

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

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

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
23 APRIL 2020, 10.00 A.M.**

**BOARD OF DIRECTORS' REPORT
ON ITEM 8 OF THE AGENDA**

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

EXTRAORDINARY MEETING

**AMENDMENT TO ARTICLE 5 OF THE ARTICLES OF ASSOCIATION DUE TO THE
INTRODUCTION OF THE INCREASE IN VOTING RIGHTS/PURSUANT TO ARTICLE 127-
QUINQUIES OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998. RELATING AND
RESULTING RESOLUTIONS.**

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors of the Bank has resolved to submit a project to the extraordinary Shareholders' Meeting with regard to the overall amendment to the By-laws.

The proposal aims, on the one hand, to identify appropriate solutions to ensure that the corporate structure is able to adapt to the future development of the Bank, acknowledging the importance of shareholders that wish to remain part of the corporate structure on a stable basis, also with a view to ensuring sound and prudent management for the future. On the other hand, a number of the clauses of the current By-laws need to be reviewed as they are no longer consistent with the current corporate structure or are not up to the standard required for listed banks or, in some cases, may be viewed as elements of rigidity.

In light of the above, the Board of Directors has deemed appropriate to conduct an overall review of the Bank's current By-laws, also identifying a number of additional amendments that take into account the provisions of the Code of Conduct of Borsa Italiana, as detailed below, as well as verifying best market practice.

The checks completed, also with the support of external primary consultants, have excluded the eventuality that the proposed amendments to the By-laws, if approved by the Shareholders Meeting, give rise to a right of withdrawal.

Furthermore, pursuant to the applicable regulations and supervisory provisions (e.g. art. 56 of the Consolidated Law on Banking, Title III, Chapter 1 of Circular no. 229 of 21 April 1999, the Supervisory provisions governing amendments to By-laws of 21 March 2007, and the Bank of Italy Notice of 10 September 2010 - Decision), an application for a decision is currently pending with the Bank of Italy as of 10 January 2020. The procedure is due to be completed once the Supervisory Authority has verified that the proposed amendments to the By-laws are not in contrast with the requirement of sound and prudent management.

Once issued, the assessment will be made public in a specific press release.

In the context described above, the Bank has identified the amendments to the By-laws, including the amendment to art. 5, as described below.

Further proposed amendments to the By-laws are described in a separate information report.

(i) Introduction of the increase in voting rights pursuant to article 127-quinquies of Legislative Decree No. 58 of 24 February 1998 ("Consolidated Law on Finance") - art. 5 of the By-laws

Art. 127-quinquies of the Consolidated Law on Finance has introduced the option for all companies that have shares listed on a regulated market to amend their By-laws to provide for the attribution of increased voting rights "*up to a maximum of two votes for each share held by the same shareholder for a continuous period of no less than twenty-four months from the date of entry*" in the specific list held by the issuer.

The aim of this legislative amendment, introduced by Legislative Decree No. 91 of 24 June 2014, is to provide listed companies with a tool that encourages the development of a long-term entrepreneurial culture, where the benefit of increased voting rights is only given to "loyal shareholders" who choose to make long-lasting investments (medium to long-term commitments) in the listed company. This increase in voting rights will reinforce the shareholder's role in the governance of the company and help to relieve the pressure of the short termism of investment decisions.

Such is the appreciation for this legislative tool that the legislator has expressly provided that shareholders who do not concur with the related resolution shall not have right of withdrawal (art. 127-quinquies, paragraph 6 of the Consolidated Law on Finance).

Having regard to Banca Sistema, the Board of Directors believes that the introduction of the increase in voting rights, which "rewards" medium/long-term equity investments in the Bank, is in the Bank's own interest in that it increases the stability of the shareholder structure and reinforces growth strategies over the long term, also supporting the sustained growth in value of its shares. In addition, the greater stability of the shareholder structure brings greater stability in governance terms, which therefore opens up opportunities to pursue long-term strategic projects and goals more easily and limits the risk of facilitating and rewarding highly speculative transactions, also on the market.

More generally, the Board of Directors believes that the introduction of the increase in voting rights is especially fitting for banks, in that it enables more effective sound and prudent management given that shareholders and directors are more likely to take a longer term approach.

In light of the above, the Board of Directors, after a careful evaluation and considering the position of all the shareholders, including the smaller ones, takes the view that these regulatory developments should be taken as an opportunity to amend article 5 of the By-laws, governing voting rights, by adding a provision on “increased” voting rights.

The Board of Directors makes the following further observations with regard to the introduction of the system of increased voting rights.

b. Increase and minimum holding period

Art. 127-quinquies of the Consolidated Law on Finance allows companies to decide the increase in voting rights (up to a maximum of two votes per share), to be specified in their By-laws, and the length of the minimum period for which shares must be held to benefit from the increase in voting rights (not less than 24 months).

