

BANCA

SISTEMA

BANCA SISTEMA S.P.A.

Fully Paid-in Share Capital EUR 9,650,526.24

Tax Code and Milan Companies' Register No. 12870770158 – ABI 03158.3
Corso Monforte 20 - 20122 Milan

www.bancasistema.it

**ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING, HELD ON SINGLE CALL
AT THE REGISTERED OFFICE IN MILAN - CORSO MONFORTE 20
28 APRIL 2016 - 10.00 A.M.**

**DIRECTORS' EXPLANATORY REPORT
ON POINT 5 ON THE AGENDA - ORDINARY SESSION**

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

**“APPROVAL OF THE 2016 STOCK GRANT PLAN.
RELATING AND RESULTING RESOLUTIONS.”**

DIRECTORS' EXPLANATORY REPORT

Dear Shareholders,

your attention is drawn to the proposed resolution submitted for examination by the Ordinary Shareholders' Meeting, as illustrated below, consisting in the adoption of an incentive system for 2016 to the benefit of executives with strategic responsibilities and "key personnel" of the Banca Sistema Group. The incentive system provides for the free assignment of ordinary shares of the Company, subject to meeting specific performance targets in each of the four cycles into which the 2016 Plan is subdivided (as defined herein).

With a view to adopting an incentive plan based on the Company's financial instruments, the Board of Directors, on proposal of the Remuneration Committee, has prepared a plan for the year 2016 ("**2016 Stock Grant Plan**" or, for the sake of brevity, "**2016 Plan**"). The features of the 2016 Plan are described hereunder.

Purpose of the Plan

By adopting the 2016 Plan, Banca Sistema wishes to achieve the following aims:

- to link the remuneration paid to the Beneficiaries (as defined herein) to the actual performance of the Company and to the creation of value for the Banca Sistema Group, in line also with the objectives pursued in the Corporate Governance Code;
- 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 incentivizing them to stay with the company or within the Banca Sistema Group;
- to motivate and increase the loyalty of the Company's existing management and develop the Company's ability to attract potential new managers, in accordance with practices in use in the banking sector.

In accordance with the Supervisory Provisions for Banks issued by the Bank of Italy concerning remuneration and incentive policies and practices (Circular 285), which requires a portion of the variable component of remuneration paid in financial instruments to be deferred, the assignment of the Shares underlying the 2016 Plan is subdivided into four cycles (the "**Plan Cycles**"):

- 1st Cycle: 01/01/2016 - 31/12/2016 (the 1st Cycle ends on the date of approval of the 2016 consolidated financial statements);
- 2nd Cycle: 01/01/2017 - 31/12/2017 (the 2nd Cycle ends on the date of approval of the 2017 consolidated financial statements);
- 3rd Cycle: 01/01/2018 - 31/12/2018 (the 3rd Cycle ends on the date of approval of the 2018 consolidated financial statements);
- 4th Cycle: 01/01/2019 - 31/12/2019 (the 4th Cycle ends on the date of approval of the 2019 consolidated financial statements);

The free Assignment of Shares to each Beneficiary at the end of each Cycle is subject to specific individual and company-level performance targets being met. The achievement of the targets is verified by the Board of Directors, with input from the Remuneration Committee, subsequent to the approval of the consolidated financial statements as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019.

Beneficiaries of the Plan

The beneficiaries of the Plan (the “**Beneficiaries**”) are executives with strategic responsibilities and “key personnel”, as identified in the 2016 Remuneration Policies Document, who are granted a bonus in excess of 20% (twenty per cent) of their Gross Annual Salary or, in any event, an amount equal to or above EUR 50,000.00 (fifty thousand).

Subject matter of the Plan

The 2016 Plan provides for the free assignment of the Company’s ordinary shares to the Beneficiaries at the end of each Plan Cycle, subject to meeting specific performance targets.

Implementation procedures and clauses of the Plan

The 2016 Plan provides that the free assignment of shares at the end of each Plan Cycle is subject to meeting specific performance targets and satisfying specific conditions, including, that the Beneficiary has a permanent employment contract with the Company at the time of the assignment of the shares and has not taken a period of extended leave.

The Company capitalization and liquidity targets to be met as a condition for the assignment of the ordinary shares under the 2016 Plan are linked to both the performance of the company (associated with the CET1, RORAC and LCR indicators and proportional to the target levels provided in the RAF for the reference year, in line with the applicable budget targets in the reference period) and the performance of the individual (of a quantitative and qualitative nature).

The achievement of the performance targets is verified at the end the relevant financial year by the Board of Directors, with input from the Remuneration Committee.

The Shares underlying the 2016 Plan can be made available, at the discretion of the Board of Directors and in compliance with applicable laws, in two ways: (a) via a free share capital increase pursuant to article 2349, paragraph 1 of the Italian Civil Code, submitted for the approval of today’s extraordinary Shareholders’ Meeting (point 1 of the agenda), subject to the obtainment of authorization from the Bank of Italy in accordance with applicable provisions, and/or, (b) using shares purchased on the market and/or held for any other reasons by the Company, in compliance with the resolution of the Shareholders’ Meeting held on 27 November 2015, pursuant to and for the purposes of articles 2357 ff. of the Italian Civil Code and subject to the obtainment of authorization from the Bank of Italy in accordance with applicable provisions.

