

Remuneration Report of Banca Sistema Group

**Approved by the Board of Directors on 24 March 2016 and submitted for approval under
point 4 of the agenda of the ordinary session of the Shareholders' Meeting
called on 28 April 2016**

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1. Introduction - Legal Framework

This Report has been prepared as a Disclosure pursuant to the applicable regulations in force, specifically art. 123-ter of the Consolidated Law on Finance (TUF), the Implementation Measures issued by Consob and art. 84-quater of the Issuers' Regulation, as well as the provisions governing the banking sector and the self-regulation rules contained in the Corporate Governance Code of listed companies.

In detail, the Report includes additional information, in aggregate form, on the so-called "Risk Takers" who are not referenced in art. 123-ter of the TUF.

The Report describes Banca Sistema Group's Remuneration Policy, in line with the provisions of Borsa Italiana S.p.A. Corporate Governance Code and in accordance with the provisions adopted by Banca d'Italia regarding the remuneration and incentives policies and practices of banks and banking groups (Circular no. 285 of 17 December 2013, in implementation of EU Directive 2013/36/EU - CRD IV, henceforth, the "**Provisions**"). The Policy also takes into account the technical standards and regulations agreed at international level, including those issued by the European Banking Authority ("**EBA**"), by the Financial Stability Board ("**FSB**"), as well as those governing related party transactions.

This Report was approved by the Remuneration Committee on 22 March 2016 and by the Board of Directors on 24 March 2016 and includes two sections. The first section, which is subject to approval by the Shareholders' Meeting, describes the 2016 Remuneration Policy to be adopted in relation to Board Directors, General Managers, Executives with strategic responsibilities and "Risk Takers", with individual points describing the aims pursued, the bodies involved and the procedures for adopting and implementing the policy. The second section describes the fees paid in 2015 to the foregoing positions in Banca Sistema Group, broken down by names and aggregates.

The adoption of the 2016 Remuneration and Incentives Policy for Banca Sistema's employees is subject to the adoption of a resolution by the Shareholders' Meeting called for 28 April 2016, based on the Board of Directors' explanatory report of 24 March 2016.

The Report also includes the details of any shares held by Board Directors, Statutory Auditors and executives with strategic responsibilities and provides an overview of the audits conducted by the Internal Audit and Compliance Functions regarding the compliance of the remuneration practices with respect to the current legal framework.

Please see the 2016 Stock Grant Plan published on the Bank's website (www.bancasistema.it) for further information on the Incentives Plan based on financial instruments, which is an integral part

of the 2016 Remuneration Policy and is concomitantly subject to approval by the Shareholders' Meeting.

The Remuneration Report will be made available to the public at the Company's registered office, at Borsa Italiana S.p.A. and on the Company's website (www.bancasistema.it), pursuant to the law.

2. Classification of the Bank

Part I, Title IV, Chapter 2, Section I, Paragraph 7 of the Provisions envisages the application of a proportional criterion whereby each bank may apply the remuneration provisions according to the methods that better reflect its characteristics and size and the risk levels and complexity of its business activities.

In detail, the Provisions envisage 3 different categories of banks:

- “*larger and more complex banks*”: those that are deemed to be significant under art. 6(4) of the (EU) Regulation no. 1024/2013 (Single Supervisory Mechanism - “SSM”);⁽¹⁾
- “*smaller and less complex banks*”: banks whose balance sheet assets are equal to or below EUR 3.5 billion, which are not deemed to be significant under art. 6(4) of the SSM;
- “*medium size banks*”: banks whose balance sheet assets are between EUR 3.5 and 30 billion and banks which belong to a group whose consolidated balance sheet assets are between EUR 3.5 and 30 billion, which are not deemed to be significant under art. 6(4) of the SSM;

In light of the above, it is deemed that Banca Sistema and the Group are classifiable as a “minor” medium sized bank for the purpose of the application of the proportional criterion in implementation of the Provisions, since its total assets are significantly below EUR 3.5 billion, at bank and Group level, and its current operational structure is not particularly complex.

Therefore, a number of the rules contained in the foregoing Provisions may not be applied, fully or partly, as properly motivated and formalized in the Remuneration Policies 2016.

⁽¹⁾ According to art. 6(4) of the SSM, “a credit institution or financial holding company or mixed financial holding company shall not be considered less significant [...] if any of the following conditions is met:

- (i) the total value of its assets exceeds EUR 30 billion;
- (ii) the ratio of its total assets over the GDP of the participating Member State of establishment exceeds 20 %, unless the total value of its assets is below EUR 5 billion;
- (iii) following a notification by its national competent authority that it considers such an institution of significant relevance with regard to the domestic economy, the ECB takes a decision confirming such significance following a comprehensive assessment by the ECB, including a balance-sheet assessment, of that credit institution.

SECTION I - PERSONNEL REMUNERATION AND INCENTIVES POLICY

1. Mission of Banca Sistema Group and Objectives of the Remuneration Policy

Banca Sistema has adopted a business model with a view to becoming the leading independent operator in the field of “Specialty Finance”. Its growth strategy focuses on leveraging the distinct expertise acquired to launch new industrial initiatives.

The 2016 Remuneration Policy - which was drawn up by the Board of Directors of Banca Sistema (or the “**Company**” or “**Parent Company**” or “**Bank**”) in cooperation with other company functions and the Remuneration Committee - applies throughout Banca Sistema Group and has the following objectives, consistent with the Bank’s mission and the remuneration strategy adopted at Group level in recent years:

- to direct the efforts of directors and employees towards the Company and the Group’s priorities, supporting the creation of value over the medium and long term;
- to attract and retain highly qualified personnel;
- to motivate staff, rewarding merit and assigning value to professional development;
- to develop and improve the quality of services for customers for their protection and loyalty;
- to promote the sound and prudent management of risks;
- to ensure the fairness of internal remuneration, rewarding employees for their contribution and the responsibilities given;
- to offer competitive salary packages;
- to promote conduct that is consistent with the Code of Ethics, the Group’s internal procedures and the provisions and regulations in force applicable to Banca Sistema and the whole Group.

Each company of the Group is responsible for ensuring compliance with the applicable provisions and the proper implementation of the guidelines issued by the Parent Company.

From the governance viewpoint, the Bank has also adopted a Risk Appetite Framework - RAF, which includes specific performance indicators measured net of risks.

In detail, the Bank’s aim, based on the achievement of a balance between merit and the sustainability of remuneration costs, is to align the incentives with the profitability of the business and therefore to align the interests of management with those of the shareholders over the short and medium-long term, whilst also ensuring the prudent management of company risks.

2. Decision-making process followed in the definition of the Remuneration Policy

The Remuneration Policy has been defined in accordance with the process described below, in compliance with the prescriptions of the Provisions and those of Banca Sistema's Articles of Association, which are in effect consistent with said Provisions.

The approval, implementation, verification and training process associated with the Remuneration Policy sees the involvement of the following bodies and functions of the Bank, based on the remits and responsibilities described hereinafter:

- The **Board of Directors**, with support from the specified company functions:
 - prepares the Remuneration Report and the Bank's remuneration and incentives Policy each year, submits this to the Shareholders' Meeting and then re-examines the Report and the Policy;
 - is responsible for the proper implementation of the Remuneration Policy and ensures that the policies are adequately documented and accessible to all interested parties within the company;
 - defines the incentives plan applicable to "key personnel (as defined in paragraph 3 below) and all other Group employees;
 - ensures that the remuneration and incentives system adopted is consistent with the bank's strategy in terms of its risk profile, its long term objectives and its corporate governance and internal control structure.

