

ILLIMITY BANK S.P.A.

**ILLUSTRATIVE REPORT OF THE BOARD OF DIRECTORS
ON ITEM 5 ON THE AGENDA OF THE ORDINARY GENERAL MEETING OF THE SHAREHOLDERS OF
ILLIMITY BANK S.P.A. OF 22 APRIL 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. 11071/1999 as amended

Approved by the Board of Directors on 10 March 2021

This report can also be consulted on the Bank's website www.illimity.com

To our Shareholders,

You have been called to attend an Ordinary General Meeting at 10:00 a.m. on 22 April 2021, in single call, to discuss and adopt resolutions on the following agenda:

1. [omissis].
2. [omissis].
3. [omissis].
4. [omissis].
5. **Annual management by objectives incentive plan for the fiscal year 2021, called “MBO Plan” (for fiscal year 2021), pursuant to article 114-bis of Legislative Decree no. 58/1998, regarding, in part, ordinary shares of illimity Bank S.p.A. Resolutions pertaining thereto and arising therefrom.**
6. [omissis].
7. [omissis].

This illustrative report has accordingly been prepared pursuant to article 114-*bis* of Legislative Decree no. 58 of 24 February 1998 as amended (the “**TUF**”) and article 84-*bis* of CONSOB Regulation no. 11071/1999 as amended (the “**Issuers’ Regulation**”) and provides a description of item 5 on the agenda of the Ordinary Shareholders’ Meeting, as well as the relative draft resolutions that you are called to adopt.

To our Shareholders,

You have been called to this Ordinary General Meeting of illimity Bank S.p.A. (“illimity” or the “Bank”) to discuss and adopt resolutions, *inter alia*, on the Regulation for the MBO Incentive Plan (the “Plan” or the “MBO”) for 2021, addressed to all the Group’s personnel with the exception of all the staff of illimity Società di Gestione del Risparmio S.p.A..

The MBO has the aim of recognising progress towards the achievement of the Business Plan targets, encouraging the adoption of behaviours that are consistent with long-term planning and supporting the spread of a “value-building” culture consistent with the risk-management objectives set out in the Bank’s Risk Appetite Framework.

The features of the Plan are all presented in the relative Information Document, prepared pursuant to article 114-*bis* of Legislative Decree no. 58 of 24 February 1998 and article 84-*bis* of CONSOB Regulation no. 11971/1999 (the “Issuers’ Regulation”) as amended, made available to the public within the terms and by the means set forth in article 84-*bis* of the Issuers’ Regulation and attached to this Illustrative Report.

The MBO provides for the granting of a bonus, to be settled partly in cash and partly in illimity ordinary shares, that will be awarded to the Beneficiaries (as defined below) free of charge subject to the conditions described in more detail below.

The Plan applies to all the personnel of the Bank and/or its subsidiaries, with the exception of the staff of illimity SGR (collectively the “Beneficiaries”).

The actual disbursement of the corresponding variable remuneration is subject to i) the performance level registered with reference to the targets contained in the “individual targets sheet” and in any case on ii) the existence of a bonus pool and iii) the satisfaction of the following preliminary conditions for activating the Plan (“Gates”):

- CET1 Ratio \geq tolerance threshold defined in the Risk Appetite Framework as measured at 31 December 2021;
- LCR Ratio \geq tolerance threshold defined in the Risk Appetite Framework as measured at 31 December 2021;
- Net Income > 0 at 31 December 2021;
- At the individual level: no breaches of laws, regulations or corporate codes.

Regarding the Chief Executive Officer and Top Management, any bonus due will be granted in the following way:

- 60% up-front, of which 50% in cash and 50% in ordinary shares of the Bank;
- 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.

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 will be paid fully up-front and in cash.

For the remaining members of Key Personnel who are entitled to a bonus greater than or equal to EUR 80,000, the amount due is settled by the following means:

- 80% up-front, of which 60% in cash and 20% in shares;
- 20% deferred for two years and settled in shares, if no *malus* conditions occur.

For the remaining members of Key Personnel, if the target variable remuneration exceeds 100% of the Fixed Remuneration, any amounts equal to or greater than EUR 80,000 will be settled by the method described above for the Chief Executive Officer and Top Management.

It should be noted that it will not be necessary to submit to the Shareholders' Meeting an increase in capital to service the Plan, given the capability of the delegated powers to increase share capital approved by the Extraordinary Shareholders' Meeting of illimity (formerly Banca Interprovinciale S.p.A.) on 18 January 2019.

Shareholders are accordingly invited to adopt the most appropriate resolutions in this respect.

* * *

The Board of Directors therefore submits the following draft resolution to the Shareholders' Meeting.

