illimity
BANCA OLTRE LA FORMA

1INFO DIGITAL SIGN

RESULTS AT 31 DECEMBER 2023

NET PROFIT OF 104 MILLION EURO (+39% Y/Y), THE HIGHEST SINCE THE BIRTH OF ILLIMITY

REVENUE OF 359 MILLION EURO (+11% Y/Y) DRIVEN BY CORE BUSINESS GROWTH AND THE VALORISATION OF ILLIMITY'S DIGITAL PLATFORM

NET INTEREST INCOME +19% Y/Y AND NET FEES AND COMMISSIONS +25% Y/Y

STRONG GROWTH IN THE CORPORATE & INVESTMENT BANKING SEGMENT[1], IN TERMS OF BOTH PROFITS (+47% Y/Y) AND LENDING (+24% Y/Y)

SIGNIFICANT CONTRIBUTION TO THE GROUP'S RESULTS BY THE DISTRESSED CREDIT DIVISION THAT BECOMES SPECIALISED CREDIT DIVISION: FOCUS ON ASSET-BASED FINANCING AND SHARP REDUCTION OF DIRECT INVESTMENT IN NPE PORTFOLIOS

CONTAINED COST OF RISK OF 43BPS

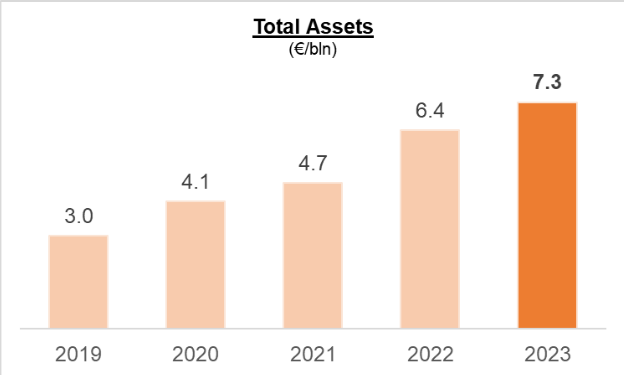
SOLID CAPITAL POSITION (CET1 RATIO 14.7%)

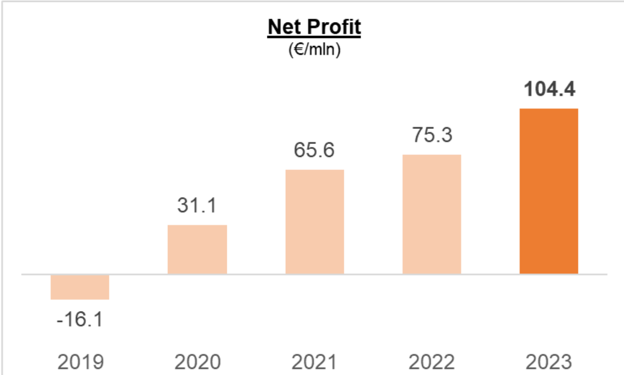
Milan, 9 February 2024 – Chaired by Rosalba Casiraghi, the Board of Directors of illimity Bank S.p.A. ("**illimity**" or the "**Bank**") yesterday approved the illimity Group's results as at 31 December 2023.

Corrado Passera, **CEO** and **Founder of illimity**, commented: "*The 2023 results mark five years since the birth of illimity, during which time the Bank has never stopped growing, despite the many "black swans" that have occurred during these years. Our assets have risen to 7.3 billion euro from just a few hundred million at the beginning of 2019. Starting from negative profitability in the first year we exceeded 100 million euro net profit in 2023, with our balance sheet characterised by a high level of solidity and a contained risk profile. In the meantime we have never stopped investing in innovation, allocating a part of our profits to a series of tech initiatives also designed to produce capital for the development of our core business and creating one of the market's most innovative IT platforms, which from a cost centre has become a revenue and growth centre. Given the performance of the NPE market, which will be decidedly less attractive in the future, we have accelerated a repositioning that sees us with a greater presence on the specialised asset-based*

[1] Includes Growth Credit and Investment Banking Divisions.

performing loan market. In light of the strategic developments and a profoundly changed macroeconomic situation compared to that underlying our 2021-2025 Plan, we plan to draw up a new plan in 2024 that will also lead to a revision of our 2025 targets."





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Main trends of the period

- **Q4 Net profit** rose to **29.4 million euro (+29% q/q)**, taking **FY23 net profit to 104.4 million euro (+39% y/y),** driven by the core business growth and the valorisation of one of the Bank's distinguishing features, its technology, thanks to the partnership with the Engineering Group about the illimity's IT platform.

- **Revenue** increased to **358.9 million euro (+11% y/y)**, benefiting from both the rise in net interest income (+19% y/y) underpinned by the growth in volumes and the uplift in net fees and commissions (+25% y/y), driven by business origination and the increase in third-party servicing activities. The item "Net other income/expenses" amounting to 59.9 million euro includes the income of 54.0 million euro resulting from the finalisation of the above-mentioned partnership (booked in 2Q 2023). In this respect, taking into account the decrease in revenue of 17 million euro arising from the mutual termination of the previous agreement on the IT platform, there was a net benefit of 37 million euro on revenue for the year compared to the previous year.

  Profits from closed positions in the Distressed Credit Division totalled 27 million euro. When taken together with the Division's positive value adjustments of 42 million euro arising from NPE portfolio operations, the total arrives at 69 million euro, representing an increase over 2022 (50 million euro).

- **Operating costs** totalled 227 million euro. More specifically, the combined aggregate of Staff costs and Other operating expenses amounted to 204.4 million euro. Excluding the effects of the change in the Group's perimeter that took place during the period and non-recurring staff costs, the figure rose by 10% y/y, mostly due to the completion of the staff sizing in the operating structures at the end of 2022, the renewal of the national collective labour contract for the credit sector, the integration of the incentive scheme and expenses arising from specific initiatives (such as, among others, the above-mentioned technology partnership and the direct bank marketing campaigns). Depreciation and amortisation totalled 22.6 million euro, up over the figure of 16.8 million euro for 2022, following the IT investments made during the previous year for the launch of the tech initiatives.

