

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

**ILLUSTRATIVE REPORT OF THE BOARD OF DIRECTORS OF ILLIMITY S.P.A.  
ON ITEM 3 ON THE AGENDA OF THE ORDINARY SESSION OF THE SHAREHOLDERS' MEETING OF  
ILLIMITY BANK S.P.A. OF 15 DECEMBER 2021 IN SINGLE CALL**

*Prepared pursuant to article 114-bis of Legislative Decree no. 58 of 24 February 1998 as amended  
and article 84-bis of Consob Regulation no. 11971/1999 as amended*

*Approved by the Board of Directors on 9 September 2021  
(as revised on 10 November 2021)*

*[Errata Corrigé on 18 November 2021 – In the 2021-2025 LTI Plan documentation the definition of Return on Average Equity (ROAE) of  
the LTI Plan Goal Card has been clarified (page 6 of the Illustrative report and page 17 of the Information document)]*

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

Shareholders,

You are called to a general meeting on 15 December 2021 at 9:00, in single call, to discuss resolutions on the following agenda:

in ordinary session

1. [OMISSIS].
2. [OMISSIS].
3. **Compensation plan pursuant to article 114-bis of Legislative Decree no. 58/1998 and Circular no. 285 of the Bank of Italy of 17 December 2013, relating to the ordinary shares of illimity Bank S.p.A. for assignment to the Chief Executive Officer, the remaining members of Top Management and the other key members of the Group's staff. Resolutions pertaining thereto and resulting therefrom.**

in extraordinary session

1. [OMISSIS].

This illustrative report is accordingly prepared pursuant to article 114-bis of Legislative Decree no. 58 of 24 February 1998 as amended (the “**Consolidated Finance Law**”) and article 84-bis of Consob Regulation no. 11971/1999 as amended (the “**Issuers’ Regulation**”), and provides a description of item 3. on the agenda of the ordinary session of said Shareholders’ Meeting, as well as the relative proposed resolutions you are called to adopt.

## SHAREHOLDERS' MEETING IN ORDINARY PART

### 3. Compensation plan pursuant to article 114-bis of Legislative Decree no. 58/1998 and Circular no. 285 of the Bank of Italy of 17 December 2013, relating to the ordinary shares of illimity Bank S.p.A. for assignment to the Chief Executive Officer, the remaining members of Top Management and the other key members of the Group's staff. Resolutions pertaining thereto and resulting therefrom.

Shareholders,

You are called to an Ordinary General Shareholders' Meeting of illimity Bank S.p.A. (the "**Bank**" or "**illimity**") to discuss, among other things, the proposal to approve, pursuant to and in accordance with article 114-bis of the Consolidated Finance Law a compensation plan based on financial instruments for the Group's key members of staff.

More specifically, at its meeting of 21 June 2021 the Board of Directors approved illimity's new Strategic Plan for the period 2021-2025 (the "**Strategic Plan**"), presented to the market on 22 June 2021, which called for an adequate review of the incentive strategy for illimity management team, adapting the current long-term schemes to the same timeframe and, at the same time, recognising the contribution made by the management, since 2018, to the creation of sustainable value in the medium-long term.

In light of these considerations, at the same date, the Board of Directors approved the proposal for the adoption of a new Long-Term Incentive Plan (the "**LTI Plan**") for the period 2021-2025, linked to the objectives set in the new Strategic Plan. At its subsequent meeting on 9 September 2021, the Board of Directors established the Regulation of the new LTI Plan and the relative Information Document prepared pursuant to article 114-bis of the Consolidated Finance Law and article 84-bis of the Issuers' Regulation (the "**Information Document**"), that are submitted for approval to the Shareholders' Meeting. In particular, it is proposed that the LTI Plan should replace:

- 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 remaining members of Top Management, adopted by the Shareholders' Meeting on 22 April 2020.

It is recalled that consistent with the remuneration policies to be discussed by the Shareholders' Meeting as per the previous item 2. on the agenda, the LTI Plan represents part of the incentive scheme for the key members of the Group's staff, which regulates and governs the conditions and means of payment of the variable component of medium/long-term remuneration.

### **Purposes of the Plan**

The Plan has the objectives of:

- a. ensuring the maintenance of a strict alignment among the interests of the company, the shareholders and the Beneficiaries by incentivising achievement of the objectives of the 2021-2025 Strategic Plan;
- b. ensuring alignment with the plan's new time horizon while at the same time providing for three pay-out cycles starting with an analysis of the 2021 results;
- c. making it possible to give value to the effective contribution (in terms of organisational importance and performance quality) made by illimity Group management by also including Beneficiaries who have had significant managerial growth;
- d. supporting the creation of value for all stakeholders and corporate social responsibility in the long term through a commitment to achieving ESG (Environmental, Social & Governance) objectives in addition to those of economic and financial nature.

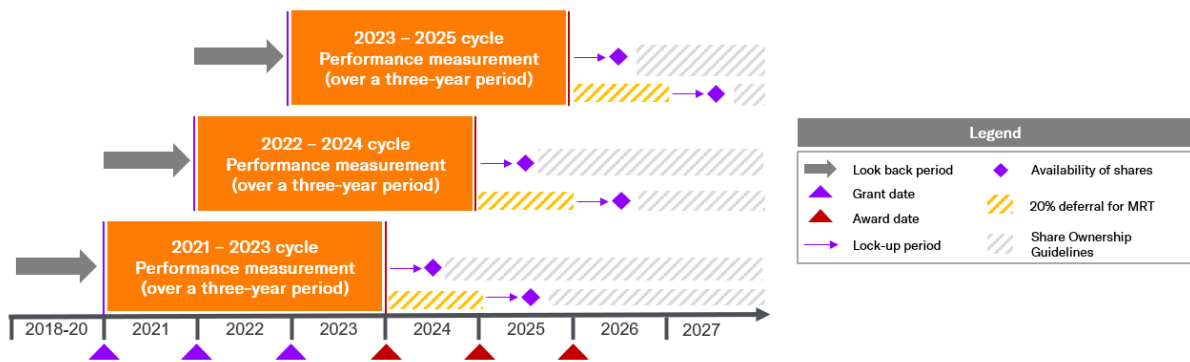
### **Beneficiaries of the Plan**

The LTI Plan is addressed to the following individuals (the "**Beneficiaries**"):

- the Chief Executive Officer;
- the remaining members of Top Management (as defined in the Information Document);
- the beneficiaries of the previous stock option plan "SOP" (approximately 40 employees);
- additional new Beneficiaries identified among the Group's key members of staff, 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).

### **Key features of the Plan**

The LTI Plan envisages the assignment at an individual level of the rights to receive shares (the "**Rights**"). Such LTI Plan is divided into 3 cycles for the measurement of the Performance Objectives, and namely for the three-year periods 2021-2023, 2022-2024 and 2023-2025, so as to cover the whole timeframe of the plan (a "rolling" plan), determining the effective free-of-charge granting of illimity shares (the "**Shares**").



### Timeframe of the new LTI 2021-2025 Plan

More specifically, for the beneficiaries identified among the Material Risk Takers, 80% of the shares envisaged for each performance cycle are granted/disbursed at the end of that cycle (the up-front portion) and 20% 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 6-month lock-up period.

For the remaining beneficiaries, 100% of the shares envisaged for each cycle are granted/disbursed at the end of it (with a 6-month lock-up period).

The Rights to receive Shares are granted: (i) at the beginning of the LTI Plan with reference to the three three-year periods for measuring performance (2021-2023; 2022-2024; 2023-2025) for staff already beneficiaries of the SOP Plan and the 2020-2023 Long-Term Incentive Plan and (ii) at the beginning of each vesting cycle for all other beneficiaries identified year by year as one of the Group’s key members of staff.

