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MINUTES OF THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING

ITALIAN REPUBLIC

28 April 2016

The year two thousand and sixteen, on the twenty-eighth day of the month of April, at five minutes past ten in the morning.

In Milan, at number 20 Corso Monforte.

Before me, Laura Cavallotti, Notary Public resident in Milan, registered in the Milan Board of Notaries, stands:

- Luitgard Spögler, born in Renon (Bolzano) on 21 January 1962, domiciled for the purposes of her appointment at the company's registered office, acting for this deed in her role as Chairwoman of the Board of Directors of:

-- "BANCA SISTEMA S.p.A.", with registered office in Milan, Corso Monforte no. 20, registration number in the Milan Companies Register and tax code 12870770158, registered in the Economic and Administrative Register (REA) of the Milan Chamber of Commerce with no. 1619654, fully paid-up share capital euro 9,650,526.24.

The party appearing before me, of whose personal identity I, Notary Public, am certain, has made an application to me to draw up the minutes of the Ordinary and Extraordinary Shareholders' Meeting of the above company, taking place today, at this location and time, to discuss and pass resolutions on the following items on the

AGENDA

<u>Ordinary Shareholders' Meeting</u>

1. Approval of the Financial Statements of Banca Sistema S.p.A. as at 31 December 2015. Presentation of the Consolidated Financial Statements as at 31 December 2015. The Directors' Report, the Statutory Auditors' Report and the Independent Auditors' Report. Resolutions pertaining thereto and arising therefrom.

2. Allocation of 2015 profits.

3. Remuneration Policies of the Banca Sistema S.p.A. Group for the year 2016: approval of the Remuneration Policies of the Banca Sistema S.p.A. Group for Year 2016 and establishment of an upper limit to the ratio between the variable and fixed portions of the remuneration for employees and for "key personnel" at 2:1. Resolutions pertaining thereto and arising therefrom;

4. Remuneration Report: resolution pursuant to section 123-ter, paragraph 6, of Legislative Decree 58/1998.

5. Approval of the 2016 Stock Grant Plan. Resolutions pertaining thereto and arising therefrom;

6. Creation of a specific reserve of profits linked to the service of the free share capital increase reserved to beneficiaries of the 2016 Stock Grant Plan as specified in point 5 above, and any stock grant plans for the next three years 2017-2018-2019. Resolutions pertaining thereto and arising therefrom.

<u>Extraordinary Shareholders' Meeting</u>

1. Free share capital increase pursuant to section 2349, paragraph 1, of the Italian Civil Code, with divisible shares, up to the nominal maxi-

mum amount of euro 49,920, corresponding to a maximum of 416,000 (four hundred and sixteen thousand) ordinary shares in the Company with a nominal value of euro 0.12 (twelve cents) each, servicing the 2016 Stock Grant Plan and the Plans for 2017-2019, to be issued under the management of the Board of Directors in several tranches, under the terms and conditions set out for these plans, through the use of the dedicated reserve of profits, as per resolution of the Shareholders' Meeting as specified in point 6 of the section referring to the Ordinary Meeting. Conferral on the Board of Directors of the powers relating to the issue of new Company's shares. Resolutions pertaining thereto and arising therefrom;

2. Amendment of article 5.1 of the Articles of Association following approval of the share capital increase, according to resolution of the Shareholders' Meeting as specified at point 1 of the extraordinary section. Resolutions pertaining thereto and arising therefrom;

Now, therefore, the appearing party has asked me to take the minutes of the current Ordinary and Extraordinary Shareholders' Meetings.

Acceding to this request, I, Notary Public, place the following on record.

Pursuant to the current Articles of Association, the Shareholders' Meeting was chaired by the applicant in the faculty specified above, and, at her request, I acted as Secretary to the Shareholders' Meeting for the purposes of drawing up the minutes. The Chairwoman noted:

- that the Shareholders' Meeting was lawfully convened on single call pursuant to the law and to article 8 of the Articles of Association by means of notice published at the registered office and on the authorized data storage mechanism 1Info at the website address www.1info.it as well as on the Company website www.bancasistema.it in the section dedicated to Governance/Shareholders' Meetings in 2016, and by excerpts published on 30 March 2016 in the daily newspaper "Il Giornale";

- the presence on behalf of the Board of Directors of: Luitgard Spögler, the appointed Chairwoman, Mr. Gianluca Garbi, CEO, Mr. Claudio Pugelli, Deputy Chairperson of the Board of Directors and Mr. Andrea Zappia, Director;

- the presence on behalf of the Board of Statutory Auditors of: Mr. Diego De Francesco, Chairman, and Biagio Verde and Massimo Conigliaro, Standing Statutory Auditors;

- the presence, personally or by proxy of 45 shareholders representing 54,397,940 ordinary shares with nominal value of euro 0.12 (zero point one two) each, out of 80,421,052 (eighty million four hundred and twenty-one thousand and fifty-two) ordinary shares with a nominal value of euro 0.12 (zero point one two) each outstanding.

The list of the names of shareholders taking part in the Shareholders' Meeting, personally or by proxy, with the number of shares they represent, together with the list of shareholders granting the proxy, duly signed by the applicant and by myself, Notary Public, are enclosed with these minutes under Annex "A".

The Chairwoman stated that for the purposes of today's meeting, for the above shares the relevant intermediaries had submitted the communications required by the current law for participation in the Shareholders' Meeting and that proxies had been verified and validated as required by the law.

She therefore declared the Shareholders' Meeting lawfully constituted on single call.

She stated that:

- for technical reasons, some Company managers and employees were present in a separate room with audio link;

- the work of today's Shareholders' Meeting would take place according to the Regulations for the Shareholders' Meetings.

The Chairwoman invited all those intending to leave the Meeting before its conclusion to tell the Secretary and the accreditation office at the entrance to the room hosting the Meeting.

The Chairwoman asked those intending to leave the Meeting before its conclusion not to do so close to a vote in order to make it easier to establish if the necessary voting quorum had been reached.

Pursuant to sections 6.4 and 6.5 of the Regulations for the Shareholders' Meetings, the Chairwoman stated:

- requests to speak on individual items on the agenda can be made after the item has been read out and the discussion has begun, before the Chairwoman declares the discussion over. Those allowed to speak and who wish to speak must ask the Chairwoman for permission to do so by raising a hand or in writing, if so established by the Chairwoman. Where the request is by raising a hand, the Chairwoman asks the first person to raise a hand to speak; if it is not possible to establish who that is, the Chairwoman chooses who to invite to speak and her decision is final. Where the request is in writing, the Chairwoman establishes the order according to the order of registration;

- the Chairwoman of the Shareholders' Meeting is in charge of directing the proceedings guaranteeing the proper discussion of all items on the agenda and enabling all those entitled who wish to speak to do so. Given the importance of all items on the agenda, the Chairwoman allows the speaker generally no less than 5 minutes and no more than 10 minutes. After the time allowed, the Chairwoman can invite the speaker to finish within 5 more minutes. If the speaker fails to do so, pursuant to section 6.7 sub-section a) of the Regulations for the Shareholders' Meetings, to maintain order at the Shareholders' Meeting and ensure the proper progress of business without the abuse of rights to speak, the Chairwoman may interrupt the speaker and enforce his/her silence.

On the basis of the information available and pursuant to the current regulations of Consob, the Chairwoman notifies the Meeting of the listed shareholders with voting rights of above 5% of the share capital, specifying the number of ordinary shares owned by each and the percentage of the share capital they own. They are:

- Società di gestione delle partecipazioni di BancaSintesi S.r.l ("SGBS"), which holds 23.10% of the ordinary shares corresponding to 18,578,900 ordinary shares with a nominal value of euro 0.12 (zero point one two) each;

- Fondazione Sicilia, which holds 7.40% of the ordinary shares, corresponding to 5,950,104 ordinary shares with a nominal value of euro 0.12 (zero point one two) each;

- Fondazione Pisa, which holds 7.40% of the ordinary shares, corresponding to 5,950,104 ordinary shares with a nominal value of euro 0.12 (zero point one two) each;
- Fondazione Cassa di Risparmio di Alessandria, which holds 7.40% of the ordinary shares, corresponding to 5,950,104 ordinary shares with a nominal value of euro 0.12 (zero point one two) each;
- Schroder Investment Management Limited, which holds 4.10% of the ordinary shares, corresponding to 3,298,425 ordinary shares with a nominal value of euro 0.12 (zero point one two) each;
- Schroder Investment Management North America Limited, which holds 2.53% of the ordinary shares, corresponding to 2,032,404 ordinary shares with a nominal value of euro 0.12 (zero point one two) each;
- Schroder Italy SIM S.p.A., which holds 0.10% of the ordinary shares, corresponding to 80,000 ordinary shares with a nominal value of euro 0.12 (zero point one two) each,

the last three of these being subsidiaries of Schroder Plc, hence with an overall shareholding of 6.73% of the ordinary shares.

The Chairwoman then stated:

- shareholders attending the Shareholders' Meeting were asked to report any situations of exclusion and/or restriction of the right to vote, pursuant to the current regulations – including those determined by the existence of any agreements as specified in section 20 of Legislative

Decree 385 dated 1 September 1993, not reported to the Supervisory Authority. No shareholder made such a report;

- on the basis of the available information, the Chairwoman checked the entitlements of shareholders to vote in the Meeting, having asked them to report any exclusion and/or restriction of such entitlements under the law or pursuant to the current guidelines established by the Bank of Italy, no report being forthcoming;

- there are no other circumstances that could exclude or restrict the exercise of the right to vote;

- the personal data of the participants in the Shareholders' Meeting shall be processed in the manner and according to the restrictions of such obligations and to the purposes of the current regulations. The Shareholders' Meeting is recorded in audio form for the purposes of drawing up the minutes;

- the Designated Representative pursuant to section 135-undecies of the Consolidated Law on Finance is Computershare S.p.A. with registered office in Milan, Via Lorenzo Mascheroni 19; the form drawn up by the Designated Representative in accordance with the Company is published on the Company website;

- the identities and entitlements of shareholders present were verified;

- those present are able to follow the proceedings of the Shareholders' Meeting subject to recording in the minutes;

- those present are able to take part in the discussion and simultaneous voting procedure for all items on the agenda;

- shareholders were able to ask for documentation on each item on the agenda;

- no shareholder exercised the right to ask questions on items on the agenda pursuant to section 127-ter of Legislative Decree 58/1998.

The Chairwoman pointed out that pursuant to Section 7.4 of the Regulations for the Shareholders' Meetings, voting would take place using the ballot papers handed out during the accreditation process.

The Chairwoman also informed those present that the following documentation had been made available to the general public, in compliance with the law;

- the "Annual Financial Report" including the draft Financial Statements of Banca Sistema S.p.A. as at 31 December 2015, together with the Directors' Report on Operations, the Statutory Auditors' Report and the Independent Auditors' Report, pursuant to section 2429 of the Italian Civil Code and section 154 ter of Legislative Decree 58/1998, in addition to the consolidated Financial Statements of the Banca Sistema Group as at 31 December 2015.

- the "Report on Governance and Ownership" pursuant to section 123-bis of Legislative Decree. 58/1998;

- the Illustrative Report drawn up by the Board of Directors on the proposals to be discussed today, pursuant to section 125 ter of Legislative Decree 58/1998.

Before going on to discuss the items on the agenda, the Chairwoman asked the shareholders present to indicate if any shareholder agreements exist, pursuant to section 122 of Legislative Decree 58 of 24

February 1998.

Ms. Anna Girello, representing the Società di gestione delle partecipazioni di BancaSintesi S.r.l. (SGBS), Fondazione Sicilia and Garbifin S.r.l. confirmed the existence of a Shareholder Agreement, for which all the formalities set out in paragraph 1 of section 122 of the Consolidated Law on Finance have been carried out, involving 45.30% (forty-five point three zero percent) of the share capital with voting rights, specifically:

- Società di gestione delle partecipazioni di BancaSintesi S.r.l. ("SGBS"), holder of 23.10% of the ordinary shares corresponding to 18,578,900 shares;
- Fondazione Sicilia, holder of 7.40% of the ordinary shares, corresponding to 5,950,104 shares;
- Fondazione Pisa, holder of 7.40% of the ordinary shares, corresponding to 5,950,104 shares;
- Fondazione Cassa di Risparmio di Alessandria, holder of 7.40% of the ordinary shares, corresponding to 5,950,104 shares.

After these statements, the Chairwoman commenced the Shareholders' Meeting lawfully convened pursuant to the Articles of Association and current regulations.

Before introducing the first item on the agenda, the Chairwoman welcomed all those present in the name of the Board of Directors and the Board of Statutory Auditors of Banca Sistema, adding her personal welcome to the Shareholders' Meeting, which she had the honour of chairing for the first time after her appointment as Chairwoman of the

Board of Directors of Banca Sistema.

The Chairwoman said she was proud to be part of Banca Sistema, which in 2015, with its listing on the STAR segment of the Italian Stock Exchange, had taken several steps forward on its road to growth.

The Chairwoman reminded those present that institutional shareholders with investments over 1% of the share capital now represent an important number of shares, indeed over 45% of the share capital of the Bank, along with historical shareholders, who contributed to the original project of Banca Sistema, each with an investment of more than 5% of the share capital.

The Bank is honoured by the composition of its shareholders with many institutional investors, mainly from other countries, a sign of confidence from professionals in the investment sector in the ability of Banca Sistema and its management to create value.

With the acquisition by new institutional investors – including mutual funds and pension funds - of part of the share capital of the Bank, the savings of many investors, large and small, are now represented, adding to the responsibilities of the Bank towards investors. It is hoped there will be further opportunities in the future to invest in Banca Sistema and that the Bank may acquire a broad base of investors in Italy and abroad.

The Chairwoman concluded her remarks, thanking the CEO, Mr. Gianluca Garbi, and all members of the Board of Directors, the management, the employees and collaborators of the Bank for the excellent work carried out in 2015 and for their unstinting efforts from day to day.

The Chairwoman then read out the first item on the agenda for the Ordinary Shareholders' Meeting:

1. Approval of the Financial Statements of Banca Sistema S.p.A. as at 31 December 2015. Presentation of the Consolidated Financial Statements as at 31 December 2015. The Directors' Report, the Statutory Auditors' Report and the Independent Auditors' Report. Resolutions pertaining thereto and arising therefrom.

The Chairwoman reminded those present that on 15 March 2016, the Board of Directors unanimously approved the draft Financial Statements for the period ended 31 December 2015, and that the Shareholders now needed to examine and approve them.

The folder, including the Independent Auditors' Report, the Directors' Report and the Statutory Auditors' Report, is hereby enclosed, signed by the applicant and by myself, Notary Public, under Annex "B".

The Chairwoman pointed out that the Consolidated Financial Statements as at 31 December 2015 had also been drafted and approved by the Board of Directors at its meeting on 15 March 2016, and that these Statements would also be presented to today's Shareholders' Meeting, accompanied by the Directors' Group Management Report and the Independent Auditors' Report.

The Chairwoman gave way to the CEO, who, recalling the contents of the Directors' Report on Operations, asked the shareholders to look at the draft Financial Statements and the Notes, as well as the Report drawn up by the Independent Auditor "KPMG S.P.A.".

With the help of a few slides (enclosed, duly signed by the applicant and myself, Notary Public, under Annex “C”), the CEO illustrated the main data for the period.

The Chairwoman proposed not to read out the Financial Statements and accompanying Reports, including the Statutory Auditors’ Report and the Independent Auditors’ Report, and that the Shareholders’ Meeting consider them to have been read and their contents to be known.

The Chairwoman noted the unanimous approval of the shareholders.

The Chairwoman turned the floor over the shareholders for discussion.

The floor was taken by shareholder Demetrio Rodinò who read out the declaration enclosed under Annex “Q”.

Replying to the observations of shareholder Mr. Rodinò, the CEO, Mr. Garbi, addressed the first question, that of the securitization of salary-backed loans, and said that the securitization process had begun and further portfolios were being acquired; in the summer the Vehicle will issue bonds that will be used, among other things, as collateral for the European Central Bank.

Mr. Garbi said that the Group had not yet obtained authorization by the Bank of Italy to acquire a holding in Beta Stepstone and therefore the acquisition had not been made.

In reply to the request for clarification concerning the increase in business for the factoring of tax receivables, Mr. Garbi said that the public administration was making *split payments* to suppliers; the implementation of this payment mechanism inevitably leads to an increase in VAT receivables held by suppliers of the public administration and hence to greater demand for factoring in relation to these receivables.

Concerning the absence of inclusion in the Financial Statements of the Company of late payment interests from the Public Administration, Mr. Garbi reminded those present of IAS regulations, applicable to the Company, requiring - for such receivables to be included in the Financial Statements - a track record which, for the Bank, does not exist, given that it started operations only in 2011. Moreover, the Bank seeks, if possible, not to take the public administration to court but to agree a repayment schedule.

In relation to distressed local authorities, Mr. Garbi said that in these cases Commissioners are appointed, generally for 3 years, and they propose to creditors partial payments; creditors are free to refuse such payments and at the end of the period of distress can ask the Public Entity for payment of the entire capital amount plus penalty interest. In the case of the distress of Public Entities or local authorities in default, the Bank immediately writes the receivable down by 50% and then decides, on a case by case basis, whether to accept partial payment or wait for the end of the period of distress to ask for full payment.

In relation to diversifying funding in the current year, Mr. Garbi said the topic was on the agenda for the meeting of the Board of Directors of the following day, and asked shareholders to read the Press Release to be issued at the end of that meeting.

The Chairwoman noted that nobody else asked for the floor and declared the discussion of the first item on the agenda over.

There being no objections, the Chairwoman asked the Shareholders' Meeting to approve the Financial Statements of Banca SISTEMA S.p.A. for the period ended 31 December 2015, as made available in the registered office.

The Chairwoman then read out the following proposal of resolution:

"Shareholders, in relation to item 1 on the Agenda, you are asked to vote on approval of the Financial Statements of Banca SISTEMA S.p.A. for the period ended 31 December 2015, as represented overall and in its individual items by the Board of Directors. The Financial Statements comprise the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement, the explanatory notes and the report on operations, report of economic results and the report on the finance position of the Bank.

In addition, the folder with the Financial Statements contains the certification of the Financial Statements for the period, pursuant to section 81 ter of Consob Regulation no.11971 dated 14 May 1999 and subsequent amendments and additions; the Statutory Auditors' Report pursuant to section 153 of Legislative Decree 58 dated 24 February 1998; the Independent Auditors' Report pursuant to sections 14 and 16 of Legislative Decree 39 dated 27 January 2010.

The Ordinary Shareholders' Meeting of Banca Sistema S.p.A.:

- following approval of the Directors' Report on item 1) on the agenda;

- acknowledging the Report drawn up by the Statutory Auditors and on the supervisory activities carried out by the Board of Statutory Auditors;

- acknowledging the Reports on the Financial Statements for the period and on the Consolidated Financial Statements drawn up by the Independent Auditors;

HEREBY PASSES THE FOLLOWING RESOLUTION

- to approve the Financial Statements of Banca SISTEMA S.p.A. for the period ended 31 December 2015."

The Chairwoman put the resolution to the vote of the Shareholders' Meeting.

The Chairwoman counted the votes, which were as follows:

Present: 45 Shareholders representing 54,397,940 ordinary shares with a nominal value of euro 0.12 (zero point one two) each.

Against: 0.

Abstaining: 1 Shareholder representing 1,000 shares.

For: all the other Shareholders present representing 54,396,940 shares.

The resolution was carried.

Details of voting are set out in Annex "D".

The Chairwoman moved on to item 2 on the agenda of the Ordinary Shareholders' Meeting:

2. Allocation of 2015 profits.

The Chairwoman referred to the contents of the Directors' Report to the Shareholders' Meeting, made available to the general public pursuant to statutory requirements, and held on record in the registered office, and proposed that the Report not be read out. The Chairwoman noted the unanimous approval of the Shareholders' Meeting.

The Chairwoman turned the floor over the Shareholders for discussion.

No-one wishing to speak, the Chairwoman considered the Shareholders' Meeting sufficiently informed of the item on the agenda and declared the discussion over.

There being no objections, the Chairwoman called upon the Shareholders' Meeting to vote on the following resolution, which she read out:

"The Ordinary Shareholders' Meeting of Banca Sistema S.p.A.

- following decisions taken on approval of the Financial Statements for the period ended 31 December 2015

HEREBY PASSES THE FOLLOWING RESOLUTION

(1) to allocate the profits for 2015 of Banca Sistema S.p.A. in the amount of euro 17,037,107.19 (seventeen million and thirty-seven thousand one hundred and seven euros nineteen cents) as follows:

-- to the legal reserve euro 407,860.16 (four hundred and seven thousand, eight hundred and sixty euros and sixteen cents);

-- a dividend of euro 4,262,315.76 (four million two hundred and sixty-two thousand three hundred and fifteen euros and seventy-six cents), for 80,421,052 (eighty million, four hundred and twenty-one thousand and fifty-two) ordinary shares, with a value of euro 0.053 (zero point zero five three) for each share;

-- and carry forward the remainder of euro 12,366,931.27 (twelve million three hundred and sixty-six thousand nine hundred and thirty-one euros and twenty-seven cents), in the manner set out in the above-mentioned Report;

2) to pay the dividend on 11 May 2016. The payment shall be carried out via authorized intermediaries with whom the shares are registered on the Monte Titoli System against presentation of coupon no. 4 on 9 May 2016. Pursuant to section 83-terdecies of Legislative Decree 58/1998, the dividend shall be paid to shareholders registered in the Company books at the end of accounting day 10 May 2016".

The Chairwoman put the resolution to the vote of the Shareholders' Meeting.

The Chairwoman counted the votes, which were as follows:

Present: 45 Shareholders representing 54,397,940 ordinary shares with a nominal value of euro 0.12 (zero point one two) each.

Against: 1 Shareholder holding 1,000 shares.

Abstaining: 0.

For: all the other Shareholders present representing 54,396,940 shares.

The resolution was carried.

Details of voting are set out in Annex "E".

At this point, 11.05 a.m., the Chairwoman of the Board of Statutory Auditors Mr. Diego De Francesco and Director Mr. Andrea Zappia left the room.

The Chairwoman moved on to item 3 on the agenda of the Ordinary Shareholders' Meeting:

3. Remuneration Policy of Banca Sistema S.p.A. Group for the year 2016: approval of the Remuneration Policy of Banca Sistema S.p.A. Group for Year 2016 and establishment of an upper limit for the ratio between the variable and fixed portions of the remuneration for employees and for "key personnel" at 2:1. Resolutions pertaining thereto and arising therefrom.

The Chairwoman referred to the contents of the Directors' Report to the Shareholders' Meeting, made available to the general public pursuant to statutory requirements, and held on record in the registered office, and proposed that the Report not be read out. The Chairwoman noted the unanimous approval of the Shareholders' Meeting.

The "Document on the Remuneration Policies of the Banca Sistema S.p.A. Group" is enclosed, duly signed by the applicant and myself, Notary Public, under Annex "F".

The Chairwoman then informed the Meeting that the Compliance Department had verified the compliance of the Remuneration Policies of the Banca Sistema S.p.A. Group for the year 2016 with the provisions relating to remuneration and incentive policies and practices, as per the enclosed Report, signed by the applicant and myself, Notary Public, under Annex "G".

The Chairwoman turned the floor over the Shareholders for discussion. No-one wishing to speak, the Chairwoman considered the Shareholders' Meeting sufficiently informed of the item on the agenda and declared the discussion over.

In relation to the proposal of the Board of Directors, the Chairwoman stated that the possibility of increasing the ratio between the variable and fixed portions of remuneration to a maximum of 200% (2:1) for some subjects defined as "key personnel" (in compliance with the contents of Circular 285) is subject, among other things, to the approval of the Shareholders' Meeting with a qualified-voting majority according to applicable regulations (i.e., 2/3 of the share capital represented at the Ordinary Shareholders' Meeting, as in this case, where the Shareholders' Meeting comprises at least one half of the share capital).

In the light of the above, the Chairwoman called on the Shareholders' Meeting to vote on the following resolution, which she read out:

"The Ordinary Shareholders' Meeting of Banca Sistema S.p.A.

- following approval of the Report of the Board of Directors on the Remuneration Policy for 2016;
- after reading the proposal of the Board of Directors, to establish a ratio between the variable and fixed portions of remuneration at a maximum of 200% (2:1) for 13 positions considered to be occupied by "key personnel";

HEREBY PASSES THE FOLLOWING RESOLUTION

1) to fix the maximum limit of the ratio between the variable and fixed portions of remuneration at 2:1 for the following 13 positions considered to be occupied by "key personnel": the CEO and General Manager (1 position); Central Factoring Department (1 position); Central Banking Department (1 position); Central Finance and Administration Department (2 positions); Commercial Factoring Department (2 posi-

tions); Legal and Company Affairs Department (1 position); Central Operational Department (1 position); Marketing and Communications Department (1 position); the Treasury Division (1 position); the Underwriting Division (1 position); the Investor Relations Division (1 position);

2) to approve the Remuneration Policies of Banca Sistema S.p.A. Group for the year 2016;

3) to grant the Board of Directors, in the persons of the Chairwoman and the CEO, separately and with the faculty to delegate, all the powers needed to implement the above Remuneration Policies of Banca Sistema S.p.A. Group for the year 2016, such powers to be exercised in compliance with the implementation criteria set out above, making any change and/or addition necessary for the full implementation of the scheme."

At this point, 11.15 a.m., the Chairwoman of the Board of Statutory Auditors Mr. Diego De Francesco returned to the Meeting.

The Chairwoman then called on the Shareholders' Meeting to vote on the above resolution.

The Chairwoman counted the votes, which were as follows:

Present: 45 Shareholders representing 54,397,940 ordinary shares with a nominal value of euro 0.12 (zero point one two) each.

Against: 3 Shareholders representing 469,572 shares.

Abstaining: 0.

For: all the other Shareholders present, representing 53,928,368 shares.

The resolution was carried.

Details of voting are set out in Annex “H”.

The Chairwoman then moved on to item 4 on the agenda for the Ordinary Shareholders’ Meeting:

4. Remuneration Report: resolution pursuant to section 123-ter, paragraph 6, of Legislative Decree 58/1998.

The Chairwoman referred to the contents of the Directors’ Report to the Shareholders’ Meeting, made available to the general public pursuant to statutory requirements, and held on record in the registered office, and proposed that the Report not be read out. The Chairwoman noted the unanimous approval of the Shareholders’ Meeting.

The Chairwoman informed the Shareholders’ Meeting that the Internal Audit Department had verified compliance of the remuneration practices with approved policies and the regulatory framework in which the Banca Sistema S.p.A. Group operates, in the year 2015; the report of the Internal Audit Department is enclosed, duly signed by the applicant and myself, Notary Public, under Annex “I”.

The Chairwoman stated that the Shareholders’ Meeting was called upon to vote for or against the contents of Section I of the Remuneration Report and, in this connection, turned the floor over to the shareholders for discussion. No-one wishing to speak, the Chairwoman considered the Shareholders’ Meeting sufficiently informed of the item on the agenda and declared the discussion over.

There being no objections, the Chairwoman called on the Shareholders’ Meeting to vote on the following resolution, which she read out:

“The Ordinary Shareholders’ Meeting of Banca Sistema S.p.A.

- acknowledging the Remuneration Report approved by the Board of Directors of the Company on 24 March 2016, as proposed by the Remuneration Committee at its meeting on 22 March 2016, pursuant to section 123-ter of the Consolidated Law on Finance and to section 84-quater and Annex 3A, Schedule 7-bis of Issuers' Regulations

HEREBY PASSES THE FOLLOWING RESOLUTION

- to approve Section I of the Remuneration Report."

The Chairwoman then called on the Shareholders' Meeting to vote on the resolution.

The Chairwoman counted the votes, which were as follows:

Present: 45 Shareholders representing 54,397,940 ordinary shares with a nominal value of euro 0.12 (zero point one two) each.

Against: 3 Shareholders representing 469,572 shares.

Abstaining: 0.

Not voting: 1 Shareholder holding 3 shares.

For: all the other Shareholders present representing 53,928,365 shares.

The resolution was carried.

Details of voting are set out in Annex "J".

The Chairwoman then moved on to item 5 on the agenda of the Ordinary Shareholders' Meeting:

5. Approval of the 2016 Stock Grant Plan. Resolutions pertaining thereto and arising therefrom.

The Chairwoman referred to the Directors' Report to the Shareholders' Meeting and the Information Document relating to the Stock Grant

Plan of the Banca SISTEMA Group for the year 2016, drawn up pursuant to section 114–bis of Legislative Decree 58/98 and to section 84-bis of Regulation no. 11971 approved by Consob by resolution dated 14 May 1999 and subsequent amendments and additions, made available to the general public pursuant to the law and held on record at the registered office, and stated that following correspondence with the Bank of Italy, some formal amendments had been made to the Plan in order to clarify some parts of the document.

These amendments had been incorporated in the Directors' Report to the Shareholders' Meeting and in the enclosed Information Document, both included in the folder handed out to those present.

The Chairwoman referred to the contents of the Report and proposed not to read it out.

The Chairwoman noted the unanimous approval of the Shareholders' Meeting.

The Chairwoman then illustrated the 2016 Stock Grant Plan which includes the free allocation of ordinary shares in the Company subject to reaching certain performance objectives for each of the four cycles detailed in the 2016 Plan, for key management personnel and other individuals in the group of "key personnel" in the Banca Sistema Group.

The 2016 Stock Grant Plan of the Banca SISTEMA Group is enclosed, duly signed by the applicant and myself, Notary Public, under Annex "K".

The Chairwoman turned the floor over the Shareholders for discussion.

No-one wishing to speak, the Chairwoman considered the Shareholders' Meeting sufficiently informed of the item on the agenda and declared the discussion over.

There being no objections, the Chairwoman called on the Shareholders' Meeting to vote on the following resolution, which she read out:

"The Ordinary Shareholders' Meeting of Banca Sistema S.p.A.

- following approval of the above by the Board of Directors;
- in the light of the Information Document illustrating the 2016 Stock Grant Plan made available to the general public pursuant to the applicable law;

HEREBY PASSES THE FOLLOWING RESOLUTION

1) to approve the 2016 Stock Grant Plan, concerning the free allocation to the beneficiaries specified above of ordinary shares in the Company at the end of the first cycle of the 2016 Plan, subject to reaching certain performance objectives for the company and for the individual, as described in detail in the Information Document drawn up in compliance with section 84-bis of Consob Regulations no. 11971/99 relating to Issuers, implementing section 114-bis of the Consolidated Law on Finance;

2) consequently, to attribute to the Board of Directors all the powers required to implement the 2016 Stock Grant Plan, to be exercised in compliance with the implementation criteria set out above, carrying out any change and/or addition necessary for the full implementation of the resolution. For this purpose, for example, among others, after consultation with the Remuneration Committee, the Board of Directors may itself or via a delegated appointee (i) implement the Plan; (ii) es-

tablish the number of shares in the Company to allocate to each beneficiary; (iii) draw up and approve the documentation associated with the implementation of the Plan."

The Chairwoman then called on the Shareholders' Meeting to vote on the resolution.

The Chairwoman counted the votes, which were as follows:

Present: 45 Shareholders representing 54,397,940 ordinary shares with a nominal value of euro 0.12 (zero point one two) each.

Against: 3 Shareholders representing 469,572 shares.

Abstaining: 0.

For: all the other Shareholders present representing 53,928,368 shares.

The resolution was carried.

Details of voting are set out in Annex "L".

The Chairwoman then moved on to item 6 on agenda of the Ordinary Shareholders' Meeting:

6. Creation of a specific reserve of profits linked to the service of the free share capital increase reserved to beneficiaries of the 2016 Stock Grant Plan as specified in point 5 above, and any stock grant plans for the next three years 2017-2018-2019. Resolutions pertaining thereto and arising therefrom.

The Chairwoman referred to the contents of the Directors' Report to the Shareholders' Meeting, made available to the general public pursuant to statutory requirements, and held on record in the registered office, and proposed that the Report not be read out. The Chairwoman noted the unanimous approval of the Shareholders' Meeting.

The Chairwoman stated that following approval of the 2016 Stock Grant Plan above, for the purposes of the free share capital increase pursuant to section 2349, paragraph 1, of the Italian Civil Code, it was necessary to set up immediately a specific reserve linked thereto and serving the 2016 Plan and future Plans for 2017-2019, called "Reserve linked to the share capital increase servicing the stock grant plans for bonuses in 2016, 2017, 2018 and 2019", in the amount of euro 1,600,000 (one million six hundred thousand), to be taken from the existing equity reserve taken from the "retained earnings reserve", which the Board of Directors has identified in the "Non-distributed profit reserve", comprising profit not distributed to the shareholders.

The Chairwoman turned the floor over the Shareholders for discussion.

No-one wishing to speak, the Chairwoman considered the Shareholders' Meeting sufficiently informed of the item on the agenda and declared the discussion over.

There being no objections, the Chairwoman called on the Shareholders' Meeting to vote on the following resolution, which she read out:

"The Ordinary Shareholders' Meeting of Banca Sistema S.p.A.

- following approval of the above by the Board of Directors;
- in the light of the Information Document on the 2016 Stock Grant Plan made available to the general public pursuant to the law;

HEREBY PASSES THE FOLLOWING RESOLUTION

1) to immediately set up a specific reserve serving the above-mentioned 2016 Stock Grant Plan and the Plans for 2017-2019 which

may be approved in the future by the Shareholders' Meeting in relation to the years 2017, 2018 and 2019, called "Reserve linked to the share capital increase servicing the stock grant plans for bonuses in 2016, 2017, 2018 and 2019", in the amount of euro 1,600,000.00 (one million six hundred thousand) to be taken from the existing "retained earnings reserve", identified as the "Non-distributed profit reserve."

The Chairwoman called on the Shareholders' Meeting to vote on the resolution.

The Chairwoman counted the votes, which were as follows:

Present: 45 Shareholders representing 54,397,940 ordinary shares with a nominal value of euro 0.12 (zero point one two) each.

Against: 1 Shareholder holding 1,000 shares.

Abstaining: 2 Shareholders representing 468,572 shares.

For: all the other Shareholders present representing 53,928,368 shares.

The resolution was carried.

Details of voting are set out in Annex "M".

The Chairwoman noted that the room was now occupied by 44 shareholders, Demetrio Rodinò, holding 3 shares, having left the Meeting at 11.46 a.m..

The Chairwoman declared the Ordinary Shareholders' Meeting over and commenced proceedings for the Extraordinary Shareholders' Meeting, illustrating item 1 on the agenda:

1. ***Free share capital increase pursuant to section 2349, paragraph 1,of the Italian Civil Code, with divisible shares, up to***

the nominal maximum amount of euro 49,920, corresponding to a maximum of 416,000 (four hundred and sixteen thousand) ordinary shares in the Company with a nominal value of euro 0.12 (twelve cents) each, servicing the 2016 Stock Grant Plan and the Plans for 2017-2019, to be issued under the management of the Board of Directors in several tranches, under the terms and conditions set out for these plans, through the use of the dedicated reserve of profits, as per resolution of the Shareholders' Meeting as specified in point 6 of the section referring to the Ordinary Meeting. Conferral on the Board of Directors of the powers relating to the issue of new Company's shares. Resolutions pertaining thereto and arising therefrom;

In relation to the 2016 Stock Grant Plan and the free allocation of new ordinary shares in the Company to key management personnel and others considered the "key personnel" in the Banca Sistema Group, the Chairwoman stated that these free shares can be made available, at the discretion of the Board of Directors, in compliance with the applicable law, (a) by a free share capital increase pursuant to section 2349, paragraph 1, of the Italian Civil Code ("Share capital increase"), to be carried out using the reserve of profits linked to the service of the free share capital increase in the amount of euro 1,600,000 (one million six hundred thousand), as set up by resolution of the Ordinary Shareholders' Meeting, item 6 on the agenda, and/or (b) from shares purchased on the market and/or held for other purposes by the Company, as per resolution of the Shareholders' Meeting dated 27 November 2015 and pursuant to and with the effects of section 2357 and following sections of the Italian Civil Code, after authorization by the Bank of Italy according to current regulations.

The Chairwoman said the Company could issue special categories of shares and financial instruments as specified in section 2349 of the Italian Civil Code and in article 5.4 of the Company Articles of Association.

She therefore asked the Shareholders' Meeting to resolve on the Share capital increase serving not only the 2016 Stock Grant Plan but also any future stock grant plans for the years 2017-2019, which may be approved by the Shareholders' Meeting for each year ("Plans for 2017-2019"), as a divisible increase for a maximum nominal amount of euro 49,920 (forty-nine thousand nine hundred and twenty) corresponding to a maximum of 416,000 (four hundred and sixteen thousand) ordinary shares in the Company with a nominal value of euro 0.12 (zero point one two) each, to be issued under the supervision of the Board of Directors in several tranches, according to the terms and conditions set out in the 2016 Plan and Plans for 2017-2019.

The Chairwoman stated that:

- pursuant to section 72 of the Issuers' Regulations, on 30 March 2016 an illustrative report of the administrative body was sent to Consob;

- pursuant to section 56 of the Consolidated Law on Banking, on 26 April 2016, with measure no. 552423, the Bank of Italy authorized amendments of the Articles of Association of Banca Sistema in relation to the Share capital increase.

The Chairwoman turned the floor over to the shareholders for discussion. No-one wishing to speak, the Chairwoman considered the Shareholders' Meeting sufficiently informed of the item on the agenda and declared the discussion over.

There being no objections, the Chairwoman called on the Shareholders' Meeting to vote on the following resolution, which she read out:

The Extraordinary Shareholders' Meeting

- following approval of the above by the Board of Directors;
- following the resolutions passed today by the Ordinary Shareholders' Meeting;

HEREBY PASSES THE FOLLOWING RESOLUTION

a) to approve the free share capital increase, pursuant to section 2349 of the Italian Civil Code and to article 5.4 of the Company Articles of Association, as a divisible increase, serving the 2016 Stock Grant Plan ("2016 Plan") approved today by the Ordinary Shareholders' Meeting, as well as the Stock Grant Plans which may be approved in future by the Shareholders' Meeting in relation to the years 2017, 2018 and 2019 ("Plans for 2017-2019"). This free share capital increase is for a maximum nominal amount of euro 49,920 (forty-nine thousand nine hundred and twenty) corresponding to a maximum of 416,000 (four hundred and sixteen thousand) ordinary shares in the Company with a nominal value of euro 0.12 (twelve cents) each and shall be carried out by 30 June 2023, the share capital to be deemed to have been increased by the amount subscribed, individual subscriptions, whether partial or entire, to take immediate effect with simultaneous allocation of the shares and the rights arising from them.

The free share capital increase shall be carried out using the Reserve linked to the share capital increase serving the 2016 Plan and the Plans for 2017-2019, established in the amount of euro 1,600,000 (one million six hundred thousand), as per the resolution passed today by the Ordinary Shareholders' Meeting.

After the deadline for the share capital increase to be carried out, at the terms and conditions set out in the 2016 Plan and Plans for 2017–2019, the share capital shall be deemed to have been increased by the amount corresponding to the shares issued.

The shares subject to the share capital increase shall have regular dividend rights and shall be issued in several tranches in the ways and at the terms set out in the regulations for the 2016 Plan and Plans for 2017–2019;

b) consequently to grant the Board of Directors – which may delegate its powers to individual members – all the faculties relating to the above-mentioned share capital increase and in particular the allocation of new shares under the 2016 Plan and Plans for 2017–2019 according to the schedule and at the conditions set out therein, as well as the faculty to amend article 5.1 of the Company Articles of Association, in order to update the share capital from year to year;

c) to grant to the Chairwoman and the CEO, jointly or separately, the necessary powers to lawfully implement the above resolutions, including by making any changing and additions (without altering the substance of these resolutions) that might be required, to register the implementation of the resolutions with the Companies' Register and to meet any obligations involved."

The Chairwoman then asked the Extraordinary Shareholders' Meeting to vote on the resolution.

The Chairwoman counted the votes, which were as follows:

Present: 44 Shareholders representing 54,397,937 ordinary shares with a nominal value of euro 0.12 (zero point one two) each.

Against: 3 Shareholders representing 469,572 shares.

Abstaining: 0.

For: all the other Shareholders present representing 53,928,365 shares.

The resolution was carried.

Details of voting are set out in Annex "N".

The Chairwoman then illustrated the final item on the agenda of the Extraordinary Shareholders' Meeting:

2. Amendment of article 5.1 of the Articles of Association following approval of the share capital increase, according to resolution of the Shareholders' Meeting as specified at point 1 of the extraordinary section. Resolutions pertaining thereto and arising therefrom.

The Chairwoman stated that as a consequence of the Share capital increase as per today's resolution, article 5.1 of the Company Articles of Association requires amendment, by the inclusion of a clause reflect-ing the resolution.

The amendment to the Articles of Association does not give rise to the right of shareholders to withdraw from the Company under section 2437 of the Italian Civil Code.

The Chairwoman turned the floor over to the shareholders for discussion. No-one wishing to speak, the Chairwoman considered the Shareholders' Meeting sufficiently informed of the item on the agenda and declared the discussion over.

There being no objections, the Chairwoman called on the Shareholders' Meeting to vote on the following resolution, which she read out:

The Extraordinary Shareholders' Meeting of Banca Sistema S.p.A.

- following approval of the above by the Board of Directors;
- following the above-mentioned resolution of the Extraordinary Shareholders' Meeting

HEREBY PASSES THE FOLLOWING RESOLUTION

- to approve the proposed amendment of article 5.1 of the Articles of Association of the Company correlated with the approval of the above-mentioned free share capital increase, as follows:

"5.1 The share capital is euro 9,650,526.24 (nine million six hundred and fifty thousand five hundred and twenty-six euros twenty-four cents), divided into 80,421,052 (eighty million four hundred and twenty-one thousand and fifty-two) shares with nominal value of euro 0.12 (twelve cents) each.

On 28 April 2016 the Extraordinary Shareholders' Meeting of the Company passed the resolution, pursuant to section 2349 of the Italian Civil

Code, to increase the share capital, as a divisible increase, to serve the 2016 Stock Grant Plan (“2016 Plan”) approved by the Ordinary Shareholders’ Meeting of the Company on the same date, as well as the Stock Grant Plans which may in the future be approved by the Shareholders’ Meeting of the Company in relation to 2017, 2018 and 2019 (“Plans for 2017-2019”). This free share capital increase is for a maximum nominal amount of euro 49,920 (forty-nine thousand nine hundred and twenty), corresponding to a maximum of 416,000 (four hundred and sixteen thousand) ordinary shares in the Company with a nominal value of euro 0.12 (twelve cents) each and must be carried out by 30 June 2023, the share capital to be deemed to have been increased by the amount subscribed, individual subscriptions, whether partial or entire, to take immediate effect, with the simultaneous allocation of the new shares and the rights arising from them.

The free share capital increase shall take place by use of a Reserve linked to the share capital increase servicing the 2016 Plan and Plans for 2017-2019, set up in the amount of euro 1,600,000 (one million six hundred thousand), as per the resolution of the Ordinary Shareholders’ Meeting dated 28 April 2016.

The shares included in the free share capital increase shall have regular dividend rights and shall be issued in several tranches, in the way and at the times set out in the regulations for the 2016 Plan and Plans for 2017-2019.

The Board of Directors – which may delegate its powers to its members – have all the powers required to implement the share capital increase and, in particular, to issue and allocate new shares under the 2016 Plan and Plans for 2017-2019 under the terms and conditions set out therein, as well as to make the changes arising to this article, in order to update the share capital from year to year.

After the deadline for the share capital increase to be carried out, at the conditions set out in the 2016 Plan and Plans for 2017-2019, the share capital shall be deemed to have been increased by the amount corresponding to the shares issued."

The Chairwoman called on the Shareholders' Meeting to vote on the resolution.

The Chairwoman counted the votes, which were as follows:

Present: 44 Shareholders representing 54,397,937 ordinary shares with a nominal value of euro 0.12 (zero point one two) each.

Against: 1 Shareholder with 1,000 shares.

Abstaining: 2 Shareholders representing 468,572 shares.

For: all other Shareholders present representing 53,928,365 shares.

The resolution was carried.

Details of voting are set out in Annex “O”.

At this point the Chairwoman presented me, the Notary Public, with the text of the updated Articles of Association with the amendment introduced by today's Shareholders' Meeting, which were duly signed by the Chairwoman and myself, Notary Public, and are enclosed under Annex "P".

There being no other business and no-one asking for the floor, the Chairwoman thanked those present and declared the Ordinary and Extraordinary Shareholders’ Meeting over at 12.15 p.m.

I proceeded to read out the minutes of the Meeting not including the Annexes at the express invitation of the applicant, who approved the same. The Minutes were then signed by the applicant and by myself, Notary Public, at 4.00 p.m.

This deed comprises ten sheets written in parts by mechanical means and in part by myself, Notary Public, covering thirty-seven full sides and up to this point of the thirty-eighth.

Signed LUITGARD SPÖGLER

Signed LAURA CAVALLOTTI Notary Public

Elenco Intervenuti (Tutti ordinati cronologicamente)

Assemblea Ordinaria/Straordinaria

Badge	Tipo Rap.	Titolare / Deleganti / Rappresentati legalmente	Ordinaria	Straordinaria
1		GIRELLO ANNA	0	0
1	D	GARBIFIN SRL	409.453	409.453
2	D	FONDAZIONE SICILIA	5.950.104	5.950.104
3	D	SOCIETA`DI GESTIONE DELLE PARTECIPAZIONI DI BANCA	18.578.900	18.578.900
		Totale azioni	**24.938.457**	**24.938.457**
			31,009862%	31,009862
10		PUGELLI CLAUDIO	0	0
1	R	FONDAZIONE PISA	6.118.104	6.118.104
		Totale azioni	**6.118.104**	**6.118.104**
			7,607590%	7,607590
2		VENTRIGLIA LAURA	0	0
1	D	POLAR CAPITAL GLOBAL FINANCIALS TRUST PL	1.219.580	1.219.580
2	D	SCHRODER INTERNATIONAL SELECTION FUND	2.564.878	2.564.878
3	D	VANGUARD INTERNATIONAL EXPLORER FUND	2.371.523	2.371.523
4	D	SCHRODER EUROPEAN SMALLER COMPANIES FUND	634.312	634.312
5	D	SCHRODER CAPITAL MANAGEMENT COLLECTIVE T	361.383	361.383
6	D	SCHRODER INTERNATIONAL SMALL COMPANIES P	32.520	32.520
7	D	THE JUPITER GLOBAL FUND SICAV	246.316	246.316
8	D	GRANDEUR PEAK INTERNATIONAL	600.062	600.062
9	D	GRANDEUR PEAK GLOBAL REACH	90.932	90.932
10	D	GRANDEUR PEAK GLOBAL MICRO CAP	39.800	39.800
11	D	CANADIAN BROADCASTING CORPORATION	103.985	103.985
12	D	NATIONAL COUNCIL FOR SOCIAL SECURITY FUND	89.704	89.704
13	D	GL EUROPE LUXEMBOURG S.A.R.L.	13.601	13.601
14	D	ROYCE VALUE TRUST INC	9.995	9.995
15	D	ROYCE INTERNATIONAL SMALL-CAP FUND	27.400	27.400
16	D	ROYCE INTERNATIONAL MICRO-CAP FUND	9.600	9.600
17	D	ROYCE GLOBAL VALUETRUST, INC.	23.200	23.200
18	D	ARTISAN GLOBAL SMALL CAP FUND	484.529	484.529
19	D	STATE OF ALASKA RETIREMENT AND BENEFITS PLANS	196.293	196.293
20	D	LEGG MASON PARTNERS EQ TR-LM GLB CURR INT SMALL CAP OPPOR F	210.268	210.268
21	D	AXA WORLD FUNDS	450.000	450.000
22	D	TRANSAMERICA INTERNATIONAL SMALL CAP	916.434	916.434
23	D	SS BK AND TRUST COMPANY INV FUNDS FOR TAXEXEMPT RETIREMENT PL	17.911	17.911
24	D	MICROSOFT GLOBAL FINANCE	162.139	162.139
25	D	MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM	194.691	194.691
26	D	NATIONAL WEST BANK PLC AS TRUSTEE OF JUPITER FINANCIAL OPP F	1.078.290	1.078.290
27	D	NATIONAL WESTMINSTER BANK PLC AS TR OF JUPITER INT FIN F	188.290	188.290
28	D	POLAR CAPITAL FUNDS PLC	806.164	806.164
29	D	INVESCO PERPETUAL EUROPEAN OPPORTUNITIES FUND	799.726	799.726
30	D	INVESCO PERPETUAL EUROPEAN SMALLER COMPANIES FUND	1.546.293	1.546.293
31	D	INVESCO FUNDS	970.483	970.483
32	D	THE STATE OF CONNECTICUT ACTINGTHROUGH ITS TREASURER	357.713	357.713

GIUSEPPE NOTAIO IN MILANO CAVALLOTTI LAURA

Elenco Intervenuti (Tutti ordinati cronologicamente)

Assemblea Ordinaria/Straordinaria

Badge	Tipo Rap.	Titolare / Deleganti / Rappresentati legalmente	Ordinaria	Straordinaria
33	D	GLOBAL CURRENTS INVESTMENT TRUST - INTL SMALL CAP OPPORTUNITY EQUITY PORTFOLIO	2.685	2.685
		Totale azioni	**16.820.700** 20,915792%	**16.820.700** 20,915792
3		PIEVANI MARTA	0	0
1	D	PARTICIPATIE MAATSCHAPPIJ GRAAFSCHAP HOLLAND N	234.286	234.286
2	D	FLANDRIA PARTICIPATIONS FINANCIERES	234.286	234.286
		Totale azioni	**468.572** 0,582648%	**468.572** 0,582648
4		RODINO' DEMETRIO	3 0,000004%	3 0,000004%
5		RUGARLI GIORGIO	1.000 0,001243%	1.000 0,001243%
6		DRAGONETTI ANDREA STEFANO	6.000 0,007461%	6.000 0,007461%
7		CIFERRI CERETTI MASSIMILIANO	15.000 0,018652%	15.000 0,018652%
8		FRANCESCHI EGISTO	80.000 0,099476%	80.000 0,099476%
9		TAVERNA PIER ANGELO	0	0
1	R	FONDAZIONE CASSA DI RISPARMIO DI ALESSANDRIA	5.950.104	5.950.104
		Totale azioni	**5.950.104** 7,398690%	**5.950.104** 7,398690

	Ordinaria	Straordinaria
Totale azioni in proprio	102.003	102.003
Totale azioni in delega	42.227.729	42.227.729
Totale azioni in rappresentanza legale	12.068.208	12.068.208
TOTALE AZIONI	54.397.940 67,641418%	54.397.940 67,641418%
Totale azionisti in proprio	5	5
Totale azionisti in delega	38	38
Totale azionisti in rappresentanza legale	2	2
TOTALE AZIONISTI	45	45
TOTALE PERSONE INTERVENUTE	10	10

GIUSEPPE CAVALLOTTI LAURA NOTAIO IN MILANO

FU GIUSEPPE CAVALLOTTI LAURA NOTAIO IN MILANO

Legenda:
D: Delegante
R: Rappresentato legalmente

DRAFT

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

BANCA SISTEMA
CONTEMPORARY BANK

CONTENTS

REPORT ON OPERATIONS

COMPOSITION OF PARENT COMPANY'S MANAGEMENT BODIES

Board of Directors

Chairman:	Ms	Luitgard Spögler
Vice Chairman:	Mr	Claudio Pugelli
CEO and General Manager:	Mr	Gianluca Garbi
Directors:	Prof.	Giovanni Puglisi
	Prof.	Giorgio Barba Navaretti (Independent)
	Mr	Michele Calzolari (Independent)
	Mr	Daniele Pittatore (Independent)
	Ms	Carlotta De Franceschi
	Mr	Andrea Zappia (Independent)

Board of Statutory Auditors

Chairman:	Mr	Diego De Francesco
Chairman Standing Auditors:	Mr	Biagio Verde
	Mr	Massimo Conigliaro
Substitute Auditors:	Mr	Gaetano Salvioli
	Mr	Marco Armarolli

Executive Committee

Chairman:	Mr	Gianluca Garbi
Members:	Prof.	Giovanni Puglisi
	Ms	Carlotta De Franceschi

Internal Control and Risk Management Committee

Chairman:	Mr	Michele Calzolari
Members:	Mr	Giorgio Barba Navaretti
	Mr	Daniele Pittatore
	Ms	Luitgard Spögler

Nominations Committee

Chairman:	Mr	Andrea Zappia
Members:	Mr	Michele Calzolari
	Ms	Luitgard Spögler

Remuneration Committee

Chairman:	Prof.	Giorgio Barba Navaretti
Members:	Mr	Michele Calzolari
	Mr	Claudio Pugelli

Ethics Committee

Chairman:	Mr	Claudio Pugelli
Members:	Mr	Andrea Zappia
	Mr	Marco Pompeo

Supervisory Body

Chairman:	Mr	Diego De Francesco
Members:	Mr	Michele Calzolari
	Mr	Franco Pozzi

The Board of Directors was appointed by resolution of the Shareholders' Meeting dated 27 November 2015, with the appointment of Luitgard Spögler to the position of Chairman of the Board of Directors. Subsequently, the Board of Directors, meeting on the same date, appointed (I) Attorney-at-Law Claudio Pugelli Vice Chairman, (II) Mr Gianluca Garbi to the position of CEO, (III) and set up the Executive Committee, the Internal Control and Risk Management Committee, the Nominations Committee, the Remuneration Committee, the Ethics Committee and the Supervisory Body. The Board of Statutory Auditors was appointed by resolution of the Shareholders Meeting dated 22 April 2014.

HIGHLIGHTS DATA AS AT 31 DECEMBER 2015

Balance sheet data (€ ,000)

	31 Dec 2015	31 Dec 2014	%
Total assets	2,411,994	2,082,020	15.8%
Securities portfolio	925,402	858,007	7.9%
Loans - Factoring	1,049,832	851,856	23.2%
Loans - Salary-backed loans and SME	203,466	31,892	538.3%
Funding - Banks and REPOs	1,271,164	1,060,211	19.9%
Funding - Term deposits	572,379	569,410	0.5%
Funding - Current accounts	335,574	311,751	7.6%

Profit and loss data (€ ,000)

	31 Dec 2015	31 Dec 2014	%
Interest margin	58,246	48,388	20.4%
Net fee and commission income	11,170	11,470	-2.6%
Operating income	72,119	64,587	11.7%
Personnel expenses (*)	(12,670)	(11,520)	10.0%
Other administrative expenses (*)	(20,787)	(18,964)	9.6%
Profit before taxes (*)	33,289	29,528	12.7%

Performance indicators

	31 Dec 2015	31 Dec 2014
Cost/income Ratio (*)	46%	49%
ROAE (**)	32%	61%

(*) Amounts and indicators calculated using profit and loss data adjusted for non-recurrent costs, as presented in the paragraph "Financial results" of this Report.

(**) The Return on Average Equity (ROAE) was calculated as the ratio of the normalised profit for the period to average shareholders' equity.

SUMMARY REMARKS ON FY 2015

2015 was a significant year for Banca Sistema, because just four years after its incorporation, as enshrined in the Shareholders' Agreement signed by the previous shareholders, the company has obtained a listing on the Stock Exchange. Since 2 July 2015, shares in Banca Sistema have been traded on the Mercato Telematico Azionario - Italian Equities Market (MTA) - of the Italian Stock Exchange, STAR segment.

In line with the new ownership structure, on 27 November 2015 a new Board of Directors, Chairman and CEO were appointed.

The importance of 2015 is confirmed by the end-of-year results, with a net profit adjusted for non-recurrent costs relating to the listing, and an extraordinary contribution to the National Resolution Fund, totalling 23.7 million (19.5 million for the same period in 2014), up 21% yoy, and by the profitability, one of the highest in the European banking sector.

The strong increase in factoring core business, with a turnover of 1,411 million, amounts to a rise of 20% yoy and was achieved through sales actions aimed at:

1. increasing the number of customers, up from 124 in 2014 to 294 in 2015, with a continuingly high recurring turnover, about 90%;
2. diversifying origination channels, through the conclusion of 14 commercial agreements with banks (with a total of 1,100 branches in Italy) for the distribution of factoring products, contributing 73 million to turnover.

The increase also reduced the concentration of volumes on single customers.

The diversification of the business, which begun at the end of 2014, and specifically of guaranteed loans to SMEs and the purchase of salary-and pension-backed loans (CQS/CQP), can already be deemed significant, given the increase in stocks, up respectively by 19 million in 2014 to 83 million in 2015 and from 13 million to 120 million during the period.

On the basis of the results, the Board of Directors has recommended a dividend of 25%.

The business context in which Banca Sistema operates remains positive in 2016; it will therefore be possible to take advantage of the opportunities that arise, based on solid capital and broadly diversified liquidity.

BANCA SISTEMA PROFILE

The Group is active mainly in the Italian factoring market and specialised in the acquisition, management and financing of receivables due to companies by the Italian Public Administration entities (‘PA’).

In particular, Banca Sistema provides financial support to Italian and foreign companies by acquiring trade receivables and VAT credits due from the PA.

The Bank operates through a specific collection method which is not based on the recovery of receivables through systematic recourse to legal action against the debtors, but favours out-of-court settlements, with the purpose of establishing repayment plans or payment agreements with the assigned debtors, enabling a constant and gradual reduction in the collection time for the receivables and greater core business profitability. In such a model, the collection of late payment interest applicable to the PA in the event of payment after 30/60 days constitutes an instrument whose purpose is to discourage delays in payment, as well as a negotiating lever for reaching the aforementioned agreements and speeding up payment times.

Since 2011, the Bank’s primary objective has been to satisfy the financial requirements of companies who supply the PA by factoring, managing and recovering receivables, serving as a link between the public and private sectors.

The Bank provides a wide range of products designed for companies with receivables from the Public

Administration and consisting in the provision of factoring services, mainly without recourse, for the management of delays in payment by the Public Administration, as well as financing services for annual and quarterly VAT credits enjoyed by companies. The Bank also provides its customers with factoring services with recourse, maturity factoring and reverse factoring. Moreover, the Company offers online factoring and the certification of receivables due from the Public Administration entities.

Since 2014, thanks to the partnership established with a specialised operator, the Company has begun to purchase with recourse receivables and manage tax receivables (mainly VAT credits) arising from insolvency proceedings.

In 2014, the Bank also launched operations in the private debt factoring sector (both with and without recourse) and according to the maturity factoring formula.

In addition to operating on the factoring market, the Bank's core business, the Company has developed new business lines. Already active in the market for the management and recovery of credit on behalf of third parties via the subsidiary Solvi S.r.l. (merged into the Issuer with effect from 1 August 2013), in 2014 Banca Sistema began to provide diversified additional products and services, including: (I) the purchase of credit portfolios derived from loans against one fifth of salaries and pensions from qualified lenders, and (II) loans to SMEs guaranteed by the Guarantee Fund of the Ministry of the Economy and Finance.

The main source for raising funds to finance the Bank's core business is banking activities, both retail and corporate, including the provision of traditional banking services such as current accounts and savings accounts for private clients, companies and businesses in Italy and Germany, as well as other ancillary banking services. These sources of funding, combined with the access to funding provided by the ECB through the ABACO (Collateralised Bank Assets) Procedure, treasury activities such as the management of Italian Republic securities held in portfolio and the management of the financial and credit assets and liabilities ('ALM') of the Issuer, as well as access to the interbank market, allow the Company stable access to reliable sources of liquidity at competitive rates.

For the distribution of its products and services, the Issuer uses its own direct network, chiefly composed of the Group's subsidiaries and representative offices, as well as an indirect network, comprising banks, real estate investment companies, financial advisers and financial intermediaries (credit brokers), who operate under specific distribution agreements stipulated with the Issuer.

COMPOSITION AND STRUCTURE OF THE GROUP

On 31 December 2015, the Banca Sistema Group comprised the Parent Company, Banca Sistema S.p.A., and Specialty Finance Trust Holding Limited, a company incorporated under U.K. law and fully controlled by the Bank.

LISTING

For the purposes of fully exploiting the activities of Banca Sistema and supporting its growth, the Shareholders' Meeting, voting on a motion from the Board of Directors, in its session of 26 March 2015, resolved to approve the proposal to apply for admission of the Company's ordinary shares for listing on the STAR Segment of the MTA - Italian Equities Market organised and managed by Borsa Italiana S.p.A.

The listing and resulting expansion of the shareholder base will enable the Bank to reinforce the visibility of its business model and boost, in such a way, its standing within the reference market, including through the entry into the capital of qualified, national and international investors.

Following the launch of the Banca Sistema listing project, the Board of Directors, in its meeting of 26 March 2015, approved the new 2015-2018 three-year project, thus modifying the one approved by the Board on 13 February 2014.

From an organisational and governance perspective, the

Board of Directors, during its meetings of 26 March 2015, 28 April 2015 and 28 May 2015, in accordance with the stipulations of the primary and secondary legislation in force, completed the adjustment of the corporate governance system, approving various internal procedures, reorganising the advisory committees, as well as appointing an investor relator and a designated manager responsible for drafting the company accounting documents.

On 3 June 2015, the extraordinary shareholders' meeting thus debated the share capital increase from € 8,450,526.24 up to the nominal maximum amount of € 10 million, as a divisible increase and against payment, with the exclusion of option rights, pursuant to art. 2441, paragraph 5, of the Italian Civil Code, for the purposes of the public subscription and sale offer for the listing of the Company's shares, conditional upon the issuing, by Borsa Italiana S.p.A., of the measure admitting the Company's shares for trading on the STAR segment of the MTA - Italian Equities Market (provided the prerequisites exist), organised and managed by Borsa Italiana S.p.A.: on 15 June 2015, the Bank of Italy issued the relevant declaration of compliance.

On 17 June 2015, Borsa Italiana, through measure no. 8073, provided for the listing on the stock exchange of the Bank' shares for trading on the MTA - Italian Equities Market. On 18 June 2015, Consob issued a measure approving the prospectus, which enabled the launch of the public share offer: on this date, the institutional offer was launched, while, on 19 June 2015, the retail offer also began. Both offers ended on 29 June: the offer price was set at € 3.75 per share, equivalent to company capitalisation of around € 302 million, calculated on the basis of the Offer Price.

Trading began on 2 July 2015.

On this date the conditions precedent as adopted by the extraordinary meeting on 3 June 2015 were checked; in particular, the share capital was subscribed and paid up, totalling € 1,200,000.00 with the issuing of 10,000,000 ordinary shares, each with a nominal value of € 0.12. Therefore, the new, fully subscribed and paid up share capital is € 9,650,526.24, subdivided into 80,421,052 shares, each with a nominal value of € 0.12.

The global offering of the Bank's ordinary shares arising from a specific capital increase and from the shares already held by the shareholder SOF Luxco S.a.r.l. ended on 29 June 2015. The purpose of this offering was listing on the Star Segment of the MTA - Italian Equities Market organised and managed by Borsa Italiana (Italian Stock Exchange), with an offer price set at € 3.75 per share. Trading of the share began on the MTA on 2 July 2015.

Lastly, on 17 July 2015, the Coordinator of the Global Sale and Subscription Offer, Barclays Bank PLC, including in the name and on behalf of the members of the Institutional Placement Consortium, fully exercised the Greenshoe Option granted by the Vendor Shareholder, SOF Luxco S.a.r.l., for a global total of 3,897,865 ordinary Banca Sistema shares. The acquisition price for the shares which were the subject of the Greenshoe Option was € 3.75 per share – corresponding to the Offer Price for shares which are the subject of the Global Sale and Subscription Offer – for an overall amount of around € 14.6 million gross of the commissions and costs related to the operation. The settlement of the shares related to the Greenshoe Option occurred on 21 July 2015.

Globally, the Global Sale and Subscription Offer, including the Greenshoe Option, concerned 42,876,525 ordinary Banca Sistema shares, totalling 53.32% of the share capital, for an overall value of around € 160.8 million gross of the commissions and costs related to the operation.

Barclays Bank PLC acted as the global coordinator of the Global Sale and Subscription Offer, Banca Akros acted as the Placement Manager for the Public Offer, while Intermonte acted as Sponsor. The Joint Bookrunners, in addition to Barclays, were Banca Akros, Intermonte and Jefferies.

SIGNIFICANT EVENTS DURING THE REFERENCE PERIOD

On 20 February 2015, the following were approved: (I) the "2014 Risks Division Annual Report", (II) the "2014 Compliance Department Annual Report", (III) the "2014 Anti-Money Laundering Department Annual Report" (IV) the ‘Compliance Department Annual Report on complaints received by the Bank’ (v) the "Annual Report on the activities carried out by the Internal Audit Department during 2014" and (vi) the Periodic Report to the Board of Directors and Board of Statutory Auditors from the Supervisory Body concerning the application of the "Organisation, management and control model pursuant to Legislative Decree’ 231/2001".

The Board of Directors of Banca Sistema S.p.A., on 26 March 2015, approved (I) the ‘Annual report on the procedures to provide investment services and activities and ancillary services and the distribution of financial products issued by insurance companies and banks, CONSOB decision no. 17297’, (II) the ‘2014 ICAAP Report’, (III) the update to the MiFid Policy and (IV) authorised the publication of the "New prudential supervisory provisions, Third Pillar information for the public", in accordance with the procedures laid down by the applicable regulations.

The Banca Sistema S.p.A. Shareholders’ Meeting, in its session on 26 March 2015, approved (I) the Financial Statements for the year ended and (II) the ‘Remuneration Policies for the year 2015’.

During March 2015, with a view to developing the salary-backed loan product (CQS, Cessione del Quinto), commercial agreements were signed with two new specialised operators.

On 28 April 2015, the following were approved (I) the quarterly report from the Internal Control Departments at 31/03/2015 (Risk Reporting, Tableau de bord of the Compliance Department and Tableau de bord of the Internal Audit Department), (II) the annual report from the internal audit department concerning audits conducted on the externalised operating departments, (III) the update of the Liquidity Policy and Contingency Funding Plan, and (IV) the "Board of Directors Self-Regulation Document" and the document on the "Optimal qualitative and quantitative composition of the Board of Directors", following the completion of the self-regulation process of the Corporate Bodies conducted in accordance with Bank of Italy Circular no. 285, Supervisory positions on bank corporate governance.

