

MINUTES OF ORDINARY SHAREHOLDERS' MEETING

THE ITALIAN REPUBLIC

At 10.06 a.m. (six minutes past ten), on the twenty-seventh of April, two thousand seventeen.

In Milan, in the house at no. 20 Corso Monforte.

The following person appeared before me, Claudia Gangitano, Public Notary resident in Milan, and registered in the Milan Register of Notaries:

- Lawyer Luitgard Spogler, born in Renon (BZ) on 21 January 1962, domiciled for the purposes of office at the company's registered offices, in her capacity as Chairperson of the Board of Directors of the company "BANCA SISTEMA S.p.A.", having registered offices in Milan, at no. 20 Corso Monforte, with Milan Register of Companies no. and Tax Code 12870770158, registered in the Milan Chamber of Commerce's Economic Administrative Index under no. 1619654, with fully paid-up share capital of EUR 9,650,526.24 (nine million six hundred and fifty five thousand five hundred and twenty-six euro and 24 cents).

Said appearing party, whose personal identity I, the Notary, am certain of, asks me to draw up the minutes of the Ordinary Shareholders' Meeting of the aforesaid company, which convenes, in a single call, on this day, in this place, at 10 (ten) o'clock in the morning, to discuss and decide on the

items on the following

AGENDA

1. Approval of the Individual Financial Statements as at 31st December 2016 of Beta Stepstone S.p.A.. Reports of the Board of Directors, the Board of Statutory Auditors and the Auditing Company. Relating and resulting resolutions.
2. Approval of the Individual Financial Statements as at 31st December 2016 of Banca Sistema S.p.A.. Presentation of the Consolidated Financial Statements as at 31st December 2016. Reports of the Board of Directors, the Board of Statutory Auditors and the Auditing Company. Relating and resulting resolutions.
3. Allocation of the net profit of the year 2016;
4. Appointment of a Director pursuant to Article 2386 of the Italian Civil Code.
5. Appointment of the Board of Statutory Auditors and its Chairman.
6. Determination of the remuneration of the Board of Statutory Auditors.
7. Approval of the Remuneration Policies of the Banca Sistema Group for the year 2017 and setting of the maximum limit of 2:1 as the ratio between the variable and fixed components of remuneration for employees and "key personnel". Relating and resulting resolutions.
8. Remuneration Report: resolution pursuant to art. 123-ter,

paragraph 6 of Italian Legislative Decree no. 58/1998.

9. Authorization to purchase and dispose of treasury shares after first cancelling the previous buy-back plan authorized by the Shareholders' Meeting held on 27th November 2015 with respect to that portion not implemented: relating and resulting resolutions.

Now, therefore, the appearing party asks me to draw up the minutes, in due legal form, of the present ordinary shareholders' meeting.

In compliance with this request, I, Notary, hereby declare the following.

The requesting party, in the aforementioned capacity, chairs the meeting in accordance with the articles of association in force, and asks me, Notary, to act as secretary with the task of keeping minutes of this meeting, and establishes the following:

that this meeting has been duly convened in a single call pursuant to law and to Article 8 of the articles of association, by means of a notice published at the company's registered offices, on the authorised storage system lInfo at [www.linfo.it](http://www.linfo.it), and on the company's website [www.bancasistema.it](http://www.bancasistema.it) in the Governance/2017 Shareholders' Meeting section, and also by means of a notice published, in summary form, on 17 March 2017 in the daily newspaper "Il Giornale";

that the following are present on behalf of the Board of Directors: The Chairperson Luitgard Spögler, appearing as above, the CEO Gianluca Garbi, and Directors Ilaria Bennati, Daniele Pittatore, Giorgio Barba Navaretti, Claudio Pugelli and Giovanni Puglisi, whereas the other directors are absent; that the following are present on behalf of the Board of Statutory Auditors: the Chairman Diego De Francesco, and the Standing Statutory Auditor Massimo Conigliaro, the third Standing Statutory Auditor having justified his absence; that 43 (forty-three) shareholders are present, either personally or by proxy, representing 55,138,217 (fifty-five million, one hundred and thirty-eight thousand, two hundred and seventeen) ordinary shares, with a nominal value of euro 0.12 (twelve cents) each, of the total 80,421,052 (eighty million, four hundred and twenty-one thousand and fifty-two) ordinary shares, with a nominal value of euro 0.12 (twelve cents) each, currently in circulation.

At the 18 April 2017 (the Record Date), the Company held 25,000 (twenty-five thousand) own shares, representing 0.031% (nought point nought three one per cent) of share capital.

The list of names of shareholders attending the Shareholders' Meeting, either personally or by proxy, together with details of the number of shares represented and of the shareholders represented, duly signed by the requesting party and by me, the Notary, is attached to the minutes of the meeting under

letter "A". The Chairperson reports that for the purposes of attendance of today's meeting, the appointed persons sent out notices, as required by the law governing attendance of the shareholders' meeting, to those persons holding the aforementioned shares, and that the proxies granted meet legal requirements.

The Chairperson reports that:

in order to respond to the technical demands of the meeting, a number of the company's executive managers and employees are present here or in separate rooms (with audio links);

The proceedings of the present Shareholders' Meeting shall be conducted in accordance with the Shareholders' Meeting Regulations.

The Chairperson invites those who leave the room during the course of the Shareholders' Meeting to inform the Notary and the office responsible for accreditation, situated at the entrance to the room.

The Chairperson also invites those who need to leave the room during the course of the Shareholders' Meeting, to avoid doing so at the time of voting, in order to facilitate the reaching of the necessary quorum for passing resolutions.

The chairperson reminds those present, furthermore, that pursuant to Articles 6.4 and 6.5 of the Shareholders' Meeting Regulations:

Requests to speak on individual items on the agenda may be

submitted, after the debate is opened and following reading of the item on the agenda in respect of which the entitled individual in question wishes to speak on, but before the Chairperson declares the debate on such item closed. Those entitled to speak who intend to do so, shall ask the Chairperson that they may do so, giving their name and any shareholder they may represent. Said request must be made by raising a hand, should the Chairperson not have arranged for a written request procedure. In the case where requests to take the floor are made by the raising of hands, the Chairperson shall grant the floor to the person who first raises his or her hand; in the case where it is not possible to determine precisely who was the first to raise his or her hand, the Chairperson shall grant the floor in accordance with the order established by the Chairperson herself, at her sole discretion. In the event where written requests to take the floor are required, the Chairperson shall grant the floor in accordance with the order in which requests to speak were received.

The Chairperson of the Shareholders' Meeting is in charge of conducting the meeting, ensuring the correctness of the discussion and the right of individuals to speak. The Chairperson, taking into account the nature and importance of individual items on the agenda, shall grant each speaker no more than 10 minutes during which to address the

Shareholders' Meeting. After the allotted time, the Chairperson shall invite the person with the right to speak to conclude his or her speech within the next 5 minutes. Subsequently, if the speaker has still not finished speaking, the Chairperson shall see to cutting said speaker short pursuant to the provisions of Article 6.7(a) of the Shareholders' Meeting Regulations, in order to maintain order in the Shareholders' Meeting, to guarantee that proceedings are conducted in the due manner, and to prevent any abuse of the right to take the floor.

After each person has taken the floor, or once all speeches in regard to each item on the agenda have been concluded, the Chairperson, or the CEO, or other Directors, Statutory Auditors or employees of the Company or of the Company's subsidiaries, shall reply. Pursuant to Article 6.9 of the Shareholders' Meeting Regulations, the meeting may be adjourned for a maximum of two hours in order to enable replies to the speeches or questions presented to be prepared. Once said replies have been given, those who requested to address the Meeting shall be given the opportunity to briefly reply in turn. When nobody else wishes to address the Meeting, answer or offer any reply, the Chairperson shall declare the discussion closed.

The Chairperson also points out that pursuant to Article 3.5 of the Shareholders' Meeting Regulations, the use of cameras,

video or similar equipment, or of recording devices of any kind, or of mobile phones equipped with photographic devices, is not permitted in premises where the Shareholders' Meeting is being held.

The Chairperson informs those present, on the basis of the information available and pursuant to CONSOB regulations in force, that the list of shareholders possessing shares with voting rights representing more than 5% of total share capital, detailing the number of shares that each of such shareholders possesses and the percentage of share capital in their possession, is the following:

Società di gestione delle partecipazioni in Banca Sistema S.r.l. ("SGBS"), holder of 23.10% of ordinary shares, amounting to 18,578,900 ordinary shares each with a nominal value of € 0.12 (twelve cents);

Fondazione Sicilia, holder of 7.40% of ordinary shares, amounting to 5,950,104 ordinary shares each with a nominal value of € 0.12 (twelve cents);

Fondazione Pisa, holder of 7.61% of ordinary shares, amounting to 6,118,104 ordinary shares each with a nominal value of € 0.12 (twelve cents);

Fondazione Cassa di Risparmio di Alessandria, holder of 7.40% of ordinary shares, amounting to 5,950,104 ordinary shares each with a nominal value of € 0.12 (twelve cents);

Schroder Investment Management Limited, holder of 4.10% of



ordinary shares, amounting to 3,298,425 ordinary shares each with a nominal value of € 0.12 (twelve cents);

Schroder Investment Management North America Limited, holder of 2.53% of ordinary shares, amounting to 2,032,404 ordinary shares each with a nominal value of € 0.12 (twelve cents);

Schroder Italy SIM S.p.A., holder of 0.10% of ordinary shares, amounting to 80,000 ordinary shares each with a nominal value of € 0.12 (twelve cents),

the latter three companies all being subsidiaries of Schroder Plc, which thus holds a total of 6.73% of ordinary shares.

The Chairperson continues by reporting as follows:

those attending the present Shareholders' Meeting have been asked to report any situations entailing exclusion/limitation of voting rights, pursuant to the existing provisions governing such matter. Those present have not made any statements in regard to such;

The Chairperson, on the basis of the information available, has verified the eligibility to vote of those Shareholders present, who have been asked to report any situations excluding them from voting under law or under the existing Bank of Italy Instructions, and reports that there are no circumstances for which any Shareholders are excluded from voting;

There are no further circumstances that may prevent any shareholder from exercising the right to vote, or that may

limit the exercise of such right;

no postal votes have been received;

the personal details of those attending the Shareholders' Meeting shall be processed in the forms, and subject to the limits in terms of obligations and purposes, provided for by the laws in force. The Shareholders' Meeting proceedings are audio recorded for reporting purposes;

Pursuant to Section 135-undecies of the Consolidated Law on Finance, the company Computershare S.p.A with registered office in Milan, Via Lorenzo Mascheroni no. 19, has been appointed as the Designated proxy holder; the form drawn up by said Designated proxy holder, in agreement with the Company, has been published on the Company's website;

the identities and entitlement of those attending the Meeting has been duly ascertained,

those present are capable of perceiving the proceedings of the Meeting as recorded in the minutes. Any problems of amplification may be reported to the secretary located at the entrance to the room;

the participants are able to take part, simultaneously, in the discussions and vote on the items on the Agenda;

The shareholders have had the opportunity to request a copy of the documentation mentioned in the items of the Agenda;

No shareholder has exercised the right to submit questions on the items of the Agenda of the Shareholders' Meeting pursuant

to Section 127-ter of Italian Legislative Decree 58/1998;

The Company has not received any requests to supplement the items on the Agenda, or any proposed resolutions regarding items on the Agenda pursuant to Section 126-bis of Italian Legislative Decree 58/1998 and to Article 8.4 of the Articles of Association;

- in relation to item 4 on the Agenda (Appointment of a Director pursuant to Article 2386 of the Italian Civil Code), on 3 April 2017 the shareholder Società di Gestione delle Partecipazioni in Banca Sistema S.r.l., in accordance with the provisions of the existing shareholders' agreement, has stated that it wishes to confirm in her office as director, Mrs. Ilaria Bennati, who was co-opted onto the Board of Directors in June of last year, following the resignation of a director.

The Chairperson specifies that under Article 7.4 of the Shareholders' Meeting Regulations, use shall be made of special voting forms given to those present at the time of their accreditation.

The Chairperson also informs those present that the following documentation has been made available to the public, pursuant to and in accordance with the terms of law, and specifically pursuant to Article 2429 of the Italian Civil Code and to Section 154-ter of the Consolidated Law on Finance:

the draft financial statements at 31 December 2016 of Beta

Stepstone S.p.A, complete with the Directors' Report on Operations, the Board of Statutory Auditors' Report, and the Independent Auditors' Report;

The "Annual Financial Report", comprising the draft financial statements, of Banca Sistema S.p.A. at 31 December 2016, accompanied by the Directors' Report on Operations, the Board of statutory Auditors' Report and the Independent Auditors' Report, pursuant to Article 2429 of the Italian Civil Code and to Section 154-ter of Italian Legislative Decree No. 58/1998, together with the consolidated financial statements of the Banca Sistema Group at 31 December 2016;

the "Report on Corporate Governance and Ownership Structure" pursuant to Section 123-bis of Italian Legislative Decree no. 58/1998;

The Explanatory Report specifically drafted by the Board of Directors in regard to those proposals made concerning the items on the Agenda of the present meeting, in accordance with Section 125-ter of Italian Legislative Decree no. 58/1998. Before moving on to the discussion of the items on the Agenda, the Chairperson invites those shareholders present to report the existence of any shareholders' agreement provided for by Section 122 of Italian Legislative Decree no. 58 of 24 February 1998 - including the existence of any agreements pursuant to Section 20 of Italian Legislative Decree no. 385 of 1 September 1993;

The list, filed within the deadline by the shareholders who are party to the shareholders' agreement, of the candidates for the office of members of the Board of Statutory Auditors.

Mrs. Anna Girello, representing the Società di Gestione delle partecipazioni in Banca Sistema S.r.l. (S.G.B.S.), Fondazione Sicilia, Fondazione Cassa di Risparmio di Alessandria and Garbifin S.r.l., confirms the existence of a shareholders' agreement, for which all of the formalities referred to in Section 122, paragraph 1, of the Consolidated Law on Finance have been complied with, that involves 46.02% (forty-six point nought two per cent) of share capital with voting rights, and specifically:

Società di gestione delle partecipazioni di Banca Sistema S.r.l. (S.G.B.S.), holder of 23.10% of ordinary shares, amounting to 18,578,900 shares;

Fondazione Sicilia, holder of 7.40% of ordinary shares, amounting to 5,950,104 shares;

Fondazione Pisa, holder of 7.61% of ordinary shares, amounting to 6,118,104 shares;

Fondazione Cassa di Risparmio di Alessandria, holder of 7.40% of ordinary shares, amounting to 5,950,104 shares;

Having ascertain the foregoing, the Chairperson declares the Shareholders' Meeting to be validly convened pursuant to the Articles of Association and to the applicable provisions of law. Before officially proceeding with the business of the

meeting, the Chairperson gives a warm welcome to all of those present, on behalf of the Board of Directors of Banca Sistema, and to the Shareholders' Meeting.

The Chairperson informs those present that during the course of 2016, Banca Sistema took further significant steps forward in terms of the growth and diversification of its operations. A number of significant operations were completed, including the launch of a strategic partnership with the Norwegian group Axactor, operating in the non-performing loans sector, the acquisition of Beta Stepstone S.p.A., a factoring company whose business focuses on the amounts due to suppliers from entities belonging to the National Health Service, subsequently incorporated into Banca Sistema with effect from 1 January 2017; an operation was conducted involving the securitisation of the portfolio of salary-backed and pension-backed loans, and commercial loans subject to legal action.

During the course of 2016, Banca Sistema also managed to preserve a stable, solid capital position and to strengthen its liquidity.

Banca Sistema ended the financial year 2016, the fifth since its incorporation, with a normalised net profit of 26.4 million euro, up from 23.7 million euro in 2015.

These results were possible thanks to the professionalism, the daily commitment and constant dedication of Banca Sistema's staff, together with the contribution made by the

members of the Board of Directors, who are increasingly pressurised due to the complex context that the Bank operates in.

The Chairperson sincerely thanks everyone, including the staff and management of Beta Stepstone - which contributed to the Bank's performance in the second half of 2016 - as well as the members of the Board of Statutory Auditors and of the Independent Auditors, for the delicate audit operations they carried out during the course of the year.

The Chairperson now moves on to deal with the first item on the Agenda:

1. Approval of the Financial Statements as at 31st December 2016 of Beta Stepstone S.p.A.. Reports of the Board of Directors, the Board of Statutory Auditors and the Auditing Company. Relating and resulting resolutions.

The Chairperson mentions that Beta Stepstone S.p.A., acquired by Banca Sistema in July 2016, has been incorporated by the latter pursuant to Article 2501 of the Italian Civil Code, with effect from 1 January 2017. In order that Beta Stepstone's financial statements at 31 December 2016 may be filed with the appointed office of the Companies Register, the Financial Statements of Beta Stepstone S.p.A. at 31 December 2016 must be approved at this meeting, inclusive of the Board of Statutory Auditors' Report, the Board of Directors' Report and the Independent Auditors' Report, and

which is attached to these minutes **under the letter "B"**.

In this regard, the Chairperson points out that Bank's Board of Directors' meeting of 8 March 2017 unanimously approved the draft Financial Statements for the period ended 31 December 2016, and that it is now necessary to examine and approve said Financial Statements.

Said file, inclusive of the Board of Statutory Auditors' Report, the Board of Directors' Report and the Independent Auditors' Report, signed by the appearing party and by me, the Notary, is attached to these minutes under "B".

The Chairperson grants the floor to the CEO, Gianluca Garbi, who makes reference to the contents of the Directors' Report on Operations, and who invites the shareholders to examine the draft Financial Statements for the period, together with the corresponding Notes to the Financial Statements and the reports drawn up by the Board of Statutory Auditors and by the Independent Auditors KPMG S.p.A..

A number of slides are shown.

The CEO then provides a brief summary of the income statement results, and mentions the positive performance of the interest margin together with the significant reduction in the interest on funding - that is, insofar as the Company, during the period, repaid in full, to the (former) single shareholder, the subordinated loan using its own available funds. With respect to interest income: late payment



interest from debtors remained stable; as regards without-recourse transactions, interest earned from customers on with-recourse advances increased, while interest on bank deposits decreased because of the reduction in the bank balance following the repayment of the subordinated loan mentioned previously. Fixed costs declined considerably compared to the previous year due to the reduction in staff numbers. Finally, net profit was positively impacted by lower taxes resulting from the application of ACE ("Assistance for economic growth") provisions.

At the end of the CEO's presentation, the Chairperson proposed, to those present, not to read out the draft financial statements and the accompanying reports, including that of the Board of Statutory Auditors and of the Independent Auditors, deeming them as read and known. The Chairperson ascertains that the Shareholders' Meeting unanimously approves.

The Chairperson then declares the discussion open.

At this point, the Chairperson, having ascertained that nobody has intervened, deems the information provided in regard to the matter to be adequate, and declares the discussion closed.

Now, therefore, no objections having been raised, the Chairperson invites the Shareholders' Meeting to approve the Financial Statements of Beta Stepstone S.p.A. at 31 December

2016, as published at the registered office.

The Chairperson then reads out the following resolution proposal:

"Dear Shareholders,

The ordinary Shareholders' Meeting of Banca Sistema S.p.A.,

- having heard and approved the Board of Directors' report regarding point 1) of the ordinary part of the Agenda;

- having acknowledged the report drawn up by the Board of Statutory Auditors, concerning the supervisory operations of said Board;

- having acknowledged the Independent Auditors' report on the financial statements for the period;

RESOLVES

- to approve the financial statements to 31 December 2016 of Beta Stepstone S.p.A. which closes the year with a profit, after tax, of 2,734,882 Euro.

Bearing in mind the intervening merger of the Company by incorporation into Banca Sistema, it is not necessary to propose the individual allocation of said profit".

The ordinary Shareholders' Meeting of Banca SISTEMA S.p.A., having examined and approved the Board of Directors' Report on item 1) of the Agenda;

having acknowledged the report drawn up by the Board of Statutory Auditors concerning the supervisory operations of said Board;

having acknowledged the Independent Auditors' report on the financial statements for the period;

RESOLVES

to approve the individual financial statements to 31 December 2016 of Beta Stepstone S.p.A. which closes the year with a profit, after tax, of 2,734,882 Euro (two million, seven hundred and thirty-four thousand, eight hundred and eighty-two euro), and bearing in mind the intervening merger of the Company by incorporation into Banca Sistema S.p.A., agrees that it is not necessary to propose the individual allocation of said profit.

The Chairperson thus invites the Shareholders' Meeting to pass the aforementioned resolution.

The Chairperson ascertains the outcome of the vote:

Present: 43 (forty-three) Shareholders representing 55,138,217 (fifty-five million, one hundred and thirty-eight thousand, two hundred and seventeen) ordinary shares each with a nominal value of 0.12 euro (twelve cents).

Against: 0 (zero)

Abstaining: 0 (zero)

For: all shareholders present, who together hold 55,138,217 (fifty-five million, one hundred and thirty-eight thousand, two hundred and seventeen) shares.

The proposal is approved.

The Sheet containing details of the vote is attached to these

minutes under letter "C".

The Chairperson thus moves on to deal with the second item on the Agenda:

2. Approval of the Individual Financial Statements as at 31 December 2016 of Banca Sistema S.p.A.. Presentation of the Consolidated Financial Statements as at 31st December 2016. Reports of the Board of Directors, the Board of Statutory Auditors and the Auditing Company. Relating and resulting resolutions.

The Chairperson points out that at the meeting held on 8 March 2017, the Board of Directors unanimously approved the draft Financial Statements for the period ended 31 December 2016, and that it is now necessary to examine and approve said Financial Statements.

Said file, inclusive of the Board of Statutory Auditors' Report, the Board of Directors' Report and the Independent Auditors' Report, signed by the appearing party and by me, the Notary, is attached to these minutes under letter "D", and has already been made available to the shareholders and published in accordance with the law on 30 March 2017.

The Chairperson also points out that the Consolidated Financial Statements for the period ended 31 December 2016, was approved by the Board of Directors' meeting held on 8 March 2017, and presented to this Shareholders' Meeting accompanied by the Directors' Report on Group Operations and

the Independent Auditors' Report.

The Chairperson then grants the floor to the CEO, who speaks about the contents of the Directors' Report on Operations, and then invites the shareholders to examine the draft financial statements and the corresponding notes to the financial statements, as well as the report drawn up by the Independent Auditors "KPMG S.P.A.".

The CEO then proceeds to illustrate, with the help of slides (attached herewith, signed by the appearing party and me, the Notary, under letter "E"), the principal figures for the period.

In particular, the CEO offers a summary of the result for the period ended 31 December 2016, including net profit up 11% from the previous year to 26.4 million euro (excluding non-current items), and an interest margin of 71 million euro, up 22% on the previous year. The CEO then reports that the adjusted Return of Average Equity (ROAE) stands at 25%, the y/y factoring turnover is up 3%, and the number of customers has grown by 15%.

The CEO then reports that outstanding salary-backed and pension-backed loans amount to 266 million euro, a y/y increase of 121%.

As regards special projects, the CEO mentions the acquisition of Beta Stepstone with a larger than expected contribution, and the joint development, together with Axactor, of the NPL

business through the partial sale of the interest in CS Union, resulting in a gross capital gain of 2.3 million euro.

As regards equity components, the LCR and the NSFR are above the regulatory limits. Retail funding represents 51% of total funding; the CET1 and TCR are 13.3% and 15.8%, respectively.

The CEO reports that factoring turnover was up 3% to 1,453,000,000 euro in 2016. In this regard, the CEO points out that the turnover from agreements with Italian commercial banks was 13.5% in 2016, and that 90% of turnover is on a recurring basis.

With regard to the income statement, the 2016 annual results, with respect to 2015, include the contribution of the subsidiary Beta Stepstone, which generated profits of around €1.3 million in the six months following its acquisition. It should also be noted that the 2016 results were normalised to exclude the extraordinary contribution to the National Resolution Fund of €1.3 million (€0.9 million net of tax) and costs related to the integration of Beta for €0.3 million, both of which are classified as 'other administrative expenses'.

The CEO then reiterates the fact that the financial period ended with a net profit, as mentioned, of 26.4 million euro, up 11.4% on the previous year.

The CEO then reports that the interest margin was supported

by the recording of 11.3 million euro in late payment interest, representing a portion of the late payment interest accrued to 31 December 2016, the recovery of which is likely. The CEO specifically mentions that on 30 June 2016, the Bank revised its accounting treatment of late payment interest, as a result of the experience gained and the systematic implementation of out-of-court and judicial recovery measures for past-due receivables, and transitioned from cash accounting to accrual accounting only for receivables subject to legal action. During the fourth quarter of 2016, in the light of the expansion and improvement of the data base related to historically observed collection, the inclusion of the historical data series of Beta Stepstone, as well as regulatory clarifications, the Bank completed its analysis of the recovery estimates and implemented a statistical model to determine the expected percentage of recovery in order to record them in the income statement. Said model, taking account of the size of the Beta Stepstone data series, led to an increase in the expected percentage of recoveries in the case of National Health System debtors, from 15% to 65%, resulting in an increase in the percentage used for financial statements purposes compared to the previous quarters. On the other hand, as far as concerns late payment interest on other public administration debtors, despite the recovery percentages for late payment interest, and as a consequence,

the model providing an allocation percentage greater than 15%, the percentages used in June were prudently confirmed. This arrangement could be modified in the future.

The CEO continues by reporting that the interest margin improved by 22.4% compared to the previous year due to a significant decrease in the cost of funding and a greater contribution deriving from the salary- and pension-backed loan portfolios. The positive impact on margin was also driven by the marked growth in interest on the salary-backed portfolios, which rose from €2.6 million to €7.4 million,

The negative performance of the securities portfolio, a result of the ECB's policies and interest rate policy, should be linked to the funding cost which was positive. Overall, the carry trade remains positive. The cost of funding decreased compared to the previous year.

The increase in interest due to banks was primarily due to the cost of funding from other banking institutions, the exposure to which, in 2016, was significantly greater than in 2015. Net fees and commissions, equal to €9.0 million, were down by 19%, primarily due to lower commissions on factoring business as a result of the diminished use of products subject to commission. Credit risk adjustments made at 31 December 2016, excluding value recoveries related to late payment interest collections of the subsidiary Beta Stepstone, totalled €10.2 million of which €4.3 million in



the fourth quarter mainly after increasing the value adjustment percentage to 100% specifically for the SME portfolio which resulted from a thorough, more prudent overall assessment of 20% of the portfolio that is not guaranteed by the Guarantee Fund of the Ministry of Economic Development, and from a specific factoring position vis-à-vis private parties classified as "unlikely to pay".

Also, there was an increase in the collective value adjustment percentage of the SME portfolio during the first quarter of 2016. The CEO thus specifies that the loss rate, following what has just been said, amounted to 74 bps, which is up on the previous year.

The increase in personnel costs, considering that 2016 includes the personnel costs of Beta Stepstone, amounting to €642,000, would have been €1.4 million, or 10%. The number of personnel increased from 130 to 144 in 2016 (14 of whom belong to Beta). As at 31 December 2016, the item also includes total costs relating to voluntary redundancy payments of €326,000.

The CEO reports that consultancy costs increased due to the fact that part of the costs of projects correlated with new initiatives in 2016 were recognised during the period. In particular, the figure at 31 December 2016 includes €1.3 million of costs tied to securitisation, and €1.1 million of due diligence and consultancy costs relating to actual and

potential acquisitions of new companies.

Profit (loss) from equity investments includes not only the capital gain on the sale of 15.8% of the interest in CS Union, but also the pro-rata loss for the period referring to the current 10% interest in CS Union.

With regard to the financial position, the CEO reports that the financial year 2016 ended with total assets of €2 billion, down 17% on 2015, mainly as a result of the decision to maintain a reduced exposure to Italian government bonds (down by 45%), and of the changes in collections of factored receivables, which affected the stock at the end of the period.

On 1 July 2016, the acquisition of Beta Stepstone was finalised for a final consideration of €56.7 million, net of various contractual reductions and adjustments amounting to €3.5 million. During the acquisition process, the amount of late payment interest receivable not yet collected by Beta, was placed in an escrow account, release of which to the seller is conditional solely on the collection of that late payment interest, fully securing the receivable in question.

The bank's portfolio of available-for-sale securities remains mainly composed of Italian government securities with an average remaining duration of about 7 months as at 31 December 2016, which is in line with the Group's investment policy to retain securities with durations of less than 12

months.

The government securities portfolio amounts to 508 million euro, compared to 920 million euro at the end of the previous financial year. The valuation reserve for government securities was €221,000 net of tax at the end of the financial year.

The CEO then reports that the increase in the item 'due from banks' can be attributed to liquidity funding in the ECB account and to €12 million deposited in an escrow account securing late payment interest as described above. 'Loans to customers' mainly comprise outstanding loans for factoring receivables, down from 82% to 73% in the item.

Salary- and pension-backed loans grew by more than 100% compared to the end of 2015, as a result of newly acquired volumes equal to €157 million. Government-backed loans to SMEs, on the other hand, remained generally in line with 2015, as disbursements partially offset collections during the period. Net non-performing loans amounted to 1.7% of total loans to customers, remaining at moderate levels. The increase, during the quarter, in loans classified as "unlikely to pay" is mainly due to a deterioration in factored receivables due from public companies, and to a lesser extent, from loans to SMEs.

The amount of past due loans is mainly attributed to factoring receivables without recourse from the Public

Administration and is considered normal for the sector, and does not represent an issue in terms of credit quality or the probability of collection.

The CEO thus reports that the bank is completing a process related to a model of valuation of the provisions for doubtful receivables deriving from Public Administration debtors on Factoring products, the initial results of which reveal a higher probability of recovery than what is currently estimated.

Equity investments include the Bank's current equity stake of 10.0% in CS Union, and tangible assets include the property situated in Milan and which is going to be used mainly for the purposes of new offices for Banca Sistema. The expected book value of the property, inclusive of taxes paid, is €22.4 million.

All-sales funding represents approximately 49% (against 58% the previous year) of the total, down compared to the end of the year, as a result of a decrease in repurchase agreements traded through the MTS platform. There was an increase in the weight of bond funding, which rose from 2% to 11% of total all sales funding, thanks to the private placement of a senior bond of €70 million maturing in two years, as well as the greater use of funding from the ECB. Amounts due to banks increased at the end of the year due to the increase in refinancing operations with the ECB with the ADS from the

securitisation of salary- and pension-backed receivables (CQS/CQP) as collateral, which allowed for funding of €120.4 million to be obtained. Finally, the CEO reports that the Bank also participated in the TLTRO 2 auction for €123 million, with a duration of four years and a current expected rate of -40bps. This potential revenue has not been recognised in that it will only become certain on the maturity date.

