



illimity Remuneration Policy (update)

Shareholders' Meeting, 15th December 2021

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NEW 2021-2025 LTI PLAN



illimity - Alignment to Strategic Plan

The new 2021-2025 LTI Plan REPLACES the previous plans⁽¹⁾



1) The Employee Stock Ownership Plan (ESOP) for the broader illimity population remains unchanged and operational till 2023

illimity - LTI Plan Key Features

1 2 3 4



LTI Plan aligned with the
NEW STRATEGIC PLAN
TIMEFRAME and **KEY**
TARGETS



SHARE PLAN also
foreseeing share ownership
guidelines, to align
Management and Shareholders'
long-term interests



1-year **DEFERRAL**
for **20%** of the shares awarded for
each performance cycle for the
MATERIAL RISK TAKERS
(MRT)



ROLLING
3 **separate**
non-cumulative
performance
measurement cycles:
2021-2023, 2022-2024,
2023-2025
to maximise retention
over time



The Board can
REVIEW THE
TARGETS at the
beginning of each
cycle, to be approved
within the
Remuneration Policy at
the AGM



State-of-the-Art
incentive scheme:
ESG TARGETS
representing **20%**
of LTI Goal Card and...



...relative
TSR accounting
for another **20%** to
compare illimity with
vis-à-vis Financial
Services players in Italy

illimity - Key Numbers

Beneficiaries

~ 50
(initial grant)

