

**ILLIMITY BANK S.P.A.**

**ILLUSTRATIVE REPORT OF THE BOARD OF DIRECTORS ILLIMITY BANK S.P.A.  
ON ITEM 2 ON THE AGENDA OF THE ORDINARY PART OF THE GENERAL MEETING OF THE  
SHAREHOLDERS OF ILLIMITY BANK S.P.A. OF 15 DECEMBER 2021, IN SINGLE CALL**

*Prepared pursuant to article 123-ter of Legislative Decree no. 58 of 24 February  
1998 as amended and article 84-quater of Consob Regulation no. 11071/1999  
as amended*

*Approved by the Board of Directors on 27 October 2021  
(as updated on 10 November 2021)*

*This report can also be consulted on the Bank's website [www.illimity.com](http://www.illimity.com)*

Shareholders,

You have been called to attend the General Meeting at 09:00 CET on 15 December 2021 in single call, to discuss and adopt resolutions on the following agenda:

ordinary part

1. [OMISSIS];
2. **Report on remuneration policy, also pursuant to article 123-ter of Italian Legislative Decree no. 58/1998. Resolutions pertaining thereto and resulting therefrom.**
3. [OMISSIS].

extraordinary part

1. [OMISSIS].

This illustrative report has accordingly been prepared pursuant to article 123-ter of Legislative Decree no. 58 of 24 February 1998 as amended (the “TUF”) and article 84-quater of Consob Regulation no. 11071/1999 as amended (the “Issuers’ Regulation”) and provides a description of item 2 on the agenda of the Ordinary Shareholders’ Meeting, as well as the relative draft resolutions that you are called to adopt.

## GENERAL MEETING IN ORDINARY PART

### 2. Report on remuneration policy, also pursuant to article 123-ter of Italian Legislative Decree no. 58/1998. Resolutions pertaining thereto and resulting therefrom.

Shareholders,

You have been called to attend an Ordinary General Meeting to submit to you, *inter alia*, the proposal to approve the revised version of Section I of the “*Report on the 2021 Remuneration Policy and Compensation Paid in 2020*” included in the attached document that forms an integral part of the illustrative report to the Shareholders’ Meeting, prepared in accordance with Legislative Decree no. 58/1998 (the “TUF”), as revised by the amendments made by Legislative Decree no. 49 of 10 May 2019 (articles 114-bis and 123-ter), and with article 84-quater of Consob Regulation no. 11971/1999 (the “Issuers’ Regulation”), as well as in accordance with the Supervisory Provisions for Banks pursuant to the Circular no. 285 of the Bank of Italy of 17 December 2013, as amended, on remuneration matters.

The Report on the 2021 Remuneration Policy and Compensation Paid in 2020 consists of two Sections:

Section I (the “2021 Remuneration Policy”), **which has been revised**, provides a clear description of:

- a) the Company’s remuneration policy with reference to 2021, for members of the management bodies and control bodies (without prejudice to the requirements of article 2402 of the Italian Civil Code), general managers and Executives with Strategic Responsibilities, Material Risk Takers and the remaining personnel;
- b) the procedures used to adopt and implement such policy.

Section II (the “Report on Compensation Paid in 2020”), which **has not undergone any revision** compared to the version approved by the Ordinary Shareholders’ Meeting of 22 April 2021, provides by individual name for members of the management and control bodies and general managers and in aggregate form for Executives with Strategic Responsibilities:

- a) an adequate representation of each of the items of which remuneration consists, including compensation in case of termination of office or of the employment relationship, describing the consistency of this with the company’s remuneration policy for financial year 2020;
- b) details of the compensation paid for any reason and by any means by the Bank and its subsidiaries and associates for financial year 2020, noting any components of this compensation that relate to activities performed in years previous to 2020 and also disclosing any compensation to be paid in one or more subsequent years for activities performed in 2020, providing where applicable an estimate for the components that were not objectively quantifiable in 2020.

Given that illimity’s 2021-2025 Strategic Plan (the “Strategic Plan”), whose objectives and guidelines were presented to the market on 22 June 2021, has been updated, the Board of Directors, with the support of the Remuneration Committee, carried out a series of considerations

and detailed analyses on the current incentive plan and - also taking into consideration the principles of regulatory provisions, where these set a medium-long term view together with alignment with a company's Strategic Plan as being among the basic objectives of the regulatory framework - at its meeting on 9 September 2021 resolved to submit to this Shareholders' Meeting a proposal on the adoption of a new Long-Term Incentive Plan (the "LTI Plan") for 2021-2025, linked to the objectives established in the new Strategic Plan and designed to strengthen the alignment of the interest between Top Management and all the stakeholders of the Bank and of the Group, incentivising them to achieve the Bank's long-term objectives and additionally fostering retention.

The LTI Plan ensures alignment to the new time horizon of the Strategic Plan, gives value to the effective contribution made by the management of the illimity Group, including also Beneficiaries who have had significant managerial growth, and supports the creation of value for all the stakeholders and corporate social responsibility in the long term, by way of a commitment to achieving ESG (Environmental, Social & Governance) objectives as well as those of an economic and financial nature.

The LTI Plan - intended for the Chief Executive Officer and the remaining members of illimity's Top Management and other key members of the Group - envisages the assignment at an individual level of the rights to receive shares and is divided into 3 cycles for the measurement of the Performance Objectives, namely the three-year periods 2021-2023, 2022-2024 and 2023-2025, so as to cover the whole timeframe of the plan (a "rolling" plan).

To ensure the alignment of the Chief Executive Officer, Top Management and all key members of the Group to the guidelines established in the 2021-2025 Strategic Plan, the following have been cancelled and are accordingly no longer effective in any way:

- the "Stock Option Plan" (also "SOP"), adopted by a resolution of the Shareholders' Meeting of 18 January 2019, reserved to a selected number of the employees of illimity and its direct and/or indirect subsidiaries; and
- the 2020-2023 Long-Term Incentive Plan reserved to the Chief Executive Officer and the other members of Top Management, adopted by the Shareholders' Meeting on 22 April 2020.

In this respect it is noted that the maximum total opportunities for variable remuneration are unchanged and may be analysed as follows:

- for the Chief Executive Officer and the other members of illimity's Top Management: 100%;
- for the Group Material Risk Takers belonging to the business function: 200%;
- for the Group Material Risk Takers belonging to the support function: 150%;
- for the Group Material Risk Takers belonging to the business control functions: 33%;
- for the other members of staff, variable remuneration is in any case restricted to 200% for the business functions and 100% for the remaining functions.

The introduction of a single long-term incentive plan simplifies the structure of illimity's incentive policy, which is aligned to leading market practice.

The proposal to revise the 2021 Remuneration Policy also includes a revision to the "Guidelines for the Banking Group Material Risk Takers" which, pursuant to applicable laws and regulations, form an integral part of this Report (see Annex 1), in compliance with the new applicable legislative framework, namely Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 - which supplements Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 ("CRD IV") as amended by Directive (EU) 2019/878 ("CRD V") - establishing the qualitative and quantitative criteria for identifying which categories of staff have an impact on the entity's risk profile due to their relative professional activities.

In addition, the introduction of a bonus is highlighted - as one of the instruments of variable remuneration - that is based on business performance in 2021, as a tool for a broader sharing of the value created with all the other illimiters and the possibility to reward over-performance by staff members not forming part of Top Management.

Noted in addition is the revision of the composition and responsibilities of the Remuneration Committee, in line with the provisions of the applicable discipline.

Without prejudice to the above, the essential continuity of the 2021 Remuneration Policy with that approved by the Shareholders' Meeting of 22 April 2021 is emphasised.

More specifically, the overall remuneration policy (which among other things envisages a variable component of remuneration proportionate to the maintenance of capital and liquidity ratios and to the achievement of performance objectives, in part serviced by shares of the Bank arriving from specific capital increases or treasury shares) continues to be arranged so as to provide a remuneration structure able to attract and retain the staff required to develop the business and achieve the expected results, consistent with the capital and economic and financial sustainability of the Bank. The key principles of the incentive system envisaged for 2021 continue to hold, these being founded on a strong alignment with shareholders, investors and in general all stakeholders and ensuring:

- the participation of the Chief Executive Officer and the other members of Top Management in the annual incentive system (MBO), in order to align the remuneration structure to shareholders, investors and the other members of management, given the applicable regulatory provisions and the overall cap of 1:1;
- manager remuneration suitably balanced in the variable component, in line with the profitability expectations set out in the Strategic Plan and without prejudice to the gradual consolidation of the results themselves;
- the engagement of all the employees through the opportunity to become shareholders of the Bank.

The Shareholders' Meeting is accordingly invited to adopt the most appropriate resolutions on the revised version of the 2021 Report on Remuneration Policy.

\* \* \*

The Board of Directors accordingly submits the following proposed resolution to the Shareholders' Meeting.

### PROPOSAL

*"The Ordinary Shareholders' Meeting of illimity Bank S.p.A.*

- *having examined the "Report on the 2021 Remuneration Policy and Compensation Paid in 2020" (the "Report") prepared by the Board of Directors pursuant to article 123-ter of Legislative Decree no. 58 of 24 February 1998 (the "TUF"), article 84-quater of Consob Regulation no. 11971/1999 (the "Issuers' Regulation") and the provisions of Circular no. 285/2013 of the Bank of Italy on remuneration matters;*
- *having examined and discussed, in particular, the revised version of Section I of the aforementioned Report, prepared pursuant to article 123-ter, paragraph 3 of the TUF and article 84-quater of the Issuers' Regulation and relating to: (i) the company's 2021 policy on the remuneration of all its personnel (including the members of management bodies and, without prejudice to the provisions of article 2402 of the Italian Civil Code, the members of the control bodies) and (ii) the procedures used to adopt and implement such policy;*
- *given that, pursuant to article 123-ter, paragraph 3, of the TUF, the Shareholders' Meeting is called to express a binding vote on Section I of the aforementioned Report;*
- *given that, pursuant to the provisions of the Bank of Italy's Circular no. 285/2013 and article 9, paragraph 2 of the corporate Bylaws, the Shareholders' Meeting is called to approve the remuneration and incentive policies in favour of the members of the bodies with a strategic supervision, management and control function and the remaining personnel, as stated in Section I of the aforementioned Report;*

### RESOLVES

1. *to approve the revised version of Section I of the Report, which describes the Remuneration and Incentive Policy of illimity Bank S.p.A. for 2021 in favour of the members of the bodies with a strategic supervision, management and control function and the remaining personnel, including Material Risk Takers, of illimity Bank S.p.A. and its direct and indirect subsidiaries;*
2. *to give mandate to the Board of Directors and, on its behalf, to the Chair and Chief Executive Officer, severally and with the power of sub-delegation, to implement the 2021 policy referred to at the previous point".*

Milan, 11 November 2021

On behalf of the Board of Directors

The Chair

Attached annex:

1. *Report on the 2021 Remuneration Policy (following revision) and Compensation Paid in 2020.*

# Report on the 2021 Remuneration Policy and Compensation Paid in 2020

Approved by the Shareholders' Meeting of illimity Bank S.p.A. of 22 April 2021 and subsequently revised by the Shareholders' Meeting of 15 December 2021

Prepared pursuant to article 3 of Legislative Decree no. 49 of 10 May 2019, which revised article 123-ter of Legislative Decree no. 58/1998, to the Issuer's Regulation revised on 11 December 2020 and to the 36<sup>th</sup> revision of the Bank of Italy's Circular no. 285



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## LETTER FROM THE CHAIR OF THE REMUNERATION COMMITTEE

Shareholders,

I am pleased to present a revised version of illimity's 2021 Report on Remuneration Policy whose aim is to communicate to you the new strategic and sustainability objectives that the Group has decided to set itself with the new Strategic Plan.

On 21 June 2021, illimity's Board of Directors approved the 2021-2025 Strategic Plan that lays the foundations for a new growth path, establishes the new objectives that we are aiming to attain and sets its sights on a significant and sustainable rise in profits and profitability, with new projects and an increasingly incisive role of sustainability issues.

In this context, illimity's remuneration policy represents a fundamental tool for contributing to the pursuit of the established ambitious objectives, ensuring consistency with the strategic business and sustainability objectives and ensuring the attraction and engagement of human resources.

To this end, the Remuneration Committee has collaborated with management to update the 2021 Remuneration Policy, basing itself on the increasingly current need to pursue sustainability and efficacy as well as obviously to keep adequate pace with a constantly changing regulatory framework. This process took the incentive strategy for illimiters, the evolution of the Business Model and the expected results of the new Strategic Plan all into account.

As an important update, you should note that the revision of the incentive strategy for illimity's management led the Board to propose the adoption of the new 2021-2025 Long-Term Incentive Plan – replacing the previous Stock Option Plans and the 2020-2023 Long-Term Incentive Plan – in the awareness that alignment of management to the long-term value creation objectives is essential for achieving the priorities described in the new Strategic Plan and is accordingly to be considered perfectly consistent with shareholders' interests.

Sustainability is built into every aspect of our activities, and our commitment to social responsibility is also confirmed by the inclusion of ESG metrics in our new long-term incentive system, fully building these important objectives into the assessment of the Bank's risk exposure. The maintenance of a high level of People Engagement and Customer Experience as KPIs in the annual incentive plan will make it possible to drive the organisation to a high level of cohesion and internal collaboration, external attractiveness and a widening of the customer base.

For a more complete view of illimity's commitment, we invite you to consult our Sustainability Profile, which presents our character as a Sustainable Native Company in an all-inclusive manner.

As confirmation of our desire to continue with a transparent discussion and a constructive dialogue, in the proposal to update the 2021 Remuneration Policy you will find a clear presentation of the objectives and correlated incentive criteria for the Chief Executive Officer, the members of Top Management and the other Executives with Strategic Responsibilities.

The remuneration strategy for all illimiters continues to be strongly based on an alignment with stakeholders. In this respect:

- all illimiters are shareholders of the Bank and are incentivised to maintain an excellent performance;
- management and key staff members are provided with incentives for creating long-term value;

- an innovative and tailored welfare and flexible benefits system has been designed to respond to the demands and needs of each illimiter, with special emphasis on parenthood and family care.

illimity is and continues to be the Bank for individuals and families and also in this delicate historical moment of economic and social recovery, all illimiters have made a significant contribution to the success of this Group through their commitment and dedication.

In this framework, the present proposal to update the Remuneration Policy obviously incorporates the views expressed by the investors on approval at the Shareholders' Meeting of 22 April 2021 and confirms the prudent approach of the remuneration policy, keeping unchanged the cap for the ratio between variable and fixed remuneration for the Chief Executive Officer and Top Management at 1:1 and having a balanced mix of short and medium-long term variable components. Guidelines for share ownership have also been introduced for the Chief Executive, Top Management and other Executives with Strategic Responsibilities, these envisaging that a percentage of the available shares deriving from the LTI Plan be maintained up to a specific target level.

May I take the occasion to thank you in advance for the attention you will dedicate to an analysis of the revised version of the 2021 Remuneration Plan. I am confident that you will appreciate the work performed, the items making up the remuneration policy we are submitting to you and the transparent approach we have taken in presenting these to you and all the stakeholders.

Milan, 15 December 2021

With best wishes,

**Paola Galbiati**

Chair of the Remuneration Committee  
illimity Bank S.p.A.

## INTRODUCTION

This document, which contains the revised version of the **Report on the 2021 Remuneration Policy and Compensation Paid in 2020**, has been prepared by illimity Bank S.p.A. (hereinafter also “illimity” or the “Issuer” or the “Bank”) pursuant to Legislative Decree no. 58/1998 (the “TUF”), amended for the changes made by articles 114-*bis* and 123-*ter* of Legislative Decree no. 49 of 10 May 2019, and to the “Issuers’ Regulation” – article 84-*quarter* and as updated on 11 December 2020 – as well as in accordance with the Supervisory Provisions for banks as per the 36<sup>th</sup> revision of the Bank of Italy’s Circular no. 285 of 17 December 2013 on remuneration (“Circular no. 285/2013”). It consists of two sections:

**Section I** (Report on the Remuneration and Incentive Policy) describes in a clear and comprehensible manner:

- a) the Company’s policy on the remuneration of members of the management bodies and control bodies (without prejudice to article 2402 of the Italian Civil Code), general managers and Executives with Strategic Responsibilities, Material Risk Takers and all other personnel, with reference to 2021;
- b) the procedures used to adopt and implement such policy.

In addition, the first section describes the way the remuneration policy contributes to the Company’s business strategy, to the pursuit of its long-term interests and to its sustainability.

It is noted that pursuant to Consob Regulation no. 17221 of 12 March 2010 as amended on related party transactions (the “Consob Regulation”), as incorporated in the policy “*Transactions with parties forming part of the illimity Banking Group’s Single Perimeter*” approved on 10 May 2021, the approval of the policy by the Shareholders’ Meeting exempts the Company from the need to apply said policy in the resolutions of the Board of Directors on matters regarding the remuneration of the directors, directors with specific duties and Executives with Strategic Responsibilities if the remuneration assigned is identified in compliance with such policy and quantified on the basis of criteria that do not lead to discretionary assessments. Furthermore, pursuant to article 13, paragraph 1 of the Consob Regulation, the above-mentioned procedure does not apply to resolutions adopted by shareholders’ meetings pursuant to article 2389, paragraph 1 of the Italian Civil Code regarding compensation due to members of the Board of Directors, nor to resolutions on the remuneration of directors with specific duties, forming part of the overall amount determined in advance by the shareholders’ meeting pursuant to article 2389, paragraph 3, second sentence of the Italian Civil Code. The above Group Policy is available on the Issuer’s website [www.illimity.com](http://www.illimity.com) under the **section Governance**.

The Bank has adopted a Remuneration and Incentive Policy for 2021 in favour of the members of the bodies with a strategic, management and control function and of the remaining members of the staff, including Material Risk Takers, of the Bank and its subsidiaries (the “Policy” or the “Remuneration Policy” or the “Remuneration and Incentive Policy”) prepared in accordance with the provisions of the above-mentioned Circular no. 285/2013 as well as in light of the recommendations contained in the Corporate Governance Code promoted by Borsa Italiana S.p.A. (the “Corporate Governance Code”).

This Policy, approved by the Shareholders’ Meeting on 22 April 2021, was updated by the Board of Directors on 27 October 2021 on the proposal of the Remuneration Committee.

It is lastly noted that this Policy regards the Issuer and the banking group it heads (the “Group”). Particular remuneration policies consistent with the present Policy are adopted by subsidiaries subject to laws and regulations specific to the sector in which they operate, such as illimity SGR S.p.A., except for the rules consistent with such laws and regulations applicable to them and in line with the provisions of the transitional and final discipline of the “Supervisory provisions on the remuneration and incentive policies and practices of banks and banking groups”.

The text of this document is made available to the public at the Company's headquarters and in the Remuneration section of its website from the twenty first day preceding the date of the Shareholders' Meeting, in accordance with applicable laws and regulations.

**Section II** of the Remuneration Policy (the "Report on Compensation Paid in 2020"), approved by the Ordinary Shareholders' Meeting of 22 April 2021, and the information documents relating to the existing compensation plans based on financial instruments, are available on the Issuer's website [www.illimity.com](http://www.illimity.com) under the **section Governance/Remuneration**.

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## DEFINITIONS

<b>Board of Statutory Auditors</b>	illimity's Board of Statutory Auditors.
<b>Bonus Pool</b>	The total amount of the variable remuneration deriving from the MBO scheme, the estimate of which is based on the actual and long-term results taking into consideration quantitative and qualitative objectives and financial and non-financial objectives, depending on the Group's capital and liquidity targets.
<b>Borsa Italiana</b>	Borsa Italiana S.p.A., with registered office at Piazza degli Affari 6, Milan.
<b>Chief Executive Officer</b>	The Chief Executive Officer of illimity Bank S.p.A. and "Corporate body with management functions".
<b>Circular no. 285/2013</b>	Circular no. 285 of the Bank of Italy dated 17 December 2013, as amended, which among other things governs the remuneration and incentive policies and practices of banks.
<b>Consolidated Law on Banking or TUB</b>	Legislative Decree no. 385 of 1 September 1993 as amended.
<b>Executives with Strategic Responsibilities</b>	Those persons who, pursuant to IAS 24 and the Corporate Governance Code for listed companies, have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.
<b>Group</b>	The illimity Bank S.p.A. group, registration no. 245 in the roll of Banking Groups.
<b>illimity or the "Company" or the "Issuer"</b>	illimity Bank S.p.A., with registered office at Via Soperga 9, Milan, Parent Company of the illimity Bank S.p.A. Group.
<b>illimity Way</b>	The illimity Way of the illimity Banking Group, approved on 9 June 2021.
<b>Material Risk Takers or MRTs</b>	Those persons whose professional activity has, or could have, a material effect on the Group's risk profile, identified in accordance with the criteria and by the means provided in Circular no. 285/2013, in the CRD V and in Commission Delegated Regulation (EU) 2021/923.
<b>RAF or Risk Appetite Framework</b>	The framework that defines – consistent with the maximum risk that may be assumed, the business model and the strategic plan – risk propensity, tolerance thresholds, risk limits, risk management policies and the processes needed to define and implement them.

<b>Relevant Subjects</b>	Pursuant to the Provisions of the Bank of Italy on the Transparency of Transactions and Banking and Financial Services, the members of the intermediary's staff who offer products to customers, interacting with such, as well as those persons to whom these staff members report hierarchically.
<b>Remuneration Committee</b>	The Bank's Remuneration Committee set up pursuant to Circular no. 285/2013 and the Corporate Governance Code.
<b>Risk Committee</b>	illimity's Risk Committee set up pursuant to Circular no. 285/2013 and the Corporate Governance Code.
<b>Shareholders' Meeting</b>	The general meeting of the Issuer's shareholders.
<b>Strategic Plan or Plan</b>	The Issuer's Strategic plan for the years 2021-2025.
<b>Top Management</b>	The following managers who report directly to illimity's Chief Executive Officer: Head of Distressed Credit; Head of Growth Credit; Head of Direct Banking; Chief Financial Officer and Head of Central Functions; Chief Lending Officer.
<b>Total Reward</b>	The total remuneration package, consisting of skill development and training in addition to the fixed or variable components of remuneration governed by this Policy.



## SECTION I – REPORT ON THE 2021 REMUNERATION AND INCENTIVE POLICY

### 1. REMUNERATION POLICY AS SUPPORT FOR THE CREATION OF LONG-TERM VALUE FOR ALL STAKEHOLDERS

illimity is characterised by having a strongly innovative and highly technological business model concentrating on the development of a specialised Bank clearly focused on specific segments that are very broad, dynamic and little served by the Italian market. More specifically, the Bank:

- provides credit to high-potential Italian businesses with a non-optimal financial structure and/or with a low rating or without a rating, including the non-performing loans (Unlikely-To-Pay - UTP) segment;
- sets its sights on becoming a leading operator in the secured and unsecured corporate distressed credit sector (non-performing exposures, whether these are classified as NPLs or UTPs);
- provides banking services and products to families and businesses via a digital platform (Direct Bank).

On 31 December 2020 illimity had more than 3.5 €/bn of total loans (and is therefore classified as a medium-size Banking Group in 2021) and is now listed on the FTSE Italia STAR index only two years after its initial listing<sup>1</sup>, also in consideration of its alignment with the highest corporate governance standards right from the start-up phase.

From this standpoint, illimity's business model is characterised by flexibility, agility and rapidity of response, factors required to support highly dynamic customer segments.

The 2021 Remuneration and Incentive Policy, as per Section I of this Report, sets out the objectives of the remuneration and incentive schemes in the consolidation stage of the Bank's operations and activates the incentivising tools for aligning management to the strategic objectives established throughout the Plan (amongst which are noted the objectives of sustained and sustainable profitability at an ROAE level and a focus on ESG).

The overall remuneration strategy (which among other things envisages a variable component of remuneration proportionate to the maintenance of capital and liquidity ratios and the achievement of performance objectives and is in part serviced by shares of the Bank based on specifically-related capital increases or treasury shares) has been established with the aim of providing a remuneration structure that can attract and retain the key skills functional to developing the business and achieving the planned results, compatible with the Bank's capital and economic-financial sustainability.

