit (loss) after tax from continuing operations	7,789	15,675
320. Net income (loss) from discontinued operations after tax	-	-
330. Profit (loss) for the period	7,789	15,675
340. Net profit (loss) for the period attributable to minority interests	-	-
350. Net profit (loss) for the period attributable to the parent company	7,789	15,675

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Items	31 March 2023	31 March 2022
10. Profit (loss) for the period	7,789	15,675
Other comprehensive income, after tax, that may not be reclassified to the income statement		
20. Equity instruments measured at fair value through other comprehensive income	-	-
30. Financial liabilities measured 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	(64)	357
80. Non-current assets held for sale and discontinued operations	-	-
90. Share of valuation reserves for equity investments measured at equity	1	17
100. Financial revenues or costs relating to insurance policies issued	-	-
Other comprehensive income, after tax, that may be reclassified to the income statement		
110. Hedging of foreign investments	-	-
120. Foreign exchange differences	-	-
130. Cash flow hedges	-	-
140. Hedging instruments (undesignated elements)	-	-
150. Financial assets (other than equities) measured at fair value through other comprehensive income	6,510	(13,101)
160. Non-current assets held for sale and discontinued operations	-	-
170. Share of valuation reserves for equity investments measured at equity	-	-
180. Financial revenues or costs relating to insurance policies issued	-	-
190. Financial revenues or costs relating to disposals in reinsurance	-	-
200. Total other comprehensive income (after tax)	6,447	(12,727)
210. Other comprehensive income (Item 10+200)	14,236	2,948
220. Consolidated comprehensive income attributable to minority interests	-	-
230. Consolidated comprehensive income attributable to the parent company	14,236	2,948

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AS OF 31 MARCH 2023

				Allocation of result for the previous year		
	Balance on 31 December 2022	Change in opening balances	Balance as of 1 January 2023	Reserves	Dividends and other allocations	
Share capital:						
a) ordinary shares	54,514	–	54,514	–	–	–
b) other shares	–	–	–	–	–	–
Share premium reserve	624,583	–	624,583	–	–	–
Reserves:						
a) retained earnings	100,057	–	100,057	75,326	–	–
b) other	35,459	–	35,459	–	–	–
Valuation reserves	(47,875)	–	(47,875)	–	–	–
Equity instruments	–	–	–	–	–	–
Treasury shares	(747)	–	(747)	–	–	–
Profit (loss) for the period	75,326	–	75,326	(75,326)	–	–
Group shareholders' equity	841,317	–	841,317	–	–	–
Shareholders' equity attributable to minority interests						
	5	–	5	–	–	–

