

APPLICATION OF THE 2024
REMUNERATION POLICIES

2025 REMUNERATION
POLICIES

EXECUTIVE SUMMARY

BANCA
S I S T E M A



Dear Shareholders,

In my capacity as Chairperson of the Remuneration Committee and on behalf of the Committee itself, I am pleased to present to you the Executive Summary on the Application of the Remuneration Policies for the 2024 financial year of the Banca Sistema Group.

This Executive Summary describes the Group's main results for 2024, summarises the application of the Remuneration Policies for 2024 (ex-post disclosure), and introduces the principles, purposes, bodies involved and structure of the Remuneration Policies for 2025 (ex-ante disclosure).

In the context of the application of the Remuneration Policies, the Banca Sistema Group acknowledges the findings of the supervisory inspection initiated by the Bank of Italy in July 2024, which require the suspension of any resolutions or actions concerning: (i) the distribution of profits generated from the current 2024 financial year or other capital components; (ii) the payment of the variable component of remuneration for the 2024 financial year and subsequent years, until a review is conducted by the Bank of Italy, also based on the feedback that will be provided by the Bank. As a result, no variable component related to the application of the Policies for the 2024 financial year has been awarded in the 2025 financial year.

In this regard, the Banca Sistema Group is actively working, including through appropriate discussions with the Supervisory Authority, to implement the mitigations and corrective measures required by the Supervisory Authority, with the aim of reassuring employees about the positive direction in which the bank is progressing, while avoiding explicit references to variable incentives or other remuneration aspects.

When updating the 2025 Remuneration Policies, the Remuneration Committee assisted the Board of Directors in its review and consolidation of the Document, which was updated to reflect changes in the framework and the remuneration instruments adopted to pursue the sustainable achievement of business objectives over time.

Through this Executive Summary, I hope to provide you with more straightforward and usable information. On behalf of the Remuneration Committee, I would like to thank you for the time you dedicate to reading this document.

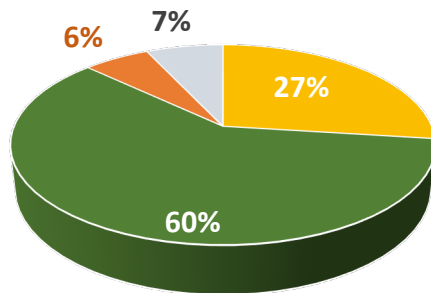
Best regards,

Ms. Francesca Granata
Chairperson of the Remuneration Committee

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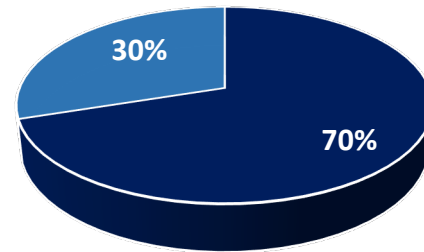
WHAT WE DO