With regard to the minimum period for which shares must be held to benefit from the increase in voting rights, the Board of Directors deems appropriate that the entitlement to increased voting rights should be given after the minimum period of 24 months established by law, considering this to be a sufficient amount of time to confirm ownership of the shares on a stable basis.

Likewise, with regard to the size of the increase in voting rights, it is deemed appropriate to apply the full increase provided for in art. 127-quinquies of the Consolidated Law on Finance, therefore setting the maximum increase limit at two votes per share in order to “maximise” the positive effects expected from the introduction of “increased voting rights”.

c. Special list: entry and removal

Pursuant to art. 127-quinquies, paragraph 2 of the Consolidated Law on Finance, the entitlement to benefit from the increase in voting rights requires the entry of the eligible shareholder in a special list, which must meet the content requirements set out in art. 143-quater of Consob Resolution No. 11971 of 14 May 1999 (“Issuers’ Regulation”). The aforesaid list should not be construed as a new shareholders’ register in that it supplements the register and, as such, is subject to the same publication rules applicable to the shareholders’ register, including the shareholders’ right of inspection pursuant to art. 2422 of the Italian Civil Code.

An eligible shareholder who intends to benefit from the increase in voting rights must ask to be entered in the special list and include the following in the related application: (i) the number of shares for which the entry is requested (as this may be limited only to a portion of the shares held); (ii) a communication from the intermediary on whose accounts the shares to be entered in the list are registered, confirming the applicant’s ownership of the shares; and (iii) any other document required under laws in force. In the case of shareholders other than natural persons, the application should specify whether the entity is subject to direct or indirect control by third parties, as well as the details of the controlling company, if any.

Following entry in the special list, the registered shareholder can request the Bank in writing, at any time, to remove the registered shares, wholly or in part, from the special list. This will result in the loss of the entitlement to the increased voting rights with respect to those shares removed from the list and, where applicable, the irrevocable waiver of the increased voting rights already accrued. The increase in voting rights for those same shares may be re-acquired by way of re-entry in the special list and completion of a new period of continuous registration. In addition, the Bank shall remove a shareholder from the special list (i) on receipt of a communication from the shareholder or from the intermediary, attesting the loss of the requirements to be eligible for the increase in voting rights or the loss of the right of entitlement to exercise the voting right (as defined herein) and/or the associated voting rights; or (ii) as a matter of course, if the Bank becomes aware of circumstances that entail loss of the requirements to be eligible for the increased voting rights or loss of the right of entitlement to exercise the voting right and/or associated voting rights.

To benefit from the increase in voting rights, the shareholder concerned must also submit an additional communication from the intermediary on whose accounts the shares entered in the special list are registered, confirming the ownership of the shares, as at the end date of the continuous period of twenty-four months.

d. Entitlement to increase the voting rights and loss of entitlement to the benefit

The benefit of the increase in voting rights is acquired on the first to occur of the following dates: (i) the fifth trading day in the calendar month following that in which the shareholder meets the eligibility conditions set out in the By-laws to benefit from the increase in voting rights, or (ii) the so-called record date of the Shareholders' Meeting, determined in accordance with laws in force, after the date on which the shareholder meets the eligibility conditions set out in the By-laws to benefit from the increase in voting rights.

Pursuant to art. 143-quater of the Issuers' Regulation, the Bank will update the special list - on the basis of the communications received from the intermediaries and from the shareholders concerned - by the fifth trading day from the end of each calendar month and, in any event, by the record date provided for in current regulations governing the right to attend and vote at Shareholders' Meetings (i.e., currently, by the end of the accounting day of the seventh trading day preceding the date scheduled for the Bank's Shareholders' Meeting pursuant to the current provisions of art. 83-sexies of the Consolidated Law on Finance), in order to satisfy the requirement to disclose the total number of voting rights to Consob and to the public, in accordance with the procedures and time frames set out in art. 85-bis, paragraph 4-bis of the Issuers' Regulation.

For the increase in voting rights to be granted, the circumstance that the share has been held by the same shareholder, pursuant to art. 127-quinquies of the Consolidated Law on Finance, should be interpreted in the sense that the same shareholder has had the voting right attached to that specific share pursuant to one of the following forms of entitlement to exercise the voting right: (i) full ownership of the share with voting rights attached; (ii) bare ownership of the share with voting rights attached; (iii) usufruct of the share with voting rights attached.

Furthermore, in accordance with the third paragraph of art. 127-quinquies of the Consolidated Law on Finance, the proposed amendment to the By-laws provides for the following cases in which the benefit of the acquired increased voting rights is lost: (i) transfer of the share, for valuable consideration or not, with "transfer" to be interpreted also as pledge, usufruct or other lien on the share where this results in the loss of the shareholder's right to vote; (ii) direct or indirect transfer of controlling interests in companies or entities that hold shares with increased voting rights exceeding the threshold indicated in article 120, paragraph 2 of the Consolidated Law on Finance.

Should either of the cases above occur during the twenty-four months following entry in the special list, the share is removed from the list and the benefit ceases to accrue, without prejudice to the effects of a re-entry in the list, where the required conditions are met.

