

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

you have been asked to come to this Ordinary Shareholders' Meeting to resolve on the following matter, which is point no. 3) on today's agenda:

- **Request for authorisation from the Board of Directors to purchase and sell treasury shares.**

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The opportunity to allow the Company to purchase and sell treasury shares has been presented to shareholders pursuant to articles 2537 and ff. of the Italian Civil Code, article 132 of Legislative Decree 58/98, and articles 77 and 78 of EU Regulation no. 575/2013 (**CRR**) and of EU Delegated Regulation no. 241/2014.

This activity may be carried out only upon prior authorisation from Banca d'Italia according to said EU regulations.

1. Grounds for the request

The purposes for which we request shareholders to apply for authorisation to Banca d'Italia are those provided for by EU regulation reported as follows:

- i) Reduction of own funds as provided for by article 77 of the CRR;
- ii) Supporting the regular trend of trading in order to prevent price fluctuations which are not in line with the market trend and guarantee appropriate market making support;
- iii) Allocating to staff falling into the category "key personnel", applying the remuneration and incentive policies approved by the Shareholders' Meeting;
- iv) Making available to the directors an operational, strategic flexible instrument which allows for treasury shares to be held as payment in any extraordinary operations, including purchase and/or exchange of shareholdings, with other parties in the context of operations of interest for the Bank.

2. Maximum number of shares which may be purchased pursuant to EU regulations

We suggest establishing a pre-calculated maximum amount of shares which may be repurchased, considering the above purposes, equal to the maximum provided pursuant to article 29, paragraph 3 a), of Regulation 241 which may not exceed 3% of the issue price in question; the issue price is calculated with reference to the amount of company capital and the share premium reserve, and is equal to Euro 49,254,983; the limit of 3% thus equals Euro 1,477,649.49.

The relative purchase value must be covered in the relevant "Reserve for future purchase of treasury shares" to be created with an equal amount once Banca d'Italia's authorisation has been obtained.

The shares proposed for purchase are ordinary shares, fully paid up, for a nominal value of Euro 0.12 (zero point twelve) each.

We also suggest the meeting to authorise at the same time the Board of Directors to sell Banca Sistema shares purchased as follows.

3. Respecting the limit of the fifth part of company capital

A further limit on the purchase of own ordinary shares is set by article 2357, paragraph 3, of the Italian Civil Code on the basis of which (i) the Company may not purchase its treasury shares if not within the limits of the distributable profits and the available reserves resulting from the last duly approved financial statements and (ii) the overall nominal value of the shares must not exceed the fifth part of the entire company capital, including any shares held by subsidiary companies.

Considering that the Company holds controlling interests in Specialty Finance Trust Holdings Ltd., the guarantee to not exceed the said limit will be obtained with specific mandate to the director, who through the management and control of the subsidiary prevent the same from any operation regarding Banca Sistema S.p.A. shares.

4. Duration of Authorisation

The request provides for the purchase of the shares, also at different times, up to the maximum number consented by the law, within a period of 18 months from the date in which the resolution is made.

There are no time limits for the subsequent sale of shares, also at different times, even before having used the maximum quantity of shares purchasable.

5. Share purchase and sale payments

Shares may be purchased at a minimum price of no less than 15% - and a maximum price of no more than 15% - with respect to the price calculated the last working day of every week as an average of the official closing price for Banca Sistema shares of the last two TARGET calendar weeks before the day for calculation of the average price. This minimum and maximum price will remain in force for the period which will begin the day after calculation of the average price up to (and including) the day for calculation of the new weekly average price.

Shares purchased may then be resold at a price no lower than 85% of the average book value of the whole portfolio of Banca Sistema S.p.A. shares the day before the individual sales operation was performed.

6. Execution procedures for purchase and sale operations

Ordinary shares may be purchased and sold exclusively via Market trading of Banca Sistema S.p.A. shares, according to the means which allow the respect of the equal treatment of shareholders pursuant to article 132 of the Consolidated Law on Finance and in compliance with applicable regulations and market practices.

Share purchases and sales shall comply with the regulations on *Market Abuse* and will be suspended in the periods as provided for by the law and, in any case, 15 days before approval, by the Board of Directors, of the draft financial statements, the half-yearly report and the quarterly report of the Bank. These limits are not applied in the case of exceptional circumstances of subjective need, adequately motivated by the Managing Director to the Bank, Consob and the company managing the Organised Markets.

7. Other sales procedures

In addition to resale on the regulated market, shares may be:

- i) used as payment in extraordinary operations, including share purchase and/or exchange, with other parties in the context of operations of interest for the Company;

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- ii) allocated as part of the variable remuneration to be paid to some company figures in compliance with policies from time to time approved by the Shareholders' Meeting.