The Board of Directors discharges its duties with the support of the following company functions:

- the **Human Resources Department**, which coordinates the definition process of the Remuneration Policy;
- the **Risk and Compliance Department**, which is involved in identifying events that may affect the company's business, analysing the impact of such events against the acceptable levels of risk and periodically monitoring the impact of the implementation of the Remuneration Policy on the Group's risk profiles; in detail, this Department ensures consistency with the framework used to measure risk appetite and with the governance and risk management policies defined in the RAF; in terms of Compliance, it verifies the compliance of the Remuneration Policy ex ante and assesses, on a yearly basis, whether the Remuneration Policy complies with the applicable legal framework and the internal policies, including the Group's Code of Ethics, so as to also take into account legal and reputational risks. In 2015, the Risk and Compliance Department reviewed the Policy definition process and established, among other things:

- a new role for the Finance and Administration - Strategic Planning Department, which verifies compliance with medium-long term objectives and the strategies of the Bank and the Group so as to ensure financial sustainability over the medium-long term;
- to assign to the Risk Department the responsibility of verifying compliance with the reference framework for measuring the risk appetite and with the governance and risk management policies defined in the Risk Appetite Framework - RAF;
- to update the duties assigned to the company Bodies involved in the process.
- In accordance with the criteria provided in Regulation (EU) no. 604/2014 and taking into account the developments in the business operations of the Bank and the Group, changes have also been made in relation to employees who fall under the category of “key personnel”, to whom specific rules of the 2016 Policy apply.
- the **Internal Audit Function**, which verifies, at least once a year, that the remuneration and incentives practices adopted comply with these Provisions and with the supervisory provisions applicable to the Bank and reports any findings to the competent bodies;
- the **Finance and Administration - Strategic Planning Department**, which verifies compliance with the Bank’s medium-long term objectives and strategies so as to ensure financial sustainability over the medium-long term.
- **Executive in charge of preparing accounting and company documents (“Dirigente Preposto”)**, who verifies the compliance and consistency of the Remuneration Policy with respect to the accounting and company documents and, in particular, their accuracy with respect to the approved financial statements.

- **The Remuneration Committee**

In accordance with the Corporate Governance Code and Bank of Italy Circular 285, the Remuneration Committee has proposal, advisory and inquiry functions to support the Board of Directors and is vested with the powers and resources necessary to discharge its duties.

The Committee has proposal and inquiry functions in relation to the definition of remuneration policies for directors and executives with strategic responsibilities and it periodically assesses and makes proposals in connection with the adequacy, overall consistency and the actual application of said policies and ensures that the internal functions concerned are involved in the process of defining and monitoring the policies.

The Committee makes proposals and expresses its opinion on the remuneration paid to executive directors and directors who hold specific offices and in relation to the setting of the performance targets associated with the variable component of the remuneration, monitoring the actual achievement of said targets.

The committee also has an advisory function in relation to the definition of the remuneration criteria applicable to key personnel. It directly monitors the proper application of the remuneration procedures on part of the managers of the control functions, in close cooperation with the supervisory body, and cooperates with other internal committees of the Board of Directors, especially with the Internal Control and Risk Management Committee.

It has three non-executive director members. Two of its members are independent and meet the professionalism and experience requirements. In detail, at least one member of the Committee must have a sufficient level of knowledge and experience in the field of finance or remuneration policies. This requirement is verified by the Board of Directors at the time of the appointment.

The Committee's Chairman is elected by majority vote of the independent members.

To be able to discharge its duties effectively and responsibly, the Committee is given access to the relevant company information and its operational independence is ensured.

The Risk and Compliance Manager attends the meetings of the Remuneration Committee to ensure that the incentives system takes into account all risks undertaken by the Bank.

Please see the Annual Report on Corporate Governance and the Shareholder Structure for further information.

- **the Shareholders' Meeting**

The Shareholders' Meeting approves:

- the remuneration and incentives policies applicable to "key personnel" and employees;
- the fees paid to the bodies it appoints;
- the remuneration plans based on financial instruments (for example, stock option and stock grant plans);
- the criteria for determining the 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);
- any proposals, if envisaged in the Articles of Association, to set a limit on the ratio between the variable and fixed components of remuneration paid to individual staff at more than 1:1 but not exceeding the maximum limit of 2:1;

- votes in favour or against Section I of this Report in accordance with the TUF.

- **Board of Statutory Auditors**

The Board of Statutory Auditors has an advisory function, if requested by the Board of Directors, and monitors the proper application of the Remuneration Policy based on the provisions and regulations in force at the time.

- **Internal Control and Risk Committee**

The Internal Control and Risk Committee verifies compliance of the incentives plan with the Group's Risk Appetite Framework.

- **Outside consultants**

The Company did not use the services of outside consultants in relation to the definition of the Remuneration Policy referred to in this Report.

3. Identification of key personnel

Key personnel, namely, those persons whose professional activity has or may have a material impact on the risk profile of the Bank or Group, have been identified through a structured appraisal process conducted at Group and Bank level, in full accordance with applicable regulations.

"Key Personnel" are subject to more stringent remuneration calculation rules in order to ensure that the remuneration paid is fully consistent with the economic-financial performance, current and projected, according to factors that consider the risks taken and the sustainability of the company's performance over time.

"Key personnel" includes executives with strategic responsibilities, namely, those persons who have direct or indirect powers and responsibilities over the planning, management and control of the Company's business activity, including its directors (executive and non-executive).

In relation to the 2016 Policy also, a total number of 25 key personnel positions have been identified on the basis of the quantitative and qualitative criteria provided in Regulation (EU) no. 604/2014 ("**Regulatory Technical Standards**" or "**RTS**"). These positions are held by 24 staff members and can be broken down into the following categories:

A. Directors who hold executive offices (or who are members of the Executive Committee)

- Directors who hold executive offices in the Parent Company (3 positions);

B. Non-executive Directors

- Directors who do not hold executive offices in the Parent Company (6 positions);

C. Managers of key company functions

- Factoring Department (1 position);
- Banking Department (1 position);
- Finance and Administration Department (2 positions, including the Executive in charge of preparing accounting and company documents, also part of the control functions);
- Commercial Factoring Department (2 positions);
- Legal and Corporate Affairs Department (1 position);
- Centralised Operations Department (1 position);
- Marketing and Communications Department (1 position);

D. Managers and other high ranking staff member of the control functions

- Internal Audit Function (1 position);
- Human Resources Department (1 position);
- Risk and Compliance Department (1 position);
- Executive in charge of preparing accounting and company documents (1 position, effective as from 2 July 2015, as a result of the listing of the Company);

E. Other “risk takers”

- Treasury Function (1 position);
- Underwriting Function (1 position);
- Investor Relations Function (1 position);

The Factoring Department position is held by an employee of SFT Holding, a wholly owned subsidiary of the Group.

4. Disclosure Obligations

Without prejudice to the disclosure obligations set out in this Report, the Bank also publishes information on its website on the method of implementation of the Provisions and on the subject of corporate governance, as per Title IV, Section VII, Chapter I, Paragraph 1 of Circular 285.

5. The Structure of Remuneration at Group level

Pursuant to Section I, par. 3 of the Provisions,

- (i) remuneration shall mean: *“any payment or benefit provided directly or indirectly to personnel in the form of cash, financial instruments or fringe benefits for the work or professional services they have provided to the bank or to the companies of the banking group. Minor payments or benefits granted to personnel on a non-discretionary basis, which fall within the*

general policy of the Bank and have no effect on risk assumption or risk control, may not be considered”;

- (ii) variable remuneration shall mean: “(i) any payment or benefit that is granted and paid subject to performance, however measured (income-based targets, volume targets, etc.) or that is conditional on other parameters (e.g. seniority of service), excluding severance pay paid pursuant to employment laws; (ii) discretionary pension benefits and compensation agreements relating to early termination of employment or early exit from office (so-called golden parachutes)”.

5.1 General Principles

As described in detail hereinafter, the remuneration paid to the Group’s employees has a fixed component, that is paid at all levels of responsibility, and a variable component that is paid to “Key Personnel” (with the exceptions provided in the 2016 Policy).

The ratio between the fixed and variable components of remuneration is determined and carefully assessed on the basis of the characteristics of the Bank and the different categories of employees. As a rule, the variable component of remuneration should not exceed 100% of the fixed component (ratio of 1:1). However, as permitted under applicable law and in the Company’s Articles of Association, the Board of Directors may request the Shareholders’ Meeting to grant one or more key staff members a variable remuneration in excess of 100% but not exceeding 200% of the fixed remuneration (ratio of 2:1).

Such request is anyhow made in exceptional cases and the reasons underlying the decision to exceed said ratio are clearly stated, with indication also of the current and future implications on the Bank’s ability to continue to observe all prudential rules.

In accordance with the Provisions, the Bank’s application of the maximum variable-fixed remuneration ratio of 2:1 in relation to the 2016 Policy is subject to approval by the Shareholders’ Meeting in accordance with the voting requirements envisaged in applicable law (2/3 of the share capital represented at the meeting if the meeting is constituted with at least half of the share capital or 3/4 of the share capital represented at the meeting, regardless of the share capital with which the Meeting is constituted).

