

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

**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 POINT 6 ON THE AGENDA - ORDINARY SESSION**

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

**“CREATION OF A SPECIFIC RESTRICTED RESERVE OF PROFITS TO SERVICE THE FREE
SHARE CAPITAL INCREASE RESERVED FOR THE BENEFICIARIES OF THE 2016 STOCK
GRANT PLAN SPECIFIED IN POINT 5 AND OF ANY FUTURE STOCK GRANT PLANS THAT MAY
BE APPROVED FOR THE FOLLOWING THREE FINANCIAL YEARS.
RELATING AND RESULTING RESOLUTIONS.”**

DIRECTORS' EXPLANATORY REPORT

Dear Shareholders,

your attention is drawn to the proposed resolution submitted for examination by the Ordinary Shareholders' Meeting and 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 of the agenda of today's meeting.

In this regard, a proposal has been made to the ordinary Shareholders' Meeting to approve and 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. Said shares 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 (the "**Share Capital Increase**"), subject to the obtainment of authorization from the Bank of Italy in accordance with applicable provisions, submitted for the approval of today's extraordinary Shareholders' Meeting (point 1 of the agenda) and to be funded using a restricted reserve of profits to be created, and/or (b) using shares purchased on the market and/or held for any other reason by the Company, in accordance with the resolution of the Shareholders' Meeting held on 27 November 2015, pursuant to and for the purposes of articles 2357 ff. of the Italian Civil Code and 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 are submitted for the approval of the Shareholders' Meeting in relation to each of the financial years 2017, 2018 and 2019 (the "**2017-2019 Plans**").

For said Share Capital Increase to be completed, a dedicated reserve of profits needs to be immediately created to service the 2016 Plan and the future 2017-2019 Plans. The reserve, called "Restricted reserve for share capital increase to service the stock grant plans for bonuses payable in 2016, 2017, 2018 and 2019 (the "**Restricted reserve for the 2016-2019 Stock Grant Plans**") shall have a value of EUR 1,600,000.00, to be funded with pre-existing available capital reserves deriving from "retained profits", which the Board of Directors has identified as being available in the "Undistributed Profit Reserve".

In this regard, the Board of Directors acknowledges that, in view of the results of the financial statements as at 31 December 2015, the value of the "Undistributed Profits Reserve" is EUR 25,746,667.12 and that the Company's overall available assets are such as to avoid effects on the foregoing Reserve.

Consequently:

- in virtue of the proposed Shareholders' Meeting resolution, a "Restricted reserve for share capital increase to service the stock grant plans for bonuses payable in 2016, 2017, 2018 and 2019" will be created by decreasing by EUR [1,600,000.00] the value of the "Undistributed Profits Reserve" from EUR 25,746,667.12 to EUR 24,146,667.12.

The “Restricted reserve for share capital increase to service the stock grant plans for bonuses payable in 2016, 2017, 2018 and 2019” shall be reserved for the free Share Capital Increase servicing the 2016 Plan and the 2017-2019 Plans and may be used solely, without prejudice to legal requirements, to cover losses reported in the financial statements to be approved in the future;

- at the assignment date of the shares at the end of each cycle, in accordance with the terms of the 2016 Plan and with those to be established for the 2017-2019 Plans, if the performance target therein specified have been met, the share capital will be increased by the nominal value of the total number of shares to be issued, deducting the equivalent amount from the “Undistributed Profits Reserve”, subject to compliance with the Board of Directors’ resolutions concerning the assignment of the shares and subsequent to the verification of the effective value of the “Restricted reserve for share capital increase to service the stock grant plans for bonuses payable in 2016, 2017, 2018 and 2019”, taking into account the figures of the latest financial statements and/or the interim statements approved as at that date.

* * * *

Therefore, the following proposed resolution is hereby submitted for your approval:

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

- *having heard and approved the proposal of the Board of Directors,*
- *having acknowledged the explanatory Information Document of the 2016 Stock Grant Plan, which has been published in accordance with applicable provisions;*

resolves

- 1) *to immediately create a dedicated restricted profits reserve (the “Restricted reserve for share capital increase to service the stock grant plans for bonuses payable in 2016, 2017, 2018 and 2019”) as backing for the aforementioned 2016 Stock Grant Plan and the 2017-2019 Plans that may be approved in the future by the Shareholders’ Meeting for the years 2017, 2018 and 2019, with a value of EUR 1,600,000.00, to be funded using pre-existing available capital reserves deriving from “retained profits”, which have been identified as being available in the “Undistributed Profit Reserve”.*

Milan, 15 March 2016

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