

RESULTS AT 31 DECEMBER 2022

**NET PROFIT OF 75.3 MILLION EURO (+15% Y/Y) AND AN
ROE¹ OF CA. 9%**

4Q22 NET PROFIT INCREASED TO 24.7 MILLION EURO

THE HIGHEST EVER

**OPERATING PROFIT INCREASES TO 131 MILLION EURO (+18% Y/Y) DESPITE
EXPENDITURE IN KEY INVESTMENTS FOR THE LAUNCH OF TECH INITIATIVES**

REVENUE OF 324.6 MILLION EURO (+20% Y/Y)

**NET CUSTOMER LOANS AND INVESTMENTS TO 3.8 BILLION EURO (+37% Y/Y) AND
ASSETS TO 6.4 BILLION EURO (+36% Y/Y)**

**EXCELLENT ASSET QUALITY WITH AN ORGANIC
NPE RATIO² OF 1.4%**

**SOLID CAPITAL BASE WITH A CET1³ RATIO OF 15.8%
660 BPS ABOVE THE SREP REQUIREMENT**

HIGH LIQUIDITY LEVEL OF CA. 0.6 BILLION EURO

KEY ESG OBJECTIVES MET AND ADDITIONAL TARGETS SET THROUGH 2025

OUTLOOK FOR 2023:

CONFIRMATION OF THE STRATEGIC PLAN'S GUIDELINES

NET PROFIT EXPECTED OF 100 MILLION EURO

Milan, 10 February 2023 – Chaired by Rosalba Casiraghi, the Board of Directors of illimity Bank S.p.A. (“illimity” or the “Bank”) yesterday approved the illimity Group’s results at 31 December 2022 which close with a net profit of 75.3 million euro, up by 15% over 31 December 2021.

¹ ROE – Return on Equity: calculated as net profit for the year as a ratio of average shareholders’ equity during the year (1/1-31/12/2022).

² Related to the business originated by illimity, excluding the loan portfolio of the former Banca Interprovinciale.

³ Phased-in CET1 ratio.

Corrado Passera, CEO and Founder of illimity, commented: “*The year just ended is confirmation of illimity’s sustained and sustainable growth trajectory. Not only has the Bank posted another year of significant growth, it has once again been able to combine this with a solid level of profitability, a contained risk profile and a very robust capital base and liquidity position, with a very strong focus on ESG objectives.*

We are especially proud of the results achieved despite the investments in the launch of the new tech initiatives - Bilty, Quimmo and HYPE - which will create great value for the Group.

We have completed our IT platform which will enable us to fully exploit the new data and Augmented and Artificial Intelligence technologies.

Backed by the results achieved so far we will continue to grow, remaining focused on the support for SMEs, to which we have disbursed credit of more than 2.6 billion euro, and on distressed corporate loans management with an increasing concentration on the UTP sector.

We can therefore confirm the guidelines of our strategic plan and we set ourselves a target for the current year of 100 million euro net profit”.

Main dynamics of 4Q22:

The achieved results highlight an acceleration in business dynamics in the second half of the year and in particular in 4Q22, a period in which the Group’s two core businesses (SMEs and corporate distressed credit) posted a strong performance and an overall **business origination** which more than doubled q/q to reach 665 million euro.

More specifically, **operating income** rose to 91.0 million euro in 4Q22 (+22% q/q), driven by an increase in all the main components: net interest income was up by +10% q/q, despite a hike in the cost of funding; net fees and commissions rose by 40% q/q, due to robust business origination; profits from closed purchased distressed credit positions more than doubled over the previous quarter.

The quarter ended with an **operating profit** of 37.8 million euro, an increase of 37% q/q, and a **net profit** of 24.7 million euro, the highest ever.

Main dynamics of 2022:

The year was characterised by a significant rise in **customer loans and investments**, which reached 3.8 billion euro (+37% y/y), driven by strong business origination which reached a total of 1.7 billion euro in the year, up by 53% y/y thanks to the contribution of all the business divisions.

Operating income rose to 324.6 million euro, up by 20% y/y, driven by both the increase in net interest income (+22% y/y), which benefited on one side from an upswing in volumes and the rise in interest rates and on the other side from the growth in net fees and commissions (+73% y/y), resulting from the significant level of business origination, the acceleration in servicing mandates and the increased contribution made by investment banking activities.

Operating costs ended the year at 193.6 million euro, up by 21% y/y due to the completion of the sizing of the operating structures and investments carried out to launch the three tech initiatives.

As the result of the above dynamics, **operating profit** closed at 131.0 million euro, an increase of 18% y/y. The **pre-tax profit** was equal to 100.9 million euro, with a **net result** of 75.3 million euro.

Credit quality continued at excellent levels with an **organic NPE ratio** of 1.4% and a **cost of risk** that remained contained at 30 bps thanks to (i) a very prudent and selective approach during the onboarding phase of operations, (ii) a high guaranteed component of the loans of the Growth Credit Division of 55% and (iii) a conservative valuation of the assets with a real estate underlying in the investment portfolio of the Distressed Credit Division.