PROPOSAL

"The Ordinary Shareholders' Meeting of illimity Bank S.p.A. ("illimity" or the "Bank"),

- *on the assumption that today's Shareholders' Meeting of illimity approves the remuneration and incentive policy of illimity Bank for 2021;*
- *given the capability of the delegated powers to increase share capital approved by the Extraordinary Shareholders' Meeting of illimity (formerly Banca Interprovinciale S.p.A.) on 18 January 2019, which can accordingly be made available to service subsequent management by objectives (MBO) incentive plans;*
- *having taken note of the Board of Directors' Illustrative Report,*

RESOLVES

- *to approve the setting up of the annual incentive plan for 2021 (a management by objectives plan) known as the MBO Plan, which in part provides for the awarding of ordinary shares of illimity Bank S.p.A. having the features (including conditions and implementation requirements) stated in the Board of Directors' Report and in the Information Document drawn up pursuant to article 84-bis of the Issuers' Regulation, giving mandate to the Board to adopt the relative regulation;*
- *to grant the Board of Directors all the necessary and/or suitable powers to implement said MBO Plan, including, but not limited to, in particular, all the powers required to establish the necessary or suitable steps to ensure the functioning of the incentive scheme (MBO) and, pursuant to such,*

to identify the beneficiaries, notifying them of such, and to implement the plan, as well as take any action, satisfy any requirement, proceed with any formality or make any communication that may be necessary or even only suitable for the purpose of managing and/or implementing the plan, with the power to delegate the powers, duties and responsibilities regarding the execution and application of the plan to the Chair of the Board of Directors and to the Chief Executive Officer, also severally and with the possibility of sub-delegation”.

Milan, 10 March 2021

On behalf of the Board of Directors

The Chair

Attached annex:

1. *Information Document pursuant to article 84-bis of the Issuers’ Regulation*



**Incentive plan
MBO 2021
based on financial instruments**

Information document drafted pursuant to article 84-*bis* of the Issuers' Regulation

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Introduction

To our Shareholders,

this information document (the “Information Document”), drafted pursuant to article 84-*bis* and Schedule 7 of Annex 3 of the CONSOB regulation adopted by way of Resolution no. 11971 of 14 May 1999 as amended (the “Issuers’ Regulation”), has as its object the MBO Incentive Plan for 2021 based on financial instruments (the “Plan” or “MBO Plan”) approved by the Board of Directors of illimity S.p.A. (the “Company” or “illimity”).

On 10 March 2021, illimity’s Board of Directors, with the favourable opinion of the Remuneration Committee, resolved to submit a proposal to the Shareholders’ Meeting, called for 22 April 2021, to adopt the 2021 MBO Plan, pursuant to article 114-*bis* of Legislative Decree no. 58 of 24 February 1998 as amended (the “TUF”).

This Information Document accordingly provides information on the incentive plan based on financial instruments with reference to the MBO Plan for 2021, addressed to the Key Personnel of the illimity Group among others.

This Information Document will be updated, whenever necessary, within the terms and by the means prescribed by current legislation, if the proposal to adopt the Plan is approved by the Shareholders’ Meeting and in accordance with the resolutions adopted by such Shareholders’ Meeting.

The MBO Plan described in this Information Document is considered to be of “special importance” pursuant to article 114-*bis*, paragraph 3, of the TUF and article 84-*bis*, paragraph 2, of the Issuer’s Regulation.

This Information Document is available to the public at the corporate offices of illimity Bank S.p.A. and on the “1INFO Storage” authorised storage mechanism, and may be consulted on the website www.1info.it and on the Company’s website (www.illimity.com) in the Investor Relations section.

Definitions

In addition to the terms defined elsewhere in this document, the following terms, where stated with an initial capital letter, shall have the meaning described below, while any terms and expressions defined in the singular shall be understood to be defined in the same way in the plural.

Definitions	
Beneficiaries	The beneficiaries of the MBO, namely all those people who, in accordance with the Group's remuneration policy, at the date of the Membership Notification: <ol style="list-style-type: none"> a) have a permanent employment relationship with the Company or with one of its direct or indirect subsidiaries pursuant to article 2359, paragraph 1, of the Italian Civil Code and article 93, paragraph 1, of the TUF, with the exclusion of the personnel of illimity SGR S.p.A.; b) have not resigned and do not find themselves in a period of notice (pursuant to article 2118 of the Italian Civil Code); c) satisfy all the conditions set forth in its Regulation.
Board of Directors	The Board of Directors of illimity Bank S.p.A..
Business Plan 2018-2023	The Company's Strategic Plan for 2018-2023, approved by the Board of Directors on 20 July 2018, from which the Key Objectives for the MBO scheme for 2021 are derived.
Employment Relationship	The employment relationship between the Beneficiary and the Company or one of its direct or indirect subsidiaries pursuant to article 2359, paragraph 1, of the Italian Civil Code and/or article 93, paragraph 1, of the TUF.
Gates	The capital, financial and behavioural conditions (CET1 ratio, Liquidity Coverage Ratio, Net profit, no breach of legislation, regulations or corporate codes on an individual basis) that must be satisfied to be able to activate the system and consequently pay the Bonus based on the degree of achievement of the Objectives.
Grant Letter	The communication by which the Company notifies each Beneficiary of the extent of the Bonus vested and the means by which this will be paid.
illimity or the "Company"	illimity Bank S.p.A., with registered office in Milan, Via Soperga 9, Parent Company of the illimity Bank S.p.A. Group and enrolled at no. 245 in the Banking Group Register.
Lock-up Period	The period during which the Shares are not available to the Beneficiary by any means.
Membership Notification	The notification sent by the Beneficiary to the Company by means of the internal Performance Management system (or by any other means identified by the Company's HR Function) through which, by taking vision of their Objectives Sheet and this Regulation, Beneficiaries become full and unconditional members of the Plan by the way stated in this regulation.
Notification of Assignment of Objectives	The notification sent by the Company to each Beneficiary by means of the internal Performance Management system (or by any other means identified by the Company's HR Function) by which Beneficiaries take vision of the following for acceptance purposes: <ol style="list-style-type: none"> a) their Objectives Schedule; b) their Target Bonus.
Objectives	The objectives assigned in the Objectives Sheet.

