

ILLIMITY BANK S.P.A.

**ILLUSTRATIVE REPORT OF THE BOARD OF DIRECTORS
ON ITEM 3 ON THE AGENDA
OF THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS**

OF ILLIMITY BANK S.P.A. OF 20 APRIL 2023, IN SINGLE CALL

Prepared pursuant to article 123-ter of Legislative Decree no. 58 of 24 February 1998, n.58 as amended and article 84-quater of Consob Regulation no. 11071/1999 as amended

Approved by the Board of Directors on 9 March 2023

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

Shareholders,

You are called to attend the Annual General Meeting at 9:30 a.m. CET on 20 April 2023 in single call, to discuss and adopt resolutions on the following agenda:

1. [OMISSIS]
2. [OMISSIS]
3. **Report on remuneration policy, also pursuant to article 123-ter of Italian Legislative Decree no. 58/1998. Resolutions pertaining thereto and resulting therefrom.**
4. [OMISSIS]
5. [OMISSIS].

This Illustrative Report has accordingly been prepared pursuant to article 123-ter of Legislative Decree no. 58 of 24 February 1998 as amended (the “TUF”) and article 84-*quater* of Consob Regulation no. 11071/1999 as amended (the “Issuers’ Regulation”) and provides a description of item 3 on the agenda of the Ordinary Shareholders’ Meeting, as well as the relative draft resolutions that you are called to adopt.

Shareholders,

You are called to attend an Ordinary General Shareholders' Meeting held to approve, among other things, the proposal to approve the *"Report on the 2023 Remuneration Policy and compensation paid in 2022"* included in the attached document that forms an integral part of the Illustrative Report to the Shareholders' Meeting, prepared in accordance with Legislative Decree no. 58/1998 (the "TUF"), as revised by the amendments made by Legislative Decree no. 49 of 10 May 2019 (articles 114-*bis* and 123-*ter*), and with article 84-*quater* of Consob Regulation no. 11971/1999 (the "Issuers' Regulation"), as well as in accordance with the Supervisory Provisions for Banks pursuant to Circular no. 285 of the Bank of Italy of 17 December 2013, as amended, on remuneration matters.

The Report on the 2023 Remuneration Policy and compensation paid in 2022 consists of two Sections.

Section I (the "2023 Remuneration Policy"), which provides a clear description of:

- a) the Company's Remuneration Policy with reference to 2023, for members of the management bodies and control bodies (without prejudice to the requirements of article 2402 of the Italian Civil Code), general managers and Executives with Strategic Responsibilities, Material Risk Takers and the remaining personnel;
- b) the procedures used to adopt and implement such policy.

Section II (the "Report on compensation paid in 2022"), which provides clearly and by individual name for members of the management and control bodies and general managers and in aggregate form for Executives with Strategic Responsibilities:

- a) an adequate representation of each of the items of which remuneration consists, including compensation in case of termination of office or of the employment relationship, describing the consistency of this with the company's Remuneration Policy for 2022;
- b) details of the compensation paid for any reason and by any means by the Bank and its subsidiaries and associates for 2022, noting any components of this compensation that relate to activities performed in years before 2022 and also disclosing any compensation to be paid in one or more subsequent years for activities performed in 2022.

Again in 2023, the overall Remuneration strategy (which among other things envisages a variable component of remuneration proportionate to the maintenance of capital and liquidity ratios and to the achievement of performance objectives) continues to be arranged so as to provide a remuneration structure able to attract and retain the staff required to develop the business and achieve the expected results, compatible with the capital and economic and financial sustainability of the Bank. The key principles of the incentive system envisaged for 2022 continue to hold, these being founded on a strong alignment with shareholders, investors and in general all stakeholders and ensuring:

- the participation of the Chief Executive Officer and the other members of Top Management in the annual variable incentive scheme (MBO Plan) and the Long-Term Incentive Plan (2021-2025 LTI Plan), in order to align the remuneration structure and management's interests to those of the shareholders and stakeholders;

- manager remuneration suitably balanced in the variable component, in line with the profitability expectations set out in the Strategic Plan and without prejudice to the gradual consolidation of the results themselves;
- the engagement of all the employees through the opportunity to become shareholders of the Bank.

In general, emphasis is given to the substantial continuity of the 2023 Remuneration Plan with that approved by the Shareholders' Meeting of 28 April 2022, the main changes for 2023 being the following:

- the proposal to increase the cap for the ratio between the variable component and fixed component of remuneration also for the Chief Executive Officer and the other three members of Top Management to 2:1 (submitted to a specific shareholders' vote), consistent with the provisions approved in previous years for the other categories of Material Risk Taker and in line with regulatory provisions, market practice and the suggestions received from institutional investors as part of the annual engagement to incentivize the whole management team to achieve business performance exceeding expectations;
- the revision of the Bonus Pool funding mechanism with reference to the 2023 MBO Annual Incentive Plan in order to achieve greater consistency and a stronger alignment with the actual performance of each business division/structure and at the same time confirm the link among profitability, risk and remuneration at Group level through a strengthening of the entry conditions to the system;
- an updating of the objectives for the third performance cycle of the rolling Long-Term Incentive share Plan (LTI Plan) and therefore with reference to the period 2023-2025;
- the inclusion of ESG objectives for both the 2023 MBO Annual Incentive Plan for persons holding top positions in the organization and the LTI Plan, in line with the commitments made as part of the 2023-2025 Sustainability Plan approved by the Board of Directors on 9 February 2023;
- the updating of the perimeter of the Group's Material Risk Takers for 2023, based on the application of qualitative, quantitative and additional criteria provided for by external and internal regulations, led to the identification of 47 persons, in line with the identification of the end of 2022, whose composition changed due to organizational evolutions and changes in the Group's staff.

Lastly, it is recalled that in addition to the above topic referring to the Chief Executive Officer and the other members of Top Management, the total maximum cap for the ratio of variable remuneration to fixed remuneration is as follows:

- Group Material Risk Takers belonging to the business functions: 200%;
- Group Material Risk Takers belonging to the support functions: 150%;
- Material Risk Takers belonging to the corporate control functions: 33%;
- Other members of staff: variable remuneration is in all cases limited to 200% for the business functions and 100% for the remaining functions.

The Shareholders' Meeting is accordingly invited to adopt the most appropriate resolutions on the

Report on the 2023 Remuneration Policy and compensation paid in 2022.

* * *

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

PROPOSAL

"The Ordinary Shareholders' Meeting of illimity Bank S.p.A.,

- *having examined the "Report on the 2023 Remuneration Policy and compensation paid in 2022" (the "**Report**") prepared by the Board of Directors pursuant to article 123-ter of Legislative Decree no. 58 of 24 February 1998 (the "**TUF**"), article 84-quater of Consob Regulation no. 11971/1999 (the "**Issuers' Regulation**") and the provisions of Circular no. 285/2013 of the Bank of Italy on remuneration matters;*
- *having examined and discussed, in particular, Section I of the aforementioned Report, prepared pursuant to article 123-ter, paragraph 3 of the TUF and article 84-quarter of the Issuers' Regulation and relating to: (i) the company's 2023 Policy on the Remuneration of all its personnel (including the members of management bodies and, without prejudice to the provisions of article 2402 of the Italian Civil Code, the members of the control bodies) and (ii) the procedures used to adopt and implement such Policy;*
- *given that, pursuant to article 123-ter, paragraph 3-ter of the TUF, the Shareholders' Meeting is called to express a binding vote on Section I of the aforementioned Report;*
- *given that, pursuant to the provisions of the Bank of Italy's Circular no. 285/2013 and article 9, paragraph 2 of the corporate Bylaws, the Shareholders' Meeting is called to approve the remuneration and incentive policies in favour of the members of the bodies with a strategic supervision, management and control function and the remaining personnel, as stated in Section I of the aforementioned Report;*

RESOLVES

1. *to approve the Report which describes the Remuneration and Incentive Policy of illimity Bank S.p.A. for 2023 in favour of the members of the bodies with a strategic supervision, management and control function and the remaining personnel, including Material Risk Takers, of illimity Bank S.p.A. and its direct and indirect subsidiaries;*
2. *to give mandate to the Board of Directors and, on its behalf, to the Chair and Chief Executive Officer, severally and with the power of sub-delegation, to implement the 2023 Policy referred to at the previous point".*

Milan, 9 March 2023

On behalf of the Board of Directors

The Chair

Attached annex:

1. *Report on the 2023 Remuneration Policy and compensation paid in 2022*

Report on the 2023 Remuneration Policy and compensation paid in 2022

Submitted for the approval of the Shareholders' Meeting of illimity Bank S.p.A. of 20 April 2023

Prepared pursuant to article 3 of Legislative Decree no. 49 of 10 May 2019, which revised article 123-ter of Legislative Decree no. 58/1998, to the Issuer's Regulation revised on 11 December 2020 and to the 37th revision of the Bank of Italy's Circular no. 285

Courtesy translation in case of any inconsistencies the Italian version shall prevail

CONTENTS

LETTER FROM THE CHAIR OF THE REMUNERATION COMMITTEE	4
INTRODUCTION.....	6
DEFINITIONS	8
SECTION I – REPORT ON THE 2023 REMUNERATION AND INCENTIVE POLICY	10
1. REMUNERATION POLICY AS SUPPORT FOR THE CREATION OF LONG-TERM VALUE FOR ALL STAKEHOLDERS	10
2. DETAILS OF THE PROPORTIONALITY PRINCIPLE AND THE LEGISLATIVE FRAMEWORK	11
3. OBJECTIVES OF THE REMUNERATION POLICY	14
4. GOVERNANCE OF THE REMUNERATION POLICY.....	16
5. IDENTIFICATION OF “GROUP MATERIAL RISK TAKERS” FOR 2023	22
6. REMUNERATION FRAMEWORK AND THE RATIO BETWEEN VARIABLE AND FIXED REMUNERATION ..	24
7. COMPENSATION OF THE BOARD OF DIRECTORS	27
8. MARKET PRACTICE AND BENCHMARKING	27
9. PAY-MIX OF THE CHIEF EXECUTIVE OFFICER AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES	28
10. ANNUAL VARIABLE INCENTIVE PLAN MBO.....	29
11. THE 2021-2025 LONG-TERM INCENTIVE PLAN	33
12. EMPLOYEE STOCK OWNERSHIP PLAN (ESOP).....	40
13. RISK ALIGNMENT (MALUS AND CLAWBACK).....	40
14. PROHIBITION OF HEDGING STRATEGIES.....	41
15. COLLABORATION AND PROFESSIONAL ENGAGEMENTS.....	41
16. SPECIFIC REQUIREMENTS FOR THE REMUNERATION OF FACTORING, B-ILTY AND DIGITAL CUSTOMER OPERATIONS PERSONNEL: PROTECTION OF RETAIL CUSTOMER	42
17. BANK STAFF PROVIDING INVESTMENT SERVICES.....	43
18. AGENTS, MEDIATORS AND FINANCIAL CONSULTANTS	43
19. REMUNERATION OF THE PERSONNEL OF ILLIMITY SGR	44
20. COMPENSATION FOR EARLY TERMINATION OF THE EMPLOYMENT RELATIONSHIP AND/OR EARLY TERMINATION OF OFFICE	45
21. TERMINATION OF THE EMPLOYMENT OR COLLABORATION RELATIONSHIP	47
ANNEX 1 - GUIDELINES FOR IDENTIFYING THE MATERIAL RISK TAKERS OF THE BANKING GROUP	49
SECTION II - REPORT ON COMPENSATION PAID IN 2022	61
1. INTRODUCTION.....	61
FIRST PART	62
1. 2022 RESULTS.....	62
2. REMUNERATION OF THE MEMBERS OF ILLIMITY’S BOARD OF DIRECTORS.....	63
3. REMUNERATION OF THE MEMBERS OF THE AUDIT AND INTERNAL CONTROL COMMITTEE	64
4. DEROGATION MECHANISM FOR THE 2022 BONUS POOL	65
5. REMUNERATION OF ILLIMITY’S CHIEF EXECUTIVE OFFICER.....	66
6. REMUNERATION OF OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES.....	68
7. REMUNERATION OF ILLIMITY’S MATERIAL RISK TAKERS AND REMAINING PERSONNEL	70
ANNEX 2 - SUMMARY OF THE WORK PERFORMED BY THE REMUNERATION COMMITTEE IN 2022.....	73
SECOND PART	84

THIRD PART.....	97
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LETTER FROM THE CHAIR OF THE REMUNERATION COMMITTEE

Shareholders,

I am pleased to present illimity's 2023 Report on Remuneration Policy, which describes the Group's remuneration and incentive strategy and is based on the strategic and sustainability objectives set out in the 2021-2025 Strategic Plan. A Plan that lays the foundations for a new growth path, establishes the new objectives that we are aiming to attain and sets its sights on a significant and sustainable rise in profits and profitability, reconciling challenging new projects with the increasingly incisive role of sustainability issues.

In this context, illimity's remuneration policy represents a fundamental tool for contributing to the pursuit of the established ambitious objectives, guaranteeing consistency with the strategic business and sustainability objectives and ensuring the attraction and engagement of people.

To this end, the Remuneration Committee has collaborated with management to draw up the 2023 Remuneration Policy, basing itself on the increasingly current need to pursue sustainability and efficacy as well as to clearly keep adequate pace with the regulatory framework, taking into account the incentive strategy for illimiters, the evolution of the Business Model and the expected results of the Strategic Plan.

illimity is the Bank for people and families, as well as, thanks to b-ilty, being the digital direct bank for small and medium corporates; given the delicate macroeconomic situation, all illimiters have provided a significant contribution to the success of this Group through their commitment and dedication.

Which is why the remuneration strategy for all illimiters continues to be strongly based on achieving short and medium-long term objectives, consistent with the Group's values and contributing to the alignment of the interests of investors with those of all the stakeholders. In support of this model:

- all illimiters (current and future) are shareholders of the Bank and are incentivised to maintain an excellent performance;
- management and key staff members are provided with incentives for creating long-term value;
- an innovative and tailored welfare and flexible benefits system has been designed to respond to the demands and needs of each illimiter, with special emphasis on parenthood and family care.

Sustainability is built into every aspect of our activities. ESG (*Environmental, Social, Governance*) metrics form an integral part of both the short-term and long-term incentive schemes and are a key element in the assessment of the Bank's risk exposure. In particular, may I point out to you, as a key item, the fact that we have revised the ESG objectives for 2023 in the MBO Annual Incentive Plan and the third performance cycle of the Long-Term Incentive Plan. The change in question is the result of suggestions for improvement received from institutional investors, which go in the direction of differentiating the KPIs to be found in the various incentive plans, and more generally is a consequence of the updating of the 2023-2025 Sustainability Plan approved by the Board of Directors. In any case, for a more complete picture of illimity's commitment and contribution to Sustainability we invite you to consult our Sustainability Profile which provides a comprehensive view of the Group's character as a Sustainable Native Company.

Furthermore regarding the short-term incentive system I would also like to bring to your attention the method by which the Bonus Pool is funded, designed to further strengthen the connection between profitability, risk exposure and remuneration. In addition, when assigning variable remuneration to individuals, the divisional results, adjusted for risk, will be appraised alongside those of the Group as a means of increasingly giving value to the specific team to which they belong.

In order to support the creation of value for all the stakeholders and sustain corporate social responsibility in the long term, but also as confirmation of our desire to continue with a transparent exchange of views and a constructive dialogue with investors and proxy advisors, you will find in the 2023 Remuneration Policy a clear presentation of the objectives and related incentive criteria for the Chief Executive Officer and the Executives with Strategic Responsibilities, also for the third performance cycle (2023-2025) of the Long-term Incentive Plan.

Within this framework, as an additional key element of the 2023 Remuneration Policy I would like to note the proposal, approved by the Board of Directors on 9 February 2023, to submit an increase in the ratio between variable and fixed remuneration up to a maximum of 2:1 for the Chief Executive Officer and the other members of Top Management for your approval. This would enable the Group's remuneration policy to become more flexible by strengthening the link between variable remuneration and long-term and sustainable business results, while at the same time it would also ensure the existence of a competitive remuneration package for top management, given the complexity of the role and its organizational impact. All of which, consistent with regulatory provisions in this regard, the requirements of market practice and the recommendations provided by our institutional investors, in order to incentivize achieving objectives consistent with the risk strategy set out in the Strategic Plan.

I remind you that the commitment to people is one of the Bank's founding pillars. The attention the Group has always given to issues and policies on inclusion and diversity have enabled it to become one of the first banks in Italy to obtain Gender Equality Certification, demonstrating the attention given to Gender Equality and the ability to implement this in a work model that aims decisively at inclusivity. The Bank's path towards building sustainability into its strategies, processes and governance continues, and is obtaining practical results in employee diversity, equity and inclusion by means of a strong commitment to remunerative equity regardless of gender.

I would like to take the opportunity of thanking you in advance for the attention you will dedicate to the analysis of the 2023 Remuneration Policy. We are confident that you will appreciate the work done, the items making up the Remuneration Policy and the transparent approach we have adopted, as always, in representing them to you and to all the stakeholders.

With best wishes,

Paola Galbiati

Chair of the Remuneration Committee
illimity Bank S.p.A.

INTRODUCTION

This document, which contains the **Report on the 2023 Remuneration Policy**, has been prepared by illimity Bank S.p.A. (hereinafter also “illimity”, the “Issuer”, the “Bank” or the “Company”) pursuant to Legislative Decree no. 58/1998 (the “TUF”), amended for the changes made by Legislative Decree no. 49 of 10 May 2019 - articles 114-*bis* and 123-*ter* of the “Issuers’ Regulation” - article 84-*quarter*, and as updated on 11 December 2020, as well as in accordance with the Supervisory provisions for banks, as per the 37th revision of the Bank of Italy’s Circular no. 285 of 17 December 2013 on remuneration (“Circular no. 285/2013”). It consists of two sections.

Section I (Report on the 2023 Remuneration Policy) describes in a clear manner:

- a) the Company’s policy on the remuneration of members of the management bodies and control bodies (without prejudice to article 2402 of the Italian civil code), general managers and Executives with Strategic Responsibilities, Material Risk Takers and the remaining personnel, with reference to 2023;
- b) the procedures used to adopt and implement such policy.

In addition, the first section describes the way the Remuneration Policy contributes to the Company’s business strategy, to the pursuit of its long-term interests and to its sustainability.

Pursuant to Consob Regulation no. 17221 of 12 March 2010 as amended on related party transactions (the “Consob Regulation”), as incorporated in the policy “*Transactions with parties forming part of the illimity Banking Group’s Single Perimeter*” approved on 10 May 2021, the approval of the policy by the Shareholders’ Meeting exempts the Company from the need to apply the policy in the resolutions of the Board of Directors on matters regarding the remuneration of the directors, directors with specific duties and Executives with Strategic Responsibilities if the remuneration assigned is identified in compliance with such policy and quantified on the basis of criteria that do not lead to discretionary assessments. Furthermore, pursuant to article 13, paragraph 1 of the Consob Regulation, the above-mentioned procedure does not apply to resolutions adopted by Shareholders’ Meetings pursuant to article 2389, paragraph 1, of the Italian Civil Code regarding compensation due to members of the Board of Directors, nor to resolutions on the remuneration of directors with specific duties, forming part of the overall amount determined in advance by the Shareholders’ Meeting pursuant to article 2389, paragraph 3 second sentence of the Italian Civil Code. The above Group Policy may be consulted on the Issuer’s website www.illimity.com under the **section Governance/Transactions with Related Parties**.

The Bank has adopted a Remuneration and Incentive Policy for 2023 in favour of the members of the bodies with a strategic, management and control function and of the remaining personnel, including Material Risk Takers, of the Bank and its subsidiaries (the “Policy” or the “Remuneration Policy” or the “Remuneration and Incentive Policy”) prepared in accordance with the provisions of the above-mentioned Circular no. 285/2013 as well as in light of the recommendations contained in the Corporate Governance Code promoted by Borsa Italiana S.p.A. (the “Corporate Governance Code”).

This Policy is subject to approval by the Shareholders’ Meeting of 20 April 2023, as per the proposal of the Board of Directors of 9 March 2023, following the proposal of the Remuneration Committee.

Lastly, it is noted that this Policy regards the Issuer and the banking group it heads (the “Group”). Particular remuneration policies consistent with the present Policy are adopted by subsidiaries that are subject to laws and regulations specific to the sector in which they operate, such as illimity SGR S.p.A., except for specific items applicable to the way in which the sector is governed.

The text of this document is made available to the public at the Company's headquarters and in the Remuneration section of its website, by the twenty first day preceding the date of the Shareholders' Meeting, in accordance with applicable laws and regulations.

Section II of the Remuneration Policy (the "Report on compensation paid in 2022"), submitted for the approval of the Ordinary Shareholders' Meeting of 20 April 2023, may be consulted on the Issuer's website www.illimity.com under the **section Governance/Remuneration**.

*** ** *

DEFINITIONS

Chief Executive Officer	The Chief Executive Officer of illimity Bank S.p.A. and “Corporate body with management functions”.
Shareholders’ Meeting	The general meeting of the Issuer’s shareholders.
Borsa Italiana	Borsa Italiana S.p.A., with registered office at Piazza degli Affari 6, Milan.
Bonus Pool	The total amount of the variable remuneration deriving from the MBO Incentive Scheme, the estimate of which is based on the actual and long-term results taking into consideration quantitative and qualitative objectives and financial and non-financial objectives, depending on the Group’s capital and liquidity targets.
Circular no. 285/2013	Circular no. 285 of the Bank of Italy dated 17 December 2013, as amended, which among other things governs the remuneration and incentive policies and practices of banks.
Remuneration Committee	The Bank’s Remuneration Committee set up pursuant to Circular no. 285/2013 and the Corporate Governance Code.
Risks Committee	illimity’s Risks Committee set up pursuant to Circular no. 285/2013 and the Corporate Governance Code.
Executives with Strategic Responsibilities	Those persons who, pursuant to IAS 24 and the Corporate Governance Code for listed companies, have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.
Group	The illimity Bank S.p.A. group, registration no. 245 in the roll of Banking Groups.
illimiters	The staff of the illimity Group.
illimity or the “Company” or the “Issuer”	illimity Bank S.p.A., with registered office at Via Soperga 9, Milan, parent company of the illimity Bank S.p.A. Group.
illimity Way	The illimity Way of the illimity Banking Group, approved on 9 June 2021.

Strategic Plan or Plan	The Issuer's Strategic Plan for the years 2021-2025.
RAF or Risk Appetite Framework	The framework that - consistent with the maximum risk that may be assumed, the business model and the strategic plan - defines risk propensity, tolerance thresholds, risk limits, risk management policies and the processes needed to define and implement them.
Material Risk Takers or MRTs	Those persons whose professional activity has, or could have, a material effect on the Group's risk profile, identified in accordance with the criteria and by the means provided in Circular no. 285/2013, in CRD V and in Commission Delegated Regulation (EU) 2021/923.
Relevant Persons	Pursuant to the Provisions of the Bank of Italy on the Transparency of Transactions and Banking and Financial Services – Propriety of Relations between Intermediaries and Customers, the members of the intermediary's staff who offer products to customers, interacting with such, as well as those persons to whom these staff members report hierarchically.
Consolidated Law on Banking or TUB	Legislative Decree no. 385 of 1 September 1993 as amended.
Top Management	The Chief Executive Officer and the following managers who report directly to illimity's Chief Executive Officer: Head of Distressed Credit; Head of Growth Credit; Head of b-ilty.
Total Reward	The total remuneration package, consisting of skill development and training in addition to the fixed or variable components of remuneration governed by this Policy.

SECTION I – REPORT ON THE 2023 REMUNERATION AND INCENTIVE POLICY

1. REMUNERATION POLICY AS SUPPORT FOR THE CREATION OF LONG-TERM VALUE FOR ALL STAKEHOLDERS

illimity is a new paradigm bank, characterized by a strongly innovative and highly technological business model, which has a clear focus on the Italian market of small and medium corporates (SMEs), a large and constantly growing market with attractive risk/return prospects. More specifically, the Bank:

- provides credit to SMEs through the Growth Credit and b-ilty divisions. In particular, the Growth Credit division finances businesses, generally medium-sized, characterized by not always having a high level of creditworthiness but having good business potential which, due to the complexity of the operations to be financed or existing financial difficulties, call for a specialist approach to support business development programmes or rebalancing and relaunch plans. The b-ilty division provides digital banking and digital lending products and services to small and medium-sized corporates having a turnover of between EUR 2 million and EUR 10 million, with the aim of improving the financial management of business activities;
- through the Distressed Credit division purchases secured and unsecured distressed corporate credit on both the primary and secondary markets and provides financing services, mostly by way of senior financing, to investors in distressed credit. In addition, it acts as the servicer of distressed corporate credit and the underlying assets through the Group company Arec neprix. Lastly, through Abilio, it manages, and markets real estate and operating assets obtained by way of insolvency procedures and foreclosures;
- provides innovative services for retail customers through its digital bank illimitybank.com and assists companies in the structuring of market and private operations, designed to meet capital, debt and strategic growth needs, also by way of advisory services, provided by its Investment Banking division, for mergers, demergers, acquisitions and corporate restructurings;
- through its asset management company, sponsors and manages closed-end reserved Alternative Investment Funds (specialising in corporate loans), set up with its own funds, and those of third party institutional investors.

illimity was admitted to the FTSE Italia STAR index only two years after its initial listing¹, also in consideration of its alignment with the highest Corporate Governance standards from the start-up phase, this showing its flexibility, agility and rapidity of response, factors required to support highly dynamic customer segments.

The 2023 Remuneration and Incentive Policy, as per Section I of this Report, sets out the objectives of the remuneration and incentive schemes in the consolidation stage of the Bank's operations and activates the incentivizing tools for aligning management to the strategic objectives established throughout the Plan (amongst which are noted the objectives of a sustainable profitability at an ROAE - Return On Average Equity - with particular focus on ESG themes).

The overall remuneration strategy has been established with the aim of providing a remuneration structure that can attract and retain the key skills functional to developing the business and achieving the planned results, compatible with the Bank's capital and economic-financial sustainability. To this end, a variable component of remuneration is envisaged which, inter alia, is parameterized to maintaining capital and liquidity ratios and to

¹ The Company's ordinary shares were admitted to trading on the STAR segment - "High-Requirement Securities Segment" - of the Electronic Stock Market ("MTA"), now Euronext Milan ("EXM"), organised and managed by Borsa Italiana under Borsa Italiana's Provision no. 8688 of 2 September 2020.

reaching performance objectives and is serviced in part by the Bank's shares through specific capital increases or treasury shares.

In this context, the following key principles of the incentive schemes, confirmed also for 2023, have importance, based as they are on a strong alignment with the Bank's shareholders, investors and in general all its stakeholders:

- the participation of the Chief Executive Officer and the remaining Top Management in the Annual Variable Incentive Plan (MBO) and Long-Term Incentive Plan (LTI Plan) in order to further align the respective remuneration structure with reference to the Bank's shareholders, investors and other management, taking into account any applicable regulatory requirements;
- manager remuneration suitably balanced in the variable component, in line with the expectations of profitability, taking into account the risk level assumed, detailed in the Plan, and without altering the gradual consolidation of the results themselves;
- making all the Issuer's employees shareholders².

