

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

Largo Augusto 1/A, at the corner of Via Verziere 13, 20122 Milan

www.bancasistema.it

**ORDINARY SHAREHOLDERS' MEETING, HELD ON SINGLE CALL
AT THE REGISTERED OFFICE AT LARGO AUGUSTO 1/A, AT THE CORNER OF VIA VERZIERE
13, MILAN
18 APRIL 2019, 10.00 A.M.**

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

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

**"AUTHORISATION FOR THE PURCHASE AND DISPOSAL OF TREASURY SHARES. RELATING
AND RESULTING RESOLUTIONS"**

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors submits motion to authorise the purchase of ordinary shares of Banca Sistema S.p.A., pursuant to article 2357 of the Italian Civil Code and article 132 of Legislative Decree. no. 58 of 24 February 1998, as amended and supplemented (the "**Consolidated Law on Finance**"), and articles 77 and 78 of Regulation (EU) no. 575/2013 ("**CRR**") and article 29, paragraph 4 of Delegated Regulation (EU) no. 241/2014 ("**Regulation 241/2014**"), according to the terms and in the manner indicated below, in compliance with article 144-bis of the Regulation adopted by Consob with resolution no. 11971 of 14 May 1999, as amended and supplemented ("**Issuers' Regulation**").

The above purchase may be made only after obtaining the authorisation of the Bank of Italy in accordance with the above EU regulations.

The Board of Directors also submits motion asking the Shareholders' Meeting to authorise the Board of Directors to dispose of the shares of Banca Sistema by allocating the same to "key personnel", in implementation of the remuneration and incentive policies approved by the Shareholders' Meeting as variable component of the remuneration.

1. Reasons for the proposal

The Remuneration Policies of the Banca Sistema Group (the "**Group**"), submitted to the Shareholders' Meeting for approval, include the payment of a portion of the variable component of the remuneration, as well as any fees paid in anticipation of or as a result of early termination of the employment relationship or early termination of the position, through the allocation of financial instruments.

In particular, the proposed purchase of treasury shares is aimed at allocating the shares of the Bank to "key personnel", in implementation of the above Remuneration policies.

At 1828 February-March 2019, Banca Sistema holds 104,661 shares representing 0.13% of its share capital, as per the last Plan for the repurchase of treasury shares approved by the Shareholders Meeting of 27 April 2017.

It was decided that this number of treasury shares held by Banca Sistema is not sufficient for the above future requirements of Banca Sistema.

A request for authorisation should be submitted to the Bank of Italy given the reduction of own funds following the purchase of treasury shares, in implementation of the provisions of article 77 of the CRR and article 29 of Regulation no. 241/2014.

2. Maximum number of shares to purchase

Our proposal is to establish a maximum pre-set amount of shares that may be repurchased equal to € 300,000, that are considered to be sufficient for allocation to "key personnel", in implementation of the remuneration and incentive policies approved by the Shareholders' Meeting.

The proposed purchase of shares, even in tranches, refers to fully paid-in ordinary shares of the Bank, with a nominal amount of € 0.12 (zero point twelve) each.

An undistributable reserve equal to the amount of the treasury shares recognised under the assets in the financial statements should be established and kept until the shares are transferred or cancelled.

3. Compliance with the limit of one fifth of the share capital

The limit for the purchase of treasury shares is that set by article 2357, paragraphs 1 and 3, of the Italian Civil Code according to which (i) Banca Sistema S.p.A. may only purchase treasury shares within the limits of distributable earnings and distributable reserves indicated by the last approved financial

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statements and (ii) the total nominal amount of the shares may not exceed one fifth of the share capital as a whole, including any shares held by subsidiaries.

In order to comply with the latter provision, the directors of Banca Sistema S.p.A. will ensure that subsidiaries do not carry out transactions involving shares of Banca Sistema.

4. Duration of the authorisation

Based on the proposal, shares may be purchased, even in tranches, up to a maximum number having a total equivalent value not exceeding € 300,000, taking into account the provisions of paragraph 5) below and, in any case, within the limit of one fifth of the share capital, within a period of 18 months from the date of approval of the resolution.

There is no time limit for the sale of the shares, which may again be made in tranches, even before the maximum number of shares have all been purchased.

