RESULTS FOR THE FIRST QUARTER OF 2023

ILLIMITY'S DIGITAL PLATFORM VALORIZATION

THANKS TO PARTNERSHIP WITH ENGINEERING GROUP
WITH CONSIDERABLE BENEFIT IN 2023 (55.5 MILLION EURO[1])
AND SIZEABLE CONTRIBUTION TO LONG-TERM PROFITABILITY

SIGNIFICANT GROWTH IN VOLUMES

TOTAL ASSETS +24% Y/Y WITH CUSTOMER LOANS +39% Y/Y

COMBINED NET INTEREST INCOME AND NET COMMISSIONS +30% Y/Y

NET PROFIT OF 7.8 MILLION EURO

NOT COMPARABLE WITH 1Q22 (15 MILLION EURO) DUE TO IMPACTS (8.5 MILLION EURO) RELATED TO MUTUAL TERIMATION OF PREVIOUS LICENCE AGREEMENT FOR THE USE OF THE BANK'S IT PLATFORM

ROBUST LIQUIDITY OF ALMOST 900 MILLION EURO

WITH LCR EXCEEDING 300%

POSITIVE NET RETAIL FUNDING OF OVER 200 MILLION EURO IN THE QUARTER ON ILLIMITYBANK.COM PLATFORM

SOLID CAPITAL BASE

PHASED-IN CET1 RATIO OF 15.6% (+650 BPS VS. SREP)

IMPORTANT PROGRESS IN GROWTH STRATEGIES OF ALL TECH INITIATIVES

PROPTECH QUIMMO ACCELERATES ITS STRATEGY FOR ENTERING
THE OPEN RESIDENTIAL MARKET THANKS TO PARTNERSHIP WITH COIMA

EXPECTED NET PROFIT IN 2023 ABOVE 100 MILLION EURO

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[1] Net of present value related to the deferred payment of part of the price.

Milan, 12 May 2023 – The Board of Directors of illimity Bank S.p.A. ("**illimity**" or the "**Bank**"), chaired by Rosalba Casiraghi, yesterday approved the illimity Group's results at 31 March 2023.

Corrado Passera, **CEO** and **Founder** of **illimity**, commented: "*The first quarter of 2023 was characterised by great dynamism and solid strategic and operating progress.*

We entered a key long-term business partnership with the Engineering Group, which will enable us to enhance the value of our IT assets even further, generating a considerable contribution to the 2023 results and strengthening the Bank's long-term profitability through significant royalties.

We have achieved economic and business results in line with our forecasts, despite the particularly low level of activity in the distressed credit market.

Our liquidity and capital ratios remain among the highest in the system and there has been strong growth in retail customer funding of more than 200 million euro on our illimitybank.com digital platform. The unrealised losses on our HTC portfolio are negligible.

All three of our technological initiatives – b-ilty, Quimmo and Hype – have made considerable progress in their strategic development. In particular, in this quarter we have arranged a strategic partnership in the real estate sector between Quimmo and COIMA which will accelerate our growth path in the non-judicial market.

Given the revenues arriving from the agreement on our IT platform and the robust origination pipeline on which we are working, we can expect to see a robust increase in profitability in the second half of the year, which we forecast will end with a profit exceeding 100 million euro".

The quarter was characterised by the following dynamics:

- **On the strategic front an important long-term partnership was entered with the Engineering Group**[2] (the leading global operator in digital transformation), which will enable the Bank to accelerate the full enhancement of its IT assets, acknowledged to be on the leading edge in the banking world, with a considerable contribution to profits already arriving in 2023. In this respect the agreement will enable illimity to earn pre-tax revenue of 55.5 million, to be booked by the end of the current year, together with 4.5 million euro that could be added in the period 2024-2032 as the result of the subsequent updates of the platform made available by illimity.
  The partnership will additionally enable illimity to improve long-term profitability due to the fact that Engineering will be paying illimity significant royalties on the results achieved from marketing the illimity platform.
  As part of the business collaboration a service contract is envisaged for professional services to be provided to illimity by Engineering, thus strengthening its role as the Bank's technological partner of choice. The costs of this service contract are already included in the IT investment plan drawn up by illimity for future years.

- **A robust liquidity position** of almost 900 million euro with an LCR of 310%, well above the regulatory minimum requirement. Total funding amounts to 5.0 billion euro, up 25% y/y, with

[2] For further details see the press release issued in 18th April 2023.

a wide diversification of funding sources ranging across retail, corporate and institutional clients. More specifically, the retail component amounts to 2.6 billion euro, up by 30% y/y and 3% over the end of 2022, driven by the strong contribution arriving from the illimitybank.com platform. In addition, it is noted that 84% of retail funding consists of term deposits.

- **A solid capital base**, with a phased-in CET1 ratio of 15.6% (15.5% fully loaded), representing a buffer of ca. 650 bps over the SREP requirement. Even taking into consideration the unrealised losses on the Held To Collect portfolio (less than 15 million euro), the CET1 ratio still remains high.

- **Operating trends in line with the Bank's budget, with revenues of 72.1 million euro** (78.5 million euro in the first quarter of 2022), characterised by robust growth in net interest income (+34% y/y), which above all benefited from the rise in the stock of customer loans and the increase in interest rates, and in net fees and commissions (+18% y/y), thanks to the contribution of all the business divisions. These dynamics partially offset lower revenues resulting from the termination by mutual agreement (effective starting from December 2022) of the previous license agreement covering illimity's IT systems, and from income from closed positions, which were affected by the lack of dynamism in the distressed credit market in the first quarter of the year. It should also be noted that this revenue item was particularly high in the first quarter of 2022.