In this context, the following key principles of the incentive scheme for management planned for 2021 have importance, based as they are on a strong alignment with the Bank's shareholders, investors and in general all its stakeholders:

- the participation of the Chief Executive Officer and Top Management in the annual incentive scheme (MBO) in order to further align the remuneration structure of Top Management with the Bank's shareholders, investors and other management, taking into account any applicable regulatory requirements;

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<sup>1</sup> The Company's ordinary shares were admitted to trading on the STAR segment - "High-Requirement Securities Segment" - of the Electronic Stock Market ("MTA") organised and managed by Borsa Italiana under Borsa Italiana's Provision no. 8688 of 2 September 2020.

- manager remuneration suitably balanced in the variable component, in line with the expectations of profitability, taking into account the risk level assumed, detailed in the Plan, and without altering the gradual consolidation of the results themselves;
- making “all the Issuer’s employees shareholders”<sup>2</sup>.

The Remuneration Policy is drawn up in line with the business context and the purposes described, as well as being consistent with the applicable regulatory provisions and the expectations of growth set out in the Strategic Plan.

The Policy also identifies and rewards the actions that direct people to the very purpose of illimity, this being to support the “country as a system” through the development of the segment of the market it serves as confirmation of a responsibility towards investors, shareholders, employees and the economic system as a whole, the underlying driver of its strategy.

As evidence of the commitment towards corporate social responsibility, the Sustainability Committee was set up in January 2020 with the aim of establishing the Group’s sustainability strategy and, then, monitoring the way this is carried out; in this sense also the remuneration policy is geared towards the creation of sustainable value over time for all the stakeholders and the eco-system in which the Group operates.

## 2. DETAILS OF THE PROPORTIONALITY PRINCIPLE

In application of the proportionality principle the regulatory framework requires banks to establish remuneration and incentive policies that consider their features and size, as well as the risk and complexity of the activities performed.

Considering the characteristics of its loans, the way the Group is structured and current legislation, illimity categorises itself among the medium-sized intermediaries, taking into account its total assets, the operating complexity resulting from its business model, the sphere in which it operates and the types of risk it assumes.

Since the date of its listing on the MTA (5 March 2019), illimity has ensured compliance with the regulatory provisions characterising middle-sized Banking Groups, doing this by way of introducing governance controls – including the setting up of the Remuneration Committee – and establishing increasingly stringent rules on the variable remuneration structure.

The present Remuneration Policy therefore provides details of the relative rules and criteria for recognising and paying the variable component of remuneration by means that are in line with those required for medium-sized banks by laws and regulations, consistent with the aim of aligning the business’s objectives and values, including corporate social responsibility, the strategic path undertaken and the policies of prudent risk management pursued by the Bank in accordance with applicable law.

## 3. LEGISLATIVE FRAMEWORK

The Remuneration Policy is established within the legislative framework for remuneration and incentive schemes, as represented by the following sources:

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<sup>2</sup> See the paragraph on the Employee Stock Ownership Plan (ESOP).

- **at a European Union level:**

- Directive 2019/878/EU of the European Parliament and of the Council of 20 May 2019, which amended the previous Directive 2013/36/EU, on access to the activity of credit institutions and on the prudential supervision of credit institutions and investment firms (CRD V);
- the technical rules for implementing Regulation 876 of the European Parliament and of the Council of 20 May 2019, on the prudential requirements for credit institutions and investment firms (“CRR II”) regarding the obligations for the disclosure of remuneration policies to the markets and reporting to the competent authorities published by the European Banking Authority (EBA) on 24 June 2020 and applicable from 30 June 2021;
- Commission Delegated Regulation (EU) 2021/923 of 25 March 2021, published in the EU Official Journal on 9 June 2021 and directly applicable in every Member State, that supplements CRD V as far as regards the technical regulatory requirements concerning the qualitative and quantitative criteria required to identify the categories of staff whose professional activities have a material impact on the institution’s risk profile (the “Material Risk Takers”). These criteria incorporate the Regulatory Technical Standards established by the EBA on 18 June 2020 and in force from January 2021 in application of the new directive on capital requirements (CRD V);
- Commission Delegated Regulation 527 of 12 March 2014 that supplements CRD IV with regard to regulatory technical standards, specifying the classes of instruments that adequately reflect the credit quality of an institution as a going concern and are appropriate to be used for the purposes of variable remuneration;

- **at a national level:**

- article 123-ter, as amended by Legislative Decree no. 49/2019, and article 114-bis of the TUF, which respectively govern the contents of the “Report on remuneration and compensation paid” and the “information to the market on the granting of financial instruments to company officers, employees and collaborators”;
- Title IV, Chapter 1 of the 36<sup>th</sup> revision to Circular no. 285/2013, on the remuneration and incentive policies and practices adopted to align national regulatory requirements to the guidelines on remuneration and incentives promulgated by the EBA, already effective from 1 January 2017 and reported in the following;
- the Provision published by the Bank of Italy on 19 March 2019 on the transparency of banking and financial transactions and services, with particular reference to the propriety of relations between intermediates and customers;
- the Issuers’ Regulation, as revised by Consob on 11 December 2020;
- with reference to the collective asset management sector, the provisions of the Regulation of the Bank of Italy implementing article 4-*undecies* and article 6, paragraphs 1b) and 1c-*bis*) of the TUF.

The following complete the above provisions:

- the “*Guidelines on sound remuneration policies under Directive 2013/36/EU*”, published by the EBA on 2 July 2021 and effective from 31 December 2021, designed to harmonise the way in which the European directive is effected in the various countries;

- “*Guidelines on sound remuneration policies under the UCITS Directive and AIFMD*”, designed to harmonise transcription into national laws on remuneration and incentives in companies managing AIFs and UCITS funds;
- the “*Guidelines on loan origination and monitoring*”, that govern the criteria for the remuneration of staff, in particular with reference to the assumption of risks regarding the granting, administration and monitoring of the loan;
- the ECB’s guidance on non-performing loans (“NPLs”) published on 20 March 2017;
- Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (“Mifid II”), on the requirements for proper conduct with customers, in effect since January 2018;
- the Bank of Italy’s paper on the revision of the supervisory provisions on remuneration and incentive policies, published in November 2020 and currently under consultation, having the purpose of adopting the provisions of CRD V, to which the present policies are aligned as concerns the underlying principles such as gender neutrality and corporate social responsibility;
- the ECB’s papers of November 2020 (“*Guide on climate-related and environmental risks. Supervisory expectations relating to risk management and disclosure*”) and those of the EBA of June 2021 (“*EBA Report on management and supervision of ESG risks for credit institutions and investment firms*”), which provide for the inclusion of ESG parameters in personnel remuneration and incentive mechanisms.

#### 4. OBJECTIVES OF THE REMUNERATION POLICY

The Remuneration and Incentive Policy is designed to motivate staff towards achieving illimity’s short- and medium/long-term objectives, in compliance with the Company’s values and the levers identified in the Strategic Plan, by contributing to:

- the alignment of the interests of management and all employees, fully involved in the “value-building” process, to those of investors;
- the creation of value sustainable over time for all the stakeholders and the eco-system in which the Group operates, balancing short- and long-term incentive plans;
- support for the progressive consolidation of the growth directives of the new bank, consistent with the plan presented to investors;
- the attraction, retention and motivation of illimiters, with a focus on staff with distinctive skills for the pursuit of the Company’s growth and business objectives, in an increasingly challenging competitive context, thanks to an inclusive business culture increasingly focused on the Human Touch.

The Remuneration and Incentive Policy accordingly evolves in the context of clear and transparent governance, considering the overall principle of orientation towards the sound and prudent management of risks and regulatory compliance and towards principles of good business conduct and the propriety of customer relations.

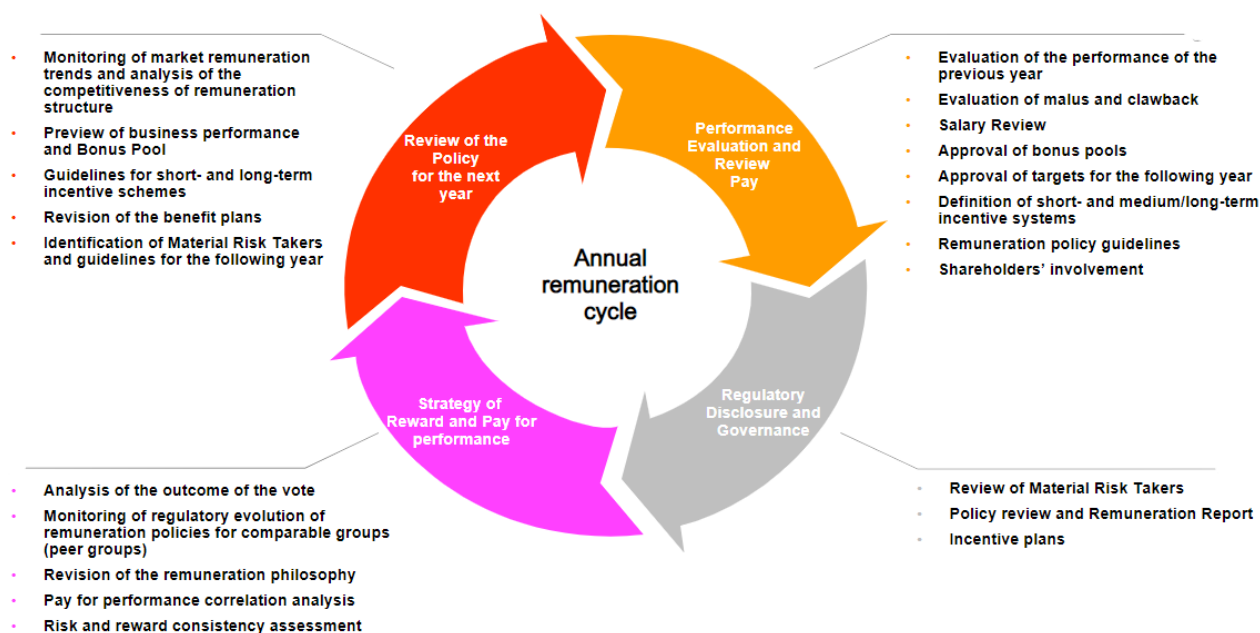
On the basis of the “*equal pay for equal work*” principle, illimity is committed to providing remuneration packages that guarantee substantial equality of treatment, regardless of any discriminating items such as

gender and age. In particular, illimity performs a systematic analysis of internal and external remuneration benchmarks for the same role or for roles of equal value (identified using the Willis Towers Watson international “Global Grading System” methodology), both at the time of hiring and during the annual salary review process, and is committed to substantially closing the equity pay gap, monitored by way of controls activated on the periodic review of remuneration policies.

This Remuneration and Incentive Policy therefore reflects the significant changes that have taken place and/or will take place in the business and in the Group’s organisational structure in accordance with the provisions of the Strategic Plan, as well as any regulatory changes that may have occurred.

## 5. GOVERNANCE OF THE REMUNERATION POLICY

In accordance with the provisions of law and regulatory and corporate governance requirements, the Remuneration and Incentive Policy is established as part of the annual cycle for the planning, management and control of remuneration in order to ensure that decisions are taken independently, thereby avoiding the risk of possible conflicts of interest and guaranteeing accurate disclosures in compliance with the requirements of law and regulatory provisions, as well as supervisory regulations, all following the process described below:



More specifically, the annual cycle for the revision of the Remuneration Policy involves the corporate bodies and business functions, consistent with regulatory provisions, the requirements of the Bylaws, the organisational structure and the responsibilities assigned to the various functions, ensuring that each decision is taken by the bodies and delegated functions.

In order to adopt effective remuneration practices that are capable of suitably supporting business strategies and resource management, together with regulatory evolution, illimity monitors general market trends and the practice in remuneration and incentive policies followed in the sectors in which it operates. In this sense, in order to draw up the Remuneration and Incentive Policy described in this Report, the Bank availed itself of the

analyses and support of independent experts having specific expertise in remuneration policies and practices, namely Willis Towers Watson Italia S.p.A.

The following sections provide details of the corporate bodies and persons involved in establishing and implementing the remunerative and incentive system.

### 5.1 Shareholders' Meeting

Shareholders have the responsibility for approving the remuneration and incentive policy.

More specifically, in addition to establishing the compensation due to the bodies it has appointed, the Shareholders' Meeting:

- expresses its opinion by way of a binding vote on the remuneration and incentive policy regarding the members of corporate bodies with a function of strategic supervision, management and control and all other personnel;
- expresses a non-binding opinion on the Report on Compensation Paid, pursuant to article 3 of Legislative Decree no. 49/2019;
- approves the remuneration plans based on financial instruments (e.g., stock options);
- approves the criteria for determining any amounts to be agreed in case of early termination of the Employment Relationship or the early termination of office, including the limits set on such compensation in terms of the number of annual amounts of fixed remuneration and the maximum amount that derives from their application;
- approves, in accordance with the increased quorums envisaged by applicable laws and regulations and by illimity's current Bylaws, any proposal that may be made by a corporate body with a strategic supervision function to set a limit to the ratio between the variable and fixed components of individual remuneration exceeding 1:1 (but in any case, not exceeding 200%).

Clear and complete information on the Remuneration Policy that the Board of Directors proposes to adopt, on the proposal of the Remuneration Committee and after consultation with the Risk Committee, is submitted to the Shareholders' Meeting, as well as a report that the policy was effectively and properly followed during the previous year.

It should be recalled that illimity's 2020 Remuneration Policy was approved by the Shareholders' Meeting of 22 April 2020 with a 100% vote cast in favour by the shareholders in attendance as confirmation of the alignment to the guidelines of investors and proxy advisors and to the applicable regulatory framework.

At the subsequent meeting of 22 December 2020, 98.3% of those in attendance approved the proposal to update the 2020 Remuneration Policy in order to adapt the incentive schemes to the pandemic situation that still now continues to characterise the global scenario, taking into account the resilience shown by illimity's business model.

It is additionally noted that the first version of illimity's 2021 Remuneration Policy was approved by the Shareholders' Meeting on 22 April 2021 with a vote cast in favour by 73% of the shareholders in attendance. It is underlined that the present proposal to update the Remuneration Policy incorporates the views expressed by the investors on approval at the Shareholders' Meeting of 22 April 2021 and confirms the prudent approach of the remuneration policy, keeping 1:1 as the upper limit for the ratio between variable and fixed remuneration



unchanged for the Chief Executive Officer and Top Management, with a balanced mix of short- and medium/long-term variable components.

## 5.2 Board of Directors

Availing itself of the fact that the Remuneration Committee acts with both an advisory and a proposing role, the Board of Directors of illimity Bank S.p.A. ensures that the remuneration and incentive schemes adopted are consistent with the overall decisions taken by the Bank in terms of risk assumption, strategies, long-term objectives, corporate governance structure and internal controls.

In this context, and without prejudice to the responsibilities assigned to the Shareholders' Meeting, the Board of Directors:

- submits the Remuneration and Incentive Policy to the Shareholders' Meeting, re-examines it on at least an annual basis and is responsible for its proper implementation, in respect of which it ensures that the relative report has been prepared and is submitted to the Shareholders' Meeting;
- ensures that the remuneration and incentive policy is suitably documented and accessible within the corporate structure;
- establishes the remuneration and incentive schemes for at least the following persons: the executive directors, the general manager (if appointed), Top Management, the Manager in Charge of Drafting the Financial Statement, the persons in charge and staff of a level higher than the corporate control functions;
- ensures that the remuneration and incentive schemes are consistent with the overall decisions taken by the Group in terms of risk assumption, strategies, long-term objectives, corporate governance structure and internal controls;
- participates in, and has the final responsibility for, the preparation of the self-assessment conducted to identify Material Risk Takers and approves/supervises any exclusion of staff who despite having the quantitative requirements fail to satisfy the qualitative criteria established by laws and regulations on the matter.

In application of article 123-ter, paragraph 3-bis of the TUF, in exceptional circumstances illimity may temporarily make an exception to its remuneration and incentive policies, without prejudice to compliance with binding laws and regulatory requirements and consistent with the Regulation for the management of transactions with parties falling within the Bank's Combined Perimeter and transactions of personal interest.

Exceptional circumstances shall mean those situations in which making an exception to the remuneration policies is necessary for pursuing the long-term interests and sustainability of the Bank as a whole or ensuring its ability to stay on the market.

The derogation proposal is drawn up by the Chief Executive Officer and describes, with motivating reasons, the exceptional circumstances by virtue of which the derogation is considered necessary, the items from which derogation is planned among those below qualifying as "may be derogated from" and the effects on capital following the derogation, in accordance with the applicable prudent rules and capital restrictions to which the Bank is bound.

The proposal must be approved by the Board of Directors after receiving the favourable opinion of the Remuneration Committee and consulting with the Risk Committee and the Board of Statutory Auditors for the matters for which they are respectively responsible and must be consistent with the Related Party Transactions

Procedure.

The items of the remuneration policy to which an exception may be made regard the provisions contained in Section 1, Chapters 14, 15, 16 and 17 of this Report, with reference to the variable components described therein.

### 5.3 Chief Executive Officer

In his capacity as a corporate body with functions to manage the Bank, the Chief Executive Officer:

- determines and approves the operational process to establish the criteria underlying the remuneration and incentive scheme, in accordance with the provisions of the Remuneration and Incentive Policy;
- is responsible for applying the remuneration policies and setting out the objectives and proposals for the Bonus Pool and incentives consistent with the provisions of these present Policies.

### 5.4 Remuneration Committee

The Board of Directors avails itself of the proposing and advisory function of the Remuneration Committee which consists of three directors, all non-executive, of whom the majority are independent.

In this context, in accordance with the provisions of Circular no. 285/2013 as well as those of the Corporate Government Code the Remuneration Committee:

- draws up proposals for the Board of Directors on the remuneration policy of the Bank and the Group, including the proposal on the remuneration of the members of the Board of Directors and the Board of Statutory Auditors (in accordance with applicable law);
- draws up proposals for the Board of Directors on the fixed remuneration of the Chief Executive Officer and other directors having specific duties in compliance with the bylaws and legal provisions;
- draws up proposals for the Board of Directors on the variable remuneration of the Chief Executive Officer, in the short and long term, as well as the performance objectives to which such variable remuneration is linked;
- draws up proposals for the Board of Directors on the remuneration of Top Management, the heads of Control Functions (with reference to the Head of Internal Audit, the Remuneration Committee expresses an opinion on the proposal of the Risk Committee) and the Manager in Charge of Drafting the Financial Statement;
- expresses an opinion to the Board of Directors on the performance objectives of the heads of Control Functions (with reference to the Head of Internal Audit, the Remuneration Committee expresses an opinion on the proposal of the Risk Committee) and the Manager in Charge of Drafting the Financial Statement;
- draws up proposals for the Board of Directors on the Bank's incentive plans, in particular those based on financial instruments;
- directly supervises the proper application of the rules for the remuneration of the heads of the Control Functions, in close cooperation with the Board of Statutory Auditors;



- also availing itself of the information received from the competent business functions, monitors the proper application of the remuneration policy and expresses opinions as to whether the performance objectives to which the incentive plans are linked and the other conditions set for payment of the compensation have been satisfied;
- periodically assesses the adequacy and overall consistency of the remuneration policy for the directors, statutory auditors and Top Management;
- has consultancy powers concerning the remuneration schemes for Material Risk Takers;
- expresses opinions, also availing itself of the information received from the competent business functions, on the criteria used for identifying Material Risk Takers and the outcome of such process, including any exclusions;
- looks after the preparation of the documentation to be submitted to the Board of Directors for the relative decisions with reference to the matters for which it has proposing functions;
- collaborates with the other committees, in particular the Sustainability Committee, concerning the integration of ESG objectives into the incentive schemes, and with the Risk Committee regarding the consistency of the incentives underlying the remuneration and incentive scheme with the Risk Appetite Framework (RAF);
- ensures the involvement of the business functions in the process for the drafting and controlling of the remuneration and incentive policies and practices;
- provides suitable feedback on its activities to the Board of Directors, the Board of Statutory Auditors and the Shareholders' Meeting.

At the date of preparation of this report the Committee consists of the following members:

- Paola Elisabetta Galbiati - Chair to the Committee
- Massimo Brambilla - Member
- Marcello Valenti - Member.

## 5.5 Risk Committee

The Risk Committee performs an advisory role with respect to the approval of the remuneration policies for the purpose of ensuring that the incentives underlying the Bank's remuneration and incentive scheme are consistent with the RAF, taking risks, capital and liquidity into particular consideration.

## 5.6 Human Resources & Organization

illimity's *Human Resources & Organization* Department contributes to the preparation of the remuneration policy and looks after its application in conjunction with the Remuneration Committee, the *CFO & Head of Central Functions* and the Chief Executive Officer, in accordance with the need to attract and retain the professional figures required to achieve its long-term objectives while at the same time ensuring sound and prudent risk management.

In this respect the *Human Resources & Organization* Department:

- draws up and submits to the Remuneration Committee the proposed revision of the Remuneration Policy and Report on Compensation Paid;
- availing itself of the contribution of the Business Control Functions, ensures compliance with the regulations applicable to these present policies and that they have been correctly applied;
- coordinates the process for identifying and determining the Key Personnel, taking account of regulatory provisions and the criteria set out in these present policies, availing itself of the contribution of the Business Control Functions, in particular the Chief Risk Officer (the “CRO”) and the Compliance & AML Department;
- proposes a performance appraisal system, remuneration criteria and career paths consistent with the remuneration policy; in this respect it additionally coordinates the establishment and assignment of the performance objectives as part of the incentive schemes;
- availing itself of the contribution of the Chief Financial Officer (the “CFO”) and the CRO, checks whether the objectives have been met and whether the conditions exist for access to the forms of variable remuneration;
- monitors the trends and practices to be found on the reference labour market in order to:
  - ✓ formulate proposals for the revision of the Policy;
  - ✓ formulate solutions for revising the remuneration and incentive scheme in terms of the instruments, means, operating mechanisms and parameters adopted by the Group.

## 5.7 Compliance & AML

illimity’s Compliance & AML Department performs a preventive scrutiny and monitoring of the Remuneration Policy to ensure that it complies with the legislative framework; it additionally checks that the Company’s incentive schemes are consistent with the objectives of complying with the law, the Bylaws, the Group’s illimity Way and the standards of conduct applicable to the Bank, so that the legal and reputational risks inherent above all in customer relations are suitably contained.

The Compliance & AML Department:

- in conjunction with the other Control Functions ensures that the present Policy is appropriate and responds to the requirements of laws and regulations and that it is working properly;
- checks that the Company’s incentive scheme is consistent with the objectives of complying with the law, the Bylaws and the Group’s illimity Way, ensuring that the legal and reputational risks are suitably addressed, with particular regard to customer relations;
- checks consistency between the present Policy and internal regulations and procedures, reporting any risks of non-compliance to the corporate bodies in charge;
- checks the consistency of the process followed for identifying Material Risk Takers with applicable laws and regulations.

## 5.8 Chief Risk Officer

The Chief Risk Officer of illimity (CRO) supports the Risk Committee and the Remuneration Committee in

ensuring that the remuneration schemes are consistent with the Bank's prudent risk management policies and that the incentives underlying the remuneration and incentive scheme are consistent with the RAF and with the management of the Bank's risk, capital and liquidity profiles. It additionally contributes to the process of identifying the Risk Takers for the aspects regarding the materiality of the contribution to risk made by the holders of authorisation powers. In particular, the CRO:

- supports the *Human Resources & Organization* Department in ensuring that the Policies are consistent with the risk orientation expressed in the Risk Appetite Framework and identifying any objectives designed to mitigate important risks;
- assesses consistency with the Risk Appetite Framework of the proposed Bonus Pool and access gates to variable remuneration ex ante and checks the levels reached ex post, with reference to risk management;
- ensures the suitability of the qualitative and quantitative assessments to be adopted for determining Material Risk Takers against the Group's risk profile, consistent with the recommendations made in the Risk Appetite Framework.

