

RESULTS FOR THE FIRST HALF OF 2023

**SIGNIFICANT GROWTH OF NET PROFIT AT 52.2 MILLION EURO (+66% Y/Y),
DESPITE AN EXTERNAL SCENARIO MORE CHALLENGING THAN EXPECTED**

OPERATING PROFIT OF 98.5 MILLION EURO (+50% Y/Y)

**REVENUE ROSE TO 204.2 MILLION EURO (+28% Y/Y)
GROWTH IN THE NET INTEREST INCOME (+32% Y/Y)
AND NET FEES AND COMMISSIONS (+17% Y/Y)**

**IT PLATFORM PARTNERSHIP WITH ENGINEERING GROUP THAT CONTRIBUTES TO
FIRST-HALF 2023 RESULTS AND OPENS NEW AREA OF FUTURE REVENUE
GENERATION**

**SHARP RISE IN VOLUMES
INCREASE IN CORPORATE SME LOANS AND INVESTMENT BANKING BUSINESS
(+44% Y/Y)
TOTAL ASSETS ROSE TO 6.7 BILLION EURO (+31% A/A)**

**ROBUST LEVEL OF LIQUIDITY
OF CA. 1 BILLION EURO,
RETAIL FUNDING TO CA. 3 BILLION EURO
(+390 MILLION EURO IN THE FIRST HALF OF 2023)**

**SOLID CAPITAL BASE
PHASED-IN CET1 RATIO OF 15.4% (OVER 600 BPS VS. SREP)**

Milan, 4 August 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 30 June 2023.

Corrado Passera, CEO and Founder of illimity, commented: “illimity continues to grow in terms of volumes, revenue, and profits. In the last quarter, financing to SMEs has particularly increased, driving interest and commissions, with a good resilience of operational costs and provisions, despite a more challenging external context than expected.

The strategic partnership with Engineering Group has been established, showing benefits already in the first half and opening a new area for future revenue. Our open and legacy-free, but natively cloud-based IT architecture, as well as the vertical applications we have developed in an ever-modular manner will, in fact, be of great interest to other operators as well.

Our tech ventures are also developing on track. Hype, which is confirmed as the leading retail fintech in Italy with 1.8 million users; b-ilty, the digital bank for smaller businesses with a rich transactional and credit offering; Quimmo, Italy's largest real estate brokerage platform, already a leader in the judicial market, which this semester successfully entered the "open" market through its important partnership with COIMA. We expect these autonomous entrepreneurial initiatives to add significant value to illimity.

Finally, capital and liquidity remain very robust, also thanks to the success of our new Premium Account that has brought retail collection to ca. 3 billion euros.

We therefore feel able to confirm our guidance of at least 100 million euros in net profit for 2023".

The half-year was characterised by the following dynamics:

- **A robust increase in earnings, with net profit rising to 52.2 million euro, up by 66% y/y**, driven by the solid performance of the SME lending activity, also in terms of volumes, which offset the effect of the exogenous challenges on the half-yearly results.
- **Revenue of 204.2 million euro, up by 28% y/y (+83% q/q)**, characterised by a considerable progression in both net interest income (+32% y/y), which benefited from the increase in volumes, and net fees and commissions (+17% y/y), driven by lending and third-party servicing activities. Net other income¹ increased by 29% and includes the revenue of 54.0 million euro² arising from the finalisation of the above-mentioned partnership with Engineering. These items enabled the lower contribution made by income from closed distressed credit positions, which were affected by the conditions on a sluggish market, to be offset.
- **Operating costs closing at 105.7 million euro** compared to 93.5 million euro in the first half of 2022. More specifically, the combined total of staff costs and other operating expenses amounted to 95.2 million euro, an increase of 11% y/y, equal to 4% excluding the effect of the change in perimeter following the acquisition of AREC at the end of June 2022 and non-recurring staff costs. This increase is mainly due to the completion of some staff sizing in the operating structures that occurred in the second part of 2022. Depreciation and amortisation rose from 7.3 million euro in the first half of 2022 to 10.5 million, following the increase arising from the IT investments made during the previous year.
- **An increase in customer loans** to 4.2 billion euro (+32% y/y and +7% q/q), driven by the Growth Credit and Investment Banking Divisions which taken together rose by 44% y/y (+10% q/q) thanks to significant business origination.
- **Loan loss provision charges for the half-year are equal to 6.0 million euro with a cost of risk annualised of 42 bps, remaining at contained levels**, due also to the high level of loans backed by public guarantees and insured loans (55%) and the low proportion of loans in stage 2 (~0.8%)³.

¹ Includes the following reclassified income statement items: "Net other income/expenses", "Profit from closed purchased distressed credit positions" and "Net result from trading and fair value assets".

² Includes the effect of discounting the deferred payment of part of the price (-1.5 million euro).

³ Ratios are calculated on a population of customer loans that includes the Growth Credit Division and b-ilty and the legacy of the BIP portfolio. This perimeter only includes loans in stage 2 resulting from credit impairment.

