

BANCA SISTEMA S.P.A.

Fully paid-up share capital EUR 9,650,526.24

Tax code and Milan Company Register No. 12870770158 – ABI code No. 03158.3

Corso Monforte, 20 - 20122 Milan

www.bancasistema.it

**ORDINARY SHAREHOLDERS' MEETING, HELD ON SINGLE CALL
AT THE REGISTERED OFFICE IN MILAN - CORSO MONTEFORTE 20
14 DECEMBER 2017, 10:00 HRS**

**BOARD OF DIRECTORS' REPORT
POINT 1 OF THE AGENDA**

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

**“APPOINTMENT OF NEW MEMBERS OF THE BOARD OF STATUTORY AUDITORS PURSUANT
TO ARTICLE 2401 OF THE CIVIL CODE”**

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

the current Board of Statutory Auditors of Banca Sistema S.p.A. was appointed by the ordinary Shareholders' Meeting on 27 April 2017 for the financial years 2017-2018-2019, with the term of office expiring at the date of the Shareholders' Meeting to be called to approve the financial statements at 31 December 2019.

On 25 July 2017, the Standing Auditor, Ms. Maria Italiano, resigned from office with immediate effect on the grounds of incompatibility under the interlocking prohibition set out in art. 36 of Decree Law No. 201/2011, converted into Law No. 214/2011, since she also holds office as a Standing Auditor with another intermediary. Consequently, the Alternate Auditor, Mr. Marco Armaroli, has replaced Ms. Italiano as a Standing Auditor from the foregoing date, to remain in office up to the date of the next Shareholders' Meeting.

However, pursuant to art. 18.5 of the Articles of Association, the foregoing replacement does not ensure compliance with the regulation in force in respect of gender equality satisfy and this ordinary Shareholders' Meeting has therefore been called to re-appoint the Board of Statutory Auditors in accordance with the foregoing provisions.

It is furthermore noted that, being an integration of the controlling body and not its total renewal and that the Auditors to be replaced were appointed from the only list presented, the appointments will be made by majority voting, without application of the slate voting procedure.

Without prejudice to the right to present candidates for the office of Statutory Auditor directly at the Shareholders' Meeting, Shareholders are invited to notify the Company (in writing to the registered office to the attention of the Corporate Affairs Department or by certified e-mail to the address bancasistema.affarisocietari@legalmail.it), with appropriate advance notice, of any proposed nominations that they intend to submit to the Shareholders' Meeting for the offices of Standing Auditor and Alternate Statutory Auditor.

In view of the above, a proposal is hereby made to the Shareholders' Meeting to appoint a Standing Auditor and an Alternate Auditor as new members of the Board of Statutory Auditors, in accordance with the regulation in force in respect of gender equality and taking into account that the office of the newly appointed members - as mentioned above - shall end upon expiry of the term of office of the other members of the Board of Statutory Auditors for the years 2017-2018-2019, specifically, on the date the Shareholders' Meeting is called to approve the financial statements at 31 December 2019.

* * *

Dear Shareholders,

In view of the above, Shareholders are invited to appoint a Standing Auditor and an Alternate Auditor as new members of the Board of Statutory Auditors by casting their vote in favour of the candidates proposed, in compliance with the applicable provisions governing gender equality.

Milan, 14 November 2017

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