- The **Corporate & Investment Banking** segment represented by the Growth Credit and Investment Banking Divisions had a record year, with pre-tax profit reaching 90.1 million euro (+47% y/y), driven by an increase in customer loans which rose to 2.7 billion euro (+24% y/y) and an operating leverage that remained at excellent levels with a cost/income ratio of 24%.

- The **Distressed Credit Division** also had a very positive year, with a pre-tax profit of 109 million euro thanks to the acceleration given to the valorisation of its existing investments, pursued through the strategic repositioning launched in the second half of 2023. In this respect, in light of an NPE market that had become much less attractive, it was decided to evolve the Division's business model towards operations that are increasingly focused on specialised asset-based loans, mostly performing, leveraging on the significant internal skills gained in these fields. At the same time, direct investments in NPLs, which had already declined significantly in 4Q23 (-30% q/q) will continue to decrease; as of today, direct investments in NPL portfolios account for only around 4% of the Group's total assets. As a consequence, as of 1 January 2024 the Division was renamed **Specialised Credit**.

- **Profitability of the subsidiary ARECneprix** increased, despite a more challenging servicing market. EBITDA rose by 38% y/y to 16 million euro, thanks to growth in the non-captive business which represents 68% of managed assets, up from 29% in 2022. In 2023, in fact, ARECneprix further consolidated its positioning as the third operator in the UTP corporate credit servicing and management market in Italy. More specifically, it is recalled that in October 2023 the company assumed the role of sole arranger, advisor, asset manager and special servicer in the new contribution fund Olympus[2].

- **Credit quality** was in line with expectations, with a cost of risk of 43 basis points and an organic NPE ratio, excluding positions backed by public guarantees, remaining at a contained level of 1.3%.

- **Total funding**, characterised by a broad diversification of funding sources, increased to 6 billion euro, rising by 15% y/y, driven in particular by a retail component which is increasingly made-up of high-end customers.
  Retail funding stood at 3.9 billion euro, up by 1.3 billion euro since the beginning of the year (+53% y/y), underpinned by the significant contribution of *illimitybank.com* platform (2.8 billion euro).

- **A very solid capital base** with a phased-in CET1 ratio of 14.7% representing a large buffer over the new 2024 SREP requirement (9.6%). The Total Capital Ratio stood at 18.7%.

- **Progress of the tech initiatives continues**. **HYPE** posted a further increase in both its customer base (+6% y/y) and number of transactions (+29% y/y), with positive effects on profitability, more than halving the previous year loss with prospects of further significant progress towards breakeven in 2024. **b-ilty's** customer loans reached 309 million euro (+43% q/q and +524% y/y), constantly increasing since the beginning of the year, with profitability

[2] See the press release issued on 27 October 2023.

progressively rising and a pre-tax result expected to reach breakeven in 2024. **Quimmo** consolidated its leadership position in the judicial real estate brokerage sector with market shares constantly rising. In addition, the development strategy in the non judicial market also continues through the strategic partnership in real estate brokerage signed with COIMA[3].

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Key balance sheet figures

Figures in millions of euro

Reclassified Balance sheet	31.12 2022	31.03 2023	30.06 2023	30.09 2023	31.12 2023	Δ % 31.12.2023 / 30.09.2023	Δ % 31.12.2023 / 31.12.2022
Cash and cash equivalent	681	340	536	321	432	34%	(37)%
Due from banks and other financial institutions	183	213	228	120	113	(6)%	(38)%
Customer loans	**3,776**	**3,927**	**4,222**	**4,207**	**4,064**	**(3)%**	**8%**
- Distressed Credit investments	*1,021*	*991*	*1,054*	*911*	*554*	*(39)%*	*(46)%*
- Distressed Credit senior financing	*469*	*505*	*429*	*403*	*445*	*10%*	*(5)%*
- Growth Credit	*2,037*	*2,116*	*2,294*	*2,330*	*2,383*	*2%*	*17%*
- Cross-over & Acq. Finance [1]	*891*	*903*	*933*	*979*	*981*	*0%*	*10%*
- Turnaround	*665*	*725*	*833*	*848*	*820*	*(3)%*	*23%*
- Factoring	*481*	*488*	*528*	*503*	*582*	*16%*	*21%*
- b-ilty	*50*	*71*	*154*	*217*	*309*	*43%*	*524%*
- Investment banking	*133*	*178*	*223*	*278*	*305*	*10%*	*129%*
- Non-core former Banca Interprovinciale	*66*	*65*	*67*	*68*	*67*	*(1)%*	*2%*
Financial assets Held To Collect (HTC)[2]	*428*	*403*	*428*	*485*	*585*	21%	37%
Financial Assets Held To Collect & Sell (HTCS)[3]	392	384	451	454	457	1%	17%
Financial assets measured at FVTPL[4]	*105*	*111*	*118*	*159*	*528*	232%	402%
Investments in associates and companies subject to joint control	76	83	82	81	81	0%	6%
Goodwill	65	65	70	70	70	--	7%
Intangible assets	70	72	75	75	84	11%	20%
Other assets (incl. Tangible and tax assets)[5]	579	500	514	858	846	(1)%	46%
Total assets	**6,355**	**6,098**	**6,724**	**6,831**	**7,259**	**6%**	**14%**
Due to banks	1,205	899	951	949	942	(1)%	(22)%
Due to customers	3,409	3,411	3,863	3,928	4,487	14%	32%
Bond/Securities	653	662	731	740	612	(17)%	(6)%
Shareholders' Equity[6]	841	857	899	923	956	4%	14%
Other liabilities	246	270	281	291	262	(10)%	6%
Total liabilities	**6,355**	**6,098**	**6,724**	**6,831**	**7,259**	**6%**	**14%**
Common Equity Tier 1 Capital	683	677	710	723	748	4%	10%
Risk Weighted Assets	**4,330**	**4,344**	**4,601**	**4,900**	**5,080**	**4%**	**17%**

1. *Includes part of the net loans to existing customers of Banca Interprovinciale, which due to their features are considered consistent with illimity's Growth Credit segment. It also includes the corporate high-yield bonds classified as HTC.*
2. *Includes the Bank's securities portfolio classified at amortised cost.*
3. *HTCS: financial assets at fair value through comprehensive income. This item consists of the Bank's securities portfolio and any of the Distressed Credit Division's loans held for potential sale.*
4. *FVTPL: other financial assets at fair value through profit or loss. This item includes equity financial instruments purchased as part of Turnaround transactions, junior tranches of securitised non-performing loans acquired as part of Senior Financing transactions and investments in distressed energy credit purchased as part of the DC Division's activities.*
5. *Includes assets arising from the purchasing of tax assets (the so-called "Ecobonus") for 119 million euro and assets held for sale for 364 million euro.*
6. *Includes minority interests of 0.6 million euro.*

[3] Leading market operator specialising in investing, developing and managing Italian real estate assets for institutional investors.