- The **liquidity position** remaining robust and up to around 1 billion euro⁴, with an LCR of 276%, well above the regulatory minimum. Total funding amounted to 5.5 billion euro, a rise of 33% y/y, with a wide diversification between retail, corporate and institutional funding. More specifically, the retail component stood at ca. 3.0 billion euro, an increase of 41% y/y and 14% q/q, and continues to be driven by the significant contribution made by the *illimitybank.com* platform. In addition, retail funding is highly stable, with term deposits representing 85% of the total.
- **A solid capital base**, with a phased-in CET 1 ratio of 15.4% (15.4% fully loaded), with a buffer of over 600 bps compared to the SREP requirement and a Total Capital Ratio of 19.9%.
- **The long-term partnership with the Engineering Group**⁵ (a leading global operator in the field of digital transformation) **was finalised on 30 June 2023**. This agreement represents the natural evolution of a path that has led illimity's technological platform to be recognised as one of the most innovative, fully digital, modular and cloud native currently to be found on the market. The partnership had a positive impact on 2023 earnings, thanks to the 54 million euros⁶ in revenue booked by illimity in the second quarter. Net of lower revenues from the termination by mutual agreement of the previous license agreement covering illimity's IT systems amounting to 8.5 million in the first half of the year (17 million for the full year 2023), the net benefit on the operating income from the partnership is 45.5 million euros. In addition, the agreement will also enable the Bank to structurally increase future earnings thanks to the significant royalties that will be generated from the marketing of illimity's IT platform by Engineering.
- **Progress in the development strategy of the three tech initiatives towards a high level of value creation**. In particular, **Hype** has continued to increase the number of its customers to arrive at ca. 1.8 million (+9% y/y) and has further enhanced its product offer with new credit and insurance solutions coming from leading market operators. **b-ilty**, fully operational since the beginning of the year, has customer loans of **154 million euro**, more than double the figure for the previous quarter, thanks to a sharp acceleration in the generation of new business, and has a significant pipeline for the upcoming quarters. In May, **Quimmo** entered a strategic partnership in real estate brokerage with COIMA⁷, accelerating its development strategy on the open market thanks to operating and commercial synergies that will be created at a national level, with a potential pipeline of projects worth over 1 billion euro focusing on quality residential properties.

⁴ Total high quality liquid assets (HQLA).

⁵ For further details see the press releases issued on 18 April 2023 and 30 June 2023.

⁶ Net of present value related to the deferred payment of part of the price (-1.5 million euro).

⁷ A leading market operator specialising in the investment in and development and management of Italian real estate on behalf of institutional investors.

Key balance sheet figures

Figures in millions of euro

Reclassified Balance sheet	30.06 2022	30.09 2022	31.12 2022	31.03 2023	30.06 2023	Δ % 30.06.2023 / 31.03.2023	Δ % 30.06.2023 / 30.06.2022
Cash and cash equivalent	397	364	681	340	536	58%	35%
Due from banks and other financial institutions	191	184	183	213	228	7%	19%
Customer loans	3,194	3,318	3,776	3,927	4,222	7%	32%
- Distressed Credit investments	921	860	1,021	991	1,054	6%	14%
- Distressed Credit senior financing	436	446	469	505	429	(15)%	(2)%
- Growth Credit	1,733	1,800	2,037	2,116	2,294	8%	32%
- Cross-over & Acq. Finance ¹	731	809	891	903	933	3%	28%
- Turnaround	630	612	665	725	833	15%	32%
- Factoring	372	379	481	488	528	8%	42%
- b-ilty	24	38	50	71	154	116%	n.s.
- Investment banking	16	108	133	178	223	26%	n.s.
- Non-core former Banca Interprovinciale	64	64	66	65	67	2%	4%
Financial assets Held To Collect (HTC) ²	161	215	428	403	428	6%	166%
Financial Assets Held To Collect & Sell (HTCS) ³	416	396	392	384	451	17%	8%
Financial assets measured at FVTPL ⁴	118	150	105	111	118	7%	0%
Investments in associates and companies subject to joint control	76	78	76	83	82	(2)%	8%
Goodwill	71	65	65	65	70	7%	(2)%
Intangible assets	56	65	70	72	75	4%	32%
Other assets (incl. Tangible and tax assets) ⁵	446	455	579	500	514	3%	15%
Total assets	5,127	5,291	6,355	6,098	6,724	10%	31%
Due to banks	539	581	1,205	899	951	6%	76%
Due to customers	3,107	3,186	3,409	3,411	3,863	13%	24%
Bond/Securities	510	515	653	662	731	10%	43%
Shareholders' Equity	802	813	841	857	899	5%	12%
Other liabilities	169	196	246	270	281	4%	66%
Total liabilities	5,127	5,291	6,355	6,098	6,724	10%	31%
Common Equity Tier 1 Capital	642	660	683	677	710	5%	11%
Risk Weighted Assets	3,974	3,678	4,330	4,344	4,601	6%	16%

- 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.
- Includes the Bank's securities portfolio classified at amortised cost.
- HTCS: financial assets measured at fair value through comprehensive income. This item includes the Bank's securities portfolio and any available-for-sale loans of the Distressed Credit Division.
- 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.
- This includes assets of ca.92.4 million euro deriving from the purchase of tax credits (the "Ecobonus" scheme) and hedging derivatives of ca. 29.2 million euro.
Any failure of the above figures to reconcile arises exclusively from rounding.

At 30 June 2023, the Bank's **total assets** stood at **6.7 billion euro**, an increase of 31% over the same period of last year (+10% over the first quarter), an increase again driven by interest earning assets.

As part of this total, **net customer loans and investments** rose to over **4.2 billion euro**, up by 32% over 30 June 2022 and by 7% on a quarterly basis, through the contribution in particular of the corporate and investment banking business.