The **capital base remains solid** and at a high level with a phased-in CET1 ratio of 15.8% and a phased-in Total Capital Ratio of 20.4%, as well as a **liquidity reserve** remaining robust at 0.6 billion euro, with widely diversified sources of finance ranging from retail to corporate and institutional.

Among the key events in 2022 was the **merger** giving rise to **ARECneprix**⁴ which was finalised during the year; this is now the third player in the corporate UTP market with assets under management of around 10 billion euro, of which 30% non-captive. The combination of the expertise of the two companies – on the one hand an engineered, scalable and specialised approach by neprix in the management of corporate loans, and, on the other, AREC's competence in the value enhancement of real estate assets and large-scale UTP loans – has led to the birth of a total asset management company capable of identifying solutions to complex situations that generate value for all the parties involved. ARECneprix's unique and distinctive business model will generate incremental business opportunities and significant Group synergies.

In addition, investments have been completed for the set-up of the three **tech initiatives**, b-ilty, Quimmo and HYPE, whose negative contribution to Group's profitability was 20 million euro, but is already expected to improve significantly from the start of 2023.

Update on the Group's Sustainability Plan

Sustainability is integrated into every aspect of illimity's strategy and activities, as well as being an essential component of its corporate identity. This approach has led to the achievement of important results in 2022 thanks to illimity's **sustainable growth** path.

The business model, 100% cloud-based and fully digital, enables optimisation of the direct environmental impact, making illimity's emission intensity the lowest in the Italian banking sector. illimity has been carbon neutral (Scope 1 and 2 emissions) since 2021.

The illimiters are now over 850, with a well-balanced gender mix embracing three generations, coming from over 300 organisations and more than 20 different sectors. These characteristics have enabled illimity to obtain UNI PdR gender equality certification, the first in the banking sector. In addition, illimity has been included as a **Great Place to Work** for the fourth successive year, and for the second time entered into the **Best Workplaces** ranking at European level.

The considerable emphasis given to sustainability matters and the high progress made by the Bank in such areas have led to an **improvement in all the most significant ESG ratings** in 2022, enabling it to achieve scores in line with the best market players, despite the young age of illimity

On the basis of the significant results and with a view to constantly improving its ESG strategy the Bank approved new qualitative and quantitative targets through 2025⁵, aiming for the pursuit of growth increasingly inspired by sustainability.

⁴ Effective from 01/01/2023

⁵ A detailed list of the ESG objectives will be available on the Bank's website by consulting the Consolidated Non-financial Statement to be published on March 20, 2023 at the following link: <https://www.illimity.com/en/sustainability>.

Environmental objectives focused in particular on the pressing question of the transition towards a net-zero economy, in which the banks play, and will play, a key role in supporting and accompanying the financed companies in their energy transition process. The objectives of a **social** nature have been strengthened by way of diversity and inclusion commitments, gender equality certification and initiatives to increase employee awareness. Lastly, from its very beginnings, illimity is aligned to best practice on the integration of sustainability into its business strategies, processes, policies and its **Group governance system**, and has the aim of consolidating this positioning.

Key balance sheet figures

Figures in millions of euro

Reclassified Balance sheet	31.12 2021	31.03 2022	30.06 2022	30.09 2022	31.12 2022	Δ % 31.12.2022 / 30.09.2022	Δ % 31.12.2022 / 31.12.2021
Cash and cash equivalent	508	695	397	364	681	87%	34%
Due from banks and other financial institutions	468	215	191	184	183	(0)%	(61)%
Customer loans	2,762	2,832	3,194	3,318	3,776	14%	37%
- Distressed Credit ¹ investments	923	938	921	860	1,021	19%	11%
- Distressed Credit ¹ senior financing	336	402	436	446	469	5%	40%
- Growth Credit ²	1,434	1,421	1,733	1,800	2,037	13%	42%
- Cross-over & Acq. Finance ³	628	643	731	809	891	10%	42%
- Turnaround	438	488	630	612	665	9%	52%
- Factoring	368	289	372	379	481	27%	31%
- b-ilty	3	7	24	38	50	29%	1,756%
- Investment banking			16	108	133	23%	n.s.
- Non-core former Banca Interprovinciale	66	64	64	64	66	2%	(1)%
Financial assets Held To Collect (HTC) ⁴	0	108	161	215	428	99%	n.s.
Financial Assets Held To Collect & Sell (HTCS) ⁵	300	424	416	396	392	(1)%	31%
Financial assets measured at FVTPL ⁶	77	82	118	150	105	(30)%	37%
Investments in associates and companies subject to joint control	80	78	76	78	76	(3)%	(4)%
Goodwill	36	36	71	65	65	--	80%
Intangible assets	49	52	56	65	70	7%	42%
Other assets (incl. Tangible and tax assets) ⁷	382	400	446	455	579	27%	52%
Total assets	4,661	4,922	5,127	5,291	6,355	20%	36%
Due to banks	411	412	539	581	1,205	107%	193%
Due to costumers	2,818	3,065	3,107	3,186	3,409	7%	21%
Bond/Securities	500	505	510	515	653	27%	31%
Shareholders' Equity	773	777	802	813	841	3%	9%
Other liabilities	159	163	169	196	246	26%	55%
Total liabilities	4,661	4,922	5,127	5,291	6,355	20%	36%
	3,729	3,982	4,156	4,282	5,267	23.0%	41.2%
Common Equity Tier 1 Capital	642	646	642	660	683	3%	6%
Risk Weighted Assets	3,411	3,662	3,974	3,678	4,330	18%	27%

