

INTERNAL AUDIT DEPARTMENT'S REPORT ON THE CORRECT APPLICATION OF THE 2024 REMUNERATION POLICIES OF THE BANCA SISTEMA GROUP

To the attention of the Shareholders of Banca Sistema S.p.A.

This report details the results of the audits conducted by the Internal Audit Department (the "**Department**") on the compliance of the remuneration practices with the "2024 Remuneration Policies Document of the Banca Sistema Group" (the "**2024 Policies**") pursuant to the relevant provisions of Bank of Italy Circular No. 285 of 17 December 2013¹.

The 2024 Policies apply to all the companies of the Banca Sistema S.p.A. Group (hereinafter, the "**Group**") and are aimed at defining, for all the Group entities, a remuneration system in line with the company's long-term values, strategies and objectives, linked to the results appropriately adjusted to take into account the risks, consistently with the capital and liquidity levels required to run the business.

The internal process of preparing the 2024 Policies was coordinated by the **Human Capital and Organisation Department** of Banca Sistema S.p.A., to ensure compliance with the relevant provisions and to align them with the markets in which the Group companies operate.

The Bank's **Risk and Sustainability Department** assisted in determining the metrics for calculating corporate performance, validating the results and their consistency with the Risk Appetite Framework (**RAF**), also by establishing risk indicators to be used for (ex-ante and ex-post) adjustment mechanisms, expressing its opinion on the correct use of the aforesaid indicators.

The **Compliance and Anti-Money Laundering Department** has verified ex ante the compliance of the 2024 Policies with the applicable legal framework, the Articles of Association and the Bank's Code of Ethics, taking into account the inherent legal and reputational aspects, especially in relations with customers. At the end of the afore-mentioned audits, it presented its opinions, as required by applicable supervisory regulations, to the Board of Directors' Meeting of 22 March 2024 and to the Shareholders' Meeting of 30 April 2024.

The **Finance Department** has verified the compliance of the 2024 Policies with the Group's medium and long term objectives and strategies through the identification and determination of the final level of the "gate" and access criteria to define the bonus pool payable.

The **Manager in charge of financial reporting** verified the compliance and consistency of the 2024 Policies with the accounting and company documents, their accuracy with respect to the approved

¹Part One, Title IV, Chapter 2, Section II, Paragraph 3 of Bank of Italy Circular No. 285 of 17 December 2013, provides that: "*The internal audit department also assesses, at least yearly, the remuneration practices compliance with the approved policies and with these provisions*". Note also that the 37th update of 24 November 2021 of Bank of Italy Circular No. 285/2013 completely replaced, Part One, Title IV, Chapter 2 ("Remuneration and incentive policies and practices") to transpose the principles of Directive 2013/36/EU ("CRD IV"), as amended by Directive (EU) 2019/878 ("CRD V"), and the guidelines and criteria agreed at international level, including those issued by the European Banking Authority (EBA) and the Financial Stability Board (FSB).

accounting entries of the consolidated financial statements for the period ended 31.12.2024, as well as certifying the achievement of the corporate access conditions and criteria.

The 2024 Policies have been preliminarily examined by Banca Sistema S.p.A.'s Remuneration Committee and Board of Directors, before being formally approved by the Shareholders' Meeting on 24 April 2024, in compliance with the Articles of Association (art. 9.2) and Bank of Italy Circular no. 285/2013.

It should be noted that, during 2024, the Group was the subject of an inspection by the Bank of Italy, the results of which were formalised on 20 December with the delivery, by the representatives of the Supervisory Authority, of the relevant inspection report and letter on the company's situation, during a board meeting convened on the same date. In the aforementioned letter, the Supervisory Authority has ordered that the Banca Sistema Group, until the review by the Bank of Italy, also on the basis of the findings to be provided by the Bank, refrains from resolving on or carrying out:

- i) the distribution of profits (produced from the current year 2024) or other equity items (including the repurchase of treasury shares);
- ii) the payment of the variable part of the remuneration (accrued in the financial year 2024 onwards).

Taking into account the provisions referred to in point ii) above, the Remuneration Committee and the Board of Directors, each for their respective areas of responsibility, acknowledged that, given the impossibility of resolving on any payment and disbursement commitment, the definition of the theoretical bonus pool level achieved (always net of extraordinary items) is postponed to future possible resolutions of the Board of Directors of the Bank, which would only be possible following the Bank of Italy's revocation of the aforesaid condition precedent.