The Remuneration Policy is drawn up in line with the business context and the purposes described, as well as being consistent with the applicable regulatory provisions and the growth expectations set out in the Strategic Plan and the 2023-2025 Sustainability Plan approved by the Board of Directors on 9 February 2023. More specifically, in line with the environmental objectives supporting energy transition, for the objectives of a social nature on the issues of diversity and inclusion and the consolidation objectives for building sustainability into all business strategies, processes and internal policies, the ESG KPIs for the MBO Goal Card regarding the organization's first liners and the third cycle of the LTI Plan have been revised.

The Policy also identifies and rewards the actions that direct people to the very purpose of illimity, this being to support the "Country as a system" through the development of the segment of the market it serves as confirmation of a responsibility towards investors, shareholders, employees and the economic system, the underlying driver of its strategy.

2. DETAILS OF THE PROPORTIONALITY PRINCIPLE AND THE LEGISLATIVE FRAMEWORK

In application of the proportionality principle, the regulatory framework requires banks to establish remuneration and incentive policies that consider their features and size, as well as the risk and complexity of the activities performed.

Considering the characteristics of its assets, the way the Group is structured and current legislation, illimity forms part of the banks with smaller size or operating complexity which, as set forth in the 37th revision of the Bank of Italy's Circular no. 285/2013, are defined as "banks whose balance sheet assets, on a stand-alone basis, are equal to or less than EUR 5 billion, calculated as the average of the four years immediately prior to the current financial year, and which do not belong to a group whose consolidated total assets are equal to or exceed EUR 30 billion".

Since 5 March 2019, the date of its listing on the MTA, now Euronext Milan ("EXM"), illimity has ensured compliance with regulatory provisions that are more stringent than those strictly required by applicable legislation, namely by having governance controls - including the setting up of the Remuneration Committee - and establishing increasingly rigorous rules on the variable remuneration structure.

² See the paragraph on the employee stock ownership Plan (ESOP).

From this standpoint, the present Remuneration Policy also provides details of the relative rules and criteria for recognizing and paying the variable component of remuneration by means that are in line with those required for banks of a smaller size or operating complexity, providing for a reasonable period for deferring annual variable remuneration and supporting alignment with investors through the 2021-2025 LTI Plan, awarded wholly in shares.

The established rules and criteria are consistent with the aim of aligning the business's objectives and values, including corporate social responsibility, the strategic path undertaken and the policies of prudent risk management pursued by the Bank in accordance with applicable law.

In further detail, the Remuneration Policy is established within the legislative framework for remuneration and incentive schemes, as represented by the following sources:

- **at a European Union level:**

- Directive 2019/878/EU of the European Parliament and of the Council of 20 May 2019, which amended the previous Directive 2013/36/EU, on access to the activity of credit institutions and on the prudential supervision of credit institutions and investment firms (CRD V);
- Technical rules for implementing Regulation 876 of the European Parliament and of the Council of 20 May 2019, on the prudential requirements for credit institutions and investment firms ("CRR II") regarding the obligations for the disclosure of remuneration policies to the markets and reporting to the competent authorities published by the European Banking Authority (EBA) on 24 June 2020 and applicable from 30 June 2021;
- Commission Delegated Regulation (EU) 2021/923 of 25 March 2021, published in the EU Official Journal on 9 June 2021 and directly applicable in every Member State, which supplements CRD V as far as regards the technical regulatory requirements concerning the qualitative and quantitative criteria to identify the categories of Staff whose professional activities have a material impact on the institution's risk profile (the "Material Risk Takers"). These criteria incorporate the Regulatory Technical Standards established by the EBA on 18 June 2020 and effective from January 2021 in application of the new directive on capital requirements (CRD V);
- Commission Delegated Regulation 527 of 12 March 2014 that supplements CRD IV with regard to regulatory technical standards, specifying the classes of instruments that adequately reflect the credit quality of an institution as a going concern and are suitable for use in connection with variable remuneration;

- **at a national level:**

- article 123-ter, as amended by Legislative Decree no. 49/2019, and article 114-bis of the TUF, which respectively govern the contents of the "Report on remuneration and compensation paid" and the "Information to the market on the granting of financial instruments to company officers, employees and collaborators";
- Title IV, Chapter 2 of the 37th revision to Circular no. 285/2013 on provisions on the remuneration and incentive policies and practices of banks and banking groups;
- the Provision published by the Bank of Italy on 19 March 2019 on the transparency of banking and financial transactions and services, with particular reference to the propriety of relations between intermediaries and customers;

- the Issuers' Regulation, as revised by Consob on 11 December 2020;
- with reference to the collective asset management sector, the provisions of the Regulation of the Bank of Italy implementing article 4-*undecies* and article 6, paragraphs 1b) and 1c-*bis*) of the TUF.

The following complete the above provisions:

- the “*Guidelines on sound remuneration policies under Directive 2013/36/EU*”, published by the EBA on 2 July 2021 and effective from 31 December 2021, designed to harmonise the way in which the European directive is effected in the various countries;
- the “*Guidelines on sound remuneration policies under the UCITS Directive and AIFMD*”, designed to harmonise transcription into national laws on remuneration and incentives in companies managing AIFs and UCITS funds;
- the “*Guidelines on loan origination and monitoring*”, that govern the criteria for the remuneration of staff, in particular with reference to the assumption of risks regarding the granting, administration and monitoring of the loan;
- the ECB's guidance on non-performing loans (“NPLs”) published on 20 March 2017;
- Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (“Mifid II”), on the requirements for proper conduct with customers, in effect since January 2018;
- the ECB's papers of November 2020 (“*Guide on climate-related and environmental risks. Supervisory expectations relating to risk management and disclosure*”) and those of the EBA of June 2021 (“*EBA Report on management and supervision of ESG risks for credit institutions and investment firms*”), which provide for the inclusion of ESG parameters in personnel remuneration and incentive mechanisms;
- the “*Supervisory expectations for climate and environmental risks*” issued by the Bank of Italy in April 2022, which indicate that remuneration policies and practices should stimulate conduct consistent with the adopted approach to climate and environmental risk and that variable remuneration should be linked to the achievement of the established objectives, using measurable and quantifiable indicators.

In consideration of the broad consensus received, the 2023 Remuneration Policy is in substantial continuity with the Remuneration Policy approved by the Shareholders' Meeting of 28 April 2022 apart from a number of improvements made to the Group's governance, performance and reward scheme.

In particular:

- the proposal to increase the cap for the ratio between the variable component and fixed components of remuneration also for the Chief Executive Officer and the other three members of Top Management to 2:1, consistent with the provisions approved in previous years for the other categories of Material Risk Taker and in line with regulatory provisions, market practice and the suggestions received from institutional investors as part of the annual engagement to incentivize the whole management team to achieve business performance exceeding expectations;
- the revision of the Bonus Pool funding mechanism with reference to the 2023 MBO Annual Incentive Plan in order to achieve greater consistency and a stronger alignment with the actual performance of each business division/structure and at the same time confirm the link among

profitability, risk and remuneration at Group level through a strengthening of the entry conditions to the system;

- an updating of the objectives for the third performance cycle of the rolling Long-Term Incentive share Plan (LTI Plan) and, therefore, with reference to the period 2023-2025;
- the inclusion of ESG objectives for both the 2023 MBO Annual Incentive Plan for persons at the top of the organization and the LTI Plan, in line with the commitments made as part of the 2023-2025 Sustainability Plan approved by the Board of Directors on 9 February 2023;

3. OBJECTIVES OF THE REMUNERATION POLICY

illimity's Remuneration and Incentive Policy is designed to motivate staff towards achieving illimity's short- and medium/long-term objectives, in compliance with the Company's values and the levers identified in the Strategic Plan, by contributing to:

- an alignment of the interests of management and all employees, fully involved in the "value-building" process, with those of investors and all the stakeholders;
- the creation of sustainable value over time for all the stakeholders and the eco-system in which the Group operates by linking short- and long-term incentive plans to measurable and quantifiable ESG objectives, stimulating conduct consistent with the approach to climate and environmental risk adopted through the use of suitable qualitative criteria;
- the maintenance of an emphasis on gender equity and employee engagement;
- support for the progressive consolidation of the growth directives, consistent with the dynamics of the Strategic Plan presented to investors;
- the attraction, retention and motivation of illimiters, with a specific focus on staff with distinctive skills for the pursuit of the Company's growth and business objectives, in an increasingly challenging competitive context, thanks to an inclusive business culture increasingly focused on the Human Touch.

In accordance with the regulatory provisions of the 37th revision of the Bank of Italy's Circular no. 285/2013, illimity's remuneration schemes are therefore established in line with business objectives and values, including in this sustainable finance objectives that among other things take into account environmental, social and governance (ESG) factors, and with long-term strategies and the policies of a prudent management of the Bank's risk, including in this strategies for monitoring and managing impaired loans, consistent with the matters established as part of the provisions on the prudent control process.

The Remuneration and Incentive Policy accordingly evolves in the context of a clear and transparent governance, considering the overall principle of orientation towards a sound and prudent management of risks and regulatory compliance and towards principles of good business conduct and the propriety of customer relations.

3.1 Gender neutrality of the Remuneration Policy

illimity undertakes to provide remuneration packages in line with the market median that reflect neutrality principles, ensuring substantial equality of treatment, regardless of any discriminating items such as gender or age. More specifically, illimity undertakes to suitably remunerate the role performed, each illimiter's skills and

experience and the contribution made to the Company's result by way of the Performance Management system, consequently ensuring that the equal opportunity principle applies to all illimiters.

In particular, as also governed by the Diversity, Equity & Inclusion Policy, remuneration is determined on the basis of the "equal pay for equal work" principle, guaranteed by controls aimed at ensuring that remuneration decisions are diversity neutral. More specifically, these controls consist of a systematic analysis of internal and external benchmarks when determining the economic package, as well as during the annual salary review process, and a commitment to substantially closing the Equity Pay Gap, monitored by way of controls activated on hiring, during the individual salary review and on the periodic review of remuneration policies.

With the aim of facilitating the application of gender neutral policies, assessing their effectiveness and monitoring the application of the equity criteria through compliance with gender neutrality in terms of remuneration, illimity has introduced a model analysing the correlation of remuneration with the position held that considers responsibilities and the extent of the complexity managed by the various positions.

The system adopted by illimity is based on the international WTW "Global Grading System" that helps an organization determine the relative internal value of jobs. This system envisages the allocation of grades, depending on the specific job, which make it possible to constantly assess remuneration for staff having the same position, or a position of equal value in terms of both internal equity and competitiveness towards the market, by means of internal and external benchmarking.

In addition, illimity:

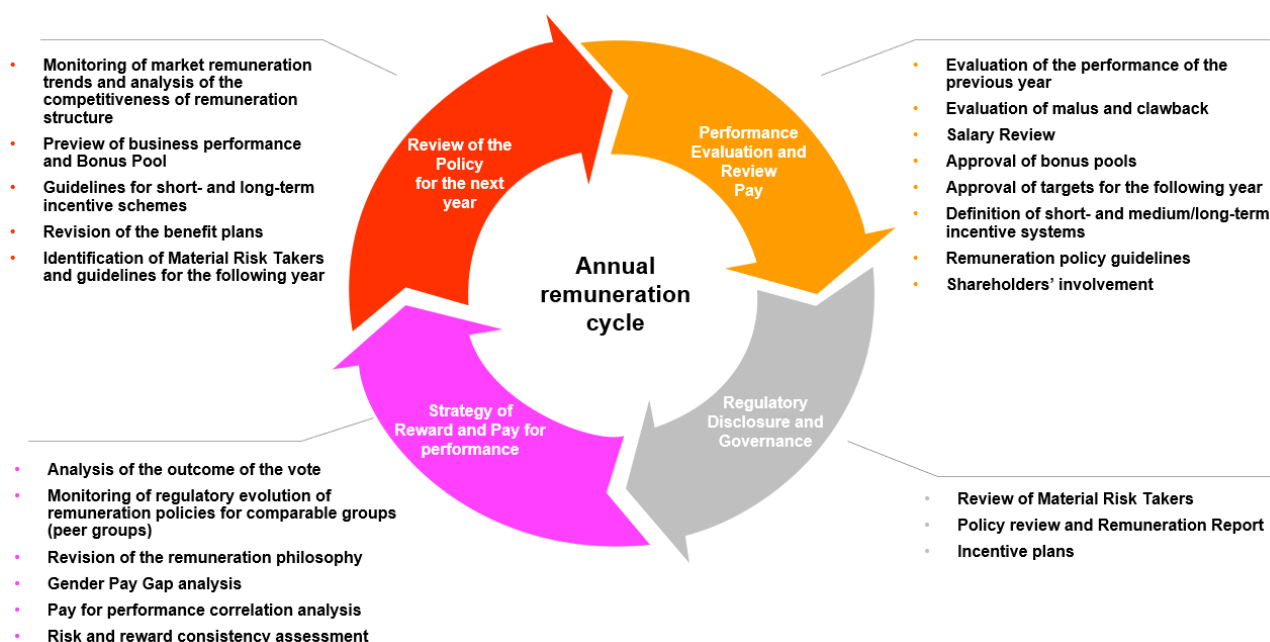
- has set up a Sustainability Committee, in which strategic decisions on ESG issues regarding the Group are discussed and approved;
- on 9 June 2021 adopted the illimity Way as the illimity Group's integrity manual, which among other things emphasizes the Group's guiding principles and business values;
- has published a Diversity, Equity & Inclusion (DEI) Policy having the aim of setting out the Group's DEI guidelines and practices as founding pillars for the business's organization and strategy. In this context, and by way of example, Equity is emphasised as being "the commitment to ensure equal opportunities for all illimiters, whether in terms of joining and working, remuneration, training, development or corporate welfare";
- has established the annual involvement of the Board of Directors, with the support of the Remuneration Committee, in an analysis of the gender neutrality of the remuneration policies and a check of the Gender Pay Gap and its evolution over time;
- in 2022 obtained Gender Equality Certification whose attainment criteria are governed by the Prime Minister's Decree of 29 April 2022. In particular, as part of the areas subject to analysis, the Bank stands out not only for its culture and strategy and excellent HR processes but also for its strong commitment to maintaining fair remuneration by gender within the organization.

The above-mentioned documents are in the public domain and may be consulted, together with the Non-Financial Disclosure, on illimity's website.

4. GOVERNANCE OF THE REMUNERATION POLICY

In accordance with the provisions of law and regulatory and corporate governance requirements, the Remuneration and Incentive Policy is established as part of the annual cycle for the planning, management and control of remuneration in order to ensure that decisions are taken independently and are such as to avoid the risk of possible conflicts of interest and guarantee accurate disclosures.

The following is a graphic representation of the illimity Group's annual remuneration cycle:



More specifically, the annual cycle for the revision of the Remuneration Policy envisages the involvement of the corporate bodies and business functions, consistent with regulatory provisions, the requirements of the Bylaws, the organizational structure and the responsibilities assigned to the various functions, ensuring that each decision is taken by the delegated bodies and functions.

In order to adopt effective remuneration practices that are capable of suitably supporting business strategies and resource management, together with regulatory evolution, illimity monitors general market trends and the practice in remuneration and incentive policies followed in the sectors in which it operates. In this sense, in order to draw up the Remuneration and Incentive Policy described in this Report, the Bank availed itself of the analyses and support of independent experts having specific expertise in remuneration policies and practices, namely WTW.

The following sections provide details of the corporate bodies and persons involved in establishing and implementing the remuneration and incentive system.

4.1 Shareholders' Meeting

Shareholders have the responsibility for approving the Remuneration and Incentive Policy.

More specifically, in addition to establishing the compensation due to the bodies it has appointed, the Shareholders' Meeting:

- expresses its opinion by way of a binding vote on the Remuneration and Incentive Policy regarding the members of corporate bodies with a function of strategic supervision, management and control and the remaining personnel;
- expresses a non-binding vote on the Report on compensation paid, pursuant to article 3 of Legislative Decree no. 49/2019;
- approves the remuneration plans based on financial instruments;
- approves the criteria for determining any amounts to be agreed in case of early termination of the Employment Relationship or the early termination of office, including the limits set on such compensation in terms of the number of annual amounts of fixed remuneration, and the maximum amount that derives from their application;
- approves, in accordance with the increased quorums envisaged by applicable laws and regulations and by illimity's current Bylaws, any proposal that may be made by a corporate body with a strategic supervision function to set a limit to the ratio between the variable and fixed components of individual remuneration exceeding 1:1 (but in any case, not exceeding 2:1).

Clear and complete information on the Remuneration Policy that the Board of Directors proposes to adopt, on the proposal of the Remuneration Committee and after consultation with the Risks Committee to the extent responsible, is submitted to the Shareholders' Meeting, as well as a report that the policy was effectively and properly followed during the previous year.

It should be emphasized that illimity's 2022 Remuneration Policy was approved by the Shareholders' Meeting of 28 April 2022 with a 98% vote cast in favour by the shareholders in attendance (for comparative purposes, the average percentage of votes cast in favour of the 2022 Remuneration Policy of SmallCap and MidCap banks was 85% and the average percentage relative to the MidCap Index was 88%), confirming the alignment of illimity's Remuneration Policy to the guidelines of investors and proxy advisors and with the applicable regulatory framework.

4.2 Board of Directors

Availing itself of the fact that the Remuneration Committee acts with both an advisory and a proposing role, the Board of Directors of illimity Bank S.p.A. ensures that the remuneration and incentive schemes adopted are consistent with the overall decisions taken by the Bank in terms of assumption, strategies, long-term objectives, corporate governance structure and internal controls.

In this context, and without affect to the responsibilities assigned to the Shareholders' Meeting, the Board of Directors:

- submits the Remuneration and Incentive Policy to the Shareholders' Meeting, re-examines it on at least an annual basis and is responsible for its proper implementation, in respect of which it ensures that the relative report has been prepared and is submitted to the Shareholders' Meeting;
- ensures that the Remuneration and Incentive Policy is suitably documented and accessible within the corporate structure;
- establishes the remuneration and incentive schemes for at least the following persons: the Executive Directors, the General Manager (if appointed), Top Management, the Manager in charge of drafting the Financial Statements, the persons in charge and staff of higher level of the corporate control functions;

- ensures that the remuneration and incentive schemes are consistent with the overall decisions taken by the Group in terms of risk assumption, strategies, long-term objectives, corporate governance structure and internal controls;
- participates in, and has the final responsibility for, the preparation of the self-evaluation conducted to identify Material Risk Takers and approves/supervises any exclusion of staff who, despite having the quantitative requirements, fail to satisfy the qualitative criteria established by laws and regulations on the matter.

Starting in 2022, and going forward at least on an annual basis, the Board of Directors is required to analyze the gender neutrality of the Remuneration Policies and verify the Gender Pay Gap and its evolution over time.

Furthermore, in application of article 123-*ter*, paragraph 3-*bis* of the TUF, in exceptional circumstances illimity may temporarily make an exception to its Remuneration and Incentive Policies, without affect to compliance with binding laws and regulatory requirements and consistent with the regulations governing the management of related party transactions and transactions of personal interest.

Exceptional circumstances shall mean those situations in which making an exception to the Remuneration Policies is necessary for pursuing the long-term interests and sustainability of the Bank as a whole or ensuring its ability to operate on the market.

The derogation proposal is drawn up by the Chief Executive Officer and describes, with motivating reasons, the exceptional circumstances by virtue of which the derogation is considered necessary, the items from which derogation is planned, taken from those below qualifying as “may be derogated from”, and the effects on capital following the derogation, in accordance with the applicable prudent rules and capital restrictions to which the Bank is bound.

The proposal must be approved by the Board of Directors after receiving the favourable opinion of the Remuneration Committee and consulting with the respective corporate bodies for the matters for which they are respectively responsible and must be consistent with the Related Party Transactions Procedure.

The items of remuneration policy for which derogation may be made concern the provisions contained in **Section 1, Chapters 10 and 11** of this Report, with reference to the variable components described therein.

4.3 Chief Executive Officer

As the Bank’s management body, the Chief Executive Officer:

- determines and approves the operational process to establish the criteria underlying the remuneration and incentive scheme, in accordance with the provisions of this Policy;
- is responsible for applying this Policy and setting out its objectives, including in particular the determination of the Bonus Pool serving the incentive schemes and the relative distribution.

4.4 Remuneration Committee

The Board of Directors makes use of the proposal and advisory function of the Remuneration Committee composed of 3 Directors, all non-executive and independent.

In accordance with the provisions of Circular no. 285/2013 as well as those of the Corporate Government Code, the Remuneration Committee:

- draws up proposals for the Board of Directors on the Remuneration Policy of the Bank, including the remuneration of the members of the Corporate Bodies (in accordance with applicable law), and the Group;
- draws up proposals for the Board of Directors on the fixed remuneration of the Chief Executive Officer and other directors having specific duties in compliance with the bylaws and legal provisions;
- draws up proposals for the Board of Directors on the variable remuneration of the Chief Executive Officer, in the short and long term, as well as the performance objectives to which such variable remuneration is linked;
- draws up proposals or provides opinions to the Board of Directors concerning the process of identifying Material Risk Takers (including possible exclusions) and the fixed and variable remuneration (by way of example, severance, goal setting & appraisal, bonus pool) of Executives with Strategic Responsibilities, understood as being the heads of the main business lines, business functions and geographical areas and those who report directly to bodies with a strategic supervision, management or control function, as well as the Heads of Corporate Control Functions and the Manager in charge of drafting the Financial Statements, with the support, where envisaged, of the Risks Committee, the Audit and Internal Control Committee and the Related Party Transactions Committee, in accordance with applicable internal rules on decision-making processes for remuneration;
- draws up proposals for the Board of Directors on the Bank's incentive plans, in particular those based on financial instruments;
- directly supervises the proper application of the rules for the remuneration of the Heads of Control Functions, in close cooperation with the Audit and Internal Control Committee;
- also availing itself of the information received from the competent business functions, monitors the proper application of the Remuneration Policy and expresses opinions as to whether the performance objectives to which the incentive plans are linked and the other conditions set for payment of the compensation have been satisfied;
- periodically assesses the adequacy and overall consistency of the Remuneration Policy for the directors, the control body and Executives with Strategic Responsibilities;
- looks after the preparation of the documentation to be submitted to the Board of Directors for the relative decisions with reference to the matters for which it has proposing functions;
- collaborates with the other committees, in particular the Sustainability Committee, concerning the integration of ESG objectives into the incentive schemes, and with the Risks Committee regarding the consistency of the incentives underlying the remuneration and incentive scheme with the Risk Appetite Framework (RAF);
- ensures the involvement of the business functions in the process for the drafting and controlling of the remuneration and incentive policies and practices;
- supports the Board of Directors, in collaboration with the Sustainability Committee, in analysing the gender neutrality of the remuneration policies and in reviewing the Gender Pay Gap and its evolution over time;

- provides suitable feedback on its activities to the Board of Directors, the Audit and Internal Control Committee and the Shareholders' Meeting.

At the date of drafting this Report, the Committee is composed by:

- Paola Elisabetta Galbiati - Chair to the Committee;
- Francesca Lanza Tans - Member;
- Marcello Valenti - Member.

4.5 Audit and Internal Control Committee

The Audit and Internal Control Committee performs a proposing and/or advisory role on remuneration matters, where envisaged by internal rules on decision-making governance processes for remuneration.

4.6 Risks Committee

The Risks Committee performs an advisory role with respect to the approval of the Remuneration Policies in order to ensure that the incentives underlying the remuneration and incentive system are consistent with the RAF, in particular taking into account risks, capital and liquidity. Additionally, it performs a proposing and/or advisory role on remuneration matters, where envisaged by internal rules on decision-making governance processes for remuneration.

4.7 Sustainability Committee

The Sustainability Committee performs an advisory role on the ESG objectives assigned in the annual and long-term incentive plans, coordinating with the Remuneration Committee and the Risks Committee.

4.8 Chief HR & Organization Officer

illimity's Chief HR & Organization Officer contributes to the preparation of the Remuneration Policy and ensures its application, in conjunction with the Remuneration Committee and the Chief Executive Officer, consistent with the need to attract and retain the professional skills required to achieve the long-term objectives while at the same time ensuring sound and prudent risk management.

In this respect, the Chief HR & Organization Officer:

- draws up and submits to the Remuneration Committee any amendments to the Remuneration Policy and the Report on compensation paid;
- ensures, availing himself of the Corporate Control Functions, compliance with the applicable governance of these Policies and its correct application;
- coordinates the process for identifying and determining the Material Risk Takers, taking into account regulatory provisions and the criteria set out in these present Policies and availing himself of the contribution of the Corporate Control Functions, in particular that of the Chief Risk Officer (the "CRO") and the Chief Compliance & AFC Officer;
- makes proposals regarding the performance appraisal system, the remuneration criteria and the career path consistent with the Remuneration Policy; in addition, in this respect he coordinates the establishment and assignment of the performance objectives as part of the incentive systems;

- verifies, availing himself of the contribution of the Chief Financial Officer (the “CFO”) and the CRO, whether the objectives have been reached and whether the conditions for access to the forms of variable remuneration have been met;
- monitors labour market trends and practices to:
 - ✓ draw up proposals to modify the Policy;
 - ✓ propose solutions to amend the remuneration and incentive system in terms of tools, means, operating mechanisms and parameters adopted by the Group.

4.9 Chief Compliance & AFC Officer

The Chief Compliance & AFC Officer of illimity performs a preventive scrutiny and monitoring of the Remuneration Policy to ensure that it complies with the legislative framework; verify, in addition, that the Company’s incentive schemes are consistent with the objectives of complying with the law, the Bylaws, the Group’s illimity Way and the standards of conduct applicable to the Bank, so that the legal and reputational risks inherent above all in customer relations are suitably contained.

The Chief Compliance & AFC Officer:

- in conjunction with the other Control Functions ensures that the present Policy is appropriate and responds to the requirements of laws and regulations and that it is working properly;
- checks that the Company’s incentive scheme is consistent with the objectives of complying with the law, the Bylaws and the Group’s illimity Way, ensuring that the legal and reputational risks are suitably addressed, with particular regard to customer relations;
- checks consistency between the present Policy and internal regulations and procedures, reporting any risks of non-compliance to the corporate bodies in charge;
- checks the consistency of the process followed for identifying Material Risk Takers with applicable laws and regulations.

4.10 Chief Risk Officer

The Chief Risk Officer (CRO) of illimity supports the Risks Committee and the Remuneration Committee in ensuring that the remuneration schemes are consistent with the Bank’s prudent risk management policies and that the incentives underlying the remuneration and incentive scheme are consistent with the RAF and with the management of the Bank’s risk, capital and liquidity profiles. The CRO contributes to the process of identifying the Material Risk Takers for the aspects regarding checking the materiality of the contribution to risk made by the holders of authorisation powers. In particular, the CRO:

- supports the Chief HR & Organization Officer in ensuring that the Policies are consistent with the risk orientation expressed in the Risk Appetite Framework and identifying any objectives designed to mitigate important risks;
- assesses consistency with the Risk Appetite Framework of the proposed Bonus Pool and access gates to variable remuneration ex-ante, and checks the levels reached ex-post, in respect of risk management;

- ensures the suitability of the qualitative and quantitative assessments to be adopted for determining Material Risk Takers against the Group's risk profile, consistent with the recommendations made in the Risk Appetite Framework.

4.11 Internal Audit

At least on an annual basis, illimity's Internal Audit verifies that the remuneration practices correspond to the requirements of the Bank's Remuneration and Incentive Policy, approved from time to time, and to those of applicable laws and regulations, from the standpoint of risk control and the safeguarding of the Company's assets. The results of these verifications are brought to the attention of the Shareholders' Meeting and, where necessary, that of the Supervisory Authorities.