The 2016 Policy also provides for the adoption of an incentives system, which is based on the assignment of company shares to executives with strategic responsibilities and other “key personnel”, who are granted an annual bonus equal to or in excess of 20% (twenty per cent) of

their Gross Annual Salary or, in any event, of an amount equal to or above EUR 50,000. Please see paragraph 8 of this Report in this regard.

Discretionary pension benefits and agreements on compensation in case of early termination of the employment contract or early termination charge are not provided for by the Bank.

5.1.1. Fixed component

The fixed component is determined with a view to competitively reward the managerial and technical expertise of employees and thus to ensure the necessary level of continuity within the organisation.

The fixed component of remuneration is the gross annual salary, which is reviewed on a merit basis and in accordance with the applicable industry-wide agreements.

The fixed component is:

- paid at all levels of responsibility;
- based on the employee's technical, professional and managerial skills and the responsibilities given and is monitored constantly to ensure fairness, both internally and compared to the rest of the sector, taking also into account any assessments conducted by outside consultants appointed by the Parent Company;
- structured on the basis of the sustainability criterion.

The company bodies and the employees are granted a series of non-cash benefits, weighted differently dependent on position/service. In detail, these benefits include medical insurance, company cars and flexible benefits.

The benefits expected to be granted in 2016 can be summarised as follows:

- Medical insurance for all employees.
- Company cars, as described in the car policy, for executives and sales positions.
- Flexible benefits for executives and middle managers. Banca Sistema has adopted a Benefits Plan to support employees and their families in relation to social and cultural activities, public transport and education and schooling costs for their children. The plan applies to executives and middle managers, who represent around half of the Group's employees.

As of 2016, the members of the Board of Directors will benefit from medical insurance at the same terms and conditions for all board members. The policy is identical to that contracted for the Bank's employees.

5.1.2. Variable component

The purpose of the variable component is to link remuneration with short and long term performance, based on individual appraisals and specific parameters:

- it applies to “key personnel” (with the exceptions set out in this Document) and can also be granted to other employees;
- it is subject to meeting specific individual and company-level performance targets;

In order to ensure that the Bank is financially sustainable and is able to maintain a sufficient level of capital, the total variable remuneration paid by the Group to all its employees and “key personnel” cannot exceed the value of the “bonus pool”, which is allocated at year end by the Bank’s Board of Directors, on proposal of the CEO, after receiving input from the Finance and Administration Manager/Executive in charge of preparing accounting and company documents, the Risk and Compliance Manager and the Remuneration Committee.

The value of the “bonus pool” is determined on the basis of the Company’s actual and long-term performance results. In detail, the value of the bonus pool takes into account the achievement of the risk and income targets set in the strategic business plan approved by the Shareholders’ Meeting and in the annual budget. The criterion applied in the determination of the bonus pool is described at the time of the budget presentation.

The allocation and assignment of the bonus pool to employees considers risks and the results achieved by the Group, by individual business units and, possibly, by individual employees.

The following criteria were taken into account in determining the 2016 bonus pool:

1 - the calculation of the average bonus per employee in the preceding financial year is multiplied by the number of resources estimated in the annual budget. A percentage increase associated with the expected level of company performance is also prudentially taken into account.

2 - The definition of the budget also takes into account the total personnel costs estimated in the strategic business plan. The bonus pool is consequently adjusted so as to absorb any increases in the fixed costs relating to directors’ remuneration and fees.

5.1.3. Ratio of the variable and fixed components of remuneration

The ratio between the variable and fixed components of remuneration is determined and carefully assessed on the basis of the characteristics of the Bank and the diverse categories of employees.

Pursuant to Title IV, Chapter 2, Section III, Paragraph 1.2 of the Provisions, the Board of Directors has submitted a copy of the proposed 2016 Policy to Bank of Italy, in accordance with the legal term of at least 60 days prior to the date of the Shareholders’ Meeting called to approve the Policy.

5.2 The structure of remuneration paid to management bodies

The remuneration paid to members of the Banca Sistema's Board of Directors is established by the Shareholders' Meeting.

Directors are paid a fixed annual fee of varying amounts for the Chairman of the Board of Directors, the CEO and the Directors.

With exception to the Chairman of the Board of Directors and the CEO, Board Directors are paid an additional fixed annual fee for each internal Committee they are members of, plus the reimbursement of documented expenses incurred in relation to their offices.

The fee paid to the Chairman of the Board of Directors is determined ex ante by the Board of Directors, proportionate to the role but not exceeding the fixed remuneration paid to the CEO.

The remuneration due to employees who hold office as directors in companies of the Group or other operational offices is included in the salary they receive as employees of the Group.

The variable component of remuneration paid to Directors is subject to the rules provided for in paragraph 5.4.ii of this Report.

No incentivising mechanisms are currently envisaged for non-executive Directors.

If approved, such incentives shall represent an insignificant portion of the remuneration paid.

5.3 The structure of remuneration paid to members of the Board of Statutory Auditors

The remuneration paid to the members of the Board of Statutory Auditors is established by the Shareholders' Meeting at the time of appointment and refers to the entire term of office.

No variable remuneration is envisaged for the members of the Board of Statutory Auditors.

5.4 The structure of remuneration paid to employees and key personnel

The remuneration paid to key personnel is determined by the Board of Directors, which defines the incentives plan applicable to key personnel and other Group employees.

The Remuneration Committee has a proposal function with respect to the remuneration paid to "key personnel" and other employees and an advisory function in determining the criteria applicable to the remuneration of "key personnel".

i. Fixed component

The fixed remuneration paid to the Group's "Key Personnel" is based on the prescriptions of the applicable collective bargaining agreement (CCNL) or the local law applicable in the country the employee works in.

The fixed component, which usually has predominance over the variable component, rewards the skills and responsibilities associated with the position, with particular focus on professional expertise and experience and the level of commitment shown.

ii. Variable component

The bonus paid to Executives with strategic responsibilities and key personnel consists of a portion in cash (70%) and a portion in shares of the Bank (30%). The Bonus is paid partly up front (70%) and in part deferred (30%) if its value exceeds 20% of the Gross Annual Salary or is more than EUR 50,000.

Regarding all company employees, including those above, if the bonus paid is less than 20% of the Gross Annual Salary or less than EUR 50,000 but equivalent to EUR 20,000 or more, it is paid entirely in cash, partly up front (70%) and in part deferred (30%).

Bonuses of a value below EUR 20,000 are paid entirely in cash and the entire amount is paid up front.

Regarding the assignment of shares under the “**2016-2019 Stock Grant Plan**” prepared by the Board of Directors and submitted for the approval of the Shareholders’ Meeting, please see the Information Document and the Explanatory Report published on the Bank’s website (www.bancasistema.it).

Please note that for bonuses paid to Beneficiaries for which the fixed-variable remuneration ratio of 1:1 is exceeded, the foregoing percentages change as follows: 60% in cash and 40% in shares, with 60% paid up front and 40% deferred.

Beneficiaries are notified of the maximum Bonus payable (in cash and in shares) by letter (the “**Letter of Bonus Assignment**”) within 60 days of the approval of the consolidated financial statements as at 31/12/2016.

In accordance with the applicable provisions of law, the Bonus consists of:

- (i) an up front portion equivalent to 70% of the total Bonus payable in the 6 month period following the year it refers to (the percentage is 60% in the case of Beneficiaries for which the fixed-variable remuneration ratio of 1:1 is exceeded);
- (ii) a deferred portion equivalent to 30% of the total Bonus payable pro rata in the 3 years following the year the up front portion in point (i) was paid, subject to meeting the individual

and company-level performance indicators specified in Annex 1 to this Document. Each deferred portion is paid within 6 months from the end of each reference period (i.e. 31/12/2017, 31/12/2018 and 31/12/2019). (However, the percentage is 40% in the case of Beneficiaries for which the fixed-variable remuneration ratio of 1:1 is exceeded).

The pay-out proportion for Bonuses paid to Beneficiaries (i.e. the ratio of the portion paid in cash and the portion paid in shares) applies to both the up front portion and the deferred portion, as follows:

- the up front portion is paid 70% in cash and 30% in shares of the bank, subject to meeting the individual and company-level performance targets specified in Annex 1 herein referring to 2016 (the percentage is 60% if the fixed-variable remuneration ratio of 1:1 is exceeded).

The deferred portions of the Bonus are paid in cash and shares of the Bank in the three years following the year the Bonus refers to (2017, 2018 and 2019).