In line with the applicable provisions of law, the Board of Directors considers it to be appropriate to include a provision whereby the loss of entitlement to the increased voting rights - or the removal from the special list - shall not apply in the case of: (i) pledge or usufruct on the shares by the shareholder entered in the special list (provided that the party establishing the pledge or granting the usufruct maintains the right to vote); (ii) succession, in the event of the death of the shareholder entered in the special list, in favour of the heir and/or legatee; (iii) merger or demerger of the shareholder entered in the special list (iv) transfer from one portfolio to another managed by the same entity; (v) transfer between companies belonging to the same group (i.e. subsidiaries, parent companies and companies subject to the same control).

In the aforesaid cases, notwithstanding the change in the ownership of the increased voting rights, the new owner benefits from the increased voting rights already acquired by the original shareholder, having completed the required holding period.

e. Retention and extension of the increased voting rights

With regard to share capital increases, it is considered appropriate to proportionately extend the benefit of the increased voting rights to any new shares that may be issued as part of a share capital increase, whether free of charge or for consideration by way of new contributions made in exercise of the option right. This is fully consistent with the benefit's purpose of rewarding "loyal" shareholders. Indeed - at least with reference to capital increases for consideration - loyal shareholders show their willingness to retain, and even increase, their investment in the Bank.

With reference to the possible merger or demerger of the Bank, it is proposed, in accordance with art. 127-quinquies, paragraph 4 of the Consolidated Law on Finance, that the benefit of the increased voting rights is also given for shares assigned in exchange for those with increased voting rights attached, where provided for in the related merger or demerger project.

BANCA

S I S T E M A

In detail, in reference to the aforesaid cases, new shares assigned as an exchange would acquire the increased voting rights in the case of (i) newly issued shares to be allotted to the owner in exchange for shares for which the increased voting rights have already accrued, effective as of the date of entry in the special list, without the need to wait until an additional continuous holding period has elapsed; and (ii) newly issued shares to be allotted to the owner in exchange for shares for which the increased voting rights have yet to accrue (but are accruing), effective as of the date of completion of the holding period, calculated from the date of initial entry in the special list.

f. Calculation of quorums for Shareholders' Meetings

In case of share capital increases, the benefit of the increased voting rights is proportionately extended to any new shares that may be issued as part of a share capital increase, whether free of charge or for consideration by way of new contributions made in exercise of the option right. This is fully consistent with the benefit's purpose of rewarding "loyal" shareholders, which- at least with reference to capital increases for consideration - will show their willingness to retain, and even increase, their investment in the Bank.

With reference to the possible merger or demerger of the Bank, it is proposed, in accordance with art. 127-quinquies, paragraph 4 of the Consolidated Law on Finance, that the benefit of the increased voting rights is also given for shares assigned in exchange for those with increased voting rights attached, where provided for in the related merger or demerger project.

In detail, in reference to the aforesaid cases, new shares assigned as an exchange acquire the increased voting rights in the case of (i) newly issued shares to be allotted to the owner in exchange for shares for which the increased voting rights have already accrued, effective as of the date of entry in the special list, without the need to wait until an additional continuous holding period has elapsed; and (ii) newly issued shares to be allotted to the owner in exchange for shares for which the increased voting rights have yet to accrue (but are accruing), effective as of the date of completion of the holding period, calculated from the date of initial entry in the special list.

With reference to the effects of the increase in voting rights, the proposed amendment to the By-laws is aligned with the solution provided by the law, in that the increase in voting rights is considered in the calculation of the quorums required for meetings and resolutions to be deemed valid linked to percentages of the share capital.

The increase does not however affect rights, other than voting rights, which are due and exercisable on the basis of specific percentages of the share capital, including, inter alia, the calculation of the percentage of capital required to submit lists for the appointment of the corporate bodies, the exercise of corporate responsibility actions set out in art. 2393-bis of the Italian Civil Code, and the calculation of the percentages required to challenge, on any basis and grounds, resolutions of the Shareholders' Meeting.

| CURRENT TEXT | AMENDED TEXT | NOTES |
|---|---|-------|
| <p style="text-align: center;">SECTION II</p> <p>SHARE CAPITAL, WITHDRAWAL AND CIRCULATION OF THE SHARES</p> <p>Article 5: share capital</p> <p>The share capital is 9,650,526.24 (nine million six hundred and fifty thousand five hundred and twenty six thousand and twenty four cents), subdivided into 80,421,052 (eighty million four hundred and twenty one thousand and fifty two) shares having</p> | <p style="text-align: center;">SECTION II</p> <p>SHARE CAPITAL, WITHDRAWAL AND CIRCULATION OF THE SHARES</p> <p>Article 5: share capital</p> <p>5.1 The share capital is 9,650,526.24 (nine million six hundred and fifty thousand five hundred and twenty six thousand and twenty four cents), subdivided into 80,421,052 (eighty million four hundred and twenty one thousand and fifty two) shares having</p> | |