5. IDENTIFICATION OF "GROUP MATERIAL RISK TAKERS" FOR 2023

The process for identifying illimity's Group Material Risk Takers is carried out in accordance with the requirements of legislation on the matter and in particular Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 – which supplements Directive 2013/36/EU of the European Parliament and of the Council (CRD IV), as amended by Directive (EU) 2019/878 (CRD V) – which establishes the qualitative and quantitative criteria for identifying which categories of staff have a material impact on the institution's risk profile.

illimity has identified Group Material Risk Takers based on a structured process and criteria in line with the Risk Appetite Framework and with the delegation system, all declined within the "**Guidelines for identifying the Material Risk Takers of the Banking Group**", which, pursuant to the relevant regulations, are an integral part of this Report and are set out in Annex 1.

The identification of Group Material Risk Takers, meaning the category of staff whose professional activities have, or may have, a material impact on the Group's risk profile, is based on the Bank's operational and organizational characteristics, considering both qualitative criteria, namely responsibilities and/or powers to assume risk, and quantitative criteria.

In accordance with the possibility envisaged by supervisory provisions, the CRO and the Chief HR & Organization Officer have established the following additional criteria compared to those included in the Delegated Regulation, for the purpose of identifying the staff who assume or may assume significant risks for the Bank or for the Group:

1. Holders of organizational positions who, at the date on which the process for identifying Material Risk Takers is completed, have direct responsibility for the governance of material business risks, which is the object of identification when performing the Internal Capital Adequacy Assessment Process (ICAAP), which are not already included in the list of risks specifically identified by the Capital Requirements Regulation (CRR) and are not identified under qualitative regulatory criteria;
2. Holders of organizational positions who, at the date on which the process for identifying Material Risk Takers is completed, have contributed to Concentration Risk for loan exposures with one or more transactions included in the TOP 20;
3. Holders of organizational positions who, at the date on which the process for identifying Material Risk Takers is completed, have made a major contribution to significant operating losses, understood as meaning the TOP 20 Material Operating Losses (amounts equal to or greater than EUR 50,000) recognised in the Loss Data Collection process over the two-year period 2021-2022

and the first two months of 2023 or, again referring to the same period, to “near misses” with the potential for an equivalent economic/financial/reputational impact;

4. Staff who, although not identified by the application of the previous criteria and/or not having a formal organizational position, are considered able from the analyzes and assessments conducted by the CRO to exercise significant future influence - in strategic and operational terms - over the Bank’s operational processes and decisions.

At the beginning of 2023, this process led to the identification of the following **47 persons** who may qualify as Material Risk Takers:

- **executive and non-executive members of the Board of Directors**, including the **Chief Executive Officer** and **Top Management** (and in particular: Head of Distressed Credit, Head of b-ilty, the Head of Growth Credit);
- **the heads of the Corporate Control Functions** and in particular: Chief Risk Officer, Chief Compliance & AFC Officer, Head of Internal Audit and the staff **who have originated Risk Weighted Assets for Credit, Market and Operational Risk** (regulatory RWAs) **equal to at least 2% of the Group’s total RWAs** as measured at 31 December 2022 and estimated for 2023 on the basis of the Budget data (Chief Financial Officer, Head of Investment Banking, Head of Turnaround, Head of Crossover & Acquisition Finance, Head of Factoring, Head of Special Situations Real Estate, Head of Portfolios, Head of Special Situations Energy, Head of Senior Financing, Head of Corporate Solutions, Head of ALM & Treasury);
- **the heads of other business functions** (Chief Lending Officer, Chief Information Officer, General Counsel, Head of Administration, Accounting & Control, Chief Communication & Marketing Officer, Chief HR & Organization Officer, Head of Strategy & Planning, Head of Reward & Development, Head of Digital Lending Product & Management, Head of ICT Platform & Data Monetization, Head of Claims Solutions, Head of IR & Sustainability, Chief Executive Officer of Arec neprix S.p.A., General Manager of Arec neprix S.p.A., Chief Executive Officer of Abilio S.p.A., Head of UTP & Turnaround Funds of illimity SGR S.p.A., Head of Private Capital Funds of illimity SGR S.p.A.).

An analysis of the quantitative criteria alone led to the identification of 5 people as Material Risk Takers, already identified based on the qualitative criteria.

The above identification process was concluded in March 2023 and the results were submitted to the Remuneration Committee and the Risks Committee, to the extent of their responsibility, and then to the Board of Directors at its meeting of 9 March 2023, following verification by the control functions in charge, in particular the Chief Compliance & AFC Officer with reference to the verification of alignment of the applied criteria with regulatory requirements and the CRO regarding the possibility of a material effect occurring on the Bank’s various risk categories.

As noted, the updating of the process led to the identification of 47 persons, in line with the identification at the end of 2022, whose composition changed due to organizational evolutions and changes in the Group’s staff. In particular, 4 people were identified for the first time³.

The identified persons represent approximately 5% of the number of the Group’s employees on 28 February 2023.

³ General Manager of Arec neprix S.p.A., Head of Private Capital Funds of illimity SGR S.p.A., Head of ICT Platforms & Data Monetization and Head of IR & Sustainability.

Executives with Strategic Responsibilities are all included in the perimeter of the Group's Material Risk Takers.

6. REMUNERATION FRAMEWORK AND THE RATIO BETWEEN VARIABLE AND FIXED REMUNERATION

"Remuneration" means compensation in any form - in cash, financial instruments or fringe benefits or compensation in the form of other benefits (for example pension benefits on an individual and discretionary basis and Golden Parachutes) - disbursed directly or indirectly as consideration for employment or professional services rendered in favour of the Bank.

In accordance with the provisions of Circular no. 285/2013, total remuneration is divided into a fixed component and a variable component, ensuring that there is a clear distinction between them.

The ratio between the fixed component and the variable component is suitably balanced, accurately determined and carefully assessed in relation to the characteristics of the Bank and the various categories of staff, in particular persons falling within the category of Material Risk Takers.

In this respect illimity has established the following maximum⁴ ratios for the various categories of staff:

- for Chief Executive Officer and other members of the Group's Top Management: 200%;
- for Group Material Risk Takers belonging to the business functions: 200%;
- for Group Material Risk Takers belonging to the support functions: 150%;
- for Material Risk Takers belonging to the corporate control functions: 33%;
- for the remaining staff, variable remuneration is in all cases limited to 200% for the business functions and 100% for the remaining functions.

It is further noted that – consistent with legislative and regulatory provisions - the variable remuneration of the staff of the corporate control functions, the Human Resources function and the Manager in charge of drafting the Financial Statements remains contained in any case; for this reason, it is envisaged that the fixed remuneration is prevalent than the variable remuneration for these members of staff.

Fixed remuneration

The purpose of fixed remuneration is to attract and retain key professional figures for the implementation of the Bank's strategic guidelines.

The fixed component remuneration consists of the following items:

- gross annual salary, linked to the dimensions and complexities governed;
- potential position/function allowances designed to reward the professional expertise contributed, linked to maintaining the position and detailed in line with applicable regulatory provisions;
- possible compensation of a recurring nature for collaborators not having a formal employment relationship;

⁴ The resolution to raise the cap of the ratio to 2:1 for the Chief Executive Members and other members of the Group's Top Management was submitted to the Ordinary Shareholders' Meeting of 20 April 2023. It was decided not to submit a new resolution on raising of the cap to 2:1 for the other staff categories as approved by the Shareholders' Meeting of 22 April 2020 as there has been no change in the assumptions on the basis of which the increase was approved at that time, neither with reference to the staff to whom it refers nor to the amount itself of the limit, consistent with applicable supervisory provisions.

- welfare and benefits whose value are detailed by category of beneficiary and which are granted on the basis of predetermined criteria, not linked to performance and designed to increase the appeal of the remuneration package and therefore the motivation and loyalty of the employee. The benefits are granted on the basis of a flexible policy which, given a predetermined amount, allows the beneficiary to arrange the fruition of the additional benefits over the base components as a function of individual needs and requirements. The relative means of assignment and fruition are governed by a specific regulation. A series of examples follows:
 - ✓ personal use of company car;
 - ✓ lodging;
 - ✓ additional contribution to the supplementary pension fund;
 - ✓ health insurance;
 - ✓ life insurance, professional and extra-professional accident insurance policies (supplementing the coverage already provided by the Company).

In addition, a Directors and Officers (“D&O”) insurance policy is arranged for all the company's directors and officers (i.e. members of the Board of Directors and the Board of Statutory Auditors), extended to Managers and function heads who may be exposed to risks, with the exclusion of fraudulent conduct or gross negligence.

Variable remuneration

Variable remuneration is the component of remuneration linked to performance and/or other factors which is not included in fixed or recurring remuneration and is granted and paid in line with regulatory provisions on variable remuneration.

The components that can be classified under the variable remuneration provided for by the Remuneration Policy are the following:

- the **Annual Variable Incentive Plan** (the “MBO”) based on an assessment of the individual performance of the Issuer and/or Group compared to the assigned objectives, intended for:
 - ✓ the Chief Executive Officer and remaining Top Management;
 - ✓ the remaining Material Risk Takers of the Issuer and/or of the Group;
 - ✓ the remaining Group staff;
- the **2021-2025 Long-Term Incentive Plan** (the “LTI Plan”), which ensures the alignment of management's interests with those of shareholders. The LTI Plan is intended for the Chief Executive Officer, remaining Top Management, Executives with Strategic Responsibilities (except for the heads of control functions) and any additional beneficiaries identified as part of the Group's “key resources”;
- the 2019-2023 **Employee Stock Ownership Plan** (the “ESOP”), designed to direct all employees towards the creation of value by making them participants in the growth of the Issuer and/or the Group, and the **Broad-Based Bonus** (“Premio Aziendale di Risultato”) designed to reward the contribution made by each illimiter to the Group's objectives;
- **retention bonuses**, having an exceptional nature and subject to a specific decision-making process, designed to retain specific expertise and paid in line with legislative and regulatory

provisions on variable remuneration (a type of bonus not envisaged for the Chief Executive Officer and the remaining Top Management);

- possible **entry bonuses** or **buyouts**, which in accordance with applicable regulations may only be paid once and only within one year of hiring. Any entry bonuses awarded on hiring are not included in the calculation of the ratio of variable to fixed remuneration, since in accordance with Circular no. 285/2013 of the Bank of Italy they are paid in a lump sum on hiring;
- possible **specific components of remuneration** designed to preserve the value of commercial know-how and/or specialist skills (extension of notice agreements paid in constancy of the employment relationship). In accordance with regulatory provisions on remuneration, such agreements are not included in the calculation of the ratio of variable remuneration to fixed remuneration with regard to the determined compensation, for the part not exceeding the latest annual amount of fixed remuneration;
- **spot bonuses**, having an exceptional nature and linked to extraordinary contributions to the creation of value by Group employees, and subject to a specific decision-making process, are awarded in line with legislative and regulatory provisions on variable remuneration, with the aim of emphasising virtuous conduct and role models within the organization (a type of bonus not envisaged for the Chief Executive Officer and the remaining Top Management).

In general, the variable component is subject to verification of access/activation conditions (Gates) which, for all the components described, with the exception of the entry bonuses awarded on hiring or non-competition agreements and/or agreements for the extension of notice for which the compensation does not exceed the latest annual amount of fixed remuneration, provide for the maintenance of capital stability and liquidity ratios at least equal to the tolerance levels set in the RAF in addition to specific conditions and objectives defined for the incentive plans.

The whole variable remuneration (except for any entry bonuses awarded on hiring or non-competition agreements and/or agreements for the extension of notice for which the compensation does not exceed the latest annual amount of fixed remuneration), is subject to, in addition to verification of the Gates:

- compliance with the maximum ratio with respect to fixed remuneration⁵ approved by the Shareholders' Meeting for the specific category;
- clawback clauses that may be activated in the event of remuneration already paid, depending on the cases and the means governed by the applicable regulations;
- deferral and malus mechanisms, in line with the most stringent regulatory provisions established for key personnel;
- retention periods for the variable remuneration settled in financial instruments for Material Risk Takers.

⁵ As measurable at 31 December 2022.

7. COMPENSATION OF THE BOARD OF DIRECTORS

The system for the remuneration of corporate bodies is based on compliance with applicable legislation and observance of the policies whose aim is to ensure sound and prudent management of the Bank given its long-term strategies.

Fixed compensation is envisaged for non-executive directors, as well as the reimbursement of expenses incurred in exercising office.

Further details on the remuneration of the Parent Company's Board of Directors are provided in the Report of the Board of Directors on the Quali-Quantitative Composition of the illimity Bank S.p.A. Corporate Bodies and in the Illustrative Reports on the proposals to be submitted to the Shareholders' Meeting (made available to the public within the periods required by law).

Boards of Directors of subsidiaries

After consultation with the Remuneration Committee, the Board of Directors of the Parent Company proposes compensation for the members of the Boards of Directors of the Company's subsidiaries considered to have greater operating complexity, as further detailed in the internal regulations on decision-making governance. As far as non-executive directors are concerned, this compensation is set in a fixed amount.

Members with executive powers receive an amount of variable remuneration, calculated in accordance with the provisions governed by these Remuneration Policies.

8. MARKET PRACTICE AND BENCHMARKING

illimity monitors market practice for remuneration and incentives on a regular basis, also referring to market benchmarks, as calculated by the external independent advisor WTW, in order to assess the competitiveness of its Reward strategy.

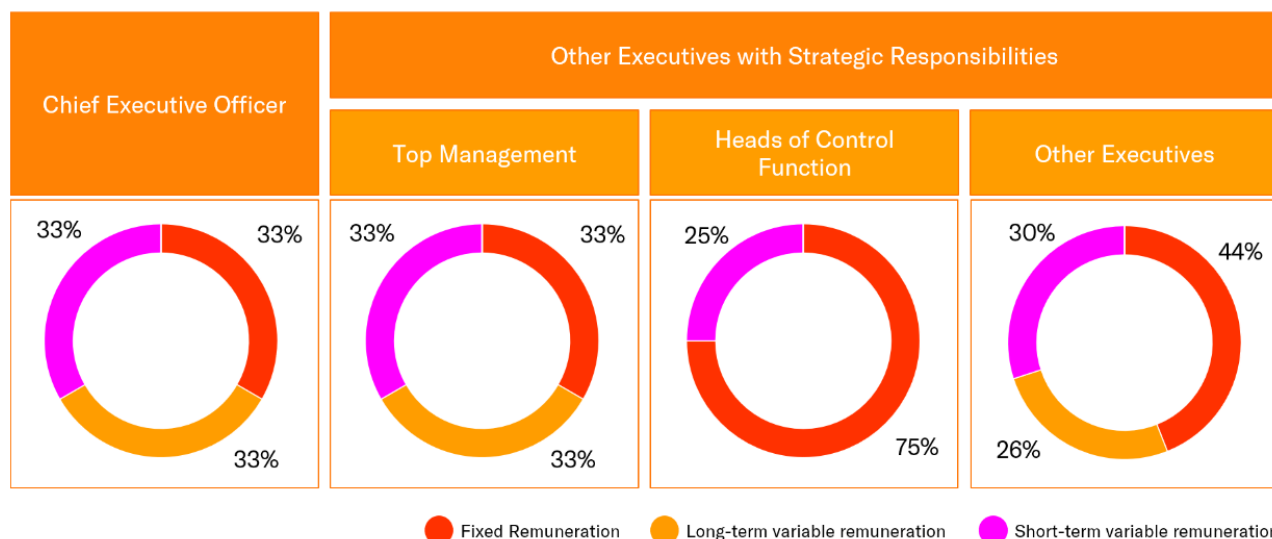
The peer group used to monitor market practice for the position of Chief Executive Officer was selected by starting from a panel of European and Italian companies, characterised by operating in the speciality finance sector and/or operating in geographical proximity and/or operating in the financial sector and listed on the Borsa Italiana FTSE MidCap index.

The analysis of the comparability with the specificities of illimity led to the identification in 2023 of a peer group consisting of the following companies: Anima; B2Holding; Banca IFIS; Banca Sistema; Banca di Desio; BFF Group; Credem; Dea Capital; doValue; Hoist Finance and Kruk.

In the case of changes in the governance structure, mergers, acquisitions and/or delisting, the peer group is revised in order to ensure the numbers remains suitable as well as the remuneration specifics of the ecosystem in which illimity operates well represented.

9. PAY-MIX OF THE CHIEF EXECUTIVE OFFICER AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

The following table sets out the **pay-mix target**⁶ envisaged for 2023 for the Chief Executive Officer and the Executives with Strategic Responsibilities, a category which also includes the members of Top Management⁷, Heads of Control Functions⁸ and other Executives with Strategic Responsibilities⁹, taking into consideration the annual and long-term incentive plans governed by this Policy and on the assumption of the approval of a 2:1 ratio for the Chief Executive Officer and Top Management by the Shareholders' Meeting:



In continuity with the previous year, and taking into consideration the Long-Term Incentive Plan, a rebalancing of the short- and long-term variable component for the Chief Executive Officer and the other members of Top Management has been envisaged, for the purpose of incentivising the alignment of the interests of Top Management with those of the shareholders and increasing the focus on the creation of long-term value.

As a result, the remuneration of illimity's Chief Executive Officer and other Top Management consists of the following items¹⁰:

- Fixed remuneration, including the benefit policy established for the category to which they belong;
- Short-term variable remuneration: Annual Variable Incentive Plan MBO;
- Long-term variable remuneration: 2021-2025 Long-Term Incentive Plan.

⁶ The benefits attributed based on a generalised policy and, for employees, the Employee Stock Ownership Plan, also form part of the remuneration package.

⁷ Head of Growth Credit, Head of b-ilty and Head of Distressed Credit.

⁸ Chief Risk Officer, Head of Internal Audit and Chief Compliance & AFC Officer

⁹ CFO, General Counsel, Head of Administration, Accounting & Control, Chief Information Officer, Head of Investment Banking, Chief Lending Officer, Chief Communications & Marketing Officer and Chief HR & Organization Officer.

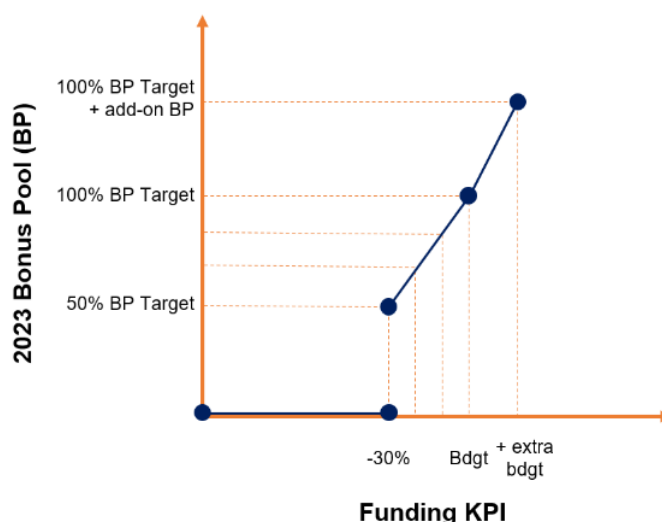
¹⁰ The Chief Executive Officer and Top Management are holders of illimity ordinary shares. Further details may be found in Section II.

10. ANNUAL VARIABLE INCENTIVE PLAN MBO

Determination of the Bonus Pool

In accordance with the relevant Supervisory provisions, the total amount of variable remuneration that may be paid at a Group level (Bonus Pool) is determined on the basis of the profits earned in the year of reference, the risk parameters compared to the Risk Appetite Framework and the extent to which the Plan objectives have been met.

For 2023, the connection between profitability, risk and remuneration is ensured by the direct link between the Bonus Pool and the results of the performance of the business, adjusted for risk and measured by the use of the Funding KPI pre-bonus Profit Before Tax for each division, in accordance with the following scheme approved by the Board of Directors on 9 February 2023, after receiving the favourable opinion of the Remuneration Committee and the Risks Committee to the extent of their responsibility:



More specifically, if the Funding KPI is exceeded, the bonus pool is given by the sum of the bonus pool target and 50% of the extra performance of the actual Funding KPI over budget (the “extra bonus pool”) up to a maximum (compared to gross remuneration) of 100% for staff belonging to the business functions, 50% for the staff of the support functions (also inside the business) and the control functions – in full compliance with the regulatory restrictions for Material Risk Takers of control functions – and, with reference to Executives with Strategic Responsibilities and the CEOs and General Managers of subsidiaries, up to the maximum regulatory limit envisaged by this Remuneration Policy with reference to the ratio between variable and fixed remuneration.

After receiving the motivated opinion of the Remuneration Committee and consulting with the Risks Committee and the Audit and Internal Control Committee, the Board of Directors may confirm the Bonus Pool, increase it by up to 20% or reduce it to zero, taking into account the results of the risk and financial assessments made separately by the CRO and the CFO, as regulated in detail in the Regulation of the Annual Variable Incentive Plan MBO 2023 approved by the Board of Directors.

Performance objectives

The 2023 MBO Plan, intended for all the Bank's employees, albeit structured in different ways seeks to reward the progress made in reaching the annual targets and the adoption of conduct consistent with long-term planning, while at the same time supporting the dissemination of a "value building" culture in accordance with the risk management objectives set out in the Bank's Risk Appetite Framework, consistent with applicable regulatory provisions.

Granting of the variable remuneration arising from the MBO for 2023 is dependent on achieving the targets and conducts included in the individual Goal Card given to each Beneficiary. The assessment of individual performance is based on role and organizational position and may therefore include, with different weightings:

- Group objectives (Financial & Risk) in line with the targets set in the 2023 budget;
- business objectives/strategic initiatives linked to the business results of the area of reference and/or the implementation of strategic initiatives (assigned on the basis of individual responsibilities compared to the implementation of the plan's directional lines);
- ESG objectives (with a specific focus for Executives with Strategic Responsibilities and the CEOs of subsidiaries) in line with the active contribution to illimity's growth path on ESG matters, as per the Strategic and Digital Mindset Plan in order to stimulate and spread a digital culture within the Group;
- conduct consistent with illimity's skills and leadership model.

In addition, the illimity Group's leadership model envisages - in an explicit and detailed manner - the adoption of ESG and «digital-oriented» behaviour at all levels within the organization.

In general, individual targets are consistent with the type of business conducted by the Group company in which the beneficiaries work and with any specific provisions of law applicable to the sector.

In accordance with applicable laws and regulations, targets are solely linked to the specific responsibilities and illimity's leadership model for the Material Risk Takers in control functions as well as for the Chief HR & Organization Officer and the Manager in charge of drafting the Financial Statements of illimity Bank S.p.A..

The verification of the absence of behavior in violation of internal and external regulations remains valid for all.

Overall performance is, therefore, established by taking account of the results achieved for each target in the Goal Card of all illimiters, for the purpose of determining the bonus, subject to verification of the availability of the Bonus Pool.

The following table (Figure 1) provides details of the **Chief Executive Officer's 2023 Goal Card** (maximum bonus equal to 100% of fixed remuneration) with the relative evaluation scale:

#	Area	Cluster	KPI	Weight	Evaluation
1	Financials	Profitability	Return on Risk Adjusted Capital (RORAC)	30%	Min: 90% budget Target: 100% budget Max: 110% budget
2			Cost/Income Ratio	10%	Min: 110% budget Target: 100% budget Max: 90% budget
3		Risk	Gross Organic NPE Ratio	10%	Min: 110% budget Target: 100% budget Max: 90% budget
4	Strategy	Continuous innovation strategic actions	<ul style="list-style-type: none"> Implementation of b-ilty and achievement of the objectives planned in the budget Achieving profitability for Quimmo Development of open banking services for illimity Strengthening of the strategic design of HYPE and drive to achieve the related Plan objectives 	25%	Min: 80% Target: 100% Max: 120%
5		ESG	<ul style="list-style-type: none"> Integration of ESG / climate-environmental risks into the illimity Group's 2023 Risk Appetite Framework, with definition of a set of KPIs and related Risk Appetite and Tolerance levels Maintenance of gender equality certification "UNI_PdR 125-2022" Maintenance of the Equity Pay Gap around +/- 3% Adherence to PRB (Principles for Responsible Banking) Issue of the responsible investment policy for the property portfolio 	15%	Min: 80% Target: 100% Max: 120%
6	Behaviors	Behaviors	Assessment of acted behaviors based on illimity leadership model	10%	0-120%

Figure 1 - 2023 MBO Goal Card for the Chief Executive Officer

A maximum performance level is envisaged above which the incentive remains constant, as well as a threshold level below which the scheme does not trigger and consequently does not generate any payment.

The following graph (Figure 2) sets out the incentive curve for the MBO Plan which shows the relationship between the total weighted level for reaching the performance objectives included in the individual Goal Cards and payout level (no award is envisaged for a performance below the minimum threshold level of 80%):

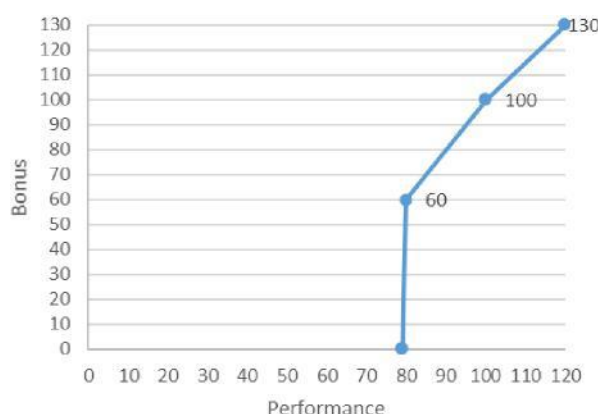


Figure 2 - 2023 MBO Incentive Curve

Entry Gates and pay-out

The granting of the corresponding variable remuneration is dependent on the effective availability of the Bonus Pool satisfying the following Gate conditions, which also ensures compliance with capital and liquidity stability indices established as part of the procedures for assessing the Company's propensity to risk:

- CET1 Ratio \geq tolerance threshold defined in the RAF as measured at 31/12/2023;
- LCR Ratio \geq tolerance threshold defined in the RAF as measured at 31/12/2023;
- Group net income net of extraordinary items (established by the CFO and approved by the Board of Directors) > 70% budget at 31/12/2023;
- No breach of laws, regulations or business codes at an individual level.

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

Regarding the Material Risk Takers, including the Chief Executive Officer and the other members of Top Management, the bonus is paid based on the following means (Figure 3):

- 80% up-front in cash;
- 20% in cash deferred in two years, in the absence of malus conditions.

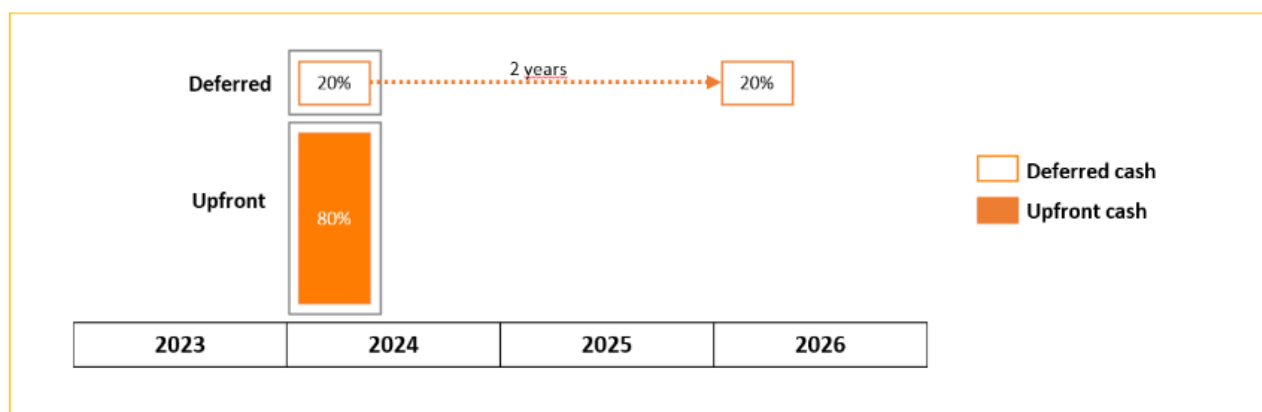


Figure 3 – Bonus pay-out scheme for MRTs in case of variable remuneration > 50K/Euro or > 1/3 total remuneration

For Material Risk Takers, the bonus is paid fully up-front and in cash if annual variable remuneration¹¹ does not exceed EUR 50,000 and does not represent more than one third of total annual remuneration.