## 5.9 Internal Audit

At least on an annual basis, illimity's Internal Audit verifies that the remuneration practices correspond to the requirements of the Bank's Remuneration and Incentive Policy, approved from time to time, and to those of applicable laws and regulations, from the standpoint of risk control and the safeguarding of the Company's assets. The results of these verifications are brought to the attention of the Shareholders' Meeting and, where necessary, to the Supervisory Authorities.

## 6. IDENTIFICATION OF "GROUP MATERIAL RISK TAKERS" FOR 2021

The process for identifying the illimity Group Material Risk Takers has been revised in consideration of the recent changes to legislation on the matter; more specifically, Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 – which supplements Directive 2013/36/EU of the European Parliament and of the Council (CRD IV), as amended by Directive (EU) 2019/878 (CRD V) – which establishes the qualitative and quantitative criteria for identifying which categories of staff have a material impact on the institution's risk profile and replaces the preceding Commission Delegated Regulation (EU) No 604/2014 on the subject.

In accordance with the new provisions, illimity has identified the Group Material Risk Takers by means of a structured process and based on criteria in line with the Risk Appetite Framework and with the system of authorisation powers approved by illimity, all of which set out in the "**Guidelines for identifying the Material Risk Takers of the Banking Group**", which, pursuant to applicable legislation form an integral part of this Report (attached as Annex 1).

The identification of Group Material Risk Takers, meaning the category of staff whose professional activities have, or may have, a material on the Group's risk profile, is based on the Bank's operational and organisational characteristics, considering both qualitative criteria, namely responsibilities and/or powers to assume risk, and quantitative criteria.

In accordance with the possibility envisaged by supervisory provisions, the CRO and the *Human Resources & Organization* Department have established the following additional criteria compared to those included in

the Delegated Regulation for the purpose of identifying the staff who assume or may assume significant risks for the Bank or for the Group:

1. Holders of organisational positions who, at the date on which the process for Material Risk Takers is completed, have direct responsibility in **governing material business risks**, the object of identification when performing the Internal Capital Adequacy Assessment Process (ICAAP), are not already included in the list of risks specifically identified by the Capital Requirements Regulation (CRR) and are not identified under qualitative regulatory criteria;
2. Holders of organisational positions who, at the date on which the process for identifying Material Risk Takers is completed, have contributed to **Concentration Risk** for loan exposures with one or more transactions included in the TOP 20;
3. Holders of organisational positions who, at the date on which the process for identifying Material Risk Takers is completed, have made a major contribution to significant Operating Losses, understood as meaning the TOP 20 **material Operating Losses** (amounts equal to or greater than EUR 50,000) recognised in the Loss Data Collection process over the past two years;
4. Staff who, although not identified by the application of the previous criteria and/or not having a formal organisational position, from the analyses and assessments conducted by the CRO are considered able to exercise **significant future influence** – in strategic and operational terms – over the Bank's operational processes and decisions.

This process led to the identification of the following **40 persons** who may qualify as forming part of the category of Material Risk Takers:

- **executive and non-executive members of the Board of Directors**, including the Chief Executive Officer and Top Management (and in particular: the Head of Distressed Credit, the Head of Direct Banking, the Head of Growth Credit, the Chief Financial Officer and Head of Central Functions and the Chief Lending Officer);
- **the heads of the Control Functions** and in particular: the Chief Risk Officer, the Head of Compliance & AML, the Head of Internal Audit and **persons who have originated Risk Weighted Assets for Credit and Market Risk (RWAs) equal to at least 2% of the Group's total RWAs** as measured at 30 June 2021 (Head of Finance, Head of Turnaround, Head of Crossover & Acquisition Finance, Head of Factoring, Head of Special Situations Real Estate, Head of Portfolios, Head of Special Situations Energy, Head of Senior Financing, Head of Business Operations & Credit Support);
- **the heads of other business functions** (Head of Sales and Business Development, Head of Pricing, Chief Information Officer, General Counsel, Head of Administration & Accounting, Head of Budget & Control, Head of IR & Strategic Planning, Head of Human Resources & Organization, the Chief Executive Officer of *neprix S.r.l.*, the General Manager of *neprix S.r.l.*, Head of Communication & Stakeholder Engagement, Head of Products, Partnership & Open Banking, Head of UTP & Turnaround Funds in *illimity SGR*, Advisor Project *B-Ilty* of Growth Credit).

An analysis of the quantitative criteria alone provided in Commission Delegated Regulation (EU) 2021/923 led to the identification of two people as Material Risk Takers, already identified on the basis of the qualitative criteria.

The above identification process was concluded in October 2021 and the results were submitted to the Remuneration Committee and the Risk Committee, and then to the Board of Directors at its meeting of 27 October 2021, following verification by the control functions in charge, in particular the Compliance & AML function with reference to the verification of alignment of the applied criteria with regulatory requirements and the CRO regarding the possibility of a material effect occurring on the Bank's various risk categories.

The updating of the process led to the identification of 4 additional positions (identified for the first time<sup>3</sup>) compared to the similar process carried out at the beginning of the year and 8 compared to the identification performed in 2020.

The identified resources represent approximately 6% of the number of the Group's employees at 30 September 2021.

Executives with Strategic Responsibilities, with the exclusion of the parent company's statutory auditors, are all included in the perimeter of the Group's Key Personnel.

## 7. REMUNERATION

**"Remuneration"** means compensation in any form – in cash, financial instruments or fringe benefits – or compensation in the form of other benefits (for example pension benefits on an individual and discretionary basis and golden parachutes) – disbursed directly or indirectly as consideration for employment or professional services rendered in favour of the Bank.

In accordance with the provisions of Circular no. 285/2013, total remuneration is divided into a fixed component and a variable component, ensuring that there is a clear distinction between the two.

The ratio between the fixed component and the variable component is suitably balanced, accurately determined and carefully assessed in relation to the characteristics of the Bank and the various categories of staff, in particular persons falling within the category of Material Risk Takers.

In this respect illimity has established the following maximum<sup>4</sup> ratios for the various categories of staff:

- for the Chief Executive Officer and the other members of the Group's Top Management: 100%;
- for the Group Material Risk Takers belonging to the business function: 200%;
- for the Group Material Risk Takers belonging to the support function: 150%;
- for the Group Material Risk Takers belonging to the Business Control Functions: 33%;
- for the remaining staff, variable remuneration is in all cases limited to 200% for the business functions and 100% for the other functions.

## 8. FIXED REMUNERATION

The purpose of fixed remuneration is to attract and retain key professional figures for the execution of the Bank's directional guidelines.

<sup>3</sup> Head of Pricing, Head of Sales and Business Development, Head of Special Situations Energy and Advisor Project B-Ilty of Growth Credit.

<sup>4</sup> In accordance with the applicable supervisory provisions, illimity has not submitted a new resolution in this respect to shareholders since the approval of the increase of the ratio to 2:1 by the Shareholders' Meeting of 22 April 2020, as the assumptions on the basis of which this increase was approved have not changed, including with respect to the staff to which it relates and the extent of the limit.

The fixed component of staff remuneration consists of the following components:

- gross annual salary, linked to the dimensions and complexities governed;
- possible position/function allowances designed to reward the professional expertise contributed, linked to maintaining the position and detailed in line with applicable regulatory provisions;
- possible compensation of a recurring nature for collaborators not having a formal Employment Relationship;
- benefits whose value is detailed by category of beneficiary and which are granted on the basis of predetermined criteria, not linked to performance and designed to increase the appeal of the remuneration package and therefore the motivation and loyalty of the employee. The benefits are granted on the basis of a flexible policy which, given a predetermined amount, allows the beneficiary to arrange the fruition of the additional benefits over the base components as a function of individual needs and requirements. The relative means of assignment and fruition are governed by a specific regulation; a series of examples follows:
  - ✓ personal use of company car;
  - ✓ lodging;
  - ✓ additional contribution to the supplementary pension fund;
  - ✓ health insurance;
  - ✓ extra-professional insurance policy.

In addition, a Directors and Officers (“D&O”) insurance policy is arranged for all the company’s directors and officers (i.e. members of the Board of Directors and the Board of Statutory Auditors), extended to managers and function heads who may be exposed to risks, with the exclusion of fraudulent conduct or gross negligence.

## 9. VARIABLE REMUNERATION

Variable remuneration is the component of remuneration linked to performance and/or other factors which is not included in fixed or recurring remuneration and is granted and paid in line with regulatory provisions on variable remuneration.

The components which in accordance with the Remuneration Policy may be classified as variable remuneration are as follows:

- the new **2021-2025 Long-Term Incentive Plan** (the “LTI Plan”), which supports the achievement of the objectives of illimity’s new Strategic Plan. On 9 September 2021 the Board of Directors resolved to submit approval of this plan to the Shareholders’ Meeting of 15 December 2021. The LTI Plan ensures the alignment of management’s interests with those of shareholders and replaces the 2019-2023 Stock Option Plan (SOP) and the previous 2020-2023 Long-Term Incentive Plan, both of which are simultaneously cancelled and lose all effectiveness. The LTI Plan is intended for the Chief Executive Officer, Top Management, Executives with Strategic Responsibilities (except for the heads of control functions) and any additional new beneficiaries identified as part of the Group’s “key resources”;
- the **Short-Term Incentive Scheme** (the “MBO”), based on an appraisal of individual performance of the staff of the Issuer and/or the Group compared to the assigned objectives and intended for:



- ✓ the Chief Executive Officer and Top Management;
- ✓ the other Material Risk Takers of the Issuer and/or the Group;
- ✓ the remaining Group's staff;
- the 2019-2023 **Employee Stock Ownership Plan** (the "ESOP"), designed to direct all employees towards the creation of value by making them participants in the growth of the Issuer and/or the Group over the timescale of the Business Plan and the Broad-based Bonus - *premio di produttività* (which will apply in 2022 on the basis of business performance in 2021);
- **retention bonuses**, having an exceptional nature and subject to a specific decision-making process, designed to retain specific expertise and paid in line with legislative and regulatory provisions on variable remuneration (a type of bonus not envisaged for the Chief Executive Officer or Top Management);
- possible **entry bonuses** or **buyouts**, only awarded within one year of hiring and subject to applicable regulations. Any entry bonuses awarded on hiring are not included in the calculation of the ratio of variable to fixed remuneration, since in accordance with Circular no. 285/2013 of the Bank of Italy they are paid in a lump sum on hiring;
- possible **specific components of remuneration** designed to preserve the value of commercial know-how and/or specialist skills (extension of notice agreements paid in constancy of the Employment Relationship). In accordance with regulatory provisions on remuneration, such agreements are not included in the calculation of the ratio of variable remuneration to fixed remuneration with regard to compensation determined, for the part not exceeding the latest annual amount of fixed remuneration;
- **spot bonuses**, having an exceptional nature and linked to extraordinary contributions to the creation of value by Group employees and subject to a specific decision-making process, are awarded in line with legislative and regulatory provisions on variable remuneration, with the aim of emphasising virtuous conduct and role models within the organisation (a type of bonus not envisaged for the Chief Executive Officer or Top Management).

In general, the variable component is subject to verification of access/activation conditions (gates) which, for all the components described, with the exception of the entry bonuses awarded on hiring or non-competition agreements and/or agreements for the extension of notice for which the compensation does not exceed the latest annual amount of fixed remuneration, provide for the maintenance of capital stability and liquidity ratios at least equal to the tolerance levels set in the RAF in addition to specific conditions and objectives defined for the single incentive plans.

The whole variable remuneration (with the exception of any entry bonuses awarded on hiring or non-competition agreements and/or agreements for the extension of notice for which the compensation does not exceed the latest annual amount of fixed remuneration), is subject to:

- compliance with the maximum ratio with respect to fixed remuneration<sup>5</sup> approved by the Shareholders' Meeting for the specific category;
- clawback clauses that may be activated in the event of remuneration already paid, in the cases and by the means governed by the applicable regulations.

<sup>5</sup> As measured on 31 December 2020.

- deferral and malus mechanisms as well as settlements partially in cash and partially in financial instruments, in line with the most stringent regulatory provisions established for key personnel.

## 10. COMPENSATION OF THE BOARD OF DIRECTORS

The system for the remuneration of corporate bodies is based on compliance with applicable legislation and observance of the policies whose aim is to ensure sound and prudent management of the Bank given its long-term strategies.

Fixed compensation is envisaged for non-executive directors, plus the reimbursement of expenses incurred in exercising office.

### ***Boards of Directors of subsidiaries***

After consultation with the Remuneration Committee, the Board of Directors of the parent company proposes compensation for the members of the Boards of Directors of the Company's subsidiaries. As far as non-executive directors are concerned, this compensation is set in a fixed amount.

Members with executive powers receive an amount of variable remuneration, calculated in accordance with the provisions governed by these present remuneration policies.

Members of the Board of Directors of subsidiaries who are employees of the Group receive no emoluments for their position on the Board of Directors other than in respect of specific positions.

## 11. COMPENSATION OF THE BOARD OF STATUTORY AUDITORS

The regulations introduced by Ministerial Decree no. 169/2010 have been taken as a reference for determining the compensation of the members of the Board of Statutory Auditors. At article 37 these establish that compensation should be calculated in relation to:

- the activities performed pursuant to article 2403, first paragraph and article 2404 of the Italian Civil Code;
- the preparation of their report on the financial statements of the previous year;
- participation at the meetings of the Board of Directors or Shareholders, and those of the Board of Statutory Auditors, excluding those relating to the annual financial statements and the periodic meetings required by law and taking into account the indicators specifically identified in the same article.

The Shareholders' Meeting of BIP of 18 January 2019 that appointed the new control body following the resignation of all the standing and substitute members of the Board of Statutory Auditors also determined the compensation due to the statutory auditors for their three-year period of activity, *pro-rata temporis*, in accordance with the Remuneration Policy approved by the same Shareholders' Meeting. More specifically, the remuneration of the control body was determined in the following way (plus reimbursement for any expenses incurred in exercising office):

- Chair: EUR 70,000 per annum gross;
- Standing auditors (each): EUR 50,000 per annum gross.



Attendance fees are not envisaged.

In addition, any expenses incurred in exercising office are reimbursed.

## 12. MARKET PRACTICE AND BENCHMARKING

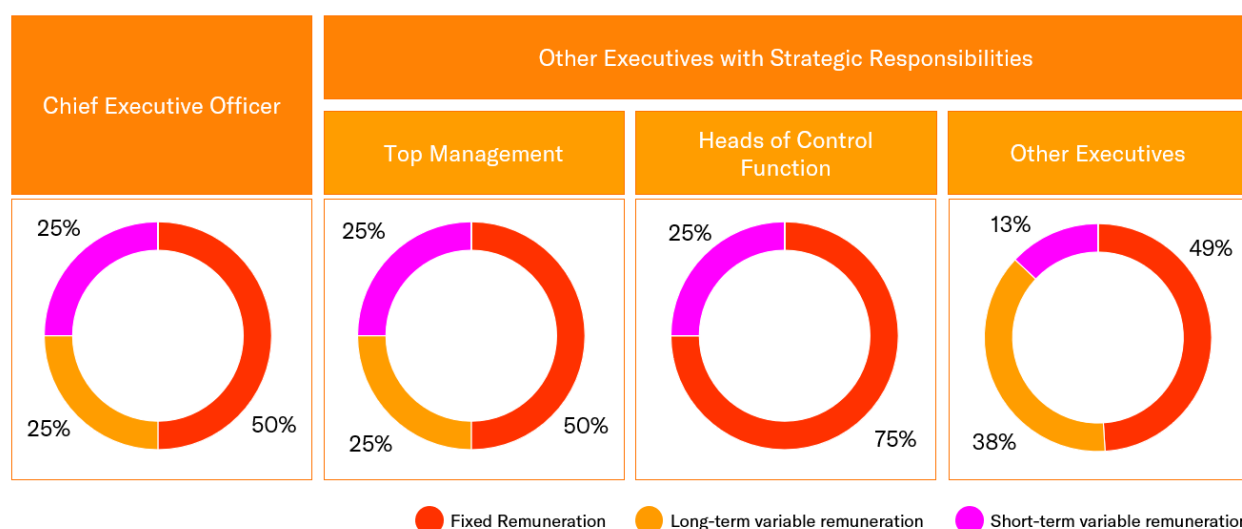
illimity monitors market practice for remuneration and incentives on a regular basis, also referring to market benchmarks<sup>6</sup>, in order to assess the competitiveness of its reward strategy.

The peer group used to monitor market practice for the position of Chief Executive Officer was selected by starting from a panel of European and Italian companies characterized by operating in the speciality finance sector and/or geographical proximity and/or companies operating in the financial sector listed on the Borsa Italiana FTSE Mid-cap index.

The analysis performed to find companies with specifics comparable with those of illimity led to the identification in 2021 of a peer group consisting of the following companies: Anima; Banca IFIS; doValue; Arrow Global; Banca Sistema; Hoist Finance; B2Holding; Cerved; Kruk; Banca Farmafactoring; Dea Capital. In particular, in addition to Italian and European companies operating in the speciality finance sector, mid-cap companies operating in asset management were also included in the peer group. In the case of changes in the governance structure, mergers or acquisitions and/or delisting, additions were made to the peer group in order to ensure the numbers remained suitable and that the remuneration specifics of the eco-system in which illimity operates were represented.

## 13. PAY-MIX OF THE CHIEF EXECUTIVE OFFICER AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

The following diagram sets out the **pay-mix target** envisaged for 2021 for the Chief Executive Officer and the other Executives with Strategic Responsibilities<sup>7</sup>, a category which also includes the members of Top Management<sup>8</sup>, Heads of Control Functions<sup>9</sup> and other Executives<sup>10</sup>, taking into consideration the annual and long-term incentive plans governed by this Policy:



<sup>6</sup> Determined by Willis Towers Watson.

<sup>7</sup> The remuneration package also includes the benefits attributed on the basis of a general policy and, for employees, the Employee Stock Ownership Plan.

<sup>8</sup> Head of Growth Credit, Head of Direct Banking, Head of Distressed Credit, CFO & Head of Central Functions and Chief Lending Officer.

<sup>9</sup> Chief Risk Officer, Head of Internal Audit and Head of Compliance & AML.

<sup>10</sup> General Counsel, Head of Administration & Accounting and Chief Information Officer.

In light of the introduction of the new long-term incentive plan, a rebalancing of the short- and long-term variable component for the Chief Executive Officer and the other members of Top Management has been envisaged, these currently being equal, for the purpose of further incentivising the alignment of the interests of Top Management with those of the shareholders, increasing the focus on the creation of long-term value and in consideration of the feedback received from investors on the approval of the remuneration policy at the Shareholders' Meeting of 22 April 2021.

#### 14. REMUNERATION OF ILLIMITY'S CHIEF EXECUTIVE OFFICER AND TOP MANAGEMENT

The remuneration of illimity's Chief Executive Officer and the other members of Top Management consists of the following items<sup>11</sup>:

- Fixed remuneration, including the benefit policy established for the category to which they belong<sup>12</sup>
- Short-term variable remuneration: MBO incentive scheme
- Long-term variable remuneration: 2021-2025 Long-Term Incentive Plan.

##### MBO incentive scheme

The MBO incentive scheme sets itself the aim of rewarding the achievement of annual objectives and the adoption of conduct forming part of long-term planning, at the same time supporting the dissemination of a "value-building" culture consistent with the risk management objectives set out in the Bank's Risk Appetite Framework.

The granting of variable remuneration under the MBO scheme for 2021 depends on achieving the objectives and conduct contained in the individual schedule assigned to the Chief Executive Officer and to each member of Top Management.

The following table (Figure 1) provides details from the **Goal Card of 2021 for the Chief Executive Officer** (maximum bonus equal to 50% of fixed remuneration):

Macro Area	Area	Weight	KPI
Financials	Profitability	20%	ROE
	Risk	15%	Cost/Income
		15%	Gross Organic NPE Ratio
Strategy	Implementation of strategic action	25%	<p>Strategic actions to be implemented "pro-rata" in 2021</p> <ul style="list-style-type: none"> <li>• Evolution of Direct Bank: <ul style="list-style-type: none"> <li>– support for the development of the joint venture in Hype and synergies with the bank</li> <li>– finalization and launch of the project direct bank for small businesses, micro enterprises and POEs and relative strategic partnerships</li> </ul> </li> <li>• Evolution of strategic plans for neprix (e.g., non-captive operations, Quimmo project)</li> <li>• Extension of the SGR's operations to new areas and fundraising</li> <li>• Acceleration of innovation projects (e.g., AI dati)</li> <li>• Capital optimization</li> <li>• Development of activities generating commissions (e.g., Capital Markets)</li> <li>• Launch of illimity foundation</li> </ul>
ESG	Leadership & engagement	25%	Assessment of leadership quality + People Engagement (illimity's positioning in the GPTW ranking for 2021)

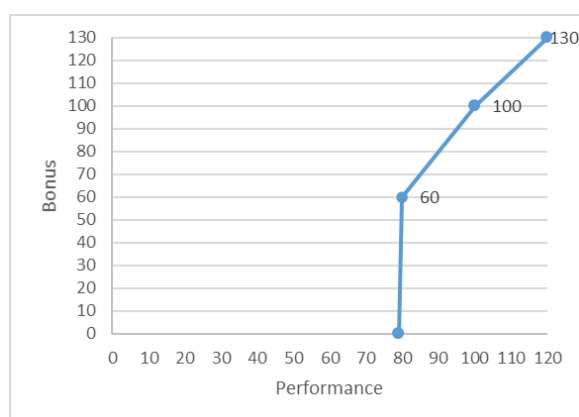
**Figure 1 - 2021 Goal Card for the Chief Executive Officer**

<sup>11</sup> The Chief Executive Officer and Top Management are holders of illimity ordinary shares as well as illimity special shares. Further details are provided in Section II.

<sup>12</sup> As managers of the Bank, they may be beneficiaries of the Employee Stock Ownership Plan.

A maximum performance level is envisaged, above which the incentive remains constant, as well as a threshold level, below which the scheme does not trigger and consequently does not generate any payment.

The following graph (Figure 2) shows the incentive curve for the MBO scheme which shows the relationship between the total weighted level for reaching the performance objectives included in the individual objectives schedule and pay-out level (no award is envisaged for a performance below the minimum threshold level of 80%):



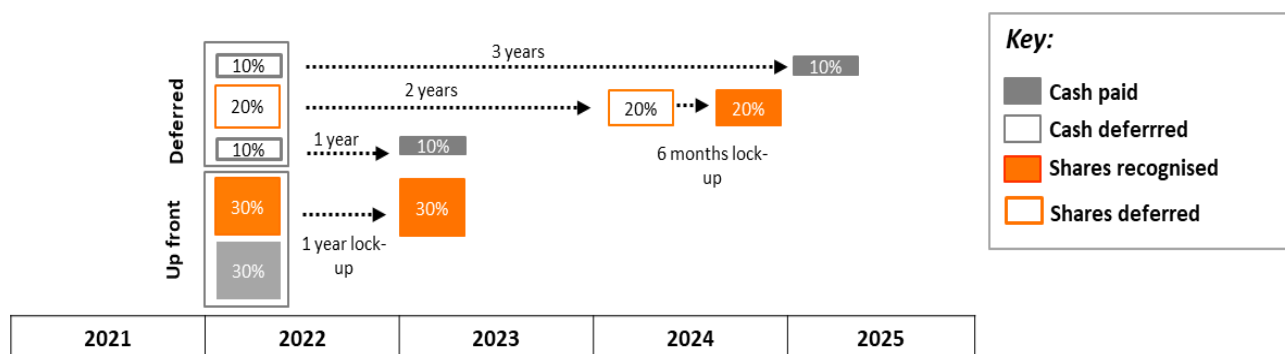
**Figure 2 - 2021 MBO Incentive Curve**

Payment of the corresponding variable remuneration depends on the actual availability of the Bonus Pool, in accordance with the matters described in Chapter 17 of this Report, as well as satisfying the following gates:

- CET1 Ratio  $\geq$  tolerance threshold defined in the RAF as measured at 31/12/2021;
- LCR Ratio  $\geq$  tolerance threshold defined in the RAF as measured at 31/12/2021;
- Net Income  $> 0$  at 31/12/2021;
- No breaches of laws, regulations or corporate codes at an individual level.

