

BANCA SISTEMA S.P.A.

Fully paid-up share capital € 9,650,526.24

Tax code and Milan Company Register No. 12870770158 - ABI code No. 03158.3

Largo Augusto 1/A, angolo Via Verziere 13, 20122 Milan

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**ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING, HELD ON SINGLE CALL
AT THE REGISTERED OFFICE AT LARGO AUGUSTO 1/A, ANG. VIA VERZIERE 13, MILAN
23 APRIL 2020, 10.00 A.M.**

**BOARD OF DIRECTORS' REPORT
ON ITEM 3 OF THE AGENDA**

(prepared pursuant to Art. 125-ter of Legislative Decree No. 58 of 24 February 1998,
as amended and supplemented)

ORDINARY MEETING

**“APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS AND ITS CHAIRPERSON.
RELATING AND RESULTING RESOLUTIONS”**

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

The Shareholders' Meeting is asked to appoint the members of the Board of Statutory Auditors, as the term of office of the statutory auditors appointed by the Shareholders' Meeting on 27 April 2017 is about to end.

Pursuant to Art. 18.1 of the Articles of Association, the Board of Statutory Auditors comprises three standing auditors and two alternate auditors.

In accordance with Art. 18.5 of the Articles of Association, the Shareholders' Meeting is called to appoint the Board of Statutory Auditors on the basis of slates presented by Shareholders. Candidates are listed in sequential order and shall nevertheless not exceed the number of members to be elected. The slate is comprised of two sections: one for candidates for the position of standing auditor, the other for candidates for the post of alternate auditor.

Slates which have a number of candidates equal to or greater than three must also include candidates of a different gender, as specified in the Shareholders' Meeting notice of call, so as to allow the Board of Statutory Auditors to be set up in accordance with current laws regarding gender equality. Shareholders which represent, including jointly, at least 2.5% of the share capital represented by voting rights for Shareholders' Meeting resolutions whose purpose is to appoint the members of the management body, or another number which may be established by mandatory legal or statutory provisions, are entitled to submit a slate of candidates. The holding of this minimum share necessary to submit slates is determined having regard to the shares which are registered to the shareholder on the day in which these slates are filed at the Company's registered office. Each shareholder, including shareholders belonging to the same group, members of a shareholders' agreement pursuant to article 122 of Legislative Decree No.58 of 24 February 1998 (Consolidated Law on Finance), the parent, subsidiaries and companies subject to joint control pursuant to article 93 of the Consolidated Law on Finance, may not submit or be involved in the submission of, either by proxy or trust company, more than one slate and may not vote for different slates, and each candidate can only appear in one slate under penalty of being declared ineligible. For the purposes of the preceding paragraph, entities, even those without a corporate status, which exercise direct or indirect control pursuant to article 93 of the Consolidated Law on Finance over the shareholder in question and all the companies controlled directly or indirectly by those entities are deemed to belong to the same group.

In the event of any breach of these provisions, no regard shall be had, for the purposes of the application of this article, of the position of the shareholder in question in relation to none of the slates.

Without prejudice to the incompatibilities provided by law, candidates acting as statutory auditors in another 5 issuers, or in violation of any limits on concurrent positions established by applicable provisions of laws or regulations, and persons who do not meet the personal integrity and professionalism requirements established by applicable provisions of laws or regulations, cannot be included in the slates. Outgoing statutory auditors may be re-elected. The slates must be filed at the Company's registered office at least 25 days prior to the date for the Shareholders' Meeting called to resolve on the appointment of the control body (i.e. by 29 March 2020, deemed extended to 30 March 2020, the first business day following thereafter) and made available to the public at the registered office, on the Company's website and with the other means stipulated under applicable legal and regulatory provisions at least 21 days prior to the Shareholders' Meeting. In case only one slate has been submitted within this period of 25 days, or in case there are only slates presented by related

shareholders pursuant to current laws and regulations, slates may be submitted up to the third day subsequent to this date, i.e. 2 April 2020 by 6:00 p.m. (compliance with the aforementioned time is necessary in order to allow the Company to publish the slates submitted by Shareholders within the deadline referred to under Art. 144-octies of the Issuers' Regulation, which is also 2 April 2020), unless a different term is stipulated under the applicable laws and regulations. In this case, the shareholders who - individually or jointly - are owners of shares representing half of the capital threshold previously identified shall be entitled to submit slates.