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

At 31 December 2023, the Bank's **total assets** stood at **7.3 billion euro**, an increase of 14% over 2022 (+6% q/q).

Net customer loans and investments amounted to **4.1 billion euro, up by 8% y/y**. Excluding direct investments of the Distressed Credit Division of 554 million euro, which fell by 46% y/y (-39% q/q) following the above mentioned strategy shift, the total rose by 27% y/y (+6% q/q)**,** driven by the Growth Credit (+17% y/y), Investment Banking (+129% y/y) and b-ilty Divisions which posted constantly increasing volumes from the beginning of the year.

In terms of **credit quality**, gross organic impaired positions arising from the business originated by illimity since the start of its operations totalled 158.5 million euro, leading to a gross organic NPE ratio)[4] of 5.0%, compared to 4.8% in the third quarter of 2023. Excluding exposures backed by public guarantees, the **NPE ratio stood at 1.3%, in line with the figure for the previous quarter**, consisting for the most part of UTP exposures undergoing a restructuring process.

The Bank's **liquidity** continued to be very robust, standing at over **1.1 billion euro**[5], and remains available to finance the Bank's pipeline of new business volumes.

illimity's **securities portfolio** reached **1,042 million euro** at the end of December 2023, an increase over the 939 million euro at the end of September 2023 and up by 27% over 31 December 2022 (820 million euro). The total includes **HTC securities** of 585 million euro (consisting of Italian government bonds), with the portfolio built up in accordance with 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 around 1.8 million euro. The **Hold to Collect and Sell** ("HTCS") securities portfolio amounted to 457 million euro, representing an increase of 17% y/y, and is effectively in line with the previous quarter. Taking into account the contribution coming from the hedge accounting strategy, and net of the tax effect, the HTCS securities portfolio mark-to-market at year end stood at negative 32.7 million, an improvement of 17.4 million euro over the figure at the end of December 2022. Taken as a whole, approximately 80% of the securities portfolio consists of Italian government bonds, 15% of senior bonds and 5% of subordinated bonds.

Financial assets at fair value amounted to 528 million euro, an increase over the balance of 105 million euro at the end of 2022, mainly due to the investment in units of the Olympus funds.

The line item "**Other assets**" includes assets held for sale related to the Distressed Credit Division for an amount of 364 million euro. The total also comprises balances arising from the purchase of tax credits – under the government's "Ecobonus" scheme – for a total of 119 million euro.

illimity's **total funding** stood at ca. **6 billion euro** at the end of December 2023, with a good mix between the various sources. In particular, **retail funding** amounted to ca. **3.9 billion euro**, up by 53% y/y and by 18% q/q. As part of this total, funding from the ***illimitybank.com*** platform amounted to **2.8 billion euro**, up 65% y/y and 22% q/q, meaning that net funding of over 1.1 billion euro was raised on that platform in 2023, to which should be added 33 million euro raised through the b-ilty channel. Retail funding from the **Raisin** channel amounted to **958 million euro**, up by 172 million euro since the beginning of the year (+22% y/y and +9% q/q).

[4] Including the portfolio inherited from Banca Interprovinciale (gross non-performing loans of 31 million euro and gross performing loans of 74 million euro) the Group's organic NPE ratio amounts to 5.8%.
[5] Total high quality liquid assets (HQLA).

Wholesale funding totalled **1.7 billion euro**, down by 17% y/y and 9% over the previous quarter due to a decrease in the interbank component and the repayment of a maturing bond at the end of 2023.

Corporate customer funding amounted to 0.5 billion euro.

CET1 Capital stood at **748 million euro**, up from 3Q23 (723 million euro) mainly due to the profit of the period. Risk-weighted assets (RWA) totalled ca. 5,080 million euro, increased from 4,900 million euro in the previous quarter following the 4Q23 business origination.

As the result of these dynamics, illimity's **phased-in CET1 Ratio** stood at **14.7%** (14.7% fully loaded) at the end of December 2023 well above new 2024 minimum SREP requirement (9.6%).

The **Total phased-in Capital Ratio**, which also includes the 201 million euro Tier 2 subordinated bond, closed at **18.7%** (18.6% fully loaded).

The **Liquidity Coverage Ratio (LCR)** stood at ca. **298%** at the end of December 2023, confirming a considerable liquidity buffer, while the **Net Stable Funding Ratio (NSFR)** closed at 120%, **significantly above minimum regulatory requirements.**