In accordance with the provisions of the applicable accounting principles, the cost and the related capital increase resulting from the implementation of the 2016 Stock Grant Plan will be recognised once the Board of Directors has determined the number of shares actually assigned. A preliminary estimate of such cost conducted on the basis of the same valuation criteria that will be used in the future to recognise the amount in the accounts shows that the estimated overall impact of the 2016 Stock Grant Plan is currently equivalent to approx. EUR 400,000.

For further details on the 2016 Plan please see the attached information document, which was drawn up in accordance with article 84-bis of Consob Regulation No. 11971 concerning Issuers (the “**Information Document**”), in implementation of the prescriptions of article 114-bis of Italian Legislative Decree No. 58/98 (the “**Consolidated Law on Finance**”).

Therefore, the following proposed resolution is hereby submitted for your approval:

“*The ordinary Shareholders’ Meeting of Banca Sistema S.p.A.,*

- *having heard and approved the proposal of the Board of Directors;*
- *having acknowledged the explanatory Information Document of the 2016 Stock Grant Plan, which has been published in accordance with applicable provisions;*

resolves

- 1) to approve the 2016 Stock Grant Plan referring to the free assignment or the ordinary shares of the Company to the Beneficiaries, as defined therein, at the end of each of the four Cycles into which the 2016 Plan is subdivided, subject to the Beneficiaries meeting the specific individual and company-level performance targets described in detail in the Information Document prepared in accordance with art. 84-bis of Consob Regulation No. 11971 concerning Issuers and in implementation of the prescriptions of article 114-bis of the Consolidated Law on Finance;
- 2) to grant the Board of Directors the powers necessary to fully implement the aforesaid 2016 Stock Grant Plan, to be exercised in accordance with the application criteria described above, making any necessary amendments and/or additions for the subject matter resolved on to be implemented. For the foregoing purpose, the following powers, by way of an example but not limited to, are granted to the Board of Directors, to be exercised following consultation with the Remuneration Committee and with the authorisation to sub-delegate said powers: (i) to implement the 2016 Plan; (ii) to establish the number of Company shares to be assigned to each Beneficiary; (iii) to prepare and approve the documentation associated with the implementation of the Plan".

Milan, 24 March 2016

For the Board of Directors
Luitgard Spögl
Chairman of the Board of Directors

Annex:

- Information Document relating to the 2016 Stock Grant Plan

**INFORMATION DOCUMENT RELATING TO THE 2016 STOCK GRANT PLAN OF
THE BANCA SISTEMA GROUP, DRAWN UP IN ACCORDANCE WITH ART. 114-
BIS OF ITALIAN LEGISLATIVE DECREE 58/98 AND ART. 84-BIS OF REGULATION
NO. 11971, AS APPROVED BY CONSOB RESOLUTION DATED 14 MAY 1999, AS
AMENDED**

Milan, 24 March 2016

Definitions

In addition to the terms otherwise defined in the paragraphs of this information document, the terms and expressions listed below shall have the following meaning:

“Shareholders’ Meeting”	The Shareholders’ Meeting of the Company
“Shares”	The ordinary shares of the Company and the subject matter of the 2016 Stock Grant Plan. The shares are listed on the Mercato Telematico Azionario (Italian Equities Market) - STAR Segment - organised and managed by Borsa Italiana S.p.A. and have a par value of Euro 0.12 each.
“Assignment of Shares”	The determination - on verification that the individual and company-level performance targets specified in the 2016 Remuneration and Incentive Policies Document have been met - of the number of Shares to be granted free of charge to each Beneficiary, as resolved by the Board of Directors at the end of each Cycle.
“Banca Sistema” or the “Company”	Banca Sistema S.p.A., having registered office in Milan, Corso Monforte No. 20, 20122, registered at Milan Companies’ Register under No. 12870770158.
“Beneficiaries”	The executives with strategic responsibilities and other “key personnel”, as identified in the 2016 Remuneration Policies Document, who will be granted a bonus in excess of 20% (twenty per cent) of their Gross Annual Salary or, in any event, an amount equal to or above EUR 50,000.00 (fifty thousand).
“Bonus”	The variable component of remuneration (payable in cash or shares) payable in financial year 2016, as specified in the 2016 Remuneration Policies Document.
“Transfer”	Any transfer, including but not limited to, the sale, donation, pledge, contribution or exchange of the shares, the granting of a beneficial interest on them or the forced sale of the shares, or any other form of disposal (free of charge or at a cost), which directly or indirectly transfers the ownership of Banca Sistema’s ordinary shares or any associated right granted to a third party.
“Cycle”	The period of time comprising the financial years in relation to which the Company has set

performance targets, to which the Attribution of the Shares free of charge is subject.

