

ILLIMITY BANK S.P.A.

**ILLUSTRATIVE REPORT OF THE BOARD OF DIRECTORS OF ILLIMITY S.P.A.
ON ITEM 1 ON THE AGENDA OF THE EXTRAORDINARY SESSION OF THE SHAREHOLDERS'
MEETING OF ILLIMITY BANK S.P.A. OF 15 DECEMBER 2021 IN SINGLE CALL**

*Pursuant to article 125-ter of Legislative Decree no. 58 of 24 February 1998 as amended
and article 72 of Consob Regulation no. 11971/1999 as amended*

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

May also be consulted on the Bank's website 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. [OMISSIS].

in extraordinary session

1. **Proposal to delegate the Board of Directors, pursuant to article 2443 of the Italian civil code, to increase share capital, free of charge and in separate issues, in one or more tranches, by a maximum nominal value of EUR 1,323,663.96, through the issue of up to 2,031,094 new ordinary shares of illimity Bank S.p.A., pursuant to article 2349 of the Italian civil code, to be awarded free of charge to selected key members of the staff of illimity Bank S.p.A. and its direct and/or indirect subsidiaries as Beneficiaries of the 2021-2025 Long-Term Incentive Plan. Resolutions pertaining thereto and resulting therefrom.**

This illustrative report is accordingly prepared pursuant to article 125-ter of Legislative Decree no. 58 of 24 February 1998 as amended (the “**Consolidated Finance Law**”) and article 85-bis of Consob Regulation no. 11971/1999 as amended (the “**Issuers’ Regulation**”), and provides a description of item 1 on the agenda of the extraordinary session of said Shareholders’ Meeting, as well as the relative proposed resolutions you are called to adopt.

SHAREHOLDERS' MEETING IN EXTRAORDINARY PART

- 1. Proposal to delegate the Board of Directors, pursuant to article 2443 of the Italian civil code, to increase share capital, free of charge and in separate issues, in one or more tranches, by a maximum nominal value of EUR 1,323,663.96 through the issue of up to 2,031,094 new ordinary shares of illimity Bank S.p.A., pursuant to article 2349 of the Italian civil code, to be awarded free of charge to selected key members of the staff of illimity Bank S.p.A. and its direct and/or indirect subsidiaries as Beneficiaries of the 2021-2025 Long-Term Incentive Plan. Resolutions pertaining thereto and resulting therefrom.**

Shareholders,

You are called to an extraordinary general meeting of illimity Bank S.p.A. (the “**Bank**” or “**illimity**”) to discuss, among other things, the proposal to delegate the Board of Directors to increase share capital, free of charge and in separate issues, in one or more tranches, through the issue of new ordinary illimity shares to be awarded free of charge to selected key members of staff of illimity as the beneficiaries of the 2021-2025 Long-Term Incentive Plan (also the “**LTI Plan**”) examined at item 3 of the ordinary part of the Shareholders' Meeting, with the resulting amendment of article 5 of the current Bylaws.

As also described in the dedicated Report to Shareholders the new 2021-2025 LTI Plan replaces:

- the “Stock Option Plan” (also the “**SOP**”) adopted by way of the Shareholders' Resolution of 18 January 2019 and reserved to a selected number of members 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 illimity's Top Management adopted by way of the Shareholders' Meeting of 22 April 2020.

The Remuneration Policy of the illimity Bank S.p.A. and the 2021-2025 LTI Plan to the Chief Executive Officer, the remaining members of Top Management, the previous beneficiaries of the SOP and other selected key members of the Group's management (the “**Beneficiaries**”), examined by the present Shareholders' Meeting at previous items 2 and 3 on the agenda for the ordinary session, provide for the award of up to a maximum of 2,031,094 ordinary illimity shares to the Beneficiaries in accordance with the limitations, the quantities, the time periods and the means envisaged in the LTI Plan, to which reference should be made to the entire text.

Assuming that the above proposals are approved, the Board of Directors submits for your approval the proposal to increase share capital free of charge by an amount of EUR 1,323,663.96 delegating implementation to the Board of Directors pursuant to article 2443 of the Italian civil code, which will be used to service the 2021-2025 LTI Plan.