- **Operating costs closed at 50.0 million euro**, an increase over the figure of 44.9 million euro posted in the first quarter of 2022, which above all reflects the annualisation of the effect of completing the staff sizing in the operating structures and higher depreciation due to investments in IT for the launch of the tech initiatives made during last year.

- **Loan loss provisions to customers totalled 2.8 million euro, representing a contained cost of risk of 43 bps,** thanks to loans backed by public guarantees and insured loans (56%) and to the low percentage of loans in stage 2 (2%)[3].

- **Profit before tax of 12.1 million euro leading to net profit of 7.8 million euro**, figures that are not fully comparable with those of the previous quarters as they include the effect of the aforementioned termination of the licence agreement for the use of illimity's IT systems, which can be quantified in 8.5 million euro pre-tax.

- **Important progress in the execution of the development strategy of the three tech initiatives**. In particular, the proptech Quimmo entered a strategic partnership in real estate brokerage with COIMA[4], the leading market operator specialising in the investment, development and management of Italian real estate on behalf of institutional investors. The partnership will enable Quimmo, already a leader in the judicial real estate brokerage field, to accelerate its growth strategy in the open market thanks to operating and commercial synergies at a national level, with a potential project pipeline of over 1 billion euro focused on high quality residential properties.

[3] Ratios are calculated on a population of customer loans that includes the Growth Credit Division and b-ilty.
[4] For further details see the press release of 2 May 2023.

Key balance sheet figures

Figures in millions of euro

Reclassified Balance sheet	31.03 2022	30.06 2022	30.09 2022	31.12 2022	31.03 2023	Δ % 31.03.2023 / 31.12.2022	Δ % 31.03.2023 / 31.03.2022
Cash and cash equivalent	695	397	364	681	340	(50)%	(51)%
Due from banks and other financial institutions	215	191	184	183	213	17%	(1)%
Customer loans	**2,832**	**3,194**	**3,318**	**3,776**	**3,927**	**4%**	**39%**
- Distressed Credit investments	*938*	*921*	*860*	*1,021*	*991*	*(3)%*	*6%*
- Distressed Credit senior financing	*402*	*436*	*446*	*469*	*505*	*8%*	*26%*
- Growth Credit	*1,421*	*1,733*	*1,800*	*2,037*	*2,116*	*4%*	*49%*
- Cross-over & Acq. Finance [1]	*643*	*731*	*809*	*891*	*903*	*1%*	*40%*
- Turnaround	*488*	*630*	*612*	*665*	*725*	*9%*	*49%*
- Factoring	*289*	*372*	*379*	*481*	*488*	*2%*	*69%*
- b-ilty	*7*	*24*	*38*	*50*	*71*	*44%*	*878%*
- Investment banking		*16*	*108*	*133*	*178*	*33%*	*n.s.*
- Non-core former Banca Interprovinciale	*64*	*64*	*64*	*66*	*65*	*(0)%*	*2%*
Financial assets Held To Collect (HTC)[2]	*108*	*161*	*215*	*428*	*403*	(6)%	275%
Financial Assets Held To Collect & Sell (HTCS)[3]	424	416	396	392	384	(2)%	(9)%
Financial assets measured at FVTPL[4]	*82*	*118*	*150*	*105*	*111*	5%	34%
Investments in associates and companies subject to joint control	78	76	78	76	83	9%	6%
Goodwill	36	71	65	65	65	0%	80%
Intangible assets	52	56	65	70	72	3%	37%
Other assets (incl. Tangible and tax assets)[5]	400	446	455	579	500	(14)%	25%
Total assets	**4,922**	**5,127**	**5,291**	**6,355**	**6,098**	**(4)%**	**24%**
Due to banks	412	539	581	1,205	899	(25)%	118%
Due to customers	3,065	3,107	3,186	3,409	3,411	0%	11%
Bond/Securities	505	510	515	653	662	1%	31%
Shareholders' Equity	777	802	813	841	857	2%	10%
Other liabilities	163	169	196	246	270	10%	66%
Total liabilities	**4,922**	**5,127**	**5,291**	**6,355**	**6,098**	**(4)%**	**24%**
Common Equity Tier 1 Capital	646	642	660	683	677	(1)%	5%
Risk Weighted Assets	**3,662**	**3,974**	**3,678**	**4,330**	**4,344**	**0%**	**19%**

1. *Includes part of the net loans to existing customers of Banca Interprovinciale, which due to their features are considered consistent with illimity's Growth Credit segment. It also includes the corporate high-yield bonds classified as HTC.*
2. *Includes the Bank's securities portfolio classified at amortised cost.*
3. *HTCS: financial assets measured at fair value through comprehensive income. This item also includes ca. 18 million euro of investments in alternative debt made by the Investment Banking Division and classified as HTCS.*
4. *FVTPL: other financial assets at fair value through profit or loss. This item includes equity financial instruments purchased as part of Turnaround transactions, junior tranches of securitised non-performing loans acquired as part of Senior Financing transactions and investments in distressed energy credit purchased as part of the DC Division's activities.*
5. *This includes assets of ca.102 million deriving from the purchase of tax credits (the "Ecobonus" scheme).*

Any failure of the above figures to reconcile arises exclusively from rounding.

At 31 March 2023, the Bank's **total assets** stood at **6.1 billion euro**, an increase of 24% over the same period of the previous year (-4% compared to the end of 2022).

As part of this total, **net customer loans and investments** exceeded **3.9 billion euro**, up by 39% y/y (+4% compared to the previous quarter), with the contribution in particular of the performing corporate credit business.

In terms of credit quality, **gross organic impaired positions arising from the business originated by illimity since the start of its operations amounted to ca. 94.1 million euro, leading to a gross organic NPE ratio[5] of 3.7**%, characterized by credit exposures with an ongoing restructuring or M&A process, compared to 1.4% at the end of 2022. Excluding distressed credit backed by public guarantees and insured distressed credit, the ratio stands at 1.5%.