Key income statement figures

Figures in millions of euro

Reclassified Income Statement	4Q22	1Q23	2Q23	3Q23	4Q23	Δ Q/Q%	FY22	FY23	Δ 12M Y/Y%
Interest income	73.5	86.3	94.6	106.3	110.1	4%	238.7	397.3	66%
Interest expenses[1]	(27.3)	(37.9)	(45.2)	(56.3)	(65.3)	16%	(76.5)	(204.8)	168%
Net interest income	**46.1**	**48.4**	**49.4**	**50.0**	**44.8**	**(10)%**	**162.2**	**192.5**	**19%**
Net fees and commissions	19.8	15.1	17.1	18.7	25.8	38%	61.6	76.7	25%
Net result from trading and fair value assets	(0.1)	(0.1)	(0.9)	1.5	(1.0)	n.s.	13.2	(0.5)	n.s.
Net other income/expenses	6.7	1.0	55.3	2.3	1.3	(44)%	23.8	59.9	151%
Profit from closed purchased distressed credit positions[2]	18.5	7.8	11.1	5.3	6.1	14%	63.8	30.3	(52)%
Operating income	**91.0**	**72.1**	**132.1**	**77.8**	**77.0**	**(1)%**	**324.6**	**358.9**	**11%**
Staff costs	(21.8)	(23.1)	(27.2)	(22.2)	(32.8)	48%	(86.1)	(105.4)	22%
Other operating expenses	(26.6)	(21.6)	(23.2)	(23.3)	(30.8)	32%	(90.7)	(99.0)	9%
Depreciation & Amortisation	(4.9)	(5.2)	(5.2)	(5.3)	(6.8)	27%	(16.8)	(22.6)	35%
Operating costs	**(53.2)**	**(50.0)**	**(55.7)**	**(50.8)**	**(70.4)**	**39%**	**(193.6)**	**(227.0)**	**17%**
Operating profit	**37.8**	**22.1**	**76.4**	**26.9**	**6.5**	**(76)%**	**131.0**	**131.9**	**1%**
Loan loss provision charges	(3.7)	(2.8)	(3.1)	(1.7)	(6.4)	>100%	(7.4)	(14.0)	90%
Value adjustments on purchased distressed credit	(6.4)	0.8	(4.4)	13.3	40.7	>100%	(6.9)	50.5	n.s.
Value adjustments on securities and loans to banks and off-balance	(0.5)	(0.7)	(0.1)	0.2	(0.1)	n.s.	(1.5)	(0.7)	(53)%
Other net provisions for risks and charges	-	(0.2)	0.4	-	(0.5)	n.s.	(0.0)	(0.3)	n.s.
Other income from equity investments	(2.0)	(1.2)	(1.3)	(0.8)	(0.2)	(74)%	(7.6)	(3.5)	(54)%
Contribution to banking sector schemes and other non-recurring charges	(2.0)	(6.0)	(0.2)	(3.6)	(2.3)	(35)%	(6.7)	(12.1)	81%
Profit (loss) before tax	**23.2**	**12.1**	**67.7**	**34.3**	**37.7**	**10%**	**100.9**	**151.7**	**50%**
Income tax	1.5	(4.3)	(23.3)	(11.7)	(8.6)	(26)%	(25.5)	(47.9)	88%
Minority Interest	-	-	0.0	0.2	0.3	36%	-	0.6	n.s.
Net result	**24.7**	**7.8**	**44.4**	**22.8**	**29.4**	**29%**	**75.3**	**104.4**	**39%**

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 2023 amounted to 104.4 million euro, up by 39% y/y.

The main economic effects were as follows.

Net interest income totalled **192.5 million euro**, up by 19% y/y, thanks mainly to the rise in volumes. On a quarterly basis the figure fell by 10%, due to an increase in the cost of funding and the reduction of investments in NPLs.

Contributing to this dynamic was **interest income** of **397.3 million euro**, up by 66% y/y (+4% q/q) thanks both to the repricing and to the increase in SME loan book. **Interest expenses** rose to **204.8 million euro** compared to 76.5 million euro in 2022, due to the increase in the cost of funding that was to a large extent attributable to the uplift in market rates and the rise in funding volumes.

Net fees and commissions increased to **76.7 million euro**, up 25% y/y, driven by increases in servicing operations as the result of the acquisition of AREC, completed in June 2022, and increase in third-party mandates, as well as by a rise in business volumes, in particular in the b-ilty Division. The figure rose by 38% q/q in the quarter, mostly due to the contribution made by ARECneprix and the Investment Banking Division.

Other operating income of 59.9 million euro was significantly higher than the 23.8 million euro posted in 2022, benefiting from the revenue of 54 million euro booked in the second quarter of 2023 as a result of the partnership signed with Engineering on illimity's IT platform. The figure for the fourth quarter amounted to 1.3 million euro.

Profit from closed purchased distressed credit positions totalled 30.3 million euro compared to 63.8 million euro in 2022. Nevertheless, taking into account the positive value adjustments of 50.5 million euro made to distressed loans, the majority of which connected with sales of NPE portfolios, the figure rises to 80.8 million euro, representing an increase over the 56.9 million euro posted last year.

As a result of the above dynamics, **operating income** reached **358.9 million euro** in 2023 (+11% y/y). The figure amounted to 77 million euro on a quarterly basis, essentially in line with the previous quarter.

Operating costs closed at 227 million euro compared to 193.6 million euro in 2022 (+17% y/y). More specifically, **the combined aggregate of Staff costs and Other operating expenses** amounted to 204.4 million euro, an increase of 16% y/y. Excluding the effect of the change in perimeter (with AREC and Quimmo Prestige Agency entering the Group) and non-recurring staff costs, the figure rose by 10% y/y, mainly due to the completion of the staff sizing in the operating structures at the end of 2022, the renewal of the collective national contract for the credit sector, the integration of the incentive scheme and expenses linked to specific initiatives (such as, among others, the aforementioned partnership relating to technology, and marketing campaigns relating to the direct banking). **Depreciation and amortisation** rose to 22.6 million euro compared to 16.8 million euro in 2022 as a result of the IT investments. On a quarterly basis operating costs amounted to 70.4 million euro, an increase over the figure of 50.8 million euro booked in the previous quarter mainly due to a seasonal effect in both staff costs, which include provisioning for the incentive scheme, and other operating expenses, as a result of the usual increase in year-end operations and expenses arising from specific non-recurring initiatives.

Operating profit of 2023 closed at **131.9 million euro**, slightly up over the same period of last year. On a quarterly basis the figure reached 6.5 million euro.

Loan loss provision charges for organic loans rose to 14 million euro compared to 7.4 million euro in 2022, reflecting an annualised cost of risk of 43 basis points. The charge for the fourth quarter was 6.4 million euro.

Value adjustments on purchased distressed credit for 2023 were positive for 50.5 million euro compared to provisioning of 6.9 million euro charged in 2022. This result was driven by the result of 40.7 million euro booked for the fourth quarter of 2023 which reflects the acceleration in the valorisation of NPL portfolios carried out by the Bank following the above-mentioned repositioning of the Distressed Credit Division.