1. Distressed Credit Division, formerly the DCIS Division.
2. Growth Credit Division, formerly the SME Division.
3. 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.
4. Includes the Bank's securities portfolio classified at amortised cost.
5. 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.
6. 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.
7. This includes assets of ca.99 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 December 2022, the Bank's **total assets** stood at **6.4 billion euro**, an increase of 36% over the same period of the previous year (+20% q/q).

Net customer loans and investments reached **3.8 billion euro**, up by 37% over 31 December 2021 (+14% q/q). Especially:

- the Growth Credit Division saw a significant acceleration in volumes in the year, which rose overall by 42% over 2021 (+13% q/q);
- the Distressed Credit Division posted rising volumes both in senior financing (+40% y/y and +5% q/q) and investments in distressed credit (+11% y/y and +19% q/q);
- the Investment Banking Division in its first year of life achieved volumes of 133 million euro,

with a considerable acceleration in the second half of the year.

Excellent asset quality confirmed, among the best in class of the system, despite the current macroeconomic situation. With reference to the **new credit originated by illimity, gross organic impaired positions (NPE) amounted to 33.9 million euro at the end of 2022** (ca. 11.1 million euro at the end of December 2021 and ca. 15.4 million euro at the end of September 2022), leading to a gross organic NPE ratio of ca. **1.4%**, pointing to a very limited deterioration of the loan book. Including the portfolio inherited from Banca Interprovinciale, the stock of gross NPE rises to 64.8 million euro, corresponding to a gross organic NPE ratio of 2.6%.

The corresponding stock of **net doubtful organic loans** amounted to **44.6 million euro** at 31 December 2022, equivalent to a **net organic NPE ratio of 1.8%**, stable compared to the end of the previous quarter.

The Bank's **liquidity** – which consists of cash, the net adjusted interbank position and high-quality liquid securities – stood at **ca. 0.6 billion euro** at the end of the 4Q22 and remains available to finance the Bank's pipeline of new business volumes.

The **securities portfolio** rose to **802 million euro** (+168% y/y), following the introduction and gradual increase in the component of **securities at amortised cost**. It is also noted that a **Hedge Accounting** strategy was introduced on the HTCS portfolio in the 3Q22, with the aim of mitigating the impact of interest rate volatility on own funds.

HTC securities – which amounted to ca. 428 million euro at the end of December 2022 – represented 53% of the securities portfolio, while the Hold to Collect and Sell (“HTCS”) component fell to 47% of the securities portfolio, rising though in absolute terms to 374 million euro at the end of December 2022 (+25% y/y).

Taking into consideration the contribution made by the Hedge Accounting strategy, and net of the tax effect, the HTCS securities portfolio mark-to-market stood at negative 48.6 million euro at the end of the quarter (5.8 million euro at the end of the previous year and 51.9 million euro at the end of the previous quarter), due to the recent circumstances on the financial markets, in regard to which the Bank benefited from the prudential filter. Taken as a whole, approximately 80% of the securities portfolio consisted of government bonds, almost all Italian, 14% of senior bonds and 6% 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 99 million euro, a figure which amounted to 92 million at the end of December 2022.

Total financing stood at ca. **5.3 billion euro** at the end of December 2022 representing an increase of 41% over the figure at the end of December 2021 (+23% q/q). Corporate and retail customer funding represented 61% of the total, this consisting mostly of term deposits. The wholesale component, representing 39% of the total, consists mainly of institutional bonds and repos.

Phased-in CET1 Capital amounted to 683 million euro, increasing in the 4Q22 by 23 million euro due mainly to the profit for the quarter. **Fully-loaded CET1 Capital** – obtained by excluding the effect of the temporary prudential filters on government securities and expected credit losses (the “Banking Package”), amounting to approximately 20 million euro – stood at **663 million euro**.

Risk-weighted assets (RWAs) rose by 18% over the previous quarter to **4.3 billion euro**, due to the increase in business origination. The ratio between the Bank's RWAs and its total assets decreased over the previous quarter to stand at around 68%.

As a result of these dynamics, the **phased-in CET1 Ratio** reached **15.8%** at the end of December

2022 (15.3% fully loaded) compared to an SREP requirement of 9.1%.

The **Total phased-in Capital Ratio**, which includes the 200 million euro Tier 2 subordinated bond in regulatory capital, closed at **20.4%** at 31 December 2022 (**19.9%** fully loaded).

The **Liquidity Coverage Ratio (LCR)** stood at **ca. 317%** at the end of December 2022, confirming a considerable liquidity buffer, while the **Net Stable Funding Ratio (NSFR)** was **significantly above minimum regulatory requirements**.