FY 2024
Net loans and receivables
2,638 million



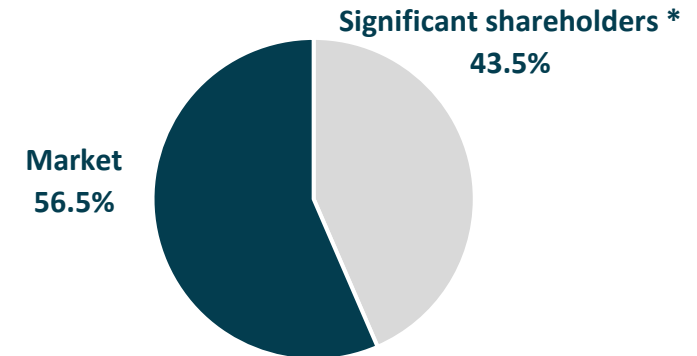
■ CQ ■ FACTORING
■ PEGNO ■ ALTRO

FY 2024
Total Funding
4,109 million



■ Retail ■ Wholesale

SHAREHOLDERS



* Shareholders with more than 5% of the share capital

€121
Total income

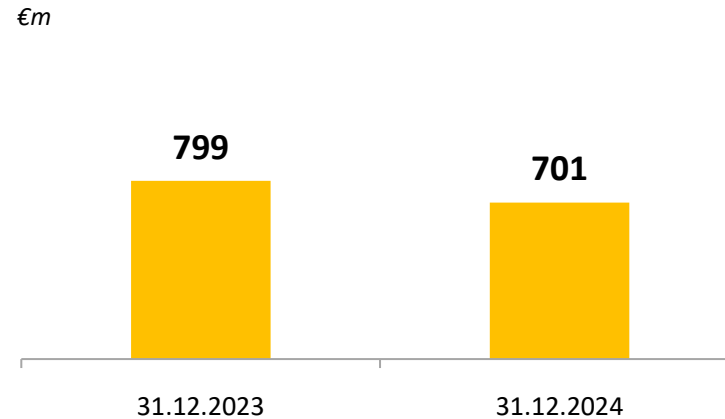
€25.2
Profit for the year

10.6%
RoaE

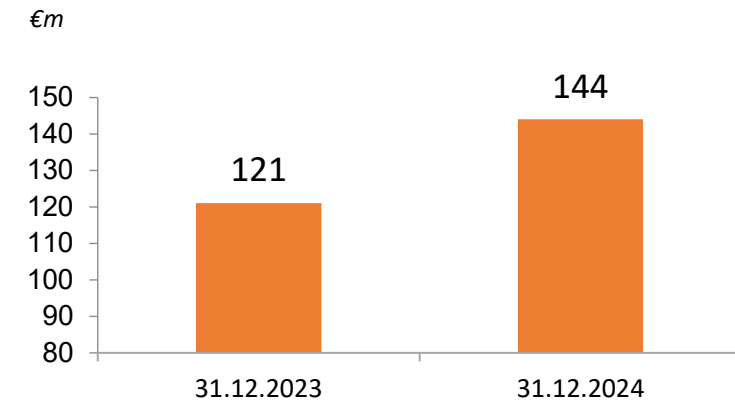
19.3%
RORAC

13.3%
CET1 ratio

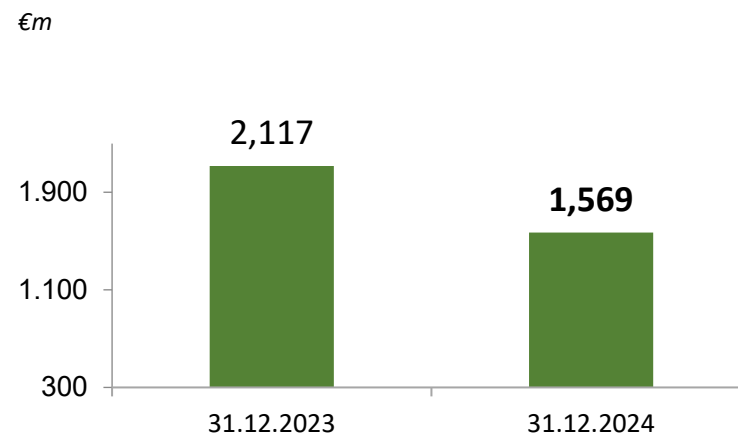
CQ loans outstanding



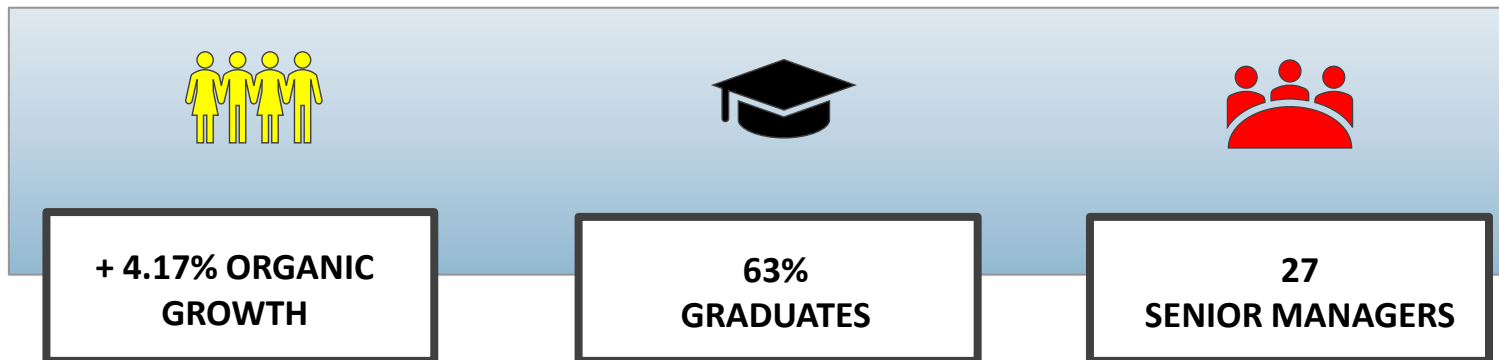
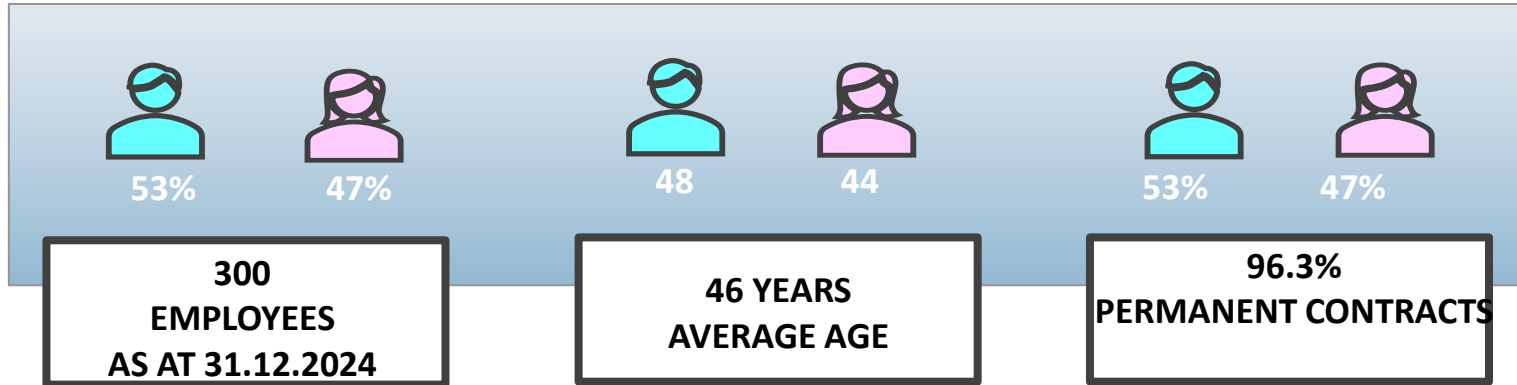
Outstanding collateralised loans



Factoring outstanding



-5.5% (YoY)
Factoring Turnover
[€ 5,261 m]



PRINCIPLES

COMPETITIVENESS

Ensure appropriate and motivating remuneration for employees, in line with the relevant labour market.

MERIT

Guarantee remuneration linked to results, which rewards merit, recognises career development and skills and preserves pay equity.

COMPLIANCE

Establish remuneration policies that fully comply with laws and regulations.

REMUNERATION POLICY GUIDELINES

SHORT-TERM VARIABLE

Guide behaviour towards value creation, identifying clear KPIs, defined ex ante and referring to each financial year.

LONG-TERM VARIABLE

Support the alignment of interests between shareholders and management and the achievement of long-term objectives.

DEFERRED VARIABLE REMUNERATION

Encourage the retention of key figures and the alignment of their KPIs with the Bank's Strategic Plan and sustainability goals.

RISK MANAGEMENT

Establish the conditions for distribution and access linked to the benchmarks set out in the reference RAF, which also serve as malus conditions.

The remuneration policy is designed to ensure **alignment between total compensation** paid, from various sources, and the **creation of value** for our shareholders, with a long-term sustainability perspective.

The Remuneration Policy is established by the Board of Directors, assisted by the Remuneration Committee, with the involvement of the Control and other Corporate Departments, each within their respective responsibilities.

The Bank is committed to **continuously updating the Policies** to reflect the regulatory framework and market best practices, including with the support of qualified external consultants.