More specifically, pursuant to article 2443 of the Italian Civil Code, it is proposed to delegate the Bank's Board of Directors, for a period of up to five years from the date on which the relative shareholders' resolution becomes effective, to increase share capital free of charge and in separate issues, in one or more tranches, by a maximum nominal value of EUR 1,323,663.96, through the issue of up to 2,031,094 new ordinary shares of illimity Bank S.p.A. 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 purposes of this increase, recourse is made to the scheme provided by article 2349, paragraph 1 of the Italian civil code, which provides for the awarding of profits to employees; accordingly, from time to time, at the date of exercising the delegated powers and for the purposes of such delegation, there must be, identified since the latest approved set of financial statements (including interim financial statements), a corresponding amount of profits and/or retained earnings or, in any case reserves available to be used for the increase in share capital.

It is further recalled that to service the above-mentioned SOP, on 18 January 2019 the Shareholders' Meeting resolved to increase share capital, for payment and in separate issues, by 31 December 2027, by up to EUR 1,496,671.34 (one million four hundred and ninety six thousand six hundred and seventy one/34) with the exclusion of the option right pursuant to article 2441, paragraph 8 of the Italian civil code through the issue of up to 2,100,000 (two million one hundred thousand) ordinary illimity shares.

By way of the proposal that is submitted for your attention, it is accordingly proposed to withdraw the above-mentioned resolution for the increase in share capital and amend the Bylaws by deleting paragraph 3 from article 5, with the resulting renumbering of the subsequent paragraphs and the introduction of a new paragraph 7, as follows:

<i>CURRENT BYLAWS</i>	<i>PROPOSED NEW BYLAWS</i> <i>(WITH AMENDMENTS HIGHLIGHTED: ADDED IN BOLD</i> <i>AND DELETIONS BARRATE)</i>
TITLE II	TITLE II
SHARE CAPITAL, SHARES, SHAREHOLDERS AND WITHDRAWAL	SHARE CAPITAL, SHARES, SHAREHOLDERS AND WITHDRAWAL
- Article 5 - Share Capital	- Article 5 - Share Capital
1. Share capital amounts to EUR 52,619,881.24 (fifty-two million six hundred nineteen thousand eight hundred eighty-one/24) fully paid-in and consists of 79,300,100 (seventy-nine million three hundred thousand and one hundred) ordinary shares with no nominal value (such ordinary shares and all additional ordinary shares existing from time to time shall be known as the "Ordinary Shares") and 1,440,000 (one million four hundred and forty thousand) special shares (the "Special Shares") with no nominal value. 2. [OMISSIS] 3. The extraordinary Shareholders' Meeting of 18 January 2019 resolved a paid increase in share	1. [UNCHANGED] 2. [UNCHANGED] 3. The extraordinary Shareholders' Meeting of 18 January 2019 resolved a paid increase in share

capital, if required in separate issues, no later than 31 December 2027, for a maximum nominal value of EUR 1,496,671.34 (one million four hundred and ninety six thousand six hundred and seventy one/34) excluding the option right pursuant to article 2441, paragraph 8, of the Italian civil code, through the issue of an overall maximum amount of 2,100,000 (two million one hundred thousand) new ordinary shares of illimity S.p.A. having the same features as the ordinary shares of illimity S.p.A. already outstanding at the date of issue of these new ordinary shares, with regular dividend rights, to be determined at a price equal to the arithmetic mean of the official prices of SPAXS S.p.A. ordinary shares on the *AIM Italia/Mercato Alternativo del Capitale* organised and managed by Borsa Italia S.p.A. and/or of illimity S.p.A. ordinary shares on the Electronic Stock Market organised and managed by Borsa Italia S.p.A. on the market days in the period between the day before the assignment of the Options, as defined below, and the day of the previous calendar month having the same date as the day of assignment of the Options (or, if not applicable, the day immediately preceding that date). The increase is intended for the realisation of the "Stock Option Plan" reserved to the employees of illimity S.p.A. and of the companies it directly and/or indirectly controls, approved by the ordinary Shareholders' Meeting on 18 January 2019, on the basis of the remuneration policies approved by the same Shareholders' Meeting, and to be implemented through the free allocation of options (the "Options") valid for the subscription of newly-issued illimity S.p.A. ordinary shares.