The Chairperson, after thanking the CEO for his contribution, proposes not to proceed with the reading out of the draft financial statements of Banca Sistema S.p.A. and of the accompanying reports, including the report by the Board of Statutory Auditors and that by the Independent Auditors, it being agreed that such shall be taken as having been read and as known. The Chairperson ascertains that the Shareholders' Meeting unanimously approves.

Finally, in regard to the appointment, as independent auditors, of the auditing firm KPMG S.p.A., the Chairperson informs those present that:

- the mandatory auditing of Banca Sistema S.p.A.'s financial statements, and of the Banca Sistema Group's consolidated accounts, for the financial year 2016, took a total of 2,000 hours;

- the fees due to the Independent Auditors in 2016 amounted to a total of 124,000 euro net of VAT, costs and regulatory contributions to CONSOB.
- The timescale and fees for the auditing of the annual financial statements include those pertaining to the operations referred to in Section 14, paragraph 1(b), of Italian Legislative Decree No. 39 of 27 January 2010 concerning the oversight of corporate accounting and the correct reporting of operating events in the accounts, during the course of the year.

The Chairperson then declares the discussion open.

At this point, the Chairperson, having ascertained that nobody has intervened, deems the information provided in regard to the matter to be adequate, and declares the discussion closed.

Now, therefore, no objections having been raised, the Chairperson thus invites the Shareholders' Meeting to approve the Financial Statements at 31 December 2016 of Banca SISTEMA S.p.A., as published at the bank's registered office.

The Chairperson then reads out the following resolution proposal:

"Dear Shareholders, with regard to item 2 on the Agenda, you are invited to approve the Financial Statements at 31 December 2016 of Banca SISTEMA S.p.A., as represented by the Board of Directors overall and in the individual accounting

entries. The financial statements comprise the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement and the Notes to the Financial Statements, and is accompanied by a Directors' Report on management performance, the financial results achieved and the financial position of the Bank. Furthermore, the financial statements file contains the certificate of the financial statements drafted pursuant to Article 81-ter of CONSOB Regulation no. 11971 of 14 May 1999, as amended and supplemented; the report by the Board of Statutory Auditors drafted pursuant to Section 153 of Italian Legislative Decree no. 58 of 24 February 1998; the Independent Auditors' Report drafted pursuant to Sections 14 and 16 of Italian Legislative Decree no. 39 of 27 January 2010".

The ordinary Shareholders' Meeting of Banca SISTEMA S.p.A., having heard and approved the Board of Directors' report regarding item 2) of the Agenda;

having acknowledged the report drawn up by the Board of Statutory Auditors concerning the supervisory operations of said Board;

having acknowledged the reports on the financial statements and the consolidated financial statements, drawn up by the Independent Auditors;

RESOLVES

to approve the Individual Financial Statements as at 31 December 2016 of Banca Sistema S.p.A.".

The Chairperson thus invites the Shareholders' Meeting to pass the aforementioned resolution.

The Chairperson ascertains the outcome of the vote:

Present: 43(forty-three) Shareholders representing 55,138,217 (fifty-five million, one hundred and thirty-eight thousand, two hundred and seventeen) ordinary shares, with a nominal value of euro 0.12 (twelve cents) each.

Against: 0 (zero)

Abstaining: 0 (zero)

For: all shareholders present, who together hold 55,138,217 (fifty-five million, one hundred and thirty-eight thousand, two hundred and seventeen) shares.

The proposal is approved.

The Sheet containing details of voting is attached to these minutes **under letter "F"**.

The Chairperson moves on to the third item of the ordinary part of the Agenda:

3. Allocation of the net profit of the year 2016;

The Chairperson reports that, as stated in the Directors' Report to the Shareholders' Meeting, published in accordance with law, and within the legal terms, and filed with the Company's registered office, the Company made a profit for



the year of 24,481,013.26 Euro (twenty-four million, four hundred and eighty-one thousand, and thirteen euro).

Now, therefore, the Chairperson declares that the Board of Directors proposes the following distribution of profits:

- a dividend of Euro 6,111,999.95 (six million, one hundred and eleven thousand, nine hundred and ninety-nine euro and ninety-five cents) for the 80,421,052 (eighty million four hundred and twenty-one thousand and fifty-two) ordinary shares, equal to 0.076 Euro (seven point six cents) for each such share;
- the remainder of Euro 18,369,013.31 (eighteen million, three hundred and sixty-nine thousand and thirteen euro, and thirty-one cents) to be carried forward.

The Chairperson points out that no provision to the Legal Reserve has been made, since the limits set out in Article 2430 of the Italian Civil Code have been reached. The Chairperson then reports that the Board of Directors also proposes that assignment of the dividend be made in cash, in accordance with the applicable legal and regulatory provisions, with the coupon to be presented on 2 May 2017, and payment thereof made on 4 May 2017. Pursuant to Section 83-terdecies of the Consolidated Law on Finance, those shareholders who result as being such from the accounts as at 3 May 2017 (the Record Date) shall be entitled to said dividend.

The Chairperson then declares the discussion open. Having ascertained that no-one has intervened, the Chairperson deems the information provided in regard to the topic to be adequate, and thus declares the discussion closed.

No objections having been raised, the Chairperson thus invites the Shareholders' Meeting to approve the proposal, and thus proceeds to read out the following resolution proposal:

"The ordinary Shareholders' Meeting of Banca Sistema S.p.A., in view of the aforementioned resolutions passed when approving the Financial Statements at 31 December 2016,

RESOLVES

(1) to allocate the 2016 profits of Banca Sistema S.p.A., amounting to Euro 24,481,013.26 (twenty-four million, four hundred and eighty-one thousand, thirteen euro and twenty-six cents) as follows:

a dividend of Euro 6,111,999.95 (six million, one hundred and eleven thousand, nine hundred and ninety-nine euro and ninety-five cents) for the 80,421,052 (eighty million four hundred and twenty-one thousand and fifty-two) ordinary shares, equal to 0.076 Euro (zero point zero seven six cents) for each such share;

the remainder of Euro 18,369,013.31 (eighteen million, three hundred and sixty-nine thousand and thirteen euro, and thirty-one cents) to be carried forward in the manner, and in

accordance with the terms, set out in the Report A provision to the Legal Reserve was not made since the limits set out in Article 2430 of the Italian Civil Code were reached.

2) to arrange for payment of the aforementioned dividend as of 4 May 2017.

Said payment shall be made through authorised intermediaries with whom the shares are registered in the Monte Titoli system, against presentation of coupon no. 5 on 2 May 2017.

In accordance with Section 83-terdecies of Italian Legislative Decree no. 58/1998, those shareholders who result as being such from the accounts as at 3 May 2017 shall be entitled to said dividend.

The Chairperson thus invites the Shareholders' Meeting to pass the aforementioned resolution.

The Chairperson ascertains the outcome of the vote:

43 (forty-three) Shareholders are present, representing 55,138,217 (fifty-five million, one hundred and thirty-eight thousand, two hundred and seventeen) ordinary shares each with a nominal value of 0.12 euro (twelve cents).

Against: 0 (zero)

Abstained: 0 (zero)

For: all shareholders present, who together hold 55,138,217 (fifty-five million, one hundred and thirty-eight thousand, two hundred and seventeen) shares.

The proposal is approved.

The Sheet containing details of the vote is attached to these minutes under letter "G".

The Chairperson thus moves on to deal with the fourth item on the Agenda:

4. Appointment of a Director pursuant to Article 2386 of the Italian Civil Code.

The Chairperson, in the name of the Board of Directors, reminds those present that on 1 June 2016, Mr. Michele Calzolari, an Independent Director of Banca Sistema, chosen from the list submitted by Società di Gestione delle Partecipazioni di BancaSintesi S.r.l. (currently Società di Gestione delle Partecipazioni in Banca Sistema S.r.l.), Fondazione Sicilia, Fondazione Pisa and Fondazione Cassa di Risparmio di Alessandria, resigned from the post of Director with effect as of 31 May 2016. Subsequently, on 10 June 2016, the Board of Directors co-opted, as Director, in accordance with Article 2386 of the Italian Civil Code, Mrs, Ilaria Bennati, a non-executive, independent Director, whose term of office expires, pursuant to the aforesaid provision of law, with the present Shareholders' Meeting.

The Chairperson also reminds those present that on 3 April 2017, the Shareholder Società di Gestione delle Partecipazioni in Banca Sistema S.r.l., proposed that Ilaria Bennati be confirmed director of Banca Sistema S.p.A. until the date of the Shareholders' Meeting convened to approve the

Financial Statements at 31 December 2017. The Chairperson thus proposes not to read out the Directors' Report to the Shareholders' Meeting, published pursuant to and in accordance with the law, and filed with the registered office. The Chairperson ascertains that the Shareholders' Meeting unanimously approves.

The Chairperson then declares the discussion open. Having ascertained that no-one has intervened, the Chairperson deems the information provided in regard to the topic to be adequate, and thus declares the discussion closed.

No objections having been raised, the Chairperson thus invites the Shareholders' Meeting to approve the proposal, and thus proceeds to read out the following resolution proposal:

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

resolves

to confirm, pursuant to Article 2386 of the Italian Civil Code and to Article 10.4 of the Articles of Association of Banca Sistema S.p.A., Mrs. Ilaria Bennati as Member of the Board of Directors. Mrs. Ilaria Bennati shall remain in office for the duration of the term of office of the current Board of Directors, and thus until the date of the Shareholders' Meeting convened to approve the Financial Statements at 31 December 2017".

The Chairperson thus invites the Shareholders' Meeting to

pass the aforementioned resolution.

The Chairperson ascertains the outcome of the vote:

43 (forty-three) Shareholders are present, representing 55,138,217 (fifty-five million, one hundred and thirty-eight thousand, two hundred and seventeen) ordinary shares each with a nominal value of 0.12 euro (twelve cents).

Against: 0 (zero)

Abstaining: 0 (zero)

For: all shareholders present, who together hold 55,138,217 (fifty-five million, one hundred and thirty-eight thousand, two hundred and seventeen) shares.

The proposal is approved.

The Sheet containing details of the vote is attached to these minutes under letter "H".

The Chairperson thus moves on to deal with the fifth item on the Agenda:

5. Appointment of the Board of Statutory Auditors and its Chairman.

The Chairperson, in the name of the Board of Directors, reminds those present that the Shareholders' Meeting is called on to appoint the members of the Board of Statutory Auditors, since the current auditors are coming to the end of their term of office following their appointment on 22 April 2014.

Pursuant to Article 18.1 of the Articles of Association, the

Board of Statutory Auditors is composed of three Standing Statutory Auditors and two Alternate Statutory Auditors.

Pursuant to article 18.5 of the Articles of Association, the Shareholders' Meeting is called on to appoint the Board of Statutory Auditors on the basis of the lists submitted by the Shareholders. The Chairperson also points out that the lists containing three or more candidates must include candidates of different genders.

The Chairperson thus proposes not to read out the Directors' Report to the Shareholders' Meeting, published pursuant to and in accordance with the law, and filed with the registered office. The Chairperson ascertains that the Shareholders' Meeting unanimously approves. The Chairperson thus reports that on 3 April 2017, 1 (one) list was filed with the registered office by shareholders Società di Gestione delle Partecipazioni in Banca Sistema S.r.l., Fondazione Sicilia, Fondazione Pisa and Fondazione Cassa di Risparmio di Alessandria.

All candidates for the position of Statutory Auditor have attested, among other things, under their own responsibility, that there are no grounds for them to be considered ineligible or disqualified under law for the position of Statutory Auditor, and that they meet all legal requirements for such position, and have provided a list of the administrative and auditing positions that they have held or

hold.

Finally, the Chairperson notes that the list, together with all of the accompanying documents, has been made available within the terms, and in the manner, provided for by law, and thus proposes not to read out such list and documentation. The Chairperson ascertains that the Shareholders' Meeting unanimously approves.

The Chairperson reports that the list submitted by shareholders Società di Gestione delle Partecipazioni in Banca Sistema S.r.l., Fondazione Sicilia, Fondazione Pisa and Fondazione Cassa di Risparmio di Alessandria, who together hold 46.02% (forty-six point zero two per cent) of share capital at the time of submission of the list, is composed and arranged as follows:

Section I - Standing Statutory Auditors:

1. Maria Italiano;
2. Massimo Conigliaro;
3. Biagio Verde.

Section II - Alternate Statutory Auditors:

1. Marco Armarolli;
2. Daniela D'Ignazio.

The Chairman informs those present that no further lists have been submitted within the terms, which in any case had been extended to 6 April 2017 pursuant to Article 144-sexies, paragraph 5, of the CONSOB Issuers' Regulation.



The Chairperson then notes that together with the appointment of the Board of Statutory Auditors, the Meeting also needs to appoint the Chairman of said body.

In the absence of minority lists, the lawyer Claudio Pugelli takes the floor in his capacity as Legal Representative of the shareholder Fondazione Pisa, to propose Massimo Conigliaro as Chairman of the Board of Statutory Auditors.

The Chairperson then declares the discussion open.

Having ascertained that no-one else wishes to take the floor, the Chairperson deems the information provided in regard to this question adequate, and thus declares the discussion closed.

No objections having been raised, the Chairperson thus invites the Shareholders' Meeting to approve the proposal, and thus proceeds to read out the following resolution proposal:

"Dear Shareholders,

I invite you:

- to vote for the list presented by shareholders Società di Gestione delle Partecipazioni in Banca Sistema, Fondazione Sicilia, Fondazione Pisa and Fondazione Cassa di Risparmio di Alessandria;

".

The Chairperson then invites the Shareholders' Meeting to pass the aforesaid resolution. The Chairperson ascertains the

outcome of voting:

43 (forty-three) Shareholders are present, representing 55,138,217 (fifty-five million, one hundred and thirty-eight thousand, two hundred and seventeen) ordinary shares each with a nominal value of 0.12 euro (twelve cents).

Against: 10,548,603 (ten million, five hundred and forty-eight thousand, six hundred and three) ordinary shares, representing 19.1312% (nineteen point one three one two per cent) of total shares;

Abstaining: 0 (zero)

For: all the other Shareholders present, who together hold 44,589,614 (forty-four million, five hundred and eighty-nine thousand, six hundred and fourteen) shares, representing 80.8688% (eighty point eight six eight eight per cent) of the total.

The proposal is approved. Following the aforementioned voting, the following are appointed as Statutory Auditors:

- Maria Italiano, born in Palermo on 5 January 1970, an Italian citizen, Tax Code TLNMRA70A45273V, registered in the Register of Accountants under no. 100643 pursuant to Italian Ministerial Decree of 17/12/1999;

- Massimo Conigliaro, born in Catania on 25 December 1969, Tax code CNGMSM69T25C351G, registered in the Register of Accountants under no. 77755 pursuant to Italian Ministerial Decree of 07/06/1999;

- Biagio Verde, born in Alessandria on 18 July 1943, Tax Code VRDBGI43L18A182D, registered in the Register of Accountants under no. 60269 pursuant to Italian Ministerial Decree of 12/04/1995;

- Marco Armarolli, born in Busto Arsizio (VA) on 23 January 1973, Tax Code RMRMRC73A23B300L, registered in the Register of Accountants under no. 132243 pursuant to Italian Ministerial Decree of 29/04/2004;

- Daniela D'Ignazio, born in Atri (TE) on 1 March 1978, Tax Code DGNDNL78C41A488H, registered in the Register of Accountants under no. 144470 pursuant to Italian Ministerial Decree of 30/05/2007.

The curriculum vitae of all the aforementioned Statutory Auditors, together with a statement declaring that they meet requirements in terms of respectability, professionalism and independence, and a list of other positions held, is attached herewith **under letter "I"**. The Sheet containing details of the vote is attached to these minutes **under letter "L"**. The Chairperson, taking the floor once again, thus invites the Shareholders' Meeting to pass the following resolution proposal submitted by the shareholder Fondazione Pisa:

"Dear Shareholders,

I invite you:

- to appoint Mr. Massimo Conigliaro as Chairman of the Board of Statutory Auditors".

The Chairperson thus invites the Shareholders' Meeting to pass the aforementioned resolution. The Chairperson ascertains the outcome of the vote:

43 (forty-three) Shareholders are present, representing 55,138,217 (fifty-five million, one hundred and thirty-eight thousand, two hundred and seventeen) ordinary shares each with a nominal value of 0.12 euro (twelve cents).

Against: 10,548,603 (ten million, five hundred and forty-eight thousand, six hundred and three) ordinary shares, representing 19.1312% (nineteen point one three one two per cent) of total shares;

Abstaining: 0 (zero)

For: all the other Shareholders present, who together hold 44,589,614 (forty-four million, five hundred and eighty-nine thousand, six hundred and fourteen) shares, representing 80.8688% (eighty point eight six eight eight per cent) of the total.

The proposal is approved.

Following the aforesaid vote, Mr. Massimo Conigliaro is appointed Chairman of the Board of Statutory Auditors.

The Sheet containing details of the vote is attached to these minutes under letter "M". The Chairperson then moves on to the sixth item on the Agenda:

6. Determination of the remuneration of the Board of Statutory Auditors.

The Chairperson informs those present that with the appointment of the Board of Statutory Auditors, resolved as per the preceding point 5) of the Agenda, it is necessary to establish the fees due to the members of said Body for the entire period of the Board of Statutory Auditors' term of office.

We would thus invite you to establish the fees to be paid to the Board of Statutory Auditors, bearing in mind that the annual fees established by the Shareholders' Meeting of 22 April 2014 were: 40,000 Euro for the Chairman of the Board of Statutory Auditors, and 24,000 for each standing member of said Board. Furthermore, the aforesaid Shareholders' Meeting had decided to pay the Board of Statutory Auditors, upon specific request from such, the duly documented expenses - including travel expenses - borne by each standing Statutory Auditor in virtue of the duties normally performed.

The Chairperson then informs those present that the standing and alternate Statutory Auditors, together with the members of the Board of Directors, have been covered by a D&O insurance policy since 30 June 2014, with a limit of liability of 5 million Euro and an annual premium, in 2017, of 27,000 Euro.

Now, therefore, the Chairperson proposes that the full reading of the Directors' Report, as per item 6 on the Agenda, be omitted, said Report having been made available to

the public in accordance with legal requirements.

The Chairperson ascertains that the Shareholders' Meeting unanimously approves.

Pursuant to Article 18.6 of the Articles of Association, the Auditors shall not be paid any fee based on financial instruments and linked to financial management results.

The outgoing Board of Directors has not formulated any proposal in regard to this item.

The Chairperson then declares the discussion open.

Mrs Anna Girello, representing the shareholders SGBS, Fondazione Sicilia, Fondazione Cassa di Risparmio di Alessandria and Garbifin S.r.l., takes the floor: in view of the Board of Directors' explanatory report, she proposes that the members of the Board of Statutory Auditors be paid the following fees:

40,000 (forty thousand) Euro for the Chairman of the Board of Statutory Auditors;

24,000 (twenty-four thousand) Euro for each standing Statutory Auditor.

She also proposes that the standing members of the Board of Statutory Auditors be paid, upon specific request from such, the duly documented expenses - including travel expenses - borne by each standing Statutory Auditor in virtue of the duties normally performed.

The Chairperson then declares the discussion open.

Having ascertained that no-one else wishes to take the floor, the Chairperson deems the information provided in regard to this question adequate, and thus declares the discussion closed.

No objections having been raised, the Chairperson thus invites the Shareholders' Meeting to proceed with the reading of the following resolution proposal submitted by the shareholders SGBS, Fondazione Sicilia, Fondazione Cassa di Risparmio di Alessandria and Garbifin S.r.l.:

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

resolves

To pay the members of the Board of Statutory Auditors the following fees:

40,000 (forty thousand) Euro for the Chairman of the Board of Statutory Auditors;

24,000 (twenty-four thousand) Euro for each standing Statutory Auditor.

The standing members of the Board of Statutory Auditors, upon specific request from such, shall be entitled to reimbursement of the duly documented expenses - including travel expenses - borne by each standing Statutory Auditor in virtue of the duties normally performed. The Chairperson thus invites the Shareholders' Meeting to pass the aforementioned resolution.

The Chairperson ascertains the outcome of the vote:

43 (forty-three) Shareholders are present, representing 55,138,217 (fifty-five million, one hundred and thirty-eight thousand, two hundred and seventeen) ordinary shares each with a nominal value of 0.12 euro (twelve cents).

Against: 0

Abstaining: 266,400 (two hundred and sixty-six, four hundred) shares representing 0.4831% (nought point four eight three one per cent) of total shares;

For: all other Shareholders present, who together hold 54,871,817 (fifty-four million, eight hundred and seventy-one thousand, eight hundred and seventeen) shares, representing 99.5169% (ninety-nine point five one six nine per cent) of total shares.

The proposal is approved.

The Sheet containing details of the vote is attached to these minutes under letter "N".

The Chairperson then moves on to the seventh item on the Agenda:

7. Approval of the Remuneration Policies of the Banca Sistema S.p.A. Group For 2017 and setting of the maximum limit of 2as the ratio between the variable and fixed components of remuneration for employees and "key personnel". Relating and resulting resolutions".

The Chairperson reports that pursuant to Article 9.2 of the Articles of Association, the Shareholders' Meeting is called



on to approve the remuneration and incentive policies applicable to the members of the Board of Directors and the Board of Statutory Auditors and the Company's other employees.

The Chairperson, having referred to the contents of the Directors' Report to the Shareholders' Meeting, published in accordance with the provisions of law, and filed with the registered office, proposes not to read out said Report to those present. The Chairperson ascertains that the Shareholders' Meeting unanimously approves.

The "Remuneration Policies Document of the Banca Sistema S.p.A. Group" is attached herewith **under letter "O"**, subject to the signature of such by the appearing party and by me, Notary.

The Chairperson then reports that the Compliance Function has seen to verifying the compliance of the Remuneration Policies of the Banca Sistema S.p.A. Group for the year 2017, in accordance with the provisions governing remuneration and incentives policy and practice, as per the Report attached herewith **under letter "P"**, subject to the signature of such by the appearing party and by me, Notary.

The Chairperson then declares the discussion open. Having ascertained that no-one has intervened, the Chairperson deems the information provided in regard to the topic to be adequate, and thus declares the discussion closed.

In regard to the proposal formulated by the Board of Directors, the Chairperson points out that the Board proposes the setting of a maximum limit of 200% (2:1) as the ratio between the variable and fixed components of remuneration for certain "key personnel" (in accordance with the provisions of Bank of Italy Circular no. 285), and that said proposal is subject, among other things, to approval by the Shareholders' Meeting in accordance with the voting requirements envisaged by applicable law (that is, by the aforementioned Circular 285). More specifically, the following majorities are required: at least 2/3 of the share capital represented at the Meeting when:

i) the Shareholders' Meeting is constituted with at least one half of share capital, and the decision is taken by the favourable vote of at least two-thirds of the share capital represented at the Meeting; or

ii) the decision is taken by the favourable vote of at least three-quarters of the share capital represented at the Meeting, regardless of the share capital with which the Meeting is constituted.

Having acknowledged the foregoing, the Chairperson then invites the Shareholders' Meeting to approve, and thus to move on to the reading of, the following proposed resolution:

"The ordinary Shareholders' Meeting of Banca Sistema S.p.A.,  
- in view of the 2017 Remuneration Policies Document of the

- Banca Sistema Group together with the corresponding annexes, and in particular the Long Term Incentive Plan, published in accordance with the applicable regulations;
- and also in view of the Information Document illustrating the 2017-2019 Stock Grant Plan, drawn up in accordance with Article 84-bis of CONSOB Regulation no. 11971/99, in implementation of the provisions of section 114-bis of the Consolidated Law on Finance, which has also been published in accordance with the applicable regulations;
  - having listened to the proposal of the Board of Directors concerning the 2017 Remuneration Policies of the Banca Sistema Group;
  - having listened to the proposal of the Board of Directors to set a variable-fixed remuneration ratio at a maximum of 200% (ratio 2:1);

RESOLVES

- 1) to approve the 2017 Remuneration Policies of the Banca Sistema S.p.A. Group, including the Long Term Incentive Plan and the 2017-2019 Stock Grant Plan;
- 2) to approve the setting of a maximum limit of 2:1 as the ratio between the variable and fixed components of remuneration for employees and "key personnel";
- 3) to grant the Board of Directors, in the persons of the Chairperson and the CEO, the powers necessary to fully implement the aforesaid 2017 Remuneration Policies of the

Banca Sistema S.p.A. Group - severally and with the authority to sub-delegate such powers - to be exercised in accordance with the application criteria described above, making any necessary amendments or additions for the subject matter resolved on to be implemented; ".

The Chairperson thus invites the Shareholders' Meeting to pass the aforementioned resolution.

The Chairperson ascertains the outcome of the vote:

43 (forty-three) Shareholders are present, representing 55,138,217 (fifty-five million, one hundred and thirty-eight thousand, two hundred and seventeen) ordinary shares each with a nominal value of 0.12 euro (twelve cents).

Against: 1,910,682 (one million, nine hundred and ten thousand, six hundred and eighty-two) shares representing 3.4653% (three point four six five three per cent) of total shares.

Abstaining: 0 (zero)

For: all the other shareholders present, who together hold 53,227,535 (fifty-three million, two hundred and twenty-seven thousand, five hundred and thirty-five) shares, representing 96.5347% (ninety-six point five three four seven per cent) of total shares. The proposal is approved.

The Sheet containing details of the vote is attached to these minutes under letter "Q".

The Chairperson then moves on to the eighth item on the

Agenda:

8. Remuneration Report: resolution pursuant to Section 123-ter, paragraph 6, of Italian Legislative Decree no. 58/1998.

The Chairperson reports that in accordance with Section 123-ter of the Consolidated Law on Finance, Article 84-quater and Annex 3A, Schedule 7-bis of the Issuers' Regulation, and Article 6 of the Corporate Governance Code adopted by the Corporate Governance Committee of Borsa Italiana S.p.A., on 8 March 2017 the Board of Directors, upon the proposal of the Remuneration Committee meeting held on that same date, prepared and approved the Remuneration Report. Said Report, to which reference is made, was published in accordance with, and in the manner required by, existing legal provisions, including publication on the Company's Website.

The Chairperson thus proposes not to read out the Directors' Report to the Shareholders' Meeting, published pursuant to and in accordance with the law, and filed with the registered office. The Chairperson ascertains that the Shareholders' Meeting unanimously approves.

The Chairperson then reports that the Internal Audit Department has carried out audits on remuneration practices to assess their compliance with the approved policies and the legal framework applicable to the Banca SISTEMA S.p.A. Group in financial year 2016; the Internal Audit Department's report, signed by the appearing party and by me, the Notary,

is attached herewith under letter "R".

The Chairperson then specifies that the Shareholders' Meeting is called upon, pursuant to Section 123-ter, paragraph 6, of the Consolidated Law on Finance, to resolve for or against the contents of Section I of the Remuneration Report. Pursuant to the aforementioned Section, the resolution is not binding.

Now, therefore, the Chairperson declares the discussion open. Having ascertained that no-one has intervened, the Chairperson deems the information provided in regard to the topic to be adequate, and thus declares the discussion closed.

No objections having been raised, the Chairperson thus invites the Shareholders' Meeting to approve the proposal, and thus proceeds to read out the following resolution proposal:

"The ordinary Shareholders' Meeting of Banca Sistema S.p.A., having acknowledged the Remuneration Report approved by the Company's Board of Directors on 8 March 2017, and subsequently amended on 28 March 2017, upon proposal of the Remuneration Committee meeting held on that same day, in accordance with Section 123-ter of the Consolidated Law on Finance, and with Article 84-quater and Annex 3A, Schedule 7-bis, of CONSOB's Issuers' Regulation

RESOLVES

in favour of Section I of the Remuneration Report.”.

The Chairperson thus invites the Shareholders' Meeting to pass the aforementioned resolution.

The Chairperson ascertains the outcome of the vote:

43 (forty-three) Shareholders are present, representing 55,138,217 (fifty-five million, one hundred and thirty-eight thousand, two hundred and seventeen) ordinary shares each with a nominal value of 0.12 euro (twelve cents).

Against: 1,910,682 (one million, nine hundred and ten thousand, six hundred and eighty-two) shares representing 3.4653% (three point four six five three per cent) of total shares.

Abstaining: 0 (zero)

For: all the other Shareholders present, who together hold 53,227,535 (fifty-three million, two hundred and twenty-seven thousand, five hundred and thirty-five) shares, representing 96.5347% (ninety-six point five three four seven per cent) of total shares.

The proposal is approved.

The Sheet containing details of the vote is attached to these minutes under letter "S".

The Chairperson then moves on to the ninth and last item on the Agenda:

9. Authorization to purchase and dispose of treasury shares after first cancelling the previous buy-back plan authorized

by the Shareholders' Meeting held on 27th November 2015 with respect to that portion not implemented: relating and resulting resolutions.

The Chairperson begins dealing with the question by reminding those present that the Shareholders' Meeting of 27 November 2015 had authorised the Board of Directors (i) to submit to the Bank of Italy a request for authorisation to repurchase its treasury shares for a pre-calculated amount equal to the maximum consented by Article 29, paragraph 3) of EU Regulation 241/2014 and (ii) to purchase the Company's own ordinary shares, fully paid up, of a nominal value of Euro 0.12 (twelve cents) each, for a maximum number of the overall nominal value, including any shares held by the Company and by its subsidiary companies, not exceeding the fifth part of the company capital and whose purchase value is covered by the "Reserve for future purchase of treasury shares". Subsequently, this plan, which was established for a period of 18 months from the date of the aforementioned resolution adopted by the shareholders' Meeting, was authorised by the Bank of Italy, with a letter dated 25 March 2016, following the corresponding administrative procedure conducted in accordance with Bank of Italy Circular no. 285/2013, for a predetermined amount not exceeding € 1,477,649.49 for the following purposes: (i) to support regular trading performance so as to avoid price movements that are not in



line with the market movements and to guarantee market making; (ii) to pay a portion of the variable remuneration in shares to "key personnel" as set out in the approved remuneration and incentive policies; (iii) to provide the directors with a flexible, strategic and operational tool that will allow them to use own shares as consideration for any extraordinary transactions proposed and entered into by the Company. The maximum total amount available for this purpose is €140,000.

The Chairperson continues by stating that the Board of Directors intends to proceed with its plan to purchase and make available treasury shares.

The Chairperson notes that this activity may only be carried out subject to prior authorisation from the Bank of Italy according to the aforesaid EU regulations.

The Chairperson thus proposes not to read out the Directors' Report to the Shareholders' Meeting, published pursuant to and in accordance with the law, and filed with the registered office.

The Chairperson ascertains that the Shareholders' Meeting unanimously approves.

The Chairperson then declares the discussion open. Having ascertained that no-one has intervened, the Chairperson deems the information provided in regard to the topic to be adequate, and thus declares the discussion closed.