The Bank's **liquidity** in the first quarter of 2023 continued to be very robust, standing at almost **0.9 billion euro[6]**, and remains available to finance the Bank's pipeline of new business volumes.

illimity's **securities portfolio** reached **787 million euro** at the end of March 2023, essentially stable compared to 802 million euro at the end of 2022 and up by 48% over the end of March 2022 (532 million euro). The total includes **HTC securities** of 403 million euro (consisting of Italian government bonds), with the portfolio built up in 2022 following a prudent strategy that provides for a contained duration (less than four years), enabling the effect on the Bank's capital arising from market volatility to be limited to less than 15 million euro. The **Hold to Collect and Sell** ("HTCS") securities portfolio amounted to 384 million euro at the end of March 2023, remaining stable compared to the previous quarter. Taking into consideration the contribution from the Hedge Accounting strategy, net of the tax effect, the HTCS securities portfolio mark-to-market stood at negative 42.1 million euro, an improvement over the figure of negative 48.6 million euro at the end of the previous quarter. Taken as a whole, approximately 79% of the securities portfolio consisted of Italian government bonds, 14% of senior bonds and 7% of subordinated bonds.

The line item "**Other assets**" consists of balances arising from the purchase of tax credits – the government's "Ecobonus" scheme – these totalling 102 million euro, a figure which amounted to 99 million at the end of 2022.

illimity's **total financing** stood at ca. **5 billion euro** at the end of March 2023, indicating a good balance between the various sources. In particular, retail funding amounted to **2.6 billion euro**, up by 30% y/y and by 3% compared to the end of 2022. As part of this total, funding arriving from the **illimitybank.com** platform amounted to **1.9 billion euro**, representing a rise of 34% y/y and 12% over the end of 2022, meaning that net funding of over 200 million euro had been raised on that platform in the first three months of the year. Retail funding from the **Raisin** channel amounted to **640 million euro,** +12% y/y and falling by 19% over the end of 2022, in line with the Bank's funding strategy that aims to privilege the domestic market.

Wholesale funding amounted to **1.8 billion** euro, up by 45% y/y. The figure fell by 15% over the end of 2022 due to the reduction in repos and short-term exposures in the ECB (at the end of March 2023 the latter amounted to 185 million euro represented by TLTRO III funds).

Funding by corporate customers amounted to 0.6 million euro (0.7 million euro at the end of 2022

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[5] If the portfolio inherited from Banca Interprovinciale (31.6 million euro of gross distressed credit and 74.7 million euro of gross performing loans) is included, the Group's organic NPE ratio amounts to 4.7%.

[6] Total high quality liquid assets (HQLA).

and 0.8 million euro at the end of the first quarter of 2022).

CET1 Capital stood at **677 million euro**, a slight fall over the figure at the end of 2022 (683 million euro) due to the removal of the benefit, recognised as a prudential filter, on the negative value of the government bond valuation reserve. Risk-weighted assets (RWA) totalled 4,344 million euro, broadly stable compared to the previous quarter.

As the result of these dynamics, illimity's **phased-in CET1 Ratio** stood at a robust **15.6%** (15.5% fully loaded) at the end of March 2023.

The **Total phased-in Capital Ratio**, which includes the 203 million euro Tier 2 subordinated bond in regulatory capital, closed at **20.3%** (20.1% fully loaded).

The **Liquidity Coverage Ratio (LCR)** stood at **310%** at the end of March 2023, confirming a considerable liquidity buffer, while the **Net Stable Funding Ratio (NSFR)** was **significantly above minimum regulatory requirements.**

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Key income statement figures

Figures in millions of euro

Reclassified Income Statement	1Q22	2Q22	3Q22	4Q22	1Q23	Δ Q/Q%	Δ Y/Y%
Interest income	51.7	54.4	59.1	73.5	86.3	17%	67%
Interest expenses[1]	(15.7)	(16.4)	(17.0)	(27.3)	(37.9)	39%	142%
Net interest income	**36.0**	**38.0**	**42.0**	**46.1**	**48.4**	**5%**	**34%**
Net fees and commissions	12.8	14.8	14.1	19.8	15.1	(24)%	18%
Net result from trading and fair value assets	2.8	5.9	4.6	(0.1)	(0.1)	15%	n.s.
Net other income/expenses	6.3	5.7	5.2	6.7	1.0	(86)%	(85)%
Profit from closed purchased distressed credit positions[2]	20.6	16.2	8.6	18.5	7.8	(58)%	(62)%
Gain (loss) from disposal of investments	-	-	-	-	-	-	-
Operating income	**78.5**	**80.6**	**74.5**	**91.0**	**72.1**	**(21)%**	**(8)%**
Staff costs	(20.7)	(22.8)	(20.9)	(21.8)	(23.1)	6%	12%
Other operating expenses	(20.8)	(21.9)	(21.4)	(26.6)	(21.6)	(19)%	4%
Depreciation & Amortisation	(3.4)	(3.9)	(4.6)	(4.9)	(5.2)	8%	54%
Operating costs	**(44.9)**	**(48.5)**	**(46.9)**	**(53.2)**	**(50.0)**	**(6)%**	**11%**
Operating profit	**33.5**	**32.1**	**27.6**	**37.8**	**22.1**	**(41)%**	**(34)%**
Loan loss provision charges	(0.5)	(2.5)	(0.6)	(3.7)	(2.8)	(24)%	423%
Value adjustments on purchased distressed credit	(4.6)	(3.2)	7.3	(6.4)	0.8	n.s.	n.s.
Value adjustments on securities and loans to banks and off-balance	(0.5)	(0.2)	(0.2)	(0.5)	(0.7)	36%	44%
Other net provisions for risks and charges	(0.0)	(0.0)	-	-	(0.2)	n.s.	n.s.
Other income from equity investments	(1.8)	(2.0)	(1.8)	(2.0)	(1.2)	(41)%	(36)%
Contribution to banking sector schemes and other non-recurring charges	(2.0)	(0.1)	(2.6)	(2.0)	(6.0)	202%	207%
Profit (loss) before tax	**24.1**	**24.0**	**29.6**	**23.2**	**12.1**	**(48)%**	**(50)%**
Income tax	(8.4)	(8.2)	(10.4)	1.5	(4.3)	n.s.	(49)%
Net result	**15.7**	**15.8**	**19.1**	**24.7**	**7.8**	**(68%)**	**(50%)**