Key income statement figures⁶

Figures in millions of euro

Reclassified Income Statement	4Q21	1Q22	2Q22	3Q22	4Q22	Δ Q/Q%	Δ Y/Y%	FY21	FY22	Δ 12M Y/Y%
Interest income	50.8	51.7	54.4	59.1	73.5	24%	44%	195.0	238.7	22%
Interest expenses ¹	(16.4)	(15.7)	(16.4)	(17.0)	(27.3)	60%	67%	(61.8)	(76.5)	24%
Net interest income	34.5	36.0	38.0	42.0	46.1	10%	34%	133.1	162.2	22%
Net fees and commissions	11.6	12.8	14.8	14.1	19.8	40%	70%	35.6	61.6	73%
Net result from trading and fair value assets	6.2	2.8	5.9	4.6	(0.1)	(102)%	n.m.	18.6	13.2	(29)%
Net other income/expenses	6.6	6.3	5.7	5.2	6.7	30%	2%	18.2	23.8	31%
Profit from closed purchased distressed credit positions ²	19.0	20.6	16.2	8.6	18.5	116%	(3)%	63.5	63.8	0%
Gain (loss) from disposal of investments	-	-	-	-	-	-	-	2.3	-	(100)%
Operating income	77.8	78.5	80.6	74.5	91.0	22%	17%	271.2	324.6	20%
Staff costs	(22.2)	(20.7)	(22.8)	(20.9)	(21.8)	4%	(2)%	(73.7)	(86.1)	17%
Other operating expenses	(23.3)	(20.8)	(21.9)	(21.4)	(26.6)	24%	14%	(76.2)	(90.7)	19%
Depreciation & Amortisation	(2.9)	(3.4)	(3.9)	(4.6)	(4.9)	6%	67%	(10.7)	(16.8)	56%
Operating costs	(48.5)	(44.9)	(48.5)	(46.9)	(53.2)	13%	10%	(160.6)	(193.6)	21%
Operating profit	29.4	33.5	32.1	27.6	37.8	37%	29%	110.6	131.0	18%
Loan loss provision charges	0.6	(0.5)	(2.5)	(0.6)	(3.7)	489%	n.m.	(0.7)	(7.40)	1,019%
Value adjustments on purchased distressed credit	(14.1)	(4.6)	(3.2)	7.3	(6.4)	(188)%	(55)%	(14.8)	(6.90)	(53)%
Value adjustments on securities and loans to banks	(0.4)	(0.5)	(0.2)	(0.2)	(0.5)	108%	32%	(1.2)	(1.49)	29%
Other net provisions for risks and charges	(0.2)	(0.0)	(0.0)	-	-	-	(100)%	(0.2)	(0.04)	(83)%
Other income from equity investments	(1.8)	(1.8)	(2.0)	(1.8)	(2.0)	8%	10%	(7.8)	(7.6)	(2)%
Contribution to banking sector schemes	(1.4)	(2.0)	(0.1)	(2.6)	(2.0)	(24)%	47%	(5.1)	(6.7)	32%
Profit (loss) before tax	12.1	24.1	24.0	29.6	23.2	(22)%	91%	80.8	100.9	25%
Income tax	7.3	(8.4)	(8.2)	(10.4)	1.5	(115)%	(79)%	(15.3)	(25.5)	67%
Net result	19.4	15.7	15.8	19.1	24.7	29%	28%	65.6	75.3	15%

- 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.*
- 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.

Pre-tax profit amounted to **100.9 million euro**, representing a y/y increase of 25%.

After charging income tax of 25.5 million euro, the year ended with a **net profit of 75.3 million euro**, up by 15% over 2021. Net profit of **24.7 million euro** was earned in 4Q22, representing a rise of 29% q/q; this is the Bank's highest quarterly result since its inception.

Net interest income reached **162.2 million euro**, increasing by 22% over the figure for 2021, thanks to the increase in volume of core business activities while at the same time benefiting from the increase in commercial spreads, which taken as a whole enabled the increase in the cost of funding to be more than offset. The figure of 46.1 million euro for 4Q22 represents a rise of 10% q/q.

Net fees and commissions totalled **61.6 million euro**, up by 73% over 2021 due to the high level of business origination achieved during the year, the acceleration in the volumes of non-captive servicing and the increased contribution made by the Investment Banking Division. The figure of **19.8 million euro** for 4Q22 represents a rise over the previous quarter (+40% q/q), driven by the significant increase in business volumes in the quarter.

The majority of **net result from trading activities and assets accounted for at fair value** represented mainly by revenues components realized by the Bank's ordinary investment activity and customer services. This item decreased by 29% over 2021 to close at **13.2 million euro**. In

⁶ The results include the contribution of Arec, the company fully acquired by illimity, from 30 June 2022, the date on which the acquisition by neprix was finalised. Further details in this respect can be found in the press release on the transaction, available on illimity's website <https://www.illimity.com/en/investor-relations/investors-press-releases>.

4Q22, this aggregate has a value substantially at breakeven.

Other operating income totalled **23.8 million euro** (+31% y/y), of which 6.7 million euro was earned in 4Q22 (+30% q/q).