| | | |
|--|--|--|
| <p>a nominal value of 0.12 Euros (twelve centimes) each.</p> <p>On 28 April 2016 the Company's extraordinary Shareholders' Meeting resolved, pursuant to article 2349 of the Italian Civil Code, to authorize a free share capital increase, in tranches, to service the 2016 Stock Grant Plan (the "2016 Plan"), which was approved by the Company's ordinary Shareholders' Meeting on the same date and the Stock Grant Plans which may be approved successively by the ordinary Shareholders' Meeting in relation to the years 2017, 2018 and 2019 ("2017-2019 Plans"). The free share capital increase is for a maximum nominal amount of EUR 49.920 (forty nine thousand nine hundred and twenty euro), corresponding to a maximum number of 416,000 (four hundred and sixteen thousand) ordinary shares of a par value of EUR 0.12 (twelve euro cents) each, and shall be completed within 30 June 2023, it being understood that the share capital shall be deemed to have increased by the amount equivalent to the subscriptions received and that the individual subscriptions, even partial, shall be effective immediately with simultaneous assignment of the shares and the associated shareholder rights.</p> | <p>a nominal value of 0.12 Euros (twelve centimes) each.</p> <p>On 28 April 2016 the Company's extraordinary Shareholders' Meeting resolved, pursuant to article 2349 of the Italian Civil Code, to authorize a free share capital increase, in tranches, to service the 2016 Stock Grant Plan (the "2016 Plan"), which was approved by the Company's ordinary Shareholders' Meeting on the same date and the Stock Grant Plans which may be approved successively by the ordinary Shareholders' Meeting in relation to the years 2017, 2018 and 2019 ("2017-2019 Plans"). The free share capital increase is for a maximum nominal amount of EUR 49.920 (forty nine thousand nine hundred and twenty euro), corresponding to a maximum number of 416,000 (four hundred and sixteen thousand) ordinary shares of a par value of EUR 0.12 (twelve euro cents) each, and shall be completed within 30 June 2023, it being understood that the share capital shall be deemed to have increased by the amount equivalent to the subscriptions received and that the individual subscriptions, even partial, shall be effective immediately with simultaneous assignment of the shares and the associated shareholder rights.</p> | |
|--|--|--|

BANCA

S I S T E M A

| | | |
|--|--|--|
| <p>The free share capital increase shall be funded using a restricted Reserve dedicated to the share capital increase to service the 2016 Plan and the 2017-2019 Plans and such reserve shall amount to EUR 1,600,000.00 (one million six hundred thousand euro), as per the resolution adopted by the ordinary Shareholders' Meeting on 28 April 2016.</p> <p>The shares underlying the Share Capital Increase shall give regular dividend rights and be issued in several tranches in accordance with the terms and condition set out in the 2016 Plan and in the 2017-2019 Plans.</p> <p>The Board of Directors is granted the powers necessary to increase the share capital - including the authority to sub-delegate such powers to its individual members - and specifically the power to assign and issue the new shares to service the 2016 Plan and the 2017-2019 Plans, in accordance with the timeframes and conditions therein, and the power to make the relevant amendments to this article in order to adjust, over time, the value of the Company's share capital.</p> <p>At the date of completion of the foregoing increase, at the terms and conditions set out in the 2016 Plan and in the 2017-2019 Plans, the share</p> | <p>The free share capital increase shall be funded using a restricted Reserve dedicated to the share capital increase to service the 2016 Plan and the 2017-2019 Plans and such reserve shall amount to EUR 1,600,000.00 (one million six hundred thousand euro), as per the resolution adopted by the ordinary Shareholders' Meeting on 28 April 2016.</p> <p>The shares underlying the Share Capital Increase shall give regular dividend rights and be issued in several tranches in accordance with the terms and condition set out in the 2016 Plan and in the 2017-2019 Plans.</p> <p>The Board of Directors is granted the powers necessary to increase the share capital - including the authority to sub-delegate such powers to its individual members - and specifically the power to assign and issue the new shares to service the 2016 Plan and the 2017-2019 Plans, in accordance with the timeframes and conditions therein, and the power to make the relevant amendments to this article in order to adjust, over time, the value of the Company's share capital.</p> <p>At the date of completion of the foregoing increase, at the terms and conditions set out in the 2016 Plan and in the 2017-2019 Plans, the share</p> | |
|--|--|--|