On 30 June 2014, the Board of Directors of Banca Sistema S.p.A. approved the following: (I) the "Complex Securities Management Policy" (II) the "Annual report on the procedures for providing investment services and activities and ancillary services and the distribution of financial products issued by insurance companies and banks, CONSOB decision no. 17297".

On 3 June 2015, the Shareholders’ Extraordinary Meeting decided on the following:

- amendments to the articles of association, necessary for improving the cohesiveness and clarity of certain provisions, including bringing them in line with the provisions of Bank of Italy Circular no. 285 concerning corporate governance and incentives;
- a share capital increase, against payment and with a premium, up to a maximum amount of € 10 million and therefore a maximum of € 1,549,473.42, through the issue of a maximum of 12,912,281 ordinary shares worth a nominal amount of € 0,12 (a decision subject to the condition precedent of the issuing, by the Italian Stock Exchange, of a measure admitting the Company for listing on the STAR segment of the MTA - Italian Equities Market;
- amendments to the articles of association for the purposes of the Company’s listing (a decision subject to the condition precedent of the start of the trading of the Company shares on the Italian Stock Exchange’s MTA.

Finally, on the same date, the Shareholders’ Meeting approved, in ordinary session, the "Meeting Regulations".

On 15 July, the sale/purchase agreement for 200 stakes with a total value of € 5 million, accounting for 0.066% of the share capital of Bank of Italy, was signed, with the simultaneous transfer of the holding certificate.

On 30 July 2015, the Board of Directors approved (I) the quarterly report from the Internal Control Departments as at 30 June 2015 (Risk Reporting, Tableau de board of the Compliance Department and Tableau de board of the Internal Audit Department), (II) the periodic report for the Board of Directors and Board of Statutory Auditors by the Supervisory Body concerning the application of the Organisation, management and control model pursuant to Legislative Decree 231/2001 and the updating of the model to reflect the changes in the law and the listing of Banca Sistema S.p.A. on the STAR market of the Italian Stock Exchange, (III) the Consolidated Anti-Money Laundering Document and (IV) the updating of the master resolution concerning transactions with associated parties.

On 24 September 2015, the Board of Directors acknowledged the resignations tendered by Ms Lindsey McMurray and Mr Matthew Potter as Directors of the Bank, effective immediately from 18 September 2015. In Ms McMurray's case, her resignation also resulted in her automatic dismissal as member of the Executive Committee. They tendered their resignations following the change in the company's ownership following the listing on 2 July 2015, resulting in the disposal by SOF Luxco S.a.r.l. of its interest in the Bank. Subsequently, on 22 September 2015, with effect from 30 November, Mr Gianluca Garbi, Mr Claudio Pugelli, Prof. Giovanni Puglisi and Mr Daniele Pittatore tendered their resignations from the Company's Board of Directors in support of the process of renewal of the Board of Directors, so that it might better reflect the Bank's new ownership structure.

On 15 October 2015, the Board of Directors approved the Directors' Report relating to the proposed purchase and sale of Treasury shares, and therefore revised the Agenda for the scheduled Shareholders' Meeting, which shall be called upon to authorise the purchase and sale of Treasury shares.

On 30 October, the Board of Directors approved the Consolidated Financial Data as at 30 September 2015, supported by the certification of the designated manager pursuant to section 154-bis concerning the drafting of company accounts. The Board of Directors also approved the "Regulation of the designated manager responsible for drafting accounting documents" and the quarterly report from the Internal Control Departments as at 30 September 2015 (Risk Reporting, Tableau de board of the Compliance Department and Tableau de board of the Internal Audit Department)

On 27 November 2015, following resolutions of the Shareholders' Meeting held on the same date, appointing a new Board of Directors and the appointment as Chairman of Ms Luitgard Spögler, the new Board appointed (I) Mr Claudio Pugelli Vice Chairman, (II) Mr Gianluca Garbi to the position of CEO, (III) and set up the Executive Committee, the Internal Control and Risk Management Committee, the Nominations Committee, the Remuneration Committee, the Ethics Committee and the Supervisory Body.

On 16 December 2015, the Board of Directors verified compliance with the requirements for professionalism, integrity, no reasons for suspension and independence of all members of the Board of Directors, and approved (I) the budget for 2016 and the review of the RAF for 2016, (II) the Regulation on Whistleblowing, (III) the update of the Collection Policy.

The Board of Directors also approved the Remuneration Policies of Gruppo Banca Sistema S.p.A. for 2016 and initiated the Stock Grant Plan for 2016-2019 with approval of the relevant Regulation, and the resolutions arising for the creation of a legal reserve fund for profits linked to the free share capital increase reserved to beneficiaries of the Stock Grant Plan for 2016-2019 and the free share capital increase pursuant to section 2349 of the Italian Civil Code servicing the Stock Grant Plan with approval of the proposed amendment of article 5 of the Articles of Association.

During March 2015, with a view to developing the salary-backed loan product (CQS, Cessione del Quinto), commercial agreements were signed with two new specialist operators, in addition to those already stipulated.

Prospects are improving in advanced countries, but the weakness in emerging economies is stifling the expansion of global trade, which continues to disappoint, contributing to the fall in commodity prices.

Forecasts for growth in the world economy in 2016 and the following year indicate a modest uptick compared to 2015. At the beginning of 2016, however, significant new turmoil emerged in the financial market in China, leading to fears about economic growth in that country. Crude oil prices have fallen to below the lowest levels during the crisis of 2008-09.

The December increase in the Federal funds rate by the Federal Reserve, fostered by a significant improvement in the employment market, indicates the end of the zero rate policy in the United States introduced in 2008.

With reference to the Euro area, as shown in Economic Bulletin no. 1 2016 of the Bank of Italy, issued on 16 January 2016, during Q3 2015 GDP increased by 0.3% compared to Q2, driven by domestic demand.

Growth in the Euro area continues but remains fragile: the rapid weakening of export demand has so far been gradually offset by domestic demand.

Estimates for Q4 2015 indicate that the economic activity in the area continued to grow at the same rate as in Q3, more or less across the board in major countries. In December, the €-coin parameter of the Bank of Italy, measuring GDP in the area, increased to the highest level since July 2011. Business confidence of companies and families, supported by favourable employment data, indicates continued recovery. Growth prospects in the area are threatened by enduring uncertainty about demand in important export markets, particularly emerging economies. In addition, geopolitical tension, above all in the Middle East, could negatively impact on confidence, the recovery in consumption and worldwide business activities.

On the basis of preliminary data in December, inflation is 0.2%, below expectations. In December, the forecasts of experts at the ECB indicated inflation in 2016 at 1.0% (zero in 2015).

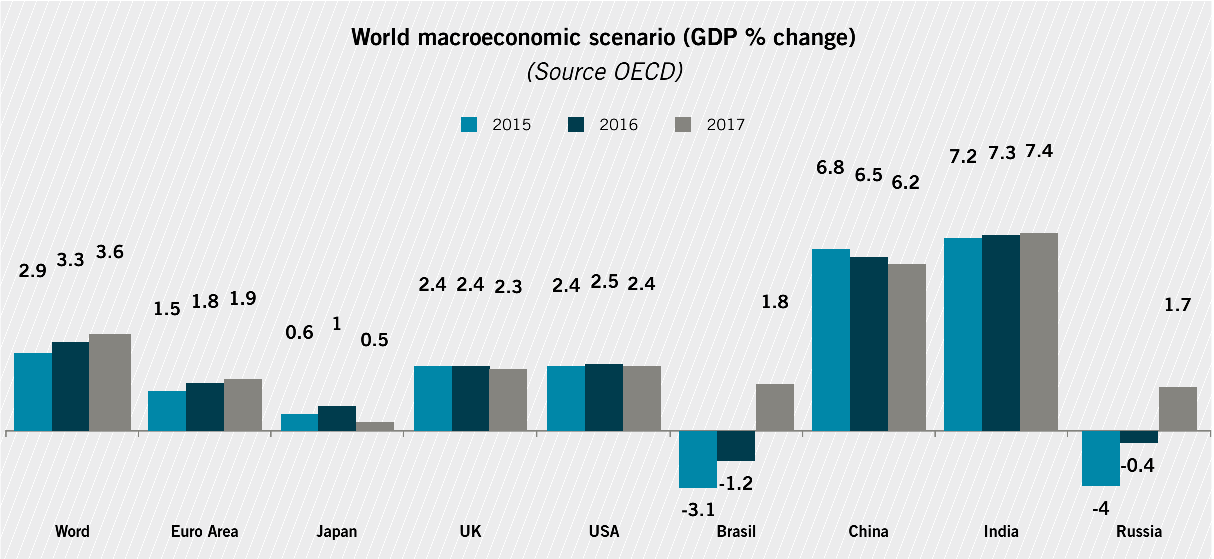
The bond purchase programme is proving effective in supporting economic activity in the Euro area, but the fall in foreign demand and in the price of oil has contributed to growing fears of low inflation and growth, accentuated over the past few months.

In the meeting last 3 December the Executive Committee of the ECB strengthened monetary stimulus with some measures, including:

(a) reduction by ten points of the interest rate for deposits with the Eurosystem, now at - 0.30%; (b) extension for a further six months of the bond purchasing programme (until at least March 2017), broadening the purchases to bonds issued by Local and Regional Authorities: (c) the decision to reinvest the capital repaid at maturity until necessary; (d) leading refinancing programmes and 3-month loans will remain at fixed interest with full allocation of the sums requested until the final maintenance period in 2017.

In addition, the Executive Committee will intensify recourse to the instruments available as and when necessary in order to guarantee the long-term return of inflation to levels that are in line with price stability.

Monetary expansion is reaching the credit market. In the three months ending in November, loans to non-financial companies in the area increased further (by 1.8%). The increase in loans to families was stable, at 1.9%. In November, average interest rates on new loans to non-financial companies and families were very low (2.1% and 2.3%).



ITALY

In Italy, the recovery is continuing slowly. In Q3 2015, as shown in Economic Bulletin no. 1 2016 of the Bank of Italy issued on 16 January 2016, GDP was up 0.2% in terms of the economic cycle, just below expectations. Exports, sustained for the past four years by demand from foreign countries but now negatively impacted by weakness in the market outside Europe, are being gradually offset by domestic demand, particularly for consumption and rebuilding stock levels.

The consolidation has been more or less across the board, with the exception of the building industry, which however is climbing out of prolonged recession. The trend in demand from abroad is uncertain. The confidence of companies has improved, with a majority planning increases in investments in the first half of 2016.

As specified in the Bulletin, estimates for Q4 are for an increase in GDP of 0.2% as in Q3. In December the Ita-coin parameter of the Bank of Italy - which estimates GDP in real-time - was up 0.20% in line with the positive trend since November 2014.

Within the framework of the Eurosystem bond purchasing programme, Italian Treasury bonds were purchased at the end of last December in the amount of about € 79 billion (including 73 billion by the Bank of Italy), with average remaining life of a little over nine years. Foreign investors continued to show interest in Italian assets slightly increasing their share of government bonds; Italian families have gradually rebalanced their portfolios towards managed savings.

In addition, family spending continued to increase, contributing to the increase in GDP. The most recent indications on the climate of confidence and disposable income are in line with the further expansion in consumption in the Q4 2015 following similar expansion in the previous two quarters.

In December, inflation fell to 0.1% over the 12-month period. Family and company expectations are for a slight increase in prices over the coming months which will remain at modest levels. Inflation is held back by the fall in energy prices and continuing over-capacity in the manufacturing sector which contributes to keep prices at minimum levels.

In the employment sector, during the summer months employment continued to rise, above all amongst young people and in services; contracts continued to move towards stable forms of employment. Unemployment fell to 11.4% in October-November, the lowest level since 2012, partly due to the fall in youth unemployment, which however remains historically very high.

The expectations of companies are quietly optimistic in relation to employment.

In the final months of 2015, the growth of loans in the non-financial private sector strengthened. Loans to companies increased for the first time in almost four years.

Lending criteria continue to be relaxed: the cost of loans to families and companies is very low compared with the past, benefiting from the quantitative easing carried out by the ECB. The gradual improvement in the economy is reflected in the quality of credit, profitability and the capitalisation of banks.

Due to the gradual improvement of the economy, the amount of existing non-performing loans fell together with new NPLs from the peak in 2013.

The profitability of major banking groups increased in the first three quarters of 2015 compared to the same period in 2014. The improvement in the balance sheets of banks should continue in 2016 due to the expected consolidation of the cyclical recovery.

As set out in the Bulletin, expectations for growth in GDP suggest 0.8% for 2015 (0.7% on the basis of quarterly accounts, adjusted for the number of working days); the increase in 2016 and in 2017 could be about 1.5%.

The stimulus measures for the purchase of capital goods included in the Stability Law for 2016 should encourage investments as early as Q1; the accumulation of capital should also be fostered by investments in the building sector, following positive signs in the real estate market, as observed from mid-2015 onwards.

Inflation is expected to be 0.3% in 2016 and 1.2% in 2017. Investments, modest so far, could benefit from an uptick in demand and more favourable lending conditions as well as from the stimulus measures in the Stability Law.

The expansion in consumption could be helped by an increase in disposable incomes, helped by improvement in the employment market.

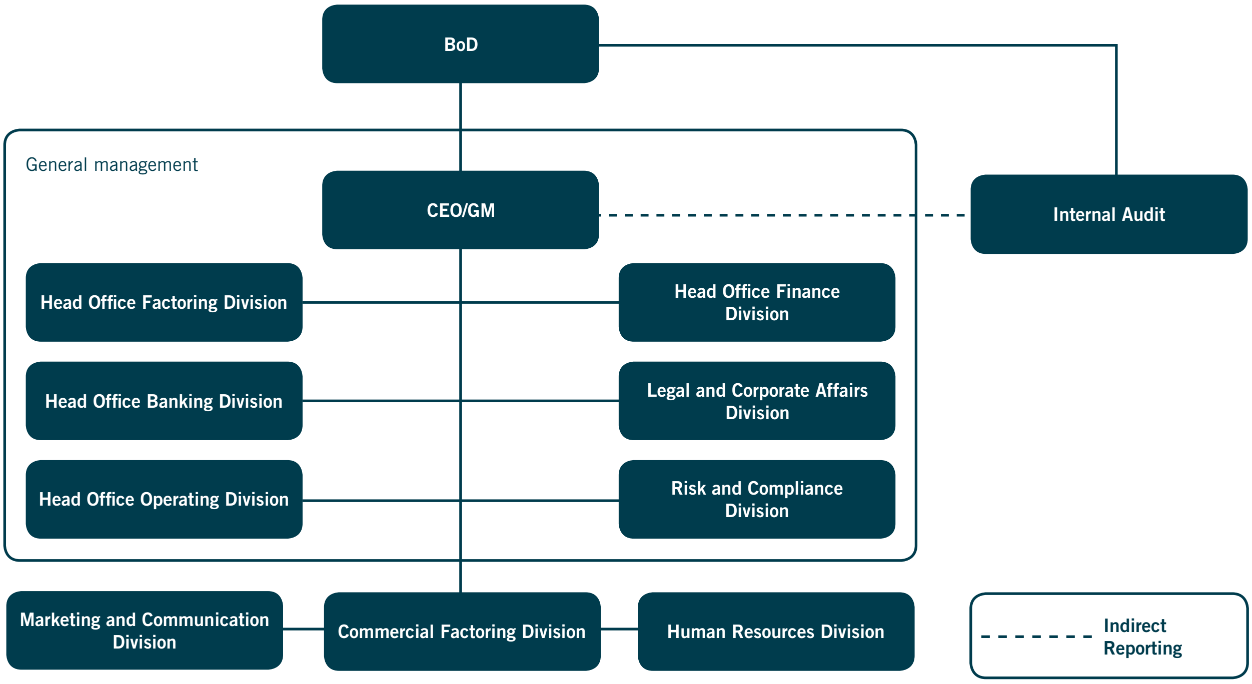
Significant risks remain, particularly from the international scenario: emerging economies could slow down more and for longer than expected, impacting strongly on financial and currency markets. In addition, monetary policy will need to cope with the risk of falling inflation due to lower than expected demand if over-capacity remains in the system for a lengthy period and to lower commodity prices if they negatively impact on wages and salaries.

[1] Ita-coin provides a monthly estimate of the trends in economic activity, using information from a broad set of variables relating to the Italian economy, both quantitative (industrial production, inflation, retail sales, trade flows, stock indices) and qualitative (confidence of households and companies, PMI indicators) in nature;

ORGANISATIONAL STRUCTURE

ORGANISATIONAL CHART

The organisational chart of Banca Sistema is shown below:



GENERAL MANAGEMENT

The following report to the CEO and General Manager:

- Central Financial Manager
- Risk and Compliance Manager
- Central Operating Manager
- Legal and Company Affairs Manager
- Central Banking Manager
- Marketing and Communication Manager
- Central Factoring Manager
- Commercial Factoring Manager
- Human Resources Manager

REGISTERED OFFICES AND BRANCHES OF THE BANCA SISTEMA GROUP

The Registered Offices and Branches of the Banca Sistema Group are as follows:

- Milan - Corso Monforte, 20 (Registered office and branch)
- Rome - Piazzale delle Belle Arti, 8 (Administrative office)
- Pisa - Galleria Chiti, 1 (Branch)
- Padua - Via N. Tommaseo, 78 (Branch)(*)
- Palermo - Via della Libertà, 52 (Administrative office)
- London - (UK) Dukes House 32-38 Dukes Palace (Administrative office)

(*) Branch closed on 12 February 2016

HUMAN RESOURCES

As at 31 December 2015, the Bank employed 124 members of staff, broken down by category as follows:

FTEs	31/12/2015	31/12/2014
Senior managers	14	13
Middle managers (QD3 and QD4)	33	27
Other personnel	77	67
Total	**124**	**107**

In FY 2015, the Group further strengthened its organisation, with 30 new employees hired, including one executive. During the same period, 13 employees left the Bank, including 9 of white-collar level and 1 executive, who was replaced through internal promotion. Banca Sistema's listing on the STAR segment of the MTA involved the appointment of an Investor Relator, who supported the IPO and began to manage the relationships with the financial markets, once the listing had taken place.

Among the new arrivals, 7 persons joined the commercial sector, both factoring and banking; additionally, the Risk, IT, Treasury, Credit Management and Back Office areas were also reinforced. The average age of employees is 39 for men and 37 for women (40% of the total); these figures are more or less unchanged on 2014.

The Italian factoring market

The development of factoring has recently shown the ability of this financial instrument to adapt to the changing circumstances of the economic cycle in Italy. This flexibility suggests that factoring will continue to grow in the future, after the apparent end of the recession, still characterised by problems of liquidity for SMEs.

The latest data from Assifact (the Italian Factoring Association) shows the first nine months of 2015 with turnover up 5.45% on the same period in 2014, a result that is expected to be substantially confirmed for the whole year when figures about last year are released.

The estimate of the value of the factoring market in 2015 suggests that the positive trend of recent years will continue, with turnover up 4.6% and outstanding loans up on 2014 by 3.6%. Factoring volumes in Italy in terms of turnover are expected to exceed 100 billion, representing 8% of the global market and 13% of the European market. This is an important result given the only slight increase in GDP in the Euro area in 2015.

Consequently, factoring remained an important means of supporting the real economy, capable of running counter to the difficult situation in Italy and Europe at large in recent years. Over the last thirty years, the factoring sector has grown four times faster than the global economy. In 1980, overall factoring volumes around the world were 50 billion; in 2015, the volume of expected annual turnover at global level exceeded € 2,300 billion (in 2000 it was 600 billion).

Italy is one of the most important markets in the world for factoring, amounting to 11% of national GDP. To gain an understanding of why this is the case, “Doing Business”, the World Bank Report, shows Italy in 56th position in terms of the business climate, between Turkey and Belarus, far from the USA (seventh), Great Britain (eighth) and Germany (fourteenth). For access to credit, Italy is even further down, at 89th.

Factoring is the response to this situation, providing innovative services (for example reverse factoring).

Factoring volume growth would have been even greater if the split payment decree concerning receivables for invoices issued to the Public Administration had not been enacted during the year. In application of the new law, the VAT indicated in invoices cannot be factored since it will be paid by the public entity directly to the government, with the ensuing reduction of turnover for factoring companies.

It is not easy to assess the exact impact of the split payment system on turnover, but a fall of about 12% seems reasonable.

According to figures provided by the industry association Assifact, the Regional Authorities most involved in factoring, from the standpoint of both sellers and debtors, are Lombardy, Lazio and Piedmont. According to a recent study by industry associations, "specialist" credit, comprising mainly factoring and leasing, accounts for nearly 20% of total banking transactions and more than 15% of the country's gross domestic product.

During 2015, the intention of the government and public entities to reduce delays in payment was not translated into fact, as had been hoped. The impetus provided by the recent Law-Decrees (35/2013 and 66/2014) seems to have run out and from mid-2015 on payments were once again lengthily delayed.

This is confirmed by the deterioration in 2015 of payments due from public entities in Italy which, according to Assobiomedica (the Italian Biomedical Association) now pay on average after 161 days, i.e. a staggering 123 days more than the European average of 38 days. Specifically, as many as 16 Regional Authorities regularly pay late, some later than they did in December 2014.

The most recent data of the Ministry of the Economy and Finance shows that of the 44.6 billion available to settle the debts of the Public Administration in 2013 and previous years, 38.6 billion has been used. Press articles also relate that several regions have used this amount not to pay receivables but for other purposes.

During the year, new legislative instruments have been issued to ease the transfer to the financial system of payables due to companies from Public Administration entities. Despite the efforts of governments over the last few years and the media focus on the issue of late payments by the Public Administration, this issue remains a serious problem for Italy and represents approximately 3.1% of GDP. If receivables purchased from intermediaries are also considered, this amount climbs to € 70 billion.

The legislation introducing both the electronic platform for certifying receivables and electronic invoicing in dealings between suppliers and the Public Administration resulted in very high expectations, which until now have not been met, at least in part. According to figures provided by the Ministry of the Economy and Finance, at the end of the previous year the receivables certification platform had received requests to certify over 91 thousand invoices for an amount of approximately € 10 billion. There is no information concerning how many invoices were actually certified, but in our direct experience we can attest that a significant portion of the invoices submitted to the certification platform is rejected.

Another current issue relates to the introduction of mandatory electronic invoicing, with effect from 31 March 2015, for all suppliers issuing invoices to the Public Administration.

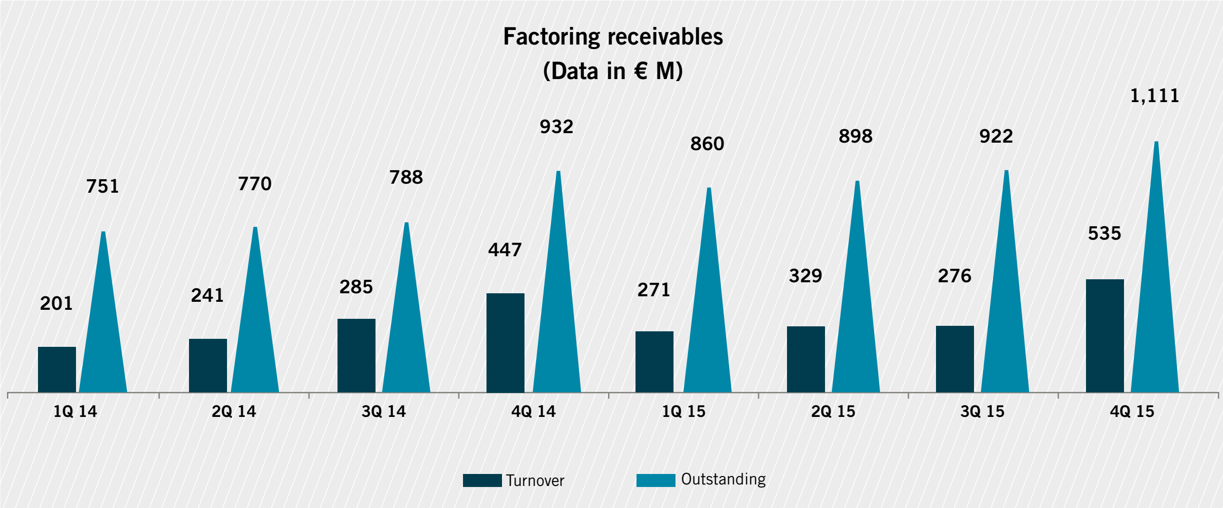
According to figures provided by the Ministry of the Economy and Finance, over 20,000 public administrations have registered, but only 28% of these are actually active.

The implicit cultural change brought about by electronic invoicing is an opportunity for the Public Administration to create a virtuous circle, improving the entire system.

In conclusion, 2015 is shaping up to be a highly challenging year in terms of payments by public administrations. The problem should remain at the top of the political and media agenda, otherwise the situation is likely to deteriorate. Nonetheless, there is no doubt that electronic invoicing and certification have led to an increase in factoring services provided to suppliers of the PA both in financial terms and in terms of supporting the needs of companies to accelerate payment collections.

Banca Sistema and Factoring Activities

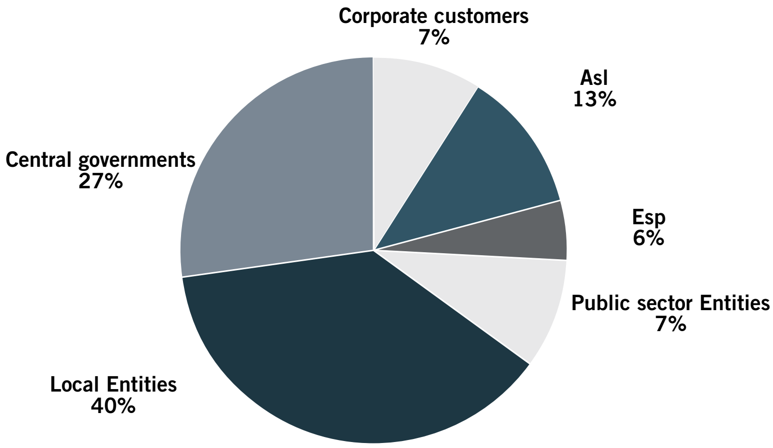
The 2015 turnover of Banca Sistema for the period was € 1,411 million, up 20% on the same period in 2014. Considering the third party receivables managed, total volumes came to € 1,699 million as at 31 December 2015.



Outstanding loans as at 31 December 2015 amount to € 1,111 million, impacted by the trend in turnover in 2015 and by collections in the period, up 19% on the € 932 million at the end of 2014, due mainly to the acquisition of loan portfolios in Q4 2015 amounting to € 536 million (€ 311 million in December 2015 alone).

Collections against exposures to the Public Administration as at 31 December 2015 stand at € 1,191 million, up 19% on collections as at 31 December 2014.

The chart opposite shows the ratio of debtors to the outstanding portfolio as at 31 December 2015. The Bank's core business remains the segment of the Public Administration.



The Bank works through both direct disposals by companies and within the framework of regional agreements for restructuring or re-organising public entity debts. These operations include traditional factoring agreements, as well as reverse factoring agreements with highly reliable public entities which are seeking to use factoring with their suppliers in their role as debtors.

The following table shows the factoring turnover per product type:

TURNOVER (€ million)	31/12/2015	31/12/2014	€ Change	% Change
Trade receivables	1,270	1,121	149	13%
including without recourse	*1,096*	*1,016*	*80*	*8%*
including with recourse	*174*	*105*	*69*	*65%*
Tax receivables	141	53	88	166%
including without recourse	*123*	*43*	*80*	*186%*
including with recourse	*18*	*10*	*8*	*80%*
TOTAL	**1,411**	**1,174**	**237**	**20%**

Tax receivables (VAT) as at 31 December 2015 were considerably up (+166%) and include VAT from insolvency proceedings, an activity that begun at the end of the previous period with the assistance of a market specialist, partly due to the recent introduction of split payments. The number of clients in 2015 increased to 294, up 137% on 2014, due to the strengthening of indirect factoring for the PA and private debtors and the extension of the sales network at the beginning of 2015, also via 14 new agreements with banks. In addition, in the last few months of 2015, transactions were carried out with foreign debtors totalling € 20 million.

Collection and recovery activities

For its debt recovery activities, the Bank uses both its own internal structures, with significant skills and experience in the analysis, management and monitoring of the debt collection process, and a network of external operators and companies for debt recovery, active throughout the country.

The network of freelancers used by the Bank enables an exact adjustment of the debt collection activities with regard to each specific debtor or an increase in the number of operators when it becomes necessary to focus on specific areas.

Specifically, the Bank works with 13 Collectors.

In compliance with the banking regulations applicable to the company and the obligations of non-competition as amended from time to time, they carry out the following activities: (I) verify the certainty, liquidity and enforceability of the receivables; (II) establish a relationship between the Group and debtors in order to foster the collection of debts; (III) continuously update the available information and data. In 2015, collections managed by the Bank under its credit factoring portfolios amount to € 1,191 (up 19% on 2014).

Servicing activities

As at 31 December 2015, via the network of Collectors, the Bank collects receivables on behalf of clients.
On 31 December 2015, the amount of third-party receivables managed by the Group totalled € 288 million, while the fee and commission income generated by this business segment totalled € 1,108 thousand.

BANKING

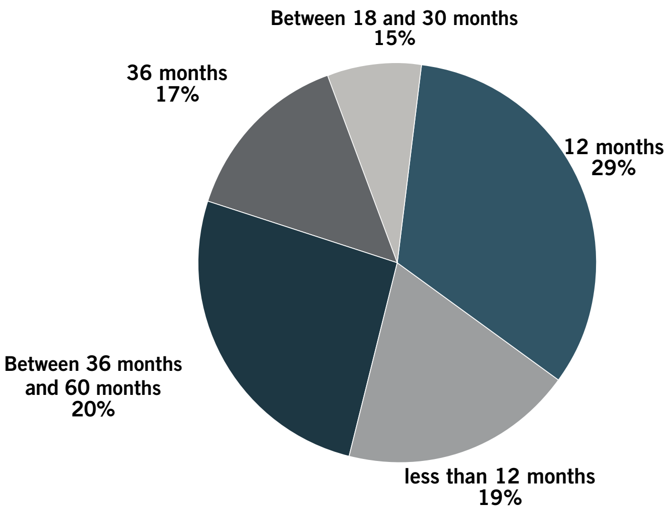
Direct funding

The funding policy of the banking division is strictly linked to changes in trade loans and market conditions. Today, funding is also geared towards current accounts, whereas, in the past, term deposits took precedence. This choice was based on the need to make the relationship with the customers less volatile, and at the same time ensure a fee and commission return through the offering of traditional services. A positive effect on the average cost of funding can be added to the above.
Despite not being the market leader, the Bank therefore achieved the expected goals by setting a cap on rates for term deposits, which have always remained in line with market rates, and by structuring current accounts with easy terms and a good return.
Total term deposits as at 31 December 2015 amounted to € 558 million (excluding accruals during the period), up € 6 million on the same period the previous year. The above amount also includes total term deposits of € 39 million held with entities residing in Germany (with the aid of a partner platform).

There were 10,693 individual customers with term deposits as at 31 December 2015, down on 31 December 2014 (11,246). The average deposit was € 52 thousand, up on 31 December 2014 (€ 49 thousand).

The breakdown of funding by term is shown on the right.

Breakdown of deposit accounts as at 31 dicembre



Current accounts increased from 2,838 (31 December 2014) to 3,632 at the end of the period, and the current account balance as at 31 December 2015 was € 336 million, showing net positive collections of € 25 million.

Indirect funding

Indirect funding from assets under administration as at 31 December 2015 totalled € 364 million (€ 408 million as at 31 December 2014).

The breakdown is as follows:

Type (€ million)	31/12/2015	31/12/2014	€ Change	% Change
Bonds	123,037	254,613	-131,576	-51.68%
Equities	232,575	89,823	142,752	158.93%
Warrants	319	60,058	-59,739	-99.47%
Funds	8,177	3,019	5,158	170.85%
TOTAL	**364,108**	**407,513**	**-43,405**	**-10.65%**

During 2015, a process was launched to expand the offer of products/services such as new funds and to strengthen the structure through the hiring of new personnel in the Private Banking area.

Guaranteed loans to small and medium-sized enterprises

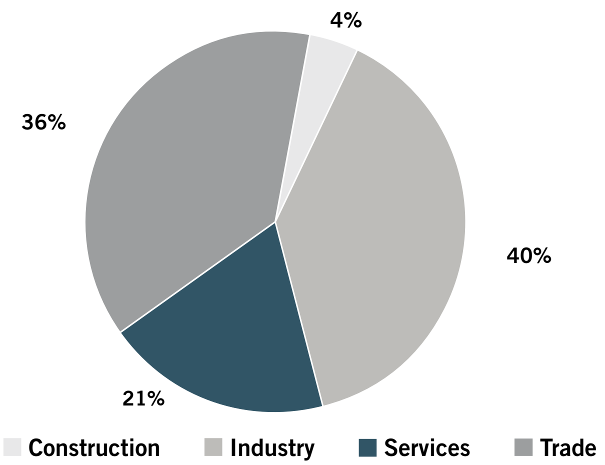
In 2014, Banca Sistema began granting loans to SMEs, guaranteed by the SME guarantee fund of the Ministry of Economic Development (Law 662/96).

This instrument enables companies to access secured credit under easy terms, and the Bank to grant low risk loans with a reduced impact on capital in view of the State guarantee (up to 80%); the average guarantee coverage for is 80%. As at 31 December 2015, the Bank disbursed € 79.0 million (€ 20.8 million in 2014), with € 85.2 million outstanding at the end of the period.

	31/12/15	31/12/14	€ Change	% Change
No. of files	188	52	136	262%
Volumes	79,015	20,805	58,210	280%

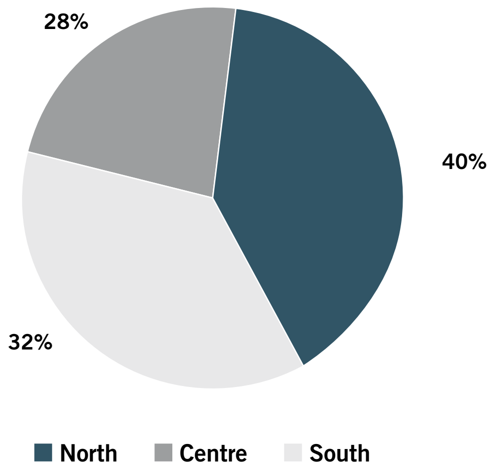
As the graphs below show, the breakdown of geographical regions and sectors is very varied, enabling the Bank to benefit from a highly diversified portfolio.

Outstanding PMI - Breakdown by sector



The following shows the volumes disbursed per geographic area.

Area Volumes disbursed to PMI - Breakdown by geographical area



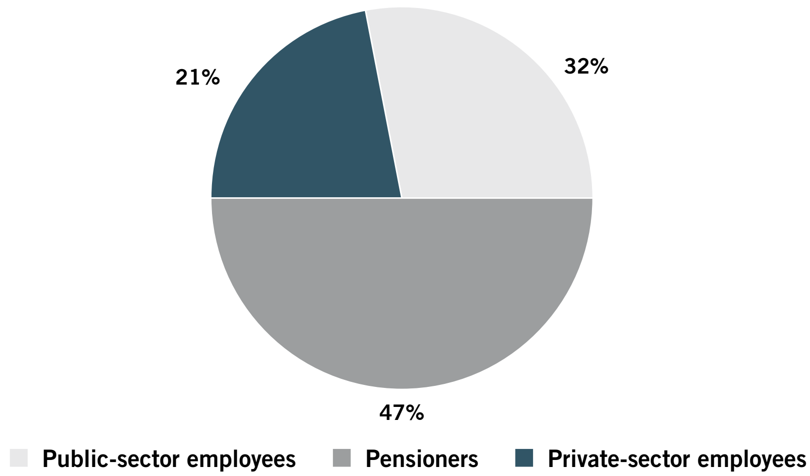
Salary-backed loans (CQS) and Pension-backed loans (CQP)

Banca Sistema entered the salary- and pension-backed loan (CQS/CQP) market in 2014, through the acquisition without recourse from other specialist portfolio intermediaries of receivables arising from this particular form of loan. As at 31 December 2015, the Bank has 5 ongoing agreements with specialist distributors in the sector.
A salary-backed loan (CQS) is a consumer loan product that allows customers to allocate up to a fifth of their salaries to the payment of loan instalments.
The volumes acquired in 2015 amounted to € 114.9 million, including private-sector employees (21%), pensioners (47%) and public-sector employees (32%). Therefore, over 79% of the volumes refer to pensioners and employees of the PA, which remain the Bank's main debtor.

	31/12/15	31/12/14	€ Change	% Change
No. of applications	5,526	656	4,870	742%
Volumes	114,894	13,411	101,482	757%

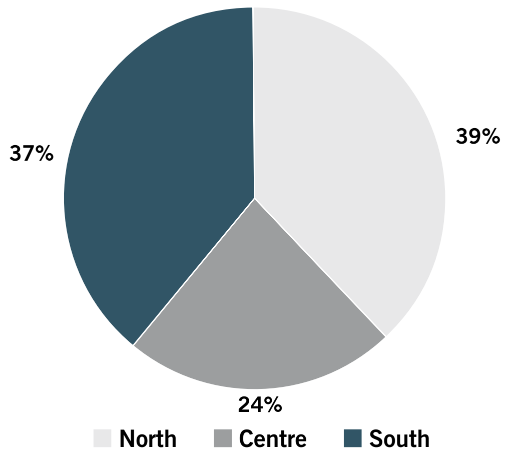
As shown in the table, the amounts disbursed during 2015 were considerably up on 2014, as a result of five new agreements stipulated by the Bank during the period.

CQS disbursed volumes - Breakdown



The following is a geographical breakdown of the pension- and salary-backed loan portfolio:

CQS disbursed volumes - Breakdown by geographical area



TREASURY ACTIVITIES

Treasury portfolio

A portfolio of owned securities has been established in order to better support liquidity commitments through the short-term investment in Italian Government Bonds. The portfolio of owned securities as at 31 December 2015 amounts to € 920 million (€ 858 million as at 31 December 2014) and comprised solely Italian short-term government bonds.

During the period, the portfolio of owned securities did not change in terms of value, type of securities and residual duration. In particular, as at 31 December 2015, the duration of the portfolio was 9 months (8.5 months as at 31 December 2014).

In 2015, transactions involving government bonds totalled € 9.8 billion (compared to € 19.3 billion traded in 2014).

The decline of yields on Italian government bonds to all-time lows following the introduction of quantitative easing by the European Central Bank considerably reduced market volatility and thus trading volumes.

Government bonds are mainly traded on the MTS Italian markets (in which the Bank trades as a market dealer), the European Bond Market (EBM), through the BondVision deal-to-client platform, or on BrokerTec.

The performance of investments in securities was in line with the improvement in spreads until the first quarter of 2015, i.e. with the improvement in the perception of risk by the markets in respect of peripheral countries in the Euro Area, before slowing from May onwards.

Wholesale funding

Wholesale funding represented about 58% of the total as at 31 December 2015 and mainly comprised repurchase agreements traded on the MTS MMF Repo platform and refinancing mechanisms with the ECB (54% as at 31 December 2014). These transactions were carried out during the period by using treasury portfolio Italian Government securities as the underlying asset, along with eligible trade receivables due from Public Administration entities arising from factoring activities and loans to SMEs (ABACO).

The choice between the above-mentioned funding sources mainly depends on the contingent market performance of short-term liquidity. In particular, compared with 31 December 2014, priority was given to repurchase agreements, rather than the MRO transactions proposed by the ECB.

In 2015, volumes traded on the MMF Repo screen-based market amounted to approximately € 114.9 billion (€ 32.1 billion in 2014).

The Bank also used the interbank deposit market both via the e-MID market and bilateral agreements with other banks. As at 31 December 2015, deposits totalled € 282 million against € 91 million at the end of 2014, and trading totalled € 2.8 billion against € 6.7 billion in 2014. The listing of Banca Sistema shares on the Milan Stock Exchange significantly improved access to MM lines of credit, with access to funds from the interbank market helpful to diversifying funding.

THE MAIN BALANCE SHEET AGGREGATES

The comments on the main aggregates on the asset side of the statement of financial position are shown below.

ASSETS (€,000)	31/12/2015	31/12/2014	€ Change
Cash and cash equivalents	104	66	38
Financial assets held for trading	-	63	(63)
Financial assets available for sale	925,402	858,007	67,395
Due from banks	1,996	16,591	(14,595)
Loans to customers	1,459,255	1,194,759	264,496
Equity investments	2,378	2,377	1
Property and equipment	1,047	1,177	(130)
Intangible assets	1,872	1,904	(32)
of which: goodwill	1,786	1,786	-
Tax assets	7,352	2,752	4,600
Other assets	12,588	4,324	8,264
Total assets	**2,411,994**	**2,082,020**	**329,974**

2015 ended with total assets of approximately € 2.4 billion, up 15.8% on 31 December 2014.

The Bank's securities portfolio mainly comprises Italian government bonds with an average remaining duration of about 9.0 months as at 31 December 2015 (the average duration at the end of 2014 was 8.5 months), in line with the investment policy of the Bank to retain securities with durations of less than 12 months. The valuation reserve was € 352 thousand as at 31 December. In July, the Bank purchased 200 stakes of the Bank of Italy for € 5 million. These stakes have been classified to the AFS portfolio.

LOANS TO CUSTOMERS (€,000)	31/12/2015	31/12/2014	€ Change	% Change
Factoring	1,049,832	851,856	197,976	23.2%
Salary/pension-backed loans (CQS/CQP)	120,356	13,228	107,128	809.9%
Loans to SME	83,110	18,664	64,446	345.3%
Reverse repurchase agreements	177,868	290,316	(112,448)	-38.7%
Current accounts	15,172	16,874	(1,702)	-10.1%
Compensation and Guarantee Fund	12,486	3,556	8,930	251.1%
Other receivables	431	265	166	62.6%
Total	**1,459,255**	**1,194,759**	**264,496**	**22.1%**

The "Loans to customers" item mainly comprises outstanding loans in the factoring receivables portfolio from the Public Administration, down from 94% to 82%excluding REPOs. On the other hand, government-backed loans to SMEs are rising sharply, along with salary- and pension-backed loans (CQS/CQP), due to the significant increase in loans during the year, up from 4% to 16%.

As at 31 December 2015, the book value of receivables from factoring - given the trend in turnover in 2015 and collections during the period - has been impacted considerably by the acquisition of receivables portfolios in Q4 2015 with a value of € 536 million (€ 311 million in December 2015 alone). Turnover from the factoring of receivables in 2015 was € 1.4 billion, up 20% on 2014 (€ 1.2 billion): this amount includes tax receivables of € 141 million (€ 53 million at the end of 2014). The positive trend in turnover was impacted by the increase in new clients, up from 124 in 2014 to 294.

As stated above, in 2015 the process of consolidating state-guaranteed loans to SMEs took place, with a total of € 79.0 million (€ 20.8 million as at 31 December 2014), with an even sharper increase in salary- and pension-backed loans (CQS/CQP), up from € 13.4 million as at 31 December 2014 to € 114.9 million as at 31 December 2015.

The following table shows the quality of the credit in the ‘loans to customers’ item, without considering the amount relating to reverse REPO.

	31/12/2014	31/03/2015	30/06/2015	30/09/2015	31/12/2015
Doubtful	11,439	16,401	22,266	21,724	20,021
Unlikely to pay	190	1,572	1,521	3,708	5,913
Overdue payments/defaults>180 days	30,568	48,220	31,143	71,656	65,420
Non-performing	**42,197**	**66,193**	**54,930**	**97,088**	**91,354**
Performing	846,070	798,444	943,940	934,067	1,172,410
Other loans to customers (excluding REPOs)	21,106	31,856	975	19,355	27,994
Total excluding REPOs	**909,373**	**896,493**	**999,845**	**1,050,510**	**1,291,758**
Total receivables					
Individual adjustments	2,473	3,963	4,566	6,379	7,137
Collective adjustments	2,457	1,910	2,455	2,471	3,233
Total adjustments	**4,930**	**5,873**	**7,021**	**8,850**	**10,370**
Net exposure	**904,443**	**890,620**	**992,824**	**1,041,660**	**1,281,388**

The ratio of net impaired loans to the total in the portfolio (net of reverse REPOs) is up from 4.4% as at 31 December 2014 to 6.6% as at 31 December 2015 due to a change in the internal classification method used, now more conservative in relation to overdue payments from the Public Administration, so the quality of credit has not in fact deteriorated, since this is a natural process for the business of the Bank.

The NPL ratio (calculated as the ratio of net non-performing loans to the total of loans to customers, net of reverse REPOs) was 1.01% as at 31 December 2014 and 1.09% at the end of the period, remaining at modest levels (0.95% including reverse REPOs). The increase in NPLs is due mainly to new distressed local authorities, the increase in loans classified in the “unlikely to pay” category is due entirely to loans to SMEs falling in that category: in this regard, the average coverage of the Government is 80% of exposure.

The coverage ratio of NPLs is up from 20% as at 31 December 2014 to 31% at the end of 2015; this

percentage is impacted by factoring of receivables from distressed local authorities, adequately written-down.
Loans to customers also include temporary investments in reverse repurchase agreements of € 178 million (€ 290 million at the end of 2014). The amounts of the cash used in the Compensation and Guarantee Fund for finance transactions in repurchase agreements with bank customers rose in accordance with the greater number of REPO operations.
Equity investments includes a 25.80% stake held by the Bank in CS Union S.p.A. (a company resulting from the merger of Candia S.p.a. and St. Ing. S.p.A.), purchasing and managing non-performing financial and trade receivables, as well as recovering debt from and for private companies.
Other assets include amounts being processed after the end of the reference period and trade invoices to be issued and mainly attributable to collection. The item is physiological and the increase on the previous period is due mainly to the increase of € 7.7 million in advance payments of taxation for withholding tax on interest and capital gains.

Comments on the main aggregates on the liability side of the statement of financial position are shown below.

LIABILITIES AND SHAREHOLDERS' EQUITY (€,000)	31/12/2015	31/12/2014	Change
Due to banks	362,075	821,404	(459,329)
Due to customers	1,878,339	1,153,797	724,542
Securities issued	20,102	20,109	(7)
Tax liabilities	804	6,248	(5,444)
Other liabilities	55,620	36,592	19,028
Employee termination indemnities	1,303	1,173	130
Provisions for risks and charges	348	999	(651)
Valuation reserves	350	2	348
Reserves	66,365	13,852	52,513
Share capital	9,651	8,451	1,200
Profit for the period/year	17,037	19,394	(2,357)
Total liabilities and shareholders' equity	**2,411,994**	**2,082,021**	**329,973**

Wholesale funding is about 58% of the total (54% as at 31 December 2014), and mainly comprises repurchase agreements traded through the MTS platform (classified under 'due to customers' since there is no direct balancing entry with banks) and, to a lesser extent, refinancing operations with the ECB and funding from other banks through term deposits.
There is only residual funding from bond loans, amounting to about 2% of the total wholesale funding.
The amount of collections from retail clients, essentially linked to the SI Conto! Deposito product, basically unchanged from the previous period.

DUE TO BANKS (€,000)	31/12/2015	31/12/2014	€ Change	% Change
Due to Central banks	80,002	730,020	(650,018)	-89.0%
Due to banks	282,073	91,384	190,689	208.7%
Current accounts and demand deposits	*10,328*	*36,384*	(26,088)	-71.6%
Term deposits	*271,745*	*55,000*	216,777	394.4%
Total	**362,075**	**821,404**	**(459,329)**	**-55.9%**

The item is down on 31 December 2014 due to a decrease in funding from the ECB, as a result of an increase in funding through repurchase agreements, which during the period proved more convenient than central bank rates.

Funding from the ECB in the amount of € 49.3 million was obtained against trade receivables and government bonds. As at 31 December, there was an increase in funding on the interbank market in the form of term deposits.

DUE TO CUSTOMERS (€,000)	31/12/2015	31/12/2014	€ Change	% Change
Term deposits	572,379	569,410	2,969	0.5%
Funding (repurchase agreements)	909,089	238,807	670,282	280.7%
Current accounts and demand deposits	335,541	311,751	23,790	7.6%
Deposits with Cassa Depositi e Prestiti	30,603	2,580	28,023	1086.2%
Other amounts due	30,727	31,249	(522)	-1.7%
Total	**1,878,339**	**1,153,797**	**724,542**	**62.8%**

The shift described above into funding through repurchase agreements resulted in a sharp increase in the item compared to 31 December 2014. The period-end stock of term deposits was down on the end of 2014, as a result of negative deposits of € 6 million; gross deposits in 2015 were € 480 million, against withdrawals caused mainly by non-renewals totalling € 474 million (net deposits for the whole of 2014 were positive and amounted to € 35 million). The item also includes collections of € 30.6 million from Cassa Depositi e Prestiti, against a guarantee comprising solely loans to SMEs by the Bank. Other amounts due include payables related to receivables acquired but not funded.

The composition of the securities issued is the same as at 31 December 2014 and is as follows:

- TIER 2 subordinated loan totalling € 12 million,
- TIER 1 subordinated loan totalling € 8 million.

The main changes in the provision for risks and charges, amounting to € 348 thousand, were as follows:

- release of € 300 thousand following the elimination of a potential risk connected to the collection of a tax credit acquired without recourse;
- release of the allowance made over the previous financial years for the remaining part of the long-term incentive plan, following payment after the IPO;
- new provision of the deferred part of the 2015 bonus.

"Other liabilities" mainly include payments received after the end of the period by the assigned debtors and which were still being assigned and items being processed during the days following period-end, as well as trade payables and tax liabilities. The item was impacted by an erroneous payment of € 7 million by a public authority, promptly moved from the end of the year to the beginning of January.

The following shows the changes in shareholders' equity since 31 December 2015:

SHAREHOLDERS' EQUITY (€,000)	31/12/2014	ALLOCATION OF PROFIT		OTHER CHANGES	NET RESULT FOR THE PERIOD	31/12/2015
		Dividends	**Reserves**			
Share capital	8,451			1,200		9,651
Share premium reserve	4,325			35,111		39,436
Reserves	9,527		17,422	(20)		26,929
Valuation reserves	2				348	350
Profit (Loss) for the period	19,394	(1,972)	(17,422)		17,037	17,037
Total	**41,699**	**(1,972)**	**-**	**36,291**	**17,385**	**93,403**

The increase in the share premium reserve includes the amount collected during the placement of new shares issued during the listing phase (10 million shares at the unit price of € 3.75) less the listing costs of € 1.5 million, net of deferred tax assets of € 0.3 million deductible over five years.

In accordance with the international accounting standards, all incremental costs strictly linked to the listing process were capitalised (mainly placement commissions for the new shares and consultancy costs) in proportion to the number of new shares issued compared with the total number of new shares.

The following table provides a summary of the changes in reserves:

(€,000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	TOTAL
Collections from IPO	1,200	36,300	**37,500**
Capitalised listing costs		(1,525)	**(1,525)**
Deferred tax assets		336	**336**
Total	**1,200**	**35,111**	**36,311**

The share capital increase from € 8.4 million to € 9.7 million was recorded on 2 July after the entry in the Companies' Register records; the remainder of the cash deposited was allocated to the share premium reserve.

CAPITAL ADEQUACY

By letter dated 5 May 2014, the Bank informed the Bank of Italy of its intention to exercise its option to be exempt from filing consolidated reports (as specified in paragraph 1.4 of Circular 115 'Instructions for preparing banks' supervisory reports on a Consolidated basis'). Provisional information concerning the regulatory capital and capital adequacy of Banca Sistema is show below.

OWN FUNDS (€,000) AND CAPITAL RATIOS	31/12/15	31/12/14
Book equity	93,403	41,699
- dividends	-4,262	-1,940
Equity post dividend distribution	**89,141**	**39,759**
Adjustments for components which cannot be computed in CET1	**-2,249**	**-1,910**
Common Equity Tier 1 (CET1)	**86,892**	**37,849**
TIER1	8,000	8,000
Additional Tier 1 capital (T1)	**94,892**	**45,849**
TIER2	12,000	12,000
Total Own Funds (TC)	**106,892**	**57,849**
Total risk weighted assets	**635,658**	**363,771**
of which, credit risk	535,194	298,803
of which, operational risk	100,464	64,953
of which, CVA (credit value adj. on derivatives)	0	15
Ratio - CET1	13.7%	10.4%
Ratio - T1	14.9%	12.6%
Ratio - TCR	**16.8%**	**15.9%**

Proforma Own funds as at 31 December 2015 stand at € 107 million, including profits from 2015 net of the anticipated dividend of € 4,262 thousand.

The increase in RWA compared to 31 December 2014 is due to the increase in loans, the increase in overdue payments and the overall increase in salary-backed loans (CQS) and loans to SMEs which absorb assets more than factoring. In addition, in compliance with the EBA and Guidelines on common SREP (Supervisory Review and Evaluation Process), by letter dated 14 October 2015 the Bank of Italy requested that the following minimum requirements be maintained:

- CET1 ratio of 7.2% + additional 0.2% above the minimum regulatory requirement;
- TIER1 ratio of 9.6% + additional +1.1% above the minimum regulatory requirement;
- Total capital ratio of 12.9% + additional +2.4% above the minimum regulatory requirement;

CAPITAL AND SHARES

Capital and ownership structure

The share capital of Banca Sistema is divided into 80,421,052 ordinary shares, for total paid-in share capital of € 9,650,526.24. All outstanding shares have regular dividend entitlement from 1 January.

Based on evidence from the Shareholders' Register and more recent information available, as at 28 January 2016, the shareholders with stakes of more than 5%, the threshold above which Italian law (art. 120 of the Consolidated Law on Finance) requires disclosure to the investee company and Consob, were as follows:

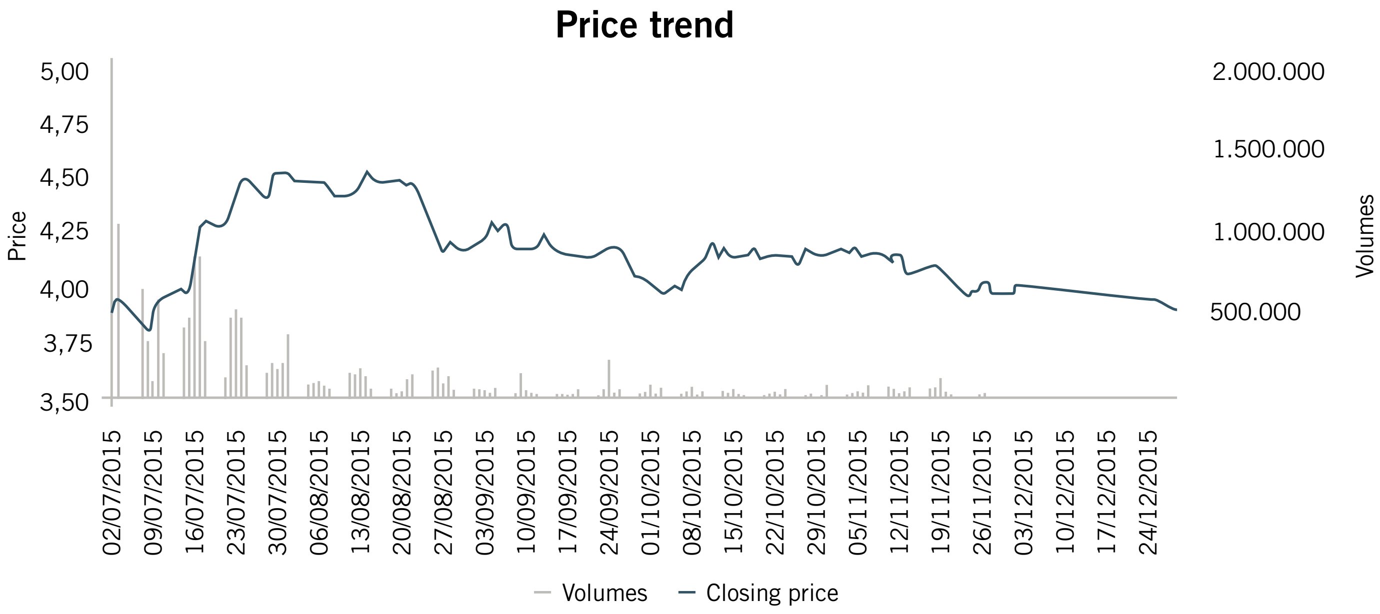
SHAREHOLDERS	% HELD
SGBS S.r.l. (Management Company)	23.10%
Fondazione Sicilia	7.40%
Fondazione Cassa di Risparmio di Alessandria	7.40%
Fondazione Pisa	7.40%
Schroders Group	6.73%
Market	47.97%

Share performance

Shares of Banca Sistema are traded on the Mercato Telematico Azionario - Italian Equities Market (MTA) of the Italian Stock Exchange, STAR segment. Banca Sistema stock is included in the following Italian Stock Exchange indices:

- FTSE Italia All-Share;
- FTSE Italia STAR;
- FTSE Italia Small Cap.

The following table shows share performance from the first day of listing, 2 July 2015, until 30 December 2015.



Source: Bloomberg

As a result of the above trends, at the end of December 2015 market capitalisation (calculated using the official price) exceeded € 312 million.

Approximately 23 million shares of Banca Sistema, for a total value of over € 95 million, were traded on the Italian Equities Market from 2 July 2015 to 30 December 2015.

ECONOMIC RESULTS

STATEMENT OF PROFIT AND LOSS (€,000)	2015	2014	Change
Interest margin	58,246	48,388	9,858
Net fee and commission income	11,170	11,470	(300)
Dividends and similar income	33	33	-
Profit (Loss) on trading	152	886	(734)
Profit from disposal or repurchase of financial assets	2,518	3,810	(1,292)
Operating income	**72,119**	**64,587**	**7,532**
Net value adjustments due to loan impairment	(5,439)	(3,645)	(1,794)
Net income from banking activities	**66,680**	**60,942**	**5,738**
Personnel expenses	(12,670)	(11,520)	(1,150)
Other administrative expenses	(20,787)	(18,965)	(1,822)
Net allowance for risks and charges	300	(369)	669
Net value adjustments to property and equipment/intangible assets	(306)	(222)	(84)
Other operating income (expenses)	72	(338)	410
Operating expenses	**(33,391)**	**(31,414)**	**(1,977)**
Profit (loss) from equity investments	-	-	-
Profit (Loss) on disposal of investments	-	-	-
Profit from current operations before taxes	**33,289**	**29,528**	**3,761**
Income taxes for the period	(10,426)	(10,133)	(293)
Profit (loss) for the period from normal operations	**22,863**	**19,395**	**3,468**
Profit (loss) for the statutory period	**17,037**		

The Bank ended 2015 with a net profit of € 17 million, which without the non-recurrent costs of the listing (of € 4.6 million) and the cost of the contribution to the National Resolution Fund (€ 1.25 million) gives a profit from normal operations of € 22.9 million, up 18% on the previous year. The economic results for 2015 are set out below with remarks, based on the profit and loss statement for normal operations.

INTEREST MARGIN (€,000)	2015	2014	€ Change	% Change
Interest and similar income				
Credit portfolios	77,685	71,024	6,661	9.4%
Securities portfolio	813	3,198	(2,385)	-74.6%
Other	760	1,622	(862)	-53.1%
Total interest income	**79,258**	**75,844**	**3,414**	**4.5%**
Interest expense and similar charges				
Due to banks	(1,198)	(1,654)	456	-27.6%
Due to customers	(18,587)	(24,163)	5,576	-23.1%
Securities issued	(1,228)	(1,638)	410	-25.0%
Total interest expense	**(21,013)**	**(27,455)**	**6,442**	**-23.5%**
Interest margin	**58,245**	**48,389**	**9,856**	**20.4%**

The interest margin is up 20.4% on last year, due to the combined effect of a fall in interest rates on collections, the increase in interest receivable from factoring and the positive trend in new business lines including loans to SMEs and salary- and pension-backed loans (CQS/CQP). Interest receivable essentially arises from the revenues generated by the core business activities of the Bank, up from 94% to 98%. Interest receivable from the factoring loans portfolio is up 9.4% and comprise essentially the revenues from factoring, which are 90% of the total of interest receivable, Interest receivable from factoring is generated by the purchase of discounted loans and does not include penalty interest from the Public Administration of about e € 82 million in relation to receivables already collected and about € 70 million on receivables not collected, a total of € 152 million (€ 121 million in 2014). In 2015, the Bank collected penalty interest on portfolios acquired mainly in previous periods, amounting to € 2.9 million. The request for penalty interest is one of the most effective ways of trying to shorten payment delays.

The increase in the margin was also due to the sharp rise in interest on salary-backed and SME portfolios, which collectively rose from € 708 thousand to € 6,840 thousand (with contributions to interest on the receivables portfolio of 3.3% and 5.3%, respectively).

Compared to 2014, however, the interest margin also shows less dependence on interest from securities, which fell by € 2.4 million due to a reduction in government bond yields during the period. Moreover, there was a smaller contribution from Other interest income chiefly caused by a decrease in income generated by revenue from investments in hot money transactions and reverse repurchase agreements with institutional clients.

The cost of funding decreased compared to the same period of the previous year due to a general reduction of market rates, which had a positive impact on wholesale funding, accompanied by a decline in deposit and current account rates, as well as by the maturity of term deposits at higher rates than current renewals.

Interest due to banks is mainly attributable to the cost of funding from other banks. With respect to the previous year, interest expense for funding from the ECB was reduced mainly through a limited use of this form of financing.

Interest payable on bond loans issued benefits from loans which expired during 2014.

Funding through REPOs, as a result of the current inter-bank rates and ECB policies, has not generated overall expenses.

COMMISSION MARGIN (€,000)	2015	2014	€ Change	% Change
Fee and commission income				
Collection activities	1,108	1,292	(184)	-14.2%
Factoring activities	10,905	10,842	63	0.6%
Other	729	403	326	80.9%
Total fee and commission income	**12,742**	**12,537**	**205**	**1.6%**
Fee and commission expense				
Placement	(1,031)	(735)	(296)	40.3%
Other	(540)	(331)	(209)	63.1%
Total fee and commission expense	**(1,571)**	**(1,066)**	**(505)**	**47.4%**
Net fee and commission income	**11,171**	**11,471**	**(300)**	**-2.6%**

Net fee and commission income, amounting to € 11.2 million, is down 2.6% due to the combined effect of increased commission paid to third parties for placements (closely related to the increase in turnover from factoring) and a decrease in commission for collections due to the reduction in managed third-party invoices, down from € 300 million to € 288 million.

Whereas, commission from factoring is unchanged on last year. Other fee and commission income mainly includes commissions linked to the placement of insurance sureties, collection and payment services and the holding and management of current accounts.

Fee and commission expense includes, under the placement item, the costs of origination of factoring receivables for € 780 thousand (up 36% on the previous period) while the remaining part includes returns to third party intermediaries for the placement of the SI Conto! Deposito product (up 57% on last year).

Other fee and commission expenses include commission due for interbank collection and payment services.

RESULTS OF THE SECURITIES PORTFOLIO (€,000)	2015	2014	€ Change	% Change
Profit (Loss) on trading				
Profit (loss) realised on trading portfolio debt securities	152	886	(734)	-82.8%
Total	**152**	**886**	**(734)**	**-82.8%**
Profit (loss) from disposal or repurchase				
Profit (loss) on AFS portfolio debt securities	2,518	3,810	(1,292)	-33.9%
Total	**2,518**	**3,810**	(1,292)	-33.9%
Total profit (loss) from securities portfolio	**2,670**	**4,696**	**(2,026)**	**-43.1%**

In 2015, profits generated by the owned portfolio and from the trading portfolio made a smaller contribution than in the same period of the previous year, following respectively less favourable market trends and a reduction in the volumes traded on behalf of third parties.

Adjustments to receivable values in 2015 amounted to a total of € 5.4 million (€ 3.6 million in 2014), with an increase in analytical adjustments to the previous period of € 4.7 million and of € 0.7 million for collective adjustments, essentially due to more outstanding receivables in the SME and salary-backed loan (CQS) portfolio.

The increase in analytical adjustments, on the other hand, is due mainly to troubled local authorities adding their contribution to NPLs (compared to the previous quarter, 2 new authorities determining an increase in analytics of € 0.5 million).

The cost of risk (calculate excluding reverse REPOs) is 0.50%.

PERSONNEL EXPENSES (€,000)	2015	2014	€ Change	% Change
Wages and salaries	(9,797)	(8,758)	(1,039)	11.9%
Social security contributions and other costs	(2,341)	(2,218)	(123)	5.5%
Directors' and statutory auditors' remuneration	(532)	(544)	12	-2.2%
Total	**(12,670)**	**(11,520)**	**(1,150)**	**10.0%**

The increase in personnel costs of € 1.2 million is due mainly to the increase in wages and salaries to the hiring of new staff, up from 106 in 2014 to 121 in 2015, partly offset by a reduction in the variable portion of pay.

OTHER ADMINISTRATIVE EXPENSES (€,000)	2015	2014	€ Change	% Change
Servicing and collection activities	(6,957)	(7,088)	131	-1.8%
Resolution Fund	(617)	-	(617)	n.a.
Consultancy	(2,795)	(1,965)	(830)	42.2%
Computer expenses	(2,980)	(2,643)	(337)	12.8%
Rent and related fees	(1,690)	(1,449)	(241)	16.6%
Indirect taxes and duties	(2,481)	(2,287)	(194)	8.5%
Advertising	(512)	(783)	271	-34.6%
Auditing fees	(262)	(293)	31	-10.6%
Other	(487)	(653)	166	-25.4%
Car hire and related fees	(619)	(508)	(111)	21.9%
Expense reimbursement and entertainment	(370)	(296)	(74)	25.0%
Membership fees	(219)	(184)	(35)	19.0%
Infoprovider expenses	(286)	(253)	(33)	13.0%
Maintenance of movables and real properties	(213)	(222)	9	-4.1%
Telephone and postage expenses	(167)	(147)	(20)	13.6%
Stationery and printing	(57)	(101)	44	-43.6%
Insurance	(66)	(68)	2	-2.9%
Discretionary payments	(9)	(26)	17	-65.4%
Total	**(20,787)**	**(18,966)**	**(1,821)**	**9.6%**

Other administrative costs of € 20.8 million are up 9.6% on 2014; given that the ordinary contributions to the National Resolution Fund, as described below, were requested only in 2015, with an unaltered perimeter, the other administrative costs rose by 6%.