Profit from closed purchased distressed credit positions arose almost exclusively from the Distressed Credit Division and amounted to **63.8 million euro in 2022**, in line with the previous year. It is noted that this profit does not derive from the revaluation of the models, but only from the final cash settlement of positions using “discounted payoff” transactions and from the sale of positions. The figure of **18.5 million euro** for 4Q22 more than doubled that for the previous quarter due to the final quarter dynamics typical of these transactions.

As a result of the above dynamics, **operating income** reached **324.6 million euro**, representing an increase of 20% over 2021, of which **91.0 million euro** earned in 4Q22 (+22% q/q).

Operating costs amounted to **193.6 million euro**, up by 21% over 2021 as the result of the seasonal saving in staff costs, and up by 32% over the 3Q21 due to the completion of the sizing of the operating structures and the investments required for the launch of the three tech initiatives. The figure of **53.2 million euro** for 4Q22 represents a rise of 13% q/q caused by the increase in the volume of activity and an acceleration of the funding plan.

The **Cost income ratio** for the year closed at **60%**, essentially in line with 2021, despite the significant investments made during the year for the launch and set-up of the new technological investments and the sizing of the operating structures.

Net write-downs of organic loans amounted to **7.4 million euro**, increasing with respect to 0.7 million euro of 2021 due to the increased general provisions of a prudential nature and certain analytical adjustments. As a result of this dynamic the **organic cost of risk** amounted to 30 bps.

Net write-downs of purchased distressed loans amounted to **6.9 million euro** (compared to 14.8 million euro in 2021). Net write-downs of **6.4 million euro** were recognised during the quarter compared to positive credit revaluation of 7.3 million euro in 3Q22.

The **pro-rata consolidation of HYPE** led to a negative result of 7.3 million euro (7.8 million euro in 2021), accounted for as **other income from equity investments**. 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, reflect the anticipation of certain investments designed to strengthen the company’s technological infrastructure and organisational structure.

Contribution of the business units to the Group's results

The following table sets out the key figures summarising the way in which the illimity Group's business segments evolved during 2022.

FY22, figures in million euro	Distressed Credit Division	Growth Credit Division	Investment Banking Division	b-ilty	SGR	CIO Division	HYPE	Corporate Centre	Total
Net interest income	113.2	38.9	5.0	0.6	-	4.5	-	-	162.2
Net fees and commissions	21.8	27.4	8.8	0.8	3.7	(0.9)	-	-	61.6
Other income	75.0	7.4	1.3	-	0.1	17.0	-	-	100.8
Operating income	210.0	73.7	15.1	1.4	3.8	20.6	-	-	324.6
Staff costs	(33.7)	(11.4)	(3.8)	(4.2)	(2.5)	(7.4)	-	(23.1)	(86.1)
Other operating expenses and D&A	(45.7)	(6.5)	(1.9)	(7.1)	(0.5)	(26.2)	-	(19.6)	(107.5)
Operating costs	(79.4)	(17.9)	(5.7)	(11.3)	(3.0)	(33.6)	-	(42.7)	(193.6)
Operating profit	130.6	55.8	9.4	(9.9)	0.8	(13.0)	-	(42.7)	131.0
Provisions	(11.5)	(2.2)	(1.6)	(0.5)	-	-	-	-	(15.8)
Other income from equity investments	(0.3)	-	-	-	-	-	(7.3)	-	(7.6)
Contribution to banking sector schemes	-	-	-	-	-	-	-	(6.7)	(6.7)
Profit (loss) before tax	118.8	53.6	7.8	(10.4)	0.8	(13.0)	(7.3)	(49.4)	100.9
Interest earning assets	1,872	2,497	265	67	0	-	-	864	5,564
Other assets	226	161	0	1	0	87	76	241	791
RWA	2,100	1,532	169	14	5	89	44	376	4,330

The figures for segment reporting have undergone a change in presentation through which the Direct Banking Division is split into three segments: b-ilty, HYPE and illimitybank.com (the retail funding platform). The latter, together with the activities relating to technological and IT infrastructure has been merged to the current CIO Division (previously Corporate Centre).

Distressed Credit Division

The Distressed Credit Division confirmed itself as the leading contributor to the Group's consolidated economic results. **Revenue**, which amounted to **210 million euro in 2022**, posted y/y growth of 6% and represented 65% of Group consolidated revenues. Operating activities demonstrated a high level of efficiency, with the Cost income ratio for investment operations alone amounting to 29% (38% for the whole division). The Division **pre-tax profit of 118.8 million euro** in 2022, up by 4% over 2021.

At the end of December 2022, **net customer loans** in the Distressed Credit Division stood at **1,490 million euro**, representing an increase of 18% over the end of December 2022 (+14% q/q), due also to the effect of robust business origination.

The **Distressed Credit investments** department originated new investments of **418 million euro (+50% y/y)**, of which **213 million euro in 4Q22**. The pipeline for the upcoming months amounts to 154 million euro.

In the **Senior Financing** department, deals totalled **145 million euro** in the year, more than doubled compared to 2021, of which **46 million euro** in the **4Q22**, followed by loans of 80 million euro approved but not yet booked in January, due to a time shift in the finalisation of the transactions. The pipeline for Senior Financing for the next few months totals ca. 40 million euro.