OBJECTIVES

- **To direct the efforts** of executive directors, managers, and employees towards the priorities and objectives established at the Bank level, supporting the creation of value over the medium and long term.
- **Attract and retain highly qualified and committed staff** by ensuring the competitiveness of the Bank's remuneration.
- **To motivate personnel**, by recognising merit and encouraging the development of professional skills;
- **To develop and improve the quality of the services** provided to customers;
- **To ensure sound and prudent management of the Bank** and its risk profile;
- **To ensure remuneration fairness** – also with respect to gender neutrality – rewarding individual employees for their contribution, the responsibilities given and their specific working conditions;
- **To ensure conduct that is consistent with the Code of Ethics** of the Group, the Group's internal regulations and the legislative and regulatory provisions applicable to Banca Sistema and the Group.

The **Remuneration Committee** assists the Board of Directors in reviewing the Policies to be submitted to the Shareholders' Meeting, and has the following responsibilities:

- to make proposals on the remuneration paid to "key personnel";
- to propose the criteria for the remuneration of "key personnel" and provides opinions on the outcome of the process of identifying "key personnel";
- to carefully monitor due application of the rules on the remuneration of the managers in charge of the corporate control departments, in close coordination with the Board of Statutory Auditors;
- to cooperate with the other committees within the Board of Directors, in particular, with the Internal Control and Risk Management Committee and ensure that all appointed departments are involved in the process;
- to provide input, based also on the information received from the corporate departments concerned, on the achievement of the performance targets to which the incentive plans are subject and to verify the other requirements for payment of the remuneration;
- to assess the need to make ex-post adjustments to the variable remuneration (malus and claw-back) and to submit proposals in this respect to the Board of Directors;
- to make proposals to the Board of Directors concerning the use of external experts specialised in Remuneration and Incentive Policies and to check that the existing remuneration policy is up-to-date, and to propose any required amendments;
- to monitor, with the support of the Human Capital and Organisation Department, the application of the Policy with reference to gender neutrality in remuneration practices, by running checks on any gender pay gaps.

The **Board of Directors** drafts, approves and submits to the Shareholders' Meeting the Bank's Policies and reviews them, at least annually, and is responsible for their proper implementation. It also ensures that the Bank's Policies are properly implemented and aligned with the overall corporate governance framework, corporate culture, risk appetite and related governance processes.

The Board ensures that the granting, payment and accrual of variable remuneration do not negatively affect the need to maintain a strong capital base.

The **Shareholders' Meeting** approves:

- The Policies applicable to Group employees and "key personnel";
- The criteria for determining any compensation to be paid in the event of early termination of employment or early exit from office, including the limits upon such compensation in terms of the number of years of fixed remuneration and the maximum amount resulting from application of such criteria (so-called golden parachute);
- The ratio between the variable and fixed remuneration paid to individual employees at more than 1:1, but not in excess of the maximum limit of 2:1.

The **Board of Statutory Auditors** monitors the proper application of the remuneration policies based on the provisions and regulations in force at the time.

The **Internal Control and Risk and Sustainability Management Committee** verifies compliance between the incentive plan and the Group's Risk Appetite Framework.

The **Manager in charge of financial reporting** confirms the level of satisfaction of the corporate access conditions and criteria and the level of achievement of the targets assigned.

The **Central Finance Department**, which verifies the compliance of the Policies with the Bank's medium-long term objectives and strategies.

The **Compliance and Anti-Money Laundering Department** carries out an *ex ante* verification of the compliance of the Policies.

The **Internal Audit Department** assesses whether the remuneration practices are consistent with the approved policies.

The **Human Capital and Organisation Department** coordinates the Policies definition process and contributes to the drawing up of the Policies.

The **Risk and Sustainability Department** contributes to ensuring consistency with the framework for determining the risk appetite defined within the RAF.