Objectives Sheet	The sheet containing the objectives, suitably weighted, assigned to the Beneficiaries, accessible by way of the authorised corporate systems (the internal Performance Management system).
Performance Management Process	The business process, governed by a suitable internal procedure-regulation, characterised by the assignment to employees of their objectives (consistent with illimity's strategic and operational planning) and by the subsequent assessment of the degree to which these have been met.
Performance Period	The period of time to which the Management Performance Process refers; this coincides with the period between 1 January and 31 December 2021, during which the performance of the Beneficiaries in relation to the Objectives they have been set is monitored and subsequently assessed.
Plan	illimity's Incentive Scheme (MBO) approved by the Company's Shareholders' Meeting of 22 April 2021 in accordance with the Group's Remuneration Policy.
Regulation	This present regulation of the Plan, prepared in accordance with the Group's Remuneration Policy.
Remuneration Committee	illimity's Remuneration Committee which performs consultative and propositional duties consistent with the Group's Remuneration Policy.
Remuneration Policy	The Group's remuneration and incentive policy for 2021, approved by the Company's Shareholders' Meeting of 22 April 2021.
Share Price	The price of each Share awarded, determined as the average of the official prices of the ordinary shares of illimity S.p.A. recorded on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. on trading days for the period between the day preceding the Vesting Date and the day of the preceding calendar month having the same date as the day of the vesting of the Bonus (or, failing this, the day immediately preceding the latter).
Shareholders' Meeting	The Shareholders' Meeting of illimity Bank S.p.A..
Shares	The new ordinary shares of illimity arising from the separable free share capital increase pursuant to articles 2443 and 2349 of the Italian Civil Code by the Shareholders' Meeting of 18 January 2019, which may be awarded to the Beneficiaries under the terms and conditions of this Regulation.
Target Bonus	The amount that may be paid on achieving a 100% individual performance, expressed as a percentage of the gross annual fixed remuneration (henceforth "RAL") of each Beneficiary.
Top Management	The following managers reporting directly to the Chief Executive Officer of illimity Bank S.p.A.: 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, Chief Lending Officer.
Vesting Date	The date on which the Board of Directors verifies, during 2022, whether the Objectives have been met and the Gates overcome.

1. RECIPIENTS

1.1 Names of recipients who are members of the board of directors or the management board of the issuer of the financial instruments, of the companies controlling the issuer and of its direct or indirect subsidiaries

- Corrado Passera, Chief Executive Officer of illimity S.p.A.
- Andrea Battisti, Chief Executive Officer of Neprix S.r.l.

1.2 Categories of employees or collaborators of the issuer of the financial instruments and the controlling companies and subsidiaries of such issuer

The MBO Plan for 2021 is addressed to:

- the Chief Executive Officer of illimity;
- the Key Personnel of the Group (with the exclusion of any staff of illimity SGR S.p.A.);
- the remaining personnel of the companies of the Group (with the exclusion of illimity SGR S.p.A.)

1.3 Names of persons that benefit from the plan who belong to the following groups:

a) general managers of the issuer of the financial instruments;

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

b) other key managers of the issuer of the financial instruments that is not of a “smaller size” pursuant to article 3, paragraph 1f) of Regulation no. 17221 of 12 March 2010, in the event they have received a total compensation during the year (obtained by taking the sum of monetary compensation and compensation based on financial instruments) which is greater than the highest total compensation among those assigned to members of the board of directors, or the management board, and to the general managers of the issuer of the financial instruments;

Not applicable.

c) natural persons controlling the issuer of the shares who are employees or render collaboration services to the issuer of the shares

Not applicable as there are no natural persons controlling the Company

1.4 Description and number, by category:

a) of key managers other than those indicated in paragraph 1.3b);

At the date of preparation of this Information Document, the Company has 10 key managers who are beneficiaries of the MBO Plan for 2021 to which this Information Document relates.

b) in the event of smaller-sized companies within the meaning of article 3, paragraph 1f) of Regulation no. 17221 of 12 March 2010, of the aggregate of all the key managers of the issuer of the financial instruments;

Not applicable.

c) of any categories of employees or collaborators for whom different features of the plan have been established (for example executives, middle managers, office workers, etc.);

The Plan does not provide for different features for specific categories of employees or collaborators who are beneficiaries.