BANCA

S I S T E M A

| | | |
|--|--|---|
| <p>capital shall be deemed to have increased by the amount corresponding to the shares issued.</p> <p>5.2 The shares are issued in dematerialised form, are nominative, indivisible and the case of joint ownership is governed pursuant to the law.</p> <p>5.3 Each share carries a voting right.</p> <p>5.4 The shares confer equal rights on their holders. The Extraordinary Shareholders' Meeting can resolve to issue special categories of shares, establishing the form, means of transfer and the right due to the holders of these shares, and also to individually assign to the employees of the company or of subsidiaries an amount corresponding to the profits assigned to employees, pursuant to the provisions of art. 2439 paragraph 1 of the Civil Code, in compliance with applicable regulations in terms of remuneration and in accordance with the company's remuneration and incentive policies.</p> <p>5.5 The Extraordinary Shareholders' Meeting may resolve with regard to contributions by shareholders or third parties other than conferrals to the share capital to issue financial instruments pursuant to article 2346 paragraph 6 Italian Civil Code which consist of share certificates</p> | <p>capital shall be deemed to have increased by the amount corresponding to the shares issued.</p> <p>5.2 The shares are issued in dematerialised form, are nominative, indivisible and the case of joint ownership is governed pursuant to the law.</p> <p>5.3 Each share carries a voting right, save as provided for in paragraph 7 et seq. of this article.</p> <p>5.4 The shares confer equal rights on their holders. The Extraordinary Shareholders' Meeting can resolve to issue special categories of shares, establishing the form, means of transfer and the right due to the holders of these shares, and also to individually assign to the employees of the company or of subsidiaries an amount corresponding to the profits assigned to employees, pursuant to the provisions of art. 2439 paragraph 1 of the Civil Code, in compliance with applicable regulations in terms of remuneration and in accordance with the company's remuneration and incentive policies.</p> <p>5.5 The Extraordinary Shareholders' Meeting may resolve with regard to contributions by shareholders or third parties other than conferrals to the share capital to issue financial instruments pursuant to article 2346 paragraph 6 Italian Civil Code which consist of share certificates</p> | <p>The amendments to art. 5 of the By-laws with regard to increased voting rights are described in detail in the Directors' Report above.</p> |
|--|--|---|

| | | |
|--|--|--|
| <p>containing the rights indicated in the issue resolution and which must be shown in these By-laws. These share certificates may be transferable in accordance with what is stated in the issue resolution and of what may be stipulated in these By-laws.</p> <p>The financial instruments pursuant to article 5.5 may also be individually assigned to employees, pursuant to the provisions of art. 2439 paragraph 2 of the Italian Civil Code, in compliance with applicable regulations in terms of remuneration and in accordance with the company's remuneration and incentives policies.</p> <p>5.6 In the event of any paid increase in share capital, the option right due to shareholders can be excluded, within the limits of ten per cent of the pre-existing share capital, provided that the issue price of the new shares corresponds to the market value of those already in circulation and that this is confirmed by the appropriate report of the company tasked with performing the accounting audit.</p> | <p>containing the rights indicated in the issue resolution and which must be shown in these By-laws. These share certificates may be transferable in accordance with what is stated in the issue resolution and of what may be stipulated in these By-laws.</p> <p>The financial instruments pursuant to article 5.5 may also be individually assigned to employees, pursuant to the provisions of art. 2439 paragraph 2 of the Italian Civil Code, in compliance with applicable regulations in terms of remuneration and in accordance with the company's remuneration and incentives policies.</p> <p>5.6 In the event of any paid increase in share capital, the option right due to shareholders can be excluded, within the limits of ten per cent of the pre-existing share capital, provided that the issue price of the new shares corresponds to the market value of those already in circulation and that this is confirmed by the appropriate report of the company tasked with performing the accounting audit.</p> <p>5.7 In departure from paragraph 3 of this article, each share carries two voting rights if the following conditions are both satisfied: (a) the share has been held by the same shareholder, by reason of a right of entitlement to exercise the voting right (full ownership with voting</p> | |
|--|--|--|

| | | |
|--|--|--|
| | <p>rights attached or bare ownership with voting rights attached or usufruct with voting rights attached), for a continuous period of at least twenty-four months; (b) the satisfaction of the condition under point (a) above has been evidenced by continuous entry, for a period of at least twenty-four months, in the special list created pursuant to this article ("Special List") and by receipt of an appropriate communication from the intermediary on whose accounts the shares are registered pursuant to laws in force, confirming the ownership of the shares, as at the end date of the continuous period of twenty-four months.</p> <p>5.8 The acquisition of the benefit of increase in voting rights shall be effective as of the first to occur of the following dates: (i) the fifth trading day in the calendar month following that in which the shareholder meets the eligibility conditions set out in the By-laws to benefit from the increase in voting rights, or (ii) the so-called record date of the Shareholders' Meeting, determined in accordance with laws in force, after the date on which the shareholder meets the eligibility conditions set out in the By-laws to benefit from the increase in voting rights.</p> | |
|--|--|--|

| | | |
|--|--|--|
| | <p>5.9 The Company shall create and retain at the registered office a Special List, meeting the form and content requirements set out in the applicable provisions of law, in which any shareholder wishing to benefit from the increased voting rights shall be entered. To be entered in the Special List, the shareholders so entitled pursuant to this article shall submit a specific application together with a communication confirming the ownership of the shares - even referring solely to the portion of the shares for which the shareholders are requesting the increased voting rights - to be issued by the intermediary on whose accounts the shares are registered pursuant to laws in force. In the case of shareholders other than natural persons, the application should specify whether the entity is subject to direct or indirect control by third parties, as well as the details of the controlling company, if any.</p> <p>5.10 The Special List is updated by the Company by the fifth trading day from the end of each calendar month and, in any event, by the record date provided for in current regulations governing the right to attend and vote at Shareholders' Meetings.</p> | |
|--|--|--|