At the time of actual payment of the up front and the deferred portions of the Bonus, the Bank sends a letter to the beneficiaries (the “**Letter of Assignment**”), indicating, among other things, (i) the amount paid in cash in the reference year; (ii) the number of shares assigned at the conditions specified in the 2016-2019 Stock Grant Plan.

5.5 Remuneration paid to members of the company’s control functions

For those employed within the Company’s control functions (including the Human Resources Department and the executive in charge of preparing accounting and company documents) the payment of the bonus is subject only to meeting qualitative-type targets, which are in no extent linked to the Bank’s financial performance. Such qualitative targets include meeting objectives and satisfying the requirements of the 2016 work plan approved by the Board of Directors and the timeliness and accuracy of the reports prepared for the Company’s management bodies. The payment of the Bonus is in no way linked to the results achieved by the areas that are subject to their control. In departure from paragraph 5.1.3 and without prejudice to the prescriptions of paragraphs 5.4 and 5.6, if applicable, the variable portion of remuneration paid to the employees of the Company’s control functions cannot exceed one third of their fixed remuneration. Furthermore, while such employees benefit from the 2016-2019 Stock Grant Plan, in their case, the Bonus adjustment mechanism based on the Company’s financial performance does not apply but the other malus conditions (*CET1Ratio, RORAC and LCR*) continue to apply.

5.6 The structure of remuneration paid to employees other than key personnel

As highlighted previously, the remuneration paid to employees who do not fall under the category of “key personnel” consists of a fixed component, which is by far the largest pay component and is determined in accordance with the applicable CCNL agreement (or in accordance with the applicable local law applicable in the country the employee works in), plus, if applicable, a small Bonus, which is determined in accordance with the criteria set out in paragraphs 5.1.2 and 5.4.ii above, including the individual and company-level performance targets specified in Annex 1 to this Document.

6. Special rules applicable to the deferred portions of discretionary bonuses in the case of extraordinary events

The provision whereby deferred Bonuses still outstanding were to be written up/down in the event of change of control in the ownership of the Bank, as applied in the previous financial period based on a legal opinion obtained by the Bank, does not apply in the 2016 Policy.

In this respect, please see paragraph 9 of this Report.

7. Special rules applicable to the deferred portions of discretionary bonuses when changes occur in the Beneficiary-Bank relationship

The relationship between the Bank and the beneficiaries of the Bonus on occurrence of specific events is subject to the following terms and conditions.

7.1 Dismissal, resignation, consensual termination

If a beneficiary is dismissed by the Bank for any reason or leaves the company due to resignation, but excluding retirement or disability, the beneficiary shall lose the entitlement to receive the deferred portion of the Bonus still outstanding at the date of employment termination, unless otherwise resolved on justifiable grounds by the Board of Directors.

Expressly excluded from the above is any bonus entitlement that arises during the notice period, whether worked or not.

Beneficiaries shall make no claim to any form of indemnity and/or compensation from the company if their entitlement to receive the Bonus is lost, as per above.

In the case of consensual termination of the employment relationship, Beneficiaries may maintain their entitlement to the Bonus on a “*pro-rata temporis*” basis, subject to the level of achievement of the performance targets, to be verified - with reference to the date of termination of the

employment relationship - at the discretion of the Board of Directors, with input from the Remuneration Committee.

7.2 Retirement - Disability

The rules governing the consensual termination of the employment relationship apply if the Beneficiary gains access to old age pension, contribution-based pension or disability pension rights when this results in the termination of the employment relationship.

7.3 Death

In the event of the death of the beneficiary, his/her heirs shall maintain the entitlement to receive the Bonus still payable to the Beneficiary at the date of the death, to be paid within six months of that date.

8. Plans based on financial instruments

With a view to ensuring the alignment of the interests of the management, the employees and the shareholders over the medium-long term, the Bank has proposed the adoption of the Stock Grant Plan described below.

8.1 Stock Grant Plan

The 2016 Stock Grant Plan (please see the documentation published on the Bank's website www.bancasistema.it for a more detailed description of the plan) provides for the free assignment of shares, subject to meeting the performance targets associated with the 2016 Remuneration Policy.

The shares assigned shall give regular dividend rights and the Beneficiaries become the holders of all the related administrative and ownership rights on assignment of the shares, without prejudice to the provisions specified hereinafter.

The shares underlying the Plan will be issued on obtainment of authorisation from Banca d'Italia to increase the share capital, in compliance with regulations in force and in accordance with the methods established by the competent company bodies.

At the discretion of the Board of Directors, the shares may also be assigned using shares that are purchased and/or held by Banca Sistema.

By adopting the Plan, Banca Sistema intends to achieve the following aims:

- to link the remuneration paid to the Beneficiaries to the actual performance of the Company

and to the creation of value for Banca Sistema Group, in line also with the objectives pursued in the Corporate Governance Code of Listed Companies;

- to direct key company resources towards creating value and adopting strategies to achieve medium-long term targets;
- to align the interests of Beneficiaries with those of shareholders and investors;
- to adopt retention policies aimed at increasing the loyalty of the Beneficiaries and incentivising them to stay with the company or within Banca Sistema Group;
- to motivate and increase the loyalty of the Bank's existing management and develop its ability to attract potential new managers, in accordance with practices in use in the banking sector.
- The Beneficiaries of the Plan are Executives with Strategic Responsibilities and other "key personnel", who are granted a bonus in excess of 20% (twenty per cent) of their Gross Annual Salary or, in any event, of an amount equal to or above EUR 50,000.00 (fifty thousand).
- Slightly in departure from the above and in compliance with the 2016 Remuneration Policy, for those employed in the Company's control functions (including the Human Resources Department and the executive in charge of preparing accounting and company documents) the assignment of the shares is subject only to meeting qualitative targets, which are to no extent linked to the Company's financial performance. In detail, the Bonus adjustment mechanism based on the Company's performance, as per paragraph 7 of this document, is not applicable to such employees.
- In accordance with the prescriptions of the Banca d'Italia Circular no. 285/2013 and the Corporate Governance Code of Listed Companies, as amended, the Plan provides for a "retention period", of varying duration in each cycle of the 2016-2019 Stock Grant Plan and effective from the date of the financial year of the corresponding Cycle. For the first cycle (2016) the retention period for executives with strategic responsibilities is 3 years.

Having regard to each cycle, the assignment is subject to meeting the performance and the capitalisation targets associated with the following indicators:

- **CET1 Ratio**
- **RORAC**
- **LCR**

With input from the Remuneration Committee, the Board of Directors verifies whether the performance targets and the level of capitalisation associated with the foregoing indicators have been met, based on the target levels that are specified in the RAF in accordance with the budget targets applicable for the relevant period.

If the capitalisation and liquidity targets relating to the above mentioned indicators are not met, the beneficiary shall not be entitled to the portion of the bonus pertaining to that financial year.

9. Changes compared to the Remuneration Policy approved for the year as at 31 December 2015

The main differences compared to the Policy adopted for 2015 reflect the developments that have occurred within the organisational structure of the Bank subsequent to it being listed and, therefore, the changes in the scope of “Key Personnel”.

In fact, the 2015 Remuneration Policy provided for the deferral of the variable portion of the bonus in accordance with the 2014 Long Term Incentives Plan approved by the Shareholders’ Meeting on 22 April 2014. The deferred portion of the bonus amounted to 40% of the total bonus and was paid in identical instalments over the successive three years. Point 6) of the plan specified that, if the Company was listed, the deferred Bonus still outstanding would no longer be adjusted upwards or downwards on the basis of the average ROE but would be immediately payable and written up on the basis of the ratio between the 100% valuation of the Bank, implicit in the extraordinary operation (change of control, IPO, etc.) and the net assets referring to the year the deferred Bonus is assigned.

Therefore, as the company is now “listed” (2 July 2015), the deferred bonuses have been subject to write-up and paid to those entitled.

The 2016 Remuneration Policy has reinstated the deferral mechanism by proposing the adoption of the Stock Grant Plan (referring to the period 2016-2019), which is subject to the approval of the Shareholders’ Meeting to be held on 28 April 2016.

SECTION II - PERSONNEL REMUNERATION AND INCENTIVES POLICY

1. General considerations

The following information is provided in relation to the implementation of the Policy in 2015. It provides an analytical overview of the fees paid in the period, for any reason and in any form, by the Bank and its Subsidiaries and Affiliates and the details of components of remuneration that refer to services supplied prior to the reference year and remuneration that is payable over one or more financial years for services supplied in the reference year.