2. REASONS JUSTIFYING THE ADOPTION OF THE PLAN

2.1 Objectives intended to be reached by the assignment of the plans and additional information

The Plan aims at incentivising its members to achieve annual objectives and adopt behaviours consistent with long-term planning, at the same time supporting the spread of a “value-building” culture consistent with the risk management targets set forth in the Bank’s Risk Appetite Framework, in line with the applicable regulatory provisions.

2.2 Key variables, including those in the form of performance indicators considered for the purpose of assigning the plans based on financial instruments and additional information

The granting of variable remuneration based on the MBO is subject to meeting the objectives and complying with the behaviours contained in the individual sheet assigned to each Beneficiary. The appraisal of individual performance depends 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 budget, consistent with the Business Plan;
- business objectives/strategic initiatives, linked to the results of the reference business and/or the implementation of strategic initiatives (assigned as a function of the individual responsibilities compared to the implementation of the plan's directing lines);
- ESG objectives, linked to People Engagement and illimity's skill and leadership model.

For the Group's key personnel forming part of the Group's business control functions, as well as for the Head of Human Resources and the Financial Reporting Officer of illimity Bank S.p.A., the objectives are exclusively linked to the specific responsibilities and illimity's leadership model.

The objectives must be consistent with the type of business conducted by the Group company in which the beneficiaries work and with any specific laws and regulations applicable to the sector.

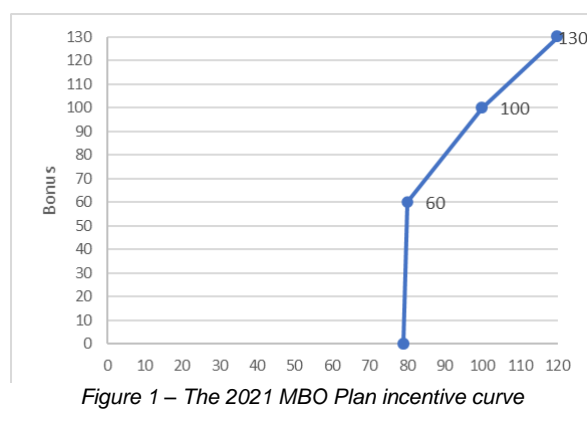
No exception is made for anyone at all concerning the requirement for the absence of conduct breaching internal and external laws and regulations.

For each objective and form of behaviour contained in the Objectives Sheet it is established a minimum level to be reached (the "threshold"), together with a target level and a maximum ("over-performance"). The overall performance at an individual level is determined by taking into account the results achieved within each objective and behaviour stated on the Sheet.

The minimum performance level is 80% while the maximum is 120%; 60% and 130% of the target bonus may then be awarded for these respective results (Figure 1). The latter represents the amount paid on achieving an overall performance of 100%.

The Target Bonus is contained for all beneficiaries, consistently with the alignment of the remuneration strategy with the business strategy, which is centred on the adaptation of the opportunity to obtain a potential variable in a progressive manner, in line with the consolidation of the Plan results.

The Bonus corresponding to intermediate performance levels is calculated by linear interpolation, as shown in the following graph (Figure 1):



Consistently with the 2020 Remuneration and Incentive Policy, the payment of a Bonus is additionally subject to collectively meeting the conditions (the "Gate") which also ensures compliance with the capital stability and liquidity ratios established as part of the procedures for assessing the Company's risk propensity.

For 2021, the indicators identified for determining the minimum thresholds for activating the Company's incentive scheme are as follows:

- **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.

The connection between profitability, risk and remuneration is further guaranteed in the MBO Plan through a direct link between the Bonus Pool and the business performance results, measured by using Profit Before Tax in the following way (Figure 2):



Figure 2 - Bonus Pool funding curve

The Bonus Pool is approved by the Board of Directors after receiving the opinion of the Remuneration Committee and the Risks Committee, each according to their responsibility, taking into consideration the meeting of access conditions and the achievement of budget objectives.

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

Any vested Bonus is paid after the date of the Board of Directors' meeting that approved the vested Bonus Pool.

As far as the Chief Executive Officer and Top Management are concerned, the Bonus is assigned in the following way (Figure 3):

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

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.