- 1st Cycle: 01/01/2016 - 31/12/2016 (the 1st Cycle ends on the date of approval of the 2016 consolidated financial statements);
- 2nd Cycle: 01/01/2017 - 31/12/2017 (the 2nd Cycle ends on the date of approval of the 2017 consolidated financial statements);
- 3rd Cycle: 01/01/2018 - 31/12/2018 (the 3rd Cycle ends on the date of approval of the 2018 consolidated financial statements);
- 4th Cycle: 01/01/2019 - 31/12/2019 (the 4th Cycle ends on the date of approval of the 2019 consolidated financial statements);

“Corporate Governance Code”

The Corporate Governance Code of Listed Companies approved by the Corporate Governance Committee of Borsa Italiana S.p.A. in March 2006, as amended and supplemented.

“Remuneration Committee” or “RC”

The committee set up by Banca Sistema in implementation of the recommendations contained in the Corporate Governance Code and in Bank of Italy Circular No. 285 of 17 December 2013 (*Regulatory provisions for banks*), as amended.

“Board of Directors”

The Board of Directors of Banca Sistema.

“Executives with Strategic Responsibilities”

The persons having direct or indirect powers and responsibility over the planning, management and control of the Company's activities, including its directors (executive and non-executive).

“Information Document”

This information document relating to the 2016 Plan, which was drawn up pursuant to article 114-bis of the Consolidated Law on Finance and article 84-bis of the Issuers' Regulation.

“2016 Remuneration Policies Document”

The Document containing the remuneration policies of the Banca Sistema Group approved by the ordinary Shareholders' Meeting on 28 April 2016.

“Letter of Assignment”

The letter that is sent to the Beneficiaries, indicating: (i) the value of the cash bonus; (ii) the number of Shares assigned; (iii) the Retention Period applicable to the assigned shares.

“Retention Period”

The period during which the Beneficiary undertakes not to Transfer the assigned Shares.

“2016 Stock Grant Plan” or “2016 Plan”

The Stock Grant Plan for 2016, which is governed by the Regulation and the related documents and is drawn up by the Board of Directors, with input from the Remuneration Committee, and submitted for the approval of the Company's ordinary Shareholders' Meeting on 28 April 2016.

“Price of the Shares”

The price of the Shares is determined on the basis of the arithmetic average of the official prices achieved by the Banca Sistema shares on the Italian Equities Market - STAR segment - organized and managed by Borsa Italiana S.p.A. in the three-month period preceding the date on which the Board of Directors adopts the resolution on the Assignment of the Shares. A 5% discounts is applied to the Price of the Shares determined as per above.

“2016 Plan Regulation”

The Regulation of the 2016 Stock Grant Plan and its annexes, which form integral part of the Regulation. It is approved by the Board of Directors and specifies the applicable provisions and the administrative procedures of the 2016 Plan and the rights and undertakings of the Beneficiaries and the Company.

“Issuers’ Regulation”

Regulation No. 11971 adopted by Consob on 14 May 1999, as amended and supplemented.

“Consolidated Law on Banking”

Italian Legislative Decree No. 385 of 1 September 1993, as amended and supplemented.

“Consolidated Law on Finance”

Italian Legislative Decree No. 58 of 28 February 1998, as amended and supplemented.

Introduction

This information document (the “**Information Document**”) was drawn up in accordance with the combined provisions of article 114-bis of the Consolidated Law on Finance and article 84-bis of the Issuers’ Regulation, and in line with schedule 7 of Annex 3A to said Regulation concerning the information to be disclosed to the market in connection with remuneration plans based on financial instruments.

The 2016 Remuneration Policies Document provides for an incentive system, based on the assignment of ordinary shares of the Company to 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, an amount equal to or above EUR 50,000.00 (fifty thousand). In detail, as regards the Bonus for financial year 2016, the incentive system provides for the free assignment of ordinary shares of the Company, subject to meeting specific individual and company-related performance targets (the “**2016 Stock Grant Plan**” or “**2016 Plan**”).

On 16 December 2015, the Board of Directors resolved to submit the 2016 Plan for the approval of the Shareholders’ Meeting, to be held on single call on 28 April 2016.

On [24 March 2016] the Board of Directors resolved to make a number of changes to the proposed 2016 Plan approved on 16 December 2015 to take into account the comments made by the Bank of Italy on the 2016 Remuneration Policies Document.

The information resulting from the resolutions which the Board of Directors will pass to implement the 2016 Plan - subject to approval by the Shareholders’ Meeting and in accordance with criteria established therein - will be provided in compliance with the terms and procedures specified in article 84-bis, paragraph 5, letter a) of the Issuers’ Regulation.

The aim of this Information Document is to provide shareholders with the information necessary to exercise their vote at the meeting in an informed manner.

The Information Document is published, pursuant to law, at the registered office and on the Company’s website www.bancasistema.it, Governance/Shareholders’ Meeting section.