Third party costs for collecting and servicing trade receivables are due mainly to commission payable on collection activities for factoring (carried out via an internal network of professionals and specialist third party companies) and for servicing activities relating to receivables from acquisitions in the salary- and pension-backed loans portfolios (CQS/CQP). The decrease in costs against 2014 is due to a percentage reduction in collections managed by third party servicers.

IT expenses are up due to the increase in services provided by the outsourcer due to a larger number of operations carried out by the Bank and IT updates related to new products.

The increase in consulting is mainly due to the additional legal expenses incurred for debt recovery and additional consulting costs for extraordinary transactions under evaluation.

Rental costs increased due to the new premises in Milan, from the second half of the previous year.

The positive amount of € 300 thousand for the provision for risks and charges is due to the release of a provision in 2014 relating to the potential risk (no longer applicable) of collecting a tax receivable acquired without recourse.

The Bank tax rate fell from 34% in 2014 to 31% in 2015 due mainly to:

- the dispositions of the Stability Law for 2015 (Law 190 dated 23 December 2014), including section 1, paragraphs 20-25 which introduced from 1 January 2015 - an important change - the full deduction, for the purposes of calculating the amount of IRAP payable, of the costs of permanent staff as specified in the ACE provision ("assistance for economic growth"), the deduction increasing from 4 to 4.5% with an increase of 40% in the multiplier (of increases in shareholders equity compared to the previous year), benefiting the Bank due to its listing on the STAR segment of the Stock Exchange from 02/07/2015.

The following shows the reconciliation of the normalised and statutory statement of profit and loss.

STATEMENT OF PROFIT AND LOSS (€,000)	2015 NORMALISED	IPO COSTS	RESOLUTION FUND	2015 STATUTORY
Interest margin	58,246	-		58,246
Net fee and commission income	11,170	-		11,170
Dividends and similar income	33	-		33
Profit (Loss) on trading	152	-		152
Profit from disposal or repurchase of financial assets	2,518	-		2,518
Operating income	**72,119**	**-**		**72,119**
Net value adjustments due to loan impairment	(5,439)	-		(5,439)
Net income from banking activities	**66,680**	**-**		**66,680**
Personnel expenses	(12,670)	(4,109)		(16,779)
Other administrative expenses	(20,787)	(2,386)	(1,852)	(25,025)
Net allowance for risks and charges	300	-		300
Net value adjustments to property and equipment/ intangible assets	(306)	-		(306)
Other operating income (expenses)	72	-		72
Operating expenses	**(33,391)**	**(6,495)**	**(1,852)**	**(41,738)**
Profit (loss) from equity investments	-	-		-
Profit (Loss) from disposal of investments	-	-		-
Profit from current operations before taxes	**33,289**	**(6,495)**	**(1,852)**	**24,942**
Income taxes for the period	(10,426)	1,919	602	(7,905)
Profit (loss) for the period	**22,863**	**(4,576)**	**(1,250)**	**17,037**

Personnel expenses include a gross variable component recognised to the management and linked to the Bank's listing.

The other administrative expenses mainly include share placement commissions, consultancy costs and other costs linked to the listing process.

The sum of € 1.9 million comprises the extraordinary contribution to the National Resolution Fund.

New legislation and taxation

Contributions to guarantee and resolution mechanism systems

The European Union issued Directive 2014/49/EU on 16 April 2014 and Directive 2014/59/EU on 15 May 2014, known respectively as the "Deposit Guarantee Schemes Directive" (DGS) and the "Bank Recovery and Resolution Directive" (BRRD) setting up the Sole Resolution Mechanism (EU Regulation 806/2014 dated 15 July 2014) to strengthen and stabilise the financial market.

Contribution expenses arising from the Deposit Guarantee Schemes Directive

The Directive establishes that national DGSs (in Italy the Interbank Deposit Safeguard Fund or FITD) should provide themselves with the necessary resources to protect deposits via obligatory contributions from the banks.

The new Directive calls for Italian banks to switch from an ex-post contribution system to a mixed system, which requires funds to be paid ex-ante until reaching, within 10 years of the Directive coming into effect (i.e. before 3 July 2024), a minimum target level, amounting to 0.8% of covered deposits.

The contributions of each entity are calculated according to the ratio of the amount of their own deposits to the overall amount of the Country's protected deposits.

On 3 December 2015, the Interbank Deposit Safeguard Fund notified that the overall contribution in 2015 to be paid by banks, corresponding to 50% of the contribution that will be required from 2016 onwards, is € 200,350.

Accounting measures for the contributions paid into the national DGS

Pursuant to recent communications the contributions will be entered into the accounts under the item "Other management charges".

Tax measures on contributions paid into the national DGS

In relation to tax, pursuant to the principle of the balance sheet providing the basis for taxable amounts, the contribution to the national DGS will be fully deductible for the purposes of establishing the amount of IRES payable and 90% for IRAP.

Voluntary Contributions to the FITD

At its extraordinary meeting on 26 November 2015, the Interbank Fund modified its Articles of Association not only to introduce ahead of time the new ex-ante funding method, but also to set up a voluntary scheme for the implementation of actions supporting banks under receivership, in distress or risk of distress, which to date is the case only with Banca Tercas.

The voluntary scheme has its own governance and acts entirely independently and separately from the compulsory scheme, using private resource provided by the participating banks independently and in addition to the compulsory contributions payable under the law and the Articles of Association. After indicating its wish to take part, the participation of banks in the scheme is binding for 2 years and for a total of € 500 million (with 265 million already allocated to Tercas) plus any expenses and charges.

In the case of action (already taken) with Tercas in the amount of €265 million, this sum should be reallocated by the compulsory scheme to the voluntary scheme by a "clearing entry" which will have no impact on the profit and loss statement of participating banks.

Participating banks could then be called upon to provide a further maximum sum of € 235 million over the next two years (for other bank "bail-ins").

If the VOLUNTARY scheme does not reach the required percentage contributions, Banca Tercas will be called upon to repay the sum so far received.

The "voluntary" mechanism will take effect provided the at least 90% of the consortium banks participate and provide 95% of coverage.

Consortium banks may show their intention to take part or pass resolutions for the purpose no later than 10 December.

The Board of Directors of the Fund "has subordinated the implementation of the scheme to some conditions, including, specifically, certainty about tax measures for the voluntary scheme, ensuring substantial neutrality with the compulsory scheme via changes in regulations to make the costs of contributions, actions on behalf of other banks and the functioning of the voluntary scheme, tax deductible.

Contribution expenses arising from the Bank Recovery and Resolution Directive

Directive 2014/59/EU defines the new resolution rules, which shall apply from 01 January 2015 to all the European Union banks in the event of financial difficulties, even if only prospective. To this end, the aforementioned directive calls for national resolution funds to have financial resources which must be provided through compulsory contributions from authorised credit institutions. In this case, too, the financing mechanism is mixed. Amounts must be paid in advance until reaching a minimum target level of 1% of covered deposits by 31 December 2024. The contributions from each entity are calculated according to the ratio of the amount of own liabilities (net of own funds and covered deposits) to the overall amount of liabilities for all the authorised credit institutions across the country. The allocation of resources from national resolution funds during 2015 will be transferred to the European Single Resolution Fund (SRF) managed by a new European Resolution Authority (Single Resolution Board - SRB), whose establishment is provided for by Regulation no. 806/2014, which introduced the Single Resolution Mechanism (SRM), which will enter into force on 01 January 2016. The Bank of Italy, pursuant to Legislative Decree 180 dated 16 November 2015, implemented the BRR Directive (59/2014) setting up the National Resolution Fund (FRN).

On the basis of the regulations enshrined in the Directive, on 23 November 2015, the Bank of Italy established the obligation to pay by 1 December 2015 the sum of € 617,287.

Subsequently, on 27 November 2015, the Bank of Italy notified the obligation by 7 December 2015 to pay the National Resolution Fund the sum of € 1,851,862, as the extraordinary contribution to the resolution process of Banca delle Marche, Banca Popolare dell'Etruria e del Lazio, Cassa di Risparmio della Provincia di Chieti and Cassa di Risparmio di Ferrara.

Accounting measures for contributions to the Resolution Fund

Pursuant to communications received by the Bank of Italy establishing the sum Banca Sistema must pay as ordinary and extraordinary contributions in 2015, these charges amounting to € 2,469,149 were entered into the accounts under the item (Other administrative charges").

Tax measures for contributions to the Resolution Fund

In relation to tax, pursuant to the principle of the balance sheet providing the basis for taxable amounts, the contribution to the national DGS will be fully deductible for the purposes of establishing the amount of IRES payable and 90% for IRAP.

Law Decree 83 of 27 June 2015

For the purposes of accelerating the emergence of losses on receivables, aligning Italy with the other EU countries and eliminating the competitive gap that has existed to date, article 16 of the Decree calls for write-downs and losses on receivables due from customers, recognised in the financial statements of banks and insurance companies, to be fully deductible both for IRES and IRAP purposes in the relevant financial year.

In an initial phase, however, the deductibility for write-downs and losses on receivables for IRES and IRAP purposes is limited to 75 per cent.

The remaining 25% may be deducted in various percentages up to the 2025 fiscal period (e.g. 5% of the residual amount in 2016, 8% in 2017, 10% in 2018 etc.).

This measure both replicates and reinforces that implemented through the Stability law for 2013, by means of which, from 2013 onwards, the write-downs and losses on receivables due from customers recorded in the financial statements had become 'deductible on a straight-line basis in the financial year during which they are recognised and the four subsequent years'.

RISK MANAGEMENT AND SUPPORT CONTROL METHODS

Comforted by the opinion of leading law and consulting firms, the listing process has enabled the Bank to carry out an in-depth and detailed assessment of "risk factors" illustrating the results to regulators, to market manager and to investors (see the Prospectus - Section IV Risk Factors).

Below are set out the leading macro categories subject to evaluation i.e. governance: with an analysis of the risks relating to the ability of the Bank to support company strategy; the macroeconomic context: "Italy country risk" was assessed and the probable impact on credit control, with particular reference to the core business of credit factoring with the PA; funding policy: with an analysis of the degree of sustainability of investments carried out by the Bank in relation to funding policy/the sources of funding; developments in operational risks: associated mainly with the management and updating of the information systems used by the Bank; the evaluation of the sufficiency of assets and the characteristic risks of banking, with the numerical presentation of capital and liquidity ratios.

With reference to the functioning of the "Risk Management System", the Bank has adopted a system based on four leading principles:

- suitable supervision by relevant company bodies and functions;
- suitable policies and procedures to manage risk (both in terms of credit risk and the granting of loans);
- suitable methods and instruments to identify, monitor and manage risks, with suitable measuring techniques;
- thorough internal controls and independent reviews.

The System is monitored by the Risk and Compliance Division, which ensures that capital adequacy and the degree of solvency with respect to its business are kept under constant control. Management continuously analyses the Bank's operations in order to fully identify the risks the Bank is exposed to (risk map). In order to reinforce its ability to manage corporate risks, the Bank set up the Risk Management Committee, which helps the CEO define strategies, risk policies and profitability targets.

The Risk Management Committee continuously monitors relevant risks and any new or potential risks arising from changes in the working environment or scheduled Bank operations.

In accordance with the 11th amendment of Bank of Italy Circular 285/13 and within the framework of the Internal Control System (Part I, Section IV, Chapter 3, Subsection II, Paragraph 5) the Bank, gave the Internal Control Committee the job of coordinating second and third level Control Departments; to that end, the Committee allows integration and interaction between these Departments, encouraging synergy, reducing overlaps and supervising operations.

Starting from 1 January 2014, the Bank has used a reference framework both to identify its own risk appetite and for the internal process of determining capital sufficiency.

This system is the Risk Appetite Framework (RAF) designed to make sure that the growth and development aims of the Bank are compatible with capital and financial solidity. The RAF comprises monitoring and alert mechanisms and related processes to take action in order to promptly intervene in the event of discrepancies with defined targets. The framework is subject to annual review in light of strategic guidelines and regulatory changes.

The methods used by the Bank to measure, assess and aggregate risks are approved by the Board of Directors, upon the proposal of the Risk Department, subject to approval by the Risk Management Committee.

In order to measure "Pillar I risks", the Bank has adopted standard methods to calculate the capital requirements for Prudential Regulatory purposes.

In order to evaluate non-measurable "Pillar II risks", the Bank adopts - where possible - the methods set out in the Regulatory framework or those established by trade associations. If there are no such indications, standard market practices by operators working at a level of complexity and operations comparable to the Bank are assessed.

OTHER INFORMATION

Report on governance and ownership

Pursuant to section 123-bis, paragraph 3 of Legislative Decree No. 58 dated 24 February 1998, a "Report on governance and ownership" has been drawn up; the document published jointly with the draft Financial Statements for the FY ended 31 December 2015 is available in the Governance Section of the Bank website (www.bancasistema.it).

Remuneration Report

Pursuant to section 84-quater, paragraph 1 of Legislative Decree No. 58 dated 24 February 1998, a "Remuneration Report" has been drawn up; the document published jointly with the draft Financial Statements for the FY ended 31 December 2015 is available in the Governance Section of the Bank website (www.bancasistema.it).

Research and development activities

No research and development activity was carried out in 2015.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related and associated parties, including relevant authorisation and disclosure procedures, are governed by the "Procedure governing transactions with associated parties" approved by the Board of Directors and published on the website of Banca Sistema S.p.A.

Transactions between the Group companies and related parties or connected parties were carried out in the interests of the Company, including within the scope of ordinary operations; these transactions were carried out in accordance with market conditions and, in any event, on the basis of mutual financial advantage and in compliance with all procedures. With respect to transactions with parties who exercise administration, management and control functions in accordance with article 136 of the Consolidated Law on Banking, they are included in the Executive Committee decision, specifically authorised by the Board of Directors and with the approval of the Statutory auditors, subject to compliance with the obligations provided under the Civil Code with respect to matters relating to the conflict of interest of directors.

ATYPICAL OR UNUSUAL TRANSACTIONS

During 2015, the Bank did not carry out atypical or unusual transactions, as defined in Consob Communication 6064293 dated 28 July 2006.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

On 4 February 2016, Banca Sistema reached an agreement with Stepstone Financial Holdings for the acquisition of 100% of the share capital of Beta Stepstone S.p.A. (hereafter "Beta" or the "Company").

The purchase is in line with the strategic plan of Banca Sistema as notified in July 2015 during the IPO. The purchase strengthens the presence of Banca Sistema in the factoring market for healthcare operators in Central and Southern Italy.

The purchase price of € 60.8 million to be paid in cash by Banca Sistema, includes penalty Late Payment Interest or LPI, not yet collected by Beta, which stood as at 30 June

2015 at about € 16 million. Pursuant to the agreement, part of the purchase price will be paid in advance via a guaranteed deposit and will be released to the Seller when Banca Sistema has collected the above payment interest. The completion of the deal during the first half of 2016 is subject to authorisation by the relevant Authorities. The purchase price is subject to review and correction at the end of the operation. Within the framework of the securitisation operation approved by the Board of Directors on 5 February 2016, on 4 March 2016 an agreement was signed to sell the first portfolio of receivables to the special purpose vehicle Quinto Sistema Sec. 2016 S.r.l for a balance sheet value of Euro 119.6 million, and the anticipation that ABS bonds will be issued by the end of March 2016. SPV Quinto Sistema Sec. 2016 S.r.l. was included on 9 March 2016n in the list of SPVs under no. 35253.4.

There were no additional significant events after the end of the period to be mentioned.

SUBSEQUENT EVENTS AND OUTLOOK AND MAIN RISKS AND UNCERTAINTIES

FY 2015 ended with continuing growth in line with the previous period in the factoring sector and the provision of SMEs and salary-backed loans.

The interest margin, based on current market conditions, will continue to benefit from essentially stable funding costs and diversification through new sources of funding. Over the reference period, new strategic commercial agreements and framework agreements were stipulated, enabling the Bank to continue its diversification process for the products provided. The aim remains to broaden the Customer base and take advantage of the opportunities presented by the excellent strategic position on the Italian market of Banca Sistema.

Net income from the listing and consequent bolstering of the Bank’s Own Funds will facilitate the achievement of its strategies and, therefore, more accurately, the strengthening and consolidation of the factoring ‘core business’ as well as the growth of the new business lines introduced in 2014, while promoting the possibility of continuing with the diversification of the business through the identification of new opportunities, including through strategic acquisitions.

PROPOSED DISTRIBUTION OF PROFITS FOR THE PERIOD

Dear Shareholders,

We submit the financial statements for the period ended 31 December 2015, showing a profit of Euro 17,037,107.19 for your approval.

We recommend the following distribution of profits:

- Euro 407,860.16 to the legal reserve;
- a dividend of Euro 4,262,315.76;
- the remainder of Euro 12,366,931.27 to be carried forward.

Milan, 15 March 2016

On behalf of the Board of Directors

The Chairman
Luitgard Spögler

The CEO
Gianluca Garbi

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(Amounts in Euros)

	Assets	31.12.2015	31.12.2014
10.	Cash and cash equivalents	104,251	66,274
20.	Financial assets held for trading	-	62,800
40.	Financial assets available for sale	925,401,846	858,007,084
60.	Due from banks	1,996,278	16,591,377
70.	Loans to customers	1,459,255,000	1,194,759,295
100.	Equity investments	2,377,570	2,377,420
110.	Property and equipment	1,046,900	1,176,601
120.	Intangible assets	1,871,896	1,904,214
	of which goodwill	1,785,760	1,785,760
130.	Tax assets	7,352,330	2,752,361
	a) current	3,536,812	41,044
	b) deferred	3,815,518	2,711,317
	as specified in Law 214/2011	2,658,441	2,261,265
150.	Other assets	12,587,718	4,322,640
	Total assets	**2,411,993,789**	**2,082,020,066**

(Amounts in Euros)

	Liabilities and shareholders' equity	31.12.2015	31.12.2014
10.	Due to banks	362,075,254	821,403,761
20.	Due to customers	1,878,338,848	1,153,796,527
30.	Securities issued	20,102,319	20,109,447
80.	Tax liabilities	804,176	6,248,024
	a) current	-	6,233,877
	b) deferred	804,176	14,147
100.	Other liabilities	55,617,999	36,591,590
110.	Employee termination indemnities	1,303,389	1,173,344
120.	Provisions for risks and charges	348,370	998,730
	b) other provisions	348,370	998,730
130.	Valuation reserves	350,413	1,778
160.	Reserves	26,929,739	9,526,896
170.	Share premium reserve	39,435,649	4,325,085
180.	Share capital	9,650,526	8,450,526
200.	Profit (loss) for the year (+/-)	17,037,107	19,394,357
	Total liabilities and shareholders' equity	**2,411,993,789**	**2,082,020,066**

INCOME STATEMENT

(Amounts in Euros)

	Items	2015	2014
10.	Interest and similar income	79,258,219	75,842,919
20.	Interest expense and similar charges	(21,012,533)	(27,455,229)
30.	**Interest margin**	**58,245,686**	**48,387,690**
40.	Fee and commission income	12,741,843	12,537,011
50.	Fee and commission expense	(1,571,431)	(1,066,587)
60.	**Net fee and commission income**	**11,170,412**	**11,470,424**
70.	Dividends and similar income	32,850	33,070
80.	Profit (Loss) on trading	151,958	885,611
100.	Profit (loss) from disposal or repurchase of:	2,518,381	3,810,045
	b) financial assets available for sale	2,518,381	3,809,959
	d) financial liabilities	-	86
120.	**Operating income**	**72,119,287**	**64,586,840**
130.	Net value adjustments/write-backs due to impairment of:	(5,439,467)	(3,644,928)
	a) receivables	(5,439,467)	(3,644,928)
140.	**Net income from banking activities**	**66,679,820**	**60,941,912**
150.	Administrative expenses:	(41,803,993)	(30,484,566)
	a) personnel expenses	(16,778,714)	(11,520,273)
	b) other administrative expenses	(25,025,279)	(18,964,293)
160.	Net allowance for risks and charges	300,000	(369,448)
170.	Net adjustments to/recoveries on property and equipment	(246,402)	(182,084)
180.	Net adjustments to/recoveries on intangible assets	(60,059)	(39,680)
190.	Other operating income (expenses)	72,293	(338,465)
200.	**Operating expenses**	(41,738,161)	(31,414,243)
210.	Profit (loss) from equity investments	-	-
250.	**Profit (loss) before tax from continuing operations**	**24,941,659**	**29,527,669**
260.	Taxes on income from continuing operations	(7,904,552)	(10,133,312)
290.	**Profit (Loss) for the period**	**17,037,107**	**19,394,357**

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in Euros)

	Items	31.12.2015	31.12.2014
10.	**Profit (Loss) for the period**	**17,037,107**	**19,394,357**
	Other income items net of taxes without reversal to the statement of profit and loss		
40.	Defined benefit plans	(45,918)	3,797
	Other income items net of taxes with reversal to the statement of profit and loss	-	-
100.	Financial assets available for sale	394,553	255,423
130.	**Total other comprehensive income (net of tax)**	**348,635**	**259,220**
140.	**Comprehensive income (Items 10+130)**	**17,385,742**	**19,653,577**

STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY AS AT 31/12/2015

Amounts in Euros

				Allocation of net result from previous year		Changes during the year								
							Operations on shareholders' equity							
	Balance at 31.12.2014	Change in opening balances	Balance at 1.1.2015	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividends	Changes in equity instruments	Derivatives on treasury shares	*Stock Options*	Comprehensive income at 31.12.2015	**Group shareholders’ equity at 31.12.2015**
Share capital:														
a) ordinary shares	**8,450,526**	-	8,450,526	-	-	1,200,000	-	-	-	-	-	-	-	**9,650,526**
b) other shares	**-**	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premium reserve	**4,325,085**	-	4,325,085	-	-	35,110,564	-	-	-	-	-	-	-	**39,435,649**
Reserves	**9,526,896**	-	9,526,896	17,422,568	-	(19,725)	-	-	-	-	-	-	-	**26,929,739**
a) retained earnings	**10,281,622**	-	10,281,622	17,422,568			-	-			-	-	-	**27,704,190**
b) other	**(754,726)**	-	(754,726)	-	-	(19,725)	-	-			-	-	-	**(774,451)**
Valuation reserves	**1,778**	-	1,778	-	-	-	-	-			-	-	348,635	**350,413**
Equity instruments	**-**	-	-	-	-	-	-	-			-	-	-	**-**
Treasury shares	**-**	-	-	-	-	-	-	-			-	-	-	**-**
Profit (Loss) for the period	**19,394,357**	-	19,394,357	(17,422,568)	(1.971.789)	-	-	-			-	-	17,037,107	**17,037,107**
Shareholders' equity	**41,698,642**	-	**41,698,642**	-	**(1.971.789)**	**36,290,839**	-	-	-	-	-	-	**17,385,742**	**93,403,434**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31/12/2014

Amounts in Euros

	Balance at 31.12.2013	Change in opening balances	Balance at 1.1.2014	Allocation of net result from previous year		Changes during the year								**Group shareholders' equity at 31.12.2014**
							Operations on shareholders' equity							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividends	Changes in equity instruments	Derivatives on treasury shares	*Stock Options*	Comprehensive income at 31.12.2014	
Share capital:														
a) ordinary shares	**8,450,526**	-	8,450,526	-	-	-	-	-	-	-	-	-	-	**8,450,526**
b) other shares	**-**	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premium reserve	**4,325,085**	-	4,325,085	-	-		-	-	-	-	-	-	-	**4,325,085**
Reserves	**1,998,262**	-	1,998,262	7,548,357	-	(19,722)	-	-	-	-	-	-	-	**9,526,896**
a) retained earnings	**2,733,265**	-	2,733,265	7,548,357	-	-	-	-			-	-	-	**10,281,622**
b) other	**(735,003)**	-	(735,003)	-	-	(19,722)	-	-			-	-	-	**(754,726)**
Valuation reserves	**(257,442)**	-	(257,442)	-	-	-	-	-			-	-	259,220	**1,778**
Equity instruments	**-**	-	-	-	-	-	-	-			-	-	-	**-**
Treasury shares	**-**	-	-	-	-	-	-	-			-	-	-	**-**
Profit (Loss) for the period	**8,252,568**	-	8,252,568	(7,548,357)	(704,211)	-	-	-			-	-	19,394,357	**19,394,357**
Shareholders' equity	**22,768,999**	-	**22,768,999**	-	**(704,211)**	**(19,722)**	-	-	-	-	-	-	**19,653,577**	**41,698,642**

STATEMENT OF CASH FLOWS (direct method)

Amounts in Euros

	31/12/2015	31/12/2014
A. OPERATING ASSETS		
1. Management	**12,989,216**	**25,244,399**
▪ interest income collected	79,258,219	75,842,919
▪ interest expense paid	(21,012,533)	(27,455,229)
▪ net commission	11,170,412	11,470,425
▪ personnel expenses	(15,122,614)	(9,741,151)
▪ other costs	(49,750,998)	(20,309,058)
▪ taxes and duties	8,446,730	(4,563,507)
2. Cash flows from (used in) financial assets	**(324,091,103)**	**(73,478,770)**
▪ financial assets held for trading	214,758	822,811
▪ financial assets available for sale	(64,527,746)	(6,893,345)
▪ receivables due from customers	(269,935,172)	(108,702,852)
▪ due from banks: on demand	14,595,099	42,148,937
▪ other assets	(4,438,042)	(854,321)
3. Cash flows generated by/used in financial liabilities	**276,912,831**	**52,077,698**
▪ payables due to banks: on demand	(459,328,507)	(110,176,472)
▪ due to customers	724,542,321	165,744,529
▪ securities issued	(7,128)	(15,106,410)
▪ other liabilities	11,706,145	11,616,051
Net cash flow from (used in) operating activities	**(34,189,056)**	**3,843,327**
B. INVESTMENT ACTIVITIES		
1. Cash flows from	**32,850**	**33,070**
▪ dividends collected on equity investments	32,850	33,070
2. Cash flows used in	**(144,592)**	**(3,176,873)**
▪ purchases of equity investments	(150)	(2,377,420)
▪ purchases of tangible assets	(116,701)	(683,696)
▪ purchases of intangible assets	(27,741)	(115,757)
Net cash flow from (used in) financing activities	**(111,742)**	**(3,143,803)**
C. FINANCING ACTIVITIES		
▪ issues/purchases of treasury shares	36,310,564	-
▪ dividend distribution and other purposes	(1,971,789)	(704,211)
Net cash flow from (used in) financing activities	**34,338,775**	**(704,211)**
NET CASH FLOW GENERATED/USED DURING THE YEAR	**37,977**	**(4,686)**

RECONCILIATION		
Cash and cash equivalents at the beginning of the year	66,274	70,960
Total net cash flow generated/used during the year	37,977	(4,686)
Cash and cash equivalents: effect of change in exchange rates	-	-
Cash and cash equivalents at balance sheet date	104,251	66,274

NOTES TO THE FINANCIAL STATEMENTS

PART A - ACCOUNTING POLICIES

A.1 - GENERAL PART

SECTION 1 - Statement of compliance with international accounting standards

The Financial statements of Banca Sistema S.p.A. as at 31 December 2015 were drawn up in accordance with International accounting standards - called IAS/IFRS - issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and approved by the European Commission, as established by EU Regulation no. 1606 of 19 July 2002, adopted in Italy by Art. 1 of Legislative Decree no. 38 of 28 February 2005 and considering circular by the Bank of Italy no. 262 of 22 December 2005, regarding the forms and rules for drafting the Banks' Financial Statements, as amended by the fourth update of 15 December 2015.
The International Accounting Standards are applied by referring to the "Systematic Framework for preparing and presenting Financial Statements" (Framework).
If there is no standard or interpretation that applies specifically to a transaction, other event or circumstance, the Board of Directors uses its judgement to develop and apply an accounting standard in order to provide disclosure that:

- is relevant to the purposes of the financial decisions made by the users;
- is reliable, so that the consolidated financial statements:
  - faithfully represent the capital/financial position, the profit and loss and the cash flows of the entity;
  - reflect the economic substance of the operations, other events and circumstances and not merely the legal form;
  - are neutral, i.e. devoid of prejudice;
  - are prudent;
  - are complete, with reference to all relevant aspects.

When exercising the aforementioned judgement, the Board of Directors of the Bank has made reference to and considered the applicability of the following sources, described in descending order of importance:

- the provisions and application guidelines contained in the Principles and Interpretations governing similar or related cases;
- the definitions, recognition criteria and measuring concepts for accounting for the assets, liabilities, revenues and costs contained in the "*Systematic framework*".

When expressing an opinion, the Board of Directors may also consider the most recent provisions issued by other bodies that rule on accounting standards that use a "Systematic framework" similar in concept to developing accounting standards, other accounting literature and consolidated practices in the sector.
In accordance with Art. 5 of Legislative Decree no. 38 of 28 February 2005, if, in exceptional cases, the application of a provision imposed by the international accounting standards were incompatible with the true and correct representation of the capital or financial position or the profit and loss result, the provision would not apply. The justifications for any exceptions and their influence on the representation of the capital situation or financial position or profit and loss would be explained in the Notes to the financial statements.
Any profits resulting from the exception would be recorded in a non-distributable reserve if they did not correspond to the recovered value in the financial statements. However, no exceptions to the IAS/IFRS were applied. The financial statements were audited by KPMG S.p.A..

SECTION 2 - General accounting policies

The Financial Statements are drawn up with clarity and are a true and faithful representation of the capital and financial position and the profit and loss for the year, the changes in shareholders' equity and the cash flows and comprise the statement of financial position, the income statement, statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and the notes to the financial statements.

The Financial Statements are accompanied by the Director's Report on Management Performance. If the information required by the international accounting standards and provisions contained in Circular no. 262 of 22 December 2005 and/or the subsequent updates issued by the Bank of Italy are not sufficient to give a true and correct representation that is relevant, reliable, comparable and understandable, the notes to the financial statements provide the additional information required.

The general principles that underlie the drafting of the financial statements are set out below:

- the measurements are made considering that the company will continue as an ongoing business guaranteed by the financial support of the Shareholders;
- costs and revenue are accounted for on an accrual basis;
- in order to ensure the comparability of the data and information in the financial statements and the notes to the financial statements, the methods of representation and classification are kept constant over time unless they are changed to present the data more appropriately;
- each significant class of similar items is separately indicated in the statement of financial position and income statement; items with dissimilar natures or uses are presented separately unless they are considered to be irrelevant;
- accounts that have no associated sums for the financial year or for the previous financial year are not indicated in the statement of financial position or the income statement;
- if an element of the assets or liabilities comes under several items in the statement of financial position, the notes to the financial statements make reference to the other items under which it is recorded if it is necessary for a better understanding of the financial statements.
- the items are not offset against one another unless it is expressly requested or allowed by an international accounting standard or an interpretation or the provisions of the aforementioned Circular no. 262 of 22 December 2005 as amended by the Bank of Italy;
- the financial statements are drafted by favouring substance over form and in accordance with the principle of relevance and significance of the information;
- comparative data for the previous financial year are presented for each account of the statement of financial position and income statement; if the accounts are not comparable to those of the previous year, they are adapted and the non-comparability and adjustment/or impossibility thereof are indicated and commented on in the notes to the financial statements;
- the layout recommended by the Bank of Italy was used with reference to the information reported in the notes to the financial statements; they were not presented if they were not applicable to the Bank's business.

Within the scope of drawing up the financial statements in accordance with the IAS/IFRS, company management must make assessments, estimates and assumptions that influence the amounts of the assets, liabilities, costs and returns for the period.

As provided in IAS 8, it is essential to make reasonable estimates when preparing the financial statements. The estimates that had to be made when drawing up these financial statements do not adversely affect their reliability; these estimates are regularly revised and are mainly based on previous experience.

Any changes resulting from the revision of the accounting estimates are reported in the period in which the revision is made if it relates only to that period. If the revision relates to either current or future periods, the change is reported in the period in which the revision is made and in the relevant future periods.

Pursuant to the provisions of Art. 5 of Legislative Decree no. 38 of 28 February 2005, the financial statements use the Euro as the currency for accounting purposes. Amounts presented in the financial statements are in thousands of Euro. Note the following in reference to regulatory developments in the IAS/IFRS international accounting standards.

Main international accounting standards in effect from 2015

The accounting standards adopted for the drafting of the financial statements are expressed, with reference to the classification, recording, valuation and derecognition phases for the various assets and liabilities, like the methods for recognising costs and revenues, have remained unchanged compared with 2014 financial statements. As part of the process of revising and harmonising the regulatory framework with the aim of reinforcing the degree of solidity and solvency of banking intermediaries and reducing the extent of discretion in accounting and prudential definitions of various European Union Member States, the European Banking Authority (EBA) has drawn up specific technical standards, known as "Implementing Technical Standards" (ITSs), concerning the definitions of non-performing exposures and forborne exposures.

On 20 January 2015, these new regulatory developments were adopted by the Bank of Italy, which in particular amended Circular 272 "Matrix of accounts" and Circular 262 "Bank financial statements: presentation and compilation rules".

“In particular, three classes of non-performing exposures have been defined: past due, unlikely to pay and doubtful. The previous notions of watchlist loans and restructured exposures have therefore been abolished. The definitions of "past due" and "doubtful exposures" are consistent with previous legislation; Unlikely to pay is an additional new category of non-performing exposures for which the bank believes it to be unlikely that the debtor will be able to repay its credit obligations in full (principal and interest), without any need for legal action to protect credit. This assessment is conducted by the bank regardless of the presence of any cases of non-payment and therefore it is not necessary to await express manifestation of signs of difficulty.

The additional class of forborne exposures, across all categories of non-performing and performing loans, has also been introduced. In these Financial Statements, exposures previously classified as watchlist and restructured that did not meet the requirements for classification as doubtful have been included in the category in question.

For comparative purposes, credit exposures as at 31 December 2014 have been restated. Subjective watchlist positions have been reassigned to the new category of unlikely to pay, whereas objective watchlist positions (i.e., positions in respect of the public administration overdue by more than 270 days, for which the Bank does not believe that facts and circumstances support the presumption of default) have been reclassified among past due exposures.

Given the current prevalence of credit exposures to the public administration, no forborne exposures have been identified.

SECTION 3 - Subsequent events

With regard to IAS 10, after 31 December 2015, the balance-sheet date, and up to 15 March 2016, the date that the financial statements were presented to the Board of Directors, no events occurred that would require any adjustments to the figures in the financial statements.

SECTION 4 - Other aspects

Non ci sono aspetti significativi da segnalare.

A.2 - INFORMATION ON THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

1. Financial assets held for trading

Classification criteria

This item classifies the financial instruments on a cash basis held for trading[2]. A financial asset or liability is classified as held-for-trading (so-called Fair Value Through Profit or Loss - FVPL), and recorded under 20 “Held-for-trading financial assets” or 40 “Held-for-trading financial liabilities”, if it is:

- purchased or held mainly to sell it or repurchase it in the short term;
- part of a portfolio of identified financial instruments managed on a single basis and where there is evidence of a recent and effective strategy aimed at obtaining profit in the short term;

- a derivative (apart from designated derivatives that are effective hedging instruments - see paragraph below on this issue);

Recognition criteria

Initial recognition of the held-for-trading financial assets occurs:

I) at the settlement date for debt securities, capital and shares in UCITS;

II) at the subscription date for derivative contracts.

The initial recognition of held-for-trading financial assets is at fair value, not including any transaction costs or income that are directly recognised on the income statement even though directly attributable to the instrument.

The initial fair value of a financial instrument is usually the cost incurred for its acquisition.

Measurement and recognition criteria for income components

Following initial recognition, held-for-trading financial assets are measured at fair value, and any changes are recorded in the income statement.

For more details on the methods of calculating the fair value please refer to paragraph 17.3 below “Criteria for calculating the fair value of financial instruments”.

Gains and losses on disposal or redemption and unrealised gains or losses resulting from changes in the fair value of held-for-trading financial assets are recognised on the income statement under “net income from trading activities”.

Derecognition criteria

Held-for-trading financial assets are derecognised when the contractual rights on the cash flows deriving from the assets are lost, or in the case of a transfer, when the same entails the substantial transfer of all risks and benefits related to the assets.

2. Available-for-sale financial assets

Classification criteria

This category includes the non-derivative financial assets not classified otherwise as “Held-for-trading financial assets” or “Held-to-maturity financial assets” or “Financial assets measured at fair value” or “Receivables”.

The investments “available for sale” are financial assets that are intended to be retained for an indefinite period of time and that may be sold for reasons of liquidity, changes in interest rates, exchange rates or market prices.

A financial instrument is designated to the category in question when it is initially recorded or following any reclassifications in accordance with paragraphs 50 to 54 of IAS 39, as amended by Regulation (EC) no. 1004/2008 of the European Commission of 15 October 2008.

Recognition criteria

Initial recognition of available-for-sale financial assets is at the date of settlement, based on their fair value including the costs/income of the transaction directly attributable to the acquisition of the financial instrument. Costs/income having the aforesaid characteristics that will be repaid by the debtor or that can be considered as standard internal administrative costs are excluded.

The initial fair value of a financial instrument is usually the cost incurred for its acquisition.

Measurement and recognition criteria for income components

Following initial recognition, available-for-sale financial assets are measured at their fair value with any gains or losses resulting from a change in the fair value compared to the amortised cost, recorded in a specific equity reserve recorded in the statement of comprehensive income up until said financial asset is derecognised or an impairment loss is recorded.

[2] The positions held for trading purposes are those that are meant to be subsequently transferred in the short term and/or held in order to provide short-term benefits in the difference between the purchase and the sales price or other price changes or interest rate changes. The positions are intended to mean own positions or positions resulting from Customer services or trading support (Market making).

For more details on the methods of calculating the fair value please refer to paragraph 17.3 below "Criteria for calculating the fair value of financial instruments".

With reference to the valuation reserves relating to debt securities issued by the Central Authorities of countries belonging to the European Union, the Bank of Italy issued an order on 18 May 2010 recognising - for the purposes of calculating the regulatory capital (prudential filters) - the option of fully neutralising the capital gains and losses reported in the aforesaid reserves after 31 December 2009. The Bank availed of that option starting from calculation of the regulatory capital.

Impairment testing is performed in accordance with paragraphs 58 et seq. of IAS 39 at every year-end. As regards equity securities listed on an active market, a significant or prolonged reduction of the fair value below the purchase cost is also evidence of impairment.

If the fair value is reduced in cost by more than 50% or in duration by more than 18 months, the impairment is considered to be permanent. If, however, the decrease in the fair value of the cost of the instrument is lower than or equal to 50% but above 20%, or in duration by not more than 18 months but not less than 9, the Bank will analyse other income and market indicators. If the results of said analysis are such as to shed doubt on the possibility of recovering the amount originally invested, permanent impairment will be recognised. The amount transferred to the income statement is therefore equal to the difference between the book value (acquisition cost net of any losses due to impairment already reported in the income statement) and the current fair value.

The amount of any impairment is recorded under the income statement item "net value adjustments/write- backs due to impairment of available-for-sale financial assets". This amount also includes the reversal to the income statement of any profits/losses from the measurement previously recorded in the specific shareholders' equity reserve. If, in a subsequent period, the fair value of the financial instrument increases and this increase may be objectively related to an event that occurred after the impairment was reported in the income statement, the impairment must be eliminated by reporting the write-back under the same income statement item where monetary elements (for example, debt securities) and shareholders' equity if they relate to non-monetary items are reported (for example, equity securities). The write-back in the income statement may not, in any event, exceed the amortised cost that the instrument would have had in the absence of the previous adjustments. Interest income on the aforesaid financial assets is calculated by applying effective interest rate criteria with recognition of the result under the income statement item "interest income and similar income".

The profits and losses deriving from the disposal or reimbursement of the aforementioned financial assets are reported in the income statement item "Profits (losses) from disposal or repurchase of: available- for-sale financial assets" and include the possible reversal to the income statement of the profits/losses previously recorded in the specific shareholders' equity reserve.

Derecognition criteria

Available-for-sale financial assets are derecognised when the contractual rights on the cash flows deriving from the assets expire, or in the case of a transfer, when the same entails the substantial transfer of all risks and benefits related to the financial assets.

3. Held-to-maturity financial assets

Held-to-maturity financial assets (HTM) are non- derivative financial assets, with fixed or calculable payments and fixed maturities for which there is the objective intention and capacity to hold them to maturity. The following are not included:

(a) those held for trading and those carried at fair value upon initial recognition recognised in the income statement (see paragraph 1: held-for-trading financial assets);
(b) those designated as available for sale (see previous paragraph);
(c) those that meet the definition of receivables and loans (see paragraph below).

When the financial statements or interim accounts are being drafted, the intention and capacity to hold financial assets to maturity is assessed.

These assets are reported under item "50 Held-to-maturity financial assets".

Recognition criteria

The held-to-maturity financial assets are initially reported when, and only when, the Bank becomes party to the contractual clauses of the instrument, or at the time of settlement, at a value equal to the cost, inclusive of any directly attributable costs and income. If the reporting of this asset in this category derives from reclassification from the "Available-for-sale financial assets" or - only in rare circumstances if the asset is no longer owned for the purpose or selling or repurchasing it in the short term - by the "Held-for-trading financial assets", the fair value of the asset, recorded at the time of transfer, is taken as the new measurement of the amortised cost of this asset.

Measurement criteria

The held-to-maturity financial assets are valued at the amortised cost, using the effective interest rate method (for a definition of this, please refer to the paragraph below "Receivables and Loans"). The result from applying this method is charged to the income statement in item "10 Interest income and similar income".

Impairment testing of the assets is performed when drafting the financial statements or the interim reports. If there is impairment, the difference between the book value of the asset and the current value of the estimated future cash flows, discounted at the original effective interest rate, is charged to the income statement under "130 Net value adjustments/write-backs due to impairment of c) held-to-maturity financial assets". The same income statement item also reports any write-backs recorded if the reasons behind the previous value adjustments are no longer valid.

The fair value of the held-to-maturity financial assets is determined for information purposes or to ensure effective hedging against exchange risk or credit risk (in relation to the risk subject to hedging).

Derecognition criteria

Held-to-maturity financial assets are derecognised when the contractual rights on the cash flows deriving from the assets are expired, or in the case of a transfer, when the same entails the substantial transfer of all risks and benefits related to the assets. The result of the disposal of the held-to-maturity financial assets is charged to the income statement under "100 Profits (losses) from the disposal or repurchase of c) held-to-maturity financial assets".

4. Receivables

4.1. Due from banks

Classification criteria

This category includes cash financial assets held at banks that provide for fixed or calculable payments and are not listed on a market (current accounts, guarantee deposits, debt securities etc.).

It also includes amounts due from Central Banks that are not demand deposits (which are recorded under "Cash and cash equivalents").

Please refer to paragraph 4.2 below "Loans to customers" for information regarding reporting, measurement, derecognition and recognition of the income items of the receivables.

4.2. Loans to customers

Classification criteria

Loans to customers include unstructured cash financial assets for customers that have fixed or calculable payments and that are not quoted on an active market.

Most loans to customers comprise on demand advances to customers as part of the factoring of non-recourse receivables acquired with respect to the Public Administration, where there are no contractual clauses that would prevent them from being registered.

In accordance with the general principle of the precedence of economic substance over legal form, a company may cancel a financial asset from its financial statements only if it is through a transfer of the risks and benefits related to the transferred instrument.

IAS 39 provides that a company can only cancel a financial asset from its financial statements if and only if:

a) the financial asset is transferred and, with this, essentially all of the risks and contractual rights to the cash flows deriving from the asset expire;
b) the benefits attached to ownership of the asset are no longer valid.

The following conditions must be checked on an alternative basis in order for the financial asset to be transferred:

a) the company has transferred the rights to receive cash flows from the financial asset;
b) the company has maintained the right to receive the cash flows from the financial asset, but has assumed the obligation to pay them to one or more beneficiaries as part of an agreement in which the following conditions are met:
   - the company is under no obligation to pay predetermined sums to any beneficiary apart from what is received from the original financial asset;
   - the company may not sell or pledge the financial asset;
   - the company is under an obligation to transfer any financial flow that it collects, on behalf of any beneficiaries, without delay. Any investment of the financial flows for a period between cashing them and payment must take place only with financial assets that are equivalent to cash and therefore with no right to any interest that has matured on said invested sums.

In order to verify the transfer of a financial asset that results in the cancellation of the assignor from the financial statements, for each transfer the assigning company must assess the extent of any risks and benefits connected to the financial asset it holds.

In order to evaluate the actual transfer of the risks and benefits, the exposure of the assigning company must be compared with the variability of the current value or the financial flows generated by the financial asset transferred, before and after the assignment.

The assigning company essentially maintains all the risks and benefits when its exposure to the "variability" of the current value of the net future financial flows does not change significantly following its transfer. However, there is a transfer when the exposure to this "variability" is no longer significant.

In summary, there can be three situations and each has specific effects, namely:

a) a) if the company transfers almost all of the risks and benefits of ownership of the financial asset, it must 'write-off' the financial asset and record the rights or obligations deriving from the assignment separately as assets or liabilities;
b) if the company maintains almost all of the risks and benefits of ownership of the financial asset, it must continue to recognise the financial asset;
c) if the company does not transfer or maintain almost all of the risks and benefits of ownership of the financial asset, it must evaluate the elements of control of the financial asset, and:
   - if it does not have control, it must write off the financial asset and separately recognise the individual assets/liabilities resulting from the rights/obligations of the assignment;
   - if it maintains control, it must continue to recognise the financial asset up to the limit of its investment commitment.

In order to check control, the discriminating factor to consider is the beneficiary's capacity to unilaterally assign the financial asset without any restrictions by the assigning company. If the beneficiary of a financial asset transfer can sell the entire financial asset to a non-related third party and can do it unilaterally without having to impose any further limitations on the transfer, the assigning company no longer controls the financial asset.

In all other cases, it maintains control over the financial asset.

The most frequently used forms of assigning a financial instrument may have profoundly different accounting effects:

- in the case of non-recourse transactions (with no guarantee restrictions), the assigned assets may be deleted from the assigning company's financial statements;
- in the case of a with-recourse assignment, in the majority of cases the risk connected to the transferred asset remains with the seller and, therefore the assignment does not meet the requirements to have the instrument sold written off on an accounting basis.

Recognition criteria

Initial recognition of a receivable is at the date of settlement on the basis of its fair value including the costs/income of the transaction directly attributable to the acquisition of the receivable.

Costs/income having the aforesaid characteristics that will be repaid by the debtor or that can be considered as standard internal administrative costs are excluded. The initial fair value of a financial instrument is usually equivalent to the amount granted or the cost incurred by the acquisition.

Measurement and recognition criteria for income components

Following initial recognition, loans to customers are stated at amortised cost, equal to the initial recognition value reduced/increased by capital repayments, by any value adjustments/write-backs and the amortisation - calculated on the basis of the effective interest rate - of the difference between the amount provided and that repayable at maturity, usually the cost/income directly attributed to the individual loan.

The effective interest rate is the rate that discounts the flow of future payments estimated for the expected duration of the loan, in order to obtain the exact net book value at the time of initial recognition, which includes both the directly attributable transaction costs and all of the fees paid or received between the parties.

This accounting method, based on financial logic, enables the economic effect of costs/income to be spread over the expected residual life of the receivable.

The estimation of the flows and of the contractual duration of the loan takes into account all contractual clauses that may influence the amounts and the maturities (such as, for example, early extinction and various exercisable options), without considering, on the other hand, any losses expected on the loan.

Furthermore, an analysis is always performed to identify problem loans that show objective evidence of possible impairment at year-end.

The methods used to calculate the analytical and generic write-downs applied to the credit portfolio are described below. In particular, exposures classified as impaired loans are analysed in order to quantify the potential impairment of the individual loan.

With reference to the impaired positions from the factoring portfolio with the Public Administration, the Bank makes an analytical write-down for the Municipalities who are registered as having “financial difficulty” status in accordance with legislative decree 267/00.

If appropriate write-downs were not made at the pricing stage, the Bank makes an analytical write-down on the outstanding value of the loan net of the rediscount which has not yet fallen due.

The percentage write-down, without the Bank loss figures, was defined in accordance with the market benchmark.

On the other hand, with respect to the credit positions from the factoring portfolio where the debtor counterparty is a private company, the Bank does not record doubtful positions and therefore only applies a collective write-down to those positions. For all the factoring portfolio credit positions that are classified as performing and past due (Public Administration and private), the Bank makes a prudential write-down, defining a segment of the portfolio through specific clusters defined when acquiring the portfolios and for which it makes in-depth assessments at the pricing stage, and therefore on those types of receivables and also exposures to Central Administration offices (for example Ministries). On the other hand, with respect to the exposures related to ordinary factoring receivables, a generic write-down was applied by applying a fixed percentage to the factoring portfolio. With reference to the impaired loans forming part of the SME portfolio, the Bank writes-down the entire portion of the loan that is not backed by the Guarantee Fund issued by Mediocredito Centrale.

With respect to performing SME loans, the Bank defined a generic write-down in accordance with the percentage of impaired income observed on its portfolio.

With respect to the pension and salary-backed loans, since no non-performing positions have been recorded, the Bank wrote-down the receivables on the basis of market benchmarks.

Derecognition criteria

Loans are derecognised from the financial statements when they are deemed totally unrecoverable or if transferred, when this entails the substantial transfer of all loan-related risks and benefits.

5. Financial assets measured at fair value

At the date of the financial statements, the company did not hold any "*Financial assets measured at fair value*".

6. Hedging transactions

At the date of the financial statements, the Company had not made any "*Hedging transactions*".

7. Equity investments

Classification criteria

This category includes investments in subsidiaries, associates and joint ventures by Banca Sistema.

Recognition criteria

Equity investments are recorded in the financial statements at purchase cost.

Measurement criteria

If there is evidence that the value of an equity investment may be impaired, the recoverable value of said equity investment is estimated by considering the present value of future cash flows that the investment could generate, including the final disposal value of the investment and/or other measurement elements. The amount of any impairment, calculated on the basis of the difference between the book value of the investment and its recoverable value is recorded in the income statement under "profits (losses) from equity investments". If the reasons for impairment are removed following an event occurring after recognition of the impairment, write-backs are made to the income statement under the same item as above to the extent of the previous adjustment.

Derecognition criteria

Equity investments are derecognised from the financial statements when the contractual rights to cash flows deriving from the investment are lost or when the investment is transferred, with the substantial transfer of all related risks and benefits.

Recognition criteria of income components

In accordance with IAS 18, dividends are recorded when the right of the shareholder to receive payment has been established and, therefore, after the date of resolution of the Shareholders' Meeting of the investee company.

8. 8. Property and equipment

Classification criteria

This item includes assets for permanent use, held to generate income, to be leased, or for administrative purposes, such as land, functional property, property investments, technical installations, furniture and fittings and equipment of any nature and works of art. They also include costs for improvements to third party assets if they can be separated from the assets in question. If the above costs do not display functional or usefulness-related autonomy, but future economic benefits are expected from them, they are recorded under "other assets" and are depreciated over the shorter period between that of expected usefulness of the improvements in question and the residual duration of the lease. Depreciation is recognised under Other operating charges/income. Property, plant and equipment also include payments on account for the purchase and restructuring of assets not yet part of the production process and therefore not yet subject to depreciation. "Functional" property, plant and equipment are represented by assets held for the provision of services or for administrative purposes, while property held for "investment purposes" are those held to collect lease rentals and/or held for capital appreciation.

Recognition criteria

Property, plant and equipment are initially recorded at cost, including all costs directly attributable to installation of the asset. Extraordinary maintenance costs and costs for improvements leading to actual improvement of the asset, or an increase in the future benefits generated by the asset, are attributed to the reference assets and are depreciated on the basis of their residual useful life.

Measurement and recognition criteria for income components

Following initial recognition, "functional" property, plant and equipment are recorded at cost, less accumulated depreciation and any write-downs for impairment losses, in line with the "cost model" illustrated in paragraph 30 of IAS 16. More specifically, property, plant and equipment are systematically depreciated each year on the basis of their estimated useful life, using the straight line basis method apart from:

- land, regardless of whether this was purchased separately or was incorporated into the value of the building, which, insofar as it has an indefinite useful life, is not depreciated;
- works of art, which are not depreciated as their useful life cannot be estimated and their value typically appreciates over time;
- property investments which are recorded at fair value in accordance with IAS 40.

For assets acquired during the financial year, depreciation is calculated on a daily basis from the date of entry into use of the asset. For assets transferred and/or disposed of during the financial year, depreciation is calculated on a daily basis until the date of transfer and/or disposal.

At the end of each year, if there is any evidence that property, plant or equipment that is not held for investment purposes may have suffered an impairment loss, a comparison is made between its book value and its recoverable amount, equal to the higher between the fair value, net of any costs to sell, and the related value in use of the asset, intended as the actual value of future cash flows expected from the asset. Any adjustments are recognised to the income statement under "net value adjustments on property, plant and equipment".

If the reasons that led to recognition of the impairment loss cease to apply, a write-back is recorded that may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment losses. For property, plant and equipment held "for investment purposes", which come within the area of application of the IAS 40, the measurement is made at the market value determined using independent surveys and the changes in fair value are recorded in the income statement under the item "net result of the fair value measurement of property, plant and equipment and intangible assets".

Derecognition criteria

Property, plant and equipment is derecognised from the statement of financial position upon disposal thereof or when the asset is permanently withdrawn from use and no future economic benefit is expected from its disposal.

9. Intangible assets

Classification criteria

This item includes non-monetary assets without physical substance that satisfy the following requirements:

- they can be identified;
- they can be monitored;
- they generate future economic benefits.

In the absence of one of the above characteristics, the expense of acquiring or generating the asset internally is recorded as a cost in the year in which it was incurred.

Intangible assets include, in particular, software to be used over several years and other identifiable assets generated by legal or contractual rights.

Goodwill is also included under this item, representing the positive difference between the acquisition cost and fair value of the assets and liabilities acquired as part of a business combination). Specifically, an intangible asset is recognised as goodwill when the positive difference between the fair value of equity components acquired and the acquisition cost represents the future capacity of the equity investment to generate profit (goodwill). If this difference proves negative (badwill), or if the goodwill offers no justification of the capacity to generate future profit from the equity elements acquired, it is recognised directly to the income statement.

Measurement criteria

The value of the intangible assets is systematically amortised from the time of their input into the production process.

With reference to the goodwill, on an annual basis (or at the time of an impairment loss), an assessment test is carried out on the adequacy of its book value. For this purpose, the Unit generating the financial flows to which the goodwill is attributed, is identified.
The amount of any impairment is determined by the difference between the goodwill book value and its recovery value, if lower.
This recovery value is equal to the higher amount between the fair value of the Unit that generates the financial flows, net of any sale cost, and its value in use.
As stated above, any consequent value adjustments are recognised in the income statement.

Derecognition criteria

An intangible asset is derecognised from the statement of financial position at the time of its disposal and if there are no expected future economic benefits.

10. Held-for-sale non-current assets

At the date of the financial statements, the company did not hold any non-current assets held for sale.

11. Current and deferred taxes

Income taxes for the period, calculated in compliance with prevailing tax regulations, are recorded in the income statement based on the accrual criteria, in accordance with the recognition in the financial statements of the costs and of the revenues that generated them, apart from those referring to the items directly debited or credited to the shareholders' equity, where the recognition of the tax is made on the shareholders' equity in order to be consistent.
Allocations for income taxes are calculated on the basis of a prudential estimate of the current, prepaid and deferred tax burden. More specifically, prepaid and deferred taxes are determined on the basis of the temporary differences between the book value of assets and liabilities and their value for taxation purposes. Prepaid tax assets are recorded in the financial statements to the extent that it is probable that they will be recovered on the basis of the Company's ability to continue to generate positive taxable income.
Prepaid and deferred taxes are accounted for at equity level with open balances and without offsetting entries, recording the former under "Tax assets" and the latter under "Tax liabilities".
With respect to current taxes, at the level of individual taxes, the prepayments made are offset with the relevant tax charge, indicating the net imbalance under "current tax assets" or the "current tax liabilities" depending on whether it is positive or negative.

12. Provisions for risks and charges

In line with the requirements of IAS 37, provisions for risks and charges cover liabilities, the amount or timing of which is uncertain, related to current obligations (legal or implicit), owing to a past event for which it is likely that financial resources will be used to fulfil the obligation, on condition that an estimate of the amount required to fulfil said obligation can be made at the balance-sheet date. Where the temporary deferral in sustaining the charge is significant, and therefore the extent of the discounting will be significant, provisions are discounted at current market rates.
The provisions are reviewed at the balance-sheet date and adjusted to reflect the current best estimate. These are recorded under their own items in the income statement in accordance with a cost classification approach based on the "nature" of the cost. Provisions related to future charges for employed personnel relating to the bonus system appear under "personnel costs". The provisions that refer to risks and charges of a fiscal nature are reported as "income taxes", whereas the provisions connected to the risk of potential losses not directly chargeable to specific items in the income statement recorded as "*net allocations for risks and charges*".

13. Payables and securities in issue

Classification criteria

Amounts due to banks and due to customers include the various forms of inter-banking or client funding deposits (current accounts, demand and bonded deposits, loans, repurchasing agreements, etc.)

whereas securities in issue include all the liabilities issued (bond loans not classified as "f*inancial liabilities measured at fair value*", etc.).
All the financial instruments issued by the Bank are expressed in the financial statements net of any amounts repurchased and include those that have matured as at the balance-sheet date but have not yet been reimbursed.

Recognition criteria

These financial liabilities are initially recognised when the deposits are received or when the debt securities are issued. Initial recognition is based on the fair value of the liabilities, increased by the costs/income of the transaction directly attributable to the acquisition of the financial instrument.
Costs/income having the aforesaid characteristics that will be repaid by the creditor or that can be considered as standard internal administrative costs are excluded.
The initial fair value of a financial liability is usually equivalent to the amount cashed.
Any derivative contracts included in said financial liabilities, which are subject to the assumptions of IAS 32 and 39, are broken down and measured separately.

Measurement criteria

After the initial recognition, the aforesaid financial liabilities are valued at amortised cost with the effective interest rate method.

Derecognition criteria

The above financial liabilities are derecognised from the statement of financial position at maturity or when they are extinguished. They are derecognised also in the event of repurchase, even temporary, of the previously-issued securities. Any difference between the book value of the extinguished liability and the amount paid is recorded in the income statement, under "*profit (loss) from disposal or repurchase of: financial liabilities*". If the Bank, subsequent to the repurchase, re-places its own securities on the market, said transaction is considered a new issue and the liability is recorded at the new placement price.

14. Held-for-trading financial liabilities

At the date of the financial statements, the Company did not have any "*Held-for-trading financial liabilities*".

15. Financial liabilities designated at fair value

At the date of the financial statements, the Company did not have any "*financial liabilities carried at fair value*".

16. Currency transactions

The currency assets and liabilities include, in addition to those explicitly designated in a currency other than the Euro, those that include financial indexing clauses associated with the Euro exchange rate with a designated currency or a designated bundle of currencies.
In accordance with the conversion methods to be used, the assets and liabilities in currencies are subdivided between monetary and non-monetary items.

Recognition criteria

Foreign currency transactions are recorded, at the time of initial recognition, in Euro, applying the spot exchange rates in force on the date of the transaction to the amount in foreign currency.

Measurement criteria

At each balance-sheet date:

- the monetary elements in foreign currencies are converted using the exchange rate in force at the end of the financial year;
- the non-monetary components valued at historical cost are converted at the exchange rate in effect on the date of the transaction;
- the non-monetary components carried at fair value in a foreign currency are converted at the exchange rate in effect on the date the fair value is determined.

The differences in the exchange rates that result from the settlement of monetary elements or the conversion of monetary elements at rates that differ from the initial conversion rates, or the conversion rates on the date of the previous financial statements, are reported in the income statement for the financial year in which they occur in the “Net profit from trading” or if they relate to financial assets/liabilities for which the fair value option is used in accordance with IAS 39, in the “Net result of the financial assets and liabilities measured at fair value ”. When a profit or a loss relative to a non-monetary component is recorded in shareholders’ equity, the exchange difference relative to said component is also recognised in shareholders’ equity in the year in which it occurs. On the other hand, if the profits or losses of a non-monetary element are reported in the income statement, the difference in the exchange rate is also reported in the income statement in the year in which they occur as stated above.

17. Other information

17.1. Employee termination indemnities

According to the IFRIC, the Employee termination indemnities can be equated with a post-employment-benefit of the "defined-benefit plan type") which, based on IAS 19, is to be calculated via actuarial methods. Consequentially, the end of the year measurement of the posting in question is made based on the accrued benefits method using the unit credit criteria anticipated (Projected Unit Credit Method).

This method calls for the projection of the future disbursements based on historical, statistical and probabilistic analysis, as well as in virtue of the adoption of appropriate demographic fundamentals. It allows the severance package accrued at a certain date to be calculated actuarially, distributing the expense for all the years of estimated remaining permanence of the existing workers, and no longer as an expense to be paid if the company ceases its activity on the reporting date.

The actuarial profits and losses, defined as the difference between the book value of the liability and the present value of the obligation at years' end, are recognized in shareholders' equity.

An independent actuary assesses the severance package in compliance with method indicated above.

17.2. Repurchase agreements

The “repurchase agreements” that oblige the party selling the subject matter of the transaction (for example securities) to repurchase them in the future and the “securities lending” transactions where the guarantee is represented by cash, are considered equivalent to swap operations and, therefore, the amounts received and disbursed appear in the financial statements as payables and receivables. In particular, the aforesaid transactions “repurchase agreements” and “securities lending” transactions are recorded in the financial statements as payables for the spot value received, while that for investments are recorded as receivables for the spot price paid. Such transactions do not result in changes in the securities portfolio. Consistently, the cost of funds and the income from the investments, consisting of accrued dividends on the securities and from the difference between the spot price and the forward price thereof, are recorded for the accrual period under the interest items in the income statement.

17.3. Criteria for determining the fair value of financial instruments

Fair value is defined as “the price that would be collected for the sale of an asset or also that would be paid for the transfer of a liability in an orderly transaction between market participants”, at a specific measurement date, excluding forced-type transactions. Underlying the definition of fair value in fact is the presumption that the company is in operation, and that it has no intention or need to liquidate, significantly reduce the volume of its assets, or engage in a transaction at unfavourable terms.

In the case of financial instruments listed in active markets, the fair value is determined based on the deal pricing (official price or other equivalent price on the last stock market trading day of the financial year of reference) of the most advantageous market to which Bank has access. For this purpose, a financial instrument is considered to be listed in an active market if the quoted prices are readily and regularly available from a price list, trader, intermediary, industrial sector, agencies that determine prices, or regulatory authority and said prices represent actual market transactions that regularly take place in normal dealings.

In the absence of an active market, the fair value is determined using measurement techniques generally accepted in financial practice, aimed at establishing what price the financial instrument would have had, on the valuation date, in a free exchange between knowledgeable and willing parties. Such measurement techniques require, in the hierarchical order in which they are presented, the use:

1. of the most recent NAV (Net Asset Value) published by the management investment company for the harmonized funds (UCITS - Undertakings for Collective Investment in Transferable Securities), the Hedge Funds and the SICAVs;
2. of the recent transaction prices observable in the markets;
3. of the price indications deducible from infoproviders (e.g. Bloomberg, Reuters);
4. of the fair value obtained from measurement models (for example, Discounting Cash Flow Analysis, Option Pricing Models) that estimate all the possible factors that influence the fair value of a financial instrument (cost of money, credit exposure, liquidity risk, volatility, foreign exchange rates, prepayment rates, etc.) based on data observable in the market, also with regards to similar instruments on the measurement date. If market data cannot be referenced for one or more risk factors, metrics internally determined on a historical-statistical basis are used. The measurement models are subject to periodic review to guarantee complete and constant reliability;
5. of the price indications provided by the counterparty issuer adjusted if necessary to take into account the counterparty and/or liquidity risk (for example, the price resolved on by the Board of Directors and/or the Shareholders' meeting for the shares of unlisted cooperative bank, the unit value communicated by the management investment company for the closed-end funds reserved to institutional investors or for other types of UCIs other than those cited in paragraph 1, the redemption value calculated in compliance with the issue regulation for the insurance contracts);
6. for the equity-linked instruments, where the measurement techniques pursuant to the previous paragraphs are not applicable: i) the value resulting from independent surveys if available; ii) the value corresponding to the portion of shareholders' equity held resulting from the company's most recent financial statements approved; iii) the cost, adjusted if necessary to take into account significant reductions in value, where the fair value cannot be reliably determined.

Based on the foregoing considerations and in compliance with the IFRS, Bank classifies the measurements at fair value based on a hierarchy of levels that reflects the significance of the inputs used in the measurements. The following levels are noted:

- **Level 1** - prices (without adjustments) reported on an active market: the measurements of the financial instruments quoted on an active market based on quotations that can be understood from the market;
- **Level 2 -** the valuation is not based on prices of the same financial instrument subject to valuation, but on prices or credit spreads obtained from the official prices of essentially similar instruments in terms of risk factors, by using a given calculation method (pricing model).

  The use of this approach translates to the search for transactions present on active markets, relating to instruments that, in terms of risk factors, are comparable with the instrument subject to valuation. The calculation methods (pricing models) used in the comparable approach make it possible to reproduce the prices of financial instruments quoted on active markets (model calibration) without including discretional parameters - i.e. parameters whose value cannot be obtained from the prices of financial instruments present on active markets or cannot be fixed at levels as such to replicate prices present on active markets - which may influence the final valuation price in a decisive manner.
- **Level 3** - inputs that are not based on observable market data: the measurements of financial instruments not quoted on an active market, based on measurement techniques that use significant inputs that are not observable on the

market, involving the adoption of estimates and assumptions by management (prices supplied by the issuing counterparty, taken from independent surveys, prices corresponding to the fraction of the shareholders' equity held in the company or obtained using measurement models that do not use market data to estimate significant factors that condition the fair value of the financial instrument). This level includes measurements of financial instruments at cost price.