Recognition of the deferred portion depends on compliance with the capital and liquidity requirements measured at 31 December 2025 and at least in line with the Gates established in the Remuneration and Incentive Policies in force at the time and additionally the need for the Group's Return On Risk Adjusted Capital (RORAC), a risk-adjusted performance indicator, to be positive.

The bonus is paid fully up-front and in cash for the other members of staff.

¹¹ Taking into account all forms of vested variable remuneration, if necessary on a pro-rata basis; by way of example, the Annual Variable Incentive Plan MBO, the Employee Stock Ownership Plan (ESOP) and the Long-Term Incentive Plan (LTI Plan).

The cash portion of the vested bonus to be settled up-front is disbursed on condition that at the time of the actual payment the employment relationship still holds and is not already terminated or in the pre-notice period.

In the case both of the termination of the Employment Relationship and pre-notice period during deferral, as provided in the 2023 MBO Plan Regulation and in line with the provisions of this Policy, the Beneficiary loses all entitlement to the Bonus.

Malus and Clawback

Lastly, ex post adjustment mechanisms are envisaged (Malus and Clawback), as provided in detail in the 2023 MBO Plan Regulation and in the “Process for the application of the malus and clawback mechanisms connected with individual conduct”.

A request for revocation or return may be made for the incentive granted, wholly or in part, in case of the verification of one of the following events within 5 years of the grant date:

- a breach of legal or regulatory provisions or those of the Bylaws or any applicable codes of ethics or conduct, leading to a significant loss for the Bank, for the individual subsidiary or for the respective customer(s);
- a breach of specific legal or regulatory provisions or those of the Bylaws or any applicable codes of ethics or conduct, regardless of the losses that may result;
- a breach of the obligations for directors or corporate officers, concerning their suitability for the position, possession of the professionalism, integrity and independence requirements or the satisfaction of the competence and propriety criteria;
- a breach of the rules set out in the “Transactions with parties forming part of the illimity Banking Group’s Single Perimeter”;
- a breach of remuneration and incentive obligations;
- fraudulent conduct to the detriment of the Bank;
- negligent or incompetent conduct (“gross negligence”) to the detriment of the Bank.

11. THE 2021-2025 LONG-TERM INCENTIVE PLAN

The 2021-2025 Long-Term Incentive Plan (hereinafter the “LTI Plan”), which was approved by the Shareholders’ Meeting of 15 December 2021 and replaced the previous Stock Option Plan (SOP) and the 2020-2023 Long-Term Incentive Plan, both cancelled and losing any further effectiveness, has the following aims:

- to ensure the maintenance of a strict alignment between the interests of the Company, the shareholders and the Beneficiaries by incentivizing the achievement of the objectives of the 2021-2025 Strategic Plan;
- to ensure alignment with the plan’s new timeframe while at the same time providing for three pay-out cycles starting with an analysis of the 2021 results;

- to enable the effective contribution of the management of the illimity Group to be evaluated (in terms of organizational relevance and performance quality), also including beneficiaries who have enjoyed significant managerial growth;
- to support 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 (Environmental, Social & Governance) objectives in addition to those of an economic and financial nature.

Beneficiaries and details of the Plan

The LTI Plan is intended for the Chief Executive Officer, the remaining members of Top Management, the beneficiaries of the previous Stock Option Plan “SOP” (around 40 employees) and any additional new beneficiaries identified among the Group’s key staff members, year by year, by 31 December of the first year of each performance cycle (respectively 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).

The LTI Plan envisages the awarding on an individual basis of rights to receive shares. The LTI Plan is divided into three cycles measuring the Performance Objectives, 2021-2023, 2022-2024 and 2023-2025, to cover the whole timeframe over which the plan is structured (a “rolling” plan), leading to the free of charge granting of illimity shares (Figure 4).

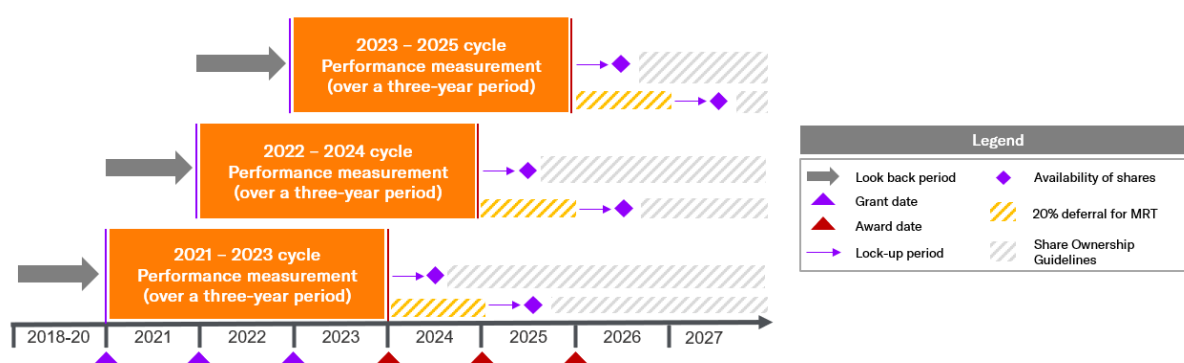


Figure 4 - Functioning mechanism of the LTI Plan

For the Chief Executive Officer and the remaining Top Management, the annual ratio of long-term variable remuneration to fixed remuneration for each year is expressed as a percentage, namely 50% (which following the approval of the 2:1 by the Shareholders’ Meeting will be raised to 100% for the third performance cycle).

The assignments of the Rights to receive Shares are carried out:

- at the start of the LTI Plan, with reference to the three-year performance measurement cycles (2021-2023; 2022-2024; 2023-2025) for staff who were already Beneficiaries of the SOP Plan and the 2020-2023 Long-Term Incentive Plan;
- at the start of each vesting cycle for any other Beneficiaries identified from, year to year, among the Group’s key resources.

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

It is estimated that the 2021-2025 LTI Plan will have a maximum dilutive effect on capital of approximately 2.4% calculated on the basis of the number of shares as per the Bylaws revised on 22 December 2022, equal to 83,645,108 shares.

Entry Gates and Performance Objectives

The Rights only vest, first of all, if the following conditions are satisfied, these being defined as “Gates” and measured at the end of each three-year performance cycle (first measuring cycle at 31 December 2023, second cycle at 31 December 2024 and 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 for each cycle are awarded on the basis of the extent to which the objectives have been met and the relative weight, set consistent with the Strategic Plan and communicated at the start of each cycle, all within the ambit of the following pillars:

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

Specifically, both for the first performance cycle (2021-2023) and the second performance cycle (2022-2024), the targets set for the LTI Plan are stated in detail in the 2021 Remuneration Policy, approved by the Shareholders' Meeting of 15 December 2021, and the 2022 Remuneration Policy, approved by the Shareholders' Meeting of 28 April 2022.

For the third performance cycle (2023-2025), the objectives set for the LTI Plan, in line with the targets defined for 2025, are as follows:

LTI Plan Goal Card					
Strategic Pillar	KPI	Target (end of cycle)	Level of achievement	% Incentive	Weight
Profitability	ROAE	18%	> 18%	100%	50%
			≥ 14% e ≤ 18%	60%-100%	
			< 14%	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 and <4 points	60%-100%	
			< 3 points	0%	
	Top ESG Rating & Sustainable Finance	4 points	≥ 4 points	100%	10%
			≥ 3 points and <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 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 18%, the KPI has been achieved as to 100%;
 - ✓ between 14% (included) and 18% (included) the KPI is reached between 60% and 100%, to be calculated on the basis of linear interpolation between the two values;
 - ✓ is less than 14%, the KPI has not been achieved.
- Relative TSR** (Total Shareholder Return) of illimity compared to that of issuers listed on Borsa Italiana's "Financial Services Italia" index for the whole cycle (comparables), calculated for each of the Plan's vesting cycles and namely 2021-2023, 2022-2024 and 2023-2025 for both illimity and for the comparables considered. More specifically, the TSR for illimity is calculated for each three-year period of the Plan based on the data made available by Bloomberg, for the period between the month preceding the beginning of each vesting cycle and the respective closing date. In particular, for the 2023-2025 cycle, the TSR is determined in the following way:

(average share price in the month 1 December 2025 - 31 December 2025 + Dividend per Share in the period 1 January 2023 - 31 December 2025) / (average share price in the month 1 December 2022 - 31 December 2022).

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 amounts;

- ✓ 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 at 31 December 2025, the KPI has been achieved as to 100%;
 - ✓ lies between the RAF appetite at 31 December 2025 (inclusive) and the RAF tolerance at 31 December 2025 (inclusive), the KPI has been achieved in the range between 60% and 100%, calculated on the basis of linear interpolation between the two amounts;
 - ✓ greater than the RAF tolerance at 31 December 2025, 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, and the average score evaluated by the Board of Directors through the weighting of the following factors related 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 formalized «talent pool» (ensure a balancing between men and women – tolerance of 5% - in the «talent pool» constant over the years of the Plan).

Measurement criteria:

- Score 4: reaching the target in at least three dimensions and not less than 10% compared to 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 & Sustainable Finance**, with a weight of 10% on the LTI Goal Card, a score calculated by way of the following measurement in 2025:
 - Score 4:
 - keep the Standard Ethics and CDP ratings at Investment Grade or higher;

- reach the two “Environment” targets as envisaged by illimity’s 2021-2025 Strategic Plan: maintaining Group Carbon Neutrality (Scope 1 and Scope 2) and assess and address financed emissions;
 - reach the Sustainable Finance target as envisaged in illimity’s 2023-2025 Sustainability Plan.
- Score 3.5:
 - keep the Standard Ethics and CDP ratings at Investment Grade or higher;
 - reach at least the two above-mentioned “Environment” targets as envisaged in illimity’s 2021-2025 Strategic Plan.
 - Score 3:
 - reach at least the two above-mentioned “Environment” targets as envisaged in illimity’s 2021-2025 Strategic Plan.

The ESG objectives of the LTI Plan derive from the sustainability commitments set out in the 2021-2025 Strategic Plan and in the 2023-2025 Sustainability Plan, with particular reference to environmental, social and governance issues.

For the Manager in charge of drafting the Financial Statements and the Chief HR & Organization Officer, a qualitative appraisal of performance over the three years, with the same weight, is carried out by the Chief Executive Officer to replace the ROAE and the relative TSR, this based on the results achieved as part of the annual Performance Management process.

Within 30 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 establish 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.

Means of granting the shares and deferral

For the Beneficiaries identified as Material Risk Takers at the end of each performance cycle, 80% of the Shares envisaged for each cycle are granted/disbursed at the end of each (the up-front portion) and 20% in the following year (the deferred portion), without affect 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 lock-up period.

For the remaining beneficiaries, 100% of the shares envisaged for each cycle are granted/disbursed after the end of the lock-up period.

Lock-up period and dividend equivalent

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

Guidelines for share ownership

Guidelines for share ownership have been introduced for the Chief Executive Officer and Executives with Strategic Responsibilities as a means of emphasising alignment with the long-term interests of shareholders.

The recipients of these Guidelines undertake to hold a percentage of the available shares, deriving from the new LTI Plan, until a specific target level is achieved. More specifically, the Guidelines for share ownership have the following features by category of beneficiary:

- for the Chief Executive Officer must hold 100% of fixed remuneration in shares up to the end of the term, accumulated for at least 75% of the shares awarded by way of the Plan (net of any fiscal effect), until the target amount is reached;
- for Executives with Strategic Responsibilities must hold 75% of fixed remuneration in shares up to the end of the period for which they are defined as such, accumulated for at least 50% of the shares awarded by way of the Plan (net of any fiscal effect), until the target amount is reached.

The level of share ownership is measured starting from the end of 2024, using the share price at the date of granting.

Malus and clawback

Lastly, the vested Rights are subject to Malus and Clawback conditions, namely contractual clauses that enable the variable remuneration yet to be paid to the employee to be reduced (malus) - even down to zero - and/or require the variable remuneration (or variable emolument) already paid to be reimbursed, also in part, as the result of ex post negative assessments of business performance (including the analysis that the RORAC, a risk-adjusted performance indicator, is positive at the end of each year) or individual performance, or in the event of fraudulent conduct or gross negligence by the employee (clawback). These conditions are expressly governed by the internal procedure "Process for the application of the Malus and clawback mechanisms connected with individual conduct".

Further information on the features of the LTI Plan, including the effects of the termination of the Employment Relationship on the awarded rights as part of incentive plans based on financial instruments, can be found in the relative Information Document, prepared and published by the Bank pursuant to **Schedule 7 of Annex 3A** to the Issuers' Regulation, and available on the Bank's website www.illimity.com under the **section Governance/Remuneration**.

12. EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

The aim of the ESOP is to motivate and engage all employees over the period of the Plan by giving them the opportunity to become shareholders of the Company.

The ESOP is intended for all the employees of the Bank and the Group and provides for the awarding of a maximum number of the Bank's ordinary shares for each annual cycle.

More specifically, the ESOP's beneficiaries are employees who have either (i) an outstanding permanent employment contract with the Bank or one of the Group companies, or (ii) a fixed-term contract, in being for at least 6 months and with a remaining term of at least 6 months with respect to the award date of each annual cycle.

The implementing regulation approved by the Board of Directors of Banca Interprovinciale S.p.A. on 18 January 2019 provides, in accordance with the resolution adopted by the Shareholders' Meeting of 18 January 2019 and in line with the regulatory and supervisory provisions, applicable to the Bank, that the value of the ordinary shares of the Bank to be awarded to beneficiaries as a whole shall amount to EUR 2,000. For beneficiaries who are "Executives", the value of the Bank's ordinary shares is EUR 100.

Further information on the features of the ESOP, including any effects arising from the termination of the relationship on the rights assigned as part of incentive plans based on financial instruments, may be found in the Information Document for the ESOP, drafted and published by the Bank pursuant to **Schedule 7 of Annex 3A** of the Issuers' Regulation and available on the Bank's website www.illimity.com under the **section Governance/Remuneration**.

13. RISK ALIGNMENT (MALUS AND CLAWBACK)

The variable remuneration awarded as part of the described schemes may be reduced to zero in case of:

- evidence of individual compliance breach, following the reporting of serious matters by the control functions or by the Supervisory Authorities. More specifically, on the occurrence of such a situation, the Chief Executive Officer, after consulting the Chief HR & Organization Officer, may assess the need for a possible reduction of the Bonus, even down to zero. In the event such findings relate to persons belonging to the control function or to the Group Material Risk Takers, the relative decisions are taken after receiving the opinion of the Remuneration Committee;
- failure to satisfy the Gates envisaged in the reference Policy at the time of the vesting of the deferred portions.

In line with current provisions, all employees shall moreover mandatorily return the whole of the variable remuneration paid in case of the verification of one of the following events within 5 years of the payment date, in terms of both the up-front component and the deferred component:

- a breach of legal or regulatory provisions or those of the Bylaws or any applicable codes of ethics or conduct, leading to a significant loss for the Bank, for the individual subsidiary or for the respective customer(s);
- a breach of specific legal or regulatory provisions or those of the Bylaws or any applicable codes of ethics or conduct, regardless of the losses that may result;

- a breach of the obligations regarding directors or corporate officers, concerning their suitability for the position, possession of the professionalism, integrity and independence requirements or the satisfaction of the competence and propriety criteria;
- a breach of the rules set out in the “Transactions with parties forming part of the illimity Banking Group’s Single Perimeter”;
- a breach of remuneration and incentive obligations;
- fraudulent conduct to the detriment of the Bank;
- negligent or incompetent conduct (“gross negligence”) to the detriment of the Bank.

14. PROHIBITION OF HEDGING STRATEGIES

Personnel shall not use strategies for personal hedging or insurance on their remuneration that may alter or invalidate the effects of risk alignment inherent in the remuneration mechanisms governed by this present Policy.

In accordance with the provisions introduced by Title IV, Chapter 2, Section 1, paragraph 5, of Circular no. 285/2013, illimity requires Material Risk Takers to communicate any financial investments they have made which may affect risk alignment mechanisms and, more generally, the objective of prudent risk management, in order for these to be taken into account in establishing the mechanisms for alignment to the incentive scheme risk, as well as the existence or opening of custody and administration accounts with other intermediaries.

The Chief Compliance & AFC Officer conducts sample tests to ensure compliance with this prohibition, informing the Chief HR & Organization Officer of the outcome.

15. COLLABORATION AND PROFESSIONAL ENGAGEMENTS

The criteria underlying the granting of professional and collaboration engagements are based on the principles of competence, cost-effectiveness, transparency and correctness.

All compensation and/or amounts paid for whatever reason to the above parties shall be appropriately documented and in any case be proportionate to the work performed, also taking into consideration market terms and conditions and applicable laws and regulations.

More specifically, with reference to members of professional institutes, fees shall be agreed in advance under the most advantageous conditions for the Bank, considering the nature of the engagement and market terms and conditions.

Relations with collaborators are governed on the basis of a “standard contract” in which the work to be performed and the agreed fee are specified.

In accordance with regulatory provisions, also collaborators are assessed as part of the process for identifying Material Risk Takers, and if identified as such are subject to the relative rules and regulations.

16. SPECIFIC REQUIREMENTS FOR THE REMUNERATION OF FACTORING, B-ILTY AND DIGITAL CUSTOMER OPERATIONS PERSONNEL: PROTECTION OF RETAIL CUSTOMER

In performing the activity of placing banking and payment products, as governed by the provisions of the Consolidated Law on Banking and the Consolidated Law on Finance, illimity pays constant attention to the interests and needs of its customers, and accordingly makes the transparency of the contractual conditions and the correctness of conduct priority values for its employees, with reputation being an integral part of its business model. Total Reward, including the variable component of remuneration and the training and development offer, establishes customer satisfaction and loyalty as one of the Bank's priority objectives. In addition, the organizational and procedural structure is designed to prevent risks of a legal and reputational nature connected with customer relations.

In line with the Provisions for the Transparency of Policies and Practices that intermediaries adopt for the remuneration of staff and third party sales staff (for retail customers), with specific reference to the Factoring Area, the b-ilty Division and the Digital Customer Operations Area, incentive schemes are established that are based on the performance management process characterised by the following objectives:

- Group objectives (Financial & Risk), in line with the targets set for 2023 budget;
- business objectives/strategic initiatives, linked to the business results of the area of reference and/or the implementation of strategic initiatives (assigned on the basis of individual responsibilities with respect to the implementation of the plan's directional lines) which take into account customer satisfaction and the interests of customers;
- ESG objectives;
- illimity's skills and leadership model.

Objectives related to the individual contributions shall comply with the following principles:

- they are determined in accordance with business values and long-term strategies;
- they are inspired by the criteria of diligence, transparency and propriety in customer relations, the containment of legal and reputational risks and customer protection and loyalty;
- they are not exclusively based on commercial results and do not act as an incentive to place products that are unsuitable for the needs and financial requirements of customers;
- remuneration does not cause incentives that may induce personnel to pursue their own interests or those of the intermediary to the detriment of customers;
- account is taken of any risk that may constitute a harm for customers, by appropriate safeguarding mechanisms;
- any variable component of remuneration:
 - ✓ is based on quantitative and qualitative criteria;
 - ✓ does not constitute an incentive for offering a specific product or a specific category or combination of products if this may lead to harming customers;
 - ✓ is suitably balanced compared to the fixed component of remuneration;
 - ✓ is subject to adjustment mechanisms that allow for the reduction (also significant) or zeroing of the component.

In particular, the parties for whom these guidelines are intended (hereinafter the “relevant subjects”) are identified as the intermediary who offer products to customers, interacting with them, as well as those to whom these staff report hierarchically.

Data as of 28/02/2023

Area/Division	Subjects that offer products to customers	Subjects to whom they respond hierarchically
Factoring	22	2
b-ilty (Business Development)	18	3
Digital Customer Operations	18	2

17. BANK STAFF PROVIDING INVESTMENT SERVICES

In respect of the staff of the Bank providing investment services, particular emphasis is given to ensuring suitable professional skills, also in terms of Remuneration Policies, with specific regard to customer relations.

Pursuant to legislation on this matter (Commission Delegated Regulation (EU) 2017/565, supplemented by MiFID II), the Remuneration and Incentive Policies adopted by illimity ensure the protection of the interests of customers to whom the Bank provides investment services, with the aim of avoiding conflicts of interest and/or incentives that may act such as to make the interest of the staff or of the Bank prevail over that of the customer.

In this context, the incentive criteria adopted for the Material Risk Takers of the Investment Banking division involved in providing investment services take into account specific individual objectives of a qualitative nature, suitable for ensuring a fair treatment for customers and guaranteeing the quality of the services provided to them, linking individual performance objectives to the degree of customer satisfaction on the basis of proxies designed to verify, inter alia, the absence of operations that are inadequate or concluded in breach of the measures for managing conflicts of interest as well as the importance of any complaints raised by the customers served.

18. AGENTS, MEDIATORS AND FINANCIAL CONSULTANTS

As things currently stand, for agents in financial activity, financial consultants and mediators other than the Bank’s employees, remuneration is generally “recurring” and relates to the typical operations performed by the agent/financial consultant/mediator and accordingly does not include any incentive mechanisms (by way of example, recurring fees include those paid on the basis of a “fixed” percentage of the volumes contributed and/or the profitability generated by the referred business).

In addition, in accordance with regulatory provisions, financial agents, financial consultants and mediators are assessed as part of the process for identifying Material Risk Takers and if identified as such are subject to the relative rules and regulations.

If the activity of the agent, mediator and financial consultant can be classified as the placement of banking or investment products and services, any non-recurring compensation is governed by the provisions of paragraphs 16 and 17 respectively.

19. REMUNERATION OF THE PERSONNEL OF ILLIMITY SGR

The authorisation process for the establishment of an Asset Management Company (SGR) within the Banking Group was completed in 2020.

The company is subject to the laws and regulations governing the sector that derive from the transposition into Italian law of the AIFMD Directive, as included in the Bank of Italy's Regulation issued on 5 December 2019 in implementation of article 4-*undecies* and article 6, paragraphs 1b) and 1c-*bis*), of the TUF as amended as well as any transitional regulations and the transitional and final provisions of Circular no. 285/2013 on remuneration and incentive policies and practices, taking into account the specifics in the case of membership of a Banking Group.

The SGR has prepared a Remuneration and Incentive Policy for its personnel which is consistent with the principles and aims of the Group's Remuneration Policy, including the gender neutrality principle, and considers applicable regulatory provisions, with particular reference to:

- the role of the Shareholders' Meeting and the corporate bodies, providing for governance processes consistent with the size and complexity of the SGR, within the scope of the parent Company's coordination and control role¹²;
- the identification of Material Risk Takers at SGR level and the contribution to the process of identifying the Material Risk Takers at Group level;
- the gender neutrality of remuneration and incentive policies and systems;
- a clear distinction between fixed remuneration and variable remuneration, the latter including any incentive schemes based on "carried interest";
- the establishment of an upper limit to variable remuneration kept within 2:1 compared to fixed remuneration;
- incentive schemes parameterized to the performance indicators of the SGR and AIFs managed and measured excluding the risks concerning their operations and taking account of the level of capital and of the liquidity needed to deal with the assets and investments undertaken in the SGR and the funds established, through the determination of SGR "Entry Gates", in addition to the conditions established at a Group level, and of mechanisms for determining the "Bonus Pool";
- specific provisions for Malus conditions at SGR level (in addition to the conditions established at Group level) and clawback mechanisms;
- specific provisions for the termination of the employment relationship or termination of office;
- requirements for remuneration disclosures.

The company may also introduce incentive schemes based on the performance of funds, such as performance fees or Carried Interest in line with the regulations applicable to the specific form of incentive.

By way of its "Guidelines for Identifying the Material Risk Takers of the Banking Group" (Annex 1), the Group also includes the personnel of the Asset Management Company in the process for identifying Material Risk

¹² The parent company prepares the document on the remuneration and incentive policies of the whole banking group, ensures their overall consistency, provides the necessary guidelines for their implementation and verifies that they have been properly applied, without prejudice to the responsibility of the Asset Management Company to comply with directly applicable laws and regulations and the proper implementation of the guidelines provided by the parent company.

Takers. The qualitative criteria provided by the EBA technical standards are also adopted in performing the relative analysis, with reference to the possibility of significantly affecting the Group's risks within the ambit of material business units and/or taking into account the impact on the economic, financial and reputational risk to which they may expose the Group. The quantitative criteria provided by the laws and regulations governing any exclusion mechanisms and parameters are also adopted for inclusion in the perimeter.

The deferral rules envisaged at Group level are activated for the personnel of the SGR included as "Group Material Risk Takers" (percentages and time horizon of deferral), without affect to the provisions of laws and regulations applicable to the sector with reference to financial instruments, taking into account the significance of the SGR.

20. COMPENSATION FOR EARLY TERMINATION OF THE EMPLOYMENT RELATIONSHIP AND/OR EARLY TERMINATION OF OFFICE

On termination of the Employment Relationship, illimity may make additional payments to individual employees of the Group exceeding the amounts due by law and under any applicable national and local company collective bargaining agreements (including the employees' leaving entitlement "TFR", compensation in lieu of notice, compensation in lieu of accrued vacation not taken, amounts payable under non-competition agreements, amounts payable as part of an agreement for the settlement of a current or potential dispute, etc.).

Such compensation represents "Golden Parachutes" within the meaning assigned by Circular no. 285/2013 for persons to whom this regulation is applicable.

Golden Parachutes are incentives that may be agreed by the Bank or other Group companies with individual employees or collaborators in view of or on the occasion of the early termination of the employment relationship (in the case of a fixed-term contract before the natural end of the term of that contract) or on the early termination of office on condition that there is an initiative and/or an interest of the Bank in that direction.

As a result, in the case of resignation or in any other situation where payment does not comply with the Group's interests, the conditions for negotiations between the parties for said agreements do not exist.

The amount resulting from applying such clauses/agreements may not, however, exceed a cap of 24 monthly instalments of fixed remuneration, established on initiating the agreement by taking into consideration the Group's overall results and the employee's individual performance and taking into account the duration of the employment relationship.

Such amount may in any case not exceed the cap of EUR 1,100,000.00.

Such cap shall include any amounts attributed to non-competition agreements.

For professionals having key characteristics which are such that the termination of the relationship may lead to risk, the Bank reserves the right to establish non-competition agreements from time to time that provide for the recognition of compensation commensurate with the duration and extent of the restriction determined by such agreement on conclusion of the employment relationship and/or termination of office. In accordance with regulatory provisions, if the relative fees are determined in an amount of up to one year's fixed remuneration there is no need to ascertain whether they are in line with the Bank's overall results, individual performances or the duration of the Employment Relationship, or with the rules on the way in which the payment is made, with particular reference to deferral, Malus and the division between cash and financial instruments.