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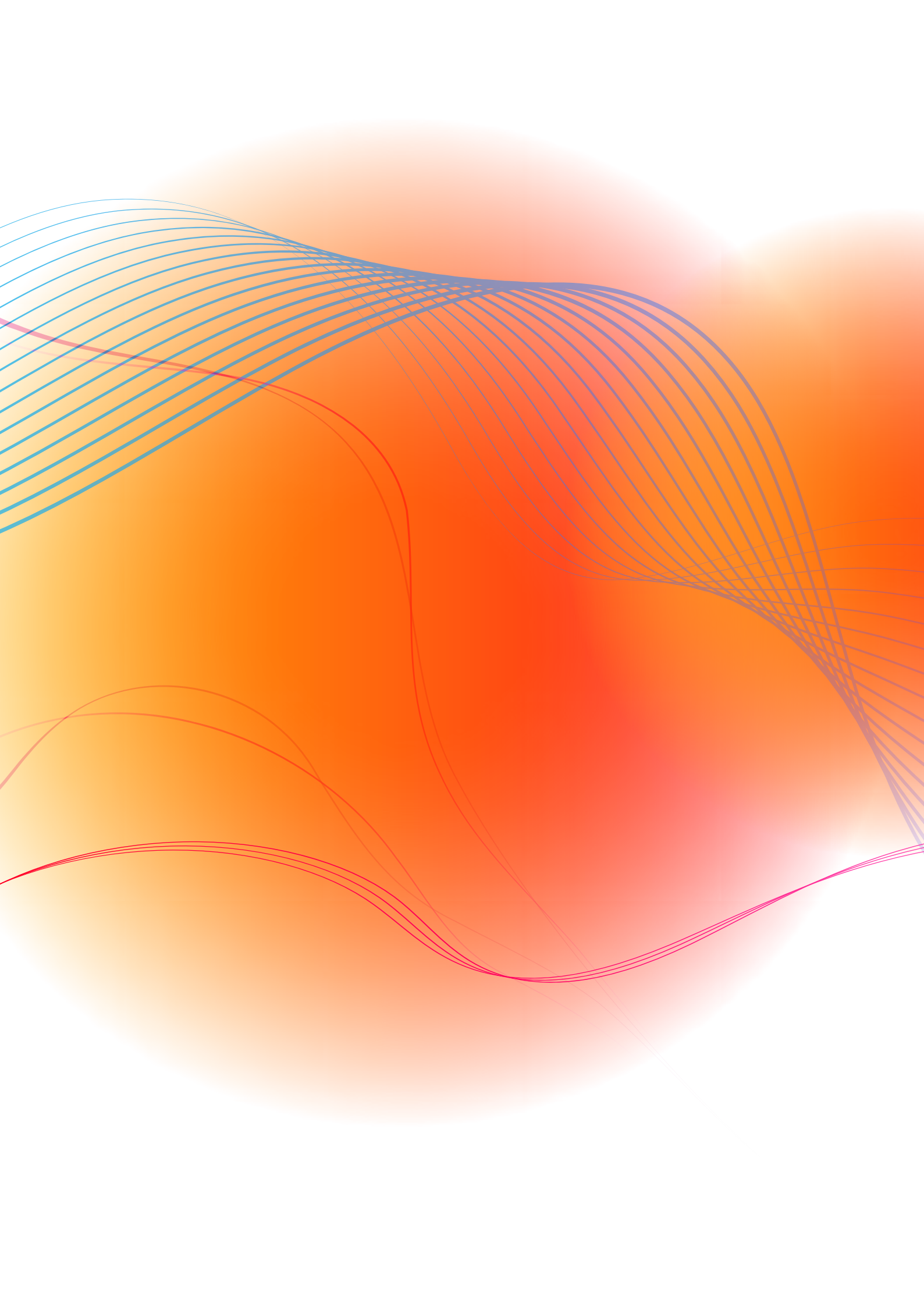
STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AS OF 31 MARCH 2022

				Allocation of result for the previous year		
	Balance as of 31 December 2021	Change in opening balances	Balance as of 1 January 2022	Reserves	Dividends and other allocations	
Share capital:						
a) ordinary shares	51,682	–	51,682	–	–	–
b) other shares	938	–	938	–	–	–
Share premium reserve	597,589	–	597,589	–	–	–
Reserves:						
a) retained earnings	29,801	–	29,801	65,591	–	–
b) other	34,103	–	34,103	–	–	–
Valuation reserves	(6,057)	–	(6,057)	–	–	–
Equity instruments	–	–	–	–	–	–
Treasury shares	(832)	–	(832)	–	–	–
Profit (loss) for the period	65,591	–	65,591	(65,591)	–	–
Group shareholders' equity	772,815	–	772,815	–	–	–
Shareholders' equity attributable to minority interests						
	5	–	5	–	–	–

CONTINUED

	Changes in the period								Shareholders' equity attributable to the Group as of 31/03/2023	Shareholders' equity attributable to minority interests at 31/03/2023
	Shareholders' 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		
Share capital:										
a) ordinary shares	-	-	-	-	-	-	-	-	54,514	3
b) other shares	-	-	-	-	-	-	-	-	-	-
Share premium reserve	-	-	-	-	-	-	-	-	624,583	-
Reserves:										
a) retained earnings	-	-	-	-	-	1,370	-	-	176,753	2
b) other	-	-	-	-	-	-	-	-	35,459	-
Valuation reserves	-	-	-	-	-	-	-	6,447	(41,428)	-
Equity instruments	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	(747)	-
Net profit (loss) (+/-) for the period	-	-	-	-	-	-	-	7,789	7,789	-
Group shareholders' equity	-	-	-	-	-	1,370	-	14,236	856,923	-
Shareholders' equity attributable to minority interests	-	-	-	-	-	-	-	-	-	5

	Changes in the period								Shareholders' equity attributable to the Group as of 31/03/2022	Shareholders' equity attributable to minority interests at 31/03/2022
	Shareholders' 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		
Share capital:										
a) ordinary shares	-	-	-	-	-	-	-	-	51,682	3
b) other shares	-	-	-	-	-	-	-	-	938	-
Share premium reserve	-	-	-	-	-	-	-	-	597,589	-
Reserves:										
a) retained earnings	-	-	-	-	-	1,659	-	-	97,051	2
b) other	-	-	-	-	-	-	-	-	34,103	-
Valuation reserves	-	-	-	-	-	-	-	(12,727)	(18,784)	-
Equity instruments	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	(832)	-
Net profit (loss) (+/-) for the period	-	-	-	-	-	-	-	15,675	15,675	-
Group shareholders' equity	-	-	-	-	-	1,659	-	2,948	777,422	-
Shareholders' equity attributable to minority interests	-	-	-	-	-	-	-	-	-	5





Accounting policies

as of 31 March 2023

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, Representative of the “illimity” VAT Group, VAT no. 12020720962, 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 income statement and statement of financial position 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 endorsed by the European Commission, 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 (eighth revision of 17 November 2022), and in the Communication of 14 March 2023 - 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 for the year ended 31 December 2022.