Vesting of the Rights depends first of all on satisfying the following conditions defined as “Gates”, measured at the end of each three-year performance cycle (the first measuring cycle at 31 December 2023, the second cycle at 31 December 2024 and the 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 granted for each cycle vest on the extent to which the objectives have been met and their relative weight, set in accordance with the Strategic Plan and communicated at the beginning of each cycle, as part of the following pillars:

- Profitability;

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

More specifically, for the first performance cycle (2021-2023), the LTI Plan sets the following objectives:

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%	
	Top ESG Rating (Climate & Ethics)	4 points	< 3 points	0%	
			≥ 4 points	100%	
		≥ 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-average between net equity at the end of the three-year 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 fully achieved;
  - 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 lower than 12%, the KPI has not been achieved.
- **Relative TSR** (Total Shareholder Return) of illimity compared to that of issuers (peers) listed on Borsa Italiana's Financial Services Italy index for the whole cycle, calculated for each of the Plan's vesting cycles and namely 2021-2023, 2022-2024 and 2023-2025 for both illimity and the peers 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%;
  - lies between the median (inclusive) and the third quartile (inclusive), the KPI has been achieved in the range between 60% and 100%, calculated on the basis of linear interpolation between the two values;
  - is 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 on 31 December 2023, 100% of the KPI has been achieved;
    - lies between the RAF appetite on 31 December 2023 (inclusive) and the RAF tolerance on 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 on 31 December 2023, the KPI has not been achieved.
  - **ESG (Environment, Social & Governance)** calculated on 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 continuous balancing between men and women – tolerance of 5% - in the «talent pool» over the years of the Plan);
      - Measurement criteria:
        - Score 4: reaching the target in at least three dimensions and not more than 10% below 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% in 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<sup>1</sup> compared to the rating for 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.

In the case of the Manager in Charge of Drafting the Financial Statement and the Head of the Human Resources & Organization, in place of the ROAE and with the same weighting, the Chief Executive Officer will make a qualitative assessment of the performance achieved in the three-year period, also on the basis of the results achieved as part of the annual Performance Management process.

For the second and third three-year cycles, the Board of Directors may approve revisions to the KPIs and relative targets, in order to ensure continuity and consistency of the objectives schedule with corporate strategy. For each cycle, the KPIs and relative weightings will be disclosed as part of the latest Remuneration Policy.

Within 30 (thirty) days of the date of the Company’s Shareholders Meeting approving the financial statements at the end of the three-year cycle (2023 – 2024 – 2025), the Board of Directors will determine whether the conditions set as Gates have been met, establish the extent to which the Performance Objectives have been met and therefore calculate the number of Rights effectively vested and the number of shares to be granted.

The shares granted are additionally subject to a 6-month lock-up period starting from the Delivery Date, during which the shares are not available to the Beneficiaries and accordingly cannot be sold to third parties or pledged. Consistent with regulatory provisions, the Beneficiaries accrue the right to the recognition of the 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 accordingly recognised having a value equivalent to any dividends distributed in the same period (the “dividend equivalent”).

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

Finally, the Rights vested are subject to Malus and Claw-back conditions, namely contractual clauses that allow for the reduction – down to zero – of the variable remuneration that has still to be paid to employees (Malus) and/or the request for repayment, also partial, of the variable remuneration already paid (or variable emolument already settled) against *ex post* negative assessments of business or

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<sup>1</sup> «Investment Grade» for Standard Ethics begins at «EE-». illimity defines its «Investment Grade» for the CDP rating as «B-».



individual performance or in the case of fraudulent conduct or gross negligence by the employee (Claw-back). These situations are expressly governed as part of the internal procedure “Process for the application of the Malus and Claw-back mechanisms associated with individual conduct”.

### Revisions of the Plan

The LTI Plan may be amended or modified, this being the exclusive competence of the Board of Directors, in order to keep its substantial features unchanged and reflect any mergers, demergers, capital increases or other operations on capital, including the grouping or splitting of the Shares, operations on treasury shares or other extraordinary operations of illimity whose completion, regardless of when announced, changes the Company’s perimeter (the “**Extraordinary Event**”) or in any case if the opportunity arises, including following amendments to laws or regulations, without altering the need to maintain prudential supervision.

In case of a Change of Control pursuant to article 93 of the Consolidated Finance Law, even if this does not entail the obligation to make a public tender offer (*offerta pubblica di acquisto - OPA*), the promotion and/or completion of an OPA on the Company’s Shares or the resolution of operations which may lead to the withdrawal of the listing of the Company’s shares on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A., the Board of Directors will grant the Shares corresponding to the Rights awarded earlier than provided by the Regulation, wholly if the objectives of the strategic plan have been fully met at the date of the Change of Control, verified at the latest available annual measurement, or on a pro-rata temporis basis, regardless of the actual performance achieved, in proportion to the number of days passing between 1 January 2021 and the date of the Change of Control compared to the number of days passing between 1 January 2021 and 31 December 2023, in any case considering granted a minimum of 50% of the rights, without prejudice to the possibility for the Board of Directors to resolve an increase in this percentage, after ensuring compliance with the envisaged Gates at the latest available annual measurement and the provisions of the remuneration policy, without prejudice that this anticipation of the granting of the Shares shall not hold for the Rights awarded and/or to be awarded subsequent to the Change of Control. With reference to awards later than 2021 but before the Change of Control, the Shares shall be granted in proportion to the number of days passing between 1 January of the year of their award and the date of the Change of Control compared to the number of days of the relative performance cycle, regardless of the actual performance achieved, ensuring compliance with the envisaged Gates and the provisions of the remuneration policy.

For the meaning of “change of control”, in addition to that described in article 93 of the Consolidated Finance Law (“sole control”) reference is also made to the Consob Regulation on related party transactions adopted by way of Resolution no. 17221 of 12 March 2010 (“joint control”).

In case of a public tender offer or public exchange offer (whether voluntary or mandatory) regarding the Shares, after obtaining the opinion of the Remuneration Committee and in accordance with the provisions of article 104 of the Consolidated Finance Law, the management body will resolve:

- to grant the Shares in advance, quantified in line with the above criteria, ensuring compliance with the envisaged Gates, without prejudice to the fact that such anticipation of the granting of the Shares shall not hold for the Rights awarded and/or to be awarded subsequent to the launch and/or completion of the public tender offer; and

- to provide the immediate availability of their locked-up Shares to the Beneficiaries who notify their irrevocable wish to adhere to the public tender offer.

In any case revocation mechanisms for granting and returning part or all of the Shares or Rights pertaining to each Beneficiary similar to the Malus and Claw-back mechanisms shall apply in the cases provided by the Regulation and the Remuneration Policies.

### **Servicing the Plan**

As described in the specific Report to Shareholders as per item 1 on the agenda of the extraordinary session for the Shareholders' Meeting, pursuant to article 2443 of the Italian civil code it is proposed to delegate the Bank's Board of Directors the power, for a maximum period of five years from the effective date of the relative shareholders' resolution, to increase share capital, free of charge, in one or more tranches and in separate issues, by a maximum nominal value of 1,323,663.96 Euro, through the issue of up to 2,031,094 new ordinary illimity shares without nominal value having the same features as the ordinary illimity shares outstanding at the date of issue of such new ordinary shares and regular dividend rights, at an issue price equal to the implicit nominal value of the illimity shares at the date of execution of the delegated powers.

For the purpose of said increase, recourse shall be made to the scheme provided in the first paragraph of article 2349 of the Italian civil code, which envisages the assignment of profits to employees; accordingly at the date, from time to time, on which the powers are exercised and for the purpose of such, a corresponding amount of profits and/or reserves must be available as per the latest approved financial statements (including interim financial statements) to be used for the increase in capital.

It is also noted that the current availability of treasury shares in portfolio, amounting to 98,505 in number (as also any additional treasury shares), may be used to service the 2021-2025 LTI Plan. In particular, in order to ensure greater flexibility in the execution of the Plan, the illimity bonus shares needed to service the plan may be granted by using the shares arising from the above-mentioned capital increase and/or the treasury shares already held by the Bank and/or any purchases authorised by the Shareholders' Meeting pursuant to articles 2357 and 2357-ter of the Italian civil code.