17.4 Business combinations

A business combination involves the combination of separate companies or business activities in a single party who has to draft the financial statements. A combination may give rise to a participatory relation between the parent company (acquirer) and the subsidiary (acquired). A combination may also provide for the acquisition of the net assets of another entity, including any goodwill, or the acquisition of another entity's capital (mergers and contributions). Based on the provisions of IFRS 3, business combinations must be accounted for by applying the acquisition method, which comprises the following phases:

- identification of the acquirer;
- determination of the cost of the business combination;
- allocation, on the acquisition date, of the business combination cost in terms of the assets acquired and the liabilities and potential liabilities taken on.

More specifically, the cost of a business combination must be determined as the total fair value as at the date of exchange of the assets transferred, liabilities incurred or assumed, capital instruments issued by the acquirer in exchange for control of the acquired company and all costs directly attributable to the business combination.
The acquisition date is the date on which control of the acquired company is actually obtained. If the acquisition is completed through a single transfer, the date of the transfer will be the acquisition date.
If the business combination is carried out through several transfers

- the cost of the combination is the overall cost of the individual operations
- the exchange date is the date of each exchange operation (namely the date on which each investment is recorded in the acquiring company's financial statements), whereas the acquisition date is the one on which control is obtained over the acquired company.

The cost of a business combination is assigned by recording the assets, liabilities and potential liabilities that are identifiable in the acquired company, at the relevant fair values at the date of acquisition.
The assets, liabilities and potential liabilities that can be identified in the acquired company are recorded separately on the acquisition date only if, on this date, they meet the following criteria:

- if an asset is not an intangible asset, it is probable that any future connected economic benefits will flow to the acquiring company and it is possible to assess its fair value reliably;
- if a liability is not a potential liability, it is probable that, in order to extinguish the obligation, investment in resources will be required to produce economic benefits and it is possible to assess the fair value reliably;
- in the case of an intangible asset or a potential liability, the relevant fair value may be assessed reliably.

The positive difference between the cost of the business combination and the acquiring body's profit sharing at the fair value net of the assets, liabilities and potential identifiable liabilities, must be accounted for as goodwill. After the initial recognition, the goodwill acquired in a business combination is measured at the relevant cost and is submitted to an impairment test at least once a year. If the difference is negative, a new measurement is made. This negative difference, if confirmed, is recorded immediately as revenue in the income statement.

17.5 Derecognition

This is the removal from the statement of financial position of a financial asset or liability that had previously been recognised. Before assessing the existence of the conditions for removing financial assets from the financial statements, it has to be checked whether these conditions must be applied to these assets as a whole or only in part in accordance with IAS 39. The cancellation rules are applied to the part of the financial assets to be transferred only if at least one of the following requirements have been met:

- the part comprises only cash flows that relate to a financial asset (or a group of assets) that are specifically identified (for example, only the portion of interest relating to the asset);
- the part comprises the cash flows in accordance with a precisely identified percentage of their total (for example, 90% of all cash flows deriving from the asset);
- the part includes a precisely identified portion of specifically identified cash flows (for example, 90% of cash flows only of the portion relating to the asset).

If the aforementioned criteria are not met, the cancellation standards must apply to the financial asset (or group of financial assets) as a whole.

The conditions for the complete cancellation of a financial asset are the extinction of the contractual rights, such as their natural maturity, or the transfer to another counterparty of cash flows deriving from this asset. Payment rights are considered to be transferred if contractual rights are held to receive the financial flows from the asset, but an obligation is assumed to pay these flows to one or more entities and all three of the following conditions are satisfied (pass-through agreement):

- The Bank is under no obligation to pay out amounts uncollected from the original assets
- the sale and offering as guarantees of the original asset is prohibited, except if it guarantees the obligation to pay financial flows;
- the Bank is obliged to transfer immediately all the financial flows that it receives and has no right to invest them, except for investments in liquid assets during the short period between the collection and payment dates, on condition that the interest matured over the period is paid.

In addition, the elimination of a financial asset is subject to a check being carried out that all the risks and benefits deriving from holding the rights have effectively been transferred (true sale). If there is a transfer of substantially all the risks and benefits, the transferred asset (or group of assets) will be cancelled and the rights and obligations relating to the transfer will be recorded as assets or liabilities.

On the other hand, if the risks and benefits are maintained, the transferred asset (or group of activities) must continue to be recognised. In that case, a liability corresponding to the amount received as consideration for the transfer, and subsequently, all the income accrued on the assets as well as all the expenses accrued on the liabilities must be recorded.

The main operations that do not allow a financial asset to be cancelled fully are the receivable securitisation operations, the repurchase agreements and the security lending transactions based on the aforementioned rules. In the case of repurchase agreements and security lending transactions, the assets that are the object of the transactions are not removed from the financial statements since the terms of the transactions require all the associated risks and benefits to be maintained.

17.6 Introduction of the “bilateral CVA” to the valuation of derivatives

IFRS 13 - applicable from 1 January 2013 - establishes the need to consider, in the fair value of derivative contracts, the risk of non-performance (risk of one of the two parties in the contract not fulfilling their obligations) both at the time of initial recognition and in subsequent valuations. This risk includes:

- changes in the entity’s creditworthiness, for which, in determining the fair value of derivatives, the risk of non-fulfilment of obligations must also be considered;
- changes in the counterparty creditworthiness.

The fair value of a derivative instrument can be broken down into various components that include the effect of the various underlying risk factors.

1. The collateralised component of the fair value is calculated as if the contract was subject to a perfect collateral agreement, as such to reduce the

counterparty's risk to a negligible level. In practice, said situation can be brought closer with the CSA (Credit Support Annex) which makes provision for daily margining, zero threshold and minimum transfer amount and overnight flat rate. This component of fair value includes the market risk (e.g. with respect to underlying assets, volatility, etc.) and the risk of financing implicit in the CSA (overnight rate loan, OIS discounting method).

2. The component, known as the Bilateral Credit Value Adjustment (bCVA), takes into consideration the possibility of the counterparties (Counterparty and Investor) going bankrupt and is in turn given by two addends, called the Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA), that represent the following scenarios:
   - the CVA (negative) takes into consideration the scenarios in which the Counterparty (Customer) goes bankrupt before the Investor (Bank), and the latter presents a positive exposure to the Counterparty. In these scenarios, the Investor suffers a loss equal to the cost of replacement of said derivative;
   - the DVA (positive) takes into consideration the scenarios in which the Investor goes bankrupt before the Counterparty, and the former presents a negative exposure to the Counterparty. In these scenarios, the Investor benefits from a profit equal to the cost of replacement of said derivative.

The calculation of the latter component of fair value is performed by taking into consideration the presence of netting arrangements and collateral agreements allowing the counterparty's risk to be mitigated.

In the first case, the presence of the netting arrangement determines the performance of the calculation of the bilateral CVA on a portfolio including all transactions subject to netting in place with that same Counterparty. Consequently, in the presence of netting arrangements, both the CVA component and the DVA component decrease in absolute terms, in order to mitigate the counterparty risk they cause. In the case of CSA contracts (collateral) with daily margining, reduced thresholds and Minimum Transfer Amounts, counterparty risk can be considered negligible. Therefore, the calculation of the bCVA only considers the transactions not covered by CSA. By contrast, in the case of a CSA with thresholds and Minimum Transfer Amounts that are not negligible, the bCVA is calculated on the basis of the materiality approach.

The bCVA calculation depends on the creditworthiness of the Investor and Counterparty, available via recourse to various sources.

The Risk Management Department, in collaboration with the Administrative and Fiscal management, defined a rule allowing the creditworthiness data to be selected as a function of its availability. The rule provides as follows:

- in the case of counterparties with a CDS spread quoted on the market, the bCVA is calculated by considering the risk-neutral probability of default (i.e. estimated on the basis of the prices of bonds and not on the basis of historical data) quoted on the market and relating to both the Counterparty and the Investor, measured on the basis of the quoted CDS spread credit curve;
- in the case of Large Corporate counterparties without a CDS quoted on the market with turnover greater than the critical threshold, the bCVA is calculated by considering the risk-neutral probability of default of a counterparty that is associated to the contract counterparty (comparable approach). Creditworthiness is measured:
- for Project Finance counterparties using the CDS spread credit curve (Industrial comparable);
- for other counterparties using the CDS spread credit curve (comparable for the counterparty);
- in the case of illiquid counterparties not included in the previous categories, the bCVA is calculated by considering the probability of default of the counterparty and of the Group, determined using the credit curve obtained from the probability of default matrixes.

The application of the standard did not have any significant effects on the Group, since its portfolio is almost entirely composed of short-term assets.

A.3 - INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

A.3.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

No financial instruments were transferred between portfolios.

A.3.2 Reclassified financial assets: effects on overall profit before transfer

No financial assets were reclassified.

A.3.3 The transfer of financial assets held for trading

No financial assets held for trading were transferred.

A.3.4 Effective interest rate and expected cash flows from the reclassified assets

No cash flows are expected from the reclassified assets.

A.4 - INFORMATION ON FAIR VALUE

QUALITATIVE INFORMATION

A.4.1 Fair value levels 2 and 3: measurement techniques and inputs used

Please refer to the accounting policies.

A.4.2 Processes and sensitivity of valuations

The book value was assumed as a reasonable approximation of the fair value.

A.4.3 Fair value hierarchy

The following fair-value hierarchy was used to prepare the financial statements:

- Level 1- Effective market quotes
- The valuation is the market price of said financial instrument subject to valuation, obtained based on prices present in an active market.
- Level 2 - Comparable Approach
- Level 3 - Mark-to-Model Approach

A.4.4 Other Information

The item is not applicable for the Bank.

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities valued at fair value on a recurring basis: breakdown by <air value levels.

Financial assets/liabilities measured at fair value	31/12/2015 Level 1	31/12/2015 Level 2	31/12/2015 Level 3	31/12/2014 Level 1	31/12/2014 Level 2	31/12/2014 Level 3
1. Held-for-trading financial assets	-	-	-	-	-	63
2. Financial assets measured at fair value	-	-	-	-	-	-
3. Available-for-sale financial assets	920,402	-	5,000	858,007	-	-
4. Hedging derivatives	-	-	-	-	-	-
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
TOTAL	**920,402**	-	**5,000**	**858,007**	-	**63**
1. Held-for-trading financial liabilities	-	-	-	-	-	-
2. Financial liabilities measured at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
TOTAL	-		-	-		-

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

A.4.5.2 Annual changes of assets measured at fair value based on a recurring basis (level 3)

	Held-for-trading financial assets	Financial assets measured at fair value	Available-for-sale financial assets	Hedging derivatives	Property and equipment	Intangible assets
1. Opening balance	**63**	**-**	**5,000**	**-**	**-**	**-**
2. Increases	-	**-**	5,000	**-**	**-**	**-**
2.1 Purchases	-	-	-	-	-	-
2.2 Profits booked to:	-	-	-	-	-	-
2.2.1 The Income Statement	-	-	-	-	-	-
- *of which: Capital gains*	-	-	-	-	-	-
2.2.2 Shareholders' equity	X	X	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-
3. Decreases	**63**	**-**	**-**	**-**	**-**	**-**
3.1 Sales	63	-	-	-	-	-
3.2 Refunds	-	-	-	-	-	-
3.3 Losses booked to:	-	-	-	-	-	-
3.3.1 The Income Statement	-	-	-	-	-	-
- *of which Capital loss*	-	-	-	-	-	-
3.3.2 Shareholders' equity	X	X	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-
4. Closing balance	**0**	**-**	**5,000**	**-**	**-**	**-**

A.4.5.4 Assets and liabilities not valued at fair value or valued at fair value on a non-recurring basis: breakdown by fair value levels

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2015				31/12/2014			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Held-to-maturity financial assets	-	-	-	-	-	-	-	-
2. Due from banks	1,996	-	-	1,996	16,591	-	-	16,591
3. Loans to customers	1,459,255	-	-	1,459,255	1,194,759	-	-	1,194,759
4. Property and equipment held for investment	-	-	-	-	-	-	-	-
5. Non-current assets and groups of assets held for sale	-	-	-	-	-	-	-	-
Total	**1,461,251**	**-**	**-**	**1,461,251**	**1.211,350**	**-**	**-**	**1,211,350**
1. Due to banks	362,075	-	-	362,075	821,404	-	-	821,404
2. Due to customers	1,878,339	-	-	1,878,339	1,153,797	-	-	1,153,797
3. Securities in issue	20,102	-	-	20,102	20,109	-	-	20,109
4. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**2,260,516**	**-**	**-**	**2,260,516**	**1,995,309**	**-**	**-**	**1,995,309**

Key:
BV = Book Value
L1 = Level 1
L2 = Level 2
L3 = Level 3

A.5 - INFORMATION CONCERNING 'DAY ONE PROFIT/LOSS'

Nothing to report.

PART B - INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS - ITEM 10

1.1 Cash and cash equivalents: breakdown

	31/12/2015	31/12/2014
a. Cash	104	66
b. Demand deposits with Central Banks	-	-
TOTAL	**104**	**66**

SECTION 2 - HELD-FOR-TRADING FINANCIAL ASSETS - ITEM 20

2.1 Held-for-trading financial assets: breakdown by product

Items / Values	31/12/2015			31/12/2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A Non-derivative financial assets						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	-
3. Units of UCI	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
TOTAL A	-	-	-	-	-	-
B Derivative instruments	-		-	-		
1. Financial derivatives	-	-	-	-	-	-
1.1 for trading	-	-	-	-	-	-
1.2 connected with the fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	63
2.1 for trading	-	-	-	-	-	63
2.2 connected with the fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
TOTAL B	-	-	-	-	-	**63**
TOTAL (A+B)		-			-	**63**

2.2 Held-for-trading financial assets: breakdown by debtors/issuers

Items / Values	31/12/2015	31/12/2014
A. NON-DERIVATIVE FINANCIAL ASSETS		
1. Debt securities	-	-
a. Governments and Central Banks	-	-
b. Other public institutions	-	-
c. Banks	-	-
d. Other issuers	-	-
2. Equity securities	-	-
a. Banks	-	-
b. Other issuers	-	-
▪ insurance companies	-	-
▪ financial companies	-	-
▪ non-financial companies	-	-
▪ other	-	-
3. Units of UCI	-	-
4. Loans	-	-
a. Governments and Central Banks	-	-
b. Other public institutions	-	-
c. Banks	-	-
d. Other subjects	-	-
TOTAL A	-	-
B. DERIVATIVE INSTRUMENTS	-	-
a. Banks	-	-
▪ fair value	-	63
b. Customers	-	-
▪ fair value	-	-
TOTAL B	-	**63**
TOTAL (A+B)	-	**63**

SECTION 4 - AVAILABLE-FOR-SALE FINANCIAL ASSETS - ITEM 40

4.1 Available-for-sale financial assets: breakdown by product

Items / Values	31/12/2015			31/12/2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**920,402**			**858,007**		
1.1 Structured securities						
1.2 Other debt securities	920,402			858,007		
2. Equity securities			**5,000**			
2.1 Valued at fair value			5,000			
2.2 Valued at cost						
3. Units of UCI						
4. Loans						
Total	**920,402**		**5,000**	**858,007**		

The AFS portfolio is essentially made up of Italian government securities with a short-term maturity.

The equity security refers to the equivalent value of the interest in Bank of Italy.

4.2 Available-for-sale financial assets: breakdown by debtors/issuers

Items / Values	31/12/2015	31/12/2014
1. Debt securities	**920,402**	**858,007**
a) Governments and Central Banks	920,402	858,007
b) Other public institutions		
c) Banks		
d) Other issuers		
2. Equity securities	**5,000**	
a) Banks	5,000	
b) Other issuers		
- insurance companies		
- financial companies		
- non-financial companies		
- other		
3. Units of UCI		
4. Loans		
a) Governments and Central Banks		
b) Other public institutions		
c) Banks		
d) Other subjects		
TOTAL	**925,402**	**858,007**

SECTION 5 - HELD-TO-MATURITY FINANCIAL ASSETS - ITEM 50

The portfolio was not used during the year.

SECTION 6 - DUE FROM BANKS - ITEM 60

6.1 Due from banks: breakdown by product

Type of transactions / Values	31/12/2015				31/12/2014			
	VB	FV			VB	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from Central Banks	**1,909**	-	-	-	**16,114**	-	-	-
1. Term deposits	-	X	X	X	-	X	X	X
2. Legal reserves	1,909	X	X	X	16,114	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Due from banks	**87**	-	-	-	**477**	-	-	-
1. Loans	**87**	-	-	-	**477**	-	-	-
1.1 Current accounts and demand deposits	87	X	X	X	477	X	X	X
1.2. Term deposits	-	X	X	X	-	X	X	X
1.3. Other loans:	-	-	-	-	-	-	-	-
- Reverse repurchase agreements	-	X	X	X	-	X	X	X
- Financial leases	-	X	X	X	-	X	X	X
- Other	-	X	X	X	-	X	X	X
2. Debt securities	**-**	-	-	-	-	-	-	-
2.1 Structured securities	-	X	X	X	-	X	X	X
2.2 Other debt securities	-	X	X	X	-	X	X	X
TOTAL	**1,996**	**-**	**-**	**1,996**	**16,591**	**-**	**-**	**16,591**

Key:
VB = Book Value
FV = *Fair Value*

The item predominantly included the liquidity for the legal reserves c/o Bank of Italy; the Bank is a direct participant it the gross Target II regulation.

SECTION 7 - LOANS TO CUSTOMERS - ITEM 70

7.1 Loans to customers: breakdown by product

Type of transactions / Values	31/12/2015						31/12/2014					
	Book value			Fair Value			Book value			Fair Value		
	Performing	Non-performing		L1	L2	L3	Performing	Non-performing		L1	L2	L3
		Purchased	Other					Purchased	Other			
Loans	**1,375,039**	**2,216**	**82.000**	-	-	**1,459,255**	**1,155,035**	**6,117**	**33,607**			**1,194,759**
1. Current accounts	15,144	-	28	X	X	X	16,823	-	58	X	X	X
2. Reverse repurchase agreements	177,868	-	-	X	X	X	290,316	-	-	X	X	X
3. Mortgages	74,894	-	8,216	X	X	X	18,357	-	307	X	X	X
4. Credit cards, personal loans and salary-backed loans	119,850	-	938	X	X	X	13,485	-	-	X	X	X
5. Financial leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	861,507	2,216	72,795	X	X	X	812,498	6,117	33,242	X	X	X
7. Other loans	125,776	-	23	X	X	X	3,556	-	-	X	X	X
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	-	-	-	X	X	X	-	-	-	X	X	X
TOTAL (book value)	**1,375,039**	**2,216**	**82,000**	**-**	**-**	**1,459,255**	**1,155,035**	**6,117**	**33,607**	**-**	**-**	**1,194,759**

The item mostly includes the amount of the credits acquired in connection with the factoring activity. The debt exposure of the factoring activities is predominantly with the Public Administration, in particular with Local health authorities and Territorial Entities.

The item mortgages (that refers essentially to Government Guaranteed SME loans) and credit cards and personal loans and salary-backed loans increases with respect to the previous year.

7.2 Loans to customers: breakdown by debtors/issuers

Type of transactions/Values	31/12/2015			31/12/2014		
	Performing	Non-performing		Performing	Non-performing	
		Purchased	Other		Purchased	Other
1. Debt securities:	**-**	**-**	**-**	-	-	-
a) Governments	-	-	-	-	-	-
b) Other Public institutions	-	-	-	-	-	-
c) Other issuers	-	-	-	-	-	-
- non-financial companies	-	-	-	-	-	-
- financial companies	-	-	-	-	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
2. Loans to:	**1,375,039**	**2,216**	**82,000**	**1,155,035**	**6,117**	**33,607**
a) Governments	273,926	-	1,631	179,182	-	-
b) Other Public institutions	521,021	2,216	40,655	542,134	6,117	3,667
c) Other parties	580,056	-	39,714	433,719	-	29,940
- non-financial companies	252,569	-	38,198	112,124	-	27,223
- financial companies	199,872	-	-	304,358	-	-
- insurance companies	-	-	-	-	-	-
- other	127,615	-	1,516	17,237	-	2,717
TOTAL	**1,375,039**	**2,216**	**82,000**	**1,155,035**	**6,117**	**33,607**

SECTION 10 - EQUITY INVESTMENTS - ITEM 100

10.1 Equity investments: information on investment relationships

Names	Registered office	Interest %	% of votes available
A. Wholly-controlled enterprises			
1. S.F. Trust Holdings Ltd	**London**	**100%**	**100%**
C. Companies under considerable control			
1. CS Union S.p.A.	**Cuneo, Italy**	**25.80%**	**25.80%**

10.3 Significant equity investments: accounting information

Names	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total income	Interest margin	Net value adjustments to property and equipment/intangible assets	Profit (Losses) before tax from continuing operations	Profit (Losses) after tax from continuing operations	Profit (Loss) on groups of assets held for sale after tax	Profit (Losses) for the year	Other income (net of tax)	Overall profitability
A. Wholly-controlled enterprises														
1. S.F. Trust Holdings Ltd	-	80	980	1.265	158	-	(44)	(6)	355	355	-	355	-	355

10.4 Non-significant equity investments: accounting information

Names	Book value of equity investments	Total assets	Total liabilities	Total income	Profit (Losses) after tax from continuing operations	Profit (Loss) on groups of assets held for sale after tax	Profit (Losses) for the year	Other income items (after taxes)	Overall profitability
C. Companies under considerable control									
CS Union SpA	2,378	18,966	15,146	8,156	961	-	961	-	961

The figures are presented in accordance with International Accounting Standards.

10.5 Equity investments: annual changes

	31/12/2015	31/12/2014
A. Opening balance	**2,377**	**-**
B. Increases	**-**	**2,377**
B.1 Purchases	-	-
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Sales	-	-
C.2 Value adjustments	-	-
C.3 Other changes	-	-
D. Closing balance	**2,377**	**2,377**
E. Total revaluations	-	-
F. Total adjustments	-	-

On 20 January 2015, the deed of merger between Candia S.p.A. and St.Ing S.p.A. was signed, setting the statutory effective date of the merger to 1 March 2015; on that date the company Candia S.p.A. modified its company name to CS Union S.p.A. As a consequence of the foregoing merger, the shareholding interest held by Banca Sistema in CS Union S.p.A. passed from 9.99% to at 25.80%. The shareholding interest in the SFT Holding remains equal to 0.

We note that in November 2013, the holdings in SF Trust Italy, had been sold, subject to recognition on the part of the new buyers, in favour of the seller SF Trust Holding, of a consideration amounting to Euro 20 thousand paid upon the sale and of a variable component payable only contingent upon the existence of the available funds at the time of distribution, to the shareholders, of the income recorded in the final financial statement for the liquidation of SF Trust Italy.

SECTION 11 - PROPERTY, PLANT AND EQUIPMENT - ITEM 110

11.1 Property and equipment: composition of the assets valued at cost

Assets/Values	31/12/2015	31/12/2014
1. Property and equipment owned	**1,047**	**1,177**
a) land	-	-
b) buildings	-	-
c) furniture	282	307
d) electronic equipment	765	870
e) other	-	-
2. Property and equipment acquired under finance lease	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
TOTAL	**1,047**	**1,177**

The property and equipment are recorded in the financial statements in accordance with the general acquisition cost criteria, including the accessory charges and any other expenses incurred to place the assets in in conditions useful for the company, in addition to indirect costs for the portion reasonably attributable to assets that refer to the costs incurred, as at the end of FY 2015.

Percent depreciation:

- office furniture: 12%
- furnishings: 15%
- electronic machinery and miscellaneous equipment: 20%
- assets under euro 516: 100%

11.5 Property and equipment for business use: annual changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balances	**-**	**-**	**931**	**1.441**	**-**	**2,372**
A.1 Total net value adjustments	-	-	624	571	54	1,249
A.2 Net opening balances	**-**	**-**	**307**	**870**	**-**	**1,177**
B. Increases	**-**	**-**	**16**	**100**	**-**	**116**
B.1 Purchases	-	-	12	100	-	112
B.2 Capitalized improvement expenses	-	-	-	-	-	**-**
B.3 Write-backs	-	-	-	-	-	**-**
B.4 Positive changes in fair value allocated to	**-**	**-**	**-**	**-**	**-**	**-**
a. shareholders' equity	-	-	-	-	-	**-**
b. the income statement	-	-	-	-	-	**-**
B.5 Positive foreign exchange differences	-	-	-	-	-	**-**
B.6 Transfers of properties held for investment	-	-	-	-	-	**-**
B.7 Other changes	-	-	4	-	-	4
C. Decreases	**-**	**-**	**41**	**205**	**-**	**246**
C.1 Sales	-	-	-	-	-	**-**
C.2 Depreciation	-	-	41	205	-	**246**
C.3 Value adjustments for impairment allocated to	**-**	**-**	**-**	**-**	**-**	**-**
a. shareholders' equity	-	-	-	-	-	**-**
b. the income statement	-	-	-	-	-	**-**
C.4 Negative changes in fair value allocated to	**-**	**-**	**-**	**-**	**-**	**-**
a. shareholders' equity	-	-	-	-	-	**-**
b. the income statement	-	-	-	-	-	**-**
C.5 Negative foreign exchange differences	-	-	-	-	-	**-**
C.6 Transfers to:	**-**	**-**	**-**	**-**	**-**	**-**
a. property and equipment held for investment	-	-	-	-	-	**-**
b. assets held for sale	-	-	-	-	-	**-**
C.7 Other changes	-	-	-	-	-	**-**
D. Net closing balance	**-**	**-**	**282**	**765**	**-**	**1,047**
D.1 Total net value reductions	-	-	665	776	54	1,495
D.2 Gross closing balance	**-**	**-**	**947**	**1,541**	**-**	**2,488**
E. Valuation at cost	-	-	282	765	-	**1,047**

SECTION 12 - INTANGIBLE ASSETS - ITEM 120

12.1 Intangible assets: breakdown by type of asset

Assets/Values	31/12/2015		31/12/2014	
	Definite duration	Indefinite duration	Definite duration	Indefinite duration
A.1 Goodwill	-	**1,786**	-	**1,786**
A.2 Other intangible assets	**86**	-	**118**	-
A.2.1 Assets valued at cost	86	-	118	-
a. Internally generated intangible assets	-	-	-	-
b. Other assets	86	-	118	-
A.2.2 Assets measured at fair value	-	-	-	-
a. Internally generated intangible assets	-	-	-	-
b. Other assets	-	-	-	-
TOTAL	**86**	**1,786**	**118**	**1,786**

The other intangible assets are recorded at purchase cost including accessory costs and are systematically amortized over a period of 5 years. The item consists mainly of software.

The goodwill originates from the merger by incorporation of the subsidiary Solvi S.r.l. which took place in 2013.

Subsequent to the merger by incorporation, the former Solvi's assets were fully integrated in those of the Bank with the purpose of pursuing efficiencies both in terms of expected synergies with the other businesses and in terms of overall operating costs. Being that the activities once performed by Solvi Srl, now fully integrated, and inseparable from the rest of Banca Sistema's operations, the Bank is not currently able to distinguish the expected cash flows of the merged entity from those of the bank itself.

In the specific case, therefore, the goodwill of Euro 1.8 million recorded in the financial statements is an asset that cannot be separated from the rest of the bank.

In light of the consideration made above, the impairment test pursuant to IAS 36 requires that the recoverable value of goodwill be greater than its book value in the financial statements; in detail, as provided for by paragraph 18 of IAS 36, the recoverable amount has been defined as “the higher of the fair value of an asset or of a cash-generating unit having deducted sales costs and its value in use”.

Specifically, the impairment test was conducted referring to the “Value in use” based on the flows indicated in the 2016 Budge, in the Bank's business plan in relation to the 2015-2018 period and to a forecast of expected cash flows for the 2019-2020 period, conservatively assuming an estimated growth rate of 2% on an annual basis.

The main parameters used for estimation purposes were as follows:

Risk Free Rate + country risk premium	1.7%
Equity Risk Premium	5.5%
Beta	1.2%
Cost of equity	8.2%
Growth rate "g"	2.0%

The estimated value in use obtained based on the parameters used and the growth assumptions is considerably greater than shareholders' equity as at 31/12/2015.

Furthermore, considering that the use value was determined via recourse to estimates and assumptions that may introduce elements of uncertainty, sensitivity analysis - as required by the accounting standards of reference - were performed with the purpose of verifying the variations of the results previously obtained as a function of the basic assumptions and parameters.

In particular, the quantitative exercise was completed by a stress test of the parameters relative to at the Bank's growth rate and the discounting rate of the expected cash flows (quantified in an isolated or simultaneous movement of 50bps), that confirmed the absence of impairment indicators, confirming a value in use once again significantly greater than the book value of goodwill in the financial statements.

In virtue of all that above, no qualitative trigger events that suggest a need for impairment having been identified, the Division deem it appropriate to not write-down the book value of goodwill posted in the financial statements as at 31 December 2015.

12.2 Intangible assets: annual changes

		Other intangible assets: generated internally		Other intangible assets: other		
	Goodwill	Def	Indef	Def	Indef	Total
A. Opening balance	**1,786**	-	-	**3,072**	-	**4,858**
A.1 Total net value adjustments	-	-	-	2,954	-	**2,954**
A.2 Net opening balances	**-**	-	-	**118**	-	**1,904**
B. Increases	-	-	-	**28**	-	**28**
B.1 Purchases	-	-	-	28	-	**28**
B.2 Increases in internal intangible assets	-	-	-	-	-	**-**
B.3 Write-backs	-	-	-	-	-	**-**
B.4 Positive changes in fair value:	-	-	-	-	-	**-**
- of shareholders' equity	-	-	-	-	-	**-**
- of the income statement	-	-	-	-	-	**-**
B.5 Positive foreign exchange differences	-	-	-	-	-	**-**
B.6 Other changes	-	-	-	-	-	**-**
C. Decreases	-	-	-	**60**	-	**60**
C.1 Sales	-	-	-	-	-	**-**
C.2 Value adjustments	-	-	-	60	-	**60**
- Amortization	-	-	-	60	-	**60**
- Write-downs:	-	-	-	-	-	**-**
+ of shareholders' equity	-	-	-	-	-	**-**
+ of the income statement	-	-	-	-	-	**-**
C.3 Negative changes in fair value:	-	-	-	-	-	**-**
- of shareholders' equity	-	-	-	-	-	**-**
- of the income statement	-	-	-	-	-	
C.4 Transfers of held-for-sale						**-**
non-current assets	-	-	-	-	-	**-**
C.5 Negative foreign exchange differences	-	-	-	-	-	**-**
C.6 Other changes	-	-	-	-	-	**-**
D. Net closing balance	**1,786**	-	-	**86**	-	**1,872**
D.1 Total net value adjustments	-	-	-	3,014	-	**3,014**
E. Gross closing balance	**1,786**	-	-	**3,100**	-	**4,886**
F. Valuation at cost	1,786	-	-	86	-	**1,872**

Legenda **-** Def: of definite duration | Indef: of indefinite duration

The item goodwill refers to the incorporation of the subsidiary Solvi S.r.l. which took place on 01/08/2013.

SECTION 13 - TAX ASSETS AND TAX LIABILITIES - ITEM 130 OF ASSETS AND ITEM 80 OF LIABILITIES

13.1 Prepaid tax assets: breakdown

The balance is composed as follows:

- Prepaid taxes amounting to euro 1,807 thousand relative to value adjustments on loans;
- Prepaid taxes mounting to euro 1,671 thousand relative to extraordinary transactions;
- Other prepaid taxes amounting to euro 337 thousand.

13.2 Deferred tax liabilities: breakdown

The balance is composed as follows:

- Liabilities for deferred taxes incurred during FTA amounting to euro 3;
- Liabilities for deferred taxes amounting to euro 595 thousand relative to interest on arrears pursuant to regulation 231;
- Liabilities for deferred taxes amounting to euro 206 thousand relative to capital gains suspended for securities classified in the AFS portfolio.

13.3 Change in prepaid taxes (as offsetting entry in the income statement)

	31/12/2015	31/12/2014
1. Initial amount	**2,434**	**888**
2. Increases	**1,259**	**1,655**
2.1 Prepaid taxes recorded in the year	1,289	1,655
a) relative to previous financial years	-	397
b) due to the changes in accounting policies	-	-
c) rwrite-backs	-	-
e) other	1,259	1,258
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**496**	**109**
3.1 Prepaid taxes annulled in the year	496	109
a) reversals	496	109
b) write-downs for uncollectible amounts	-	-
c) changes in accounting policies	-	-
e) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
a) transformation in tax receivables pursuant to Law 214/2011	-	-
b) other	-	-
4. Final amount	**3,197**	**2,434**

13.3.1 Change in prepaid taxes pursuant to Law 214/2011.

	31/12/2015	31/12/2014
1. Initial amount	**2,261**	**1,002**
2. Increases	**450**	**1,362**
3. Decreases	**53**	**103**
3.1 Reversals	33	83
3.2 Transformations in tax receivables	-	-
a) deriving from losses for the year	-	-
b) deriving from tax losses	-	-
3.3 Other decreases	20	20
4. Final amount	**2,658**	**2,261**

13.4 Change in deferred taxes (as offsetting entry in the income statement)

	31/12/2015	31/12/2014
1. Initial amount	3	3
2. Increases	**595**	**-**
2.1 Deferred taxes recorded in the year	595	-
a. relative to previous financial years	-	-
b. due to the changes in accounting policies	-	-
c. other	595	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	-	-
3.1 Deferred taxes annulled in the year	-	-
a. reversals	-	-
b. due to the changes in accounting policies	-	-
c. other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Final amount	**598**	**3**

13.5 Change in prepaid taxes (as offsetting entry in shareholders' equity)

	31/12/2015	31/12/2014
1. Initial amount	277	**412**
2. Increases	**445**	-
2.1 Prepaid taxes recorded in the year	445	-
a. relative to previous financial years	-	-
b. due to the changes in accounting policies	-	-
c. other	445	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**104**	**135**
3.1 Prepaid taxes annulled in the year	104	20
a. reversals	104	20
b. write-downs for uncollectible amounts	-	-
c. due to the changes in accounting policies	-	-
d. other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	115
4. Final amount	**618**	**277**

13.6 Change in deferred taxes (as offsetting entry in shareholders' equity)

	31/12/2015	31/12/2014
1. Initial amount	**11**	**-**
2. Increases	**206**	**11**
2.1 Deferred taxes recorded in the year	206	11
a) relative to previous financial years	-	-
b) due to the changes in accounting policies	-	-
c) other	206	11
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**11**	**-**
3.1 Deferred taxes annulled in the year	11	-
a) reversals	-	-
b) due to the changes in accounting policies	-	-
c) other	11	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Final amount	**206**	**11**

SECTION 15 - OTHER ASSETS - ITEM 150

15.1 Other assets: breakdown

	31/12/2015	31/12/2014
Tax advances	10,179	2,484
Items under processing	1,038	253
Leasehold improvements	572	825
Other	479	521
Prepayments not attributable to a specific item	266	166
guarantee deposits	54	53
Accrued income not attributable to a specific item	-	21
TOTAL	**12,588**	**4,322**

The item is predominantly composed of tax advances relative to virtual stamp and withholding taxes on interest expense and to the withholding taxes on Capital Gains. The "work in progress items" predominantly relate to bank transfers allocated to their own items and set to zero in January 2015.

The leasehold improvements mainly relate to the capitalised costs linked to opening the branches.

LIABILITIES

SECTION 1 - DUE TO BANKS - ITEM 10

1.1 Due to banks: breakdown by product

Type of transactions / Values	31/12/2015	31/12/2014
1. Due to central banks	**80,002**	**730,020**
2. Due to banks	**282,073**	**91,384**
2.1 Current accounts and demand deposits	10,328	36,366
2.2 Term deposits	271,745	55,018
2.3 Loans	-	-
2.3.1 Repurchase agreements	-	-
2.3.2 Other	-	-
2.4 Liabilities for commitments to repurchase own equity investments	-	-
2.5 Other payables	-	-
Total	**362,075**	**821,404**
Fair value - level 1	**-**	**-**
Fair value - level 2	**-**	**-**
Fair value - level 3	**362,075**	**821,404**
Fair value	**362,075**	**821,404**

The item is down on 31 December 2014 due to a decrease in funding from the ECB, as a result of an increase in funding through repurchase agreements, which during the period proved more convenient than central bank rates. Funding from the ECB in the amount of € 49.3 million was obtained against trade receivables and government bonds.

As at 31 December 2015, there was an increase in funding on the interbank market in the form of term deposits.

SECTION 2 - DUE TO CUSTOMERS - ITEM 20

2.1 Due to customers: breakdown by product

Type of transactions / Values	31/12/2015	31/12/2014
1. Current accounts and demand deposits	335,541	331,751
2. Term deposits	572,379	569,410
3. Loans	909,089	238,807
3.1 Repurchase agreements	909,089	238,807
3.2 Other		
4. Liabilities for commitments to repurchase own equity instruments	-	-
5. Other payables	61,330	33,829
Total	**1,878,339**	**1,153,796**
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	**1,878,339**	**1,153,796**
Total Fair value	**1,878,339**	**1,153,796**

The item other payables includes collections of € 30.6 million from Cassa Depositi e Prestiti, against a guarantee comprising solely loans to SMEs by the Bank. This also includes payables for receivables acquired but not funded and a payable to assigning companies for factoring operations.

SECTION 3 - SECURITIES IN ISSUE - ITEM 30

3.1 Securities in issue: breakdown by product

Type of securities / Values	2015				2014			
		Fair Value				Fair Value		
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
A. Securities								
1. Bonds	20,102	-	-	20,102	20,109	-	-	20,109
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	20,102	-	-	20,102	20,109	-	-	20,109
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
TOTAL	**20,102**	-	-	**20,102**	**20,109**	-	-	**20,109**

3.2 Details of item 30 'Securities in issue": subordinated securities

	Issuer	Type of issue	Coupon	Maturity date	Par Value	IAS value
Tier 1 capital	Banca Sistema S.p.A.	Innovative equity instruments: mixed rate - ISIN IT0004881444	Until 2023, rate fixed at 7% From 14 June 2023 floating rate 6-month Euribor + 5.5%	Perpetual	8,000	8,016
Tier 2 capital	Banca Sistema S.p.A.	Subordinate ordinary loans (Lower Tier 2): ISIN IT0004869712	6-month Euribor + 5.5%	15/11/2022	12,000	12,086
TOTAL					**20,000**	**20,102**

SECTION 8 - TAX LIABILITIES - ITEM 80

The breakdown as well as the change in the deferred tax liabilities were illustrated in Part B Section 13 of assets in these notes to the financial statements.

SECTION 10 - OTHER LIABILITIES - ITEM 100

10.1 Other liabilities: breakdown

	31/12/2015	31/12/2014
Items under processing	32,784	14,741
Tax payables to the Revenue Agency and other tax authorities	11,989	11,507
Accrued expenses	4,292	3,447
Payments received in the reconciliation phase	1,823	2,198
Trade payables	2,239	2,096
Due to employees	1,377	1,854
Pension repayments	518	417
Due to group companies	400	310
Other	195	22
TOTAL	**55,617**	**36,592**

SECTION 11 - EMPLOYEE TERMINATION INDEMNITIES - ITEM 110

The actuarial value of the fund was calculated by an outside actuary, who issued his appraisal.

11.1 Employee termination indemnities: annual changes

	31/12/2015	31/12/2014
A. Opening balance	**1,173**	**732**
B. Increases	**562**	**569**
B.1 Allowances in the year	524	379
B.2 Other changes	38	190
C. Decreases	**432**	**128**
C.1 Benefits paid	347	21
C.2 Other changes	85	107
D. Closing balance	**1,303**	**1,173**
TOTAL	**1,303**	**1,173**

The increase in "Other changes" refers to the actuarial adjustment amount accounted for in 2015.

The others decreases mainly refer to units of the severance indemnity funds liquidated in 2015

The technical valuations were conducted based on the assumptions described in the following table:

Annual discount rate	2.03%
Annual inflation rate	1.50% for 2016
	1.80% for 2017
	1.70% for 2018
	1.60% for 2019
	2.00% from 2020 onwards
Annual employment indemnities rate increase	2.625% for 2016
	2.850% for 2017
	2.775% for 2018
	2.700% for 2019
	3.000% from 2020 onwards
Annual real salary increase rate	1.00%

The discount rate used for determining the present value of the obligation was calculated, pursuant to paragraph 83 of IAS 19, from the Iboxx Corporate AA index with 10+ duration during the valuation month. To this end, a choice was made to select the yield with a duration comparable to the duration of the set of workers subject to valuation.

SECTION 12 - PROVISIONS FOR RISKS AND CHARGES - ITEM 120

12.1 Provision for risks and charges: breakdown

Items / Values	31/12/2015	31/12/2014
1. Provision for pensions	-	-
2. Other provisions for risks and charges	349	999
2.1 Legal disputes	-	-
2.2 Personnel charges	279	629
2.3 Other	70	370
TOTAL	**349**	**999**

"Other provisions" predominantly refer to the deferred part of bonuses.

12.2 Provision for risks and charges: annual changes

	Provision for pensions	Other provisions	**Total**
A. Opening balance	**-**	**999**	**999**
B. Increases	**-**	**274**	**274**
B.1 Allowances in the year	-	274	**274**
B.2 Time value changes	-	-	**-**
B.3 Changes due to discount rate changes	-	-	**-**
B.4 Other changes	-	-	**-**
C. Decreases	**-**	**924**	**924**
C.1 Uses in the year	-	924	**924**
C.2 Changes due to discount rate changes	-	-	**-**
C.3 Other changes	-	-	**-**
D. Closing balance	**-**	**349**	**349**

The main changes in the provision for risks and charges were as follows:

- release of € 300 thousand following the elimination of a potential risk connected to the collection of a tax credit acquired without recourse;
- release of the allowance made over the previous financial years for the remaining part of the long-term incentive plan, following payment after the IPO;
- new provision of the deferred part of the 2015 bonus.

SECTION 14 - GROUP EQUITY - ITEMS 130, 150, 160, 170, 180, 190, 200 AND 220

14.1 "Share capital" and "Treasury shares": breakdown

The share capital of Banca Sistema is divided into 80,421,052 ordinary shares having a par value of euro 0.12. for total paid-in share capital of € 9,651 thousand. All outstanding shares have regular dividend entitlement from 1 January. Based on evidence from the Shareholders' Register and more recent information available, as at 2 July 2015, the shareholders with stakes of more than 5%, the threshold above which Italian law (Art. 120 of the Consolidated Law on Finance) requires disclosure to the investee company and Consob, were as follows:

SHAREHOLDERS	% HELD
SGBS S.r.l. (Management Company)	23.10%
Fondazione Sicilia	7.40%
Fondazione Cassa di Risparmio di Alessandria	7.40%
Fondazione Pisa	7.40%
Schroders Group	6.73%
Market	47.97%

The breakdown of the Bank's equity is shown below:

	2015	2014
1. Stock	9,651	8,451
2. Share premiums	39,435	4,325
3. Reserves	26,929	9,527
4. (Treasury shares)	-	-
5. Valuation reserves	350	2
6. Capital instruments	-	-
7. Operating profit	17,037	19,394
TOTAL	**93,403**	**41,699**

For changes in reserves, please refer to the statement of changes in shareholders' equity.

14.2 Share capital - Parent Company's number of shares: annual changes

Items / Types	Ordinary	Other
A. Existing shares existing at the start of the year	**70,421,052**	**-**
fully paid-up	70,421,052	-
not fully paid-up	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	**70,421,052**	**-**
B. Increases	**10,000,000**	**-**
B.1 New issues	10,000,000	-
on payment:	10,000,000	
- business combination transactions	-	-
- conversion of bonds	-	-
- exercising warrants	-	-
- other	10,000,000	-
without consideration:	-	
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Disposal of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Company disposal transactions	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balance	**80,421,052**	**-**
D.1 Treasury shares (+)	-	-
D.2 Existing shares at the end of the year	80,421,052	-
fully paid-up	80,421,052	-
not fully paid-up	-	-

14.4 Revenue reserves: other information

In compliance with Art. 2427(7 bis) of the Italian civil code, below is the detail of the shareholders' equity item revealing the origin and possibility of use and distributability.

Nature	Value as at 31/12/2015	Possibility of use	Quota available
A. Share capital	9,651	-	-
B. Capital reserves:	-	-	-
Share-premium reserve	39,436	A,B,C	-
Reserve for loss recorded	-	-	-
C. Revenue reserves:	-	-	-
Legal reserves	1,522	B	-
Valuation reserve	350	-	-
Merger reserve	435	A,B,C	-
Profit from previous year	25,746	A,B,C	-
Paid for future capital increase	-	-	-
D. Other reserves	(774)	-	-
TOTAL	**76,366**	-	-
Net profit	17,037	-	-
TOTAL EQUITY	**93,403**	-	-
Non-distributable quota	**-**	-	-
Distributable quota	**-**	-	-

Key:
A: for share capital increase
B: to hedge losses
C: for distribution to shareholders

OTHER INFORMATION

1. Guarantees issued and commitments

The item “financial-bank guarantees issued” includes the commitments taken on with the interbank guarantee systems; the item “Irrevocable commitments to disburse funds” is relative to the equivalent value of the securities to receive for transactions to be settled.

Transactions	31/12/2015	31/12/2014
1. Financial guarantees issued	671	1,921
a) Banks	-	1,921
b) Customers	671	-
2. Commercial guarantees issued	45	67
a) Banks	45	45
b) Customers	-	22
3. Irrevocable commitments to disburse funds	-	-
a) Banks	-	-
for specified use	-	-
for unspecified use	-	-
b) Customers	-	-
for specified use	-	-
for unspecified use	-	-
4. Commitments underlying credit derivatives: protection sales	-	-
5. Assets pledged for third-party commitments	-	-
6. Other commitments	-	-
TOTAL	**716**	**1,988**

2. Assets pledged as security for own liabilities and commitments

Portfolios	31/12/2015	31/12/2014
1. Held-for-trading financial assets	-	-
2. Financial assets measured at fair value	-	-
3. Available-for-sale financial assets	771,332	713,699
4. Held-to-maturity financial assets	-	-
5. Due from banks	-	-
6. Loans to customers	107,242	144,723
7. Property and equipment	-	-

3. Management and brokering on behalf of third parties

Type of services	Amount
1. Execution of orders on behalf of customers	**-**
a) Purchases	-
1. regulated	-
2. non-regulated	-
b) Sales	-
1. regulated	-
2. non-regulated	-
2. Portfolio management	**-**
a) individual	-
b) collective	-
3. Securities custody and administration	**1,080,874**
a) third-party securities under custody: related to the performance of depositary	-
bank services (excluding asset management)	-
1. securities issued by the bank drafting the financial statements	-
2. Other securities	**-**
b) third-party securities under custody (excluding asset management): other	**160,120**
1. securities issued by the bank drafting the financial statements	**24,534**
2. other securities	**135,586**
c) third-party securities deposited with third parties	**160,120**
d) property deeds deposited with third parties	**920,754**
4. Other transactions	**-**

SECTION 1 - INTEREST - ITEMS 10 AND 20

1.1. Interest and similar income: breakdown

Items / Technical forms	Debt securities	Loans	Other transactions	2015	2014
1. Held-for-trading financial assets	-	-	-	-	-
2. Available-for-sale financial assets	813	-	-	813	3,198
3. Held-to-maturity financial assets	-	-	-	-	-
4. Due from banks	-	8	-	8	50
5. Loans to customers	-	78,437	-	78,437	72,594
6. Financial assets measured at fair value	-	-	-	-	-
7. Hedging derivatives	-	-	-	-	-
8. Other assets	-	-	-	-	1
TOTAL	**813**	**78,445**	**0**	**79,258**	**75,843**

1.4 Interest expense and similar charges: breakdown

Items / Technical forms	Payables	Securities	Other transactions	2015	2014
1. Due to Central banks	84	-	-	**84**	**893**
2. Due to banks	1,115	-	-	**1,115**	**761**
3. Due to customers	18,585	-	-	**18,585**	**24,163**
4. Securities in issue	-	1,228	-	**1,228**	**1,638**
5. Held-for-trading financial liabilities	-	-	-	-	-
6. Financial liabilities measured at fair value	-	-	-	-	-
7. Other liabilities and provisions	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-
TOTAL	**19,784**	**1,228**	**-**	**21,012**	**27,455**

SECTION 2 - COMMISSIONS - ITEMS 40 AND 50

2.1 Fee and commission income: breakdown

Type of services / Values	2015	2014
a) guarantees given	3	1
b) credit derivatives	-	-
c) management, dealing and consultancy services:	332	302
1. trading in financial instruments	-	3
2. currency trading	-	-
3. portfolio management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. securities custody and administration	2	1
5. depositary bank	-	-
6. placement of securities	25	14
7. income from reception and transmission of orders	46	47
8. consultancy services	-	-
8.1. on investments	-	-
8.2. on financial structure	-	-
9. distribution of third party services	259	237
9.1. portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. insurance products	259	237
9.3. other products	-	-
d) collection and payment services	54	*18*
e) servicing related to securitisations	-	-
f) services related to factoring	10,905	10,842
g) tax collection services	-	-
h) management of multilateral trading facilities	-	-
i) management of current accounts	77	65
j) other services	1,372	1,309
TOTAL	**12,743**	**12,537**

2.2 Fee and commission income: distribution channels of products and services

Channels / Values	2015	2014
A) c/o its respective branches:	**284**	**251**
1. portfolio management	-	-
2. placement of securities	25	14
3. third-party services and products	259	237
B) door-to-door sales:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-
C) other distribution channels:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-

2.3 Fee and commission expense: breakdown

Services / Values	2015	2014
A) guarantees received	62	86
B) credit derivatives	63	-
C) management, dealing and consultancy services:	359	226
1. trading in financial instruments	108	66
2. currency trading	-	-
3. portfolio management	-	-
3.1 own portfolio	-	-
3.2 third party portfolios	-	-
4. securities custody and administration	-	-
5. placement of financial instruments	-	-
6. ‘out-of-branch’ sale of financial instruments, products and services	251	160
D) collection and payment services	141	160
E) other services	946	595
TOTAL	**1,571**	**1,067**

SECTION 3 - DIVIDENDS AND SIMILAR INCOME - ITEM 70

3.1 Dividends and similar income: breakdown

Items / Income	2015		2014	
	dividends	income from units of UCI	dividends	income from units of UCI
D. Equity investments	33		33	
Total	**33**	**-**	**33**	**-**

SECTION 4 - NET INCOME FROM TRADING ACTIVITIES - ITEM 80

4.1 Net income from trading activities: breakdown

Operations / Income items	Capital gains (A)	Profits from trading (B)	Capital loss (C)	Losses from trading (D)	Net result ([(A+B) - (C+D)]
1. Held for trading financial assets	**-**	**157**	**-**	**-**	**157**
1.1 Debt securities	-	157	-	-	**157**
1.2 Equity securities	-	-	-	-	-
1.3 Units of UCI	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Held-for-trading financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: foreign exchange differences	**-**	**-**	**-**	**(5)**	**(5)**
4. Derivative instruments	**-**	**-**	**-**	**-**	**-**
4.1 Financial derivatives:	-	-	-	-	-
On debt securities and interest rates	-	-	-	-	-
On securities and stock indices	-	-	-	-	-
On currencies and gold	-	-	-	-	-
Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**-**	**157**	**-**	**-**	**152**

SECTION 6 - PROFIT (LOSS) FROM DISPOSAL/REPURCHASE - ITEM 100

6.1 Profit (loss) from disposal/repurchase: breakdown

Items / Income items	2015			2014		
	Profits	Losses	Net income	Profits	Losses	Net income
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Available-for-sale financial assets	2,656	(137)	2,519	4,192	(382)	3,810
3.1 Debt securities	2,656	(137)	2,519	4,192	(382)	3,810
3.2 Equity securities	-	-	-	-	-	-
3.3 Units of UCI	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity financial assets	-	-	-	-	-	-
TOTAL ASSETS	**2,656**	**(137)**	**2,519**	**4,192**	**(38)**	**3,810**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities in issue	-	-	-	-	-	-
TOTAL LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**

SECTION 8 - NET VALUE ADJUSTMENTS/WRITE-BACKS DUE TO IMPAIRMENT - ITEM 130

8.1 Net value adjustments due to loan impairment: breakdown

Items / Income items	Value adjustments (1)			Write-backs (2)				2015	2014
	Individual		of the portfolio	Individual		of the portfolio			
	Write-offs	Other		A	B	A	B		
A. Due from banks:	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers:	-	(4,286)	(1,609)	-	285	-	169	(5,440)	(3,645)
Non-performing loans purchased	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-	-	-
Other receivables	-	(4,286)	(1,609)	-	285	-	169	(5,440)	(3,645)
Loans	-	(4,286)	(1,609)	-	285	-	169	(5,440)	(3,645)
Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**-**	**(4,286)**	**(1,609)**	**-**	**285**	**-**	**169**	**(5,440)**	**(3,645)**

Key:
A = from interest
B = other write-backs

SECTION 9 - ADMINISTRATIVE EXPENSES - ITEM 150

9.1 Personnel expense: breakdown

Type of expenditure / Values	2015	2014
1) Employees	15,625	10,497
a) wages and salaries	7,651	7,507
b) social security charges	1,770	1,426
c) termination indemnities	-	-
d) supplementary benefits	-	-
e) allowance to the provision for employee termination indemnities	354	573
f) allowance to the provision for pensions and similar obligations:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external pension funds:	217	219
- defined contribution plans	217	219
- defined benefit plans	-	-
h) costs from share-based payments	-	-
i) other benefits in favour of employees	5,633	772
2) Other personnel	45	127
3) Directors and statutory auditors	532	544
4) Early retirement costs	-	-
5) Recovery of expenses for employees of the Bank seconded to other entities	-	-
6) Reimbursement of expenses for employees of other entities seconded to the Bank	577	352
TOTAL	**16,779**	**11,520**

Other benefits in favour of employees include a gross variable component recognised to the management and linked to the Bank's listing.

9.2 Average number of employees by category

Personnel

a) Senior managers: 15

b) Managers: 31

c) Remaining employees: 82

9.5 Other administrative expenses: breakdown

Type of expenditure / Values	2015	2014
Servicing and collection activities	6,958	7,088
Resolution Fund	2,469	-
Consultancy	3,998	1,965
Computer expenses	2,980	2,643
Rent and related fees	1,690	1,449
Indirect taxes and duties	2,481	2,287
Advertising	791	783
Auditing fees	874	293
Other	571	651
Car hire and related fees	619	508
Expense reimbursement and entertainment	418	296
Membership fees	250	184
Infoprovider expenses	323	253
Maintenance of movables and real properties	213	222
Telephone and postage expenses	167	147
Stationery and printing	148	101
Insurance	66	68
Discretionary payments	9	26
TOTAL	**25,025**	**18,964**

SECTION 10 - NET ALLOWANCE FOR RISKS AND CHARGES - ITEM 160

10.1 Net allowance for risks and charges: breakdown

Item	2015	2014
Allowance for risks and charges - other provisions and risks	-	(369)
Releasing allowance for risks and charges - other risks and charges	300	-
TOTAL	**300**	**(369)**

SECTION 11 - NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY AND EQUIPMENT - ITEM 170

11.1 Net value adjustments to property and equipment: breakdown

Asset / Income item	Amortization (a)	Value adjustments for impairment (b)	Write-backs (c)	**Net result (a+b-c)**
A. Property and equipment				
A.1 Owned	(246)	-	-	(246)
▪ Used in operations	(246)	-	-	(246)
▪ For investment	-	-	-	-
A.2 Acquired in financial lease	-	-	-	-
▪ Used in operations	-	-	-	-
▪ For investment	-	-	-	-
TOTAL	**(246)**	-	-	**(246)**

SECTION 12 - NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS - ITEM 180

12.1 Net adjustments to intangible assets: breakdown

Asset / Income item	Amortization (a)	Value adjustments for impairment (b)	Write-backs (c)	**Net result (a+b-c)**
A. Intangible assets				
A.1 Owned	(60)	-	-	(60)
▪ Generated internally by the company	-	-	-	-
▪ Other	(60)	-	-	(60)
A.2 Acquired in financial lease	-	-	-	-
TOTAL	**(60)**	-	-	**(60)**

SECTION 13 - OTHER OPERATING EXPENSES AND INCOME - ITEM 190

13.1 Other operating expenses: breakdown

	2015	2014
Amortization on leasehold improvements	257	223
Other operating expenses	241	328
TOTAL	**498**	**551**

The amount of the item “other operating expenses” includes an amount of € 200 thousand relative to the ordinary contribution to the Interbank Deposit Protection Fund for 2015.

13.2 Other operating income: breakdown

	2015	2014
Reimbursement of expenses on current accounts and deposits for sundry taxes	372	169
Recoveries of sundry expenses	170	26
Other Income	28	18
TOTAL	**570**	**213**

“Reimbursement of expenses on current accounts and deposits for sundry taxes” includes the sums recovered from customers for the substitute tax on medium and long-term loans and for the stamp tax on current account and security statements of account.

SECTION 18 - TAXES ON INCOME FROM CONTINUING OPERATIONS - ITEM 260

18.1 Taxes on income from continuing operations: breakdown

	Item / Values	31/12/2015	31/12/2014
1	Current taxes (-)	(8,122)	(11,758)
2	Changes in current taxes of previous years (+/-)	49	79
3	Reduction in current taxes of the year (+)	-	-
3.bis	Reduction in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	-	-
4	Changes in deferred tax assets (+/-)	763	1,547
5	Changes in deferred tax liabilities (+/-)	(595)	-
6	Income tax for the year (-) (-1+/-2+3+/-4+/-5)	(7,905)	(10,132)

18.2 Reconciliation between theoretical tax charge and actual fiscal charge of the financial statements

IRES (Corporate Income Tax)	Taxable income	IRES (Corporate Income Tax)	%
Theoretical fiscal charge for IRES (Corporate Income Tax)	**24,942**	**(6,859)**	**27.50%**
Permanent increase	1,312	(361)	1.45%
Temporary increase	3,636	(1,000)	4.01%
Permanent decrease	(6,479)	1,782	-7.14%
Actual fiscal charge for IRES (Corporate Income Tax)	**23,411**	**(6,438)**	**25.81%**
IRAP (Regional Business Tax)	Taxable income	IRAP (Regional Business Tax)	%
Theoretical fiscal charge for IRAP	**24,942**	**(1,389)**	**5.57%**
Permanent increase	32,175	(1,792)	7.19%
Permanent decrease	(26,878)	1,497	-6.00%
Actual fiscal charge for IRAP	**30,239**	**(1,684)**	**6.75%**
▪ Other fiscal charges			
Total actual fiscal charge for IRES and IRAP	**53,650**	**(8,122)**	**32.56%**

SECTION 20 - OTHER INFORMATION

Nothing to report.

PART D - OTHER COMPREHENSIVE INCOME (CONSOLIDATED)

Analytical statement of other comprehensive income (consolidated)

	Items	Gross amount	Income Tax	Net amount
10.	**Profit (loss) for the year**			**17,037**
	Other income items without reversal to the income statement	-		
20.	Property and equipment	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	-	-	(46)
50.	Held-for-sale non-current assets	-	-	-
60.	Share of valuation reserves connected with investments carried at equity	-	-	-
	Other income items with reversal to the income statement			
70.	**Hedges of foreign investments:**			
	a) changes in fair value	-	-	-
	b) reversal to the income statement	-	-	-
	c) other changes	-	-	-
80.	**Foreign exchange differences:**			
	a) changes in value	-	-	-
	b) reversal to the income statement	-	-	-
	c) other changes	-	-	-
90.	**Cash flow hedges:**			
	a) changes in fair value	-	-	-
	b) reversal to the income statement	-	-	-
	c) other changes	-	-	-
100.	**Available-for-sale financial assets:**	**590**	**195**	**395**
	a) changes in fair value	623	206	417
	b) reversal to the income statement	(33)	(11)	(22)
	- adjustments for impairment losses	-	-	-
	- profit/loss on sale	(33)	(11)	(22)
	c) other changes	-	-	-
110.	**Held-for-sale non-current assets:**			
	a) changes in fair value	-	-	-
	b) reversal to the income statement	-	-	-
	c) other changes	-	-	-
120.	**Share of valuation reserves connected with investments carried at equity:**			
	a) changes in fair value	-	-	-
	b) reversal to the income statement			
	- adjustments for impairment losses	-	-	-
	- profit/loss on sale	-	-	-
	c) other changes	-	-	-
130.	**Total other income items**	**590**	**195**	**349**
140.	**Comprehensive income (10+130)**	**590**	**195**	**17,037**

PART E - INFORMATION CONCERNING RISKS AND RELATIVE HEDGING POLICIES

SECTION 1 - BANKING GROUP RISKS

1.1 Credit risk

QUALITATIVE INFORMATION

In order to manage the significant risks to which it is or could be exposed, the Banca Sistema has set up a risk management system that reflects the characteristics, size and complexity of its operations.

In particular, this system hinges on four core principles:

- suitable supervision by relevant company bodies and functions;
- satisfactory risk management policies and procedures;
- suitable methods and instruments to identify monitor and manage risks, with suitable measuring techniques; thorough internal controls and independent reviews.

In order to reinforce its ability to manage corporate risks, the Bank established the Risk Management Committee, which supports the CEO in defining strategies, risk policies and profitability targets.

The Risk Management Committee continuously monitors the relevant risks and any new or potential risks arising from changes in the working environment or forward-looking operations.

With reference to the new regulation in matters of the operation of the internal control system, in accordance with the principle of collaboration between the control functions, the Internal Control and Risk Management Committee (a committee within a committee) was assigned the role of coordinating all the control functions.

The methods used to measure, assess and aggregate risks are approved by the Board of Directors, based on proposals from the Risk Division, subject to approval by the Risk Management Committee. In order to measure ‘Pillar 1 risks’, the Bank has adopted standard methods to calculate the capital requirements for Prudential Regulatory purposes.

In order to evaluate non-measurable ‘Pillar 2 risks’, the Bank adopts - where possible - the methods stipulated under Supervisory regulations or those established by trade associations. If there are no such indications, standard market practices by operators that work at a level of complexity and operation comparable to the Bank are also assessed.

With reference to the new provisions in matters of regulatory supervision (15° update of circular 263 - New regulations for the prudential supervision of banks), a series of obligations on the management and on risk control, including the Risk Appetite Framework (RAF) and the regulatory instructions defined by the Basel Committee were introduced. The Bank, when drafting the business plan for the 2015–2018 three-year period, had in fact associated the strategic objectives to a first release of the RAF. The key ratios and the respective levels were assessed and the any revisions needed were made while defining the company's annual objectives.

In particular, the RAF was designed with key objectives to verify that over time, the Plan grows and develops observing capital strength and liquidity obligations, implementing monitoring and alert mechanisms and related series of actions that allow prompt intervention in case of significant discrepancies.

In particular, the RAF is based on a two-level structure:

(I) primary indicators, that verify the Bank's soundness in terms of capital and funding/liquidity

(II) secondary indicators that verify the continuous alignment with the regulatory Basel 3 targets.

Target levels, consistent with the plan's defined values, the level I thresholds, defined as “warning” thresholds, that trigger discussion at Risks Management Committee level and subsequent communication to the Board of Directors and the level II thresholds, that required direct discussion in the Board of Director's Meeting to determine the actions to be taken are associated with the various key ratios.

The I and II level thresholds are defined with scenarios of potential stress with respect to the plan's objectives and on dimensions having a clear impact for Banca Sistema.
The Bank, starting from 1 January 2014, used an integrated reference framework both to identify its own risk appetite and for the internal process entailing the determination of the capital adequacy (Internal Capital Adequacy Assessment Process - ICAAP).
Furthermore, the Internal Capital Adequacy Assessment Process allows the Bank to comply with the public disclosure obligation, with appropriate tables, concerning its capital adequacy, to risk exposure and to the general characteristics of the management, control, and monitoring systems of the risks themselves, (the so-called "third pillar"). As concerns this matter, the Bank fulfils the public disclosure requirements with the issuing of Circular no. 285 of 17 December 2013 "Prudential supervisory provisions for banks" in which the Bank of Italy transposed the Directive 2013/36/EU (CRD IV) of 26 June 2013. This regulation, together with that contained in (EU) Regulations N. 575/2013 (the so-called "CRR") incorporates the standards defined by the Basel Committee on Banking Supervision (the so-called "Basel III").

1. General aspects

The prudential supervisory provisions, anticipate that the banks be able to determine the weighting coefficients for the calculation of the capital requirement with respect to credit exposure within the purview of the standardised approach based on the creditworthiness ratings issued by External Credit Assessment Institutions (ECAI) of the Bank of Italy.
Banca Sistema, as at 31 December 2014, availed itself of the appraisal issued by the ECAI "DBRS", for the exposures to Central Authorities, and Public Sector Institutions and Entities, whereas, as concerns the valuations relative to the regulatory business segment, it uses the agency "Fitch Ratings Ltd".
The identification of a reference ECAI in no way represents, in subject matter or in purposes, an assessment on the merit of the opinions made by the ECAI or a support of the methodologies used, for which the External Credit Assessment Institutions remain solely responsible.
The assessments issued by the rating agencies do not exhaust the creditworthiness assessment process that the Group performs with regard to its customers; rather they represent a further contribution to define the information framework regarding the credit quality of the customer.
The satisfactory appraisal of the borrower's creditworthiness, with regards to capital and income, and of the correct remuneration of the risk, are made based on documentation acquired by the Bank; the information acquired from the Bank of Italy Central Credit Bureau and from other infoproviders, both when decisions are made during the subsequent monitoring, complete the informational framework.
For Banca Sistema, Credit risk is one of the Group's main components of overall exposure; the composition of the credit portfolio predominantly consists of National Institutions of the Public Administration, such local health authorities / Hospitals, Territorial entities (Regions, Provinces and Municipalities) and Ministries that, by definition, entail a very limited default risk.
The main components of Banca Sistema Group's operations that generate credit risk are:

- Factoring activities (with and without recourse);
- Loans to SMEs (with guarantee from the National Guarantee Fund – FNG);
- Acquisition without recourse of salary-/pension-backed loans;

2. Credit Risk Management Policies

2.1 Organizational aspects

Banca Sistema's organizational model envisages that the preliminary credit assessment procedure be performed carefully in accordance with the decision-making powers reserved to the decision-making bodies.
In addition to the Board of Directors, said powers are formally assigned to the Executive Committee and to the CEO, having heard the opinion of the Risk Management Committee.
In order to maintain high credit quality in its loan portfolio, the Bank, as the Parent Company, deemed it expedient to concentrate all phases relative to the assumption and control of risk control upon itself, thus

obtaining, via the specialization of resources and the segregation of functions at each decision-making level, a degree of standardisation in the granting of credit and robust monitoring of the individual positions.