No objections having been raised, the Chairperson thus invites the Shareholders' Meeting to approve the proposal, and thus proceeds to read out the following resolution proposal:

"The ordinary Shareholders' Meeting of Banca Sistema S.p.A., having heard and approved the proposal of the Board of Directors,

*RESOLVES*

A) TO REVOKE authorisation for the purchase and disposal of treasury shares, decided at the meeting of 27 November 2015, insofar as such authorisation has not been utilised;

B) TO AUTHORISE the Board of Directors (i) to submit Banca d'Italia the request for authorisation to repurchase its treasury shares for a pre-calculated amount equal to the maximum consented by article 29, paragraph 3) of EU Regulation 241/2014 and (ii) to purchase the company's own ordinary shares, fully paid up, of a nominal value of Euro 0.12 (zero point twelve) each, for a maximum number of the overall nominal value, including any shares held by the Company and by its subsidiary companies, not exceeding the fifth part of the company capital and whose purchase value is covered by the "Reserve for future purchase of treasury shares". The value of those treasury shares already present in the portfolio, in relation to the plan decided on by the Shareholders' Meeting of 27 November 2015, shall be deduced

from the value of those treasury shares that may be purchased on the basis of the authorisation granted today.

This authorisation shall be valid for a maximum of 18 (eighteen) months from today's date.

Shares may be purchased, also at different times, at a minimum price of no less than 15% - and a maximum price of no more than 15% - with respect to the price calculated the last working day of every week as an average of the official closing price for Banca Sistema shares of the last two TARGET calendar weeks before the day for calculation of the average price. This minimum and maximum price will remain in force for the period which will begin the day after calculation of the average price up to (and including) the day for calculation of the new weekly average price.

C) TO AUTHORISE the Board of Directors, without time limits, to resell its treasury shares afterwards, as purchased; such resale may occur at different times and before having used up the maximum quantity of shares purchasable, at a price no lower than 85% of the average book value of the whole portfolio of Banca Sistema S.p.A.'s treasury shares the day before the date of the individual sales transaction;

D) TO ESTABLISH, without prejudice to the provisions of letter "E" below, that purchases and sales may only be made by means of Market trading of "BANCA SISTEMA S.P.A." shares, according to means which, pursuant to Section 132 of Italian

Legislative Decree no. 58/1998, can guarantee the equal treatment of shareholders, and in compliance with applicable regulations and with those market practices admitted by CONSOB pursuant to Article 13 of EU Regulation no. 596/2014;

E) TO AUTHORISE the Board of Directors to hold its own "BANCA SISTEMA S.P.A." shares, possibly using the Purchase treasury shares fund:

1. to assign said shares as payment in extraordinary operations, including share purchase and/or exchange, with other parties in the context of operations of interest for the Bank;

2. to allocate said shares as part of the variable remuneration to be paid to some company figures in compliance with policies from time to time approved by the Shareholders' Meeting;

G) TO GRANT THE BROADEST POWERS to the CEO in order to perform all transactions, including those of a financial nature, related or consequent to the execution of the aforesaid resolutions, in compliance with legal and regulatory procedures in force at the time, also guaranteeing, through the management and control of the subsidiary companies, that the same abstain from any transactions regarding the "BANCA SISTEMA S.P.A." shares in order to guarantee compliance with the maximum limit of one fifth part of company capital. For all the above, the CEO is

authorised to avail of third parties, drawing up specific contracts and appointing agents or proxies for individual instruments or categories of instruments."

The Chairperson thus invites the Shareholders' Meeting to pass the aforementioned resolution.

The Chairperson ascertains the outcome of the vote:

43 (forty-three) Shareholders are present, representing 55,138,217 (fifty-five million, one hundred and thirty-eight thousand, two hundred and seventeen) ordinary shares each with a nominal value of 0.12 euro (twelve cents).

Against: 10,093,874 (ten million, ninety-three thousand, eight hundred and seventy-four) shares, representing 18.3065% (eighteen point three zero six five per cent) of the total;

For: all the other Shareholders present, who together hold 45,044,343 (forty-five million, forty-four thousand, three hundred and forty-three) share, representing 81.6935% (eighty-one point six nine three five per cent) of the total;

The proposal is approved.

The Sheet containing details of the vote is attached to these minutes under letter "T".

There being no other business to discuss, and given that nobody else asks to take the floor, the Chairperson thanks all of those present and declares this Ordinary Shareholders' Meeting closed at 11.54 a.m. (Eleven fifty-four).

I, the Notary, have read out this document to the appearing party, who approves it, and together with me signs it as a sign of confirmation of such; the appearing party exempts me from reading out the attachments, it being at 1.00 p.m.

Typed by a trusted person and completed by me, by hand, on 16 (sixteen) sheets comprising 63 (sixty-three) full pages and part of the sixty-fourth page up to this point.

## Elenco Interventuti (Tutti ordinati cronologicamente)

Assemblea Ordinaria

Allegato "A" al m. 15017/  
3918 di ref

Badge Titolare

Tipo Rap. Deleganti / Rappresentati legalmente

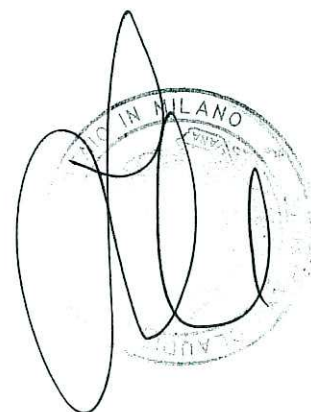
Ordinaria

Badge	Titolare	Tipo Rap.	Deleganti / Rappresentati legalmente	Ordinaria
1	GIRELLO ANNA			10.461
1	D		SOCIETA' DI GESTIONE DELLE PARTECIPAZIONI IN BANCA SISTEMA SRL	18.578.900
2	D		GARBIFIN SRL	409.453
3	D		FONDAZIONE CASSA DI RISPARMIO DI ALESSANDRIA	5.950.104
4	D		FONDAZIONE SICILIA	5.950.104
			<b>Totale azioni</b>	<b>30.899.022</b> 38,421559%
2	MARIN PATRIZIA			0
1	D		THE JUPITER GLOBAL FUND SICAV	60.000
2	D		SCHRODER INTERNATIONAL SELECTION FUND	2.289.659
3	D		VANGUARD INTERNATIONAL EXPLORER FUND	2.371.523
4	D		POLAR CAPITAL GLOBAL FINANCIALS TRUST PL	332.246
5	D		FIDELITY FUNDS SICAV	1.910.682
6	D		SCHRODER EUROPEAN SMALLER COMPANIES FUND	634.312
7	D		SCHRODER CAPITAL MANAGEMENT COLLECTIVE T	650.000
8	D		SCHRODER INTERNATIONAL SMALL COMPANIES P	32.520
9	D		CEP DEP IP EUROPEAN SMALLER COS	1.615.848
10	D		CEP DEP IP EUROPEAN OPPTS	415.293
11	D		KEYBK TTEE CHARITABLE INTL EF SMID CAP	59.045
12	D		GBVF GCIT INTL SM CAP OPP	6.230
13	D		WF VALERO ENERGY CORP PENS PLVCM	187.049
14	D		INVESCO FUNDS	819.429
15	D		THE STATE OF CONNECTICUT ACTINGTHROUGH ITS TREASURER	357.713
16	D		GRANDEUR PEAK INT OPPORTUNITIE	1.071.907
17	D		GRANDEUR PEAK GLOBAL REACH FD	134.028
18	D		GRANDEUR PAEK GLOB MICRO CAP F	60.510
19	D		ARROWSTREET CAPITAL GLOBAL ALL COUNTRYALPHA EXTENSION FUND (CAYMAN) LIMITED	54.645
20	D		NATIONAL COUNCIL FOR SOCIAL SECURITY FUND	108.000
21	D		ROYCE VALUE TRUST INC	200.000
22	D		ROYCE INTERNATIONAL MICRO-CAP FUND	18.600
23	D		ROYCE GLOBAL VALUETRUST, INC.	47.800
24	D		STATE OF ALASKA RETIREMENT AND BENEFITS PLANS	196.293
25	D		CLEARBRIDGE INTERNATIONAL SMALL CAP FUND	432.290
26	D		AXA WORLD FUNDS	600.000
27	D		GOLDMAN SACHS FUNDS	30.622
28	D		MULTILABEL SICAV	946.168
29	D		TRANSAMERICA INTERNATIONAL SMALL CAP	500.000
30	D		SS BK AND TRUST COMPANY INV FUNDS FOR TAXEXEMPT RETIREMENT PL	17.911
31	D		MICROSOFT GLOBAL FINANCE	162.139
32	D		MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM	307.129
33	D		NATIONAL WEST BANK PLC AS TRUSTEE OF JUPITER FINANCIAL OPP F	600.000
34	D		POLAR CAPITAL FUNDS PLC	820.000
			<b>Totale azioni</b>	<b>18.049.591</b> 22,443863%
3	PUGELLI CLAUDIO			0

## Elenco Intervenuti (Tutti ordinati cronologicamente)

## Assemblea Ordinaria

Badge	Titolare	Tipo Rap.	Deleganti / Rappresentati legalmente	Ordinaria
1	R		FONDAZIONE PISA	6.118.104
			<b>Totale azioni</b>	<b>6.118.104</b> 7,607590%
4			FRANCESCHI EGISTO	30.000 0,037304%
5			CIFERRI CERETTI MASSIMILIANO	15.000 0,018652%
6			GARBI GIANLUCA	26.500 0,032952%
			<b>Totale azioni in proprio</b>	81.961
			<b>Totale azioni in delega</b>	48.938.152
			<b>Totale azioni in rappresentanza legale</b>	6.118.104
			<b>TOTALE AZIONI</b>	<b>55.138.217</b> 68,561920%
			<b>Totale azionisti in proprio</b>	4
			<b>Totale azionisti in delega</b>	38
			<b>Totale azionisti in rappresentanza legale</b>	1
			<b>TOTALE AZIONISTI</b>	<b>43</b>
			<b>TOTALE PERSONE INTERVENUTE</b>	<b>6</b>



Legenda:

D: Delegante

R: Rappresentato legalmente





**BETA STEPSTONE S.p.A.**

**Banca Sistema Group**

**Annual Report and Financial Statements**

**as at 31 December 2016**

**Beta Stepstone S.p.A. with a Single Member** (hereinafter, also, the “**Company**”)

**Registered Office**

Corso Monforte, 20

20122 - Milano

Tel. +39 02 802801

Fax +39 02 72093979

Certified e-mail: [admin@pec.betastone.com](mailto:admin@pec.betastone.com)

**Administrative Headquarters**

Via Toledo, 156

80134 - Napoli

Tel. + 39 081 0609214

Fax + 39 081 0609215

Date of incorporation: 16 September 2005

Registration in the Companies' Register: 26 September 2005

Tax Code, VAT Number and registration number in the Companies' Register of Milan: 04986270967

Economic and Administrative Index (R.E.A.) number 1787383

A company belonging to the Banca Sistema Group, until 31 December 2016, and subject to management and coordination by Banca Sistema S.p.A., listed in the Companies Register of Milan under R.E.A. number 1787383, and listed at number 95 in the register of financial intermediaries pursuant to Article 107 of the Consolidated Law on Bank (TUB), previously Legislative Decree 141/2010 which temporarily continued the activities pursuant to Article 10 of Legislative Decree 141/2010 (already entered in the general list at no. 37314 set out in Article 106 of Legislative Decree no. 385 of 14 September 1993, and at no. 33112.4 of the “special list” set out in Article 107 of Legislative Decree no. 385 of 14 September 1993), removed from the register, effective 1 January 2017, following the merger by incorporation into Banca Sistema S.p.A.

Share Capital: Euro 47,000,000.00 fully subscribed and paid in

A member of ASSIFACT - Association of Italian factoring companies

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## Management and Control Bodies

### Board of Directors in office until 30/06/2016

#### Chairman

Andrea Rigoni \*

#### Chief Executive Officer

Fausto Galmarini \*\*

Francesca Discepolo

Gaetano Caprino

Antonio Salvi

### Board of Directors<sup>1</sup>

#### Chairman

Margherita Mapelli\*

#### Chief Executive Officer

Fausto Alberto Edoardo Galmarini\*\*

#### Directors

Massimiliano Ciferri Ceretti

Egisto Franceschi

Stephen Skerrett

\* Chairman of the Executive Committee

\*\* Member of the Executive Committee

### Board of Statutory Auditors in office until 30/06/2016

#### Chairman

Fedele Gubitosi

#### Standing Auditors

Francesco Genoni

Riccardo Bordoli

#### Alternate Auditors

Alessandro Ceriani

Marco Armarolli

### Board of Statutory Auditors<sup>2</sup>

#### Chairman

Diego De Francesco

#### Standing Auditors

Fedele Gubitosi

Massimo Conigliaro

#### Alternate Auditors

Alessandro Ceriani

Marco Armarolli

#### Independent Auditors

PricewaterhouseCoopers S.p.A.

### Supervisory Board<sup>3</sup>

Mr Daniele Discepolo

Mr Manlio Genero

Ms Maria Salvi

<sup>1</sup> In office since 01/07/2016.

<sup>2</sup> In office since 01/07/2016.

<sup>4</sup> Appointed by the Board of Directors on 15 December 2010

## Directors Report on Management Performance

Dear Shareholders,

we highlight the following major events that occurred during the year just ended:

- On 4 February 2016, Stepstone Financial Holdings S.à.r.l. (hereinafter, “**Stepstone FH**”), the previous Single Shareholder and Banca Sistema S.p.A. (hereinafter “**Banca Sistema**”) reached an agreement regarding the transfer to the latter of the Company’s entire share capital, subject to authorisation of the Supervisory Authority;
- regarding the request made in October 2015 to be listed in the register of Financial Intermediaries under amended article 106 of the Consolidated Law on Banking, on 22 April 2016, the Bank of Italy informed the Company that the procedure had been initiated with effect as of 6 April 2016;
- With provision no. 821439 from 23 June 2016, the Bank of Italy granted authorisation to Banca Sistema to acquire a 100% equity interest in the Company;
- With regard to fulfilment of the above mentioned agreement dated 04 February 2016, on 28 June 2016 the company - having received official approval from the Bank of Italy - repaid Stepstone FH the subordinated loan granted for regulatory purposes of Euro 10,000,000, along with the interest accrued from the date on which the loan was granted, and
- on 1 July 2016, at the offices of the notary Cavallotti in Milan, the transfer of shares from the previous Single Shareholder to Banca Sistema was finalised. From that date, Beta Stepstone became part of the Banca Sistema banking group and Banca Sistema assumed the management and coordination activities. The latest financial information available for Banca Sistema are reported in the Notes to the financial statements in Section 6 - Related party transactions, pursuant to Article 2497-bis, paragraph 4 of the Italian Civil Code.
- On the same day, after the previously mentioned transfer of shares, a shareholders’ meeting was held and the new members of the Board of Directors and the Board of Statutory Auditors were appointed. Mr. Fausto Galmarini, already the CEO, was reconfirmed for that role;
- On 29 July 2016, taking into account the indications received from the parent company, the Company’s Board of Directors approved the plan for the merger by incorporation of Beta Stepstone S.p.A. into Banca Sistema S.p.A., with finalisation being subject to authorisation by the Supervisory Authority, and in this context, deliberated to continue commercial operations until the merger exclusively with “revolving” customers, channelling the new assignment transactions to Banca Sistema through an ad hoc collaboration agreement;
- On 16 September 2016, the Company and Banca Sistema signed the aforementioned commercial collaboration agreement, setting the relative economic conditions;

- By letter on 28 September 2016, having acknowledged the authorisation request for the merger by incorporation presented by Banca Sistema, the Supervisory Authorities informed the Company of the suspension of the registration procedure terms under amended article 106 of the Consolidated Law on Banking pending the final outcome of the merger project;
- Through an order on 7 October 2016, provided pursuant to article 57 of Legislative Decree no. 385 of 1 September 1993, the Bank of Italy authorised the merger of the Company into Banca Sistema;
- On 26 October 2016, the Board of Directors definitively approved the plan for the merger by incorporation of Beta Stepstone S.p.A. into Banca Sistema S.p.A.;
- On 12 December 2016, the deed of merger by incorporation of Beta Stepstone into Banca Sistema drafted by Mr Luigi Augusto Miserocchi, notary public (rep. no. 104594 folder no. 21786) was signed, with legal and tax effect from 1 January 2017. Beginning on this latest date, pursuant to Article 2504 bis of the Italian Civil Code, Banca Sistema acquired all the assets and assumed all the liabilities previously belonging to the Company;
- On 1 January 2017, as a result of the merger, Beta Stepstone has ceased trading.

## **Domestic and international macro-economic overview**

Global economic conditions have improved slightly (Source: Bank of Italy economic bulletin January 2017). A number of uncertainties continue to weigh on the outlook. Prospects for the United States will depend on the economic policies enacted by the new administration which have yet to be worked out in detail. The announced fiscal policy measures could have an expansionary effect although it is difficult to quantify at the moment, but negative effects may result from the adoption and spread of restrictive trade measures. Global growth could be slowed by turbulence in emerging market economies associated with the normalisation of US monetary policy.

Expectations in the financial markets of an expansionary budgetary policy and higher inflation in the United States, which emerged after the presidential elections, have triggered a shift in portfolios from bonds to equities. Long term yields have also risen in other advanced economies, but only to a limited extent due to a divergence of monetary policies.

Capital outflows from emerging economies have resumed. Growth in the Euro area continues at a moderate though gradually strengthening pace.

The risks of deflation have decreased; inflation increased in December but core inflation is still at low levels. In order to maintain adequate expansive monetary conditions and ensure inflation continues to move upward, the ECB's Governing Council has decided to extend its bond purchasing programme at least until December 2017, or beyond, of necessary.

According to the latest available indicators, in autumn the Italian economy continued to recover, even if only moderately.

Considering the trends in industrial production, electrical consumption and freight transport, which all recorded growth, and the business confidence indicators which are at high levels, GDP is estimated to have increased at a rate of around 0.2% in the fourth quarter of 2016 compared to the previous period.

Economic activity was stimulated by a pick-up in investments and increased household spending. Signs of stabilisation in the construction sector, and especially in the residential sector, have been confirmed. The downward trend in the consumer confidence index, which started in the beginning of the year, stalled in December.

The Bank of Italy's TARGET2 debtor position remained essentially unchanged in the last quarter of 2016, reaching 357 billion Euro at the end of December. Considering the balance of payments figures (for which data is available up to November), the continuous widening of the balance between January and November can be attributed above all to the diversification of Italian households portfolios towards asset management services and insurance products - which are characterised by investment policies that are less biased towards domestic assets - and from the drop in bank funding



on the international markets, which coincided with the creation of liquidity through the Eurosystem programmes. The surplus in the current account has recorded a further improvement.

In the third quarter of 2016, total employment stabilised and the number of employed workers, both fixed term and permanent, increased. The latest economic indicators point to a moderate expansion in employment in the final months of 2016.

During the year, the trend in private-sector salaries decreased considerably, impacted by both the delays in many renewals, and from the lack of salary increases given in 2016: the significant freeze in contractual salaries has impacted nearly half of payrolled workers.

The forecast for the Italian economy, updated based on the most recent developments and corrected for the number of working days, indicate an average increase in GDP of 0.9% in 2016. For this year, it is expected to grow at about the same pace of 0.9%, before increasing to 1.1% in both 2018 and 2019.

Economic output will still be driven by domestic demand already in this year, and also by the gradual strengthening in foreign demand.

The level of GDP in 2019 will still be about 4 percentage points lower than 2007.

The economic framework assumes a continued moderate level of long-term yields and relaxed credit standards in terms of cost and availability.

Overall, it is estimated that the risks to growth remain primarily oriented towards the downside. The main factors feeding the uncertainty, apart from the financial conditions, stem from the global situation.

In contrast to the main assumptions underpinning the projections, the risk is particularly high that the global economic recovery may be affected by the emergence and spread of protectionist policies along with possible turbulence in emerging economies.

## Public Finances

Estimates based on information, that are still preliminary, provided by the Bank of Italy (cfr. Economic Bulletin of the Bank of Italy - January 2017), suggest that, in 2016, public administration net borrowing would decrease compared to 2015 and that the reduction could even be slightly greater than the decrease communicated by the government in September's Update of the 2016 Economic and Financial Document. Moreover, the ratio of debt to GDP is estimated to have grown slightly. Official assessments indicate that the budgetary provisions for the three-year period 2017-19 grew the deficit by about half a percentage point on average of GDP compared to the current scenario.

In 2016, state sector borrowing reached 47.7 billion Euro, a decrease of about 11 billion Euro compared to 2015. In the first eleven months of the year, the general government borrowing requirement net of real estate sales, came to 53.3 billion Euro, around 10.5 billion Euro less than the corresponding period of 2015.

Based on estimates released by Istat, in the first nine months of last year, net borrowing by the public administration was 2.3% of GDP compared to 2.6% reported in the corresponding period of 2015. The increase in primary current expenditures (1.2%), driven by the growth in intermediate consumption expenditures (2.4%) and cash social benefits (1.8%), were more than offset by the positive trend in inflows (0.9%), lower interest payments (-2.6%) and by a reduction in capital account expenditures (-8.1%). Regarding this last item, fixed gross investments posted a modest decline of 0.5% while the reduction in other capital account expenditures was more significant at -19.1%.

At the end of November government borrowing amounted to 2,229.4 billion Euro, an increase of 56.7 billion compared to the end of 2015. Given the reduction in the Treasury's cash balance of around 3 billion Euro and the government's probable cash surplus in December, in 2016 the ratio of debt to GDP is expected to have increased by less than half a percentage point.

In December, Parliament approved the budgetary provisions for the three-year period 2017-19. These include expansionary measures valued at about 26 billion against funding generation of just over 13 billion. The budgetary provision with the most impact on the public finances is the cancellation, for this year only, of the VAT rate increase which, according to current legislation, would have generated more than 15 billion in additional revenue. An additional 11 billion or so were allocated almost entirely to increased expenditure aimed at boosting investments and providing income support to certain segments of the population. Finally, funds have been allocated for multi-year expenditures related to managing seismic emergencies. Half of the financial coverage comes from expected revenues from anti-tax evasion measures and tax collection measures such as the extension of the voluntary disclosure deadlines and settlements and concessions in tax collection cases.

According to official assessments the provisions will bring net borrowing to 2.3% of GDP this year, 0.7% higher than that current trend.

According to the government's estimates for the two-year period 2018-19, the deficit will decrease more rapidly than in 2017, in large part due to the increase in indirect taxes under the safeguard clauses, from greater permanent income from anti-tax evasion measures and from the delay, as provided for in the budgetary provisions, of certain capital expenditures in the period from 2019 to 2020.

## **The banking sector**

Based on information provided by the Bank of Italy (cfr. Economic Bulletin of the Bank of Italy - January 2017), in the three months ended in November, lending to the private non-financial sector grew slightly (1.1% adjusted for seasonality and annualised). Household lending accelerated to 2.1% with continued robust growth both in consumer credit (2.7%), driven by the trend in disposable income, and from home mortgages (2.0%), which is in line with the increase home sales.

In November, the increase in lending to businesses was marginally positive over the three months (0.3%, adjusted for seasonality and annualised) and was unchanged over the twelve months. Differences persist based on the economic sector: lending to companies in the services sector continued to increase (2.3% over twelve months), whereas loans to manufacturing companies dropped slightly (-0.5%). The contraction in lending to construction firms continues to worsen (-5.4%). Lending to firms with 20 or more employees has essentially flat at 0.4%, while the decline in lending to smaller sized firms slowed slightly to -3.2%.

Between August and November total funding of Italian banks remained substantially stable. The increase in resident deposits and the greater use of refinancing transactions with the Eurosystem have somewhat offset the drop in bonds held by households. The placement of bonds with intermediaries and institutional investors has continued to decline.

The demand for business loans has remained substantially unchanged. Demand from households for home mortgages and consumer credit have continued to strengthen and are driven by low interest rates and the improved outlook in the real estate market.

Banks have made use of the Targeted Longer-Term Refinancing Operations (TLTRO2) mainly to take advantage of the very favourable interest rates. The liquidity obtained overall was used, and will continue to be used to replace the refinancing operations with Eurosystem, to grant loans to firms and households and, to a lesser extent, to replace other maturing debt. The operations have had a positive impact both on the lending policies and on the terms and condition offered on loans to customers.

The cost of credit is currently at historically low levels. In November, the average interest rate on new business loans continued to decrease by 10 basis points to 1.6% compared to August. The cost of new mortgages dropped by 15 basis points to 2.2% for fixed rate loans, and by 10 basis points to 1.7% for variable rate loans. The spread with the euro-area average remained practically nil for loans to firms and was very narrow for those to households (25 basis points).

The improvement in the economic outlook continues have a beneficial effect, albeit gradual, on the credit quality of Italian banks. In the third quarter of 2016, the ratio of new non-performing loans and receivables to total outstanding loans fell three-tenths of a percent from 2.9% to 2.6% on a seasonally

adjusted annualized basis. The ratio fell by four-tenths of percent 4.1% for loans to firms and by two tenths of a percent to 1.7% for those to households.

According to ABI, the stock of net non-performing loans at the end of 2016 totalled 86.9 billion Euro representing 4.89% of total loans.

The profitability of the significant banking groups diminished in the first nine months of 2016 compared with the same period last year: annualized ROE dropped to 1.4% from 3.8%. Net interest income and other income decreased by 4.3% and 1.4 %, respectively.

Operating costs increased by 6.1%, mainly due to the extraordinary expenses associated with voluntary redundancy schemes for some personnel and with contributions to the deposit guarantee and resolution funds.

Gross income diminished by about one fifth. Write-downs of loans and receivables rose by 20.6 per cent, following the significant increase in the NPL coverage ratios by some banks.

Capital adequacy improved slightly in the third quarter. The CET1 ratio for the significant banking groups averaged 11.9% of risk-weighted assets, about 10 basis points higher than in June.

At the end of December, the Government authorized the financing of possible measures, in the form of guarantees for newly issued liabilities or capital injections, to support Italian banks or banking groups, up to a maximum of 20 billion Euro for 2017; it will proceed with the precautionary recapitalization requested by Banca Monte dei Paschi di Siena, in compliance with European regulations on bank recovery and resolution and State aid.

## **The Italian factoring market**

The Italian factoring market represents a significant share of both the worldwide and European factoring markets (about 8% and 11%, respectively according to the latest information provided by EUF) and is equal to about 12% of GDP.

According to Assifact, turnover realised by operators in the sector totalled 202,402 million Euro in 2016, an increase of 9.53% with respect to the prior year.

Unlike the trend in bank loans, which were severely impacted by the economic crisis that characterised the last 9 years, factoring saw continuous growth in business over the same period (from the pre-crisis period in 2007 to 2016, turnover increased by 60%), demonstrating a certain resilience to negative economic events, as well as being clearly anti-cyclical.

Outstanding receivables at 31 December 2016 totalled 61 billion Euro, an increase of 6.12% with respect to 2015. Without recourse (including permanently acquired position) represents 69.5% of the total versus 30.5% for with recourse.

The total of loans (advances to sellers and consideration for permanently acquired loan positions) was 49.7 billion Euro, an increase of 8.43% with respect to the previous year.

The capacity of the sector to support businesses during the downward phase of the cycle is related to the operators' unique approach to managing risks in which evaluation is not limited to the party being financed, but the quality of the factored receivables and the solvency of the debtors are also considered (payments are monitored on a daily basis). The attention paid to managing the factored receivables allows for risk to be significantly better contained with respect to normal bank loans.

From preliminary estimates provided by Assifact on a sample of 16 members, gross doubtful loans in the factoring segment at 31 December 2016 were 3.20% of total exposure (less than one third of the figure reported by Banks), the unlikely to pay category was 1.45%, and the non-performing past due exposures were 2.02%.

With regard to the geographical breakdown of the sellers (sample of 21 members representing 91% of turnover), the most developed areas is Lombardy (30%), followed by Lazio (24%), Piedmont (11.7%), Veneto and Emilia Romagna (both at 6.5%), followed by Campania (4%) and Tuscany (3.5%).

With regard to assigned debtors, most are located in Lazio (27%), in Lombardy (21%), Emilia Romagna (7.6%), Piedmont (7.5%), Veneto (6.5%), Campania (6.4%), Tuscany (4.9%), and Sicily (3.5%).

More than 23% of outstanding receivables are Public Administration debtors, while the sector's exposure is 17%.

The non-performing exposures account for 6.67% of total gross exposures (down from 8.6% in 2015). Doubtful receivables make up 48%, non-performing past due exposures 30% and unlikely to pay 22%. With recourse transactions account for the majority of loans in both the non-performing and doubtful categories.

With reference to the Public Administration, at 31 December 2016, 35% of outstanding credit was past due (of which 58% was more than one year past due). Past due certified receivables account for 3.10% of the total.

With reference to the economic sector, 48% of the past due are from National Health Service entities, 27% from Central Administration offices, and 23% from the local authorities.

With regard to the breakdown by territory, 39% of past due receivables refer to entities located in Lazio, 16% to entities located in Campania, 8% in Sicily, 7% in Calabria, 6% in Puglia, and 5% in Tuscany.

## **Summary of Company performance and management results**

Notwithstanding the efforts made over the years by the last three governments with disbursement of 56 billion Euro overall (the most robust since the enactment of Legislative Decree no. 35 of 08 April 2013, converted by Law no. 64 of 06 June 2013) to reduce the stock of certain, liquid and collectable pre-existing Public Administration debt, and the transposition of the EU regulation on late payments that exacerbated the amount of default interest for payments beyond 30 days (60 days for some entities of the national health service located in Regions subject financial recovery plans), public entities continue to have difficulties in fulfilling payment commitments at agreed due dates.

An estimate by the Bank of Italy in June 2016 puts the total debt owed by the Public Administration at 65 billion Euro, 31 billion of which are “physiological” and 34 billion are past due. The previously mentioned statistics as of 31 December 2016 regarding past due debt provided by Assifact are emblematic in this regard and evidence that this phenomenon persists.

For suppliers, the assignment of loans and receivables from public entities, especially without recourse, has represented, and will continue to represent an important tool for rebalancing their finances and for entrusting judicial credit recovery to third parties. In this context, the sector has performed, and will continue to perform, an important role in supporting SMEs even in relation to the difficulties in lending that have come forth in banking system because of increased risk and the subsequent capital reinforcement requirements from the Supervisory Authorities.

However, the Company was unable to take advantage of the favourable conditions of this specific market, despite have plenty of liquidity, because it was instructed by its former parent company to curb operations because of the advanced negotiations with a banking group, negotiations that were concluded on 4 February 2016 with the signing of an agreement in which Stepstone FH, the former Single Shareholder, would transfer 100% of its shares to Banca Sistema, subject to authorisation from the Supervisory Authority.

Having received the necessary authorisations, on 1 July 2016 the former Single Shareholder and Banca Sistema signed the closing agreement and on the same date the Company became part of the Banca Sistema Group.

