

BANCA

S I S T E M A

BANCA SISTEMA S.P.A.

Fully paid up Share Capital € 9,650,526.24

Tax Code and Milan Companies' Register No. 12870770158 – ABI (Italian Banking Association)

Code 03158.3

Corso Monforte, 20 - 20122 Milan

www.bancasistema.it

**ORDINARY SHAREHOLDERS' MEETING HELD ON SINGLE CALL
AT THE REGISTERED OFFICE IN MILAN - CORSO MONFORTE 20
27 APRIL 2017, 10:00 AM**

**BOARD OF DIRECTORS' EXPLANATORY REPORT ON
ITEM 3) OF THE AGENDA**

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

“ALLOCATION OF THE 2016 NET PROFIT”

BANCA

S I S T E M A

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

your attention is drawn to the following proposed resolution submitted for examination by the Ordinary Shareholders' Meeting concerning the allocation of the 2016 net profit.

At individual level, the Company's net profit for 2016 amounted to Euro 24,481,013.26.

The Board of Directors is proposing to allocate the 2016 net profit as follows:

- Euro 6,111,999.95 as *dividends* on 80,421,052 ordinary shares, equivalent to a Euro 0.076 per share;
- the remainder of Euro 18,369,013.31 *to be carried forward*.

No provision is to be made to the Legal Reserve since the limits set out in Article 2430 of the Italian Civil Code have been reached.

In relation to the above, the Board is proposing to pay the dividend in cash in accordance with applicable laws and regulations, with the dividend date set as 2 May 2017 and the payment date as 4 May 2017. Pursuant to art. 83-terdecies of Legislative Decree 58/1998 (Consolidated Law on Finance) all persons who are listed as shareholders, based on the accounting records available at the end of 3 May 2017 (so-called record day) shall be entitled to the dividends.

The Board is also submitting to your attention the consolidated financial statements as at 31 December 2016, which though not requiring your approval, complete the information provided with the Individual Financial Statements of Banca Sistema S.p.A..

* * *

Dear Shareholders,

in relation to the foregoing, we are therefore asking you to pass the following resolutions:

"The ordinary session of the Shareholders' Meeting of Banca Sistema S.p.A., having taken into the decisions passed on approval of the Financial Statements as at 31 December 2016,

resolves:

- (i) *to allocate the 2016 net profit of Banca Sistema S.p.A., equal to Euro 24,481,013.26, as follows:*
 - *Euro 6,111,999.95 as dividends on 80,421,052 ordinary shares, equivalent to a Euro 0.076 per share;*
 - *the remainder of Euro 18,369,013.31 to be carried forward.**by the methods and in accordance with the terms established in this Report. No provision is to be made to the Legal Reserve since the limits set out in Article 2430 of the Italian Civil Code have been reached.*
- (ii) *to arrange the payment of the aforesaid dividends for 4 May 2017. The payment shall be made via the authorised intermediaries at which the shares are registered in the Sistema Monte Titoli.*

Milan, 30 March 2017

On behalf of the Board of Directors
Ms Luitgard Spögler
Chairman of the Board of Directors