The 2016 Plan is to be deemed “of particular importance” pursuant to article 114-bis, paragraph 3 of the Consolidated Law on Finance and article 84-bis, paragraph 2, letters a) and b) of the Issuers’ Regulation.

1. Beneficiaries

1.1. ***Names of the beneficiaries who are members of the Boards of Directors of the Company, the Parent Companies and the Subsidiaries***

The names of the Beneficiaries of the 2016 Plan and the information set forth in paragraph 1 of Schedule 7 of Annex 3A to the Issuers' Regulation will be provided in accordance with the terms and procedures set forth in article 84-bis, paragraph 5, letter a) of the Issuers' Regulation.

1.2 ***Categories of employees who are beneficiaries of the 2016 Plan or collaborators of the Company and its parent companies or subsidiaries***

The beneficiaries of the 2016 Plan are Executives with Strategic Responsibilities and other "key personnel", as identified in the 2016 Remuneration Policies Document, who are granted a bonus in excess of 20% (twenty per cent) of their Gross Annual Salary or, in any event, an amount equal to or above EUR 50,000.00 (fifty thousand).

For the purpose of identifying "key personnel", namely, those persons whose professional activity has or may have a significant impact on the Company's risk profile, the 2016 Remuneration Policies Document contemplates the applicability of (EU) Regulation No. 604/2014 ("Regulatory Technical Standards" or "RTS") in accordance with the Regulatory Provisions for Banks concerning remuneration and incentive policies and practices, as specified in Bank of Italy Circular No. 285 of 17 December 2013 ("Circular 285").

In accordance with the quantitative and qualitative criteria set out in the RTS, the potential beneficiaries of the 2016 Plan have been identified as those falling under the following categories:

- Directors holding executive offices (or who are members of the Executive Committee);
- Non-executive Directors;
- The heads of the Company's key functions (Factoring; Banking; Finance and Administration; Commercial Factoring; Legal and Corporate Affairs; Operations; Marketing and Communications)
 - Managers and other high ranking personnel belonging to the control functions (Internal Audit; Human Resources; Risk and Compliance; Manager responsible for preparing the Company's financial reports)
- Other persons who may have a significant impact on the Company's risk profile (Treasury Department; Underwriting Department; Investor Relations Department).

1.3 ***Names of the beneficiaries of the 2016 Plan who belong to the categories specified in point 1.3, letters a), b) and c) of Schedule 7, Annex 3A to the Issuers' Regulation***

The names of the Beneficiaries of the 2016 Plan and the other information set forth in paragraph 1.3 of Schedule 7 of Annex 3A to the Issuers' Regulation will be provided in accordance with the terms and procedures set forth in article 84-bis, paragraph 5, letter a) of the Issuers' Regulation.

1.4 ***Description and number of the beneficiaries of the 2016 Plan who belong to the categories specified in point 1.4, letters a), b), c) and d) of Schedule 7, Annex 3A to the Issuers' Regulation***

The description and the number of Beneficiaries of the 2016 Plan and the other information set out in paragraph 1.4 of Schedule 7 of Annex 3A to the Issuers' Regulation will be provided in accordance with the terms and procedures set forth in article 84-bis, paragraph 5, letter a) of the Issuers' Regulation.

2. Reasons for the adoption of the 2016 Plan

2.1. Objectives of the 2016 Plan

The 2016 Plan provides for the free assignment of ordinary shares of the Company, subject to meeting the performance targets specified below.

By adopting the 2016 Plan, Banca Sistema wishes 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 the Banca Sistema Group, in line also with the objectives pursued in the Corporate Governance Code;
- 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 incentivizing them to stay with the company or within the Banca Sistema Group;
- to motivate and increase the loyalty of the Company's existing management and develop the Company's ability to attract potential new managers, in accordance with practices in use in the banking sector.

In accordance with the provisions of Circular 285, which require a portion of the variable component of remuneration paid in financial instruments to be deferred, the 2016 Plan is subdivided into four Cycles, each linked to specific performance targets, to which the free assignment of Shares is subject. In detail:

- 1st Cycle: 01/01/2016 - 31/12/2016 (the 1st Cycle ends on the date of approval of the 2016 consolidated financial statements);
- 2nd Cycle: 01/01/2017 - 31/12/2017 (the 2nd Cycle ends on the date of approval of the 2017 consolidated financial statements);
- 3rd Cycle: 01/01/2018 - 31/12/2018 (the 3rd Cycle ends on the date of approval of the 2018 consolidated financial statements);
- 4th Cycle: 01/01/2019 - 31/12/2019 (the 4th Cycle ends on the date of approval of the 2019 consolidated financial statements);

The free Assignment of Shares to each Beneficiary at the end of each Cycle is subject to specific individual and company-level performance targets being met, as detailed below. The achievement of the targets is verified by the Board of Directors, with input from the Remuneration Committee, subsequent to the approval of the consolidated financial statements as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019 (**“Implementation Period of the 2016 Stock Grant Plan”**).