1. *This item does not include costs relating to leasing liabilities, which have been classified as administration costs; on the other hand it includes commission expenses and stamp duty related to deposits on the Raisin platform.*
2. *Gains from the definitive closure of non-performing exposures either through disposal to third parties or through a discounted payoff strategy ("saldo e stralcio") agreed with the debtor.*
Any failure of the above figures to reconcile arises exclusively from rounding.

illimity ended the first quarter of 2023 with a **net profit of 7.8 million euro**, a figure not fully comparable with 1Q22 (15.7 million euro), as it includes the negative effects of the termination by mutual agreement (effective from December 2022) of the previous licence agreement on illimity's IT systems, that can be quantified in 8.5 million euro pre-tax.

The main economic effects follow.

Net interest income for the first quarter of 2023 amounted to **48.4 million euro**, up by approximately 5% over the fourth quarter of 2022 and by 34% over the same quarter of the previous year.

Contributing to this dynamic was **interest income** of **86.3 million euro**, up by +17% q/q and +67% y/y, basis, driven both by growth in business volumes and, to a more limited extent, by the effects resulting from the increase in interest rates. **Interest expense** rose to **37.9 million euro**, representing an increase of 39% on a quarterly basis (+142% y/y), mostly due to the medium-long term funding carried out on the wholesale markets in December, which had its full effect in the quarter just ended, as well as, to a more limited extent, the increase in market rates.

Net fees and commissions closed at **15.1 million euro**, up by 18% y/y thanks to the contribution of all the business divisions. The figure fell over that of the previous quarter (19.8 million euro) which benefited from the usual seasonality of the Bank's business, this experiencing greater dynamism in the second half of the year.

Other operating income of 1.0 million euro includes the effect (4.25 million euro) related to the above-mentioned mutual termination of the previous licence agreement for the use of the IT systems developed by illimity.

Profit from closed distressed credit positions amounted to 7.8 million euro. The fall compared to the corresponding figure for the previous year (20.6 million euro) reflects the lack of dynamism seen at the beginning of the year in the distressed credit market, which limited investment and disposal opportunities. Moreover, it is also recalled that in the first half of last year the Bank finalised a number of large transactions.

As the result of the above dynamics, **operating income** reached **72.1 million euro** in the first quarter of 2023, compared to 78.5 million euro in the first quarter of 2022.

Operating costs rose by 11% on an annual basis, reflecting the annualization of the investments made during 2022 to complete the Bank's workforce and carry out the IT investments relating above all to the new initiatives. The figure fell by 6% over the previous quarter, mostly as a result of the lower spending arising from business activity which enjoys greater seasonality in the last quarter of the year.

Operating profit accordingly closed at **22.1 million euro**, a decrease of 34% y/y.

Loan loss provisions on organic loans amounted to 2.8 million euro compared to 0.5 million euro in the first quarter of 2022 and 3.7 million euro in the previous quarter. The figure includes generic provisions and certain analytical adjustments relating to non-performing organic positions. The annualised cost of risk accordingly reached 43bps, as expected, higher than that in FY22.

Value adjustments on purchased distressed credit was positive for **0.8 million euro** compared to -4.6 million euro and -6.4 million euro booked in the first and fourth quarters of 2022 respectively.

The item **Contribution to banking sector schemes and other non-recurring charges** is equal to 6.0 million and include the contribution to the Single Resolution Fund for 1.8 million euro and the one-off effect arising from the afore-mentioned mutual termination of the previous licence agreement for the use of the IT systems developed by illimity.

The item **Other income from equity investments,** that includes the pro-rata consolidation of HYPE, led to the recognition of a loss of 1.1 million euro, an improvement over the loss of 1.7 million euro booked in the first quarter of 2022 and that of 1.9 million euro booked in the previous quarter.

It is recalled that HYPE's results are consolidated using the equity method and that these results, in addition to only partially benefiting from the contribution expected to arrive from the new Open banking services and products, reflect the anticipation of certain investments designed to strengthen the company's technological infrastructure and organisational structure.

Profit before tax amounted to 12.1 million euro in the first quarter of 2023, a figure not fully comparable with those of previous quarters (24.1 million euro for the first quarter of 2022) due to the effect of the above-mentioned mutual termination of the previous licence agreement for the use of illimity's IT systems.

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Contribution of the business divisions to the Group's results

The following table sets out the key figures for the illimity Group's divisions for the first quarter of 2023.