Any bonus is then disbursed as follows for the Chief Executive Officer and for members of Top Management (Figure 3):

- 60% up-front (of which 50% in cash and 50% in ordinary shares);
- 40% deferred for three years (to be disbursed, in the absence of malus, as to 50% in cash and 50% in ordinary shares of the Bank).



**Figure 3 - Pay-out scheme for the CEO and Top Management (bonus  $\geq$  80K/Euro)**

The portion in illimity ordinary shares is subject to a lock-up period of 12 months for the up-front portion and 6 months for the deferred portion.

If the annual variable remuneration is lower than EUR 80,000 the Bonus is paid fully up-front and in cash.

Recognition of the deferred portions depends upon compliance with the capital and liquidity requirements measured at 31 December of the year of reference, in line with the limits established from year to year in the gates included in the remuneration and incentive policies in force at the time.

The cash portion of the vested Bonus to be settled up-front is disbursed on condition that at the time of the actual payment the Employment Relationship still holds and not already terminated, or that any notice period has not expired.

In the case of termination of the Employment Relationship during the deferral period and on the assumption of a “bad leaver”, as provided in the 2021 MBO Plan Regulation, the Beneficiary loses all entitlement to the Bonus.

Lastly, ex post adjustment mechanisms exist (Malus and Clawback), as provided in detail in the 2021 MBO Plan Regulation and in the “Process for the application of the malus and clawback mechanisms connected with individual conduct”. More specifically, depending on the extent to which the objectives have been achieved, the incentive can also be reduced to zero.

A request for revocation or return may be made for the whole of the incentive granted, wholly or in part, in case of the verification of one of the following events within 5 years of the grant date:

- a breach of legal or regulatory provisions or those of the Bylaws or any applicable codes of ethics or conduct, leading to a significant loss for the Bank, for the individual subsidiary or for the respective customer(s);
- a breach of specific legal or regulatory provisions or those of the Bylaws or any applicable codes of ethics or conduct, regardless of the losses that may result;
- a breach of the obligations for corporate officers, concerning their suitability for the position, possession of the professionalism, integrity and independence requirements or the satisfaction of the competence and propriety criteria;
- a breach of the rules set out in the “Transactions with parties forming part of the illimity Banking Group’s Single Perimeter”;
- a breach of remuneration and incentive obligations;
- fraudulent conduct to the detriment of the Bank;
- negligent or incompetent conduct (“gross negligence”) to the detriment of the Bank.

Further information on the features of the 2021 MBO Plan, including any effects arising from the cessation of the relationship on the rights assigned as part of incentive plans based on financial instruments, can be found in the relative Information Document, prepared and published by the Bank pursuant to Schedule 7 of Attachment 3A to the Issuers’ Regulation and available on the Bank’s website [www.illimity.com](http://www.illimity.com) under the **section Governance/Remuneration**.

## The 2021-2025 Long-Term Incentive Plan

The 2021-2025 Long-Term Incentive Plan (hereinafter the “LTIP Plan”), submitted for approval by the Shareholders’ Meeting of 15 December 2021 and replacing the previous Stock Option Plan (SOP) and the 2020-2023 Long-Term Incentive Plan, cancelled and losing any further effectiveness, has the following aims:

- to ensure the maintenance of a strict alignment between the interests of the Company, the shareholders and the Beneficiaries by incentivising the achievement of the objectives of the 2021-2025 Strategic Plan;
- to ensure alignment with the plan’s new horizon while at the same time providing for three pay-out cycles starting with an analysis of the 2021 results;
- to allow value to be given the effective contribution (in terms of organisational importance and performance quality) made by illimity Group management, also including Beneficiaries who have had significant managerial growth;
- to support the creation of value for all stakeholders and corporate social responsibility in the long term by way of a commitment to the achievement of ESG (Environmental, Social & Governance) objectives in addition to those of an economic and financial nature.

### Beneficiaries and details of the Plan

The LTIP Plan is intended for the Chief Executive Officer, the other members of Top Management, the beneficiaries of the previous Stock Option Plan “SOP” (around 40 employees) and any additional new beneficiaries identified among the Group’s key staff members, year by year, by 31 December of the first year of each performance cycle (namely 31 December 2021 for the 2021-2023 cycle, 31 December 2022 for the 2022-2024 cycle and 31 December 2023 for the 2023-2025 cycle).

The Plan envisages the awarding on an individual basis of Rights to receive Shares. The LTI Plan is divided into 3 cycles measuring the Performance Objectives, 2021-2023, 2022-2024 and 2023-2025 to cover the whole timeframe over which the plan is structured (a “rolling” plan), determining the effective free of charge granting of illimity shares (Figure 4).

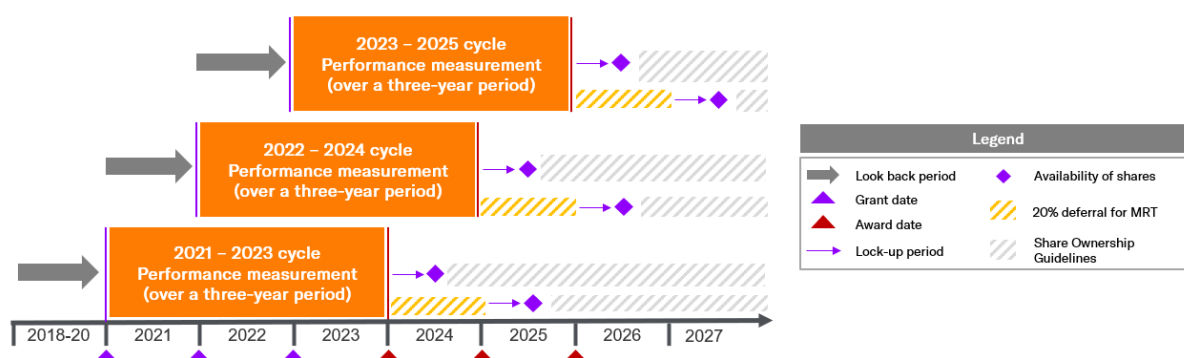


Figure 4 - Timeframe of the new LTI 2021-2025 Plan

For the Chief Executive Officer and the other members of Top Management, the annual ratio of long-term variable remuneration to fixed remuneration for each year is expressed as a percentage, namely 50%.

The Rights to receive Shares are awarded:

- at the start of the LTI Plan, with reference to the three three-year performance measurement cycles 2021-2023; 2022-2024; 2023-2025) for staff who are already Beneficiaries of the SOP Plan and the 2020-2023 Long-Term Incentive Plan;
- at the start of each vesting cycle for any other Beneficiaries identified from year to year among the Group's key resources.

The relative Shares are granted after the end of the lock-up period for each cycle and the Rights are converted to Shares in the ratio of 1 Share for each Right awarded.

It is estimated that the 2021-2025 LTI Plan will have a dilutive effect on capital of approximately 2.5% or 2.2%, calculated respectively on the basis of the number of shares as per the Bylaws as of 30 September 2021 in the two scenarios for the conversion of the special shares (1:1 and 1:8), and therefore equal to 80,740,100 and 90,820,100. The calculation does not take into consideration the shares awarded to Top Management, as these will come from the purchase of treasury shares on the market/the award of shares already held by the Company.

#### *Entry Gates and Performance Objectives*

The Rights only vest, first of all, if the following conditions are satisfied, these being defined as "gates" and measured at the end of each three-year performance cycle (first measuring cycle at 31 December 2023, second cycle at 31 December 2024 and third cycle at 31 December 2025):

- **CET1 Ratio**: greater than or equal to the tolerance threshold established by the Risk Appetite Framework;
- **Liquidity Coverage Ratio (LCR)**: greater than or equal to the tolerance threshold established by the Risk Appetite Framework;
- **Net Profit**: greater than zero. In addition, the average net result for the three years of the cycle must be positive;
- **No breach of laws, regulations or corporate codes** at an individual level.

In addition, the Rights for each cycle are awarded on the basis of the extent to which the objectives have been met and the relative weight, set consistent with the Strategic Plan and communicated at the start of each cycle, all within the ambit of the following pillars:

- Profitability;
- Creation of shareholder value;
- Asset quality;
- ESG.

Specifically, for the first performance cycle (2021-2023), the objectives set for the LTI Plan, in line with the targets defined for 2023 in the Strategic Plan, are as follows:

LTI Plan Goal Card					
Strategic Pillar	KPI	Target (end of cycle)	Level of achievement	% Incentive	Weight
Profitability	ROAE	15%	> 15%	100%	50%
			≥ 12% and ≤ 15%	60%-100%	
			< 12%	0	
Creation of shareholder value	Relative TSR illimity vs. Financial Services Italy	Third quartile	> Third Quartile	100%	20%
			≥ Median and ≤ Third Quartile	60%-100%	
			< Median	0	
Asset quality	Gross Organic NPE ratio	RAF appetite	< RAF appetite	100%	10%
			≥ RAF appetite and ≤ tolerance	60%-100%	
			> RAF tolerance	0%	
ESG	Diversity, Equity & Inclusion	4 points	≥ 4 points	100%	10%
			≥ 3 points e < 4 points	60%-100%	
			< 3 points	0%	
	Top ESG Rating (Climate & Ethics)	4 points	≥ 4 points	100%	10%
			≥ 3 points e < 4 points	60%-100%	
			< 3 points	0%	

- ROAE** (Return on Average Equity) calculated as the ratio between net profit at the end of the three-year cycle and the difference between net equity at the end of the cycle and at the end of the previous year, with a weighting of 50% in the LTI Goal Card. For the first three-year cycle, if the ROAE:
  - ✓ is greater than 15%, the KPI has been achieved as to 100%;
  - ✓ lies between 12% (inclusive) and 15% (inclusive), the KPI has been achieved in the range between 60% and 100%, calculated on the basis of linear interpolation between the two amounts;
  - ✓ is less than 12%, the KPI has not been achieved.
- Relative TSR** (Total Shareholder Return) of illimity compared to that of issuers listed on Borsa Italiana's "Financial Services Italia" index for the whole cycle (comparables), calculated for each of the Plan's vesting cycles and namely 2021-2023, 2022-2024 and 2023-2025 for both illimity and for the comparables considered. More specifically, the TSR for illimity is calculated for each three-year period of the Plan on the basis of the data made available by Bloomberg for the period between the month preceding the beginning of each vesting cycle and the respective closing date. By way of example, for the 2021-2023 cycle, the TSR is determined in the following way:

*(average share price in the month 1 December 2023 - 31 December 2023 + Dividend per Share in the period 1 January 2021 - 31 December 2023) / (average share price in the month 1 December 2020 - 31 December 2020).*

If the relative TSR, with a weighting of 20% in the LTI Goal Card is:

- ✓ above the third quartile, the KPI has been achieved as to 100%;
- ✓ between the median (inclusive) and the third quartile (inclusive), the KPI has been achieved at a figure lying between 60% and 100%, calculated on the basis of linear interpolation between the two values;

- ✓ less than the median, the KPI has not been achieved.
- **Gross Organic NPE (Non Performing Exposure) ratio** calculated as the ratio between Total Organic NPE and Total Organic Loans. If the Gross Organic NPE ratio, with a weight of 10% in the LTI Goal Card:
  - ✓ is lower than the RAF appetite at 31 December 2023, the KPI has been achieved as to 100%;
  - ✓ lies between the RAF appetite at 31 December 2023 (inclusive) and the RAF tolerance at 31 December 2023 (inclusive), the KPI has been achieved at a figure lying between 60% and 100%, calculated on the basis of linear interpolation between the two values;
  - ✓ is greater than RAF tolerance at 31 December 2023, the KPI has not been achieved.
- **ESG (Environment, Social & Governance)** calculated on the basis of the following indicators:
  - ✓ **Diversity, Equity & Inclusion**, with a weight of 10% in the LTI Goal Card, average score determined by the Board of Directors using a weighting of the following factors relating to employee engagement and gender inclusion and diversity;
    - Dimension 1: Satisfaction Index exceeding 70% in each year of the plan (annual measurement by Great Place to Work);
    - Dimension 2: Trust Index exceeding 70% in each year of the Plan (annual measurement by Great Place to Work);
    - Dimension 3: increase in the number of women in managerial positions (target at 31/12/2023: +25%; target at 31/12/2024: +50%, target at 31/12/2025: +100%) among those classified as «Management, Senior Management and Top Management»;
    - Dimension 4: presence of women in the formalised «talent pool» (ensure a balancing between men and women – tolerance of 5% - in the «talent pool» constant over the years of the Plan).

Measurement criteria:

- Score 4: reaching the target in at least three dimensions and not less than 10% compared to target in the remaining dimension;
- Score 3.5: reaching the target in at least two dimensions and a result not more than 10% below target in the other two dimensions;
- Score 3: reaching the target in at least two dimensions.
- ✓ **Top ESG Rating**, with a weight of 10% on the LTI Goal Card, a score calculated by way of the following measurement in 2023:
  - Score 4: improve the Standard Ethics and CDP ratings to at least Investment Grade compared to the first half of 2021 and reach the three “Environment” targets as envisaged by illimity’s Strategic Plan: maintaining Group Carbon Neutrality (Scope 1 and Scope 2),



assess and address financed emissions, exploit energy desk by re-activating renewable energy plants;

- Score 3.5: reach the three “Environment” targets as envisaged by illimity’s Strategic Plan;
- Score 3: reach at least two “Environment” targets as envisaged by illimity’s Strategic Plan.

The ESG objectives in the LTI Plan derive from the commitments assumed in the sustainability sphere and envisaged in the new Strategic Plan, with particular reference to environmental, social and governance issues.

For the Manager in Charge of Drafting the Financial Statement and the Head of the Human Resources & Organization a qualitative appraisal of performance over the three years, with the same weight, is carried out by the Chief Executive Officer to replace the ROAE, this based on the results achieved as part of the annual Performance Management process.

For the 2022-2024 and 2023-2025 cycles, on receipt of the prior opinion of the Remuneration Committee, the Board of Directors will identify the KPIs and the relative targets consistent with the business strategy, noting these in the 2022 Remuneration Policy and the 2023 Remuneration Policy respectively.

Within 30 days of the date of the Company’s Shareholders’ meeting that approves illimity’s financial statements at the end of each three-year cycle (2023-2024-2025), the Board of Directors will ensure that the conditions defined as gates have been satisfied and establish the extent to which the Performance Objectives have been met, and therefore determine the number of Rights actually vested and the number of shares to be granted.

#### *Means of granting the shares and deferral*

For the Beneficiaries identified as Material Risk Takers at the end of each performance cycle, 80% of the Shares envisaged for each cycle are granted/disbursed at the end of each (the up-front portion) and 20% in the following year (the deferred portion), without prejudice to the need to satisfy the conditions established as “entry gates” also in the year of deferral. Both the up-front portion and the deferred portion are subject to a lock-up period.

For the remaining beneficiaries, 100% of the shares envisaged for each cycle are granted/disbursed after the end of the lock-up period.

#### *Lock-up period and dividend equivalent*

The shares granted are additionally subject to a 6-month lock-up period starting on the Delivery Date, during which they are not at the Beneficiaries’ disposal and may accordingly not be sold to third parties or pledged. Consistent with regulatory provisions, the Beneficiaries vest the right to the recognition of dividends distributed during the lock-up period. In addition to the vested shares, at the end of the lock-up period an additional number of shares is therefore recognised having the equivalent value of any dividends that may have been distributed in the same period (the “dividend equivalent”).

#### *Guidelines for share ownership*

Guidelines for share ownership have been introduced for the Chief Executive Officer and Key Members of Management to accompany the start of the long-term incentive plan based on shares as a means of emphasising alignment with the long-term interests of shareholders.

The recipients of these Guidelines undertake to keep a percentage of the available shares, deriving from the new LTI Plan, until a specific target level has been reached. More specifically, the guidelines for share ownership have the following features by category of beneficiary:

- the Chief Executive Officer must hold 100% of fixed remuneration in shares up to the end of his or her term, accumulated for at least 75% of the shares awarded by way of the Plan (net of any fiscal effect), until the target amount is reached;
- Executives with Strategic Responsibilities must hold 75% of fixed remuneration in shares up to the end of the period for which they are defined as Executives, accumulated for at least 50% of the shares awarded by way of the Plan (net of any fiscal effect), until the target amount is reached.

The level of share ownership is measured starting from the end of 2024, using the share price at the grant date.

#### *Malus and clawback*

Lastly, the vested Rights are subject to Malus and Clawback conditions, namely contractual clauses that enable the variable remuneration yet to be paid to the employee to be reduced – even down to zero – (Malus) and/or the requirement to be made to return, also in part, the variable remuneration (or variable emolument) already paid as the result of ex post negative assessments of business or individual performance, or in the event of fraudulent conduct or gross negligence by the employee (Clawback). These conditions are expressly governed by the internal procedure “Process for the application of the malus and clawback mechanisms connected with individual conduct”.

Further information on the features of the LTIP Plan, including the effects of the termination of the Employment Relationship on the awarded rights as part of incentive plans based on financial instruments, can be found in the relative Information Document, prepared and published by the Bank pursuant to Schedule 7 of Attachment 3A to the Issuers’ Regulation and available on the Bank’s website [www.illimity.com](http://www.illimity.com) under the **section Governance/Remuneration**.

## **15. VARIABLE REMUNERATION OF OTHER GROUP MATERIAL RISK TAKERS AND KEY PERSONNEL**

The variable remuneration of Material Risk Takers - other than the Chief Executive Officer and Top Management - and the Group’s other key personnel consists of:

- The **2021-2025 Long-Term Incentive Plan** (for the beneficiaries of the previous SOP incentive plan and any new beneficiaries identified from year to year): the scheme is the same as that described in the previous paragraph. The individual grants of long-term variable opportunity depend on the beneficiary’s role and seniority, in accordance with the limits of the variable to fixed ratio envisaged for the various employee categories;
- the **Short-Term Incentive Plan - MBO**.

The following section provides a description of the MBO scheme for 2021, with specific details for Key Personnel.

### MBO incentive scheme

As noted above, the 2021 MBO scheme – intended for all of the Bank's employees, albeit structured in different ways - seeks to reward the progress made in reaching the annual targets and the adoption of conduct consistent with long-term planning, while at the same time supporting the dissemination of a “value building” culture in accordance with the risk management objectives set out in the Bank's Risk Appetite Framework, consistent with applicable regulatory provisions.

Granting of the variable remuneration arising from the MBO scheme for 2021 is dependent on achieving the targets and behaviors included in the individual Goal Card given to each Beneficiary. The assessment of individual performance is based on role and organisational position and may therefore include, with different weightings:

- Group objectives (financial & risk) in line with the targets set for 2021 in the Strategic Plan;
- business objectives/strategic initiatives linked to the business results of the area of reference and/or the implementation of strategic initiatives (assigned on the basis of individual responsibilities compared to the implementation of the plan's directional lines);
- ESG objectives, linked to People Engagement and to illimity's skills and leadership model.

Targets are consistent with the type of business conducted by the Group company in which the beneficiaries work and with any specific provisions of law applicable to the sector.

Targets are solely linked to the specific responsibilities and illimity's leadership model for the Group Material Risk Takers in Control Functions as well as for the Head of *Human Resources & Organization* and the Manager in Charge of Drafting the Financial Statement of illimity Bank S.p.A.

No breach of internal or external regulations is acceptable and no exceptions are made to this rule.

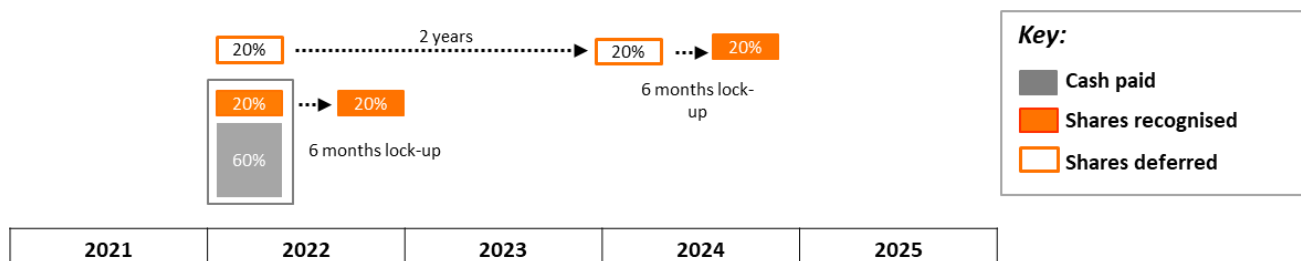
The target incentive is contained for all beneficiaries, consistent with the alignment of the remuneration strategy to the business strategy, focused on adaptation to the opportunities of variable potential in a gradual manner, in line with the results of the Plan. The actual Bonus is determined, subject to the availability of the Bonus Pool, on the basis of the extent to which the assigned targets have been met.

The granting of the corresponding variable remuneration is dependent on satisfying the following gates:

- **CET1 Ratio**  $\geq$  tolerance threshold defined in the RAF for the measurement at 31/12/2021;
- **LCR Ratio**  $\geq$  tolerance threshold defined in the RAF for the measurement at 31/12/2021;
- **Net income**  $> 0$  at 31/12/2021;
- **No breach of laws, regulations or business codes** at an individual level.

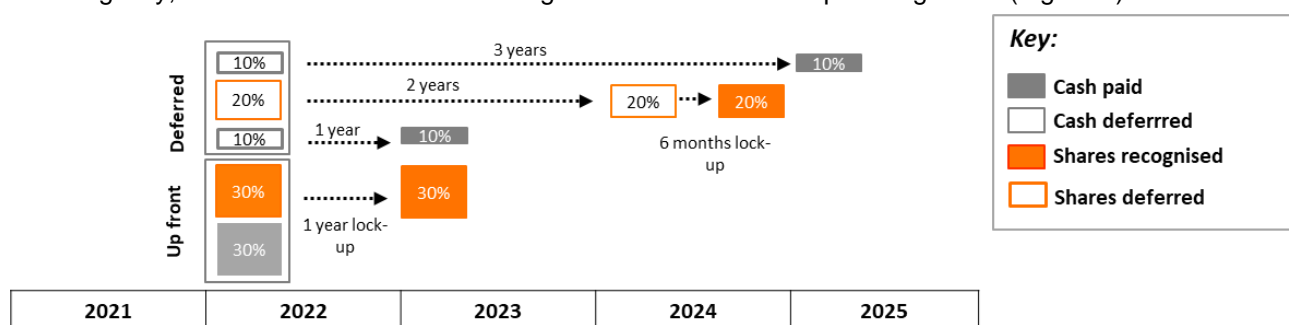
In addition, with regard to the Group Material Risk Takers, alongside the risk assessment already provided on the approval of the “vested” Bonus Pool at an overall level, the introduction of an “individual risk assessment” is also envisaged with regard to the business areas, in case of the definition of any significant individual Bonuses, designed to identify any potential inconsistency between the results achieved, their sustainability with respect to the RAF and the remuneration levels attained.

With regard to the remaining Material Risk Takers, any award is as follows (Figure 5): 80% up-front (of which 60% in cash and 20% in the Bank's ordinary shares) and 20% deferred for three years (to be settled, in the absence of malus, in the Bank's ordinary shares). The component in illimity ordinary shares is subject to a lock-up period of 6 months for the part settled up-front and of 6 months for the deferred portion.



**Figure 5 - Pay-out scheme for the remaining Key Personnel (bonus ≥ 80K/Euro)**

With regard to the same Group Material Risk Taker population, if the target variable remuneration<sup>13</sup> is greater than 100% of the Fixed Remuneration, the significant amounts relating to the 2021 MBO will be settled in the following way, in accordance with that envisaged for the CEO and Top Management (Figure 6):



**Figure 6 - Pay-out scheme for the remaining Key Personnel with cap > 100% and bonus ≥ 80K/Euro**

The Bonus is in any case paid wholly up-front and in cash in the case of annual variable remuneration of less than EUR 80,000.