The Board of Directors is of the opinion that an incentive plan based on the free assignment of Shares deferred over the medium-term, subject to performance targets, is the incentivizing tool which better responds, also in terms of effectiveness, to the interests of the Banca Sistema Group.

The 2016 Plan is one of the new tools adopted by the Company to add performance-based variable components to the fixed component of the salaries of key employees, in accordance with the best practices in the sector.

2.2. Key variables and performance indicators

Please see paragraph 4.5 below in this respect.

2.3 Criteria for determining the number of shares to be assigned

Subsequent to verification that the performance targets provided for in the 2016 Plan have been met, the Board of Directors calculates the number of Shares to be assigned to each Beneficiary at the end of each Cycle, taking into account the Price of the Shares.

2.4 Reasons underlying any decision to implement remuneration plans based on financial instruments that are not issued by the Company

Not applicable. The 2016 Plan is based solely on the ordinary shares of the Company.

2.5 Considerations on the subject of significant tax and accounting implications

The definition of the 2016 Plan was not subjected to applicable tax provisions or accounting-type implications.

2.6 Possible support for the 2016 Plan by the special Fund for incentivizing the participation of workers in enterprises, as per art. 4, paragraph 112 of Italian Law No. 350 of 24 December 2003

The 2016 Plan does not receive support from the special Fund for incentivizing the participation of workers in enterprises, as per art. 4, paragraph 112 of Italian Law No. 350 of 24 December 2003.

3. Approval process and share assignment timing

3.1 *Powers and functions delegated by the Shareholders' Meeting to the Board of Directors to implement the 2016 Plan*

On 16 December 2015, the Board of Directors, in cooperation with other company functions and having taken into account the proposal of the Remuneration Committee, resolved to submit the 2016 Plan for the approval of the ordinary Shareholders' Meeting to be held on single call on 28 April 2016.ù

On 24 March 2016 the Board of Directors resolved to make a number of changes to the proposed 2016 Plan approved on 16 December 2015 to take into account the comments made by the Bank of Italy on the 2016 Remuneration Policies Document.

At the ordinary Shareholders' Meeting, a proposal will also be put to delegate powers to the Board of Directors so that it may, following consultation with the Remuneration Committee: (i) implement the 2016 Plan; (ii) establish the number of Shares to be assigned to each Beneficiary; (iii) prepare and approve the documentation associated with the implementation of the 2016 Plan.

3.2 *Persons appointed to manage the 2016 Plan*

Without prejudice to the responsibilities of the Shareholders' Meeting, the Board of Directors approves the 2016 Plan and the related Regulation and adopts resolutions on the matters associated with the 2016 Plan. All resolutions of the Board of Directors concerning the interpretation and application of the 2016 Plan are final and binding for all interested parties.

The responsibility for the management of the 2016 Plan is assigned to the Board of Directors. In this regard, the Board is vested with broad ranging operational powers, including but not limited to:

- (i) the power to verify that the performance targets required for the Assignment of the Shares have been met;
- (ii) the power to define the terms and procedures for the Assignment of the Shares in the event of transfer of the company or the division in which the Beneficiary works, pursuant to art. 2112 of the Italian civil code;
- (iii) the power to amend the 2016 Plan, as provided in paragraph 3.3 below.

In exercising the powers granted by the Shareholders' Meeting in relation to the 2016 Plan, the Board of Directors may delegate powers, tasks and responsibilities to one or more of its members in connection with the implementation of the aforesaid 2016 Plan.

3.3 *Existing procedures for amending the 2016 Plan*

The Board of Directors may amend the 2016 Plan when such amendments are deemed appropriate to ensure compliance with regulations in force at any time.

Additionally, the Board of Directors is vested with the necessary and/or appropriate powers to fully implement the 2016 Plan and make any amendments to the related Regulation, consistent with the essential content, objectives and purposes of the 2016 Plan approved by the Shareholders' Meeting, subject to applicable laws and regulations, particularly Circular 285.

The Board of Directors will notify the Beneficiary of any amendments made to the 2016 Plan within 10 business days from the date of approval of the same.

3.4 Procedure for determining the availability and the assignment of the shares

The Shares underlying the 2016 Plan can be made available, at the exclusive discretion of the Board of Directors and in compliance with applicable laws, in two ways: (a) via a free share capital increase pursuant to article 2349, paragraph 1 of the Italian Civil Code, a matter to be approved by the extraordinary Shareholders' Meeting held on 28 April 2016, subject to the obtainment of authorization from the Bank of Italy in accordance with applicable provisions, and/or (b) using shares purchased on the market and/or held for any other reason by the Company, subject to the obtainment of authorization from the Bank of Italy in accordance with applicable provisions.

Regarding letter (a) above, an application pursuant to article 56 of the Consolidated Law on Banking was submitted to the Bank of Italy on 27 January 2016 in order to obtain a document ascertaining that the amendments made to Banca Sistema's Articles of Association to reflect said share capital increase do not contravene the principle of sound and prudent management.