1Q23, Data in millions of euro	Divisione Distressed Credit	Divisione Growth Credit	b-ilty	Divisione Investment Banking	Divisione CIO	HQ Functions	SGR	Hype	Total
Net interest income	28.7	15.8	0.4	2.1	1.4	-	-	-	48.4
Net fees and commissions	5.4	6.2	0.5	2.0	(0.2)	-	1.2	-	15.1
Other income	8.0	0.6	-	0.1	0.1	-	(0.1)	-	8.7
Operating income	**42.1**	**22.5**	**0.9**	**4.2**	**1.3**	**-**	**1.1**	**-**	**72.1**
Staff costs	(9.4)	(2.9)	(1.5)	(1.2)	(1.9)	(5.5)	(0.7)	-	(23.1)
Other operating expenses and D&A	(11.1)	(1.4)	(1.2)	(0.7)	(7.8)	(4.6)	-	-	(26.8)
Operating costs	**(20.5)**	**(4.4)**	**(2.7)**	**(1.9)**	**(9.7)**	**(10.1)**	**(0.7)**	**-**	**(50.0)**
Operating profit	**21.6**	**18.1**	**(1.8)**	**2.3**	**(8.4)**	**(10.1)**	**0.4**	**-**	**22.1**
Provisions	(2.1)	0.2	(0.6)	(0.2)	-	-	-	-	(2.7)
Other net provisions for risks and charges	(0.2)	-	-	-	-	-	-	-	(0.2)
Other income from equity investments	(0.1)	-	-	-	-	-	-	(1.1)	(1.2)
Contribution to banking sector schemes and other non-recurring charges	-	-	-	-	(4.3)	(1.8)	-	-	(6.0)
Profit (loss) before tax	**19.3**	**18.3**	**(2.4)**	**2.1**	**(12.7)**	**(11.8)**	**0.4**	**(1.1)**	**12.1**
Interest earning assets	1,809	2,612	83	321	0	553	1	-	5,378
Other assets	210	163	1	2	83	179	0	83	721
RWA	**2,070**	**1,601**	**23**	**169**	**93**	**339**	**5**	**44**	**4,344**

Distressed Credit Division

The Distressed Credit Division ended the quarter with a pre-tax profit of 19.3 million euro compared to 31.9 million euro in the first quarter of 2022, mainly as a result of lower profits from closed positions. The results are not fully comparable with those for the first quarter of 2022 due to the acquisition of AREC from illimity, effective starting from July 2022. The Division confirmed good levels of efficiency, with a Cost Income ratio remaining consistently below 50%.

Net customer loans stood at 1,497 million euro, up by 12% y/y and stable compared to the end of 2022 (+0.4%), driven in particular by the Senior Financing department which rose by 26% y/y (+8% over the end of 2022).

Business origination was contained for the quarter, amounting to 84 million euro. The market recovered strength in April and the pipeline of possible investments is very robust which will lead to an expected acceleration in investments over the next few months.

As far as **ARECneprix** is concerned, the merger by acquisition of AREC S.p.A. into neprix S.r.l. was finalised on 1 January 2023, giving rise to the third player in the Italian corporate UTP credit management market.

With this operation illimity strengthened its positioning and innovative approach in distressed corporate credit servicing, establishing itself as a leading end-to-end asset management company capable of covering the entire value chain of the credit management process, as well as having a high level of expertise in structuring complex operations.

ARECneprix assets under management have a gross book value ("GBV") of around **10 billion euro**, compared to the figure of ca. 7 billion euro of the first quarter of 2022, as the result of the integration of AREC and the rise in non-captive mandates. The company ended the first quarter with a pre-tax profit of 1.7 million euro, which is expected to increase thanks to a considerable pipeline of non-captive mandates.

With regards to **Quimmo**, assets under mangement stand at ca. **2.2 billion euro**, of which around 90% coming from non-captive activities. The company ended the first quarter with pre-tax loss of 0.8 million euro, a result expected to improve due to an increase in brokered volumes, arising in particular from non-captive mandates.

In this respect, on 2 May the announcement was made of a strategic partnership in real estate brokerage with COIMA, which envisages the latter acquiring 18% of the share capital of ABILIO (company that owns Quimmo's brand) through the contribution of 100% of Residenze Porta Nuova, COIMA's real estate agency focusing on selling and letting prestigious residential properties in Milan.

The partnership will enable Quimmo, already a leader in the Italian **judicial real estate** market, to accelerate its development plan initiated half way through 2022, with the aim of establishing itself also as a player of reference on the open real estate market, in this way covering the entire value chain of buying and selling real estate assets.

In the short term this will lead to the start of an operating and commercial synergy at a national level, thanks to a **potential pipeline** of projects worth over **1 billion euro**, focusing on the marketing of quality residential properties.

In addition, the partnership will contribute to the creation of value for the whole of the illimity Group, thanks to the possibility of also beginning exploration in other synergic and strategic areas for both the respective Groups, leveraging on technology applied to real estate, the use of the data and the relative services.

Growth Credit Division

The Growth Credit Division continued its growth path, also achieving good results in the first quarter of 2023. It earned **pre-tax profit** of 18.3 million euro, up significantly over the same period of the previous year (+91%), driven by an increase in revenues (+54%) which benefited in particular from the rise in net interest income, which doubled on an annual basis thanks to higher volumes and the increase in market rates. The Cost income ratio of 20% represents a further improvement over that of 35% for the first quarter of 2022, confirming the high scalability of the Division's operating structure.

The Division's **net customer loans** stood at **2,116 million euro**, up by 49% over 31 March 2022, with a contribution arriving from all business segments. The figure rose by 4% over that at the end of 2022 despite certain early reimbursements occured during the quarter. In addition, there was confirmation of the important contribution coming from loans backed by public guarantees and insured loans, these representing 55% of the total for the division, enabling the Bank to obtain high return on capital due to the low risk profile and limited capital absorption.

Volumes are expected to rise further thanks to a robust pipeline in all the business lines.

The excellent performance achieved by Factoring is also worthy of note, this achieving a turnover of 658 million euro in the quarter, a figure double that for the first quarter of 2022 and a considerable increase (of 12%) compared to that at the end of 2022, which generally benefits from high positive seasonality.

