

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

Fully Paid-in Share Capital EUR 9,650,526.24

Tax Code and Milan Companies' Register No. 12870770158 – ABI 03158.3

Corso Monforte 20 - 20122 Milan

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

**ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING, HELD ON SINGLE CALL  
AT THE REGISTERED OFFICE IN MILAN - CORSO MONFORTE 20  
28 APRIL 2016 - 10.00 A.M.**

**DIRECTORS' EXPLANATORY REPORT  
ON POINTS 1 AND 2 ON THE AGENDA - EXTRAORDINARY SESSION**

(report pursuant to article 125-ter of Italian Legislative Decree No. 58 of 24 February 1998, as amended and supplemented (the "Consolidated Law on Finance") and article 72 of the Regulation adopted by Consob with resolution No. 11971 of 14 May 1999, as amended and supplemented (the "Consob Regulation") and in compliance with Annex 3A of the Consob Regulation on proposed resolutions concerning points 1 and 2 on the agenda)

**POINT 1**

**"FREE SHARE CAPITAL INCREASE PURSUANT TO ARTICLE 2349, PARAGRAPH 1 OF THE ITALIAN CIVIL CODE, IN TRANCHES, UP TO A NOMINAL MAXIMUM OF 49,920, 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, TO SERVICE THE 2016 STOCK GRANT PLAN AND THE 2017-2019 PLANS, TO BE ISSUED BY THE BOARD OF DIRECTORS IN SEVERAL TRANCHES IN ACCORDANCE WITH THE TERMS AND CONDITIONS PROVIDED FOR IN SAID PLANS, USING A SPECIAL RESERVE OF PROFITS, AS PER THE RESOLUTION UNDER POINT 6 OF THE ORDINARY SESSION, GRANTING OF POWERS TO THE BOARD OF DIRECTORS FOR THE ISSUE OF NEW COMPANY SHARES. RELATED AND ENSUING RESOLUTIONS."**

**POINT 2**

**"AMENDMENT OF ART. 5.1 OF THE ARTICLES OF ASSOCIATION FOLLOWING THE APPROVAL OF THE SHARE CAPITAL INCREASE, AS PER THE RESOLUTION UNDER POINT 1 OF THE EXTRAORDINARY SESSION. RELATED AND ENSUING RESOLUTIONS."**

### DIRECTORS' EXPLANATORY REPORT

Dear Shareholders,

your attention is drawn to the proposed resolutions submitted for examination by the extraordinary Shareholders' Meeting, as illustrated below, referring to the adoption of an incentive system for executives with strategic responsibilities and other "key personnel" of the Banca Sistema Group, as defined in point 5 on the ordinary Shareholders' Meeting agenda.

In this regard, a proposal has been made to the ordinary Shareholders' Meeting to approve an incentive plan for 2016, consisting in the free assignment of ordinary shares of the Company, subject to meeting specific individual and company-level performance targets, to executives with strategic responsibility and other "key personnel", who will be granted a bonus in excess of 20% of their Gross Annual Salary or, in any event, an amount equal to or above EUR 50,000.00 (the "**2016 Stock Grant Plan**" or "**2016 Plan**").

The plan provides for the free assignment of ordinary shares of the Company.

The Shares underlying the 2016 Plan can be made available, at the discretion of the Board of Directors and in compliance with applicable laws, in two ways: (a) via a free share capital increase pursuant to article 2349, paragraph 1 of the Italian Civil Code ("**Share Capital Increase**"), subject to the obtainment of authorization from the Bank of Italy in accordance with applicable provisions and to be funded using a specific restricted reserve of profits, as specified in point 6 on the agenda of the ordinary Shareholders' Meeting, and/or (b) using shares purchased on the market and/or held for any other reason by the Company, pursuant to and for the purposes of articles 2357 ff. of the Italian Civil Code, subject to the obtainment of authorization from the Bank of Italy in accordance with applicable provisions.

The proposed Share Capital Increase shall not only service the 2016 Stock Grant Plan but also any future stock grant plans that may be submitted for the approval of the Shareholders' Meeting for each of the financial years 2017, 2018 and 2019 (the "**2017-2019 Plans**").

Please note that an application pursuant to article 56 of the Consolidated Law on Banking was submitted to the Bank of Italy on 27 January 2016 in order to obtain the document ascertaining that the amendments made to Banca Sistema's Articles of Association to reflect said share capital increase do not contravene the principle of sound and prudent management.

Pursuant to article 5.4 of the Articles of Association, the Company can issue the special categories of shares and financial instruments set forth in the aforementioned article 2349 of the Civil Code.

For the aforesaid purpose, the Board of Directors has approved and submitted for the approval of the extraordinary Shareholders' Meeting a proposal concerning the free Share Capital Increase to service the 2016 Stock Grant Plan and the 2017-2019 Plans, in tranches, up to a maximum nominal amount of 49,920.00, corresponding to a maximum number of 416,000 ordinary shares of a par value of EUR 0.12 each, to be issued by the Board of Directors in several tranches in accordance with the terms and conditions of the 2016 Plan and the 2017-2019 Plans.

### 1. Reason for and purpose of the Share Capital Increase

The Share Capital Increase is functional to the implementation of the 2016 Plan and the 2017-2019 Plans, should these be approved in the future by the Company's Shareholders' Meeting. It is therefore reserved to the beneficiaries of the 2016 Plan and the 2017-2019 Plans.