The item **Contribution to banking sector schemes and other non-recurring charges**, amounting to 12.1 million euro, consists of provisions made to the Single Resolution Fund and the Interbank Deposit Protection Fund and the one-off effect arising from the mutual termination of the previous licence agreement for the sale of the Group's IT platform with effect December 2022, booked in the first quarter of 2023.

Other income from equity investments, which mainly includes the pro-rata consolidation of HYPE, recorded a loss of 3.5 million euro, an improvement over the loss of 7.6 million euro booked in 2022. It is recalled that HYPE's results are consolidated using the equity method.

Profit before tax amounted to 151.7 million euro for 2023 (+50% y/y) and 37.7 million euro for the fourth quarter of the year (+10% q/q).

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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 2023.

12M23, Data in millions of euros	Growth Credit Division	Investment Banking Division	Distressed Credit Division	SGR	Digital Division	HQ Functions	b-ilty	Hype	Total
Net interest income	72.8	8.3	100.5	-	6.3	-	4.6	-	192.5
Net fees and commissions	27.2	9.8	32.0	4.9	(1.1)	-	3.9	-	76.7
Other income	3.9	(0.4)	31.3	0.4	54.5	-	-	-	89.7
Operating income	**103.9**	**17.7**	**163.8**	**5.3**	**59.7**	**-**	**8.5**	**-**	**358.9**
Staff costs	(14.6)	(4.6)	(43.4)	(2.9)	(10.1)	(24.6)	(5.2)	-	(105.4)
Other operating expenses and D&A	(7.2)	(2.5)	(53.6)	(0.7)	(31.8)	(20.9)	(4.9)	-	(121.6)
Operating costs	**(21.8)**	**(7.1)**	**(97.0)**	**(3.6)**	**(41.9)**	**(45.5)**	**(10.1)**	**-**	**(227.0)**
Operating profit	**82.1**	**10.6**	**66.8**	**1.7**	**17.8**	**(45.5)**	**(1.6)**	**-**	**131.9**
LLPs and value adjustmets on DC portflio e securities	(1.4)	(0.5)	41.8	-	-	-	(4.2)	-	35.7
Net provisions on other financial assets and contribution to banking sector schemes	(0.7)	-	0.4	-	(4.3)	(7.8)	-	-	(12.4)
Other income from equity investments	-	-	(0.4)	-	-	-	-	(3.1)	(3.5)
Profit (loss) before tax	**80.0**	**10.1**	**108.6**	**1.7**	**13.5**	**(53.3)**	**(5.8)**	**(3.1)**	**151.7**
Cost Income Ratio	21%	40%	59%	68%	70%	n.s.	n.s.	n.s.	63%
Interest earning assets	2,996	523	2,127	1	-	544	350	-	6,542
RWA	1,813	230	2,429	7	130	330	96	45	5,080

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

Core Business (Growth Credit, Investment Banking and Distressed Credit Divisions and illimity SGR):

Growth Credit Division

The Growth Credit Division posted sharply increased results, achieving its best ever **pre-tax profit** of 80 million euro, up by ca. 50% over 2022. The Division booked a pre-tax profit of 16.9 million euro in 4Q23.

Revenues rose by 41% y/y, driven by net interest income which rose by 87% over 2022, thanks to the rise in volumes and the increase in market interest rates.

Operating leverage confirmed its excellence with a Cost/Income ratio falling to 21% (24% in 2022), despite an increase of 22% in operating costs due to the growth in operations.

The Division's **net customer loans** stood at ca. **2.4 billion euro**, up by 17% over 31 December 2022, with a contribution arriving from all business segments. The figure was 2% higher than that at the end of September 2023, despite the early loan reimbursements of 76 million euro made during the quarter. In addition, there was confirmation of the important contribution made by loans backed by public guarantees and insured loans, these representing half of the total for the Division, enabling the Bank to obtain a high return on capital due to their low risk profile and limited capital absorption.

Business origination in the Structured Finance and Turnaround segments of the Division remained high during 2023, equal to 558 million euro, with a robust pipeline of over 300 million euro.

Factoring continued to display an excellent performance with turnover rising by 40% y/y and net customer loans increasing by 21% y/y.

Investment Banking Division

The Investment Banking Division also reported a significant uplift in results, booking a pre-tax profit of 10.1 million euro, up by 29% y/y, driven by the 4Q23 result which rose to 5.2 million euro (+68% q/q), the highest since its inception.

Net customer loans volumes stood at 305 million euro, more than double compared to the 133 million euro at end of 2022 (despite 100 million euro of early repayments), driven by the strong business origination for the year amounting to 249 million euro, up by 32% y/y, with a pipeline of new initiatives of over 100 million euro. A significant contribution to the results is also attributable to the **capital markets** unit in which 4 IPOs were completed during the year (9 since the start of operations) as well as several advisory mandates.

Distressed Credit Division

The Distressed Credit Division has always been the main growth engine for the Bank's earnings, generating pre-tax profits of over 430 million euro in the past 4 years, thanks to a unique business model that integrates the whole value chain from the purchase of NPE portfolios through to their management and sale. The success of this model is based on the high dynamism of the market in distressed credit transactions and illimity's establishment as one of the leading operators on the domestic market.

This dynamism has gradually fallen, in particular since 2022, given an increasingly challenging NPL market as a result of the increase in funding costs and fewer transactions, together with an uncertainty over the evolution of the regulatory framework, which taken together have made the profitability of investments in this market less appealing.

Given these market dynamics, the Bank decided to perform a strategic repositioning of the Division, starting from the second half of 2023, which envisages a gradual reduction in direct investments in NPLs, valorising the existing assets to the greatest extent possible, in order to direct capital towards **specialised asset-based performing loans** and UTPs, leveraging on the considerable expertise already present in these areas in the Bank. As a result the Division was renamed **Specialised Credit** on 1 January 2024 due to the change in focus of activities.

The economic effects of this transformation of the business model will translate into reduced revenues from closed transactions, which in the medium term will be more than offset by the increased lending volumes. In addition, on the cost front it is expected that reductions will be achieved from the gradual fall in costs of managing NPL portfolios.