Regarding letter (b) above, on 27 November 2015 the Shareholders' Meeting authorized the Board of Directors to purchase and make available treasury shares pursuant to and for the purposes of article 2357 ff. of the Italian Civil Code and article 132 of the Consolidated Law on Finance, subject to the obtainment of the authorization required under the applicable provisions and up to the maximum amount authorized by the Supervisory Authority.

For the purpose of letter (a) above, a proposal to create a restricted reserve of capital to fund said share capital increase will be submitted for the approval of the ordinary Shareholders' Meeting, also to be held on 28 April 2016.

3.5 The role of each Director in defining the characteristics of the 2016 Plan; possible instances of conflict of interest

The Remuneration Committee, consisting of three non-executive directors, two being independent, was involved in the various phases of the preparation of the 2016 Plan.

3.6 Date the decision was taken by the competent management body to propose that the Shareholders' Meeting approve the 2016 Plan and date of any proposal made by the Remuneration Committee

The Remuneration Committee submitted a proposal relating to the 2016 Plan in the meeting held on 16 December 2015. On 16 December 2015, the Board of Directors resolved to submit the adoption of the 2016 Plan for the approval of the ordinary Shareholders' Meeting to be held on 28 April 2016.

In the meeting held on 15 March 2016, the Board of Directors, in agreement with the Remuneration Committee, approved this Information Document and the directors' explanatory report on the

remuneration plan, in accordance with article 114-bis of the Consolidated Law on Finance concerning the Information Document.

On 24 March 2016 the Board of Directors resolved to make a number of changes to the proposed 2016 Plan approved on 16 December 2015 to take into account the comments made by the Bank of Italy on the 2016 Remuneration Policies Document.

3.7 *Date the decision was taken by the competent management body concerning the assignment of the instruments and date of any proposal made by the Remuneration Committee to said management body*

Once the Board of Directors, with input from the Remuneration Committee, has verified that the performance targets have been met subsequent to the approval of the consolidated financial statements as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, it then determines the number of Shares to be assigned to each Beneficiary at the end of each Cycle, taking into account the Price of the Shares, and assigns the Shares.

The Beneficiaries are notified of the Assignment of the Shares in the related Letter of Assignment, of which two copies are prepared and signed by the Company, within 60 days of the approval of the consolidated financial statements referring to the relevant Cycle.

The Letter of Assignment indicates:

- the value of the cash Bonus;
- the number of Shares assigned;
- a summary statement of the performance targets associated with the 2016 Plan;
- the Retention Period.

The dates of Assignment of the Shares will be notified in accordance with the terms and procedures set forth in article 84-bis, paragraph 5, letter a) of the Issuers' Regulation.

3.8 *The market price of the shares on the dates indicated in points 3.6 and 3.7*

The official stock exchange price of the Shares was EUR 3.90 on 16 December 2015 when the Remuneration Committee and the Board of Directors met to define the 2016 Plan proposal to be submitted to the ordinary Shareholders' Meeting to be held on 28 April 2016.

The Price of the Shares at the date of the Assignment of the Shares by the Board of Directors will be notified in accordance with the terms and procedures set forth in article 84-bis, paragraph 5, letter a) of the Issuers' Regulation.

3.9 *Procedures adopted by the Company regarding the possible time correlation between the date of Assignment of the Shares or the date of any related decisions by the Remuneration Committee and the date of publication of the disclosures required under Art. 114, paragraph 1 of the Consolidated Law on Finance*

The timing of the Assignment of the Shares is established in the remuneration policies adopted annually, prior to and from a viewpoint of neutrality with respect to any events that could potentially affect the market value of the Shares of the Company. Any disclosures required under the provisions and regulations in force at the time shall be provided to the market during the implementation phase of the 2016 Plan.

4. Features of the assigned instruments

4.1 *Structure of the 2016 Plan*

The 2016 Plan provides for the free Assignment of Shares at the end of each Cycle if the specified individual and company-level performance targets are met. The process of assignment is as follows: an up-front portion, on approval of the consolidated financial statements as at 31 December 2016; a deferred portion of the 2016 Bonus, if due, assigned in three instalments on approval of the consolidated financial statements as at 31 December 2017, 31 December 2018 and 31 December 2019.

The entitlement to be assigned the Shares free of charge is personal, granted to the named person and cannot be transferred or traded (except to heirs in case of death). Any attempted or completed Transfer of the Shares shall be deemed invalid and ineffective by the Company.

4.2 *Period of implementation of the 2016 Plan with reference also to any other cycles envisaged*

In accordance with the provisions of Circular 285, which require a portion of the variable component of remuneration paid in financial instruments to be deferred, the 2016 Plan is subdivided into four Cycles:

- 1st Cycle: 01/01/2016 - 31/12/2016 (the 1st Cycle ends on the date of approval of the 2016 consolidated financial statements);
- 2nd Cycle: 01/01/2017 - 31/12/2017 (the 2nd Cycle ends on the date of approval of the 2017 consolidated financial statements);
- 3rd Cycle: 01/01/2018 - 31/12/2018 (the 3rd Cycle ends on the date of approval of the 2018 consolidated financial statements);
- 4th Cycle: 01/01/2019 - 31/12/2019 (the 4th Cycle ends on the date of approval of the 2019 consolidated financial statements); Performance period 01/01/2016 - 31/12/2016.