As regards the 2016 Plan, the Company wishes to achieve the following aims:

- to link the remuneration paid to the Beneficiaries of the 2016 Plan to the actual performance of the Company and to the creation of value for the Banca Sistema Group, in line also with the objectives pursued in the Corporate Governance Code;
- to direct key company resources towards creating value and adopting strategies to achieve medium-long term targets;
- to align the interests of the Beneficiaries with those of the shareholders and investors;
- to adopt retention policies aimed at increasing the loyalty of the Beneficiaries and incentivizing them to stay with the company or within the Banca Sistema Group;
- to motivate and increase the loyalty of the Company's existing management and develop the Company's ability to attract potential new managers, in accordance with practices in use in the banking sector.

The 2016 Plan is subdivided into four Cycles:

- 1st Cycle: 01/01/2016 - 31/12/2016 (the 1st Cycle ends on the date of approval of the 2016 consolidated financial statements);
- 2nd Cycle: 01/01/2017 - 31/12/2017 (the 2nd Cycle ends on the date of approval of the 2017 consolidated financial statements);
- 3rd Cycle: 01/01/2018 - 31/12/2018 (the 3rd Cycle ends on the date of approval of the 2018 consolidated financial statements);
- 4th Cycle: 01/01/2019 - 31/12/2019 (the 4th Cycle ends on the date of approval of the 2019 consolidated financial statements);

The terms and conditions of the 2016 Plan are defined in detail in the relevant information document, which has been published pursuant to 84-bis of the Consob Regulation, in application of the provisions of article 114-bis of the TUF.

### 2. Implementation method and ex-dividend date

The free Share Capital Increase pursuant to article 2349, paragraph 1 of the Italian Civil Code will be funded using a restricted reserve of profits amounting to EUR 1,600,000.00. The proposal to create the foregoing reserve is submitted to today's ordinary Shareholders' Meeting under point 6 on the agenda.

The shares underlying the Share Capital Increase shall give regular dividend rights and be issued in several tranches at the end of each Cycle in accordance with the terms and condition set out in the 2016 Plan and to be established in the 2017-2019 Plans, subject to the performance targets specified therein being met.

The Share Capital Increase is to be completed within 30 June 2023, it being understood that the Company's 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.

\* \* \* \*

As a result of the proposed resolution submitted for your approval, the need will arise to supplement article 5.1 of the Articles of Association with a clause referring to the Shareholders' resolution on the Share Capital Increase, as per the table attached to this Report sub A.

Please note that the amendments to the Articles of Association proposed to today's extraordinary Shareholders' Meeting do not provide for the right of withdrawal set out in article 2437 of the Italian Civil Code.

\* \* \* \*

Therefore, should the ordinary Shareholders' Meeting resolve to adopt the 2016 Stock Grant Plan and to create a restricted reserve of profits to service the 2016 Plan and the 2017-2019 Plans, if successively approved by the Shareholders' Meeting, the following proposed resolution is hereby submitted for your approval:

*"The extraordinary Shareholders' Meeting of Banca Sistema S.p.A.,*

- *having heard and approved the proposal of the Board of Directors;*
- *having acknowledged the resolutions passed by the Ordinary Shareholders' Meeting,*

*resolves*

- a) *to approve the free share capital increase, pursuant to article 2349 of the Italian Civil Code and article 5.4 of the Articles of Association, to be issued in tranches, to service the 2016 Stock Grant Plan ("2016 Plan") approved today by the ordinary Shareholders' Meeting 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 for the share capital increase to service the 2016 Plan and the 2017-2019 Plans and such reserve shall amount to EUR 1,600,000 (one million six hundred thousand euro), as per the resolution adopted by the ordinary Shareholders' Meeting on today's date.*

*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.*

*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;*

- b) *to approve the proposal to amend article 5.1 of the Articles of Association to reflect the approval of the aforementioned free share capital increase (as per the table attached to this Report sub A);*
- c) *to grant the Board of Directors 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 article 5.1 of the Articles of Association in order to adjust, over time, the value of the Company's share capital.*
- d) *lastly, to grant the Chairman and the Managing Director, separately also, the powers necessary to implement the foregoing resolutions in accordance with the provisions of law and the power to make any necessary amendments or additions for these to be filed at the Companies' Register (provided that such changes do not modify the essential substance of the resolutions) and to fulfil all the required and associated formalities”.*

Milan, 15 March 2016

For the Board of Directors  
Luitgard Spögler  
Chairman of the Board of Directors

**Article 5: share capital**

- 5.1 The share capital is EUR 9,650,526,24 (nine million six hundred and fifty thousand five hundred and twenty six euro and twenty four cents), subdivided into 80,421,052 (eighty million four hundred and twenty one thousand and fifty two) shares having a par value of EUR 0.12 (twelve euro cents) 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 - 2019 Stock Grant Plan (the "**Plan**"), which was approved by the Company's ordinary Shareholders' Meeting on the same date. The free share capital increase is for a maximum nominal amount of EUR 49,920, corresponding to a maximum number of 416,000 ordinary shares of the Company having a par value of EUR 0.12 each.

The free share capital increase shall be funded using a restricted Reserve dedicated to the share capital increase to service the 2016-2019 Stock Grant Plan and such reserve shall amount to EUR 1,600,000.00, as per the resolution adopted by the ordinary Shareholders' Meeting on 28 April 2016.

The shares underlying the free 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 Plan.

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 Plan, in accordance with the terms 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 Plan, the share capital shall be deemed to have increased by the amount corresponding to the shares issued.