In terms of credit quality, gross organic impaired positions arising from the business originated by

illimity since the start of its operations totalled 129.4 million euro, leading to a **gross organic NPE ratio of 4.7%**⁸ compared to 3.7% for the first quarter of 2023, mainly as the result of the transfer of certain secured exposures assisted by state guarantee to the UTP (*Unlikely to Pay*) category. **Excluding positions assisted by public guarantees, the ratio stood at 1.3%, falling from the figure of 1.5% for the previous quarter, consisting for the most part of exposures undergoing a restructuring process.**

The Bank's **liquidity** continued to be very robust, standing at over **1 billion euro**, and remains available to finance the Bank's pipeline of new business volumes.

illimity's **securities portfolio** reached **879 million euro** at the end of June 2023, an increase over the figure of 787 million euro at the end of March 2023 and up by 52% over 30 June 2022 (577 million euro). The total includes **HTC securities** of 428 million euro (consisting of Italian government bonds), with the portfolio built up in 2022 following a prudent strategy that provides for a contained duration (under four years), enabling the effect on the Bank's capital arising from market volatility to be limited to less than 11 million euro. The **Hold to Collect and Sell** ("HTCS") securities portfolio amounted to ca. 451 million euro, representing an increase over the previous quarter (+17% q/q). Taking into account the contribution coming from the Hedge Accounting strategy, and net of the tax effect, the HTCS securities portfolio mark-to-market stood at negative 38.2 million, an improvement over the figure of negative 42.1 million euro at the end of the previous quarter. Taken as a whole, approximately 77% of the securities portfolio consists of Italian government bonds, 17% of senior bonds and 6% of subordinated bonds.

The line item "**Other assets**" consists of balances arising from the purchase of tax credits – under the government's "Ecobonus" scheme – these totalling 92.4 million euro, a figure which amounted to 102 million at the end of March 2023.

illimity's **total financing** stood at ca. **5.5 billion euro** at the end of June 2023, with a good mix between the various sources. In particular, **retail funding** amounted to ca. **3 billion euro**, up by 41% y/y and by 14% q/q. As part of this total, funding arriving from the **illimitybank.com** platform amounted to **2.1 billion euro**, representing a rise of 44% y/y and 10% q/q, meaning that net funding of over 400 million euro was raised on that platform in the first six months of the year. Retail funding from the **Raisin** channel amounted to **770 million euro**, up by 26 y/y and by 20% q/q.

Wholesale funding amounted to **2 billion euro**, up by 48% y/y (+12% q/q) as a result of the bond and repo components. Funds arriving from corporate customers remained constant at 0.6 billion euro, in line with the first quarter of 2023 and down 16% over the same period of the previous year.

CET1 Capital stood at **710 million euro**, an increase over the figure at the end of March 2023 (677 million euro) mainly due to the profit for the period. Risk-weighted assets (RWA) totalled 4,601 million euro, an increase over the figure of 4,344 million euro for the previous quarter mostly as the result of a rise in business volumes in the quarter.

As the result of these dynamics, illimity's **phased-in CET1 Ratio** stood at a robust **15.4%** (15.4% fully loaded) at the end of June 2023.

The **Total phased-in Capital Ratio**, which includes the 205 million euro Tier 2 subordinated bond in regulatory capital, closed at **19.9%** (19.7% fully loaded).

The **Liquidity Coverage Ratio (LCR)** stood at **276%** at the end of June 2023, confirming a

⁸ If the portfolio inherited from Banca Interprovinciale (32 million euro of gross distressed credit and 74.5 million euro of gross performing loans) is included, the Group's organic NPE ratio becomes 5.6%.

considerable liquidity buffer, while the **Net Stable Funding Ratio (NSFR)** closed at 116%, **significantly above minimum regulatory requirements.**

Key income statement figures

Figures in millions of euro

Reclassified Income Statement	2Q22	1Q23	2Q23	Δ Q/Q%	1H22	1H23	Δ Y/Y%
Interest income	54.4	86.3	94.6	10%	106.1	180.9	70%
Interest expenses ¹	(16.4)	(37.9)	(45.2)	19%	(32.1)	(83.2)	159%
Net interest income	38.0	48.4	49.4	2%	74.1	97.7	32%
Net fees and commissions	14.8	15.1	17.1	13%	27.6	32.3	17%
Net result from trading and fair value assets	5.9	(0.1)	(0.9)	n.s.	8.6	(1.0)	(112)%
Net other income/expenses	5.7	1.0	55.3	n.s.	12.0	56.3	371%
Profit from closed purchased distressed credit positions ²	16.2	7.8	11.1	43%	36.8	18.9	(49)%
Gain (loss) from disposal of investments	-	-	-	-	-	-	-
Operating income	80.6	72.1	132.1	83%	159.0	204.2	28%
Staff costs	(22.8)	(23.1)	(27.2)	18%	(43.5)	(50.4)	16%
Other operating expenses	(21.9)	(21.6)	(23.2)	7%	(42.7)	(44.9)	5%
Depreciation & Amortisation	(3.9)	(5.2)	(5.2)	(0)%	(7.3)	(10.5)	43%
Operating costs	(48.5)	(50.0)	(55.7)	11%	(93.5)	(105.7)	13%
Operating profit	32.1	22.1	76.4	245%	65.6	98.5	50%
Loan loss provision charges	(2.5)	(2.8)	(3.1)	11%	(3.0)	(6.0)	98%
Value adjustments on purchased distressed credit	(3.2)	0.8	(4.4)	n.s.	(7.8)	(3.6)	(54)%
Value adjustments on securities and loans to banks and off-balance	(0.2)	(0.7)	(0.1)	(86)%	(0.7)	(0.8)	14%
Other net provisions for risks and charges	(0.0)	(0.2)	0.4	n.s.	(0.0)	0.2	n.s.
Other income from equity investments	(2.0)	(1.2)	(1.3)	9%	(3.8)	(2.4)	(37)%
Contribution to banking sector schemes and other non-recurring charges	(0.1)	(6.0)	(0.2)	(97)%	(2.1)	(6.2)	n.s.
Profit (loss) before tax	24.0	12.1	67.7	460%	48.1	79.7	66%
Income tax	(8.2)	(4.3)	(23.3)	446%	(16.6)	(27.6)	66%
Net result	15.8	7.8	44.4	468%	31.5	52.2	66%

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.