There were no departures from IAS/IFRS.

Section 2 – Basis of Preparation

The Consolidated Interim Report comprises the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity and the Accounting Policies. The Consolidated Interim Report has been prepared using euros as the functional currency. The amounts presented in this document are stated in thousands of euro, unless otherwise indicated. Any discrepancies between the figures presented are due solely to rounding.

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 valuation criteria adopted are therefore consistent with the business continuity assumption and comply with the principles of competence, relevance and materiality of accounting information and the precedence of economic substance over legal form. These criteria remained unchanged from the previous year.

The Consolidated Interim Report as of 31 March 2023 has been prepared according to recognition and measurement principles and policies consistent with those adopted in the consolidated financial statements of the illimity Bank Group as of 31 December 2022, 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 2023, 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 2023".

The Consolidated Interim Report has been drafted with clarity and provides a true and fair view of the financial situation and economic result of illimity Bank S.p.A. (the “Parent Company”) and subsidiaries and/or consolidated companies as of 31 March 2023, as described in the section “Consolidation scope and methods”.

The general principles used in the preparation of the accounts are outlined below:

- going concern basis: the valuations are made on a going-concern basis;
- matching principle: costs and revenues are recognised in the period in which they accrue in relation to the services received and supplied, regardless of the date of cash settlement;
- consistency of representation: to guarantee the comparability of the data and information in the financial statements and related tables, the representation and classification methods are kept the same over time,

unless they have to be changed to comply with international accounting standards or interpretations, or unless there is a need to make the presentation of data more significant and reliable;

- relevance and aggregation: each major class of items with a similar nature or function is shown separately in the statement of financial position and income statement; items with different functions or of different types, if important, are highlighted separately;
- prohibition of set off: a prohibition on set off applies, unless a set-off is provided for or permitted by the international accounting standards or interpretations, or by the Bank of Italy Circular 262 of 22 December 2005 as amended;
- comparability with the previous year: the financial statements and formats show the amounts from the previous year, which may be restated to ensure that they can be compared;
- the financial statements are prepared on the basis of substance over form and in accordance with the principle of relevance and materiality of information.

Section 3 – Consolidation scope and methods

The consolidation policies and principles adopted in preparing the Consolidated Interim Report for the period ended 31 March 2023 are unchanged with respect to the consolidated financial statements for the year ended 31 December 2022.

The Consolidated Interim Report includes the accounting values of illimity and of the companies over which it directly or indirectly exercises control as of 31 March 2023, 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 31 March 2023 includes the following entities:

- Aporti S.r.l.** (“Aporti”), in which the Bank holds a 66.7% stake, 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;
- 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;
- Doria LeaseCo S.r.l.** (“Doria LeaseCo”), a wholly owned subsidiary of the Bank, established to service the lease transactions included in the portfolios of acquired NPLs, operating in accordance with Article 7.1 of Italian Law no. 130/1999 on securitisation;
- Doria SPV S.r.l.** (“Doria SPV”), a wholly owned subsidiary of the Bank, 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;
- Friuli LeaseCo S.r.l.** (“Friuli LeaseCo”), a wholly owned subsidiary of the Bank, established to service the lease transactions included in the portfolios of acquired NPLs, operating in accordance with Article 7.1 of Italian Law no. 130/1999 on securitisation;
- Friuli SPV S.r.l.** (“Friuli SPV”), a wholly owned subsidiary of the Bank, 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;
- Pitti LeaseCo S.r.l.** (“Pitti LeaseCo”), a wholly owned subsidiary of the Bank, established to service the lease transactions included in the portfolios of acquired NPLs, operating in accordance with Article 7.1 of Italian Law no. 130/1999 on securitisation;
- Pitti SPV S.r.l.** (“Pitti SPV”), a wholly owned subsidiary of the Bank, 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;
- River LeaseCo S.r.l.** (“River LeaseCo”), a wholly owned subsidiary of the Bank, established to service the lease transactions included in the portfolios of acquired NPLs, operating in accordance with Article 7.1 of Italian Law no. 130/1999 on securitisation;
- River SPV S.r.l.** (“River SPV”), a wholly owned subsidiary of the Bank, 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. **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;
- xii. **Kenobi SPV S.r.l.** ("Kenobi SPV"), a wholly owned subsidiary of the Bank, established to undertake real estate securitisation operations, through the subscription by the Bank of the notes issued by the securitisation vehicle established in accordance with Italian Law no. 130/1999;
- xiii. **ARECneprix S.p.A.** ("ARECneprix"), 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;
- xiv. **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;
- xv. **Abilio S.p.A.** ("Abilio"), whose entire share capital is held by illimity, and whose purpose is to execute real estate operations and develop and organise sales through online and offline public auctions;
- xvi. **Abilio Agency S.r.l.** ("Abilio Agency" - now Quimmo Agency), wholly-owned by Abilio, a real-estate broker that handles sales and leases and certifies the value of properties and companies for third parties;
- xvii. **MAUI SPE S.r.l.** ("MAUI 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;
- xviii. **Piedmont SPV S.r.l.** ("Piedmont SPV"), established to undertake real estate securitisation operations, through the subscription by the Bank of the notes issued by the securitisation vehicle established in accordance with Italian Law no. 130/1999;
- xix. **Dagobah LeaseCo S.r.l.** ("Dagobah LeaseCo"), a wholly owned subsidiary of the Bank, established to service the lease transactions included in the portfolios of acquired NPLs, operating in accordance with Article 7.1 of Italian Law no. 130/1999 on securitisation;
- xx. **Dagobah SPV S.r.l.** ("Dagobah SPV"), a wholly-owned subsidiary of the Bank, 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;
- xxi. **Spicy Green SPV S.r.l.** ("Spicy Green SPV"), established to undertake the securitisation of receivables in the energy sector, through the subscription by the Bank of the notes issued by the securitisation vehicle established in accordance with Italian Law no. 130/1999;
- xxii. **SpicyCo 2 S.r.l.** ("SpicyCo 2"), which is responsible for the acquisition, management and sale of equity investments. Based on the company's Articles of Association, the economic and financial rights pertaining to illimity have been defined at 77.63%.
- xxiii. **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.
- xxiv. **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. Based on the company's Articles of Association, the economic and financial rights pertaining to illimity have been defined at 77.63%.
- xxv. **LAISA – Società tra Avvocati per Azioni** ("STA") - in which the subsidiary ARECneprix holds a 9.99% stake - a company whose purpose is the corporate exercise of professional lawyer activities (understood to mean judicial and/or extra-judicial assistance and consultancy), in all forms and variations, including during the acquisition, management and/or enforcement, collection or sale of NPEs.

This scope has changed with respect to the consolidated financial statements for the year ended 31 December 2022. Below is a summary of the transactions that led to the change in the scope of consolidation.

Increases

- a) Acquisition of 100% of the share capital of Kenobi SPV S.r.l., consolidated on a line-by-line basis;
- b) Acquisition of the remaining 51% of the share capital of SpicyCo 2 S.r.l., consolidated on a line-by-line basis and previously consolidated using the equity method as a company subject to significant influence;
- c) Incorporation of LAISA – Società tra Avvocati per Azioni, owned by the subsidiary ARECNeprix S.p.A. and subject to consolidation using the equity method.

Furthermore, with effect from 1 January 2023, the merger by incorporation of the subsidiary AREC S.p.A. into neprix S.r.l. was completed, resulting in the creation of the legal entity AREC neprix S.p.A.