### **Concluding considerations**

All the features of the LTI Plan are described in the relative Information Document, prepared pursuant to article 114-bis of the Consolidated Finance Law and article 84-bis of the Issuers' Regulation, made available to the public within the period and by the means prescribed by article 84-bis of such Issuers' Regulation and attached to this Illustrative Report.

Lastly, it is noted that the LTI Plan is considered to be of "particular relevance" pursuant to article 114-bis, paragraph 3 of the Consolidated Finance Law and article 84-bis, paragraph 2 of Consob Regulation no. 11971/1999 as amended (the "Issuers' Regulation").

\* \* \*

The Board of Directors accordingly submits the following proposed resolution.

### **PROPOSAL**

*“The Ordinary Shareholders’ Meeting of illimity Bank S.p.A. (the “Bank” or “illimity”),*

- *having regard to article 114-bis of Legislative Decree no. 58 of 24 February 1998 (the “Consolidated Finance Law”) and article 84-bis of Consob Regulation no. 11971 of 14 May 1999 as amended (the “Issuers’ Regulation”);*
- *acknowledging the Board of Directors’ Illustrative Report (the “Report”) and the attached Information Document prepared pursuant to the above mentioned article 114-bis of the Consolidated Finance Law,*

### **RESOLVES**

- *to approve, pursuant to and in accordance with article 114-bis of the Consolidated Finance Law and article 84-bis of the Issuers’ Regulation, the adoption of a Long-Term Incentive Plan based on financial instruments, for the Chief Executive Officer, the remaining members of Top Management and additional key members of the Group, in compliance with the description provided in the Information Document (the “LTI Plan”) and, as a consequence, to withdraw the SOP and the previous 2020-2023 Long-Term Incentive Plan approved in 2020;*
- *to confirm the authorisation for the use by the Bank of the 98,505 ordinary illimity shares currently in portfolio also to service the LTI Plan;*
- *to grant the Board of Directors – and on its behalf the Chairman and Chief Executive Officer, separately and with the express possibility to sub-delegate – all the necessary and appropriate powers to (i) adopt and fully implement the LTI Plan, making any additions and/or modifications of a non-substantial nature considered necessary and/or appropriate, and (ii) take any action, satisfy any requirement, perform any formality and make any communication that may be necessary or appropriate for implementing the LTI Plan”.*

Milan, 11 November 2021

The Board of Directors  
The Chair

#### The Attachment follows:

1. *Information Document prepared pursuant to article 114-bis of the Consolidated Finance Law and article 84-bis of the Issuers’ Regulation.*

## **2021-2025 Long-Term Incentive Plan**

**Information document prepared in accordance with  
article 84-bis of the Issuers' Regulation**



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## Introduction

Shareholders,

This information document (the “**Information Document**”), prepared pursuant to article 84-bis and Schedule 7 of Attachment 3A of the Consob Regulation adopted by way of Resolution no. 11971 of 14 May 1999 as amended (the “**Issuers’ Regulation**”), deals with the proposal to adopt the Incentive Plan based on financial instruments, the “2021-2025 Long-Term Incentive Plan” approved by the Board of Directors of illimity S.p.A. (the “**Company**” or “**illimity**”).

On 9 September 2021, on the proposal of the Remuneration Committee, illimity’s Board of Directors resolved to propose to the Shareholders’ Meeting the adoption of the Incentive Plan based on financial instruments, the “2021-2025 Long-Term Incentive Plan”, pursuant to article 114-bis of Legislative Decree no. 58 of 24 February 1998 as amended (the “**Consolidated Finance Law**”).

This Information Document accordingly provides information about such incentive plan based on financial instruments for the Chief Executive Officer, the remaining members of Top Management and additional key members of the Group.

This Information Document may be revised, where necessary and within the time periods and by the means prescribed by current law, if the proposal to adopt the Incentive Schemes is approved by the Shareholders’ Meeting and in compliance with the resolutions adopted by such Shareholders’ Meeting.

The “2021-2025 Long-Term Incentive Plan” described in this Information Document is considered to be of “particular relevance” pursuant to article 114-bis, paragraph 3 of the Consolidated Finance Law and article 84-bis, paragraph 2 of the Issuers’ Regulation.

This Information Document is made available to the public at the corporate offices of illimity Bank S.p.A. and on the “1INFO Storage” storage system, and may be consulted on the website [www.1info.it](http://www.1info.it) and on the Company’s website ([www.illimity.com](http://www.illimity.com)) under the Governance / Remuneration.

## Definitions

The following definitions of terms in the singular shall also apply when used in the plural and vice versa.

<b>Adoption Date</b>	The date on which the Board of Directors approved the adoption of the Long-Term Incentive Plan, namely 21 June 2021.
<b>Award Date</b>	The date on which the Board of Directors, or the persons delegated by the Board of Directors, identifies the Beneficiaries of the Plan.
<b>Beneficiaries</b>	The beneficiaries of the Plan who are granted the possibility of receiving the Shares envisaged by the Plan.
<b>Board of Directors</b>	illimity's Board of Directors.
<b>Business Plan</b>	The Company's 2021-2025 Business Plan, approved by the Board of Directors on 21 June 2021, which describes the Objectives relevant for the vesting of the Rights.
<b>Committee</b>	illimity's Remuneration Committee.
<b>Deferral</b>	The deferral in the payment of a portion of the variable component for a reasonable period in order to take into account the passage of time regarding the risks assumed by the Company (the malus mechanisms).
<b>Delivery Date</b>	The date on which the Beneficiary becomes the effective owner of the Shares, subject to the implementation of all the necessary accounting and administrative requirements.
<b>Employment or Collaboration Relationship</b>	The relationship of an employment or collaboration nature between the Beneficiary and the Company.
<b>Gates</b>	Conditions regarding the Company's assets, liquidity or financial situation or concerning individual conduct (CET1 Ratio, Liquidity Coverage Ratio, Net Profit, no breach of laws, regulations or corporate codes at an individual level) that must be met during the Vesting Period.
<b>Grant Letter</b>	The letter by which each Beneficiary is provided notification of the number of shares granted following verification of the Gates and achievement of the Objectives.



<b>illimity or the Company</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>Key Members of Management</b>	As defined in IAS 24 “those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or non-executive) of the entity”.
<b>Lock-up Period</b>	The period starting from the Delivery Date of the Shares at the end of which the Beneficiary can freely dispose of the granted shares, meaning sell them to third parties or pledge them.
<b>Long-Term Variable Opportunity</b>	The total amount of the value of the Long-Term Incentive, awarded through the free of charge delivery of Rights to receive illimity shares, corresponding to the maximum extent to which the objectives assigned are met and the satisfaction of the other conditions established in the Implementing Regulation.
<b>Malus and Claw-Back</b>	<p>Contractual clauses that make it possible to reduce – down to zero - the variable remuneration that the Bank or the individual subsidiary included in the Group’s perimeter has still to pay the employee (malus) and/or request the return, also partial, of the variable remuneration already paid (or the variable emolument already paid) resulting from negative ex post assessments of business or individual performance, or in case of fraudulent conduct or gross negligence by the employee (claw-back), in accordance with the matters regulated by the procedure “Process for the application of malus and claw-back mechanisms associated with individual conduct”.</p> <p>More specifically, malus and claw-back are assessed in case of significant non-compliant conduct, namely conduct which, pursuant to laws and regulations in force when such conduct is actually carried out, leads to:</p> <ol style="list-style-type: none"> <li>1. a breach of legal or regulatory provisions, or those established by the bylaws or any applicable code of ethics or conduct, from which the Bank, the individual subsidiary or respective customer has suffered a significant loss;</li> <li>2. a breach of specific legal or regulatory provisions, or those established by the bylaws or any applicable code of ethics or conduct, regardless of the resulting losses;</li> <li>3. a breach of the obligations of company officers concerning suitability for acting in their position, possessing the fit and proper and independence requirements as well as meeting the competence and correctness criteria;</li> <li>4. a breach of the rules established in the Policy “Transactions with persons within the perimeter of the illimity Bank Group”;</li> <li>5. a breach of the remuneration and incentive obligations;</li> <li>6. fraudulent action to the harm of the Bank;</li> <li>7. activities performed in a negligent or incompetent manner (“gross negligence”) to the harm of the Bank.</li> </ol>