The above deferral scheme is also consistent with the stricter requirements in terms of deferral applicable to variable remuneration exceeding EUR 424,809, the regulatory threshold identified as the lower of 25% of the remuneration of Italian high earners, as per EBA data at 31 December 2017, and 10 times the average total remuneration of the Group's employees<sup>14</sup>.

Recognition of the deferred portions is also dependent on satisfying the capital and liquidity requirements as of 31 December of the year in question, in line with the limits defined from year to year in the gates of the remuneration and incentive policies in force at the time.

The cash portion of the vested Bonus to be settled up-front will be paid out on condition that at the time of the actual payment the Employment Relationship is still in force, meaning that it has not already been terminated or that notice has not been given.

<sup>13</sup> Considering all the forms of variable Remuneration, on a pro-rata basis as applicable; more specifically, the MBO annual variable incentive plan, the Employee Stock Ownership Plan (ESOP) and the Long-Term Incentive Plan (LTI).

<sup>14</sup> illimity elects the option, available under supervisory provisions, to update this level on a three-yearly basis.

In the event of termination of the Employment Relationship during the deferral period, in the case of a “good leaver”, as governed by the Regulation of the 2021 MBO Plan, the Beneficiary will be entitled to receive the portions of bonus that have vested.

Lastly, ex post correction mechanisms (Malus and Clawback) are envisaged, as contained in the Regulation of the 2021 MBO Plan. In particular, in consideration of the achievement level of the targets, incentives may fall as low as zero.

A request for revocation or return may be made for the whole of the incentive granted, wholly or in part, in case of the verification of one of the following events within 5 years of the grant date:

- a breach of legal or regulatory provisions or those of the Bylaws or any applicable codes of ethics or conduct, leading to a significant loss for the Bank, for the individual subsidiary or for the respective customer(s);
- a breach of specific legal or regulatory provisions or those of the Bylaws or any applicable codes of ethics or conduct, regardless of the losses that may result;
- a breach of the obligations regarding corporate officers, concerning their suitability for the position, possession of the professionalism, integrity and independence requirements or the satisfaction of the competence and propriety criteria;
- a breach of the rules set out in the “Transactions with parties forming part of the illimity Banking Group’s Single Perimeter”
- a breach of remuneration and incentive obligations;
- fraudulent conduct to the detriment of the Bank;
- negligent or incompetent conduct (“gross negligence”) to the detriment of the Bank.

Further information on the features of the 2021 MBO Plan, including any effects arising from the cessation of the relationship on the rights assigned as part of incentive plans based on financial instruments, can be found in the relative Information Document, prepared and published by the Bank pursuant to Schedule 7 of Attachment 3A to the Issuers’ Regulation and available on the Bank’s website [www.illimity.com](http://www.illimity.com) under the **section Governance/Remuneration**.

## 16. VARIABLE REMUNERATION OF THE OTHER MEMBERS OF STAFF

All the Group’s personnel, with the exclusion of those in illimity SGR S.p.A., are involved in the MBO scheme for 2021, with the aim of rewarding an individual’s contribution to the implementation of the Plan’s directional lines and the achievement of the annual targets and incentivising the adoption of conduct consistent with long-term planning, while at the same time supporting the dissemination of a “value building” culture in accordance with the risk management objectives set out in the Bank’s Risk Appetite Framework, consistent with applicable regulatory provisions.

The granting of variable remuneration in connection with the 2021 MBO Plan is dependent on achieving the profitability targets and alignment with Group level risk, function targets and conduct consistent with illimity’s system of values. The objectives are structured as follows:

- Group objectives (financial & risk), in line with the targets set for 2021 in the Strategic Plan;

- business objectives linked to the results of the area of reference and/or the implementation of initiatives (assigned on the basis of individual responsibilities compared to the implementation of the plan's directional lines);
- conduct consistent with illimity's behaviors model (illimity's leadership model for holders of managerial positions).

Targets are consistent with the type of business conducted by the Group company in which the beneficiaries work and with any specific provisions of law applicable to the sector.

No breach of internal or external regulations is acceptable and no exceptions are made to this rule.

The Bonus payable is determined, subject to availability in the Bonus Pool, on the basis of the extent to which the assigned targets have been met.

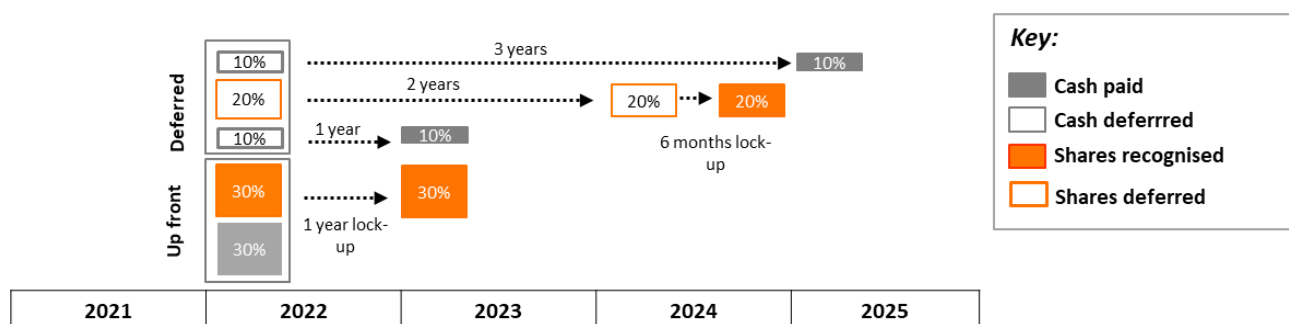
Payment of the corresponding variable remuneration is dependent on satisfying the following gates:

- CET1 Ratio  $\geq$  tolerance threshold defined in the RAF for the measurement at 31/12/2021;
- LCR Ratio  $\geq$  tolerance threshold defined in the RAF for the measurement at 31/12/2021;
- Net income  $> 0$  at 31/12/2021;
- No breach of laws, regulations or business codes at an individual level.

In addition, with regard to personnel for whom the ratio between variable remuneration and fixed remuneration is greater than or equal to 100% and who belong to the business functions, the introduction of an "individual risk assessment" is also envisaged in case of the definition of any significant individual Bonuses, designed to identify any potential inconsistency between the results achieved, their sustainability with respect to the RAF and the remuneration levels attained.

The Bonus vested on achieving the set targets and after ensuring that the access conditions have been satisfied is settled up-front in cash.

If the target variable remuneration<sup>15</sup> is greater than 100% of the Fixed Remuneration, the significant amounts relating to the 2021 MBO will be settled in the following way, in accordance with that envisaged for the CEO and Top Management (Figure 7):



**Figure 7 - Pay-out scheme for the remaining personnel with cap > 100% and bonus  $\geq$  80K/Euro**

<sup>15</sup> Considering all the forms of variable remuneration, on a pro-rata basis as applicable; more specifically the MBO annual variable incentive plan, the Employee Stock Ownership Plan (ESOP) and the Long-Term Incentive Plan (LTI).

The portion in cash of the vested Bonus to be settled up-front will be paid out on condition that at the time of the actual payment the Employment Relationship is still in force, meaning that it has not already been terminated or that notice has not been given.

In case of the termination of the Employment Relationship, the provisions described in the relative Regulation will apply to any deferred portions and/or shares in lock-up, with respect to the various cases of “good leaver”/“bad leaver”.

Further information on the features of the 2021 MBO Plan, including any effects arising from the cessation of the relationship on the rights assigned as part of incentive plans based on financial instruments, can be found in the relative Information Document, prepared and published by the Bank pursuant to Schedule 7 of Attachment 3A to the Issuers’ Regulation and available on the Bank’s website [www.illimity.com](http://www.illimity.com) under the section **Governance/Remuneration**.

## 17. DETERMINATION OF THE BONUS POOL FOR THE ANNUAL INCENTIVE SCHEME (MBO)

In accordance with the relevant supervisory provisions, the total amount of variable remuneration that may be paid at a Group level (Bonus Pool) is determined on the basis of 2021 profitability, risk parameters compared to the Risk Appetite Framework and the extent to which the Plan objectives have been met for the reference year.

The connection between profitability, risk and remuneration is established via the direct link between the Bonus Pool and the results of the performance of the business, measured by the use of consolidated *Profit Before Tax*, in accordance with the following scheme approved by the Board of Directors on 25 February 2021 after receiving the favourable opinion of the Remuneration Committee and the Risk Committee:



After receiving the motivated opinion of the Remuneration Committee and consulting with the Risk Committee and the Board of Statutory Auditors, the Board of Directors may confirm the Bonus Pool, increase it by up to 20% or reduce it to zero, taking into consideration the results of the assessments made separately by the CRO and the CFO.

## 18. EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

The aim of the ESOP is to motivate and engage all employees over the period of the Plan by giving them the opportunity to become shareholders of the Company.



The ESOP is intended for all the employees of the Bank and/or the Group and provides for the awarding of a maximum number of the Bank's ordinary shares for each annual cycle.

More specifically, the ESOP's beneficiaries are employees who have either (i) an outstanding permanent employment contract with the Bank or one of the Group companies, or (ii) a fixed-term contract, in being for at least 6 months and with a remaining term of at least 6 months with respect to the award date of each annual cycle (the "Employment Relationship").

The implementing regulation approved by the Board of Directors of Banca Interprovinciale S.p.A. on 18 January 2019 provides, in accordance with the resolution adopted by the Shareholders' Meeting of 18 January 2019 and in line with the regulatory and supervisory provisions applicable to the Bank, that the value of the ordinary shares of the Bank to be awarded to beneficiaries as a whole, with the exception of persons having an Employment Relationship under which they qualify as "*Dirigenti*" managers, shall amount to EUR 2,000. For beneficiaries who are "*Dirigenti*", the value of the Bank's ordinary shares is EUR 100.

Further information on the features of the ESOP, including any effects arising from the cessation of the relationship on the rights assigned as part of incentive plans based on financial instruments, may be found in the Information Document on the ESOP, prepared and published by the Bank pursuant to Schedule 7 of Annex 3A of the Issuers' Regulation and available on the Bank's website [www.illimity.com](http://www.illimity.com) under the **section Governance/Remuneration**.

## 19. RISK ALIGNMENT (MALUS AND CLAWBACK)

The variable remuneration awarded as part of the described schemes may be reduced to zero in case of:

- evidence of individual breach compliance, following the reporting of serious matters by the control functions or by the Supervisory Authorities. More specifically, on the occurrence of such a situation, the Chief Executive Officer, after consulting with the Head of the *Human Resources & Organization* Department, may assess the need for a possible reduction of the Bonus, even down to zero. In the event such findings relate to persons belonging to the control function or to the Group Material Risk Takers, the relative decisions are taken after receiving the opinion of the Remuneration Committee;
- failure to satisfy the gates envisaged by the reference Policy on the vesting of the deferred portion.

In line with current provisions, all employees shall moreover mandatorily return the whole of the variable remuneration paid in case of the verification of one of the following events within 5 years of the payment date, in terms of both the up-front component and the deferred component:

- a breach of legal or regulatory provisions or those of the Bylaws or any applicable codes of ethics or conduct, leading to a significant loss for the Bank, for the individual subsidiary or for the respective customer(s);
- a breach of specific legal or regulatory provisions or those of the Bylaws or any applicable codes of ethics or conduct, regardless of the losses that may result;
- a breach of the obligations regarding corporate officers, concerning their suitability for the position, possession of the professionalism, integrity and independence requirements or the satisfaction of the competence and propriety criteria;



- a breach of the rules set out in the “Transactions with parties forming part of the illimity Banking Group’s Single Perimeter”
- a breach of remuneration and incentive obligations;
- fraudulent conduct to the detriment of the Bank;
- negligent or incompetent conduct (“gross negligence”) to the detriment of the Bank.

## **20. PROHIBITION OF HEDGING STRATEGIES**

Personnel shall not use strategies for personal hedging or insurance on their remuneration that may alter or invalidate the effects of risk alignment inherent in the remuneration mechanisms governed by this present Policy.

In accordance with the provisions introduced by Title IV, Chapter 2, Section 1, paragraph 5 of Circular no. 285/2013, illimity requires Material Risk Takers to communicate any financial investments they have made which may affect risk alignment mechanisms and, more generally, the objective of prudent risk management, in order for these to be taken into account in establishing the mechanisms for alignment to the incentive scheme risk, as well as the existence or opening of custody and administration accounts with other intermediaries.

The Compliance & AML function conducts sample tests to ensure compliance with this prohibition, informing the *Human Resources & Organization* Department of the outcome.

## **21. COLLABORATION AND PROFESSIONAL ENGAGEMENTS**

The criteria underlying the granting of professional and collaboration engagements are based on the principles of expertise, cost-effectiveness, transparency and propriety.

All compensation and/or amounts paid for whatever reason to the above parties shall be appropriately documented and in any case be proportionate to the work performed, also taking into consideration market terms and conditions and applicable laws and regulations.

More specifically, with reference to members of professional institutes, fees shall be agreed in advance under the most advantageous conditions for the Bank, taking into account the nature of the engagement and market terms and conditions.

Relations with collaborators are governed on the basis of a “standard contract” in which the work to be performed and the agreed fee are specified.

In accordance with regulatory provisions, also collaborators are assessed as part of the process for identifying Material Risk Takers, and if identified as such are subject to the relative rules and regulations.

## **22. SPECIFIC REQUIREMENTS FOR THE REMUNERATION OF THE STAFF OF THE DIRECT BANKING DIVISION AND THE FACTORING AREA: PROTECTION OF RETAIL CUSTOMERS**

In performing the activity of placing banking and payment products, as governed by the provisions of the Consolidated Law on Banking and the Consolidated Law on Finance, illimity pays constant attention to the interests and needs of its customers, and accordingly makes the transparency of the contractual conditions

and the correctness of conduct priority values for its employees, with reputation being an integral part of its business model. Total reward, including the variable component of remuneration and the training and development offer, establishes customer satisfaction and loyalty as one of the Bank's priority objectives. In addition, the organisational and procedural structure is designed to prevent risks of a legal and reputational nature connected with customer relations.

In order to respond to the requirements envisaged by the Transparency Provisions on the policies and practices that intermediaries must adopt for remunerating personnel and third parties forming part of the sales network (for retail customers), the incentive schemes of the **Direct Banking Division** and the **Factoring Area** are based on the following principles:

- Group objectives (financial & risk), in line with the targets set for 2021 in the Strategic Plan;
- business objectives/strategic initiatives, linked to the business results of the area of reference and/or the implementation of strategic initiatives (assigned on the basis of individual responsibilities with respect to the implementation of the plan's directional lines) which take into account customer satisfaction and the interests of customers;
- ESG objectives, linked to People Engagement;
- the illimity skills and leadership model.

The objectives linked to the individual contributions comply with the following principles:

- they are determined in accordance with business objectives and values and long-term strategies;
- they are inspired by the criteria of diligence, transparency and propriety in customer relations, the containment of legal and reputational risks and customer protection and loyalty;
- they are not exclusively based on commercial objectives and do not act as an incentive to place products that are unsuitable for the needs and financial requirements of customers;
- remuneration does not cause incentives that may induce personnel to pursue their own interests or those of the intermediary to the detriment of customers;
- account is taken of any risk that may constitute a harm for customers, adopting suitable precautions;
- any variable component of remuneration:
  - ✓ is, therefore, based on quantitative and qualitative criteria;
  - ✓ does not constitute an incentive for offering a specific product or a specific category or combination of products if this may lead to harming customers;
  - ✓ is suitably balanced compared to the fixed component of remuneration;
  - ✓ is subject to adjustment mechanisms that allow for the reduction (also significant) or zeroing of the component.

In particular, the parties for whom these guidelines are intended (hereinafter the “relevant subjects”) are identified as relationship personnel and staff who creates, develops and launches products and services for retail customers, as well as those to whom they report hierarchically.

*Data as of 30/09/2021*

Area/Division	Subjects that offer products to customers	Subjects to whom they respond hierarchically
Team Factoring	17	2
Team Products, Partnership & Open Banking	6	2

## 23. AGENTS, MEDIATORS AND FINANCIAL CONSULTANTS

As things currently stand, for agents in financial activity, financial consultants and mediators other than the Bank’s employees, remuneration is generally “recurring” and relates to the typical operations performed by the agent/consultant/mediator and accordingly does not include any incentive mechanisms (by way of example recurring fees include those paid on the basis of a “fixed” percentage of the volumes contributed and/or the profitability generated by the referred business).

In addition, in accordance with regulatory provisions, financial agents, financial consultants and mediators are assessed as part of the process for identifying Material Risk Takers and if identified as such are subject to the relative rules and regulations.

If the activity of the agent/consultant/mediator can be classified as the placement of banking products and services, any non-recurring compensation is governed by the provisions of paragraph 22.

## 24. REMUNERATION OF THE PERSONNEL OF ILLIMITY SGR

The authorisation process for the formation of an Asset Management Company (SGR) within the Banking Group was completed in 2020.

The company is subject to the laws and regulations governing the sector that derive from the transposition into Italian law of the AIFM Directive, as included in the Bank of Italy’s Regulation issued on 5 December 2019 in implementation of article 4-*undecies* and article 6, paragraphs 1b) and 1c-*bis*), of the TUF, taking into account the specifics envisaged in case of membership of a Banking Group and the transitional and final provisions of Circular no. 285/2013 on remuneration and incentive policies and practices.

The SGR has prepared a Remuneration and Incentive Policy for its personnel which is consistent with the principles and aims of the Group’s Remuneration Policy and takes into account applicable regulatory provisions, with particular reference to:

- the role of the shareholders’ meeting and the corporate bodies, providing for governance processes consistent with the size and complexity of the SGR, within the scope of the parent company’s coordination and control role<sup>16</sup>;

<sup>16</sup> The parent company prepares the document on the remuneration and incentive policies of the whole banking group, ensures their overall consistency, provides the necessary guidelines for their implementation and verifies that they have been properly applied, without

- the identification of Material Risk Takers at an SGR level and the contribution to the process of identifying the Group Material Risk Takers;
- a clear distinction between fixed remuneration and variable remuneration, the latter including any incentive schemes based on “carried interest”;
- the establishment of an upper limit to variable remuneration of 2:1 compared to fixed remuneration;
- incentive schemes parameterised to the performance indicators of the SGR and the AIFs managed and measured excluding the risks concerning their operations and taking account of the level of capital and of the liquidity needed to deal with the assets and investments undertaken in the SGR and the funds established, through the determination of SGR “entry gates”, in addition to the conditions established at a Group level, and of mechanisms for determining the “Bonus Pool”;
- specific provisions for malus conditions at an SGR level (in addition to the conditions established at a Group level) and clawback mechanisms;
- specific provisions for the termination of the Employment Relationship or termination of office;
- requirements for remuneration disclosures.

The company may also introduce incentive schemes based on the performance of funds, such as performance fees or carried interest in line with the regulations applicable to the specific form of incentive.

By way of its “Guidelines for Identifying the Material Risk Takers of the Banking Group” (Annex 1), the Group also includes the personnel of the Asset Management Company in the process of identifying Material Risk Takers. The qualitative criteria provided by the EBA technical standards are also adopted in performing the relative analysis, with particular reference to the possibility of significantly affecting the Group’s risks within the ambit of material operating units and/or taking into account the impact on the economic, financial and reputational risk to which they may expose the Group. The quantitative criteria provided by the laws and regulations governing any exclusion mechanisms and parameters are also adopted for inclusion in the perimeter.

The deferral rules envisaged at a Group level are activated for the personnel of the SGR included as “Group Material Risk Taker” (percentages and time horizon of deferral), without prejudice to the provisions of laws and regulations applicable to the sector.

## **25. COMPENSATION FOR EARLY TERMINATION OF THE EMPLOYMENT RELATIONSHIP AND/OR EARLY TERMINATION OF OFFICE**

On termination of the Employment Relationship, illimity may make additional payments to individual employees of the Group exceeding the amounts due by law and under any applicable national and local company collective bargaining agreements (including the employees’ leaving entitlement “TFR”, compensation in lieu of notice, compensation in lieu of accrued vacation not taken, etc.).

Such compensation represents “Golden Parachutes” within the meaning assigned by Circular no. 285/2013 for persons to whom this regulation is applicable.

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prejudice to the responsibility of the Asset Management Company to comply with directly applicable laws and regulations and the proper implementation of the guidelines provided by the parent company.

Golden Parachutes are incentives that may be agreed by the Bank or other Group companies with individual employees or collaborators in view of or on the occasion of the early termination of the Employment Relationship (in the case of a fixed-term contract before the natural end of the term of that contract) or on the early termination of office on condition that there is an initiative and/or an interest of the Bank in that direction.

As a result, in the case of resignation or in any other situation where payment does not comply with the Group's interests, the conditions for negotiations between the parties for said agreements do not exist.

The amount resulting from applying such clauses/agreements may not, however, exceed a ceiling of 24 monthly instalments of fixed remuneration, established on initiating the agreement by taking into consideration the Group's overall results and the employee's individual performance and also taking into account the duration of the Employment Relationship.

Such amount may in any case not exceed the ceiling of EUR 1,100,000.00, notwithstanding the revision to the Chief Executive Officer's fixed remuneration approved by the Shareholders' Meeting of 22 April 2021.

Such ceilings shall include any amounts attributed to non-competition agreements.

For professionals having key characteristics which are such that the termination of the relationship may lead to risk, the Bank reserves the right to establish non-competition agreements from time to time that provide for the recognition of compensation commensurate with the duration and extent of the restriction determined by such agreement on conclusion of the Employment Relationship and/or termination of office.

In accordance with regulatory provisions, if the relative fees are determined in an amount of up to one year's fixed remuneration there is no need to ascertain whether they are in line with the Bank's overall results, individual performances or the duration of the Employment Relationship, or with the rules on the way in which the payment is made, with particular reference to deferral, malus and the division between cash and financial instruments.

"Golden Parachutes" are included in the calculation of the ratio between the variable and fixed remuneration of the most recent year of the Employment Relationship or of holding office, with the exception of:

- amounts agreed and recognised within a non-competition agreement for the portion which, for each year of the agreement's term, does not exceed the most recent annual amount of fixed remuneration;
- amounts agreed and recognised as part of an agreement between the Bank and the personnel, howsoever reached, for the settlement of a current or potential dispute determined by multiplying 3 monthly instalments of annual global remuneration (gross annual remuneration for the most recent year with the addition of the average of the amounts recognised under the annual incentive scheme, whether upfront or deferred over subsequent years, for the previous two years) by the number of years of seniority, or, with reference to the Key Personnel identified within the business control functions, 12 monthly portions of annual global remuneration determined by the same means, and in any case within the ceiling set by the Shareholders' Meeting.

Any compensation recognised as a Golden Parachute shall be paid in cash generally within one year of the termination of the Employment Relationship and/or termination of office, or, with reference to any components regarding non-competition agreements, on the basis of the timetable established by such agreements.

In case such compensation is recognised for Material Risk Takers, with the exception of any amount recognised within a non-competition agreement which is fully payable in cash and on the basis of the timetable established by such agreements, if the amount exceeds EUR 80,000 settlement is made as to 60% in cash

and 40% in financial instruments. The cash component is all paid up-front. 50% of the component in financial instruments is settled up-front and 50% is deferred for two years and is subject to verification of the capital and liquidity requirements in the year of settlement. Both the up-front component and the deferred component of financial instruments are subject to a lock-up period of 6 months.

The means by which the above are determined and settled may be varied over time on the basis of the evolution of the characteristics and complexity of the Bank and considering the evolution of the applicable regulatory framework.

Any compensation disbursed is subject to the malus and clawback rules provided for variable remuneration. In particular, the Bank will take action to obtain the refund of any amounts paid, in terms of both the up-front component and the deferred component, in case of the verification of one of the following events within 5 years of the payment date: conduct during the Employment Relationship by the employees, directors or collaborators who are beneficiaries of such, that is in breach of internal or external laws or regulations and has caused the Bank to incur a loss that is considered “significant”; breach of the conditions and limits for assuming risk activities with respect to parties that may exercise an influence on the management of the Bank and associated parties (pursuant to article 53, paragraph 4 and following of the TUB); breach of remuneration and incentive obligations or fraudulent conduct or gross negligence; with reference to Executives with Strategic Responsibilities who are beneficiaries of variable remuneration, in case of data relating to the gates or vesting conditions that subsequently turn out to be manifestly wrong.