According to the periodical assessment conducted by the Remuneration Committee, as required under the Corporate Governance Code, the payment of the fees referenced in the following analytical examination was compliant with the 2015 Remuneration Policy approved by the Board of Directors on 26 March 2015 and consistent with the resolutions passed by the Shareholders' Meeting (26 March 2015).

2. Remuneration information by position and function

The 2015 Remuneration Policy of the Group was presented to and submitted for the approval of the Shareholders' Meeting of Banca Sistema S.p.A. (or "Bank") on 26 March 2015, in accordance with the Articles of Association and in compliance with regulations in force at the time of their approval.

The annual Remuneration Policy of the Group, as defined in the "Remuneration Policy Document" and in the "Incentives Plan" - as provided to the Nomination and Remuneration Committee, the Executive Committee, the Board of Directors and the Shareholders' Meeting of the Bank - have involved the following activities:

In 2015, the fixed component of remuneration payable to directors and employees was paid in accordance with the 2015 Remuneration Policy and the applicable Collective Bargaining Agreements. Please see the next paragraph regarding the remuneration paid to Directors and Statutory Auditors. The Bank also paid a variable component associated with the 2014 Remuneration Plan, together with the February 2015 salary, subsequent to the conclusion of the resolution process and in accordance with the methods set out in the 2014 Remuneration Policy.

Following its listing on Borsa Italiana on 2 July 2015, a mechanism of advance assignment of the deferred components assigned in relation to 2013 and 2014 was initiated in accordance with the prescriptions of the 2015 Remuneration Policy. The foregoing advance assignment resulted in the write up of the outstanding deferred bonuses based on the ratio between the 100% valuation of the

Bank, implicit in the extraordinary operation (change of control or IPO) and the net assets referring to the year the deferred Bonus is assigned.

This calculation method has produced:

- an increase in the variable component of remuneration, in some cases in excess of the fixed component, within however the maximum ratio of 2:1, if included as components;
- the need to increase the “bonus pool” initially allocated.

The calculation was made considering the ratio between the net assets calculated for 2013 and the valuation of the bank on the first day of the listing: the resulting value was applied to the deferred components referring to 2013.

Likewise, the valuation of the Bank on the first day of listing was associated with the net assets referring to 2014 and this ratio was then applied to the deferred components still outstanding referring to 2014.

For the deferred components referring to 2013 and 2014, the Provisions applicable in those years were applied. In some cases, this has resulted, for 2014, in a reduction of the upward adjusted bonus in order to comply with the restrictions envisaged for the control functions and to avoid exceeding the maximum ratio of 2:1 between the variable and fixed components.

No discretionary pension benefits or compensation agreements in the event of early termination of employment or early exit from office were envisaged.

Board of Directors and Board of Statutory Auditors

As regards Board Directors and Statutory Auditors, the following information is provided in relation to individual remuneration components, as summarised in table 1.

No changes occurred in the composition of the Board of Directors in 2015.

In fact, the Board of Directors appointed by the Shareholders' Meeting on 22 April 2014 remained in office until 26 November 2015 (see the Report on Corporate Governance and the Shareholder Structure for further details). The directors Lindsay McMurray and Matthew Potter resigned on 18 September 2015, with immediate effect.

The current Board of Directors, following the resignation of all the other Directors on 26 November 2015, is in office from 27 November 2015.

A separation must therefore be made between:

- the fees paid to directors in office until 26 November (amounting to EUR 24,000 per member of the Board of Directors, as per the resolution of the Shareholders' Meeting on the date of appointment, 22 April 2014, plus Committee membership fees, which are indicated as total amounts in the related section of table 1) and

- the fees paid to the directors appointed on 27 November, which, in view of the increased level of responsibility subsequent to the Bank's listing and the increased size of the Bank, has been increased to EUR 30,000, of which EUR 17,500 paid in 2015.
- The fee paid to the **Chairman of the Board of Director** in office until 26 November 2015 was EUR 82,500 as Chairman and EUR 29,166.67 as a member of Committees.
- The fee paid to the **CEO** is identical to the fee paid to the other Directors up to 26 November 2016 and was equivalent, in the year as at 31 December 2015, to EUR 36,583.33 (of which, EUR 22,000 referring to the period 1/1/2015 to 26/11/2015 and EUR 14,585.33 referring to the period 27/11/2015 to 31/12/2015). The CEO also acted in the capacity of General Manager for the whole financial year and received a gross annual salary of EUR 326,000.

For 2016 the CEO is paid a total fee of EUR 175,000, inclusive of committee membership fees and receives a gross annual salary of EUR 326,000 as General Manager.

Committee membership fees are shown in table 1 "Committee membership fees" and are paid as follows:

- Executive Committee: EUR 18,000 per year;
- Internal Control and Risk Committee: EUR 15,000;
- Remuneration Committee: EUR 5,000;
- Nomination Committee: EUR 5,000;
- Ethics Committee: EUR 5,000;
- Supervisory Board 231: EUR 15,000;

As at 31 December 2015, the Directors appointed by the Shareholders' Meeting on 27 November 2015 had received a total of EUR 12,167.

The fee due to members of the **Board of Statutory Auditors** was established by the Shareholders' Meeting on 22 April 2014 to be EUR 40,000 for the Chairman and EUR 24,000 for the Standing Auditors.

President and CEO

On 27 November 2015, subsequent to the appointment of the new Board of Directors, the remuneration payable to the Chairman of the Board of Directors increased from EUR 90,000 plus the Committee membership fees shown in table 1 to EUR 150,000 inclusive of Committee

membership fees. This improvement reflects the increased level of commitment required of the Chairman due to the increased size of the Bank and its new listed status. In detail, the Chairman aids dialogue within the Board and - pursuant to the responsibilities attributed under art. 2381, 1st paragraph of the Italian Civil Code - promotes the effective functioning of the Bank's governance structure and, in his capacity as the board's interlocutor with the internal control bodies and other board committees, ensures the balance of powers among different Functions.

The CEO is also the **General Manager** and is remunerated in this capacity as an executive of the Bank, with a fixed component and a variable component that is subject to the deferral rules set out in the 2015 Remuneration Policy. In detail, 60% of the variable component is paid up front and the remaining 40% is paid over the three years following 2015 (comparison in Table 3B), subject to write up or write down based on the established ROE target. The payment is subject to the appraisal completed on approval of the financial statements as at 31 December 2015.

The remuneration resolved by the Shareholders' Meeting on 22 April 2014 for the Chairman of the Board of Directors, the Directors, the members of the internal committees and the members of the Board of Statutory Auditors is consistent with the amounts actually paid in 2015 for the services provided. No incentives mechanism was applied, except in the case of the CEO, as highlighted in table 1.

Key Personnel

The remuneration paid to key personnel consists of the Annual Gross Salary paid in 2015 in accordance with the applicable Collective Bargaining Agreements and a variable component, as defined in the 2015 Remuneration Policy.

The fixed component of remuneration is paid according to normal practice (monthly).

The variable component is subject to a verification and appraisal process, as described in the 2015 Remuneration Policy. Consequently, column iii) of the table prepared pursuant to art. 450, letter H, referring to the portion of deferred remuneration still outstanding, is subject to approval by the Board of Directors to be held on 29 April 2016.

A portion of the deferred part of the 2013 bonus (1/3 of 40%) that was paid in 2015 was increased by 25% to reflect the achievement of the parameter set in the 2013 Incentives Plan (2014 ROE higher than target ROE by 15%).

In accordance with the prescriptions of the 2014 Remuneration Policy Document, said upward adjustment did not apply to staff employed in control functions.

Furthermore, from 2015, 35 Non-Competition Agreements have been signed with company executives, sales staff and a number of key personnel.

Please note, with regard to the bonuses paid in 2015, that the malus rules envisaged in the policies approved for that year were not applied.

3. Plans based on financial instruments

Please see the Stock Grant Plan in this regard since, up to financial year 2015 included, the plans adopted by the Bank were not based on financial instruments but only on the deferral of the cash component, as provided in the 2014 Long Term Incentives Plan.

4. Tables

The following tables, drawn up in accordance with Annex 3 to the Issuers' Regulation, are attached hereto:

Table 1 - Fees paid to members of the management and control bodies and to general managers and other executives with strategic responsibilities;

Table 3B - cash incentive Plans benefitting the members of the board of directors and the general managers and other executives with strategic responsibilities.