In view of the above, the Bank's "Underwriting Office". performs the analyses for the granting of credit. The Office performs assessments focused on the separate analysis and extension of credit to counterparties (assignor, debtor) and on this takes place in all normal phases of the credit process, summarized as follows:

- “analysis and assessment”: the gathering of quantitative and qualitative information from the counterparties under examination the system allows an opinion of the subject’s reliability and is helpful in quantifying the proposed line of credit;
- “deliberation and formalisation”: once the proposal has been deliberated upon, the contractual documentation to be signed by the counterparty is prepared;
- monitoring the relationship”: the continuous control of the counterparties benefiting from the credit allows any anomalies to be identified and consequentially prompt intervention.

Credit risk is mainly generated as a direct result of the definitive acquisition of credit from the customer company versus the insolvency of the assigned debtor. In particular, the credit risk generated by the factoring portfolio essentially consists of Institutions Public Administration.

in reference to each credit acquired, Banca Sistema performs, via the credit management structure, activities described further on in order to verify the credit status, and whether or not there are any impediments to the payment of the invoices to be assigned, and date scheduled for the payment thereof.

Specifically, the structure endeavours:

- to verify that each credit is certain, liquid and collectable, i.e. there are not disputes or complaints and that there is no further request for clarification or information with regards to said credit and should there be any, that said requests are be promptly satisfied;
- to verify that the debtor has received and recorded in its system the relative deed of assignment, i.e. is aware that the credit has been assigned to Banca Sistema;
- to verify that the debtor, where provided for by the assignment agreement and by the purchase offer, has formalised its acceptance of the assignment of the relative credit or has not rejected it within the terms of the law;
- to verify that the debtor received all the documentation required to proceed with the payment (copy of invoice, orders, bills, transportation documents, etc.) and that had it recorded the corresponding debt in its system (existence of the credit);
- to verify c/o the local and/or regional institutions: the existence of specific allocations, available cash;
- to verify the payment status of the credits via meetings c/o the Public Administrations and/or debtor agencies, telephone contacts, emails, etc. in order to facilitate the ascertainment and the removal of any obstacles that could delay and/or impede payment.

With reference to new business: as regards the Loans to SME product, credit risk is associated with the inability of the two counterparties involved in the loan to honour their financial commitments i.e.:

- the debtor (SME);
- the Guarantee Fund (the Government of Italy).

The type of loan follows the usual operating process concerning the preliminary assessment, the disbursement and the monitoring of the credit.

In particular, two separate due-diligence procedures are performed on this type of loan (one by the Bank and the other by Medio Credito Centrale, the so-called MCC) on the borrower of funds.

The debtor's insolvency risk is mitigated by direct (i.e. that referring to an individual exposure), explicit, unconditional and irrevocable guarantee by the Guarantee Fund, the sole Manager of which is “MCC”.

As regards, instead, the acquisition of salary-/pension-backed loan portfolios, the credit risk is associated with the inability of the three counterparties involved in the loan process to honour their financial commitments, i.e.:

- the Employer (ATC)
- the financial assigning company
- the Insurance Company

The insolvency risk of Employer/ debtor is generated in the following cases:

- default of Employer (for ex: bankruptcy);
- the debtor losing his job (for ex: resignation/ dismissal of the debtor) or reduction of remuneration (for ex: redundancy fund);
- death of the debtor.

The cases of risk described above are mitigated by the obligatory subscription of a life and employment insurance policies. More specifically:

- the employment risk policy fully covers any insolvency deriving from the reduction of the debtor's remuneration whereas, for default by the Employer, the coverage is limited to the portion of the residual debt in excess of the termination indemnity accrued;
- the life risk policy anticipates that the insurance company will intervene to cover the portion of the residual debt expiring subsequent to death; any instalments previously not settled remain instead incumbent upon by the heirs.

The Bank is subject to the insolvency risk of the Insurance Company in the event that a claim is made upon a loan. In order to mitigate this risk, the Bank requires that the outstanding credit portfolio be insured by several insurance companies observing following terms:

- an individual company with no rating or with rating less than Investment Grade may insure a maximum of 30% of the cases;
- an individual company of Investment Grade may insure a maximum of the 40% of the cases.

The Employer insolvency risk is generated in the event that a case is retroceded back to the Employee, which must therefore, repay the credit to the Bank. The Framework Agreement concluded with the employer anticipates the possibility of retroceding the credit in the cases of fraud on the part of the Employer/debtor or in any case, of non-observance, on the part of the employer, of the assumptive criteria anticipated by the framework agreement.

As concerns the financial instruments held on its own account, the Bank performs security purchase transactions regarding Italian government debt, which are allocated, for prudential supervision purposes, in the banking book.

With reference to aforementioned operations the Bank identified and selected specific IT applications to manage and monitor the treasury limits on the securities portfolio and to set up the second level controls.

The Treasury Division, operating within the limits allowed by the Board of Directors, conducts said operations.

Also, with reference to the new regulatory framework, specifically to Circular no. 285 and to the respective Supervisory Bulletin no. 12 of December 2013, paragraph II.6 in matters of own funds, the Bank adhered to the extension of the prudential treatment of the profits and of the losses not realized, relative to the exposure to the Central Authorities classified in the “available-for-sale financial assets” category for the entire period provided for by Art. 467(2), last paragraph of the CCR.

2.2 Management, measurement and control systems

The Bank sets effective Credit Risk Management as a strategic objective via instruments and process integrated to ensure a correct credit management in all phases (processing, disbursement, monitoring and management, intervening on loans with credit quality problems).

By involving the various Central structures of Banca Sistema and via the specialization of the resources and the separation of functions at each decision-making level, it seeks to guarantee a high degree of efficiency and standardisation in overseeing credit risk and monitoring the individual positions.

With specific reference to the monitoring of credit activities, the Bank, via the “Collection Working Group”, assesses and inspects the credit portfolio based upon the guidelines defined within the “collection policy”. The framework relative to the above credit risk ex-post management sets the objective of promptly identifying any anomalies and/or discontinuities and evaluating the persistence of risk profiles, in-line with the strategic indications provided.

The purchase activities of government securities classified among available-for-sale financial assets continued during 2015 in relation to the credit risk associated with the bond securities portfolios. Said financial assets, which in virtue of their classification fall within the perimeter of the "banking book" although outside of the bank's traditional investment activity, are sources of credit risk. This risk consists in the issuer's inability to redeem, upon maturity, all or part of the bonds subscribed.
The securities held by Banca Sistema consist exclusively of Italian government securities, with an average duration of less than a year for the overall portfolio.
Furthermore, the formation of a portfolio of readily liquidatable assets is also expedient for anticipating the trend of the prudential regulations in relation to the governance and management of liquidity risk
As concerns counterparty risk, Banca Sistema's operations call for extremely prudent reverse repurchase and repurchase agreements being that Italian government securities are the predominant underlying instrument and the Compensation and Guarantee Fund is the predominant counterparty.

2.3 Credit Risk mitigation techniques

It should be noted that, as of the balance-sheet date, the Bank did not implement any hedging of the credit portfolio. Note however that Bank to mitigate the exposure of the credit portfolio, the Bank continually assess the subscription of specific standard credit default swap (CDS) and credit linked notes (CLN) hedging contracts.
The use of this type of instrument allows the Bank to mitigate exposures at the levels of Risk Concentration Limits.
As concerns credit and counterparty risk on the AFS portfolio and on the repurchase agreements, risk mitigation is pursued by a careful management of the operational autonomy, establishing limits in terms of both responsibility and the consistency and composition of the portfolio by type of securities.

2.4. Non-performing financial assets

With reference to the factoring activities, customer relations are continuously monitored by the competent Management Functions.
Banca Sistema defined its credit quality policy as a function of the provisions in the Bank of Italy Circular 272, the principle definitions of which are provided on the following pages.
According to that defined in the Bank of Italy Circular no. 272/2008 (Accounts Matrix), "non-performing" financial **assets** that lie within the categories of the doubtful, unlikely to pay or past due and/or overdrawn exposures are defined as non-performing.
Exposures whose anomalous situation is attributable to factors relevant to the so-called "country risk" are the "non-performing" financial assets.
In particular, the following definitions apply:

Doubtful

On- and off-balance sheet exposures (loans, securities, derivatives, etc.) owed by a party in state of insolvency (even if not judicially ascertained) or in broadly similar situations, regardless of any loss forecast formulated by the Bank (cf. Art. 5 bankruptcy law). The definition therefore applies regardless of the existence of any collateral (real or private) provided as protection against the exposures.
This class also includes:

- the exposure to local institutions (municipalities and provinces) in state of financial difficulty[3] for the portion subject to the applicable liquidation procedure
- the credits purchased from third parties having doubtful parties as the primary obligator, regardless of the accounting portfolio in which it is allocated.

Unlikely to pay

Classification into this category is first of all the result of the Banks opinion regarding the improbability that,

[3] A state of financial difficulty occurs when the Entity is no longer able to carry out the functions and services defined as indispensable and when third-party credits exist that it is unable to manage with ordinary budget balancing measures or with the instrument of off-balance sheet debt.

without recourse to actions such as the enforcement of the guarantee, the debtor will fulfil all of his credit obligations (principal and/or interest). This assessment is made independently of whether any sums (or instalments) are past due and not paid. It is therefore unnecessary to wait for explicit symptoms of irregularity (non-repayment) if there are elements that entail a situation of default risk on the part of the debtor (e.g. a crisis in the industrial sector in which the debtor operates). The set of on- and off-balance sheet exposures to the same debtor in above conditions is named "unlikely to pay", save that the conditions for classifying the debtor under doubtful do not exist. The exposures to retail parties may be classified in unlikely to pay category at the level of the individual transaction, provided that the Bank evaluate has assessed that the conditions for classifying the set of exposures to the same debtor in that category do not exist.

Past due and/or overdrawn exposures

These are understood to be the on-balance sheet exposures at book value and "off-balance sheet" exposures (loans, securities, derivatives, etc.), other than those classified as doubtful, watch-list or among the restructured exposures, that, on the reference date of the report, are past due or have been overdrawn by more than 90 days.
In order to verify the continuity of the overdue exposure in connection with the factoring operation, the following is specified:

- for "with recourse transactions", the overdue exposure, other than that associated with the assignment of future credits, is determined only if both of the following conditions exist:
  - the advance is of an amount equal to or greater than amount of the credit coming due;
  - at least one invoice has not been honoured (past due) by more than 90 days and the set of the past due invoices (including those by less than 90 days) exceeds 5% of the total receivables
- for "without recourse transactions", for each assigned debtor, individual invoice that with the greatest delay must be referred.

In the calculation of the capital requirement for the credit and counterparty risk, Banca Sistema uses the standardized approach. This envisages that the exposures that lie within the portfolios relative to "Central Authorities and Central Banks", "Territorial entities", and "Public sector institutions" and "Businesses", must apply the notion of overdue and/or overdrawn exposures at the level of the debtor party.
It should be noted that the Bank has not recorded income loss on its credit portfolio since its formation

The methods used to calculate the analytical and generic write-downs applied to the credit portfolio are described below.
The Bank conducts a satisfactory valuation of the credits that demonstrate objective evidence of a possible impairment and that no objective evidence exists suggesting that the book value of said credits is not fully recoverable, taking into account the default rate and of the magnitude of recovery of non-performing positions historically experienced by the Bank.
The Bank classifies their credits as a function of their credit rating; this classification is subject to review whenever the Bank becomes aware of significant events that could modify the prospects for the recovery thereof. In order to promptly recognize said events, the Bank, via the Credit Management Department, constantly monitors the wealth of information relative to the debtors and constantly checks agreements the existing out-of-court agreements and the various phases of the on-going legal procedures.
Below are the guidelines used by the Bank to conduct both the general and collective write-downs on the credit portfolio.
The Bank makes the write-downs on an analytical basis for the credits that show specific evidence of impairment losses i.e. for the credits assigned the status of "Unlikely to pay" or "Doubtful" in virtue of subjective assessments that result in elements that suggest the credit as not fully collectable or not collectible within the estimated time limits.
With reference to the credits form the factoring portfolio, the Bank makes an analytical write-down for the Municipalities registered as being in a state of "financial difficulty" in accordance with legislative

decree 267/00.

If appropriate write-downs were not made at the pricing stage, the Bank makes an analytical write-down on the outstanding value of the loan net of the rediscount which has not yet fallen due. This percentage write-down is defined as a function of the recovery rate historically recorded by the bank and is subject to revision during the year in case of changes in the collection activities the result in a change in the relative recovery rates. As regards instead the credit positions from the factoring portfolio where the debtor counterparty is a private company, the Bank evaluates, on a case-by-case basis, the amount of the allocation to be applied as a function of the presumable credit recovery value.

With reference to the non-performing ("unlikely to pay" and doubtful") credits lying in the SME loan portfolio, in case of termination of the contract, the Bank proceeds to write down, as a function of the expected recovery rate, the portion of the loan not collateralized by the Guarantee Fund issued through Mediocredito Centrale.

The specific write-down relative to the individual case of salary-/pension-backed loans / salary deduction is assessed on a case-by-case basis.

The return of exposures classified among "unlikely to pay" and "doubtful" to performing is carried out upon proposal by the Credit Management and subsequent to a favourable opinion of the Risk and Compliance Division which proposes, upon resolution by the Risk Management Committee, of the change of status with the release of the allocations previously resolved upon, subject to verification of the absence of criticality and of the state of insolvency.

The credits for which objective evidence of impairment have not been identified individually are subject to assessment of a collective impairment loss. The collective write-down is based on the probability of being classified under doubtful and on the amount of potential future losses in case of default.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 Non-performing and performing credit exposures: amounts, value adjustments, dynamics, economic and regional distribution

A.1.1 Distribution of the credit exposures by portfolios and by credit quality (book values)

Portfolios / quality	Doubtful	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Performing financial assets	**Total**
1. Available-for-sale financial assets	-	-	-	-	920,402	920,402
2. Held-to-maturity financial assets	-	-	-	-	-	**-**
3. Due from banks	-	-	-	-	1,996	1,996
4. Loans to customers	13,899	5,093	65,225	258,961	1,116,077	1,459,255
5. Financial assets measured at fair value	-	-	-	-	-	**-**
6. Financial assets held for disposal	-	-	-	-	-	**-**
Total 2015	**13,899**	**5,093**	**65,225**	**258,961**	**2,038,475**	**2,381,653**
Total 2014	**9,158**	**9,955**	**20,610**	**63,330**	**1,966,366**	**2,069,418**

A.1.2 Distribution of credit exposures by portfolio and by credit quality (gross and net values)

Portfolios / quality	Non-performing assets			Performing financial assets			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Specific adjustments	Net exposure	
1. Available-for-sale financial assets	-	-	-	920,402	-	920,402	920,402
2. Held-to-maturity financial assets	-	-	-	-	-	-	-
3. Due from banks	-	-	-	1,996	-	1,996	1,996
4. Loans to customers	91,353	7,137	84,216	1,378,272	3,233	1,375,039	1,459,255
5. Financial assets measured at fair value	-	-	-		-	-	-
6. Financial assets held for disposal	-	-	-	-	-	-	-
Total 2015	**91,353**	**7,137**	**84,216**	**2,300,670**	**3,233**	**2,297,437**	**2,381,653**
Total 2014	**42,197**	**2,473**	**39,724**	**2,031,029**	**2,457**	**2,029,694**	**2,069,418**

A.1.2.1 Distribution of credit exposures by portfolios

Portfolios / seniority past due	OTHER EXPOSURES					
	Past due up to 3 months	Past due by more than 3 months up to 6 months	Past due by more than 6 months up to 1 year	Past due by more than 1 year	Not past due	**Total (net exposure)**
1. Available-for-sale financial assets	-	-	-	-	920,402	**920,402**
2. Held-to-maturity financial assets	-	-	-	-	-	**-**
3. Due from banks	-	-	-	-	1,996	**1,996**
4. Loans to customers	163,710	27,445	43,308	24,497	1,116,078	**1,375,039**
5. Financial assets measured at fair value	-	-	-	-	-	**-**
6. Financial assets held for disposal	-	-	-	-	-	**-**
Total 2015	**163,710**	**27,445**	**43,308**	**24,497**	**2,038,476**	**2,297,437**
Total 2014	**35,188**	**8,270**	**9,630**	**10,242**	**1,966,364**	**2,029,694**

A.1.3 On- and off-balance sheet credit exposures to banks: gross and net values

Type of exposures / Values	Gross exposure					Individual adjustments	Collective adjustments	Net exposure
	Non-performing assets				Performing financial assets			
	Up to 3 months	From more than 3 months up to 6 months	From more than 6 months up to 1 year	More than one year				
A. ON-BALANCE SHEET EXPOSURES								
a) doubtful of which:								
forborne exposures								
b) Unlikely to pay of which:								
forborne exposures								
c) Non-performing past due exposures								
of which: forborne exposures								
d) Performing past due exposures of which:								
forborne exposures								
e) Other performing exposures of which:								
forborne exposures					1,999			1,999
TOTAL A					**1,999**			**1,999**
B. OFF-BALANCE-SHEET EXPOSURES								
a) Non-performing								
b) Performing					45			45
TOTAL B					**45**			**45**
TOTAL (A+B)					**2,041**			**2,041**

A.1.4 On-balance sheet credit exposures to banks: dynamics of gross non-performing exposures

The on-balance sheet exposures to Banks are all performing.

A.1.5 On-balance sheet credit exposures to banks: dynamics of overall adjustments

There are no non-performing exposures to banks.

A.1.6 On- and off-balance sheet credit exposures to customers: gross and net values

Type of exposures / Values	Gross exposure					Individual adjustments	Collective adjustments	Net exposure
	Non-performing assets				Performing financial assets			
	Up to 3 months	From more than 3 months up to 6 months	From more than 6 months up to 1 year	More than one year				
A. ON-BALANCE SHEET EXPOSURES								
a) doubtful of which: forborne exposures	474	499	848	18,200		6,122		**13,899**
b) Unlikely to pay of which: forborne exposures	5,913	-	-			820		**5,093**
c) Non-performing past due exposures of which: forborne exposures	33,621	11,275	12,926	7,598		195		**65,225**
d) Performing past due exposures of which: forborne exposures					259,724		763	**258,961**
e) Other performing exposures of which: forborne exposures					2,038,950		2,470	**2,036,480**
TOTAL A	**40,008**	**11,774**	**13,774**	**25,798**	**2,298,674**	**7,137**	**3,233**	**2,379,658**
B. OFF-BALANCE-SHEET EXPOSURES								
a) Non-performing								
b) Performing					671			**671**
TOTAL B					671			**671**
TOTAL (A+B)	**40,008**	**11,774**	**13,774**	**25,798**	**2,300,016**	**7,137**	**3,233**	**2,289,646**

A.1.7 On-balance sheet credit exposures to customers: dynamics of gross non-performing exposures

Reasons / Categories	Doubtful	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Performing
A. Starting gross exposure	**11,439**	**10,078**	**20,680**	**63,568**	**1,951,919**
of which: non-derecognized assigned exposures					
B. Increases	14,448	6,349	66,516	251,271	689,880
B.1 incoming performing exposures	11,930	6,015	59,558	185,105	3,025
B.2 transfers from others categories of non-performing exposures	1,222	-	4,328	1,423	8,901
B.3 other increases	1,296	334	2,630	64,743	677,954
C. Decreases	**5,866**	**10,513**	**21,776**	**55,115**	**602,849**
C.1 outgoing performing exposures	973	2,395	6,955	3,025	185,105
C.2 derecognitions	-	-	-	-	-
C.3 collections	4,893	2,630	14,760	32,122	360,209
C.4 gains on sales	-	-	-	-	-
C.5 losses on sales	-	-	-	-	-
C.6 transfers to others categories of non-performing exposures	-	5,488	61	19,968	57,535
C.7 other decreases	-	-	-	-	-
D. Final gross exposure	**20,021**	**5,913**	**65,420**	**259,724**	**2,038,950**
of which: non-derecognized assigned exposures					
TOTAL					

A.1.8 On-balance sheet credit exposures to customers: dynamics of overall adjustments

Reasons / Categories	DOUBTFUL		UNLIKELY TO PAY		NON-PERFORMING PAST DUE EXPOSURES		PERFORMING PAST DUE EXPOSURES		PERFORMING	
	Total	Of which: forborne exposures	Total	Of which: forborne exposures	Total	Of which: forborne exposures	Total	Of which: forborne exposures	Total	Of which: forborne exposures
A. Initials total adjustments	**2,281**		**122**		**70**		**249**			
- of which: non-derecognized assigned exposures										
B. Increases	**4,126**		**825**		**192**		**675**			
B.1 value adjustments	3,540		813		101		550			
B.2 losses from disposal										
B.3 transfers from others categories of non-performing exposures	102		0		17		11			
B.4 other increases	484		12		72		114			
C. Decreases	**286**		**127**		**67**		**161**			
C.1 valuation write-backs	5				10		31			
C.2 collection write-backs	271		6		1		4			
C.3 profits from disposals										
C.4 derecognitions										
C.5 transfers to others categories of non-performing exposures			119				113			
C.6 other decreases	10		2		56		12			
D. Final total adjustments	**6,122**		**820**		**195**		**763**			
- of which: non-derecognized assigned exposures										

A.2 CLASSIFICATION OF THE EXPOSURES BASED ON EXTERNAL AND INTERNAL RATING

A.2.1 Distribution of on- and off-balance sheet credit exposures by external rating class

The risk categories for the external rating indicated in this table refer to the creditworthiness classes of the debtors/ guarantors pursuant to prudential requirements (cf. Circular no. 285 of 2013 "Regulations for the supervision of banks" and subsequent updates).

The Bank uses the standardised approach in accordance with the risk mapping of the rating agencies:

- "DBRS Ratings Limited", for exposures to: central authorities and central banks; supervised brokers; public sector institutions; territorial entities.

Exposures	External rating class							
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Without rating	**Total**
A. On-balance sheet exposures	-	**1,591,125**	-	-	-	-	**790,528**	**2,381,653**
B. Derivatives	-	-	-	-	-	-	-	-
B.1 Financial derivatives	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees given	-	-	-	-	-	-	**716**	**716**
D. Commitments to disburse funds	-	-	-	-	-	-	-	-
E. Other	-	-	-	-	-	-	-	-
Total	-	**1,591,125**	-	-	-	-	**791,244**	**2,382,369**

of which long-term rating

Creditworthiness class	Risk weighting factors				ECAI
	Central authorities and central banks	Supervised brokers, public sector institutions and territorial entities	Multilateral development banks	Companies and other parties	DBRS Ratings Limited
1	0%	20%	20%	20%	From AAA to AAL
2	20%	50%	50%	50%	From AH to AL
3	50%	100%	50%	100%	From BBBH to BBBL
4	100%	100%	100%	100%	From BBH to BBL
5	100%	100%	100%	150%	From BH to BL
6	150%	150%	150%	150%	CCC

of which short-term ratings (for exposures to supervised brokers)

Creditworthiness class	Risk weighting factors	ECAI
		DBRS Ratings Limited
1	20%	R-1 (high), R-1 (middle), R-1 (low)
2	50%	R-1 (high), R-2 (middle), R-2 (low)
3	100%	R-3
4	150%	R-4, R-5
5	150%	
6	150%	

“Fitch Ratings”, for exposures to companies and other parties.

of which long-term rating

	Risk weighting factors				ECAI
Creditworthiness class	Central authorities and central banks	Supervised brokers, public sector institutions and territorial entities	Multilateral development banks	Companies and other parties	Fitch Ratings
1	0%	20%	20%	20%	from AAA to AA-
2	20%	50%	50%	50%	from A+ to A-
3	50%	100%	50%	100%	from BBB+ to BBB-
4	100%	100%	100%	100%	from BB+ to BB-
5	100%	100%	100%	150%	from B+ to B-
6	150%	150%	150%	150%	CCC+ and lower

of which short-term ratings (for exposures to supervised brokers)

		ECAI
Creditworthiness class	Risk weighting factors	Fitch Ratings
1	20%	F1+,F2
2	50%	F2
3	100%	F3
from 4 to 6	150%	less than F3

A.3 Distribution of guaranteed credit exposures by type of Guarantee

A.3.1 Guaranteed on-balance sheet credit exposures

	Net exposure	Real security (1)				CLN	Personal security (2)								Total (1)+(2)
							Credit derivatives				Credit commitments				
							Other derivatives								
		Mortgaged estate	Properties under financial lease	Securities	Other collateral		Governments and central banks	Other public institutions	Banks	Other subjects	Governments and central banks	Other public institutions	Banks	Other subjects	
2. Guaranteed on-balance sheet credit exposures:	385,444	-	-	184,793	121,743	-	-	-	-	-	62,353	-	-	8,741	***377,630***
2.1 fully guaranteed	350,459	-	-	184,793	121,725	-	-	-	-	-	33,861	-	-	8,741	**349,120**
- of which non-performing	*1,783*	-	-	-	938	-	-	-	-	-	754	-	-	92	***1,784***
2.2 partially guaranteed	34,985	-	-	-	18	-	-	-	-	-	28,492	-	-	-	**28,510**
- of which non-performing	656	-	-	-	-	-	-	-	-	-	564	-	-	-	***564***
2. Guaranteed off-balance sheet credit exposures:	662	-	-	-	662	-	-	-	-	-	-	-	-	-	***662***
2.1 fully guaranteed	662	-	-	-	662	-	-	-	-	-	-	-	-	-	**662**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

B. DISTRIBUTION AND CONCENTRATION OF CREDIT EXPOSURES

B.1 Distribution by sector of On- and off-balance sheet credit with customers (book value)

Exposures / Counterparties	Governments			Other public institutions			Financial companies			Insurance companies			Non-financial companies			Other subjects		
	Net Exposure	Individual adjustments	Collective adjustments	Net Exposure	Individual adjustments	Collective adjustments	Net Exposure	Individual adjustments	Collective adjustments	Net Exposure	Individual adjustments	Collective adjustments	Net Exposure	Individual adjustments	Collective adjustments	Net Exposure	Individual adjustments	Collective adjustments
A. On-balance sheet exposures																		
A1. Doubtful of which:				10,877	4,851			-	-	-	-	-	2,866	712		156	559	
forborne exposures								-	-	-	-	-						
A.2 Unlikely to pay								-	-	-	-	-	5,093	820				
of which:								-	-	-	-	-						
forborne exposures								-	-	-	-	-						
A.3 Non-performing past due	**1,631**	**20**		**31,995**	**83**			**-**	**-**	**-**	**-**	**-**	**30,238**	**88**		**1,361**	**4**	
exposures of which:								-	-	-	-	-						
forborne exposures								-	-	-	-	-						
A.4 Performing exposures	1,194,364		105	521,021		1,436	199,872	-	-	-	-	-	252,569		1,146	127,615		546
of which:								-	-	-	-	-						
forborne exposures								-	-	-	-	-						
TOTAL A	**1,195,995**	**20**	105	**563,893**	**4,934**	**1,436**	**199,872**	**-**	**-**	**-**	**-**	**-**	**290,766**	**1,620**	**1,146**	**129,132**	**563**	**546**
B. Off-balance-sheet exposures																		
B1. Doubtful																		
B2. Unlikely to pay																		
B3. Other non-performing assets																		
B4. Performing exposures													**671**					
TOTAL B													**671**					
TOTAL (A+B) 2015	**1,195,995**	**20**	**105**	**563,893**	**4,934**	**1,436**	**199,872**						**291,437**	**1,620**	**1,146**	**129,132**	**563**	**546**
TOTAL (A+B) 2014	**1,037,189**		**70**	**551,918**	**2,199**	**1,885**	**304,358**						**139,346**	**268**	**439**	**19,968**	**6**	**58**

B.2 Distribution by sector of On- and off-balance sheet credit exposures to customers (book value)

Exposures / Geographical Areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net Exposure	Total value adjustments	Net Exposure	Total value adjustments	Net Exposure	Total value adjustments	Net Exposure	Total value adjustments	Net Exposure	Total value adjustments
A. On-balance sheet exposures										
A.1 Doubtful	13,899	6,122								
A.2 Unlikely to pay	5,093	820								
A.3 Non-performing past due exposures	65,225	195								
A.4 Other performing exposures	2,274,229	3,174	21,211	59						
Total	**2,358,446**	**10,311**	**21,211**	**59**						
B. Off-balance-sheet exposures										
B.1 Doubtful										
B.2 Unlikely to pay										
B.3 Other non-performing assets										
B.4 Other performing exposures	671									
Total	**671**									
Total (A+B) 2015	**2,359,117**	**10,311**	**21,211**	**59**						
Total (A+B) 2014	**2,051,522**	**4,930**	**1,266**							

Exposures / Geographical Areas	NORTH WEST Italy		NORTH EAST Italy		CENTRAL Italy		SOUTHERN Italy and the ISLANDS	
	Net Exposure	Total value adjustments	Net Exposure	Total value adjustments	Net Exposure	Total value adjustments	Net Exposure	Total value adjustments
A. On-balance sheet exposures								
A.1 Doubtful	817	259	156	489	1,484	272	11,442	5,102
A.2 Unlikely to pay	977	159	508	77	3,607	585		
A.3 Non-performing past due exposures	2,389	8	4,867	14	4,947	30	53,023	142
A.4 Other performing exposures	159,653	588	57,967	208	1,462,132	687	594,478	1,691
Total	**163,836**	**1,014**	**63,498**	**788**	**1,472,170**	**1,574**	**658,943**	**6,935**
B. Off-balance-sheet exposures								
B.1 Doubtful								
B.2 Unlikely to pay								
B.3 Other non-performing assets								
B.4 Other performing exposures	662				9			
Total	**662**							
Total (A+B) 2015	**164,498**	**1,014**	**63,498**	**788**	**1,472,179**	**1,574**	**658,943**	**6,935**
Total (A+B) 2014	**73,685**	**286**	**40,228**	**85**	**1,383,456**	**1,098**	**554,153**	**4,069**

B.3 Distribution by sector of on- and off-balance sheet credit exposures to banks (book value)

Exposures / Geographical Areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net Exposure	Adjustments overall value	Net Exposure	Adjustments overall value	Net Exposure	Adjustments overall value	Net Exposure	Adjustments overall value	Net Exposure	Adjustments overall value
A. On-balance sheet exposures										
A.1 Doubtful										
A.2 Unlikely to pay										
A.3 Non-performing past due exposures										
A.4 Other performing exposures	1,996									
Total	**1,996**									
B. Off-balance-sheet exposures										
B.1 Doubtful										
B.2 Unlikely to pay										
B.3 Other non-performing assets										
B.4 Other performing exposures	45									
Total	**45**									
Total (A+B) 2015	**2,041**									
Total (A+B) 2014	**18,557**		**63**							

Exposures / Geographical Areas	NORTH WEST Italy		NORTH EAST Italy		CENTRAL Italy		SOUTHERN Italy and the ISLANDS	
	Net exposure	Adjustments overall value	Net exposure	Adjustments overall value	Net exposure	Adjustments overall value	Net exposure	Adjustments overall value
A. On-balance sheet exposures	-	-	-	-	-	-	-	-
A.1 Doubtful	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-
A.4 Other performing exposures	81	-	6	-	1,909	-	-	-
Total	**81**	-	**6**	-	**1,909**	-	-	-
B. Off-balance-sheet exposures	-	-	-	-	-	-	-	-
B.1 Doubtful	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-
B.3 Other non-performing assets	-	-	-	-	-	-	-	-
B.4 Other performing exposures	-	-	-	-	45	-	-	-
Total	-	-	-	-	**45**	-	-	-
Total (A+B) 2015	**81**	-	**6**	-	**1,954**	-	-	-
Tota (A+B) 2014	**476**	-	**1**	-	**18,080**	-	-	-

B.4 Significant exposures

As at 31 December 2015, the Bank's major exposures are as follows:

a) Book value € 2,559,004 (in thousands)

b) Average value € 101.146 (in thousands)

c) No. of positions 19.

E. ASSIGNMENT TRANSACTIONS

A. Financial assets assigned and not fully derecognized

QUALITATIVE INFORMATION

The financial assets sold and not derecognized refer predominantly to Italian government securities used for repurchase agreements. Said financial assets are classified in the financial statements among the available-for-sale financial assets, while the repurchase agreement loan is predominantly presented in due to customers. As a last resort the financial assets sold and not derecognized comprise trade receivables used for loan transactions in the ECB (Abaco).

QUANTITATIVE INFORMATION

E.1. Financial assets disposed of and not derecognised: book value and entire value

Technical forms / Portfolio	Held-for-trading financial assets			Financial assets measured at fair value			Available-for-sale financial assets			Held-to-maturity financial assets			Due from banks			Loans to customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31/12/2015	31/12/2014
A. Non-derivative financial assets	-	-	-	-	-	-	**878,574**	-	-	-	-	-	-	-	-	-	-	-	**878,574**	**24,973**
1. Debt securities	-	-	-	-	-	-	771,332	-	-	-	-	-	-	-	-	-	-	-	**771,332**	**24,973**
2. Equity securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. UCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	107,242	-	-	-	-	-	-	-	-	-	-	-	**107,242**	-
B. Derivative instruments	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-
Total 2015	-	-	-	-	-	-	**878,574**	-	-	-	-	-	-	-	-	-	-	-	**878,574**	-
of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 2014	-	-	-	-	-	-	**24,973**	-	-	-	-	-	-	-	-	-	-	-	-	**24,973**
of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Key:
A = Financial assets disposed of and fully recognised (book value)
B = Financial assets disposed of and partly recognised (book value)
C = Financial assets disposed of and partly recognised (entire value)

E.2. Financial liabilities against financial assets disposed of a not derecognized: book value

Liabilities / Asset portfolio	Held-for-trading financial assets	Financial assets measured at fair value	Available-for-sale financial assets	Held-to-maturity financial assets	Due from banks	Loans to customers	**Total**
1. Due to customers	**-**	**-**	**731,223**	**-**	**49,257**	**30,603**	**811,083**
a) against fully recorded assets	-	-	731,223	-	49,257	30,603	811,083
b) against partially recorded assets	-	-	-	-	-	-	-
2. Due to banks	**-**	**-**	**30,743**	**-**	-	-	**30,743**
a) against fully recorded assets	-	-	30,743	-	-	-	30,743
b) against partially recorded assets	-	-	-	-	-	-	-
Total 2015	**-**	**-**	**761,966**	**-**	**49,257**	**30,603**	**841,826**
Total 2014	-	-	**24,969**	-	**-**	**-**	**24,969**

SECTION 2 - MARKET RISK

Banca Sistema did not conduct trading activity on financial instruments. As at 31 December 2015k, no active positions are recorded in the trading book for regulatory purposes that might generate market risks.
The existing limit system defines a careful and balanced management of the operational autonomy, establishing limits in terms of portfolio amounts and composition by type of security.

2.1- Interest rate risk and price risk - regulatory trading portfolio
Banca Sistema did not normally conduct trading activity on financial instruments.

2.2 Interest rate risk and price risk – Regulatory Trading Portfolio

QUALITATIVE INFORMATION

A. General aspects, management procedures and methods of measuring the interest rate risk and the price risk

Interest rate risk is defined as the risk that the financial assets/liabilities record an increase /decrease in value because of movements contrary to the interest rate curve.
The Bank identified the sources that generate interest rate risk with reference to the credit processes and to the Bank's collection.
The Bank calculates the exposure to interest rate risk on the banking book consistent as dictated by regulations currently in force, via the simplified regulatory approach (Cf. Circular no. 285/2006, Part One, Title III, Chapter 1, Schedule C); by using this method, the Bank is able to monitor the impact of the unexpected changes in market conditions on shareholders' equity, in this way identifying the relative mitigation measures to be implemented.
In greater detail, the processes of estimating the exposure to interest rate risk of the banking book anticipated by the simplified method is organized in the following phases:

- <u>Determination of the relevant currencies.</u> Relevant currencies" are considered those that represent a portion of total assets, or also of the banking book liabilities, greater than 5%. For the purposes of the methodology for calculating exposure to interest rate risk, the positions denominated in "relevant currencies" are considered individually, while the position in "non-relevant currencies" are aggregated for the relative exchange value in Euro;
- <u>Classification of the assets and liabilities in time brackets.</u> 14 time brackets are defined. The fixed-rate assets and liabilities are classified based on their residual maturity, while those at floating-rates based on the interest rate renegotiation date. Specific classification rules are prescribed for specific assets and liabilities. With particular reference to the deposit and savings product "Si conto! Deposito", the Bank proceeded with the bucketization that takes into account the implied redemption option.
- <u>Weighting the net exposures of each bracket.</u> The asset and liability positions are offset within each bucket, obtaining a net position. The net position by bracket is multiplied by the corresponding weighting factor obtained as the product between a hypothetical change of the rates and an approximation of the modified duration for the individual bracket;
- <u>Sum of the weighted net exposures of the various brackets.</u> The weighted exposures calculated for each bracket (sensitivity) are summed together. The net weighted exposure thus obtained approximates the change of the present value of the posting, denominated in a certain currency, in the event of the assumed rate shock;
- <u>Aggregation in the various currencies.</u> The absolute values of the exposures regarding the individual "relevant currencies" and the aggregate of the "non-relevant currencies" are summed together, obtaining a value that represents the change of the economic value of the Bank as a function of the assumed rate trends.

With reference to the Bank's financial assets, the main sources that generate interest rate risk are Loans to customers and the bond securities portfolio. As concerns the financial liabilities, relevant instead are the customer deposits and savings activities via current accounts, the savings account, and the collections on the interbank market.

Given the foregoing submissions, it should be noted that:

- the interest rates applied to the factoring customers are at a fixed rate and can also be modified unilaterally by the Bank, (in compliance with regulations in force and existing contracts);
- the average financial term of the bond securities portfolio is a less than one year;
- the salary/pension-backed loan that contains fixed rate contract is that with the greatest duration, however on the balance-sheet date this portfolio is contained and it is not deemed expedient to perform Interest rate hedging operations on said maturities;
- the REPO deposits c/o the Central bank are of short duration (the maximum maturity is equal to 3 months);
- The customers' deposits on the deposit account product are at a fixed rate for the entire duration of the constraint, which can be unilaterally renegotiated by the Bank in compliance with regulations in force and the existing contracts).
- the REPO and reverse REPO agreements are generally of short duration, without prejudice to different funding needs

The Bank continuously monitors the main asset and liability postings subject to interest rate risk, furthermore, no hedging instruments were uses as at the balance-sheet date.

B. Fair value hedges

The Bank did s not perform any such transactions in 2015.

C. Cash flow hedging

The Bank did s not perform any such transactions in 2015.

QUANTITATIVE INFORMATION

1. Banking book: distribution by residual term (by repricing date) of financial assets and liabilities

Type / Residual term	On demand	Up to 3 months	From more than 3 months to 6 months	From more than 6 months up to 1 year	From more than 1 year up to 5 years	From more than 5 years up to 10 years	More than 10 years	Unspecified term
1. Non-derivative financial assets	**265,357**	**738,836**	**242,637**	**565,261**	**494,732**	**73,089**	**1,741**	**-**
1.1 Debt securities	-	268,123	99,041	372,181	181,057	-	-	-
- with option of advance repayment	-	-	-	-	-	-	-	-
- other	-	268,123	99,041	372,181	181,057	-	-	-
1.2 Loans to banks	87	1,909	-	-	-	-	**-**	-
1.3 Loans and advances to customers	265,270	468,804	143,596	193,080	313,675	73,089	**1,741**	-
- current accounts	15,171	-	-	-	-	1	**-**	-
- other loans	250,099	468,804	143,596	193,080	313,675	73,088	**1,741**	-
- with option of advance repayment	8,074	9,173	12,814	53,824	157,013	55,968	*38*	-
- other	242,025	459,631	130,782	139,256	156,662	17,120	1,703	-
2. Cash liabilities	**391,711**	**1,471,668**	**101,472**	**87,186**	**193,781**	**6,682**	**8,016**	**-**
2.1 Due to customers	381,136	1,120,168	89,386	87,186	193,781	6,682	-	-
- current accounts	350,279	208,146	87,316	81,494	178,945	1,719	-	-
- other payables	30,857	912,022	2,070	5,692	14,836	4,963	-	-
- with option of advance repayment	-	-	-	-	-	-	-	-
- other	30,857	912,022	2,070	5,692	14,836	4,963	-	-
2.2 Due to banks	10,575	351,500	-	-	-	-	-	-
- current accounts	203	-	-	-	-	-	-	-
- other payables	10,372	351,500	-	-	-	-	-	-
2.3 Debt securities	-	-	12,086	-	-	-	8,016	-
- with option of advance repayment	-	-	12,086	-	-	-	-	-
- other	-	-	-	-	-	-	8,016	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with option of advance repayment	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance-sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2.3 Exchange rate risk

QUALITATIVE INFORMATION

A. General aspects, management processes and methods of measuring the foreign exchange risk

All postings are in local currency, therefore the bank is not subject to foreign exchange risk.

2.4 Derivative instruments

A. Financial derivatives

The Bank does not operate on own account with derivative instruments.

B. Credit derivatives

As at 31 December 2015, the Bank had not executed any derivative contract to hedge the credit portfolio.

B.2 OTC credit derivatives: positive gross fair value - distribution by products

Underlying assets / Derivative types	POSITIVE FAIR VALUE	
	31/12/2015	31/12/2014
A. Regulatory trading portfolio	**-**	**63**
a) Credit default swap	-	63
b) Credit spread option	-	-
c) Total return swap	-	-
d) Other	-	-
B. Banking book	-	-
a) Credit default swap	-	-
b) Credit spread option	-	-
c) Total return swap	-	-
d) Other	-	-
Total	**-**	**63**

B.6 Residual life of credit derivatives: notional values

Underlying asset / Residual maturity	Up to 1 year	More than 1 and up to 5 years	Over 5 years	**Total**
A. Regulatory trading portfolio	-	-	-	-
A.1 Credit derivatives with "qualified" reference obligation	-	-	-	-
A.2 Credit derivatives with "non-qualified" reference obligation	-	-	-	-
B. Banking book	**-**	**-**	-	-
B.1 Credit derivatives with "qualified" reference obligation	-	-	-	-
B.2 Credit derivatives with "non-qualified" reference obligation	-	-	-	-
Total 2014	**-**	**-**	-	-
Total 2013	**5,035**	**-**	-	**5,035**

SECTION 3 - LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General aspects, management processes and methods of measuring the liquidity risk

Liquidity risk is represented by the possibility that the Bank is unable to maintain its payment commitments due to the inability to procure funds or to the inability to sell assets on the market to manage the financial imbalance. It is also represented by the inability to procure adequate new financial resources, in terms of amount and cost, with respect to operational need/ advisability, that forces the Bank to slow or stop the development of activity, or to incur excessive funding costs to deal with their commitments, with significant negative impacts on the profitability of the its activity.

The financial sources are represented by capital, by funding from customers, from the funds procured on the domestic and international interbank market as well from the Eurosystem. To monitor the effects of the intervention strategies and to limit the liquidity risk, the Bank identified a specific section dedicated to monitoring the liquidity risk in the Risk Appetite Framework (RAF). Furthermore, in order to promptly detect and manage any difficulties in procuring the funds necessary to conduct its activity, every year, Banca Sistema, consistent with the prudential supervisory provisions, updates its liquidity policy and Contingency Funding Plan, i.e. the set of specific intervention strategies in case of liquidity stress, anticipating the procedure to procure funds in the event of an emergency. This set of strategies is of fundamental importance to attenuate liquidity risk.

The aforesaid policy defines, in terms of liquidity risk, the objectives, the processes and the intervention strategies in case of liquidity stress, the organizational structures responsible for implementing the interventions, the risk indicators, the relevant calculation method and warning thresholds, and procedures to procure the funding sources that can be used in case of emergency.

During the course of 2015, the Bank continued to adopt a particularly conservative financial policy meant to stabilize funding. This approach, allowed a balanced distribution between inflows from retail customer and corporate and institutional counterparties. As of today, the financial resources available are satisfactory for the current and forward looking volumes of activity, the Bank is continuously active ensuring a coherent development, always in-line with the composition of its financial resources. In particular, Banca Sistema, prudentially, has constantly maintained a high quantity of securities and readily liquid assets to cover all of the deposits and savings products oriented towards the retail segment.

QUANTITATIVE INFORMATION

Time distribution of financial assets and liabilities by remaining contractual term

Currency of denomination Euro:

Item / Time brackets	On demand	From more than 1 day to 7 days	From more than 7 day to 15 days	From more than 15 days to 1 month	From more than 1 month to 3 months	From more than 3 months to 6 months	From more than 6 months up to 1 year	From more than 1 year to 5 years	Over 5 years	Indeterminate
Non-derivative financial assets	**253,693**	**184,750**	**24,653**	**34,886**	**424,032**	**273,382**	**567,835**	**529,237**	**71,997**	**1,909**
A.1 Government securities	-	-	-	-	267,978	98,972	372,019	180,870	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCI units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	253,693	184,750	24,653	34,886	156,054	174,410	195,816	348,367	71,997	1,909
Banks	87	-	-	-	-	-	-	-	-	1,909
Customers	253,606	184,750	24,653	34,886	156,054	174,410	195,816	348,367	71,997	-
Cash liabilities	**385,291**	**944,012**	**16,647**	**148,574**	**362,870**	**90,727**	**88,677**	**193,781**	**26,682**	**-**
B.1 Deposits and current accounts	354,431	112,967	16,624	43,248	307,242	88,025	82,353	178,945	1,719	-
Banks	10,574	105,000	5,000	20,000	141,500	-	-	-	-	-
Customers	343,857	7,967	11,624	23,248	165,742	88,025	82,353	178,945	1,719	-
B.2 Debt securities	-	-	-	-	-	632	632	-	20,000	-
B.3 Other liabilities	30,860	831,045	23	105,326	55,628	2,070	5,692	14,836	4,963	-
Off-balance-sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial Guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-

SECTION 4 - OPERATIONAL RISKS

QUALITATIVE INFORMATION

Operational risk is the risk of loss arising from inadequate or dysfunctioning internal processes, human resources or systems, or from external events. This type of risk includes - among other things - the ensuing losses from fraud, human errors, business disruption, unavailability of systems, breach of contract, and natural catastrophes. Operational risk, therefore, refers to other types of events that, under present conditions, would not be individually relevant if not analysed jointly and quantified for the entire risk category.

A. General aspects, management processes and methods of measuring the operational risk

In order to calculate the internal capital generated by the operational risk, the Bank adopts the Basic Indicator Approach, which provides for the application of a regulatory coefficient (equal to 15%) to the three-year average of the relevant indicator defined in Article 316 of EU Regulation no. 575/2013 of 26 June 2013. The above-said indicator is given by the sum (with sign) of the following elements:

- interest income and similar revenue;
- interest expense and similar charges;
- income on shares, quotas and other variable/fixed yield securities;
- income for commissions/fees;
- expenses for commissions/fees;
- profit (loss) from financial transactions;
- other operating income.

Consistent with that anticipated by the relevant legislation, the indicator is calculated gross of provisions and operating expenses; also excluded from computation are:

- profits and losses on the sale of securities not included in the trading portfolio;
- income deriving from exceptional or irregular items;
- income deriving from insurance.

As of 2014, the Bank measured the operating risks events via a qualitative performance indicator (IROR – Internal Risk Operational Ratio) defined within the operational risk management and control process (ORF - Operational Risk Framework). This calculation method allows a score to be defined between 1 and 5, inclusive (where 1 indicates a low risk level and 5 indicates a high risk level) for each event that generates an operational risk.

The Bank assesses and measures the level of the identified risk, also in consideration also the controls and of the mitigating actions implemented. This method requires a first assessment of the possible associated risks in terms of probability and impact (so-called “Gross risk level”) and a subsequent analysis of the existing controls (qualitative assessment on the effectiveness and efficiency of the controls) which could reduce the gross risk, on the basis of which specific risk levels (the so-called "Residual risk") are determined. Finally, the residual risks are mapped on a predefined scoring grid, useful for the subsequent calculation of IROR via appropriate aggregation of the scores defined for the individual operational procedure.

Moreover, the Bank assesses the operational risk associated with the introduction of new products, activities, processes and relevant systems mitigating the onset of the operational risk via a preliminary evaluation of the risk profile.

The Bank places strong emphasis on possible ICT risks. The Information and Communication Technology (ICT) risk is the risk of incurring economic, reputational and market losses in relation to the use of information and communication technology. In the representation supplemented of the business risks, this type of risk is considered, in accordance with the specific aspects, between operational risks, reputational risk and strategic.

The Bank monitors the ICT risks based on the continuous information flows between the functions concerned defined in its IT security policies.

To protect the integrity of data, the Bank has implemented a datawarehouse subject to audit and the relative certification on the part of the externa auditing company KPMG; this tool allows the Bank to have a single repository that guarantees the correctness, completeness and accuracy of the data, as well as the possibility for a single point of access port to the information within the Bank.

In order to conduct consistent and complete analysis with respect to the other activities conducted by the Bank's other control functions, the results in relation to the non-compliance risk audits conducted by the Compliance and Anti-money laundering function, are shared both within the Risk Management and Compliance Division, with the Internal Audit and Risk Management Committee, and with the CEO. The Internal Audit Division also monitors the regular performance of bank operations and processes and evaluates the level of effectiveness and efficiency of the overall internal control system set up to deal with risk exposure. Finally, as an additional protection against operational risk, the Bank has:

- insurance coverage on the operational risks deriving from actions of third parties or procured to third parties. In order to select the insurance coverage, the Bank initiated specific assessment activities, with the support of a primary market broker, to identify the best offers in terms of price/conditions proposed by several insurance undertakings;
- appropriate contractual riders to cover damages caused by of infrastructure and service suppliers;
- a business continuity plan;
- the assessment of each operational procedure in effect, in order to define the controls implemented to protect against risk activities.

PART F - INFORMATION ON SHAREHOLDERS' EQUITY

SECTION 1 - SHAREHOLDERS' EQUITY

A. QUALITATIVE INFORMATION

The objectives pursued in the Banks equity management are inspired by the prudential supervisory provisions, and are oriented towards maintaining adequate levels of capitalisation to take on risks typical to credit positions.

The Bank's income allocation policy aims to strengthen the Bank's capita with special emphasis on primary capital, to the prudent distribution of the operating results, and to guaranteeing a correct balance of the financial position.

B. QUANTITATIVE INFORMATION

B.1 Company equity: breakdown

As at 31 December 2015 the Shareholders' equity was composed as follows:

	Items / Values	31/12/2015	31/12/2014
1	Stock	9,651	8,451
2	Share premiums	39,436	4,325
3	Reserves	26,929	9,527
	- of profits	26,929	9,527
	a) legal	1,522	553
	b) statutory	-	-
	c) treasury shares	-	-
	e) other	25,407	8,974
	- other	-	-
3.bis	Dividends paid	-	-
4	Capital instruments	-	-
5	(Treasury shares)	-	-
6	Valuation reserves	350	2
	- Available-for-sale financial assets	417	23
	- Property and equipment	-	-
	- Intangible assets	-	-
	- Hedges of foreign investments	-	-
	- Cash flow hedges	-	-
	- foreign exchange differences	-	-
	- Held-for-sale non-current assets	-	-
	- Actuarial gain (loss) relative to defined-benefit plans	(67)	(21)
	- Quotas of the valuation reserves regarding investee companies valued at equity	-	-
	- Special revaluation laws	-	-
7	Profit (loss) for the year	17,037	19,394
	TOTAL	**93,403**	**41,699**

B.2 Valuation reserves for financial assets available for sale: breakdown

Assets / Values	31/12/2015		31/12/2014	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	508	113	113	90
2. Equity securities	-	-	-	-
3. Units of UCI	-	-	-	-
4. Loans	-	-	-	-
Total	**508**	**113**	**113**	**90**

B.3 Valuation reserves for financial assets available for sale: annual changes

	Debt securities	Equity securities	Units of UCI	Loans
1. Opening balance	**23**	-	-	-
2. Positive variations	**758**	-	-	-
2.1 Increases in fair value	623	-	-	-
2.2 Reclassifications from negative reserves to the income statement:	135	-	-	-
▪ following impairment	-	-	-	-
▪ following disposal	135	-	-	-
2.3 Other changes	-	-	-	-
3. Negative variations	**387**	-	-	-
3.1 Reductions in fair value	-	-	-	-
3.2 Adjustments for impairment losses	-	-	-	-
3.3 Reclassifications of positive reserves to the income statement: following disposal	170	- -	- -	- -
3.4 Other changes i	217	-	-	-
4. Closing balance	**395**	-	-	-

2.1 Bank own funds

A. QUALITATIVE INFORMATION

The Own Funds, the risk weighted assets and the solvency ratios as at 31 December 2015 were determined based on the new regulation, harmonized for Banks, contained in the Directive 2013/36/EU (CRD IV) and in the Regulation (EU) 575/2013 (CRR) of 26 June 2013, that transpose in the European Union the standards defined by the Basel Committee on Banking Supervision (the so-called Basel 3 framework), and based upon the Circular of the Bank of Italy no. 285 and no. 286 (enacted in 2013), and the update of Circular no. 154.

The legislative provisions relative to own funds require the gradual introduction of the new regulatory framework, through a transitory period, in general until 2017, during which certain elements that under normal circumstances will be computable or fully deductible in the Common Equity, impact the Common Equity Tier 1 capital only by percentage.

Own funds are characterized by a 3-tier structure:

1) Common Equity Tier 1, CET1 capital

A) Common Equity Tier 1 - CET1

This item includes:

- Paid up capital of euro 9.7 million euro;
- A share-premium reserve of euro 39.4 million;
- Other reserves including undistributed profits of euro 40 million.

In particular, this item includes a net profit of euro 17 million recognized in Own funds pursuant to article 26 of the CRR, net of foreseeable dividends pertaining to the Group and of the other positive accumulated income components of euro 350 thousand composed as follows:

- Negative reserve for actuarial losses deriving from defined benefit plans in accordance with the application of the new IAS 19 amounting to euro 67 thousand;
- Positive reserves on available-for-sale assets amounting to euro 417 thousand.

D) Items to be deducted from CET1

This item includes: the following main aggregates:

- Goodwill and other intangible assets, equal to euro 1.9 million;

E) Transitional regime - Impact on CET1 (+/-), including the minority interest subject to temporary provisions. This item includes: the following temporary adjustments:

- The exclusion of unearned profits on AFS securities, amounting to euro 417 thousand (-);
- A positive filter on negative actuarial reserves (IAS 19), amounting to euro 40 thousand (+).

2) Additional Tier 1, AT1 capital

G) Additional Tier1 (AT1) including elements to be deducted and the effects of the transitional provisions. This item includes: the security ISIN IT0004881444 issued by Banca Sistema as an innovative tool of blended rate capital amounting to euro 8 million.

3) Tier 2, T2 capital

M) Tier2 (T2) including elements to be deducted and the effects of the transitional provisions

This item includes the security ISIN IT0004869712 issued by Banca Sistema as an ordinary subordinated loan (Lower Tier 2) equal to Euro 12 million.

B. QUANTITATIVE INFORMATION

	31/12/2015
A. Common Equity Tier 1 - CET1 Before application of prudential filters	**89,141**
of which CET 1 instruments subject to transitional provisions	(377)
B. CET1 prudential filters (+/-)	-
C. CET1 including elements to be deducted and of the effects of the transitional provisions (A+/-B)	**89,141**
D. Items to be deducted from CET1	**(1,872)**
E. Transitional Provisions - Impact on CET (+/-)	**(377)**
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	**86,892**
G. Additional Tier1 (AT1) including elements to be deducted and the effects of the transitional provisions	**8,000**
of which AT1 instruments subject to transitional provisions	**-**
H. Items to be deducted from AT1	**-**
I. Transitional Provisions - Impact on AT1 (+/-)	**-**
L. Total Additional Tier 1 (AT1) (G-H+/-I)	**8,000**
M. Tier2 (T2) including elements to be deducted and the effects of the transitional provisions	**12,000**
of which T2 instruments subject to transitional provisions	-
N. Items to be deducted from T2	-
O. Transitional Provisions - impact on T2 (+/-)	-
P. Total Tier 2 (T2) (M-N+/-O)	**12,000**
Q. Total Own Funds (F+L+P)	**106,892**

2.2 Capital adequacy

A. QUALITATIVE INFORMATION

The Own funds totalled 106.9 million, against risk-weighted assets of 636 million, derived almost exclusively from credit risk.

Based on article 467(2) of the CRR, implemented by the Bank of Italy in Circular 285, the Bank adopted the option to exclude, from its own funds, the profits or losses not realized relative to the exposures to the Central Authorities classified in the Available-for-sale financial assets (AFS) category.

The effects of said exclusion on the capital ratios are marginal.

The Banca Sistema group as at 31 December 2015 presents a CET1 capital ratio equal to 13.7%, a Tier 1 capital ratio equal to 14.9% and a Total capital ratio of 16.8%.

B. QUANTITATIVE INFORMATION

Category / Value	UNWEIGHTED AMOUNTS		WEIGHTED AMOUNTS / REQUIREMENTS	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
A. RISK ASSETS	2,234,170	1,799,310	535,194	298,803
A.1 Credit risk and counterparty risk	**2,234,170**	**1,799,310**	**535,194**	**298,803**
1. Standardised approach	-	-	-	-
2. Internal ratings based approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitised debt	-	-	-	-
B. MINIMUM REGULATORY REQUIREMENTS			42,815	23,904
B.1 Credit risk and counterparty risk			-	1
B.2 Credit assessment adjustment risk			-	-
B.3 Settlement risk			-	-
B.4 Market risk			-	-
1. Standard approach			-	-
2. Internal models			-	-
3. Concentration risk			8,037	5,196
B.5 Operational risk			**8,037**	**5,196**
1. Basic indicator approach			-	-
2. Standardised approach			-	-
3. Advanced method			-	-
B.6 Other calculation elements			-	
B.7 Total capital requirements			50,853	**29,102**
C. RISK ASSETS AND REGULATORY WEIGHTINGS			**635,658**	**363,771**
C.1 Risk-weighted assets			635,658	363,771
C.2 CET1 capital/risk-weighted assets (CET1 capital ratio)			13.67%	10.40%
C.3 Tier1 capital/risk-weighted assets (Tier 1 capital ratio)			14.93%	12.60%
C.4 Total own funds/risk-weighted assets (Total Capital Ratio)			16.82%	15.90%

PART H - TRANSACTIONS WITH RELATED PARTIES

Transactions with related and associated parties, including the relevant authorisation and disclosure procedures, are governed by the "Procedure governing transactions with associated parties" approved by the Board of Directors and published on the website of Banca Sistema S.p.A.

Transactions between the Group companies and related parties or connected parties were carried out in the interests of the Company, including within the scope of ordinary operations; these transactions were carried out in accordance with market conditions and, in any event, on the basis of mutual financial advantage and in compliance with all procedures.

With respect to transactions with parties who exercise administration, management and control functions in accordance with article 136 of the Consolidated Law on Banking, they are included in the Executive Committee decision, specifically authorised by the Board of Directors and with the approval of the Statutory auditors, subject to compliance with the obligations provided under the Civil Code with respect to matters relating to the conflict of interest of directors.

Pursuant to IAS 24, the related parties for Banca Sistema include:

- shareholders with significant influence;
- companies belonging to the banking Group;
- companies subject to significant influence;
- key management personnel;
- the close relatives of key management personnel and the companies controlled by (or connected with) such personnel or their close relatives.

Disclosure on the compensation of key management personnel

The following data show the compensation of key managers, as per IAS 24 and Bank of Italy Circular no. 262 of 22 December 2005 as subsequently updated, which requires the inclusion of the members of the Board of Statutory Auditors.

Values in thousands of Euro	BOARD OF DIRECTORS	BOARD OF STATUTORY AUDITORS	OTHER EXECUTIVES	31/12/15
Remuneration to Board of Directors and Board of Statutory Auditors	3,350	92	-	3,442
Short-term benefits for employees	-	-	3,675	3,675
Post-employment benefits	-	-	260	260
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	-	-	-	-
Total	**3,350**	**92**	**3,936**	**7,378**

DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

The following table shows the assets, liabilities, guarantees and commitments as at 31 December 2015, differentiated by type of related party with an indication of the impact on each individual caption.

The following table indicates the costs and income for 2015, differentiated by type of related party.

Values in thousands of Euro	SUBSIDIARIES	DIRECTORS, BOARD OF STATUTORY AUDITORS AND KEY MANAGERS	OTHER RELATED PARTIES	% OF CAPTION
Loans to customers	1,265	1,801	7,384	0.21%
Due to customers	-	1,241	16,774	0.96%
Securities in issue	-	-	20,102	100.00%
Other assets	-	-	89	0.00%
Other liabilities	436	-	12	0.79%

Values in thousands of Euro	SUBSIDIARIES	DIRECTORS, BOARD OF STATUTORY AUDITORS AND KEY MANAGERS	OTHER RELATED PARTIES	% OF CAPTION
Interest income	44	16	-	0.08%
Interest expense	-	28	1,460	0.13%
Other administrative expenses	-	-	926	0.00%
Fee and commission income	-	-	3	0.00%

The following table sets forth the details of each related party.

	AMOUNT (THOUSANDS OF EURO)	PERCENTAGE (%)
ASSETS	**2,411,670**	**0.36%**
Loans to customers	**-**	**-**
CS Union S.p.A.	7,384	0.51%
Speciality Finance Trust Holdings Ltd	1,265	0.09%
Other assets	-	-
CS Union S.p.A.	89	0.68%
LIABILITIES	**2,411,670**	**1.54%**
Due to customers	**-**	**-**
CS Union S.p.A.	133	0.01%
Shareholders - SGBS	2	0.00%
Shareholders - Fondazione Pisa	16,187	0.86%
Shareholders - Fondazione CR Alessandria	43	0.00%
Shareholders - Fondazione Sicilia	277	0.01%
Other liabilities	**-**	**-**
CS Union S.p.A.	12	0.02%
Speciality Finance Trust Holdings Ltd	436	0.79%
Securities in issue	**-**	**-**
Shareholders - Fondazione Pisa	20,102	100.00%

	AMOUNT (THOUSANDS OF EURO)	PERCENTAGE (%)
REVENUE	**95,728**	**0.91%**
Interest income	**-**	**-**
CS Union S.p.A.	827	1.05%
Speciality Finance Trust Holdings Ltd	44	0.06%
Fee and commission income	-	-
Shareholders - Fondazione Pisa	3	0.02%
COSTS	**70,216**	**3.39%**
interest expense	**-**	**-**
CS Union S.p.A.	1	0.00%
Shareholders - SGBS	-	
Shareholders - Fondazione Pisa	1,446	6.88%
Shareholders - Fondazione CR Alessandria	3	0.02%
Shareholders - Fondazione Sicilia	2	0.01%
Other administrative expenses	**-**	**-**
CS Union S.p.A.	926	3.80%

PART I - PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

During FY 2015, the Bank did not conduct the transactions under discussion.

Disclosure of the consideration paid to the auditing company

Pursuant to the provisions of Art. 149 duodecies of the Consob Issuers' Regulations, the information regarding the fees paid to the auditing company KPMG S.p.A. and to the companies affiliated with the same network are reported below for the following services:

- Auditing services that include:
- The auditing of the annual accounts, for the purpose of expressing a professional opinion.
- The auditing of the interim accounts.
- Certification services that include tasks whereby the auditor evaluates a specific element, the determination of which is performed by another party who is responsible thereof, through appropriate criteria, in order to express a conclusion that provides the recipient party a confidence level concerning said specific element.
- Tax advisory services.
- Other services.

The fees presented in the table, pertaining to FY 2015, are those contracted out, including any index-linking (but not out-of-pocket expenses, of any regulatory contribution and VAT). They do not include, in accordance with the cited provision, the compensation recognized to any secondary auditors or to parties of the respective networks.

Type of services	Entity providing the service	Addressee	Remuneration
Audit of the Financial statements	KPMG S.p.A.	Banca Sistema S.p.A.	114
Audit of the Financial statements	KPMG S.p.A.	Banca Sistema S.p.A.	10
Audit of the half-year financial reports	KPMG S.p.A.	Banca Sistema S.p.A.	25
Other services: activities associated with the listing procedure of Banca Sistema S.p.A. on the STAR segment of the Mercato Telematico Azionario (MTA market) organized and managed by Borsa Italiana S.p.A.	KPMG S.p.A.	Banca Sistema S.p.A.	500
Total			**649**

PART L - SEGMENT INFORMATION

For the purpose of segment reporting required by IFRS 8, the income statement aggregated for business line is reported below.

Distribution by business segments: Income figures as at 31 December 2015

Items	31/12/2015			
Values in thousands of Euro	**Factoring**	**Banking**	**Corporate**	**Consolidated totals**
Interest margin	51,815	4,627	1,804	58,246
Net fees and commissions	11,171	380	(381)	11,170
Other costs/revenues	-	-	2,703	2,703
Net interest and other banking income	**62,986**	**5,007**	**4,126**	**72,119**
Net value adjustments for loan impairment	(3,104)	(2,335)	-	(5,439)
Operating income	**59,882**	**2,672**	**4,126**	**66,680**

Distribution by business segments: asset figures as at 31 December 2015

Items	31/12/2015			
Values in thousands of Euro	**Factoring**	**Banking**	**Corporate**	**Consolidated totals**
Financial assets	-	-	925,402	925,402
Due from banks	-	-	1,996	1,996
Due to banks	-	-	362,075	362,075
Loans to customers	837,687	125,239	496,329	1,459,255
Due to customers	28,426	-	1,849,913	1,878,339

The Factoring divisions includes the business area referred to at the origination of the non-recourse and recourse factoring commercial and fiscal factoring loans. Furthermore, the division includes the business area referred to in the credit management and collection services activities for third parties.The Banking sector includes the business area referred to at the origination of secured loans to small and medium businesses, salary-/pension-backed loan portfolios, and the administered costs/revenues, and from and placement of third-party products. The Corporate sector includes activities inherent to the management of Group's financial resources and the costs/revenues in support of the business activities. Furthermore, all the consolidating entries in addition to all the intercompany nettings were included in this sector. The secondary report by geographical area was omitted being irrelevant, in so far that the customers are essentially concentrated in the domestic market.