Net profit for the first half of 2023 reached 52.2 million euro, up by 66% y/y.

The main economic effects follow.

Net interest income amounted to **97.7 million euro**, up by 32% over the first half of 2022, driven by a sharp increase in volumes, which more than offset the rise in funding costs. On a quarterly basis the figure increased by 2%.

Contributing to this dynamic was **interest income** of **180.9 million euro**, up on both an annual (+70%) and quarterly (+10%) basis, mainly benefiting from the increase in customer loans and, to a lesser extent, the rise in interest rates. **Interest expense** rose to **83.2 million euro**, compared to 32.1 million euro in the first half of 2022, due to the funding activity carried out on the retail customer and wholesale markets, which led to an increase of 33% in interest-bearing loans on an annual basis, in the presence of a sharp increase in market rates which affected the average cost of funding. On quarterly basis, the figure increased by 19%, mainly due to a rise in funding sources (+12% y/y).

Net fees and commissions closed at **32.3 million euro**, up by 17% y/y thanks to an increase in

business volumes and the integration of AREC in June 2022, which brought in significant third-party servicing mandates. The figure rose by 13% q/q in the second quarter, driven in particular by the significant business generation of the Growth Credit Division.

Other operating income of 56.3 million euro, significantly higher than the 12.0 million euro earned in the first half of 2022, includes income of 54 million euro arising from the finalisation of the above-mentioned agreement with Engineering. Taking into account the reduced income of 8.5 million euro in the half-year resulting from termination by mutual agreement of the previous agreement, the net effect generated by the new agreement amounted to 45.5 million euro.

The figure for the second quarter of 2023 was 55.3 million euro, compared to 1 million euro in the previous quarter.

Profit from closed distressed credit positions was up over the corresponding figure at the end of March 2023 and amounted to 11.1 million euro (+43% q/q). Despite this, the component for the first half-year was lower overall compared to the same period of the previous year, amounting to 18.9 million euro (-49% y/y), reflecting the lack of dynamism in the distressed credit market. Moreover, it is recalled that the Bank finalised different transactions in the first half of last year having a particularly significant positive impact.

As a result of the above dynamics, **operating income** reached **204.2 million euro** in the first half of 2023, compared to 159 million euro in the same period of last year (+28% y/y). The figure rose to 132.1 million euro on a quarterly basis (+83% q/q).

Operating costs closed at 105.7 million euro compared to 93.5 million euro in the first half of 2022. More specifically, the combined total of staff costs and other operating expenses amounted to 95.2 million euro, an increase of 11% y/y. Excluding the effect of the change in perimeter following the acquisition of AREC at the end of June 2022 and non-recurring staff costs, the figure rose by 4% y/y, mainly due to the completion of the staff sizing in the operating structures. Depreciation and amortisation rose from 7.3 million euro in the first half of 2022 to 10.5 million euro, following the increase arising from the IT investments made in the first half of 2022 to launch the tech initiatives realised last year. Operating costs for the second quarter of 2023 amounted to 55.7 million euro, representing an increase over the figure of 50.0 million euro for the previous quarter mainly due to higher staff costs arising from the seasonal effect deriving from the way in which the ESOP plan is accounted for and to non-recurring expenses.

Operating profit for the half-year closed at **98.5 million euro**, an increase of 50% over the same period of last year. The figure amounted to 76.4 million euro for the quarter (+245% q/q).

Loan loss provisions on organic loans rose to 6.0 million euro compared to 3.0 million euro in the first half of 2022. The figure includes analytical adjustments made for certain non-performing organic exposures and corresponds to a **cost of risk**, annualised on a half-yearly basis, of 42 bps, stable compared to the first quarter of the year.

Value adjustments on purchased distressed credit for the half-year were negative for 3.6 million euro compared to provisioning of 7.8 million euro charged in the first half of 2022.

The item **Contribution to banking sector schemes and other non-recurring charges** amounts to 6.2 million and includes the contribution to the Single Resolution Fund for 1.8 million euro and the one-off effect arising from the above-mentioned mutual termination of the previous licence

agreement, for 2022, for the use of the IT systems developed by illimity, booked in the first quarter of the year.

Other income from equity investments consists of a loss of 2.4 million euro arising from the pro-rata consolidation of HYPE, an improvement over the loss of 3.8 million euro booked in the first half of 2022. 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 79.7 million euro in the first half of 2023 (+66% y/y) and 67.6 million euro in the second quarter of 2023 compared to 12.1 million in the previous quarter.

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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 half of 2023.