The total assets managed by **ARECneprix**, stood at ca. **10 billion euro** in terms of the gross book value ("GBV") of the loans serviced, representing an increase of 54% over the figure of 6.4 billion euro in 2021, as the result of the integration of AREC and the rise in non-captive mandates.

Quimmo, the latest-generation platform created to cover the entire value chain of the real estate deals, concentrated so far to the judicial market, but, since the end of this year also active on the open market, held assets of 2.2 billion euro under management, of which ca. 90% arising from non-captive activities. In 2022 the pre-tax result was negative for 3.2 million euro, mainly due to the investments aimed at completing the platform functional to the strategy of growth on the open real

estate market.

Growth Credit Division

The Growth Credit Division ended 2022 with **revenue of 73.7 million euro (23% of the Group total)**, representing a significant increase over 2021(+49%). This result was driven by the considerable rise in business volumes achieved during the period, as evidence of illimity's ability to affirm itself as an operator of reference in the market segments in which it operates. In the same period the Division's operating expenses fell by 1.6%. The **Cost income ratio⁷ for 2022** accordingly decreased to ca. 24%, an improvement over the 2021 figure (37%), confirming the high scalability of the Division's operating structure. **Pre-tax profit for 2022 reached 53.6 million euro**, a rise of 61% over 2021.

The Growth Credit Division continued its growth path in 2022, with new business volumes totalling **940 million euro**, a rise of 18% y/y, of which 349 million euro in the 4Q22, thereby remaining at excellent levels.

Net customer loans stood at **2,037 million euro**, up by 42% y/y (+13% q/q), a rise driven by all of the business segments.

The **Cross-over & Acquisition Finance** segment booked **newly-disbursed loans of 481 million euro** during the year (+53% y/y), **of which 171 million euro** in 4Q22. Loans with public guarantees⁸ continued to make an important contribution, these representing around over 50% of new disbursements for the year as a whole and allowing the Bank to obtain highly-profitable lending due to the low risk profile and limited capital absorption. New lending in January 2023, together with loans not yet booked but already signed, amounted to 46 million euro. The pipeline for the upcoming months totals ca. 76 million euro.

The **Turnaround** segment **disbursed credits for 346 million euro** in 2022, an increase of 29% y/y, of which **76 million euro in the 4Q22**. Turnaround's growth path continued in January 2023 with the generation of new business of 72 million euro. The pipeline for the upcoming months, amounting to approximately 173 million euro, is promising, with a particular focus on restructuring deals.

Taken as a whole, around 58% of the business originated by the Cross-over & Acquisition Finance and Turnaround segments in 4Q22 was backed by public guarantees.

The **Factoring** segment also saw growth, achieving total turnover of 1,847 million euro in 2022 (+57% y/y), of which **588 million euro** in the 4Q22. Credit volumes amounted to 481 million euro at 31 December 2022, up by 31% y/y.

Investment Banking Division

The Investment Banking Division ended 2022 with an excellent level of profitability, posting a **pre-tax profit of 7.8 million euro** compared to the 1.1 million euro reported in 2021 and ending the year with a Cost income of 38%.

Since starting operations the Capital Markets unit has completed **5 IPOs**, as well as several advisory mandates. Its pipeline consists of mandates that will enable it to continue generating revenue in 2023.

⁷ Operating expenses restated for the reclassification of the contribution to banking sector schemes to a specific item in the Group's income statement.

⁸ Guarantees given by the SACE Group, Mediocredito Centrale S.p.A. (MCC) and the European Investment Fund (EIF).

A considerable contribution to the Division's results is attributable to the Alternative Debts business – financial instruments issued by third parties in the form of securitisation notes, mini-bonds, other hybrid debt instruments – an activity in which the Investment Banking Division acts as both arranger and investor. Volumes reached **133 million euro** in this business in 2022 compared to 16 million euro at the end of June 2022. The results achieved by the Corporate Solutions unit present:

- 28 corporate customers;
- 41 derivatives with corporate customers;
- a notional in hedging derivatives of ca. 239 million euro.

The Structuring unit completed **3 securitisation operations**, one bond issue and 3 mandates as arranger as part of the Basket Bond – Sustainable Energy programme.

b-ilty Division

b-ilty completed its service offer in the 4Q22, this envisaging a complete range of digital transactions, cards and payments, short- and medium-term credit and insurance products to safeguard the credit. b-ilty is the first bank to provide digital banking services to the world of small businesses in Italy, a customer segment of over a million companies not always adequately served by the majority of traditional banks.

b-ilty incurred a loss of 10.4 million euro in 2022, its systems' first year, reflecting start-up costs and investments, and saw the extended setting up of the initiative to further strengthen the Artificial Intelligence credit engine and make the offer even more distinctive. Credit totalling more than 400 million euro was analysed in 2022, followed by disbursements of 50 million euro, with the division continuing its very selective approach. All amounts disbursed are backed by public or private guarantees.

b-ilty's contribution is expected to gradually increase in 2023 as the result of the effective commercial start-up, with an expected acceleration in 2024.