| | | |
|--|---|--|
| | <p>5.11 The Special List is subject to the rules governing the shareholders' register, insofar as applicable, including those applicable to the publication of information and the shareholders' right of inspection. The Special List shall also be subject to any other regulations that may be published by the Board of Directors on the Company's website.</p> <p>5.12 Save as provided for in paragraph 17 below, the Company shall remove a shareholder from the Special List - with resulting automatic loss of entitlement to the increased voting rights - in the following cases: (i) full or partial waiver on part of the shareholder concerned; (ii) on receipt of a communication from the shareholder or from the intermediary, attesting the loss of the requirements to be eligible for the increase in voting rights or the loss of the right of entitlement to exercise the voting right and/or the associated voting rights; or (iii) as a matter of course, if the Company becomes aware of circumstances that entail loss of the requirements to be eligible for the increased voting rights or loss of the right of entitlement to exercise the voting right and/or associated voting rights.</p> | |
|--|---|--|

| | | |
|--|---|--|
| | <p>5.13 The benefit of the increased voting rights is lost: (a) in the case of transfer of the share, for valuable consideration or not, with “transfer” to be interpreted also as pledge, usufruct or other lien on the share where this results in the loss of the shareholder’s right to vote. If only a portion of the shares with increased voting rights are transferred, for valuable consideration or not, the transferor shall maintain the increased voting rights for the remaining shares not transferred; (b) in the case of direct or indirect transfer of controlling interests in companies or entities that hold shares with increased voting rights exceeding the threshold under article 120, paragraph 2 of Legislative Decree No. 58 of 24 February 1998.</p> <p>5.14 Increased voting rights already accrued or, where not accrued, the period of ownership required to accrue the increased voting rights, shall be maintained in the case of: (a) succession, in the event of death, in favour of the heir and/or legatee; (b) merger or demerger of the owner of the shares, in favour of the company resulting from the merger or the beneficiary of the demerger; (c) transfer from one portfolio to another of the OEIC managed by the same entity; (d) pledge, usufruct or</p> | |
|--|---|--|

| | | |
|--|--|--|
| | <p>other lien, where the right to vote is retained by the pledger or bare owner; (e) transfer between companies belonging to the same group (i.e. subsidiaries, parent companies or companies subject to the same control).</p> <p>5.15 The increase in voting rights is extended to shares (“New Shares”):</p> <p>(i) resulting from a free share capital increase pursuant to art. 2442 of the Italian Civil Code, to be allotted to the owner with reference to those shares for which the increase in voting rights has already accrued (“Original Shares”); (ii) to be allotted in exchange for the Original Shares in the case of merger or demerger, where provided for in the related project and in accordance with the provisions therein; (iii) subscribed by the owner of the Original Shares in exercising the option right on such shares as part of a share capital increase by way of new contributions.</p> <p>5.16 In the cases set out in paragraph 15 above, the New Shares shall acquire the increased voting rights in the case of: (i) New Shares to be allotted to the owner with reference to those shares for which the increased voting rights have already accrued, effective as of the date of entry in the Special List, without the need to wait until an</p> | |
|--|--|--|

| | | |
|--|---|--|
| | <p>additional continuous holding period has elapsed; (ii) New Shares to be allotted to the owner with reference to those shares for which the increased voting rights have yet to accrue (but are accruing), effective as of the date of completion of the holding period, calculated from the date of initial entry in the Special List.</p> <p>5.17 Shareholders entitled to the increase in voting rights may irrevocably waive their entitlement to the increased voting rights - wholly or in part - at any time by communicating this in writing to the Company, it being understood that the increase in voting rights may be re-acquired for those same shares by way of re-entry in the Special List and completion of a new continuous holding period of not less than twenty-four months.</p> <p>5.18 The increase in voting rights is also considered in the calculation of the quorums required for meetings and resolutions to be deemed valid linked to percentages of the share capital. The increase does not however affect rights, other than voting rights, which are due by reason of ownership of specific percentages of the share capital.</p> <p>5.19 The concept of control referred to in this article shall be construed in accordance with the meaning given</p> | |
|--|---|--|

| | | |
|--|--|--|
| | in the provisions of law governing listed issuers. | |
|--|--|--|

* * *

Dear Shareholders,

In light of the foregoing, we invite you to approve the following resolution:

“The Shareholders’ Meeting of Banca Sistema S.p.A.,

resolves:

- *to approve the amendments to art. 5 of the By-laws, as resulting from the new text below:*

Article 5: share capital

The share capital is 9,650,526.24 (nine million six hundred and fifty thousand five hundred and twenty six thousand and twenty four cents), subdivided into 80,421,052 (eighty million four hundred and twenty one thousand and fifty two) shares having a nominal value of 0.12 Euros (twelve centimes) each.