Max. # of shares

~2mln*
**2,031,094*

Max. dilution

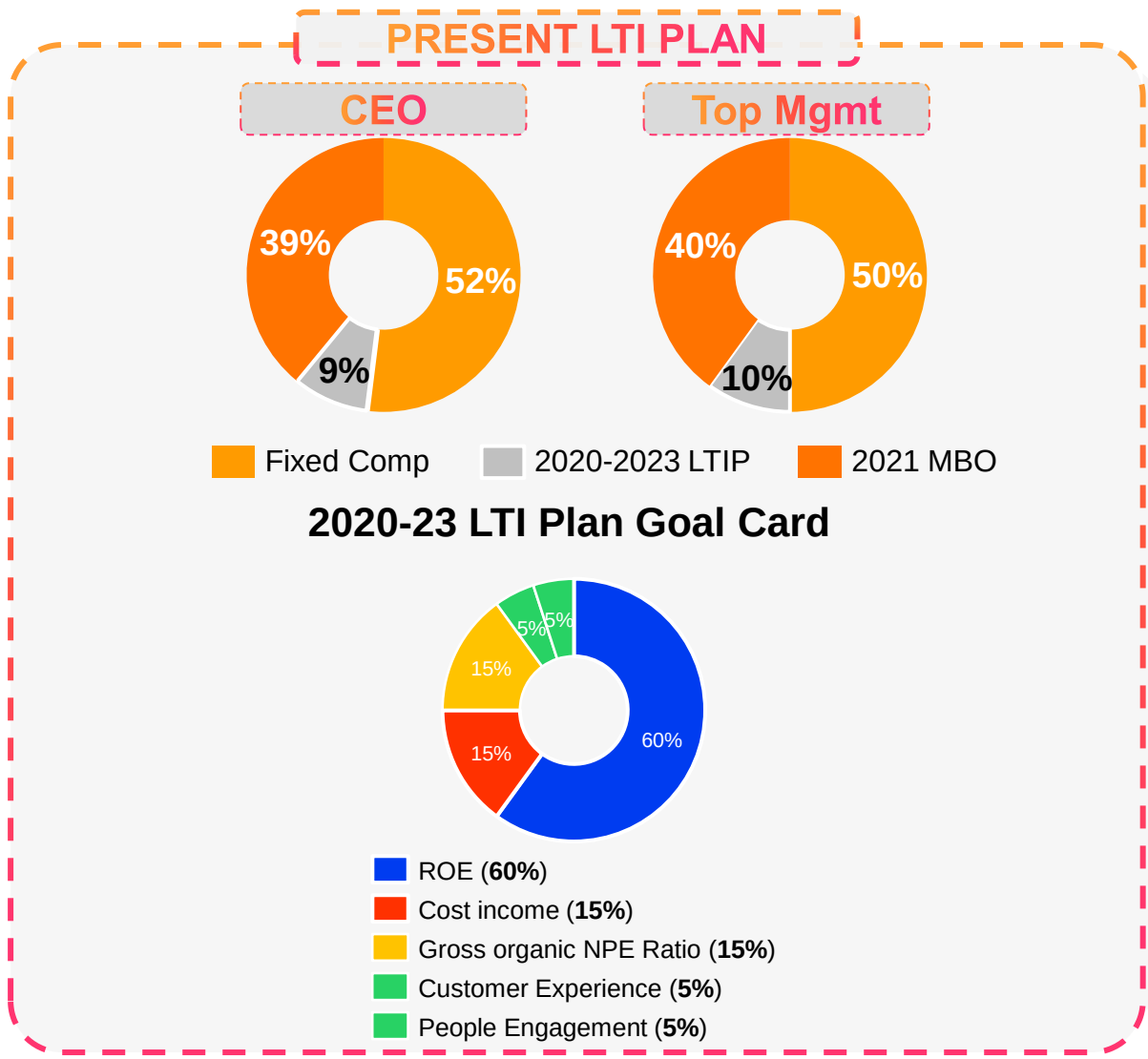
2.5%⁽¹⁾

Max. Plan cost

~22mln€

1) The dilutive effect on the capital is estimated at around 2.5% or 2.2%, calculated respectively on the basis of the number of shares as per the Articles of Association updated on September 30, 2021, in the two scenarios of conversion of special shares (1:1 and 1:8) and therefore equal to 80,740,100 and 90,820,100. Shares allocated to Top Management are not considered in the calculation, as they come from the purchase of treasury shares on the market or allocation of shares already held by the company.

illimity - CEO and Top Mgmt Targets Pay-Mix



Note: (1) MBO incentive scheme structure remains the same, it only changes its weight over the pay-mix; (2) TSR calculation based on one month's average.

illimity - LTI Plan Goal Card – First Cycle 2021-23

1 2 3 4

STRATEGIC PILLAR	KPI	TARGET (END OF CYCLE)	LEVEL OF ACHIEVEMENT	% INCENTIVE	WEIGHT
Profitability	ROAE ⁽¹⁾	15%	> 15%	100%	50%
			≥ 12% and ≤ 15%	60%-100%	
			< 12%	0	
Creation of Shareholder Value	Relative TSR of 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 and <4 points	60%-100%	
			< 3 points	0%	
	Top ESG Rating (Climate & Ethics)	4 points	≥ 4 points	100%	10%
			≥ 3 points and <4 points	60%-100%	
			< 3 points	0%	

The Remuneration Policy for the year 2022 and 2023 will include the targets for 2024 and 2025 respectively

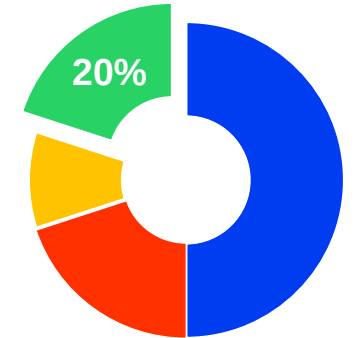
(1) ROAE: ratio between net profit and average equity

illimity - ESG Framework

Introduction of **ESG metrics** which drive 20% of LTI award



- Diversity, Equity & Inclusion 10%
- Improve rating with top ESG Raters⁽¹⁾ 10%



Governance

We are at the leading edge of promoting a **culture of rules, integrity, diversity and competence** as core values fully integrated into our corporate governance system



People

We are strongly committed to the continuous reinforcement of a **talent ecosystem, skills and inclusion**, both inside and outside the company through initiatives aimed at **unleashing potential**



Prosperity

We contribute through business activities for the **sustained and sustainable growth** of our country and its territories



Planet & Society

We contribute to **social and environmental well-being** by combining business sustainability with a positive **impact on our Planet & Society**



Innovation

We innovate first and foremost the way we do banking by integrating **state-of-the-art technology** and a human touch, creating a **sustainable and resilient digital eco-system**