<b>Participation Proposal</b>	The written communication, sent by illimity to the Beneficiary, which if accepted by such constitutes, to all effects, full and unconditional adherence to the Plan by the Beneficiary.
<b>Performance Objectives</b>	The objectives of the LTI Plan in line with those of the Strategic Plan in respect of the following pillars: profitability, creation of shareholder value, asset quality and ESG. In particular, for the first performance cycle, 2021-2023, the following indicators have been determined: ROAE, Total Shareholder Return in relative terms, the Gross Organic NPE ratio and ESG indicators.
<b>Plan</b>	illimity's Long-Term Incentive Plan, adopted by the Board of Directors on 21 June 2021, with the relative Regulation determined on 9 September 2021, and approved by the Company's Shareholders' Meeting on 15 December 2021.
<b>Reference Price</b>	The arithmetic average of the official prices of illimity's ordinary shares on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A. on trading days during the period between the day preceding the Date of Adoption of the Plan by the Board of Directors and the day of the previous calendar month having the same date as the day on which the Plan was approved (or, failing that, the day immediately preceding the latter).
<b>Regulation</b>	The Implementing Regulation of the Plan.
<b>Remuneration Policy</b>	The Remuneration Policy in force at the time.
<b>Right to receive Ordinary Shares (also Right)</b>	The right, awarded to the Beneficiaries, to receive Shares under a 1:1 rights/shares ratio, on the satisfaction of the Gate conditions, taking into account the extent to which the Performance Objectives have been met and in the absence of Malus conditions. The shares become effectively available at the end of each Lock-Up Period.
<b>Shareholders' Meeting</b>	The General Meeting of illimity's shareholders.
<b>Shares</b>	The ordinary shares of illimity to be received by the Beneficiaries on the satisfaction of the Plan objectives and the other conditions governed by this regulation, each for their own respective entitlement, arising from the free of charge increase in share capital by illimity resolved by the Shareholders' Meeting on 15 December 2021 to service the Plan and/or from the treasury shares already held by the Bank and/or arising from any purchases authorised by the Shareholders' Meeting pursuant to articles 2357 and 2357-ter of the Italian civil code.

<p><b>Top Management</b></p>	<p>The Chief Executive officer and the following managers reporting directly to him: Head of Distressed Credit; Head of Growth Credit; Head of Direct Banking; Chief Financial Officer and Head of Central Functions; Chief Lending Officer.</p>
<p><b>Vesting Date</b></p>	<p>The date of the meeting of the Board of Directors ensuring compliance with the Gates and verifying the extent to which the Performance Objectives have been met, determining the total amount of the shares that correspond to the vested rights and are to be granted to the Beneficiaries.</p>
<p><b>Vesting Period</b></p>	<p>The period over which the extent to which the Performance Objectives of the Plan have been met. This is divided into three cycles, 2021-2023, 2022-2024 and 2023-2025.</p>

## 1. BENEFICIARIES

### 1.1 Name of beneficiaries who are members of the board of directors or management board of the issuer of the financial instruments, of the companies controlling the issuer and of the companies directly or indirectly controlled by such

Corrado Passera, as Chief Executive Officer of illimity Bank S.p.A.<sup>2</sup>

### 1.2 Categories of employees or collaborators of the issuer of the financial statements and of the companies controlling or controlled by such issuer

On 9 September 2021, on the proposal of the Remuneration Committee, the Board of Directors also identified the following as additional Beneficiaries of the Plan:

- the remaining members of Top Management;
- the staff members who were beneficiaries of the previous stock option plan “SOP” (approximately 40 employees);
- additional new Beneficiaries identified from year to year among key members of the Group by 31 December of the first year of each performance cycle (and namely by 31 December 2021 for the 2021-2023 cycle, by 31 December 2022 for the 2022-2024 cycle and by 31 December 2023 for the 2023-2025 cycle).

### 1.3 Names of the persons benefiting from the Plan belonging to the following groups:

#### ***a) general managers of the issuer of the financial instruments***

Not applicable as at the date of the Information Document the position of General Manager is not envisaged in the Bank.

#### ***b) other key managers of the issuer of the financial statements that is not of “smaller size”, pursuant to article 3, paragraph 1, letter f) of Regulation no. 17221 of 12 March 2010, in the case that during the course of the year they have received total compensation (obtained as the sum of monetary compensation and compensation based on financial instruments) greater than the highest total compensation assigned to members of the board of directors, or the management board, and to general managers of the issuer of financial instruments***

Not applicable.

#### ***c) natural persons controlling the issuer of shares, who are employees or who provide collaboration services in the issuer of shares***

Not applicable as there are no natural persons controlling the Company.

### 1.4 Description and numerical indication, analysed by category:

#### ***a) of key managers other than those stated at letter b) of paragraph 1.3***

Not applicable.

#### ***b) in the case of smaller companies within the meaning of article 3, paragraph 1, letter f) of Regulation no. 17221 of 12 March 2010, of all the key managers, in total, of the issuer of the financial instruments***

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<sup>2</sup> For purely informational purposes it is noted that certain of the Plan's Beneficiaries are currently also members of the board of directors of the Bank's subsidiaries. There is no requirement to state the name of these persons in paragraph 1.1 or the table attached to the Information Document, as the allocation on the basis of the Plan does not depend on the positions held by these persons in the above companies since such allocation is determined on the basis of the managerial role assigned to them within the Group.

In addition to the persons identified at previous point 1.1, the category of persons holding a position as Key Management Personnel includes **5** members of Top Management and **3** Beneficiaries of the previous “SOP” stock option plan.

***c) of any categories of employees or collaborators for whom differentiated features of the Plan are envisaged (for example executives, middle managers, administration staff, etc.)***

In addition to the persons identified at previous points 1.1, 1.2 and 1.4, other persons are identified among the group’s key members of staff as Beneficiaries of the Plan; in particular, beneficiaries of the previous “SOP” stock option plan (approximately 40 people).

New Beneficiaries may be identified from year to year among key members of the Group’s staff by 31 December of the first year of each performance cycle (and namely by 31 December 2021 for the 2021-2023 cycle, by 31 December 2022 for the 2022-2024 cycle and by 31 December 2023 for the 2023-2025 cycle).

Lastly, it is noted that the incentive scheme envisaged by the LTI Plan is the same for all Beneficiaries and the individual assignment of the Rights depends on role and seniority.

## **2. REASONS UNDERLYING THE ADOPTION OF THE PLAN**

### **2.1 Objectives intended to be achieved by way of the Plan and additional information**

The adoption of illimity’s Strategic Plan for the period 2021-2025 called for an adequate review of the incentive strategy for illimity management, adapting the current long-term incentive schemes to the same timeframe and, at the same time, recognising the contribution made by management, since 2018, to the sustainable creation of value in the medium-long term.

In light of such considerations, the Board of Directors – by way of a resolution approved on 21 June 2021 – has approved the Strategic Plan and the adoption of the new 2021-2025 Long-Term Incentive Plan (hereinafter also the “**Plan**” or “**LTI Plan**”) which replaces:

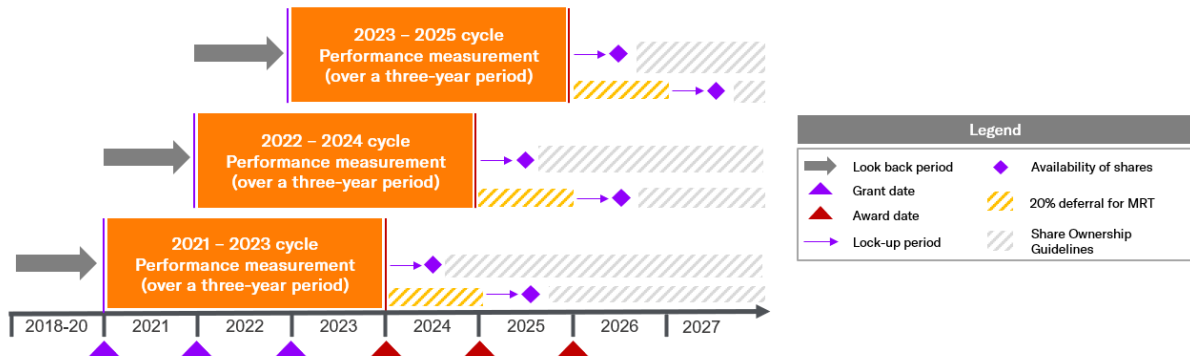
- the “Stock Option Plan” (also “SOP”) whose adoption was resolved on 18 January 2019 by the Shareholders’ Meeting and reserved to a selected number of the employees of illimity and its direct and/or indirect subsidiaries; and
- the 2020-2023 Long-Term Incentive Plan reserved to the Chief Executive Officer and the remaining Top Management of illimity, whose adoption was resolved by the Shareholders’ Meeting on 22 April 2020.