“Golden Parachutes” are included in the calculation of the ratio between the variable and fixed remuneration of the most recent year of the Employment Relationship or of holding office, except for:

- amounts agreed and recognised within a non-competition agreement for the portion which, for each year of the agreement’s term, does not exceed the most recent annual amount of fixed remuneration;
- amounts agreed and recognised as part of an agreement between the Bank and staff, howsoever reached, for the settlement of a current or potential dispute determined by multiplying 3 monthly instalments of annual global remuneration (gross annual remuneration for the most recent year with the addition of the average of the amounts recognized under the Annual Incentive Plan, whether upfront or deferred over subsequent years, for the previous two years) by the number of years of seniority, or, with reference to the Material Risk Takers identified within the corporate control functions, 12 monthly portions of annual global remuneration determined by the same means, and in any case within the cap set by the Shareholders’ Meeting.

Any compensation recognised as a Golden Parachute shall be paid in cash generally within one year of the termination of the Employment Relationship and/or termination of office, or, with reference to any components regarding non-competition agreements, on the basis of the timetable established by such agreements.

If such compensation is recognised for Material Risk Takers, the payments follow the rules envisaged for paying the variable remuneration of such persons.

The means by which the above are determined and disbursed are adjusted over time on the basis of the evolution of the characteristics and complexity of the Bank and considering the evolution of the applicable regulatory framework.

Any compensation disbursed is subject to the malus and clawback rules provided for variable remuneration. In particular, the Bank will take action to obtain the refund of any amounts paid, in terms of both the up-front component and the deferred component, in case of the verification within 5 years of the payment date of the occurrence of any of the provisions set out in the chapter “Risk alignment (malus and clawback)”.

The amounts as determined above replace those envisaged by collective bargaining agreements in case of dismissal and will only be recognized against the signing of an agreement with the manager relating to the Employment Relationship and any positions held, as part of a general novation settlement. Such agreements are additionally established after taking into consideration all applicable laws and regulations, as a result of which the payments and disbursements due on the basis of legal provisions are not affected.

There are no outstanding agreements that bind the Bank to the payment of compensation for the early cessation of office with respect to the end of the term for which they have been mandated, in respect of members of the Board of Directors.

The above rules are not applicable to the amounts agreed in view of or on the occasion of early termination of the Employment Relationship or termination of office of either Material Risk Takers or remaining personnel as part of extraordinary operations (such as mergers) or business restructuring processes in the cases they respond exclusively to a logic of business cost containment and the rationalization of the personnel structure and do not exceed EUR 100,000.

In the same way, with the exception of compliance with the cap in absolute terms or in terms of the number of months’ remuneration approved by the Shareholders’ Meeting, the rules described do not apply to leaving incentives also connected with extraordinary operations (such as mergers) or business restructuring processes

and paid to non-Material Risk Takers, provided they respond exclusively to a logic of business cost containment and the rationalisation of the personnel structure and encourage acceptance of the support measures, envisaged by law or collective bargaining agreements, for employees as a whole, and do not produce distortionary effects ex ante on the conduct of the staff.

In both cases, the amounts recognised are subject to Clawback mechanisms in case of fraudulent conduct or gross negligence to the detriment of the Bank.

21. TERMINATION OF THE EMPLOYMENT OR COLLABORATION RELATIONSHIP

The assignment of the vested portions linked to the short- and long-term incentive schemes envisaged by this Policy are inherently and functionally connected with and conditioned by the continuation of the Employment or Collaboration Relationship as well as that of the Beneficiary's mandate/position.

The termination of the Employment Relationship during the vesting period for each three cycle for the LTI Plan and each annual cycle for the MBO Plan due to:

- i. the Beneficiary's voluntary resignation
- ii. the termination of the Employment Relationship on the Company's initiative for just cause or justified reason,

will lead to the status of "bad leaver" and the automatic, final and irrevocable loss by the Beneficiary of the long-term variable opportunity awarded up to that time, but not yet vested - with reference to the LTI Plan¹³ - and of any deferred portions and/or portions in shares in lock-up - with reference to the MBO Plan.

The termination of the Employment or Collaboration Relationship due to:

- i. death
- ii. a debilitating event that leads to the impossibility for the Beneficiary to continue the Relationship in a proper way
- iii. retirement
- iv. dismissal for just cause, unjustified dismissal or the consensual 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:

- with reference to the LTI Plan, the holder(s) of the vested rights for the individual vesting cycles if the termination of the Employment or Collaboration Relationship occurred subsequent to the end of the individual vesting period and/or the holder(s) of the portion of long-term variable opportunity determined pro-rata temporis in case of termination during a specific vesting cycle. The remaining variable opportunity not yet vested will be forfeited;
- with reference to the MBO Plan, the holder of the right to receive the vested but deferred portions of bonus.

¹³ During the lock-up period the Beneficiary keeps the Rights relating to the vested and granted cycle, whatever may be the cause of the termination of the Employment Relationship, with the exception of the activation of clawback procedures in line with the provisions in this respect of illimity's remuneration and incentive policy current at the time.

If the termination of the Employment or Collaboration Relationship occurs before the Vesting Date and the Beneficiary qualifies as a “good leaver”, the variable opportunity vests at the natural deadline of the relative vesting and lock-up period envisaged for each cycle, without prejudice to the need to assess the gate conditions, to ensure that the performance objectives have been met and to verify the malus conditions.

ANNEX 1 - GUIDELINES FOR IDENTIFYING THE MATERIAL RISK TAKERS OF THE BANKING GROUP

1. Introduction

The current regulatory framework on remuneration and incentives at a European Union and national level - respectively Directive (EU) 2019/878 (CRD V) and Circular no. 285 of the Bank of Italy of 17 December 2013 - provides that banks and banking groups must carry out an annual process to identify the staff whose activity has, or may have, a material impact on the risk profile of the bank or banking group ("Material Risk Takers" - MRTs). Banks are also required to establish a policy for the process of identifying Material Risk Takers which forms an integral part of the remuneration and incentive policy approved annually by the Shareholders' Meeting.

The 37th revision of the Bank of Italy's Circular no. 285 of 17 December 2013, containing supervisory provisions on the remuneration and incentive policies and practices of banks and banking groups, incorporated the changes introduced by Directive (EU) 2019/878 (CRD V) - which amends Directive 2013/36/EU (CRD IV) - and the European Banking Authority's Guidelines on Remuneration Policies and Practices¹⁴.

Commission Delegated Regulation (EU) 2021/923 of 25 March 2021, which was published on 9 June 2021 - and supplements Directive 2013/36/EU (CRD IV) as amended by Directive (EU) 2019/878 (CRD V) and incorporates the Regulatory Technical Standards ("RTS") issued by the EBA - establishes the qualitative and quantitative criteria for identifying categories of persons whose professional activities have a material impact on an institution's risk profile.

All this said and considered, illimity has prepared the present Guidelines (drawn up to determine roles and responsibilities as part of the process to identify illimity's Material Risk Takers) and consequently identified the Material Risk Takers for 2023 in accordance with the criteria envisaged by the current regulatory framework.

At a European Union level:

- Directive 2013/36/EU (CRD IV), as amended by Directive (EU) 2019/878 (CRD V), governs the qualitative and quantitative criteria for identifying the categories of staff whose professional activities have a material impact on an institution's risk profile;
- Commission Delegated Regulation (EU) 2021/923 (hereinafter also the "Delegated Regulation"), which supplements CRD V, governs:
 - ✓ **qualitative criteria**, regarding the role, decision-making power and managerial responsibility of staff members, also taking into consideration the Group's internal organization and the nature, extent and complexity of the activities performed;
 - ✓ **quantitative criteria**, regarding the thresholds for the level of the total gross remuneration paid. There is, however, the possibility of excluding certain staff members, identified only by applying quantitative criteria on the basis of objective conditions and consistent with specific limitations provided by the Regulation itself.

At a national level:

- Circular no. 285 of the Bank of Italy of 17 December 2013 (hereinafter Circular no. 285) remits to the criteria provided in the Delegated Regulation for the identification of Material Risk Takers, also

¹⁴ In fact, the latter was designed to update the Guidelines on sound remuneration policies, issued in implementation of the provisions of article 74, paragraph 3 of CRD IV (EBA/GL/2015/22) to bring such guidelines into line with the amendments made to CRD V. The final version of EBA's sound remuneration policies was published on 2 July 2021.

noting the opportunity to identify and apply, if necessary, additional criteria for identifying other persons who assume material risks. The same Circular points out that the Parent Company of a banking group is responsible for the identification of Material Risk Takers for the whole Group, having regard to all group companies, regardless of whether they are subject to banking regulations at an individual level or not. The Parent Company also ensures the overall consistency of the identification process for the whole group as well as coordination between the provisions contained in the Circular and any other rules that may be applicable to each company, also as a result of the specific sector to which a company belongs, taking into account the results of the assessments conducted by the single components of the Group that are required to do this on an individual basis.

These present Guidelines govern the roles and responsibilities of the business functions and corporate bodies involved in the process of identifying the Material Risk Takers and the regulatory and additional criteria used for identifying these persons.

2. Scope of application

This document establishes the Guidelines applicable to the whole illimity Banking Group.

In accordance with supervisory provisions, as parent company of the illimity Banking Group, illimity has the responsibility for identifying the persons having a material impact on the Group's risk profile, regarding all the companies in the Group, regardless of whether they are subject to a prudent supervisory framework on an individual basis or not.

By way of these guidelines, the parent company ensures overall consistency of the identification process for the whole group as well as coordination between the provisions relating to the banking perimeter and any other rules that may be applicable to each company of the same group, also as a result of the specific sector to which a company belongs.

Group companies play an active part in the process for identifying the Material Risk Takers carried out by the parent company, providing the latter with the information required and complying with the indications received.

The Parent Company is responsible for the implementation of the process for identifying Material Risk Takers with reference to all the companies of the Group, even if they operate in jurisdictions other than Italy.

If required to carry out the identification of the Material Risk Takers on an individual basis, these companies adopt similar criteria to those included in this document, compatibly with local or sector laws and regulations, coordinating with the parent company, which takes care of the overall consistency of the identification process at Group level.

In any event the individual Companies are always responsible for compliance with the laws and regulations directly applicable to them.

3. Roles and responsibilities

Shareholders' Meeting

On the proposal of the Board of Directors, the Shareholders' Meeting approves the Remuneration Policy, including the criteria for the identification of the staff members having a material impact on the Group's risk profile, as part of its approval of the Report on Remuneration Policy and compensation paid.

Board of Directors

The Board of Directors is responsible for the process for identifying personnel who have or may have a material impact on the Banking Group's risk profile. Therefore:

- i. it approves the criteria for identifying the Material Risk Takers of the Group and ensures these are subject to a periodic review;
- ii. it is responsible for the proper implementation of the process;
- iii. it approves the results of the process for identifying Material Risk Takers, including any exclusions.

Remuneration Committee

The Remuneration Committee provides its opinion to the Board of Directors on the establishment of the Guidelines for identifying Material Risk Takers, also availing itself of the information received from the competent business functions.

In addition, the Remuneration Committee expresses its view on the results of the process for identifying Material Risk Takers carried out annually on the basis of these present Guidelines, including any exclusions.

Risks Committee

The Risks Committee provides its opinion to the Board of Directors on the establishment of the criteria for identifying Material Risk Takers, with particular reference to the additional criteria.

Chief HR & Organization Officer

The Chief HR & Organization Officer of illimity Bank, responsible for all the Group companies, coordinates the implementation of the process for identifying Material Risk Takers at Group level, in line with the criteria and timing established in this document. As a consequence:

- i. prepares and looks after the periodic review of the Guidelines on the process for identifying Material Risk Takers and submits these periodically, subject to the prior opinion of the business control functions, to the Remuneration Committee for its opinion and to the Board of Directors for its approval;
- ii. coordinates, when defining the Group's Remuneration and Incentive Policies (or during the infra-yearly update), the implementation of the identification process at Group level, acquiring the necessary information from the other functions involved, also checking the consistency of the identification at the level of individual companies subject to specific legislation;
- iii. ensures the identification on a continuous basis of the holders of the roles explicitly identified by the qualitative criteria at the beginning of the year or on infra-yearly revision;

- iv. submits the outcome of the implementation of the process to the CRO and the Chief Compliance & AFC Officer and highlights any proposals for exclusion, in order to obtain the relative assessments;
- v. submits the results of the process for identifying Material Risk Takers and any proposals for exclusion to the Remuneration Committee and the Board of Directors;
- vi. coordinates and supervises the identification process at a Group level for the companies of the Group. Regarding companies belonging to specific sectors, such as the asset management sector, the Chief HR & Organization Officer coordinates and supervises that the identification of Material Risk Takers is carried out in compliance with laws and regulations applicable to the sector and takes care of the overall consistency within the Group as a whole.

General Counsel

As far as relations with the Supervisory Authorities are concerned, General Counsel files authorisation requests for the exclusion of the identified Material Risk Takers pursuant to the criteria provided in Commission Delegated Regulation (EU) 2021/923.

CRO

Periodically, illimity Bank's CRO contributes to the provision to the Chief HR & Organization Officer of the information that is needed for the process of identifying Material Risk Takers.

With reference to the results of the process, the CRO expresses a view on consistency between the positions identified, any exclusion proposals and the Group's Risk Appetite Framework.

The results of the consistency checks performed are formalised as part of the opinion sent to the Remuneration Committee and the Board of Directors on determining the Remuneration and Incentive Policies or on the infra-yearly revision of the perimeter of Material Risk Takers.

Chief Compliance & AFC Officer

The Chief Compliance & AFC Officer of illimity Bank verify the compliance of these Guidelines and the results of the identification process and, therefore, the rationale underlying any proposals for exclusion, with internal and external rules and regulations.

The results of these verifications are formulated as part of the opinion sent to the Remuneration Committee and the Board of Directors on determining the Remuneration and Incentive Policies or on the infra-yearly revision of the perimeter of Material Risk Takers.

4. Process to identify Material Risk Takers

The perimeter of Material Risk Takers is identified and updated in accordance with the criteria adopted by the Banking Group on the basis of the following periodic sequence:

- 1. at the beginning of each year, in order to identify the perimeter of Material Risk Takers for submission for approval to the Shareholders' Meeting as part of the annual determination of the Remuneration and Incentive Policies;

2. during the year and formalised in the last quarter of each year, in case of the assignment of new positions as part of roles unequivocally identified by the qualitative criteria for all position holders who have been in the position for at least three months in the year in question.

On updating the perimeter of Material Risk Takers, the Chief HR & Organization Officer ensures, together with the CRO, the consistency of the rationale underlying the criteria adopted with the Risk Appetite Framework as updated from time to time.

The results of the identification process are formalized by the Chief HR & Organization Officer in a document including:

- i. the positions identified by applying the qualitative criteria and the relative rationale;
- ii. the names of the persons identified by way of the quantitative criteria, the details of those that have been identified by way of the qualitative criteria and the rationale for any exclusion proposals;
- iii. the names of the Relevant Persons identified, their relative positions and responsibilities and the differences compared to the previously-determined list (including the number of people identified as Material Risk Takers - with details of the number of persons identified for the first time).

5. Identification criteria

The criteria used in the process for identifying Material Risk Takers and updating the related list are those, of a qualitative and quantitative nature, stated in article 92, paragraph 3, points a), b) and c) of Directive 2013/36/EU and in articles 5 and 6 of Commission Delegated Regulation (EU) 2021/923 as well as the additional criteria set by illimity.

In accordance with the possibility envisaged by supervisory provisions, illimity identifies the following persons in addition to those stated in the above-mentioned Delegated Regulation:

- Holders of organizational positions who, at the date on which the process for identifying Material Risk Takers is completed, have direct responsibility in governing material business risks, the object of identification when performing the ICAAP, which are not already included in the list of risks specifically identified by prudent regulations (CRR);
- Holders of organizational positions who, at the date on which the process for identifying Material Risk Takers is completed, have contributed to Concentration Risk for loan exposures with one or more transactions included in the TOP 20;
- Holders of organizational positions who, at the date on which the process for identifying Material Risk Takers is completed, have made a major contribution to significant operating losses, understood as meaning the TOP 20 Material Operating losses (amounts equal to or greater than EUR 50,000) recognised in the Loss Data Collection process over the two year period 2021-2022 and the first two months of 2023 or, again referring to the same period, to “near misses” with the potential for an equivalent economic/financial/reputational impact;
- Staff, not identified by the application of previous criteria and/or without a formal organizational role, who, from the analyses and evaluations carried out by the CRO, are considered to have a significant prospective influence - in strategic and operational terms - on the Bank's management processes and decisions.

Revision of additional criteria

On the periodic preparation of the Remuneration and Incentive Policies, the Chief HR & Organization Officer, together with the contribution of the CRO, assesses the need to revise the criteria for identifying personnel having a material impact on the Group's risk profile in order to ensure continuing consistency with the ownership structure, the organizational structure, the Group's business model and the relative functioning mechanisms.

6. Exclusion procedure

If, after receiving the opinion of the Remuneration Committee, the Board of Directors intends to activate the procedure of exclusion from the perimeter of Material Risk Takers as part of the quantitative criteria, the Bank shall, on a timely basis, and in any case no later than six months after the end of the previous year, send to the Bank of Italy, by way of the General Counsel, the request for prior authorization pursuant to article 6 of the Delegated Regulation, with reference to personnel awarded total remuneration greater than or equal to EUR 750,000.

The Bank of Italy issues a ruling within three months of receiving the complete documentation.

The authorization has an annual term and regards the year following that in which the request is made, except for exclusions authorised for the first time, for which the term also extends to the year in which the request is submitted.

The application for authorization may regard several staff members or several employee categories together, whose exclusion is based on the same assumptions, provided that the persons or categories for whom the exclusion is requested can be clearly identified and that the same level of information as that required by laws and regulations is ensured.

The applications for authorization for exclusion for staff members who have been awarded total remuneration equal to or greater than EUR 1 million shall however be filed individually for each member of staff. Exclusion can only be authorised in exceptional circumstances, meaning unusual or infrequent situations that lead to it to be considered that the member of staff is not a Material Risk Taker. The existence of exceptional circumstances must be demonstrated by the Bank in its request for authorization.

7. Application of the regulation at Group company level

Any companies individually subject to prudent supervision are required to apply these present Guidelines on an individual basis and notify the parent company of the relative results on a timely basis, and in any case by the end of the phase for identifying the Material Risk Takers.

In the case, on the other hand, of companies subject to specific sector regulations, as is currently the situation for the Asset Management sector in the perimeter of the illimity Group, Material Risk Takers are identified in accordance with the Bank of Italy Regulation implementing article 4-undecies and article 6, paragraph 1, points b) and c-bis), of the TUF, without prejudice to the requirement for Group companies to notify the parent company of the relative results on a timely basis and in any case by the end of the phase for identifying the Group's Material Risk Takers.

8. Results of the process for identifying Material Risk Takers for 2023

Changes compared to the previous MRT identification (15 December 2022)

Roles leaving the MRT perimeter	Roles entering the MRT perimeter
<ul style="list-style-type: none"> Daniele Weisz - Head of Pricing Francesco Ramazzotti - Head of Business Partnership Paolo Piovini - Head of Business Operations & Credit Support Lorenzo Gamberi - Head of Business Development 	<ul style="list-style-type: none"> Marco Sion Raccach - General Manager (Arec neprix S.p.A.) Francesco Piovanelli - Head of Private Capital Funds (illimity SGR S.p.A.) Francesco Noventa - Head of ICT Platforms & Data Monetization Fabio Pelati - Head of IR & Sustainability

Result of the revision of the 2023 identification process

ID	Article 92 paragraph 3, points a), b) and c) – Directive 2013/36/EU	Result
a)	All members of the management body and senior management;	<ul style="list-style-type: none"> Corrado Passera - CEO of illimity Bank Rosalba Casiraghi - Board Chair Massimo Brambilla - Director Patrizia Canziani - Director Marcello Valenti - Director Elena Cialliè - Director Francesca Lanza Tans - Director Giovanni Majnoni D'Intignano - Director Paola Elisabetta Galbiati - Director Filippo Annunziata - Director Marco Bozzola - Director Stefano Caringi - Director Nadia Fontana - Director Andrea Clamer - Head of Distressed Credit Carlo Panella - Head of b-ilty Enrico Fagioli - Head of Growth Credit
b)	Staff members with managerial responsibility over the institution's control functions or material business units;	<ul style="list-style-type: none"> Claudio Nordio - Chief Risk Officer Francesco Martiniello - Chief Compliance & AFC Officer Fabio Marchesi - Head of Internal Audit <p>Taking the definition of «material operating/business unit» as being a business unit as defined in article 142, paragraph 1, point 3 of Regulation (EU) No 575/2013 which also satisfies one of the following conditions:</p> <p>a) it has been allocated internal capital of at least 2% of the total capital of the entity pursuant to article 73 of Directive 2013/36/EU or has otherwise been valued by the entity as having a material impact on the entity's internal capital;</p> <p>b) it is a core business line as defined by article 2, paragraph 36 of Directive 2014/59/EU of the European Parliament and of the Council, the following persons are to be considered Material Risk Takers under the present criterion as they have originated Weighted Assets for Credit, Market and Operating Risk (RWAs) of at least 2% of the Group's total RWAs, measured at 31 December 2022 and estimated for 2023 on the basis of the Budget data, as per the opinion of the CRO issued on 28 February 2023:</p> <ul style="list-style-type: none"> Silvia Benzi - Chief Financial Officer Enrico Fagioli - Head of Growth Credit Andrea Clamer - Head of Distressed Credit Fabiano Lionetti - Head of Investment Banking

			<ul style="list-style-type: none"> • Umberto Moretti - Head of Turnaround • Stefano Ortolano - Head of Crossover & Acquisition Finance • Franco Marcarini - Head of Factoring • Massimo Bianchi - Head of Special Situations Real Estate • Andrea Montana - Head of Portfolios • Elena Maspoli - Head of Special Situations Energy • Luca Preziosi - Head of Senior Financing • Maurizio Spadaccino - Head of Corporate Solutions • Lorenzo De Novellis - Head of ALM & Treasury
c)	Staff members entitled to significant remuneration in the preceding financial year, provided that the following conditions are met:	<p>(i) the staff member's remuneration is equal to or greater than EUR 500 000 and equal to or greater than the average remuneration awarded to the members of the institution's management body and senior management referred to in point (a);</p> <p>(ii) the staff member performs the professional activity within a material business unit and the activity is of a kind that has a significant impact on the relevant business unit's risk profile.</p>	<ul style="list-style-type: none"> • Corrado Passera - CEO of illimity Bank • Enrico Fagioli - Head of Growth Credit • Andrea Clamer - Head of Distressed Credit • Carlo Panella - Head of b-ilty • Fabiano Lionetti - Head of Investment Banking <p>The variable remuneration of the previous financial year to that for which it is attributed is that taken into consideration (variable remuneration attributed in 2022 with reference to performance year 2021).</p> <p>The calculation of the average remuneration paid to members of the entity's management body and top management as per point a) led to an average of approximately EUR 258,000 and as a result - as provided by laws and regulations - the higher threshold of EUR 500,000 was taken.</p>

Article 5 - Qualitative criteria - Commission Delegated Regulation (EU) 2021/923 of 25 March 2021			Result
ID			
a)	<p>The staff member has managerial responsibility for:</p> <p>i) legal affairs;</p> <p>ii) the soundness of accounting policies and procedures;</p> <p>iii) finance, including taxation and budgeting;</p> <p>iv) performing economic analysis;</p> <p>v) the prevention of money laundering and terrorist financing;</p> <p>vi) human resources;</p> <p>vii) the development or implementation of the remuneration policy;</p> <p>viii) information technology;</p> <p>ix) information security;</p> <p>x) managing the outsourcing arrangements of critical or important functions in illimity SGR as referred to in article 30, paragraph 1</p>		<ul style="list-style-type: none"> • Giovanni Lombardi - General Counsel • Sergio Fagioli - Head of Admin., Accounting & Control (*) • Fabiano Lionetti - Head of Investment Banking • Iacopo Zucchi - Head of Strategy & Planning • Silvia Benzi - Chief Financial Officer • Francesco Martiniello - Chief Compliance & AFC Officer • Marco Russomando - Chief HR & Organization Officer • Antonio Alessio Gallo - Head of Reward & Development • Filipe Ferreira Teixeira - Chief Information Officer • Paola Tondelli - Head of UTP & Turnaround Funds (*) <p>(*) Persons also identified for their position as Executive Directors of illimity SGR since in charge of managing outsourcing arrangements.</p>

	of Commission Delegated Regulation (EU) 2017/565		
b)	The staff member has managerial responsibilities for any of the risk categories set out in Articles 79 to 87 of Directive 2013/36/EU, or is a voting member of a committee responsible for the management of any of the risk categories set out in those Articles;	Article 79 - Credit and counterparty risk	<p>Permanent members with voting rights of the Finance Committee:</p> <ul style="list-style-type: none"> • Silvia Benzi - Chief Financial Officer • Lorenzo De Novellis - Head of ALM & Treasury • Carlo Panella - Head of b-ilty • Andrea Clamer - Head of Distressed Credit • Enrico Fagioli - Head of Growth Credit • Fabiano Lionetti - Head of Investment Banking • Filipe Ferreira Teixeira - Chief Information Officer • Fabio Bianchini - Chief Lending Officer • Giovanni Lombardi - General Counsel <p>Permanent members with voting rights of the Credit and Investment Committee:</p> <ul style="list-style-type: none"> • Corrado Passera - CEO of illimity Bank • Enrico Fagioli - Head of Growth Credit • Andrea Clamer - Head of Distressed Credit • Fabiano Lionetti - Head of Investment Banking • Carlo Panella - Head of b-ilty • Silvia Benzi - Chief Financial Officer • Fabio Bianchini - Chief Lending Officer <p>Credit and counterparty risk also includes migration risk and real estate risk, identified as material during the 2023 ICAAP.</p>
		Article 80 - Residual risk	Permanent members with voting rights of the Credit and Investment Committee - already identified.
		Article 81 - Concentration risk	
		Article 82 - Securitisation risk	<p>Permanent members with voting rights of the Finance Committee - already identified.</p> <p>Market risk also includes sovereign risk, identified as material during the 2023 ICAAP.</p>
		Article 83 - Market risk	
		Article 84 - Interest rate from non-trading book activities	
		Article 85 - Operational risk	
		Article 86 - Liquidity risk	<ul style="list-style-type: none"> • Fabio Bianchini - Chief Lending Officer • Andrea Clamer - Head of Distressed Credit • Carlo Panella - Head of b-ilty • Enrico Fagioli - Head of Growth Credit • Silvia Benzi - Chief Financial Officer • Andrea Battisti - CEO of Arec neprix • Renato Ciccarelli - CEO of Abilio • Filipe Ferreira Teixeira - Chief Information Officer • Marco Sion Raccah - General Manager of Arec neprix
		Article 87 - Risk of excessive leverage	

c)	<p>With regard to credit risk exposures of a nominal amount per transaction, representing 0.5 % of the institution's Common Equity Tier 1 capital and which is at least EUR 5 million, the staff member meets one of the following criteria:</p> <p>i) the staff member has the authority to take, approve or veto decisions on such credit risk exposures;</p> <p>ii) the staff member is a voting member of a committee which has the authority to take the decisions as referred to in point (i) of this point (c);</p>	<p>Permanent members with voting rights of the Credit and Investment Committee - already identified.</p>
d)	<p>In relation to an institution for which the derogation for small trading book businesses set out in Article 94 of Regulation (EU) No. 575/2013 does not apply, the staff member meets one of the following criteria:</p> <p>(i) the staff member has the authority to take, approve or veto decisions on transactions on the trading book that in aggregate represent one of the following thresholds:</p> <ul style="list-style-type: none"> — where the standardised approach is used, an own funds requirement for market risks that represents 0.5 % or more of the institution's Common Equity Tier 1 capital; — where an internal model-based approach is approved for regulatory purposes, 5 % or more of the institution's internal value-at-risk limit for trading book exposures at a 99th percentile (one-tailed confidence interval level); <p>(ii) the staff member is a voting member of a committee that has the authority to take the decisions mentioned in point (i) of this point;</p>	<ul style="list-style-type: none"> • Silvia Benzi - Chief Financial Officer • Fabiano Lionetti - Head of Investment Banking
e)	<p>The staff member heads a group of staff members who have individual authorities to commit the institution to transactions and either of the following conditions is met:</p> <p>(i) the sum of those authorities equals or exceeds the threshold referred to in point (c)(i) or in point (d)(i), the first indent;</p> <p>(ii) where an internal model-based approach is approved for regulatory purposes, those authorities amount to 5 % or more of the institution's internal value-at-risk limit for trading book exposures at a 99th percentile (one-tailed confidence interval level); where the institution does not calculate a value-at-risk at the level of that staff member, the value-at-risk limits of staff under the management of this staff member shall be added up;</p>	<ul style="list-style-type: none"> • Corrado Passera - CEO of illimity Bank • Fabio Bianchini - Chief Lending Officer • Andrea Clamer - Head of Distressed Credit • Carlo Panella - Head of b-ilty • Enrico Fagioli - Head of Growth Credit • Silvia Benzi - Chief Financial Officer
f)	<p>The staff member meets either of the following criteria with regard to decision on approving or vetoing the introduction of new products:</p> <p>(i) the staff member has authority to take such decisions;</p> <p>(ii) the staff member is a voting member of a committee that has authority to take such decisions.</p>	<p>The voting members of the Product Committee:</p> <ul style="list-style-type: none"> • Silvia Benzi - Chief Financial Officer • Filipe Ferreira Teixeira - Chief Information Officer • Enrico Fagioli - Head of Growth Credit • Andrea Clamer - Head of Distressed Credit • Carlo Panella - Head of b-ilty • Fabiano Lionetti - Head of Investment Banking • Francesco Martiniello - Head of Compliance & AFC Officer • Giovanni Lombardi - General Counsel • Fabio Pelati - Head of IR & Sustainability

ID	Art 6 - Quantitative criteria - Commission Delegated Regulation (EU) 2021/923 of 25 March 2021	Result
1	In addition to staff members identified under the criteria set out in Article 92(3), points (a) and (b), of Directive 2013/36/EU, staff members shall be deemed to have a material impact on an institution's risk profile where any of the following quantitative criteria are met:	(a) the staff members, including staff members as referred to in Article 92(3), point (c), of Directive 2013/36/EU, have been awarded in or for the preceding financial year a total remuneration that is equal to or greater than EUR 750 000;
		(b) where the institution has over 1 000 members of staff, the staff members are within the 0.3 % of staff, rounded to the next higher integral figure, which has, within the institution, been awarded the highest total remuneration in or for the preceding financial year on an individual basis.
		<ul style="list-style-type: none"> • Corrado Passera - CEO of illimity Bank • Enrico Fagioli - Head of Growth Credit • Andrea Clamer - Head of Distressed Credit Not applicable as the illimity Group has fewer than 1,000 members of staff.