CIO Division

In 2022 the Chief Information Officer Division continued to invest in a single IT infrastructure and in the illimitybank.com, completing the digital platform for all of the Bank's businesses.

At 31 December 2022, illimitybank.com had generated direct funding of **1.7 billion euro** from retail customers, up by ca. 12% over the end of September 2022.

It is recalled that the Division's 2022 results include 17 million euro arising from the licence agreement between illimity and the ION Group for the use of the IT platform developed by illimity.

The division incurred a pre-tax loss for the year of 13.0 million euro.

HYPE

HYPE the 50-50 joint venture between illimity and Banca Sella Holding, confirmed its **leadership** position once more in 4Q22 with a **customer base of 1.7 million** (+162 thousand customers y/y). The **number of transactions rose to reach 103 million** in 2022 (+35% y/y) and **gross revenue** increased to **19.7 million euro** for the year (+42% y/y). The company ended 2022 with a negative result of 14.7 million euro. illimity's pro-rata net loss amounted to 7.3 million euro (compared to a net loss of 8.2 million euro in 2021).

illimity SGR

illimity's asset management company posted **a profit of 0.8 million euro** in 2022 thanks mainly to the "illimity Credit & Corporate Turnaround" fund which reached total assets under management of ca. 220 million euro.

The "illimity Real Estate Credit" fund, focusing on NPEs with a real estate underlying, was launched in August 2022. This fund, managed by illimity SGR with ARECneprix in the role of special servicer, reached a total of ca. 110 million euro in managed assets, thanks also to the second contribution made during the 4Q22. illimity SGR is currently developing three new investment funds, to be launched in the coming months.

* * *

Business Outlook

The macroeconomic situation remains characterised by considerable uncertainty. Economists' projections point to a slowdown in growth in 2023, together with a level of inflation which, although falling, is expected to stay at high levels. As the result of inflation, short-term interest rates are expected to rise further in 2023, as confirmed by the recent monetary policy decisions announced by the European Central Bank.

illimity is considered to be in a good position for tackling the new and more difficult economic and market situation, being able to count on a robust capital base and solid asset quality, with over half of its performing loans either guaranteed or insured. It has already built a consolidated market presence in its core businesses and reached a high scale and operating efficiency. The current scenario is expected to present interesting growth opportunities in all the markets in which the Bank operates, both regarding transactions in non-performing loans and in terms of the demand for new financing by SMEs, in a context where the competitive scenario is expected to develop favourably.

With these prospects, illimity foresees a robust generation of new loans and investments in 2023, up over 2022 levels, driven by all the business segments in which it operates. The solid pipeline under evaluation in this first part of the year supports these expectations.

The Bank's funding strategy, which envisages the use of a multiplicity of financing channels while still maintaining a good diversification of the sources, will continue in 2023.

The robust growth expected in loans and investments, together with the rise in the spread on new loans, will act as a driver for the increase in interest rates to an extent that will more than offset the average cost of funding, leading to a significant increase in net interest income.

In addition, it is envisaged that net fees and commissions will rise further, driven by the expected generation of new business during the year and the growth in the new initiatives that are already under way – illimity SGR, the investment banking services, Quimmo and b-ilty.

Taken as a whole the Bank's total revenue is expected to undergo a further sharp rise in 2023, with the diversification profile consolidating at the same time.

As far as the cost component is concerned, the Bank's operating structure is considered to have reached an optimal size in the majority of areas and divisions during 2022, while the investments in digitalisation are to a large extent complete, thereby enabling a strong scalability of the technological and operating infrastructure. It follows from this that costs are likely to rise in 2023 at a rate

considerably slower than that seen in the year just ended, this mainly being connected with the further expansion of the business and the completion of the tech initiatives under way.

As a consequence of the expected revenue growth, increasing faster than costs, a visible improvement in operating leverage is envisaged. The expected evolution in profit terms of the three tech initiatives - b-ilty, Quimmo and HYPE – which led to significant investments in 2021 and 2022, is also expected to add to this result. A significant improvement in their contribution to the Group's pre-tax profit compared to the reported loss of ca. 20 million euro in 2022 is envisaged.

In a context with a forecast economic slowdown and high inflation, we envisage an increase in the adjustments to business portfolios over 2022. As regards the performing loans component, despite the expected rise in the default rate for this credit, the high guaranteed portion is expected to lead to a cost of risk that is in any case lower than that initially forecast in the Bank's Strategic Plan.

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

Lastly, the Bank's robust capital base and the expected generation of profits will ensure that the Common Equity Tier 1 Ratio will remain significantly above regulatory requirements, despite a further rise in risk-weighted assets resulting from the increase in business volumes.

* * *

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.

* * *

illimity Management will present the results for 4Q22 and the full year 2022 to the financial community **at 9:00 a.m. CET today 10 February 2023**. The event can be followed via Live Audio Webcast at the following link: <https://87399.choruscall.eu/links/illimity230210.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 850 employees and ended 2022 with assets of around 6.3 billion euro.

