

BANCA SISTEMA S.P.A.
Share capital Euro 9,650,526.24 fully paid-in
Tax Code and registration number with the Milan Register of Companies
12870770158 – ABI 03158.3
Corso Monforte, 20 - 20122 Milan

www.bancasistema.it

**ORDINARY SHAREHOLDERS' MEETING CONVENED IN A SINGLE CALL AT THE
REGISTERED OFFICE LOCATED AT CORSO MONFORTE 20, MILAN
27 NOVEMBER 2015, 2:00 P.M.**

**DIRECTORS' EXPLANATORY REPORT ON THE PROPOSALS CONCERNING
ITEM 1) ON THE AGENDA OF THE**

**(Report pursuant to article 125-ter of Italian Legislative Decree no. 58 of
24th February 1998 - "Consolidated Law on Finance")**

**APPOINTMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND ITS CHAIRMAN,
IN ACCORDANCE WITH ART. 10 OF THE ARTICLES OF ASSOCIATION:**

- 1. APPOINTMENT OF THE DIRECTORS;**
- 2. APPOINTMENT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS;**
- 3. DETERMINATION OF THE TERM OF OFFICE;**

DIRECTORS' EXPLANATORY REPORT

Dear Shareholders,

You have been convened for the purpose of adopting resolutions with regards to the proposal contained under item 1) of the agenda of the Ordinary Shareholders' Meeting:

- **Appointment of the Members of the Board of Director and its Chairman, in accordance with art. 10 of the Articles of Association:**
 - 1.1 **Appointment of the Directors;**
 - 1.2 **Appointment of the Chairman of the Board of Directors;**
 - 1.3 **Determination of the term of office.**

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It is recalled that, as a result of the favorable outcome of the listing process completed on July 2, 2015, which, as contemplated by the previous Shareholders' Agreements, led to the exit of the shareholder SOF Luxco S.à.r.l. from the shareholding structure of the Company, on September 18, 2015 Mrs. Lindsey McMurray and Mr. Matthew Potter resigned with immediate effect from their office as Director. Subsequently, within the renewal process of the Bank's Board of Directors aimed to better reflect the new corporate structure, on September 22, 2015 the Directors Mr. Gianluca Garbi, Mr. Claudio Pugelli, Mr. Giovanni Puglisi and Mr. Daniele Pittatore notified their resignation to be effective as from November 30, 2015 or from any earlier date at which the Ordinary Shareholders Meeting of the Company will be convened to vote on the renewal of the Board of Directors.

The resignation tendered with deferred effect will imply, pursuant to Article 2386 cc, the loss of the majority of the directors appointed by the shareholders and, therefore, it was necessary to proceed with the calling of today's Shareholders' Meeting in order to proceed with the appointment of new members of the Board of Directors. It is noted that the Board of Statutory Auditors, in its current composition, will instead remain in force.

In this regard, it is recalled that - in accordance with the provisions of Article 10.2 and Article 10.3 of the Articles of Association - the meeting will proceed to appoint the members of the Board of Directors on the basis of the lists submitted by the shareholders.

"The Members of the Board of Directors are elected using the list system in which a minimum of three and maximum of nine candidates must be listed in sequential order. The candidate at sequential number "1" of each list shall also be the candidate appointed as chair of the Board of Directors.

Any shareholder, as well as shareholders belonging to the same group, members of a shareholders' agreement pursuant to article 122 of Legislative Decree no 58 dated 24 February 1998, the entity controlling it, the entity by which it is controlled and the entity subject to joint control pursuant to article 93 of Legislative Decree no 58 dated 24 February 1998, may not be present or be involved in the presentation, either by proxy of trust company, in more than one list and may not vote on lists other than the one presented. Where the competition, either directly or indirectly, indicates applicants present in more than one list, these lists shall be deemed to have not been submitted.

For the purposes of the preceding paragraph, entities, even those with a corporate status, which exercise direct or indirect control pursuant to Article 93 of Legislative Decree 24 February 1998 n. 58 over the shareholder in question and all the companies controlled directly or indirectly by this entity are deemed to belong to the same group.

Each candidate may appear in one list, under pain of ineligibility.

Only those shareholders who, together or separately, are holders of shares representing at least 2.5% (two point five percent) - or any other lower percentage established by the legislation currently in force are entitled to submit lists - of the capital entitled to vote on Meeting resolutions that relate to the appointment of members of the Board.

The lists must be sent to the company's head office and to the management company at least 25 (twenty-five) days prior to the one planned for the Meeting called to resolve on the appointment of the administrative body and be made available to the public at the registered office, the market management company, the Company's internet site and with the other means stipulated under applicable legal and regulatory provisions at least 21 (twenty-one) days prior to the one fixed for the Meeting in the first call.

The lists indicate which directors are in possession of the requirements of independence stipulated by law and the By-laws.

Each list must contain at least three candidates, of which at least two are in possession of the requirements of independence established by Law and the By-laws. Moreover, each list must include candidates of different genders, including for individual independent candidates, according to what is stated in the Meeting call notice, so as to enable the Board of Directors to be comprised pursuant to current regulations regarding gender equality.