In the second half of the year, in connection with the proposed merger of the Company into Banca Sistema, commercial operations were in large part channelled towards the parent through an ad hoc collaboration agreement (the Company continued operating only with revolving customers).

Consequently, turnover was impacted by the above mentioned constraints reaching 37.4 million Euro, a decrease of 14% with respect to 2015.



Considering (i) the plentiful amount of liquidity available and (ii) the agreements between the buyer and the seller, even from a cost management point of view, on 28 June 2016, the Company repaid the subordinated loan to the former Single Shareholder granted for regulatory purposes, in advance and without penalty, including accrued interest from the date on which the loans was granted, upon receiving clearance from the Bank of Italy.

As mentioned in the previous report to the financial statements, in January 2016, the Company, with the support of its tax consultants, filed a detailed defence with the Inspections Division of the Revenue Office regarding the observations in the tax audit report (PVC) issued on 04 December 2015 by the Revenue Office regarding the 2012 tax year challenging the transfer pricing on intercompany loans.

In the first half of 2016, the Company provided the Revenue Office with additional requested documentation (always regarding transfer pricing on intercompany loans but this time with reference to the 2011 and 2013 fiscal years, as well as information and data related to, and provided by the former Single Shareholder. As of today, no measures were issued regarding the 2012 tax year.

However, on 14 December 2016, the Revenue Office notified the Company of two assessment notices regarding the 2011 tax year (one for transfer pricing for 1,093 m, and the other for withholding tax for 1,404 m). A specific provision for these assessments was not made since the Company feels that it has fully complied with the regulations and intends to present its case in the appropriate forum. In that regard, Banca Sistema (who took over Beta Stepstone as a result of the merger with effect as from 1st January 2017), obtained eligible guarantees and contractual indemnities from the former sole shareholder of Beta Stepstone (Stepstone Financial Holdings).

### Operating results

Revenues derived from interest on loans and receivables without recourse (from the assignor), from legally established late payment interest (from the debtor), from capital gains (difference between the nominal value of collected receivables and the amortised cost), and interest on bank deposits, decreased by 3.3% with respect to the prior period attributable to the decrease in portfolio loans and receivables resulting from collections volumes being higher than new acquisitions, and to the decrease in bank deposits from the early repayment to the former Single Shareholder of the subordinated loan granted for regulatory purposes.

Despite the drop in turnover for the reasons mentioned above, commission revenues recorded an increase of 2.8% attributable to a non-recurring income item (231 penalty) collected from an assignor on some legally actioned loans and receivables for which the legal rate of interest was recognised by the courts, and not the late payment interest according to Legal Decree 231.

Repayment of the subordinated loan mentioned previously allowed for a significant reduction in the funding costs (-68%) which more than offset the slight drop in revenues.

This resulted in a significant improvement in the net interest and other banking income which grew by 19.6% with respect to the previous year.

With regard to operating costs, there was an additional decrease in personnel costs (-15.8%) following the redundancy of 4 resources (one of which was a senior manager), and the transfer of 3 resources (including one senior manager) to the parent company Banca Sistema in fourth quarter, despite the “extraordinary” incentive paid to a redundant executive.

Administrative expenses also decreased, down -23% compared with the previous year, mainly from lower consultancy and legal expenses.

The total write-backs resulting from the collection of more late payment interest and impaired loans and receivables than expected is significantly below the figure from the previous year because of the lower volume of collections and for the lack of “extraordinary” compensation recorded in 2015 tied to late payments by certain debtors. The existence of such a significant write-back amount, even in the current year, demonstrates the continuous prudence adopted by the Company in estimating provisions. With regard to default interest, which was accounted for only after the judicial assessment, it should be noted that the company policy requires a 20% lump-sum adjustment that is supported by a historical series collection data from completed judgements which show that recovery is more than 90%.

In 2016, taxes again benefited from the abatement resulting from ACE (aid to economic growth) which is granted through regulation to companies that strengthen their financial position or reinvest their earnings. The overall rate was 21% versus 31% in 2015.

Profit after tax was down 14.8% on 2015.

Net profit on the other hand was substantially in line with the previous year despite a slow down in operations.

## Main operating information

The following tables provide a comparison of turnover, outstanding receivables, and collections at 31 December 2016 and 31 December 2015.

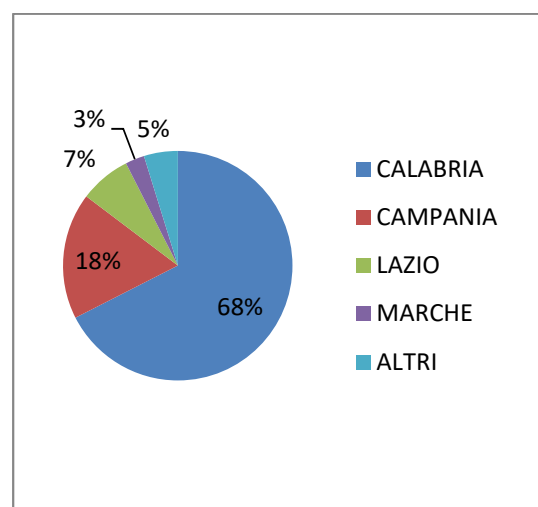
### Turnover

Millions of Euro	2016	2015	Change
<i>Without recourse</i>			
CALABRIA	8.0	4.7	71%
CAMPANIA	3.4	6.6	-49%
<b>Total Without Recourse</b>	<b>11.4</b>	<b>11.2</b>	<b>1%</b>
<i>With recourse</i>			
CALABRIA	17.3	17.9	-3%
CAMPANIA	3.7	5.5	-33%
LAZIO	2.7	6.1	-55%
MARCHE	1.0	1.3	-22%
MOLISE	0.1	0.4	-74%
SARDINIA	1.3	1.5	-16%
<b>Total With Recourse</b>	<b>26.1</b>	<b>32.7</b>	<b>-20%</b>
<b>Total turnover</b>	<b>37.4</b>	<b>43.9</b>	<b>-15%</b>

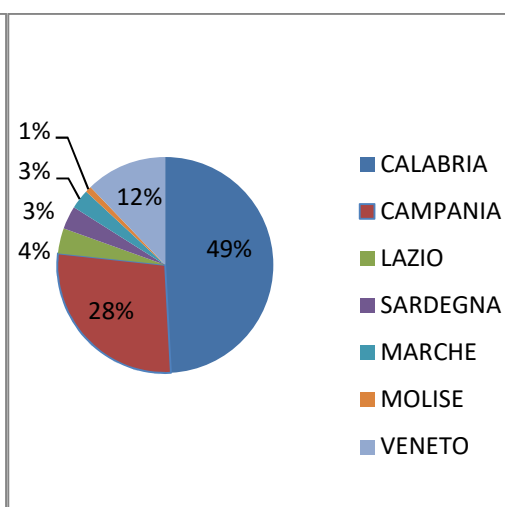
The number of invoices acquired in 2016 were 1,282 (of which 838 with recourse) compared to 1,265 (of which 931 with recourse) in 2015.

### Distribution of assigned debtors by geographical area

Turnover by region 2016



Turnover by region 2015



## Outstanding receivables (at face value, excluding default interest receivables)

Outstanding receivables at their nominal value at 31.12.2016 are geographically distributed as follows:

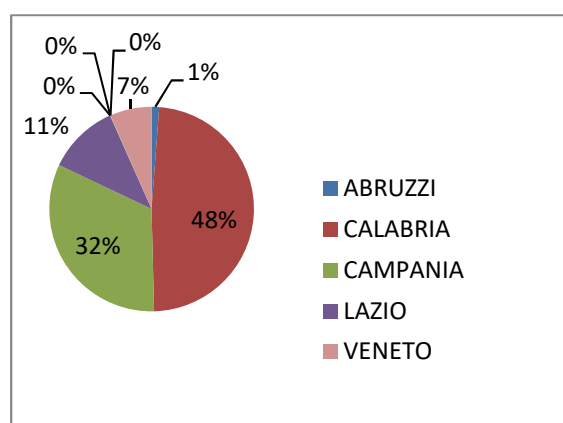
€/million	2016	2015	% Change
CALABRIA	30.3	38.8	-22%
CAMPANIA	20.4	20.9	-3%
LAZIO	7.1	11.2	-37%
VENETO	4.1	0.0	100%
OTHER	0.8	0.2	411%
<b>TOTAL</b>	<b>62.7</b>	<b>71.1</b>	<b>-12%</b>

## Distribution by product

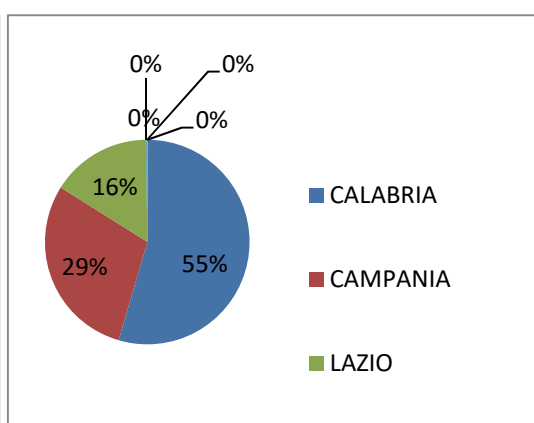
€/million	Without recourse	With recourse
CALABRIA	25.4	5.0
CAMPANIA	16.2	4.9
LAZIO	4.5	2.5
MOLISE	0.01	0.0
PUGLIA	0.03	0.0
VENETO	0.0	4.1
<b>TOTAL</b>	<b>46.2</b>	<b>16.5</b>

## Distribution by geographical area

Outstanding by region 2016



Outstanding by region 2015



## Collections

### Collection detail

Capital balance of without recourse receivables

Capital balance of with recourse receivables

Interest on receivables without recourse

**Total**

	Fiscal year 2016	Fiscal year 2015
Capital balance of without recourse receivables	15,263,941	24,308,432
Capital balance of with recourse receivables	30,128,568	20,586,298
Interest on receivables without recourse	4,292,091	10,749,957
<b>Total</b>	<b>49,684,601</b>	<b>55,644,687</b>

## Human Resources

As at 31 December 2016, excluding the Chief Executive Officer, the Company had 12 employees.

	Employees at 31 December 2015	Joiners	Promotions	Terminations/Leavers	Employees at 31 December 2016
Managers	2	-	-	(2)	0
Middle managers	7	-	-	(2)	5
Office workers	10	-	-	(3)	7
<b>TOTAL</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>(7)</b>	<b>12</b>

of which:

	Naples office	Milan office	Employees at 31 December 2016
Managers	0	0	0
Middle managers	4	1	5
Office workers	7	0	7
<b>TOTAL</b>	<b>11</b>	<b>1</b>	<b>12</b>

Note that 3 of the 7 leavers (one manager, one middle manager, and one office worker) were hired by the parent Banca Sistema in the second half of 2016 in view of the merger of the Company.

## **Exposure and management of financial risks**

Information related to the Company's exposure to financial risks and the management policies are illustrated in the notes to the financial statements in part D - Other disclosures.

## Commentary on the financial results

### Income statement

In €

		2016	2015
10	Interest and similar income	4.962.193	5.132.023
20	Interest and similar expense	(516.102)	(1.593.796)
	<b>Net interest income</b>	<b>4.446.091</b>	<b>3.538.227</b>
30	Fee and commission income	1.311.514	1.275.020
40	Fee and commission expense	-	-
	<b>Net fee and commission income</b>	<b>1.311.514</b>	<b>1.275.020</b>
	<b>Total income</b>	<b>5.757.606</b>	<b>4.813.247</b>
100	Net impairment losses/reversals of impairment losses on:	1.340.618	3.113.045
	<i>a) financial assets</i>	1.340.618	3.113.045
	<i>b) other financial transactions</i>	-	0
110	Administrative expenses:	(3.046.656)	(3.683.412)
	<i>a) personnel expenses</i>	(1.659.837)	(1.971.853)
	<i>b) other administrative expenses</i>	(1.386.819)	(1.711.559)
120	Depreciation and net impairment losses on property and equipment	(12.912)	(32.430)
130	Amortisation and net impairment losses on intangible assets	(17.222)	(54.431)
150	Net accruals to provisions for risks and charges	(500.000)	0
160	Net other operating expense	(55.110)	(84.379)
	<b>PRE-TAX PROFIT FROM CONTINUING OPERATIONS</b>	<b>3.466.324</b>	<b>4.071.640</b>
190	Income taxes on continuing operations	(731.442)	(1.270.045)
	<b>PROFIT FOR THE YEAR</b>	<b>2.734.882</b>	<b>2.801.596</b>

The 2016 financial year closes with net income of Euro 2,734 thousand after recording income taxes of Euro 731 thousand.

The positive change in interest margins is tied to the significant reduction in funding interest resulting from the Company's full repayment during the period, to the (former) single shareholder, of the subordinated loan using its own available funds.

With respect to interest income: late payment interest from debtors (without-recourse operations) remained stable, interest earned from customers on with-recourse advances increased, while interest on bank deposits decreased because of the reduction in the bank balance following the repayment of the subordinated loan mentioned previously.

Net commissions are in line with previous year.

Fixed costs decreased significantly both as a result of lower personnel costs (7 fewer employees compared to 2015) despite the payment of a leaving incentive to a manager (€100k) and as a result of lower administrative expenses (consultancy and legal expenses).

The composition of interest and similar income is detailed below.

	31-dic-16	31-dic-15	Change
Default interest	3.426.930	3.469.955	-1%
Interest income - customers	1.778.625	1.308.713	36%
Other interest income - debtors' compensation, etc..	-	343.035	-100%
Interest income - banks	234.727	488.900	-52%
<b>Total interest income</b>	<b>5.440.281</b>	<b>5.610.602</b>	<b>-3%</b>
<b>Write-down of default interest</b>	<b>(959.668)</b>	<b>(648.403)</b>	<b>48%</b>
<b>Interest income, net of write-down</b>	<b>4.480.613</b>	<b>4.962.200</b>	<b>-10%</b>
Realised gains	1.903.462	1.330.859	43%
Gain / Loss from application of IAS	(1.421.881)	(1.161.036)	22%
<b>Total Gains / Losses</b>	<b>481.581</b>	<b>169.824</b>	<b>184%</b>
<b>Interest and similar income</b>	<b>4.962.193</b>	<b>5.132.023</b>	<b>-3%</b>

Interest expense decreased by 68% compared to the previous year as a result of the repayment of the subordinated loan to the former single shareholder.

	31-dic-16	31-dic-15	Change
Interest and financial charges	577	33.090	-98%
Interest expense and bank charges	15.799	50.620	-69%
Interest expense - Shareholder Loan	-	310.086	-100%
Interest expense - Subordinated Shareholder Loan	499.726	1.200.000	-58%
<b>Total interest and similar expense</b>	<b>516.102</b>	<b>1.593.796</b>	<b>-68%</b>
Economic effect amortised cost receivables without			

The increase in total income and the simultaneous reduction in fixed costs led to an improvement in profitability from ordinary operations.

The decrease in pre-tax profit is attributable to lower write-backs on default interest receivables (2015 was positively impacted by extraordinary compensation received from some debtors from the Campania region, who were tied to late payments on a portion of the receivables included in the memorandum of understanding that had been entered into with the Campania Region).



Profit after-tax is essentially in line with that of the previous year thanks to lower taxes from applying the ACE tax incentives.

## Statement of financial position

In €

	Assets	31/12/2016	31/12/2015
10	Cash and cash equivalents	1,762	1,937
40	Available-for-sale financial assets		
60	Loans and receivables	83,454,122	105,580,711
	with banks	14,360,698	28,765,262
	with customers	69,093,424	76,815,448
100	Property and equipment	30,533	96,352
110	Intangible assets	13,656	23,728
120	Tax assets	4,800,230	2,457,456
	<i>a) current</i>	2,420,856	46,795
	<i>b) deferred</i>	2,379,375	2,410,661
	<i>including as per Law no. 214/2011</i>	1,272,761	1,339,749
140	Other assets	1,227,385	1,598,622
	<b>Total assets</b>	<b>89,527,688</b>	<b>109,758,805</b>

	Liabilities and equity	31/12/2016	31/12/2015
10	Financial liabilities	19,575,096	39,373,515
70	Tax liabilities:	5,913,856	5,230,561
	<i>a) current</i>	1,074,849.86	16,861
	<i>b) deferred</i>	4,839,006	5,213,700
90	Other liabilities	1,470,392	3,056,938
100	Post-employment benefits	357,830	414,072
110	Provisions for risks and charges:	500,000	0
	<i>a) pension and similar obligations</i>	0	0
	<i>b) other provisions</i>	500,000	0
120	Share capital	47,000,000	47,000,000
160	Reserves	12,068,697	11,928,617
170	Valuation reserves	(93,064)	(46,493)
180	Profit (loss) for the period	2,734,882	2,801,596
	<b>Total liabilities and equity</b>	<b>89,527,688</b>	<b>109,758,805</b>

The decrease in assets is mainly attributed to the reduction in portfolio loans and receivables, and the funds available in the bank accounts.

With regard to the loans and receivables, collections during the period were higher than disbursements for new acquisitions while cash in banks was in large part used to repay the subordinated loan and to pay the 2015 dividend to the former single shareholder.

The increase in deferred tax assets is tied to the current tax receivables (advance payments of IRES/IRAP).

The changes in liabilities are illustrated below:

*Figures in '000*

<b><u>Liabilities detail</u></b>	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>Absolute change</b>
Due to financial institutions		52	52
Amounts due to assignors for II tranches	19,575,096	23,198,305	3,623,210
Subordinated loan from the Shareholder	0	16,175,158	16,175,158
<b>Total liabilities</b>	<b>19,575,096</b>	<b>39,373,515</b>	<b>19,798,420</b>

The decrease in liabilities is attributed to (i) the decrease in the amounts due to assignors in relation to payment of the second tranches, and (ii) repayment of the subordinated loan mentioned above.

The other liabilities consist mainly of (i) legal fees payable to be settled for Euro 0.5 million, (ii) Due to entities for collections to be recharged and RTU for Euro 0.5 million, (iii) trade payables for Euro 0.2 million, (iv) due to social security institutions for Euro 0.1 million.

As a result of the profit achieved, total equity is in line with the previous year despite the 2015 dividend payment to the former Single Shareholder.

No research and development activity was carried out during the year.

## Other disclosures

### **Fulfilment requests from the Bank of Italy following registration in the “special list” according to Article 107 (previous text) of Legislative Decree no. 385/93.**

With regard to the merger of the company into Banca Sistema, with legal and tax effect from 1 January 2017, the company fulfilled, for the last time and on an individual basis, the following regulatory requirements:

- Report to the Central Credit Register the reporting obligations of credit exposures in relation to registration in the special list.
- Supervisory Reports relative to financial position data as set out in the regulations.
- Usury Reporting, forwarding of information, over the course of the year and within the set deadlines, regarding with-recourse advances disbursed to customers, and loans granted to transferors on returned, without-recourse positions, as reporting of public debtor exposures is not envisaged.
- Communication related to key shareholders, within 30 days of the expected date.
- Communication related to corporate bodies, in accordance with the methods and the due dates set out in the applicable regulations.

*The ICAAP Report*, which the company has regularly filed with the Bank of Italy for the years 2012, 2013, 2014 and 2015, will not, however, be prepared on an individual level for 2016 because it will be prepared by the incorporating company, Banca Sistema.

## **Relations with related parties**

Relations with related parties relate exclusively to the current account with the parent Bank which had a cash balance of Euro 14,294,789 at 31 December 2016 and is subject to condition normally found on the open market, as well as the commercial collaboration agreement signed on 16 September 2016 which has resulted in the Company receiving commissions from Banca Sistema totalling Euro 46,695.

It should also be noted that in the first half of 2016, having received clearance from the Bank of Italy, the Company repaid the former Single Shareholder Stepstone FH - a related party until 1 July 2016 - the subordinated loan granted for regulatory purposes of Euro 10,000,000, along with the interest accrued from the date on which the loan was granted (of which Euro 499,726 attributable to the year).

## **Treasury shares and shares of the parent company**

The Company does not hold, nor has it held during the year, directly or indirectly through other parties, treasury share or shares of the parent companies.

## **Fair Value of financial instruments**

At 31 December 2016, there were no financial assets or financial liabilities valued at fair value on a recurring basis.

Regarding the determination of fair value of the financial instruments to be provided in the mandatory disclosure in the Notes to the Financial Statements, the following methods were applied:

- for financial items (both assets and liabilities) with a remaining duration equal to, or less than 18 months, it was deemed reasonable to consider the carrying value as they consist exclusively of current bank accounts assets and liabilities;
- For other *in bonis* financial items, in cases where a market price or a price set by trade associations or supervisory bodies, the stated value is derived from an estimate of the fair value on a going concern basis (due to the merger with Banca Sistema) and with the Company not having to significantly reduce its assets at unfavourable economic conditions. This value nonetheless reflects the quality of the assets.

Also, at 31 December 2016 the Company does not hold any derivative instruments.

## Internal Control System

The Internal Control System consists of the sets of rules, the procedures and the organisation structures that seek to ensure compliance with the business strategies and the achievement of effective and efficient processes, the safeguarding of assets and the protection from losses, the reliability, completeness and accuracy of accounting and operational information, and to ensure that transactions comply with the law, supervisory regulations, and the internal policies, plans, regulations and procedures.

The Internal Control System is structured on the following three levels:

- line controls, aimed at continuously verifying the correct execution of transactions and productive activities. These controls are executed at the single operating unit level;
- risk management controls which are put in place in the various area through the choice of risk measurement methodologies, the setting of precise targets in terms of risk/return, as well as, checks on compliance with set risk limits. These controls are carried out by Risk Control Function unit;
- Internal Audit activities aimed at identifying anomalous trends, violations of procedures and regulations, as well as evaluating the overall effectiveness of the internal control system. This is outsourced to Consolving S.r.l. of Milan;
- compliance controls aimed at verifying compliance with internal and external regulations. These are carried out by the Risk Control Function manager which uses an outsourcer (Consilia Regulatory s.r.l., which replaced Consilia Business Management s.r.l. on 01 February 2016 as a result of a demerger) for the verifications to be made on processes and procedures.

During 2016, Consolving performed planned audits and prepared specific reports that were presented to the Board of Directors and the Board of Statutory Auditors. No significant weaknesses were identified and the deficiencies identified in previous audits were corrected.

*Risk Management*, which is incorporated in the activities of the Risk Control Function, has been in operation since 2010. It is responsible for identifying, evaluating and monitoring all risks related to the activities performed by the Company, highlighting the overall risks that the Company is exposed to through periodic reports. The second and third level controls have not revealed any significant anomalies. Nevertheless, the recommendations provided were acknowledged.

The Supervisory Body 231 (Legislative Decree 231/2001) issued periodic reports to the Board of Statutory Auditors and the Board of Directors. No weaknesses were identified in 2016.



## **Significant events occurring after the close of the financial year**

Significant events occurring after the close of the financial year are listed below:

- on 1 January 2017, the merger by incorporation of the Company in Banca Sistema became operational and fully effective for legal and tax purposes;
- thereafter, no events or situations occurred that could have an impact on the financial or economic positions illustrated in these financial statements;
- on 8 March 2017, the Board of Directors of Banca Sistema approved these financial statements due to the merger.

## **Business outlook**

Taking into account the positive economic situation and the continuing difficulty that public entities have in paying their debts within the due date, it is reasonable to expect continued growth in the sector in 2017.

In connection with the merger of the Company in Banca Sistema, an individual operating budget was not prepared for 2017.

## **Information regarding business continuity**

This document represents that last individual financial statements of the Company due to the merger by incorporation in Banca Sistema which became effective for legal and tax purposes beginning on 1 January 2017.

## **Proposal of the Board of Directors**

Dear Shareholders,

We ask you to approve the Financial Statements for the year ended 31 December 2016, with net income after tax of Euro 2,734,882.

Taking into account the merger by incorporation of the Company in Banca Sistema, the allocation of the profits on an individual level does not need to be proposed.

Milan, 8 March 2017

On behalf of the Board of Directors  
The Chairman

## Financial statements as at and for the year ended 31 December 2016

### Statement of financial position

In €

	Assets	31/12/2016	31/12/2015
10	Cash and cash equivalents	1,762	1,937
40	Available-for-sale financial assets		
60	Loans and receivables	83,454,122	105,580,711
	with banks	14,360,698	28,765,262
	with customers	69,093,424	76,815,448
100	Property and equipment	30,533	96,352
110	Intangible assets	13,656	23,728
120	Tax assets	4,800,230	2,457,456
	<i>a) current</i>	2,420,856	46,795
	<i>b) deferred</i>	2,379,375	2,410,661
	<i>including as per Law no. 214/2011</i>	1,272,761	1,339,749
140	Other assets	1,227,385	1,598,622
	<b>Total assets</b>	<b>89,527,688</b>	<b>109,758,805</b>

	Liabilities and equity	31/12/2016	31/12/2015
10	Financial liabilities	19,575,096	39,373,515
70	Tax liabilities:	5,913,856	5,230,561
	<i>a) current</i>	1,074,849.86	16,861
	<i>b) deferred</i>	4,839,006	5,213,700
90	Other liabilities	1,470,392	3,056,938
100	Post-employment benefits	357,830	414,072
110	Provisions for risks and charges:	500,000	-
	<i>b) other provisions</i>	500,000	-
120	Share capital	47,000,000	47,000,000
160	Reserves	12,068,697	11,928,617
170	Valuation reserves	(93,064)	(46,493)
180	Profit (Loss) for the year	2,734,882	2,801,596
	<b>Total liabilities and equity</b>	<b>89,527,688</b>	<b>109,758,805</b>

## Income statement

In €

	Items	31/12/2016	31/12/2015
<b>10</b>	Interest and similar income	4,962,193	5,132,023
<b>20</b>	Interest and similar expense	(516,102)	(1,593,796)
	<b>Net interest income</b>	<b>4,446,091</b>	<b>3,538,227</b>
<b>30</b>	Fee and commission income	1,311,514	1,275,020
<b>40</b>	Fee and commission expense	-	-
	<b>Net fee and commission income</b>	<b>1,311,514</b>	<b>1,275,020</b>
	<b>Total income</b>	<b>5,757,606</b>	<b>4,813,247</b>
<b>100</b>	Net impairment losses/reversals of impairment losses on:	1,340,618	3,113,045
	<i>a) financial assets</i>	<i>1,340,618</i>	<i>3,113,045</i>
	<i>b) other financial transactions</i>	-	-
<b>110</b>	Administrative expenses:	(3,046,656)	(3,683,412)
	<i>a) personnel expenses</i>	<i>(1,659,837)</i>	<i>(1,971,853)</i>
	<i>b) other administrative expenses</i>	<i>(1,386,819)</i>	<i>(1,711,559)</i>
<b>120</b>	Depreciation and net impairment losses on property and equipment	(12,912)	(32,430)
<b>130</b>	Amortisation and net impairment losses on intangible assets	(17,222)	(54,431)
<b>150</b>	Net accruals to provisions for risks and charges	(500,000)	0
<b>160</b>	Net other operating expense	(55,110)	(84,379)
	<b>PRE-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>3,466,324</b>	<b>4,071,640</b>
<b>190</b>	Income taxes on continuing operations	(731,442)	(1,270,045)
	<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>2,734,882</b>	<b>2,801,596</b>

## Statement of comprehensive income

In €

		2016	2015
10	Profit for the year	2.734.882	2.801.596
	<b>Other comprehensive income/(expense), net of income tax, that will not be reclassified subsequently to profit or loss</b>		
20	Property and equipment		
30	Intangible assets		
40	Defined benefit plans	(46.571)	7.047
50	Non-current assets held for sale		
60	Portion of valuation reserves of equity-accounted investees		
	<b>Other comprehensive income/(expense), net of income tax, that will be reclassified subsequently to profit or loss</b>		
70	Hedges of investments in foreign operations		
80	Exchange rate gains/(losses)		
90	Cash flow hedges		
100	Available-for-sale financial assets		
110	Non-current assets held for sale		
120	Portion of valuation reserves of equity-accounted investees		
130	<b>Total other comprehensive income/(expense), net of income tax</b>	<b>(46.571)</b>	<b>7.047</b>
140	<b>Comprehensive income (items 10+130)</b>	<b>2.688.311</b>	<b>2.808.643</b>

# Statement of changes in equity

**2016**

	Balance at 31.12.2015	Adjustment to opening balance	Balance at 1.1.2016	Allocation of prior year profit		Changes of the year						Equity at 31 December 2016	
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions						Comprehensive income for 2016
							Issue of new shares	Repurchase of treasury shares	Distribution of extraordinary dividends	Change in equity instruments	Other changes		
Share capital:	<b>47.000.000</b>		<b>47.000.000</b>									<b>47.000.000</b>	
Share premium	-		-									-	
Reserves:	<b>11.928.617</b>		<b>11.928.617</b>	<b>140.080</b>	<b>0</b>							<b>12.068.697</b>	
a) income-related													
b) other	11.928.617		11.928.617	140.080								12.068.697	
Valuation reserves:	<b>(46.493)</b>		<b>(46.493)</b>			<b>(46.571)</b>						<b>(93.064)</b>	
Equity instruments	0												
Treasury shares (-)	0												
Profit for the year	<b>2.801.596</b>		<b>2.801.596</b>	<b>(140.080)</b>	<b>(2.661.516)</b>							<b>2.734.882</b>	
Equity	<b>61.683.720</b>		<b>61.683.720</b>	-	<b>(2.661.516,20)</b>	<b>(46.571)</b>	-	-	-	-	-	<b>2.734.882</b>	
												<b>61.710.515</b>	

**2015**

	Balance at 31.12.2014	Adjustment to opening balance	Balance at 1.1.2015	Allocation of prior year profit		Changes of the year						Equity at 31 December 2015	
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions						Comprehensive income for 2015
							Issue of new shares	Repurchase of treasury shares	Distribution of extraordinary dividends	Change in equity instruments	Other changes		
Share capital:	<b>47.000.000</b>		<b>47.000.000</b>									<b>47.000.000</b>	
Share premium													
Reserves:	<b>7.823.375</b>		<b>7.823.375</b>	<b>4.105.241</b>								<b>11.928.617</b>	
a) income-related													
b) other	7.823.375		7.823.375	4.105.241								11.928.617	
Valuation reserves:	<b>(53.540)</b>		<b>(53.540)</b>			7.047						<b>(46.493)</b>	
Equity instruments													
Treasury shares (-)													
Profit for the year	<b>4.105.241</b>		<b>4.105.241</b>	<b>(4.105.241)</b>								<b>2.801.596</b>	
Equity	<b>58.875.077</b>		<b>58.875.077</b>	-		<b>7.047</b>						<b>2.801.596</b>	
												<b>61.683.720</b>	

## Statement of Cash Flows (indirect method)

A. OPERATING ACTIVITIES	Amount	
	2016	2015
<b>1. Operations</b>	(493.533)	(1.913.552)
- profit for the year (+/-)	2.734.882	2.801.596
- gains/losses on financial assets held for trading		
- financial assets/liabilities measured at fair value (-/+)		
- gains/losses on hedges (-/+)		
- net impairment losses/net reversals of impairment losses (+/-)	(1.349.837)	(7.660.233)
- net impairment losses on property and equipment and intangible assets (+/-)	75.891	63.454
- net accruals to provisions for risks and charges and other income/expense (+/-)	500.000	
- taxes and tax credits still to be paid (+/-)		
- net impairment losses/net reversals of impairment losses on disposal groups, net of the tax effect (+/-)		
- other adjustments (+/-)	(2.454.470)	2.881.631
<b>2. Cash flows generated by financial assets</b>	9.325.104	15.462.757
- financial assets held for trading		
- financial assets at fair value through profit or loss		
- available-for-sale financial assets		28.000
- loans and receivables with banks		
- loans and receivables with financial institutions		
- loans with customers	8.953.868	15.349.840
- other assets	371.237	84.917
<b>3. Cash flows used by financial liabilities</b>	(20.574.742)	(41.637.381)
- due to banks		
- due to financial institutions	(16.175.158)	(22.186.357)
- due to customers	(3.623.210)	(12.684.475)
- securities issued		
- financial liabilities held for trading		
- financial liabilities at fair value through profit or loss		
- other liabilities	(776.374)	(6.766.549)
<i>Net cash flows used by operating activities</i>	<b>(11.743.171)</b>	<b>(28.088.176)</b>
<b>B. INVESTING ACTIVITIES</b>		
<b>1. Cash flows generated by</b>	0	0
- sales of equity investments		
- dividends collected		
- sales of held-to-maturity investments		
- sales of property and equipment		
- sales of intangible assets		
- sales of business units		
<b>2. Cash flows used by</b>	0	(11.892)
- acquisitions of equity investments		
- acquisitions of held-to-maturity investments		
- purchases of property and equipment		(11.892)
- purchases of intangible assets		
- purchases of business units		
<i>Net cash flows generated/(used) by investing activities</i>	<b>0</b>	<b>(11.892)</b>
<b>C. FINANCING ACTIVITIES</b>		
- issue/repurchase of treasury shares		(310.086)
- issue/purchase of equity instruments		
- distribution of dividends and other allocations	(2.661.516)	
<i>Net cash flows used by financing activities</i>	<b>(2.661.516)</b>	<b>(310.086)</b>
<b>NET CASH FLOWS OF THE YEAR</b>	<b>(14.404.687)</b>	<b>(28.410.154)</b>



***Reconciliation***

	<b>Amount</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>28,767,199</b>	<b>57,177,353</b>
Total net cash flows of the year	(14,404,739)	(28,410,154)
<b>Cash and cash equivalents at year end</b>	<b>14,362,460</b>	<b>28,767,199</b>

**Notes to the financial statements**

**Part A - ACCOUNTING POLICIES**

**Part B - NOTES TO THE STATEMENT OF FINANCIAL POSITION**

**Part C - NOTES TO THE INCOME STATEMENT**

**Part D – OTHER DISCLOSURES**

## **Part A - ACCOUNTING POLICIES**

### **A.1 – General Part**

Section 1 - Statement of IFRS compliance

Section 2 - Basis of preparation

Section 3 – Events after the reporting period

Section 4 - Other matters

### **A.2 - Main financial statements captions**

1. Loans and receivables
2. Financial liabilities
3. Property and equipment
4. Intangible assets
5. Current and deferred taxes
6. Post-employment benefits
7. Prepayments and accrued income, accrued expenses and deferred income
8. Provisions for risks and charges
9. Cost and revenue recognition
10. Other disclosures

### **A.3 – TRANSFERS OF FINANCIAL ASSETS BETWEEN PORTFOLIOS**

### **A.4 – FAIR VALUE DISCLOSURE**

### **A.5 – INFORMATION ON “DAY ONE PROFIT/LOSS”**

## **A.1 – GENERAL PART**

### **Section 1 - STATEMENT OF IFRS COMPLIANCE**

Pursuant to Regulation (EC) no. 1606/2002, Beta Stepstone S.p.A. (the "company") has prepared these financial statements as at and for the year ended 31 December 2016 in compliance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) endorsed by the European Commission up to 31 December 2016.