On 28 April 2016 the Company’s extraordinary Shareholders’ Meeting resolved, pursuant to article 2349 of the Italian Civil Code, to authorize a free share capital increase, in tranches, to service the 2016 Stock Grant Plan (the “2016 Plan”), which was approved by the Company’s ordinary Shareholders’ Meeting on the same date and the Stock Grant Plans which may be approved successively by the ordinary Shareholders’ Meeting in relation to the years 2017, 2018 and 2019 (“2017-2019 Plans”). The free share capital increase is for a maximum nominal amount of EUR 49.920 (forty nine thousand nine hundred and twenty euro), corresponding to a maximum number of 416,000 (four hundred and sixteen thousand) ordinary shares of a par value of EUR 0.12 (twelve euro cents) each, and shall be completed within 30 June 2023, it being understood that the share capital shall be deemed to have increased by the amount equivalent to the subscriptions received and that the individual subscriptions, even partial, shall be effective immediately with simultaneous assignment of the shares and the associated shareholder rights.

The free share capital increase shall be funded using a restricted Reserve dedicated to the share capital increase to service the 2016 Plan and the 2017-2019 Plans and such reserve shall amount to EUR 1,600,000.00 (one million six hundred thousand euro), as per the resolution adopted by the ordinary Shareholders’ Meeting on 28 April 2016.

The shares underlying the Share Capital Increase shall give regular dividend rights and be issued in several tranches in accordance with the terms and condition set out in the 2016 Plan and in the 2017-2019 Plans.

The Board of Directors is granted the powers necessary to increase the share capital - including the authority to sub-delegate such powers to its individual members - and specifically the power to assign and issue the new shares to service the 2016 Plan and the 2017-2019 Plans, in accordance with the timeframes and conditions therein, and the power to make the relevant amendments to this article in order to adjust, over time, the value of the Company’s share capital.

At the date of completion of the foregoing increase, at the terms and conditions set out in the 2016 Plan and in the 2017-2019 Plans, the share capital shall be deemed to have increased by the amount corresponding to the shares issued.

5.2 The shares are issued in dematerialised form, are nominative, indivisible and the case of joint ownership is governed pursuant to the law.

5.3 Each share carries a voting right, save as provided for in paragraph 7 et seq. of this article.

5.4 The shares confer equal rights on their holders. The Extraordinary Shareholders' Meeting can resolve to issue special categories of shares, establishing the form, means of transfer and the right due to the holders of these shares, and also to individually assign to the employees of the company or of subsidiaries an amount corresponding to the profits assigned to employees, pursuant to the provisions of art. 2439 paragraph 1 of the Civil Code, in compliance with applicable regulations in terms of remuneration and in accordance with the company's remuneration and incentive policies.

BANCA

S I S T E M A

5.5 The Extraordinary Shareholders' Meeting may resolve with regard to contributions by shareholders or third parties other than conferrals to the share capital to issue financial instruments pursuant to article 2346 paragraph 6 Italian Civil Code which consist of share certificates containing the rights indicated in the issue resolution and which must be shown in these By-laws. These share certificates may be transferable in accordance with what is stated in the issue resolution and of what may be stipulated in these By-laws.

The financial instruments pursuant to article 5.5 may also be individually assigned to employees, pursuant to the provisions of art. 2439 paragraph 2 of the Italian Civil Code, in compliance with applicable regulations in terms of remuneration and in accordance with the company's remuneration and incentives policies.

5.6 In the event of any paid increase in share capital, the option right due to shareholders can be excluded, within the limits of ten per cent of the pre-existing share capital, provided that the issue price of the new shares corresponds to the market value of those already in circulation and that this is confirmed by the appropriate report of the company tasked with performing the accounting audit.

5.7 In departure from paragraph 3 of this article, each share carries two voting rights if the following conditions are both satisfied: (a) the share has been held by the same shareholder, by reason of a right of entitlement to exercise the voting right (full ownership with voting rights attached or bare ownership with voting rights attached or usufruct with voting rights attached), for a continuous period of at least twenty-four months; (b) the satisfaction of the condition under point (a) above has been evidenced by continuous entry, for a period of at least twenty-four months, in the special list created pursuant to this article ("Special List") and by receipt of an appropriate communication from the intermediary on whose accounts the shares are registered pursuant to laws in force, confirming the ownership of the shares, as at the end date of the continuous period of twenty-four months.

5.8 The acquisition of the benefit of increase in voting rights shall be effective as of the first to occur of the following dates: (i) the fifth trading day in the calendar month following that in which the shareholder meets the eligibility conditions set out in the By-laws to benefit from the increase in voting rights, or (ii) the so-called record date of the Shareholders' Meeting, determined in accordance with laws in force, after the date on which the shareholder meets the eligibility conditions set out in the By-laws to benefit from the increase in voting rights.