The Division ended the year with a **pre-tax profit** of 108.6 million euro. This result was driven by the profit arising from the valorisation of part of the direct investments in NPLs as the consequence of putting into effect the above strategy, especially evident in the excellent result of 42.8 million euro achieved in the fourth quarter of 2023.

In detail, **net interest income** was down by 11% y/y as the result of an increase in the cost of funding and the effects of the transactions on the NPL portfolios, while **net fees and commissions** rose by 47% y/y, driven by the increased contribution made by ARECneprix, which during the year won new third-party servicing mandates. **Profit from closed positions** closed at 27 million euro which, if added to the positive revaluations of ca. 42 million euro, takes revenues from distressed credit transactions to 69 million euro.

The Division's **Cost/Income ratio** amounted to 59% for 2023. Excluding ARECneprix and Abilio the figure stands at 49%.

The NPE portfolio stood at 1.8 billion euro[6], with a mix which sees a fall in the direct investment in NPL component from 41% to 18%.

ARECneprix posted an EBITDA of 16 million euro, up by 38% y/y, despite a challenging servicing market, benefiting in particular from the increase in non-captive business, which represented 68% of managed assets compared to 29% in 2022. In this respect, during 2023 ARECneprix further consolidated its positioning as the third operator in the UTP corporate credit servicing and management market in Italy, thanks to its role as arranger, advisor, asset manager and special servicer in the new equity contribution fund Olympus, one of Italy's largest equity contribution funds dedicated to the management of loans secured by real estate assets and the direct valorisation of assets, which was set up with an initial contribution having a GBV of ca. 2 billion euro.

[6] Includes also investments classified as fair value assets.

illimity SGR

The SGR booked a **pre-tax profit of 1.7 million euro** in 2023, a significant improvement over the loss of 0.8 million euro incurred during the previous year, driven by a rise in **net fees and commissions** (+32% y/y), which benefited from the increase in managed assets.

In this respect total managed assets exceeded **520 million euro**, representing an increase of 53% over 2022, thanks to the launch of a new ESG fund (article 8 of the SFDR) and new funding flows into the Real Estate Credit fund.

Digital Division

The Digital Division, which comprises all the activities involved in the management and development of the Bank's IT architecture and the *illimitybank.com* funding platform, earned a pre-tax profit of 13.5 million euro compared to a loss of 13 million euro in 2022, benefiting from the income of 54.0 million euro arising from the partnership with the Engineering Group.

In this respect this agreement has repaid a large part of the IT investments and will give a strong impulse to the Group's digital banking platform to develop long-term revenue.

Tech initiatives:

b-ilty

b-ilty, the first digital bank for small businesses, posted a continuous rise in volumes in 2023 accompanied by a gradual increase in profitability.

The **pre-tax result** saw its loss largely halved to 5.8 million euro compared to 10.4 million euro in 2022, with a fourth quarter approaching breakeven (a loss of 0.4 million euro). This improvement in earnings was driven by an increase in revenues, which rose to 8.5 million euro from 1.4 million euro in 2022, with costs falling by 11% y/y.

Customer loans reached ca. 309 million euro, up by 43% over the previous quarter (+524% over the figure of 50 million euro at the end of 2022). It is also noted that the disbursed loans are all backed by public guarantees.

The number of customers rose significantly over 2023, increasing from 325 to over 2,000, thanks also to the conclusion of new partnerships and commercial distribution agreements.

Quimmo

The proptech **Quimmo** is able to count on managed assets of ca. 1.9 billion euro, of which 94% arising from non-captive sources.

Quimmo dominates the judicial market, in which its share rose from 10% in 2021 to 16% in 2023, when it entered the residential real estate brokerage market, thanks to the partnership concluded with COIMA which saw the latter taking a stake of 18% in the share capital of Abilio (Quimmo's parent company).

The company ended the year with a negative EBITDA of 3.8 million euro, a figure gradually expected to improve as a consequence on the one hand of the number of bankruptcies, which began rising again at the end of 2023, and on the other of the above-mentioned partnership, which as a contribution brought in a potential pipeline of projects worth over 1 billion euro with a focus on top-quality residential properties.

HYPE

HYPE, the 50-50 joint venture between illimity and Banca Sella Holding, confirmed its leadership position among retail fintechs during 2023, with a customer base of 1.8 million, up by 6% over 2022.

The number of transactions in 2023 increased by 29% to reach 132 million, compared to 103 million the previous year, also benefiting from a commercial offer increasingly enriched with new credit and insurance solutions provided by leading market operators.

The contribution margin rose significantly to 19.8 million euro from 4.7 million euro at 31 December 2022.

Gross revenues, including net interest income, increased to 39.2 million euro, up by 77% y/y, with the customer contribution margin rising to 19.8 million euro (4.7 million euro at 31 December 2022).

The company ended 2023 with a net loss of 6.2 million euro (illimity's pro-rata net loss amounted to 3.1 million euro), a considerable improvement over the net loss of 14.7 million euro incurred in 2022.

* * *

Business Outlook

The macroeconomic and market scenario for 2024 is characterised by low economic growth with prospects that remain uncertain due to the persistent geopolitical tension and financial conditions that are still restrictive for households and businesses.

It is also expected that the distressed credit transactions, already slowing down over the past few years, will continue to be slack in the current year.

In light of this challenging situation, illimity already reacted in the second half of 2023 by implementing a change of strategy in the distressed credit division, gradually reducing its direct investments in NPE portfolios and redeploying the available capital in performing loans, leveraging on its ability to extract value from the existing assets and the diversification of the business segments in which it operates. All of this while maintaining a solid capital base and liquidity, credit quality under control and resilience of the core business.

This strategy will continue in 2024, a year when further growth in customer loans is expected, underpinned by corporate loans made by the business units and the additional growth of the energy and asset-based financing desks, also driven by the continuous growth taking place in b-ilty and investment banking activities which benefit from guaranteed or low capital intensity business.