ID	Additional criteria established on the basis of the opinion issued by the CRO on 28 February 2023	Result
1	Holders of organizational positions who, at the date on which the process for identifying Material Risk Takers is completed, have direct responsibility in governing material business risks, the object of identification in the ICAAP, are not already included in the list of risks specifically identified by the CRR and are not identified under regulatory qualitative criteria.	Reputational and Strategic Risk <ul style="list-style-type: none"> • Vittoria La Porta - Chief Communication & Marketing Officer
2	Holders of organizational positions who, at the date on which the process for identifying Material Risk Takers is completed, have contributed significantly to Concentration Risk for loan exposures with one or more transactions included in the TOP 20.	This criterion leads to the identification of the heads of the organizational units that have contributed the most to concentration risk: <ul style="list-style-type: none"> • Umberto Moretti - Head of Turnaround • Stefano Ortolano - Head of Crossover & Acquisition Finance • Franco Marcarini - Head of Factoring • Massimo Bianchi - Head of Special Situations Real Estate • Luka Stanisljevic - Head of Claims Solutions • Andrea Montana - Head of Portfolios • Luca Preziosi - Head of Senior Financing
3	Holders of organizational positions who, at the date on which the process for identifying Material Risk Takers is completed, have made a major contribution to material operating losses, understood as being the top 20 operating losses (equal to or greater than EUR 50,000) recognised in the Loss Data Collection process during the two year period 2021-2022 and in the first two months of 2023.	This criterion leads to the identification of the Heads of the organizational units that have contributed the most to the top 20 losses (only actual losses equal to or greater than EUR 50,000): <ul style="list-style-type: none"> • Amiran Tsintsadze - Head of Digital Lending Product & Management

4	<p>Staff who, although not identified by the application of the previous criteria and/or not having a formal organizational position, from the analyses and assessments conducted by the CRO are considered able to exercise significant future influence – in strategic and operational terms – over the Bank's operational processes and decisions.</p>	<ul style="list-style-type: none"> • Paola Tondelli - Head of UTP & Turnaround Funds of illimity SGR • Francesco Piovaneli - Head of Private Capital Funds of illimity SGR • Lorenzo De Novellis - Head of ALM & Treasury • Francesco Noventa - Head of ICT Platforms & Data Monetization
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SECTION II - REPORT ON COMPENSATION PAID IN 2022

1. INTRODUCTION

In accordance with applicable regulatory provisions on listed companies, this Section provides information on compensation for 2022 on an individual name basis for Directors and on an aggregate basis for Executives with Strategic Responsibilities.

In addition, this Section sets out the qualitative and quantitative information required by article 450 of the Capital Requirements Regulation (CRR), with particular reference to the Group's Material Risk Takers analyzed by category.

More specifically:

- the first part provides a summary of the Company's results for 2022 together with an appropriate representation of each of the items making up remuneration, including the compensation due on termination of office or the Employment Relationship, noting the consistency of this with the remuneration policy of illimity approved in the previous year;
- the second part provides analytical details of the compensation paid during the year of reference for whatsoever reason and in whatsoever form by the Company and its subsidiaries and associates, using the tables as per Annex 3 - Schedule 7-bis of the Issuers' Regulation and the additional information required by article 450 of the CRR;
- the third part sets out, as required by article 84-quarter, paragraph 4 of the Issuers' Regulation - using the criteria established in Annex 3A, Schedule 7-ter of that Regulation - the holdings in illimity held by members of the management and control bodies, as well as by their non-legally separated spouses and minor children, directly or by way of a controlled company, a trust company or intermediary, that are recorded in the shareholders' register or arise from information that has been received in communications or from the members of the management and control bodies themselves.

FIRST PART

1. 2022 RESULTS

At its meeting of 9 February 2023, the Board of Directors of illimity Bank S.p.A. approved the illimity Group's results at 31 December 2022, which show a net profit of EUR 75.3 million, up by 15% over 31 December 2021.

The main dynamics of 2022:

- The year was characterised by a significant rise in customer loans and investments, which reached EUR 3.8 billion (+37% y/y), driven by strong business origination which reached a total of EUR 1.7 billion in the year, up by 53% y/y thanks to the contribution of all the business divisions.
- Operating profit rose to EUR 324.6 million, up by 20% y/y, driven by the increase in net interest income (+22% y/y), which benefited both from an upswing in volumes and the rise in interest rates, and the growth in net fees and commissions (+73% y/y), resulting from the significant level of business origination, the acceleration in servicing mandates and the increased contribution made by investment banking activities.
- Operating costs ended the year at EUR 193.6 million euro, up by 21% y/y due to the completion of the sizing of the operating structures and investments carried out to launch the three tech initiatives.
- As the result of the above three dynamics, operating profit closed at EUR 131.0 million, an increase of 18% y/y. Pre-tax profit reached EUR 100.9 million with net profit ending the year at EUR 75.3 million.
- Credit quality continued at excellent levels with an organic NPE ratio of 1.4% and a cost of risk that remained contained at 30 bps thanks to (i) a very prudent and selective approach during the onboarding phase of operations, (ii) a high guaranteed component of the loans of the Growth Credit Division of 55% and (iii) a conservative valuation of the assets with a real estate underlying in the investment portfolio of the Distressed Credit division.
- The capital base remains solid and at a high level with a phased-in CET1 ratio of 15.8% and a phased-in Total Capital Ratio of 20.4%, as well as a liquidity reserve remaining robust at EUR 0.6 billion, with widely diversified sources of finance ranging from retail to corporate and institutional.
- Among the key events in 2022 was the finalization of the merger giving rise to Arec neprix (effective from 1 January 2023); this is now the third player in the UTP market with assets under management of around EUR 10 billion, of which 30% non-captive. The combination of the expertise of the two companies - on the one hand an engineered, scalable and specialised approach by neprix in the management of corporate loans and on the other AREC's competence in the value enhancement of real estate assets and large-scale UTP loans - has led to the birth of a total asset management company capable of identifying solutions to complex situations that generate value for all the parties involved. Arec neprix's unique and distinctive business model will generate incremental business opportunities and significant Group synergies.
- In addition, investments have been completed for the set-up of the three tech initiatives, b-ilty, Quimmo and HYPE, whose contribution to Group earnings was a loss of EUR 20 million, although significant improvements in the result are already expected starting in 2023.

Update on the Group's Sustainability Plan:

- Sustainability is integrated into every aspect of illimity's strategy and activities, as well as being an essential component of its corporate identity. This approach has led to the achievement of important results in 2022 thanks to illimity's sustainable growth path.
- The business model, 100% cloud-based and fully digital, enables optimization of the direct environmental impact, making illimity's emission intensity the lowest in the Italian banking sector. illimity has been carbon neutral (Scope 1 and 2 emissions) since 2021.
- The workforce consists of over 850 illimiters, with a well-balanced gender mix embracing three generations, coming from over 300 organizations and more than 20 different sectors. These characteristics have enabled illimity to obtain UNI PdR gender equality certification, the first in the banking sector. In addition, illimity has been included as a Great Place to Work for the fourth successive year and for the second time is included among the Best Workplaces at a European level.
- The considerable emphasis given to sustainability matters and the enormous progress made by the Bank in this environment have led to an improvement in all the most significant ESG ratings in 2022, enabling it to quickly achieve scores in line with the best market players despite illimity's relative youth.
- On the basis of the significant results and with a view to constantly improving its ESG strategy, the Bank has approved new qualitative and quantitative targets through 2025, aiming at the pursuit of growth increasingly inspired by sustainability.
- Environmental objectives focused in particular on the pressing question of the transition towards a net-zero economy, in which the banks play, and will play, a key role in supporting and accompanying the financed businesses in their energy transition process. The objectives of a social nature have been strengthened by way of diversity and inclusion commitments, gender equality certification and initiatives to increase employee awareness. Lastly, from its very beginnings, illimity is aligned to best practice regarding the integration of sustainability into its business strategies, its processes, its policies and its Group governance policies, and aims to consolidate this positioning.

2. REMUNERATION OF THE MEMBERS OF ILLIMITY'S BOARD OF DIRECTORS

Estimates for the compensation of the Board of Directors for 2022

On 28 April 2022 the Shareholders' Meeting of illimity S.p.A. approved the proposal included at item 5 on the agenda regarding the appointment of the corporate bodies and the relative compensation, consistent with the adoption of the "one-tier" governance model it approved on 21 February 2022.

In particular, the compensation of the Board of Directors which stands at the market median on the basis of benchmark data provided by WTW (an independent advisor), envisages the following gross annual amounts, plus the reimbursement of expenses incurred in exercising office, to be attributed pro-rata temporis over the term of office:

- Chair of the Board of Directors: EUR 180,000;
- Chief Executive Officer: EUR 680,000;
- Directors: EUR 50,000;
- Chair of the Risks Committee: EUR 25,000;
- Chair of other board Sub-Committees: EUR 15,000;
- Member of the Risks Committee: EUR 15,000;
- Member of other board Sub-Committees: EUR 10,000.

Fees for attending committee or board meetings are not envisaged.

As described in illimity's Report on compensation paid in 2021, the compensation approved by the Ordinary Shareholders' Meeting of illimity Bank on 22 April 2021 applied to the Board of Directors in office until the Shareholders' Meeting of 28 April 2022.

The activities of illimity's Board of Directors in 2022¹⁵

illimity's Board of Directors met 29 times in 2022 with an average attendance for the year of 94%.

The board's Sub-Committees met on 73 meeting (including the reunions of the Audit and Internal Control Committee) with an average attendance for the year of 99%.

Compensation paid to members of the Board of Directors in 2022

Compensation paid to the Board of Directors for 2022 was in line, for its portion, with the resolutions adopted by the Ordinary Shareholders' Meeting of illimity Bank of 22 April 2021 and for the remainder in line with the resolutions adopted by the Ordinary Shareholders' Meeting of 28 April 2022, for an annual total of EUR 755,598, including documented expenses. This amount does not include the compensation of the members of the Audit and Internal Control Committee which is described in the section below.

In accordance with the provisions of the 2022 Remuneration Policies no variable remuneration components were granted during the year and no compensation was paid to any member of the Board of Directors for early termination of office.

Reference should be made to the specific Table in the Second Part of this Section for a description by individual name of the compensation paid to each member of the Board of Directors in 2022, in accordance with the provisions of the Issuers' Regulation.

3. REMUNERATION OF THE MEMBERS OF THE AUDIT AND INTERNAL CONTROL COMMITTEE

The provisions of the 2022 Remuneration Policy

The Shareholders' Meeting of 28 April 2022 appointed the Audit and Internal Control Committee (AICC) and approved the compensation due to its members, following approval for the adoption of the "one-tier"

¹⁵ Details of the activities performed by the Remuneration Committee can be found in Annex 2.

governance model on 21 February 2022; more specifically, the gross annual compensation due to members of the AICC for each of their three years of activity is as follows:

- Chair of the AICC: EUR 85,000;
- Member of the AICC: EUR 60,000.

Attendance fees are not envisaged, while any expenses incurred in exercising office are reimbursed.

As regards the members of the Board of Statutory Auditors, in office until the Shareholders' Meeting of 28 April 2022, the compensation approved by the Ordinary Shareholders' Meeting of illimity Bank of 22 April 2021 was applied, as described in illimity's Report on compensation paid in 2021.

The activity of the Board of Statutory Auditors and the Audit and Internal Control Committee in 2022

The parent company's Board of Statutory Auditors met 7 times in 2022 with an average attendance of 95% while the Audit and Internal Control Committee met 19 times with an average attendance of 100%.

Compensation paid to the members of the Parent Company's Board of Statutory Auditors and Audit and Internal Control Committee in 2022

The compensation paid for 2022, exclusively fixed, was in line with the provisions of the resolutions adopted by the Shareholders' Meetings of 22 April 2021 and 28 April 2022, with the total for the year being EUR 214,874, including reimbursements of expenses at the bottom of the list and net of fees received for participation in the Supervisory Body.

Reference should be made to the specific Table 1 of Annex 3A, schedule 7-bis in the Second Part of this Section for a description by individual name of the compensation paid to each member in 2022.

4. DEROGATION MECHANISM FOR THE 2022 BONUS POOL

The 2022 Remuneration Policy envisages the possibility, applying article 123-ter, paragraph 3-bis of the TUF, for an entity to derogate temporarily from its Remuneration and Incentive Policies in the case of exceptional circumstances, without affect to the need to comply with legislative and regulatory restrictions and consistent with laws and regulations governing the management of related party transactions and transactions of personal interest.

Exceptional circumstances are situations in which derogation from the Remuneration Policy is necessary to pursue the long-term interest and sustainability of the Bank as a whole or to ensure its ability to operate on the market.

Despite the adverse political and macroeconomic situation in 2022 for the Group's specifics, illimity has achieved a profitability result which approximates its 2022 budgeted target and is improving as each year passes. The 2022 Remuneration Policy provides that with a result close to the budgeted figure at most 50% of the bonus pool target should vest.

Applying this provision would imply only a partial recognition of the more than positive results achieved by each of the Group's Divisions (e.g. Growth Credit, Investment Banking and Distressed Credit in illimity Bank S.p.A.) or results close to budget as in the case of the central functions, with the resulting risks in terms of retention and attraction of talent, given the strong competitiveness in the sector and the pursuit of the Bank's long-term interests, and also in view of the additional challenges included in the 2023 budget.

In this respect, the 2022 Remuneration Policy includes achievement of the Plan's objectives among the bonus pool sizing criteria, in this way linking the annual result to the Bank's long-term objectives.

In order to support the Bank's incentive policy, consistent with the pay for performance principle, and secure the Bank's long-term interests, the proposal was made to the Board of Directors to derogate from the Bonus Pool sizing criterion, provided that, on approaching the budgeted result, the total amount of variable remuneration approaches the target level. The Bonus Pool thus defined was also subject to Risk and Financial assessment.

The derogation proposal has received a favourable opinion from the Remuneration Committee, after consultation the corporate bodies responsible for the profiles of their respective competence and consistent with the legislation on related Party Transactions.

The total amount for the Bonus Pool accordingly amounts to EUR 8.6 million, which corresponds to an average coverage of 64% of the MBO target for the Group as a whole, divided into the various structures given the relative divisional and individual performance. This amount for the Bonus Pool is also considered functional to supporting the competitiveness and purchasing power of the Group's population as a whole.

5. REMUNERATION OF ILLIMITY'S CHIEF EXECUTIVE OFFICER

In accordance with the Group's 2022 Remuneration and Incentive Policy, the Chief Executive Officer¹⁶ of illimity received, with reference to 2022 performance:

- a gross fixed emolument of EUR 680,000, considering that on the basis of the resolution adopted by the Shareholders' Meeting of illimity Bank S.p.A. of 22 April 2021;
- a gross MBO variable remuneration of EUR 200,000 approved by the Board of Directors on 9 February 2023, following the determination of the final size of the 2022 Bonus Pool (as described in the previous chapter) and the assessment of individual performance (as shown in the figure below). The bonus is payable in cash, 80% up-front and 20% deferred for two years, as provided by the 2022 MBO Incentive Scheme. The presented figures are in line with the documentation approved by the Shareholders' Meeting of illimity on 28 April 2022.

¹⁶ It is noted that together with remaining Top Management, the Chief Executive Officer holds a portion of the 1,440,000 illimity special shares. illimity's Bylaws provide that such illimity special shares (before the Merger, SPAXS special shares), held by the Chief Executive Officer and by Top Management, shall be automatically converted to illimity ordinary shares (i) at a conversion ratio of 1:8 in the case in which, by 20 September 2022, the average price of illimity ordinary shares traded on the Electronic Stock Market, is greater than or equal to EUR 13.9663866 for at least 22 consecutive stock market trading days; or (ii) at a conversion ratio of 1:1 in the case in which, by 20 September 2022, the automatic conversion assumption at point (i) has not been satisfied. The latter scenario occurred.

Macro Area	Area	Weight	KPI	Target	Outcome	Level of achievement		
						Min	Target	Max
Financials	Profitability	20%	Return on Average Equity	9,7%	9,3%			
		10%	Cost/Income	57,6%	60,2%			
	Risk	10%	Gross Organic NPE Ratio	2,0%	2,6%			
Strategy	Strategic action	10%	<ul style="list-style-type: none"> Start B-ility; Neprix evolution (e.g. Quimmo project); Start of strategic sites with ION ecosystem (Cedacri, Cerved, digital capital markets, ecc.); Extension of SGR operations on new sectors and fundraising; Development of commission activities (e.g. Invest. Banking); Strengthening hype strategic design and push to achieve goals Plan. 	100%	80%			
	Digital strategic action	10%	Definition and implementation, in partnership with the CIO, of specific initiatives at Group level aimed at rethinking/redesigning activities and processes in a digital key (e.g., development of partnerships with ION, digital evolution of the B-ility project and Joint-Venture in HYPE)	100%	100%			
	ESG	15%	Contribution to the path of consolidation of illimity on ESG issues, as per Strategic Plan, on: <ul style="list-style-type: none"> annual employee engagement with a Satisfaction Index (SI) and Trust Index (TI) > 70%; increase of women in managerial (W) and gender balancing roles in the company "talent pool" (TP) vs. end 2022; improvement of the current Standard Ethics (SE) and CDP vs. end 2022 rating; annual progression on the "Environment" targets set by the Strategic Plan 	SI > 70% TI > 70% W > 0 TP: 50:50 SE: EE- CDP: B- E: 100%	SI: 77% TI: 80% W: +23% TP: ~50:50 SE: EE- CDP: B E: 100%			
Behaviors	Behaviors	25%	Assessment of behaviours based on the illimity leadership model	100%	120%			
Total				100%	92%			

The evaluation of behaviours was carried out by the Board of Directors with reference to the leadership model adopted by the illimity Group, also considering the average value of the so-called "cross evaluation" carried out by the Chief Executive Officer's direct reporting lines on the positive behaviours acted by him during 2022.

It is further recalled that the Chief Executive Officer is also a beneficiary of the 2021-2025 Long-Term Incentive Plan approved by the Shareholders' Meeting of 15 December 2021 for up to 93,162 shares over the timeframe of the Plan. This Plan provides for the awarding of an incentive, based on three three-year performance cycles, whose granting is dependent on satisfying the specific entry Gates and achieving the targets stated in the 2021, 2022 and 2023 Remuneration Policies, in line with the strategic planning. Consequently, the incentive that has actually vested will only be known at the end of the performance period, depending on the degree to which the reference objectives have been met (further details can be found in Section I of such Policies).

As part of the Company's benefit policy, the Chief Executive Officer availed himself of the standard benefits envisaged for the category to which he belongs.

The following comparative information is provided for the period for which the Company has been listed, in accordance with the disclosure requirements of the Issuers' Regulation:

		2022	2021	2020	2019	Diff. '22 vs. '21	Diff. '21 vs. '20	Diff. '20 vs. '19
	'000 Euro							
CEO	Passera C.	905	879	555	555	3%	58%	0%
BoD Chair	Casiraghi R.	195	172	140	140	14%	23%	0%
	Brambilla M.	57	50	50	50	14%	0%	0%
	Cialliè E.	82	75	75	65	9%	0%	15%
	Valenti M.	75	66	-	-	14%	-	-
BoD Member	Galbiati P.	72	58	-	-	24%	-	-
	Majnoni d'Intignano G.	72	45	-	-	60%	-	-
	Canziani P.	72	45	-	-	60%	-	-
	Lanza Tans F.*	54	2	-	-	2796%	-	-
	Annunziata F.	44	-	-	-	-	-	-
BoSA/AICC Chair	Riva E.	23	70	70	76	-68%	0%	-7%
	Bozzola M.	57	-	-	-	-	-	-
AICC Member	Caringi S.	67	50	50	58	34%	0%	-14%
	Fontana N.	64	50	50	52	27%	0%	-5%
Employees	Avg gross annual remuneration	56	56	55	55	0%	2%	-1%
Performance	Profit Before Taxes ('000 mln)	100,9	80,8	38,7	-28,5	25%	109%	236%

Note: the figures for the Chief Executive Officer (CEO), Board of Directors (BoD), Board of Statutory Auditors (BoSA), Audit and Internal Control Committee (AICC) are based on those stated in the tables detailed by name provided in the Second Part of this Report.

* The increase in the remuneration of Director Lanza Tans is mainly due to the pro-rata temporis remuneration of 2022 compared to what was received by her in 2021.

6. REMUNERATION OF OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

Consistent with the provisions of the 2022 Remuneration Policy, the other Executives with Strategic Responsibilities¹⁷ or ESR, all included within the perimeter of 2022 Material Risk Takers, received remuneration balanced between fixed and variable during the year.

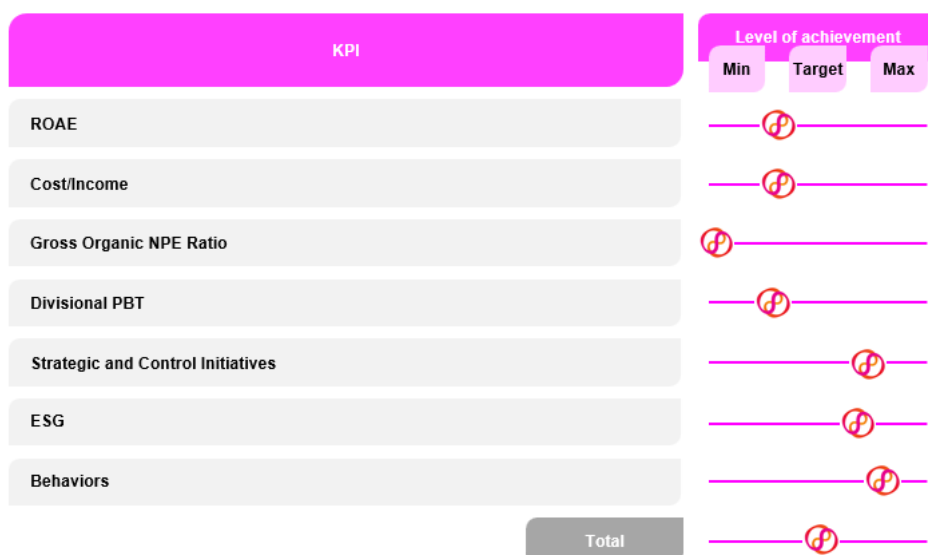
With specific regard to the 2022 MBO short-term variable component, on 9 February 2023, after ensuring that the capital and liquidity requirements set by the 2022 Remuneration Policy had been met (Table 1) and after consulting with the Risks Committee, the Remuneration Committee and the Audit and Internal Control Committee for the profiles for which they are responsible, the Parent Company's Board of Directors approved the total to be included in the 2022 Bonus Pool, equal to an amount of EUR 8.6 million (including social charges and contributions) for the Group as a whole (with the exception of illimity SGR S.p.A. which has a separate Bonus Pool as provided by the SGR's 2022 Remuneration Policy).

¹⁷ This category consists of Executives with Strategic Responsibilities with the exclusion of the Chief Executive Officer and the parent company's directors, whose remuneration is discussed separately in this Report. In accordance with the requirements of Annex 3 - Schedule 7-bis of the Issuer's Regulation, details of remuneration are provided on an aggregate basis for this residual category of Executives with Strategic Responsibilities.

Section II - Table 1 - 2022 MBO gates check

Indicator	Target at 31/12/2022 (Gates)	Results at 31/12/2022
Group CET1 Ratio	≥ RAF tolerance = 15.25%	15.8%
Group LCR Ratio	≥ RAF tolerance = 160%	317.3%
Group Net Income	> 0	75 mln €

It should be noted that the 2022 bonuses assigned to the other Executives with Strategic Responsibilities are linked to the achievement of specific performance objectives identified at Group/Division/Area¹⁸ level, the final figures of which are shown below with an aggregated and simplified view:



In connection with the long-term incentive component, 11 Executives with Strategic Responsibilities are beneficiaries of the 2021-2025 Long-Term Incentive Plan, which provides for the awarding of an incentive, based on three three-year performance cycles, whose granting is dependent on satisfying the specific entry Gates and achieving the objectives set in the 2021-2025 Strategic Plan. As a result, the incentive that has actually vested will only be known at the end of the performance period.