Table 2 - Shares held by other executives with strategic responsibilities.

The following tables, drawn up in accordance with Bank of Italy provisions and article 450 of the CRR, are also attached hereto:

Table 4 (art. 450 CRR - paragraph 1 g) - aggregate quantitative information on remuneration, broken down by business area;

Table 5 (art. 450 CRR - paragraph 1 h) - aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution

No individuals received a fixed remuneration of EUR 1 million or more in the year as at 31 December 2015.

Internal Audit Function

The Internal Audit Function has completed the verifications falling under its competence and relating to the compliance of the remuneration practices adopted by the Banca Sistema Banking Group to the 2015 Remuneration Policies under the relevant applicable regulation.

Risk and Compliance Function

The Function has besides verified the compliance of the 2015 Policy with respect to the Provisions applicable to the Bank.

Finance and Administration - Strategic Planning Department

The Function has verified the compliance with the Bank's medium-long term objectives and strategies so as to ensure financial sustainability over the medium-long term.

Executive in charge of preparing accounting and company documents

The Executive in charge of preparing accounting and company documents has verified the compliance and consistency of the remuneration policies with the accounting and company documents and their accuracy with respect to the approved accounting entries.

The Remuneration Committee

The Remuneration Committee and the Nomination Committee were set up subsequent to the listing on 2 July 2015, which continued the activity previously conducted by the Nomination and Remuneration Committee.

The **Nomination and Remuneration Committee** met 6 times in 2015, with each meeting lasting approx. 1 hour and 30 minutes. In these meetings, it expressed its opinion on the achievement of the 2014 performance targets and provided input to the Board of Directors on the payment of the 2014 bonus.

Its tasks were mainly completed in the meeting held on 2 February 2015 when it assessed the individual annual appraisals of key personnel and of staff members reporting to the CEO, with input from the CEO.

At that meeting, the Committee expressed its opinion and submitted a proposal to the Board of Directors regarding the variable remuneration payable to key personnel and to the internal control functions.

It also expressed its opinion and submitted proposals to the CEO in relation to all the Bank's employees.

Its assessments have examined risk monitoring levels, problems arising in recent years in relation to the remuneration situation of individuals and any other issues deemed to be significant with respect to the overall assessment.

The current Remuneration Committee has three non-executive director members, of which two are independent.

The current members of the Committee are:

- Prof. Giorgio Barba Navaretti (non-executive, independent Director),
- Dott. Michele Calzolari (non-executive, independent Director),
- Avv. Claudio Pugelli, lawyer (non-executive Director).

The Remuneration Committee is chaired by the director Giorgio Barba Navaretti, who has a sufficient level of expertise and experience in financial matters and remuneration policies.

From December 2015 to the date of approval of this document by the new structure of the Committee, it has held 3 meetings at which it approved the regulation of the Committee, resolved to submit the 2016 Remuneration Policy and the 2016-2019 Stock Grant Plan to the Board of Directors, examined the Remuneration Report and proposed a number of amendments to the flexible benefits Plan to the Executive Committee.

The Committee was involved in the completion of the 2016 Policy definition process.

Based on the approval of the financial statements as at 31 December 2015, the Committee will assess the achievement of the performance targets associated with the Bank's variable remuneration in order to provide input to the Board of Directors, which approves the variable component for 2015.

The Committee also provides feedback regarding any proposals to increase the variable-fixed ratio of remuneration to 2:1 and in relation to the self-assessment used to identify key personnel under the new Stock Grant plan to be submitted to the Shareholders' Meeting, as well as in respect of the performance targets associated with the incentives plans.

In accordance with the Corporate Governance Code and the Bank of Italy Circular 285, the Remuneration Committee has proposal, advisory and inquiry functions to support the Board of Directors and is provided with the powers and resources necessary to discharge its duties.

ANNEX 1

This Annex analytically describes the individual and company-level performance indicators to which the granting of the cash and share Bonus is subject.

The parameters and the related values are applied by the Bank in both the ex-ante phase of bonus allocation and the ex-post phase of bonus adjustment (so-called malus rules) when the deferred portion of bonuses referring to the reference year are paid.

The expected parameter levels, which allow the Bank to meet the regulatory capitalisation and liquidity requirements to an acceptable level, reflect the levels of performance actually achieved or net of the risks actually assumed and the Bank's net assets and liquidity situation.

In addition to company-level performance, the Bank focuses above all on individual performance when determining the variable component of remuneration. This can result in a significant reduction or zeroing of the Bonus, especially in the case of individual performance that is well below the established targets.

A. Company-level performance

The payment of both the up front and the deferred portions of the Bonus is subject to meeting budget targets (referring to the year the bonus is paid) and the Bank's capitalisation and liquidity targets associated with the indicators provided below:

- **CET1 Ratio**
- **RORAC**
- **LCR**

With input from the Remuneration Committee, the Board of Directors verifies whether the performance targets and the level of capitalisation and liquidity associated with the foregoing indicators have been met, based on the target levels that are specified in the RAF in the reference year in accordance with the objectives of the strategic business plan and the budget targets applicable for the relevant period.

If the capitalisation and liquidity targets relating to the above mentioned indicators are not met, the beneficiary shall not be entitled to the portion of the bonus pertaining to that financial year.

On the other hand, if the capitalisation and liquidity targets relating to the foregoing indicators are met, the beneficiaries shall be entitled to the deferred portion of the Bonus pertaining to that financial year and the amount payable will be adjusted on the basis of the ROE target for that year, as described hereunder:

- If ROE for the period is above or equal to the target ROE (as defined in the Strategic Business Plan and in the budget): 100% of the deferred portion of the Bonus pertaining to the reference year is paid;
- If ROE for the period is lower than the target ROE by up to 14%: 75% of the deferred portion of the Bonus pertaining to the reference year is paid;
- If ROE for the period is lower than the target ROE by more than 14% but is equal to at least 49%: 50% of the deferred portion of the Bonus pertaining to the reference year is paid;
- If ROE for the period is lower than the target ROE by more than 49% but is still positive: the payment of 50% of the deferred portion of the Bonus pertaining to the reference year is postponed to the following year, subjected again to the performance appraisal mechanism and paid only if the target ROE is met.

It is understood that in case of negative ROE, the bonus for the year (both for the upfront part and the deferred one) will not be paid or deferred to subsequent years.

B. Individual performance

In addition to the company-level performance requirements described above, the payment of the up front and the deferred portions of the Bonus is subject to meeting a number of individual quantitative and qualitative performance targets, which are defined by the Company and made available to employees.

The performance appraisal process is initiated yearly: each employee of the bank logs into the Banca Sistema web portal <http://stleoni.zucchetti.com/HRPortal/> and defines, together with their direct heads, the quantitative and qualitative targets for the following year.

Quantitative targets are assigned a measurement criterion to allow the verification of the results achieved.

By way of an example, some of the parameters used with respect to the different roles are described below.

Quantitative indicators:

Meeting individual and area-related budget targets: these targets are the easiest to quantify and are associated mainly with the sales area and with functions where a certain quantitative parameter exists (volume of sales completed compared to budget, number of POS terminals sold compared to budget, annual cost funding savings compared to budget).

Value creation: these targets provide added value to a new product or a new service (contribution to marketing initiatives to achieve factoring targets, timely management of complaints, professional growth of co-workers).

Reduction of costs: operating cost reduction targets (reduction of consultant costs, overtime, maintenance costs...)

Reduction of response times: these targets are linked to customer satisfaction, internal and external (timeliness of reporting adjustments to the budget, number of applications priced/headcount per pricing, timeliness in closing Open Issues reported by the control functions, timeliness in closing SME disputes).

Increase in efficiency: These targets are linked to the previous targets and improve the overall performance of the bank (reducing the percentage of operating errors, increasing the advertising value equivalency, compliance with project timelines).

Qualitative indicators:

The group uses 4 qualitative indicators, each divided into 2 sub-indicators. These are included in the performance sheet on the aforementioned website. There are 4 performance levels:

- A) EXCEEDS THE REQUESTED LEVEL
- B) ADEQUATE FOR THE POSITION HELD
- C) ROOM FOR IMPROVEMENT FOR THE POSITION HELD
- D) WELL BELOW EXPECTATIONS FOR THE POSITION HELD

In detail,

- the observance and respect of the “values” (integrity, independence, excellence, transparency, social and environmental responsibility) underlying Banca Sistema’s business activity, the applicable provisions and the Group’s Code of Ethics;
- customer retention and the appropriateness of relationships with customers;
- professional ability and skills;
- constant dedication to work, cooperation with co-workers and teamwork;
- the ability to find effective and possibly innovative solutions, whilst continuing to pursue the objectives of sound and prudent management of the Company and its value over the long-term;
- the tendency to take responsibility for decisions and the timely achievement of the identified targets;
- the ability to use resources efficiently, involve and motivate staff and make sensible use of the delegation tool to promote growth;

- the containment of legal and reputational risks.