The amounts as determined above replace those envisaged by collective bargaining agreements in case of dismissal and will only be recognised against the signing of an agreement with the manager relating to the Employment Relationship and any positions held, as part of a general novation settlement. Such agreements are additionally established after taking into consideration all applicable laws and regulations, as a result of which the payments and disbursements due on the basis of legal provisions are not affected.

There are no outstanding agreements that bind the Bank to the payment of compensation for the early cessation of office with respect to the end of the term for which they have been mandated, in respect of members of the Board of Directors or the Board of Statutory Auditors.

The above rules are not applicable to the amounts agreed in view of or on the occasion of early termination of the Employment Relationship or termination of office of either Key Personnel or other personnel as part of extraordinary operations (such as mergers) or business restructuring processes in the cases they respond to a logic of business cost containment and the rationalisation of the personnel structure and do not exceed EUR 100,000.00.

In the same way, with the exception of compliance with the ceiling in absolute terms or in terms of the number of months' remuneration approved by the Shareholders' Meeting, the rules described do not apply to leaving incentives also connected with extraordinary operations (such as mergers) or business restructuring processes and paid to non-Material Risk Takers, provided they respond exclusively to a logic of business cost containment and the rationalisation of the personnel structure and encourage acceptance of the support measures, envisaged by law or collective bargaining agreements, for employees as a whole, and do not produce distortionary effects ex ante on the conduct of the staff.

In both cases the amounts recognised are subject to clawback mechanisms in case of fraudulent conduct or gross negligence to the detriment of the Bank.

## 26. TERMINATION OF THE EMPLOYMENT OR COLLABORATION RELATIONSHIP

The assignment of the vested portions linked to the short- and long-term incentive schemes envisaged by this Policy are inherently and functionally connected with and conditioned by the continuation of the Employment or Collaboration Relationship as well as that of the Beneficiary's mandate/position.

The termination of the Employment Relationship during the vesting period for each three-year cycle for the LTI Plan and each annual cycle for the MBO Plan due to:

- i. the Beneficiary's voluntary resignation, or
- ii. the termination of the Employment Relationship on the Company's initiative for just cause or justified reason,

will lead to the status of "bad leaver" and the automatic, final and irrevocable loss by the Beneficiary of the long-term variable opportunity awarded up to that time, but not yet vested – with reference to the LTI Plan<sup>17</sup> – and of any deferred portions and/or portions in shares in lock-up – with reference to the MBO.

The termination of the Employment or Collaboration Relationship due to:

- i. death or
- ii. a debilitating event that leads to the impossibility for the Beneficiary to continue the Relationship in a proper way or
- iii. retirement or
- iv. dismissal for just cause, unjustified dismissal or the consensual termination of the Employment or Collaboration Relationship,

will lead to the status of "good leaver" and the Beneficiary (or his or her heirs) will remain:

- with reference to the LTI Plan, the holder(s) of the vested rights for the individual vesting cycles if the termination of the Employment or Collaboration Relationship occurred subsequent to the end of the individual vesting period and/or the holder(s) of the portion of long-term variable opportunity determined pro-rata temporis in case of termination during a specific vesting cycle. The remaining variable opportunity not yet vested will be forfeited;
- with reference to the MBO Plan, the holder of the right to receive the vested but deferred portions of bonus.

If the termination of the Employment or Collaboration Relationship occurs before the Vesting Date and the Beneficiary qualifies as a "good leaver", the variable opportunity vests at the natural deadline of the relative vesting and lock-up period envisaged for each cycle, without prejudice to the need to assess the gate conditions, to ensure that the performance objectives have been met and to verify the malus conditions.

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<sup>17</sup> During the lock-up period the Beneficiary keeps the Rights relating to the vested and granted cycle, whatever be the cause of the termination of the Employment Relationship, with the exception of the activation of clawback procedures in line with the provisions in this respect of illimity's remuneration and incentive policy current at the time.



## ANNEX 1 - GUIDELINES FOR IDENTIFYING THE MATERIAL RISK TAKERS OF THE BANKING GROUP

### 1. Introduction

The current regulatory framework on remuneration and incentives at a European Union and national level - respectively Directive (EU) 2019/878 (CRD V) and Circular 285 of the Bank of Italy of 17 December 2013 - provides that banks and banking groups must carry out an annual process to identify the staff whose activity has, or may have, a material effect on the risk profile of the bank or banking group ("Material Risk Takers" - MRTs). Banks are also required to establish a policy for the process of identifying Material Risk Takers which forms an integral part of the remuneration and incentive policy approved annually by the Shareholders' Meeting.

On 18 November 2020, the Bank of Italy submitted for public consultation proposed amendments to the supervisory provisions on the remuneration policies and practices of banks and banking groups contained in Circular no. 285 of the Bank of Italy of 17 December 2013. This consultation, which ended on 17 January 2021 – with the final document yet to be published – is designed to incorporate the changes introduced by Directive (EU) 2019/878 (CRD V) – which amends Directive 2013/36/EU (CRD IV) – and takes into account the proposals for the revision of the EBA's Guidelines on Remuneration Policies and Practices<sup>18</sup>.

More specifically, CRD V remits to the EBA the responsibility for the preparation of a draft of Regulatory Technical Standards ("RTS"), a document designed to determine the correct definitions and the criteria for a precise identification of all material risk takers. Commission Delegated Regulation (EU) 2021/923 was published on 9 June 2021 – supplementing Directive 2013/36/EU (CRD IV), as amended by Directive (EU) 2019/878 (CRD V), and incorporating the draft of the RTS issued by the EBA – establishing qualitative and quantitative criteria for identifying which categories of staff have a material impact on the institution's risk profile as a result of their professional activities. The new legislation repeals and replaces the previous Commission Delegated Regulation (EU) No 604/2014 on the subject.

All this said and considered, illimity has prepared the present Guidelines (drawn up to determine roles and responsibilities as part of the process to identify illimity's Material Risk Takers) and consequently identified the Material Risk Takers for 2021 in accordance with the criteria envisaged by the new regulatory framework.

At a European Union level:

- Directive 2013/36/EU (CRD IV), as amended by Directive (EU) 2019/878 (CRD V), which governs the qualitative and quantitative criteria for identifying the categories of staff whose professional activities have a material impact on the institution's risk profile;
- Commission Delegated Regulation (EU) 2021/923 (hereinafter also the "Delegated Regulation"), which supplements CRD V, governing:
  - ✓ qualitative criteria, in that these regard the role, decision-making power and managerial responsibility of staff members, also taking into consideration the Group's internal organisation and the nature, extent and complexity of the activities performed;
  - ✓ quantitative criteria, in that these regard the thresholds for the level of the total gross remuneration paid. There is, however, the possibility of excluding certain staff members,

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<sup>18</sup> In fact, the latter was designed to update the Guidelines on sound remuneration policies, issued in implementation of the provisions of article 74, paragraph 3 of CRD IV (EBA/GL/2015/22) to bring such guidelines into line with the amendments made to CRD V. The final version of EBA's sound remuneration policies was published on 2 July 2021.



identified only by applying quantitative criteria on the basis of objective conditions and consistent with specific limitations provided by the Regulation itself;

At a national level:

- Circular 285 of the Bank of Italy of 17 December 2013 (hereinafter Circular no. 285/2013), which for the identification of Material Risk Takers remits to the criteria provided in the Delegated Regulation, also noting the opportunity to identify and apply, if necessary, additional criteria for identifying other persons who assume material risks. The same Circular points out that the parent company of a banking group is responsible for the identification of Material Risk Takers for the whole Group having regard to all group companies, regardless of whether they are subject to banking regulations at an individual level or not. The parent company also ensures the overall consistency of the identification process for the whole group as well as coordination between the provisions contained in the Circular and any other rules that may be applicable to each company, also as a result of the specific sector to which a company belongs, taking into account the results of the assessments conducted by the single components of the Group that are required to do this on an individual basis.

These present Guidelines govern:

- i. the roles and responsibilities of the business functions and corporate bodies involved in the process of identifying the Group Material Risk Takers;
- ii. the regulatory and additional criteria used for identifying the Group Material Risk Takers.

## **2. Scope of application**

This document establishes the Guidelines applicable to the whole illimity Banking Group.

In accordance with supervisory provisions, as parent company of the illimity Banking Group, illimity has the responsibility for identifying the persons having a material impact on the Group's risk profile, having regard to all the companies in the Group, regardless of whether they are subject to a prudent supervisory framework or not.

By way of these guidelines, the parent company ensures overall consistency of the identification process for the whole group as well as coordination between the provisions relating to the banking perimeter and any other rules that may be applicable to each company of the same group, also as a result of the specific sector to which a company belongs.

Group companies play an active part in the process for identifying Material Risk Takers carried out by the parent company, providing the latter with the information required and complying with the indications received.

The parent company is responsible for the implementation of the process for identifying Material Risk Takers with reference to all the companies of the Group, even if they operate in jurisdictions other than Italy.

If required to carry out the identification of the Risk Takers on an individual basis, these companies adopt similar criteria to those included in this document, compatibly with local or sector laws and regulations, coordinating with the parent company, which takes care of the overall consistency of the identification process for the Group as a whole.

In any event the individual companies are always responsible for compliance with the laws and regulations directly applicable to them.

### **3. Roles and responsibilities**

#### **Shareholders' Meeting**

On the proposal of the Board of Directors the Shareholders' Meeting approves the Remuneration Policy, including the criteria for the identification of the staff members having a material impact on the Group's risk profile, as part of its approval of the Report on Remuneration Policy and Compensation Paid.

#### **Board of Directors**

The Board of Directors is responsible for the process for identifying staff who have or may have a material effect on the Banking Group's risk profile. As a consequence:

- i. it approves the criteria for identifying the Risk Takers of the Group and ensures these are subject to a periodic review;
- ii. it is responsible for the proper implementation of the process;
- iii. it approves the results of the process for identifying Key Personnel, including any exclusions.

#### **Remuneration Committee**

The Remuneration Committee provides its opinion to the Board of Directors on the establishment of the Guidelines for identifying Material Risk Takers, also availing itself of the information received from the competent business functions.

In addition, the committee expresses its view on the results of the process for identifying Material Risk Takers carried out annually on the basis of these present Guidelines, including any exclusions.

#### **Risk Committee**

The Risk Committee provides its opinion to the Board of Directors on the establishment of the criteria for identifying Material Risk Takers, with particular reference to the additional criteria.

#### **Human Resources & Organization**

The Human Resources & Organization function of illimity Bank, responsible for all the Group companies, coordinates the implementation of the process for identifying Material Risk Takers at a Group level, in line with the criteria and timing established in this document, and as a consequence:

- i. it prepares and looks after the periodic review of the Guidelines on the process for identifying Material Risk Takers and submits these periodically, subject to the prior opinion of the business control functions, to the Remuneration Committee for its opinion and to the Board of Directors for its approval;
- ii. on determination of the Group's Remuneration and Incentive Policies (or on intra-yearly revision) it coordinates the implementation of the process for identifying Material Risk Takers at a Group level,

obtaining the required information from the other functions involved and also checking the consistency of the identifications at a level of individual company subject to specific laws and regulations;

- iii. it ensures the identification on a continuing basis of the holders of the roles explicitly identified by the qualitative criteria at the beginning of the year or on intra-yearly revision;
- iv. it submits the outcome of the implementation of the process to the CRO and the Compliance & AML function and highlights any proposals for exclusion, in order to obtain the relative assessments;
- v. it submits the results of the process for identifying Material Risk Takers and any proposals for exclusion to the Remuneration Committee and the Board of Directors;
- vi. it coordinates and supervises the identification process at a Group level for the companies of the Group. Regarding companies belonging to specific sectors, such as the asset management sector, the *Human Resources & Organization* function coordinates and supervises that the identification of Material Risk Takers is carried out in compliance with laws and regulations applicable to the sector and takes care of the overall consistency within the Group as a whole.

### **General Counsel**

As far as relations with the Supervisory Authorities are concerned, General Counsel files authorisation requests for the exclusion of the Material Risk Takers identified pursuant to the criteria provided in Commission Delegated Regulation (EU) No 2021/923.

### **CRO**

illimity Bank's CRO contributes to the provision of the annual information to the *Human Resources & Organization* function that is needed for the process of identifying Material Risk Takers.

With reference to the results of the process for identifying Material Risk Takers, the CRO expresses a view on consistency between the positions identified, any exclusion proposals and the Group's Risk Appetite Framework.

The results of the consistency checks performed are formalised as part of the opinion sent to the Remuneration Committee and the Board of Directors on determining the Remuneration and Incentive Policies or on the intra-yearly revision of the perimeter of Material Risk Takers.

### **Compliance & AML**

The Compliance & AML function of illimity Bank checks the compliance of these Guidelines and the results of the process for identifying Material Risk Takers and, therefore, the rationale underlying any proposals for exclusion, with internal and external rules and regulations.

The results of these verifications are formulated as part of the opinion sent to the Remuneration Committee and the Board of Directors on determining the Remuneration and Incentive Policies or on the intra-yearly revision of the perimeter of Material Risk Takers.

#### 4. Process to identify Material Risk Takers

In accordance with the criteria adopted by the Banking Group the perimeter of Material Risk Taker is updated by activating the relative process on the basis of the following periodic sequence:

1. at the beginning of each year, in order to identify the perimeter of Material Risk Taker for submission for approval to the Shareholders' Meeting as part of the annual determination of the Remuneration and Incentive Policy;
2. during the year and formalised in the last quarter of each year, in case of the assignment of new positions as part of roles unequivocally identified by the qualitative criteria for all position holders who have been in the position for at least three months in the year in question.

On updating the perimeter of Material Risk Taker, the Human Resources & Organization function ensures, together with the CRO, the consistency of the rationale underlying the criteria adopted with the Risk Appetite Framework as updated from time to time.

The results of the identification process are formalised by the Human Resources & Organization function in a document containing:

- i. the positions identified by applying the qualitative criteria and the relative rationale;
- ii. the names of the persons identified by way of the quantitative criteria, the details of those that have been identified by way of the qualitative criteria and the rationale for any exclusion proposals;
- iii. the names of the key persons identified, their relative positions and responsibilities and the differences compared to the previously-determined list (including the number of people identified as Material Risk Taker – with details of the number of persons identified for the first time).

#### 5. Identification criteria

The criteria used in the process for identifying Material Risk Takers and updating the related list are those, of a qualitative and quantitative nature, as stated in article 92, paragraph 3, points a), b) and c) of Directive 2013/36/EU and in articles 5 and 6 of Commission Delegated Regulation (EU) 2021/923 as well as the additional criteria set by illimity.

In accordance with the possibility envisaged by supervisory provisions, illimity identifies the following criteria in addition to those stated in the above-mentioned Delegated Regulation:

- Holders of organisational positions who, at the date on which the process for identifying Material Risk Takers is completed, have direct responsibility in **governing material business risks**, the object of identification when performing the ICAAP, are not already included in the list of risks specifically identified by prudent regulations (CRR);
- Holders of organisational positions who, at the date on which the process for identifying Material Risk Takers is completed, have contributed to **Concentration Risk** for loan exposures with one or more transactions included in the TOP 20;
- Holders of organisational positions who, at the date on which the process for identifying Material Risk Takers is completed, have made a major contribution to significant Operating Losses, understood as being the TOP 20 **material Operating Losses** (amounts equal to or greater than EUR 50,000) recognised in the Loss Data Collection process over the past two years;
- Staff who, although not identified by the application of the previous criteria and/or not having a formal organisational position, from the analyses and assessments conducted by the CRO are

considered able to exercise **significant future influence** – in strategic and operational terms – over the Bank's operational processes and decisions.

### Revision of additional criteria

On the periodic preparation of the Remuneration and Incentive Policies the Human Resources & Organization function, together with the contribution of the CRO, assesses the need to revise the criteria for identifying personnel having a material impact on the Group's risk profile in order to ensure continuing consistency with the ownership structure, the organisational structure, the Group's business model and the relative functioning mechanisms.

### 6. Exclusion procedure

If, after receiving the opinion of the Remuneration Committee, the Board of Directors intends to activate the procedure of exclusion from the perimeter of Material Risk Takers as part of the quantitative criteria, the Bank shall, on a timely basis, and in any case no later than six months after the end of the previous year, send to the Bank of Italy, by way of the General Counsel, the request for prior authorisation pursuant to article 6 of the Delegated Regulation, regarding staff members awarded total remuneration greater than or equal to EUR 750,000.

The Bank of Italy issues a ruling within three months of receiving the complete documentation.

The authorisation has an annual term and regards the year following that in which the request is made, except for exclusions authorised for the first time, for which the term also extends to the year in which the request is submitted.

The request must be accompanied by details of the reasons underlying the exclusion and provide clear evidence that:

- the member of staff or the employee category performs professional activities and only has powers in an operating/business unit that is not material;
- the member of staff or the employee category has no material impact on the risk profile of a material operating/business unit through his/her/its professional activities, given the criteria provided by reference laws and regulations.

The application for authorisation may regard several staff members or several employee categories together, whose exclusion is based on the same assumptions, provided that the persons or categories for whom the exclusion is requested can be clearly identified and that the same level of information as that required by laws and regulations is ensured.

The applications for authorisation for exclusion for staff members who have been awarded total remuneration equal to or greater than EUR 1 million shall however be filed individually for each member of staff. Exclusion can only be authorised in exceptional circumstances, meaning unusual or infrequent situations that lead to believe that the member of staff is not a risk-taker. The existence of exceptional circumstances must be demonstrated by the Bank in its request for authorisation.

## 7. Application of the regulation at Group company level

Any companies individually subject to prudent supervision are required to apply these present Guidelines on an individual basis and notify the parent company of the relative results on a timely basis, and in any case by the end of the phase for identifying the Material Risk Takers.

In the case, on the other hand, of companies subject to specific sector regulations, as is currently the situation for the managed asset sector in the perimeter of the illimity Group, Material Risk Takers are identified in accordance with the Bank of Italy Regulation implementing article 4-*undecies* and article 6, paragraph 1, points b and c-*bis* of the TUF, without prejudice to the requirement for Group companies to notify the parent company of the relative results on a timely basis and in any case by the end of the phase for identifying the Group's Material Risk Takers.

## 8. Results of the process for identifying Material Risk Takers for 2021

### Main changes compared to the previous MRT perimeter

Persons leaving the MRT Perimeter	Persons entering the MRT Perimeter
<ul style="list-style-type: none"> <li>Alessandro Gennari - Director</li> <li>Maurizia Squinzi - Director</li> </ul>	<ul style="list-style-type: none"> <li>Patrizia Canziani - Director</li> <li>Giovanni Majnoni D'Intignano - Director</li> <li>Elena Maspoli - Head of Special Situations Energy</li> <li>Alessandro Ravogli - Head of Sales and Business Development</li> <li>Daniele Weisz - Head of Pricing</li> <li>Anna Tosolini - Growth Credit (Advisor Pjt B-Ilty)</li> </ul>

### Result of the revision of the 2021 identification process

ID	Article 92 paragraph 3, points a), b) and c) - Directive 2013/36/EU	Result
a)	All members of the management body and senior management;	<ul style="list-style-type: none"> <li>Corrado Passera - Chief Executive Officer of illimity Bank</li> <li>Rosalba Casiraghi - Chair of the Board of Directors</li> <li>Massimo Brambilla - Director</li> <li>Patrizia Canziani - Director</li> <li>Marcello Valenti - Director</li> <li>Elena Cialliè - Director</li> <li>Martin Ngombwa - Director</li> <li>Giovanni Majnoni D'Intignano - Director</li> <li>Paola Elisabetta Galbiati - Director</li> <li>Massimo Di Carlo - Chief Lending Officer</li> <li>Andrea Clamer - Head of Distressed Credit</li> <li>Carlo Panella - Head of Direct Banking</li> <li>Enrico Fagioli - Head of Growth Credit</li> <li>Francesco Mele - Chief Financial Officer and Head of Central Functions</li> </ul>
b)	Staff members with managerial responsibility over the institution's control functions or material business units;	<ul style="list-style-type: none"> <li>Claudio Nordio - Chief Risk Officer</li> <li>Fabio Marchesi - Head of Internal Audit</li> <li>Francesco Martiniello - Head of Compliance &amp; AML</li> </ul> <p>Taking the definition of «material operating/business unit» as being a business unit as stated in article 142, paragraph 1, point 3 of Regulation (EU) No 575/2013 which also satisfies one of the following conditions:</p> <p><i>a) it has been allocated internal capital of at least 2% of the total capital of the entity pursuant to article 73 of Directive 2013/36/EU or has</i></p>

			<p><i>otherwise been valued by the entity as having a material impact on the entity's internal capital;</i></p> <p><i>b) it is a core business line as defined by article 2, paragraph 36 of Directive 2014/59/EU of the European Parliament and of the Council,</i></p> <p>the following persons are to be considered Material Risk Takers as they have originated Weighted Assets for Credit and Market Risk (RWAs) of at least 2% of the Group's total RWAs, measured at 30 June 2021, as per the opinion of the CRO issued on 19 October 2021:</p> <ul style="list-style-type: none"> <li>• Francesco Mele - Chief Financial Officer and Head of Central Functions</li> <li>• Enrico Fagioli - Head of Growth Credit</li> <li>• Andrea Clamer - Head of Distressed Credit</li> <li>• Fabiano Lionetti - Head of Finance</li> <li>• Umberto Moretti - Head of Turnaround</li> <li>• Stefano Ortolano - Head of Crossover &amp; Acquisition Finance</li> <li>• Franco Marcarini - Head of Factoring</li> <li>• Massimo Bianchi - Head of Special Situations Real Estate</li> <li>• Andrea Montana - Head of Portfolios</li> <li>• Elena Maspoli - Head of Special Situations Energy</li> <li>• Luca Preziosi - Head of Senior Financing</li> <li>• Paolo Piovini - Head of Business Operations &amp; Credit Support</li> </ul>
c)	Staff members entitled to significant remuneration in the preceding financial year, provided that the following conditions are met:	<p>(i) the staff member's remuneration is equal to or greater than EUR 500 000 and equal to or greater than the average remuneration awarded to the members of the institution's management body and senior management referred to in point (a);</p> <p>(ii) the staff member performs the professional activity within a material business unit and the activity is of a kind that has a significant impact on the relevant business unit's risk profile.</p>	<ul style="list-style-type: none"> <li>• Corrado Passera - Chief Executive Officer of illimity Bank</li> <li>• Enrico Fagioli - Head of Growth Credit</li> </ul> <p>The variable remuneration of the previous financial year to that for which it is attributed is that taken into consideration (variable remuneration attributed in 2020 with reference to performance year 2019).</p> <p>Given the renewal of the Board of Directors, the remuneration attributed for 2021 has been taken into consideration in calculating the average remuneration paid to members of the entity's management body and top management as per point a), which led to an average of approximately EUR 272,000 and as a result – as provided by laws and regulations – the higher threshold of EUR 500,000 was taken.</p>