4. [OMISSIS]
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7. [OMISSIS]

~~capital, if required in separate issues, no later than 31 December 2027, for a maximum nominal value of EUR 1,496,671.34 (one million four hundred and ninety six thousand six hundred and seventy one/34) excluding the option right pursuant to article 2441, paragraph 8, of the Italian civil code, through the issue of an overall maximum amount of 2,100,000 (two million one hundred thousand) new ordinary shares of illimity S.p.A. having the same features as the ordinary shares of illimity S.p.A. already outstanding at the date of issue of these new ordinary shares, with regular dividend rights, to be determined at a price equal to the arithmetic mean of the official prices of SPAXS S.p.A. ordinary shares on the *AIM Italia/Mercato Alternativo del Capitale* organised and managed by Borsa Italia S.p.A. and/or of illimity S.p.A. ordinary shares on the Electronic Stock Market organised and managed by Borsa Italia S.p.A. on the market days in the period between the day before the assignment of the Options, as defined below, and the day of the previous calendar month having the same date as the day of assignment of the Options (or, if not applicable, the day immediately preceding that date). The increase is intended for the realisation of the "Stock Option Plan" reserved to the employees of illimity S.p.A. and of the companies it directly and/or indirectly controls, approved by the ordinary Shareholders' Meeting on 18 January 2019, on the basis of the remuneration policies approved by the same Shareholders' Meeting, and to be implemented through the free allocation of options (the "Options") valid for the subscription of newly-issued illimity S.p.A. ordinary shares.~~

3. [RENUMBERED FROM 4, UNCHANGED]
4. [RENUMBERED FROM 5, UNCHANGED]
5. [RENUMBERED FROM 6, UNCHANGED]
6. [RENUMBERED FROM 7, UNCHANGED]
7. **The Extraordinary Shareholders' Meeting of 15 December 2021 resolved to delegate the Board of Directors, pursuant to article 2443 of the Italian civil code, for a period of up to five years from the effective date of the shareholders'**

	<p>resolution, to increase share capital, free of charge and in separate issues, in one or more tranches, by a maximum nominal value of EUR 1,323,663.96 (one million, three hundred and twenty-three thousand, six hundred and sixty-three/96), through the issue of up to 2,031,094 (two million thirty one thousand and ninety four) new ordinary shares of illimity Bank S.p.A. 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 Bank S.p.A. shares at the date of execution of these delegated powers, through the allocation of an equivalent amount of profits and/or retained earnings or available reserves, pursuant to article 2349 of the Italian civil code, to be awarded free of charge to the beneficiaries of the 2021-2025 Long-Term Incentive Plan approved by the Ordinary Shareholders' Meeting of 15 December 2021, on the basis of the remuneration policy approved by the same Shareholders' Meeting, reserved to selected key members of staff of illimity Bank S.p.A. and its direct and/or indirect subsidiaries, to be implemented through the free of charge issue of newly-issued ordinary shares of illimity Bank S.p.A. and/or the Bank's treasury shares.</p>
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The execution of the resolution relative to the increase in share capital is, in any case, subject to the verification by the Bank of Italy pursuant to article 56 of Legislative Decree no. 385 of 1 September 1993 (the Consolidated Banking Law) of compliance with sound and prudent management of the amendments to the Bylaws resulting from the increase in share capital. At the date of publication of this report, the procedure for the issue of this provision is in progress.

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 free of charge shares needed to service the plan may be granted by using the shares arising from the above-mentioned capital increase and/or 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.

Lastly, it is noted that the proposed amendment to the Bylaws is not one of the cases for withdrawal pursuant to the Bylaws or applicable laws and regulations.

* * *

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

PROPOSAL

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

- *on the assumption that today's Shareholders' Meeting of illimity, meeting in ordinary session, approves (i) the revision to the 2021 Remuneration and Incentive Policy and (ii) the 2021-2025 Long-Term Incentive Plan reserved to the Chief Executive Officer, the remaining members of Top Management, the previous beneficiaries of the Stock Option Plan and the other key members of the Group's staff (the "LTI Plan");*
- *having examined the Board of Directors' illustrative Report, prepared pursuant to article 125-ter of Legislative Decree no. 58/1998 as amended and article 72 of Consob Regulation no. 11971/1999 as amended;*
- *acknowledging the attestation of the Board of Statutory Auditors that the Bank's current share capital amounts to EUR 52,619,881.24 and consists of 79,300,100 ordinary shares and 1,440,000 special shares without nominal value;*
- *subject to the issue by the Bank of Italy of the provision on the verification of compliance with sound and prudent management of the amendments to the Bylaws resulting from the increase in share capital, pursuant to and in accordance with article 56 of Legislative Decree no. 385 of 1 September 1993 as amended;*