For further information on changes in the scope of consolidation during 2023, 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 31 March 2023 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 Doria Leasco S.r.l.	Milan	Milan	1	A.0	100.0%
A.4 Doria SPV S.r.l. (SPV)	Milan	Milan	1-4	A.0	100.0%
A.5 Friuli LeaseCo. S.r.l.	Milan	Milan	1	A.0	100.0%
A.6 Friuli SPV S.r.l. (SPV)	Milan	Milan	1-4	A.0	100.0%
A.7 Pitti Leasco S.r.l.	Milan	Milan	1	A.0	100.0%
A.8 Pitti SPV S.r.l. (SPV)	Milan	Milan	1-4	A.0	100.0%
A.9 River Leasco S.r.l.	Milan	Milan	1	A.0	100.0%
A.10 River SPV S.r.l. (SPV)	Milan	Milan	1-4	A.0	100.0%
A.11 River immobiliare S.r.l.	Milan	Milan	1	A.0	100.0%
A.12 Kenobi SPV S.r.l.	Milan	Milan	1-4	A.0	100.0%
A.13 ARECNeprix S.p.A.	Milan	Milan	1	A.0	100.0%
A.14 illimity SGR	Milan	Milan	1	A.0	100.0%
A.15 Abilio S.p.A.	Faenza	Faenza	1	A.0	100.0%
A.16 Abilio Agency S.r.l. (now Quimmo Agency)	Faenza	Faenza	1	A.15	100.0%
A.17 MAUI SPE S.r.l.	Milan	Milan	4	A.0	
A.18 Piedmont SPV S.r.l.	Milan	Milan	4	A.0	
A.19 Dagobah LeaseCo S.r.l.	Milan	Milan	1	A.0	100.0%
A.20 Dagobah SPV S.r.l.	Milan	Milan	1-4	A.0	100.0%
A.21 Spicy Green SPV S.r.l.	Milan	Milan	4	A.0	
A.22 SpicyCo2 S.r.l.	Milan	Milan	1	A.0	100.0%
Companies consolidated on an equity basis					
A.23 Hype S.p.A.	Biella	Biella	5	A.0	50.0%
A.24 SpicyCo S.r.l.	Milan	Milan	6	A.0	49.0%
A.25 LAISA – Società tra Avvocati per Azioni	Milan	Milan	6	A.13	9.99%

(*) Type of relationship:

- 1 = majority of voting rights at ordinary meeting of shareholders (as per 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, performance or cash flows of the Group which need to be reported.

Section 5 – Other aspects

5.1 – Merger by incorporation of Arec S.p.A. into neprix S.r.l.

With effect for legal, accounting and tax purposes from 1 January 2023, the merger by incorporation of the subsidiary Arec S.p.A. into neprix S.r.l. was completed, resulting in the creation of the legal entity Arec neprix S.p.A.

That operation has had no effects on the consolidated financial statements, as both companies were wholly controlled by illimity Bank S.p.A. and included in the consolidated financial statements on a line-by-line basis.

5.2 - 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 2023.

Document title	Issue date	Effective date	Date endorsed	EU regulation and publication date
IFRS 17 – Insurance Contracts	November 2021	1 January 2023	19 November 2021	(UE) 2021/2036 23 November 2021
Amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	February 2021	1 January 2023	2 March 2022	(UE) 2022/357 3 March 2022
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 - Income Taxes)	May 2021	1 January 2023	11 August 2022	(UE) 2022/1392 12 August 2022
Initial recognition of IFRS 17 and IFRS 9 – Comparative information (Amendments to IFRS 17 - Insurance Contracts)	December 2021	1 January 2023	8 September 2022	(UE) 2022/1491 9 September 2022

As indicated in the table above, the application of the new IFRS 17 - Insurance Contracts and certain amendments to the accounting standards approved by the European Commission in 2022 will be compulsory as of 2023 for the first time. Neither the new IFRS 17, since the Group does not carry out insurance activities, nor the other amendments are of particular significance to the Group.

5.3 – 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 document. The financial statement items subject to significant use of estimates and assumptions are indicated below:

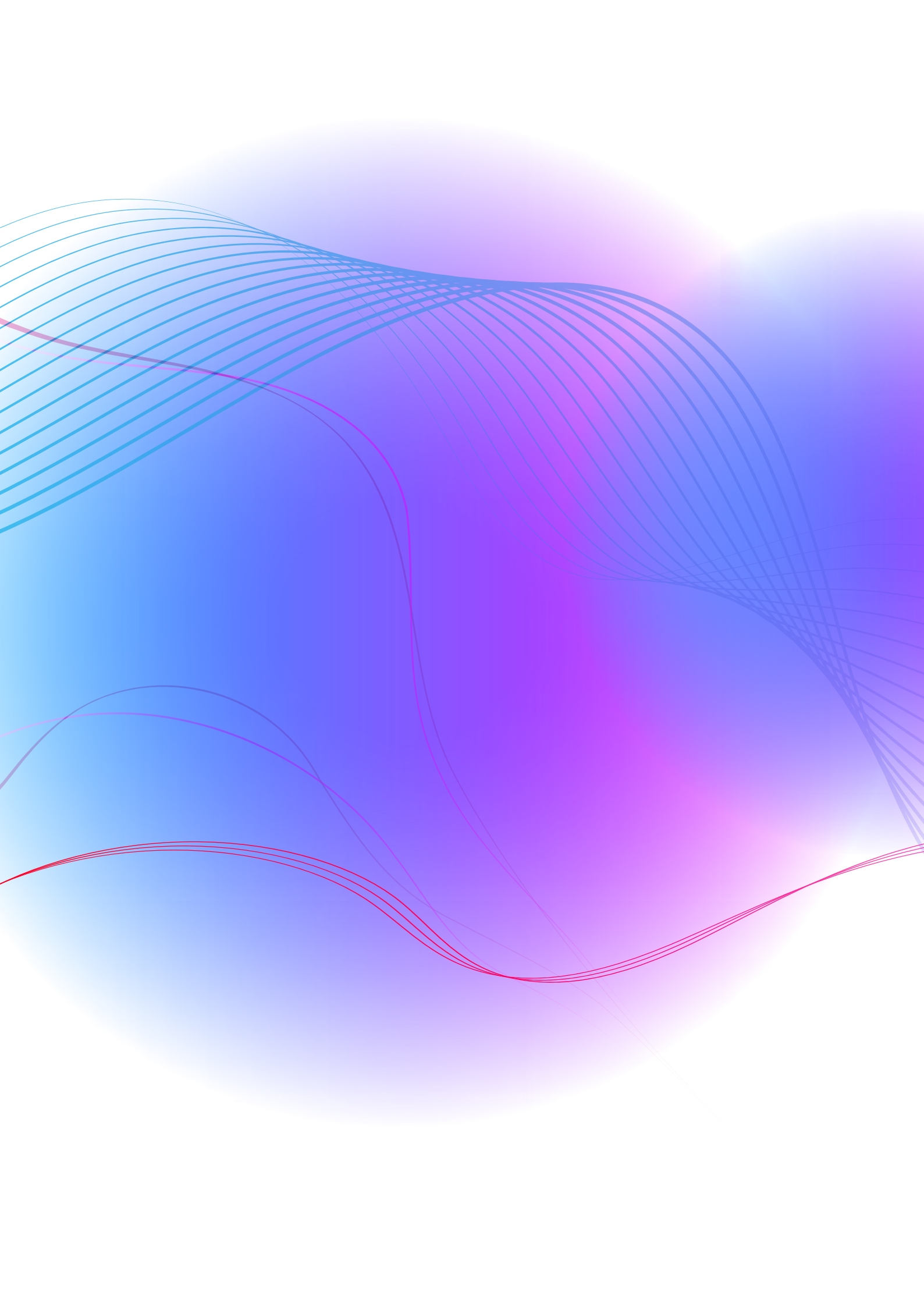
- measurement of loans;
- appraisal of properties;
- measurement of financial assets not quoted in active markets;
- determination of the amount of accruals to allowances for risks and charges;
- determination of the amount of deferred taxation;
- assessments regarding the recoverability of goodwill;
- 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, pursuant to IAS 8.

Statement of the Financial Reporting Officer

The Financial Reporting Manager, 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 31 March 2023 corresponds to the contents of accounting documents, books and records.

Signature of the Financial Reporting Officer
Sergio Fagioli
Signature



Annexes

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

(amounts in thousands of euros)

Assets	Values as of 31/03/2023
Property portfolio - Securities at FV	415,108
Item 20. a) Financial assets held for trading	30,840
Item 30. Financial assets measured at fair value through other comprehensive income	384,268
<i>To be deducted:</i>	
<i>Loans to customers - HTCS</i>	-
Loans to customers - HTCS	-
Financial instruments mandatorily measured at fair value	37,190
Item 20. c) Other financial assets mandatorily measured at fair value	79,861
<i>To be deducted:</i>	
<i>Loans mandatorily measured at fair value</i>	(42,671)
Loans mandatorily measured at fair value	42,671
Due from banks	97,682
Item 40. a) Due from banks	97,682
Loans to financial entities	115,313
<i>Loans to financial entities</i>	115,313
Government Bonds	403,036
Loans to customers - HTC	3,374,110
Item 40. b) Loans to customers	4,445,622
<i>To be deducted:</i>	
<i>Loans to financial entities</i>	(115,313)
<i>Government Bonds</i>	(403,036)
<i>Loans to customers - Securities</i>	(553,163)
Securities at amortised cost - Growth Credit	93,375
Item 40. b) Loans to customers	4,445,622
<i>To be deducted:</i>	
<i>Loans to customers</i>	(3,374,110)
<i>Government Bonds</i>	(403,036)
<i>Loans to financial entities</i>	(115,313)
<i>Distressed Credit Business securities</i>	(321,844)
<i>Investment Banking Business Securities</i>	(137,944)
Securities at amortised cost – Distressed Credit	321,844
Item 40. b) Loans to customers	4,445,622
<i>To be deducted:</i>	
<i>Loans to customers</i>	(3,374,110)
<i>Government Bonds</i>	(403,036)
<i>Loans to financial entities</i>	(115,313)
<i>Business Growth Credit securities</i>	(93,375)
<i>Investment Banking Business Securities</i>	(137,944)
Securities at amortised cost – Investment Banking	137,944
Item 40. b) Loans to customers	4,445,622
<i>To be deducted:</i>	
<i>Loans to customers</i>	(3,374,110)
<i>Government Bonds</i>	(403,036)
<i>Loans to financial entities</i>	(115,313)
<i>Business Growth Credit securities</i>	(93,375)
<i>Distressed Credit Business securities</i>	(321,844)