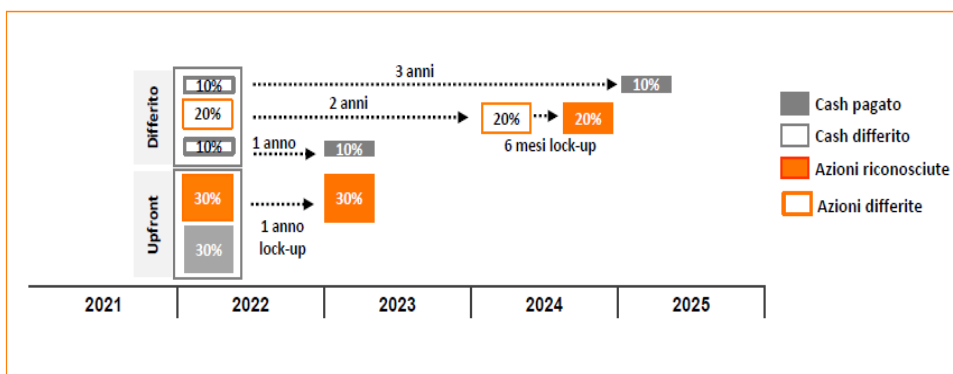


Figure 3 – Pay-out scheme for the Chief Executive Officer and Top Management with a bonus \geq 80K/Euro

For the remaining members of Key Personnel who are entitled to a Bonus greater than or equal to EUR 80,000, the amount due is settled by the following means (Figure 4):

- 80% up-front, of which 60% in cash and 20% in shares;
- 20% deferred for two years and settled in shares, if no *malus* conditions occur.

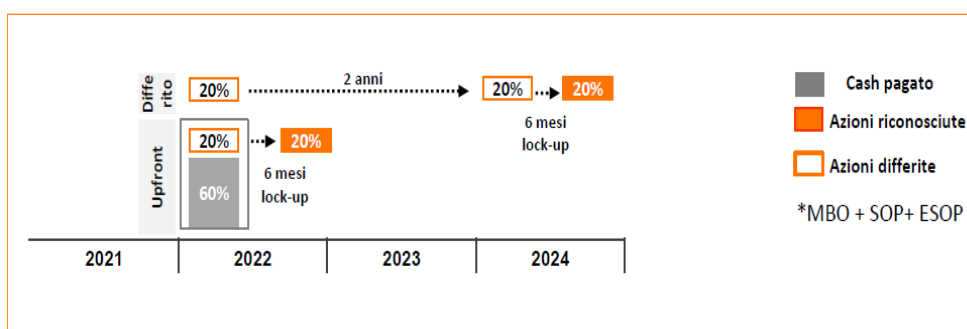


Figure 4 – Pay-out scheme for other MRTs with a bonus \geq 80K/Euro

For the remaining members of Key Personnel, if the target variable remuneration¹ exceeds 100% of the Fixed Remuneration, any amounts equal to or greater than EUR 80,000 will be settled in the same way as that for the Chief Executive Officer and Top Management.

In the case of the other personnel of the companies of the illimity Group, any Bonus vested as the result of achieving the assigned objectives, after ensuring that the access conditions have been met, is settled in cash up-front. In the case in which for the same staff category the respective target variable remuneration exceeds 100% of the Fixed Remuneration, any amounts equal to or exceeding EUR 80,000 will be settled in the same way as that for the Chief Executive Officer and Top Management.

In all the cases described, the number of shares to be allocated, for both the up-front and deferred portions, is determined by dividing the amount of the assigned variable remuneration to be settled in shares by the Share Price at the time of assignment.

Adjusting *ex post* mechanisms are envisaged (*malus* and claw-back).

Recognition of the deferred portions is subject to 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 of the remuneration and incentive policies in force at the time, as well as full compliance with laws, regulations and corporate codes at an individual level.

A request may be made to return the variable remuneration recognised, wholly or in part, if any of the following matters is assessed within 5 years of the payment of the up-front portions or the deferred portions: (i) a behaviour that has led to a significant loss being incurred by the Issuer; (ii) a breach of the conditions and limits for assuming risk activity with respect to parties that may exercise an influence on

¹ Taking into account all the forms of Variable Remuneration, if necessary using pro-rata criteria; in particular the MBO Annual Variable Incentive Plan, the Employee Stock Ownership Plan (ESOP) and the Stock Option Plan (SOP).

the Issuer's operations and parties associated with such (pursuant to article 53, paragraph 4 et seq., of the Consolidated Banking Law (TUB)); (iii) a breach of the obligations on remuneration and incentive matters; (iv) with reference to key managers who are recipients of a variable remuneration, in case data relating to the Gates turn out to be manifestly wrong at a later date; (v) fraudulent conduct or gross negligence.

2.3 Elements underlying the determination of the size of the compensation based on financial instruments, or criteria for its determination and additional information

The amount of the Target Bonus consists of a percentage of the fixed remuneration determined on the basis of the responsibilities assigned to the role of the member of staff and the extent to which he or she is strategic.

This amount at the maximum level is in any case included, together with all the other components of variable remuneration that may be present, within the maximum limits approved by the Shareholders' Meeting (200% for the Key Personnel identified among the business functions, 150% for the Key Personnel forming part of the support functions, 33% for the Key Personnel identified among the business control functions and up to 200% for the remaining personnel of the business functions).

These limits represent the maximum percentages linked to the progressive consolidation of the results of the Business Plan.