COMPOSITION and MAIN ACTIVITIES CARRIED OUT IN THE PAST 12

**Chairperson of the
Committee Independent
Director**

Francesca Granata

**Deputy Chairperson of the
Bank
Independent Director**

Giovanni Antonino Puglisi

Independent Director

Alessandra Grendele

- Assessment of the impact of the letter from the Bank of Italy of 20 December regarding the non-payment of the variable component of remuneration
- Preparation of the 2024 and 2025 Remuneration Policies Document
- Execution of the self-assessment process and identification of "key personnel"
- Verification of the update of the amount of particularly high variable remuneration of Italian high earners, as indicated in the latest EBA report published in April 2024 with reference to 2023 remuneration.
- Implementation of an initiative to support investment by employees in shares of the subsidiary Kruso Kapital, in order to align the interests of employees with those of the Group over time;
- A more detailed description of the possibilities in the future to use medium-long term incentives (LTI Long Term Incentive) for the Group's key personnel to support the alignment of interests between shareholders and management and support the achievement of long-term objectives.
- Update of the gender pay gap analysis, as required by applicable regulations and in line with what was done in previous years;
- Reference to the provision of specific incentives for certain categories of personnel (particularly the Treasurer), without further calculation details to avoid creating new commitments towards key personnel.



**no. 8
MEETINGS IN 2024**

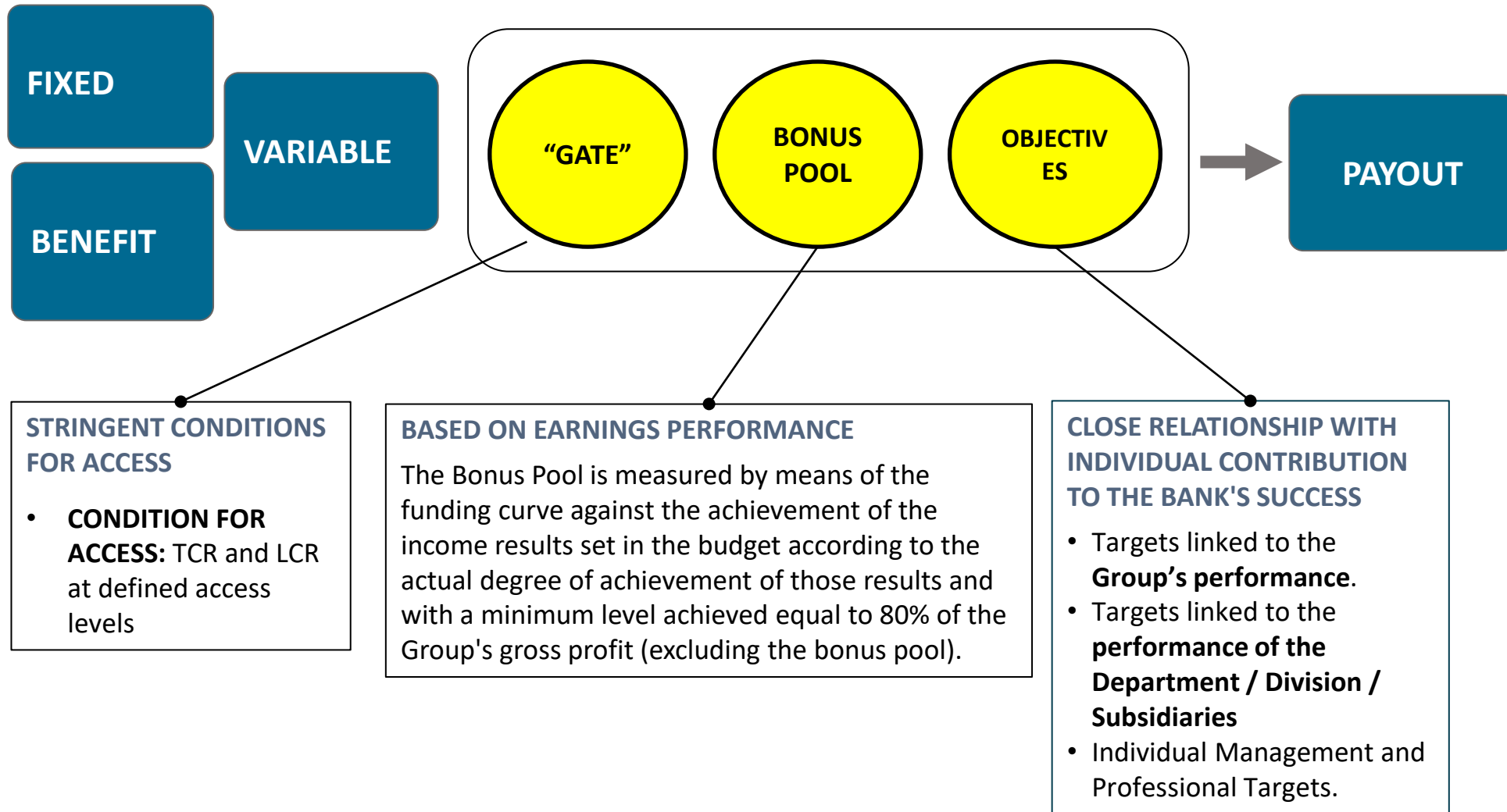
**no. 4
MEETINGS IN 2025
AS OF 13/3/2025**