On verification that the Company capitalization and liquidity targets relating to the indicators envisaged in the 2016 Plan have been met, the Board of Directors calculates the number of Shares to be assigned to each Beneficiary at the end of each Cycle, taking into account the Price of the Shares.

The Beneficiaries are notified of the Assignment of the Shares in the related Letter of Assignment, of which two copies are prepared and signed by the Company, within 60 days of the approval of the consolidated financial statements referring to the relevant Cycle.

4.3 *End date of the 2016 Plan*

The 1st Cycle ends upon approval of the consolidated financial statements as at 31 December 2016. The 2nd Cycle ends upon approval of the consolidated financial statements as at 31 December 2017. The 3rd Cycle ends upon approval of the consolidated financial statements as at 31 December 2018. The 4th Cycle ends upon approval of the consolidated financial statements as at 31 December 2019.

The foregoing is without prejudice to the possibility of early assignment of the Shares in the cases provided for in point 3.2 of this Information Document.

4.4 Maximum number of Shares underlying the 2016 Plan

It is currently impossible to indicate the number of Shares that will be assigned under the 2016 Plan, since their precise calculation is subject to the performance targets being met. Said information will be provided in accordance with the terms and procedures set forth in article 84-bis, paragraph 5, letter a) of the Issuers' Regulation.

4.5 Implementation procedures and clauses of the 2016 Plan

The free assignment of the Shares to the Beneficiaries at the end of each Cycle into which the 2016 is subdivided is subject to meeting specific individual and company-level performance targets.

The Beneficiaries must also satisfy the following requirements at the date of Assignment of the Shares:

- they have a permanent employment contract with the company and have not taken a period of extended leave;
- they have not given notice of resignation;
- they have not been given notice of dismissal;
- they have not mutually agreed to terminate the employment relationship.

Please see Paragraph 4.8 for further details regarding the relationship between the Beneficiary and the Company.

Company-level performance targets:

With reference to each Cycle, the free Assignment of the Shares is subject to meeting the performance targets and the capitalization targets associated with the following indicators:

- CET1 Ratio;
- RORAC
- LCR.

With input from the Remuneration Committee, the Board of Directors verifies whether the Company capitalization and liquidity targets associated with the foregoing indicators have been met, taking into account the target levels specified in the RAF for the reference year and the budget targets applicable for the relevant period.

If the Company capitalization and liquidity targets associated with the foregoing indicators have not been met, the beneficiaries shall not be entitled to the portion of the bonus pertaining to that financial year.

If the capitalization 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 according to 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% of the target ROE: 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 will be postponed to the following year, once again subject to the performance measurement mechanism, and paid only if the target ROE is met.

In the event of a negative ROE, the bonus pertaining to that financial year (both for the up-front portion and the deferred one) will neither be paid nor deferred to subsequent years.

Individual performance targets:

In addition to company-level performance targets, the Assignment of the Shares is also subject to meeting a range of individual qualitative and quantitative performance targets, which are verified at the end of each Cycle, with input from the Remuneration Committee, and include, by way of an example, the following:

A. Quantitative indicators:

- meeting the individual and area-level targets specified in the Budget;
- value creation;
- reduction of costs;
- reduction of response times;
- increase in efficiency;

B - Qualitative indicators.

The Group uses 4 qualitative indicators, each with 2 sub-indicators, 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 Company essential “values” (integrity, independence, excellence, transparency, social and environmental responsibility) and compliance with the applicable provisions of law and the Group’s Code of Ethics;
- customer retention and the appropriateness of relationships with customers;
- professional expertise and skills;
- constant dedication to work, cooperation with colleagues 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 foster their growth;
- the containment of legal and reputational risks.

Slightly in departure from the above and in compliance with the 2016 Remuneration Policies Document, for those employed by the Company's control functions (including the Human Resources Department and the Manager responsible for preparing the Company's financial reports) the Assignment of the Shares is subject to meeting qualitative targets only, which are to no extent linked to the Company's financial results. Specifically, the Bonus adjustment mechanism based on the Company's results is not applicable to such employees, while the other possible adjustment conditions (CET1 RATIO, RORAC and LCR) remain applicable.

4.6 *Restrictions on the availability of the Shares*

The entitlement to be assigned the Shares free of charge is personal, granted to the named person and cannot be transferred or traded (except to heirs in case of death). Any attempted or completed Transfer of the Shares shall be deemed invalid and ineffective by the Company.