Investment Banking Division

The Investment Banking Division posted a **pre-tax profit** of **2.1 million euro**, in line with that for the first quarter of the previous year. **Revenues** rose by **11%** y/y; nevertheless, costs also rose as the result of the structuring of operations originated at the end of the quarter, whose revenues will become visible from the subsequent quarter.

In terms of volumes the quarter saw a significant acceleration in business origination, which rose to 90 million euro, this being equivalent to 50% of the total achieved for the whole of 2022 (the year in which the division began operations), in this way taking the stock of investments to 178 million euro.

b-ilty Division

After concluding the “beta” phase of its credit engine based on artificial intelligence and completing its offer of digital banking products and services for the Italian small business world in 2022, b-ilty became fully operational in the first quarter of this year, noting a growing interest being shown by the market.

Customer loans rose to reach 71 million euro at the end of March 2023, up by 40% over the previous quarter, and a further acceleration is expected thanks to a robust pipeline of over 150 million euro. It is additionally noted that the disbursed loans are all backed by public guarantees, with an average coverage of 76%.

b-ilty ended the quarter with a pre-tax loss of 2.4 million euro, in line with targets and showing a considerable improvement over the previous year (3.1 million euro), thanks to the start of revenue generation and costs falling compared to the investment peak in 2022. Profitability is forecast to improve gradually during the year thanks to the planned growth in volumes.

CIO Division

The Chief Information Officer (“CIO”) Division comprises all the activities regarding the management and development of the Bank’s IT architecture and the illimitybank.com funding platform.

At 31 March 2023 the illimitybank.com platform had generated direct funding from retail customers of **1.9 billion euro**, up by 34% y/y and by 12% over the end of 2022, this including net funding of over 200 million euro in the quarter. A new account product offer was launched in April, renewing the existing positioning.

The Division ended the first quarter of 2023 with a pre-tax loss of 12.7 million euro, affected by the above-mentioned mutual settlement between the parties of the previous licence agreement for the use of the Bank's IT systems totalling 8.5 million euro. The Division is expected to achieve a significant profit in 2023 thanks to the recognition of the income of 55.5 million euro arising from the mentioned partnership with the Engineering Group.

illimity SGR

illimity SGR earned **fees and commissions of approximately 1.2 million euro** in the first quarter of 2023, doubling the corresponding figure for the first quarter of 2022. As the result of the benefits arising from the launch of new funds, the Group's asset management company ended the **first quarter of 2023** with a positive **pre-tax profit of 0.4 million euro**.

The total assets under management of the SGR stood at ca. **440 million euro**, including both invested assets and commitments, up by 340 million euro over the end of 2022 thanks to the launch of a third fund, "illimity Selective Credit", focusing on performing unlisted SMEs, which saw its first closing of 90 million euro underwritten by a series of professional investors including the Italian Investment Fund as anchor investor and illimity Bank.

HYPE

HYPE, the 50-50 joint venture between illimity and Banca Sella Holding, again confirmed its leadership position among retail fintechs in 1Q23 with a customer base of 1.7 million, up by 11% y/y (+165 thousand customers y/y). The number of transactions also rose to reach 28.9 million in the quarter, an increase of 36% y/y.

The company ended the first quarter of 2023 with a net loss of 2.2 million euro. illimity's pro-rata net loss amounted to 1.1 million euro, an improvement over the net loss of 1.7 million euro for the first quarter of 2022.

* * *

Business Outlook

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

It is believed that illimity is well-positioned in this situation to tackle the difficult macroeconomic context, thanks to a robust liquidity position that can count on a widely diversified funding base and a solid capital position that will enable future growth to be supported.

Despite maintaining an extremely selective approach, customer loan volumes are expected to rise, benefiting from a significant pipeline of new loans and investments available over the upcoming months in all the business divisions. In this respect the current scenario will enable the Bank to grasp increasing opportunities both on the SME lending front and in the non-performing loan field.

In terms of operating trends, revenues are forecast to rise, these being expected to benefit from an increase in net interest income arising from higher business origination volumes and the repricing of loans. These dynamics should more than offset the expected increase in funding costs.

Net fees and commissions are also forecast to rise on the basis of higher volumes of new business, in particular in the Growth Credit, Distressed Credit and Investment Banking Divisions, with a growing contribution arriving from the initiatives already under way (b-ilty, Quimmo and illimity SGR).

As far as operating costs are concerned, following the completion in 2022 of the sizing of the operating structures and the IT investments made to launch the tech initiatives, we can expect to see a growth rate lower than that of last year, despite inflationary effects.

Operating leverage is accordingly forecast to improve, benefiting from the rise in revenues and the lower increase in costs.

As regards asset quality, given the large proportion of customer loans backed by public guarantees and the fact that a large part of the new disbursements of the Growth Credit Division and all b-ilty's lending will be channelled in that direction, we can expect a contained cost of risk, despite an NPE ratio higher than that of the previous year.

The profitability of the current year will also benefit from the significant contribution of 55.5 million euro arising from the partnership on illimity's IT platform, which will enable to more than offset the drop in annual revenues (17 million euro pre-tax) following the afore-mentioned termination by mutual agreement of the previous licence agreement for the use of illimity's IT platform.

As a result of the above dynamics, a net profit of over 100 million euro is expected for 2023.