1H23, Data in millions of euro	Distressed Credit Division	Growth Credit Division	b-ilty	Investment Banking Division	CIO Division	HQ Functions	SGR	Hype	Total
Net interest income	56.0	33.4	1.4	4.1	2.8	-	-	-	97.7
Net fees and commissions	12.2	14.4	1.1	2.5	(0.6)	-	2.7	-	32.3
Other income	20.5	0.9	-	(1.1)	54.0	-	(0.1)	-	74.2
Operating income	88.7	48.7	2.5	5.5	56.2	-	2.6	-	204.2
Staff costs	(20.5)	(6.5)	(3.1)	(2.4)	(5.0)	(11.4)	(1.5)	-	(50.4)
Other operating expenses and D&A	(22.4)	(3.0)	(2.7)	(1.4)	(16.0)	(9.6)	(0.2)	-	(55.3)
Operating costs	(42.9)	(9.5)	(5.8)	(3.8)	(21.0)	(21.0)	(1.7)	-	(105.7)
Operating profit	45.8	39.2	(3.3)	1.7	35.2	(21.0)	0.9	-	98.5
LLPs and value adjustments on DC portfolio e securities	(7.3)	(1.8)	(1.4)	0.1	-	-	-	-	(10.4)
Net provisions on other financial assets and contribution to banking sector schemes	0.8	(0.6)	-	-	(4.3)	(1.9)	-	-	(6.0)
Other income from equity investments	(0.2)	-	-	-	-	-	-	(2.3)	(2.4)
Profit (loss) before tax	39.1	36.8	(4.7)	1.8	30.9	(22.9)	0.9	(2.3)	79.7
Cost Income Ratio	48%	20%	n.s.	69%	37%	n.s.	65%	n.s.	52%
Interest earning assets	1,810	2,815	173	420	0	764	0	-	5,983
Other assets	201	20	1	2	59	376	0	82	741
RWA	2,007	1,831	174	47	128	365	5	44	4,601

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

Distressed Credit Division

The Distressed Credit Division ended the half-year with a **pre-tax profit of 39.1 million euro** compared to 60.7 million euro in the first half of 2022. More specifically, **net interest income** increased by 2.2% y/y despite an increase in the cost of funding. **Net fees and commissions** were up by 76.8% y/y, supported by third-party servicing activities arising from the acquisition of AREC at the end of June 2022. **Profit from closed positions** fell by 55% y/y, due to lower dynamism on the distressed credit market in the half-year, in comparison with the number of large disposals occurring in the first half of 2022. **Business origination** in the first half of the year amounted to 148 million euro and is expected to accelerate in the second half given the large **pipeline of over 500 million euro**, of which ca. 100 million euro already being finalised in August.

The cost income ratio of the investment business stands at 35%⁹, showing good operating efficiency despite lower revenues.

Net customer loans stood at 1,483 million euro, an increase of 9% y/y and essentially stable compared to the previous quarter.

ARECneprix, the third player in the corporate UTP loan management sector, had assets under management with a gross book value (“GBV”) of ca. **10.8 billion euro**, up by 9.3% over the previous quarter. The company, whose role has evolved from being a traditional servicer to that of a complete operator in end-to-end asset management along the entire value chain, ended the first half of the year with a pre-tax profit of 2.6 million euro at a statutory accounts level, earnings that are expected to accelerate during the second half benefiting from a back book structure that concentrates revenues in the second half of the year and thanks to a robust pipeline of third-party mandates.

With regard to proptech **Quimmo**, the assets under management are equal to ca. 2.2 billion euro at 30 June 2023, of which around 91% coming from non-captive activities. The company ended the first half of the year with a pre-tax loss of 1.8 million euro, a result expected to improve in view of the benefits deriving from the partnership agreement with COIMA entered in April of this year, which saw the latter acquire an interest of 18% in the share capital of ABILIO (the company owning Quimmo’s brand).

The partnership will enable **Quimmo**, already a leader in the Italian judicial real estate market, to accelerate the development plan it 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 designed to speed up the strategy for entering the open market.

Growth Credit Division

The Growth Credit Division posted a sharp increase in profitability in the first half of 2023, earning a **pre-tax profit** of 36.8 million euro, up by 81% y/y. **Revenues** rose by 51% y/y, driven by net interest income which more than doubled compared to the first half of 2022 thanks to the growth in volumes and the positive effect of the rise in market rates.

Together with costs which fell slightly over the previous year, operating leverage confirmed its excellent performance, achieving a Cost/Income ratio of 20%, an improvement compared to the corresponding figure of 30% for the first half of 2022.

The Division’s **net customer loans** stood at **2,294 million euro**, up by 32% over 30 June 2022, with a contribution arriving from all business segments. The figure was 7% higher than that at the end of March 2023 despite certain early reimbursements that occurred during the period. In addition, there was confirmation of the important contribution made by loans backed by public guarantees and insured loans, these representing 55% of the total for the division, enabling the Bank to obtain a high return on capital due to the low risk profile and limited capital absorption.

⁹ Managerial data.

Business origination gained further momentum during the second quarter of 2023, driven by Turnaround (+57% q/q) and Cross-over & Acquisition Finance (+111% q/q), with a solid pipeline in view for all the lines of business.

Factoring continued to display an excellent performance with turnover rising on a quarterly basis to 795 million euro, representing an increase of 21% over March 2023.

Investment Banking Division

Backed by **business origination** of 145 million euro - compared to the figure of 189 million for 2022 as a whole - the Investment Banking Division saw its total of loans and investments rise to **223 million euro** by the end of June 2023, a considerable increase over the balance of 16 million euro at the end of the first half of 2022.