The financial statements have also been prepared in accordance with the Bank of Italy's "Instructions for the preparation of the financial statements of financial intermediaries" which apply as of the year ended or ending 31 December 2016, issued in its Measure of 9 December 2016.

Unless otherwise established by the Bank of Italy's special regulation, the information provided in these notes reflects the Italian Civil Code's provisions governing financial statements.

### **Section 2 – BASIS OF PREPARATION**

These financial statements comprise:

- a statement of financial position;
- an income statement;
- a statement of changes in equity;
- a statement of comprehensive income;
- a statement of cash flows prepared using the indirect method;
- these notes.

These financial statements are consistent with the company's accounting records.

The financial statements have been prepared in accordance with measurement criteria adopted on the basis of a going concern assumption also considering the company's merger into Banca Sistema and in compliance with accruals-based accounting, the materiality of information and the predominance of substance over form.

The amounts presented in these financial statements have been calculated in accordance with the IFRS issued by the International Accounting Standard Board (IASB) and endorsed by the European Commission up to 31 December 2016 pursuant to Regulation (EC) no. 1606 of 19 July 2002.

For the purposes of facilitating the interpretation and application of the new accounting standards, reference was also made to the following documents, although not yet endorsed by the European Commission:

- Framework for the Preparation and Presentation of Financial Statements issued by the International Accounting Standards Board (IASB);
- Implementation Guidance, Basis for Conclusions and any other documents prepared by the IASB or the IFRIC (IFRS Interpretations Committee), integrating the standards issued.

Finally, again with respect to interpretation, where applicable, reference was also made to the documents about the adoption of the IFRS in Italy, issued by the Italian accounting standard setter (OIC) and the Italian banking association (ABI). Specifically, reference was made to Document 7 by Bank of Italy/Consob/Ivass issued on 9 November 2016 on the accounting treatment of default interest pursuant to Legislative decree no. 231/2002 on performing loans factored without recourse.

In accordance with article 5 of Legislative decree no. 38/2005, the company's reporting currency is the Euro. The amounts shown in the financial statements and these notes are in thousands of Euros.

The financial statements present the figures for 2016 with previous year corresponding figures.

For the purposes of the information disclosed in these notes, all financial statements captions are presented at 31 December 2016 and 2015, broken down as required by the Bank of Italy's instructions.

### Section 3 – EVENTS AFTER THE REPORTING PERIOD

Banca Sistema's Board of Directors approved these financial statements on 8 March 2017. Indeed, the company's merger into Banca Sistema became fully operational and effective for legal and tax purposes on 1 January 2017.

After this date, no facts or circumstances occurred that had an impact on the financial position and performance described herein.

### Section 4 – OTHER MATTERS

#### IFRS developments

The following table sets out the new standards or amendments to existing standards, with the related endorsement regulations issued by the European Commission, which became applicable in 2016.

*IAS/IFRS standards and related IFRIC interpretations applicable to annual periods beginning after 1 January 2016:*

*Documents endorsed by the EU at 31 October 2016*

Name	Issue date	Date of application	Date of endorsement	EU regulation and issue date	Notes and references to this list
IFRS 15 – Revenue from contracts with customers	May 2014 (Note 1)	1 January 2018	22 September 2016	(EU) 2016/1905 29 October 2016	Early application is permitted. See 460-481

*Documents not yet endorsed by the EU at 31 October 2016*

Name	Issue date by the IASB	Date of application of the IASB document	Expected date of endorsement by the IASB
<b>Standards</b>			
IFRS 9 - Financial Instruments	July 2014	1 January 2018	IV quarter of 2016
IFRS 14 - Regulatory Deferral Accounts	January 2014	(Note 1)	(Note 1)
IFRS 16 - Leases	January 2016	1 January 2019	2017
<b>Amendments</b>			
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2014	Postponed until completion of the IASB project on the equity method	Postponed pending the completion of the IASB project on the equity method

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	January 2016	1 January 2017	IV quarter of 2016
Amendments to IAS 7: Disclosure Initiative	January 2016	1 January 2017	IV quarter of 2016
Clarifications to IFRS 15 - Revenue from Contracts with Customers	April 2016	1 January 2018	I half of 2017
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	June 2016	1 January 2018	II half of 2017
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	September 2016	1 January 2018	2017

The amendments to the standards and interpretations endorsed by the European Commission in 2016 or in prior years, whose application became mandatory as of 2016, had no significant impacts on the preparation of these financial statements.

IFRS 9 was adopted on 29 November 2016 with the publication of (EU) Regulation 2016/2067 of the European Commission dated 22 November 2016 on the Official Journal of the European Union. This standard will apply to annual periods beginning on or after 1 January 2018.

It will replace IAS 39 and will govern the accounting of financial instruments as summarised below:

- Classification and measurement:
  - Financial assets: under IFRS 9 financial assets shall be classified according to three categories: amortised cost, fair value through other comprehensive income (equity reserve) and fair value through profit or loss, on the basis of both the business model applied and the characteristics of the contractual cash flow from the financial assets. The criteria for recognition and derecognition are substantially the same as those of IAS 39.
  - Financial liabilities, the provisions of IAS 39 have been reproduced almost entirely in IFRS 9, except for the financial liabilities measured at fair value, where changes in the fair value of financial liabilities due to changes in the credit rating of the issuer must be recognised through other comprehensive income (equity reserve) and no longer through profit or loss (early application of this provision is permitted as of the endorsement date of the new standard).
- Impairment: the expected credit losses model is introduced, replacing the incurred losses model currently in force under IAS 39. The standard provides for the division of financial assets into three stages on the basis of the credit standing of the counterparty. For the counterparties with the best credit standing, calculation of the expected loss is carried out over a time horizon of 12

months, while for the other two stages with a lower credit standing, calculation of the expected loss is carried out for the residual term of the financial asset (“lifetime expected loss”).

- Hedge accounting: the hedging models set out in IFRS 9 are generally simplified compared to those in IAS 39 and introduce a stronger link with risk management.

Based on the proposed merger of the company into Banca Sistema as of 1 January 2017, the introduction of these changes to the reference framework will have no impact on Beta Stesptone S.p.A.'s financial position.



## **A.2 - MAIN FINANCIAL STATEMENTS CAPTIONS**

### **1. Loans and receivables**

#### **Classification**

Loans and receivables consist of financial assets with banks and customers.

Loans and receivables with customers refer to the factoring transactions completed in accordance with a regular assignment deed notified to the transferred debtor. They comprise:

- the receivables factored without recourse and recognised in the name of the transferred debtor in accordance with IFRS-compliant recognition criteria;
- the advances disbursed to the assignors in relation to the receivables factored without recourse for which the assumptions underlying recognition have not been verified;
- the advances disbursed to the assignors in relation to the receivables factored with recourse, inclusive of interest and accrued charges.

There were no reclassifications to other financial asset categories in accordance with IAS 39.

#### **Recognition**

Loans and receivables are initially recognised at the agreement signing date, based on fair value, which equals the amount disbursed or the purchase price, including transaction costs or revenue attributable to the individual loan or receivable and determinable from the transaction start date, even when paid subsequently. The initially recognised amount does not include costs that, despite having the above characteristics, are to be reimbursed by the counterparty or that are administrative costs.

#### **Measurement**

Loans and receivables are subsequently measured at amortised cost, being the initially recognised amount decreased/increased by principal repayments, reversals of impairment losses/impairment losses and amortisation - calculated using the effective interest method - of the differential between the amount disbursed and that collectable at maturity for each loan/receivable. The effective interest rate considers the present value of the future cash flows and the amount disbursed, inclusive of the cost/income related to the loan/receivable. According to this accounting method, the economic effect of income is allocated over the expected residual life of the loan/receivable.

The amortised cost method is not used for current loans and receivables for which the discounting effect of cash flows would be negligible. They are measured on a historical cost basis.

Default interest receivables are recognised on an accruals basis and adjusted to their expected recoverable amount, considering the percentages of effective realisation in prior years. Default interest is recognised only after court confirmation (not when the default arises) which sets the rate to be applied (ECB + approx. 800 bps or the legal rate) and the effective date.

Loans and receivables are tested for impairment to determine whether there is objective evidence of impairment due to events subsequent to initial recognition. This includes loans and receivables classified as “*non-performing, unlikely to pay or past due/overdue*” as per the Bank of Italy's instructions in line with IAS/IFRS.

The individual impairment test measures the difference between the carrying amount (at amortised cost) and present value of estimated future cash flows discounted at the position's original effective interest rate and considering both the expected collection time and the enforcement value of guarantees, if any, and the costs to be incurred for enforcement.

The original effective rate of each loan and receivable is unchanged over time. Impairment losses are taken to profit or loss. Loans and receivables are reinstated to their original value in subsequent periods when the reasons for impairment are no longer valid, as long as this assessment is objectively linked to an event that took place after recognition of the impairment loss. Reversals of impairment losses are recognised in the income statement and shall never exceed the position's amortised cost had the impairment loss not been recognised.

Loans and receivables that are not tested individually for impairment are tested collectively. They are grouped into categories and the expected losses are estimated considering historical data and other elements observable at their measurement date. The impairment test considers the counterparty's country risk.

Collective impairment losses are recognised in profit or loss.

## **Derecognition**

Loans and receivables are derecognised only when their transfer entails the substantial transfer of all the risks and rewards of ownership. Conversely, when the company retains a significant portion of the risks and rewards related to the transferred loans and receivables, these will continue to be recognised in the financial statements, although, legally, title to the financial asset was actually transferred.

If the substantial transfer of risks and rewards cannot be verified, the financial assets are derecognised when the company has not retained control of the transferred asset. Conversely, if the company has retained control, including in part, it shall continue to recognise the financial asset to the extent of the expected changes in the carrying amount and the estimated changes in cash flows.

Finally, transferred financial assets are derecognised when the right to receive the related cash flows, with the concurrent obligation of transferring them to third parties, is retained.

## **2. Financial liabilities**

Due to customers (comprised of the second instalments of the without-recourse factoring of receivables which are paid only upon full collection) are recognised, measured and derecognised in accordance with the same criteria applicable to loans with customers. Indeed, they originate from the same contract and their settlement date coincides with the collection date of the receivable factored.

Due to banks and financial institutions are recognised at their nominal amount as they refer to on-demand current account deposits.

## **3. Property and equipment**

### **Recognition and classification**

This caption comprises movable and immovable assets, systems, other machinery and equipment owned for use by the company. Initial recognition is at cost, which includes all charges directly related to the operation of the asset.

Ordinary maintenance costs are expensed.

## **Measurement**

Property and equipment are measured at cost adjusted by accumulated depreciation calculated on a straight-line basis over the residual life of the asset.

## **Derecognition**

An item of property and equipment is derecognised when sold or when it is permanently withdrawn from use and the company does not expect any future economic benefits from its disposal.

## **4. Intangible assets**

### **Recognition and classification**

Intangible assets mainly comprise software or costs related to leasehold improvements.

## **Measurement**

Intangible assets are measured at cost adjusted by accumulated amortisation calculated on a straight-line basis over the residual life of the asset.

## **Derecognition**

Intangible assets are derecognised upon disposal or when the asset is permanently withdrawn from use.

## **5. Current and deferred taxes**

Income taxes are calculated in accordance with national tax legislation and are recognised on an accruals basis, in line with the recognition criteria applicable to the cost and revenue that generated them. Therefore, they represent the balance of the current and deferred taxation related to the year's income.

Current tax assets and liabilities include the net balance of the company's tax position vis-à-vis Italy's tax authorities.

Deferred taxes are calculated using the balance sheet liability method, considering the tax effect of the temporary differences between the carrying amounts of assets and liabilities and their tax bases which generate taxable or deductible amounts in future periods. To this end, “*taxable temporary differences*” are those that will generate taxable amounts in future years and “*deductible temporary differences*” are those that will generate deductible amounts in future years.

Deferred tax liabilities are calculated by applying the tax rates set by the law to the taxable temporary differences whose realisation is deemed probable and to deductible temporary differences for which the existence of taxable amounts when the related tax deductibility occurs is reasonably certain.

In the years when the deductible temporary differences exceed the taxable temporary differences, the related deferred tax assets are recognised in the statement of financial position under Deferred tax assets. Conversely, in the years when the taxable temporary differences exceed the deductible temporary differences, the related deferred tax assets are recognised in the statement of financial position under Deferred tax liabilities.

When the deferred tax assets and liabilities refer to the items that have an impact on the income statement, the balancing entry is represented by income taxes.

When the deferred tax assets and liabilities refer to transactions that had a direct impact on equity without affecting the income statement (such as IFRS first-time adoption adjustments), these are recognised as a balancing entry in equity, under specific reserves where required.

## **6. Post-employment benefits**

Post-employment benefits are recognised at their *actuarial amount*, calculated using the *project unit credit method* based on statistical historical analyses, the demographic curve and the discounting of future disbursements, applying market interest rates.

Until 31 December 2012, actuarial gains and losses were entirely recognised in the income statement in accordance with the previous version of IAS 19.

Following the coming into force of the new version of IAS 19 issued by the IASB in June 2011, application of which became mandatory on 1 January 2013, actuarial gains and losses are immediately and entirely recognised in the “Statement of comprehensive income” with an impact on equity. As the *corridor approach* has never been applied, the prudential filters established by the Bank of Italy in its communication dated 8 May 2013 in terms of regulatory capital do not apply.

The present value of the company's commitments is calculated by an independent expert using the projected unit credit method.

The annual discount rate applied is based on a rate deductible from securities or equivalent instruments, with an AA rating which is deemed to best reflect market yields, and considering the average term of the liability.

## **7. Prepayments and accrued income, accrued expenses and deferred income**

They include income and expense pertaining to the year accrued on assets and liabilities and are recognised as an adjustment to the assets and liabilities to which they refer.

## **8. Provisions for risks and charges**

“Provisions for risks and charges: b) other provisions” include liabilities whose amount or due date are uncertain. They are recognised when the following conditions are met:

- there is a present obligation at the reporting date as a result of a past event;
- the obligation is legal (i.e., it derives from a contract, legislation or

other operation of law) or constructive (i.e., it derives from an entity’s action where the entity has created a valid expectation on the part of other parties that it will discharge its responsibilities);

- it is probable that an outflow of resources will be required to settle the obligation;
- a reliable estimate can be made of the obligation.

## **9. Cost and revenue recognition**

Revenue is recognised when received or, in the event of provision of services, when the future benefits can be quantified reliably when rendered.

Specifically, interest is recognised on an accruals basis based on the contractually-agreed rate or the effective interest rate when the amortised cost method is applied.

Default interest income, recognised only after court confirmation and the definition of the rate to be applied (ECB+800 bp or legal rate), is recognised on an accruals basis and prudently adjusted to take into account the possibility of a settlement agreement with the debtors. However, the company usually fully recovers it before the court.

Costs are recognised in the income statement in the same period the related revenue is recognised. When cost and revenue can be matched generically and indirectly, costs are recognised over several periods using rational procedures and on a systematic basis. Costs that cannot be matched to revenue are immediately recognised in the income statement.

## **10. Other disclosures**

### **Use of estimates and assumptions in the preparation of the financial statements**

The preparation of financial statements also involves the use of estimates and assumptions that may have a significant effect on the carrying amount of assets and liabilities, income and expenses and the related disclosure. The preparation of estimates involves using the available information and adopting subjective valuations, based on past experience, in order to arrive at reasonable assumptions to present operations. Because of their nature, the estimates and assumptions used may change from one year to the next. Consequently, it cannot be excluded that, in future years, the amounts recognised change, also significantly, as a consequence of changes in the subjective valuations applied due to unforeseeable facts/events.

Specifically, subjective valuations refer to:

- the calculation of impairment losses on loans and receivables and, in general, other financial assets;
- the calculation of accrued default interest income, as described in the “Cost and revenue recognition” paragraph;
- estimates and assumptions on the recoverability of deferred tax assets;
- estimates and assumptions used to measure loans and receivables and liabilities with customers at amortised cost.

### **Amortised cost calculation**

Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount and the maturity amount and minus any reduction for impairment.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Subsequent to initial recognition, under the amortised cost, costs and revenue are allocated as a decrease or an increase in the asset/liability over the entire useful life through amortisation.

Given the nature of the loans and receivables in portfolio, the company calculates the effective interest rate for each invoiced acquired, estimating the collection date based on available information and the progress of the credit collection procedures. Each time these estimates are revised, the company recalculates the amortisation plan of financial assets and financial liabilities, taking the adjustment to profit or loss.

The amortised cost method is applied to loans and receivables and liabilities with customers, provided that the loans/receivables and the liability with the company originate from the same contract and the settlement date mainly coincides with the collection date of the receivable factored.

Default interest income, recognised only after court confirmation, is adjusted to its estimated recoverable amount, considering the percentages of effective realisation in prior years.

## **Impairment losses calculation**

### **Financial assets**

At each reporting date, financial assets other than those classified as *Held for trading* and as *Measured at fair value* are tested for impairment to check whether there is an objective evidence of an impairment loss.

Impairment losses are recognised when there is objective evidence of a reduction in future cash flows compared to those originally estimated, due to unforeseeable specific events.

Impairment tests are carried out on individual financial assets which show specific evidence of impairment or collectively in the case of financial assets which do not require individual assessment or for which this assessment does not indicate an impairment.

Collective assessment is based on the identification of consistent risk classes of financial assets based on the characteristics of the debtor/issuer, the business segment, the geographical segment and the existence of any guarantees or other significant factors.

Loans and receivables with banks and customers are assessed individually when they are *non-performing, unlikely to pay or past due/overdue* as per the Bank of Italy's definitions in line with IAS/IFRS.

They are measured individually, or by determining the expected loss by consistent categories and analytical allocation to individual positions. The impairment loss on each loan and receivable is equal



to the difference between the carrying amount at amortised cost and the present value of the expected future cash flows, calculated by applying the original effective interest rate.

Future cash flows consider the expected collection times, the expected enforcement value of any guarantees and the costs that may be incurred for recovery. The cash flows related to loans and receivables whose recovery is not expected in the short term are not discounted as the amount of the differential would be negligible.

The loans and receivables for which no individual objective evidence of impairment has been identified are subject to collective assessment.

#### **A.4 – FAIR VALUE DISCLOSURE**

IFRS 13 and the Bank of Italy's regulations for the preparation of banks' financial statements require that assets and liabilities be recognised at their fair value when they refer to a specific hierarchy based on the nature of the inputs used to determine the following “fair value levels”:

##### Level 1

It includes the instruments which can be measured using prices in active markets (effective market quotes). In this case, the fair value is equal to the price at which the financial instrument would be exchanged at the reporting date (with no adjustments) on the main active market, or when no main market exists, on the market deemed most advantageous to which the entity has immediate access.

##### Level 2

It includes the instruments which can be measured using inputs – other than the quoted prices included within Level 1 – that are observable for the asset or liability, either directly or indirectly.

This measurement is based on prices or credit spreads deducted from the official quotes of active markets of instruments substantially similar in terms of risk factors (comparable approach), using an appropriate calculation methodology (pricing model). The methodologies used in the comparable approach reproduce the prices of the instruments quoted on active markets excluding discretionary parameters, such as to have a major effect on the final measurement price.

When the fair value measurement uses observable data that require a significant adjustment based on unobservable inputs, the measurement is included in Level 3.

##### Level 3

It includes unobservable inputs. The related fair value is based on measurements that entail estimates and assumptions by the assessor (mark to model). Measurement takes place using pricing models that are based on specific assumptions concerning:

- the development of expected cash flows, possibly linked to future events to which the probabilities obtained based on past experience or assumed behaviour can be allocated;
- the level of specific input parameters not quoted on active markets, whose estimate privileges the information obtained from prices and spreads observed on the market. When this information is not available, the historical data of the specific underlying risk factor or specialist research are used (e.g., rating agencies' reports or reports by leading market players).

#### ***A.4.1 Levels 2 and 3: valuation techniques and inputs used***

As mentioned earlier, fair value is calculated for the sole purposes of the mandatory disclosure to be provided in the notes to the financial statements.

The fair value of the financial instruments included in the tables of these notes was calculated using the following methods and assumptions:

- the fair value of financial assets and financial liabilities equal to or lower than 18 months is equal to the carrying amount. This category comprises current accounts and overdrafts;
- the carrying amount of performing assets approximates fair value. This is the case when there is no active market and there are no specific prices by trade associations or supervisory bodies, assuming that the company is a going concern, considering the merger into Banca Sistema, and has no need to significantly decrease its assets at economically unfavourable terms. Fair value reflects the quality of assets, also considering the economic conditions generally applied to factor loans and receivables without recourse vis-à-vis the public administration and the default interest rate applied pursuant to Legislative decree no. 231.

### **Quantitative disclosure**

#### ***A.4.5 Fair value hierarchy***

##### *A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level*

None.

##### *A.4.5.2 Changes in assets measured at fair value on a recurring basis (level 3)*

None.

##### *A.4.5.3 Changes in liabilities measured at fair value on a recurring basis (level 3)*

The company has liabilities measured at fair value on a recurring basis.

Attività/Passività finanziarie misurate al fair value	Livello 1	Livello 2	Livello 3	Totale
1. Attività finanziarie detenute per la negoziazione				-
2. Attività finanziarie valutate al fair value				-
3. Attività finanziarie disponibili per la vendita		-		-
4. Derivati di copertura				-
5. Attività materiali				
6. Attività immateriali				
<b>Totale</b>	-	-	-	-
1. Passività finanziarie detenute per la negoziazione				-
2. Passività finanziarie valutate al fair value				-
3. Derivati di copertura				-
<b>Totale</b>	-	-	-	-

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

	31.12.2016				31.12.2015			
	CA	L1	L2	L3	VB	L1	L2	L3
1. Held-to-maturity investments	-	-	-	-	-	-	-	-
2. Loans and receivables	83.454	-	-	83.454	105.581	-	-	105.581
3. Investment property	-	-	-	-	-	-	-	-
4. Non current assets held for sale and disposal groups	-	-	-	-	-	-	-	-
<b>Total</b>	<b>83.454</b>	-	-	<b>83.454</b>	<b>105.581</b>	-	-	<b>105.581</b>
1. Liabilities	19.575	-	-	19.575	39.374	-	-	39.374
2. Securities issued	-	-	-	-	-	-	-	-
3. Liabilities associated with disposal groups	-	-	-	-	-	-	-	-
<b>Total</b>	<b>19.575</b>	-	-	<b>19.575</b>	<b>39.374</b>	-	-	<b>39.374</b>

Legenda:

VB=Valore di bilancio

L1= Livello 1

L2= Livello 2

L3= Livello 3

*Figures in '000*

## **A.5 Information on “Day one profit/loss”**

The company did not recognise transactions of this kind in the year.

## Part B - NOTES TO THE STATEMENT OF FINANCIAL POSITION

### ASSETS

#### Section 1 – Cash and cash equivalents - Item 10

Items/Values	Total 2016	Total 2015
a) Cash	2	2
b) Other	-	-
<b>Total</b>	<b>2</b>	<b>2</b>

Figures in '000

This is the cash balance at 31 December 2016.

#### Section 6 - Loans and receivables - Item 60

##### 6.1 “Loans and receivables with banks”

	31/12/2016			31/12/2015		
	Carrying amount	Fair value		Carrying amount	Fair value	
		L1	L2		L3	L1
1. Deposits and current accounts	14.361			14.361		
2. Financing:						
2.1 Reverse repurchase agreements						
2.2 Finance leases						
2.3 Factoring						
- with recourse						
- without recourse						
2.4 Other financing						
3. Debt instruments						
- structured instruments						
- other debt instruments						
4. Other assets						
<b>Total</b>	<b>14.361</b>		<b>14.361</b>	<b>28.765</b>		<b>28.765</b>

Figures in '000

Current account deposits are held with the following banks:

Figures in '000

	31/12/2016	31/12/2015	Absolute change
Banca Sistema	14,295	-	14,295
Unicredit S.p.A	23	2,563	-2,540
Banca Credito Popolare Torre del Greco	43	8,107	-8,064
Veneto Banca	-	17,103	-17,103
Unicredit Factoring (term deposit)	-	992	-992
<b>Total</b>	<b>14,361</b>	<b>28,765</b>	<b>-14,404</b>

##### 6.2 “Loans and receivables with financial institutions”

None.

### 6.3 “Loans and receivables with customers”

	31/12/2016						31/12/2015					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
	Purchased	Other					Purchased	Other				
1. Financing	65.221	-	3.794	-	-	69.015	74.304	-	2.324	-	-	76.628
1.1. Finance lease	-	-	-	-	-	-	-	-	-	-	-	-
<i>of which: without final purchase option</i>	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Factoring	65.221	-	3.794	-	-	69.015	74.304	-	2.324	-	-	76.628
- with recourse	7.968	-	3.564	-	-	11.532	11.647	-	1.880	-	-	13.527
- without recourse	57.253	-	231	-	-	57.483	62.657	-	445	-	-	63.101
1.3. Consumer loans	-	-	-	-	-	-	-	-	-	-	-	-
1.4. Credit cards	-	-	-	-	-	-	-	-	-	-	-	-
1.5. Pawn loans	-	-	-	-	-	-	-	-	-	-	-	-
1.6. Financing granted in relation to service payments rendered	-	-	-	-	-	-	-	-	-	-	-	-
1.7. Other financing	-	-	-	-	-	-	-	-	-	-	-	-
<i>of which: from enforcement of guarantees and commitments</i>	-	-	-	-	-	-	-	-	-	-	-	-
2. Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
2.1 structured instruments	-	-	-	-	-	-	-	-	-	-	-	-
2.2 other debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets	-	-	-	-	-	-	-	-	-	-	-	-
	78	-	-	-	-	78	187	-	-	-	-	187
<b>Total</b>	<b>65.299</b>	<b>0</b>	<b>3.794</b>	<b>0</b>	<b>0</b>	<b>69.093</b>	<b>74.491</b>	<b>0</b>	<b>2.324</b>	<b>0</b>	<b>0</b>	<b>76.815</b>

Figures in '000

At 31 December 2016, this item comprised:

1. Performing loans purchased on a without-recourse basis (recognised in the name of the transferred debtor under the “*recognition*” assumptions, measured at “*amortised cost*” and prudently adjusted by Euro 401 thousand), totalling Euro 43.7 million;
2. Default interest receivables confirmed by the court, recognised on an accruals basis and amounting to Euro 16.6 million, prudently adjusted by Euro 3.3 or 20% of their amount (carrying amount of approximately Euro 13.3 million);
3. *With-recourse* advances to customers (mainly performing customers) totalling Euro 11.5 million, against factored loans and receivables with a nominal amount of Euro 16.5 million (no adjustment following the wide guarantee difference);
4. Return of *without-recourse* loans and receivables to assignors totalling Euro 1,1 million, prudently adjusted by Euro 210 thousand.