* * *

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

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illimity Management will present the results for 1Q23 to the financial community **at 9:00 a.m. CET** today **12 May 2023**.The event can be followed via Live Audio Webcast at the following link: https://87399.choruscall.eu/links/illimity230512.html or by conference call on the following numbers:

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illimity Bank S.p.A.
illimity is the high-tech banking group founded and headed by Corrado Passera that was created with the aim of responding to specific market needs by way of an innovative and specialist business model. More specifically, illimity extends financing to high-potential SMEs, purchases distressed corporate loans and services these through its platform ARECneprix and provides digital direct banking services through illimitybank.com. illimity SGR, which sets up and manages alternative investment funds, the first of which dedicated to UTP loans, is also a member of the Group. The story of the illimity Group began in January 2018 with the launch of the special purpose acquisition company SPAXS S.p.A., which ended with a record 600 million euro being raised on the market. SPAXS subsequently acquired Banca Interprovinciale S.p.A., with the resulting merger between the two giving rise to “illimity Bank S.p.A.” which has been listed on the Italian Stock Exchange since 5 March 2019 (ticker “ILTY”), first on the MTA exchange and since September 2020 on the STAR segment. The banking group, headquartered in Milan, can already count on over 870 employees and ended 31 March 2023 with assets of around 6.1 billion euro.

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CONSOLIDATED BALANCE SHEET

(Figures in thousands of euro)

		30.09.2021	31.12.2021	31.03.2022	30.06.2022	30.09.2022	31.12.2022	31.03.2023
10	Cash and cash balances	773,979	507,779	695,296	397,024	364,019	680,777	339,632
20	Financial assets measured at fair value through profit or loss	87,656	76,679	82,412	118,137	150,351	105,043	110,701
	a) financial assets held for trading	114	928	3,778	16,400	32,374	31,146	30,840
	b) financial assets designated at fair value	-	-	-	-	-	-	-
	c) other financial assets mandatorily measured at fair value	87,542	75,751	78,634	101,737	117,977	73,897	79,861
30	Financial assets measured at fair value through other comprehensive income	280,460	299,508	424,322	415,945	396,180	391,710	384,268
40	Financial assets measured at amortised cost	3,015,980	3,229,766	3,154,007	3,545,818	3,716,729	4,386,730	4,543,304
	a) due from banks	373,040	267,969	54,729	30,737	38,504	57,213	97,682
	b) loans to customers	2,642,940	2,961,797	3,099,278	3,515,081	3,678,225	4,329,517	4,445,622
50	Hedging derivatives	-	-	-	-	28,263	29,874	28,203
60	Fair value change of financial assets in hedged portfolios (+/-)	-	-	-	-	-	-	-
70	Investments in associates and companies subject to joint control	81,775	79,953	78,147	76,145	78,336	76,375	83,221
80	Technical insurance reserves reassured with third parties	-	-	-	-	-	-	-
90	Tangible Assets	78,105	68,735	79,430	91,147	118,377	128,383	132,570
100	Intangible assets	75,881	85,249	88,661	127,592	130,566	135,101	137,382
	of which goodwill	36,257	36,257	36,257	71,111	65,372	65,372	65,376
110	Tax assets	24,247	45,672	51,144	61,302	65,934	78,592	75,773
	a) current	4,061	5,168	5,168	4,579	4,928	7,828	8,552
	b) deferred	20,186	40,504	45,976	56,723	61,006	70,764	67,221
120	Non-current assets held for sale and discontinued operations	61,908	43,117	38,246	38,248	-	-	-
130	Other assets	165,578	224,132	230,744	255,306	242,354	342,540	263,412
	Total Assets	**4,645,569**	**4,660,590**	**4,922,409**	**5,126,664**	**5,291,109**	**6,355,125**	**6,098,466**

(Dati in migliaia di euro)

		30.09.2021	31.12.2021	31.03.2022	30.06.2022	30.09.2022	31.12.2022	31.03.2023
10	Financial liabilities measured at amortized cost	3,788,786	3,752,384	4,008,434	4,183,679	4,308,912	5,294,132	4,997,565
	a) due to banks	*546,046*	*411,314*	*412,190*	*539,198*	*581,314*	*1,205,048*	*899,067*
	b) due to customers	*2,735,623*	*2,841,282*	*3,091,563*	*3,134,851*	*3,212,966*	*3,436,082*	*3,436,865*
	c) debt securities issued	*507,117*	*499,788*	*504,681*	*509,630*	*514,632*	*653,002*	*661,633*
20	Financial liabilities held for trading	-	59	1,855	13,413	24,293	27,244	24,774
30	Financial liabilities designated at fair value	-	-	-	-	-	-	-
40	Hedging derivatives	-	-	-	-	1,908	32,646	32,289
50	Adjustments in value of generic hedging financial liabilities (+/-)	-	-	-	-	-	-	-
60	Tax liabilities	8,354	20,256	26,747	16,211	28,476	36,724	39,881
	a) current	*7,554*	*19,156*	*25,654*	*15,163*	*25,103*	*33,372*	*36,836*
	b) deferred	*800*	*1,100*	*1,093*	*1,048*	*3,373*	*3,352*	*3,045*
70	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-
80	Other liabilities	83,161	105,595	99,124	103,198	105,071	113,123	136,898
90	Employee termination indemnities	3,137	3,695	3,467	3,457	3,371	3,575	3,846
100	Provisions for risks and charges:	6,369	5,781	5,355	4,842	5,626	6,359	6,285
	a) commitments and guarantees issued	*4,975*	*4,482*	*3,725*	*3,233*	*4,076*	*4,863*	*4,630*
	b) pensions and similar obligations	*11*	*18*	*21*	*27*	*28*	*28*	*27*
	c) other provisions for risks and charges	*1,383*	*1,281*	*1,609*	*1,582*	*1,522*	*1,468*	*1,628*
110	Technical reserves	-	-	-	-	-	-	-
120	Valuation reserves	(2,941)	(6,057)	(18,784)	(42,035)	(51,135)	(47,875)	(41,428)
130	Redeemable shares	-	-	-	-	-	-	-
140	Equity instruments	-	-	-	-	-	-	-
150	Reserves	63,122	63,904	131,154	134,076	135,635	135,516	212,212
160	Share premium reserves	597,589	597,589	597,589	624,583	624,583	624,583	624,583
170	Share capital	52,620	52,620	52,620	54,514	54,514	54,514	54,514
180	Treasury shares	(832)	(832)	(832)	(747)	(747)	(747)	(747)
190	Minority interests	*5*	*5*	*5*	*5*	*5*	*5*	*5*
200	Profit (loss) for the period attributable to the Group (+/-)	46,199	65,591	15,675	31,468	50,597	75,326	7,789
	Group equity	**755,757**	**772,815**	**777,422**	**801,859**	**813,447**	**841,317**	**856,923**
	Profit (loss) for the period attributable to minority interests (+/-)	-	-	-	-	-	-	-
	Equity of minority interests	***5***	***5***	***5***	***5***	***5***	***5***	***5***
	Total liabilities and equity	**4,645,569**	**4,660,590**	**4,922,409**	**5,126,664**	**5,291,109**	**6,355,125**	**6,098,466**