On the revenues front, the dynamics for 2024 will be affected by an increase in the cost of funding, expected to reach a peak during the current year, a lower contribution from the technological platform partnership, which produced non-recurring income in 2023, and a reduced contribution also from the profits earned from closed operations due to the above-mentioned evolution of the business model of direct investment in NPE portfolios. These items will be partially offset by an increase in net fees and commissions and by revenues from the investments in funds, amongst these the recent contribution to the Olympus funds.

illimity's profitability will also be able to benefit from the Bank's ability, already demonstrated in 2023, to exploit value from the Group's assets.

A visible fall on an annual basis is expected in operating costs, in particular in "other operating expenses", due to the change in the strategy pursued in the distressed credit segment and incisive cost efficiency improvement measures.

Credit quality is expected to remain under control, benefiting from the particularly selective and prudent approach taken during the credit analysis stage, which should enable the cost of risk to stay at contained levels, thanks also to the high level of loans backed by public guarantees. It should additionally be noted that most organic non-performing exposures regard customers involved in restructuring processes or procedures aimed at restoration.

The liquidity profile will continue to be robust with a broad diversification of funding sources.

As far as the capital position is concerned, the CET1 ratio is expected to remain at high levels in support of business growth.

In light of the profound changes of scenario and assumptions compared to the situation set out in the 2021-2025 Business Plan, as well as the new strategy undertaken by the Bank in 2023, a new Business Plan is expected to be drawn up during the year, in which *inter alia* the target for 2025 net profit will be revised.

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At the same meeting, the Board of Directors also acknowledged of the Bank of Italy's notification of 5 February 2024 advising the completion of the annual Supervisory Review Evaluation Process (SREP) on the application of the Overall Capital Requirements, which confirmed the SREP requirements already communicated on 6 December 2023.

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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 the 4th quarter of 2023 and the preliminary results for the year 2023 to the financial community at **9:00 CET** today **9 February 2024**. The event can be followed via Live Audio Webcast at the following link:
https://87399.choruscall.eu/links/illimity240209.html or by conference call at this link.

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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 count on 921 employees and ended 2023 with assets of around 7.3 billion euro.

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CONSOLIDATED BALANCE SHEET

(Figures in thousands of euro)

		31.12.2022	31.03.2023	30.06.2023	30.09.2023	31.12.2023
10	Cash and cash balances	680,777	339,632	536,342	321,388	431,696
20	Financial assets measured at fair value through profit or loss	105,043	110,701	118,250	158,970	527,840
	a) financial assets held for trading	31,146	30,840	33,555	34,780	25,917
	b) financial assets designated at fair value	-	-	-	-	-
	c) other financial assets mandatorily measured at fair value	73,897	79,861	84,695	124,190	501,923
30	Financial assets measured at fair value through other comprehensive income	391,710	384,268	450,641	453,886	456,643
40	Financial assets measured at amortised cost	4,386,730	4,543,304	4,877,608	4,812,252	4,761,729
	a) due from banks	57,213	97,682	111,655	119,724	112,702
	b) loans to customers	4,329,517	4,445,622	4,765,953	4,692,528	4,649,027
50	Hedging derivatives	29,874	28,203	29,204	31,393	21,393
60	Fair value change of financial assets in hedged portfolios (+/-)	-	-	-	-	-
70	Investments in associates and companies subject to joint control	76,375	83,221	81,953	81,194	81,199
80	Insurance assets	-	-	-	-	-
	a) insurance policies issued that constitute assets	-	-	-	-	-
	b) disposals in reinsurance that constitute assets	-	-	-	-	-
90	Tangible Assets	128,383	132,570	134,048	92,777	88,223
100	Intangible assets	135,101	137,382	144,688	145,294	153,768
	of which goodwill	65,372	65,376	69,992	69,992	69,992
110	Tax assets	78,592	75,773	77,622	77,393	62,756
	a) current	7,828	8,552	12,737	12,568	1,837
	b) deferred	70,764	67,221	64,885	64,825	60,919
120	Non-current assets held for sale and discontinued operations	-	-	-	350,039	364,151
130	Other assets	342,540	263,412	273,392	306,015	309,649
	Total Assets	**6,355,125**	**6,098,466**	**6,723,748**	**6,830,601**	**7,259,047**

		31.12.2022	31.03.2023	30.06.2023	30.09.2023	31.12.2023
10	Financial liabilities measured at amortized cost	5,294,132	4,997,565	5,571,964	5,643,882	6,067,828
	a) due to banks	*1,205,048*	*899,067*	*950,545*	*948,598*	941,995
	b) due to customers	*3,436,082*	*3,436,865*	*3,890,806*	*3,954,828*	4,514,092
	c) debt securities issued	*653,002*	*661,633*	*730,613*	*740,456*	611,741
20	Financial liabilities held for trading	27,244	24,774	28,731	28,270	19,476
30	Financial liabilities designated at fair value	-	-	-	-	-
40	Hedging derivatives	32,646	32,289	34,485	33,541	19,770
50	Adjustments in value of generic hedging financial liabilities (+/-)	-	-	-	-	-
60	Tax liabilities	36,724	39,881	29,762	40,820	24,970
	a) current	*33,372*	*36,836*	*25,630*	*37,041*	21,704
	b) deferred	*3,352*	*3,045*	*4,132*	*3,779*	3,266
70	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	392	-
80	Other liabilities	113,123	136,898	149,464	148,391	157,611
90	Employee termination indemnities	3,575	3,846	4,010	3,949	5,030
100	Provisions for risks and charges:	6,359	6,285	6,590	8,692	8,260
	a) commitments and guarantees issued	*4,863*	*4,630*	*4,453*	*6,431*	5,374
	b) pensions and similar obligations	*28*	*27*	*30*	*34*	37
	c) other provisions for risks and charges	*1,468*	*1,628*	*2,107*	*2,227*	2,849
110	Insurance liabilities	-	-	-	-	-
	a) insurance policies issued that constitute liabilities	-	-	-	-	-
	b) disposals in reinsurance that constitute liabilities	-	-	-	-	-
120	Valuation reserves	(47,875)	(41,428)	(37,480)	(37,813)	(30,020)
130	Redeemable shares	-	-	-	-	-
140	Equity instruments	-	-	-	-	-
150	Reserves	135,516	212,212	200,268	201,596	197,584
160	Share premium reserves	624,583	624,583	624,583	624,583	624,583
170	Share capital	54,514	54,514	54,671	54,691	54,691
180	Treasury shares	(747)	(747)	(747)	(747)	(747)
190	Minority interests	*5*	*5*	*5,278*	*5,348*	5,611
200	Profit (loss) for the period attributable to the Group (+/-)	75,326	7,789	52,169	75,006	104,400
	Group equity	**841,317**	**856,923**	**893,464**	**917,316**	**950,491**
	Total liabilities and equity	**6,355,125**	**6,098,466**	**6,723,748**	**6,830,209**	**7,259,047**