Pursuant to the prescriptions of Circular 285 and the Corporate Governance Code, the 2016 Plan provides for a Retention Period (a period in which the Beneficiary undertakes not to transfer the Shares assigned), which has a different duration for each Cycle of the 2016 Plan and runs from the date of the financial year referring to the corresponding Cycle. In detail:

- 1st Cycle: the duration of the Retention Period is 1 (one) year from the date of Assignment of the Shares associated with the 1st Cycle. For Beneficiaries who fall under the category of Executives with Strategic Responsibilities, the Retention Period is 3 (three) years;
- 2nd Cycle: the duration of the Retention Period is 6 (six) months from the date of Assignment of the Shares associated with the 2nd Cycle. For Beneficiaries who fall under the category of Executives with Strategic Responsibilities, the Retention Period is 2 (two) years;
- 3rd Cycle: the duration of the Retention Period is 0 (zero) days from the date of Assignment of the Shares associated with the 3rd Cycle. For Beneficiaries who fall under the category of Executives with Strategic Responsibilities, the Retention Period is 1 (one) year;
- 4th Cycle: the duration of the Retention Period is 0 (zero) days from the date of Assignment of the Shares associated with the 4th Cycle. For Beneficiaries who fall under the category of Executives with Strategic Responsibilities, the Retention Period is 6 (six) months;

The Shares are subject to the Retention Period even if the employment contract is terminated, except in the case of death or permanent disability of the Beneficiary; in these cases, the Retention Period does not apply.

Shares that are subject to a Retention Period remain in a time deposit managed by an authorized intermediary appointed by the Company.

Dividends and interest accrued during the Retention Period are paid into said time deposit account. Such amounts are released together with the Shares at the end of the Retention Period.

The Shares will become freely tradeable at the end of the Retention Period.

4.7 *Possible termination conditions in relation to the 2016 Plan if the Beneficiaries enter into hedging transactions*

The 2016 Plan does not provide for termination conditions of the type above.

4.8 Effects of termination of the employment relationship.

The 2016 Plan provides that Beneficiaries lose the entitlement to receive the Shares free of charge, unless otherwise resolved on justifiable grounds by the Board of Directors, if their employment relationship with the company is terminated due to resignation or dismissal by the Company on any grounds or as a consequence of the Beneficiaries gaining access to old age pension or permanent disability pension rights.

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

The Beneficiaries cannot claim any form of indemnity and/or compensation from the Company if their entitlement to receive the free Shares is lost, as per above.

In the event of termination of the employment relationship by mutual agreement, the Beneficiaries maintain the entitlement to receive a portion of the Shares 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 exclusive discretion of the Board of Directors, with input from the Remuneration Committee.

The foregoing is without prejudice to any more favourable determination of the portion of assigned Shares that may be decided at the discretion of the Board of Directors.

The "*pro-rata temporis*" criterion applied to the mutually agreed termination of the employment relationship applies also when 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 with the Company.

In the event of the death of the Beneficiary, his heirs shall maintain the entitlement to receive the free Shares still to be assigned to the Beneficiary at the date of the death, to be assigned within 6 (six) months of that date.

Additionally, in accordance with the prescriptions of the 2016 Plan, Beneficiaries shall maintain, *mutatis mutandis*, the rights acquired under the 2016 Plan if the individual employment relationship with the Company is transferred to another Group Company and/or terminated (by mutual agreement or not) to take employment with another company of the Group.

In the event of termination of the employment relationship, the Shares are subject to the Retention Period provided for in Paragraph 4.6 of this Information Document.

4.9 Other reasons for cancellation of the 2016 Plan

No cancellation clauses are provided for in the 2016 Plan.

4.10 Reasons for any redemption by the Company of the financial instruments underlying the 2016 Plan

No right of redemption is envisaged for Banca Sistema with respect to the Shares underlying the 2016 Plan.

4.11 Possible loans or subsidies to purchase the Shares

No loans or subsidies are envisaged to purchase the Shares as these are granted free of charge.

4.12 Measurement of the expected cost for the Company at the assignment date, according to the previously defined terms and conditions, with indication of the total amount and the amount relating to each instrument of the 2016 Plan

It is currently impossible to accurately quantify the cost involved, since the quantification of this amount is subject to the satisfaction of specific conditions and performance targets.

The total cost of the 2016 Plan will be notified in accordance with the terms and procedures set forth in article 84-bis, paragraph 5, letter a) of the Issuers' Regulation.

4.13 Possible dilutive effects resulting from the 2016 Plan

The dilutive effect of the 2016 Plan is equivalent to 0.062%.

4.14 Possible restrictions on voting rights and the right to dividends

No restrictions are envisaged in relation to the right to dividends and voting rights, which will be granted in accordance with the 2016 Plan.

4.15 Information on the assignment of Shares that are not traded on regulated markets

Not applicable. The Shares of Banca Sistema are listed on the Italian Equities Market - STAR Segment - organised and managed by Borsa Italiana S.p.A.

4.16 Table

Table No. 1 referenced in paragraph 4.24 of Schedule 7 of Annex 3A to the Issuers' Regulation will be provided in accordance with the terms and procedures set forth in article 84-bis, paragraph 5, letter a) of the Issuers' Regulation.