The following must be filed, along with each slate, by the deadlines indicated above: i) information concerning the identity of the shareholders who presented the slate and the total percent interest held by those shareholders; ii) declarations whereby individual candidates accept their candidacy and attest, under their own responsibility, that there are no grounds for them to be considered ineligible or disqualified, including the limit on concurrent positions, and the satisfaction of the requirements established by laws, regulations and the Articles of Association for the respective positions; iii) a declaration by shareholders other than the shareholders who, individually or jointly, hold a controlling or relative majority interest, attesting to the absence of relationships of association, as defined in applicable laws and regulations, with such shareholders; and iv) the curriculum vitae of each candidate, containing thorough information about each candidate's personal and professional characteristics, as well as an indication of management and control positions filled at other companies.

Any slate that does not meet the above requirements shall be deemed not to have been filed.

Statutory Auditors are elected as follows:

- a) two standing Statutory Auditors and one alternate Statutory Auditor are drawn from the slate that obtained the greatest number of votes at the Shareholders' Meeting, on the basis of the sequential numbering with which they are listed in the sections of the slate;
- b) the remaining standing Statutory Auditor and the other alternate Statutory Auditor are drawn from the second slate that obtained the greatest number of votes at the Shareholders' Meeting and is not associated, directly or indirectly, with the slate indicated in point a) above and/or with the shareholders who submitted or voted for the majority slate, according to the sequential numbering with which they are listed in the sections of the slate;
- c) in the event of a tie between slates, the slate submitted by the shareholders with the greatest equity interest, or, subordinately, by the greatest number of shareholders, will prevail;
- d) where the Board of Statutory Auditors thus constituted does not ensure compliance with current laws in respect of gender equality, the last candidate elected from the majority slate shall be replaced with the first candidate not elected from the same slate belonging to the least represented gender or, failing this, by the first candidate not elected from the successive slates. Where this is not possible, the standing member of the least represented gender is appointed by the Shareholders' Meeting with legal majority, to replace the last candidate from the majority slate;
- e) where a single slate or no slate is presented and admitted, all the candidates for the positions indicated in the slate or, respectively, those voted by the Shareholders' Meeting shall be elected standing and alternate Statutory Auditors, provided that these achieve the relative majority of votes expressed at the Meeting. All this is subject to compliance with the regulations in force on gender equality.

The chair of the Board of Statutory Auditors is assumed by the first candidate on the second slate (where submitted and admitted) that obtained the greatest number of votes.

In accordance with Art. 18.2 of the Articles of Association, the Statutory Auditors must meet the requirements of professionalism, integrity and independence prescribed under the regulations in force

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from time to time, including those indicated in Decree of the Ministry of Justice no. 162 dated 30 March 2000, as well as those envisaged by the Code of Conduct to which the Company has adhered. Pursuant to the provisions of article 1, paragraph 2, letters b) and c) of that Decree, issues concerning the financial, credit and insurance sectors shall be considered to be strictly relating to the Company's business. The Statutory Auditors may hold offices as members of management and control bodies in other companies within the limits laid down by the applicable provisions.

Furthermore, in addition to those grounds provided for by law, being tied to the Company by an ongoing independent contracting or employment relationship, or any relationship involving the direct or indirect supply of goods and/or services, being a member of a management body of another bank or company whose business is in competition with that of the Company, or being tied to such other bank or company by an ongoing independent contracting or employment relationship, are all grounds for dismissal or ineligibility.

The Statutory Auditors may not hold offices other than those of control at other companies belonging to the Group or to the financial conglomerate, or at companies in which the Company, including indirectly, holds a strategic interest.

Furthermore, the Statutory Auditors must also comply with the limit on concurrent positions held, stipulated by Consob under Art. 144-terdecies of the Issuers' Regulation. Shareholders are also asked to take into consideration the independence requirements pursuant to Art. 8 of the Code of Conduct.

Pursuant to Art. 2400, last paragraph, of the Italian Civil Code, considering that at the time of the appointment and prior to accepting the position, the Shareholders' Meeting must be informed of the management and control positions held by Statutory Auditors with other companies, candidates are asked in this regard, to provide a declaration in the disclosure on their personal and professional characteristics, ensuring that this is updated up until the date of the Shareholders' Meeting.

Statutory Auditors remain in office for three financial years, and, in any case, until the Shareholders' Meeting called to approve the financial statements at 31 December 2022.

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Dear Shareholders,

given the above, we invite you:

- to vote for a slate, among those that will be submitted by the Shareholders and disclosed in accordance with the Articles of Association;
- to appoint as Chairperson of the Board of Statutory Auditors the standing Auditor listed first in the minority slate that obtained the greatest number of votes.

If there are no minority slates, the Chairperson of the Board of Statutory Auditors will be appointed on the basis of the majority required by law.

Milan, 12 March 2020

On behalf of the Board of Directors
Ms. Luitgard Spögler
Chairperson of the Board of Directors