ID	Article 5 – Qualitative criteria – Commission Delegated Regulation (EU) 2021/923 of 25 March 2021		Result
a)	The staff member has managerial responsibility for: i) legal affairs; ii) the soundness of accounting policies and procedures; iii) finance, including taxation and budgeting; iv) performing economic analysis; v) the prevention of money laundering and terrorist financing; vi) human resources; vii) the development or implementation of the remuneration policy; viii) information technology; ix) information security; x) managing the outsourcing arrangements of critical or important functions in illimity SGR as referred to in article 30, paragraph 1 of Commission Delegated Regulation (EU) 2017/565		<ul style="list-style-type: none"><li>• Giovanni Lombardi - Head of General Counsel</li><li>• Francesco Mele - Chief Financial Officer and Head of Central Functions (*)</li><li>• Sergio Fagioli - Head of Administration &amp; Accounting</li><li>• Fabiano Lionetti - Head of Finance</li><li>• Iacopo Zucchi - Head of Budget &amp; Control</li><li>• Silvia Benzi - Head of IR &amp; Strategic Planning</li><li>• Francesco Martiniello - Head of Compliance &amp; AML</li><li>• Marco Russomando - Head of Human Resources &amp; Organization</li><li>• Filipe Ferreira Teixeira - Chief Information Officer</li><li>• Paola Tondelli - Head of UTP &amp; Turnaround Funds (*)</li></ul> <p>(*) Persons also identified for their position as executive directors of illimity SGR since in charge of managing outsourcing arrangements.</p>
b)	The staff member has managerial responsibilities for any of the risk categories set out in Articles 79 to 87 of Directive 2013/36/EU, or is a voting member of a committee responsible for the management of any of the risk categories set out in those Articles;	Article 79 – Credit and counterparty risk	<p>Permanent members with voting rights of the Finance Committee:</p> <ul style="list-style-type: none"><li>• Francesco Mele - Chief Financial Officer and Head of Central Functions</li><li>• Carlo Panella - Head of Direct Banking</li><li>• Andrea Clamer - Head of Distressed Credit</li><li>• Enrico Fagioli - Head of Growth Credit</li></ul> <p>Permanent members with voting rights of the Credit and Investment Committee:</p> <ul style="list-style-type: none"><li>• Corrado Passera – Chief Executive Officer</li><li>• Enrico Fagioli - Head of Growth Credit</li><li>• Andrea Clamer - Head of Distressed Credit</li><li>• Francesco Mele - Chief Financial Officer and Head of Central Functions</li><li>• Massimo Di Carlo - Chief Lending Officer</li></ul> <p>Credit and counterparty risk also includes migration risk and real estate risk, identified as material during the 2021 ICAAP.</p>
		Article 80 – Residual risk	Permanent members with voting rights of the Credit and Investment Committee – already identified
		Article 81 – Concentration risk	
		Article 82 – Securitisation risk	Permanent members with voting rights of the Finance Committee – already identified  Market risk also includes sovereign risk, identified as material during the 2021 ICAAP
		Article 83 – Market risk	
		Article 84 – Interest rate from non-trading book activities	



		Article 85 – Operational risk	<ul style="list-style-type: none"> <li>• Massimo Di Carlo - Chief Lending Officer</li> <li>• Andrea Clamer - Head of Distressed Credit</li> <li>• Carlo Panella - Head of Direct Banking</li> <li>• Enrico Fagioli - Head of Growth Credit</li> <li>• Francesco Mele - Chief Financial Officer and Head of Central Functions</li> <li>• Andrea Battisti – Chief Executive Officer of neprix Srl</li> <li>• Renato Ciccarelli – General Manager of neprix Srl</li> <li>• Filipe Ferreira Teixeira - Chief Information Officer</li> </ul>
		Article 86 – Liquidity risk	Permanent members with voting rights of the Finance Committee – already identified
		Article 87 – Risk of excessive leverage	
c)	With regard to credit risk exposures of a nominal amount per transaction, representing 0,5 % of the institution's Common Equity Tier 1 capital and which is at least EUR 5 million, the staff member meets one of the following criteria: i) the staff member has the authority to take, approve or veto decisions on such credit risk exposures; ii) the staff member is a voting member of a committee which has the authority to take the decisions as referred to in point (i) of this point (c);		Permanent members with voting rights of the Credit and Investment Committee – already identified
d)	In relation to an institution for which the derogation for small trading book businesses set out in Article 94 of Regulation (EU) No 575/2013 does not apply, the staff member meets one of the following criteria: (i) the staff member has the authority to take, approve or veto decisions on transactions on the trading book that in aggregate represent one of the following thresholds: — where the standardised approach is used, an own funds requirement for market risks that represents 0,5 % or more of the institution's Common Equity Tier 1 capital; — where an internal model-based approach is approved for regulatory purposes, 5 % or more of the institution's internal value-at-risk limit for trading book exposures at a 99th percentile (one-tailed confidence interval level); (ii) the staff member is a voting member of a committee that has the authority to take the decisions mentioned in point (i) of this point;		<ul style="list-style-type: none"> <li>• Francesco Mele - Chief Financial Officer and Head of Central Functions</li> <li>• Fabiano Lionetti - Head of Finance</li> </ul>

e)	<p>The staff member heads a group of staff members who have individual authorities to commit the institution to transactions and either of the following conditions is met: (i) the sum of those authorities equals or exceeds the threshold referred to in point (c)(i) or in point (d)(i), the first indent; (ii) where an internal model-based approach is approved for regulatory purposes, those authorities amount to 5 % or more of the institution's internal value-at-risk limit for trading book exposures at a 99th percentile (one-tailed confidence interval level); where the institution does not calculate a value-at-risk at the level of that staff member, the value-at-risk limits of staff under the management of this staff member shall be added up;</p>	<ul style="list-style-type: none"> <li>• Chief Executive Officer of illimity Bank</li> <li>• Massimo Di Carlo - Chief Lending Officer</li> <li>• Andrea Clamer - Head of Distressed Credit</li> <li>• Carlo Panella - Head of Direct Banking</li> <li>• Enrico Fagioli - Head of Growth Credit</li> <li>• Francesco Mele - Chief Financial Officer and Head of Central Functions</li> </ul>
f)	<p>The staff member meets either of the following criteria with regard to decision on approving or vetoing the introduction of new products:</p> <p>(i) the staff member has authority to take such decisions;</p> <p>(ii) the staff member is a voting member of a committee that has authority to take such decisions.</p>	<p>The members of the Product Committee (Heads of Divisions/Proposing Divisions and other Heads).</p> <p>The following are permanent members of the Product Committee:</p> <ul style="list-style-type: none"> <li>• Francesco Mele - Head of CFO &amp; Central Functions (Chair)</li> <li>• Enrico Fagioli - Head of Growth Credit</li> <li>• Andrea Clamer - Head of Distressed Credit</li> <li>• Carlo Panella - Head of Direct Banking</li> <li>• Filipe Ferreira Teixeira - Chief Information Officer</li> <li>• Giovanni Lombardi - General Counsel</li> <li>• Claudio Nordio - Chief Risk Officer</li> <li>• Francesco Martiniello - Head of Compliance &amp; AML</li> </ul>

ID	Art 6 - Quantitative criteria – Commission Delegated Regulation (EU) 2021/923 of 25 March 2021		Result
1	<p>In addition to staff members identified under the criteria set out in Article 92(3), points (a) and (b), of Directive 2013/36/EU, staff members shall be deemed to have a material impact on an institution's risk profile where any of the following quantitative criteria are met:</p>	<p>(a) the staff members, including staff members as referred to in Article 92(3), point (c), of Directive 2013/36/EU, have been awarded in or for the preceding financial year a total remuneration that is equal to or greater than EUR 750 000;</p>	<p>The criterion is not met, as no staff member has been awarded a total remuneration that is equal to or greater than EUR 750,000 in the preceding financial year.</p>
		<p>(b) where the institution has over 1 000 members of staff, the staff members are within the 0,3 % of staff, rounded to the next higher integral figure, which has, within the institution, been awarded the highest total remuneration in or for the preceding financial year on an individual basis.</p>	<p>Not applicable.</p>

ID	Additional criteria established on the basis of the opinion issued by the CRO on 19 October 2021		Result
	Holders of organisational positions who, at the date on which the process for identifying Material Risk Takers is completed, have direct responsibility in <b>governing material business risks</b> , the object of identification in the ICAAP, who are not already included in the list of risks specifically identified by the CRR and who are not identified under regulatory qualitative criteria.	Environmental, Social and Governance (ESG) risk	<ul style="list-style-type: none"> <li>Isabella Falautano - Head of Communication &amp; Stakeholder Engagement</li> </ul>
2	Holders of organisational positions who, at the date on which the process for identifying Material Risk Takers is completed, have contributed significantly to <b>Concentration Risk</b> for loan exposures with one or more transactions included in the TOP 20.		This criterion leads to the identification of the heads of the organisational units that have contributed the most to Concentration Risk, but in any case already identified on the basis of other qualitative regulatory criteria: <ul style="list-style-type: none"> <li>Umberto Moretti - Head of Turnaround</li> <li>Stefano Ortolano - Head of Crossover &amp; Acquisition Finance</li> <li>Franco Marcarini - Head of Factoring</li> <li>Massimo Bianchi - Head of Special Situations Real Estate</li> <li>Luca Preziosi - Head of Senior Financing</li> </ul>
3	Holders of organisational positions who, at the date on which the process for identifying Material Risk Takers is completed, have made a major contribution to <b>material Operating Losses</b> , understood as being the top 20 Operating Losses (equal to or greater than EUR 50,000) recognised in the Loss Data Collection process over the past two years.		This criterion leads to the identification of the Heads of the organisational units that have contributed the most to the top 20 losses (only actual losses equal to or greater than EUR 50,000): <ul style="list-style-type: none"> <li>Daniele Weisz - Head of Pricing</li> <li>Fabiano Lionetti - Head of Finance (already identified)</li> <li>Paolo Piovini - Head of Business Operations &amp; Credit Support (already identified)</li> </ul>
4	<b>Staff</b> who, although not identified by the application of the previous criteria and/or not having a formal organisational position, from the analyses and assessments conducted by the CRO are considered <b>able to exercise significant future influence</b> – in strategic and operational terms – over the Bank's operational processes and decisions.		<ul style="list-style-type: none"> <li>Francesco Ramazzotti - Head of Products, Partnership &amp; Open Banking</li> <li>Anna Tosolini - Growth Credit (Advisor Pjt B-Ilty)</li> <li>Alessandro Ravogli - Head of Sales and Business Development</li> </ul>

## SECTION II – REPORT ON COMPENSATION PAID IN 2020

### 1. INTRODUCTION

In accordance with applicable regulatory provisions on listed companies, this Section provides information on compensation for 2020 on an individual name basis for the Board of Directors and the Board of Statutory Auditors and on an aggregate basis for Key Management Personnel.

In addition, regarding the qualitative and quantitative disclosures required by article 450 of the CRR, it provides information analysed into top management and staff members whose actions have a material impact on the Bank's risk profile.

More specifically,

- the first part provides an appropriate representation of each of the items making up remuneration, including the compensation due on termination of office or the Employment Relationship, noting the consistency of this with the remuneration policy of illimity approved in the preceding year;
- the second part provides analytical details of the compensation paid during the year of reference for whatsoever reason and in whatsoever form by the Company and its subsidiaries and associates, using the tables contained in Annex 3 – Schedule 7-*bis* of the Issuers' Regulation;
- the third part sets out, as required by article 84-*quarter*, paragraph 4 of the Issuers' Regulation – using the criteria established in Annex 3 – Schedule 7-*bis* of that Regulation – the holdings in illimity held by members of the management and control bodies, as well as by their non-legally separated spouses and minor children, directly or by way of a controlled company, a trust company or intermediary, that are recorded in the shareholders' register or arise from information that has been received in communications or from the members of the management and control bodies themselves.

## FIRST PART

### 1. REMUNERATION OF THE MEMBERS OF ILLIMITY'S BOARD OF DIRECTORS

#### *The provisions of the 2020 Remuneration Policy*

On 18 January 2019, the Shareholders' Meeting<sup>19</sup> of Banca Interprovinciale S.p.A. approved the proposal included at item 2 of the agenda on the revision of the compensation of the members of the Board of Directors appointed at the Shareholders' Meeting of 4 September 2018.

Following this, the same Shareholders' Meeting of 18 January 2019 approved the Group's Remuneration and Incentive Policy for 2019 which included the matters that had just been resolved on directors' compensation:

- Chair of the Board of Directors: EUR 120,000 per annum gross;
- Chief Executive Officer: EUR 530,000 per annum gross; and
- Directors: EUR 40,000 per annum gross.

The same Shareholders' Meeting also resolved to establish the following additional compensation in relation to the positions held by directors on the board's sub-committees for 2019 and 2020, effective from 1 January 2019:

- Chair of a board sub-committee: EUR 15,000 per annum gross;
- Member of a board sub-committee: EUR 10,000 per annum gross.

Any expenses incurred in exercising office are reimbursed.

Attendance fees are not envisaged.

#### *The activity of illimity's Board of Directors in 2020<sup>20</sup>*

illimity's Board of Directors met 29 times in 2020 with an average attendance of 90%.

The board's sub-committees met on 38 occasions with an average attendance of 100%.

#### *Compensation paid to members of the Board of Directors in 2020*

Compensation paid for 2020 was in line with the provisions of the resolutions adopted by the Shareholders' Meeting of 18 January 2019, with a total for the year of EUR 585,715 including the reimbursement of detailed expenses.

In accordance with the provisions of the 2020 Remuneration Policy no variable remuneration components were granted during the year and no compensation was paid to any member of the Board of Directors for early termination of office.

The director Gennari received EUR 87,500 during the year as variable remuneration relating to a previous position as General Manager of Banca Interprovinciale S.p.A.<sup>21</sup> which was formally terminated on 31 December 2018.

<sup>19</sup> The same Shareholders' Meeting, acknowledging the resolution adopted by the extraordinary Shareholders' Meeting held on the same date which approved the proposal for the merger of SPAXS S.p.A. into Banca Interprovinciale S.p.A. (the "Merger") with the relative change of name to "illimity Bank S.p.A.", also approved the proposal for admission to trading on the Electronic Stock Market, which took place on 5 March 2019.

<sup>20</sup> Details of the activities performed by the Remuneration Committee can be found in Annex 2.

<sup>21</sup> Deferred portions relating to the 2017 and 2018 incentive schemes vesting in the year.

Reference should be made to Table 1 of the Second Part of this Section for a description by individual name of the compensation paid to each member of the Board of Directors in 2020 in accordance with the provisions of the Issuers' Regulation.

## 2. REMUNERATION OF ILLIMITY'S CHIEF EXECUTIVE OFFICER<sup>22</sup>

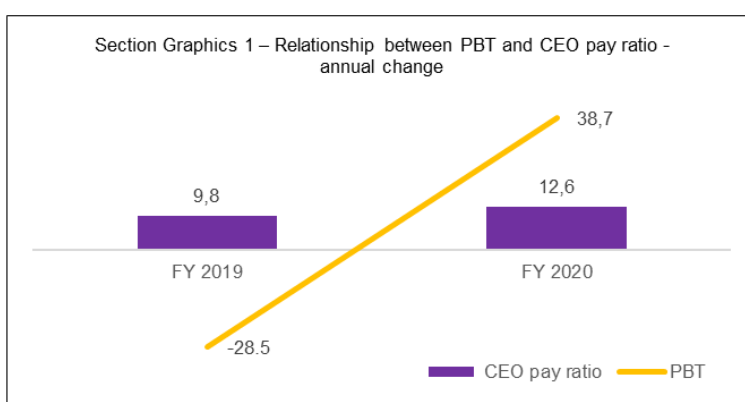
In accordance with the provisions of the 2019 Remuneration and Incentive Policy for the Group, the Chief Executive Officer of illimity only received the fixed emolument in 2020 resolved by the Shareholders' Meeting of 18 January 2019, equal to EUR 530,000 gross.

It is recalled that the Chief Executive Officer, together with Top Management, is a beneficiary of the 2020-2023 Long-Term Incentive Plan (hereinafter the "LTIP Plan") approved by the Shareholders' Meeting of 22 April 2020. This Plan provides for the awarding of an incentive whose granting depends on achieving the objectives set in the 2018-2023 Business Plan. As a result, the incentive that has actually vested will only be known at the end of the four-year performance period, depending on the degree to which the performance objectives have been met (further details can be found in Section I).

In accordance with the disclosure requirements of the Issuers' Regulation the following comparative information is provided for the listing period of the company (Table 1 and Graph 1), representing annual changes in:

- the **Company's results** (expressed in terms of consolidated profit before tax for 2019 and 2020);
- the **total direct compensation** (TDC) of the Chief Executive Officer as a percentage of the median gross annual total remuneration for all employees (full time equivalent) excluding the Chief Executive Officer (the "CEO pay ratio"<sup>23</sup>, calculated in accordance with GRI Standard 102-38).

Section II – Table 1	FY 2019	FY 2020
<b>PBT</b>	-28.5	38.7
<b>CEO pay ratio</b>	9.8	12.6



As part of the Company's benefit policy, the Chief Executive Officer also availed himself of the benefits envisaged for the category to which he belongs.

<sup>22</sup> It is noted that together with Top Management, the Chief Executive Officer holds a portion of the 1,440,000 illimity special shares. illimity's bylaws also provide that such illimity special shares (before the Merger, SPAXS special shares), held by the Chief Executive Officer and by Top Management shall be automatically converted to illimity ordinary shares (i) at a conversion ratio of 1:8 in the case in which, by 20 September 2022, the average price of illimity ordinary shares traded on the Electronic Stock Market, is greater than or equal to EUR 13.9663866 for at least 22 consecutive stock market trading days; or (ii) at a conversion ratio of 1:1 in the case in which, by 20 September 2022, the automatic conversion assumption at point (i) has not been satisfied.

<sup>23</sup> The annual change in the CEO's pay-ratio is due to the annual component of the LTIP scheme (calculated pro-rata), even if this has not yet been paid since the performance assessment period 2020-2023 has not yet ended (for details reference should be made to Section I).

### 3. REMUNERATION OF THE MEMBERS OF THE BOARD OF STATUTORY AUDITORS

#### *The provisions of the 2020 Remuneration Policy*

Following the resignation of all its members (standing and substitute), on 18 January 2019 the Shareholders' Meeting appointed the new Board of Statutory Auditors, and in accordance with the Remuneration Policy approved by the same Shareholders' Meeting additionally determined the compensation due to its members for the three-year term:

- Chair: EUR 70,000 per annum gross;
- Standing auditors (each): EUR 50,000 per annum gross.

Attendance fees are not envisaged.

Any expenses incurred in exercising office are reimbursed.

#### *The activity of the Board of Statutory Auditors in 2020*

The parent company's Board of Statutory Auditors met 27 times in 2020 with an average attendance of 99%.

#### *Compensation paid to the members of the parent company's Board of Statutory Auditors in 2020*

The compensation paid for 2020, solely of a fixed nature, was in line with the provisions of the resolutions adopted by the Shareholders' Meeting of 18 January 2019, with the total for the year being EUR 170,801, including the reimbursement of detailed expenses.

Reference should be made to Table 1 of the Second Part of this Section for a description by individual name of the compensation paid to each member of the Board of Statutory Auditors in 2020.

### 4 – REMUNERATION OF OTHER KEY MANAGEMENT PERSONNEL<sup>24</sup>

Consistent with the 2020 Remuneration Policy, the other Key Management Personnel, all included within the perimeter of Key Personnel 2020, received remuneration balanced between fixed and variable during the year.

With specific regard to the 2020 MBO short-term variable component, on 25 February 2021, after consulting with the Risks Committee, the Remuneration Committee and the Board of Statutory Auditors for the matters for which they are responsible, the parent company's Board of Directors approved the "derogation clause" included at paragraph 4.2 of the 2020 Remuneration Policy (the "Derogation Clause"), after noting the continuation of the exceptional circumstances caused by the Covid-19 pandemic emergency and the resulting need to take prompt action to defend the Company's ability to remain on the market (being a start-up); namely the practical need, also given the important projects currently under way, to maintain the quantitative and qualitative level of the Bank's present workforce, with the capital and liquidity requirements set in the same 2020 Remuneration Policy (Table 2) being satisfied.

Consequently, it:

<sup>24</sup> This category consists of Key Management Personnel with the exclusion of the Chief Executive Officer and the parent company's directors and standing statutory auditors, whose remuneration is discussed separately in this Report. In accordance with the requirements of Annex 3 – Schedule 7-bis of the Issuer's Regulation, details of remuneration are provided on an aggregate basis for this residual category of Key Management Personnel.



- i. made exception to Chapter 15 of the 2020 Remuneration Policy (*“Determination of the Bonus Pool for the annual incentive scheme”*), with specific reference to the way in which the 2020 MBO short-term incentive scheme is funded;
- ii. made a total amount of EUR 4 million available to the 2020 MBO scheme (the “2020 Bonus Pool”), of which 50% already accrued in advance in 2020.

Section II - Table 2 – MBO 2020 gates check		
Indicator	Target at 31/12/2020 (gates)	Results <sup>25</sup> at 31/12/2020
CET1 Ratio	13.7%	17.8%
LCR Ratio	130%	738%
Net Income	> 0	31.1 Ml/euro

The 2020 MBO bonuses awarded to the staff category in question, with the exclusion of Top Management who in accordance with the provisions of the 2020 Policy do not receive short-term incentives, are linked to achieving specific Group/Division/Area<sup>26</sup> performance objectives, as shown in Table 3 below in aggregate terms:

Section II – Table 3 – Other KMPs – Degree to which 2020 performance objectives have been met (aggregates)					
ID	2020 objectives	Calculation method (KPI)	Degree achieved		
1	Operating margin/Average customer assets	Net operating income excluding the result from own financial resources / Annual average gross customer loans		Target	
2	Total customer assets EoP	Gross customer loans – Year-end stock	Minimum level		
3	Organic cost of Risk	Loan loss provisions (excluding turnaround) / Annual average gross customer loans (excluding turnaround and excluding NPL portfolios)		Target	
4	Cost of Risk over Group total assets	Loan loss provisions / Annual average gross customer loans (excluding NPL portfolios)	Minimum level		
5	Cost/income	Administrative expenses (Staff costs + other administrative expenses) / operating margin		Target	
6	NSFR	Regulatory calculation			Maximum level

The following are noted in connection with the long-term incentive component:

<sup>25</sup> Results at a Group consolidated level.

<sup>26</sup> Inside this category, key Group personnel having business control functions and the Financial Reporting Officer of illimity Bank S.p.A. have been given objectives linked solely to their specific responsibilities and illimity's leadership model.

- two managers classified in the category in question are members of the 2019-2023 Stock Option Plan (“SOP”), with a total of 79,561 options being awarded on 5 March 2019.
- Top Management are members of the 2020-2023 Long-Term Incentive Plan (hereinafter the “LTIP Plan”), approved by the Shareholders’ Meeting of 22 April 2020, which provides for the awarding of an incentive whose granting depends on achieving objectives set in the 2018-2023 Business Plan. As a result, the vested incentive is calculated at the end of the four-year performance period on the basis of the extent to which the performance objectives have been met (further details may be found in Section 1).

No compensation was paid to a member of such category in 2020 for the early termination of the Employment Relationship or early termination of office.

As part of the Company’s benefit policy, these managers made use of the benefits envisaged for the respective category to which they belong (Top Management, Division/Corporate Managers, Managers).

Reference should be made to Table A and Table 1, 3A and 3B of the Second Part of this Section for the aggregates of the compensation paid in 2020, in accordance with the provisions of the Issuers’ Regulation.

## 5 – REMUNERATION OF KEY PERSONNEL AND OTHER PERSONNEL

This section of the Report describes the variable remuneration paid during 2020 to:

- the remaining Key Personnel for 2020 not included as Key Management Personnel as per the previous chapter;
- the remaining personnel of the Group.

In accordance with applicable supervisory provisions reference should be made to Table A of the Second Part of this Section for the relative aggregate disclosures for Key Personnel.

No compensation was paid to members of Key Personnel in 2020 for the early termination of the Employment Relationship or early termination.

### ***2019-2023 Stock Option Plan (the “SOP”)***

The long-term incentive scheme – the 2019-2023 Stock Option Plan – approved by the Shareholders’ Meeting of 18 January 2019, sets the objective of i) aligning the interests of management to those of the shareholders in the long-term, ii) supporting the growth of the Issuer and/or its subsidiaries in the long term and iii) building loyalty in key staff members<sup>27</sup> in order to achieve the strategic directional guidelines that have been established.

The Plan, introduced in 2019, the year in which the Company was listed, provides for the granting of option rights (the “**Option Rights**”) whose vesting depends on achieving the targets of the Business Plan and

<sup>27</sup> Key staff members coincide with the beneficiaries of the SOP as defined in the 2019-2023 Stock Option Plan Regulation; in particular, pursuant to article 2.1 of the Regulation, the beneficiaries have been selected by the Chief Executive Officer from the employees whose compensation is not reserved to the decision of the Board of Directors, consistent with illimity’s strategies, the targets to be reached, the strategic importance of each role and the impact of the role on the pursuit of the targets as per paragraph 5 of the Regulation.

satisfying the gates identified in the implementation Regulation of the Plan and the relative information document<sup>28</sup>.