8. Calculation of the "Reserve for future purchase of treasury shares"

The meeting is asked to resolve on the calculation of the "Reserve for future purchase of treasury shares" up to the maximum amount authorised by Banca d'Italia, taking the whole amount of the "Profits carried forward Reserve" and where insufficient from the "Share Premium Reserve".

In case of a favourable resolution by the Meeting, the "Reserve for future purchase of treasury shares" will then be used for the creation, after each effective purchase, of the "Reserve for treasury shares", unavailable and provided for by article 2357-ter of the Italian Civil Code, equal to the amount of treasury shares recognised among assets in the financial statements which must be maintained until they are sold or cancelled.

Please note that the "Reserve for future purchase of treasury shares" will be deducted from the own funds to the maximum amount that will be authorized by the Bank of Italy (Part I, Sec. 1, Subsec. 2 Circ. 286 dated 17 December 2013) with effect from the date of authorization.

Thus the Meeting is asked to resolve on the following

request for resolution

"The Meeting, having heard and approved the Board of Directors' report regarding point ...) of the ordinary part of the agenda;

RESOLVES

A) TO DETERMINE the "Reserve for future purchase of treasury shares" up to the maximum amount from time to time authorised by Banca d'Italia, taking the whole amount from the "Share Premium Reserve";

B) TO AUTHORISE the Board of Directors (i) to submit Banca d'Italia the request for authorisation to repurchase its treasury shares for a pre-calculated amount equal to the maximum consented by article 29, paragraph 3) of EU Regulation 241/2014 and (ii) to purchase the company's own ordinary shares, fully paid up, of a nominal value of Euro 0.12 (zero point twelve) each, for a maximum number of the overall nominal value, including any shares held by the Company and by its subsidiary companies, not exceeding the fifth part of the company capital and whose purchase value is covered by the "Reserve for future purchase of treasury shares" resolved as above. This authorisation shall be valid for a maximum of 18 (eighteen) months from today's date. Shares may be purchased, also at different times, at a minimum price of no less than 15% - and a maximum price of no more than 15% - with respect to the price calculated the last working day of every week as an average of the official closing price for Banca Sistema shares of the last two TARGET calendar weeks before the day for calculation of the average price. This minimum and maximum price will remain in force for the period which will begin the day after calculation of the average price up to (and including) the day for calculation of the new weekly average price.

The unavailable "Reserve for treasury shares" pursuant to article 2357-ter of the Italian Civil Code, will be established afterwards and in relation to the amounts of the purchases made, using the "Reserve for future purchase of treasury shares". The "Reserve for treasury shares" will be maintained pursuant to article 2357-ter of the Italian Civil Code, until the treasury shares are sold or cancelled;

C) TO AUTHORISE the Board of Directors, without time limits, to resell its treasury shares afterwards, as purchased; such resale may occur at different times and before having used up the maximum quantity of shares purchasable, at a price no lower than 85% of the average book value of the whole portfolio of Banca Sistema S.p.A.'s treasury shares the day before the date of the individual sales operation;

D) TO ESTABLISH that the purchases and sales may be performed exclusively by means of Market trading of "BANCA SISTEMA S.P.A." ordinary shares, according to the means which, pursuant to article 132, Legislative Decree no. 58/1998, allow the respect of the equal treatment of shareholders and in compliance with applicable regulations and market practices;

E) TO ESTABLISH that purchases and sales may be performed in compliance with the regulations on Market Abuse and will be suspended 15 days before approval, by the Board of Directors, of the draft financial statements, the half-yearly report and the quarterly report of the Bank. These limits are not applied in the case of exceptional circumstances of subjective need, adequately motivated by the Managing Director to the Bank, Consob and the company managing the Organised Markets;

F) TO AUTHORISE the Board of Directors to hold its own "BANCA SISTEMA S.P.A." shares, possibly using the Purchase treasury shares fund:

1. to assign said shares as payment in extraordinary operations, including share purchase and/or exchange, with other parties in the context of operations of interest for the Bank;
2. to allocate said shares as part of the variable remuneration to be paid to some company figures in compliance with policies from time to time approved by the Shareholders' Meeting;

G) TO GRANT THE BROADEST POWERS to the Managing Director in order to perform all the operations, including of a financial nature, related or consequent to the execution of the aforesaid resolutions, in compliance with legal and regulatory procedures in force at the time, also guaranteeing through management and control of the subsidiary companies that the same abstain from any operations regarding the "BANCA SISTEMA S.P.A." shares in order to guarantee the respect of the maximum limit of the fifth part of the company capital. For all the above, the Managing Director is authorised to avail of third parties, drawing up specific contracts and appointing agents or proxies for individual instruments or categories of instruments."

Milan, 6 November 2015

On behalf of the Board of Directors
Professor Giorgio Basevi
Chairman of the Board of Directors