This significant growth will be fully reflected in the Division's earnings for the third quarter, while the half-year in question ended with a pre-tax profit of 1.8 million euro compared to the corresponding figure of 4.4 million euro last year. In addition to the above-mentioned deferral, the result was also penalised by lower activity in the capital markets and advisory business. The acceleration of the Division's earnings in the second half of the year will be additionally supported by a robust pipeline of new activities in both the corporate solutions and structuring fields.

b-ilty Division

b-ilty, the first digital bank for small businesses, became fully operational in the first quarter of 2023, developing a complete offer of digital services that is unique on the market, which enabled it to consolidate its competitive positioning in the field of financial services for small businesses. Its credit disbursement system, based on artificial intelligence, is in constant evolution, and thanks to its machine-learning processes the effectiveness of its creditworthiness assessment will gradually improve further over the upcoming months.

b-ilty constantly increased its business volumes in the first half of 2023. **Customer loans** rose to 154 million euro, more than double the figure for the previous quarter (+116% q/q), following the high level of business origination achieved in the second quarter of the year. It is noted in addition that the disbursed loans are all backed by public guarantees.

b-ilty ended the half-year with a pre-tax loss of 4.7 million euro, an improvement over the first half of the previous year (a pre-tax loss of 5.9 million euro). Profitability is expected to improve gradually in view of the robust pipeline of over 150 million euro for the second half of the year, also supported by an increase in the number of partnerships and commercial distribution agreements.

CIO Division

The results of the Chief Information Officer ("CIO") Division, which comprises all the activities involved in the management and development of the Bank's IT architecture and the *illimitybank.com* funding platform, benefited from the recognition of income of 54.0 million euro arising from the partnership with the Engineering Group, leading to a pre-tax profit of 30.9 million euro for the first

half of 2023 compared to a loss of 5.4 million euro in the first half of 2022.

In future, the Division will additionally benefit from the royalties earned from the marketing of the Bank's IT platform as part of the above-mentioned partnership with Engineering.

Regarding the *illimitybank.com* platform, the stock of retail customer funding rose to **2.1 billion euro**, up by 44% y/y and 10% q/q, with net funding of over 400 million euro in the first half of 2023, benefiting among other things from the launch of the new current account offer that was carried out in the second quarter.

illimity SGR

illimity SGR earned **fees and commissions of approximately 2.7 million euro** in the first half of 2023, doubling the corresponding figure for the first half of 2022.

As a result of the benefits arising from the launch of new funds, the company ended the **first half of 2023** with a **positive pre-tax profit of 0.9 million euro** compared to a loss of 0.2 million euro in the first half of 2022.

The total assets under management of the SGR rose to **459 million euro**, including both invested assets and commitments, more than doubled from first half 2022 (204 million euro), thanks to the launch of a third fund, "illimity Selective Credit", focusing on performing unlisted SMEs, which saw a first closing worth 90 million euro, capital that the SGR quickly began investing. Managed assets are expected to rise further in view of the launch of new funds in the upcoming quarters.

HYPE

HYPE, the 50-50 joint venture between illimity and Banca Sella Holding, confirmed its leadership position among retail fintech in the first half of 2023, with a customer base of 1.8 million, up by 9% y/y. The number of transactions rose to 60 million in the half-year, an increase of 33% y/y.

Gross revenues, including net interest income, rose to 17 million euro, doubling the figure of 8.5 million euro for the first half of 2022, with a customer contribution margin increasing to 7.2 million euro¹⁰ (0.3 million euro in the first half of 2022).

HYPE continued to strengthen the structure of its open architecture during the half-year by extending its hub of solutions, introducing new credit and insurance products coming from highly innovative companies of primary importance.

The company ended the first half of 2023 with a net loss of 4.5 million euro. illimity's pro-rata net loss amounted to 2.3 million euro, an improvement over the net loss of 3.7 million euro for the first half of 2022.

* * *

¹⁰ Excluding net interest income the figure becomes 1.5 million euro for the first half of 2023 and 0.6 million euro for the first half of 2022.

Business Outlook

The economic and market situation in this first half of the year turned out to be more challenging than had been expected. The persistent high level of inflation led the ECB and all the other central banks to make frequent increases in interest rates, which had a negative effect on the Bank's cost of funding, in the presence of a structurally more gradual re-pricing of assets. The distressed credit market, a core segment for illimity, was far less dynamic than forecast, thereby penalising investment opportunities and profits on disposal. The capital markets segment was also less vigorous and this was reflected in the lower generation of fees and commissions by the Investment Banking Division.

Despite this difficult situation, illimity still generated a significant level of earnings thanks to the diversification of its activities into segments and sectors of the SME market having different business cycles, and to the ability to exploit one of the critical success factors built up by the Bank over the years, technology, that enabled it to enter an important partnership.

At the same time, the Bank has maintained a robust liquidity position, with a profile which from the start of operations has shown itself capable of minimising risks thanks to a diversified funding strategy and an abundant capital base.

For the second half of the year it is expected a further growth in customer loans in all the business divisions, thanks to a robust pipeline of new loans and investments available over the next few months.

Net interest income is forecast to benefit from the increase in volumes and the full re-pricing of the stock of customer loans, this permitting the offsetting of the increase in the cost of funding arising from the continuation of funding activities through all channels to support growth.

Net fees and commissions are expected to rise, confirming the positive trend of the first half-year, thanks to the forecast acceleration in business origination by all the business divisions.

Operating costs in the second half of the year are expected to remain broadly stable compared to those incurred in the first half.