CONSOLIDATED INCOME STATEMENT

(Figures in thousands of euro)

		1Q22	2Q22	3Q22	4Q22	1Q23
10	Interest income and similar income	51,735	54,400	59,090	73,468	86,292
	of which interest income calculated according to the effective interest method	-	-	-	-	-
20	Interest expenses and similar charges	(15,500)	(16,158)	(16,628)	(26,272)	(37,581)
30	**Net interest margin**	**36,235**	**38,242**	**42,462**	**47,196**	**48,711**
40	Commission receivable	13,620	15,848	15,328	20,905	16,385
50	Commission expense	(1,165)	(1,428)	(1,615)	(2,243)	(1,697)
60	**Net commission**	**12,455**	**14,420**	**13,713**	**18,662**	**14,688**
70	Dividends and similar income	-	-	200	-	-
80	Net trading result	1,366	1,640	3,135	(1,412)	(994)
90	Net hedging result	-	-	-	-	(41)
100	Gain (loss) from disposal and repurchase of:	30	(29)	(69)	(399)	1,026
	a) financial assets measured at amortized cost	*40*	*11*	*(36)*	*(4)*	*1,025*
	b) financial assets measured at fair value through other comprehensive income	*(10)*	*(40)*	*(33)*	*(91)*	*1*
	c) financial liabilities	-	-	-	*(304)*	-
110	Gain (loss) on other financial assets and liabilities measured at fair value through profit or loss	1,355	4,279	1,381	1,738	(75)
	a) financial assets and liabilities designated at fair value	-	-	-	-	-
	b) other financial assets subject to mandatory fair-value valuation	*1,355*	*4,279*	*1,381*	*1,738*	*(75)*
120	**Net interest and other banking income**	**51,441**	**58,552**	**60,822**	**65,785**	**63,315**
130	Net write-downs/write-backs for credit risks relating to:	14,399	9,887	16,311	8,294	4,689
	a) financial assets measured at amortized cost	*14,941*	*10,058*	*16,516*	*8,668*	*4,930*
	b) financial assets measured at fair value through other comprehensive income	*(542)*	*(171)*	*(205)*	*(374)*	*(241)*
140	Gain/loss from contract amendments without cancellations	-	-	-	-	-
150	**Net result from banking activities**	**65,840**	**68,439**	**77,133**	**74,079**	**68,004**
160	Net insurance premiums	-	-	-	-	-
170	Other net insurance income/ expenses	-	-	-	-	-
180	**Net result from banking and insurance activities**	**65,840**	**68,439**	**77,133**	**74,079**	**68,004**
190	Administrative expenses:	(44,137)	(45,565)	(45,829)	(51,468)	(47,660)
	a) staff costs	*(20,651)*	*(22,702)*	*(20,830)*	*(21,688)*	*(23,067)*
	b) other administrative expenses	*(23,486)*	*(22,863)*	*(24,999)*	*(29,780)*	*(24,593)*
200	Net provisions for risks and charges	581	388	(875)	(801)	83
	a) commitments and financial guarantees issued	*609*	*398*	*(875)*	*(801)*	*233*
	b) other net provisions	*(28)*	*(10)*	-	-	*(150)*
210	Net value adjustments to/recoveries on tangible assets	(792)	(955)	(1,464)	(990)	(1,143)
220	Net value adjustments to/recoveries on intangible assets	(2,620)	(2,957)	(3,633)	(3,860)	(4,105)
230	Other operating income/expenses	7,115	6,661	6,063	7,876	(2,102)
240	**Operating expenses**	**(39,853)**	**(42,428)**	**(45,738)**	**(49,243)**	**(54,927)**
250	Profit (loss) on investments in associates and companies subject to joint control	(1,828)	(2,020)	(1,817)	(1,968)	(1,162)
260	Valuation differences on tangible and intangible assets measured at fair value	-	-	-	-	-
270	Adjustments in value of goodwill	-	-	-	-	-
280	Gain (loss) from disposal of investments	(77)	-	-	343	147
290	**Pre-tax profit (loss) before tax from continuing operations**	**24,082**	**23,991**	**29,578**	**23,211**	**12,062**
300	Tax income (expenses) for the period on continuing operations	(8,407)	(8,198)	(10,449)	1,518	(4,269)
310	**Profit (loss) after tax from continuing operations**	**15,675**	**15,793**	**19,129**	**24,729**	**7,793**
320	Profit (loss) after tax from discontinued operations	-	-	-	-	-
330	**Profit (loss) for the period**	**15,675**	**15,793**	**19,129**	**24,729**	**7,793**
340	Profit (loss) for the period attributable to minority interests	-	-	-	-	-
350	**Profit (loss) for the period attributable to the Parent Company**	**15,675**	**15,793**	**19,129**	**24,729**	**7,793**