

BANCA SISTEMA S.P.A.

Fully paid-in share capital EUR 9,650,526.24

Tax code and Companies Register of Milan No. 12870770158 - ABI (Italian Bank Association)
code No. 03158.3

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

www.bancasistema.it

**ORDINARY SHAREHOLDERS' MEETING, HELD ON A SINGLE CALL
AT THE REGISTERED OFFICE AT LARGO AUGUSTO 1/A, ANGOLO VIA VERZIERE 13, MILAN
30 APRIL 2021, 10:00 A.M.**

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

(drawn up pursuant to Article 125-ter of Italian Legislative Decree no. 58 of 24 February 1998,
as subsequently amended and supplemented)

**“PAYMENT OF DIVIDENDS FOR FINANCIAL YEARS 2019 AND 2020.
RELATED AND RESULTING RESOLUTIONS.”**

REPORT FROM THE BOARD OF DIRECTORS

"Dear Shareholders

Reference is to the proposed resolution described below regarding the payment of the dividend deriving from the allocation of the profits for financial years 2019 and 2020.

More specifically, in relation to the dividend resulting from the financial year 2019 of EUR 7,479,157.84 equal to EUR 0.093 per share for 80,421,052 ordinary shares, it should be noted that the Shareholders' Meeting held on 25 March 2021 resolved on the proposal put forward by the Board of Directors to postpone this decision, and the resulting commitment, until today's Shareholders' Meeting called to approve the financial statements as at 31 December 2020.

As for the dividend for the financial year 2020, the dividend amounts to EUR 6,433,684.16, corresponding to EUR 0.080 per share for 80,421,052 ordinary shares.

Therefore, the following proposed resolution is intended to refer to the "distributable profit" for the financial years 2019 and 2020 corresponding to EUR 13,912,842, equal to EUR 0.173 per share (the "Distributable Profit").

The Board of Directors, upon acknowledgment of the Bank of Italy's recommendation of 16 December 2020 (the "Recommendation") and by reference to the report submitted to the Shareholders' Meeting of 25 March 2021:

i) having reaffirmed the interpretation of the Recommendation according to which - in the part where it is specified that *"the term 'dividend'...refers only to cash payments that have the effect of reducing the quantity and quality of Common Equity Tier 1 capital"* – the quantitative limitations on the payment of dividends contained therein would not apply to banks such as Banca Sistema where the payment of dividends would not reduce the CET1 ratio, subject to the need to adopt a prudent approach when quantifying dividends to be distributed;

ii) in the light of the ongoing lack of a formal acknowledgement by the Supervisory Authority regarding a different interpretation by the Bank of Italy of the Recommendation, which the Bank had hoped to receive in order to make its own assessments and determinations regarding the distribution of dividends, in compliance with the principles of sound and prudent management, with a greater level of clarity and accuracy of the matter;

iii) having acknowledged the absence of any elements impeding the payment of the Distributable Profit regarding the Bank's economic performance and financial soundness;

(iv) having considered that the Recommendation specifies that "in the absence of a substantial deterioration in the macroeconomic scenario, starting on 30 September 2021 the Bank of Italy will resume assessing dividend and remuneration policies based on the results of the usual review and evaluation process of individual intermediaries";

the Board of Directors intends to propose that the Shareholders' Meeting postpone the payment of the Distributable Profit until after 30 September 2021, and proceed with the payment thereafter if the Supervisory Authority has issued no regulatory provisions before then, or if it has not publicly communicated its interpretation of the passage referred to hereinabove from the Recommendation that should object to the payment of the Distributable Profit.

* * *

Dear Shareholders

With reference to the above, we invite you to approve the following resolutions:

"The ordinary Shareholders' Meeting of Banca Sistema S.p.A., pursuant to

i) the decisions made during the approval of the financial statements as at 31 December 2019 and the allocation of the profit for the year 2019 of Banca Sistema S.p.A. equal to EUR 29,955,723.45, and

ii) the decisions made during approval of the financial statements as at 31 December 2020 and the allocation of the profit for the year 2020 of Banca Sistema S.p.A. equal to EUR 25,745,540.65;

having considered all that is stated in the report from Board of Directors,

resolved:

(i) to postpone the payment of the dividends deriving from the profits of the financial years 2019 and 2020, amounting to a total of EUR 13,912,842 or EUR 0.173 per share, until after 30 September 2021, and to proceed with the payment thereafter if the Supervisory Authority has issued no regulatory provisions before then, or if it has not publicly communicated its interpretation of the aforementioned passage from the Recommendation that should object to the payment of such dividends;

(ii) to grant the Board of Directors the authority to perform these resolutions, by vesting the Chairperson and the Chief Executive Officer with all the powers and full authority to severally carry out any action that may be necessary for the implementation of the resolutions referred to under point (i) above".

Milan, 30 March 2021

On behalf of the Board of Directors
Ms Luitgard Spögler (lawyer)
Chairperson of the Board of Directors