In light of these considerations, the new Plan has the objectives of:

- ensuring the maintenance of a close 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;
- ensuring temporal alignment to the plan’s new timeframe by envisaging at the same time three pay-out cycles starting from an analysis of the 2023 results;
- providing the possibility of assessing the effective contribution (in terms of organisational relevance and performance quality) of the management of the illimity Group by also including Beneficiaries who have experienced significant managerial growth;
- supporting 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 objectives in addition to economic and financial objectives.

## 2.2 Key variables, also in the form of performance indicators considered for the purpose of the allocation of the Plan based on financial instruments, and additional information

The share plan is of a “rolling” nature, envisaging 3 cycles for the measurement of Performance Objectives for the three-year periods 2021-2023, 2022-2024 and 2023-2025 as a means of fully covering the timescale of the plan.



*Timeframe of the new LTI Plan 2021-2025*

The Plan envisages the free of charge awarding of Rights to receive Shares on an individual basis. This is carried out as follows: (i) at the beginning of the Plan, with reference to three three-year cycles of performance measurement (2021-2023; 2022-2024; 2023-2025) for persons who are already beneficiaries of the SOP Plan and the 2020-2023 Long-Term Incentive Plan; (ii) at the beginning of each vesting cycle for any additional Beneficiaries identified from year to year among the Group’s key members of staff.

The Rights vest, for the portion concerned, at the end of each measurement cycle, subject to verification by the Board of Directors, on the proposal of the Remuneration Committee after consulting with the Risks Committee, in compliance with the Gates and the extent to which the Performance Objectives achieved in the Vesting Period have been met. The relative shares are granted at the end of each cycle.

More specifically, for the beneficiaries identified among the Material Risk Takers, 80% of the shares envisaged for each performance cycle are granted/dispensed at the end of that cycle (the up-front portion) and 20% 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 6-month lock-up period.

For the remaining beneficiaries, 100% of the shares envisaged for each cycle are granted/dispensed at the end of it (with a 6-month lock-up period).

In particular, the vesting of the Rights is subject to the existence of conditions defined as “Gates” that are measured at the end of each three-year cycle (first measuring cycle on 31 December 2023, the second cycle on 31 December 2024 and the third cycle on 31 December 2025):

- **CET1 Ratio:** greater than or equal to the tolerance threshold defined in 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 granted for each cycle vest on the basis of the extent to which the objectives are met and the relative weight, set in accordance with the Strategic Plan and communicated at the beginning of each cycle. More specifically, for the first performance cycle (2021-2023), the LTI Plan sets the following objectives:

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%	
	Top ESG Rating (Climate & Ethics)	4 points	< 3 points	0%	10%
			≥ 4 points	100%	
			≥ 3 points e < 4 points	60%-100%	
			< 3 points	0%	

In the case of the Manager in Charge of drafting the Financial Statement and the Head of the Human Resources & Organization, in place of the ROAE and with the same weighting, the Chief Executive Officer will make a qualitative assessment of the performance achieved in the three-year period, also on the basis of the results achieved as part of the annual Performance Management process.

For the second and third three-year cycles, the Board of Directors may approve a revision of the KPIs and the relative targets, in order to ensure continuity and adherence of the objectives schedule to corporate strategy. For each cycle the KPIs and relative weights will be disclosed as part of the latest Remuneration Policy applicable at the time.

Within 30 (thirty) 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 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.

The granted shares are additionally subject to a 6-month lock-up period starting on the Delivery Date, during which the shares are not at the Beneficiaries' disposal and may accordingly not be sold to third parties or pledged. Consistent with regulatory provisions, the Beneficiaries accrue 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 as any dividends that may have been distributed in the same period (the "dividend equivalent").

Following the lock-up period of each cycle, the relative Shares are granted and the Rights are converted into Shares, in the ratio of 1 Share for each Right awarded.

Finally, the Rights vested are subject to Malus and Claw-back conditions, namely contractual clauses that allow for the reduction – down to zero – of the variable remuneration that has still to be paid to the



employees (Malus) and/or the request for repayment, also partial, of the variable remuneration already paid (or variable emolument already settled) against ex post negative assessments of business or individual performance, or in the case of fraudulent conduct or gross negligence by the employee (Claw-back).

These situations are expressly governed as part of the internal procedure “Process for the application of the Malus and Claw-back mechanisms associated with individual conduct”.

### **2.3 Elements underlying the determination of the amount of the compensation based on financial instruments, namely the criteria for its determination and additional information**

For each Beneficiary, the Rights vest, for the portion concerned, at the end of each measurement cycle, subject to verification by the Board of Directors of compliance with the Gates and the extent to which the Performance Objectives achieved in the Vesting Period have been met.

Each cycle represents the long-term component in financial instruments of the incentive strategy and affects the variable remuneration cap to the extent of the amount of the award in the year in which each cycle commences (respectively 2021, 2022 and 2023).

The amount disbursed depends on meeting the access conditions and is a function of the extent to which each objective is met, as described at point 2.2 above.

### **2.4 Reasons underlying any decision to grant the compensation plan based on financial instruments not issued by the issuer of financial instruments, such as financial instruments issued by subsidiaries or holding companies or third-party companies with respect to the group; if said instruments are not traded on regulated markets, information concerning the criteria used to determine the value attributable to them**

Not applicable as the Plan envisages the awarding of Rights which subject to verification of the established conditions grant the right to receive ordinary Shares of illimity Bank S.p.A. free of charge.

### **2.5 Assessments concerning significant implications of a fiscal or accounting nature that affected the definition of the Plan**

There are no significant implications of an accounting or fiscal nature that affected the definition of the Plan.

### **2.6 Any support of the Plan by the Special Fund for encouraging worker investment in businesses pursuant to article 4, paragraph 112 of Law no. 350 of 24 December 2003**

Not applicable as the Plan does not receive any support from the Special Fund for encouraging worker investment in businesses pursuant to article 4, paragraph 112 of Law no. 350 of 24 December 2003.

## **3. APPROVAL PROCEDURE AND TIMESCALE FOR AWARDING THE INSTRUMENTS**

### **3.1 Powers and duties delegated by the shareholders' meeting to the board of directors for implementing the Plan**

On 21 June 2021, illimity's Board of Directors approved the adoption of the Plan on the proposal of the Remuneration Committee, following consultation with the Risks Committee and, on 9 September 2021, determined the implementing Regulation and this present Information Document, thereby resolving to submit the Plan for the approval to illimity's Shareholders' Meeting.

An Ordinary Meeting of illimity's shareholders will be called on 15 December 2021 to approve the Plan and grant the Board of Directors all the necessary and/or appropriate powers to implement the Plan, in



particular, by way of mere example and not limited to, the performance of all actions, requirements, formalities and communications that may be necessary or even only opportune for managing and/or implementing the Plan, including the adaptation of the relative Regulation, with the possibility to delegate its powers, duties and responsibilities concerning the execution and application of the Plan to one or more of its members, also in separate issues and with the possibility of sub-delegation.

