

**BANCA SISTEMA S.P.A.**  
Fully Paid-in Share Capital EURO 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](http://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 9) OF THE AGENDA**

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

**“AUTHORIZATION TO PURCHASE AND USE TREASURY SHARES AFTER FIRST CANCELLING  
THE AUTHORISATION PREVIOUSLY GRANTED BY THE SHAREHOLDERS' MEETING ON  
27 NOVEMBER 2015, WITH RESPECT TO THAT PORTION NOT IMPLEMENTED. RELATED  
AND RESULTING RESOLUTIONS”**

### **BOARD OF DIRECTORS' REPORT**

Dear Shareholders,

The Shareholders' Meeting held on 27 November 2015 authorised the Board of Directors *i)* to submit to Bank of Italy 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 € 0.12 (zero point twelve) each, for a maximum number of shares having an overall nominal value, including any shares held by the Company and its subsidiaries, not exceeding the fifth part of the share capital and whose purchase value is covered by the "Reserve for future purchase of treasury shares". The foregoing plan, which was valid 18 months from the date of the aforesaid Shareholders' resolution, was then authorised by Bank of Italy on 25 March 2016, on completion of the related administrative procedure set out in Circular no. 285/2013, for an overall amount of € 1,477,649.49 and for the following purposes: *i)* to support regular trading performance so as to avoid price movements that are not in line with the market movements and to guarantee market making; *ii)* to pay a portion of the variable remuneration payable to "key personnel" in shares, as set out in the approved remuneration and incentive policies; *iii)* to provide the directors with a flexible, strategic and operational tool that will allow them to use treasury shares as consideration for any extraordinary transactions. The maximum overall amount available for the foregoing purpose was determined to be € 140,000.

Following the launch, on 29 April 2016, of the campaign related to the purchase and disposal of treasury shares, as of 5 April 2017 the Bank holds no. 29,791 shares representing the 0.037% of the Company's capital, amounting to a total value of Euro 82,104 equal to 5.56% of the maximum total amount of Euro 1,477,649.49 established by the aforementioned shareholders' resolution. The official price on which the aforementioned total amount is based on is € 2.76.

The Board intends to proceed with the plan to purchase and use the treasury shares and is therefore proposing - after first cancelling the authorisation previously granted by the Shareholders' Meeting on 27 November 2015, for that portion not implemented - to authorise the purchase of Banca Sistema ordinary shares pursuant to art. 2357 of the Italian Civil Code and art. 132 of the Consolidated Law on Finance, in accordance with the terms and methods set out below and consistent with art. 144-bis of the Regulation adopted by Consob in decision no. 11971 of 14 May 1999, as amended ("Issuers' Regulation").

This activity may be carried out only upon prior authorisation from Bank of Italy in accordance with the EU provisions mentioned hereinafter.

#### **1. Grounds for the request**

The purposes for which we are requesting the shareholders to apply for authorisation to Bank of Italy are those provided for in the following EU regulations:

- 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 said shares to "key personnel" in implementation of 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, letter 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 share capital and the share premium reserve, and is equal to € 49,002,305.27; the limit of 3% thus equals € 1,470,069.16, from which the value of the treasury shares held in accordance with the provisions of the existing plan.

The related purchase value must be covered in the relevant "Reserve for future purchase of treasury shares", already created for this purpose which, should this proposal be approved, will be released for the difference between the total amount approved by the Shareholders Meeting held on 27 November 2015 and the amount object of said proposal.

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

We are also proposing to 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 share capital**

A further limit on the purchase of own ordinary shares is set by art. 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 share capital, including any shares held by subsidiary companies.

Considering that the Company holds controlling interests in Specialty Finance Trust Holdings Ltd. and in Largo Augusto Servizi e Sviluppo S.r.l., the guarantee not to exceed the said limit will be obtained with specific mandate to the directors, who, through the management and control of the subsidiaries, will ensure that the same abstain 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 the market practices allowed by Consob in accordance with article 13 of the EU Regulation no. 596/2014.

### **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;
- 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. "Reserve for future purchase of treasury shares"**

In case of a favourable resolution by the Meeting, the "Reserve for future purchase of treasury shares" will 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.

\* \* \*

Dear Shareholders,

in consideration of the foregoing, we are therefore asking you to pass the following resolution:

*"The Meeting, having heard and approved the Board of Directors' report regarding item 9) on the agenda;*

#### **RESOLVES**

*A) TO CANCEL, for that portion not implemented, the resolution passed by the Shareholders' Meeting on 27 November 2015 to authorise the purchase and use treasury shares.*

*B) TO AUTHORISE the Board of Directors (i) to submit to Bank of Italy 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 € 0.12 (zero point twelve) each, for a maximum number of shares having an overall nominal value, including any shares held by the Company and its subsidiaries, not exceeding the fifth part of the share capital and whose purchase value is covered by the "Reserve for future purchase of treasury shares". The maximum overall value of the treasury shares purchasable under the authorisation granted today will be deducted of the value of the treasury shares already held in accordance with the provisions of the plan approved by the Meeting held on 27 November 2015.*

*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.*

*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*

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*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 art. 132, Legislative Decree no. 58/1998, allow the respect of the equal treatment of shareholders and in compliance with applicable regulations and the market practices allowed by Consob in accordance with article 13 of the EU Regulation no. 596/2014.*

*E) 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;*

*F) 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 share 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 April 2017

On behalf of the Board of Directors  
Luitgard Spögler  
Chairwoman of the Board of Directors