In this respect 2021 foresees the consolidation of the Business Plan's directional guidelines, and will accordingly be characterised by actual percentages of the variable components that are considerably more limited, consistent with the path towards a strengthening of the economic and financial conditions forecast in the budget. The vesting of the Bonus and hence the assignment of the Shares corresponding to the component in financial instruments will depend on achieving the Objectives and overcoming the Gates, described in paragraph 2.2.

The payment of any Bonus is subject to the ex post adjustment mechanisms described in paragraph 2.2.

2.4 Reasons underlying any decision to attribute compensation plans based on financial instruments not issued by the issuer of the financial instruments, such as financial instruments issued by subsidiaries, controlling companies or companies that are third parties with respect to the group of reference; if said financial instruments are not traded on regulated markets information about the criteria used to determine the value attributable to them

Not applicable.

2.5 Assessment of any significant implications of a fiscal or accounting nature that affected the way in which the plans were drawn up

There are no significant implications of a fiscal or accounting nature that affected the way in which the Plan was drawn up.

2.6 Any support provided by the Special Fund for encouraging worker participation in companies pursuant to article 4, paragraph 112, of Law no. 350 of 24 December 2003

Not applicable as the Plan receives no support from the Special Fund for encouraging worker participation in companies pursuant to article 4, paragraph 112, of Law no. 350 of 24 December 2003.

3. APPROVAL PROCESS AND TIMING OF THE AWARDING OF THE INSTRUMENTS

3.1 Scope of the powers and functions delegated to the board of directors by the Shareholders' Meeting for implementing the plan

On 10 March 2021, illimity's Board of Directors, with the favourable opinion of the Remuneration Committee and after consultation with the Risks Committee, resolved to submit the Plan for the approval of the Shareholders' Meeting of illimity.

On 22 April 2021, the Ordinary Shareholders' Meeting of illimity approved the Plan and additionally granted the Board of Directors all the necessary and/or opportune powers to implement said Plan, in particular by way of and example, but not limited to, all the powers required to notify the Beneficiaries and implement such measure, as well as take any action, satisfy any requirement, proceed with any formality or make any communication that may be necessary or even only suitable for the purpose of managing

and/or implementing the Plan, including amending the relative regulation, with the power to delegate their powers, duties and responsibilities regarding the execution and application of the Plan to the Chair of the Board of Directors and with the possibility of sub-delegation.

3.2 Indication of the parties responsible for administering the plan and their role

The administration of the Plan is assigned to the Board of Directors, which may delegate its powers, duties and responsibilities to one or more of its members, also severally and with the possibility to sub-delegate, for implementing its decisions regarding the Plan.

Every decision taken by the Board of Directors, or the parties it has delegated, concerning the interpretation and application of the Plan, is final and binding for the parties involved.

3.3 Any procedures to revise the plan, also with regard to possible changes in the basic objectives

The Plan may be revised or amended, with the Board of Directors having sole competence for any revisions and amendments, in order to keep its essential features unaltered and reflect any mergers, demergers, capital increases or other operations on capital, including the consolidation or split of the Shares, operations on treasury shares or other extraordinary operations of illimity that change the Company's current perimeter (henceforth the "Extraordinary Event") or in any case if the opportunity to do so should arise, also as the result of future changes to laws and regulations, without prejudice to maintaining the requirements of prudent supervision.

The revisions and additions shall be final and binding for the Beneficiaries with effect from the date on which these are approved by the Board of Directors and shall be brought to the attention of the Beneficiaries by registered letter with return receipt or registered letter delivered by hand with the signature of the addressee for receipt.

In case of Change of Control pursuant to article 93 of the TUF also where such change does not lead to the obligation to promote a public tender offer, a public tender offer on the Company's shares or the resolution of operations from which a delisting of the Company's Shares from the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. may result, the Board of Directors may amend the initially established features of the Plan. In this case, the Board of Directors, after obtaining the opinion of the Remuneration Committee, may make all the changes considered necessary and appropriate to the Regulation in order to keep the essential and economic contents of the MBO Plan unchanged, within the limits of applicable law (by way of example but not limited to: the payment of an equivalent in cash with reference to the portion in shares, an acceleration of the vesting with reference to the deferred portion, etc.). As the result of this resolution of the Board of Directors the Beneficiaries will be entitled to receive in advance the Shares they are entitled to.

3.4 Description of the means by which the availability and awarding of the financial instruments on which the plan is based are determined

The Shares awarded pursuant to the MBO Scheme are new ordinary shares of illimity S.p.A. deriving from the Company's sparable free share capital increase resolved by the Shareholders' Meeting of 18 January 2019 pursuant to articles 2443 and 2349 of the Italian Civil Code. Given the capacity still existing, the Shares may also be made available for subsequent MBO incentive plans, as resolved by the Shareholders' Meeting of 22 April 2021 in the ordinary session.

These shares have the same features as the ordinary shares of illimity S.p.A. outstanding at the date of issue of such new ordinary shares.