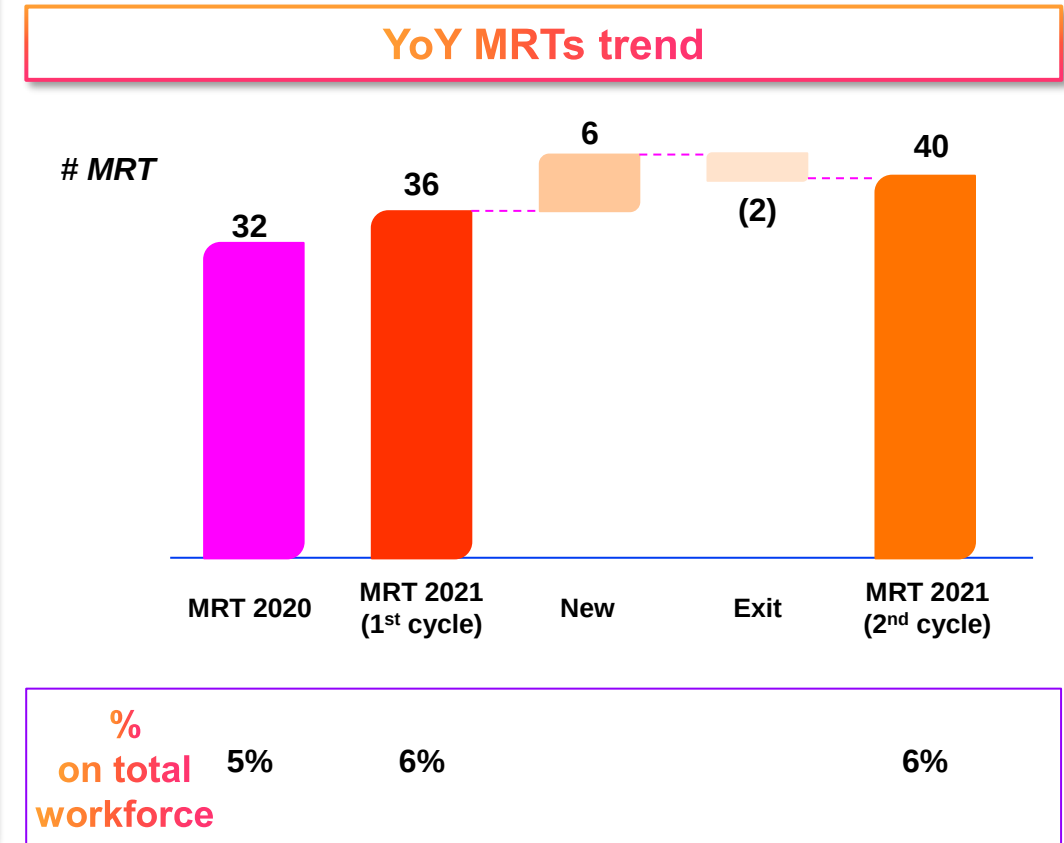
MATERIAL RISK TAKERS UPDATE (CRD V)



illimity - Material Risk Takers Update (CRD V)

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- ✓ The **perimeter of the 2021 MRTs has been revised** based on the new regulatory framework, i.e. **CRD V** and Delegated **Regulation (EU) 2021/923**
- ✓ illimity additional criteria were also reviewed by **Risk Management and HR** to be more prudent in the MRT identification process
- ✓ The process identified **40 MRTs** for 2021 based on qualitative, quantitative and additional criteria
- ✓ The process identified **4 additional MRTs** compared to the beginning of the year and 8 compared to the 2020
- ✓ The resources identified represent approximately **6% of illimity's total workforce** as of September 30, 2021



ADDITIONAL CHANGES



illimity - Additional Changes

Broad-based bonus (*premio di produttività*)

- To be defined as a **Company Performance Bonus** based on **2021 Bank performance**

Bonus spot

- To be awarded for **extraordinary performance and contribution to value creation** by employees
- **Not** to be attributed to the **CEO** and **Top Management**

Remuneration Committee

- To update the Committee **Composition and Responsibilities**

Termination clauses

- To enhance transparency, the Policy describes the "**bad leaver**" and "**good leaver**" clauses already existing and formalized in the MBO and LTIP Regulations

Regulatory Framework

- To include **regulatory updates** e.g. in relation to the EBA "Guidelines on sound remuneration policies under Directive 2013/36/EU"
- To include "**Relevant Subjects**" provided for by the Banking Transparency regulation

KEY DEFINITIONS



Key word	Definition
Key Managers	Managers of the organisation eligible to receive the Long-Term Incentive Plan (as an example it includes the beneficiaries of previous SOP)
LTI	Long Term Incentive
Material Risk Takers (MRT)	Employees identified by relevant CRD V regulation, as integrated by Delegated Regulation (EU) 2021/923 and internal criteria
Relevant Subjects	Employees identified as "relevant" by Bank of Italy regulation on Transparency, offering product to retail clients
Rolling Plan	A Plan which foresees a review of targets at the beginning of each performance cycle of an LTI Plan
Share Ownership Guidelines	Guidelines for CEO and executives with strategic responsibilities to hold shares deriving from the LTIP until a certain target of shares is reached
SOP	Stock Option Plan
Top Management	The following managers who report directly to illimity's Chief Executive Officer: Head of Distressed Credit; Head of Growth Credit; Head of Direct Banking; Chief Financial Officer and Head of Central Functions; Chief Lending Officer.