Please note that Bonuses are granted entirely at the Bank's discretion (as specified in the letter of employment provided to each employee).

ANNEX 2

There are 3 (three) categories of Bonus beneficiaries:

- Executives with Strategic Responsibilities and other "key personnel", who are granted a bonus in excess of 20% (twenty per cent) of their Gross Annual Salary or, in any event, of an amount equal to or above EUR 50,000.00 (fifty thousand) ("**Beneficiaries A**").
- Executives with Strategic Responsibilities, other "key personnel" and other employees who are granted a bonus equivalent to less than 20% (twenty per cent) of their Gross Annual Salary or, in any event, of a value below EUR 50,000 (fifty thousand) but equal to or above EUR 20,000.00 (twenty thousand) ("**Beneficiaries B**").
- All other individuals, including "key personnel" who are granted a bonus of less than EUR 20,000.00 (twenty thousand) ("**Beneficiaries C**").

Subject matter of the 2016 Bonus:

The 2016 Bonus paid to **Beneficiaries A** will consist of a portion in cash (70%) and a portion in Shares (30%). The Bonus will be paid partly up front (70%) and in part deferred (30%).

Please note that for bonuses paid to Beneficiaries A for which the fixed-variable remuneration ratio of 1:1 is exceeded, the foregoing percentages change as follows: 60% in cash and 40% in shares, with 60% paid up front and 40% deferred.

The 2016 Bonus paid to **Beneficiaries B** will consist solely of cash and will be paid partly up front (70%) and in part deferred (30%).

The 2016 Bonus paid to **Beneficiaries C** will consist solely of cash and will be paid entirely up front. However, for "key personnel" that are classed as Beneficiaries C, the payment will be made partly up front (70%) and in part deferred (30%).

In light of the above, Company Shares will be assigned only to Beneficiaries A and, likewise, the 2016-2019 Stock Grant Plan applies only to Beneficiaries A.

Method of payment of the 2016 Bonus:

A summary of the method of payment of the 2016 is provided below, subject to the aforesaid categories of Beneficiaries meeting the individual and company-level performance targets specified in Annex 1 to the Remuneration Policy Document.

- **Beneficiaries A** (for whom the variable-fixed remuneration of 1:1 is not exceeded; if exceeded, the applicable percentages are 60/40 and not 70/40).

Bonus 2016: e.g. EUR 100,000.00.

- Portion in cash (70%): EUR 70,000.00;
- Portion in Shares (*) (30%): EUR 30,000.00 in Shares.

N.B. (*): The number of Shares to be assigned shall be determined on the basis of the Price of the Shares, calculating the arithmetic average of the official prices achieved in the last three months preceding the date of Assignment. A 5% discount is applied to the Price of the Shares determined as per above.

Up front portion, that is, the portion paid in 2017:

- (70% of 70,000) = EUR 49,000.00 in cash;
- (70% of 30,000) = EUR 21,000.00 in Shares (*).

Deferred portion:

- ✓ First deferred portion, that is, the portion paid in 2018 if the 2017 targets are met:

- Portion in cash: (10% of 70,000) = EUR 7,000.00
- Portion in Shares (*) (10% of 30,000) = EUR 3,000.00 in Shares.

- ✓ Second deferred portion, that is, the portion paid in 2019 if the 2018 targets are met:

- Portion in cash: (10% of 70,000) = EUR 7,000.00
- Portion in Shares (*) (10% of 30,000) = EUR 3,000.00 in Shares.

- ✓ Third deferred portion, that is, the portion paid in 2020 if the 2019 targets are met:

- Portion in cash: (10% of 70,000) = EUR 7,000.00
- Portion in Shares (*) (10% of 30,000) = EUR 3,000.00 in Shares.

Retention

The 2016-2019 Stock Grant Plan provides for a Retention Period (the period during which Beneficiary A undertakes not to Transfer the assigned Shares). In accordance also with the Corporate Governance Code, the Retention Period is subject to the following rules:

- **1st Cycle: 01/01/2016 - 31/12/2016** (the 1st Cycle ends on the date of approval of the 2016 consolidated financial statements);
- ✓ Beneficiaries A who are Executives with Strategic Responsibilities:

Duration of Retention Period: 3 (three) years from the date of Assignment of the Shares associated with the 1st Cycle;

- ✓ Beneficiaries A who are NOT Executives with Strategic Responsibilities:

Duration of Retention Period: 1 (one) year from the date of Assignment of the Shares associated with the 1st Cycle;

- **2nd Cycle: 01/01/2017 - 31/12/2017** (the 2nd Cycle ends on the date of approval of the 2017 consolidated financial statements);

- ✓ Beneficiaries A who are Executives with Strategic Responsibilities:

Duration of Retention Period: 2 (two) years from the date of Assignment of the Shares associated with the 2nd Cycle;

- ✓ Beneficiaries A who are NOT Executives with Strategic Responsibilities:

Duration of Retention Period: 6 (six) months from the date of Assignment of the Shares associated with the 2nd Cycle;

- **3rd Cycle: 01/01/2018 - 31/12/2018** (the 3rd Cycle ends on the date of approval of the 2018 consolidated financial statements);

- ✓ Beneficiaries A who are Executives with Strategic Responsibilities:

Duration of Retention Period: 1 (one) year from the date of Assignment of the Shares associated with the 3rd Cycle;

- ✓ Beneficiaries A who are NOT Executives with Strategic Responsibilities:

Duration of Retention Period: 0 (zero) days.

- **4th Cycle: 01/01/2019 - 31/12/2019** (the 4th Cycle ends on the date of approval of the 2019 consolidated financial statements);

- ✓ Beneficiaries A who are Executives with Strategic Responsibilities:

Duration of Retention Period: 6 (six) months

- ✓ Beneficiaries A who are NOT Executives with Strategic Responsibilities:

Duration of Retention Period: 0 (zero) days.

- **Beneficiaries B**

Bonus 2016: e.g. EUR 40,000.00, entirely in cash

Up front portion, that is, the portion paid in 2017: (70% of 40,000) = EUR 28,000 in cash;

Deferred portion:

- ✓ First deferred portion, that is, the portion paid in 2018 if the 2017 targets are met: (10% of 40,000) = EUR 4,000.00 in cash;
- ✓ Second deferred portion, that is, the portion paid in 2019 if the 2018 targets are met: (10% of 40,000) = EUR 4,000.00 in cash;
- ✓ Third deferred portion, that is, the portion paid in 2020 if the 2019 targets are met: (10% of 40,000) = EUR 4,000.00 in cash;

- **Beneficiaries C**

Bonus 2016: e.g. EUR 15,000, entirely in cash and paid entirely up front in 2017. However, for “key personnel” that are classed as Beneficiaries C, the payment will be made at the same terms applicable to Beneficiaries B.