3.5 Role performed by each director in determining the features of the plan: possible conflicts of interest involving the directors concerned

The Remuneration Committee was involved in identifying the essential items of the Plan during the various phases of its preparation. This committee consists solely of non-executive directors, who in the majority are also independent pursuant to article 148, paragraph 3, of the TUF and pursuant to article 3 of the Corporate Governance Code; among these, it is ensured the presence of the necessary number of members with adequate knowledge and experience in financial matters or matters regarding remuneration policies and risk management. To this end, the Bank's Risk Committee was also involved to the extent of its competence.

3.6 For the purpose of the requirements of article 84-bis, paragraph 1, the date of the decision taken by the competent body to propose the approval of the plan to the shareholders' meeting and of any proposal of the remuneration committee

On 10 March 2021, illimity's Board of Directors resolved – with the positive opinion of the Remuneration Committee reached at its meeting of 5 March 2021 and after consulting with the Risks Committee – to submit the adoption of the Plan for the approval of the Shareholders' Meeting of illimity S.p.A. to be held on 22 April 2021.

3.7 For the purpose of the requirements of article 84-bis, paragraph 5a), the date of the decision taken by the competent body regarding the awarding of the instruments and any proposal to such body drawn up by the remuneration committee if applicable

The information required by article 84-bis, paragraph 5a), currently not available, will be provided within the time periods and by the means established by applicable law.

In this respect the financial instruments are awarded by taking into account the access conditions at a Group level and the performance attained with reference to 2021.

3.8 The market price, as of the aforesaid dates, of the financial instruments on which the plan is based, if traded on regulated markets

The price of the Shares at the time of awarding membership of the Plan to the Beneficiaries will be notified pursuant to article 84-bis, paragraph 5, of the CONSOB Issuers' Regulation.

The market price of the illimity Bank S.p.A. Shares on 10 March 2021, the date of the meeting of the Board of Directors which, on the proposal of the Remuneration Committee, resolved to submit the adoption of the Plan for the approval of the Shareholders' Meeting of 22 April 2021, was € 9.1353.

3.9 In the case of plans based on financial instruments traded on regulated markets, within what time periods and by what means does the issuer take into account, as part of identifying the timing of the assignment of the instruments in implementation of the plan, of the possible temporal coincidence between: (i) such assignment or any decisions taken in this respect by the remuneration committee and, (ii) the disclosure of any relevant information pursuant to article 114, paragraph 1; for example, in the case in which such information is a. not already published and likely to positively affect market prices, or b. already published and likely to negatively affect market prices

The Plan will only be implemented by the Board of Directors following its approval by the Shareholders' Meeting.

It should be noted that the right for the Beneficiaries to receive the Bonus (and as a result the Shares) vests at the end of the Performance Period and only following checks on the Gates and after achieving the pre-determined performance Objectives.

It is further noted that the Beneficiaries may not avail themselves of personal hedging or insurance strategies on their remuneration or on other aspects that may alter or affect the effects of alignment to the risk inherent in the variable remuneration mechanisms.

4. FEATURES OF THE INSTRUMENTS GRANTED

4.1 Description of the forms in which the share-based compensation plans are structured

The Plan provides for the settlement of a portion of the vested incentive by way of shares. The right of the Beneficiaries to obtain recognition of the remuneration envisaged by the Plan does, however, depend on achieving specific objectives, plus the need to overcome gates, linked to the requirement for certain capital and liquidity ratios to be maintained in line with the provisions of the Risk Appetite Framework and for there to be no breaches of laws and regulations on an individual basis, as well as to performance objectives set consistently with the objectives envisaged in the Business Plan and the functional and individual responsibilities of each Plan Beneficiary.

4.2 Indication of the period of effective implementation of the plan also with reference to any envisaged different cycles

The Plan is implemented when the Objectives are met and upon the occurrence of the other conditions established for 2021 and the three-year period 2022-2024, given the possible settlement by way of deferred shares.

The deferred portion in shares will be delivered no later than 2024.

4.3 End date of the plan

Reference should be made to the matters specified in paragraph 4.2.

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

Although the variable portion granted to Key Personnel may not exceed the ratio with the fixed portion approved by the Shareholders' Meeting and the size of the target incentives granted to the Beneficiaries, the exact maximum number of Shares granted each year cannot be determined.

In this respect the number of Shares vesting is determined on the basis of the mechanisms described in paragraphs 2.2, 2.3 and 4, depending on the type of Beneficiary, the Bonus vested and the Share Price on the granting.

The number of shares to be granted, both for the up-front portion and the deferred portion, is determined by dividing the amount of the granted variable remuneration to be settled in shares by the Share Price on the granting.

4.5 Means and clauses relating to the implementation of the plan, specifying whether the actual granting of the instruments depends on the occurrence of certain conditions or on the achievement of certain results, including performance results, descriptions and conditions of results

Payment of the Bonus connected with the Plan depends on the following:

- overcoming gates, linked to maintaining certain specific capital and liquidity ratios in line with the provisions of the Risk Appetite Framework and to the absence of breaches of laws and regulations on an individual basis;
- achieving performance objectives set consistently with the objectives envisaged in the Business Plan and the functional and individual responsibilities of each Plan Beneficiary.