Specifically, the above-mentioned ESR were awarded a maximum total of 581,133 rights to receive shares over the timeframe of the 2021-2025 Plan, with disbursement dependent on achieving pre-determined performance objectives (see Section I for further details).

It is additionally noted that during 2022, in accordance with the 2022 Remuneration Policy, an agreement was carried out with an Executive with Strategic Responsibilities relating to compensation payable on the possible early termination of the Employment Relationship and a non-competition agreement, given the strategic nature and visibility of the position held. More specifically, in line with applicable laws and regulations, a Golden

¹⁸ Inside this category, the Group's Material Risk Takers having business control functions and the Manager in Charge of drafting the Financial Statements of illimity Bank S.p.A. have been given objectives linked solely to their specific responsibilities and illimity's leadership model.

Parachute is provided for, equivalent to 12 months' fixed remuneration, in case of the termination of the Employment Relationship caused by i) dismissal not for just cause as per article 2119 of the Italian Civil Code; ii) resignation tendered for just cause as per article 2119 of the Italian Civil Code; and iii) resignation tendered within 365 days of the event motivating the resignation, in case of an extraordinary operation arising from a change of control of the Bank and/or in the event of a change in the composition of corporate top management. In addition, a 12-month non-competition agreement is included in the same agreement with the period running from the date of termination, payable as to 12 months' fixed remuneration. The pay-out mechanism and the adjusting and risk-alignment mechanisms (malus and clawback) regarding these forms of remuneration are governed within the Remuneration Policy, in force from time to time, in accordance with applicable laws and regulations.

As part of the Company's benefit policy, such Executives availed themselves of the standard benefits envisaged for the respective category to which they belong (Top Management, Division/Corporate Managers, Managers).

Reference should be made to Tables 3A and 3B of the Second Part of this Section for the aggregated compensation paid in 2022, in accordance with the provisions of the Issuers' Regulation.

7. REMUNERATION OF ILLIMITY'S MATERIAL RISK TAKERS AND REMAINING PERSONNEL

This section of the Report describes the variable remuneration paid during 2022 to:

- the remaining Material Risk Takers for 2022 not included as Executives with Strategic Responsibilities as per the previous chapter;
- the remaining personnel of the Group.

In accordance with applicable legislation, reference should be made to the specific table of the Second Part of this Section for the relative aggregate disclosures for Material Risk Takers.

No compensation was agreed nor paid to any Material Risk Taker in 2022 for the early termination of the Employment Relationship or early termination of office, other than what stated in the previous chapter.

2021-2025 Long-Term Incentive Plan

The 2021-2025 Long-Term Incentive Plan, which was approved by the Shareholders' Meeting of 15 December 2021 and replaced the previous Stock Option Plan (SOP) and the 2020-2023 Long-Term Incentive Plan, cancelled and deprived of any effect, has the following aims:

- to ensure the maintenance of a strict 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;
- to ensure alignment with the plan's new timeframe while at the same time providing for three pay-out cycles starting with an analysis of the 2021 results;
- to enable the effective contribution of the management of the illimity Group to be evaluated (in terms of organizational relevance and performance quality), also including beneficiaries who have had significant managerial growth;

- to support 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 (Environmental, Social & Governance) objectives in addition to those of an economic and financial nature.

The LTI plan envisages the awarding on an individual basis of rights to receive shares. This LTI Plan is divided into three cycles measuring the Performance Objectives, and namely for the three-year periods 2021-2023, 2022-2024, 2023-2025, covering the plan's entire timeframe (a "rolling" plan), determining the effective granting of illimity shares, conditional on the achievement of the objectives of the Strategic Plan and the gates, as stated in the Implementing Regulation of the Plan and the relative information document¹⁹.

Table 2 below shows the maximum number of rights to receive shares allocated by category at 31 December 2022 (including also the information regarding the Chief Executive Officer and the Executives with Strategic Responsibilities as described above) as part of the 2021-2025 LTI Plan:

Section II - Table 2 Award status of rights to receive shares by category at 31.12.2022	
Type of beneficiary (number)	Max rights to receive shares
Chief Executive Officer (1)	93,162
Other Executives with Strategic Responsibilities (11)	581,133
Other Material Risk Takers (18)	633,905
Other personnel (48)	438,028
Total (78)	1,746,228

Therefore a total of 1,746,228 rights to receive shares have been awarded free of charge, representing 2.1% of the total "fully diluted" number of shares, consistent with the features of the increase in share capital to service the LTI Plan approved by the Ordinary Shareholders' Meeting on 15 December 2021²⁰.

Reference should be made to table 3A of Second Part of this Section for the aggregate indication of the rights awarded, in line with the provisions contained in the Issuers Regulations.

¹⁹ For further details on the features of the LTI Plan reference should be made to the Information Document on the Plan prepared and published by the Bank pursuant to Schedule 7 of Annex 3A to the Issuers' Regulation and available on the Bank's website www.illimity.com under the section Governance/Shareholders and BoD Meetings.

²⁰ The Shareholders' Meeting resolved, as the means of servicing the LTI Plan, to approve a share capital increase of up to EUR 1,323,663.96 at nominal value 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, with regular dividend rights, at the amount of the nominal value implicit in the illimity shares at the date of execution of the delegation of the capital increase to the Board of Directors.

Employee Stock Ownership Plan (“ESOP”)

In accordance with the resolutions adopted by the Shareholders’ Meeting of 18 January 2019 and in line with the regulatory and supervisory provisions applicable to the Bank, the implementing regulation for the ESOP²¹ approved by the Board of Directors of Banca Interprovinciale S.p.A. on 18 January 2019 provides for the awarding of a maximum number of ordinary shares of illimity Bank S.p.A. to all the employees of the Bank and/or Group for each annual cycle.

In accordance with the resolution adopted by the board on 18 January 2019²², on 15 June 2022, after ensuring that the value of the gates had remained unchanged as per paragraph 6 of the Regulation, the Board of Directors approved the free-of-charge award of a total of 117,946 of the Bank’s shares to 787 Beneficiaries, issued in execution of the delegated powers to increase share capital free-of-charge pursuant to article 2443 of the Italian Civil Code - as per article 5, paragraph 5 of the Company’s Bylaws - identified under the criteria of paragraph 3 of the Regulation²³ by the Board of Directors at its meeting of 15 June 2019.

As provided for by the provisions of the Plan Regulation and in the relative Information Document, the number of shares awarded to each Beneficiary was made dependent on their position vis-à-vis their employment contract; more specifically, this was determined such as to be able to pay an amount of: (i) EUR 2,000 to all non-managerial employees and (ii) EUR 100 to Beneficiaries who are “Executives” of the Company (Table 3).

<i>Section II - Table 3 - ESOP 2022</i>		
Personnel category	Number of beneficiaries	Total number of shares awarded in 2022
Material Risk Takers 2022	30	702
Other personnel	757	117,244
Total	787	117,946

²¹ For further details of the features of the ESOP, reference should be made to the relative Information Document, prepared and published by the Bank pursuant to Schedule 7 of Annex 3A of the Issuers’ Regulation, which may be consulted in the Governance/Remuneration Section of the Bank’s website www.illimity.com.

²² On 18 January 2019 the Shareholders’ Meeting of Banca Interprovinciale S.p.A. approved, in extraordinary session, the Board of Directors’ proposal to set up the “Employee Stock Ownership Plan” (“ESOP”), reserved to employees of illimity Bank S.p.A. and its direct and indirect subsidiaries. In addition, this Shareholders’ Meeting granted the Board of Directors all the necessary and appropriate powers to give execution to the ESOP (including drawing up and issuing the relative regulations) with the possibility of delegating its powers, duties and responsibilities regarding the execution and application of the Plan to the Chair of the Board of Directors and the Chief Executive Officer, also severally, and of sub-delegating. On the basis of this, at its meeting of 18 January 2019, the Board of Directors: i) approved the Regulations of the ESOP Plan and ii) granted mandate to the Chief Executive Officer to give execution to the plans in accordance with the means and time periods approved at the Shareholders’ Meeting of 18 January 2019.

²³ In accordance with the provisions of paragraph 3 of the Regulation, the beneficiaries of the ESOP are all the persons having an Employment Relationship with the Company or any subsidiaries at the Share Award Date which at that date is (i) based on a permanent employment contract or (ii) based on a fixed-term employment contract of whose term at least 6 months has passed at the award date and at least 6 months remains, and in any case in line with the requirements of fiscal legislation for the purposes of tax and social security benefits. The award date must not fall within a notice period for the resignation or dismissal of the beneficiaries.

ANNEX 2 - SUMMARY OF THE WORK PERFORMED BY THE REMUNERATION COMMITTEE IN 2022

Date	Activities on the agenda	% attendance of the members of the committee
18/01/2022	<ul style="list-style-type: none"> 2022 MBO Incentive System 2022 Goal Cards for the Heads of the corporate Control Functions and the Manager in charge of drafting the Financial Statements 2022 MBO Incentive System for illimity SGR S.p.A. 	100%
07/02/2022	<ul style="list-style-type: none"> Group 2021 Bonus Pool Performance appraisal and 2021 bonus for the Chief Executive Officer, the heads of the corporate Control Functions and the Manager in charge of drafting the Financial Statements 2021 Bonus Pool for illimity SGR S.p.A. Performance appraisal and 2021 bonus for the Director in charge of the UTP & Turnaround Funds Area in illimity SGR S.p.A. Benchmarking of the Board of Directors compensation 	100%
23/02/2022	<ul style="list-style-type: none"> 2022 Goal Card for the Chief Executive Officer Remuneration packages for the new Head of Strategy, Sustainability & IR, the Chief Lending Officer and the Head of Communications Compensation of the Bank's corporate bodies Compensation of the corporate bodies of the subsidiaries Information relating to the distribution of Carried Interest to the illimity SGR S.p.A. Management Team 	100%
03/03/2022	<ul style="list-style-type: none"> 2022 identification process for Material Risk Takers at Group level and illimity SGR S.p.A. level Report on 2022 Remuneration Policy and compensation paid in 2021 and Illustrative Reports of the Board of Directors to the Shareholders' Meeting 2022 Remuneration Policy for the staff of illimity SGR S.p.A. 	100%
14/04/2022	<ul style="list-style-type: none"> Information on the Internal Audit Report: Analysis of the remuneration and incentive systems 2022 Goal Cards for the Heads of the Business Areas of illimity SGR S.p.A. Golden Parachute Agreement and non-competition Agreement for an Executive with Strategic Responsibilities 	100%
19/07/2022	<ul style="list-style-type: none"> Adoption of the Regulation for the Remuneration Committee Appointment of the Secretary to the Remuneration Committee First discussion of the 2023 Salary Review for Executives with Strategic Responsibilities Analysis of the gender neutrality of the remuneration policies and verification of the 2022 Gender Pay Gap 	100%

06/09/2022	<ul style="list-style-type: none"> • Salary review for Executives with Strategic Responsibilities (who are not members of Top Management) 	100%
29/11/2022	<ul style="list-style-type: none"> • Updating of the Regulation of the Remuneration Committee • Update of the perimeter of 2022 Group Material Risk Takers 	100%

Table EU REMA - Remuneration Policy

Institutions shall describe the main elements of their remuneration policies and the means by which these policies are implemented. In particular, the following items shall be described if relevant:

Qualitative information	
a) Information relating to the bodies that oversee remuneration. Disclosures shall include:	
1. Name, composition and mandate of the main body (management body and remuneration committee as applicable) overseeing the remuneration policy and the number of meetings held by that main body during the financial year.	<p>In order to foster an efficient information and consultative system that enables the Board of Directors to best assess the issues for which it is responsible, the Board has set up the Remuneration Committee, equipped with preparatory, advisory and proposal powers, in accordance with the requirements on corporate governance of the Supervisory Provisions issued by the Bank of Italy and in line with the provisions of the Corporate Governance Code for Listed Companies (the "Corporate Governance Code"). Specifically, the role of the Remuneration Committee is to provide advice, opinions and proposals to the Board of Directors on the Group's remuneration strategy.</p> <p>At the end of 2022 the Remuneration Committee consisted of the Directors Paola Elisabetta Maria Galbiati (Chair), Francesca Lanza Tans and Marcello Valenti.</p> <p>As established by the Regulations of the Corporate Bodies and of the Committees regarding the composition of Board Committees, the members of the Committee are non-executive.</p> <p>The Remuneration Committee met 8 times in 2022.</p>
2. External consultants whose advice has been sought, the body by which they were commissioned, and in which areas of the remuneration framework.	<p>During 2022, the Remuneration Committee availed itself of the services of WTW, an independent external consultant that provides advice on practices and trends, as well as up-to-date analyses of benchmarking on remuneration matters. WTW has worked with the Committee since the founding of the Group. During the engagement, WTW's consultants were invited to attend the meetings of the Committee to discuss specific subjects and provide an independent view on the matters on the Committee's agenda.</p>
3. A description of the scope of the institution's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to subsidiaries and branches located in third countries.	<p>In accordance with the applicable regulatory framework, illimity's Remuneration Policy is applicable to all the companies of the Group, governing the various specific matters on remuneration applicable to the different staff categories (e.g. staff working as part of the sales network, agents and intermediaries).</p> <p>The Remuneration Policy of illimity SGR S.p.A. is drawn up by taking into consideration the fact that illimity SGR S.p.A. is registered under the section of the Roll relating to alternative investment fund managers, authorised pursuant to the AIFMD Directive. In accordance with the applicable regulatory framework and the Group's Remuneration Policies, this governs the objectives of the staff remuneration and incentive schemes, with particular reference to the Material Risk Takers of illimity SGR S.p.A..</p>

4. A description of the staff or categories of staff whose professional activities have a material impact on an institution's risk profile.

Given the legislative and regulatory framework, in particular, Commission Delegated Regulation (EU) 2021/923 of 25 March 2021, which supplements Directive 2013/36/EU of the European Parliament and of the Council (CRD IV), as amended by Directive 2019/878/EU (CRD V) and establishes the qualitative and quantitative criteria for identifying which categories of staff have a material impact on the institution's risk profile due to their professional activities, illimity has revised the perimeter of the Group's Material Risk Takers, taking into account the legislative provisions that also provide that the self-assessment carried out by the entities must be periodically updated during the year in order to identify new ownership assignments as part of the roles identified by the qualitative criteria.

Following an analysis of the perimeter of the Group's Material Risk Takers and as approved by the Board of Directors, on the proposal of the Remuneration Committee, the following personnel categories have been identified as the Group's Material Risk Takers for 2022: i) executive and non-executive members of the Board of Directors, including the Chief Executive Officer and remaining Top Management; ii) the heads of corporate Control Functions and persons who have originated Credit and Market Risk Weighted Assets (RWAs) of at least 2% of the Group's total RWAs, measured at 30 September 2022; iii) the heads of other business functions who assume or may assume a material impact on the risk profile of the entity due to their relative professional activities.

As parent company, in the process for identifying Material Risk Takers, illimity also included the staff of the Asset Management Company. In performing the relative analysis, the qualitative criteria set out in the EBA technical standards were also adopted, with particular reference to the possibility of having a material impact on the Group's risks as part of a significant business unit and/or considering the impact on the economic, financial or reputational risk to which they might expose the Group. For inclusion in the perimeter, the quantitative criteria set out in the laws and regulations governing any exclusion mechanisms and procedures were also adopted.

b) Information relating to the design and structure of the remuneration system for Material Risk Takers. Disclosures shall include:

1. An overview of the key features and objectives of remuneration policy, and information about the decision-making process used for determining the remuneration policy and the role of the relevant stakeholders.

illimity's remuneration strategy is arranged to provide a remuneration structure able to attract and retain the key skills needed to develop the business and achieve the expected results, compatible with the Bank's capital and economic-financial sustainability. The Remuneration Policy incentivises the achievement of the short and medium-long term objectives in compliance with illimity's values and the levers identified in the Strategic Plan, contributing to aligning the interests of management and all employees, create value for all stakeholders that is sustainable over time and support the gradual consolidation of the Group's growth directives.

The Policy is developed as part of a clear and transparent system of corporate governance, considering an overall principle of orientation towards a sound and prudent management of risk and compliance with the rules and principles of good professional conduct and propriety of customer relationships. In this context, the Group's Chief HR & Organization Officer annually prepares the Report on Remuneration Policy, with the involvement of the corporate bodies and functions to the extent of their responsibility (in particular the CRO, the Chief Compliance & AFC Officer and General Counsel).

	<p>The document is submitted to the Board of Directors and then submitted to the General Shareholders' Meeting for approval, in accordance with the regulatory framework.</p> <p>Given the existence of illimity SGR S.p.A. within the Group, the company draws up its own Remuneration and Incentive Policy for its own staff, taking account of the applicable regulatory framework and in accordance with the principles and aims of the Group's Remuneration Policy.</p>
2. Information on the criteria used for performance measurement and ex ante and ex post risk adjustment.	<p>In accordance with the applicable Supervisory provisions, the total amount of variable remuneration that may be paid at a Group level (the Bonus Pool) is calculated by taking into consideration the profitability achieved in the year of reference, the risk parameters with respect to the Risk Appetite Framework and the extent to which the Plan's objectives have been achieved. The connection between profitability, risk and remuneration is ensured through the direct link between the Bonus Pool and the results of business performance, measured by using Profit Before Tax, at a consolidated level, which enables the available Bonus Pool to be calibrated on the basis of actual business performance. In addition, the division of the total Bonus Pool between the Group's various Divisions/Departments enables a fair distribution of the available funds to be achieved based on the contribution made by each illimiter and the performance of the respective Division/Department.</p> <p>In order to ensure compliance with regulatory requirements, specific indicators have been established to measure profitability, solidity and liquidity, which act as entry conditions. In addition, the Board of Directors on the motivated opinion of the Remuneration Committee and after consulting with the Risks Committee, can confirm the Bonus Pool, increase it by up to 20% or reduce it to zero, taking into consideration the results of the assessments made, separately, by the CRO and the CFO (Risk and Financial Assessment), which through the application of criteria regarding risk and financial assessment enable changes to be made to arrive at the final size of the Bonus Pool.</p> <p>In the event of the determination of any large individual bonuses, an individual risk assessment is envisaged, carried out by the CRO and designed to verify cases of potential inconsistency between the results achieved and their sustainability compared to the RAF, which may lead to the reduction of such bonus.</p> <p>More generally, illimity reserves the right to activate malus and clawback mechanisms, being the respective reduction/cancellation and return of any form of variable remuneration on verification of the conduct adopted by employees.</p> <p>Further details of the criteria for measuring performance can be found in points e) and f)1. of this table.</p>
3. Whether the management body or the remuneration committee, where established, reviewed the institution's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes	<p>On 10 March 2022, on the proposal of the Remuneration Committee of 3 March 2022, the Board of Directors resolved on the Report on the 2022 Remuneration Policy and compensation paid in 2021, submitted for the approval of the Shareholders' Meeting of 28 April 2022. More specifically, the following are the key points of the 2022 Policy:</p> <ul style="list-style-type: none"> • adjustment to the legislative provisions of the 37th revision of the Bank of Italy's Circular no. 285/13 which, inter alia emphasizes the need for gender neutrality in the Remuneration Policies and the relative controls, taking into account the importance of such also in remuneration proposals;

<p>and their impact on remuneration.</p>	<ul style="list-style-type: none"> the inclusion of ESG metrics also in the short-term incentive system, and the revision of the deferral scheme included in the annual variable Incentive Plan, in consideration of the legislative criteria applicable to intermediaries of a smaller size or operating complexity, establishing a deferral of the bonus for two years and the relative recognition wholly in cash; the resulting focus on the component in financial instruments as part of the 2021-2025 LTI Plan, also for greater alignment with the recommendations of the Code of Corporate Governance that requires the recognition of the prevalent part in financial instruments over 5 years. Specific details are given in the 2022 Remuneration Policy of the targets for the second cycle of the rolling Plan and as a result with reference to the period 2022-2024.
<p>4. Information of how the institution ensures that staff in internal control functions are remunerated independently of the businesses they oversee.</p>	<p>illimity's Performance Management process involves all the illimiters and provides for a «top-down» model, namely through the establishment and award of objectives of a direct «Manager-collaborator» nature (with the possible assistance of the Data Owners) and the subsequent accounting for the performance by the Manager himself or herself.</p> <p>In accordance with the Supervisory provisions, the control functions do not receive objectives linked to the economic results of the Bank and/or the Group but are assigned individual objectives that mainly reflect their performance and are independent of the results of the areas they control in order to minimize potential conflicts of interest.</p> <p>In particular, the Board of Directors approves the Goal Cards of the heads of control functions.</p>
<p>5. Policies and criteria applied for the award of guaranteed variable remuneration and severance payments.</p>	<p>Being a non-standard form of payment, guaranteed variable remuneration is considered to be of an exceptional nature and is limited exclusively to specific situations such as entry bonuses paid to attract external staff. The exceptional components of variable remuneration are governed within the Remuneration Policy, in terms of types and features.</p> <p>As far as severance payments are concerned, on the termination of the Employment Relationship illimity may grant additional remuneration to individual employees of the Group that goes beyond the amount due pursuant to applicable law and company and national collective bargaining agreements. Further details on this matter may be found in paragraph 19 of the Report on the 2022 Remuneration Policy and compensation paid in 2021.</p>
<p>c) Description of the ways in which current and future risks are considered in the remuneration processes. Disclosures shall include an overview of the key risks, their measurement and how these measures affect remuneration.</p>	
<p>In general, the variable component is dependent on a verification of the entry/activation conditions (Gates) that envisage keeping capital and liquidity stability indices at least at the tolerance level set in the RAF, in addition to the specific conditions and objectives established for the individual incentive plans.</p> <p>The MBO annual variable incentive plan is based on a Bonus Pool approach. The connection between profitability, risk and remuneration is ensured through the direct link between the Bonus Pool and the results of business performance, measured by using Profit Before Tax, at a consolidated level, which enables the available Bonus Pool to be calibrated based on actual business performance. In addition, the division of the total Bonus Pool between the Group's various Divisions/Departments enables a fair distribution of the available funds to be achieved on the basis of the contribution made by each illimiter and the performance of the respective Division/Department.</p> <p>In addition, the Board of Directors can confirm the Bonus Pool, increase it by up to 20% or reduce it to zero, taking into consideration the results of the assessments made, separately, by the CRO and the CFO (Risk and Financial Assessment) which through the application of criteria regarding risk and financial assessment enable changes to be made to arrive at the final size of the Bonus Pool. Regarding risk</p>	

assessment, the total Bonus Pool can be increased, confirmed or reduced on the basis of an assessment of the performance of the significant risk profiles carried out by the CRO, within the ambit of the Group's Risk Appetite Framework, at period end. To this end, the material risks to which the Group is exposed are identified (including credit, market and liquidity risk), as well as the reference indicators included in the RAF and the relative quarterly measures, recorded on an actual basis in conformity with the RAF Dashboards periodically reported to the Bank's corporate bodies. If one or more of the quarterly indicators breaches the Risk Appetite or Risk Tolerance or Risk Capacity levels, the Bonus Pool may be reduced on the basis of a predefined formula. If there are no breaches of the RAF, the Bonus Pool may be increased by up to 10%.

In respect of the financial assessment, the total Bonus Pool can be increased, confirmed or reduced, on the basis of an assessment carried out by the CRO through an analysis of three indicators (i) Return on Average Equity; ii) Cost/Income ratio; iii) Gross Organic NPE ratio, which could lead to an increase or decrease in the pool by up to 10%.

The maximum possible increase in the size of the Bonus Pool following the two assessments carried out by the CRO and the CFO is 20%.

d) The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) CRD.

In accordance with the applicable regulatory requirements, for 2022 illimity has determined the maximum ratios between the variable and fixed components of remuneration as follows for the various staff categories:

- for Chief Executive Officer and the other members of the Group's Top Management: 100%;
- for Group Material Risk Takers belonging to the business functions: 200%;
- for Group Material Risk Takers belonging to the support functions: 150%;
- for Material Risk Takers belonging to the corporate control functions: 33%;
- for the remaining staff: variable remuneration is in all cases limited to 200% for business functions and 100% for the remaining functions.

e) Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration. Disclosures include:

1. An overview of main performance criteria and metrics for institution, business lines and individuals.

The MBO annual variable incentive plan is based on a Bonus Pool approach aligned to the latest national and international laws and regulations. The connection between profitability, risk and remuneration is ensured through the direct link between the Bonus Pool and the results of business performance, measured by using Profit Before Tax, at a consolidated level, which enables the available Bonus Pool to be calibrated on the basis of actual business performance. In addition, the division of the total Bonus Pool between the Group's various Divisions/Departments enables a fair distribution of the available funds to be achieved on the basis of the contribution made by each illimiter and the performance of the respective Division/Department, to the extent that the respective Profit Before Tax ("PBT") has been achieved at a divisional level.

Individual Bonuses, calculated on the basis of individual performance, are granted subject to verification as to compatibility with the above-mentioned total; if the sum of the theoretical individual bonuses exceeds the available Bonus Pool, the individual Bonuses are proportionately reduced to arrive at the total available Bonus Pool.

The granting of variable remuneration based on the MBO Incentive Scheme is subject to achieving the objectives and satisfying the conduct contained in the individual card assigned to each Beneficiary. The assessment of individual performance differs depending on the role and organizational position and may therefore include, with a different weighting of Group objectives for 2022, individual structure objectives, ESG and/or Digital Mindset objectives and behavioural objectives connected with illimity's skills and leadership model.

	<p>In accordance with supervisory provisions, for the Group Material Risk Takers of the business control functions, as well as for the Chief HR & Organization Officer and for the Manager in Charge of drafting the Financial Statements, the objectives are linked to the specific responsibilities of the position (including ESG objectives) and to illimity's leadership model.</p> <p>The objectives are consistent with the type of business carried out by the Group company in which the beneficiaries work and with any specific requirements of applicable laws and regulations.</p> <p>Verification as to the absence of any conduct in breach of internal and external laws and regulations is applicable to everyone involved.</p>
2. An overview of how amounts of individual variable remuneration are linked to institution-wide and individual performance.	<p>Variable remuneration is firstly led by institutional performance for the purpose of determining the size of the available Bonus Pool (the higher the Bank's profitability level, the greater the available Bonus Pool) and secondly by individual performance (the higher the individual performance rating, the greater the variable remuneration awarded to individuals).</p> <p>The Bonus Pool can be revised upwards/downwards on the basis of the overall "quality of the performance", in order to ensure consistency with the Group's Risk Appetite Framework and the economic sustainability of the results, as described previously.</p>
3. Information on the criteria used to determine the balance between different types of instruments awarded including shares, equivalent ownership interest, options and other instruments.	<p>In accordance with supervisory provisions, illimity incentivises persons to achieve the short and medium-long term objectives, in compliance with its values and the levers identified in the Strategic Plan in the following ways:</p> <ul style="list-style-type: none"> the 2022 MBO annual variable incentive plan, for which the bonus is paid fully in cash. More specifically, with reference to the Material Risk Takers, including the Chief Executive Officer and the other members of Top Management, if annual variable remuneration exceeds EUR 50,000 or is greater than one third of total remuneration, the Bonus is paid as to 80% in cash up-front and 20% in cash deferred for two years and payable in the absence of malus. The bonus is paid fully up-front if the annual variable remuneration is less than EUR 50,000 and does not represent more than a third of total annual remuneration. The bonus is paid fully in cash up-front for the remaining members of staff; the 2021-2025 Long-Term Incentive share Plan, whose pay-out mechanism envisages that for the beneficiaries identified as Material Risk Takers at the end of each performance cycle, 80% of the shares for each cycle are allocated/disbursed at the end of each of such (the up-front portion) and 20% in the following year (the deferred portion), without prejudice to the need to satisfy the entry gate conditions also in the year of deferral. Both the up-front portion and the deferred portion are subject to a lock-up period. For the remaining beneficiaries, 100% of the shares envisaged for each cycle are allocated/disbursed at the end of each of such, following the lock-up period.
4. Information of the measures the institution will implement to adjust variable remuneration in the event that performance metrics are weak, including the institution's criteria for determining "weak" performance metrics.	<p>The 2022 MBO annual variable incentive plan sets special entry conditions established at Group level which influence the size of the Bonus Pool. The actual disbursement of variable remuneration is therefore subject to satisfying the following gates:</p> <ul style="list-style-type: none"> CET1 Ratio \geq tolerance threshold established in the RAF as measured at 31/12/2022; LCR Ratio \geq tolerance threshold established in the RAF as measured at 31/12/2022; Net Income > 0 at 31/12/2022; No breach of laws, regulations or business codes at an individual level.