TABLE 1 - FEES PAID TO MEMBERS OF THE MANAGEMENT AND CONTROL BODIES AND TO GENERAL MANAGERS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES (values provided in thousand euro)

| (A) name and surname | (B) position held | (C) time in position | (D) expiry of office | note | (1) fixed remuneration | | | | | (2) committee membership fees | (3) non-equity variable | | (4) non-cash benefits | (5) other remuneration | (6) Total | (7) Fair value of equity remuneration | (8) Severance indemnity or employment termination |
|---------------------------|------------------------------------|-------------------------|--------------------------|------|---------------------------|--|------------------|----------------------------------|---------------------------------|----------------------------------|------------------------------|----------------|--------------------------|---------------------------|--------------|--|--|
| | | | | | fixed remuneration | offices pursuant to art. 2389, paragraph 3 of the Civil Code | attendance token | capped reimbursement of expenses | fixed remuneration as employees | | Bonuses and other incentives | profit sharing | | | | | |
| | | | | | | | | | | | | | | | | | |
| GARBI GIANLUCA | CHIEF EXECUTIVE OFFICER | From 01/01/2015 | To 31/12/2017 (AGM 2018) | | 36 | | | | 366 | | 1,723 | | 30 | 2,155 | | 30 | |
| GIORGIO BASEVI | CHAIRMAN OF THE BOARD OF DIRECTORS | From 01/01/2015 | To 26/11/2015 | | 82 | | | | | 29 | | | | 111 | | | |
| LUITGARD SPOGLER | CHAIRMAN OF THE BOARD OF DIRECTORS | From 27/11/2015 | To 31/12/2017 (AGM 2018) | | 12 | | | | | | | | | 12 | | | |
| LINDSAY MCMURRAY | DIRECTOR | From 01/01/2015 | To 26/11/2015 | | 17 | | | | | 13 | | | | 30 | | | |
| MATTHEW POTTER | DIRECTOR | From 01/01/2015 | To 26/11/2015 | | 17 | | | | | | | | | 17 | | | |
| CLAUDIO PUGELLI | DIRECTOR | From 01/01/2015 | To 26/11/2015 | | 22 | | | | | 1.5 | | | | 23.5 | | | |
| CLAUDIO PUGELLI | DEPUTY CHAIRMAN | From 27/11/2015 | To 31/12/2017 (AGM 2018) | | 2.5 | | | | | 1 | | | | 3.5 | | | |
| GIOVANNI ANTONINO PUGLISI | DIRECTOR | From 01/01/2015 | To 26/11/2015 | | 22 | | | | | 4.9 | | | | 26.9 | | | |
| GIOVANNI ANTONINO PUGLISI | DIRECTOR | From 27/11/2015 | To 31/12/2017 (AGM 2018) | | 2.5 | | | | | 1.5 | | | | 4 | | | |
| DANIELE PITTATORE | STANDING AUDITOR | From 01/01/2015 | To 26/11/2015 | | 22 | | | | | 16 | | | | 38 | | | |

TABLE 3B - CASH INCENTIVE PLANS BENEFITTING THE MEMBERS OF THE BOARD OF DIRECTORS AND THE GENERAL MANAGERS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

| A name and surname | B position held | (1) plan | (2) bonus for the year | | | (3) bonus referring to previous years | | | (4) other bonuses |
|--|-------------------------|--------------------|---------------------------|----------|-----------------|--|--------------|----------------|----------------------|
| | | | A | B | C | A | B | C | |
| | | | payable/paid | deferred | deferral period | no longer payable | Payable/paid | still deferred | |
| Gianluca Garbi | Chief Executive Officer | 2013 and 2014 Plan | | | | | 1,723 | | |
| Gianluca Garbi | Chief Executive Officer | 2015 Plan | 290 | 116 | 3 years | | | | |
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| I) fees in the firm that prepares the financial statements | | | | | | | | | |
| II) fees from subsidiaries and affiliates | | | | | | | | | |
| III) Total | | | | | | | | | |

NOTES:

Column 3b: BONUS REFERRING TO PREVIOUS YEARS PAID IN 2015, consisting of: 210,000.00 (upfront in 2014) + 50,000.00 (1/3 of deferred 2013 portion with adjustment) + 927,854.39 (2/3 of deferred 2013 portion subsequent to IPO)

+ 535,206.72 (3/3 of deferred 2014 portion subsequent to IPO.)

TABLE 4 - ANNEX pursuant to Art. 450 CRR, letter h)

AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION, BROKEN DOWN BY "KEY PERSONNEL" CATEGORY

| company | area | n. beneficiari | i) remuneration | | | ii) amounts and forms of variable remuneration | | | | iii) deferred remuneration | | iv) deferred remuneration | | | v) payment | | | vi) severance indemnity | | |
|--|------|----------------|-----------------|--------------------|--------------|--|--------|----------------------------------|-------------|----------------------------|-------------|---------------------------|------|----------|------------|----------------|-----------|-------------------------|---------|----------------|
| | | | fixed | variable 2015 [*1] | total | cash [*2] | shares | instruments linked to the shares | other types | assigned [*3] | outstanding | granted | paid | adjusted | start | n. beneficiary | severance | n. beneficiary | granted | n. beneficiary |
| A) KEY MANAGERS | | | | | | | | | | | | | | | | | | | | |
| BANCA SISTEMA SPA | | 1,00 | 366.000,00 | 1.723.061,11 | 2.089.061,11 | 1.897.061,11 | | | | | 116.000,00 | | | | | | | | | |
| B) MANAGERS IN CHARGE OF THE MAIN BUSINESS LINES OR COMPANY'S FUNCTIONS, DIRECTLY REPORTING TO THE CEO, THE GENERAL MANAGER AND AND THE VICE GENERAL MANAGERS | | | | | | | | | | | | | | | | | | | | |
| BANCA SISTEMA SPA | | 5,00 | 906.754,00 | 1.128.750,25 | 2.035.504,24 | 1.198.550,25 | | | | | 43.200,00 | | | | | | | | | |
| C) EXECUTIVES AND MIDDLE MANAGERS IN CHARGE FOR CONTROL FUNCTIONS | | | | | | | | | | | | | | | | | | | | |
| BANCA SISTEMA SPA | | 4,00 | 749.200,10 | 454.125,14 | 1.203.325,24 | 511.125,14 | | | | | 20.000,00 | | | | | | | | | |
| D) OTHER RISK TAKERS | | | | | | | | | | | | | | | | | | | | |
| BANCA SISTEMA SPA | | 4,00 | 518.911,85 | 391.700,32 | 910.612,17 | 421.100,32 | | | | | 15.600,00 | | | | | | | | | |
| E) PRINCIPAL MANAGERS DEALING WITHIN THE BANK'S SALES NETWORK | | | | | | | | | | | | | | | | | | | | |
| BANCA SISTEMA SPA | | 2,00 | 267.096,19 | 251.312,92 | 518.409,11 | 269.312,92 | | | | | 12.000,00 | | | | | | | | | |
| | | 15,00 | 2.807.962,14 | 3.948.949,74 | 6.756.911,87 | 4.297.149,74 | | | | | 206.800,00 | | | | | | | | | |
| [*1] total bonus paid in 2015: up front 2014 + deferred portion for 2013 and 2014, both re-evaluated subsequent to the listing, pursuant to the Remuneration Policies for 2013 and 2014 There have been reductions on the deferred portion for 2014 amounting to EUR 358.000,00 | | | | | | | | | | | | | | | | | | | | |
| [*2] total bonus paid in 2015: up front 2014 + deferred portion for 2013 and 2014, both re-evaluated subsequent to the listing, pursuant to the Remuneration Policies + up front bonus 2015 | | | | | | | | | | | | | | | | | | | | |
| [*3] deferred portion bonus 2015 | | | | | | | | | | | | | | | | | | | | |

- i. the remuneration amounts relating to the period, broken down by fixed and variable remuneration and beneficiary;
- ii. the amounts and the forms of variable remuneration, subdivided into cash, shares, instruments linked to the shares and other types;
- iii. the amounts of existing deferred remuneration, broken down by assigned portion and outstanding portion;
- iv. the amounts of deferred remuneration granted in the financial year, paid and adjusted downwards based on performance;
- v. new signing-on bonuses and severance indemnity payments made in the financial year and the number of beneficiaries;
- vi. the amounts of severance indemnity payments made in the financial year, the number of beneficiaries and the highest amount paid per person.

TABLE 5 - ANNEX pursuant to Art. 450 CRR, letter g)

AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION, BROKEN DOWN BY BUSINESS AREA OF “KEY PERSONNEL”

| Company | Business area | No. of beneficiaries | fixed remuneration | variable remuneration (*) | Note |
|----------------------|-----------------------------------|----------------------|--------------------|---------------------------|------|
| Banca Sistema S.p.A. | <i>Factoring</i> | 3 | 445 | 563 | |
| Banca Sistema S.p.A. | <i>Banking</i> | 1 | 220 | 345 | |
| Banca Sistema S.p.A. | <i>Finance</i> | 2 | 365 | 507 | |
| Banca Sistema S.p.A. | <i>Internal Control Functions</i> | 3 | 529 | 68 | |
| Banca Sistema S.p.A. | <i>Other</i> | 6 | 883 | 743 | |

Notes:

The “Other” business area refers to key personnel employed in the following areas: operations, legal, marketing, treasury and underwriting

*Inclusive of the advance payment of the deferred components subsequent to the listing, as set out in the 2013 and 2014 Remuneration Policies.