The item is broken down below as follows:

<u>Loans and receivables with customers</u>	31/12/2016	31/12/2015
Loans and receivables factored without recourse	43,724,815	49,518,377
With recourse advances	11,531,691	13,526,918
Lump-sum adjustment to without-recourse loans and receivables	(401,717)	(910,935)
Other loans and receivables/returns, performing	745,121	187,047
Doubtful loans and receivables/unlikely to pay exposures	440,192	503,036
Impairment losses on doubtful loans and receivables/unlikely to pay exposures	(209,664)	(250,000)
Loans and receivables for default interest	16,578,894	17,799,012
Lump-sum adjustments to default interest	(3,315,908)	(3,558,005)
<b>Total loans and receivables with customers</b>	<b>69,093,424</b>	<b>76,815,448</b>

### 6.4 “Loans and receivables”: guaranteed assets

None.

## Section 10 – Property and equipment – Item 100

### 10.1 Breakdown of item 100 "Property and equipment"

“Property and equipment” amount to Euro 31 thousand. The breakdown of this item and the changes therein are described below.

#### 10.1 Property and equipment used in operations: breakdown of assets measured at cost

Activities/Values	Total 2016	Total 2015
<b>1. Owned</b>	<b>31</b>	<b>97</b>
a) land		
b) buildings		
c) furniture	8	87
d) electronic systems	23	10
e) other		
<b>2. Under finance lease</b>		
a) land		
b) buildings		
c) furniture		
d) electronic systems		
e) other		
<b>Total</b>	<b>31</b>	<b>97</b>

*Figures in '000*

### 10.5 Owner-occupied property and equipment: changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
<b>A. Gross opening balance</b>			<b>165</b>	<b>131</b>		<b>296</b>
A.1 Total net impairment losses			(79)	(121)		(200)
<b>A.2 Net opening balance</b>			<b>87</b>	<b>10</b>		<b>97</b>
<b>B. Increases</b>			-	<b>39</b>		<b>39</b>
B.1 Purchases			-	-		-
B.2 Capitalised improvement costs						
B.3 Reversals of impairment losses						
B.4 Fair value gains recognised in:						
a) equity						
b) profit or loss						
B.5 Exchange rate gains						
B.6 Transfers from investment property						
B.7 Other increases				39		39
<b>C. Decreases</b>			<b>(78)</b>	<b>(26)</b>		<b>(105)</b>
C.1 Sales						
C.2 Depreciation			(8)	(6)		(14)
C.3 Impairment losses recognised in:						
a) equity						
b) profit or loss						
C.4 Fair value losses recognised in:						
a) equity						
b) profit or loss						
C.5 Exchange rate losses						
C.6 Transfers to:						
a) investment property						
b) disposal groups						
C.7 Other decreases			(71)	(20)	-	91
<b>D. Net closing balance</b>			<b>8</b>	<b>23</b>		<b>31</b>
D.1 Total net impairment losses			(157)	(148)		(305)
<b>D.2 Gross closing balance</b>			<b>165</b>	<b>170</b>		<b>335</b>
E. Measurement at cost			8	23		31

Figures in '000

## Section 11 – Intangible assets – Item 110

### 11.1 Breakdown of item 110 "Intangible assets"

Item/Assessment	Total 2016		Total 2015	
	Assets measured at cost	Assets measured at fair value through profit or loss	Assets measured at cost	Assets measured at fair value through profit or loss
<b>1 Goodwill</b>	-	-	-	-
<b>2 Other intangible assets</b>				
2.1. owned	14	-	24	-
- internally generated assets	-	-	-	-
- other	14	-	24	-
2.2 under finance lease	-	-	-	-
<b>Total 2</b>	<b>14</b>	<b>-</b>	<b>24</b>	<b>-</b>
<b>3. Assets related to finance leases:</b>				
3.1 unopted assets	-	-	-	-
3.2 assets withdrawn following termination	-	-	-	-
3.3 other assets	-	-	-	-
<b>Total 3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4. Assets under operating lease</b>	-	-	-	-
<b>Total (1+2+3+4)</b>	<b>14</b>	<b>-</b>	<b>24</b>	<b>-</b>
<b>Total</b>	<b>14</b>	<b>-</b>	<b>24</b>	<b>-</b>

Figures in '000

A breakdown of and changes therein are given below.

*11.2 Intangible assets: changes*

	<b>Total</b>
<b>A. Opening balance</b>	<b>24</b>
<b>B. Increases</b>	<b>7</b>
B.1 Purchases	-
B.2 Reversals of impairment losses	
B.3 Fair value gains recognised in	
- equity	
- profit or loss	
B.4 Other increases	7
<b>C. Decreases</b>	<b>(17)</b>
C.1 Sales	
C.2 Amortisation	(17)
C.3 Impairment losses recognised in	
- equity	
- profit or loss	
C.4 Fair value losses recognised in:	
- equity	
- profit or loss	
C.5 Other decreases	
<b>D. Closing balance</b>	<b>14</b>

*Figures in '000*

**Section 12 – Tax assets and liabilities**

*12.1 Breakdown of item 120 “Tax assets”: current and deferred*

	<b>2016</b>	<b>2015</b>
<b>A) Current tax assets:</b>	<b>2,421</b>	<b>47</b>
a) IRAP paid on account	329	0
b) IRES paid on account	2,026	47
c) withholding taxes	66	0
d) DTA conversion	0	0
e) other	0	0
<b>B) Deferred tax assets with a balancing entry in profit or loss:</b>	<b>2,359</b>	<b>2,391</b>
a) impairment losses on loans and receivables	1,273	1,340
b) impairment losses on loans and receivables for default interest	946	1,012
c) tax losses	0	0
d) provisions for risks	140	23
e) other	0	16
<b>C) Deferred tax assets with a balancing entry in equity:</b>	<b>20</b>	<b>20</b>
a) actuarial loss on post-employment benefits	20	20
<b>Tax assets</b>	<b>4,800</b>	<b>2,458</b>

*Figures in '000*



12.2 Breakdown of item 70 "Tax liabilities: current and deferred"

**Section 12 – Tax assets and tax liabilities – Item 120 of assets and item 70 of liabilities**

12.2 Breakdown of item 70 Tax liabilities: current and deferred

	2016	2015
<b>A) Current tax liabilities:</b>	<b>1,075</b>	<b>17</b>
a) tax provision and IRES taxation	773	0
a) tax provision and IRAP taxation	302	17
<b>B) Deferred tax liabilities with a balancing entry in profit or loss:</b>	<b>4,839</b>	<b>5,214</b>
a) default interest receivable not yet received	4,755	5,092
b) post-employment benefits	7	7
c) other	77	115
Tax liabilities	<b>5,914</b>	<b>5,231</b>

Figures in '000

12.3 Changes in deferred tax assets (recognised in profit or loss)

	Total 2016	Total 2015
<b>1. Opening balance</b>	<b>2,390</b>	<b>4,115</b>
<b>2. Increases</b>	<b>382</b>	<b>226</b>
2.1 Deferred tax assets recognised in the year	382	226
a) related to previous years		10
b) due to changes in accounting policies		
c) reversals of impairment losses		
d) other	382	216
2.2 New taxes or increases in tax rates		
2.3 Other increases		
<b>3. Decreases</b>	<b>413</b>	<b>1,951</b>
3.1 Deferred tax assets derecognised in the year	413	1,951
a) reversals	413	1,951
b) impairment due to non-recoverability		
c) due to changes in accounting policies		
d) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
a) conversion into tax credits as per Law no. 214/2011		
b) other		
<b>4. Closing balance</b>	<b>2,359</b>	<b>2,390</b>

Figures in '000

12.3.1 Change in deferred tax assets pursuant to Law no. 214/2011 (recognised in profit or loss)

	Total 2016	Total 2015
<b>1. Opening balance</b>	<b>1,340</b>	<b>1,340</b>
<b>2. Increases</b>		
<b>3. Decreases</b>	<b>67</b>	<b>0</b>
3.1 Reversals	67	0
3.2 Conversion into tax assets		
a) arising from the loss for the year		
b) arising from tax losses		
3.3 Other decreases		
<b>4. Closing balance</b>	<b>1,273</b>	<b>1,340</b>

Figures in '000

12.4 Change in deferred tax liabilities (recognised in profit or loss)

	Total 2016	Total 2015
<b>1. Opening balance</b>	<b>5,214</b>	<b>8,047</b>
<b>2. Increases</b>	<b>830</b>	<b>1,037</b>
2.1 Deferred taxes recognised in the year	830	1,037
a) related to previous years		137
b) due to changes in accounting policies		
c) other	830	900
2.2 New taxes or increases in tax rates		
2.3 Other increases		
<b>3. Decreases</b>	<b>1,205</b>	<b>3,870</b>
3.1 Deferred taxes derecognised in the year	1,205	3,870
a) reversals	1,205	3,870
b) due to changes in accounting policies		
c) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
<b>4. Closing balance</b>	<b>4,839</b>	<b>5,214</b>

Figures in '000

### 12.5 Change in deferred tax assets (recognised in equity)

	Total 2016	Total 2015
<b>Opening balance</b>	<b>20</b>	<b>20</b>
<b>2. Increases</b>	<b>0</b>	<b>0</b>
2.1 Deferred tax assets recognised in the year	0	0
a) related to previous years		
b) due to changes in accounting policies		
c) other		
2.2 New taxes or increases in tax rates		
2.3 Other increases		
<b>3. Decreases</b>	<b>0</b>	<b>0</b>
3.1 Deferred tax assets derecognised in the year	0	0
a) reversals		
b) impairment due to non-recoverability		
c) due to changes in accounting policies		
d) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
<b>4. Closing balance</b>	<b>20</b>	<b>20</b>

Figures in '000

### 12.6 Change in deferred tax liabilities (recognised in equity)

None.

On 14 December 2016, the Revenue Office notified the Company of two assessment notices regarding the 2011 tax year (one for transfer pricing for Euro 1,093 thousand-, and the other for withholding taxes of Euro 1,404 thousand). No specific accrual was recognised since the Company acted in full compliance with the relevant law and intends to submit solid arguments to the competent authorities. In this respect, on 10 February 2017 and in agreement with the former Single Shareholder, Banca Sistema (which replaced Beta Stepstone as a result of the merger) filed a tax settlement proposal with the Revenue Office to establish a cross examination and emphasise the groundlessness of the claims. Indeed, the Company acted correctly in checking the fairness of the transfer pricing and in total respect of the regulatory requirements applicable to withholding taxes.

## Section 14 - Other assets - Item 140

### 14.1 Breakdown of item 140 "Other assets"

	2016	2015
Loans and receivables related to the F23 form	1,032	1,258
Prepayments	11	7
Leasehold improvements	-	21
Other	184	312
<b>Total</b>	<b>1,227</b>	<b>1,599</b>

Figures in '000

Other assets comprise (i) financial assets for unified contributions and registration taxes (F23), paid in advance by the Company on behalf of the debtors, which are recovered upon judicial and extra-judicial receipt of the factored loans and receivables, and (ii) receivables for legal fees paid in advance which, usually, are reimbursed by debtors at the end of the judicial or extra-judicial collection.

Prepayments are calculated on an accruals basis.

## LIABILITIES

### Section 1 – Financial liabilities - Item 10

#### *Financial liabilities 1.1*

They may be analysed as follows:

	31/12/2016			31/12/2015		
	due to banks	due to financial institutions	due to customers	due to banks	due to financial institutions	due to customers
1. Financing	-	-	-	-	1	-
1.1 Repurchase agreements	-	-	-	-	-	-
1.2 Other financing	-	-	-	-	1	-
2. Other liabilities	-	-	19.575	-	16.175	23.198
<b>Total</b>	-	-	19.575	-	16.176	23.198
<i>Fair value – level 1</i>	-	-	-	-	-	-
<i>Fair value – level 2</i>	-	-	-	-	-	-
<i>Fair value – level 3</i>	-	-	19.575	-	16.176	23.198
<i>Total fair value</i>	-	-	19.575	-	16.176	23.198

*Figures in '000*

Due to customers comprise the second instalments of the without-recourse purchase price of receivables pledged as collateral for the full repayment of the receivables due from each transferred debtor. These amounts are disbursed: (i) upon full collection of the receivables whose allocation is not disputed by the debtor, or (ii), where contractually provided for, provided that it is confirmed that the judicial authority's measure is no longer open to challenge. Similarly to loans and receivables with customers, financial liabilities are measured at amortised cost and discounted using the effective internal rate of return. Indeed, they originate from the same contract and the settlement date of the financial liability usually coincides with the collection date of the receivable factored.

### Section 7 – Tax liabilities

Reference should be made to section 12 – Tax assets and liabilities.

### Section 9 - Other liabilities - Item 90

“Other liabilities” refer to the liabilities that do not fall under the other liability items of the statement of financial position.

### 9.1 Breakdown of item 90 "Other liabilities"

This caption may be analysed as follows:

	31/12/2016	31/12/2015
Due to bodies for collections to be recharged	518	1.787
Trade payables	203	451
Tax authorities and social security institutions for withholdings and contributions to be paid	104	168
Accrued expenses on amounts due to employees	38	105
Other liabilities	608	546
<b>Total</b>	<b>1.470</b>	<b>3.057</b>

Figures in '000

#### Due to bodies for collections to be recharged

They refer to the amounts collected from transferred debtors and not yet reconciled due to the lack of data about the relevant receivables.

#### Trade payables

They mainly refer to invoices for services and consultancies received before the reporting date or invoices received after the reporting date, but pertaining to 2016, which will be paid as contractually agreed.

#### Other liabilities

They mainly comprise accrued expenses and deferred income, calculated on an accruals basis, collections from invoices not transferred during the reversal to the assignor and the collection of legal fees to be recharged to beneficiaries.

### Section 10 – Post-employment benefits - Item 100

#### 10.1 "Post-employment benefits": annual changes

This item changed as follows:

	Total 2016	Total 2015
<b>A. Opening balance</b>	<b>414</b>	<b>380</b>
<b>B. Increases</b>	<b>119</b>	<b>63</b>
B.1 Accruals	72	63
B.2 Other increases	47	
<b>C. Decreases</b>	<b>175</b>	<b>28</b>
C.1 Payments	97	21
C.2 Other decreases	77	7
<b>D. Closing balance</b>	<b>358</b>	<b>414</b>

Figures in '000

“Post-employment benefits” are governed by article 2120 of the Italian Civil Code and include the estimate, calculated using the above-mentioned actuarial techniques, of the amount to be paid to employees upon termination of their employment contract.

### 10.2 Other disclosures

Until 31 December 2012, actuarial gains and losses were entirely recognised in the income statement in accordance with the previous version of IAS 19.

Following the coming into force of the new version of IAS 19 issued by the IASB in June 2011, application of which became mandatory on 1 January 2013, actuarial gains and losses are immediately and entirely recognised in the “Statement of comprehensive income” with an impact on equity. As the *corridor approach* has never been applied, the prudential filters established by the Bank of Italy in its communication dated 8 May 2013 in terms of regulatory capital do not apply.

Post-employment benefits are broken down below in accordance with IAS 19.

Reporting period	2016
Past service liability at 1 January 2016	<b>414</b>
Interest cost	<b>9</b>
Current service cost	<b>63</b>
Past service liability of newly-hired employees	
Utilisation	<b>(175)</b>
Actuarial (gain) or loss	<b>47</b>
Past service liability at 31 December 2016	<b>358</b>
Post-employment benefits recognised at 31 December 2016	<b>358</b>

*Figures in '000*

## Section 11 – Provisions for risks and charges – Item 110

### 11.1 Breakdown of item 110 “Provisions for risks and charges”

	31/12/2016	31/12/2015
Provision for risks and charges	500	-
<b>Total</b>	<b>500</b>	<b>-</b>

The provision was prudently accrued to cover the unfavourable outcome of some disputed loans and receivables from assignors.

### 11.2 Changes in item 110 “Provisions for risks and charges”

<b>A. Opening balance</b>	-
<b>B. Increases</b>	<b>500</b>
- accruals	500
- other increases	-
<b>C. Decreases</b>	<b>-</b>
- utilisations	-
- releases	-
- other decreases	-
<b>D. Closing balance</b>	<b>500</b>

## Section 12 – Equity – Items 120, 130, 140 and 150

### 12.1 Breakdown of item 120 "Share capital"

Items/Values	Total 2016	Total 2015
1. Share capital	<b>47,000</b>	<b>47,000</b>
1.1 Ordinary shares	47,000	47,000
1.2 Other shares (to be specified)		

Figures in '000

The share capital is comprised of 47,000,000 ordinary shares of a nominal amount of Euro 1 each and is wholly owned by the sole shareholder Banca Sistema.

### 12.2 Breakdown of item 130 "Treasury shares"

None.

### 12.3 Breakdown of item 140 "Equity instruments"

None.

### 12.4 Breakdown of item 150 "Share premium"

None.

*12.5 Other disclosures: item 160 "Reserves"*

Pursuant to the Bank of Italy's circular no. 5365 of 2 January 2009, the company's equity is broken down below, with indication of the origin, availability and distributability of the various items comprising it.

	Amount	Possible use	Available portion	Summary of uses in the past years	
				To cover losses	Other reasons
Share capital	47.000				
Legal reserve	3.612	(A - B)			
Statutory reserve	10	(A - B)			
Revaluation reserve	(93)	(A - B)			
Other reserves	8.447	(A - B - C)	8.447		
<b>Total</b>	<b>58.976</b>		<b>8.447</b>		
Undistributable portion	<b>50.528</b>				
Residual distributable portion	<b>8.447</b>				

*Figures in '000*



## Part C - NOTES TO THE INCOME STATEMENT

### Section 1 - Interest - Items 10 and 20

#### 1.1 Breakdown of item 10 "Interest and similar income"

	Debts instruments	Financing	Other	2016	2015
1. Financial assets held for trading	-	-	-	-	-
2. Financial assets at fair value through profit or loss	-	-	-	-	-
3. Available-for-sale financial assets	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-
5. Loans and receivables	-	-	-	4,962	5,132
5.1 - With banks	-	-	235	235	489
5.2 - With financial institutions	-	-	-	-	-
5.3 - With customers	-	4,337	391	4,727	4,643
6. Other assets	X	X	-	-	-
7. Hedging derivativesa	X	X	-	-	-
<b>Total</b>				<b>4,962</b>	<b>5,132</b>

Figures in '000

#### 1.2 Interest and similar income: other disclosures

Interest income is broken down below with prior year corresponding figures:

	2016	2015	Change	
Default interest	3,427	3,470	(43)	
Interest income - customers	1,506	1,309	197	
Interest income - banks	235	489	(254)	
Other interest income - debtors' compensation, etc.	391	343	48	
<b>Total interest income</b>	<b>5,558</b>	<b>5,611</b>	<b>(52)</b>	
Lump-sum prudent adjustments to default interest	<b>(960)</b>	<b>(648)</b>	<b>(311)</b>	
Interest income, net of adjustments	<b>A</b>	<b>4,599</b>	<b>4,962</b>	<b>(363)</b>
Realised gains	1,785	1,331	455	
IFRS adjustments for measuring loans and receivables at amortised cost	(1,422)	(1,161)	(261)	
<b>Total gains</b>	<b>B</b>	<b>363</b>	<b>170</b>	<b>194</b>
<b>Interest and similar income</b>	<b>A+B</b>	<b>4,962</b>	<b>5,132</b>	<b>(170)</b>

Figures in '000

### 1.3 Breakdown of item 20 "Interest and similar expense"

	Financing	Securities	Other	2016	2015
1. Due to banks	16	X	-	16	-
2. Due to financial institutions	500	X	-	500	1.594
3. Due to customers	-	X	-	-	-
4. Securities issued	X	-	-	-	-
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities	X	X	-	-	-
8. Hedging derivatives	X	X	-	-	-
<b>Total</b>	<b>500</b>	<b>-</b>	<b>-</b>	<b>516</b>	<b>1.594</b>

Figures in '000

Interest expense refers to advance payments on loans and receivables previously obtained from Unicredit Factoring S.p.A. (fully repaid) and the interest accrued during the first half of 2016 on the subordinated loan granted (and fully repaid) by the former sole shareholder Stepstone FH .

## Section 2 - Fees and commissions - Items 30 and 40

### 2.1 Breakdown of item 30 "Fee and commission income"

Detail	Total 2016	Total 2015
1. finance leases	-	-
2. factoring transactions	929	1,205
3. consumer loans	-	-
4. guarantees issued	-	-
5. services for:	8	33
- funds managed on behalf of third parties	-	-
- foreign exchange transactions	-	-
- product distribution	-	-
- other	8	33
6. collection and payment services	375	37
7. securitisation servicing services	-	-
8. other fee and commission income:	-	-
- other	-	-
<b>Total</b>	<b>1,312</b>	<b>1,275</b>

Figures in '000

## Section 8 – Net reversals of impairment losses/impairment losses – Item 100

### 8.1 - "Net reversals of impairment losses/impairment losses on loans and receivables"

	Impairment losses		Reversals of impairment losses		2016	2015
	individual	portfolio	individual	portfolio		
1 - Loans and receivables with banks						
- leases	-	-	-	-	-	-
- factoring	-	-	-	-	-	-
- other loans and receivables	-	-	-	-	-	-
2 - Loans and receivables with financial institutions						
Acquired impaired loans and receivables						
- leases	-	-	-	-	-	-
- factoring	-	-	-	-	-	-
- other loans and receivables	-	-	-	-	-	-
Other loans and receivables						
- leases	-	-	-	-	-	-
- factoring	-	-	-	-	-	-
- other loans and receivables	-	-	-	-	-	-
3 - Loans and receivables with customers			-	1.341	1.341	3.113
Acquired impaired loans and receivables						
- leases	-	-	-	-	-	-
- factoring	-	-	-	-	-	-
- consumer loans	-	-	-	-	-	-
- other loans and receivables	-	-	-	-	-	-
Other loans and receivables						
- leases	-	-	-	-	-	-
- factoring	-	-	-	1.341	1.341	3.113
- consumer loans	-	-	-	-	-	-
- other loans and receivables	-	-	-	-	-	-
<b>Total</b>	-	-	-	<b>1.341</b>	<b>1.341</b>	<b>3.113</b>

Figures in '000

The reversal of the impairment loss on the portfolio mainly refers to the collection of loans and receivables and default interest in excess of the recognised amount.

### 8.2 - "Net reversals of impairment losses/impairment losses on available-for-sale financial assets"

None.

### 8.3 - "Net reversals of impairment losses/impairment losses on held-to-maturity investments"

None.

### 8.4 - "Net reversals of impairment losses/impairment losses on other financial transactions"

None.

## Section 9 – Administrative expenses - Item 110

### 9.1 Breakdown of item 110.a “Personnel expenses”

Items/Sectors	Total 2016	Total 2015
<b>1) Employees</b>	<b>1,232</b>	<b>1,447</b>
a) wages and salaries	840	993
b) social security charges	274	313
c) post-employment benefits		
d) pension and similar costs		
e) accrual for post-employment benefits	75	68
f) accrual for pension and similar provisions:		-
- defined contribution		
- defined benefits		
g) payments to external supplementary pension funds:		-
- defined contribution		-
- defined benefits		-
h) other personnel expense	43	73
<b>2) Other personnel</b>	<b>0</b>	<b>25</b>
<b>3) Directors and statutory auditors</b>	<b>477</b>	<b>524</b>
<b>4) Retired personnel</b>		
<b>5) Cost recoveries for personnel seconded to other companies</b>	<b>(49)</b>	<b>(24)</b>
<b>6) Cost reimbursements for personnel seconded to the company</b>		
<b>Total</b>	<b>1,660</b>	<b>1,972</b>

Figures in '000

### 9.2 Average number of employees by category

	<b>Total 2016</b>	<b>Total 2015</b>
Managers	0	2
Junior managers	5	7
Other employees	7	10
<b>Total</b>	<b>12</b>	<b>19</b>

Similarly to the previous reports, the Chief Executive Officer is not included in the workforce.

### 9.3 Breakdown of item 110.b “Other administrative expenses”

Detail	<b>Total 2016</b>	<b>Total 2015</b>
Legal, technical and professional consultancies	615	713
Office lease	218	207
Software maintenance fees	309	275
Other overheads	114	178
Travel costs and expense reimbursement	80	82
Post, telephone and data transmission costs	32	40
Undeductible VAT	-	141
Maintenance, repairs and rentals	9	62
Utilities	11	14
<b>Total</b>	<b>1,387</b>	<b>1,712</b>

Figures in '000

Other administrative expenses also include the fees paid to the independent auditors and other companies of the PwC network as detailed below:

Service	PwC S.p.A.		PwC network	
	Italy	Abroad	Italy	Abroad
Audit	54			
Advisory services			59	

Figures in '000

## Section 10 – Depreciation and net impairment losses on property and equipment – Item 120

### 10.1 Breakdown of item 120 “Depreciation and net impairment losses on property and equipment”

	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a + b + c)
<b>1. Assets - property and equipment</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>13</b>
1.1 owned				
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	9	-	-	9
d) operating assets	4	-	-	4
e) other	-	-	-	-
<b>1.2 under finance lease</b>				
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	-	-	-	-
d) operating assets	-	-	-	-
e) other	-	-	-	-
<b>2. Investment property</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
a) other	-	-	-	-
<b>Total</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>13</b>

Figures in '000

## Section 11 – Amortisation and net impairment losses on intangible assets – Item 130

### 11.1 Breakdown of item 130 “Amortisation and net impairment losses on intangible assets”

	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a + b + c)
<b>1. Goodwill</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2. Other intangible assets</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>17</b>
2.1 Owned	17	-	-	17
2.2 Under finance lease	-	-	-	-
<b>3. Assets related to finance leases</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4. Assets under operating lease</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>17</b>

Figures in '000

## Section 13 – Net accruals to provisions for risks and charges – Item 150

### 13.1 Breakdown of item 150 “Net accruals to provisions for risks and charges”

	2016	2015
Net accruals to the provision for risks and charges	500	-
<b>Total</b>	<b>500</b>	<b>-</b>

It was prudently recognised to cover the unfavourable outcome of some disputed loans and receivables from assignors.

## Section 14 – Net other operating expense – Item 160

	<b>Total 2016</b>	<b>Total 2015</b>
14.1 Other income	55	48
14.2. Other expense	(110)	(132)
<b>Total</b>	<b>(55)</b>	<b>(84)</b>

*Figures in '000*

### *14.1 Breakdown of item 160 "Other operating income"*

	<b>Total 2016</b>	<b>Total 2015</b>
Prior year income	12	17
Revenue from services		
Other income	43	30
<b>Total</b>	<b>55</b>	<b>48</b>

*Figures in '000*

Prior year income refers to amounts collected following legal proceedings in excess of the recognised receivable and are included in the "from collection" item.

### *14.2 Breakdown of item 160 "Other operating expense"*

	<b>Total 2016</b>	<b>Total 2015</b>
Prior year expense	(105)	(113)
Amortisation of leasehold improvements	(3)	(14)
Other expense	(1)	(5)
<b>Total</b>	<b>(110)</b>	<b>(132)</b>

*Figures in '000*

Prior year expense refers mainly to the legal fees incurred to recover the receivables in portfolio not repaid by debtors.