- Updating of the CEO/CEO's sheet with the targets for 2025
- Definition of the relevant objectives of Key Personnel and related communications for the achievement of the 2025 annual budget targets, the execution of the current Business Plan, and the implementation of the activity plan currently being defined to address the issues raised by the Supervisory Authority
- Acknowledgement that the determination of the theoretical bonus pool (net of extraordinary items) for the application of the 2024 funding curve has been postponed to future resolutions of the Bank's Board of Directors, in the event that the Supervisory Authority lifts the suspensive conditions
- Reference to the decision not to update the annual economic data of the Operating Procedure on variable bonuses assignable to employees, given that the Procedure remains in effect following the 31 July 2024 update
- Acknowledgement of the suspension of accruals related to the subsidiary Kruso Kapital's Three-Year Incentive Plan and the continuation of actuarial adjustments to the funds set aside for non-compete agreements (NCA) and retention bonuses
- Assessment of the outperformance of the 2024 gates and the possibility of disbursement of the deferred portion of bonuses (both cash and shares) relating to previous years' bonuses
- Acknowledgement that key personnel will not receive formal individual communications from the bank regarding the official reporting of their 2024 targets sheet or the corresponding incentives
- Evaluation of sending update communications on the implementation of mitigation measures and corrective actions required by the Supervisory Authority, with the aim of confirming to employees the positive direction the Bank is taking, while avoiding explicit references to variable incentives or other compensation matters



no. 8
MEETINGS IN 2024

no. 4
MEETINGS IN 2025
AS OF 13/3/2025





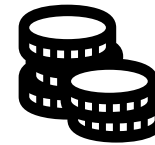
The access and distribution conditions of the 2024 bonus pool were met - the same conditions apply for the recognition of deferred portions of bonuses from previous years



The actual Group Gross Profit would result in a theoretical bonus pool of 4.2 million. Considering the impact of the extraordinary item of 8.028 million, the Group's Gross Profit would decrease to 33.867 million, resulting in a theoretical bonus pool of 3.175 million.



The variable remuneration of the **CEO /General Manager** theoretically defined on the basis of the achievement of his 2024 objectives has been suspended.



Non-executive Directors are only paid a fixed fee for their office and an attendance fee for Board and Board Committee meetings; the total amount paid to the BoD in 2024 was € 1095620.



Key personnel covered by the incentive scheme for 2024: 32 individuals (excluding non-executive directors).



For bonus amounts exceeding € 50,000 the **deferred percentage is 30% (40% for the CEO/GM)** and is **paid entirely in cash**. The deferred portion relating to past years paid in 2025 to key personnel is €617,969.

Following the Bank of Italy inspection initiated in July 2024, the Supervisory Authority has instructed that the Banca Sistema Group, until further review by the Bank of Italy, also based on the feedback that will be provided by the Bank, refrain from resolving or taking the following actions: i) the distribution of profits generated from the current 2024 financial year or other elements of equity; ii) the payment of the variable component of remuneration for the 2024 financial year and subsequent years.

Therefore, the Remuneration Policies describe the principles, structure, responsibilities, roles and rules for the application of the various remuneration instruments, including variables, without these contents constituting any obligation to pay or to make payment until the aforementioned review of the Company's situation by the Supervisory Board.