CONSOLIDATED INCOME STATEMENT

(Figures in thousands of euro)

	4Q22	1Q23	2Q23	3Q23	4Q23	FY22	FY23
10 Interest income and similar income	73,468	86,291	94,612	106,307	110,081	238,693	397,291
20 Interest expenses and similar charges	(26,272)	(37,580)	(44,921)	*(55,753)*	*(64,475)*	(74,558)	(202,729)
30 Net interest margin	**47,196**	**48,711**	**49,691**	**50,554**	**45,606**	**164,135**	**194,562**
40 Commission receivable	20,905	16,383	18,429	19,901	27,535	65,701	82,248
50 Commission expense	(2,243)	(1,696)	(1,712)	(1,870)	(2,558)	(6,451)	(7,836)
60 Net commission	**18,662**	**14,687**	**16,717**	**18,031**	**24,977**	**59,250**	**74,412**
70 Dividends and similar income	-	-	-	45	-	200	45
80 Net trading result	(1,412)	(994)	(370)	1,298	(393)	4,729	(459)
90 Net hedging result	-	(41)	(11)	(12)	(322)	-	(386)
100 Gain (loss) from disposal and repurchase of:	(399)	1,026	(1,792)	(3)	(86)	(467)	(855)
a) financial assets measured at amortized cost	*(4)*	*1,025*	*(1,008)*	*-*	*(148)*	*11*	*(131)*
b) financial assets measured at fair value through other comprehensive income	*(91)*	*1*	*(784)*	*(3)*	*62*	*(174)*	*(724)*
c) financial liabilities	*(304)*	*-*	*-*	*-*	*-*	*(304)*	*-*
110 Gain (loss) on other financial assets and liabilities measured at fair value through profit or loss	1,738	(75)	1,263	6,492	(184)	8,753	7,496
a) financial assets and liabilities designated at fair value	*-*	*-*	*-*	*-*	*-*	*-*	*-*
b) other financial assets subject to mandatory fair-value valuation	*1,738*	*(75)*	*1,263*	*6,492*	*(184)*	*8,753*	*7,496*
120 Net interest and other banking income	**65,785**	**63,314**	**65,498**	**76,405**	**69,598**	**236,600**	**274,815**
130 Net write-downs/write-backs for credit risks relating to:	8,294	4,689	3,277	18,999	38,581	48,891	65,546
a) financial assets measured at amortized cost	*8,668*	*4,930*	*3,423*	*18,880*	*38,443*	*50,183*	*65,676*
b) financial assets measured at fair value through other comprehensive income	*(374)*	*(241)*	*(146)*	*119*	*138*	*(1,292)*	*(130)*
140 Gain/loss from contract amendments without cancellations	-	-	-	-	-	-	-
150 Net result from banking activities	**74,079**	**68,003**	**68,775**	**95,404**	**108,179**	**285,491**	**340,361**
180 Net result from banking and insurance activities	**74,079**	**68,003**	**68,775**	**95,404**	**108,179**	**285,491**	**340,361**
190 Administrative expenses:	(51,468)	(47,663)	(51,862)	(50,433)	(67,594)	(186,999)	(217,552)
a) staff costs	*(21,688)*	*(23,068)*	*(27,131)*	*(22,127)*	*(32,731)*	*(85,871)*	*(105,057)*
b) other administrative expenses	*(29,780)*	*(24,595)*	*(24,731)*	*(28,306)*	*(34,863)*	*(101,128)*	*(112,495)*
200 Net provisions for risks and charges	(801)	83	573	(1,979)	*540*	(707)	(783)
a) commitments and financial guarantees issued	*(801)*	*233*	*178*	*(1,979)*	*1,057*	*(669)*	*(511)*
b) other net provisions	*-*	*(150)*	*395*	*-*	*(517)*	*(38)*	*(272)*
210 Net value adjustments to/recoveries on tangible assets	(990)	(1,143)	(1,000)	(6,539)	(1,213)	(4,201)	(9,895)
220 Net value adjustments to/recoveries on intangible assets	(3,860)	(4,105)	(4,232)	(4,417)	(5,526)	(13,070)	(18,280)
230 Other operating income/expenses	7,876	(2,102)	56,665	2,984	2,842	27,715	60,389
240 Operating expenses	**(49,243)**	**(54,930)**	**144**	**(60,384)**	**(70,951)**	**(177,262)**	**(186,121)**
250 Profit (loss) on investments in associates and companies subject to joint control	(1,968)	(1,162)	(1,270)	(845)	(216)	(7,633)	(3,493)
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	343	147	-	140	707	266	994
290 Pre-tax profit (loss) before tax from continuing operations	**23,211**	**12,058**	**67,649**	**34,315**	**37,719**	**100,862**	**151,741**
300 Tax income (expenses) for the period on continuing operations	1,518	(4,269)	(23,296)	(11,715)	(8,647)	(25,536)	(47,927)
310 Profit (loss) after tax from continuing operations	**24,729**	**7,789**	**44,353**	**22,600**	**29,072**	**75,326**	**103,814**
320 Profit (loss) after tax from discontinued operations		-	-	-	-	-	-
330 Profit (loss) for the period	**24,729**	**7,789**	**44,353**	**22,600**	**29,072**	**75,326**	**103,814**
340 Profit (loss) for the period attributable to minority interests		-	27	237	322	-	586
350 Profit (loss) for the period attributable to the Parent Company	**24,729**	**7,789**	**44,380**	**22,837**	**29,394**	**75,326**	**104,400**