Credit quality will continue to benefit from the high proportion of customer loans backed by public guarantees, which will enable a contained cost of risk to be maintained, despite the slipping of certain organic positions to NPE. It should also be recalled that the majority of non-performing exposures are involved in restructuring processes or procedures aimed at restoring their financial position.

As a result of the above dynamics, expectations for a net profit for 2023 exceeding 100 million euro can be confirmed.

* * *

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 1H23 to the financial community at **9:00 a.m. CET** today **4 August 2023**. The event can be followed via Live Audio Webcast at the following link: <https://87399.choruscall.eu/links/illimity230804.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 885 employees and ended 30 June 2023 with assets of around 6.7 billion euro.

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CONSOLIDATED BALANCE SHEET

(Figures in thousands of euro)

	30.06.2022	30.09.2022	31.12.2022	31.03.2023	30.06.2023
10 Cash and cash balances	397,024	364,019	680,777	339,632	536,342
20 Financial assets measured at fair value through profit or loss	118,137	150,351	105,043	110,701	118,250
<i>a) financial assets held for trading</i>	16,400	32,374	31,146	30,840	33,555
<i>b) financial assets designated at fair value</i>	-	-	-	-	-
<i>c) other financial assets mandatorily measured at fair value</i>	101,737	117,977	73,897	79,861	84,695
30 Financial assets measured at fair value through other comprehensive income	415,945	396,180	391,710	384,268	450,641
40 Financial assets measured at amortised cost	3,545,818	3,716,729	4,386,730	4,543,304	4,877,608
<i>a) due from banks</i>	30,737	38,504	57,213	97,682	111,655
<i>b) loans to customers</i>	3,515,081	3,678,225	4,329,517	4,445,622	4,765,953
50 Hedging derivatives	-	28,263	29,874	28,203	29,204
60 Fair value change of financial assets in hedged portfolios (+/-)	-	-	-	-	-
70 Investments in associates and companies subject to joint control	76,145	78,336	76,375	83,221	81,953
80 Insurance assets	-	-	-	-	-
<i>a) insurance policies issued that constitute assets</i>	-	-	-	-	-
<i>b) disposals in reinsurance that constitute assets</i>	-	-	-	-	-
90 Tangible Assets	91,147	118,377	128,383	132,570	134,048
100 Intangible assets	127,592	130,566	135,101	137,382	144,688
<i>of which goodwill</i>	71,111	65,372	65,372	65,376	69,992
110 Tax assets	61,302	65,934	78,592	75,773	77,622
<i>a) current</i>	4,579	4,928	7,828	8,552	12,737
<i>b) deferred</i>	56,723	61,006	70,764	67,221	64,885
120 Non-current assets held for sale and discontinued operations	38,248	-	-	-	-
130 Other assets	255,306	242,354	342,540	263,412	273,392
Total Assets	5,126,664	5,291,109	6,355,125	6,098,466	6,723,748

	30.06.2022	30.09.2022	31.12.2022	31.03.2023	30.06.2023
10 Financial liabilities measured at amortized cost	4,183,679	4,308,912	5,294,132	4,997,565	5,571,964
<i>a) due to banks</i>	539,198	581,314	1,205,048	899,067	950,545
<i>b) due to customers</i>	3,134,851	3,212,966	3,436,082	3,436,865	3,890,806
<i>c) debt securities issued</i>	509,630	514,632	653,002	661,633	730,613
20 Financial liabilities held for trading	13,413	24,293	27,244	24,774	28,731
30 Financial liabilities designated at fair value	-	-	-	-	-
40 Hedging derivatives	-	1,908	32,646	32,289	34,485
50 Adjustments in value of generic hedging financial liabilities (+/-)	-	-	-	-	-
60 Tax liabilities	16,211	28,476	36,724	39,881	29,762
<i>a) current</i>	15,163	25,103	33,372	36,836	25,630
<i>b) deferred</i>	1,048	3,373	3,352	3,045	4,132
70 Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-
80 Other liabilities	103,198	105,071	113,123	136,898	149,464
90 Employee termination indemnities	3,457	3,371	3,575	3,846	4,010
100 Provisions for risks and charges:	4,842	5,626	6,359	6,285	6,590
<i>a) commitments and guarantees issued</i>	3,233	4,076	4,863	4,630	4,453
<i>b) pensions and similar obligations</i>	27	28	28	27	30
<i>c) other provisions for risks and charges</i>	1,582	1,522	1,468	1,628	2,107
110 Insurance liabilities	-	-	-	-	-
<i>a) insurance policies issued that constitute liabilities</i>	-	-	-	-	-
<i>b) disposals in reinsurance that constitute liabilities</i>	-	-	-	-	-
120 Valuation reserves	(42,035)	(51,135)	(47,875)	(41,428)	(37,480)
130 Redeemable shares	-	-	-	-	-
140 Equity instruments	-	-	-	-	-
150 Reserves	134,076	135,635	135,516	212,212	200,268
160 Share premium reserves	624,583	624,583	624,583	624,583	624,583
170 Share capital	54,514	54,514	54,514	54,514	54,671
180 Treasury shares	(747)	(747)	(747)	(747)	(747)
190 Minority interests	5	5	5	5	5,278
200 Profit (loss) for the period attributable to the Group (+/-)	31,468	50,597	75,326	7,789	52,169
Group equity	801,859	813,447	841,317	856,923	893,464
Profit (loss) for the period attributable to minority interests (+/-)	-	-	-	-	-
Equity of minority interests	5	5	5	5	5,278
Total liabilities and equity	5,126,664	5,291,109	6,355,125	6,098,466	6,723,748