## Section 17 – Income taxes on continuing operations – Item 190

### 17.1 Breakdown of item 190 “Income taxes on continuing operations”

Component/Values	2016	2015
1. Current taxes (-)	(1,075)	(2,504)
2. Changes in current taxes from previous years (+/-)		
3. Decrease in current taxes for the year		
3.bis Decrease in current taxes for the year due to loans and receivables assets as per Law no. 214/2011	0	0
4. Change in deferred tax assets (+/-)	(31)	(1,735)
5. Change in deferred tax liabilities (+/-)	375	2,970
<b>Tax expense for the year</b>	<b>(731)</b>	<b>(1,270)</b>

Figures in '000

### 17.2 Reconciliation between the theoretical and effective tax expense

	2016	2015
<b>PRE-TAX PROFIT (LOSS) ON CONTINUING OPERATIONS</b>	<b>3,466</b>	<b>4,072</b>
Theoretical tax rate	33.22%	33.22%
<b>Theoretical taxes</b>	<b>(1,151)</b>	<b>(1,353)</b>
1. IRES rate adjustment		
2. IRAP rate adjustment		
3. Permanent differences	420	405
4. Transfer of prior year deferred tax assets		(322)
5. Other differences		
<b>Income taxes recognised in the income statement (item 190)</b>	<b>(731)</b>	<b>(1,270)</b>

Figures in '000



## Section 19 – Income statement: other disclosures

### 19.1 Breakdown of interest and fee and commission income

	Interest income			Fee and commission income			2016	2015
	Banks	Financial institutions Financing	Customers	Banks	Financial institutions Financing	Customers		
<b>1. Finance lease</b>								
- immovable assets								
- movable assets								
- operating assets								
- intangible assets								
<b>2. Factoring</b>	<b>235</b>	<b>-</b>	<b>4.727</b>	<b>-</b>	<b>-</b>	<b>1.311</b>	<b>6.273</b>	<b>6.407</b>
- current accounts			1.266			667	1.934	1.907
- future loans and receivables			240			0	240	230
- loans and receivables factored without recourse			2.831			596	3.427	3.410
- loans and receivables acquired at below the nominal amount							-	-
- other financing	235		391			47	672	860
<b>3. Consumer loans</b>								
- personal loans								
- special-purpose loans								
- salary-backed loans								
<b>4. Pawn loans</b>								
<b>5 Guarantees and commitments</b>								
- commercial								
- financial								
<b>Total</b>	<b>235</b>	<b>-</b>	<b>4.727</b>	<b>-</b>	<b>-</b>	<b>1.311</b>	<b>6.273</b>	<b>6.407</b>

Figures in '000

## Part D – OTHER DISCLOSURES

### Section 1 – Specific disclosures about the business

#### B. Factoring and assignment of loans and receivables

##### B.1 Gross amount and carrying amount

##### B.1.1 - Factoring transactions

	2016			2015		
	Gross amount	Impairment losses	Carrying amount	Gross amount	Impairment losses	Carrying amount
<b>1. Unimpaired assets</b>	<b>68.938</b>	<b>3.718</b>	<b>65.221</b>	<b>79.023</b>	<b>4.469</b>	<b>74.554</b>
- Exposures to assignors (with recourse)	8.635	-	8.635	11.706	-	11.706
- Assignment of future receivables	2.558	-	2.558	2.755	-	2.755
- Other	6.077	-	6.077	8.951	-	8.951
- Exposures to assigned debtors (without recourse)	60.304	3.718	56.586	67.317	4.469	62.848
<b>2. Impaired assets</b>	<b>4.004</b>	<b>210</b>	<b>3.794</b>	<b>2.324</b>	<b>250</b>	<b>2.074</b>
<b>2.1 Non-performing</b>	-	-	-	-	-	-
- Exposures to assignors (with recourse)	-	-	-	-	-	-
- Assignment of future receivables	-	-	-	-	-	-
- Other	-	-	-	-	-	-
- Exposures to assigned debtors (without recourse)	-	-	-	-	-	-
- Loans and receivables acquired at below the nominal amount	-	-	-	-	-	-
- Other	-	-	-	-	-	-
<b>2.2 Unlikely to pay</b>	<b>440</b>	<b>210</b>	<b>231</b>	<b>445</b>	<b>250</b>	<b>195</b>
- Exposures to assignors (with recourse)	-	-	-	-	-	-
- Assignment of future receivables	-	-	-	-	-	-
- Other	-	-	-	-	-	-
- Exposures to assigned debtors (without recourse)	440	210	231	445	250	195
- Loans and receivables acquired at below the nominal amount	-	-	-	-	-	-
- Other	440	210	231	445	250	195
<b>2.3 Past due/overdue</b>	<b>3.564</b>	<b>-</b>	<b>3.564</b>	<b>1.880</b>	<b>-</b>	<b>1.880</b>
- Exposures to assignors (with recourse)	3.564	-	3.564	1.880	-	1.880
- Assignment of future receivables	-	-	-	-	-	-
- Other	3.564	-	3.564	1.880	-	1.880
- Exposures to assigned debtors (without recourse)	-	-	-	-	-	-
- Loans and receivables acquired at below the nominal amount	-	-	-	-	-	-
- Other	-	-	-	-	-	-
<b>TOTAL</b>	<b>72.942</b>	<b>3.927</b>	<b>69.015</b>	<b>81.347</b>	<b>4.719</b>	<b>76.628</b>

Figures in '000

## B.2 Breakdown by residual maturity

### B.2.1 Factoring with recourse: Advances and outstanding

Time frames	Advances		Outstanding	
	Total 2016	Total 2015	Total 2016	Total 2015
- on demand	8,112	6,127	11,646	9,396
- up to 3 months	1,014	1,656	1,455	2,539
- from 3 to 6 months	2,406	5,744	3,454	8,809
- from 6 months to 1 year				
- over 1 year				
- open term				
<b>Total</b>	<b>11,532</b>	<b>13,527</b>	<b>16,555</b>	<b>20,744</b>

Figures in '000

### B.2.2 Factoring without recourse: exposures

Time frames	Exposures	
	Total 2016	Total 2015
- on demand	897	253
- up to 3 months	2,243	96
- from 3 to 6 months	13,219	18,389
- from 6 months to 1 year	23,649	24,647
- over 1 year	17,476	19,717
- open term		
<b>Total</b>	<b>57,484</b>	<b>63,101</b>

Figures in '000

## B.3.1 Changes in impairment losses

### B.3.1 - Factoring transactions

	Opening impairment losses	Increases				Decreases				Closing impairment losses	
		Impairment losses	Losses on sales	Transfers from other categories	Other increases	Reversals of impairment losses	Gains on assignment	Transfers to other categories	Derecognition		Other decreases
<b>Individual impairment losses on impaired assets</b>											
Exposures to assignees	250	5				-			45	-	210
- Non-performing	-										-
- Unlikely to pay	250	5							45		210
- Past due/overdue											
Exposures to assigned debtors											
- Non-performing											
- Unlikely to pay											
- Past due/overdue											
<b>2. Collective impairment losses on other assets</b>	<b>4,469</b>	<b>960</b>				<b>1,341</b>			<b>9</b>		<b>3,718</b>
- Exposures to assignees	4,469	960				1,341			9	361	3,718
- Exposures to assigned debtors											
<b>Total</b>	<b>4,719</b>	<b>965</b>				<b>1,341</b>			<b>54</b>	<b>361</b>	<b>3,927</b>

Figures in '000

Net impairment losses refer to default interest receivable accrued at the reporting date (Euro 3.3 million).

## B.4 Other disclosures

### B.4.1 Turnover of assigned loans and receivables

Item	Total 2016	Total 2015
<b>1. Without recourse</b>	<b>11,353</b>	<b>11,230</b>
- including: acquired at below nominal amount		
<b>2. With recourse</b>	<b>26,069</b>	<b>32,715</b>
<b>Total</b>	<b>37,422</b>	<b>43,945</b>

Figures in '000

### B.4.2 Collection services

Item	Total 2016	Total 2015
Loans and receivables collected during the year	<b>0</b>	<b>3,984</b>
Loans and receivables at the reporting date	<b>0</b>	<b>0</b>

Figures in '000

*B.4.3 Nominal amount of factoring for future loans and receivables*

<b>Item</b>	<b>Total 2016</b>	<b>Total 2015</b>
Contracts to purchase future loans and receivables	<b>0</b>	<b>5,353</b>
Loans and receivables at the reporting date	<b>4,089</b>	<b>5,353</b>

*Figures in '000*

## **D. GUARANTEES GIVEN AND COMMITMENTS**

### *D.1 Value of guarantees given and commitments*

None.

## **Section 2 - Securitisation transactions and sale of assets**

None.

### Section 3 - Risks and related hedging policies

The company attaches great importance to risk management and control in order to identify, assess and measure the events which may jeopardise its objectives.

The main current and potential risks identified based on the characteristics of the business and actively managed by the company are as follows:

- credit risk: it arises from the possibility that a counterparty be unable to meet its obligations;
- concentration risk: it arises from the excess concentration with an individual assignor (with recourse) or debtor (without recourse);
- operational risk: it arises from the inadequacy or malfunctioning of procedures, human resources and internal systems, or the possibility of incidents, malfunctioning or faults causing damage to people and the environment and impacting the financial results;
- liquidity risk: it arises from the inability to meet short-term payment obligations;
- interest rate risk: it is related to the potential impact that an unexpected change in interest rates may have on the company's current profit and equity due to the mismatching of maturities;
- unquantifiable risks: they arise from risks that cannot be numerically quantified, including:
  - *strategic risk*: it is related to the forward-looking decrease in profits (or capital) due to changes in the operational background or wrong management's decisions;
  - *reputational risk*: it is related to the forward-looking decrease in profits (or capital) due to the deterioration of the image of the intermediary vis-à-vis customers, counterparties, shareholders, investors or supervisory bodies;
  - *compliance risk*: it is related to possible judicial or administrative penalties, significant financial losses or damage to reputation as a consequence of violations of imperative provisions (as prescribed by law or regulations) or also of self-regulation (e.g., articles of association, codes of conduct, corporate governance codes).



### **3.1 Credit risk**

#### **QUALITATIVE DISCLOSURE**

##### **1. General aspects**

The company specialises in the purchasing of loans and receivables “without recourse” and “with recourse” (the latter business line was launched in 2012), specifically from the public administration.

Its business activities are regulated by Law no. 52 of 21 February 1991 with respect to commercial loans and receivables, while all other loans and receivables are governed by article 1260 and following articles of the Italian Civil Code. Its customers mainly comprise companies of any size that provide goods, works or services to the public administration.

The terms and conditions of factoring contracts agreed from time to time with the assignor are defined based on the results of the credit and legal due diligences carried out on the assigning companies and the related assigned debtors, as well as the preliminary analysis of the loans and receivables to be factored in order to check their certainty, liquidity and collectability. These assumptions are necessary to obtain the issue of a court order in the event of non-payment at maturity.

Following the assignment of loans and receivables carried out pursuant to Law no. 52/1991 or article 1260 of the Italian Civil Code, the company succeeds the assignor in its relationship with the related assigned debtors. With respect to without-recourse transactions, following the full transfer of the non-recourse risk vis-à-vis the assignor (except for returns for just cause), the company may recover the receivable only by taking legal action against the assigned debtor. The recovery of a receivable through a legal action against the assigned debtor requires the issue of a court order. The procedural status of the position is subsequently monitored together with the calculation of the estimated collection days.

With respect to with-recourse transactions, the company, which has the right to exercise the recourse action vis-à-vis the assignor, does not commence a recovery action against the debtor at the maturity date of the advance, unless the assignor does not repay the advance or expressly requests for it.

## **2. Credit risk management policies**

### *2.1 Main risk factors*

The credit (or counterparty) risk is the company's exposure to potential losses generated by the counterparty's failure to meet its obligations.

This risk is related to deficiencies associated with the nature of the loans and receivables purchased and the financial standing of the assignor (with recourse) or the assigned party (without recourse).

When loans and receivables are purchased without recourse, the primary counterparty risk is the assigned debtor. When the public administration (PA) is involved, the risk is vis-à-vis the public body or the local body, the local health care units (AA.SS.LL.) and hospitals (A.O.). The AA.SS.LL. and the A.O. are legally independent, but are financially supported by the central government through annual budget appropriations for the national health service and the regions.

With respect to with-recourse transactions (in the event of non-payment by the assigned debtor or return of the receivable when, during the judicial collection of the receivable, the inability to proceed against the debtor is confirmed), the company exercises its right of recourse against the assignor to obtain the return of the advances made. Consequently, the exposure to this risk refers to the assignor, instead of the assigned debtor.

The “quantifiable” risk is measured using the *standardised method* set out in the Supervisory regulations.

The credit risk may also include:

- the “*dilution*” risk, i.e., the possibility that the receivable purchased is no longer collectable at maturity due to offsetting, allowances, disputes between the assigned debtor and the assignor. This risk is mitigated by means of specific provisions included in the assignment contract;
- the risk of “*revocation claims*”: under Law no. 52/1991, debtors shall pay the assignee, including should the assignor go bankrupt. Moreover, payments cannot be revoked. Furthermore, the receiver may request that the assignment be revoked should it prove that the assignee was aware of the insolvency status of the assignor when the transaction was being finalised.

These risks are monitored during the preliminary investigation stage through careful and in-depth analysis of the credit standing of the parties involved.

## *2.2 Risk management, measurement and control systems adopted and organisational structures responsible for it*

Because of the lack of significant historical internal figures and the small number of assignors and debtors, the company is unable to develop risk measurement systems internally. Therefore, it adopts the standardised method set out in Circular no. 216 of 5 August 1996 - seventh update of 9 July 2007.

Under this method, exposures are broken down into segments, based on the nature of the counterparty and the technical characteristics of the relationship (with or without recourse) to which different weighting rates are applied. The latter may also consider the evaluations provided third parties (ECAI) acknowledged by the Bank of Italy (specifically, for public administration bodies).

With respect to IFRS-compliant factoring without recourse, exposures are allocated to “assigned debtors”, while those with recourse are allocated to the “assignor”, the beneficiary of the advance.

Consequently, the company carefully selects the “assignors” with which it signs assignment contracts through an accurate analysis of their credit standing, while considering the "public-sector" nature of the assigned debtors and the commercial development targets.

Selection takes place through:

- activities preliminary to the purchase of the loans/receivable (preliminary investigation);
- monitoring the debtors and assignors in portfolio (at least once a year, or earlier when additional risks are assumed);
- the transaction’s settlement method (including disbursement in instalments).

Furthermore, the credit risk is constantly measured and monitored by the Risk control function through:

- portfolio analyses and assessments;
- reporting to the company's decision-making bodies.

Credit risk assumption rests with the Chief Executive Officer for amounts below Euro 500,000 and the Executive committee (comprising the Managing director and the Chairman) for higher amounts. Responsibility for related party transactions rests with the Board of directors.

As part of the process to purchase loans and receivables, in addition to the decision-making activities carried out by the Chief Executive Officer or the Executive committee, the “credit committee”, comprised of the Preliminary investigation manager, the Risk control function manager, the Legal function manager, the Administrative manager and the Portfolio manager, issues “non-binding”

opinions and prepares specific reports which include all information deemed useful and necessary to carefully analyse the counterparty to be assigned and the loans and receivables which may be purchased, indicating the price to be applied and the expected economic returns.

### *2.3 Credit risk mitigation techniques*

The company does not apply risk mitigation techniques as defined in the Bank of Italy's circular no. 216, Section IV.

However, credit risk is mitigated through (i) the methods underlying the price to purchase the loans and receivables without recourse which provide for several tranches (the first upon purchase, the other ones when specific conditions, including the certification of the loan/receivable or the collection of the entire loan/receivable, are met); (ii) the pledging as a guarantee of the subsequent tranches until full recovery of all the loans and receivables purchased from the same assignor (with recourse) and obtaining of personal guarantees (specifically for with recourse transactions) subject to the preliminary evaluation of the guarantor.

### *2.3 Procedures and methodologies used in managing and controlling impaired financial assets*

When loans and receivables are factored without recourse, the risk is vis-à-vis the assigned debtors, mainly comprised of public administration bodies. Based on Supervisory requirements, credit exposures to the PA may be classified as:

- *non-performing*: when the bodies are in financial distress;
- *unlikely to pay*: when it is improbable that the debtor fully meets its credit obligations without resorting to actions including the enforcement of guarantees;
- *past due/overdue*: when they are overdue by a continuous period of more than 90 days. The continuous period ceases when the debtor pays at least one of the other debt positions within 90 days;
- *performing*: when the counterparties show no irregularities in relation to payments.

With respect to loans and receivables factored without recourse and subsequently returned to the assignor, the risk - being the *Repurchase price* calculated on the basis of the contractual terms and conditions – is allocated to the assignor. In accordance with the Supervisory regulations, these loans and receivables are classified as:

- *performing*: when the assignor is not in default vis-à-vis the company or its payments are late by not more than 90 days or are late by more than 90 days, but only if the past due amount is below 5% of the total exposure;
- *unlikely to pay*: when it is improbable that the debtor fully meets its credit obligations without resorting to actions including the enforcement of guarantees;
- *past due/overdue*: when the exposure is past due by more than 90 days if the higher of the two following amounts is equal or greater than the 5% threshold: a) the average of the past due amount on the entire exposure measured daily in the prior quarter; b) the past due amount on the entire exposure at the reporting date;
- *non-performing*: when the party is insolvent, although not confirmed by the court, or in a substantially similar situation.

The above classification is in line with the Supervisory requirement (Circular no. 217, 13th update) as of 1 January 2015 in respect of a different definition of “*default*” which entailed the reclassification of impaired assets into: *non-performing*, *unlikely to pay* (replacing the watchlist loan category) and *impaired past due-overdue*. The restructured exposure category is no longer present, while the new “non-performing forbearance exposure” and the “performing forbearance exposure” categories were introduced.

When loans and receivables are returned to an assignor in relation to which there are second tranches of the purchase price of other loans and receivables, contractually withheld to guarantee the full collection of all loans and receivables purchased, the exposure is included under the “*risk of revocation claim*” when the guarantee covers the amount of the returned loan/receivable. Furthermore, when the second tranches are due, the exposure is decreased by the same amount.

Conversely, when the second tranches of the price are not enough, the personal guarantees and/or the collateral acquired as part of the contract are enforced to recover the repurchase price. Should there be no ancillary guarantees, a repayment plan of the repurchase price is usually defined based on the assignor's repayment ability.

Should it be impossible to reach an out-of-court repayment agreement, the position will be classified under the relevant category, in accordance with the Supervisory regulations referred to above, by the Risk control function, informing the Chief Executive Officer.

The exposures related to “with recourse” transactions are classified as impaired past due-overdue in accordance with the “debtor's approach” regulation.

## ***QUANTITATIVE DISCLOSURE***

### *1. Credit exposures by portfolio and credit quality*

Portfolio/Quality	Non-performing	Unlikely to pay	Impaired past due/overdue	Unimpaired past due/overdue	Other unimpaired	Total
1. Available-for-sale financial assets						
2. Held-to-maturity investments						
3. Loans and receivables with banks					14,361	<b>14,361</b>
4. Loans and receivables with customers		231	3,564	1,841	63,458	<b>69,093</b>
5. Financial assets at fair value through profit or loss						
6. Financial assets held for sale						
<b>Total 2016</b>	<b>0</b>	<b>231</b>	<b>3,564</b>	<b>1,841</b>	<b>77,819</b>	<b>83,454</b>
<b>Total 2015</b>	<b>0</b>	<b>195</b>	<b>1,880</b>	<b>1,791</b>	<b>101,715</b>	<b>105,581</b>

Figures in '000

Loans and receivables with banks show the company's current account balances.

## 2. Credit exposure

### 2.1- Loans and receivables with customers: gross amounts, carrying amounts and residual maturity brackets

	Gross amount					Individual impairment	Collective impairment	Carrying amount
	Impaired assets				Unimpaired assets			
	up to 3 months	from 3 to 6 months	from 6 months to 1 year	more than 1 year				
<b>A. ON-STATEMENT FINANCIAL POSITION</b>								
a) Non-performing					x		x	
of which: forborne exposures					x		x	
b) Unlikely to pay	440				x	210	x	231
of which: forborne exposures					x		x	
c) Impaired past due/overdue exposures		3,564			x		x	3,564
of which: forborne exposures		2,811			x		x	
d) Unimpaired past due/overdue exposures	x	x	x	x	1,841	x		1,841
of which: forborne exposures	x	x	x	x		x		
e) Other unimpaired exposures	x	x	x	x	67,176	x	3,718	63,459
of which: forborne exposures	x	x	x	x		x		x
<b>TOTAL A</b>	<b>440</b>	<b>3,564</b>	<b>0</b>	<b>0</b>	<b>69,018</b>	<b>210</b>	<b>3,718</b>	<b>69,094</b>
<b>B. OFF-STATEMENT FINANCIAL POSITION</b>								
a) Impaired					x		x	
b) Unimpaired	x	x	x	x		x		
<b>TOTAL B</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL A + B</b>	<b>440</b>	<b>3,564</b>	<b>0</b>	<b>0</b>	<b>69,018</b>	<b>210</b>	<b>3,718</b>	<b>69,094</b>

Figures in '000

### 2.2- Loans and receivables with banks and financial institutions: gross amounts, carrying amounts and residual maturity bracket

	Gross amount					Individual impairment	Collective impairment	Carrying amount
	Impaired assets deteriorate				Unimpaired assets			
	up to 3 months	from 3 to 6 months	from 6 months to 1 year	more than 1 year				
<b>A. ON-STATEMENT FINANCIAL POSITION</b>								
a) Non-performing					x		x	
of which: forborne exposures					x		x	
b) Unlikely to pay					x		x	
of which: forborne exposures					x		x	
c) Impaired past due/overdue exposures					x		x	
of which: forborne exposures					x		x	
d) Unimpaired past due/overdue exposures	x	x	x	x		x		
of which: forborne exposures	x	x	x	x		x		
e) Other unimpaired exposures	x	x	x	x	14.361	x		14.361
of which: forborne exposures	x	x	x	x		x		
<b>TOTAL A</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14.361</b>	<b>0</b>	<b>0</b>	<b>14.361</b>
<b>B. OFF-STATEMENT FINANCIAL POSITION</b>								
a) Impaired					x		x	
b) Unimpaired	x	x	x	x		x		
<b>TOTAL B</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL A + B</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14.361</b>	<b>0</b>	<b>0</b>	<b>14.361</b>

Figures in '000

These are the company's current account balances.

### 2.3- Classification of exposures based on external and internal ratings

#### 2.3.1 Breakdown of credit exposure on- and off-statement of financial position by external rating class

	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
<b>A. On-statement of financial position</b>			56.586				12.507	69.093
<b>B. Derivatives</b>								
B.1 Financial derivatives								
B.2 Credit derivatives								
<b>C. Guarantees given</b>								
<b>D. Commitments to disburse funds</b>								
<b>E. Other</b>								
<b>Total</b>	-	-	56.586	-	-	-	12.507	69.093

Figures in '000

The Baa2 rating (class 3) assigned to the sovereign risk by the external rating agency Moody's leads to a weighting rate of 100% of exposures to public administration bodies, except for local bodies (20%) and central administrations (0%). The weighting rate of exposures with no ratings is 100%.

#### 2.3.2 Breakdown of credit exposure on- and off-statement of financial position by internal rating class

None.

### 3. Credit concentration

#### 3.1 Breakdown of loans and receivables with customers by the counterparty's business segment

<i>in thousands of Euros</i>	<b>Values at 31 December 2016</b>	<b>Values at 31 December 2015</b>
BODIES PROVIDING HEALTH SERVICES	€ 38,728	€ 43,515
MANUFACTURING COMPANIES	€ 12,181	€ 13,724
OTHER BODIES PROVIDING HEALTH SERVICES	€ 9,817	€ 11,584
REGIONAL ADMINISTRATIONS	€ 7,071	€ 7,518
MUNICIPALITIES AND GROUPS OF MUNICIPALITIES UNITS OR COMPANIES WITH 20 OR MORE EMPLOYEES	€ 665	€ -
COMPANIES CONTROLLED BY LOCAL ADMINISTRATIONS	€ 138	€ 137
COMPANIES WITH FEWER THAN 20 EMPLOYEES	€ 131	€ 42
OTHER LOCAL ADMINISTRATIONS	€ 86	
GOVERNMENT ORGANISATIONS AND BODIES	€ 86	€ 89
BODIES PROVIDING ECONOMIC SERVICES	€ 5	€ 5
BODIES PROVIDING CULTURAL AND ASSISTANCE SERVICES	€ 1	€ 1
<b>Total</b>	<b>€ 69,093</b>	<b>€ 76,815</b>

#### 3.2 Breakdown of loans and receivables with customers by the counterparty's geographical segment

<i>in thousands of Euros</i>	<b>Values at 31 December 2016</b>	<b>Values at 31 December 2015</b>
CALABRIA	€ 36,299	€ 41,462
CAMPANIA	€ 23,240	€ 23,301
LAZIO	€ 6,823	€ 8,608
VENETO	€ 2,600	€ 2,808
PUGLIA	€ 111	€ 193
ABRUZZO	€ 5	€ 5
MOLISE	€ 4	€ 342
MARCHE	€ 4	-€ 49
LOMBARDY	€ 3	€ 3
PIEDMONT	€ 3	€ 3
SARDINIA	€ -	€ 137
EMILIA-ROMAGNA	€ -	€ 2
<b>Total</b>	<b>€ 69,093</b>	<b>€ 76,815</b>



### 3.3 Large exposures

Large exposures are positions equal to or greater than 10% of the regulatory capital.

At 31 December 2016, only two positions exceeded 10% of the regulatory capital, as shown below:

Debtor	Carrying amount	Weighted amount
ASL NAPOLI 3SUD	9,602,782	9,602,782
A.S. PROV.LE OF CROTONE	8,863,855	8,863,855

No risk position exceeds 25% of the regulatory capital. Consequently, no additional requirement envisaged by regulation when exceeding the threshold is necessary.

### 4 Models and other methodologies to measure and manage credit risk

None.

### 5 Other quantitative disclosure about credit risk

Performing exposures to the assignor for with-recourse advances and returned loans and receivables have a weighting rate of 100%.

### 3.2 Market risk

The company is not exposed to the market risk as its portfolio does not include financial instruments.

#### 3 2.1 Interest rate risk

The company is exposed to the interest rate risk only to the extent of its non-current portfolio, while it is not exposed to this risk (included in the market risk) as it does not have a significant trading book.

With respect to liabilities, the company is no longer exposed to banks and the amounts due to customers in relation to the payment of the second tranches of the consideration for the loans and receivables purchased without recourse do not bear any interest. The interest rate risk determines the potential impact that an unexpected change in interest rates may have on the company's current profit and equity due to the mismatching between lending and funding.

Loans bear a fixed rate, considering as such also the rate applicable to default interest pursuant to Legislative decree no. 231 on past due/overdue loans and receivables purchased without recourse (8% + ECB rate which is substantially close to zero).

The company measures this risk in accordance with the methodology described in annex C, Title III, Chapter 1 of the Annex to Circular no. 263.



## QUANTITATIVE DISCLOSURE

### 1. Breakdown of financial assets and liabilities by residual life (repricing date)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
<b>1. Assets</b>	<b>15.469.329</b>	<b>2.261.577</b>	<b>13.306.697</b>	<b>35.336.658</b>	<b>17.615.327</b>	<b>0</b>	<b>0</b>	<b>0</b>
1.1 Debt instruments								
1.2 Loans and receivables	15.469.329	2.261.577	13.306.697	35.336.658	17.615.327	0		
1.3 Other instruments								
<b>2. Liabilities</b>	<b>(1.638.690)</b>	<b>(1.411.312)</b>	<b>(4.779.137)</b>	<b>(7.842.528)</b>	<b>(3.903.429)</b>	<b>0</b>	<b>0</b>	<b>0</b>
2.1 Amounts due	(1.638.690)	(1.411.312)	(4.779.137)	(7.842.528)	(3.903.429)			
2.2 Securities issued								
2.3 Other liabilities								
<b>3. Financial derivatives</b>								
<b>Options</b>								
3.1 Long positions								
3.2 Short positions								
<b>Other derivatives</b>								
3.3 Long positions								
3.4 Short positions								

Figures in '000

The company's portfolio is mainly comprised of past due/overdue loans and receivables from the public administration whose residual life is related to the expected collection days.

The estimated term also considers the debtor's geographical segment, the progress of the recovery of the loan/receivable through legal action and the existence of any ban on seize. The estimate does not include the payments made voluntarily by the debtors given the little significance of this event and the short historical series supporting quantitative estimates.

There are no financial liabilities bearing floating rates.

### 2. Models and other methodologies to measure and manage the interest rate risk

The interest rate risk on the non-current portfolio is a “quantifiable” risk in relation to which the company applies the methodology described in Annex M to the Bank of Italy's Circular no. 216 as part of Pillar II risk quantification.

### 3. Other quantitative disclosure about the interest rate risk

None.

### *3.2.2 Price risk*

#### ***QUALITATIVE DISCLOSURE***

The company is not exposed to price risk, which is included in the market risk, as it has no instruments generating this risk.

#### *1. General aspects*

#### ***QUANTITATIVE DISCLOSURE***

Not significant.

#### *1. Models and other methodologies to measure and manage the price risk*

Not significant.

#### *2. Other quantitative disclosure about the price risk*

Not significant.

### *3.2.2 Currency risk*

The company has no foreign currency assets or liabilities. Consequently, it is not exposed to the currency risk.

### 3.3 Operational risks

#### *QUALITATIVE DISCLOSURE*

Operational risks refer to the losses or damage suffered by company or third parties as a result of the inadequacy or malfunctioning of procedures, systems and human resources or from external events.

In order to identify and monitor the operational risks typical of its activities, the company has identified the operational risks, if any, existing within its processes, setting up and implementing the controls necessary to mitigate them. The risk of losses or damage that may arise from the sudden unavailability of one or more technical applications and/or infrastructures (hardware and software), due to material damage, is mitigated through prevention and control activities, including data back-up, review, maintenance and disaster recovery plans.

Finally, the evolution of the relevant regulatory and legislative background is another potential source of risk. In this respect, the company monitors its internal procedures and policies to ensure compliance with the regulations applicable from time to time, in order to implement any changes and minimise any financial impact.

#### *QUANTITATIVE DISCLOSURE*

<i>Operational risk</i>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Three-year average</b>	<b>Capital requirement 2016</b>
Total income	6,662	4,813	5,758	5,744	862

*Figures in '000*

### **3.4 Liquidity risk**

#### *QUALITATIVE DISCLOSURE*

##### *1. General aspects, management processes and methods of measuring the liquidity risk*

The funding liquidity risk, related to the company's current or future inability to meet its financial commitments, is the main source of risk. The exposure to this risk is mitigated by:

- the cash inflows from the collection of the loans and receivables in portfolio;
- the cash and cash equivalents on open bank current accounts.

The company is not exposed to the market liquidity risk as it has no trading books.

Under its lending and funding structure, the company has no significant misalignments between the maturity dates of collections and payments.

With respect to transactions without recourse, payment of the first tranche of the consideration to the assignor is financed by the cash and cash equivalents available on bank current accounts.

Payment of the second tranche to the assignor (and repayment of the advance to the lending body) is subject to the full collection of the related loan/receivable.

With respect to factoring with recourse, the advance to the disbursed to the assignor (up to 80% of the transferred loan/receivable) is drawn from the cash and cash equivalents available on bank current accounts. When the transferred loan/receivable is collected, the company decreases the advance granted to the assignor and, should the collected amount be greater than the exposure, it will pay the excess amount to the assignor.

The regular flow of collections and deposits on bank current accounts prevents the liquidity risk.

Therefore, the liquidity risk is subject to the following factors:

- the slowdown in the collection flow;
- the zeroing of available funds on bank current accounts.

In order to minimise the above risk, the company:

- regularly monitors the collection flow;
- carefully checks the available funds on open bank current accounts.

Under its lending and funding structure, the company has no significant misalignments between the maturity dates of collections and payments.

The recourse to sources of financing has always considered the sustainability of costs and the company's ability to repay.

To date, the company is not indebted to banks. The funding structure changed as follows over the past three years:

<b>Sources of financing</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Banks and financial intermediaries	€ 56,863,670	€ 6,091,141	€ -	€ -
Subordinated loan from the former sole shareholder	€ 13,744,658	€ 14,944,658	€ 16,144,658	€ -
Loan from the former sole shareholder	€ 16,333,476	€ 17,326,580	€ -	€ -
II tranches – assignors	€ 48,899,408	€ 35,88,780	€ 23,198,305	€ 19,575,096

In order to monitor the liquidity risk, the Administration department produces a monthly report which shows available cash and the projected outflows of the month (advances/balance to be disbursed to assignors, current expenses, e.g., salaries, payment of interest expense, etc.). Together with the Risk control function, it checks that the projection balance is not below Euro 500,000 (the significant threshold that ensures that the company's will continue as a going concern for at least two months) and provides the Chief Executive Officer with adequate information. To date, the company has always complied with this threshold.

## QUANTITATIVE DISCLOSURE

### 1. Breakdown of financial assets and liabilities by residual contractual maturity – Currency: Euro

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 to 3 years	From 3 to 5 years	After 5 years	Open term
<b>On-statement of financial position assets</b>	<b>15.469</b>			<b>8.328</b>	<b>2.876</b>	<b>12.143</b>	<b>17.461</b>	<b>16.898</b>	<b>0</b>		
A.1 Government bonds											
A.2 Other debt instruments											
A.3 Financing	1.107		0	8.328	2.876	12.143	17.461	16.898			
A.4 Other assets	14.362						0	0	0		
<b>On-statement of financial position liabilities</b>	<b>(1.639)</b>			<b>(1.152)</b>	<b>(267)</b>	<b>(4.911)</b>	<b>(8.221)</b>	<b>(4.621)</b>	<b>0</b>		
B.1 Due to:											
- Banks											
- Financial institutions											
- Customers	(1.639)			(1.152)	(267)	(4.911)	(8.221)	(4.621)	0		
B.2 Debt instruments											
B.3 Other liabilities											
<b>Off-statement of financial position transactions</b>											
C.1 Financial derivatives with exchange of principal											
- Long positions											
- Short positions											
C.2 Derivatives without exchange of principal											
- Positive differentials											
- Negative differentials											
C.3 Financing to be received											
- 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											

Figures in '000

The company's portfolio is mainly comprised of past due/overdue loans and receivables from the public administration whose residual life is related to the expected collection days.