(amounts in thousands of euros)

Assets	Values as of 31/03/2023
Investments in equity	83,221
Item 70. Equity investments	83,221
Property and equipment and intangible assets	269,952
Item 90. Property and equipment	132,570
Item 100. Intangible assets	137,382
Tax assets	75,773
Item 110. Tax assets	75,773
Other assets	631,247
Item 10. Cash and cash equivalents	339,632
Item 50. Hedging derivatives	28,203
Item 120. Non-current assets held for sale and discontinued operations	-
Item 130. Other assets	263,412
Total assets	6,098,466

(amounts in thousands of euros)

Liabilities and shareholders' equity	Values as of 31/03/2023
Due to banks	899,067
Item 10. a) Due to banks	899,067
Amounts due to customers	3,410,542
Item 10. b) Due to customers	3,436,865
<i>To be deducted:</i>	
<i>Lease Liability (IFRS 16)</i>	(26,323)
Securities issued	661,633
Item 10. c) Securities issued	661,633
Financial liabilities in own portfolio - instruments at FV	24,774
Item 20. Financial liabilities held for trading	24,774
Tax liabilities	39,881
Item 60. Tax liabilities	39,881
Other liabilities	205,641
Item 80. Other Liabilities	136,898
<i>Increase:</i>	
<i>Lease Liability (IFRS 16)</i>	26,323
Item 40. Hedging derivatives	32,289
Item 90. Employee severance pay	3,846
Item 100. Allowances for risks and charges	6,285
Shareholders' equity	856,928
<i>Capital and reserves</i>	
Item 120. Valuation reserves	(41,428)
Item 150. Reserves	212,212
Item 160. Share premium reserves	624,583
Item 170. Share capital	54,514
Item 180. Treasury shares (-)	(747)
Item 190. Equity attributable to minority interests (+/-)	5
Item 200. Profit (loss) for the period	7,789
Total liabilities and shareholders' equity	6,098,466

Reclassified consolidated income statement

(amounts in thousands of euros)

Income Statement items	Values as of 31/03/2023
Net interest margin	48,355
Item 10. Interest income and similar income	86,291
<i>Reclassification from Profit (Loss) from discontinued operations</i>	-
Item 140. Profits/losses on changes in contracts without derecognition	-
Item 20. Interest expenses and similar charges	(37,580)
<i>Reclassification of Raisin operating components</i>	(791)
<i>To be deducted:</i>	
<i>IFRS 16 interest expenses</i>	435
Net fee and commission income	15,128
Item 40. Fee and commission income	16,383
Item 50. Fee and commission expense	(1,696)
<i>Reclassification of fee and commission expense HFS</i>	-
<i>To be deducted:</i>	
<i>Raisin operating components</i>	441
Fair value adjustments in hedge accounting, trading and sale of financial assets	(84)
Item 70. Dividends and similar income	-
Item 80. Profits (losses) on trading	(994)
Item 90. Fair value adjustments in hedge accounting	(41)
Item 100. Profits (losses) from disposal or repurchase	1,026
Item 110. Profits (losses) on other financial assets and liabilities measured at fair value through profit or loss	(75)
Net write-downs/write-backs on closed positions	7,798
<i>of which: Net write-downs/write-backs on closed positions - Clients - POCI</i>	7,651
<i>of which: Net write-downs/write-backs on closed positions - Clients - PPC</i>	-
<i>of which: Net write-downs/write-backs on closed positions - Clients - Energy performing</i>	-
<i>Reclassification from item 130. Losses/recoveries for credit risk associated with: a) financial assets measured at amortised cost - Recoveries on Datio in solutum transactions</i>	-
<i>Reclassification from item 210. Net adjustments/recoveries on property and equipment - Adjustments on Datio in solutum transactions</i>	-
<i>Reclassification from item 280. Profits (losses) on disposal of investments</i>	147
Other profits (losses) from the disposal of investments	-
Item 280. Profits (losses) on disposal of investments	147
<i>To be deducted:</i>	
<i>Reclassification to Net write-downs/write-backs on closed positions</i>	(147)
Other operating expenses and income (excluding taxes)	951
Item 230. Other operating income/expenses	(2,102)
<i>To be deducted:</i>	
<i>Reclassification of recovery of other operating expenses/income to Other administrative expenses</i>	(1,197)
<i>Reclassification of one-off components related to trade receivables</i>	4,250
Total net operating income	72,148
Personnel expenses	(23,145)
Item 190. Administrative expenses: a) Personnel expenses	(23,068)
<i>To be deducted:</i>	
<i>Reclassification of HR expenses from other administrative expenses</i>	(77)
Other administrative expenses	(21,635)
Item 190. Administrative expenses: b) Other administrative expenses	(24,595)
<i>Reclassification of IFRS 16 interest expenses</i>	(435)
<i>Reclassification of HR expenses to personnel expenses</i>	77
<i>Reclassification of recovery of other operating expenses/income to Other administrative expenses</i>	1,197
<i>Raisin operating components</i>	350
<i>Reclassification of institution fees and other non-recurring expenses</i>	1,771
Net adjustments/recoveries on property and equipment and intangible assets	(5,248)