CONSOLIDATED BALANCE SHEET

(Figures in thousands of euro)

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

(Figures in thousands of euro)

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

CONSOLIDATED INCOME STATEMENT

(Figures in thousands of euro)

	4Q21	1Q22	2Q22	3Q22	4Q22	FY2021	FY2022
10 Interest income and similar income	50,699	51,735	54,400	59,090	73,468	194,288	238,693
<i>of which interest income calculated according to the effective interest method</i>	-	-	-	-	-	-	-
20 Interest expenses and similar charges	(16,124)	(15,500)	(16,158)	(16,628)	(26,272)	(61,223)	(74,558)
30 Net interest margin	34,575	36,235	38,242	42,462	47,196	133,065	164,135
40 Commission receivable	12,733	13,620	15,848	15,328	20,905	40,283	65,701
50 Commission expense	(1,362)	(1,165)	(1,428)	(1,615)	(2,243)	(5,708)	(6,451)
60 Net commission	11,371	12,455	14,420	13,713	18,662	34,575	59,250
70 Dividends and similar income	-	-	-	200	-	-	200
80 Net trading result	1,408	1,366	1,640	3,135	(1,412)	3,167	4,729
90 Net hedging result	-	-	-	-	-	-	-
100 Gain (loss) from disposal and repurchase of:	386	30	(29)	(69)	(399)	5,393	(467)
<i>a) financial assets measured at amortized cost</i>	-	40	11	(36)	(4)	302	11
<i>b) financial assets measured at fair value through other comprehensive income</i>	386	(10)	(40)	(33)	(91)	5,091	(174)
<i>c) financial liabilities</i>	-	-	-	-	(304)	-	(304)
110 Gain (loss) on other financial assets and liabilities measured at fair value through profit or loss	4,359	1,355	4,279	1,381	1,738	10,034	8,753
<i>a) financial assets and liabilities designated at fair value</i>	-	-	-	-	-	-	-
<i>b) other financial assets subject to mandatory fair-value valuation</i>	4,359	1,355	4,279	1,381	1,738	10,034	8,753
120 Net interest and other banking income	52,099	51,441	58,552	60,822	65,785	186,234	236,600
130 Net write-downs/write-backs for credit risks relating to:	(1,198)	14,399	9,887	16,311	8,294	43,135	48,891
<i>a) financial assets measured at amortized cost</i>	(1,512)	14,941	10,058	16,516	8,668	43,505	50,183
<i>b) financial assets measured at fair value through other comprehensive income</i>	314	(542)	(171)	(205)	(374)	(370)	(1,292)
140 Gain/loss from contract amendments without cancellations	196	-	-	-	-	196	-
150 Net result from banking activities	51,097	65,840	68,439	77,133	74,079	229,565	285,491
160 Net insurance premiums	-	-	-	-	-	-	-
170 Other net insurance income/ expenses	-	-	-	-	-	-	-
180 Net result from banking and insurance activities	51,097	65,840	68,439	77,133	74,079	229,565	285,491
190 Administrative expenses:	(47,592)	(44,137)	(45,565)	(45,829)	(51,468)	(157,719)	(186,999)
<i>a) staff costs</i>	(22,174)	(20,651)	(22,702)	(20,830)	(21,688)	(73,563)	(85,871)
<i>b) other administrative expenses</i>	(25,418)	(23,486)	(22,863)	(24,999)	(29,780)	(84,156)	(101,128)
200 Net provisions for risks and charges	-	581	388	(875)	(801)	(2,622)	(707)
<i>a) commitments and financial guarantees issued</i>	218	609	398	(875)	(801)	(2,404)	(669)
<i>b) other net provisions</i>	(218)	(28)	(10)	-	-	(218)	(38)
210 Net value adjustments to/recoveries on tangible assets	(732)	(792)	(955)	(1,464)	(990)	(3,132)	(4,201)
220 Net value adjustments to/recoveries on intangible assets	(2,166)	(2,620)	(2,957)	(3,633)	(3,860)	(7,600)	(13,070)
230 Other operating income/expenses	7,417	7,115	6,661	6,063	7,876	21,421	27,715
240 Operating expenses	(43,073)	(39,853)	(42,428)	(45,738)	(49,243)	(149,652)	(177,262)
250 Profit (loss) on investments in associates and companies subject to joint control	(1,788)	(1,828)	(2,020)	(1,817)	(1,968)	(7,758)	(7,633)
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	6,066	(77)	-	-	343	8,344	266
290 Pre-tax profit (loss) before tax from continuing operations	12,302	24,082	23,991	29,578	23,211	80,499	100,862
300 Tax income (expenses) for the period on continuing operations	7,212	(8,407)	(8,198)	(10,449)	1,518	(15,161)	(25,536)
310 Profit (loss) after tax from continuing operations	19,514	15,675	15,793	19,129	24,729	65,338	75,326
320 Profit (loss) after tax from discontinued operations	(122)	-	-	-	-	253	-
330 Profit (loss) for the period	19,392	15,675	15,793	19,129	24,729	65,591	75,326
340 Profit (loss) for the period attributable to minority interests	-	-	-	-	-	-	-
350 Profit (loss) for the period attributable to the Parent Company	19,392	15,675	15,793	19,129	24,729	65,591	75,326