Furthermore, with reference to Material Risk Takers, in addition to the Risk Assessment already envisaged on the approval of the «vested» Bonus Pool at an overall level, and “individual Risk Assessment” is envisaged, with reference to the business areas, in the case of determining any significant individual bonuses, designed to verify cases of potential inconsistency between the results achieved, their sustainability compared to the RAF and the resulting remuneration levels.

The access conditions for each year act as an ex-ante malus for the payment of the deferrals in the year and if the access conditions are not met the deferrals are cancelled.

In addition, recognition of the deferred portion of the variable incentive systems is subject to compliance with the Return On Risk Adjusted Capital (RORAC), a risk-adjusted performance indicator.

f) Description of the ways in which the institution seeks to adjust remuneration to take account of long-term performance. Disclosures shall include:

1. An overview of the institution’s policy on deferral, payout in instruments, retention periods and vesting of variable remuneration including where it is different between staff or categories of staff.

The payout mechanism of the MBO Plan for 2022 is structured in the following way:

- with reference to Material Risk Takers, including the Chief Executive Officer and the other members of Top Management, if annual variable remuneration exceeds EUR 50,000 or is greater than one third of total remuneration: 80% in cash up-front, with 20% in cash deferred for two years and payable in the absence of malus. The bonus is paid fully up-front if the annual variable remuneration is less than EUR 50,000 and does not represent more than a third of total annual remuneration. In addition, recognition of the deferred portion is subject to the need for the capital and liquidity requirements verified on 31 December 2024 to be at least in line with the gates established in the Remuneration and Incentive Policies in effect at the time and further that the Group’s RORAC, a risk-adjusted performance indicator, is positive;
- the bonus is paid fully in cash up-front for the remaining members of staff.

All the tranches are subject to the application of the malus and clawback conditions, legally applicable.

The payout of the 2021-2025 Long-Term Incentive Plan (intended for the Chief Executive Officer, the other members of Top Management and other key members of the Group’s staff identified from year to year) envisages that, for the beneficiaries identified as Material Risk Takers at the end of each performance cycle, 80% of the shares for each cycle should be granted/disbursed at the end of each of these (up-front portion) and 20% in the following year (deferred portion), without prejudice to the need also to satisfy the entry gate conditions in the year of deferral. Both the up-front portion and the deferred portion are subject to a lock-up period. For the other beneficiaries, 100% of the shares envisaged for each cycle are granted/disbursed at the end of each of these following the lock-up period.

The vested rights are subject to malus and clawback conditions, namely contractual clauses that enable the variable remuneration yet to be paid to the employee to be reduced (malus) - even down to zero - and/or require the reimbursement, also in part, of the variable remuneration (or variable emolument) already paid as the result of ex post negative assessments of business performance or individual performance, or in the event of fraudulent conduct or gross negligence by the employee (clawback). These conditions

	are expressly governed by the internal procedure “Process for the application of the malus and clawback mechanisms connected with individual conduct”.
2. Information of the institution’s criteria for ex post adjustments (malus during deferral and clawback after vesting, if permitted by national law).	<p>The variable remuneration recognised may be reduced to zero in case of:</p> <ul style="list-style-type: none"> • evidence of individual compliance breaches following serious findings by the control functions or by the Supervisory Authorities. In particular, on the occurrence of such findings, after consulting with the Chief HR & Organization Officer, the Chief Executive Officer may assess the need for any reduction, down to zero of the Bonus. If such findings relate to staff belonging to control functions or the Group Material Risk Takers, the relative decisions are taken after obtaining the opinion of the Remuneration Committee; • failure to satisfy the gate conditions provided in the applicable Policy on the vesting of the deferred portions. <p>For all employees, in line with applicable provisions, the whole of the variable remuneration granted is additionally subject to the reimbursement of the amounts disbursed in case of the verification within 5 years of the payment, for both the up-front portion and the deferred component, of:</p> <ul style="list-style-type: none"> • a breach of legal or regulatory provisions or those of the Bylaws or any applicable codes of ethics or conduct, leading to a significant loss for the Bank, for the individual subsidiary or for the respective customer(s); • a breach of specific legal or regulatory provisions or those of the Bylaws or any applicable codes of ethics or conduct, regardless of the losses that may result; • a breach of the obligations for directors and corporate officers, concerning their suitability for the position, possession of the professionalism, integrity and independence requirements as well as the satisfaction of the competence and propriety criteria; • a breach of the rules set out in the “Transactions with parties forming part of the illimity Banking Group’s Single Perimeter”; • breach of remuneration and incentive obligations; • fraudulent conduct to the detriment of the Company; • negligent or incompetent conduct (“gross negligence”) to the detriment of the Bank.
3. Where applicable, shareholding requirements that may be imposed on identified staff.	<p>In order to emphasise alignment of the long-term interests of shareholders, Guidelines on share ownership were introduced for the Chief Executive Officer and Executives with Strategic Responsibilities on the start-up of the LTI share-based Plan. The recipients of these Guidelines undertake to maintain a percentage of the available shares deriving from the new LTI Plan until a specific target level is reached.</p> <p>More specifically, the Guidelines for shareholdings envisage the following features by category of beneficiary:</p> <ul style="list-style-type: none"> • the Chief Executive Officer is required to hold 100% of fixed remuneration in shares to the end of his or her mandate, accumulated as to 75% of the shares awarded through the Plan (net of any fiscal impact), up to reaching the target amount; • the Executives with Strategic Responsibilities are required to hold 75% of fixed remuneration in shares for the period in which they remain such, accumulated as to 50% of the shares awarded through the Plan (net of any fiscal impact), up to reaching the target amount. <p>The level of share ownership is measured from the end of 2024, using the price of the shares on the grant date.</p>
g) The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit in accordance with point (f) of Article 450(1) CRR. Disclosures shall include:	

<p>1. Information on the specific performance indicators used to determine the variable components of remuneration and the criteria used to determine the balance between different types of instruments awarded, including shares, equivalent ownership interests, share-linked instruments, equivalent non-cash-instruments, options and other instruments.</p>	<p>The variable component of remuneration is mainly determined by business performance on the basis of Profit Before Tax at a consolidated and divisional level.</p> <p>The 2022 MBO Plan, in line with the reference regulatory framework, provides for the establishment of a balanced structure of “up-front” (that is, made on the assessment of performance) and “deferred” payments in cash for Material Risk Takers.</p> <p>For 2022, for Material Risk Takers the bonus is deferred if their annual variable remuneration exceeds EUR 50,000 or is greater than one third of total remuneration.</p> <p>Deferral mechanisms are not applicable for amounts below this threshold, in accordance with the applicable regulatory recommendations.</p> <p>For Material Risk Takers, including the Chief Executive Officer and the other members of Top Management, the individual bonus consists of a portion of 80% in cash and a portion of 20%, again in cash, that is deferred for two years.</p>
<p>h) Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management.</p>	
<p>Reference should be made to Section II, Second Part of the Report on the 2023 Remuneration Policy and compensation paid in 2022.</p>	
<p>i) Information on whether the institution benefits from a derogation laid down in article 94(3) CRD in accordance with point (k) of Article 450(1) CRR.</p>	
<p>1. For the purposes of this point, institutions that benefit from such a derogation shall indicate whether this is on the basis of point (a) and/or point (b) of Article 94(3) CRD. They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration.</p>	<p>Derogation based on point a), as in application of the proportionality principle, illimity is a bank with smaller size or operating complexity, and this applies to all of the Group Material Risk Takers (reference should be made to Table REM1 for quantitative information).</p> <p>Derogation based on point b), with reference to illimity’s material threshold for 2022:</p> <ul style="list-style-type: none"> • number of Material Risk Takers that benefit from the derogation: 4 • total remuneration: EUR 0.8 million <ul style="list-style-type: none"> - of which fixed remuneration: EUR 0.6 million - of which variable remuneration: EUR 0.1 million <p>The sum of fixed and variable remuneration (as above with rounded amounts) gives the total remuneration.</p>
<p>j) Large institutions shall disclose the quantitative information on the remuneration of their collective management body, differentiating between executive and non-executive members in accordance with Article 450 (2), CRR.</p>	
<p>Not applicable.</p>	

SECOND PART

Table EU REM1 - Remuneration awarded for the financial year 2022

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	12	1	3
2		Total fixed remuneration	990.000	705.000	1.705.000
3		Of which: cash-based	990.000	705.000	1.705.000
4		(Not applicable in the EU)			
EU-4a		Of which: shares or equivalent ownership interests			
5		Of which: share-linked instruments or equivalent non-cash instruments			
EU-5x		Of which: other instruments			
6		(Not applicable in the EU)			
7	Variable remuneration	Of which: other forms			
8		(Not applicable in the EU)			
9		Number of identified staff	-	1	3
10		Total variable remuneration		200.000	400.200
11		Of which: cash-based		200.000	400.000
12		Of which: deferred		40.000	80.000
EU-13a		Of which: shares or equivalent ownership interests		-	200
EU-14a		Of which: deferred		-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments		-	-
EU-14b		Of which: deferred		-	-
EU-14x		Of which: other instruments		-	-
EU-14y		Of which: deferred		-	-
15		Of which: other forms		-	129.495
16		Of which: deferred		-	-
17	Total remuneration (2 + 10)		990.000	905.000	2.105.200

The compensation is reported on the basis of the annualised figures at 31.12.2022 (also for the members of the Board of Directors).

The table does not include information on the 2021-2025 LTI Plan as this will be reported on the vesting of the shares from 2023.

Table EU REM2 - Special payments to staff whose professional activities have a material impact on the institution's risk profile (identified staff)

	a	b	c	d
	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards				
1 Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2 Guaranteed variable remuneration awards -Total amount	-	-	-	-
3 Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap				
Severance payments awarded in previous periods, that have been paid out during the financial year				
4 Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5 Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
Severance payments awarded during the financial year				
6 Severance payments awarded during the financial year - Number of identified staff	-	-	-	-
7 Severance payments awarded during the financial year - Total amount	-	-	-	-
8 Of which paid during the financial year				
9 Of which deferred				
10 Of which severance payments paid during the financial year, that are not taken into account in the bonus cap				
11 Of which highest payment that has been awarded to a single person				

Table EU REM3 - Deferred remuneration

		a	b	c	d	e	f	EU - g	EU - h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	-	-	-	-	-	-	-	-
2	Cash-based								
3	Shares or equivalent ownership interests								
4	Share-linked instruments or equivalent non-cash instruments								
5	Other instruments								
6	Other forms								
7	MB Management function	1	1	1	-	-	-	1	-
8	Cash-based	44.000	22.000	22.000				22.000	
9	Shares or equivalent ownership interests	44.000	-	44.000				-	
10	Share-linked instruments or equivalent non-cash instruments								
11	Other instruments								
12	Other forms								
13	Other senior management	4	4	4	1	1	-	3	-
14	Cash-based	158.000	79.000	79.000	20.000	20.000		59.000	
15	Shares or equivalent ownership interests	158.000	-	158.000	-	40.000		-	
16	Share-linked instruments or equivalent non-cash instruments								
17	Other instruments								
18	Other forms								
19	Other identified staff	3	-	3	-	-	-	-	-
20	Cash-based	0		0					
21	Shares or equivalent ownership interests	63.000		63.000					
22	Share-linked instruments or equivalent non-cash instruments								
23	Other instruments								
24	Other forms								
25	Total amount	467.000	101.000	366.000	20.000	60.000	-	81.000	-

Table EU REM4 - Remuneration of EUR 1 million or more for year

None of illimity's employees/collaborators received more than EUR 1 million as remuneration in 2022.

	EUR	a Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	-
2	1 500 000 to below 2 000 000	-
3	2 000 000 to below 2 500 000	-
4	2 500 000 to below 3 000 000	-
5	3 000 000 to below 3 500 000	-
6	3 500 000 to below 4 000 000	-
7	4 000 000 to below 4 500 000	-
8	4 500 000 to below 5 000 000	-
9	5 000 000 to below 6 000 000	-
10	6 000 000 to below 7 000 000	-
11	7 000 000 to below 8 000 000	-

Table EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (Identified Staff)

	a	b	c	d	e	f	g	h	i	j
	Management body remuneration			Business areas						
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff									47
2	Of which: members of the MB									
3	Of which: other senior management									
4	Of which: other identified staff									
5	Total remuneration of identified staff	990.000	905.000	1.895.000	940.200	2.892.395	440.000	3.391.900	985.300	3.097.500
6	Of which: variable remuneration	-	200.000	200.000	480.200	499.395	115.000	758.900	190.300	774.500
7	Of which: fixed remuneration	990.000	705.000	1.695.000	460.000	2.393.000	325.000	2.633.000	795.000	2.323.000

Issuers' Regulation - Annex 3A - Schedule 7-BIS : Remuneration Report

TABLE 1 ²⁴												
Compensation paid to members of the management and control bodies, general managers and other Executives with Strategic Responsibilities (EUR)												
A	B	C	D	1	2	3		4	5	6	7	8
First and last name	Office held	Period for which office held	End of term of office	Fixed compensation	Compensation for participation in committees	Non-equity variable compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Indemnity for termination of office or Employment Relationship
						Bonuses and other incentives	Profit participation					
Rosalba Casiraghi*	Chair of the Board of Directors	01/01/2022 - 31/12/2022	2024									
(I) Compensation in the company that prepares the financial statements				180,000	14,863					194,863		
(II) Compensation from subsidiaries and associates										-		
(III) Total				180,000	14,863	-	-	-	-	194,863		
* EUR 312 reimbursement of detailed expenses												
Massimo Brambilla	Member of the Board of Directors	01/01/2022 - 31/12/2022	2024									
(I) Comp. in the company that prepares the financial statements				46,758	10,000					56,758		
(II) Compensation from subsidiaries and associates										-		
(III) Total				46,758	10,000	-	-	-	-	56,758		

²⁴ This table discharges the requirements for the disclosures required by Bank of Italy Circular no. 285/13 - Section VI - Disclosure and data transmission requirements - Paragraph 1 Public disclosure requirements: Information on the total remuneration of the chair of the corporate body having a strategic supervisory function and of each member of the corporate body with a management function, the general manager, co-general managers and deputy general managers.

Filippo Annunziata	Member of the Board of Directors	28/04/2022 - 31/12/2022	2024									
(I) Compensation in the company that prepares the financial statements				33,791	10,137					43,929		
(II) Compensation from subsidiaries and associates										-		
(III) Total				33,791	10,137	-	-	-	-	43,929		
Elena Cialliè*	Member of the Board of Directors	01/01/2022 - 31/12/2022	2024									
(I) Compensation in the company that prepares the financial statements				46,758	35,000					81,758		
(II) Compensation from subsidiaries and associates												
(III) Total				46,758	35,000	-	-	-	-	81,758		
<i>* EUR 845 reimbursement of detailed expenses</i>												
Marcello Valenti	Member of the Board of Directors	01/01/2022 - 31/12/2022	2024									
(I) Compensation in the company that prepares the financial statements				46,758	28,242					75,000		
(II) Compensation from subsidiaries and associates										-		
(III) Total				46,758	28,242	-	-	-	-	75,000		
Paola Galbiati	Member of the Board of Directors	01/01/2022- 31/12/2022	2024									
(I) Comp. in the company that prepares the financial statements				46,758	25,000					71,758		
(II) Compensation from subsidiaries and associates				30,000						30,000		
(III) Total				76,758	25,000	-	-	-	-	101,758		

Giovanni Majnoni d'Intignano*	Member of the Board of Directors	01/01/2022 - 31/12/2022	2024									
(I) Comp. in the company that prepares the financial statements				46,758	25,000					71,758		
(II) Compensation from subsidiaries and associates										-		
(III) Total				46,758	25,000	-	-	-	-	71,758		
<i>* EUR 978 reimbursement of detailed expenses</i>												
Patrizia Canziani*	Member of the Board of Directors	01/01/2022 - 31/12/2022	2024									
(I) Comp. in the company that prepares the financial statements				46,758	25,000					71,758		
(II) Compensation from subsidiaries and associates										-		
(III) Total				46,758	25,000	-	-	-	-	71,758		
<i>* EUR 2,364 reimbursement of detailed expenses</i>												
Francesca Lanza Tans	Member of the Board of Directors	01/01/2022 - 31/12/2022	2024									
(I) Comp. in the company that prepares the financial statements				46,758	6,758					53,516		
(II) Compensation from subsidiaries and associates										-		
(III) Total				46,758	6,758	-	-	-	-	53,516		
Corrado Passera*	CEO	01/01/2022 - 31/12/2022	2024									
(I) Comp. in the company that prepares the financial statements				680,000		200,000			25,000**	905,000	1,124,155***	
(II) Compensation from subsidiaries and associates										-		
(III) Total				680,000	-	200,000	-	-	25,000**	905,000	1,124,155***	
<i>* EUR 11,581 reimbursement of detailed expenses; ** Amount of the Welfare Plan; *** Non-vested fair value of the 2021-2025 LTI Plan over the term of the Strategic Plan</i>												

SCHEDULE 7-BIS: Remuneration Report - TABLE 1												
Compensation paid to members of the management and control bodies, general managers and other Executives with Strategic Responsibilities (EUR)												
A	B	C	D	1	2	3		4	5	6	7	8
First and last name	Office held	Period for which office held	End of term of office	Fixed compensation	Compensation for participation in committees	Non-equity variable compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Indemnity for termination of office or the Employment Relationship
						Bonuses and other incentives	Profit participation					
Ernesto Riva	Chair of the Board of Statutory Auditors	01/01/2022 - 28/04/2022	2022									
(I) Compensation in the company that prepares the financial statements				22,692						22,692		
(II) Compensation from subsidiaries and associates												
(III) Total				22,692	-	-	-	-	-	22,692		
Marco Bozzola*	Director & Chair of the Audit and Internal Control Committee (AICC)	28/04/2022 - 31/12/2022	2024									
(I) Compensation in the company that prepares the financial statements				57,445					2,740**	60,185		
(II) Compensation from subsidiaries and associates												
(III) Total				57,445	-	-	-	-	2,740**	60,185		
* EUR 1,254 reimbursement of detailed expenses; **compensation as a member of the Supervisory Body												

Stefano Caringi	Statutory Auditor Director & AICC Member	01/01/2022 - 31/12/2022	2024									
(I) Comp. in the company that prepares the financial statements				56,758	10,137				2,740**	69,635		
(II) Compensation from subsidiaries and associates												
(III) Total				56,758	10,137	-	-	-	2,740**	69,635		
* EUR 510 reimbursement of detailed expenses; **compensation as a member of the Supervisory Body												
Nadia Fontana*	Statutory Auditor Director & AICC Member	01/01/2022 - 31/12/2022	2024									
(I) Compensation in the company that prepares the financial statements				56,758	6,758				5,479**	68,996		
(II) Compensation from subsidiaries and associates												
(III) Total				56,758	6,758	-	-	-	5,479**	68,996		
* EUR 2,560 reimbursement of detailed expenses; **compensation as a President of the Supervisory Body												

SCHEDULE 7-BIS: Remuneration Report - TABLE 1												
Compensation paid to members of the management and control bodies, general managers and other Executives with Strategic Responsibilities (EUR)												
A	B	C	D	1	2	3		4	5	6	7	8
First and last name	Office held	Period for which office held	End of term of office	Fixed compensation	Compensation for participation in committees	Non-equity variable compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Indemnity for termination of office or the Employment Relationship
						Bonuses and other incentives	Profit participation					
Other Executives with Strategic Responsibilities (14)												
(I) Compensation in the company that prepares the financial statements				4,670,000		1,605,000		32,000	350,000*	6,657,000	6,986,054**	
(II) Compensation from subsidiaries and associates				26,000						26,000		
(III) Total				4,696,000	-	1,605,000	-	32,000	350,000*	6,683,000	6,986,054**	
*Amount of the Welfare Plan; **Includes the non-vested fair value of the 2021-2025 LTI Plan over the term of the Strategic Plan, equal to EUR 6,984,754												

SCHEDULE 7-BIS: Remuneration Report - TABLE 2																	
Stock-options awarded to members of the management body, general managers and other Executives with Strategic Responsibilities (EUR)																	
			Options held at the beginning of the year			Options awarded during the year						Options exercised during the year			Options expiring in the year	Options held at the end of the year	Options relating to the year
A	B	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15= 2+5-11-14	16
First and last name	Office held	Plan	Number of options	Exercise price	Possible exercise period (from - to)	Number of options	Exercise price	Possible exercise period (from - to) ¹	Fair value at the award date	Award date	Market price of the underlying shares on awarding the options	Number of options	Exercise price	Market price of the underlying shares at the exercise date	Number of options	Number of options	Fair value
(I) Compensation in the company that prepares the financial statements																	
(II) Compensation from subsidiaries and associates																	
(III) Total																	

SCHEMA N. 7-BIS: Remuneration Report - TABLE 3A													
Incentive plans based on financial instruments other than stock -options in favour of members of the management body, general managers and other Executives with Strategic Responsibilities (ESR)													
			Financial instruments awarded in previous years and not vesting during the year		Financial instruments awarded during the year					Financial instruments vesting during the year and not granted	Financial instruments vesting during the year and grantable		Financial instruments relating to the year
A	B	1	2	3	4	5	6	7	8	9	10	11	12
First and last name	Office held	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at the award date	Vesting period	Award date	Market price on award	Number and type of financial instruments	Number and type of financial instr.	Value at the vesting date	Fair value
Chief Executive Officer													
(i) Compensation in the company that prepares the financial statements		LTI Plan (Shareholders' Meeting of 15/12/2021) rights to ordinary illimity shares	93,162	2021-2025									
(ii) Compensation from subsidiaries and associates													
() Total			93,162	2021-2025									
Other ESR													
(i) Compensation in the company that prepares the financial statements		11 ESRs - LTI Plan (AGM of 15/12/2021) rights to ordinary illimity shares	561,724	2021-2025	5,000 14,409	52,745 153,875	2021-2025	01/03/2022 15/03/2022	11,6463 11,3930				
		13 ESRs - ESOP (AGM of 18/01/2019 and BoD of 15/06/2022) ordinary illimity shares			104	1,300	-	15/06/2022	11,1674		104	1,300	1,300
(ii) Comp. from subsidiaries and associates													
Total			561,724	2021-2025	19,513	207,920							1,300

SCHEDULE 7-BIS: Remuneration Report									
TABLE 3B									
Monetary incentive plans in favour of members of the management body, general managers and other Executives with Strategic Responsibilities									
A	B	1	2			3			4
First and last name	Office held	Plan	Bonus for the year			Bonuses of previous years			Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
Passera Corrado	CEO		Payable/paid	Deferred	Deferral period	No longer payable	Payable/paid	Still deferred	
(I) Compensation in the company that prepares the financial statements		MBO 2021 (BoD resolution of 10/02/2022)					22,000	22,000	
		MBO 2022 (BoD resolution of 09/02/2023)	160,000	40,000	2023-2024				
(I) Comp. from subsidiaries and associates									
(I) Total			160,000	40,000	2023-2024	-	22,000	22,000	-
14 Executives with Strategic Resp.			Payable/paid	Deferred	Deferral period	No longer payable	Payable/paid	Still deferred	
(II) Compensation in the company that prepares the financial statements		MBO 2021 (BoD resolution of 10/02/2022)					59,000	59,000	
		MBO 2022 (BoD resolution of 09/02/2023)	1,184,000	296,000	2023-2024				125,000
(II) Total			1,184,000	296,000	2023-2024	-	59,000	59,000	125,000

THIRD PART

SCHEDULE 7-TER Schedule of information on the shareholdings of members of the management and control bodies, general managers and other Executives with Strategic Responsibilities

TABLE 1: Shareholdings of members of the management and control bodies and general managers

First and last name	Office held	Company in which investment held	Number of shares held at the end of the preceding year (2021)	Number of shares purchased	Number of shares sold	Number of shares held at the end of 2022
Rosalba Casiraghi	Chair	.	0	0	0	0
Corrado Passera	Chief Executive Officer	illimity Bank S.p.A. (also through Tetis S.p.A. and Metis S.p.A.)	Ordinary shares: 2,138,400 ⁽¹⁾ Special shares: 1,425,600 ⁽²⁾	5,030 ⁽³⁾	0	3,425,757 ⁽¹⁾ (*)
Filippo Annunziata	Director ⁽⁴⁾		0	0	0	0
Massimo Brambilla	Director		0	0	0	0
Patrizia Canziani	Director		0	0	0	0
Elena Cialliè	Director		0	0	0	0
Paola Elisabetta Galbiati	Director		0	0	0	0
Francesca Lanza Tans	Director		0	0	0	0
Giovanni Majnoni d'Intignano	Director		0	626	0	626
Marcello Valenti	Director		0	8,650	0	8,650

Marco Bozzola	Director & Chair of the Audit and Internal Control Committee ⁽⁴⁾		0	0	0	0
Stefano Caringi	Standing Auditor ⁽⁵⁾ Director & Member of the Audit and Internal Control Committee ⁽⁴⁾		0	1,500	0	1,500
Nadia Fontana	Standing Auditor ⁽⁵⁾ Director & Member of the Audit and Internal Control Committee ⁽⁴⁾		0	0	0	0
Ernesto Riva	Chair of the Board of Statutory Auditors ⁽⁵⁾		0	0	0	0

(*) As communicated to Consob and illimity Bank S.p.A. pursuant to Model 120A of 01.01.2023.

⁽¹⁾ Respectively gross and net (31.12.2022) of 143,273 ordinary shares underlying PFIs allocated by Tetis S.p.A. to Atlas Metis S.à r.l. under the published agreement.

⁽²⁾ Special shares converted into ordinary shares on 20 September 2022 (using a 1:1 conversion ratio).

⁽³⁾ Ordinary shares received as part of MBO 2021.

⁽⁴⁾ In office since 28 April 2022.

⁽⁵⁾ In office until 28 April 2022.

TABLE 2: Holdings of other Executives with Strategic Responsibilities

Executives with Strategic Responsibilities (ESRs) (*)	Subsidiary Company	Number of shares held at the end of the preceding year (31.12.2021)	Number of shares purchased	Number of shares sold	Number of shares held at the end of the current year (31.12.2022)
14 ESRs	illimity Bank S.p.A (also through AC Creation S.r.l. for an ESR)	36,427	29,674 ¹	7,453	58,648 ¹

(*) Excluding CEO

¹ Shares also from ESOP Plan and MBO 2021