RESOLVES

1. *to revoke the increase in share capital, for payment and in separate issues, of up to EUR 1,496,671.34 (one million four hundred and ninety six thousand six hundred and seventy one/34) with exclusion of the option right pursuant to article 2441, paragraph 8 of the Italian civil code, through the issue of up to 2,100,000 (two million one hundred thousand) new ordinary illimity shares, approved by the Shareholders' Meeting of 18 January 2019 for the realisation of the Stock Option Plan reserved to the employees of illimity S.p.A. and its direct and/or indirect subsidiaries, this approved as well by the Shareholders' Meeting of 18 January 2019;*
2. *to delegate the Board of Directors, pursuant to article 2443 of the Italian civil code, for a period of up to five years from the effective date of this shareholders' resolution, to increase share capital, free of charge and in separate issues, in one or more tranches, by a maximum nominal value of EUR 1,323,663.96, through the issue of up to 2,031,094 new ordinary shares of illimity Bank S.p.A., 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 Bank S.p.A. shares at the date of execution of the delegated powers, through the allocation of an equivalent amount of profits and/or retained earnings or available reserves, pursuant to article 2349 of the Italian civil code, to be awarded free of charge*

to the beneficiaries of the 2021-2025 Long-Term Incentive Plan approved by the Ordinary Shareholders' Meeting of 15 December 2021, on the assumption that today's Ordinary Shareholders' Meeting of illimity Bank S.p.A. approves the 2021 Remuneration Policy Report and the 2021-2025 Long-Term Incentive Plan;

3. consequently to grant powers to the Board of Directors to the fullest extent to be able to implement the increase in share capital resolved at item 2, and accordingly, amongst other things, to (i) determine the number of shares to be issued; (ii) determine the implicit nominal value of the ordinary shares at the time the issue is actually carried out; (iii) identify, also as a consequence of the matter discussed at point (ii), the profits and/or retained earnings available for proceeding with the issue; and (iv) implement the above powers, including by way of mere example and not limited to, those required to make the necessary amendments to the Bylaws as may be required from time to time;
4. to acknowledge that, as a result of the matters resolved at preceding points 1 and 2 (with the resulting deletion of paragraph 3 from article 5 of the Bylaws and renumbering of the following paragraphs), the new paragraph 7 will have the following tenor:

"7. The Extraordinary Shareholders' Meeting of 15 December 2021 resolved to delegate the Board of Directors, pursuant to article 2443 of the Italian civil code, for a period of up to five years from the effective date of the shareholders' resolution to increase share capital, free of charge and in separate issues, in one or more tranches, by a maximum nominal value of EUR 1,323,663.96 (one million, three hundred and twenty-three thousand, six hundred and sixty-three/96), through the issue of up to 2,031,094 (two million thirty one thousand and ninety four) new ordinary shares of illimity Bank S.p.A. 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 Bank S.p.A. shares at the date of execution of these delegated powers, through the allocation of an equivalent amount of profits and/or retained earnings or available reserves, pursuant to article 2349 of the Italian civil code, to be awarded free of charge to the beneficiaries of the 2021-2025 Long-Term Incentive Plan approved by the Ordinary Shareholders' Meeting of 15 December 2021, on the basis of the remuneration policy approved by the same Shareholders' Meeting, reserved to selected key members of staff of illimity Bank S.p.A. and its direct and/or indirect subsidiaries, to be implemented through the free of charge issue of newly-issued ordinary shares of illimity Bank S.p.A. and/or the Bank's treasury shares";

5. to grant the Board of Directors, and on its behalf the Chairman of the Board of Directors and the Chief Executive Officer, also separately and with the possibility to sub-delegate, all the necessary and appropriate powers to execute this resolution, as well as all powers to make, from time to time, the changes resulting from the execution and completion of the increase in share capital, to this end satisfying all the requirements and disclosures set forth in law, in any case in full compliance with applicable laws and regulations and the limits of this present authorisation, and also to perform all the formalities required for the adopted resolutions to be entered in the competent Companies' Register, together with all the powers, none excluded or excepted, to perform any other formality needed to ensure the full execution of the resolutions, including the power to make amendments or additions to the resolutions (not changing the content of the resolutions in any substantial way) which are considered necessary and/or appropriate for the

implementation of laws and regulations or which may be requested by the competent Supervisory Authorities.”

Milan, 11 November 2021

The Board of Directors

The Chair