The ownership of the minimum share required to submit the lists referred to in this paragraph shall be determined with regard to the shares registered to the shareholder on the day when these lists are deposited at the company's headquarters. In order to prove ownership of the number of shares required to submit lists, members putting forward lists have to submit or send to the registered office a copy of the appropriate certificate issued by an authorised intermediary proving ownership of the number of shares required for the submission of the list at least twenty-one days before the Meeting called to approve the appointment of the members of the Board of Directors. Each list submitted must include: a) information regarding the shareholders who have presented the list and the percentage of shares held; b) the declarations in which each candidate accepts the nomination (in the case of candidates positioned at sequential number "1" on each list, they also accept applicants for Chair of the Board) and declare, under their own responsibility that there are no causes of ineligibility or incompatibility, and that the requirements of professionalism and integrity and any other requirement stipulated under current laws and these By-laws for undertaking the position are met; c) declarations of independence issued pursuant to the applicable legislative, regulatory and statutory provisions; as well as d) the CV of each candidate, containing extensive information of the individual's personal and professional characteristics, indicating for which theoretical profile he/she is suitable and the positions of administration and control covered.

Lists presented without complying with the foregoing provisions shall be deemed as not submitted.

Each shareholder has the right to vote for one list. Where a vote is made for several lists, the vote shall be deemed as not having been cast for any of them.

The election of the Board of Directors shall be made as follows:

- a) from the list that obtains the majority of votes (majority list) a number of directors equal to six are elected, of which at least one is in possession of the independence requirements pursuant to Art. 10.3 of the By-laws; candidates are elected on the basis of the progressive order shown by the list; the candidate positioned at sequential number "1" is appointed Chair of the Company's Board of Directors;
- b) two directors, of which at least one in possession of the independence requirements pursuant to Art. 10.3 of the By-laws will be taken from the list, if any, that gets the most votes after the list referred to in subparagraph a), which is not connected in any way, even indirectly, to that list and / or with the shareholders who submitted or voted for the majority list; are elected in those limits candidates in a progressive order in the list;
- c) a director in possession of the independence requirements pursuant to art. 10.3 of the By-laws will be taken from the list, if any, which receives the highest number of votes after the list in b), which is not

connected in any way, even indirectly, with previous lists and / or the shareholders who presented or voted on the previous lists; is the first candidate in the sequential order of the list in the possession of the independence requirements pursuant to art. 10.3 of the By-laws. In the event that only two lists have been submitted and allowed, the remaining independent director will be chosen from the list referred to in point b).

To this end, however, lists that do not obtain a percentage of votes equal to half of that required for the submission of lists shall not be taken into account.

The Directors must meet the requirements of professionalism and integrity and any other requirement under the regulations in force and in the By-laws. In addition, at least three directors, and in any event a number of directors not less than that required by the regulations in force, must meet the independence requirements of art. 148, paragraph three, of Legislative Decree no 58 dated 24 February 1998, as well as the Code of Corporate Governance to which the Company adheres.

The loss of the requirements for the position will entail revocation, with it being specified that the loss of the independence requirements mentioned above in relation to a director, notwithstanding the obligation to immediately notify the Board of Directors, shall not lead to revocation if the requirements are met by the remaining minimum number of directors pursuant to the By-laws.

If the candidates elected in the manner described above do not ensure the appointment of a number of directors who meet the independence requirements provided for above equal to the minimum number established by law and these By-laws in relation to the total number of directors, the non-independent candidate elected last in sequential order in the list that received the highest number of votes referred to in subparagraph a) of paragraph 10.2, paragraph eleven, will be replaced by the first independent candidate in sequential order not elected from the same list, or, failing that, by the first independent candidate in sequential order not elected from other lists, according to the number of votes obtained by each. This substitution procedure will be followed until the number of independent directors to be appointed is met.

Without prejudice to compliance with the minimum number of directors in possession of the independent requirements as stipulated above, where the candidates elected in the manner indicated above in the composition of the Board of Directors do not ensure compliance with the regulations in force in relation to gender equality, the candidate of the gender most elected as last in sequential order in the least who has secured the highest number of votes pursuant to letter a) of subsection 10.2, paragraph eleven of the By-laws, shall be replaced by the first candidate of the gender least represented based on the non-elected sequential order of the same list, or, failing this, by the first candidate of the gender least represented on the basis of the non-elected sequential order of the other lists, according to the number of votes obtained by each. This replacement procedure will be carried out unless the Board of Directors is compliant with the current regulations in respect of gender equality.

In the event of there being only one list that is presented and allowed, all the candidates on this list shall be elected, but ensuring the nomination of directors in possession of the independence requirements at least in the overall number required under current laws and these By-laws, and also in compliance with current laws on gender equality. Where no list is submitted or allowed, the Meeting shall resolve according to the legal majority without observing the procedure referred to above. This is notwithstanding, however, different and other provisions provided under mandatory and statutory laws. In any event, there shall be compliance with the minimum number of independent directors and the current laws on gender equality. For the appointment of Directors who for whatever reason are not nominated pursuant to the procedures given above, the Meeting shall resolve by legal majority voting so as to ensure that the composition of the Board of Directors is compliant to the law and to the By-laws, and also complies with current laws in respect of gender equality.

Furthermore, please note that, in accordance with Circular 285 of the Bank of Italy of December 17, 2013 - Supervisory Provisions for Banks, concerning the composition of the governing bodies, the Board

of Directors has already issued a report about with regard to its quali-quantitative composition considered optimum in relation to the objectives set out in the above provisions, and the theoretical (including characteristics of professionalism and eventual independence) of the candidate considered appropriate for this purpose.

Dear Shareholders,

In view of the above, you are kindly invited to appoint the members of the Board of Directors and, consequently, the Chairman of the Board of Directors, in accordance with the above recalled statutory provisions, for the years 2015-2017, i.e. until the Shareholders' approval of the financial statements at December 31, 2017.

Milan, October 15, 2015

For the Board of Directors
Prof. Giorgio Basevi
Chairman of the Board of Directors