Ex post adjusting mechanisms are envisaged (*malus* and *claw-back*).

For the *malus* mechanisms, 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 of remuneration and incentive policies in force at the time as well as full compliance with laws, regulations and corporate codes at an individual level.

For the *claw-back* mechanisms, a request may be made to return the variable remuneration recognised, wholly or in part, if the following matters is assessed within 5 years of the payment of the up-front portions or the deferred portions: (i) a behaviour that has led to a significant loss being incurred by the Issuer; (ii) a breach of the conditions and limits for assuming risk activity with respect to parties that may exercise an influence on the Issuer's operations and parties associated with such (pursuant to article 53, paragraph 4 et seq., of the Consolidated Banking Law (TUB)); (iii) a violation of the obligations on remuneration and incentive matters; (iv) with reference to key managers who are recipients of variable remuneration, in case of data relating to the Gates which turn out later to be manifestly wrong; (v) fraudulent conduct or gross negligence.

4.6 Indication of any restrictions on availability attached to the granted instruments or to the instruments arising from the exercising of the options, with particular reference to the periods within which the subsequent transfer of such to the company itself or third parties is allowed or prohibited

For the Chief Executive Officer and Top Management, the component in illimity shares is subject to a lock-up period of 12 months for the up-front portion and 6 months for the deferred portion.

For the remaining Key Personnel the component in illimity shares is subject to a lock-up period of 6 months for the up-front portion and 6 months for the deferred portion.

4.7 Description of any termination clauses relating to the granting of membership of the plan if members carry out hedging transactions that enable possible prohibitions on the sale of the granted financial instruments to be counteracted, also in the form of options or the financial instruments resulting from the exercising of such options

The Beneficiaries are strictly forbidden to use personal hedging or insurance strategies on their remuneration or on other aspects that may alter or affect the effects of alignment to the risk inherent in the variable remuneration mechanisms governed by the Bank's Remuneration and Incentive Policy.

4.8 Description of the effects caused by the termination of the employment relationship

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

In the case of the termination of the Employment Relationship, the following rules shall apply to any deferred portions and/or to any shares in lock-up, depending on the various circumstances:

- in the case of a "bad leaver", the Beneficiary loses all rights to receive the Bonus.
The following are examples of these situations:
 - dismissal for just cause,
 - dismissal for subjectively justifiable reasons,
 - voluntary resignation;

- in the case of a "good leaver", the Beneficiary (or his or her heirs) shall be entitled to receive the portion of Bonus vested.
The following are examples of these situations:
 - mutual termination of the Employment Relationship,
 - resignation for just cause,
 - unjustified dismissal,
 - dismissal for objectively justifiable reasons,
 - voluntary resignation for access to a pension scheme followed by the submission of the actual application,
 - the death of the Beneficiary,
 - permanent disability equal to or greater than 66%.

In case of the death of the Beneficiary, the amounts vested will be paid to the person's heirs or successors in title.

4.9 Indication of any causes of annulment of the Plan

There are no annulment clauses in the Plan except for the means by which the Plan may be revised, as described in paragraph 3.3.

4.10 Justifications relating to any clauses for the "redemption" by the company of the instruments underlying the Plan, determined pursuant to article 2357 et seq. of the Italian Civil Code; indication of the beneficiaries of the redemption, clarifying whether such clauses only relate to specific categories of employee; the effects of the termination of the employment relationship on any such redemption

There are no “redemption” clauses, without prejudice to the claw-back provisions for which reference should be made to paragraph 4.5.

4.11 Loans or other subsidies to be granted for the purchase of the shares pursuant to article 2358, paragraph 3, of the Italian Civil Code

Not applicable.

4.12. Indication of an assessment of the expected cost for the company at the grant date, as determined on the basis of the terms and conditions already established, by total amount and in relation to each instrument of the plan

The maximum cost is the sum of the Target Bonuses of the Beneficiaries expressed as a percentage of annual gross fixed remuneration.

4.13. Indication of any dilutive effects on capital caused by the granting of the shares

The maximum dilutive effect caused by the MBO Plan for 2021 amounts to approximately 0.16%.

4.14 Any limits envisaged for the exercising of voting rights and the assignment of property rights

The Beneficiaries receive no interest or dividend for the Shares subject to the Lock-up Period, nor do the relative voting rights vest with reference to such period.

4.15 If the shares are not traded on regulated markets, full information for making a complete valuation of the value attributable to them

Not applicable.

4.16 – 4.23

Not applicable.

4.24

The Table 1 required by paragraph 4.24 of Schedule 7 of Attachment 3A to the Issuers' Regulation will be provided at a later date by the means set forth in article 84-*bis*, paragraph 5a), of the Issuers' regulation.