### **3.2 Details of the bodies or persons engaged to administer the Plan and their duties**

The body in charge of administering the Plan – without prejudice to the prerogatives of the Shareholders' Meeting – is the Board of Directors, which oversees the management of the Plan, and apart from the matters specifically and otherwise provided by the implementing Regulation may delegate its powers, duties and responsibilities to one or more of its members, also in separate issues and with the possibility of sub-delegation for the execution of its decisions concerning the Plan.

Every decision taken by the Board of Directors, or by the bodies or persons it has delegated, regarding the interpretation and application of the Plan is final and binding for the persons concerned.

### **3.3 Any existing procedure to revise the Plan including with respect to any changes in the basic objectives**

The Board of Directors may approve revisions to the KPIs and the relative targets for the second and third three-year cycle, in order to ensure continuity and consistency of the LTI schedule with corporate strategy. For each cycle, the KPIs and relative weightings will be disclosed as part of the Report on Remuneration Policy current at the time.

In addition, the Plan may be amended or modified, this being the exclusive responsibility of the Board of Directors, in order to keep its substantial features unchanged and reflect any mergers, demergers, capital increases or other operations on capital, including the grouping or splitting of the Shares, operations on treasury shares or other extraordinary operations of illimity whose execution and completion, regardless of when announced, change the Company's perimeter (the "**Extraordinary Event**"), or in any case if the opportunity arises, including following amendments to laws or regulations, without altering the need to maintain prudential supervision.

If for an Extraordinary Event it should become necessary to amend the Objectives of the Plan, the Board of Directors will determine the changes to be made, on the proposal of the Remuneration Committee, and will notify the Beneficiaries of the Plan of the new Objectives.

In case of a Change of Control pursuant to article 93 of the Consolidated Finance Law, even if this does not entail the obligation to make a public tender offer (*offerta pubblica di acquisto - OPA*), the promotion and/or completion of an OPA on the Company's Shares or the resolution of operations which may lead to the revocation of the Company's shares from the Electronic Stock Market organised and managed by Borsa Italiana S.p.A., the Board of Directors will grant the Shares corresponding to the Rights awarded earlier than provided by the Regulation, wholly if the objectives of the strategic plan have been fully met at the date of the Change of Control, verified at the latest available annual measurement, or on a pro-rata temporis basis, regardless of the actual performance achieved, in proportion to the number of days passing between 1 January 2021 and the date of the Change of Control compared to the number of days passing between 1 January 2021 and 31 December 2023, in any case considering granted a minimum of 50% of the rights, without prejudice to the possibility for the Board of Directors to resolve an increase in this percentage, ensuring compliance with the envisaged Gates at the latest available annual measurement and the provisions of the remuneration policy, without prejudice that this anticipation of the granting of the Shares shall not hold for the Rights awarded and/or to be awarded subsequent to the

Change of Control. With reference to awards later than 2021 but before the Change of Control, the Shares shall be granted in proportion to the number of days passing between 1 January of the year of the award and the date of the Change of Control compared to the number of days of the relative performance cycle, regardless of the actual performance achieved, ensuring compliance with the envisaged Gates and the provisions of the remuneration policy.

For the meaning of “change of control”, in addition to that described in article 93 of the Consolidated Finance Law (“sole control”) reference is also made to the Consob Regulation on related party transactions adopted by way of Resolution no. 17221 of 12 March 2010 (“joint control”).

In case of a public tender offer or public exchange offer (whether voluntary or mandatory) regarding the Shares, after obtaining the opinion of the Remuneration Committee and in accordance with the provisions of article 104 of the Consolidated Finance Law, the Management Body will resolve:

- to grant the Shares in advance, quantified in line with the above criteria, ensuring compliance with the envisaged Gates, without prejudice to the fact that such anticipation of the granting of the Shares shall not hold for the Rights awarded and/or to be awarded subsequent to the launch and/or completion of the public tender offer; and
- to provide the Beneficiaries who notify their irrevocable wish to adhere to the public tender offer immediate availability of their locked-up Shares.

In any case the revocation mechanisms for granting and returning part or all of the Shares or Rights pertaining to each Beneficiary similar to the Malus and Claw-back mechanisms shall apply in the cases provided by the Regulation and the Remuneration Policies.

### **3.4 Description of the means of determining the availability and awarding of the financial instruments on which the Plan is based (for example: free of charge awarding of shares, increases in share capital with the exclusion of the option right, purchase and sale of treasury shares)**

The Plan envisages awarding the Beneficiaries an incentive consisting of a component in free of charge shares, which is disbursed – subject to and proportionate to the extent to which the Performance Objectives are met – at the end of each three-year cycle, following the passing of the 6-month lock-up period.

For the implementation of the Plan, the Shareholders’ Meeting called to approve the Plan is also called to resolve a free of charge capital increase for a maximum of 2,031,094 ordinary illimity shares to service the LTI Plan.

It is additionally noted that the current 98,505 treasury shares in portfolio may be used to service the 2021-2025 Plan (as may also any additional treasury shares). In particular, in order to ensure greater flexibility in the execution of the Plan, the free of charge granting of illimity shares to service the Plan may be achieved by using the shares arising from the above-mentioned capital increase and/or from the treasury shares already held by the Bank and/or arising from any purchases authorised by the Shareholders’ Meeting pursuant to articles 2357 and 2357-ter of the Italian civil code.

### **3.5 Role performed by each director in determining the features of the Plan; any conflicts of interest involving the directors concerned**

In identifying the essential elements of the Plan, the Remuneration Committee, consisting fully of non-executive directors of whom the majority are independent pursuant to article 26 of Legislative Decree no. 385 of 1 September 1993 (the “Consolidated Banking Law”), Ministerial Decree no. 169/2020, articles 3 and 5 of the Corporate Governance Code and the First Part, Title IV, Chapter 1, Section IV paragraph 2.2 and Chapter 2, Section 2, paragraph 2 of Bank of Italy Circular no. 285/2013, was involved in both a

propositional and consultative role in the various stages of preparation, and among these was assured the presence of the necessary number of members having suitable know-how and experience in financial matters or remuneration policies.

The Bank's Risks Committee was also involved to the extent of its competence.

The meeting of the Board of Directors held on 9 September 2021 approved the implementing Regulation of the Plan – on the proposal of the Remuneration Committee – and identified its Beneficiaries and the maximum number of Rights due.

Within 30 (thirty) days of the date of the Company's Shareholders' Meeting approving the financial statements at the end of each three-year cycle (2023 – 2024 – 2025), after obtaining the opinion of the Remuneration Committee and the Risks Committee, the Board of Directors will establish whether the conditions determined as Gates have been met and the extent to which the Performance Objectives have been met and calculate the number of Rights effectively vested.

On the basis of the result of the verifications performed, the Board of Directors or the body or function it has delegated, will then notify each Beneficiary of the number of Rights vested and accordingly the number of shares granted.

The Board of Directors has additionally resolved to ask the Shareholders' Meeting called to approve the Plan for suitable executory and administration powers in order to proceed, after verifying the result of the Shareholders' Meeting, with the communications and other necessary and appropriate activities, including through the use of the competent business functions.

As a Beneficiary of the Plan, the Chief Executive Officer did not take part in the relative board resolutions.

### **3.6 For the purposes of the requirements of article 84-bis, paragraph 1, the date on which the decision was taken by the competent body to propose the approval of the Plan to the Shareholders' Meeting and any proposal made by the Remuneration Committee**

On 21 June 2021, illimity's Board of Directors approved the adoption of the Plan on the proposal of the Remuneration Committee – meeting on 18 June 2021 and after consulting with the Risks Committee that met on the same date – and, on 9 September 2021, approved the determination of the Regulation and resolved to submit the new LTI Plan to the Shareholders' Meeting, on the proposal of the Remuneration Committee, meeting on 6 September 2021.

### **3.7 For the purposes of the requirements of article 84-bis, paragraph 5, letter a), the date on which the decision was taken by the competent body concerning the awarding of the instruments and any proposal made to such body by the Remuneration Committee**

On 9 September 2021, the Board of Directors of illimity Bank S.p.A. identified the Beneficiaries and determined the Long-Term Variable Opportunity to be awarded and, therefore, the maximum number of Rights to be awarded.