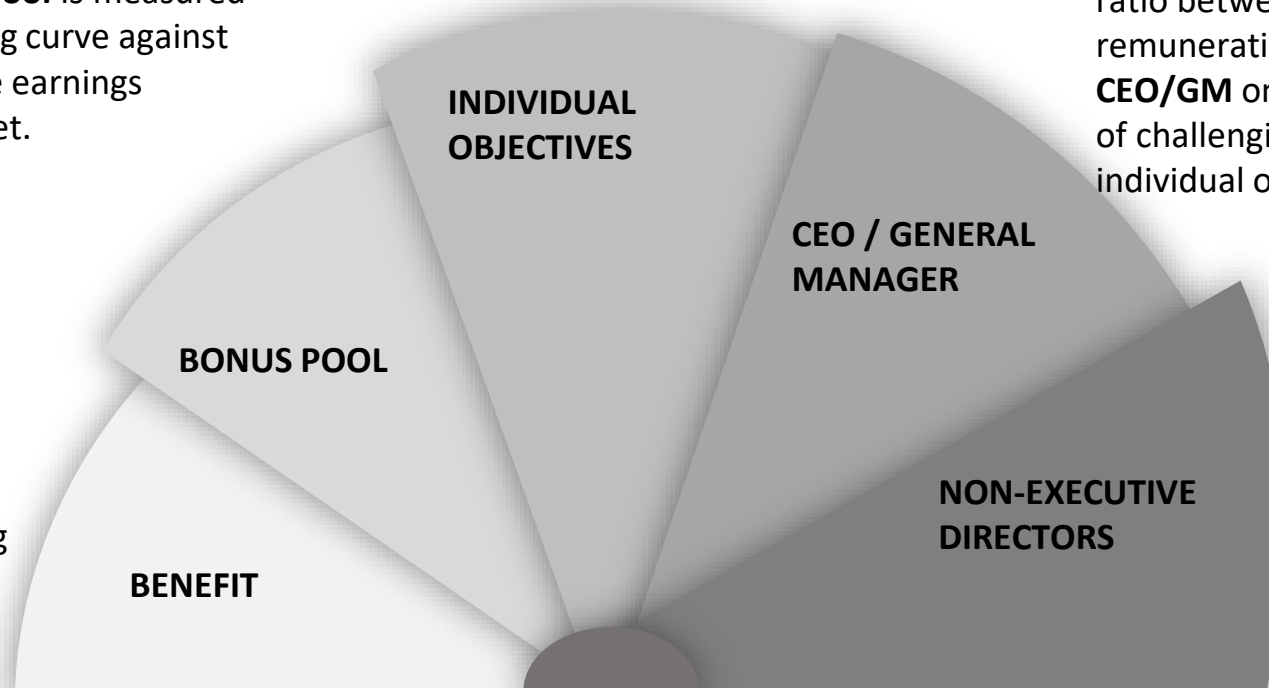
The 2025 Document includes the following key updates:

- updating of the identification of "key personnel", always through the adoption of the criteria established in the update of the EBA RTS of June 2020 and the consequent EU Delegated Regulation 2021/923 of 25/03/21, to also include the resources of foreign subsidiaries; in particular, during 2024, the acquisition by Kruso Kapital S.p.A. of a company active in collateralised lending in Portugal, called CEP (Credito Economico Popular), was completed;
- updating of the analyses and assessments conducted by the Remuneration Committee and the Board of Directors regarding the "gender pay gap" previously introduced in the 2022 Remuneration Policies, with specific provisions concerning the gender neutrality of the Bank's remuneration policies and practices;
- updating of the amount of particularly high variable remuneration of Italian high earners, as indicated in the latest EBA report published in April 2024 with reference to 2023 remuneration.
- implementation of an initiative, approved by the relevant corporate bodies in line with the 2024 bonus pool and the associated conditions of access, to support investment by employees in shares of the subsidiary Kruso Kapital, in order to align the interests of employees with those of the Group over time.

Setting of **individual targets** linked to the contribution to the financial results, customer relations (internal and external), organisational and managerial skills and personal qualities and adherence to the values of the Code of Ethics.

The size of the **bonus pool** is measured by means of the funding curve against the achievement of the earnings targets set in the budget.

The possibility of exceeding the 1:1 ratio between variable and fixed remuneration is allowed for the **CEO/GM** only, upon achievement of challenging corporate and individual objectives.



Non-executive Directors do not receive variable remuneration.

Establishment of an employee **benefits system** designed to complement the Bank's incentive system.

The purpose of the Flexible Benefit Plan is to support employees and their families in providing care and assistance to family members, for educational development and school expenses.