

BANCA SISTEMA S.P.A.

Fully paid up Share Capital €9,650,526.24

Tax ID and Milan Companies' Register No. 12870770158

ABI (Italian Banking Association) Code 03158.3

Corso Monforte, 20 - 20122 Milan

www.bancasistema.it

**ORDINARY SHAREHOLDERS' MEETING CONVENED IN A SINGLE CALL AT THE
REGISTERED OFFICE LOCATED AT CORSO MONFORTE 20, MILAN
23 APRIL 2018, 10:00 A.M.**

**BOARD OF DIRECTORS' EXPLANATORY REPORT ON
ITEM 7) OF THE AGENDA**

**(Report pursuant to Art. 125-ter of Italian Legislative Decree no. 58 of
24th February 1998 - "Consolidated Law on Finance")**

**"REQUEST FOR INTEGRATION OF THE REMUNERATION ADDRESSED BY THE
AUDITING COMPANY KPMG S.P.A. FOR THE FINANCIAL YEARS 2017 AND 2018.
RELATING AND RESULTING RESOLUTIONS"**

DIRECTORS' EXPLANATORY REPORT

Dear Shareholders,

The Board of Directors submits for your attention the reasoned proposal by the Board of Statutory Auditors concerning the request to increase the remuneration due to the auditing company KPMG S.p.A. for the 2017 and 2018 financial years.

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Proposal by the Board of Statutory Auditors to the Ordinary Shareholders' Meeting with regard to the request for an increase to the remuneration due to the auditing company KPMG S.p.A. for the 2017 and 2018 financial years.

On 31 January 2018, in compliance with the contractual provisions that allow for a change in the fees due should more hours be required from, or different duties be asked of, the auditing company's personnel (e.g. changes in scope, changes in accounting standards), KPMG has submitted to the bank a proposal to increase the remuneration based on recent regulatory developments and in particular on the additional activities to be carried out by auditors pursuant to Art. 14, Par. 2, letter e), of Italian Legislative Decree No. 39, 27 January 2010, as amended by Italian Legislative Decree No. 135, 17 July 2016, and Regulation (EU) No. 537/2014, from the date the new IFRS 9 and IFRS 15 accounting standards came into effect.

The auditing company has therefore requested the following additional remuneration:

- Audit of consolidated financial statements as at 31.12.2017: an additional sum of Euro 31,000, for a total consideration of Euro 155,000 (previously Euro 124,000);
- Audit of consolidated financial statements as at 31.12.2018, six-month review, quarterly review as at 31.03.2018 and 30.09.2018: an additional sum of Euro 36,000, for a total consideration of Euro 220,000 (previously Euro 184,000).

Pursuant to Art. 13, Par. 1 of Italian Legislative Decree No. 39/2010, the Board of Statutory Auditors has reviewed the proposal, also meeting with the auditing company to obtain detailed information on the additional auditing activities. The Board has also met the relevant corporate bodies and heard their opinions on the request for an increase and on the reasonableness of its content. At the end of these activities, the Board of Statutory Auditors has concluded that the request to increase the remuneration due to the auditing company is in line with the auditing process specified under the current mandate, adjusted on the basis of the new auditing activities related to the events mentioned above, and consistent with the expected professional commitment.

The Board of Statutory Auditors, therefore, invites the Shareholders to resolve as follows:

“The Ordinary Shareholders’ Meeting, after reviewing the proposal by the Board of Statutory Auditors describing the terms of the KPMG proposal, resolves to update, in line with the terms and the request to increase the remuneration made by KPMG, the related fees regarding the auditing mandate, granted by Banca Sistema on 14 April 2010 and later updates, pursuant to Art. 13, Par. 1 of Italian Legislative Decree No. 39, 27 January 2010.

For all aspects not expressly considered here, the clauses of the original proposal continue to apply.”

Milan, 22 March 2018

The Board of Statutory Auditors

Massimo Conigliaro
Chairman

Lucia Abati
Standing auditor

Biagio Verde
Standing auditor