### **3.8 Market price on the above-mentioned dates of the financial instruments on which the Plan is based, if traded on regulated markets**

The market price of the Ordinary Shares of illimity Bank S.p.A. on the dates specified below was as follows:

- 18 June 2021: Euro 11.8264
- 21 June 2021: Euro 11.8987
- 6 September 2021: Euro 12.7240
- 9 September 2021: Euro 12.4557

**3.9 In the case of plans based on financial instruments traded on regulated markets, in what terms and by what means does the issuer take into account, as part of the identification of the timing by which the instruments will be awarded in implementation of the plans, the possible temporal coincidence between: (i) said awarding or any decisions taken in this respect by the remuneration committee and (ii) the disclosure of any relevant information pursuant to article 17 of Regulation (EU) No. 596/2014; for example, if such information is: a. not already public and may positively affect market prices, or b. already published and may negatively affect market prices**

The Board of Directors adopts decisions regarding the awarding of the Plan, subject to prior approval of such by the Shareholders' Meeting, in accordance with applicable law – also relating to market abuse – as well as internal corporate regulations and procedures. In any event it is noted that the right of the Beneficiaries to receive the Shares to be awarded will vest for each cycle after the three-year Performance Period and only following verification that the Gate conditions have been met and that the pre-determined Performance Objectives have been met.

In addition, the Beneficiaries are forbidden to use personal hedging or insurance strategies in respect of their remuneration or other aspects that may alter or affect the effects of alignment to the risk inherent in variable remuneration mechanisms.

#### **4. FEATURES OF THE GRANTED INSTRUMENTS**

**4.1 Description of the forms into which the compensation plan based on shares is structured; for example, indicate if the Plan is based on the granting of: financial instruments (restricted stock awards); an increase in value of such instruments (phantom stock); option rights that allow for the subsequent purchase of the financial instruments (option grants) with settlement by physical delivery (stock options) or cash based on a differential (stock appreciation rights)**

The Plan envisages the free of charge awarding of Rights to receive ordinary Shares of illimity Bank S.p.A.. This is carried out as follows: (i) at the beginning of the Plan, with reference to the three three-year cycles of performance measurement (2021-2023; 2022-2024; 2023-2025) for persons who are already beneficiaries of the SOP Plan and the 2020-2023 Long-Term Incentive Plan; (ii) at the beginning of each vesting cycle for any further Beneficiaries identified from year to year among the Group's key members.

The relative Shares are granted at the end of each measurement cycle, subject to verification that the envisaged conditions have been satisfied (as described in point 2 above) and that the Performance Objectives have been met in the Vesting Period, with a lock-up period of six months, following which the Rights will be converted to Shares in the ratio of 1 Share for each Right granted.

**4.2 Indication of the period of effective implementation of the Plan including with reference to any different cycles envisaged**

The 2021-2025 Plan is of a "rolling" nature, envisaging three cycles for the measurement of Performance Objectives for the three-year periods 2021-2023, 2022-2024 and 2023-2025 as a means of fully covering the timescale of the plan. The Rights are awarded at the beginning of the Plan or at the beginning of the single cycles depending on the role and performance observed.

**4.3 Duration of the Plan**

The Plan's term ends on 31 December 2027, by which date any Shares corresponding to the Rights of the final cycle will be available or will be delivered.

#### **4.4 Maximum number of financial instruments, also in the form of options, awarded in each fiscal year in relation to persons identified by name or to the indicated categories**

The Plan envisages the awarding of up to 2,031,094 Rights for the entire duration of the Plan (2021-2025) and consequently up to 677,031 Rights for each three-year cycle/fiscal year, which attribute an equal number of Shares, subject to meeting the conditions of the Gates and the LTI Plan objectives.

The Plan will not limit the right of illimity and/or the Board of Directors to increase and/or reduce illimity's share capital or to approve or adopt other stock option and/or stock grant plans or similar also reserved to other categories of beneficiary, or, in any case, determine the granting of shares pursuant to law.

#### **4.5 Means of implementing the Plan and implementation clauses, specifying whether the effective granting of the instruments is subject to satisfying conditions or achieving certain results, also in terms of performance; description of such conditions and results**

The implementation of the Plan is subject to the verification of the Gates and meeting the Performance Objectives in the terms stated at point 2.2, in line with the requirements of current regulations and illimity's Remuneration and Incentive Policy and consistent with the objectives established in the 2021-2025 Strategic Plan.

In particular, the vesting of the Rights depends on satisfying the conditions defined as "Gates" and measured at the end of each three-year performance cycle (first measurement cycle at 31/12/2023, second cycle at 31/12/2024 and third cycle at 31/12/2025):

- **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 awarded for each cycle vest at the end of each measurement cycle on the basis of the extent to which the objectives have been met and the relative weight, set in accordance with the Strategic Plan and communicated at the beginning of each cycle, as part of the following pillars:

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

More specifically, for the first performance cycle (2021-2023), the Plan sets the following objectives:

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%	
	Top ESG Rating (Climate & Ethics)	4 points	< 3 points	0%	10%
			≥ 4 points	100%	
			≥ 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-average](#) between net equity at the end of the three-year 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 fully achieved;
  - 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 (peers) listed on Borsa Italiana's Financial Services Italy index for the whole cycle, calculated for each of the Plan's vesting cycles and namely 2021-2023, 2022-2024 and 2023-2025 for illimity and for the peers 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 in the range 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 on 31 December 2023, 100% of the KPI has been achieved;
    - lies between the RAF appetite on 31 December 2023 (inclusive) and the RAF tolerance on 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 on 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:
    - o Dimension 1: Satisfaction Index exceeding 70% in each year of the plan (annual measurement by Great Place to Work)
    - o Dimension 2: Trust Index exceeding 70% in each year of the Plan (annual measurement by Great Place to Work)
    - o 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»
    - o Dimension 4: presence of women in the formalised «talent pool» (ensure a continuous balancing between men and women – tolerance of 5% - in the «talent pool» over the years of the Plan)
    - o Measurement criteria:
      - Score 4: reaching the target in at least three dimensions and not more than 10% below target in the remaining dimension;
      - Score 3.5: reaching the target in at least two dimensions and a result not lower than 10% compared to target in the other two dimensions;
      - Score 3: reaching the target in at least two dimensions;
  - Top ESG Rating, with a weight of 10% in the LTI Goal Card, a score calculated by way of the following measurement through 2023:
    - o Score 4: improve the Standard Ethics and CDP ratings to at least Investment Grade<sup>3</sup> compared to the rating for 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;*
    - o Score 3.5: reach the three “Environment” targets as envisaged by illimity’s Strategic Plan;
    - o Score 3: reach at least two “Environment” targets as envisaged by illimity’s Strategic Plan.

In the case of the Manager in Charge of Drafting the Financial Statement and the Head of the Human Resources & Organization, in place of the ROAE and with the same weighting, the Chief Executive Officer will make a qualitative assessment of the performance achieved in the three-year period, also on the

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<sup>3</sup> «Investment Grade» for Standard Ethics begins at «EE-». illimity defines its «Investment Grade» for the CDP rating as «B-»

basis of the results achieved as part of the annual Performance Management process.

The Board of Directors may approve revisions to the KPIs and the relative targets, at the beginning of each performance cycle and in particular for the second and third three-year cycles, in order to ensure continuity and consistency of the LTI schedule with corporate strategy. For each cycle, the KPIs and relative weightings will be disclosed as part of the latest Remuneration Policy.

Finally, the Rights vested are subject to Malus and Claw-back conditions. In particular, the Rights vested may be reduced or cancelled (Malus) on the occurrence of certain conditions during the vesting cycle and/or the shares or the relative equivalent in cash – also in the case of shares already sold – may be subject to a request for revocation or return (Claw-back) in whole or in part, on the occurrence of certain types of conduct, within 5 years of the Vesting Date of each cycle or granting of the deferred portions.

