

BANCA SISTEMA S.P.A.

Fully paid-up share capital € 9,650,526.24

Tax code and Milan Company Register No. 12870770158 - ABI code No. 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
23 APRIL 2018, 10:00 A.M.**

**BOARD OF DIRECTORS' REPORT
ON ITEM 4 OF THE AGENDA**

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

**"DETERMINATION OF THE REMUNERATION FOR THE MEMBERS OF THE BOARD OF
DIRECTORS, THE MEMBERS OF THE BOARD COMMITTEES AND OTHER COMPANY'S
BODIES. RELATING AND RESULTING RESOLUTIONS."**

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

With the appointment of the Board of Directors resolved as item 3) of the agenda, the Shareholders' Meeting is asked to resolve also on the following issue, item 4) of the agenda:

Determination of the remuneration for the Members of the Board of Directors, the members of the Board Committees and other Company's bodies

By way of an introduction, we remind you that, pursuant to Article 17.3 of the Articles of Association of Banca Sistema, *"The Meeting can determine an overall amount for the remuneration of all directors, including those vested with specific tasks and for the General Manager, where appointed, pursuant to Article 10.7 of the Articles of Association."*

Article 17.3 of the Articles of Association also states, *"the members of the administrative body are entitled to be reimbursed for expenses incurred as a result of their office, including travel and transfer expenses"*, in addition to the fee set at the time of appointment.

On the basis of the foregoing, we invite you to resolve on the remuneration of the Board of Directors.

We remind you that, for the Board of Directors previously in office, the Shareholders' Meeting had set an annual total remuneration equal to Euro 535,000. This included Euro 30,000 as annual individual basic remuneration for each of the nine members of the Board of Directors, as well as an additional remuneration of Euro 120,000 to the Chairperson of the Board of Directors and Euro 145,000 to the CEO. With the exception of the Chairperson and the CEO, in addition to said remuneration, an annual remuneration was awarded for the participation in the Committees created within the Board of Directors, independently from the number of meetings by these held, in addition to the refund of the expense incurred, as follows:

- Internal Control, Risk Management and Related Parties Committee: Euro 15,000
- Appointments Committee: Euro 5,000
- Remuneration Committee: Euro 5,000
- Ethics Committee: Euro 5,000
- Supervisory Body: Euro 15,000

This remuneration was awarded net of taxes and social security contributions.

The members of the Board of Directors also benefit from the insurance policy for the civil liability of members of corporate bodies taken out at the Banca Sistema Group level on the basis of specific criteria, as well as from the health insurance, under the terms and conditions already applied to the Group.

Considering the increasing commitment demanded of the members of the Board of Directors, as shown by the data on the meetings of the Board and the Committees held in 2017, resulting from the increasing complexity of the market and banking sector regulations, as well as from the development of the Bank's business, we invite the Shareholders to consider the opportunity of integrating the Directors' remuneration, possibly by introducing attendance fees. It is up to the Shareholders' decision to assess whether to consider the granting of the attendance fees to the members of the Board of Statutory Auditors, given the increased commitment and involvement required also to said corporate body.

With regard to the General Manager, we note that, until 31 December 2017, Mr Gianluca Garbi received for his position and, therefore, as employment income, an annual gross remuneration of Euro 350,000, which took into account the fact that this remuneration could benefit, until said date, of the tax treatment specified by Law No. 238 of 30 December 2010 ("Tax Incentives for workers returning to Italy"). Taking also into account the discussion in the report of the Board of Directors to the Shareholders' Meeting held on 27 November 2015, to ensure the net remuneration remains unchanged, the annual gross remuneration of the General Manager has been set at Euro 589,000, starting 1 January 2018, according to the resolution taken by the Board of Directors at the 8 March meeting.

Based on these considerations and using the same approach, considering that, up to 31 December 2017, said tax treatment also applied to the annual remuneration received by Mr. Garbi as CEO, we invite the Shareholders to consider the possibility of integrating this remuneration, up to a total of Euro 265,000.

Milan, 22 March 2018

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