

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

**ILLUSTRATIVE REPORT OF THE BOARD OF DIRECTORS  
ON ITEM 7 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 125-ter of Legislative Decree no. 58 of 24 February 1998 as amended and article 84-ter 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](http://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. [omissis].
6. [omissis].
7. **Settlement agreement on the liability action brought against the Directors of Banca Emilveneta S.p.A. (merged into Banca Interprovinciale S.p.A., today illimity Bank S.p.A.) pursuant to article 2393 of the Italian Civil Code. Resolutions pertaining thereto and arising therefrom.**

This illustrative report has accordingly been prepared pursuant to article 125-ter of Legislative Decree no. 58 of 24 February 1998 as amended (the “**TUF**”) and article 84-ter of CONSOB Regulation no. 11071/1999 as amended (the “**Issuers’ Regulation**”) and provides a description of item 7 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 Shareholders' Meeting to resolve on the proposal drawn up by the Board of Directors of illimity Bank S.p.A. ("**illimity**" or the "**Bank**") to settle the litigation initiated in 2018 by the previous directors of Banca Interprovinciale S.p.A. ("**BIP**" and now illimity) against the former directors and former managers of Banca Emilveneta S.p.A. ("**BEV**", merged into BIP in 2017).

It should be noted that a possible settlement of this dispute was already brought to the Shareholders' Meeting of BIP on 4 September 2018 (in the context of the completion of the acquisition of the Bank by SPAXS S.p.A.). More specifically, during the meeting of 4 September 2018 it was noted that BIP had initiated a corporate liability action pursuant to the Italian Civil Code – which had already been mentioned during the previous Shareholders' Meeting held on 24 May 2018 – before the Bologna Court, Companies' Section (case no. 9840/2018) against twelve former directors of BEV, in order to obtain full compensation for the damages suffered by BEV (then merged into BIP as stated) which arose from the alleged way in which the previous corporate governance structure managed the company, as well as the return of all the emoluments paid to such counterparties for the positions they held.

Prior to the above-mentioned Shareholders' Meeting of September 2018, the lawyer advising BIP (who also advises the Bank) informed the management body and control body of BIP that said counterparties had formulated a settlement proposal whose aim was to reach an amicable solution of the dispute, proposing the payment, in favour of BIP, of the all-inclusive amount of EUR 170,000 (one hundred and seventy thousand). The Board of Directors of BIP examined this proposal on 30 August 2018, deciding it should go into further detail in this respect in order to be able to assess it in the best possible way in terms of opportunity and convenience.

BIP's Shareholders' Meeting of 4 September 2018 was accordingly invited to acknowledge the above and delegate the Board of Directors to adopt the resolutions it believed reasonable in this respect, going into further detail as appropriate, recalling that when the liability action, relating to the way in which a number of risk positions were managed, was initiated, the damages suffered by BEV had not yet been precisely quantified, in essence remitting such quantification to the dispute procedure.

Following discussion, the Chair of the Shareholders' Meeting proposed "*delegating the settlement to the Board, with the Board deciding the reasonableness of the figure and whether it is in the interest of the company to settle*". On a majority vote, with certain participants abstaining, BIP's Shareholders' Meeting of 4 September 2018 resolved "*to approve the Chair's proposal relating to case no. 9840/2018 before the Bologna Court, Companies' Section, in accordance with the text set out in detail above*".

On appearance before the court, the above-mentioned parties against whom BIP had brought legal proceedings raised an objection, claiming *inter alia* the lack of the plaintiff's standing to bring the suit pursuant to article 2393-bis of the Italian Civil Code and/or lack of title to, and the non-existence of, the claim brought, and denied any responsibility on their part, asking to be held unaffected by and harmless against BIP's claims on the basis of the existing corporate directors' and statutory auditors' liability insurance policy.

Subsequently, as it is known, SPAXS S.p.A. was merged into BIP by way of a reverse merger, which was completed in March 2019, with BIP then changing its name to “illimity Bank S.p.A.”.

In this context the new Board of Directors and illimity’s top management took on the judicial initiative to protect the Bank’s interests, and following numerous discussions with the defendant counterparties and the respective lawyers involved, with the hearings for the case being deferred on several occasions, a settlement was agreed upon across the end of 2020 and the beginning of 2021.

More specifically, after a detailed analysis of the reciprocal positions and without this being construed or interpreted as an acknowledgement, even implicit, of the legitimacy of the reciprocal reasons (in particular excluding any acknowledgement of the liability of the former directors or former managers of BEV or of the coverage by the insurance company in relation to the policy), the parties, by way of their respective lawyers, agreed to resolve the case pending before the Bologna Court, as well as foreclose the emergence of any further dispute with regard to the facts and relations object of said pending proceeding and the way in which BEV was managed in the past, by drawing up a general settlement agreement.

The settlement agreement provides that – subject to the authorisation of illimity’s Shareholders’ Meeting – an amount of EUR 360,000 (three hundred and sixty thousand) shall be paid to the Bank as discounted payoff and settlement of the proceeding pending before the Bologna Court and of any reciprocal claim of the parties, as well as of any right, action, claim or demand that may derive from, or be in any way connected with, the circumstances object of the suit in question.

The Bank’s Board of Directors resolved in favour of an amicable settlement of the affair by way of resolutions adopted on 10 December 2020 and most recently on 10 March 2021, also given (i) the complexity of the matter, (ii) the large number of parties against whom action is being taken and who are involved, (iii) the likely length of the proceeding in the civil courts which would lead to an uncertain and long process, (iv) the naturally intrinsic risk in the liability action, (v) the convenience, also in economic terms, of a non-symbolic settlement payment in the Bank’s favour, albeit potentially less than the sum that could be claimed, even if this has yet to be actually proven in the courts, and lastly, (vi) the opportunity of arriving at a settlement under the described terms and conditions, as confirmed by the legal advisor acting for the Bank.

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

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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”),*

- *given the matters discussed and the resolutions adopted by the Shareholders’ Meeting of Banca Interprovinciale S.p.A. (now illimity Bank S.p.A.) on 24 May 2018, and most recently on 4 September 2018;*
- *given the provisions of articles 2393 and 2393-bis of the Italian Civil Code;*
- *having examined the report of the Board of Directors on operations as of 31 December 2020;*

- *acknowledging the proposal for an amicable settlement pursuant to article 2393, paragraph 6, of the Italian Civil Code (and to the extent necessary article 2393-bis, paragraph 6, of the Italian Civil Code), agreed and established between the lawyers of the parties involved in the dispute, whose effects are subject to approval by the Shareholders' Meeting;*

***resolves***

- *to approve the proposal for an amicable settlement of the dispute with the former directors and former managers of Banca Emilveneta S.p.A., in this way approving, confirming and ratifying the settlement of the corporate liability action – pursuant to case no. 9840/2018 at the Bologna Court, Companies' Section – initiated against them, under the terms, conditions and limits summarised in the illustrative report of the Bank's Board of Directors;*
- *to grant mandate to the Chair of the Board of Directors and the Chief Executive Officer to proceed severally, directly and with express powers to sub-delegate, also by way of special powers of attorney, with the drafting and signing of any deed, negotiation or contract in implementation of the decisions taken at the previous point.*

Milan, 10 March 2021

*On behalf of the Board of Directors*

*The Chair*