CERTIFICATION OF THE FINANCIAL STATEMENTS IN ACCORDANCE WITH ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS AMENDED AND SUPPLEMENTED

1. The undersigned, Gianluca Garbi, in his capacity as CEO, and Margherita Mapelli, in her capacity as Designated manager responsible for drafting the company accounting documents of Banca Sistema S.p.A. hereby certify, having taken into account the provisions of Art. 154-bis, paragraphs 3 and 4, of legislative decree no. 58 of 24 February 1998:
   - the suitability as regards the characteristics of the company, and
   - that the Group has effectively applied the administrative and accounting procedures for preparing the financial statements for the period from 1 January 2015 to 31 December 2015.

2. The suitability and effective application of the administrative and accounting process for the drafting of the Financial statements as at 31 December 2015 was verified based on internally defined methodologies, consistent with the provisions of the reference standards for the internal audit system generally accepted on an international level.

3. In addition, the undersigned also certify as follows:

3.1 the financial statements:

   a) have been prepared in accordance with the applicable international financial reporting standards recognised in the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b) correspond with the accounting books and records;
   c) are suitable for providing a faithful and proper representation of the financial performance, income, and cash flows of the issuer.

3.2 The Directors' Report contains a reliable analysis of the performance, operating results and financial situations of the issuer, together with a description of the main risks and uncertainties to which they are exposed.

Milan, 15 March 2016

Gianluca Garbi

CEO

Margherita Mapelli

Designated manager responsible for drafting the company accounting documents

STATUTORY AUDITORS' REPORT

BANCA SISTEMA S.p.A.

* * *

REPORT OF THE BOARD OF STATUTORY AUDITORS of 24 MARCH 2016

TO THE SHAREHOLDERS' MEETING

Pursuant to article 153-bis of the Consolidated Law on Finance

*****

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

Part One: introduction

Dear Shareholders,

The year 2015 was a special one for Banca Sistema S.p.A. (hereinafter, the "**Bank**"), highlighted by its listing on the STAR segment of the Italian Equities Market (*Mercato Telematico Azionario*) of Borsa Italiana. This event marked an important stage of the corporate mission agreed by the shareholders during the establishment of the Bank. Against this backdrop, the economic and financial performance of the Bank remained outstanding, notwithstanding the fact that the Italian banking system had to address enormous difficulties and severe crises during 2015.

The Board of Statutory Auditors, whose current members were appointed in April 2014, continued working with great intensity throughout 2015. It has held 10 meetings during the period between its last Report on the Financial Statements, dated 10 March 2015, and today. The Board of Statutory Auditors also participated in all meetings held by the corporate governance bodies (Board of Directors, the Internal Control Committee and the Executive Committee). The Board of Statutory Auditors has not received any complaints by the Shareholders and, as described in more detail hereunder, it has prepared various documents as provided by regulatory and statutory provisions.

It also held periodic meetings with KPMG, the independent auditors tasked with the legal auditing of the accounts pursuant to Legislative Decree 39/2010, for the purposes of exchanging the information envisaged in Article 2409-septies Italian Civil Code.

Pursuant to law and the provisions of the Articles of Association, we have monitored compliance with the law, regulations and the Articles of Association, compliance with the principles of sound and prudent management, the adequacy of the organisational, administrative and accounting system, the adequacy and operation of the internal control systems and the other acts and events as stipulated by law.

We have also examined the draft annual financial statements of Banca Sistema S.p.A. as at 31 December 2015 (hereinafter, the "**Financial Statements**"), which the Board of Directors provided to us by the statutory deadline (after it had approved them on 15 March 2016). They consist of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Statement of Cash Flows and the Notes to the Financial Statements. They are accompanied by the Directors' Report on Operations, including the certification pursuant to Article 81-ter of Consob Regulation no. 11971/1999. The Financial Statements show that net income for the year totalled € 17,037,107.19.

Therefore, pursuant to the provisions of Article 153 of the Consolidated Law on Finance, today we report to you "*on the supervisory activity performed and on the omissions and wrongdoing as found*", and we forward a series of "*recommendations concerning the financial statements and their approval*".

Part Two: Supervisory Activities

In this paragraph, we report to you on the activities performed by the Board of Statutory Auditors pursuant to Article 153 of the Consolidated Law on Finance, Article 2403 of the Italian Civil Code and Article 18 of the Articles of Association.

During the year, the Board of Statutory Auditors monitored compliance with the law, the memorandum of association and compliance with the principles of proper management. Its activities have been governed by the standards of conduct for the Board of Statutory Auditors recommended by the Italian Board of Chartered Accountants (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*).

As reported, the Board of Statutory Auditors has participated in all Shareholders' Meetings, Board of Directors' meetings and internal committee meetings. We certify that these meetings were held in compliance with the Articles of Association, the law and regulatory provisions that govern their proceedings. Therefore, we can reasonably assure that the adopted resolutions complied with the law and the Articles of Association, were not manifestly imprudent, reckless or potentially in conflict of interest or conflicting with the resolutions approved by the Shareholders' Meetings or such as might compromise the solidity of corporate assets.

We would like to note that the current Board of Directors was renewed after the Bank was listed on the stock market, with a resolution by the Shareholders' Meeting on 27 November 2015. At that time, Ms Luitgard Spögler was appointed Chairman.

In the course of performing its activities, the Board of Statutory Auditors has met periodically with the heads of the main functions of the Bank (compliance and anti-money laundering, the internal control and audit system). It examined the documents provided to it and prepared its own analyses and assessments, as summarised in its own minutes. These activities have not revealed anything that might raise doubts as to compliance by the Bank with the law, the Articles of Association and the principles of sound and prudent management. It has periodically made proposals when deemed necessary to bring the organisation, procedures and decision-making processes of the Bank into accordance with best practices in the sector. It has analysed the transactions having the greatest impact on Bank operations, financial position and assets, and has found that they were not reckless and/or prejudicial to the operating performance, assets and financial position of the Bank.

The Board of Statutory Auditors has prepared the following documents during the year:

- the "*Board of Statutory Auditors' Self-Assessment Document*";
- the "*Observations of the control body on the report prepared by the Internal Audit Department on the controls carried out on the major outsourced functions, any deficiencies found and the consequent corrective measures adopted for the year 2014*";
- the "*Opinion of the Board of Statutory Auditors on the fairness of the issue price of new shares pursuant to Article 2441, paragraph 6, of the Italian Civil Code*";
- the "*Opinion on the Framework Resolution, concerning transactions involving products and services provided by Banca Sistema S.p.A. in the course of its ordinary operations*";
- certification that the candidates for seats on the Board of Directors satisfied the prerequisites of integrity, professional expertise and independence.

The Board of Statutory Auditors has also regularly replied to requests made by the Supervisory Authorities.

In the opinion of the Board of Statutory Auditors, the organisational, administrative and accounting structure of the Bank has been gradually implemented and is adequate in terms of the nature and size of its activity and obligations to pursue the company purpose, strategic objectives and operating requirements. It is reasonable to assume that if Bank business continues to grow, its organisational structure will also have to grow and, consequently, be modified.

The Board of Statutory Auditors acknowledges that the key information concerning the Bank’s transactions with related parties has been provided during the Board of Directors’ meetings and in the Financial Statements. In this regard, the Board of Statutory Auditors deems it appropriate to call the shareholders' attention to the interpretation of the paragraphs in the Directors' Report on Operations and Notes to the Financial Statements where those events are described.

Among the significant events that occurred in 2015, we highlight:

- the listing of the Bank on the STAR market, with trading as from 2 July 2015;
- the modification of the organisational and governance structure in compliance with the provisions applying to listed entities (e.g. appointment of the investor relator, etc.);
- the changes in the composition of the Board of Directors so as to better reflect the ownership structure;
- the approval of all corporate documents as envisaged by law and the provisions of secondary regulations;
- the approval of the 2016 Budget, the Whistleblowing Regulation and the Collection Policy;
- the approval of the 2016-2019 stock grant plan;
- the preparation by internal corporate offices of periodic *tableaux de bord* (as required by the Bank of Italy), through which the Board of Statutory Auditors was able to monitor criticalities as found and their resolution;

with regard to “significant events during the year”, reference is also made to the Directors' Report on Operations.

Finally, pursuant to Article 153, paragraph 1, of the Consolidated Law on Finance and Article 2408 of the Italian Civil Code, we declare that in 2015, no omissions were found, no complaint from Shareholders or any other complaints were received, no wrongdoing or other significantly negative acts or omissions were reported by the Independent Auditors or others, such as would have entailed reporting to the Bank of Italy and/or a mention in this report.

Part Three: oversight of the Financial Statements

In this section we report on our control activities related to the preparation and drafting of the financial statements of Banca Sistema S.p.A. for the year ended 31 December 2015.

The Financial Statements have been drafted in accordance with the International Financial Reporting Standards (IAS/IFRS), as endorsed by the European Commission and transposed in Italy by Legislative Decree 38 of 28 February 2005, while also considering the instructions issued by the Bank of Italy with Circular 262 of 22 December 2005, as amended most recently on 15 December 2015.

Pursuant to Legislative Decree 39/2010, the person or entity responsible for the legal audit of the accounts must give an opinion on the financial statements as to whether they comply with the laws and regulations governing their preparation and whether they give a true and fair view of the financial position, cash flows and operating result for the year. In this regard, KPMG notified this Board of Statutory Auditors during our most recent meeting a few days ago that it will give an unqualified opinion in its own audit report on the financial statements as at 31 December 2015.

Therefore, the Board of Statutory Auditors assumes that the figures contained in the financial statements correspond with those resulting from the company accounting books, which are regularly kept in compliance with the standards imposed by current law.

That said, the Board of Statutory Auditors has monitored activities to ensure that the general process of preparing and drafting the financial statements complies with current laws and regulations.

The Balance Sheet contained in the financial statements submitted for approval to the Shareholders' Meeting is summarised as follows (in thousands of Euro):

Assets 2,411,994

Liabilities..2,318,591

Capital and reserves...76,366

Net income 17,037

The restated Income Statement shows the following values:

Net banking income...72,119

Net financial income 66,680

Operating costs.. (41,738)

Profit (loss) from equity investments ....(-)

Operating profit before tax……………………………24,942

Income tax .... (7,905)

Net income 17,037

Compared with 2014, interest income increased, interest expenses decreased, adjustments for non-performing loans increased (consistently with the global macroeconomic situation) and personnel expenses increased (since the number of employees increased).

We recall the Shareholders' attention to the fact that the final result reflects two negative non-recurring items *(which, as commonly known, are not recognised separately from ordinary operations in IAS/IFRS-compliant financial statements)*. When these are stripped out, we obtain a "normalised" net result of € 23.7 million. The statement of other comprehensive income shows a positive net balance of € 0.35 million.

Moreover, we note that net income of Banca Sistema S.p.A. accounts for about 96.6% of the total amount of consolidated profit, with the latter amounting to € 17.6 million (the Banca Sistema Group consists of Banca Sistema S.p.A. and its subsidiary Specialty Finance Trust Holding Ltd., an English company).

Part Four: relations with the Independent Auditors

Mutually useful key information was exchanged during the year with representatives of the Independent Auditors, KPMG. Within the context of the mutual exchange of key data and information, the Independent Auditors have not raised flags over any acts or facts they considers improper and have given us reassurances that there are no significant aspects requiring reports on proper record-keeping and fair reporting of operating events.

KPMG has certified that it has found no situations compromising the independence of the Independent Auditors or causes for incompatibility pursuant to Articles 10 and 17 of Legislative Decree 39/2010 and related implementing provisions.

Likewise, KPMG has informed the Board of Statutory Auditors that the legal audit carried out as at 31 December 2015 has not revealed significant shortcomings in the internal control system related to the financial reporting process which would have to be brought to the attention of the Board of Statutory Auditors pursuant to Article 19 of Legislative Decree 39 of 27 January 2010.

Part Five: capital adequacy

The Board of Statutory Auditors would like to call the Shareholders' attention to the significant improvement in the CET1 Ratio, which was 13.7% at 31 December 2015. The capital adequacy ratios of the Bank are higher than the minimum requirements imposed by the Bank of Italy with its letter of 14 October 2015. We refer to the "Capital Adequacy" section in the Directors' Report on Operations for more details on this subject.

Summary and Conclusions

Dear Shareholders,

During 2015, the Board of Statutory Auditors has monitored compliance with the provisions of law and the Articles of Association, as well as satisfaction of the reporting obligations related to requests received from the Bank of Italy. In this regard, the Board of Statutory Auditors does not believe that it has to call your attention to specific criticalities.

Moreover, the Board of Statutory Auditors has prepared a series of documents, as mentioned above, intended to comply with current provisions of law and has received prompt and detailed responses from company bodies and departments whenever it requested them.

The Board of Statutory Auditors believes that the financial statement preparation process complies with applicable provisions of law.

Likewise, the Board of Statutory Auditors has taken note and brings to your attention both the contents of the report of the Independent Auditors KPMG, issued pursuant to Articles 14 and 16 of Legislative Decree 39/2010 – which shows that the financial statements give a true and fair view of the financial position of Banca Sistema S.p.A. as at 31 December 2015, the operating result and cash flows for the year ended on that date – and the result of the exchanges of information with the Independent Auditors, who have confirmed their own independence, have not found material errors, believe that the books are properly kept, and confirm that there are no material aspects requiring a report to the governance bodies.

* * *

Therefore, the Board of Statutory Auditors proposes that the Shareholders' Meeting approve the financial statements of Banca Sistema S.p.A. as at 31 December 2015 in the version approved by the Directors and now submitted to your attention, and to resolve in favour of the proposal made by the directors to allocate the profit for the year of € 17,037,107.19 as follows:

- € 407,860.16 to the legal reserve;
- € 4,262,315.76 to distribution as dividends;
- € 12,366,931.27 to retained earnings.

Milan, 24 March 2016

The Board of Statutory Auditors

Biagio Verde	Diego De Francesco	Massimo Conigliaro
Standing Statutory Auditor	*Chairman*	*Standing Statutory Auditor*

INDEPENDENT AUDITORS' REPORT

The attached Independent Auditors' Report referred to is compliant with the one that will be filed c/o the registered office.

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
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Relazione della società di revisione indipendente ai sensi degli artt. 14 e 16 del D.Lgs. 27 gennaio 2010, n. 39

Agli Azionisti di
Banca Sistema S.p.A.

Relazione sul bilancio d'esercizio

Abbiamo svolto la revisione contabile dell'allegato bilancio d'esercizio di Banca Sistema S.p.A., costituito dallo stato patrimoniale al 31 dicembre 2015, del conto economico, dal prospetto della redditività complessiva, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalla relativa nota integrativa.

Responsabilità degli amministratori per il bilancio d'esercizio

Gli amministratori di Banca Sistema S.p.A. sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. n. 38/05.

Responsabilità della società di revisione

E' nostra la responsabilità di esprimere un giudizio sul bilancio d'esercizio sulla base della revisione contabile. Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia) elaborati ai sensi dell'art. 11, comma 3, del D.Lgs. n. 39/10. Tali principi richiedono il rispetto di principi etici, nonché la pianificazione e lo svolgimento della revisione contabile al fine di acquisire una ragionevole sicurezza che il bilancio d'esercizio non contenga errori significativi.

La revisione contabile comporta lo svolgimento di procedure volte ad acquisire elementi probativi a supporto degli importi e delle informazioni contenuti nel bilancio d'esercizio. Le procedure scelte dipendono dal giudizio professionale del revisore, inclusa la valutazione dei rischi di errori significativi nel bilancio d'esercizio dovuti a frodi o a comportamenti o eventi non intenzionali. Nell'effettuare tali valutazioni del rischio, il revisore considera il controllo interno relativo alla redazione del bilancio d'esercizio della banca che fornisca una rappresentazione veritiera e corretta al fine di definire procedure di revisione appropriate alle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno della banca. La revisione contabile comprende altresì la valutazione dell'appropriatezza dei principi contabili adottati, della ragionevolezza delle stime contabili effettuate dagli amministratori, nonché la valutazione della presentazione del bilancio d'esercizio nel suo complesso.

Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Giudizio

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria di Banca Sistema S.p.A. al 31 dicembre 2015, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. n. 38/05.

Relazione su altre disposizioni di legge e regolamentari

Giudizio sulla coerenza della relazione sulla gestione e di alcune informazioni contenute nella relazione sul governo societario e gli assetti proprietari con il bilancio d'esercizio

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere, come richiesto dalle norme di legge, un giudizio sulla coerenza della relazione sulla gestione e delle informazioni della relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D.Lgs. n. 58/98, la cui responsabilità compete agli amministratori di Banca Sistema S.p.A., con il bilancio d'esercizio di Banca Sistema S.p.A. al 31 dicembre 2015. A nostro giudizio la relazione sulla gestione e le informazioni della relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio d'esercizio di Banca Sistema S.p.A. al 31 dicembre 2015.

Milano, 24 marzo 2016

KPMG S.p.A.

Bruno Verona
Socio

BANCA SISTEMA
CONTEMPORARY BANK

Consolidated Results as at 31/12/2015

28 April 2016

Main elements of the Consolidated Results as at 31.12.2015*

Statement of profit and loss

- **Interest margin +20% y/y** (+19% 4Q 15 vs. 1H15)
- Contributions to the National Resolution Fund and FITD: **€2.7 M**
- **Normalised Net profit +21% y/y,** equal to €23.7 M
- *Net profit pertaining to the Parent Company €17.0 M*
- **Dividends per share at €0.053**

Statement of financial position

- **Total Assets: €2.4 Bn** (+16% y/y)
- **Loans to customers** up by 22% y/y (€1.5 Bn)
- **Italian government securities PTF** stable y/y, with remaining duration of 9 months
- **Diversified funding** with retail component slightly up y/y
- **Shareholders' Equity** of €93.4 M, also due to the share capital increase

KPIs

- **ROAE at 34%**, among the highest of European financial companies
- **CET1** and **TCR** at **13.7%** and **16.8%**, respectively
- **Leverage Ratio** at **4.2%**
- **Cost of risk** at 50bps
- **Cost/Income ratio** down y/y, at **46%**

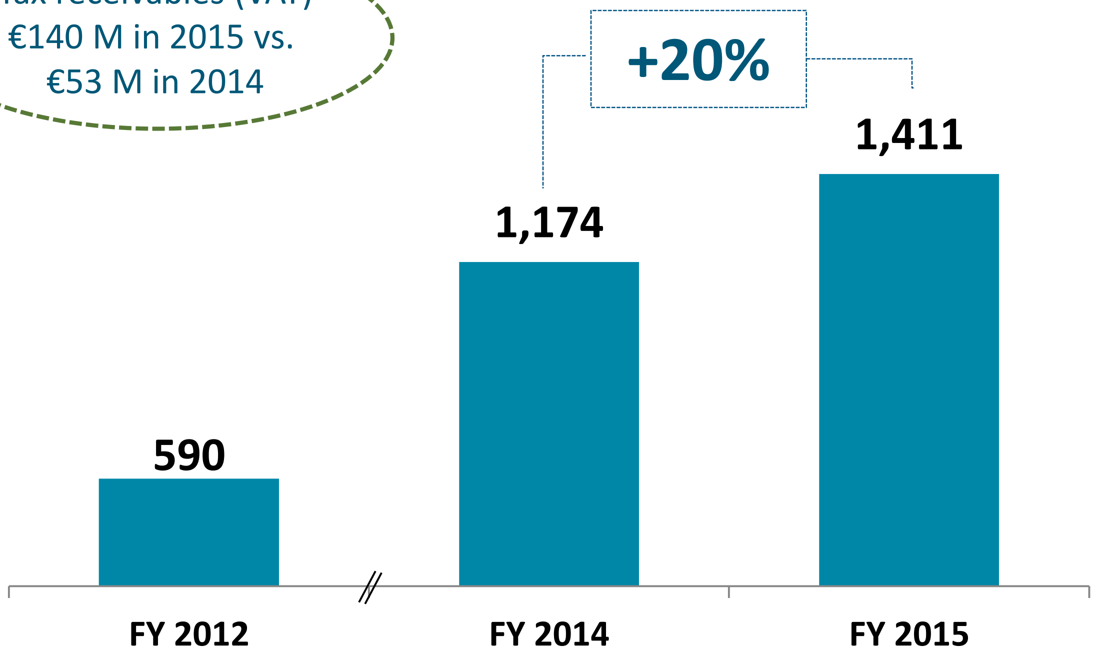
Note: (*) The 2015 Net profit and related KPI do not include the recurring items of the IPO and the extraordinary contribution to the National Resolution Fund.

Factoring turnover up by 20% y/y

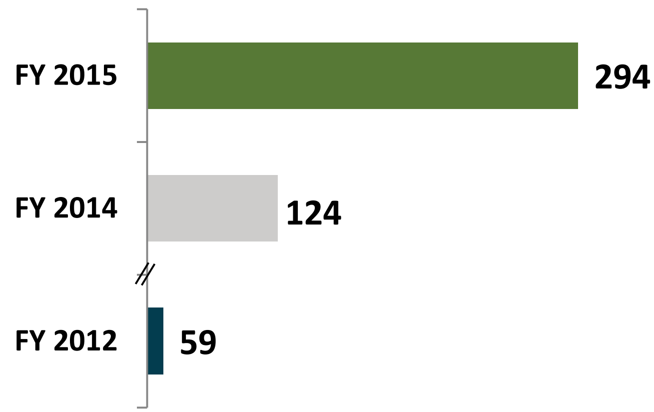
Factoring Turnover

€ million

Tax receivables (VAT)
€140 M in 2015 vs.
€53 M in 2014



no. of Customers: +140% y/y



Agreements with commercial banks
14 distribution agreements,
for a total of ~1,110 branches

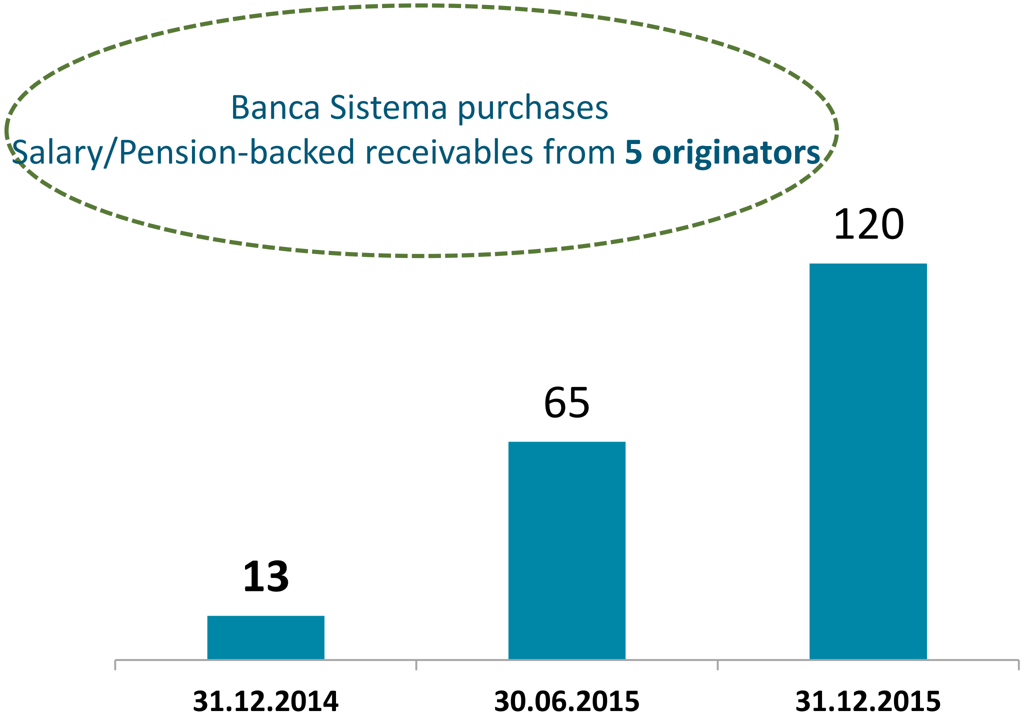
Lower concentration of customers
TOP 10 customers generated 45%
of turnover vs. 54% in 2014

BANCA SISTEMA

Salary-backed loans (CQS) and SME loans represent 16% of loans

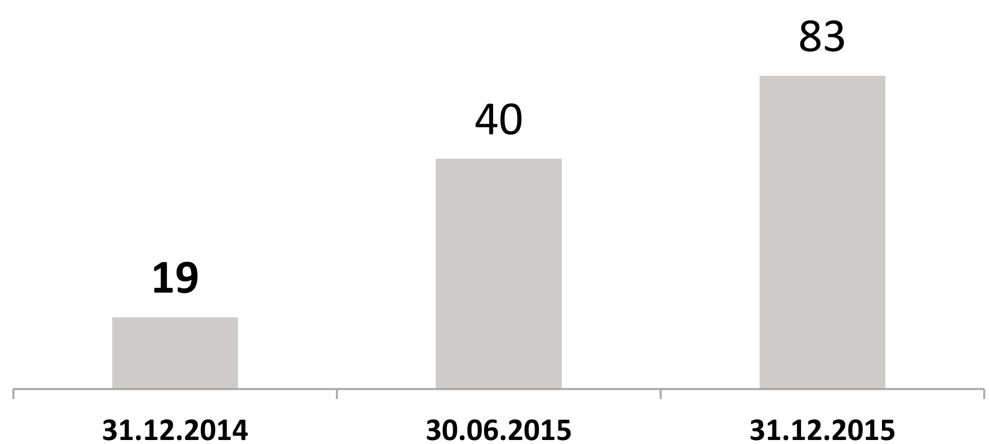
Salary/Pension-backed loans (CQS/CQP) outstanding

€ million



Government-guaranteed SME loans outstanding

€ million



BANCA SISTEMA

Statement of profit and loss

GRUPPO BANCA SISTEMA: CONTO ECONOMICO CONSOLIDATO NORMALIZZATO AL 31 DICEMBRE 2015

Importi in migliaia di Euro

	Voce di Bilancio	31.12.2015 A (Normalizzato)	31.12.2014 B	Variazioni A - B	Variazioni % A - B
10.	Interessi attivi e proventi assimilati	79,019	75,792	3,227	4.3%
20.	Interessi passivi e oneri assimilati	(21,013)	(27,456)	6,443	-23.5%
30.	**Margine di interesse**	**58,006**	**48,337**	**9,669**	**20.0%**
40. - 50.	Commissioni nette	11,168	11,501	(333)	-2.9%
70.	Dividendi e proventi simili	-	33	(33)	-100.0%
80. + 90. + 100. + 110.	Risultato netto dell'attività di negoziazione, copertura, cessione/riacquisto e delle attività/passività valutate al fair value	2,640	4,679	(2,039)	-43.6%
120.	**Margine di intermediazione**	**71,814**	**64,550**	**7,264**	**11.3%**
130.	Rettifiche/riprese di valore nette per deterioramento di crediti	(5,439)	(3,520)	(1,919)	54.5%
140.	**Risultato netto della gestione finanziaria**	**66,375**	**61,030**	**5,345**	**8.8%**
180. a)	Spese per il personale	(13,139)	(12,107)	(1,032)	8.5%
180. b)	Spese amministrative	(20,112)	(18,384)	(1,728)	9.4%
190.	Accantonamenti netti ai fondi per rischi e oneri	300	(369)	669	-181.2%
200. + 210.	Rettifiche/riprese di valore su attività materiali e immateriali	(312)	(230)	(82)	35.9%
220.	Altri oneri/proventi di gestione	71	(338)	409	-121.0%
230	**Costi operativi**	**(33,192)**	**(31,428)**	**(1,764)**	**5.6%**
240.	Utili (Perdite) delle partecipazioni	422	71	351	495.5%
270	Utili (Perdite) da cessione di investimenti	534	-	534	n.s.
280.	**Utile della operatività corrente al lordo delle imposte**	**34,139**	**29,672**	**4,467**	**15.1%**
290.	Imposte sul reddito d'esercizio	(10,426)	(10,133)	(293)	2.9%
340.	**Utile (perdita) di periodo di pertinenza della capogruppo**	**23,713**	**19,539**	**4,174**	**21.4%**

- Net interest and other banking income up by 11.3% y/y
- Excluding non-recurring components, costs increased by 5.6% y/y
- Profit before tax of €34.1 m, up by 15.1% y/y

Statement of financial position

GRUPPO BANCA SISTEMA: STATO PATRIMONIALE CONSOLIDATO

Importi in migliaia di Euro

	Voce di Bilancio	31.12.2015 A	31.12.2014 B	Variazioni A - B	Variazioni % A - B
	ATTIVO				
10.	Cassa e disponibilità liquide	104	66	38	57.6%
20.	Attività finanziarie detenute per la negoziazione	-	63	(63)	-100.0%
40.	Attività finanziarie disponibili per la vendita	925,402	858,007	67,395	7.9%
60.	Crediti verso banche	2,076	16,682	(14,606)	-87.6%
70.	Crediti verso clientela	1,457,990	1,193,754	264,236	22.1%
100.	Partecipazioni	2,696	2,448	248	10.1%
120.	Attività materiali	1,058	1,201	(143)	-11.9%
130.	Attività immateriali	1,872	1,904	(32)	-1.7%
	di cui avviamento	*1,786*	*1,786*	-	*0.0%*
140.	Attività fiscali	7,353	2,752	4,601	167.2%
160.	Altre attività	13,119	4,376	8,743	199.8%
	Totale dell'attivo	**2,411,670**	**2,081,253**	**330,417**	**15.9%**

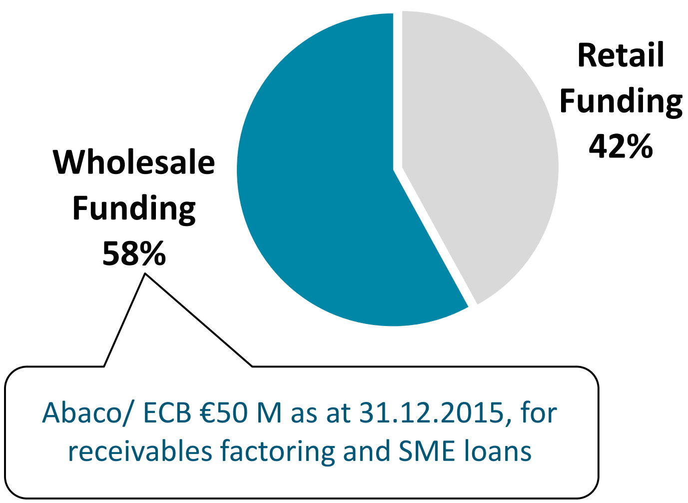
Importi in migliaia di Euro

	Voce di Bilancio	31.12.2015 A	31.12.2014 B	Variazioni A - B	Variazioni % A - B
	PASSIVO E PATRIMONIO NETTO				
10.	Debiti verso banche	362,075	821,404	(459,329)	-55.9%
20.	Debiti verso clientela	1,878,339	1,153,797	724,542	62.8%
30.	Titoli in circolazione	20,102	20,109	(7)	0.0%
80.	Passività fiscali	804	6,248	(5,444)	-87.1%
100.	Altre passività	55,317	36,441	18,876	51.8%
110.	Trattamento di fine rapporto del personale	1,303	1,173	130	11.1%
120.	Fondi per rischi e oneri	372	1,030	(658)	-63.9%
140. + 170. + 180. + 190.	Capitale, sovrapprezzi di emissione, riserve, riserve da valutazione	75,751	21,512	54,239	252.1%
220.	Utile (Perdita) di periodo/d'esercizio (+/-)	17,607	19,539	(1,932)	-9.9%
	Totale del passivo e del patrimonio netto	**2,411,670**	**2,081,253**	**330,417**	**15.9%**

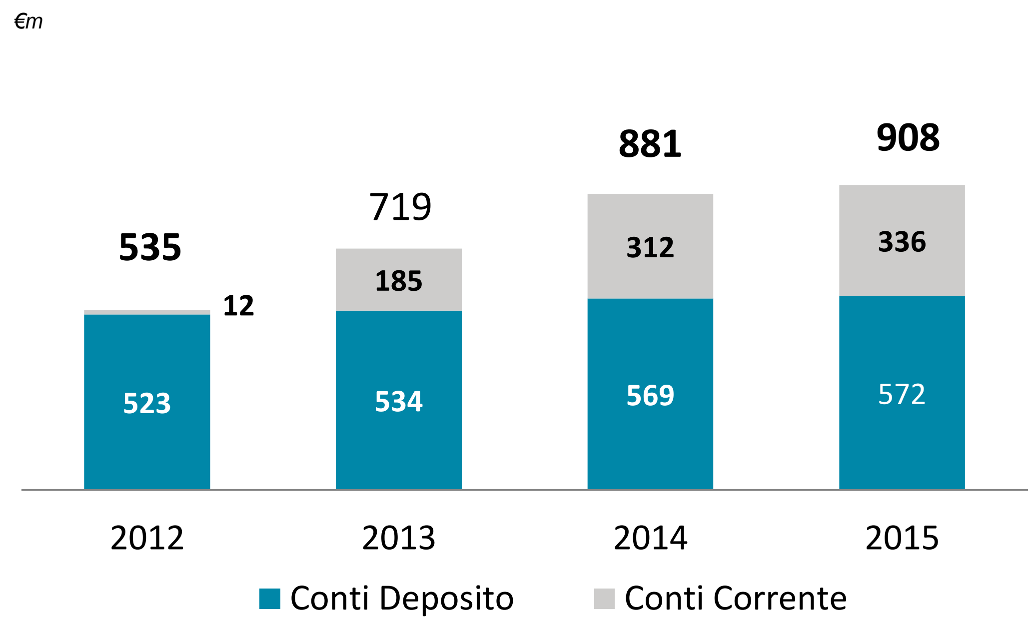
BANCA SISTEMA

Diversification of funding

Funding Breakdown



Retail Funding



- Retail funding stable, though in 2015 interest rates offered were decreased twice
- 8% of Deposit Accounts generated in Germany
- Wholesale funding includes REPOs to finance the portfolio of exclusively Italian, short-term government securities (€0.9 M)
- Further diversification of the Wholesale segment, such as the securitisation of the portfolio of receivables for salary/pension-backed loans

BANCA SISTEMA

N°	NOMINATIVO AZIONISTA	PRESENZA IN PROPRIO O PER DELEGA		NUMERO AZIONI	NUMERO AZIONI CON DIRITTO DI VOTO	% AZIONI SU TOTALE PRESENTE IN ASSEMBLEA	SCHEDA 1 ORDINARIA - GIALLA							
		IN PROPRIO	PER DELEGA			54.397.940	F	C	A	NV	azioni F	azioni C	azioni A	azioni NV
*	Società di Gestione partecipazioni Banca Sintesi		Dott.ssa A. Girello	18.578.900	18.578.900	34,15368%	1				18.578.900	0	0	0
*	Fondazione Sicilia		Dott.ssa A. Girello	5.950.104	5.950.104	10,93811%	1				5.950.104	0	0	0
*	Garbifin SRL		Dott.ssa A. Girello	409.453	409.453	0,75270%	1				409.453	0	0	0
*	Fondazione Cassa di Risparmio di Alessandria	Dott. Pier Angelo Taverna		5.950.104	5.950.104	10,93811%	1				5.950.104	0	0	0
*	Fondazione Pisa	Avv. C. Pugelli		6.118.104	6.118.104	11,24694%	1				6.118.104	0	0	0
*	Participatie Maatschappij Graafschap		Marta Pievani	234.286	234.286	0,43069%	1				234.286	0	0	0
*	Flandria Partecipations Financieres		Marta Pievani	234.286	234.286	0,43069%	1				234.286	0	0	0
*	Schroeder International Selection Fund		Laura Ventriglia	2.564.878	2.564.878	4,71503%	1				2.564.878	0	0	0
*	Vanguard International Explorer Fund		Laura Ventriglia	2.371.523	2.371.523	4,35958%	1				2.371.523	0	0	0
*	Invesco Perpetual European Smaller Companies Fund		Laura Ventriglia	1.546.293	1.546.293	2,84256%	1				1.546.293	0	0	0
*	National West Bank PLC as Trustee of Jupiter Financial OPP F		Laura Ventriglia	1.078.290	1.078.290	1,98223%	1				1.078.290	0	0	0
*	Polar Capital Global Financial Trust PL		Laura Ventriglia	1.219.580	1.219.580	2,24196%	1				1.219.580	0	0	0
*	Transamerica International Small Cap		Laura Ventriglia	916.434	916.434	1,68469%	1				916.434	0	0	0
*	Invesco Funds		Laura Ventriglia	970.483	970.483	1,78404%	1				970.483	0	0	0
*	Invesco Perpetual European Opportunities Fund		Laura Ventriglia	799.726	799.726	1,47014%	1				799.726	0	0	0
*	Schroeder European Smaller Companies Fund		Laura Ventriglia	634.312	634.312	1,16606%	1				634.312	0	0	0
*	Polar Capital Funds PLC		Laura Ventriglia	806.164	806.164	1,48198%	1				806.164	0	0	0
*	Grandeur Peak International		Laura Ventriglia	600.062	600.062	1,10310%	1				600.062	0	0	0
*	Artisan Global Small Cap Fund		Laura Ventriglia	484.529	484.529	0,89071%	1				484.529	0	0	0
*	Axa World Funds		Laura Ventriglia	450.000	450.000	0,82724%	1				450.000	0	0	0
*	Schroeder Capital Management Collective T		Laura Ventriglia	361.383	361.383	0,66433%	1				361.383	0	0	0
*	The State of Connecticut Actingthrough Its Treasurer		Laura Ventriglia	357.713	357.713	0,65759%	1				357.713	0	0	0
*	The Jupiter Global Fund Sicav		Laura Ventriglia	246.316	246.316	0,45280%	1				246.316	0	0	0
*	National Westminster Bank PLC as TR of Jupiter Int. Fin. F		Laura Ventriglia	188.290	188.290	0,34613%	1				188.290	0	0	0
*	State of Alaska Retirement and Benefits Plans		Laura Ventriglia	196.293	196.293	0,36085%	1				196.293	0	0	0
*	Legg Mason Partners EQ TR-LM GLB Curr Int Small Cap Oppor. F		Laura Ventriglia	210.268	210.268	0,38654%	1				210.268	0	0	0
*	Microsoft Global Finance		Laura Ventriglia	162.139	162.139	0,29806%	1				162.139	0	0	0
*	GL Europe Luxembourg S.A.R.L.		Laura Ventriglia	13.601	13.601	0,02500%	1				13.601	0	0	0
*	Canadian Broadcasting Corporation Pension Plan		Laura Ventriglia	103.985	103.985	0,19116%	1				103.985	0	0	0
*	Missouri Local Government Employees Retiremente System		Laura Ventriglia	194.691	194.691	0,35790%	1				194.691	0	0	0
*	Grandeur Peak Global Reach		Laura Ventriglia	90.932	90.932	0,16716%	1				90.932	0	0	0
*	National Council For Social Security Fund		Laura Ventriglia	89.704	89.704	0,16490%	1				89.704	0	0	0
*	Grandeur Peak Global Micro Cap		Laura Ventriglia	39.800	39.800	0,07316%	1				39.800	0	0	0
*	Royce International Smaller-Companies Fund		Laura Ventriglia	27.400	27.400	0,05037%	1				27.400	0	0	0
*	Schroeder International Small Companies P		Laura Ventriglia	32.520	32.520	0,05978%	1				32.520	0	0	0
*	Royce Global Valuetrust Inc.		Laura Ventriglia	23.200	23.200	0,04265%	1				23.200	0	0	0
*	SS BK and Trust Company Inv. Funds for Taxexempt Retirement PL		Laura Ventriglia	17.911	17.911	0,03293%	1				17.911	0	0	0
*	Royce International Micro - Cap Fund		Laura Ventriglia	9.600	9.600	0,01765%	1				9.600	0	0	0
*	Royce Value Trust Inc.		Laura Ventriglia	9.995	9.995	0,01837%	1				9.995	0	0	0
*	Global Currents Investment Trust - Intl. Small Cap. Opportunity Equity Portfolio		Laura Ventriglia	2.685	2.685	0,00494%	1				2.685	0	0	0
*	Franceschi Egisto	x		80.000	80.000	0,14706%	1				80.000	0	0	0
*	Ciferri-Ceretti Massimiliano	x		15.000	15.000	0,02757%	1				15.000	0	0	0
*	Dragonetti Andrea Stefano	x		6.000	6.000	0,01103%	1				6.000	0	0	0
*	Rugarli Giorgio	x		1.000	1.000	0,00184%			1		0	0	1.000	0
*	Rodinò Demetrio	x		3	3	0,00001%	1				3	0	0	0
	Simone Gian Luigi			0	0	0,00000%					0	0	0	0
													0	
	TOTALI	7	38		54.397.940	100,00%	44	0	1	0	54.396.940,00	0,00	1.000,00	0,00
											99,99816170	-	0,00183830	-

ALLEGATO "J" al Rep. 29029/8483

N°	NOMINATIVO AZIONISTA	PRESENZA IN PROPRIO O PER DELEGA		NUMERO AZIONI	NUMERO AZIONI CON DIRITTO DI VOTO	% AZIONI SU TOTALE PRESENTE IN ASSEMBLEA	SCHEDA 2 ORDINARIA- BIANCA							
		IN PROPRIO	PER DELEGA			54.397.940	F	C	A	NV	azioni F	azioni C	azioni A	azioni NV
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*	Royce Global Valuetrust Inc.		Laura Ventriglia	23.200	23.200	0,04265%	1				23.200	0	0	0
*	SS BK and Trust Company Inv. Funds for Taxexempt Retirement PL		Laura Ventriglia	17.911	17.911	0,03293%	1				17.911	0	0	0
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*	Royce Value Trust Inc.		Laura Ventriglia	9.995	9.995	0,01837%	1				9.995	0	0	0
*	Global Currents Investment Trust - Intl. Small Cap. Opportunity Equity Portfolio		Laura Ventriglia	2.685	2.685	0,00494%	1				2.685	0	0	0
*	Franceschi Egisto	x		80.000	80.000	0,14706%	1				80.000	0	0	0
*	Ciferri-Ceretti Massimiliano	x		15.000	15.000	0,02757%	1				15.000	0	0	0
*	Dragonetti Andrea Stefano	x		6.000	6.000	0,01103%	1				6.000	0	0	0
*	Rugarli Giorgio	x		1.000	1.000	0,00184%		1			0	1.000	0	0
*	Rodinò Demetrio	x		3	3	0,00001%	1				3	0	0	0
	Simone Gian Luigi			0	0	0,00000%					0	0	0	0
	TOTALI	7	38		54.397.940	100,00%	44	1	0	0	54.396.940,00	1.000,00	0,00	0,00
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Remuneration Policies Document of the Banca Sistema Group

2016

Contents

1. INTRODUCTION

This document (the "Remuneration Policies Document") was drawn up in accordance with the following provisions: Part One, Title IV, Chapter 2 of Bank of Italy Circular No. 285 of 17 December 2013 ("Circular 285") on "Remuneration and incentive policies and practices" (the "Provisions"); the prescriptions of the Corporate Governance Code of Listed Companies prepared by the corporate governance committee and promoted by Borsa Italiana S.p.A. (the "Corporate Governance Code"); the applicable provisions of Italian Legislative Decree No. 58 of 24 February 1998 ("Consolidated Law on Finance" or "TUF"), as implemented by the Regulations adopted by Consob in resolution No. 11971 of 14 May 1999 (the "Issuers' Regulation"), as successively supplemented and amended.

The Provisions implement Directive 2013/36/EU (henceforth "CRD IV"), as regards those prescriptions relating to the remuneration and incentive policies and practices adopted by banks and banking groups. They also take into account the guidelines and criteria agreed at international level, including those issued by the European Banking Authority ("EBA") and the Financial Stability Board ("FSB").

The EU framework specifically includes the remuneration and incentive policies and practices associated with the organisational and corporate governance structures of banks and related to the monitoring activities conducted by the Supervisory Authorities.

In detail, like the previous directive 2010/76/EU ("CRD III"), the CRD IV directive contains specific rules and criteria to be observed by banks to ensure that:

- remuneration systems are defined and implemented properly;
- potential conflicts of interest are managed effectively;
- the remuneration system considers current and potential risks and each intermediary's capitalisation and liquidity level;
- transparency towards the market is improved;
- control by the Supervisory Authorities is strengthened.

The aim of the CRD III and the CRD IV, and therefore, of the Provisions, is to ensure - in the interest of all stakeholders - that the remuneration system pursues the company's long term strategies and goals and is linked to results that are appropriately adjusted to take into account all associated risks. The system must be consistent with the levels of capital and liquidity required to run the business. Incentive distortions of the type which encourage recipients to breach the provisions or expose the bank and the financial system in general to excessive risks must be avoided at all times.

The Provisions apply alongside the Regulatory Technical Standards issued by the European Commission on proposal of the EBA pursuant to the CRD IV ([1]). The Regulatory Technical Standards are binding and apply directly in all member States.

In line with the European framework, the Provisions form an essential part of the organisational and corporate governance rules and fall within a broader framework which comprises specific rules for listed companies and on the distribution of banking products and investment services and activities.

*   *   *

() For example, the Regulatory Technical Standards also apply to the identification of key personnel (see paragraph 4).

The Provisions require the parent company of each banking group to prepare a remuneration policy document for the entire group and to take into account the characteristics of each group company, ensure overall consistency, provide implementation guidelines and verify the proper application of the policy.

Therefore, Banca Sistema S.p.A. (hereinafter "Banca Sistema" or the "Company" or the "Parent Company" or the "Bank") has drawn up the Remuneration Policies Document for the entire Banca Sistema Group (hereinafter, the "Group").

Each company of the Group is responsible for ensuring compliance with the applicable provisions and the proper implementation of the guidelines issued by the Parent Company.

Section I, paragraph 7, of the Provisions sets forth the application of a proportional criterion whereby each bank may apply the remuneration provisions according to the methods that better reflect its characteristics and size and the risk level and complexity of its business activities.

In detail, the Provisions provide for 3 different categories of banks:

- "larger and more complex banks": those that are deemed to be significant under art. 6(4) of the (EU) Regulation No. 1024/2013 (Single Supervisory Mechanism Regulation - "SSMR");([2])
- "smaller and less complex banks": banks whose balance sheet assets are equal to or below EUR 3.5 billion, which are not deemed to be significant under art. 6(4) of the SSMR;
- "medium size banks": banks whose balance sheet assets are between EUR 3.5 and 30 billion and banks which belong to a group whose balance sheet assets are between EUR 3.5 and 30 billion, which are not deemed to be significant under art. 6(4) of the SSMR;

In light of the above, it is deemed that Banca Sistema and the Group are classifiable as a "minor" intermediary for the purposes of the application of the proportional criterion in implementation of the Provisions, since its total assets are significantly below EUR 3.5 billion, at bank and Group level.

2. MISSION OF THE BANCA SISTEMA GROUP AND OBJECTIVES OF THE REMUNERATION POLICIES

Banca Sistema has adopted a specific business model with a view to becoming the leading independent operator in the field of "Specialty Finance". Its growth strategy focuses on leveraging the distinct expertise acquired to launch new business initiatives.

For further information on the strategy and on the strategic business plan, see the "2015/2018 Business Plan" presented to the Board of Directors on 26 March 2015.

In furtherance of the aforementioned mission, the Group's remuneration strategy aims:

() According to art. 6(4) of SSMR, "a credit institution or financial holding company or mixed financial holding company shall not be considered less significant [...] if any of the following conditions is met:

(i) *the total value of its assets exceeds EUR 30 billion;*

(ii) *the ratio of its total assets over the GDP of the participating Member State of establishment exceeds 20 %, unless the total value of its assets is below EUR 5 billion;*

(iii) *following a notification by its national competent authority that it considers such an institution of significant relevance with regard to the domestic economy, the ECB takes a decision confirming such significance following a comprehensive assessment by the ECB, including a balance-sheet assessment, of that credit institution.*

- to direct the efforts of directors and employees towards the Company and the Group's priorities, supporting the creation of value over the medium and long term;
- to attract and retain highly qualified personnel;
- to motivate staff, rewarding merit and assigning value to professional development;
- to develop and improve the quality of services for customers;
- to promote the sound and prudent management of risks;
- to ensure the fairness of internal remuneration, rewarding employees for their contribution and the responsibilities given;
- to offer competitive salary packages;
- to promote conduct that is consistent with the Code of Ethics, the Group's internal procedures and the provisions and regulations in force applicable to Banca Sistema and the whole Group.

From the governance viewpoint, the Bank has also adopted a Risk Appetite Framework, which includes specific performance indicators measured net of risks.

3. REMUNERATION POLICIES DEFINITION PROCESS

The remuneration policies were defined in accordance with the process described below, in compliance with the prescriptions of the Provisions and those of the Bank's Articles of Association, which are in effect consistent with said Provisions.

The remuneration policies definition process has seen the involvement of the following company bodies and functions, according to the remits and responsibilities described hereinafter:

- The Board of Directors, via the specified company's functions, prepares the Bank's remuneration and incentive policies, submits them to the Shareholders' Meeting, reviews the policies at least yearly and oversees their proper implementation. It ensures that the policies are adequately documented and accessible to all the stakeholders within the company. Moreover, the Board of Directors defines the incentives plan applicable to "key personnel" and all other Group employees (see paragraph 4 below).

  The Board of Directors performs its duties with the support of the following company functions:

  - the Human Resources Department, which coordinates the remuneration policies definition process;
  - the Risk and Compliance Department, which is involved in the identification of events that could potentially affect the Company's business, analysing the impacts of such events in relation to the acceptable levels of risk and periodically monitoring the impacts of the implementation of the remuneration policies on the Group's risk profiles; in detail, it ensures consistency between the risk appetite framework and the risk management policies defined within the Risk Appetite Framework ("RAF"); in terms of Compliance, this Department verifies the compliance of the remuneration policies ex ante and verifies, on an annual basis, that the remuneration policies comply with the applicable legal framework and internal policies, including the Group's Code of Ethics, so as to also take into account legal and reputational risks.

- the Internal Audit Department, which verifies, at least once a year, that the remuneration and incentive practices adopted comply with these Provisions and with the supervisory provisions applicable to the Bank and reports any findings to the competent bodies;
- the Finance and Administration - Strategic Planning Department, which verifies compliance with the Bank's medium-long term objectives and strategies so as to ensure financial sustainability over the medium-long term.
- Manager responsible for preparing the Company's financial reports, who verifies compliance and consistency of the remuneration policies with respect to the accounting and company documents and their accuracy with respect to the approved accounting entries.

• The Remuneration Committee, which is composed of three non-executive directors (of whom two are independent). It assists the Board of Directors in the examination of the remuneration policies to be submitted to the Shareholders' Meeting, with support from the previously specified company functions and has the following responsibilities:

- to make proposals on the remuneration paid to “key personnel” and other employees;
- to provide advice in determining the remuneration criteria for “key personnel”;
- to carefully monitor the proper application of the rules on the remuneration of the managers in charge of the corporate control functions, in close coordination with the Board of Statutory Auditors;
- to prepare the documentation to be submitted to the body tasked with the strategic supervision of the related decisions;
- to cooperate with all other committees of the Board of Directors;
- to ensure that all interested functions are involved in the process of preparing and monitoring the remuneration and incentive policies and practices;
- to provide input, based also on the information received from the internal functions concerned, on the achievement of the performance targets to which the incentive plan is subject and to verify the other requirements laid down for payment of the remuneration;
- to provide adequate feedback on the activities of the corporate bodies, including the Shareholders' Meeting.

In order to perform its duties effectively and responsibly, the Committee is given access to the relevant company information.

The Risk and Compliance Manager attends the meetings of the Remuneration Committee to ensure that the incentives system takes into account all the risks undertaken by the Bank.

• the Shareholders' Meeting, which approves:

- the remuneration and incentive policies applicable to employees and “key personnel”;
- the remuneration plans based on financial instruments (for example, stock option and stock grant plans);
- the criteria for determining the compensation to be paid in the event of early termination of employment or early exit from office, including the limits upon such compensation in terms of years of fixed remuneration and the maximum amount resulting from application of such criteria (so-called golden parachute).

On approving the remuneration and incentive policies, the Shareholders' Meeting may also resolve on any proposal to cap the ratio between the variable and fixed remuneration paid to individual staff members at more than 100% (ratio of 1:1), but not exceeding the maximum limit of 200% (ratio of 2:1). Se paragraph 6.1.3 herein for further information on the cap set in this Remuneration Policies Document.

4. KEY PERSONNEL SELF-ASSESSMENT AND IDENTIFICATION PROCESS

The Provisions require banks to apply Regulation (EU) No. 604/2014 ("Regulatory Technical Standards" or "RTS") in relation to the identification of "key personnel", namely, those persons whose professional activity has or may have a material impact on the bank's risk profile.

In application of the quantitative and qualitative criteria provided for in the RTS, a total number of 25 key personnel positions have been identified, currently held by 24 staff members. These positions can be broken down into the following categories:

A. Directors who hold executive offices (or who are members of the Executive Committee)

- Directors who hold executive offices in the Parent Company (3 positions);

B. Non-executive Directors

- Directors who do not hold executive offices in the Parent Company (6 positions);

C. Managers of key company functions

- Factoring Department (1 position);
- Banking Department (1 position);
- Finance and Administration Department (2 positions);
- Commercial Factoring Department (2 positions);
- Legal and Corporate Affairs Department (1 position);
- Operations Department (1 position);
- Marketing and Communications Department (1 position);

D. Managers and other high ranking staff member of the control functions

- Internal Audit Department (1 position);
- Human Resources Department (1 position);
- Risk and Compliance Department (1 position);
- Manager responsible for preparing the Company's financial reports (1 position);

E. Other "risk takers"

- Treasury Department (1 position);
- Underwriting Department (1 position);

- Investor Relations Department (1 position);

The foregoing positions were identified by way of a structured assessment process conducted at Group and Bank level, in full accordance with the applicable regulations.

"Key Personnel" are subject to more stringent remuneration calculation rules in order to ensure that the remuneration paid is fully consistent with current and prospective economic-financial performance according to factors that take into account the risks assumed and the sustainability of the Company's performance over time.

"Key Personnel" includes Executives with Strategic Responsibilities, namely, those persons who have direct or indirect powers and responsibilities over the planning, management and control of the Company's business, including its directors (executive and non-executive).

5. DISCLOSURE REQUIREMENTS

Regarding remuneration policies and practices for "key personnel", the Bank has published the disclosure required under art. 450 of Regulation (EU) No. 575/2013 ("CRR") on its website. The disclosure refers to:

- the decision-making process followed in the definition of the Remuneration Policy;
- the details of the link between remuneration and performance;
- the key features of the remuneration system, including the criteria used to assess performance and make risk adjustments, the deferral rules and the assignment criteria;
- the ratios between the fixed and variable components of remuneration;
- the performance assessment criteria underlying the assignment of options, shares and other variable remuneration components;
- the details of the total remuneration paid to the Chairman of the Board of Directors, the CEO and other members of the Executive Committee.

The Bank's website also includes information on how the Provisions are implemented and on the subject of corporate governance, as per Title IV, Section VII, Chapter I, paragraph 1 of Circular 285.

Information on the Remuneration Policies will be provided in Section I of the remuneration Report in accordance with art. 123-ter of the Consolidated Law on Finance. The Report will be published in accordance with the methods and timeframes set out in the applicable provisions of law.

6. THE STRUCTURE OF REMUNERATION AT GROUP LEVEL

Pursuant to Section I, par. 3 of the Provisions,

(i) remuneration shall mean: "any payment or benefit provided directly or indirectly to personnel in the form of cash, financial instruments or fringe benefits for the work or professional services they have provided to the Bank or to the companies of the banking group. Minor payments or benefits granted to personnel on a non-discretionary basis - which fall within the general policy of the Bank and have no effect on risk assumption or risk control - may not be considered";

(ii) variable remuneration shall mean: "(i) any payment or benefit that is granted and paid subject to performance, however measured (income-based targets, volume targets, etc.) or that is conditional on other parameters (e.g. seniority of service), excluding severance pay paid pursuant to employment laws; (ii) discretionary pension benefits and compensation agreements relating to early termination of employment or early exit from office (so-called golden parachutes)".

6.1 General Principles

The remuneration paid to the Group's employees consists of the following components:

6.1.1 Fixed component

- The fixed component is paid at all levels of responsibility;
- it is based on the employee's technical, professional and managerial skills and the responsibilities given and is monitored constantly to ensure fairness, both internally and compared to the rest of the sector, taking also into account any assessments conducted by outside consultants appointed by the Parent Company;
- it is structured on the basis of the sustainability criterion.

6.1.2 Variable component

- The variable component applies to "key personnel" (with the exceptions set out in this Document) and can also be granted to other employees;
- it is subject to meeting specific individual and company-level performance targets (see Annex 1 to this Remuneration Policies Document);

In order to ensure that the Bank is financially sustainable and is able to maintain a sufficient level of capital, the total variable remuneration paid by the Group to all its employees and "key personnel" cannot exceed the value of the "bonus pool", which is allocated at year-end by the Bank's Board of Directors, on proposal of the CEO, after receiving input from the Finance and Administration Manager, the Manager responsible for preparing the Company's financial reports, the Risk and Compliance Manager and the Remuneration Committee.

The value of the "bonus pool" is determined on the basis of the Company's actual and long-term performance results. In detail, the value of the bonus pool takes into account the achievement of the risk and income targets set in the business plan approved by the Board of Directors and in the annual budget. The criterion applied in the determination of the bonus pool is described at the time of the budget presentation.

The allocation and assignment of the bonus pool to employees takes into account the risks associated to and the results achieved by the Group, by individual business units and, possibly, by individual employees.

The following criteria were taken into account in determining the 2016 bonus pool:

1 - the calculation of the average bonus per employee in the previous financial year is multiplied by the number of resources estimated in the annual budget. A percentage increase associated with the expected level of company performance is also prudentially taken into account.

2 - The definition of the budget takes into account the total personnel costs estimated in the business plan. The bonus pool is consequently adjusted so as to absorb any increases in fixed costs relating to directors' remuneration and fees.

6.1.3 Ratio of the variable and fixed components of remuneration

The ratio between the variable and fixed components of remuneration is determined and carefully assessed on the basis of the characteristics of the Bank and the diverse categories of employees.

As a rule, the variable component of remuneration should not exceed 100% of the fixed component (ratio of 1:1). However, as permitted under the applicable legislation and in the Articles of Association, the Board of Directors may request the Shareholders' Meeting to grant one or more key personnel members a variable remuneration in excess of 100%, but not exceeding 200% of the fixed remuneration (ratio of 2:1). This applies only in exceptional cases and the reasons for the proposal to exceed the 1:1 ratio must be clearly stated, with indication also of the current and future implications on the Bank's ability to continue to comply with all prudential rules.

In detail, the Board of Directors' proposal to the Shareholders' Meeting will indicate at least the following information: (i) the functions to which those persons affected by the decision belong and their number, for each function; (ii) the reasons underlying the proposed increase; (iii) the implications, even in a forward-looking perspective, on the Company's ability to continue to comply with all applicable prudential rules.

6.2 The structure of remuneration paid to management bodies

The remuneration paid to members of the Board of Directors of Banca Sistema is established by the Shareholders' Meeting.

Directors are paid a fixed annual fee of varying amounts for the Chairman of the Board of Directors, the CEO and the Directors.

With exception to the Chairman of the Board of Directors and the CEO, Board Directors are paid an additional fixed annual fee for each internal Committee they are members of, plus the reimbursement of documented expenses incurred in relation to their offices.

The fee paid to the Chairman of the Board of Directors, proportional to the role assigned, is determined ex ante for a value not exceeding the fixed remuneration received by the CEO.

The remuneration due to employees who hold offices as directors in subsidiaries and/or associated companies is included in the remuneration they receive as employees of the Group.

The fee paid to the CEO is determined by the Board of Directors; the CEO also receives a gross annual salary, as determined by the Board of Directors, in his capacity as General Manager and employee of the Bank.

The variable component of remuneration paid to Directors is subject to the rules provided for in paragraph 6.4.2 of this Remuneration Policies Document.

No incentivising mechanisms are currently envisaged for non-executive Directors. If approved, such incentives shall represent an immaterial portion of the remuneration paid.

6.3 The structure of remuneration paid to members of the Board of Statutory Auditors

The remuneration paid to the members of the Board of Statutory Auditors is established by the Shareholders' Meeting at the time of appointment and refers to the entire term of office.

No variable remuneration is envisaged for the members of the Board of Statutory Auditors.

6.4 The structure of remuneration paid to employees, particularly key personnel

6.4.1 Fixed component

The fixed remuneration paid to the Group's "Key Personnel" is based on the provisions of the applicable collective bargaining agreement (CCNL) or the local legislation applicable in the country the employee works in.

The fixed component, which usually has predominance over the variable component, rewards the skills and responsibilities associated with the position, with specific focus on professional expertise and experience and the level of commitment shown.

6.4.2 Variable component

"Key Personnel" and other employees are subdivided into the following three categories for the purpose of determining the variable component of remuneration payable in accordance with this Remuneration Policies Document:

A) Executives with Strategic Responsibilities and other "key personnel", who are granted an annual bonus ("Bonus") equal to or 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) ("A Beneficiaries");

B) Executives with Strategic Responsibilities, other "key personnel" and other employees who are granted a Bonus equivalent to less than 20% (twenty per cent) of their Gross Annual Salary or, in any event, of a value below EUR 50,000 (fifty thousand) but equal to or above EUR 20,000.00 (twenty thousand) ("B Beneficiaries");

C) all other employees, also including "key personnel", who are granted a Bonus of less than EUR 20,000.00 (twenty thousand) ("C Beneficiaries").

Without prejudice to the rules below applying to A Beneficiaries for whom the fixed-variable remuneration ratio of 1:1 is exceeded, the Bonus paid to other A Beneficiaries shall consist of a cash portion (70%) and a portion in shares of the Bank (30%). The Bonus is paid partly up front (70%) and in part deferred (30%). The shares are assigned in accordance with a specific plan (the "2016-2019 Stock Grant Plan"), which is prepared by the Board of Directors and submitted for the approval of the Shareholders' Meeting.

For Bonuses paid to A Beneficiaries for whom the fixed-variable remuneration ratio of 1:1 is exceeded in accordance with paragraph 6.1.3 herein, the foregoing percentages shall change as follows: 60% in cash and 40% in shares, with 60% paid up front and 40% deferred.

The Bonus paid to B Beneficiaries will consist solely of cash and be paid partly up front (70%) and in part deferred (30%).

The Bonus paid to C Beneficiaries will consist solely of cash and be paid entirely up front. However, for “key personnel” that are classed as C Beneficiaries, the payment will be made partly up front (70%) and in part deferred (30%).

Beneficiaries are notified of the maximum Bonus payable (in cash and in shares) by letter (the “Letter of Bonus Assignment”) within 60 days of the approval of the consolidated financial statements as at 31/12/2016.

In accordance with the applicable provisions of law, the Bonus consists of:

(i) an upfront portion equivalent to 70% of the total Bonus payable in the 6 month period following the year it refers to (the percentage is 60% in the case of A Beneficiaries for which the fixed-variable remuneration ratio of 1:1 is exceeded);

(ii) a deferred portion equivalent to 30% of the total Bonus payable pro rata in the 3 years following the year the upfront portion in point (i) was paid, subject to meeting the individual and company-level performance targets specified in Annex 1 to this Document. Each deferred portion is paid within 6 months from the end of each reference period (i.e. 31/12/2017, 31/12/2018 and 31/12/2019) (however, the percentage is 40% in the case of A Beneficiaries for which the fixed-variable remuneration ratio of 1:1 is exceeded).

The Bonus is paid entirely up front in the case of C Beneficiaries who do not fall under the category of “key personnel”.

The pay-out proportion for Bonuses paid to A Beneficiaries (i.e. the ratio of the portion paid in cash and the portion paid in shares) applies to both the upfront portion and the deferred portion, as follows:

(i) the upfront portion is paid 70% in cash and 30% in shares of the Bank, subject to meeting the individual and company-level performance targets specified in Annex 1 herein relating to 2016 (the percentage is 60% for A Beneficiaries for whom the fixed-variable remuneration ratio of 1:1 is exceeded);

(ii) first deferred portion: paid in cash and in shares of the Bank, subject to meeting the individual and company-level performance targets specified in Annex 1 herein relating to 2017;

(iii) second deferred portion: paid in cash and in shares of the Bank, subject to meeting the individual and company-level performance targets specified in Annex 1 herein relating to 2018;

(iv) third deferred portion: paid in cash and in shares of the Bank, subject to meeting the individual and company-level performance targets specified in Annex 1 herein relating to 2019.

Examples of the foregoing Bonus payment methods for all three categories of beneficiaries are given in Annex 2 to this Document.

In order to allocate the upfront and deferred portions of the Bonuses, the Bank sends a letter to the beneficiaries (the “Letter of Assignment”), indicating, among other things, (i) the amount paid in cash in the reference year; (ii) for A Beneficiaries, the number of shares assigned at the conditions specified in the 2016-2019 Stock Grant Plan.

6.5 Remuneration paid to members of the Company’s control functions

For those employed in the Company’s control functions (including the Human Resources Department and the Manager responsible for preparing the Company’s financial reports) the Assignment of Shares is subject to meeting qualitative targets only, which are to no extent linked to the Bank’s financial performance. Specifically, the payment of the Bonus is in no way linked to the results achieved by the areas that are subject to their control.

In departure from paragraph 6.1.3 and without prejudice to the prescriptions of paragraphs 6.4 and 6.6, if applicable, the variable portion of remuneration paid to employees of the Company’s control functions cannot exceed one third of their fixed remuneration. Furthermore, while such employees benefit from the 2016-2019 Stock Grant Plan, in their case, the Bonus adjustment mechanism based on the Company’s financial performance does not apply, while the other malus conditions (CET1Ratio, RORAC and LCR) continue to apply.

6.6 The structure of remuneration paid to employees other than key personnel

As described previously, the remuneration paid to employees who do not fall under the category of “key personnel” consists of a fixed element, representing by far the largest component of their remuneration, determined in accordance with the applicable collective bargaining agreement (or in accordance with applicable local legislation for foreign companies), plus, if applicable, a small Bonus, which is determined in accordance with the criteria set out in the preceding paragraphs 6.1.2 and 6.4.2, including the individual and company-level performance targets specified in Annex 1 to this Document.

