

**BANCA SISTEMA S.P.A.**

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

Tax code and Milan Companies' Register No. 12870770158 - ABI code No. 03158.3

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[www.bancasistema.it](http://www.bancasistema.it)

**ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING, HELD ON SINGLE CALL  
AT THE REGISTERED OFFICE AT LARGO AUGUSTO 1/A, ANGOLO VIA VERZIERE 13, MILAN  
27 NOVEMBER 2020, 9.30 A.M.**

**BOARD OF DIRECTORS' REPORT  
ON ITEM 1 OF THE AGENDA**

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

**ORDINARY MEETING**

**“PAYMENT OF THE DIVIDEND FROM THE 2019 PROFIT.  
RELATING AND RESULTING RESOLUTIONS”**

## BOARD OF DIRECTORS' REPORT

"Dear Shareholders,

We refer to the proposed resolution described below regarding the payment of the dividend deriving from the allocation of the profit for 2019 that was approved by the Ordinary Shareholders' Meeting on 23 April 2020.

During the meeting held on 23 April 2020 referred to above, the Ordinary Shareholders' Meeting, acting on a proposal from the Board of Directors and having considered the recommendations published by the ECB and the Bank of Italy on 27 March 2020 (the "Recommendation") in response to the extraordinary emergency caused by the spread of COVID-19, resolved:

*"(i) to allocate the profit for the year 2019 of Banca Sistema S.p.A. equal to € 29,955,723.45 as follows:*

- *to dividend of € 7,479,157.84 for the 80,421,052 ordinary shares, equal to € 0.093 per share;*
- *the remainder of € 22,476,565.61 to retained earnings.*

*in the manner and within the terms set forth by this Report. Please note that no allocation to the legal reserve was made since the limits set out in Article 2430 of the Italian Civil Code were reached;*

*(ii) to defer the decision on the payment of the dividend, and the consequent commitment, to the resolution of a new Shareholders' Meeting to be convened by the Board of Directors no earlier than 1 October 2020 but in any case by the end of November 2020, in accordance with the supervisory provisions or other recommendations of the Supervisory Authorities".*

Subsequently, on 27 July 2020, the ECB extended its recommendation that banks suspend the distribution of dividends for the years 2019 and 2020 until 1 January 2021.

On 28 July 2020, the Bank of Italy itself updated its Recommendation whereby it advised, among other things, less significant banks not to pay dividends for the years 2019 and 2020 (including distributions of reserves) and not to undertake any irrevocable commitment to pay dividends for the same financial years.

Considering the Recommendation and the subsequent updates issued this past July, the Board of Directors continued to monitor the possible impact of the ongoing health emergency on the Bank's financial position and any changes in the decisions issued by the banking Supervisory Authorities.

Finally, during its meeting of 21 October 2020, the Board of Directors of the Bank found that there were no impediments to paying the dividend for the year 2019 that can be attributed to the Bank's financial performance or the strength of its capital structure.

In making its assessments, the Board of Directors also noted that the amount of profit for the year 2019 which was allocated to dividend as a result of the aforementioned Shareholders' Meeting resolution of last April, was not included in Banca Sistema's own funds, and also noted the clarification in the updated Recommendation of last July, according to which *"the limitations on dividend payments refer to cash pay-outs which have the effect of reducing the quantity and quality of Common Equity Tier 1 capital"*.

Therefore, given the rigorous positions of the ECB and the Bank of Italy which were reaffirmed in last July's Recommendation and that do not consider any possible differences among entities within the banking sector (such as, distinguishing between significant and less significant banks, traditional and specialist banks, and between listed and unlisted banks), as well as considering that these positions have not changed despite the emergence of divergent approaches among the competent national regulators (some less significant German banks will distribute dividends already in 2020), the Board of Directors of Banca Sistema prefers to comply with the recommendation not to pay dividends before the

end of 2020, while respecting the resolution to allocate the 2019 profits approved by the Ordinary Shareholders' Meeting this past 23 April, and to continue to not count the amount allocated to dividend in the Bank's own funds.

Therefore, the Board of Directors proposes that today, the Ordinary Shareholders' Meeting defer the decision on the payment of the 2019 dividend to the resolution of a new Shareholders' Meeting to be convened by the Board of Directors as soon as possible - no earlier than 1 January 2021, and before 31 March 2021 - in accordance with the supervisory provisions and/or any further recommendations from the Supervisory Authorities.

\* \* \*

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 the decisions made during approval of the financial statements at 31 December 2019 and the allocation of the profit for the year 2019 of Banca Sistema S.p.A. equal to € 29,955,723.45, having considered all that is stated in the Board of Directors' report,*

*resolves:*

*(i) to confirm the following resolution allocating the profit for the year 2019 adopted by the Ordinary Shareholders' Meeting held on 23 April 2020:*

*"to allocate the profit for the year 2019 of Banca Sistema S.p.A. equal to € 29,955,723.45 as follows:*

- to dividend of € 7,479,157.84 for the 80,421,052 ordinary shares, equal to € 0.093 per share;*
- the remainder of € 22,476,565.61 to retained earnings;*

*in the manner and within the terms set forth by this Report. Please note that no allocation to the legal reserve was made since the limits set out in Article 2430 of the Italian Civil Code were reached."*

*(ii) to defer the decision on the payment of the dividend for the year ended 31 December 2019 of € 7,479,157.84 equal to € 0.093 per share for the 80,421,052 ordinary shares outstanding, and the resulting commitment to pay the dividend to be resolved in a new Shareholders' Meeting to be convened by the Board of Directors as soon as possible - no earlier than 1 January 2021, and before 31 March 2021 - in accordance with the supervisory provisions or any further recommendations from the Supervisory Authorities."*

Milan, 27 October 2020

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