In light of the above, the considerations of the undersigned Management on the application of the 2024 Policies based on the audits carried out are illustrated below:

- The Remuneration Committee, at its meeting on 06.03.2025, verified the conditions for the distribution of the variable component, ascertaining that the consolidated result for the year as at 31.12.2024, net of a positive extraordinary item of €8,028, is equal to €33,867 thousand, and therefore above the threshold of €26,959 thousand, corresponding to 80% of the budgeted profit of €33,699 thousand. In addition, it noted compliance with the conditions for access to the incentive scheme set out in the 2024 Policies, which require that the "Total Capital Ratio" (TCR) indicators of 16.08% (compared to 15.15% of the RAF) and the "Liquidity Coverage Ratio" (LCR) of 1,161.72% (compared to 115% of the RAF) exceed the RAF's first-tier thresholds. Furthermore, it should be noted that the consolidated financial statements as of 31.12.2024 show an allocation for variable remuneration of €2,362 thousand, equal to the amount recognised in the consolidated statement of financial position as of 30.09.2024, determined *pro-rata temporis* with respect to the 2024 budget forecast, while no allocation was made for the fourth quarter.

- Following the approval of the financial statements as of 31.12.2024, the deferred portions of the variable remuneration relating to the 2021, 2022 and 2023 financial years will be paid to 8 employees, €416,694 in cash and 55,085² in Bank shares relating to 2021. With regard to the latter, the letter from the Bank of Italy of 20 December 2024 communicated the refusal to authorise the purchase of 3,816 treasury shares still necessary to complete the allocation of the 2021 deferred portions to the beneficiaries, as 51,269 treasury shares of the Bank are currently available in stock. The Board of Directors resolved to assign the shares due to each beneficiary, with the exception of the CEO/General Manager to whom 34,741 shares would be delivered against the 38,557 shares due, postponing to the future the delivery of the currently unavailable shares or, in view of the low economic value, their consideration, binding them for the envisaged retention period.
- The remuneration of the Chairperson of the Board of Directors and of the Directors for their activities complies with the resolutions of the Shareholders' Meeting of 30 April 2024 and does not include any incentive mechanism, apart from the Chief Executive Officer who, as already mentioned, also serves as General Manager. The remuneration of the Board of Statutory Auditors refers to that resolved following its appointment by the Shareholders' Meeting of 28 April 2023.

The checks carried out revealed the following aspects, which are brought to the attention of the Shareholders:

- 1) Starting in 2015, the Bank has signed non-compete agreements (NCA) with key personnel and other personnel possessing particularly significant experience and skills, pursuant to and for the purposes of Article 2125 of the Italian Civil Code. The amounts to be paid were determined in proportion to the fixed remuneration of the beneficiaries and advances were paid between 2015 and 2017. In March 2017, the agreement referred to above was revised and formalised in a “protected” venue, excluding the payment of further advances during the employment relationship, while the payment of 75% of the gross annual remuneration and of the portion of flexible benefits received in the last year of service, net of the advances paid, will be paid. The consideration will be paid in one or more instalments by the end of the month preceding the month of termination of the last of the three years following termination of employment, provided that the former employees comply with the agreed conditions. Should this not be the case, a breach of the NCA will result, for the former employee, in the immediate repayment of an amount equivalent to the total cost (including advance payments) incurred by the Bank, as well as, in the form of a contractual penalty, the immediate payment of the net amount corresponding to 35% of the gross annual remuneration for the last year of service including the amount of the flexible benefit.

² The number of Bank shares was determined by netting the relative taxation of the beneficiaries who have chosen this option.

During 2022, pursuant to the 2022 Remuneration Policies (Section 6.6.3 “Retention Bonuses”) and in accordance with the resolutions of the Board of Directors of 25 November 2022, 29 new retention bonus agreements were entered into to replace the NCAs, which were consequently terminated, while 9 beneficiaries decided to continue with their non-compete agreements. The Chief Executive Officer agreed with the proposal to replace the non-compete agreement with a retention bonus, effective from the approval of the 2023 Remuneration Policies Document, which took place during the Shareholders' Meeting held on 28 April 2023.

As of 31 December 2024, there were 28 retention bonus agreements and 7 NCAs, the potential liability of which was determined based on valuations by an expert actuary, in accordance with IAS 19, and recorded in the consolidated financial statements in the amount of €2,328 thousand, of which €1,792 thousand was for the retention bonus portion and €536 thousand for the NCA portion.

- 2) The Bank, in accordance with the indications contained in the letter on the company situation by the Bank of Italy of 20 December 2024, did not resolve on or implement the payment of the variable part of remuneration for 2024.

Milan, 4 April 2025

THE INTERNAL AUDIT DEPARTMENT