(amounts in thousands of euros)

Income Statement items	Values as of 31/03/2023
Item 210. Net adjustments/recoveries on property and equipment	(1,143)
Item 220. Net adjustments/recoveries on intangible assets	(4,105)
<i>To be deducted:</i>	
<i>Reclassification from item 210. Net adjustments/recoveries on property and equipment - Adjustments on Datio in solutum transactions</i>	-
Operating expenses	(50,028)
Operating profit (loss)	22,120
Net losses/recoveries for credit risk - HTC Banks	(121)
Net losses/recoveries for credit risk - HTC Financial entities	38
Net losses/recoveries for credit risk - HTC Clients	(2,098)
Item 130. Losses/recoveries for credit risk associated with: a) financial assets measured at amortised cost	4,930
<i>Reclassification of Net write-downs/write-backs on closed positions - HTC&S Clients - POCI to item 130b</i>	-
<i>Reclassification of Net write-downs/write-backs on closed positions - HTC Clients - POCI off-balance to item 200</i>	540
<i>To be deducted:</i>	
<i>Net losses/recoveries for credit risk - HTC Banks</i>	121
<i>Net losses/recoveries for credit risk - HTC Financial entities</i>	(38)
<i>Losses/recoveries for credit risk associated with: a) financial assets measured at amortised cost - Recoveries on Datio in solutum transactions</i>	-
<i>Net write-downs/write-backs on closed positions - Clients - PPC</i>	-
<i>Net write-downs/write-backs on closed positions - Clients - Energy performing</i>	-
<i>Net write-downs/write-backs on closed positions - Clients - POCI</i>	(7,651)
Net losses/recoveries for credit risk - HTCS	(241)
Item 130. Losses/recoveries for credit risk associated with: b) financial assets measured at fair value through other comprehensive income	(241)
<i>To be deducted:</i>	
<i>Net write-downs/write-backs on closed positions - HTC&S Clients - POCI</i>	-
Net adjustments/recoveries for commitments and guarantees	(307)
Item 200. Net allowances for risks and charges: a) commitments and guarantees given	233
<i>To be deducted:</i>	
<i>Net write-downs/write-backs on closed positions - HTC Clients - POCI off-balance</i>	(540)
Total net adjustments/recoveries	(2,729)
Other net provisions	(150)
Item 200. Net allowances for risks and charges: b) other net provisions	(150)
Other income (expenses) on investments	(1,162)
Item 250. Profits (losses) on equity investments	(1,162)
Contributions and other non-recurring expenses	(6,021)
One-off components related to trade receivables	(4,250)
Institution fees and other non-recurring expenses	(1,771)
Other profits (losses) from the disposal of investments	-
Item 280. Profits (losses) on disposal of investments	147
<i>To be deducted:</i>	
<i>Reclassification to Net write-downs/write-backs on closed positions</i>	(147)
Profit (loss) from operations before taxes	12,058
Income tax for the period on continuing operations	(4,269)
Item 300. Income tax for the period on continuing operations	(4,269)
Profit (loss) for the period	7,789

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May 2023

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A registered bank no. 5710 - A Parent Company of the Gruppo illimity Bank S.p.A. A registered Banking Group no. 245

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