CONSOLIDATED INCOME STATEMENT

(Figures in thousands of euro)

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	1H22	1H23
10 Interest income and similar income	51,735	54,400	59,090	73,468	86,291	94,612	106,135	180,903
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)	(37,580)	(44,921)	(31,658)	(82,501)
30 Net interest margin	36,235	38,242	42,462	47,196	48,711	49,691	74,477	98,402
40 Commission receivable	13,620	15,848	15,328	20,905	16,383	18,429	29,468	34,812
50 Commission expense	(1,165)	(1,428)	(1,615)	(2,243)	(1,696)	(1,712)	(2,593)	(3,408)
60 Net commission	12,455	14,420	13,713	18,662	14,687	16,717	26,875	31,404
70 Dividends and similar income	-	-	200	-	-	-	-	-
80 Net trading result	1,366	1,640	3,135	(1,412)	(994)	(370)	3,006	(1,364)
90 Net hedging result	-	-	-	-	(41)	(11)	-	(52)
100 Gain (loss) from disposal and repurchase of:	30	(29)	(69)	(399)	1,026	(1,792)	1	(766)
a) financial assets measured at amortized cost	40	11	(36)	(4)	1,025	(1,008)	51	17
b) financial assets measured at fair value through other comprehensive income	(10)	(40)	(33)	(91)	1	(784)	(50)	(783)
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)	1,263	5,634	1,188
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)	1,263	5,634	1,188
120 Net interest and other banking income	51,441	58,552	60,822	65,785	63,314	65,498	109,993	128,812
130 Net write-downs/write-backs for credit risks relating to:	14,399	9,887	16,311	8,294	4,689	3,277	24,286	7,966
a) financial assets measured at amortized cost	14,941	10,058	16,516	8,668	4,930	3,423	24,999	8,353
b) financial assets measured at fair value through other comprehensive income	(542)	(171)	(205)	(374)	(241)	(146)	(713)	(387)
140 Gain/loss from contract amendments without cancellations	-	-	-	-	-	-	-	-
150 Net result from banking activities	65,840	68,439	77,133	74,079	68,003	68,775	134,279	136,778
160 Profit (loss) from insurance services	-	-	-	-	-	-	-	-
a) insurance revenues deriving from insurance policies issued	-	-	-	-	-	-	-	-
b) costs for insurance services deriving from insurance policies issued	-	-	-	-	-	-	-	-
c) insurance revenues deriving from disposals in reinsurance	-	-	-	-	-	-	-	-
d) costs for insurance services deriving from disposals in reinsurance	-	-	-	-	-	-	-	-
170 Balance of financial revenues and costs relating to insurance management	-	-	-	-	-	-	-	-
a) net financial costs/revenues relating to insurance policies issued	-	-	-	-	-	-	-	-
b) net financial revenues/costs relating to disposals in reinsurance	-	-	-	-	-	-	-	-
180 Net result from banking and insurance activities	65,840	68,439	77,133	74,079	68,003	68,775	134,279	136,778
190 Administrative expenses:	(44,137)	(45,565)	(45,829)	(51,468)	(47,663)	(51,862)	(89,702)	(99,525)
a) staff costs	(20,651)	(22,702)	(20,830)	(21,688)	(23,068)	(27,131)	(43,353)	(50,199)
b) other administrative expenses	(23,486)	(22,863)	(24,999)	(29,780)	(24,595)	(24,731)	(46,349)	(49,326)
200 Net provisions for risks and charges	581	388	(875)	(801)	83	573	969	656
a) commitments and financial guarantees issued	609	398	(875)	(801)	233	178	1,007	411
b) other net provisions	(28)	(10)	-	-	(150)	395	(38)	245
210 Net value adjustments to/recoveries on tangible assets	(792)	(955)	(1,464)	(990)	(1,143)	(1,000)	(1,747)	(2,143)
220 Net value adjustments to/recoveries on intangible assets	(2,620)	(2,957)	(3,633)	(3,860)	(4,105)	(4,232)	(5,577)	(8,337)
230 Other operating income/expenses	7,115	6,661	6,063	7,876	(2,102)	56,665	13,776	54,563
240 Operating expenses	(39,853)	(42,428)	(45,738)	(49,243)	(54,930)	144	(82,281)	(54,786)
250 Profit (loss) on investments in associates and companies subject to joint control	(1,828)	(2,020)	(1,817)	(1,968)	(1,162)	(1,270)	(3,848)	(2,432)
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	-	(77)	147
290 Pre-tax profit (loss) before tax from continuing operations	24,082	23,991	29,578	23,211	12,058	67,649	48,073	79,707
300 Tax income (expenses) for the period on continuing operations	(8,407)	(8,198)	(10,449)	1,518	(4,269)	(23,296)	(16,605)	(27,565)
310 Profit (loss) after tax from continuing operations	15,675	15,793	19,129	24,729	7,789	44,353	31,468	52,142
320 Profit (loss) after tax from discontinued operations	-	-	-	-	-	-	-	-
330 Profit (loss) for the period	15,675	15,793	19,129	24,729	7,789	44,353	31,468	52,142
340 Profit (loss) for the period attributable to minority interests	-	-	-	-	-	27	-	27
350 Profit (loss) for the period attributable to the Parent Company	15,675	15,793	19,129	24,729	7,789	44,380	31,468	52,169