7. SPECIAL RULES APPLICABLE TO THE DEFERRED PORTIONS OF DISCRETIONARY BONUSES WHEN CHANGES OCCUR IN THE BENEFICIARY-BANK RELATIONSHIP

The relationship between the Bank and the Bonus beneficiaries on occurrence of specific events is subject to the following terms and conditions.

7.1 Dismissal, resignation, mutually agreed termination

If a Beneficiary is dismissed by the Bank for any reason or leaves the Company due to resignation, but excluding retirement or disability, the Beneficiary shall lose the entitlement to receive the deferred portion of the Bonus still outstanding at the date of employment termination, unless otherwise resolved on justifiable grounds by the Board of Directors.

Expressly excluded from the above is any payment made during the notice period, whether worked or not.

Beneficiaries cannot claim any form of indemnity and/or compensation from the Bank if their entitlement to receive payment of the Bonus is lost, as per above.

In the event of termination of the employment relationship by mutual agreement, the Beneficiaries may be entitled to receive a portion of the Bonus 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.

7.2 Retirement - Disability

The rules governing the mutually agreed termination of the employment relationship apply if 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.

7.3 Death

In the event of the death of the Beneficiary, his/her heirs shall maintain the entitlement to receive the Bonus still payable to the Beneficiary at the date of the death, to be paid within six months of that date.

ANNEX 1

This Annex to the Remuneration Policies Document provides an analytical description of the individual and company-level performance indicators to which the granting of the cash and share Bonus is subject.

The parameters and the related values are applied by the Bank in both the ex-ante phase of bonus allocation and the ex-post phase of bonus adjustment (so-called malus rules) when the deferred portion of bonuses referring to the reference year are paid.

The expected parameter levels, which allow the Bank to keep the regulatory capitalisation and liquidity requirements at an acceptable level, reflect the levels of performance actually achieved or net of the risks actually assumed and the Bank's capital and liquidity position.

In addition to company-level performance, the Bank focuses above all on individual performance when determining the variable component of remuneration. This can result in a significant reduction or zeroing of the Bonus, especially in the case of individual performance that is well below the established targets.

A. Company-level performance targets

The payment of both the up front and the deferred portions of the Bonus is subject, in all the years in which the Bonus is paid, to meeting the Bank's capitalisation and liquidity targets associated with the indicators provided below:

- **CET1 Ratio**
- **RORAC**
- **LCR**

With input from the Remuneration Committee, the Board of Directors verifies whether the capitalisation and liquidity targets associated with the foregoing indicators have been met, based on the targets levels specified in the RAF for the reference year, in accordance with the Business Plan budget targets applicable for the relevant period.

If the capitalisation and liquidity targets relating to the foregoing indicators are not met, but the regulatory minimum threshold has been observed, the payment of the bonus is postponed to the end of the successive six-month period, subject to meeting the half-yearly capitalisation and liquidity targets set in the budget, to be verified by the Board of Directors at the end of the six-month period.

If the capitalisation and liquidity targets are below the regulatory minimum threshold, the Beneficiaries shall not be entitled to the portion of the bonus pertaining to that financial year.

On the other hand, if the capitalisation *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 on the basis of the ROE target for that year, as described below.

- 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.

No Bonus is paid if ROE is negative.

B. Individual performance targets

In addition to the company-level performance requirements described above, the payment of the upfront and deferred portions of the Bonus is subject to meeting a number of individual quantitative and qualitative performance targets, which are defined by the Company and made available to the employees.

The performance evaluation process is carried out yearly: each employee of the Bank logs into the Banca Sistema HR web portal http://stleoni.zucchetti.com/HRPortal/ and defines, together with their direct heads, the quantitative and qualitative targets for the following year.

Quantitative targets are assigned a measurement criterion to allow the verification of the results achieved.

By way of an example, some of the parameters used with respect to the different roles are described below.

Quantitative indicators:

Meeting the individual and area-level budget targets: these targets are the easiest to quantify and are associated mainly with the sales area and with functions where a certain quantitative parameter exists (volume of sales completed compared to budget, number of POS terminals sold compared to budget, annual cost funding savings compared to budget).

Value creation: these targets provide added value to a new product or a new service (contribution to marketing initiatives to achieve factoring targets, timely management of complaints, professional growth of co-workers).

Reduction of costs: operating cost reduction targets (reduction of consultancy costs, overtime, maintenance costs.)

Reduction of response times: these targets are linked to customer satisfaction, internal and external (timeliness of reporting adjustments to the budget, number of applications priced/headcount per pricing, timeliness in closing Open Issues reported by the control functions, timeliness in closing SME disputes).

Increase in efficiency: these targets are based on a comparison with the same activities performed in the previous years regarding the improvement of the overall performance of the Bank (reducing the percentage of operating errors, increasing the equivalent advertising value, compliance with project timelines).

Qualitative indicators:

The Group uses 4 qualitative indicators, each divided into 2 sub-indicators. These are included in the performance sheet provided 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

More specifically:

- the observance and respect of the “values” (integrity, independence, excellence, transparency, social and environmental responsibility) underlying Banca Sistema’s business activity, as well as of the applicable provisions 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 promote growth;
- the containment of legal and reputational risks.

* * * *

Please note that Bonuses are granted at the discretion of the Board of Directors (as specified in the letter of employment provided to each employee).

ANNEX 2

There are 3 (three) categories of Bonus beneficiaries:

- Executives with Strategic Responsibilities and other "key personnel", who are granted an annual Bonus equal to or 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) ("A Beneficiaries");

- Executives with Strategic Responsibilities, other "key personnel" and other employees who are granted a Bonus equivalent to less than 20% (twenty per cent) of their Gross Annual Salary or, in any event, of a value below EUR 50,000 (fifty thousand) but equal to or above EUR 20,000.00 (twenty thousand) ("B Beneficiaries");

- all other employees, also including "key personnel", who are granted a Bonus of less than EUR 20,000.00 (twenty thousand) ("C Beneficiaries").

Subject matter of the 2016 Bonus:

The 2016 Bonus paid to A Beneficiaries will consist of a portion in cash (70%) and a portion in Shares (30%). The 2016 Bonus is paid partly up front (70%) and in part deferred (30%).

For Bonuses paid to A Beneficiaries for whom the fixed-variable remuneration ratio of 1:1 is exceeded, the foregoing percentages shall change as follows: 60% in cash and 40% in shares, with 60% paid up front and 40% deferred.

The 2016 Bonus paid to **B Beneficiaries** will consist solely of cash and be paid partly up front (70%) and in part deferred (30%).

The 2016 Bonus paid to **C Beneficiaries** will consist solely of cash and be paid entirely up front. However, for "key personnel" that are classed as C Beneficiaries, the payment will be made partly up front (70%) and in part deferred (30%).

In light of the above, Company Shares are assigned only to A Beneficiaries and, likewise, the 2016-2019 Stock Grant Plan applies only to A Beneficiaries.

Method of payment of the 2016 Bonus:

A summary of the method of payment of the 2016 Bonus is provided below, subject to the aforesaid categories of Beneficiaries meeting the individual and company-level performance targets specified in Annex 1 to this Remuneration Policies Document.

- A Beneficiaries (for whom the variable-fixed remuneration ratio of 1:1 is not exceeded; if exceeded, the applicable percentages are 60/40 and not 70/30).

2016 Bonus: e.g. EUR 100,000.00.

- Portion in cash (70%): EUR 70,000.00;

- Portion in Shares (*) (30%): EUR 30,000.00 in Shares.

N.B. (*) The number of Shares to be assigned shall be determined on the basis of the Price of the Shares, calculating the arithmetic average of the official prices achieved in the last three months preceding the date of Assignment. A 5% discount is applied to the Price of the Shares determined as per above.

Upfront portion, that is, the portion paid in 2017:

- (70% of 70,000) = EUR 49,000.00 in cash;
- (70% of 30,000) = EUR 21,000.00 in Shares (*).
-

Deferred portions:

✓ First deferred portion, that is, the portion paid in 2018 if the 2017 targets are met:

- Portion in cash (10% of 70,000) = EUR 7,000.00

- Portion in Shares (*) (10% of 30,000) = EUR 3,000.00 in Shares

✓ Second deferred portion, that is, the portion paid in 2019 if the 2018 targets are met:

- Portion in cash (10% of 70,000) = EUR 7,000.00

- Portion in Shares (*) (10% of 30,000) = EUR 3,000.00 in Shares

✓ Third deferred portion, that is, the portion paid in 2020 if the 2019 targets are met:

- Portion in cash (10% of 70,000) = EUR 7,000.00

- Portion in Shares (*) (10% of 30,000) = EUR 3,000.00 in Shares

Retention

The 2016-2019 Stock Grant Plan provides for a Retention Period (the period during which A Beneficiaries undertake not to transfer the assigned Shares). In accordance also with the Corporate Governance Code, the Retention Period is subject to the following rules:

➢ **1st Cycle: 01/01/2016 - 31/12/2016** (the 1st Cycle ends on the date of approval of the 2016 consolidated financial statements):

✓ A Beneficiaries who are Executives with Strategic Responsibilities:

Duration of Retention Period: 3 (three) years from the date of Assignment of the Shares associated with the 1st Cycle;

✓ A Beneficiaries who are NOT Executives with Strategic Responsibilities:

Duration of Retention Period: 1 (one) year from the date of Assignment of the Shares associated with the 1st Cycle;

- **2nd Cycle: 01/01/2017 - 31/12/2017** (the 2nd Cycle ends on the date of approval of the 2017 consolidated financial statements);

- ✓ A Beneficiaries who are Executives with Strategic Responsibilities:

Duration of Retention Period: 2 (two) years from the date of Assignment of the Shares associated with the 2nd Cycle;

- ✓ A Beneficiaries who are NOT Executives with Strategic Responsibilities:

Duration of Retention Period: 6 (six) months from the date of Assignment of the Shares associated with the 2nd Cycle;

- **3rd Cycle: 01/01/2018 - 31/12/2018** (the 3rd Cycle ends on the date of approval of the 2018 consolidated financial statements);

- ✓ A Beneficiaries who are Executives with Strategic Responsibilities:

Duration of Retention Period: 1 (one) year from the date of Assignment of the Shares associated with the 3rd Cycle;

- ✓ A Beneficiaries who are NOT Executives with Strategic Responsibilities:

Duration of Retention Period: 0 (zero) days.

- **4th Cycle: 01/01/2019 - 31/12/2019** (the 4th Cycle ends on the date of approval of the 2019 consolidated financial statements).

- ✓ A Beneficiaries who are Executives with Strategic Responsibilities:

Duration of Retention Period: 6 (six) months

- ✓ A Beneficiaries who are NOT Executives with Strategic Responsibilities:

Duration of Retention Period: 0 (zero) days.

- **B Beneficiaries**

2016 Bonus: e.g. EUR 40,000.00, entirely in cash

Upfront portion, that is, the portion paid in 2017: (70% of 40,000) = EUR 28.000 in cash.

Deferred portions:

- ✓ First deferred portion, that is, the portion paid in 2018 if the 2017 targets are met: (10% of 40,000) = EUR 4,000.00 in cash.

- ✓ Second deferred portion, that is, the portion paid in 2019 if the 2018 targets are met: (10% of 40,000) = EUR 4,000.00 in cash.

- ✓ Third deferred portion, that is, the portion paid in 2020 if the 2019 targets are met: (10% of 40,000) = EUR 4,000.00 in cash.

- **C Beneficiaries**

2016 Bonus: e.g. EUR 15.000, entirely in cash and paid entirely up front in 2017. However, for “key personnel” that are classed as C Beneficiaries, the payment will be made at the same terms applicable to B Beneficiaries.

Milan, 30 March 2016

Re: Opinion of the Compliance and Anti-Money Laundering Department regarding the remuneration policies of the Banca Sistema S.p.A. Group for 2016.

The Compliance and Anti-Money Laundering Department (hereinafter, "**the Department**") has been requested to express its opinion on the new remuneration policies of the Banca Sistema S.p.A. Group (the "**Group**") for 2016 (hereinafter, the "**2016 Policies**").

Specifically, according to the provisions concerning remuneration and incentive policies and practices pursuant to Part 1, Title IV, Chapter 2, Section II, paragraph 3 of Bank of Italy Circular no. 285 of 17 December 2013 – 7th update of 18 November 2014 (hereinafter, the "**Provisions**" and the "**Circular**"), the Department is required to verify "*that the company bonus system is consistent with the objectives of compliance with rules, with the articles of association and with any codes of ethics or other standards of conduct applicable to the bank, so that legal and reputational risks inherent in relations with customers are suitably contained*".

The Department verified the compliance of the Policies with the Code of Ethics approved by the Board of Directors' meeting of Banca Sistema S.p.A (hereinafter, the "Bank") of 31 July 2013, as well as with the applicable external regulations, with specific reference to the Provisions and to article 25, paragraph 4c) of the CONSOB and Bank of Italy Joint Regulation on the organisation and procedures of intermediaries providing a investment services or collective investment management services of 29 October 2007, as amended, with the Corporate Governance Code for Listed Companies as well as with the provisions on the matter set out in Legislative Decree 58/98 (Consolidated Law on Finance), as amended, and the implementing measures issued by CONSOB.

Considering the balance sheet assets of the Bank and the Group for 2015, it is deemed that the Bank and the Group may be classified among smaller intermediaries for the purposes of application of the regulations on remuneration, as indicated in the Introduction to the 2016 Policies, in compliance with Section II, Paragraph 7 of the Provisions. As a result, several of the rules set out in the Provisions may be fully or partially inapplicable (e.g. obligation to pay at least 50% of the variable component of remuneration in financial instruments).

The undersigned Department held numerous meetings with the Human Resources Manager, who coordinated the process of defining the remuneration policies, with external legal consultants, who supported the Bank in guaranteeing compliance with the regulations on the matter and with the Internal Audit Department, which conducted the audits under its responsibility. The policies were also subjected to the advance verification by the Bank of Italy, which provided its recommendations, that were promptly implemented.

The 2016 Policies were updated from those set out in 2015 to ensure their consistency with the evolution of company operations and, in particular, following the Bank's listing on 2 July 2015 on the STAR Segment of the Italian Equities Market (MTA). Specifically, in addition to updating the compulsory obligations of listed companies (ex. issuing the Remuneration Report pursuant to article 123 of the Consolidated Law on Finance, revising the duties of the Remuneration Committee in light of its separation from the Nominations

Committee, identifying managers with strategic responsibilities) and listing the key personnel based on the evolution of company operations, the Stock Grant Plan was introduced. This can be accessed exclusively by a specific category of key personnel. As a result, using the classification of the Bank as a smaller bank as reference, the proportions of the variable remuneration to be paid in cash and in shares were revised, as well as the up-front and deferred remuneration, including the criteria for exceeding the 1:1 ratio of fixed to variable remuneration, without prejudice to the limit of 200%.

With a view to guaranteeing greater protection of capital stability and liquidity of the Bank, additional specific risk indicators have been set up (ex. RORAC and **Errore. Il segnalibro non è definito.**), which are considered on determining the total variable component pertaining to the year as well as on disbursement of the deferred component. In addition, the criteria for assessing individual performance were more accurately defined.

In compliance with the provisions, the specific rules applicable to the deferred portion should events occur regarding relationships between the beneficiaries and the Bank (ex. death, retirement) were also regulated in compliance with the Provisions.

In light of that illustrated above, it is reasonable to believe that the amendments made to the 2016 Policies and the Policies as a whole are in line with the reference regulations and the Code of Ethics of the Bank.

Risk and Compliance Manager

N°	NOMINATIVO AZIONISTA	PRESENZA IN PROPRIO O PER DELEGA		NUMERO AZIONI	NUMERO AZIONI CON DIRITTO DI VOTO	% AZIONI SU TOTALE PRESENTE IN ASSEMBLEA	SCHEDA 3 ORDINARIA - VERDE							
		IN PROPRIO	PER DELEGA			54.397.940	F	C	A	NV	azioni F	azioni C	azioni A	azioni NV
*	Società di Gestione partecipazioni Banca Sintesi		Dott.ssa A. Girello	18.578.900	18.578.900	34,15368%	1				18.578.900	0	0	0
*	Fondazione Sicilia		Dott.ssa A. Girello	5.950.104	5.950.104	10,93811%	1				5.950.104	0	0	0
*	Garbifin SRL		Dott.ssa A. Girello	409.453	409.453	0,75270%	1				409.453	0	0	0
*	Fondazione Cassa di Risparmio di Alessandria	Dott. Pier Angelo Taverna		5.950.104	5.950.104	10,93811%	1				5.950.104	0	0	0
*	Fondazione Pisa	Avv. C. Pugelli		6.118.104	6.118.104	11,24694%	1				6.118.104	0	0	0
*	Participatie Maatschappij Graafschap		Marta Pievani	234.286	234.286	0,43069%		1			0	234.286	0	0
*	Flandria Partecipations Financieres		Marta Pievani	234.286	234.286	0,43069%		1			0	234.286	0	0
*	Schroeder International Selection Fund		Laura Ventriglia	2.564.878	2.564.878	4,71503%	1				2.564.878	0	0	0
*	Vanguard International Explorer Fund		Laura Ventriglia	2.371.523	2.371.523	4,35958%	1				2.371.523	0	0	0
*	Invesco Perpetual European Smaller Companies Fund		Laura Ventriglia	1.546.293	1.546.293	2,84256%	1				1.546.293	0	0	0
*	National West Bank PLC as Trustee of Jupiter Financial OPP F		Laura Ventriglia	1.078.290	1.078.290	1,98223%	1				1.078.290	0	0	0
*	Polar Capital Global Financial Trust PL		Laura Ventriglia	1.219.580	1.219.580	2,24196%	1				1.219.580	0	0	0
*	Transamerica International Small Cap		Laura Ventriglia	916.434	916.434	1,68469%	1				916.434	0	0	0
*	Invesco Funds		Laura Ventriglia	970.483	970.483	1,78404%	1				970.483	0	0	0
*	Invesco Perpetual European Opportunities Fund		Laura Ventriglia	799.726	799.726	1,47014%	1				799.726	0	0	0
*	Schroeder European Smaller Companies Fund		Laura Ventriglia	634.312	634.312	1,16606%	1				634.312	0	0	0
*	Polar Capital Funds PLC		Laura Ventriglia	806.164	806.164	1,48198%	1				806.164	0	0	0
*	Grandeur Peak International		Laura Ventriglia	600.062	600.062	1,10310%	1				600.062	0	0	0
*	Artisan Global Small Cap Fund		Laura Ventriglia	484.529	484.529	0,89071%	1				484.529	0	0	0
*	Axa World Funds		Laura Ventriglia	450.000	450.000	0,82724%	1				450.000	0	0	0
*	Schroeder Capital Management Collective T		Laura Ventriglia	361.383	361.383	0,66433%	1				361.383	0	0	0
*	The State of Connecticut Actingthrough Its Treasurer		Laura Ventriglia	357.713	357.713	0,65759%	1				357.713	0	0	0
*	The Jupiter Global Fund Sicav		Laura Ventriglia	246.316	246.316	0,45280%	1				246.316	0	0	0
*	National Westminster Bank PLC as TR of Jupiter Int. Fin. F		Laura Ventriglia	188.290	188.290	0,34613%	1				188.290	0	0	0
*	State of Alaska Retirement and Benefits Plans		Laura Ventriglia	196.293	196.293	0,36085%	1				196.293	0	0	0
*	Legg Mason Partners EQ TR-LM GLB Curr Int Small Cap Oppor. F		Laura Ventriglia	210.268	210.268	0,38654%	1				210.268	0	0	0
*	Microsoft Global Finance		Laura Ventriglia	162.139	162.139	0,29806%	1				162.139	0	0	0
*	GL Europe Luxembourg S.A.R.L.		Laura Ventriglia	13.601	13.601	0,02500%	1				13.601	0	0	0
*	Canadian Broadcasting Corporation Pension Plan		Laura Ventriglia	103.985	103.985	0,19116%	1				103.985	0	0	0
*	Missouri Local Government Employees Retiremente System		Laura Ventriglia	194.691	194.691	0,35790%	1				194.691	0	0	0
*	Grandeur Peak Global Reach		Laura Ventriglia	90.932	90.932	0,16716%	1				90.932	0	0	0
*	National Council For Social Security Fund		Laura Ventriglia	89.704	89.704	0,16490%	1				89.704	0	0	0
*	Grandeur Peak Global Micro Cap		Laura Ventriglia	39.800	39.800	0,07316%	1				39.800	0	0	0
*	Royce International Smaller-Companies Fund		Laura Ventriglia	27.400	27.400	0,05037%	1				27.400	0	0	0
*	Schroeder International Small Companies P		Laura Ventriglia	32.520	32.520	0,05978%	1				32.520	0	0	0
*	Royce Global Valuetrust Inc.		Laura Ventriglia	23.200	23.200	0,04265%	1				23.200	0	0	0
*	SS BK and Trust Company Inv. Funds for Taxexempt Retirement PL		Laura Ventriglia	17.911	17.911	0,03293%	1				17.911	0	0	0
*	Royce International Micro - Cap Fund		Laura Ventriglia	9.600	9.600	0,01765%	1				9.600	0	0	0
*	Royce Value Trust Inc.		Laura Ventriglia	9.995	9.995	0,01837%	1				9.995	0	0	0
*	Global Currents Investment Trust - Intl. Small Cap. Opportunity Equity Portfolio		Laura Ventriglia	2.685	2.685	0,00494%	1				2.685	0	0	0
*	Franceschi Egisto	x		80.000	80.000	0,14706%	1				80.000	0	0	0
*	Ciferri-Ceretti Massimiliano	x		15.000	15.000	0,02757%	1				15.000	0	0	0
*	Dragonetti Andrea Stefano	x		6.000	6.000	0,01103%	1				6.000	0	0	0
*	Rugarli Giorgio	x		1.000	1.000	0,00184%		1			0	1.000	0	0
*	Rodinò Demetrio	x		3	3	0,00001%	1				3	0	0	0
	Simone Gian Luigi			0	0	0,00000%					0	0	0	0
TOTALI		7	38		54.397.940	100,00%	42	3	0	0	53.928.368,00	469.572,00	0,00	0,00
											99,13678349	0,86321651		

ALLEGATO "14" al Rep. n. 29029/8483.

BANCA
SISTEMA

Report of the Internal Audit Department on the outcome of the audits conducted on remuneration practices to assess their compliance with the approved policies and the legal framework applicable to the Banca Sistema Group in financial year 2015

To the attention of the Shareholders' Meeting of Banca Sistema S.p.A.

This report (the "Report") details the results of the audits conducted by the Internal Audit Department (the "Department") [1]on the remuneration practices adopted by the Banca Sistema Group (the "Bank") to assess their compliance with the "2015 Remuneration Policies Document" ("2015 Policies") and the applicable provisions of law. In its audits, the Department has also considered the remuneration policies issued by the Bank in 2013 and 2014, specifically regarding the variable components of remuneration referring to those years but paid in 2015 as a result of the deferral mechanism.

The audit approach and method were applied as part of a monitoring framework which has been deemed adequate to provide the required compliance analysis.

With a view to improving the Bank's monitoring of legal compliance, the Human Resources Department has coordinated the definition and drafting of the 2015 Policies with support, for all legal aspects, from the law firm Gianni, Origoni, Grippo, Capelli & Partners ("GOP").

The 2015 Policies were formally approved by the Bank's Shareholders' Meeting on 26 March 2015 in accordance with the articles of association and the 7th update of Bank of Italy Circular No. 285 of 17 December 2013 (henceforth, "Circular 285"), which implements the principles and the provisions of Directive 2013/36/EU (henceforth, "CRD IV") as regards the remuneration and incentive policies and practices adopted by banks and banking groups[2]. The 2015 Policies were submitted in advance to the Nominations and Remuneration Committee[3], the Executive Committee and the Board of Directors. The Compliance and Anti-Money Laundering Department conducted the audits falling within its purview, as per Circular 285, and reported its findings to the aforementioned Shareholders' Meeting.

[1] The provisions governing remuneration and incentive policies and practices, as per Part I, Title IV, Chapter 2, Section II, Paragraph 3 of Bank of Italy Circular No. 285 of 17 December 2013, provide that: "The internal audit function also assesses, at least yearly, the remuneration practices' compliance with the approved policies and these provisions".

[2] The 7th update of Circular 285 (18 November 2014) introduced a new chapter on "Remuneration and incentive policies and practices" (Part I, Title IV, Chapter 2), in which it also incorporated guidelines and criteria agreed at international level, including those issued by the European Banking Authority ("EBA") and the Financial Stability Board ("FSB").

[3] Subsequent to the Bank's listing on the stock exchange, the aforementioned Committee was separated into two separate bodies, the "Nominations Committee" and the "Remuneration Committee", in accordance with the recommendations of the Corporate Governance Code for Listed Companies, which the Bank has adopted voluntarily. All resolutions adopted as of the listing date have therefore been passed by the foregoing two committees according to the responsibilities specified in their respective Regulations.

The audits conducted on the application of the 2015 Policies highlighted the following:

- The determination of the variable component (“bonus pool”) of remuneration for financial year 2015 complies with the prescriptions of the 2015 Policies approved by the Bank’s Shareholders’ Meeting on 26 March 2015.
- The Board of Directors, the Executive Committee and the Remuneration Committee assessed and/or approved the allocation of the 2015 incentives, each within their own purview, and all decisions were taken unanimously.
- The value of the bonus determined for financial year 2015 is in line with the 1:1 ratio for all employees.
- The variable component referring to 2015 will be paid upon approval of the financial statements as at 31 December 2015 by the Shareholders’ Meeting, to be held on single call on 28 April 2016. This Department was therefore unable to verify the correct payment of the approved bonuses prior to issuing this report.
- The 2015 variable component referring to the internal control functions does not exceed the limit of 1/3 of the fixed component and the incentive mechanisms applied are in no way linked to the financial results achieved by the Bank and the areas subject to their control.
- The fees due to the Chairman of the Board of Directors and to the Directors and the members of the Board of Statutory Auditors comply with the decisions of the Shareholders’ Meeting and no incentive mechanisms were applied, with exception to the CEO/General Manager.

Based on the audits conducted by this Department in relation to the foregoing aspects, it is reasonable to say that the 2015 Policies have been correctly implemented.

The following is also highlighted in relation to the portions of variable remuneration referring to 2013 and 2014 but paid in 2015:

- Subsequent to the approval of the financial statements as at 31 December 2014, in April 2015 the Bank paid the first tranche (1/3) of the deferred variable component (40% of total pay) relating to 2013. The amount allocated for the first tranche was increased by 25% to reflect the achievement of the parameter set in the 2013 Incentive Plan (2014 ROE higher than target ROE by 15%).
- On 2 July 2015, Banca Sistema’s Shares were listed on the stock exchange (MTA, Italian Equities’ Market, STAR Segment) organised and managed by Borsa Italiana S.p.A.. This event led to the application of the mechanism envisaged under par. 10.2.2 of the Bank’s 2013 and 2014 remuneration policies, according to which: “in the event of change of

control or listing, the deferred bonuses still outstanding will no longer be calculated on the basis of the average ROE but will be:

- *immediately payable;*
- *written up on the basis of the ratio between the 100% valuation of the Bank, implicit in the extraordinary operation (change of control, IPO, etc.) and the net assets referring to the year the deferred Bonus was assigned".*

At the beginning of 2015, in view of the planned listing of the Bank and the ensuing option to apply the foregoing prescription, the Nominations and Remuneration Committee and the control functions (Compliance and Internal Audit) recommended that a detailed analysis be conducted, with support from GOP, to assess the potential impacts of the amendments introduced in the 7th update to Circular 285 (cap on the variable-fixed remuneration ratio) in the event of the imminent listing of the Bank.

The analyses conducted by the legal advisors in light of the applicable transitional regime highlighted the need to examine the foregoing prescription in relation to:

(i) the immediate entitlement to the bonus pursuant to the provisions and regulations in force prior to the adoption of the 7th update to Circular 285 (specifically, pursuant to the Bank of Italy Order dated 30 March 2011 - the "2011 Provisions");

(ii) the different calculation methods applicable to the deferred bonus and, consequently, the possibility of exceeding the 1:1 variable to fixed remuneration ratio, pursuant to the prescriptions of Circular 285 and art. 162, paragraph 3 of the CRD IV.

The legal advisors' analyses highlighted the following:

(i) regarding the first point above, the legitimacy of the immediate entitlement to the deferred bonus in the event of extraordinary operations, in so far as it was admissible under the 2011 Provisions, which imposed no obligation to defer the variable component of remuneration for those banks classed as "minor intermediaries";

(ii) regarding the second point above, in light of the new provisions introduced by the CRD IV, the exceeding of the 1:1 variable to fixed remuneration ratio would be legitimate up to a maximum of 2:1, provided that the Shareholders' Meeting approves a specific resolution on the interpretation of the point.

Taking into account the legal advisors' analyses, the Shareholders' Meeting held on 26 March 2015 and, previously, the Board of Directors, unanimously resolved as follows: "art. 10.2.2 of the 2014 Remuneration Policies of the Banca Sistema Group is to be deemed applicable up to the maximum variable to fixed remuneration ratio of 2:1"[4].

[4] For further details see point 3) of the minutes of the Shareholders' Meeting held on 26 March 2015 and the Memorandum of GOP dated 20 March 2015.

In light of the above, the portions of deferred bonus relating to the previous years (2013 and 2014) but still outstanding at the listing date were recalculated[5] using the ratio between the intrinsic listing value (EUR 264 million, based on € 3.75 per share on admission to trading at the stock exchange) and the shareholders' equity as at 31 December 2013 (EUR 22.8 million) and as at 31 December 2014 (EUR 41.7 million) and then paid to all employees who were eligible as at 4 July 2015.

Please note that the recalculation of the 2013 deferred bonus did not take into account any cap and in one case exceeded the 2:1 ratio, in that, according to art. 162, par. 3 of the CRD IV, the prescriptions referring to the capped ratio of 2:1 apply to "services provided or performance from the year 2014 onwards [...]". The Bank has therefore deemed there to be no obligation to apply specific caps for remuneration referring to financial year 2013.

On the other hand, as established in the Shareholders' Meeting's interpretation of the issue, as per above, the recalculation of the deferred portion of the 2014 bonuses did take into account a capped variable to fixed remuneration ratio of 2:1. This produced a decrease in the recalculated bonus payable to the CEO in observance of the foregoing capped ratio and a reduction in the write up of the bonus due to a control function[6] to comply with the maximum limit of 1/3 of fixed remuneration applicable to said functions.

Milan, 15 April 2016

The Head of the
Internal Audit Department

Franco Pozzi

[5] In the case of the recalculation of the deferred bonus due to executives, allowances were also made for the related termination indemnity (TFR) amount.

[6] The Manager responsible for preparing the Company's financial reports was not considered as a "control function" since the person involved did not hold that office in 2014. Furthermore, the HR Director and the Internal Audit Department were not granted deferred bonuses in the previous financial years.

N°	NOMINATIVO AZIONISTA	PRESENZA IN PROPRIO O PER DELEGA: IN PROPRIO	PER DELEGA	NUMERO AZIONI	NUMERO AZIONI CON DIRITTO DI VOTO	% AZIONI SU TOTALE PRESENTE IN ASSEMBLEA 54.397.940	SCHEDA 4 ORDINARIA - AZZURRA: F	C	A	NV	azioni F	azioni C	azioni A	azioni NV
*	Società di Gestione partecipazioni Banca Sintesi		Dott.ssa A. Girello	18.578.900	18.578.900	34,15368%	1				18.578.900	0	0	0
*	Fondazione Sicilia		Dott.ssa A. Girello	5.950.104	5.950.104	10,93811%	1				5.950.104	0	0	0
*	Garbifin SRL		Dott.ssa A. Girello	409.453	409.453	0,75270%	1				409.453	0	0	0
*	Fondazione Cassa di Risparmio di Alessandria	Dott. Pier Angelo Taverna		5.950.104	5.950.104	10,93811%	1				5.950.104	0	0	0
*	Fondazione Pisa	Avv. C. Pugelli		6.118.104	6.118.104	11,24694%	1				6.118.104	0	0	0
*	Participatie Maatschappij Graafschap		Marta Pievani	234.286	234.286	0,43069%		1			0	234.286	0	0
*	Flandria Partecipations Financieres		Marta Pievani	234.286	234.286	0,43069%		1			0	234.286	0	0
*	Schroeder International Selection Fund		Laura Ventriglia	2.564.878	2.564.878	4,71503%	1				2.564.878	0	0	0
*	Vanguard International Explorer Fund		Laura Ventriglia	2.371.523	2.371.523	4,35958%	1				2.371.523	0	0	0
*	Invesco Perpetual European Smaller Companies Fund		Laura Ventriglia	1.546.293	1.546.293	2,84256%	1				1.546.293	0	0	0
*	National West Bank PLC as Trustee of Jupiter Financial OPP F		Laura Ventriglia	1.078.290	1.078.290	1,98223%	1				1.078.290	0	0	0
*	Polar Capital Global Financial Trust PL		Laura Ventriglia	1.219.580	1.219.580	2,24196%	1				1.219.580	0	0	0
*	Transamerica International Small Cap		Laura Ventriglia	916.434	916.434	1,68469%	1				916.434	0	0	0
*	Invesco Funds		Laura Ventriglia	970.483	970.483	1,78404%	1				970.483	0	0	0
*	Invesco Perpetual European Opportunities Fund		Laura Ventriglia	799.726	799.726	1,47014%	1				799.726	0	0	0
*	Schroeder European Smaller Companies Fund		Laura Ventriglia	634.312	634.312	1,16606%	1				634.312	0	0	0
*	Polar Capital Funds PLC		Laura Ventriglia	806.164	806.164	1,48198%	1				806.164	0	0	0
*	Grandeur Peak International		Laura Ventriglia	600.062	600.062	1,10310%	1				600.062	0	0	0
*	Artisan Global Small Cap Fund		Laura Ventriglia	484.529	484.529	0,89071%	1				484.529	0	0	0
*	Axa World Funds		Laura Ventriglia	450.000	450.000	0,82724%	1				450.000	0	0	0
*	Schroeder Capital Management Collective T		Laura Ventriglia	361.383	361.383	0,66433%	1				361.383	0	0	0
*	The State of Connecticut Actingthrough Its Treasurer		Laura Ventriglia	357.713	357.713	0,65759%	1				357.713	0	0	0
*	The Jupiter Global Fund Sicav		Laura Ventriglia	246.316	246.316	0,45280%	1				246.316	0	0	0
*	National Westminster Bank PLC as TR of Jupiter Int. Fin. F		Laura Ventriglia	188.290	188.290	0,34613%	1				188.290	0	0	0
*	State of Alaska Retirement and Benefits Plans		Laura Ventriglia	196.293	196.293	0,36085%	1				196.293	0	0	0
*	Legg Mason Partners EQ TR-LM GLB Curr Int Small Cap Oppor. F		Laura Ventriglia	210.268	210.268	0,38654%	1				210.268	0	0	0
*	Microsoft Global Finance		Laura Ventriglia	162.139	162.139	0,29806%	1				162.139	0	0	0
*	GL Europe Luxembourg S.A.R.L.		Laura Ventriglia	13.601	13.601	0,02500%	1				13.601	0	0	0
*	Canadian Broadcasting Corporation Pension Plan		Laura Ventriglia	103.985	103.985	0,19116%	1				103.985	0	0	0
*	Missouri Local Government Employees Retiremente System		Laura Ventriglia	194.691	194.691	0,35790%	1				194.691	0	0	0
*	Grandeur Peak Global Reach		Laura Ventriglia	90.932	90.932	0,16716%	1				90.932	0	0	0
*	National Council For Social Security Fund		Laura Ventriglia	89.704	89.704	0,16490%	1				89.704	0	0	0
*	Grandeur Peak Global Micro Cap		Laura Ventriglia	39.800	39.800	0,07316%	1				39.800	0	0	0
*	Royce International Smaller-Companies Fund		Laura Ventriglia	27.400	27.400	0,05037%	1				27.400	0	0	0
*	Schroeder International Small Companies P		Laura Ventriglia	32.520	32.520	0,05978%	1				32.520	0	0	0
*	Royce Global Valuetrust Inc.		Laura Ventriglia	23.200	23.200	0,04265%	1				23.200	0	0	0
*	SS BK and Trust Company Inv. Funds for Taxexempt Retirement PL		Laura Ventriglia	17.911	17.911	0,03293%	1				17.911	0	0	0
*	Royce International Micro - Cap Fund		Laura Ventriglia	9.600	9.600	0,01765%	1				9.600	0	0	0
*	Royce Value Trust Inc.		Laura Ventriglia	9.995	9.995	0,01837%	1				9.995	0	0	0
*	Global Currents Investment Trust - Intl. Small Cap. Opportunity Equity Portfolio		Laura Ventriglia	2.685	2.685	0,00494%	1				2.685	0	0	0
*	Franceschi Egisto	x		80.000	80.000	0,14706%	1				80.000	0	0	0
*	Ciferri-Ceretti Massimiliano	x		15.000	15.000	0,02757%	1				15.000	0	0	0
*	Dragonetti Andrea Stefano	x		6.000	6.000	0,01103%	1				6.000	0	0	0
*	Rugarli Giorgio	x		1.000	1.000	0,00184%		1			0	1.000	0	0
*	Rodinò Demetrio	x		3	3	0,00001%				1	0	0	0	3
	Simone Gian Luigi			0	0	0,00000%					0	0	0	0
	TOTALI	7	38		54.397.940	100,00%	41	3	0	1	53.928.365,00	469.572,00	0,00	3,00
											99,13677797	0,86321651	-	0,0000055

ALLEGATO "J" al Rep. n. 29029/8483

Gianpaolo Grasso (firma)

(firma)

Banca Sistema S.p.A.

2016-2019 Stock Grant Plan

2016-2019 Stock Grant Plan Regulations

CONTENTS

1. Introduction

These regulations (hereinafter the “Regulations”) establish the rules for the implementation of the “2016-2019 Stock Grant Plan” (hereinafter the “Plan”) concerning the free assignment of the ordinary shares of Banca Sistema S.p.A. (hereinafter “Banca Sistema” or the “Company”) to key personnel of the Banca Sistema Group.

The articles of the Regulations are inseparable.

2. Definitions

In addition to the terms defined elsewhere in the Regulations, the following capitalised terms and expressions (and their grammatical inflections) shall have the meaning shown beside each term. The defined terms and expressions importing the masculine gender shall be treated as importing every gender and those importing the singular shall be treated as referring also to the plural.

Shares	The ordinary shares of Banca Sistema underlying this Plan, giving regular dividend rights and having a nominal value of EUR 0.12 each.
Assignment of Shares	The determination - subject to meeting the individual and company-level performance targets specified in the 2016 Remuneration Policies Document and in this Plan - 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 the 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 for the financial year 2016 (payable in cash or in shares), as specified in the 2016 Remuneration Policies Document.
Transfer	Any transfer, including but not limited to, the sale, donation, pledge, usufruct, 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 to a third party the ownership of the Banca Sistema ordinary

	shares or any associated right.
Cycle	The period of time comprising the financial years in relation to which the Bank has set performance targets, to which the Assignment 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).
Remuneration Committee or "RC"	The committee set up by Banca Sistema in implementation of the recommendations contained in the Corporate Governance Code of Listed Companies and in Bank of Italy Circular No. 285 of 17 December 2013 (Supervisory 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).
2016 Remuneration Policies Document	The Document containing the remuneration policies of the Banca Sistema Group, which was approved by the ordinary Shareholders' Meeting on 28 April 2016.
Business Day	Each calendar day, excepting Saturdays and Sundays and days on which banks are not open for normal business on the Milan market.
Banca Sistema Group or Group	Banca Sistema and the companies over which it has or may in the future have direct or indirect control pursuant to article 2359 of the Italian Civil Code and article 93 of the Consolidated Law on Finance (TUF).
Permanent disability	Any medically certified condition which permanently impairs the Beneficiary's ability to work and that leads to the termination of the employment relationship.
Letter of Assignment	The letter that is sent by Banca Sistema 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. Regarding the 1st Cycle only, the foregoing information that should be provided to the Beneficiaries in the Letter of Assignment can be provided in the Letter of Bonus Assignment, as detailed in the 2016 Remuneration Policies Document.
Plan	The 2016-2019 Stock Grant Plan, which is governed by the Regulations 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.
Price of the Shares	The price of Shares determined on the basis of the arithmetic average of the official prices achieved by the Banca Sistema shares on the MTA Italian Equities' Market - STAR segment in the last three months preceding the date the Board of Directors resolves on the Assignment of the Shares. A 5% discount is applied to the Price of the Shares determined as per above.
Regulations	This document and its annexes, which form an integral part thereof. It is approved by the Board of Directors and describes the legal and administrative rules associated with the 2016 Plan and the rights and undertakings of the Beneficiaries and the Company.
Retention Period	The period during which the Beneficiary undertakes not to transfer the assigned Shares.

3. Subject matter and purpose of the Plan

The Plan provides for the free Assignment of Shares, subject to meeting the performance targets specified in paragraph 7 below, which fully references the indicators envisaged in the Annex to the 2016 Remuneration Policies Document.

The assigned Shares give regular dividend rights and the Beneficiaries become the holders of all the related administrative and ownership rights on assignment of the Shares, without prejudice to the provisions specified hereinafter.

The Shares underlying the Plan will be issued on obtainment of authorisation from the Bank of Italy to increase the share capital, in compliance with regulations in force and in accordance with the methods established by the competent company bodies.

At the discretion of the Board of Directors, the Shares may also be assigned using Shares that are purchased and/or held by Banca Sistema.

By adopting the Plan, Banca Sistema intends 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 of Listed Companies;

- 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 incentivising 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.

4. Assignment of Shares

The Beneficiaries of the 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).

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 in paragraph 7 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 2016-2019 Stock Grant Plan").

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 free Assignment of the Shares is subject to meeting qualitative targets only, which are to no extent linked to the Company's financial results. In detail, the Bonus adjustment mechanism based on the Company's performance, as per paragraph 7 of this Plan, is not applicable to such employees.

Following verification that the performance targets established in the 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.

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

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

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 will indicate:

- the value of the cash Bonus;

- the number of assigned Shares;
- a summary statement of the performance targets linked to the Plan;
- the Retention Period.

The Letter of Assignment includes a copy of the Regulations, which govern the Plan and form an integral part thereof for all intents and purposes.

5. Retention Period

In accordance with the Corporate Governance Code of Listed Companies and the prescriptions of Bank of Italy Circular No. 285 of 17 December 2013 ("*Supervisory provisions for Banks*"), as amended, the Plan provides for a Retention Period, of varying lengths in each Cycle of the 2016-2019 Stock Grant Plan and effective from the date of the financial year of the corresponding Cycle. More specifically:

- 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;

Shares continue to be 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 it does not apply.

The foregoing is without prejudice to the Beneficiaries' other rights with respect to the Shares.

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

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 Company reserves the right to use other Share deposit methods in order to improve the tax or financial effects of the Plan for the Company, in accordance with the applicable provisions of law.

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

6. Restrictions on the transfer of the entitlement to the free assignment 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.

7. Performance targets

The free Assignment of the Shares is subject to meeting specific individual and company-level performance targets in each Cycle, as described hereinafter.

7.1 Company performance targets

With reference to each Cycle, the Assignment is subject to meeting the Bank's capitalisation and liquidity targets associated with the following indicators:

- **CET1 Ratio**
- **RORAC**
- **LCR**

With input from the Remuneration Committee, the Board of Directors verifies whether the capitalisation and liquidity targets associated with the foregoing indicators have been met, based on the targets levels specified in the RAF for the reference year, in accordance with the budget targets applicable for the relevant period.

If the capitalisation and liquidity targets relating to the foregoing indicators are not met, but the regulatory minimum threshold has been observed, the payment of the bonus is postponed to the end of the successive six-month period, subject to meeting the half-yearly capitalisation and liquidity targets set in the budget, to be verified by the Board of Directors at the end of the six-month period.

If the capitalisation and liquidity targets are below the regulatory minimum threshold, the Beneficiaries shall not be entitled to the portion of the bonus pertaining to that financial year.

On the other hand, if the capitalisation 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 on the basis of the ROE target for that year, as described below.

- 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.

No Bonus is paid if ROE is negative.

7.2 Individual performance targets

In addition to the company-level performance targets described above, the Assignment of the Shares is also subject to meeting a range of individual quantitative and qualitative performance targets, which are defined by the Company and notified to employees.

The performance evaluation process is carried out yearly: each employee of the bank logs into the Banca Sistema web portal http://stleoni.zucchetti.com/HRPortal/ and defines, together with their direct heads, the quantitative and qualitative targets for the following year.

Quantitative targets are assigned a measurement criterion to allow the verification of the results achieved.

By way of an example, some of the parameters used with respect to the different roles are described below.

Quantitative indicators:

Meeting the individual and area-level budget targets: these targets are the easiest to quantify and are associated mainly with the sales area and with functions where a certain quantitative parameter exists (volume of sales completed compared to budget, number of POS terminals sold compared to budget, annual cost funding savings compared to budget).

Value creation: these targets provide added value to a new product or a new service (contribution to marketing initiatives to achieve factoring targets, timely management of complaints, professional growth of colleagues).

Reduction of costs: operating cost reduction targets (reduction of consultancy costs, overtime, maintenance costs...)

Reduction of response times: these targets are linked to customer satisfaction, internal and external (timeliness of reporting adjustments to the budget, number of applications priced/headcount per pricing, timeliness in closing Open Issues reported by the control functions, timeliness in closing SME disputes).

Increase in efficiency: these targets are based on a comparison with the same activities performed in the previous years regarding the improvement of the overall performance of the Bank (reducing the percentage of operating errors, increasing the equivalent advertising value, compliance with project timelines).

Qualitative indicators:

The Group uses 4 qualitative indicators, each divided into 2 sub-indicators. These are included in the performance sheet provided 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

More specifically:

- the observance and respect of the “values” (integrity, independence, excellence, transparency, social and environmental responsibility) underlying Banca Sistema’s business activity, as well as of the applicable provisions 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 promote growth;

• the containment of legal and reputational risks.

The achievement of the abovementioned performance targets is verified at the end of the relevant financial year by the Board of Directors, with input from the Remuneration Committee. Without prejudice to the prior verification of performance targets, the Assignment of the Shares is at the discretion of the Board of Directors (as specified in the letter of employment sent to each employee).

7.3 Calculation of the number of Shares to be Assigned to Beneficiaries

As highlighted in paragraph 4 above, subsequent to the determination of the value of the Bonus to be assigned in Shares in relation to each Cycle, the Board of Directors calculates the number of Shares to be assigned to each Beneficiary, taking into account the Price of the Shares. The actual number of Shares to be assigned is communicated to the Beneficiary in accordance with paragraph 4 above.

8. Specific events

On occurrence of specific events prior to the end of the Implementation Period of the 2016-2019 Stock Grant Plan, the relationship between the Bank and the Beneficiaries is subject to the following terms and conditions.

Dismissal, resignation, mutually agreed termination, retirement, disability and death

Beneficiaries who continue to have an employment relationship with the Bank at the end of the Implementation Period of the 2016-2019 Stock Grant Plan shall be entitled to receive the Shares free of charge at the conditions specified in the Regulations.

(i) Beneficiaries shall 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 is terminated by the Company on any grounds or if they resign from the Company for reasons other than those specified in sub (iii) below.

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

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.

(ii) 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.

(iii) The prescriptions of paragraph 8.1.1 sub (ii) shall apply if the Beneficiary gains access to old age pension, contribution-based pension or permanent disability rights which result in the termination of the employment relationship.

(iv) In the event of death of the Beneficiary, his/her 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.

(v) In departure from paragraph 4 above, any Shares due pursuant to sub (ii), (iii) and (iv) of this paragraph shall be assigned within 6 (six) months from the date of employment termination.

The Shares shall be assigned to the Beneficiary via an authorised intermediary, at which each Beneficiary shall open a securities deposit in accordance with the instructions provided by the Company. The costs associated with the foregoing transactions shall be borne by the Company. Within the last day of the month in which the Shares are assigned, the Beneficiary will pay the Company an amount sufficient to cover any withholding taxes and/or contributions due from the Beneficiary. If such a sum is not received, the Company may deduct this from other amounts due to the Beneficiary for any reason, including salaries. The costs associated with the transfer or sale of the Shares subsequent to the Assignment shall be borne by the Beneficiary.

The Retention Period rules provided for in paragraph 5 above shall continue to apply.

It is understood that Beneficiaries shall maintain, mutatis mutandis, the rights acquired under the Plan if the individual employment relationship with the Company is terminated (mutually agreed or not) to take employment with another company of the Group.

9. General provisions

9.1 Plan management and administration

Without prejudice to the responsibilities of the Shareholders' Meeting, the Plan and the Regulations are approved by the Board of Directors, which also adopts resolutions on all related matters. Resolutions adopted by the Board of Directors on the interpretation and application of the Plan are final and binding for all interested parties.

The Board of Directors is responsible for the management of the Plan. It has operating powers in relation to the Plan and may delegate such powers.

9.2 Costs and tax-contribution system

The costs associated with the implementation and management of the Plan shall be borne by Banca Sistema. Beneficiaries shall bear the cost of any taxes and contributions due in connection with:

- the Assignment of Shares,
- the Shares held,
- the Transfer of Shares.

Banca Sistema shall act as the withholding agent in the cases envisaged by law, deducting the required taxes and contributions in accordance with laws in force. The Beneficiary undertakes to provide Banca Sistema with all the information necessary to properly fulfil its duties as the withholding agent, including those established by Banca Sistema.

9.3 Employment relationships

Access to the Plan is voluntary and involves no obligation on the Beneficiary's part to maintain the employment relationship, nor shall it give rise to any entitlement or expectation, present or future, including expectations of an "economic" nature which - directly or indirectly - arise out of or in connection with any relationship existing between the Beneficiary and the Company.

All benefits arising out of the Plan are extraordinary in nature and have no effect whatsoever on or in relation to the calculation of direct and indirect components of salary, which are governed by law and by the collective bargaining agreements.

9.4 Communications

Without prejudice to the prescriptions herein, all communications between Banca Sistema and the Beneficiary regarding these Regulations must be made in writing and delivered by registered letter with return receipt or by hand and signed for by the recipient and shall be construed as having been delivered on the date the communication is received by the addressee. Communications are to be addressed to:

- the registered office, for communications sent to Banca Sistema;
- the employee's address, as registered with Banca Sistema, for communications sent to the Beneficiary.

All documents requiring delivery under the Regulations should be forwarded to the foregoing addresses.

9.5 Personal data protection

The Beneficiaries expressly authorise the Company and its representatives and any parties involved in the management of the Plan to use their personal data for the purpose of the Plan in accordance with Italian Legislative Decree No. 196/03.

It is understood that all information relating to the Plan and the relationship between the Company and the individual Beneficiaries is strictly confidential and shall not be disclosed or forwarded to third parties, except where required by law.

9.6 Amendments to the Plan

Without prejudice to the prescriptions of the Regulations, the Board of Directors may amend the Plan when such amendments are deemed appropriate to comply with laws in force at any time.

The Board of Directors is vested with the necessary and/or appropriate powers to fully implement the Plan and to make any amendments to the Regulations, consistent with the essential content, objectives and purposes of the Plan approved by the Shareholders' Meeting and subject to applicable laws and regulations, specifically the "Supervisory provisions for banks concerning remuneration and incentives policies and practices" issued by the Bank of Italy.

The Board of Directors will notify the Beneficiaries of any amendments to the Plan within 10 business days from the date of approval.

9.7 Acceptance of the Regulations

By signing these Regulations the Beneficiaries express their full acceptance of the provisions and the terms and conditions provided for and governed herein.

9.8 Governing law

The Regulations are governed by Italian law and shall be interpreted accordingly.

9.9 Jurisdiction

Any dispute arising out of or relating to the Regulations shall be referred to the exclusive jurisdiction of the Court of Milan.

Signed as acknowledgement of receipt and full acceptance

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N°	NOMINATIVO AZIONISTA	PRESENZA IN PROPRIO O PER DELEGA		NUMERO AZIONI	NUMERO AZIONI CON DIRITTO DI VOTO	% AZIONI SU TOTALE PRESENTE IN ASSEMBLEA	SCHEDA 5 ORDINARIA - ROSSA							
		IN PROPRIO	PER DELEGA			54.397.940	F	C	A	NV	azioni F	azioni C	azioni A	azioni NV
*	Società di Gestione partecipazioni Banca Sintesi		Dott.ssa A. Girello	18.578.900	18.578.900	34,15368%	1				18.578.900	0	0	0
*	Fondazione Sicilia		Dott.ssa A. Girello	5.950.104	5.950.104	10,93811%	1				5.950.104	0	0	0
*	Garbifin SRL		Dott.ssa A. Girello	409.453	409.453	0,75270%	1				409.453	0	0	0
*	Fondazione Cassa di Risparmio di Alessandria	Dott. Pier Angelo Taverna		5.950.104	5.950.104	10,93811%	1				5.950.104	0	0	0
*	Fondazione Pisa	Avv. C. Pugelli		6.118.104	6.118.104	11,24694%	1				6.118.104	0	0	0
*	Participatie Maatschappij Graafschap		Marta Plevani	234.286	234.286	0,43069%		1			0	234.286	0	0
*	Flandria Partecipations Financieres		Marta Plevani	234.286	234.286	0,43069%		1			0	234.286	0	0
*	Schroeder International Selection Fund		Laura Ventriglia	2.564.878	2.564.878	4,71503%	1				2.564.878	0	0	0
*	Vanguard International Explorer Fund		Laura Ventriglia	2.371.523	2.371.523	4,35958%	1				2.371.523	0	0	0
*	Invesco Perpetual European Smaller Companies Fund		Laura Ventriglia	1.546.293	1.546.293	2,84256%	1				1.546.293	0	0	0
*	National West Bank PLC as Trustee of Jupiter Financial OPP F		Laura Ventriglia	1.078.290	1.078.290	1,98223%	1				1.078.290	0	0	0
*	Polar Capital Global Financial Trust PL		Laura Ventriglia	1.219.580	1.219.580	2,24196%	1				1.219.580	0	0	0
*	Transamerica International Small Cap		Laura Ventriglia	916.434	916.434	1,68469%	1				916.434	0	0	0
*	Invesco Funds		Laura Ventriglia	970.483	970.483	1,78404%	1				970.483	0	0	0
*	Invesco Perpetual European Opportunities Fund		Laura Ventriglia	799.726	799.726	1,47014%	1				799.726	0	0	0
*	Schroeder European Smaller Companies Fund		Laura Ventriglia	634.312	634.312	1,16606%	1				634.312	0	0	0
*	Polar Capital Funds PLC		Laura Ventriglia	806.164	806.164	1,48198%	1				806.164	0	0	0
*	Grandeur Peak International		Laura Ventriglia	600.062	600.062	1,10310%	1				600.062	0	0	0
*	Artisan Global Small Cap Fund		Laura Ventriglia	484.529	484.529	0,89071%	1				484.529	0	0	0
*	Axa World Funds		Laura Ventriglia	450.000	450.000	0,82724%	1				450.000	0	0	0
*	Schroeder Capital Management Collective T		Laura Ventriglia	361.383	361.383	0,66433%	1				361.383	0	0	0
*	The State of Connecticut Actingthrough Its Treasurer		Laura Ventriglia	357.713	357.713	0,65759%	1				357.713	0	0	0
*	The Jupiter Global Fund Sicav		Laura Ventriglia	246.316	246.316	0,45280%	1				246.316	0	0	0
*	National Westminster Bank PLC as TR of Jupiter Int. Fin. F		Laura Ventriglia	188.290	188.290	0,34613%	1				188.290	0	0	0
*	State of Alaska Retirement and Benefits Plans		Laura Ventriglia	196.293	196.293	0,36085%	1				196.293	0	0	0
*	Legg Mason Partners EQ TR-LM GLB Curr Int Small Cap Oppor. F		Laura Ventriglia	210.268	210.268	0,38654%	1				210.268	0	0	0
*	Microsoft Global Finance		Laura Ventriglia	162.139	162.139	0,29806%	1				162.139	0	0	0
*	GL Europe Luxembourg S.A.R.L.		Laura Ventriglia	13.601	13.601	0,02500%	1				13.601	0	0	0
*	Canadian Broadcasting Corporation Pension Plan		Laura Ventriglia	103.985	103.985	0,19116%	1				103.985	0	0	0
*	Missouri Local Government Employees Retiremente System		Laura Ventriglia	194.691	194.691	0,35790%	1				194.691	0	0	0
*	Grandeur Peak Global Reach		Laura Ventriglia	90.932	90.932	0,16716%	1				90.932	0	0	
*	National Council For Social Security Fund		Laura Ventriglia	89.704	89.704	0,16490%	1				89.704	0	0	0
*	Grandeur Peak Global Micro Cap		Laura Ventriglia	39.800	39.800	0,07316%	1				39.800	0	0	
*	Royce International Smaller-Companies Fund		Laura Ventriglia	27.400	27.400	0,05037%	1				27.400	0	0	0
*	Schroeder International Small Companies P		Laura Ventriglia	32.520	32.520	0,05978%	1				32.520	0	0	0
*	Royce Global Valuetrust Inc.		Laura Ventriglia	23.200	23.200	0,04265%	1				23.200	0	0	0
*	SS BK and Trust Company Inv. Funds for Taxexempt Retirement PL		Laura Ventriglia	17.911	17.911	0,03293%	1				17.911	0	0	0
*	Royce International Micro - Cap Fund		Laura Ventriglia	9.600	9.600	0,01765%	1				9.600	0	0	0
*	Royce Value Trust Inc.		Laura Ventriglia	9.995	9.995	0,01837%	1				9.995	0	0	0
*	Global Currents Investment Trust - Intl. Small Cap. Opportunity Equity Portfolio		Laura Ventriglia	2.685	2.685	0,00494%	1				2.685	0	0	0
*	Franceschi Egisto	x		80.000	80.000	0,14706%	1				80.000	0	0	0
*	Ciferri-Ceretti Massimiliano	x		15.000	15.000	0,02757%	1				15.000	0	0	0
*	Dragonetti Andrea Stefano	x		6.000	6.000	0,01103%	1				6.000	0	0	0
*	Rugarli Giorgio	x		1.000	1.000	0,00184%		1			0	1.000	0	0
*	Rodinò Demetrio	x		3	3	0,00001%	1				3	0	0	0
	Simone Gian Luigi			0	0	0,00000%					0	0	0	0
TOTALI		7	38		54.397.940	100,00%	42	3	0	0	53.928.368,00	469.572,00	0,00	0,00
											99,136783	0,86321651	0,00	0,00

ALLEGATO "L" al Rep. n. 29029/8483.

N°	NOMINATIVO AZIONISTA	PRESENZA IN PROPRIO O PER DELEGA		NUMERO AZIONI	NUMERO AZIONI CON DIRITTO DI VOTO	% AZIONI SU TOTALE PRESENTE IN ASSEMBLEA	SCHEDA 6 ORDINARIA - GRIGIA							
		IN PROPRIO	PER DELEGA			54.397.940	F	C	A	NV	azioni F	azioni C	azioni A	azioni NV
*	Società di Gestione partecipazioni Banca Sintesi		Dott.ssa A. Girello	18.578.900	18.578.900	34,15368%	1				18.578.900	0	0	0
*	Fondazione Sicilia		Dott.ssa A. Girello	5.950.104	5.950.104	10,93811%	1				5.950.104	0	0	0
*	Garbifin SRL		Dott.ssa A. Girello	409.453	409.453	0,75270%	1				409.453	0	0	0
*	Fondazione Cassa di Risparmio di Alessandria	Dott. Pier Angelo Taverna		5.950.104	5.950.104	10,93811%	1				5.950.104	0	0	0
*	Fondazione Pisa	Avv. C. Pugelli		6.118.104	6.118.104	11,24694%	1				6.118.104	0	0	0
*	Participatie Maatschappij Graafschap		Marta Plevani	234.286	234.286	0,43069%			1		0	0	234.286	0
*	Flandria Partecipations Financieres		Marta Plevani	234.286	234.286	0,43069%			1		0	0	234.286	0
*	Schroeder International Selection Fund		Laura Ventriglia	2.564.878	2.564.878	4,71503%	1				2.564.878	0	0	0
*	Vanguard International Explorer Fund		Laura Ventriglia	2.371.523	2.371.523	4,35958%	1				2.371.523	0	0	0
*	Invesco Perpetual European Smaller Companies Fund		Laura Ventriglia	1.546.293	1.546.293	2,84256%	1				1.546.293	0	0	0
*	National West Bank PLC as Trustee of Jupiter Financial OPP F		Laura Ventriglia	1.078.290	1.078.290	1,98223%	1				1.078.290	0	0	0
*	Polar Capital Global Financial Trust PL		Laura Ventriglia	1.219.580	1.219.580	2,24196%	1				1.219.580	0	0	0
*	Transamerica International Small Cap		Laura Ventriglia	916.434	916.434	1,68469%	1				916.434	0	0	0
*	Invesco Funds		Laura Ventriglia	970.483	970.483	1,78404%	1				970.483	0	0	0
*	Invesco Perpetual European Opportunities Fund		Laura Ventriglia	799.726	799.726	1,47014%	1				799.726	0	0	0
*	Schroeder European Smaller Companies Fund		Laura Ventriglia	634.312	634.312	1,16606%	1				634.312	0	0	0
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*	Axa World Funds		Laura Ventriglia	450.000	450.000	0,82724%	1				450.000	0	0	0
*	Schroeder Capital Management Collective T		Laura Ventriglia	361.383	361.383	0,66433%	1				361.383	0	0	0
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*	The Jupiter Global Fund Sicav		Laura Ventriglia	246.316	246.316	0,45280%	1				246.316	0	0	0
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*	State of Alaska Retirement and Benefits Plans		Laura Ventriglia	196.293	196.293	0,36085%	1				196.293	0	0	0
*	Legg Mason Partners EQ TR-LM GLB Curr Int Small Cap Oppor. F		Laura Ventriglia	210.268	210.268	0,38654%	1				210.268	0	0	0
*	Microsoft Global Finance		Laura Ventriglia	162.139	162.139	0,29806%	1				162.139	0	0	0
*	GL Europe Luxembourg S.A.R.L.		Laura Ventriglia	13.601	13.601	0,02500%	1				13.601	0	0	0
*	Canadian Broadcasting Corporation Pension Plan		Laura Ventriglia	103.985	103.985	0,19116%	1				103.985	0	0	0
*	Missouri Local Government Employees Retirement System		Laura Ventriglia	194.691	194.691	0,35790%	1				194.691	0	0	0
*	Grandeur Peak Global Reach		Laura Ventriglia	90.932	90.932	0,16716%	1				90.932	0	0	0
*	National Council For Social Security Fund		Laura Ventriglia	89.704	89.704	0,16490%	1				89.704	0	0	0
*	Grandeur Peak Global Micro Cap		Laura Ventriglia	39.800	39.800	0,07316%	1				39.800	0	0	0
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*	Schroeder International Small Companies P		Laura Ventriglia	32.520	32.520	0,05978%	1				32.520	0	0	0
*	Royce Global Valuetrust Inc.		Laura Ventriglia	23.200	23.200	0,04265%	1				23.200	0	0	0
*	SS BK and Trust Company Inv. Funds for Taxexempt Retirement PL		Laura Ventriglia	17.911	17.911	0,03293%	1				17.911	0	0	0
*	Royce International Micro - Cap Fund		Laura Ventriglia	9.600	9.600	0,01765%	1				9.600	0	0	0
*	Royce Value Trust Inc.		Laura Ventriglia	9.995	9.995	0,01837%	1				9.995	0	0	0
*	Global Currents Investment Trust - Intl. Small Cap. Opportunity Equity Portfolio		Laura Ventriglia	2.685	2.685	0,00494%	1				2.685	0	0	0
*	Franceschi Egisto	X		80.000	80.000	0,14706%	1				80.000	0	0	0
*	Ciferri-Ceretti Massimiliano	X		15.000	15.000	0,02757%	1				15.000	0	0	0
*	Dragonetti Andrea Stefano	X		6.000	6.000	0,01103%	1				6.000	0	0	0
*	Rugarli Giorgio	X		1.000	1.000	0,00184%		1			0	1.000	0	0
*	Rodinò Demetrio	X		3	3	0,00001%	1				3	0	0	0
	Simone Gian Luigi			0	0	0,00000%					0	0	0	0
	TOTALI	7	38		54.397.940	100,00%	42	1	2	0	53.928.368,00	1.000,00	468.572,00	0,00
											99,136783	0,001838305	0,861378207	0,000000000

ALLEGATO "M" al Rep. n. 23.029/8483

[handwritten] ANNEX *Q to Protocol* no. 29029/8483.

Banca Sistema

Dear Chairman and members of the Board of Directors,

The excellent financial statements that you have called today's shareholders' meeting to approve confirm the progress achieved in all business lines and in the resulting growth of profit, which has been repeated since the establishment of Banca Sistema, not so long ago, demonstrating that the wind is at our backs. In years of widespread crisis, the Bank's specific, highly specialised business has been intrinsically useful for the economy, while also being useful for its promoters. A popular Italian saying that came about centuries ago when almost everywhere people obeyed the edict to not eat meat on Fridays joked about the fact that "*la mensa magra ingrassa il pescatore"* (on fish Fridays fishermen gain weight): clearly a joke. But it can be said that the endemic laziness in payment by all the branches of the Public Administration — which can be seen as the "Fish Friday", the underlying factor that gave rise to a business that is useful and can be appreciated by a wide range of clients, and, as such, is demonstrating its ability to ensure that this bank achieves ever-improving results. Today's financial statements, with an increase of 2 percent in net profit, confirms this. We can only be delighted with these double benefits. I also appreciate the resolution set out in the third point on the agenda of the ordinary shareholders' meeting, which proposes setting the maximum limit of the ratio of the variable component to the fixed component of remuneration at 2 to 1, both for employees and for *key personnel,* an expression that I do not think I have read in any documents of other companies to date.