In particular, only one staff member was awarded Option Rights in 2020, these numbering 75,670.

It is recalled that pursuant to the Plan Regulation, no further award was made after 31 December 2020.

Table 4 below represents the current status of the number of options awarded by staff category:

<i>Section II – Table 4</i> <i>Award status of options by staff category</i>		<b>Year in which options were awarded</b>		<b>Total</b>
<b>Type of beneficiary</b>		<b>2019</b>	<b>2020</b>	
Key personnel		716,053	75,670	791,723
Other personnel		798,871	180,605	979,476
<b>Total</b>		<b>1,514,924</b>	<b>256,275</b>	<b>1,771,199</b>

A total number of 1,771,199 option rights were awarded free of charge, equal to 2.226% of total fully diluted shares, in accordance with the characteristics of a capital increase servicing the SOP approved by the ordinary Shareholders' Meeting of 18 January 2019<sup>29</sup>.

Reference should be made to Table A and Table 2 of the Second Part of this Section for the aggregates of the stock options awarded, in accordance with the provisions of the Issuers' Regulation.

### ***Employee Stock Ownership Plan ("ESOP")***

In accordance with the resolutions adopted by the Shareholders' Meeting of 18 January 2019 and in line with the regulatory and supervisory provisions applicable to the Bank, the implementing regulation for the ESOP<sup>30</sup> approved by the Board of Directors of Banca Interprovinciale S.p.A. on 18 January 2019 provides for the awarding of a maximum number of ordinary shares of illimity Bank S.p.A. to all the employees of the Bank and/or Group for each annual cycle.

In accordance with the resolution adopted by the board on 18 January 2019<sup>31</sup>, on 12 May 2020, after ensuring that the value of the gates had remained unchanged as per paragraph 6 of the Regulation, the Chief Executive Officer approved the free-of-charge award of a total of 147,327 of the Bank's shares to 498 Beneficiaries,

<sup>28</sup> Further information on the features of the SOP can be found in the Information Document on the SOP, prepared and published by the Bank pursuant to Scheme 7 of Annex 3A of the Issuers' Regulation and available on the Bank's website [www.illimity.com](http://www.illimity.com) under the section *Governance/Shareholders and BoD Meetings*.

<sup>29</sup> The Shareholders' Meeting approved an increase in share capital, to service the SOP, of a maximum nominal value of EUR 1,496,671.34 (corresponding to the nominal value implicit in the maximum number of shares to be issued at the effective date of the Merger), for consideration, separable, pursuant to and in accordance with article 2441, paragraph 8 of the Italian Civil Code, and accordingly with the exclusion of option rights, through the issue of 2,100,000 new ordinary illimity shares without nominal value having the same features as the ordinary illimity shares outstanding at the issue date of such new ordinary shares, with regular dividend rights.

<sup>30</sup> For further details on the features of the ESOP reference should be made to the Information Document on the ESOP prepared and published by the Bank pursuant to Schedule 7 of Annex 3A to the Issuers' Regulation and available on the Bank's website [www.illimity.com](http://www.illimity.com) under the section *Governance/Shareholders and BoD Meetings*.

<sup>31</sup> On 18 January 2019 the Shareholders' Meeting of Banca Interprovinciale S.p.A. approved, in extraordinary session, the proposal of the Board of Directors on the setting up of the Employee Stock Ownership Plan ("ESOP"), reserved to employees of illimity Bank S.p.A. and its direct and indirect subsidiaries. The same Shareholders' Meeting additionally delegated all the powers considered necessary and/or appropriate to the Board of Directors to implement the ESOP (including the definition and issue of the relative regulation) with the possibility of delegating its powers, duties and responsibilities in respect of the execution and application of the plan to the Chair of the Board of Directors and the Chief Executive Officer, also separately, and with the possibility of sub-delegation. On the basis of this delegation, at the same meeting of 18 January 2019 the Board of Directors: i) approved the Regulation for the ESOP; and ii) gave mandate to the Chief Executive Officer to implement the plans according to the procedures and time limits approved at the Shareholders' Meeting of 18 January 2019.

issued in execution of the delegated powers to increase share capital free-of-charge pursuant to article 2443 of the Italian Civil Code - as per article 5, paragraph 5 of the Company's bylaws - identified under the criteria of paragraph 3 of the Regulation<sup>32</sup> by the Board of Directors at its meeting of 15 June 2019.

In accordance with the provisions included in the Plan Regulation and in the information document, the number of shares awarded to each Beneficiary was made dependent on their position vis-à-vis their employment contract; more specifically, this was determined in order to pay an amount of: (i) EUR 2,000 to all non-managerial employees and (ii) EUR 100 to Beneficiaries who are managers of the Company (Table 5).

<i>Section II – Table 5 – ESOP 2020</i>		
<b>Staff category</b>	<b>Number of beneficiaries</b>	<b>Total number of shares awarded in 2020</b>
Key personnel 2020	21	336
Other staff	477	146,991
<b>Total</b>	<b>498</b>	<b>147,327</b>

<sup>32</sup> In accordance with the provisions of paragraph 3 of the Regulation, the beneficiaries of the ESOP are all the persons having an Employment Relationship with the Company or any subsidiaries at the Share Award Date which at that date is (i) based on a permanent employment contract or (ii) based on a fixed-term employment contract of whose term at least 6 months has passed at the award date and at least 6 months remains, and in any case in line with the requirements of fiscal legislation for the purposes of tax and social security benefits. The award date must not fall within a notice period for the resignation or dismissal of the beneficiaries.

**ANNEX 2 – SUMMARY OF THE WORK PERFORMED BY THE REMUNERATION COMMITTEE IN 2020**

<b>Date</b>	<b>Activities on the agenda</b>	<b>Percentage attendance of the members of the committee</b>
14/01/20	<ul style="list-style-type: none"> <li>• Essential elements of change in the Group's 2020 remuneration policy.</li> <li>• Regulation of the long-term incentive scheme for the CEO and Top Management.</li> <li>• Exceeding the 1:1 limit up to 2:1 for the variable/fixed remuneration ratio.</li> <li>• Communication on the second level trade union agreement.</li> </ul>	100%
02/03/2020	<ul style="list-style-type: none"> <li>• 2020 Group Remuneration Policy and Report on the Remuneration Policy and Compensation Paid pursuant to article 123-ter of the Consolidated Finance Law.</li> <li>• Compliance Opinion on the consistency of the Company's rewards system with respect to the objective of compliance with laws and regulations, the bylaws and any other applicable codes or standards of conduct.</li> <li>• Audit Report on correspondence of 2019 remuneration practice with the policies approved in 2019 and laws and regulations.</li> <li>• Group Material Risk Takers perimeter for 2020.</li> <li>• Revision of CEO and Top Management variable remuneration (LTIP Regulation).</li> <li>• 2020 MBO Plan Regulation.</li> <li>• illimity SGR S.p.A. remuneration policy.</li> <li>• Information on the failure to satisfy the gates set by the 2019 Remuneration Policy on the activation of the 2019 MBO incentive scheme.</li> <li>• Information on the results of the performance assessment of the Heads of control functions 2019 and of the Chief Reporting Officer.</li> <li>• Goal setting 2020 for the Heads of control functions and the Chief Reporting Officer.</li> </ul>	100%
25/05/2020	<ul style="list-style-type: none"> <li>• Information to the Committee about the possible introduction of a short-term incentive scheme (STI) for the CEO and Top Management in 2021.</li> </ul>	100%
25/06/2020	<ul style="list-style-type: none"> <li>• Introduction of a short-term incentive scheme (STI) for the CEO and Top Management of illimity in 2021.</li> </ul>	100%
19/10/2020	<ul style="list-style-type: none"> <li>• The "2020 MBO" incentive scheme of illimity SGR S.p.A..</li> <li>• Objectives schedule (2020 MBO) for the Director in charge of the management of the Fund and Head of the Investments Unit of illimity SGR S.p.A.. Opinion.</li> <li>• Information on the 2020-21 timetable for governance activities for the Group's Performance &amp; Reward unit.</li> </ul>	100%
09/11/2020	<ul style="list-style-type: none"> <li>• Derogation with respect to the Group's 2020 remuneration policy and relative specifications.</li> </ul>	100%
16-18/12/20	<ul style="list-style-type: none"> <li>• Remuneration of the CLO.</li> <li>• Opinion on the updating of the 2020 MRT perimeter.</li> <li>• Salary review: staff whose remuneration and incentive systems are determined by the body with a strategic supervision function.</li> </ul>	100%

## SECOND PART

**Table A - Bank of Italy Circular no. 285/2013 - Section VI – Disclosure and data transmission requirements– Paragraph 1 Public disclosure requirements:**  
*Aggregate quantitative data on remuneration, analysed by business area (article 450, paragraph 1g, of the CRR), analysed by senior management and staff members whose actions have a material impact on the Bank's risk profile (article 450, paragraph 1h, of the CRR):*

Category	Type	Number	Fixed 2020 (EUR)	Variable 2020 (EUR)				Variable deferred from other years (EUR)				Payments for employees' leaving entitlement (TFR) made during the year (EUR)	
				Up front <sup>3</sup>		Deferred		Vesting in 2020		Not vested			
				Cash	Shares	Cash	Shares	Cash	Shares	Cash	Shares	Cash	Shares
Key personnel	Chief executive officer	1	530,000										
	Senior management <sup>1</sup>	5	1,800,000	12,000									
	Heads of control functions	3	490,000	49,000									
	Other key personnel (not included in the preceding categories)	21	2,610,000	310,000				87,500		37,500 <sup>2</sup>			

<sup>1</sup> Including the 4 members of illimity's Top Management reporting directly to the Chief Executive Officer (Head of Distressed Credit Investment & Servicing; Head of SME; Head of Direct Banking and Chief Digital Operations Officer; Chief Financial Officer and Head of Central Functions) and the Financial Reporting Officer.

<sup>2</sup> This amount refers to the deferred components of the variable schemes for 2018 of the General Manager of Banca Interprovinciale, now a director of illimity Bank, that have not yet vested.

<sup>3</sup> The 2020 performance management process had not yet been fully completed at the time the tables were prepared; the total included in the line "Other key personnel" accordingly consists of the sum of the individual target bonuses of 12 MRTs arising from the relative re-proportioning of the bonus pool approved by the BoD on 25 February 2021 ex activation of the Derogation Clause.

**Issuers' Regulation - Annex 3A - SCHEDULE 7-B/S: Remuneration report**

TABLE 1 <sup>33</sup>												
Compensation paid to members of the management and control bodies, general managers and other key management personnel (EUR)												
A	B	C	D	1	2	3		4	5	6	7	8
First and last name	Office held	Period for which office held	End of term of office	Fixed compensation	Compensation for participation in committees	Non-equity variable compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Indemnity for termination of office or the Employment Relationship
						Bonuses and other incentives <sup>1</sup>	Profit participation					
Rosalba Casiraghi	Chair of the Board of Directors	04/09/2018	2021									
(I) Compensation in the company that prepares the financial statements				120,000	20,000							
(II) Compensation from subsidiaries and associates										-		
(III) Total				120,000	20,000	-	-	-	-	140,000		
Massimo Brambilla	Member of the Board of Directors	04/09/2018	2021									
(I) Compensation in the company that prepares the financial statements				40,000	10,000					50,000		
(II) Compensation from subsidiaries and associates										-		
(III) Total				40,000	10,000	-	-	-	-	50,000		

<sup>33</sup> This table discharges the requirements for the disclosures required by Bank of Italy Circular no. 285/13 – Section VI – Disclosure and data transmission requirements – paragraph 1 Public disclosure requirements: Information on the total remuneration of the chair of the corporate body having a strategic supervisory function and of each member of the corporate body with a management function, the general manager, co-general managers and deputy general managers.



Report on the 2021 Remuneration Policy and Compensation Paid in 2020

<b>Sigieri Diaz Della Vittoria Pallavicini*</b>	Member of the Board of Directors	04/09/2018	2021									
(I) Compensation in the company that prepares the financial statements				12,333	7,708					20,041		
(II) Compensation from subsidiaries and associates										-		
<b>(III) Total</b>				<b>12,333</b>	<b>7,708</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,041</b>		
<i>* Resigned on 2 March 2020</i>												
<b>Luca Rovati *</b>	Member of the Board of Directors	22/04/2020	2021									
(I) Compensation in the company that prepares the financial statements				27,667	6,917					34,584		
(II) Compensation from subsidiaries and associates												
<b>(III) Total</b>				<b>27,667</b>	<b>6,917</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,584</b>		
<i>* resigned on 29 December 2020</i>												
<b>Maurizia Squinzi</b>	Member of the Board of Directors	04/09/2018	2021									
(I) Compensation in the company that prepares the financial statements				40,000	38,458					78,458		
(II) Compensation from subsidiaries and associates										-		
<b>(III) Total</b>				<b>40,000</b>	<b>38,458</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,458</b>		
<b>Elena Ciailliè</b>	Member of the Board of Directors	04/09/2018	2021									
(I) Compensation in the company that prepares the financial statements				40,000	35,000					75,000		
(II) Compensation from subsidiaries and associates										-		
<b>(III) Total</b>				<b>40,000</b>	<b>35,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,000</b>		
<i>EUR 707 reimbursement of detailed expenses</i>												
<b>Martin Ngombwa</b>	Member of the Board of Directors	10/09/2019	2021									

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(I) Compensation in the company that prepares the financial statements				40,000	6,917					46,917		
(II) Compensation from subsidiaries and associates										-		
<b>(III) Total</b>				<b>40,000</b>	<b>6,917</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,917</b>		
<b>Giancarlo Bruno*</b>	Member of the Board of Directors	04/09/2018	2021									
(I) Compensation in the company that prepares the financial statements				40,000	40,000					80,000		
(II) Compensation from subsidiaries and associates										-		
<b>(III) Total</b>				<b>40,000</b>	<b>40,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,000</b>		
* Resigned on 29 December 2020 EUR 1,270 reimbursement of detailed expenses												

<b>Alessandro Gennari</b>	Member of the Board of Directors	04/09/2018	2021									
(I) Compensation in the company that prepares the financial statements				40,000	10,000	87,500 <sup>1</sup>				137,500		
(II) Compensation from subsidiaries and associates										-		
<b>(III) Total</b>				<b>40,000</b>	<b>10,000</b>	<b>87,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>137,500</b>		
<sup>1</sup> Portions vesting in 2020 arising from the 2017-2018 incentive schemes regarding the previous position as General Manager of Banca Interprovinciale S.p.A, EUR 1,062 reimbursement of detailed expenses												
<b>Corrado Passera</b>	Chief Executive Officer	20/09/2018	2021									
(I) Compensation in the company that prepares the financial statements				530,000					25,000	555,000		
(II) Compensation from subsidiaries and associates										-		
<b>(III) Total</b>				<b>530,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,000</b>	<b>555,000</b>		
EUR 2,544 reimbursement of detailed expenses												

<b>SCHEDULE 7-BIS: Remuneration Report - TABLE 1</b>												
<b>Compensation paid to members of the management and control bodies, general managers and other key management personnel (EUR)</b>												
A	B	C	D	1	2	3		4	5	6	7	8
First and last name	Office held	Period for which office held	End of term of office	Fixed compensation	Compensation for participation in committees	Non-equity variable compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Indemnity for termination of office or the Employment Relationship
						Bonuses and other incentives	Profit participation					
<b>Ernesto Riva</b>	Chair of the Board of Statutory Auditors	18/01/2019	2022									
(I) Compensation in the company that prepares the financial statements				70,000								
(II) Compensation from subsidiaries and associates												
<b>(III) Total</b>				<b>70,000</b>	-	-	-	-	-	<b>70,000</b>		
<b>Nadia Fontana</b>	Statutory Auditor	18/01/2019	2022									
(I) Compensation in the company that prepares the financial statements				50,000								
(II) Compensation from subsidiaries and associates												
<b>(III) Total</b>				<b>50,000</b>	-	-	-	-	-	<b>50,000</b>		
<i>EUR 801 reimbursement of detailed expenses</i>												
<b>Stefano Caringi</b>	Statutory Auditor	18/01/2019	2022									
(I) Compensation in the company that prepares the financial statements				50,000								
(II) Compensation from subsidiaries and associates												

<b>(III) Total</b>	<b>50,000</b>	-	-	-	-	-	<b>50,000</b>		
<i>EUR 1,335 reimbursement of detailed expenses</i>									

<b>SCHEDULE 7-BIS: Remuneration Report – TABLE 1</b>												
<b>Compensation paid to members of the management and control bodies, general managers and other key management personnel (EUR)</b>												
A	B	C	D	1	2	3		4	5	6	7	8
First and last name	Office held	Period for which office held	End of term of office	Fixed compensation	Compensation for participation in committees	Non-equity variable compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Indemnity for termination of office or the Employment Relationship <sup>3</sup>
						Bonuses and other incentives <sup>1</sup>	Profit participation					
<b>Other key management personnel (9)</b>				2,499,000		84,000		225,000			31,920	
(I) Compensation in the company that prepares the financial statements												
(II) Compensation from subsidiaries and associates												
<b>(III) Total</b>				<b>2,499,000</b>	<b>-</b>	<b>84,000</b>	<b>-</b>	<b>225,000</b>	<b>-</b>	<b>-</b>	<b>31,920</b>	<b>-</b>
<sup>1</sup> The 2020 performance management process had not yet been fully completed at the time the tables were prepared; the figure referred to accordingly consists of the sum of the individual target bonuses arising from the relative re-proportioning of the bonus pool approved by the BoD on 25 February 2021.												

**SCHEDULE 7-BIS: Remuneration Report – TABLE 2**

**Stock options awarded to members of the management body, general managers and other key management personnel (EUR)**

			Options held at the beginning of the year			Options awarded during the year						Options exercised during the year			Options expiring in the year	Options held at the end of the year	Options relating to the year
A	B	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15= 2+5-11-14	16
First and last name	Office held	Plan	Number of options	Exercise price	Possible exercise period (from - to)	Number of options	Exercise price	Possible exercise period (from - to) <sup>1</sup>	Fair value at the award date	Award date	Market price of the underlying shares on awarding the options	Number of options	Exercise price	Market price of the underlying shares at the exercise date	Number of options	Number of options	Fair value
<b>Other key management personnel (2)</b>																	
(I) Compensation in the company that prepares the financial statements		<b>2019-2023 Stock Option Plan (SOP) approved by the Shareholders' Meeting on 18/01/2019</b>	79,561	6.94	From 13/11/24 to 31/12/27											79,561	31,134
(II) Compensation from subsidiaries and associates																	
(III) Total			79,561													79,561	31,134

<sup>1</sup> The figures at the beginning of the year are estimated on the basis of the forecasts included in the Plan Regulation.

**SCHEDULE 7-BIS: Remuneration Report - TABLE 3A**

**Incentive plans based on financial instruments other than stock options in favour of members of the management body, general managers and other key management personnel (EUR)**

			Financial instruments awarded in previous years and not vesting during the year		Financial instruments awarded during the year					Financial instruments vesting during the year and not granted	Financial instruments vesting during the year and grantable		Financial instruments relating to the year
A	B	1	2	3	4	5	6	7	8	9	10	11	12
First and last name	Office held	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at award date	Vesting period	Award date	Market price on award <sup>1</sup>	Number and type of financial instruments	Number and type of financial instruments	Value at the vesting date	Fair value
<b>Other key management personnel (8)</b>													
(I) Compensation in the company that prepares the financial statements		ESOP Plan (Shareholders' Meeting of 18/01/2019 and BoD meeting of 15/06/2020) illimity ordinary shares			128	785.32	-	10/06/2020	6.135		128	785.32	785.32
(II) Compensation from subsidiaries and associates													
(III) Total					128								785

<sup>1</sup>Average of the official share prices in the 30 days preceding the date on which the BoD resolved the awarding of the shares (10/06/2020).

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<b>TABLE 3B</b>									
<b>Monetary incentive plans in favour of members of the management body, general managers and other key management personnel (EUR)</b>									
A	B	1	2			3			4
First and last name	Office held	Plan	Bonuses of the year			Bonuses of previous years			Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
<b>Alessandro Gennari</b>	Director <sup>1</sup>		Payable/paid	Deferred	Deferral period	No longer payable	Payable/paid	Still deferred	
(I) Compensation in the company that prepares the financial statements		Variable scheme 2018 (BoD resolution of 11/03/2019)					37,500	37,500	
		Variable scheme 2017 (BoD resolution of 13/04/2017)					50,000		
(II) Compensation from subsidiaries and associates									
(III) Total			-	-	-	-	<b>87,500</b>	<b>37,500</b>	-

<sup>1</sup> This refers to the previous position as General Manager.



**SCHEDULE 7-BIS: Remuneration report**

<b>TABLE 3B</b>									
<b>Monetary incentive plans in favour of members of the management body, general managers and other key management personnel (EUR)</b>									
A	B	1	2			3			4
First and last name	Office held	Plan	Bonuses of the year			Bonuses of previous years			Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
<b>Other key management personnel (5)</b>			Payable/paid	Deferred	Deferral period	No longer payable	Payable/paid	Still deferred	
(I) Compensation in the company that prepares the financial statements		2020 MBO variable scheme (BoD resolution of 25/02/2021)	84,000						
(II) Compensation from subsidiaries and associates									
(III) Total			<b>84,000</b>	-	-	-			-

### THIRD PART

**SCHEDULE 7-TER** Schedule of information on the holdings of members of the management and control bodies, general managers and other key management personnel

**TABLE 1: Holdings of members of the management and control bodies and general managers**

First and last name	Office held	Company in which investment held	Number of shares held at the end of the preceding year (2019)	Number of shares purchased	Number of shares sold	Number of shares held at the end of 2020
Rosalba Casiraghi	Chair	.	0	0	0	0
Corrado Passera	Chief Executive Officer	illimity Bank S.p.A. through Tetis S.p.A. and Metis S.p.A.	Ordinary shares: 2,138,400 Special shares: 1,425,600	0	0	Ordinary shares: 2,138,400 Special shares 1,425,600
Massimo Brambilla	Director		0	0	0	0
Giancarlo Bruno	Director in office until resignation on 29 December 2020		0	0	0	0
Elena Cialliè	Director		0	0	0	0
Sigieri Diaz della Vittoria Pallavicini	Director in office until the Shareholders' Meeting of 22 April 2020		0	0	0	0
Alessandro Gennari	Director	illimity Bank S.p.A.	4,860	3,000	0	7,860
Martin Ngombwa	Director	illimity Bank S.p.A.	1,349	0	0	1,349
Luca Rovati	Director in office from appointment at the Shareholders' Meeting of 22 April 2020 until resignation on 29 December 2020		0	0	0	0
Maurizia Squinzi	Director		0	0	0	0

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Ernesto Riva	Chair of the Board of Statutory Auditors		0	0	0	0
Stefano Caringi	Standing Auditor		0	0	0	0
Nadia Fontana	Standing Auditor		0	0	0	0

**TABLE 2: Holdings of other key management personnel**

Key management personnel (number)	Company in which investment held	Number of shares held at the end of the preceding year (31.12.2019)	Number of shares purchased	Number of shares sold	Number of shares held at the end of the current year (31.12.2020)
1	illimity Bank S.p.A. through AC Valuecreation S.r.l.	21,600 ordinary shares 14,400 special shares through the investee + 11 deriving from the ESOP	16 <sup>34</sup>	0	21,600 ordinary shares 14,400 special shares through the investee + 27 deriving from the ESOP
8	illimity Bank S.p.A.	3,588 <sup>35</sup>	144 <sup>36</sup>	0	3,732 <sup>37</sup>

<sup>34</sup> Shares deriving from the ESOP Plan.

<sup>35</sup> Of which 88 deriving from the ESOP Plan.

<sup>36</sup> Shares deriving from the ESOP Plan.

<sup>37</sup> Of which 232 deriving from the ESOP Plan.