5.9 The Company shall create and retain at the registered office a Special List, meeting the form and content requirements set out in the applicable provisions of law, in which any shareholder wishing to benefit from the increased voting rights shall be entered. To be entered in the Special List, the shareholders so entitled pursuant to this article shall submit a specific application together with a communication confirming the ownership of the shares - even referring solely to the portion of the shares for which the shareholders are requesting the increased voting rights - to be issued by the intermediary on whose accounts the shares are registered pursuant to laws in force. In the case of shareholders other than natural persons, the application should specify whether the entity is subject to direct or indirect control by third parties, as well as the details of the controlling company, if any.

5.10 The Special List is updated by the Company by the fifth trading day from the end of each calendar month and, in any event, by the record date provided for in current regulations governing the right to attend and vote at Shareholders' Meetings.

5.11 The Special List is subject to the rules governing the shareholders' register, insofar as applicable, including those applicable to the publication of information and the shareholders' right of inspection. The Special List shall also be subject to any other regulations that may be published by the Board of Directors on the Company's website.

5.12 Save as provided for in paragraph 17 below, the Company shall remove a shareholder from the Special List - with resulting automatic loss of entitlement to the increased voting rights - in the following cases: (i) full or partial waiver on part of the shareholder concerned; (ii) on receipt of a communication from the shareholder or from the intermediary, attesting the loss of the requirements to be eligible for the increase in voting rights or the loss of the right of entitlement to exercise the voting right and/or the associated voting rights; or (iii) as a matter of course, if the Company becomes aware of circumstances that entail loss of the requirements to be eligible for the increased voting rights or loss of the right of entitlement to exercise the voting right and/or associated voting rights.

5.13 The benefit of the increased voting rights is lost: (a) in the case of transfer of the share, for valuable consideration or not, with "transfer" to be interpreted also as pledge, usufruct or other lien on the share

BANCA

S I S T E M A

where this results in the loss of the shareholder's right to vote. If only a portion of the shares with increased voting rights are transferred, for valuable consideration or not, the transferor shall maintain the increased voting rights for the remaining shares not transferred; (b) in the case of direct or indirect transfer of controlling interests in companies or entities that hold shares with increased voting rights exceeding the threshold under article 120, paragraph 2 of Legislative Decree No. 58 of 24 February 1998.

5.14 Increased voting rights already accrued or, where not accrued, the period of ownership required to accrue the increased voting rights, shall be maintained in the case of: (a) succession, in the event of death, in favour of the heir and/or legatee; (b) merger or demerger of the owner of the shares, in favour of the company resulting from the merger or the beneficiary of the demerger; (c) transfer from one portfolio to another of the OEIC managed by the same entity; (d) pledge, usufruct or other lien, where the right to vote is retained by the pledger or bare owner; (e) transfer between companies belonging to the same group (i.e. subsidiaries, parent companies or companies subject to the same control).

5.15 The increase in voting rights is extended to shares ("New Shares"): (i) resulting from a free share capital increase pursuant to art. 2442 of the Italian Civil Code, to be allotted to the owner with reference to those shares for which the increase in voting rights has already accrued ("Original Shares"); (ii) to be allotted in exchange for the Original Shares in the case of merger or demerger, where provided for in the related project and in accordance with the provisions therein; (iii) subscribed by the owner of the Original Shares in exercising the option right on such shares as part of a share capital increase by way of new contributions.

5.16 In the cases set out in paragraph 15 above, the New Shares shall acquire the increased voting rights in the case of: (i) New Shares to be allotted to the owner with reference to those shares for which the increased voting rights have already accrued, effective as of the date of entry in the Special List, without the need to wait until an additional continuous holding period has elapsed; (ii) New Shares to be allotted to the owner with reference to those shares for which the increased voting rights have yet to accrue (but are accruing), effective as of the date of completion of the holding period, calculated from the date of initial entry in the Special List.

5.17 Shareholders entitled to the increase in voting rights may irrevocably waive their entitlement to the increased voting rights - wholly or in part - at any time by communicating this in writing to the Company, it being understood that the increase in voting rights may be re-acquired for those same shares by way of re-entry in the Special List and completion of a new continuous holding period of not less than twenty-four months.

5.18 The increase in voting rights is also considered in the calculation of the quorums required for meetings and resolutions to be deemed valid linked to percentages of the share capital. The increase does not however affect rights, other than voting rights, which are due by reason of ownership of specific percentages of the share capital.

5.19 The concept of control referred to in this article shall be construed in accordance with the meaning given in the provisions of law governing listed issuers.

- *to grant the Chair and the CEO, also separately, the powers necessary to: (i) accept or make any changes or additions (provided that such changes do not modify the essential substance of the resolutions) that may be required for the resolutions to be filed at the Companies' Register; (ii) file and register these, pursuant to laws in force, with explicit advance approval and ratification of the resolutions adopted and the text of the By-laws, as amended above."*

Milan, 1 April 2020

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