That being said, I have just a few questions on which I would like more explanation to be provided. One actually regards the financial year under way, more than the year the financial statements refer to: it concerns the launch of the first stage of the securitisation of salary-backed loans (*Cessione del Quinto*) in March. As you have announced, this process will be completed during this year. Almost two months have passed since this announcement: what is the progress of this operation to date? I have another question regarding 2016. I would like to know if the group has obtained the authorisation from the Bank of Italy that finalises the purchase - which was also announced at the beginning of March - of the entire equity investment in Beta Stepstone. Maybe I missed it, if it occurred, but I have not read the news regarding the issue of the authorisation, and that is why I am asking this.

I would also like to hear some additional details regarding the sharp growth in the factoring of tax receivables, in the amount of 168 percent. On the issue of factoring, I have read that the amount of interest generated by the purchase by the company of discounted loans does not include late payment interest from the Public Administration on receivables already collected or even on receivables not collected, for a total of € 82 million plus € 70. This gives rise to two questions, I could say, "downstream": the first is why is this interest not included even though it is recorded in the accounts. The second, almost a philosophical question, is whether a type of reverse anatocism is occurring. I beg your pardon, but I do not exactly understand the technical reasons for excluding that late payment interest from the global scope, and I would appreciate if you could explain this to me.

I would also like to ask which two municipalities having financial difficulties, municipalities which are new entries in 2015, which caused an increase in the adjustments to loan impairment, as well as some information on the local entities in financial difficulty, which equally expanded the incidence of NPLs. Lastly: As regards the evolution of operations, the group expects substantial stability in funding for 2016, but also mentions diversification through new types of funding: could you say a few words about this diversification? Thank you.

N°	NOMINATIVO AZIONISTA	PRESENZA IN PROPRIO O PER DELEGA		NUMERO AZIONI	NUMERO AZIONI CON DIRITTO DI VOTO	% AZIONI SU TOTALE PRESENTE IN ASSEMBLEA	SCHEDA 1 STRAORDINARIA - LILLA							
		IN PROPRIO	PER DELEGA			54.397.937	F	C	A	NV	azioni F	azioni C	azioni A	azioni NV
*	Società di Gestione partecipazioni Banca Sintesi		Dott.ssa A. Girello	18.578.900	18.578.900	34,15368%	1				18.578.900	0	0	0
*	Fondazione Sicilia		Dott.ssa A. Girello	5.950.104	5.950.104	10,93811%	1				5.950.104	0	0	0
*	Garbifin SRL		Dott.ssa A. Girello	409.453	409.453	0,75270%	1				409.453	0	0	0
*	Fondazione Cassa di Risparmio di Alessandria	Dott. Prof. Taverna		5.950.104	5.950.104	10,93811%	1				5.950.104	0	0	0
*	Fondazione Pisa	Avv. C. Pugelli		6.118.104	6.118.104	11,24694%	1				6.118.104	0	0	0
*	Participatie Maatschappij Graafschap		Marta Pievani	234.286	234.286	0,43069%		1			0	234.286	0	0
*	Flandria Partecipations Financieres		Marta Pievani	234.286	234.286	0,43069%		1			0	234.286	0	0
*	Schroeder International Selection Fund		Laura Ventriglia	2.564.878	2.564.878	4,71503%	1				2.564.878	0	0	0
*	Vanguard International Explorer Fund		Laura Ventriglia	2.371.523	2.371.523	4,35958%	1				2.371.523	0	0	0
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*	National West Bank PLC as Trustee of Jupiter Financial OPP F		Laura Ventriglia	1.078.290	1.078.290	1,98223%	1				1.078.290	0	0	0
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*	GL Europe Luxembourg S.A.R.L.		Laura Ventriglia	13.601	13.601	0,02500%	1				13.601	0	0	0
*	Canadian Broadcasting Corporation Pension Plan		Laura Ventriglia	103.985	103.985	0,19116%	1				103.985	0	0	0
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*	Schroeder International Small Companies P		Laura Ventriglia	32.520	32.520	0,05978%	1				32.520	0	0	0
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*	Royce Value Trust Inc.		Laura Ventriglia	9.995	9.995	0,01837%	1				9.995	0	0	0
*	Global Currents Investment Trust - Intl. Small Cap. Opportunity Equity Portfolio		Laura Ventriglia	2.685	2.685	0,00494%	1				2.685	0	0	0
*	Franceschi Egisto	x		80.000	80.000	0,14706%	1				80.000	0	0	0
*	Ciferri-Ceretti Massimiliano	x		15.000	15.000	0,02757%	1				15.000	0	0	0
*	Dragonetti Andrea Stefano	x		6.000	6.000	0,01103%	1				6.000	0	0	0
*	Rugari Giorgio	x		1.000	1.000	0,00184%		1			0	1.000	0	0
*	Rodinò Demetrio	x		0	0	0,00000%					0	0	0	0
	Simone Gian Luigi	x		0	0	0,00000%					0	0	0	0
TOTALI		6	38		54.397.937	100,00%	41	3	0	0	53.928.365	469.572	0	0
											99,13678344	0,86321656	0	0

ALLEGATO "N" al Rep. n. 29.023/8483

N°	NOMINATIVO AZIONISTA	PRESENZA IN PROPRIO O PER DELEGA		NUMERO AZIONI	NUMERO AZIONI CON DIRITTO DI VOTO	% AZIONI SU TOTALE PRESENTE IN ASSEMBLEA	SCHEDA 2 STRAORDINARIA - ARANCIO							
		IN PROPRIO	PER DELEGA			54.397.937	F	C	A	NV	azioni F	azioni C	azioni A	azioni NV
*	Società di Gestione partecipazioni Banca Sintesi		Dott.ssa A. Girello	18.578.900	18.578.900	34,15368%	1				18.578.900	0	0	0
*	Fondazione Sicilia		Dott.ssa A. Girello	5.950.104	5.950.104	10,93811%	1				5.950.104	0	0	0
*	Garbifin SRL		Dott.ssa A. Girello	409.453	409.453	0,75270%	1				409.453	0	0	0
*	Fondazione Cassa di Risparmio di Alessandria	Dott. Prof. Taverna		5.950.104	5.950.104	10,93811%	1				5.950.104	0	0	0
*	Fondazione Pisa	Avv. C. Pugelli		6.118.104	6.118.104	11,24694%	1				6.118.104	0	0	0
*	Participatie Maatschappij Graafschap		Marta Pievani	234.286	234.286	0,43069%			1		0	0	234.286	0
*	Flandria Partecipations Financieres		Marta Pievani	234.286	234.286	0,43069%			1		0	0	234.286	0
*	Schroeder International Selection Fund		Laura Ventriglia	2.564.878	2.564.878	4,71503%	1				2.564.878	0	0	0
*	Vanguard International Explorer Fund		Laura Ventriglia	2.371.523	2.371.523	4,35958%	1				2.371.523	0	0	0
*	Invesco Perpetual European Smaller Companies Fund		Laura Ventriglia	1.546.293	1.546.293	2,84256%	1				1.546.293	0	0	0
*	National West Bank PLC as Trustee of Jupiter Financial OPP F		Laura Ventriglia	1.078.290	1.078.290	1,98223%	1				1.078.290	0	0	0
*	Polar Capital Global Financial Trust PL		Laura Ventriglia	1.219.580	1.219.580	2,24196%	1				1.219.580	0	0	0
*	Transamerica International Small Cap		Laura Ventriglia	916.434	916.434	1,68469%	1				916.434	0	0	0
*	Invesco Funds		Laura Ventriglia	970.483	970.483	1,78404%	1				970.483	0	0	0
*	Invesco Perpetual European Opportunities Fund		Laura Ventriglia	799.726	799.726	1,47014%	1				799.726	0	0	0
*	Schroeder European Smaller Companies Fund		Laura Ventriglia	634.312	634.312	1,16606%	1				634.312	0	0	0
*	Polar Capital Funds PLC		Laura Ventriglia	806.164	806.164	1,48198%	1				806.164	0	0	0
*	Grandeur Peak International		Laura Ventriglia	600.062	600.062	1,10310%	1				600.062	0	0	0
*	Artisan Global Small Cap Fund		Laura Ventriglia	484.529	484.529	0,89071%	1				484.529	0	0	0
*	Axa World Funds		Laura Ventriglia	450.000	450.000	0,82724%	1				450.000	0	0	0
*	Schroeder Capital Management Collective T		Laura Ventriglia	361.383	361.383	0,66433%	1				361.383	0	0	0
*	The State of Connecticut Actingthrough Its Treasurer		Laura Ventriglia	357.713	357.713	0,65759%	1				357.713	0	0	0
*	The Jupiter Global Fund Sicav		Laura Ventriglia	246.316	246.316	0,45280%	1				246.316	0	0	0
*	National Westminster Bank PLC as TR of Jupiter Int. Fin. F		Laura Ventriglia	188.290	188.290	0,34613%	1				188.290	0	0	0
*	State of Alaska Retirement and Benefits Plans		Laura Ventriglia	196.293	196.293	0,36085%	1				196.293	0	0	0
*	Legg Mason Partners EQ TR-LM GLB Curr Int Small Cap Oppor. F		Laura Ventriglia	210.268	210.268	0,38654%	1				210.268	0	0	0
*	Microsoft Global Finance		Laura Ventriglia	162.139	162.139	0,29806%	1				162.139	0	0	0
*	GL Europe Luxembourg S.A.R.L.		Laura Ventriglia	13.601	13.601	0,02500%	1				13.601	0	0	0
*	Canadian Broadcasting Corporation Pension Plan		Laura Ventriglia	103.985	103.985	0,19116%	1				103.985	0	0	0
*	Missouri Local Government Employees Retiremente System		Laura Ventriglia	194.691	194.691	0,35790%	1				194.691	0	0	0
*	Grandeur Peak Global Reach		Laura Ventriglia	90.932	90.932	0,16716%	1				90.932	0	0	0
*	National Council For Social Security Fund		Laura Ventriglia	89.704	89.704	0,16490%	1				89.704	0	0	0
*	Grandeur Peak Global Micro Cap		Laura Ventriglia	39.800	39.800	0,07316%	1				39.800	0	0	0
*	Royce International Smaller-Companies Fund		Laura Ventriglia	27.400	27.400	0,05037%	1				27.400	0	0	0
*	Schroeder International Small Companies P		Laura Ventriglia	32.520	32.520	0,05978%	1				32.520	0	0	0
*	Royce Global Valuetrust Inc.		Laura Ventriglia	23.200	23.200	0,04265%	1				23.200	0	0	0
*	SS BK and Trust Company Inv. Funds for Taxexempt Retirement PL		Laura Ventriglia	17.911	17.911	0,03293%	1				17.911	0	0	0
*	Royce International Micro - Cap Fund		Laura Ventriglia	9.600	9.600	0,01765%	1				9.600	0	0	0
*	Royce Value Trust Inc.		Laura Ventriglia	9.995	9.995	0,01837%	1				9.995	0	0	0
*	Global Currents Investment Trust - Intl. Small Cap. Opportunity Equity Portfolio		Laura Ventriglia	2.685	2.685	0,00494%	1				2.685	0	0	0
*	Franceschi Egisto	x		80.000	80.000	0,14706%	1				80.000	0	0	0
*	Ciferri-Ceretti Massimiliano	x		15.000	15.000	0,02757%	1				15.000	0	0	0
*	Dragonetti Andrea Stefano	x		6.000	6.000	0,01103%	1				6.000	0	0	0
*	Rugarli Giorgio	x		1.000	1.000	0,00184%		1			0	1.000	0	0
*	Rodinò Demetrio	x		0	0	0,00000%					0	0	0	0
	Simone Gian Luigi	x		0	0	0,00000%					0	0	0	0
	TOTALI	6	38		54.397.937	100,00%	41	1	2	0	53.928.365	1.000	468.572	0
											99,13678344	0,001838305	0,86137825	0,00000000

ALLEGATO "O" al Rep. n. 25029/8483

SECTION I

NAME, REGISTERED OFFICE, DURATION AND CORPORATE PURPOSE

Article 1: name

1.1 A limited company is incorporated with the business name of:

"**BANCA SISTEMA S.p.A.**".

1.2 The business name for overseas activity can also be translated into the languages of the Countries in which the company is operating.

1.3 The holding of shares in the capital of this company and the acceptance of positions and tasks governed by these By-laws implies the acceptance of the rules contained therein even if already in force on the date these shares were acquired or the positions and tasks assumed.

Article 2: registered office

2.1 The company has its registered office in Milan.

2.2 The Board of Directors can establish subsidiaries, management and operating offices, branches, agencies, factories or local manufacturing and management units, howsoever called in Italy and abroad.

2.3 The address for service of the shareholders for all relationships with the company shall for all purposes be deemed to be the one shown in the shareholders' register where it is shown following a statement made by the shareholder at the time of becoming a shareholder. Failing any indication of the shareholder's address for service in the shareholders' register, reference shall be made in the case of natural persons to their home address and for persons other than natural persons to the registered address.

Article 3: duration

3.1 The duration of the company is fixed at 31 December 2100 and can be extended pursuant to law.

Article 4: corporate purpose

4.1 The corporate purpose is the collection of savings and the granting of credit in its various forms in Italy and abroad and it can therefore carry out any operation and banking and financial service that is instrumental or related thereto. However, the company can also carry out any other activity and/or operation, necessary or useful to achieving the corporate purpose and generally carry out any other activity that is reserved or allowed to companies authorised to carry out banking activity.

4.2 The company in its capacity as parent company of the banking group BANCA SISTEMA, pursuant to art 61 paragraph of Legislative Decree dated 1 September 1993, no 285, issues, in the exercising of the management and coordination activity, provisions to the members of the group to execute instructions given by the Bank of Italy in the interest of the Group's stability.

4.3 The company may issue bonds of any nature whatsoever. Finally, it may also undertake shareholdings in Italy and overseas.

SECTION II

SHARE CAPITAL, WITHDRAWAL AND CIRCULATION OF THE SHARES

Article 5: share capital

5.1 The share capital is 9,650,526.24 (nine million six hundred and fifty thousand five hundred and twenty six thousand and twenty four cents), subdivided into 80,421,052 (eighty million four hundred and twenty one thousand and fifty two) shares having a nominal value of 0.12 Euros (twelve centimes) each.

On 28 April 2016 the Company’s extraordinary Shareholders’ Meeting resolved, pursuant to article 2349 of the Italian Civil Code, to authorize a free share capital increase, in tranches, to service the 2016 Stock Grant Plan (the “2016 Plan”), which was approved by the Company’s ordinary Shareholders’ Meeting on the same date and the Stock Grant Plans which may be approved successively by the ordinary Shareholders’ Meeting in relation to the years 2017, 2018 and 2019 (“2017-2019 Plans”).

The free share capital increase is for a maximum nominal amount of EUR 49.920 (forty nine thousand nine hundred and twenty euro), corresponding to a maximum number of 416,000 (four hundred and sixteen thousand) ordinary shares of a par value of EUR 0.12 (twelve euro cents) each, and shall be completed within 30 June 2023, it being understood that the share capital shall be deemed to have increased by the amount equivalent to the subscriptions received and that the individual subscriptions, even partial, shall be effective immediately with simultaneous assignment of the shares and the associated shareholder rights.

The free share capital increase shall be funded using a restricted Reserve dedicated to the share capital increase to service the 2016 Plan and the 2017-2019 Plans and such reserve shall amount to EUR 1,600,000.00 (one million six hundred thousand euro), as per the resolution adopted by the ordinary Shareholders’ Meeting on 28 April 2016.

The shares underlying the Share Capital Increase shall give regular dividend rights and be issued in several tranches in accordance with the terms and condition set out in the 2016 Plan and in the 2017-2019 Plans.

The Board of Directors is granted the powers necessary to increase the share capital - including the authority to sub-delegate such powers to its individual members - and specifically the power to assign and issue the new shares to service the 2016 Plan and the 2017-2019 Plans, in accordance with the timeframes and conditions therein, and the power to make the relevant amendments to this article in order to adjust, over time, the value of the Company's share capital.

At the date of completion of the foregoing increase, at the terms and conditions set out in the 2016 Plan and in the 2017-2019 Plans, the share capital shall be deemed to have increased by the amount corresponding to the shares issued.

5.2 The shares are issued in dematerialised form, are nominative, indivisible and the case of joint ownership is governed pursuant to the law.

5.3 Each share carries a voting right.

5.4 The shares confer equal rights on their holders. The Extraordinary Shareholders' Meeting can resolve to issue special categories of shares, establishing the form, means of transfer and the right due to the holders of these shares, and also to individually assign to the employees of the company or of subsidiaries an amount corresponding to the profits assigned to employees, pursuant to the provisions of art. 2439 paragraph 1 of the Civil Code, in compliance with applicable regulations in terms of remuneration and in accordance with the company's remuneration and incentive policies.

5.5 The Extraordinary Shareholders' Meeting may resolve with regard to contributions by shareholders or third parties other than conferrals to the share capital to issue financial instruments pursuant to article 2346 paragraph 6 Italian Civil Code which consist of share certificates containing the rights indicated in the issue resolution and which must be shown in these By-laws. These share certificates may be transferable in accordance with what is stated in the issue resolution and of what may be stipulated in these By-laws.

The financial instruments pursuant to article 5.5 may also be individually assigned to employees, pursuant to the provisions of art. 2439 paragraph 2 of the Italian Civil Code, in compliance with applicable regulations in terms of remuneration and in accordance with the company's remuneration and incentives policies.

5.6 In the event of any paid increase in share capital, the option right due to shareholders can be excluded, within the limits of ten per cent of the pre-existing share capital, provided that the issue price of the new shares corresponds to the market value of those already in circulation and that this is confirmed by the appropriate report of the company tasked with performing the accounting audit.

Article 6: withdrawal

6.1 The company's right to withdraw is open to shareholders under the mandatory cases laid down by law. The right of withdrawal in the cases under art. 2437, paragraph two of the Italian Civil Code is expressly excluded.

The terms and conditions of withdrawal are governed by art. 2437 bis of the Italian Civil Code.

Article 7: circulation of the shares

7.1 The company's ordinary shares are fully transferable under current applicable regulations.

SECTION III

CORPORATE BODIES

Article 8: Shareholders' Meeting

8.1 The Meeting, duly constituted, represents all shareholders and its resolutions passed in compliance with the law and these By-laws are binding upon all shareholders, even if they are absent, abstaining or dissenting. The Meeting convenes in ordinary and extraordinary session in accordance with the law and these By-laws.

The manner in which the Meeting operates is laid down by appropriate regulations approved by resolution of the ordinary Meeting.

8.2 The ordinary Meeting is called at least once every 120 (one hundred and twenty) days from the closure of the business year

Moreover, the Meeting is called by the Administrative Body whenever it deems it necessary and appropriate and in the cases provided by law, or following written notification to the Chair of the Board of Directors, by the Board of Auditors or at least two of its members in accordance to what is provided under applicable legal provisions.

The Meeting is also legally convened by the Board of Directors when a request is made to do so by shareholders representing at least twenty per cent of the share capital and where the request indicates the issue to be covered. Convening at the request of shareholders is not allowed for issues on which the Meeting legally resolves at the proposal of the directors or on the basis of a project or report prepared by them.

Finally, the Meeting is convened in other cases provided by law and these By-laws.

8.3 The Meeting is convened in the Town where the Company has its registered office or elsewhere provided this is in Italy, other members States of the European Union, Switzerland or in the United States of America.

8.4 The Meeting is convened according to the terms and conditions fixed by law and by the statutory regulations applicable at the time.

The Meeting is carried out in a single sitting, pursuant to the meeting and decision quorum established by law under these circumstances, unless the meeting notice does not foresee dates for any subsequent meetings, including a third call.

Pursuant to the provisions of article 126-bis of Legislative Decree no. 58 dated 25 February 1998, shareholders who, including jointly, represent at least one fortieth of the share capital, of a different smaller percentage of the share capital provided by regulations in force at the time, may, within a period of 10 (ten) days from the publication of the notice of call by the Meeting, unless a different period is provided under law, request the completion of the list of agenda items to be covered, and themselves indicate further items, or present proposals for deliberation on items already on the agenda, within the manner and means provided under legal and applicable laws and regulations. Whoever holds voting rights can individually submit proposals to be debated at the Meeting.

After the agenda had been completed or subsequent proposals have been submitted to be discussed on the agenda, following the request for the agenda to be completed for proposals to be submitted as stated in the previous paragraph, notice is given, in the prescribed manner for the publication of the notice of call, at least 15 (fifteen) days prior to the one fixed for the Meeting to be held, unless a different period is stipulated by law. Subsequent proposed resolutions for topics already on the agenda are made available to the public within the manner and means stipulated by law.

Inclusion is not allowed for issues on which the Meeting legally resolves at the request of directors or on the basis of projects or reports prepared by them, other than indicated under article 125-ter, paragraph 1 of Legislative Decree no. 58 dated 25 February 1998.

8.5 Where the formalities set out under the previous paragraphs or of any other formality required by law is not followed, the Meeting shall be deemed to be properly convened and may validly resolve on any issue, unless this is opposed by a shareholder who is not sufficiently informed, when the entire share capital is represented and the majority of members of the Board of Directors and Board of Auditors in represented. Under these circumstances, timely notice should be given of the resolutions made to members of the Board of Directors and Board of Auditors who are not in attendance.

8.6 The right to attend the meeting and exercise voting rights is certified by a notice to the company, sent by the intermediary authorised under the provisions of law and regulations, in accordance with its accounting records, in favour of the party who has the right to vote. This notice is made on the basis of evidence from the accounts specified in article 83-quater, paragraph 3 of Legislative Decree no. 58 dated 24 February 1998, relating to the end of the accounting day of the seventh trading day prior to the date set for the meeting. To this end, reference is made to the date of the first call of the Meeting, provided that the dates of the subsequent calls are included in the only notice of the meeting; otherwise reference is made to the date of each call.

8.7 The persons entitled to attend and vote at the Meeting may be represented by another person or entity, including a non-shareholder, by means of a written proxy in the manner and means stipulated by the law and applicable regulations. The proxy will be notified electronically via certified mail or using the special section of the company website and with other methods of notification as may be provided for in the notice of call, in accordance with the law and regulations.

The Company has the option to nominate a person for each Meeting to which shareholders can confer a proxy with voting instructions for all or any of the proposals on the agenda in the manner provided by the law and applicable statutory regulations. The proxy is not effective with regard to proposals for which voting instructions have not been conferred.

8.8 Postal voting can also take place.

Postal voting is exercised in the manner specified in the notice of call, in accordance with the applicable statutory provisions, using any means of communication (including fax and e-mail) which is appropriate to provide proof of receipt.

8.9 The Meeting can also be held with participants located in several places, whether contiguous or remote, with audio-visual connections (only audio connection is permitted when the participants may be easily recognised by the Chair of the Meeting), providing that the collegial method and principles of good faith and equal treatment of shareholders have been followed. In this case, it is required that:

a) the Chair of the Meeting is able to unequivocally ascertain the identity and legitimacy of the participants, conduct the meeting and note and declare the results of the voting procedure.

b) at the place where the video/audio conference is held, an attendance sheet should be kept giving the names of those attending the meeting at this place; this attendance sheet shall be attached to the minutes of the meeting;

c) the person taking the minutes is able to adequately follow the events of the Meeting;

d) the participants are able to take simultaneously part in the discussions and vote on the items on the agenda in real time;

e) where the Meeting is not held in plenary session, the notice of call indicates the audio/video locations at which the participants can attend and the meeting shall be deemed to have been held at the location where the Chair and minute-taker are in attendance.

The means of telecommunications shall be recorded in the minutes.

8.10 The Meeting is chaired by the Chair of the Board or, in the event of him being absent or incapacitated, by the Deputy Chair, if appointed, or any other person designated by the Board of Directors; otherwise the Meeting appoints as Chair one of the persons taking part by simple majority of the capital represented.

The Chair of the Meeting is assisted by a secretary designated by the Meeting, by simple majority of the capital represented and possibly by one or more scrutineers, including non-shareholders; where prescribed by law or where deemed appropriate by the administrative body, the functions of secretary are attributed to a notary designated by the same administrative body.

The Chair of the Meeting is responsible for ensuring that the meeting is properly convened, ascertaining the right of shareholders to take part and vote, noting the legitimacy of the proxies, guiding and managing the discussion and proceedings of the Meeting, establishing the method of voting and also ascertaining and declaring the related results. In this he may be assisted by appropriate appointees.

The Meeting sessions are run and governed by law, these By-laws and by the Meeting regulations.

Article 9: constitution, powers and resolutions of the Meeting

9.1 The ordinary and extraordinary Meeting is validly convened in a single call, unless the notice of call states, apart from the initial one, the date of other subsequent calls, including a possible third call pursuant to the provisions of the previous paragraph 8.4, third paragraph, of these By-laws, with the quorum required for the meeting and resolutions stipulated by law. The provisions of articles 10 and 18 of these By-laws shall apply with regard to the appointment of the Board of Directors and Board of Auditors.

9.2 The ordinary and extraordinary Meeting shall resolve on the issues attributed to it by law and these By-laws.

In particular, the ordinary Meeting apart from setting the fees payable to the appointed bodies approves: (i) the remuneration and incentives policies in favour of the members of the Board of Directors and of the Board of Auditors and of the remaining members; (ii) any remuneration plans based on financial instruments (for example stock option); (iii) the criteria for determining the fee is to be paid in the case of early termination of the employment contract or of any early cessation of the task, including the limits set for this payment in terms of annuities of the fixed remuneration and the maximum amount deriving from their application.

The Ordinary General Meeting, at the time of approving remuneration and incentive policies, also resolves on any proposal to set a limit on the ratio between the variable and fixed remuneration of individual staff at more than 100% (ratio of 1 : 1), but not exceeding the maximum limit of 200% (ratio of 2: 1). In this case, the shareholders' resolution is based on a proposal of the Board of Directors, indicating at least: (i) the functions to which those persons affected by the decision belong, for each function, their number and those who are identified as "key personnel"; (Ii) the reasons underlying the proposed increase; (Iii) the implications, even in a forward-looking perspective, on the company's ability to continue to comply with all applicable prudential rules. The proposal of the Board of Directors is approved by the Ordinary Meeting when: (i) the Meeting is constituted with at least half of the share capital and the decision is taken by the favourable vote of at least 2/3 of the share capital represented at the meeting; or (ii) the decision is taken by the favourable vote of at least 3/4 of the share capital represented at the meeting, regardless of the share capital with which the Meeting is constituted.

9.3 The Meeting shall be provided with adequate information on remuneration and incentive policies adopted by the company, and its implementation, as required by the laws and regulations from time to time applicable.

9.4 The Directors may not vote in the resolutions regarding their responsibilities.

9.5 The resolutions of the Meeting are minuted and signed by the chair, secretary or notary.

Article 10: Board of Directors

10.1 The company is managed by a Board of Directors appointed by the Meeting and comprised of 9 members which:

a) bring to the company the specific skills they possess;

b) know the tasks and responsibilities of the role and are in possession of the requirements requested by law and regulations in force at the time;

c) act and resolve with full knowledge of the facts and autonomously in pursuit of the aim to create value for shareholders;

d) only accept the position when they believe they are able to dedicate the time needed to diligently carry out their tasks, also being mindful of the number of positions of director of auditor they have in other companies or bodies;

e) keep the information acquired as a result of the office held as confidential.

10.2 The current laws and provisions of these By-laws apply to the appointment, dismissal and replacement of members of the Board of Directors

In order to appoint or co-opt directors, the Board of Directors initially identifies the qualitative and quantitative composition deemed optimal in relation to the aims to be pursued, by identifying and justifying the theoretical profile of the candidates considered appropriate to these ends. The results of this analysis must be shown in the notice of call of the Meeting convened to appoint directors so that shareholders, in choosing candidates, can take into account the professional skills required. This is notwithstanding the possibility for shareholders to make their own assessments on the optimal composition of the Board of Directors and to bring forward candidates commensurate with these, explaining any differences with regard to the analysis carried out by the Board. Subsequently, the Board of Directors checks the compliance between the qualitative and quantitative composition deemed optimal and the one actually resulting from the appointments process.

The Members of the Board of Directors are elected using the list system in which a minimum of three and maximum of nine candidates must be listed in sequential order. The candidate at sequential number "1" of each list shall also be the candidate appointed as chair of the Board of Directors.

Any shareholder, as well as shareholders belonging to the same group, members of a shareholders' agreement pursuant to article 122 of legislative decree no 58 dated 24 February, the entity controlling it, the entity by which it is controlled and the entity subject to joint control pursuant to article 93 of legislative decree no 58 dated 24 February 1998, may not be present or be involved in the presentation, either by proxy of trust company, in more than one list and may not vote on lists other than the one presented. Where the competition, either directly or indirectly, indicates applicants present in more than one list, these lists shall be deemed to have not been submitted.

For the purposes of the preceding paragraph, entities, even those with a corporate status, which exercise direct or indirect control pursuant to Article 93 of Legislative Decree 24 February 1998 n. 58 over the shareholder in question and all the companies controlled directly or indirectly by this entity are deemed to belong to the same group.

Each candidate may appear in one list, under pain of ineligibility. Only those shareholders who, together or separately, are holders of shares representing at least 2.5% (two point five percent) - or any other lower percentage established by the legislation currently in force are entitled to submit lists - of the capital entitled to vote on Meeting resolutions that relate to the appointment of members of the Board.

The lists must be sent to the company's head office and to the management company at least 25 (twenty-five) days prior to the one planned for the Meeting called to resolve on the appointment of the administrative body and be made available to the public at the registered office, the market management company, the Company's internet site and with the other means stipulated under applicable legal and regulatory provisions at least 21 (twenty-one) days prior to the one fixed for the Meeting in the first call. The lists indicate which directors are in possession of the requirements of independence stipulated by law and these By-laws. Each list must contain at least three candidates, of which at least two are in possession of the requirements of independence established by Law and the By-laws. Moreover, each list must include candidates of different genders, including for individual independent candidates, according to what is stated in the Meeting call notice, so as to enable the Board of Directors to be comprised pursuant to current regulations regarding gender equality.

The ownership of the minimum share required to submit the lists referred to in this paragraph shall be determined with regard to the shares registered to the shareholder on the day when these lists are deposited at the company's headquarters. In order to prove ownership of the number of shares required to submit lists, members putting forward lists have to submit or send to the registered office a copy of the appropriate certificate issued by an authorised intermediary proving ownership of the number of shares required for the submission of the list at least twenty-one days before the Meeting called to approve the appointment of the members of the Board of Directors. Each list submitted must include: a) information regarding the shareholders who have presented the list and the percentage of shares held; b) the declarations in which each candidate accepts the nomination (in the case of candidates positioned at sequential number "1" on each list, they also accept applicants for Chair of the Board) and declare, under their own responsibility that there are no causes of ineligibility or incompatibility, and that the requirements of professionalism and integrity and any other requirement stipulated under current laws and these By-laws for undertaking the position are met; c) declarations of independence issued pursuant to the applicable legislative, regulatory and statutory provisions; as well as d) the CV of each candidate, containing extensive information of the individual’s personal and professional characteristics, indicating for which theoretical profile he/she is suitable and the positions of administration and control covered.

Lists presented without complying with the foregoing provisions shall be deemed as not submitted.

Each shareholder has the right to vote for one list. Where a vote is made for several lists, the vote shall be deemed as not having been cast for any of them. The election of the Board of Directors shall be made as follows:

a) from the list that obtains the majority of votes (majority list) a number of directors equal to six are elected, of which at least one is in possession of the independence requirements pursuant to art. 10.3;

candidates are elected on the basis of the progressive order shown by the list; the candidate positioned at sequential number "1" is appointed Chair of the Company's Board of Directors;

b) two directors, of which at least one in possession of the independence requirements pursuant to art. 10.3 will be taken from the list, if any, that gets the most votes after the list referred to in subparagraph a), which is not connected in any way, even indirectly, to that list and / or with the shareholders who submitted or voted for the majority list; are elected in those limits candidates in a progressive order in the list;

c) a director in possession of the independence requirements pursuant to art. 10.3 will be taken from the list, if any, which receives the highest number of votes after the list in b), which is not connected in any way, even indirectly, with previous lists and / or the shareholders who presented or voted on the previous lists; is the first candidate in the sequential order of the list in the possession of the independence requirements pursuant to art. 10.3. In the event that only two lists have been submitted and allowed, the remaining independent director will be chosen from the list referred to in point b).

To this end, however, lists that do not obtain a percentage of votes equal to half of that required for the submission of lists, referred to in paragraph six of this subsection shall not be taken into account.

10.3 The Directors must meet the requirements of professionalism and integrity and any other requirement under the regulations in force and in these By-laws. In addition, at least three directors, and in any event a number of directors not less than that required by the regulations in force, must meet the independence requirements of art. 148, paragraph three, of Legislative Decree no 58 dated 24 February 1998, as well as the Code of Corporate Governance to which the Company adheres.

The loss of the requirements for the position will entail revocation, with it being specified that the loss of the independence requirements mentioned above in relation to a director, notwithstanding the obligation to immediately notify the Board of Directors, shall not lead to revocation if the requirements are met by the remaining minimum number of directors pursuant to these By-laws.

If the candidates elected in the manner described above do not ensure the appointment of a number of directors who meet the independence requirements provided for above equal to the minimum number established by law and these By-laws in relation to the total number of directors, the non-independent candidate elected last in sequential order in the list that received the highest number of votes referred to in subparagraph a) of paragraph 10.2, paragraph eleven paragraph, will be replaced by the first independent candidate in sequential order not elected from the same list, or, failing that, by the first independent candidate in sequential order not elected from other lists, according to the number of votes obtained by each. This substitution procedure will be followed until the number of independent directors to be appointed is met.

Without prejudice to compliance with the minimum number of directors in possession of the independent requirements as stipulated above, where the candidates elected in the manner indicated above in the composition of the Board of Directors do not ensure compliance with the regulations in force in relation to gender equality, the candidate of the gender most elected as last in sequential order in the least who has secured the highest number of votes pursuant to letter a) of subsection 10.2, paragraph eleven, shall be replaced by the first candidate of the gender least represented based on the non-elected sequential order of the same list, or, failing this, by the first candidate of the gender least represented on the basis of the non-elected sequential order of the other lists, according to the number of votes obtained by each. This replacement procedure will be carried out unless the Board of Directors is compliant with the current regulations in respect of gender equality.

In the event of there being only one list that is presented and allowed, all the candidates on this list shall be elected, but ensuring the nomination of directors in possession of the independence requirements at least in the overall number required under current laws and these By-laws, and also in compliance with current laws on gender equality. Where no list is submitted or allowed, the Meeting shall resolve according to the legal majority without observing the procedure referred to above. This is notwithstanding, however, different and other provisions provided under mandatory and statutory laws. In any event, there shall be compliance with the minimum number of independent directors and the current laws on gender equality. For the appointment of Directors who for whatever reason are not nominated pursuant to the procedures given above, the Meeting shall resolve by legal majority voting so as to ensure that the composition of the Board of Directors is compliant to the law and to these By-laws, and also complies with current laws in respect of gender equality.

10.4 The members of the Administrative Body shall remain in post for three years (expiring at the same time as the Meeting convened to approve the accounts relating to the last year of their post) or for a lesser period which may be fixed by the Meeting and the time of appointment. Directors may be re-elected.

Where during the course of the period one or more directors are missing, provided that the majority remain comprised of directors appointed by the Meeting, the Board of Directors can arrange for their substitution through a resolution approved by the Board of Auditors in accordance with what is indicated below:

a) The Board of Directors shall arrange substitution using the persons belonging to the same list as the one to which the outgoing director belonged and the Meeting, pursuant to the first subsection of article 2386 of the Civil Code, resolves by legal majority voting in compliance with the same criterion;

b) where the list does not contain previously non-elected candidates or candidates with the necessary requirements, or else when for any reason it is not possible to comply with what is stipulated above under a), the Board of Directors proceeds with substitution as subsequently approved by the Meeting, pursuant to the first subsection of article 2386 of the Italian Civil Code, with legal majority voting with the list vote.

In any case, the Board of Directors and the Meeting pursuant to the first subsection of article 2386 of the Civil Code shall appoint so as to ensure the presence of directors in possession of the requirements of independence stipulated in the previous subsection 10.3 at least in the overall minimum number required by current laws and these Articles and also in compliance with current laws in respect of gender equality.

Pursuant to article 2386, subsection one of the Civil Code, directors appointed in this way shall remain in post until the next Meeting and those appointed by the Meeting shall remain in post for time that the directors they replaced would have remained in post.

10.5 If the majority of the members of the administrative body appointed by Meeting resolution ceases to hold office, the entire administrative body shall lapse from the time when the new body is appointed and the directors remaining in post shall urgently convene the Meeting for it to be fully re-appointed and they may in the meantime perform acts of ordinary administration.

10.6 The Chair of the Board of Directors is appointed by the Meeting in the manner pursuant to article 10.2 paragraph 11, letter a) of the By-laws. Where no lists are presented and allowed, the Chair of the Board of Directors is appointed by the Meeting pursuant to the legal majority and manner.

10.7 The Board of Directors appoints from among its members a CEO in accordance with what is stipulated under article 12.2 letter h). The Board of Directors has the option to attribute the position of general director to this same CEO. The position of general director can be exclusively attributed to the CEO.

The Board of Directors has the option to appoint a Deputy Chair, in accordance with the provisions of art. 12.2 letter g), which shall have the power, in the case of the absence or incapacity of the Chair, to chair the Shareholders' Meeting and the Board of Directors’ meetings.

10.8 The Board of Directors may also delegate its own powers to an Executive Committee.

10.9 The non-executive members of the Board of Directors bring their own specific skills to the board discussions and contribute to the taking of decisions. They are called upon to perform an important dialectical function and to monitor the choices made by the executive members. The non-executive members shall acquire, also through the use of internal committees, information on the management and organisation of the company, internal audit and other control functions. The non-executive members must in any case be actively involved in the tasks entrusted to them, also as far as time availability is concerned and take part in the processes of appointing and dismissing internal audit and risk management managers. They diligently perform any other activity incumbent upon them pursuant to legal and regulatory provisions that may be in force.

10.10 The Board of Directors also appoints a Secretary in the person of a director of senior manager or executive of the company or a substitute, or an external consultant.

10.11 The Board of Directors is subject to a process of self-assessment, according to the means and criteria stipulated under the regulations in force at the time.

Article 11: Board of Directors’ meetings

11.1 The Board of Directors meets, either at the company's registered office, provided this is in Italy, a member State of the European Union or in Switzerland, whenever the Chair deems it necessary or when a request to do so is made by at least a third of its members or by the Board of Auditors or else individually by an Auditor.

11.2 The Board of Directors is convened by the Chair by means of a notice to be sent at least five days before the meeting to each of its members and to the statutory auditors and, in urgent cases, at least two days before. The notice may be drafted on any medium (hard or soft) and may be sent using any means of communication (including fax and e-mail) appropriate to guarantee proof of receipt thereof.

11.3 The Board of Directors is validly constituted and able to resolve where, in the absence of these formalities having been carried out (notwithstanding the right of each of the participants to object to the discussion of the issues about which they do not feel sufficiently informed), all the members of the Board itself and all the members of the Board of Auditors are in attendance.

11.4 The meetings of the Board of Directors, at the initiative of the Chair or CEO can be attended by managers of the company, or any other person that the Board of Directors wishes to invite to support its work on specific topics. The Secretary, or his substitute, takes the minutes of each meeting, which must be signed by the person chairing the meeting and by the secretary himself.

11.5 The meetings of the Board of Directors may also be held with participants being located in several places, contiguous or remote, with audio-visual connections (only audio connection is permitted when the participants are easy to recognise by the Chair of the Meeting), providing that the collegial method and principles of good faith and equal treatment of shareholders have been followed. In this case, it is necessary that:

a) the Chair of the Meeting is able to unequivocally ascertain the identity and legitimacy of the participants, manage the meeting and note and declare the results of the voting procedure.

b) at the location where the video/audio conference is held, an attendance sheet should be kept giving the names of those attending the meeting at this place; this attendance sheet shall be attached to the minutes of the meeting;

c) the person taking the minutes is able to adequately follow the events of the Meeting;

d) the participants are able to simultaneously take part in the discussions and vote on the items on the agenda in real time;

e) where the Meeting is not in plenary session, the notice of call of the meeting stipulates the audio/video location at which the participants can attend and the meeting shall be deemed to have taken place at the location where the Chair and the minute-taker are in attendance.

The means of telecommunication shall be recorded in the minutes.

11.6 The Board of Directors meeting shall be deemed to be held in the place where the Chair and the Secretary or the minute-taker are in attendance.

The meetings of the Board of Directors are presided over by the Chair or, in the case of his absence or incapacity, by the Deputy Chair or, in the case of his absence or incapacity, by the director longest in post or else by age.

11.7 The resolutions of the Board of Directors are taken by absolute majority voting of those present, except for the resolutions indicated in the last paragraph of article 12.2 below.

Article 12: Board of Directors' powers

12.1 The administrative body performs all the operations necessary for the attainment of the corporate purpose and has full powers of company administration and the power to carry out all the actions deemed necessary or appropriate for attaining the company purposes and business management with the diligence required by the nature of the task.

12.2 In addition to those The resolutions listed below are reserved for the Board of Directors and cannot be delegated, within the exception of those, not included in this list, established by law and regulatory provisions which may be in force at the time, or by other statutory provisions are reserved for the Board of Directors and may not be delegated regarding.

a) the determination of the general guidelines relating to the company's development, the strategic operations, business and financial plans of the company, as well as the assessment of the general management performance;

b) the approval of the company structure and corporate governance, thereby guaranteeing a clear separation of tasks and functions as well as the prevention of conflicts of interest;

c) the approval of the accounting reporting systems;

d) the supervision of the public information and communication process;

e) the adoption of measures aimed at ensuring an efficient dialogue with the management function and with the managers of the main corporate functions, as well as gradual control of the choices and decisions these make;

f) the risk management policies, as well as, after the Board of Auditors has expressed its opinion, the assessment of the functionality, effectiveness, efficiency of the internal control system and adequacy of the organisational, administrative and accounting structure;

g) any appointment of Deputy Chair and its revocation, if appointed;

h) the appointment and dismissal of the CEO. Any appointment or dismissal, if appointed of the general director, which shall necessarily coincide with the CEO;

i) the assumption and transfer of strategic shareholdings;

j) the approval and modification of the main internal regulations;

k) the establishment, modification and removal of internal committees for the company's bodies;

l) the appointment, replacement and dismissal, after listening to the view of the Board of Auditors, of the managers of the internal review, risk management and compliance functions, of the manager tasked with drafting the accounting and corporate documents;

m) the determination of the criteria for the coordination and direction of the group's companies;

n) the sales and acquisition of treasury shares, in accordance with the resolution of authorisation by the Shareholders' Meeting and following authorisation from the Supervisory Authority;

o) the issue of convertible bonds for a maximum overall amount of 20,000,000 Euros within the maximum period permitted by law;

p) the establishment, closure and transfer of general offices or representative offices or subsidiaries;

q) the elaboration of the remuneration and incentives policies of the company and group, as well as the definition of the systems of remuneration and incentives for at least the following persons: (i) executive board members; (ii) general director where nominated; (iii) managers of the main lines of business, company functions or geographic areas; (iv) those who report directly to the bodies with corporate functions of strategic supervision, management and control;

r) the remuneration of the CEO (and of the general director, if nominated) and of any other director responsible for specific tasks, in compliance with the applicable regulations in terms of remuneration and the company's policies of remuneration and incentives;

s) the approval of the annual budget;

t) the attribution, modification and removal of the powers delegated to the Executive Committee and to the CEO;

u) the adoption of the company's development policies which are necessary in order to determine the long-term business plan and the budget for the period;

w) the resolutions of the items delegated to the Executive Committee and to the CEO beyond the limits laid down for them;

x) the delegation of the powers to other directors and power to modify, add and exclude these delegated powers;

For the validity of the powers under letters h), i), j), k), l), m), o), r), s), t), u), w), and x) of this article 12.2, it is necessary to receive the favourable vote of at least 7 members of which at least five come from the majority list, notwithstanding that this strengthened decision-making quorum does not apply in relation to the sole decisions that will be adopted by the company by virtue of the regulatory rules on the basis of the request documented by the supervisory authority.

12.3 The following powers are also allocated to the Board of directors:

a) merger pursuant to the cases provided under articles 2502 and 2505-bis of the Italian Civil Code and de-merger in the cases in which these rules apply;

b) the reduction of the capital in the event of the withdrawal of one or more shareholders;

c) the adjustments of the Articles to legal provisions;

Directors refer to the Board of Auditors in a timely manner and with a frequency of at least quarterly at the meeting of the Board of Auditors of executive committee, if appointed, or also directly through a written note sent to the Chair of the Board of Auditors, on the activity carried out by the company or subsidiaries.

Directors shall also refer to operations in which they have had an interest, on their own behalf or on behalf of third parties, or which are influenced by any person exercising the activity of direction and coordination.

12.4 For the performance of certain categories of acts or on individual business, the Board of Directors may confer a proxy on individual directors, determining the content, limits and possible means of exercising the proxy. In any event, the appointment of the person delegated to vote for the company at the meetings of subsidiaries, such as the conferring of related instructions, must always be resolved by the Board of Directors.

Article 13: deadlock procedure

13.1 In relation to the resolutions pursuant to article 12.2 for which these By-laws provide for a strengthened decision-making quorum, the rules under the subsequent article 13.2 et seq., shall apply.

13.2 Where the Board of Directors is not able to decide, a second meeting of the Board of Directors will be convened within 30 (thirty) working days (with working days meaning all calendar days with the exception of Saturday and Sunday and days in which the financial institutions are not open to the public) from the date of the meeting at which the deadlock procedure has occurred.

13.3 Where in the course of this meeting, the members of the Board of Directors are not able to decide, the decision-making quorum provided by law shall apply.

13.4 For the decisions pursuant to art. 12.2 letter. i), o), and x) which require the strengthened decision-making quorum pursuant to the last paragraph of article 12.2, where the Board of Directors is unable to adopt any resolution as a result of the decision-making quorum stipulated, no decision shall be taken.

Article 14: Executive Committee

14.1 The Board of Directors can appoint, from within its number, an Executive Committee and determine its duration, powers, attributions and means of functioning.

14.2 The Executive Committee is comprised of three board members. The CEO is part of the Executive Committee. The Chair may not be a member of the Executive Committee, but can take part in its meetings but with any voting rights.

14.3 The Executive Committee shall remain in post for the period determined by the Board of Directors which determines its powers and attributions and may, fully or in part, dismiss the related members. The period in which the Executive Committee remains in service may not exceed that of the directors which comprise it.

14.4 The Executive Committee is chaired by the CEO; where he is absent or missing the related functions, including the power to propose the resolutions to be adopted, is incumbent upon the most senior members in terms of age.

14.5 At the invitation of the CEO, the meetings of the Executive Committee can be attended by managers of the company, or any other person that the Executive Committee wishes to invite to support its work on specific issues.

14.6 The role of the Secretary of the Executive Committee shall be fulfilled by the person nominated for this purpose at the suggestion of the person chairing the meeting.

14.7 The Executive Committee, which meets monthly, is convened by the CEO by means of a notice of call to be sent at least two days prior to the meeting to each member and to the statutory auditors. The notice may be drafted on any support (hard or soft copy) and may be sent using any means of communication (including fax and e-mail), suitable to guarantee proof of receipt.

14.8 In order for the resolutions of the Executive Committee to be valid it is necessary that at least two directors vote in favour.

14.9 he resolutions made by the Executive Committee are minuted and signed by the Chair and Secretary of the meeting.

14.10 The meetings of the Executive Committee can be held using appropriate audio-visual conferencing systems, with the same rules and in the same way as stipulated for the meetings of the Board of Directors.

Article 15: CEO

15.1 The CEO manages the company's activities within the constraints of the powers conferred upon him and in compliance with the general management guidelines determined by the Board of Directors.

15.2 The CEO, within the constraints of the powers conferred upon him by the Board of Directors, can delegate decision-making powers in respect of the giving of credit and ordinary management to executives, officials, middle managers, branch managers and other company employees, within predetermined limits graded on the basis of their functions and level covered.

Article 16: other board committees

The Board of Directors shall establish its own internal committees with consulting and advisory functions, determining their duties and powers, also in compliance with applicable regulations and codes of conduct for the management companies of the regulated markets in which the company's shares will be traded.

Article 17: Chair of the Board of Directors and executive bodies

17.1 The Chair of the Board of Directors:

- Ensures the smooth functioning of the Board, promotes internal dialogue and ensures the balance of power, in accordance with the tasks relating to the organisation of the board's proceedings and the flow of information that may be assigned by the Italian Civil Code;
- Promotes the effective functioning of the corporate governance system, ensuring a balance between the powers of the CEO and the other executive directors and is the interlocutor of the body with the control function and internal committees;
- Ensures that the process of self-assessment is carried out effectively and that the company draws up and implements induction programmes and training plans for the board members and, where required, succession plans for the top executive positions;
- Organises and coordinates the activities of the Board of Directors and ensures that priority is afforded to issues of strategic importance, ensures that these are allowed as much time as is necessary, ensures the effectiveness of the Board discussions and ensures that the resolutions reached by the Board are the result of a proper debate between executive and non-executive directors and the conscious and reasoned contribution of all its members;
- Ensures that adequate advance information is provided to all directors on the agenda of the Board of Directors;
- Convenes meetings of the Board of Directors and shall decide on its agenda, taking into account any instances or issues listed by shareholders, directors or committees and verifies the validity of its constitution and ascertains the identity and legitimacy of those present and the voting results;
- Supervises implementation of the resolutions of the governing bodies and on the general performance of the company;
- May participate, without a vote, in meetings of the Executive Committee;
- Diligently and promptly encourages any other activity whose power he / she is awarded under the provisions of law or regulations in force.

17.2 The delegated bodies, such as the CEO and / or the Executive Committee, refer, at least quarterly, to the Board of Directors and Board of Auditors on the general operating performance and its outlook, as well as on the most important economic and financial transactions made by the company and its subsidiaries; in particular, they report on transactions in which they have an interest, either directly or on behalf of third parties.

The Board of Directors also has the power itself to control and advocate the operations included in the delegation, as well as the power to revoke proxies, notwithstanding that these bodies are nevertheless required to report to the Board of Directors and Board of Auditors on at least a quarterly basis.

17.3 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, and a fee determined by the Meeting at the time of appointment.

The remuneration of directors serving as Chair, Deputy Chair (if nominated), CEO, members of the Board who are entrusted with special missions and members of the Executive Committee is established by the Board of Directors, upon the advice of the Board of Auditors, as well as upon the proposal of the internal committee possible established for this purpose, in compliance with the remuneration and incentives policies determined by the Meeting.

The Meeting can determine an overall amount for the remuneration of all directors, including those vested with particular tasks and for the general director if appointed pursuant to article 10.7 of these By-laws.

17.4 The corporate responsibility actions provided under article 2393-bis of the Italian Civil Code may be exercised by shareholders representing at least 1/40 (a fortieth) of the share capital.

Article 18: Board of Auditors

18.1 The Meeting appoints three statutory auditors and two alternates who remain in post for three financial years, can be re-elected and whose function ceases on the date of the Meeting convened to approve the financial accounts for the third financial year of their office. Auditors cease to hold office upon the expiry of the term stipulated at the time the Board was established. Legal rules and these By-laws apply in respect of the appointment, dismissal and replacement of board members.

18.2 Board members must be in possession of the requirements of professionalism, integrity and independence prescribed under regulations in force at the time, including those indicated in the Decree of the Ministry of Justice no 162 dated 30 March 2000, as well as those envisaged by the Code of Conduct for Listed Companies to which the Company has adhered. Pursuant to the provisions of article 1, subsection 2, letter b) and c) of this Decree, issues inherent to the financial, credit and insurance sectors shall be considered to be strictly relating to the Company's scope of activities. Auditors can undertake tasks for members of bodies of administration and control in other companies within the constraints laid down by applicable provisions.

18.3 Other than those stipulated by law, it shall be deemed to be a cause of ineligibility or invalidity to be linked to the company through a full-time employment contract or by any other contract to supply goods and/or services, to be a member of administrative bodies of other banks or other companies performing activities in competition with those of the company, or to be linked to these by a full-time contract of employment.

18.4 Auditors may not assume tasks other than those of control at other companies belonging to the group or to the financial conglomerate, nor to companies in which the company, including indirectly, holds a strategic stake.

18.5 In order to ensure the election of a statutory and alternate auditor for minority shareholders, the appointment of the Board of Auditors comes about on the basis of lists presented by shareholders in which the candidates are listed in sequential order. The list is comprised of two sections: one for candidates for the position of statutory auditor, the other for candidates to the post of alternate auditor.

Lists which have a number of candidates equal to or greater than three must also include candidates of a different gender, in accordance with what is stated in the Meeting call of notice, so as to allow the Meeting to be set up in accordance with current laws regarding gender equality. Both shareholders which present, including jointly at least 2.5% (two point five per cent) of the share capital represented by voting rights at Meeting resolutions whose purpose is to appoint the members of the administrative body, or another measure which may be established by mandatory legal or statutory provisions, can present a list of candidates. The holding of this minimum share necessary to submit lists is determined having regard to the shares which are registered to the shareholder on the day in which these lists are submitted to the company's head office. In order to prove the holding of the number of shares required to present lists, shareholders who present or are involved in submitting lists, must submit to deliver to the registered office a copy of the appropriate certificate issued by an authorised intermediary pursuant to law, issued within the period laid down for the publication of the lists. Each shareholder, including shareholders belonging to the same group, member of a shareholders' agreement pursuant to article 122 of legislative decree no 58 dated 24 February 1998, parent companies, subsidiaries and those subject to joint control pursuant to article 93 of legislative decree no 58 dated 24 February 1998, may not submit or be involved in the submission, either by proxy of trust company, in more than one list and may not vote on lists other than the one presented and any candidate can only appear in a single list under pain of being declared ineligible.

For the purposes of the preceding paragraph, entities, even those with a corporate status, which exercise direct or indirect control pursuant to Article 93 of Legislative Decree 24 February 1998 n. 58 over the shareholder in question and all the companies controlled directly or indirectly by this entity are deemed to belong to the same group.

In the event of any breach of these provisions, regard shall not be had, pursuant to the application of what is set out in this article, of the position of the shareholder in question in relation of none of the lists.

Notwithstanding the incompatibilities provided by law, candidates acting as auditors in another 5 (five) issuers or else in violation of the limits on the cumulation of positions possible set out under applicable legal or statutory provisions may not be included in the lists. Outgoing auditors may be re-elected. The lists must be sent to the company's head office at least 25 (twenty-five) days prior to the one planned for the Meeting called upon to resolve on the appointment of the control body and be made available to the public at the registered office, on the Company's internet site and with the other means stipulated under applicable legal and regulatory provisions at least 21 (twenty-one) days prior to the one fixed for the Meeting. This shall be mentioned in the notice of call. Where only one list has been submitted within this period of 25 (twenty-five) days, i.e. only lists have been presented by inter-related shareholders pursuant to current legislative and statutory provisions, lists may be submitted up to the third day subsequent to this date, unless a different period is stipulated under applicable legal and statutory provisions. In this case, shareholders who individually or jointly are owners of shares representing half of the capital threshold previously identified shall be entitled to submit lists.

Together with each list, within the periods indicated above, the following information must be submitted: i) the information relating to the shareholders who have submitted the list and the shareholding percentage held; ii) the declarations by which the individual candidates accept the application and solemnly swear that there are no grounds for ineligibility or incompatibility, including the limit of the cumulation of positions, or the requirements legally and statutorily prescribed for the respective tasks; iii) a declaration by the shareholders other than those holding, including jointly, a relative controlling or majority shareholder, attesting to the absence of ties with the latter stipulated under applicable laws, as well as (iv) the CV of each candidate, containing extensive information on the personal and professional characteristics of each candidate and indication any management and control tasks covered in other companies.

The lists submitted which do not satisfy the provisions stated above shall be void.

Auditors are elected as follows:

a) from the list of those obtaining the highest number of votes, based on the sequential order in which they are listed in the sections of the list, two statutory and one alternate auditors are selected;

b) the remaining member of the statutory auditor and the other alternate auditor are selected, based on the sequential order in which they are listed in the sections of the lists, from the second list obtaining the highest number of votes at the Meeting and which is not in any way corrected, not even indirectly, with the list mentioned under paragraph a) and/or with the shareholders who have submitted or voted the majority list;

c) where the votes between the lists are tied, the one presented by shareholders in possession of the higher share, or else the highest number of shareholders shall prevail;

d) where the Board of Auditors thus constituted does not ensure compliance with current laws in respect of gender equality, the last candidate elected from the majority list shall be replaced by the first candidate not elected from the same list belonging to the least represented gender or, failing this, by the first candidate not elected from the successive lists. Where this is not possible, the statutory member of the least represented gender is appointed by the Meeting with legal majority voting, to replace the last candidate from the majority list;

e) where a single list or no list is presented, all the candidates for the positions indicated in the list or else those voted by the Meeting shall be elected the statutory and alternate auditors, provided that these achieve the majority of votes expressed at the Meeting. This is notwithstanding compliance with the regulations in force in respect of gender equality.

The chairmanship of the Board of Auditors is assumed by the first candidate on the second list who has obtained the most votes, if presented and allowed.

Where the legal and statutory requirements are not met, the auditor shall lose office.

Where an auditor is replaced, the alternate auditor belonging to the one outgoing shall take over. If the substitution does not allow compliance with the rules on gender equality, the Meeting must be convened as soon as possible in order to ensure compliance with this law.

When the Meeting is to appoint statutory and/or alternate auditors needed to make up the Board of Auditors, it shall proceed as follows: when it is to replace the auditors elected in the majority list, the appointment comes about on the basis of majority voting without any constraints from lists; when, on the other hand, auditors elected from the minority list are to be replaced, the Meeting replaces them by majority voting, choosing from the candidates indicated in the list to which the auditor to be replaced belongs, or in the minority list which won the second highest number of votes. Where the application for these procedures does not, for any reason, allow the replacement of the auditors designated by the minority shareholders, the Meeting shall proceed on the basis of majority voting; however, in the ascertaining of the results of this latter vote, the votes from shareholders who, according to the communication given pursuant to current rules, hold, including indirectly or even jointly with other shareholders belonging to a relevant shareholders' agreement pursuant to article 122 of legislative decree no 58 dated 24 February 1998, the majority of votes to be exercised at the Meeting, as well as shareholders who control, are controlled or are subject to joint control, shall not be calculated. The new appointments will cease together with those in post. In any event, the obligation to comply with current regulations in terms of gender equality shall remain firm.

The ordinary Meeting sets the annual payment due to each auditor pursuant to the regulations currently in force. Auditors shall also be reimbursed, on a lump-sum basis for the expenses incurred in their work.

18.6 Auditors shall not be paid any fee based on the financial instruments and linked to the financial management results.

18.7 The Board of Auditors, in performing all the functions demanded of it in compliance with the related rules provided by law and regulations in force, monitors:

a) compliance with the laws, regulations and By-laws;

b) compliance with the principles of proper administration;

c) the suitability of the organisational, administrative and accounting structure adopted by the company and its concrete functioning;

d) the suitability and functionality of the internal auditing system with particular regard to risk management;

e) the other actions and facts specified by law and regulations;

The Board of Auditors checks and investigates causes and remedies for management irregularities, performance anomalies, gaps in the organisational and accounting structure, and places particular attention to compliance with the regulations concerning conflicts of interest.

18.8 The Board of Directors particularly ascertains that there is adequate coordination between all the functions and structures involved in the system of internal controls, including the audit company tasked with the legal auditing of the accounts, by promoting, where appropriate, adequate corrective measures.

18.9 Pursuant to what is stated under article 18.8 above: a) the managers of the internal audit, risk management and compliance departments sent their respective reports to the Board of Auditors. b) the Board of Auditors, and the auditing company constantly exchange data and relevant information in order to complete the related tasks.

18.10 The Board of Auditors periodically checks its own adequacy in terms of powers, functioning and composition, taking account of the size, complexity and activities carried out by the company.

18.11 Auditors can call upon, in carrying out the necessary checks and investigations, the structures and functions responsible for internet control, and also at any time carry out, including individually, inspections and audits.

18.12 The Board of Directors can ask the directors and all the internal control structures for news, including with reference to subsidiaries, on the performance of the business operations and on particular business. It may exchange information with the corresponding bodies of the subsidiaries in relation to the systems of administration and control and on the general progress of the business activity.

18.13 In order to correctly carry out its duties, and particularly the obligation to promptly report to the Bank of Italy and, where provided, to other Supervisory Authorities in relation to management irregularities or legal breaches, the Board of Auditors is vested with the broadest powers set down by legal and statutory provisions. Moreover, the Board of Auditors reports to the Board of Directors on any gaps and irregularities found, requests the adoption of appropriate corrective measures and checks their effectiveness over time.

18.14 The Board of Auditors, which must meet at least every ninety days, is convened by the Chair of the Board of Auditors by means of a notice to be sent at least eight days before the meeting to each Auditor and, in the event of an emergency, at least three days in advance. The notice can be drafted on any medium (hard or soft copy) and may be sent using any means of communication (including fax and e-mail).

The Board of Auditors is also validly constituted and able to take decisions when, in the absence of the above formalities being carried out, all the members of the Board are in attendance.

18.15 The meetings of the Board of Auditors can also meet with participants located in different places, provided that the collegial method and principles of good faith and equal treatment between participants is respected. In this case, it is necessary that;

a) the Chair of the Meeting is able to unequivocally ascertain the identity and legitimacy of the participants, manage the meeting and note and declare the results of the voting procedure.

b) at the location where the video/audio conference is held, an attendance sheet should be kept giving the names of those attending the meeting at this place; this attendance sheet shall be attached to the minutes of the meeting;

c) the minute-taker is able to adequately follow the events of the Meeting;

d) the participants are able to exchange documentation and also take part in the discussions and vote on on the agenda items in real time;

18.16 The Board of Auditors is subject to a periodic process of self-assessment, based on the criteria and means set out in the regulations that are applicable at the time.

SECTION IV

LEGAL AUDITING OF THE ACCOUNTS

Article 19: legal auditing of the accounts

19.1 Legal auditing of accounts is exercised by a legal auditing company, to be appointed by the Meeting pursuant to art, 2409-bis et seq., of legislative decree no 39 dated 27 January 2010.

BANCA SISTEMA CONTEMPORARY BANK

SECTION V

LEGAL REPRESENTATION AND COMPANY SIGNATURE

Article 20: legal representation and company signature

20.1 The company is represented to third parties and in law and the company signature, with all related powers, are incumbent upon the Chair of the Board of Directors and on the CEO, within the limited of the powers delegated. These have the power to represent the company in legal proceedings and before any judicial or administrative authority, and also to confer powers of attorney, including in general.

20.2 Where the Chair of the Board and the CEO are absent or incapacitated, the company is represented by the most senior board member in terms of age.

20.3 The Board of Directors, the Executive Committee and the CEO may, within the limits to the delegated powers, for individual acts or categories or acts, delegate powers of representation, with the related power to sign on behalf of the company, to external persons only, normally jointly or, for those categories of operations thus determined, also individually.

SECTION VI

ACCOUNTS AND DISTRIBUTION OF PROFITS

Article 21: accounts

21.1 The financial years shall close on 31 December of each year. At the end of each period the Board of Directors draw up the financial statements in accordance with applicable regulations.

Article 22: distribution of profits

22.1 The net profits shown in the financial statements are shared as follows:

a) 5% of the legal reserve fund until this represents a fifth of the share capital.

b) the remainder shall be used as resolved by the Meeting to approve the financial statements to which the net profits refer.

The Meeting, at the proposal of the Board, may attribute shareholders the power to request that the payment of the dividend is paid, in whole or in part, in cash or shares, having the same characteristics as the shares in circulation on the date assigned.

Where this power is granted, the Meeting, at the proposal of the Board, determined the way to calculate and assign the shares, establishing the means of paying the dividend in the event of the failure to exercise this option by the shareholders.

The Meeting, at the proposal of the Board of Directors, can allocate a share of the net profit for the period to initiatives of a social, charity and cultural nature, to be developed at the judgement of the Board of Directors itself.

The Company may decide to distribute dividend advances in the cases, means and limits permitted under current regulations.

22.2 Dividends not collected and prescribed are returned to the company and shall be posted to the extraordinary reserve.

Article 23: Accounting and company documents

23.1 The Board of Directors, after hearing the mandatory but not binding opinion of the Board of Directors, and with the ordinary majority provided in these Articles, appoints the manager responsible for drafting the corporate accounting documents pursuant to article 154-bis of legislative decree no 58 of 24 February 1998, and possibly establishes a given period for the task to be completed, selecting from among the company's managers with proven experience in accounting and financial matters, conferring on them adequate powers and means for the exercising of the tasks assigned pursuant to law. This same board of Directors shall also have the power to revoke this manager in charge. The payment made to the person responsible for drafting the corporate accounting documents is stipulated by the Board of Directors.

The Board of Directors, may always, after receiving the mandatory but not binding opinion of the Board of Auditors, and with the ordinary majority provided in these Articles, revoke the tasks of manager entrusted to draft the corporate accounting documents while at the same time giving a new conferral of the same task.

Article 24: Operations with related parties

24.1 The Company's compliance bodies approve the operations with related parties in accordance with current legal and statutory provisions, and also with its own statutory provisions and procedures adopted in this regard.

24.2 The internal procedures adopted by the company in relation to related-party transactions might stipulate that the Board of Directors approve the operations of greatest relevance, notwithstanding the contrary advice from the independent directors, provided that the completing of these operations is authorised pursuant to art. 2364, subsection 1, number 5 of the Italian Civil Code, by the Meeting.

Where the previous paragraph or a draft resolution to be put to the Meeting in relation to a significant transaction is approved in the presence of contrary advice from the independent directors, the Meeting resolves with the majority stipulated by law, provided that, where the unrelated shareholders present at the Meeting represent at least 10% of the share capital with voting rights, the stated legal majority shall be attained with the vote in favour by the majority of unrelated shareholders voting at the Meeting.

24.3 The internal procedures adopted by the Company in relation to related-party transactions might envisage the exclusion from their scope of application of urgent transactions, also incumbent upon the Board, within the limits allowed by applicable legal and regulatory provisions.

SECTION VII

GENERAL PROVISIONS

Article 25: general provisions

25.1 Where no provision is not made in these By-laws, the laws and regulations currently in force shall be observed.

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