As governed by the internal procedure “Process for the application of Malus and Claw-back mechanisms associated with individual conduct”, Malus and/or Claw-back are assessed in case of key non-compliant conduct, namely conduct which, pursuant to laws and regulations in force when such conduct is actually carried out, lead to:

- a breach of legal or regulatory provisions, or those established by the bylaws or any applicable code of ethics or conduct, from which the Bank, the individual subsidiary or respective customer has suffered a significant loss;
- a breach of specific legal or regulatory provisions, or those established by the bylaws or any applicable code of ethics or conduct, regardless of the resulting losses;
- a breach of the obligations of company officers concerning suitability for acting in their position, possessing the fit and proper and independence requirements as well as meeting the competence and integrity criteria;
- a breach of the rules established in the Policy “Transactions with persons forming part of the perimeter of the illimity Bank Group”;
- a breach of the remuneration and incentive obligations;
- fraudulent action to the harm of the Bank;
- activities performed in a negligent or incompetent manner (“gross negligence”) to the harm of the Bank.

#### **4.6 Indication of any constraints on the instruments granted or on the instruments arising from the exercise of the option, with particular reference to the dates within which the subsequent transfer to the company or to third parties is permitted or not permitted**

The shares granted are subject to a 6-month lock-up period starting from the Date of the vesting or granting of the deferred portions, during which such are not at the Beneficiary’s disposal and can therefore not be sold to third parties or pledged nor do they bestow the right to the recognition of any dividends.

#### **4.7 Description of any termination conditions in relation to the granting of the plan in the case in which the beneficiaries perform hedging transactions that make it possible to neutralise any prohibition to sell the financial instruments awarded, also in the form of options, or the financial instruments arising from the exercise of such options**

The Beneficiaries are forbidden to use personal hedging or insurance strategies in respect of their remuneration or other aspects that may alter or affect the effects of alignment to the risk inherent in this Plan.



#### **4.8 Description of the effects determined by the cessation of the employment relationship**

The awarding of the Rights envisaged pursuant to the Plan is intrinsically and functionally connected with and conditioned by the continuation of the Employment or Collaboration Relationship as well as with and by that of the Beneficiary's mandate/position.

The cessation of the Employment or Collaboration Relationship during the Vesting Period for each three-year cycle 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 reasoned motive

will determine the status of "Bad Leaver" and the automatic, final and irrevocable forfeiture by the Beneficiary of the Long-Term Variable Opportunity awarded up to that moment and not yet vested.

During the lock-up period the Beneficiary will keep the Rights relating to the vested and granted cycle, whatever may be the reason for the termination of the Employment Relationship, except for the activation of claw-back procedures by illimity (as provided at point 4.5) and in line with the matters in this respect provided by illimity's Remuneration and Incentive Policy in force at the time.

The cessation of the Employment or Collaboration Relationship due to (i) death or (ii) an invalidating event determining the impossibility for the Beneficiary to continue the Relationship in any meaningful manner or (iii) retirement or (iv) dismissal for just cause, unjustified dismissal or mutual 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:

- in any case owner of the Rights vested for the single vesting cycles if the cessation of the Employment or Collaboration Relationship occurred at a date following the end of the single Vesting Periods, and/or
- owner of the portion of the Long-Term Variable Opportunity that has vested as determined on a pro rata temporal basis, in the case of cessation during a specific vesting cycle. The remaining variable opportunity that has not yet vested will be forfeited.

If, before the Vesting Date, it is confirmed that the cessation of the Employment or Collaboration Relationship qualifies for "Good Leaver" status, the Long-Term Variable Opportunity will vest at the natural expiry date of the relative Vesting and Lock-up Period envisaged for each cycle, without prejudice to the need to assess the Gates, the satisfaction of the Performance Objectives and the prescribed Malus conditions. In such case, the variable opportunity of the cycle in progress will vest, and as a result also the Shares granted and delivered, on a pro rata temporal basis, up to the date of the cessation of the Employment or Collaboration Relationship.

#### **4.9 Indication of any causes for cancellation of the Plan**

The Plan has no cancellation clauses, except for the matters regarding the revision of the Plan described at point 3.3.

#### **4.10 Reasons underlying the provision for any "redemption" by the company of the financial instruments to which the Plan relates, arranged pursuant to article 2357 et seq. of the Italian civil code; the beneficiaries of the redemption if such is only directed at specific categories of employee; the effects of the cessation of the employment relationship on such redemption**

Not applicable.

**4.11 Any loans or other facilities that it is intended to grant for the purchase of the shares pursuant to article 2358 of the Italian civil code**

Not applicable.

**4.12. Indication of the amount of the cost expected for the company at the date of relative award, as may be calculated on the basis of the terms and conditions already determined, by total amount and in relation to each instrument in the plan**

On the basis of a share price of EUR 10.9486 (arithmetic average of the official prices of illimity's ordinary shares on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A. on trading days during the period between the day preceding the Date of Adoption of the Plan by the Board of Directors and the day of the previous calendar month having the same date as the day on which the Plan was approved or, failing that, the day immediately preceding the latter), an expected cost of EUR 22,237,636 is estimated on the assumption that all the possible Rights to receive shares are awarded and that the Gates and Performance Objectives are satisfied as to 100%.

**4.13. Indication of any dilutive effects on the capital determined by the compensation plan**

A dilutive effect on capital of around 2.5% - 2.2% is estimated, calculated on the basis of the number of shares as per the bylaws as of 30 September 2021 respectively in the two scenarios of the conversion of the special shares (1:1 and 1:8) and therefore 80,740,100 and 90,820,100 shares. The shares awarded to Top Management are not considered in this calculation as they arise from the purchase of treasury shares on the market/the awarding of shares already held by the company.

**4.14 Any limits envisaged on the exercising of voting rights for the attribution of property rights**

The delivered Shares are of an ordinary nature, as no limits are envisaged to the exercising of administrative or property rights.

**4.15 In the case in which the shares are not traded on regulated markets, all information useful for a complete valuation of the value attributable to them**

Not applicable.

**4.16 - 4.23**

Not applicable.

**4.24**

**COMPENSATION PLAN BASED ON FINANCIAL INSTRUMENTS**  
**Table1 of schedule 7 of Attachment 3A to Regulation no. 1191/1999**

First and last name or Category	Position	TABLE 1						
		Financial instruments other than stock options						
		<b>Section 2</b>						
		Instruments newly-awarded on the basis of the decision: <input checked="" type="checkbox"/> of the board of directors for proposal to the shareholders' meeting <input type="checkbox"/> of the body responsible for implementing the resolution of the shareholders' meeting						
		Date of the relative shareholders' resolution	Type of financial instrument	Number of financial instruments awarded	Award date (1)	Purchase price of the instruments if applicable (2)	Market price when awarded	Vesting Period
Corrado Passera	<ul style="list-style-type: none"> <li>Chief Executive Officer of illimity Bank S.p.A.</li> <li>Key manager</li> </ul>	15/12/2021	Ordinary shares of illimity Bank S.p.A.	93,162	09/09/2021	-	12.4557	09/09/2021 31/12/2027
Other members of Top Management (5)	<ul style="list-style-type: none"> <li>Key managers</li> </ul>	15/12/2021	Ordinary shares of illimity Bank S.p.A.	334,287	09/09/2021	-	12.4557	09/09/2021 31/12/2027
Other members of staff Beneficiaries of the previous SOP (3)	<ul style="list-style-type: none"> <li>Key managers</li> </ul>	15/12/2021	Ordinary shares of illimity Bank S.p.A.	153,909	09/09/2021	-	12.4557	09/09/2021 31/12/2027
Remaining personnel	-	15/12/2021	Ordinary shares of illimity Bank S.p.A.	1,449,736	09/09/2021	-	12.4557	09/09/2021 31/12/2027

(1) Date on which the Board of Directors of illimity Bank S.p.A. identified the Beneficiaries and determined the appropriateness of the Long-Term Variable Opportunity and, therefore, the maximum number of rights to be awarded.

(2) Not applicable at the date of preparation of the document.