5. Purchase and sale prices of the shares

Shares may be purchased at a price of no less than 15% - and no more than 15% - of the price determined on the last business day of each week as average of the official closing price of the quotations of Banca Sistema shares for the last two weeks in the TARGET calendar prior to the date of determination of the average price. This minimum and maximum price will be valid for a period starting as from the day after the date on which the average price is determined to the date on which the new weekly price is determined (inclusive).

6. Reserve for the future purchase of treasury shares

In the case of approval by the Shareholders' Meeting, the "Reserve for the future purchase of treasury shares" will be used to establish, after each actual purchase, the "Reserve for treasury shares", undistributable and provided by article 2357-ter of the Italian Civil Code, equal to the amount of the treasury shares recognised under the assets in the financial statements that should be kept until the treasury shares are transferred or cancelled.

7. Execution of purchase ~~and sale~~ transactions

Ordinary shares may be purchased, pursuant to article 144-bis of the Issuers' Regulation, exclusively on the market regulated, organised and managed by Borsa Italiana S.p.A. where the shares of Banca Sistema are traded according to procedures that ensure compliance with equal treatment for all shareholders set forth by article 132 of the Consolidated Law on Finance, and in compliance with applicable market laws and practices accepted by Consob pursuant to article 13 of Regulation (UE) no. 596/2014.

8. Other methods of disposal

Treasury shares will be allocated as part of the variable remuneration paid to specific employees in compliance with the policies approved from time to time by the Shareholders' Meeting, ~~starting from the remuneration policies for the year 2019.~~

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Dear Shareholders,

With reference to the above, we invite you to approve the following resolution:

"Having heard and approved the report of the Board of Directors on item 7) of the agenda;

RESOLVES

A) TO AUTHORISE the Board of Directors (i) to submit to the Bank of Italy the request for authorisation to repurchase treasury shares for an amount of no more than € 300,000 and (ii) to purchase fully paid-in ordinary treasury shares of the Bank, with a nominal amount of € 0.12 (zero point twelve) each, for a maximum number having a total nominal amount not exceeding € 300,000 and in any case in compliance with the limit of one fifth of the share capital. This equivalent value will be covered by the undistributable reserve provided by law called "Reserve for the future purchase of treasury shares".

The above authorisation is intended as granted for a period of no more than 18 (eighteen) months from today's date. Shares may be purchased, even in tranches, at a price of no less than 15% - and no more than 15% - of the price determined on the last business day of each week as average of the official closing price of the quotations of Banca Sistema shares for the last two weeks in the TARGET calendar prior to the date of determination of the average price. This minimum and maximum price will be valid for a period starting as from the day after the date on which the average price is determined to the date on which the new weekly price is determined (inclusive).

B) TO AUTHORISE the Board of Directors to dispose of the treasury shares of Banca Sistema S.p.A. by allocating such treasury shares as part of the variable remuneration paid to specific employees in compliance with the policies approved from time to time by the Shareholders' Meeting, ~~starting from the policies for 2019;~~

~~C) TO AUTHORISE the Board of Directors, without any time limit, to resell the treasury shares purchased, even in tranches and even before the maximum number of shares that may be purchased has been purchased, at a price of no less than 85% of the average carrying amount of the entire portfolio of treasury shares of Banca Sistema S.p.A. measured on the day prior to the date of the individual sales transaction;~~

~~D) TO ESTABLISH that purchases and transfers may be made exclusively by trading ordinary Banca Sistema S.p.A. shares on the Stock Exchange, according to procedures that ensure equal treatment for all shareholders as set forth by article 132 of Legislative Decree no. 58/1998, and in compliance with applicable market laws and practices accepted by Consob pursuant to article 13 of Regulation (UE) no. 596/2014.~~

~~E) TO AUTHORISE AND INSTRUCT the CEO, with the authority to sub-delegate such powers, to submit to the Bank of Italy the request for authorisation to purchase treasury shares and carry out any transactions that may be necessary, including financial transactions, pertaining to or resulting from the implementation of the above resolutions, in compliance with the procedures set forth by applicable laws and regulations, ensuring through management and control of the subsidiaries, that the latter do not carry out any transaction involving the shares of Banca Sistema S.p.A. so as to ensure full compliance with the maximum limit of one fifth of the share capital. The CEO may use the services of third parties to execute the above, signing contracts and appointing agents or attorneys for single acts or categories of acts."~~

Milan, 18 March 2019

On behalf of the Board of Directors

Ms. Luitgard Spögler

Chairperson of the Board of Directors