The estimated term also considers the debtor's geographical segment, the progress of the recovery of the receivable through legal action and the existence of any ban on seize. The payments made voluntarily by the debtors were excluded given the little significance of this event and the short historical series supporting quantitative estimates.



## **Section 4 – Equity**

### **4.1 Company's equity**

#### *4.1.1 Qualitative disclosure*

The company's definition of Regulatory capital is consistent with that set out in the Bank of Italy's circular no. 216, Section II.

The company must comply with the capital requirements on an individual basis as it belongs to a group whose parent is based in Europe. As it does not collect savings from the general public, in accordance with the applicable legislation, it applies 6% to the risk-weighted positions, maintaining a capital requirement for credit risk far above the regulatory threshold.

#### 4.1.2 Qualitative disclosure

##### 4.1.2.1 Company's equity: breakdown

Items/Values	2016	2015
1. Share capital	47,000	47,000
2. Share premium		
3. Reserves	12,069	11,929
- income-related		
a) legal reserve	3,612	3,471
b) statutory	10	10
c) treasury shares		
d) other	8,447	8,447
- other		
4. (Treasury shares)		
5. Valuation reserves	-93	-46
- Available-for-sale financial assets		
- Property and equipment		
- Intangible assets		
- Hedges of investments in foreign operations		
- Cash flow hedges		
- Exchange rate gains/(losses)		
- Non-current assets held for sale and disposal groups		
- Net actuarial losses on defined benefit plans	-93	-46
- Portion of valuation reserves of equity-accounted investments		
6. Equity instruments		
7. Profit (loss) for the year	2,735	2,802
<b>Total</b>	<b>61,711</b>	<b>61,684</b>

Figures in '000

##### 4.1.2.2 Valuation reserves for available-for-sale financial assets: breakdown

None.

##### 4.1.2.3 Valuation reserves for available-for-sale financial assets: annual changes

None.

## 4.2 REGULATORY CAPITAL AND RATIOS

### 4.2.1 Regulatory capital

#### 4.2.1.1 Qualitative disclosure

The company's regulatory capital is almost entirely comprised of the share capital, reserves and the profit for the year.

#### 4.2.1.2 Quantitative disclosure

	Totale 2016	Totale 2015
<b>A. Tier 1 capital (Common Equity Tier 1 – CET1) before the application of prudential filters</b>	61.711	59.022
of which CET1 instruments subject to transitional provisions		
<b>B. CET1 prudential filters (+/-)</b>		
<b>C. CET1 before deductions and the effect of transitional provisions (A +/- B)</b>	61.711	59.022
<b>D. Deductions from CET1</b>	-14	-24
<b>E. Transitional provisions – Impact on CET1 (+/-)</b>		
<b>F. Total Tier 1 capital (Common Equity Tier 1 – CET1) (C – D +/- E)</b>	61.697	58.998
<b>G. Additional Tier 1 – AT1) before deductions and the effect of transitional provisions</b>		
of which AT1 instruments subject to transitional provisions		
<b>H. Deductions from AT1</b>		
<b>I. Transitional provisions – Impact on AT1 (+/-)</b>		
<b>L. Total Additional Tier 1 – AT1 (G - H +/- I)</b>	61.697	58.998
<b>M. Tier 2 –T2 before deductions and the effect of transitional provisions</b>	0	16.145
of which T2 instruments subject to transitional provisions		
<b>N. Deductions from T2</b>		
<b>O. Transitional provisions – Impact on T2 (+/-)</b>		0
<b>P. Total Tier 2 –T2 (M - N)</b>		16.145
<b>Q. Regulatory capital (F + L + P)</b>	61.697	75.143

Figures in '000

Tier 1 capital of 2015 (A) is shown net of the dividend paid in 2016.

## 4.2.2 Capital adequacy

### 4.2.2.1 Qualitative disclosure

The company calculates the Total internal capital in accordance with applicable regulations and the principle of proportionality, applying the Building block approach, whereby the regulatory requirements for Pillar 1 risks are added up to internal capital, if any, related to the other significant Pillar 2 measurable risks.

The calculation of the total internal capital considers and quantifies the following risks:

- Credit risk;
- Operational risk;
- Concentration risk (granularity adjustment);
- Exceeding the individual thresholds set by Supervisory requirements;
- Rate on the non-current portfolio.

The equity components used to cover the total internal capital are the same as those used to calculate regulatory capital. Consequently, the capital adequacy with respect to the risks to which the company is exposed is assessed by comparing the total internal capital against regulatory capital.

Until 31 December 2014, the company has disclosed information about its capital adequacy, risk exposure and the general characteristics of the systems used to identify, measure and manage these risks (Pillar III) on the website of the trade association (ASSIFACT). Starting from 1 January 2015, this information has been available on its website [www.betastone.com](http://www.betastone.com).

Following the company's merger into Banca Sistema, the information about 2016 will be included in the disclosure provided by the parent, Banca Sistema, available on the website [www.bancaistema.it](http://www.bancaistema.it).

#### 4.2.2.2 Quantitative disclosure

	Unweighted amounts		Weighted amounts	
	2016	2015	2016	2015
<b>A. RISK ASSETS</b>				
<b>A.1 Credit and counterparty risk</b>				
1. Standardised methodology	89.513	109.858	68.729	79.221
2. Internal rating-based methodology				
2.1 Basic				
2.2 Advanced				
3. Securitisation				
<b>B. REGULATORY CAPITAL REQUIREMENTS</b>				
<b>B.1 Credit and counterparty risk</b>			4.124	4.753
<b>B.2 Credit valuation adjustment risk</b>				
<b>B.3 Settlement risk</b>				
<b>B.4 Market risk</b>				
1. Standard methodology				
2. Internal models				
3. Concentration risk				
<b>B.5 Operational risk</b>			862	991
1. Basic			862	991
2. Standardised				
3. Advanced				
<b>B.6 Other prudential requirements</b>				
<b>B.7 Other calculation elements</b>				
<b>B.8 Total prudential requirements</b>			4.985	5.744
<b>C. RISK ASSETS AND CAPITAL RATIOS</b>				
C.1 Weighted risk assets			83.089	95.736
C.2 Tier 1 capital/Weighted risk assets (CET 1 capital ratio)			74%	62%
C.3 Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)			74%	62%
C.4 Regulatory capital/Weighted risk assets (Total capital ratio)			74%	78%

Figures in '000

Prudential reporting figures at 31 December 2016.

## Section 5 – Statement of comprehensive income

		2016	2015
10	Profit for the year	2,734,882	2,801,596
	<b>Other comprehensive income/(expense), net of income tax, that will not be reclassified subsequently to profit or loss</b>		
20	Property and equipment		
30	Intangible assets		
40	Defined benefit plans	(46,571)	7,047
50	Non-current assets held for sale		
60	Portion of valuation reserves of equity-accounted investees		
	Other comprehensive income/(expense), net of income tax, that will be reclassified subsequently to profit or loss		
70	Hedges of investments in foreign operations		
80	Exchange rate gains/(losses)		
90	Cash flow hedges		
100	Available-for-sale financial assets		
110	Non-current assets held for sale		
120	Portion of valuation reserves of equity-accounted investees		
130	<b>Total other comprehensive income/(expense), net of income tax</b>	<b>(46,571)</b>	<b>7,047</b>
140	<b>Comprehensive income (items 10+130)</b>	<b>2,688,311</b>	<b>2,808,643</b>

## Section 6 – Related party transactions

Transactions with the parent

Share capital is wholly owned by Banca Sistema S.p.A. which, pursuant to article 2497 and following articles of the Italian Civil Code, manages and coordinated the Company.

The highlights of the parent's statement of financial position and income statement relating to the last approved individual financial statements for 2015 are given below:

### Statement of financial position

	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.	Available-for-sale financial assets	925,401,846	858,007,084
60.	Loans and receivables with banks	1,996,278	16,591,377
70.	Loans and receivables with 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
	of which: as per Law no. 214/2011	2,658,441	2,261,265
150.	Other assets	12,587,718	4,322,640
	<b>Total assets</b>	<b>2,411,993,789</b>	<b>2,082,020,066</b>

Liabilities and 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.	Post-employment benefits	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	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
<b>Total liabilities and equity</b>		<b>2,411,993,789</b>	<b>2,082,020,066</b>

*in Euros*

## Income statement

		2015	2014
10.	Interest and similar income	79,258,219	75,842,919
20.	Interest and similar expense	(21,012,533)	(27,455,229)
30.	<b>Net interest income</b>	<b>58,245,686</b>	<b>48,387,690</b>
40.	Fee and commission income	12,741,843	12,537,011
50.	Fee and commission expense	(1,571,431)	(1,066,587)
60.	<b>Net fee and commission income</b>	<b>11,170,412</b>	<b>11,470,424</b>
70.	Dividends and similar income	32,850	33,070
80.	Net trading income	151,958	885,611
100.	Gain on the sale or repurchase of:	2,518,381	3,810,045
	b) available-for-sale financial assets	2,518,381	3,809,959
	d) financial liabilities	-	86
120.	<b>Total income</b>	<b>72,119,287</b>	<b>64,586,840</b>
130.	Net impairment losses/reversals of impairment losses on:	(5,439,467)	(3,644,928)
	a) loans and receivables	(5,439,467)	(3,644,928)
140.	<b>Net financial income</b>	<b>66,679,820</b>	<b>60,941,912</b>



<b>150.</b>	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)
<b>160.</b>	Net accruals to provisions for risks and charges	300,000	(369,448)
<b>170.</b>	Net impairment losses/reversals of impairment losses on property and equipment	(246,402)	(182,084)
<b>180.</b>	Net impairment losses/reversals of impairment losses on intangible assets	(60,059)	(39,680)
<b>190.</b>	Other operating income/expense	72,293	(338,465)
<b>200.</b>	<b>Operating costs</b>	<b>(41,738,161)</b>	<b>(31,414,243)</b>
<b>210.</b>	Net gains (losses) on equity investments	-	-
<b>250.</b>	<b>Pre-tax profit (Loss) on continuing operations</b>	<b>24,941,659</b>	<b>29,527,669</b>
<b>260.</b>	Income taxes on continuing operations	(7,904,552)	(10,133,312)
<b>290.</b>	<b>Profit (Loss) for the period</b>	<b>17,037,107</b>	<b>19,394,357</b>

*in Euros*

Related party transactions were carried out on an arm's length basis and exclusively referred to the current account held with the parent which, at 31 December 2016, had a credit balance of Euro 14,294,789. Furthermore, they comprise the commercial collaboration agreement signed on 16 September 2016 whereby the Company received fees of Euro 46,695 from Banca Sistema.

In the first half of 2016, the subordinated loan (nominal amount for supervisory purposes of Euro 10,000,000) was repaid to the former sole shareholder Stepstone FH - a related party until 1 July 2016, in addition to interest accrued on the signing date (of which Euro 499,726 pertaining to the year).

### **Transactions with Directors and Statutory Auditors**

As set out in table 9.1 Part C of these notes, the Directors' fees amount to Euro 401 thousand. Together with those paid to the Board of statutory auditors (Euro 76 thousand), the fees total Euro 477 thousand.

**BETA STEPSTONE S.P.A.**

**Società per Azioni con socio unico**

\* \* \*

**RELAZIONE DEL COLLEGIO SINDACALE**

**ALL'ASSEMBLEA DEGLI AZIONISTI CONVOCATA PER L'APPROVAZIONE DEL**

**BILANCIO CHIUSO AL 31 DICEMBRE 2016**

**ai sensi dell'art. 2429 comma 2 cod. civ.**

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***Parte prima: introduzione***

Signori Azionisti di Banca Sistema S.p.A., che in virtù della operazione straordinaria di fusione intervenuta con effetto giuridico dal primo istante del 01 gennaio 2017 siete chiamati ad approvare il bilancio di Beta Stepstone S.p.A. (“**Società**”), incorporata in Banca Sistema S.p.A.,

la presente relazione è stata approvata collegialmente ed in tempo utile per il suo deposito presso la sede della società, nei 15 giorni precedenti la data di convocazione dell’assemblea di approvazione del bilancio.

Con deliberazione assunta nel corso dell’Assemblea ordinaria del 01 luglio 2016, a seguito delle dimissioni del precedente Collegio Sindacale, è stato nominato il nuovo Collegio Sindacale, nelle persone degli scriventi Dott. Diego De Francesco (Presidente), Dott. Fedele Gubitosi (Sindaco Effettivo, già Presidente di codesto organo di controllo) e Dott. Cesare Girello (Sindaco effettivo); prima della riunione del 15 dicembre 2016, quest’ultimo ha rassegnato le proprie dimissioni per ragioni strettamente personali, venendo per l’effetto sostituito dal Dott. Massimo Conigliaro, il quale era Sindaco Supplente.

Nel corso dell’esercizio 2016, in conformità alle disposizioni di legge e di Statuto, abbiamo vigilato sull’osservanza della legge, dei regolamenti e dello Statuto; nel rispetto dei principi di corretta amministrazione; sull’adeguatezza e funzionamento dell’assetto organizzativo nonché sull’adeguatezza e funzionamento dell’assetto amministrativo e contabile, così come sugli altri atti e fatti previsti dalla legge.

In particolare ribadiamo che la Società è ad oggi fusa per incorporazione in Banca Sistema S.p.A. e pertanto il soggetto giuridico Beta Stepstone S.p.A. è estinto; ciononostante, essendo la fusione efficace a partire dal primo istante dell’anno 2017, è stato necessario redigere e portare all’approvazione dell’assemblea degli azionisti (di Banca Sistema S.p.A.) il bilancio dell’esercizio chiuso al 31 dicembre 2016, ultimo giorno di esistenza dell’entità giuridica Beta Stepstone S.p.A.

Abbiamo esaminato il progetto di bilancio d’esercizio di Beta Stepstone S.p.A. al 31 dicembre 2016 (il “**Bilancio**”), composto dallo Stato Patrimoniale, dal Conto Economico, dal Prospetto della Redditività complessiva, dal Prospetto delle variazioni di Patrimonio Netto, dal Rendiconto Finanziario e dalla Nota

Integrativa, corredato dalla Relazione sulla Gestione e dai prospetti informativi complementari, portante un utile di esercizio di € 2.734.882,00.

Il Consiglio di Amministrazione, ad esito dell'approvazione avvenuta in data 08 marzo 2017, ha messo a nostra disposizione il fascicolo nei termini di legge.

Nel corso del 2016 e fino alla data odierna il Collegio Sindacale *pro tempore* in carica ha effettuato 6 riunioni (inclusa quella relativa alla stesura della presente relazione), ed ha partecipato alle riunioni degli organi sociali.

Di tutte le attività descritte poc'anzi Vi diamo dettagliata informativa nel seguito della presente relazione.

### ***Parte seconda: vigilanza sul rispetto delle leggi e dello Statuto***

Nel presente paragrafo vi riferiamo sull'attività svolta da questo Collegio Sindacale ai sensi dell'art. 2403 del codice civile.

Nel corso dell'esercizio il Collegio ha vigilato sull'osservanza della legge, dell'atto costitutivo e sul rispetto dei principi di corretta amministrazione. L'attività è stata ispirata ai principi di comportamento del Collegio Sindacale raccomandati dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili.

Oltre alle riunioni sindacali di cui si è scritto precedentemente, nel corso del 2016 il Collegio *pro tempore* in carica ha partecipato alle riunioni degli organi sociali, svoltesi nel rispetto delle norme statutarie, legislative e regolamentari che ne disciplinano il funzionamento e in virtù delle quali si può ragionevolmente assicurare che le deliberazioni adottate sono state conformi alla legge ed allo Statuto sociale, non sono state manifestamente imprudenti, azzardate o in potenziale conflitto d'interesse né in contrasto con quelle assunte dall'Assemblea degli Azionisti o tali che abbiano potuto compromettere l'integrità del patrimonio sociale.

Nello svolgimento delle proprie attività in seno alle riunioni sindacali, il Collegio si è riunito periodicamente con i responsabili delle principali funzioni interne della Società (*compliance* e antiriciclaggio, sistema di controllo interno e *audit*, finanza); ha esaminato i documenti forniti ed effettuato le proprie analisi e valutazioni, riepilogate nei propri verbali e che non hanno portato all'emersione di elementi in grado di far dubitare del rispetto della legge, dello Statuto sociale e dei principi di corretta amministrazione; ha analizzato le operazioni di maggior rilievo economico, finanziario e patrimoniale, giudicandole non azzardate e/o pregiudizievoli per l'andamento economico, patrimoniale e finanziario della Società.

Il Collegio Sindacale dà atto che nel corso delle riunioni consiliari e nel bilancio sono state esposte le principali informazioni inerenti i rapporti della Banca con parti correlate. Al riguardo, il Collegio Sindacale ritiene opportuno richiamare l'attenzione dei soci sulla lettura dei paragrafi della Relazione sulla Gestione e della Nota Integrativa in cui tali accadimenti sono descritti.

Fra i fatti di rilievo verificatisi nel 2016 segnaliamo:

- La rinnovata composizione di codesto organo di controllo;
- La sottoscrizione dell'accordo di *share purchase agreement*, tra Stepstone Financial Holdings e Banca Sistema, che ha comportato il *change of control* della proprietà della Società;
- La fusione per incorporazione di Beta Stepstone S.p.A. in Banca Sistema, la cui efficacia giuridica e fiscale è stata posticipata al 1° gennaio 2017;
- L'avvio del procedimento di iscrizione all'albo unico degli Intermediari Finanziari, di cui al novellato art. 106 del T.U.B., come da comunicazione di Banca d'Italia ricevuta in data 22 aprile 2016;
- La ricezione di n. 2 avvisi di accertamento riferiti al periodo d'imposta 2011, uno riferito al *transfer pricing* e l'altro relativo alla *withholding tax*. Al riguardo si riporta un estratto del bilancio d'esercizio chiuso al 31 dicembre 2016: *“Il 14.12.2016 l'Agenzia delle Entrate ha peraltro notificato alla Società due avvisi di accertamento circa l'annualità d'imposta 2011 (uno sul transfer pricing per euro 1.093 m, l'altro sulla withholding tax per euro 1.404 m). Non si è effettuato alcun accantonamento specifico in quanto la Società ritiene di aver rispettato pienamente la normativa di riferimento, intende far valere le proprie ragioni nelle sedi più opportune e Banca Sistema, subentrata nella posizione per effetto della fusione per incorporazione di Beta Stepstone con efficacia dal 1° gennaio 2017, ha ottenuto al riguardo idonee garanzie e indennizzi contrattuali dall'ex Socio Unico di Beta Stepstone (Stepstone Financial Holdings).”*;
- L'ottenimento del nulla osta da parte di Banca d'Italia, ai fini del rimborso a Stepstone Financial Holdings, parte correlata fino al 1° luglio 2016, del prestito subordinato computabile ai fini di vigilanza di nominali Euro 10.000.000, oltre gli interessi maturati dalla data di sottoscrizione;
- L'effettuazione degli adempimenti richiesti da Banca D'Italia a seguito dell'iscrizione nell'elenco speciale ex art. 107 del D.Lgs. 385/93 – a titolo esemplificativo e non esaustivo: segnalazione in Centrale Rischi, segnalazioni di vigilanza e segnalazioni usura;
- Il monitoraggio delle attività aziendali in coerenza con il *Risk Appetite Framework*.

In materia di “fatti di rilievo avvenuti nel corso dell'esercizio” si rinvia altresì al contenuto della relazione sulla gestione predisposta dagli amministratori.

Infine, ai sensi dell'art. 2408 del c.c. si dichiara che, nel corso del 2016, non è stata ricevuta alcuna denuncia da parte dei Soci, né esposti di altro tipo, né fatti censurabili o comunque negativamente rilevanti segnalati dalla Società di Revisione o da altri, tali da richiedere la segnalazione alla Banca d'Italia e/o menzione nella presente relazione.

### **Parte terza: vigilanza sul bilancio di esercizio**

Nella presente sezione diamo conto della nostra attività di controllo inerente la composizione e redazione del bilancio di esercizio di Beta Stepstone S.p.A. per il periodo chiuso al 31 dicembre 2016.

Il Bilancio è stato redatto secondo i Principi Contabili Internazionali (IAS/IFRS), omologati dalla Commissione Europea e recepiti in Italia dal Decreto Legislativo 28 febbraio 2005, n. 38 tenendo in considerazione le istruzioni della Banca d'Italia, emanate con Circolare n. 262 del 22 dicembre 2005 e ss.mm.ii.

In ottemperanza alle disposizioni del D.Lgs. 39/2010, spetta al soggetto incaricato del controllo legale dei conti esprimere un giudizio sul bilancio che indichi che è conforme alle norme che ne disciplinano la redazione e se rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, i flussi di cassa ed il risultato economico dell'esercizio; al riguardo si segnala che PricewaterHouseCoopers S.p.A. (di seguito "PWC") ha scambiato ai sensi dell'art. 2409-septies le informazioni rilevanti con il Collegio Sindacale ed ha rilasciato la propria relazione di revisione al bilancio al 31/12/2016 in data 20/03/2017, e tale relazione non contiene rilievi o eccezioni.

Pertanto il Collegio Sindacale assume che i dati del bilancio corrispondano a quelli risultanti dalla contabilità interna, tenuta regolarmente nel rispetto dei principi di cui alla normativa vigente.

Ciò posto, il Collegio Sindacale ha vigilato che il generale procedimento di composizione e redazione del bilancio fosse *compliant* alla normativa vigente.

Lo Stato Patrimoniale relativo al bilancio che viene sottoposto all'approvazione dell'Assemblea dei Soci si riassume nei seguenti valori (in migliaia di Euro):

Attività.....	89.527.688
Passività.....	27.817.173
Capitale e riserve.....	58.975.633
Risultato dell'esercizio.....	2.734.882

Il Conto Economico riclassificato presenta, in sintesi, i seguenti valori:

Margine d'intermediazione.....	5.757.606
Rettifiche/riprese di valore nette per deterioramento attività finanziarie.....	1.340.618
Costi operativi (spese amministrative e altri proventi / oneri) .....	(3.101.766)
Rettifiche su attività materiali/immateriali.....	(30.134)
Accantonamenti netti ai fondi per rischi e oneri.....	(500.000)

Utile operatività corrente al lordo delle imposte.....	3.466.324
Imposte sul reddito.....	(731.442)
Risultato dell'esercizio.....	2.734.882

***Parte quarta: rapporti con la società di revisione***

Nel corso dell'esercizio è stato effettuato con i rappresentanti della società di revisione legale PWC lo scambio di informazioni rilevanti per l'espletamento dei rispettivi compiti.

Al riguardo, si segnala la partecipazione della Società di Revisione legale alla riunione di insediamento del rinnovato Collegio Sindacale, il 12 settembre 2016, nell'ambito della quale PWC non ha segnalato atti o fatti ritenuti censurabili, sulla base della revisione contabile svolta con data di riferimento 30 giugno, e ha rassicurato il Collegio sull'inesistenza di aspetti significativi che richiedessero segnalazione circa la regolare tenuta della contabilità e la corretta rilevazione dei fatti di gestione.

PWC ha attestato, in conformità all'art. 17 del D.Lgs. 39/2010, che nel periodo compreso tra il 01 gennaio ed il 31 dicembre 2016 non sono state riscontrate situazioni che abbiano compromesso l'indipendenza della società di revisione o cause di incompatibilità ai sensi degli art. 10 e 17 del D.Lgs. 39/2010 e relative disposizioni attuative.

Altresì, PWC ha informato il Collegio Sindacale che dalla revisione legale svolta al 31 dicembre 2016 non sono emerse significative carenze nel sistema di controllo interno in relazione al processo di informativa finanziaria da portare all'attenzione del Collegio Sindacale, ai sensi dell'art. 19 del D. Lgs. 27 gennaio 2010, n. 39.

***Sintesi e conclusioni***

Signori Azionisti di Banca Sistema S.p.A.,

sulla base di quanto sopra esposto e per quanto è stato portato a conoscenza del Collegio Sindacale ed è stato riscontrato dai controlli periodici svolti, anche dal precedente Collegio Sindacale sulla base di quanto appreso dalla lettura di atti e documenti, si ritiene non sussistano ragioni ostative all'approvazione del progetto di bilancio di Beta Stepstone S.p.A. per l'esercizio chiuso al 31 dicembre 2016 così come è stato redatto e Vi è proposto dall'organo di amministrazione di Banca Sistema S.p.A.

Altresì il Collegio Sindacale ha preso atto, e porta alla Vostra attenzione, sia il contenuto della relazione al bilancio della società di revisione legale PWC, emessa ai sensi degli articoli 14 e 16 del D.Lgs. n. 39/2010, dalla quale si evince che il bilancio fornisce una rappresentazione veritiera e corretta della situazione

patrimoniale e finanziaria, del risultato economico e dei flussi di cassa della Banca, sia l'esito degli scambi di informazioni intercorsi con la medesima società di revisione, la quale ha confermato la propria indipendenza, non ha rilevato errori significativi, ritiene che la contabilità sia regolarmente tenuta e non vi siano aspetti significativi che chiedano la segnalazione agli organi di Governance.

Come conseguenza di tutto quanto precede, e fermi tutti i rinvii ai fatti intervenuti ed ai singoli paragrafi del Bilancio effettuati in precedenza all'interno di questa Relazione, il Collegio Sindacale Vi invita a deliberare conformemente alla proposta del Consiglio di Amministrazione di Banca Sistema S.p.A. che qui si riporta:

*“Signori Azionisti,*

*vi chiediamo di approvare il Bilancio d'esercizio chiuso il 31 dicembre 2016 con un utile, al netto delle imposte, di Euro 2.734.882.*

*Tenuto conto dell'intervenuta fusione per incorporazione della Società in Banca Sistema non necessita proporre a livello individuale la relativa destinazione.”*

\*\*\*

Milano, 21 marzo 2017

Il Collegio Sindacale

Diego De Francesco

Fedele Gubitosi

Massimo Conigliaro

*Presidente*

*Sindaco Effettivo*

*Sindaco Effettivo*



**RELAZIONE DELLA SOCIETA' DI REVISIONE  
INDIPENDENTE AI SENSI DEGLI ARTICOLI 14 E 16  
DEL DLGS 27 GENNAIO 2010, N° 39**

**BETA STEPSTONE SPA**

**BILANCIO D'ESERCIZIO AL 31 DICEMBRE 2016**



## **RELAZIONE DELLA SOCIETA' DI REVISIONE INDIPENDENTE AI SENSI DEGLI ARTICOLI 14 E 16 DEL DLGS 27 GENNAIO 2010, N° 39**

Agli Azionisti di  
Banca Sistema SpA

### **Relazione sul bilancio d'esercizio**

Abbiamo svolto la revisione contabile del bilancio d'esercizio di Beta Stepstone SpA, costituito dallo stato patrimoniale al 31 dicembre 2016, dal 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 nota integrativa che include una sintesi dei principi contabili significativi e altre note esplicative.

#### *Responsabilità degli amministratori per il bilancio d'esercizio*

Gli amministratori di Banca Sistema SpA 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'articolo 43 del DLgs n° 136/15.

#### *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'articolo 11 del DLgs 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 dell'impresa 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 dell'impresa. 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.

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#### **PricewaterhouseCoopers SpA**

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhler 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

### *Giudizio*

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria di Beta Stepstone SpA al 31 dicembre 2016, 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'articolo 43 del DLgs n° 136/15.

### *Richiamo di informativa*

Senza modificare il nostro giudizio, segnaliamo che, come più ampiamente illustrato nel bilancio d'esercizio e nella Relazione sulla gestione, con efficacia 1 gennaio 2017 si è perfezionata la fusione per incorporazione di Beta Stepstone SpA in Banca Sistema SpA.

### *Altri aspetti*

La Società, come richiesto dalla legge, ha inserito nella nota integrativa i dati essenziali dell'ultimo bilancio della società che esercita su di essa l'attività di direzione e coordinamento. Il giudizio sul bilancio di Beta Stepstone SpA non si estende a tali dati.

## **Relazione su altre disposizioni di legge e regolamentari**

### *Giudizio sulla coerenza della relazione sulla gestione 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, la cui responsabilità compete agli amministratori di Banca Sistema SpA, con il bilancio d'esercizio di Beta Stepstone SpA al 31 dicembre 2016. A nostro giudizio la relazione sulla gestione è coerente con il bilancio d'esercizio di Beta Stepstone SpA al 31 dicembre 2016.

Milano, 20 marzo 2017

PricewaterhouseCoopers SpA



Pierfrancesco Anglani  
(Revisore legale)

Allegato "C" al m. 15017/3918 di rep.

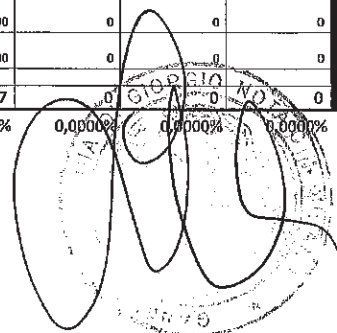
N°	NOMINATIVO AZIONISTA	PRESENZA IN PROPRIO O PER DELEGA		NUMERO AZIONI	NUMERO AZIONI CON DIRITTO DI VOTO	% AZIONI SU TOTALE PRESENTE IN ASSEMBLEA	SCHEDA 1 ORDINARIA - GIALLA													
		IN PROPRIO	PER DELEGA				F	C	A	NV	azioni Favorevoli	azioni Contrari	azioni Astenuti	azioni NV						
						55.138.217														
*	Società di Gestione partecipazioni Banca Sistema		Anna Girello	18.578.900	18.578.900	33,69514%	1					18.578.900	0	0	0					
*	Fondazione Stella		Anna Girello	5.950.104	5.950.104	10,79125%	1					5.950.104	0	0	0					
*	Garbiffin SRL		Anna Girello	409.453	409.453	0,74259%	1					409.453	0	0	0					
*	Fondazione Cassa di Risparmio di Alessandria		Anna Girello	5.950.104	5.950.104	10,79125%	1					5.950.104	0	0	0					
*	Fondazione Pisa	Claudio Pugelli		6.118.104	6.118.104	11,09594%	1					6.118.104	0	0	0					
*	WF VALERO ENERGY CORP PENS PLVCM		Patrizia Marin	187.049	187.049	0,33924%	1					187.049	0	0	0					
*	KEYBK TTEE CHARITABLE INTL EF SMID CAP		Patrizia Marin	59.045	59.045	0,10709%	1					59.045	0	0	0					
*	GBVF GCIT INTL SM CAP OPP		Patrizia Marin	6.230	6.230	0,01130%	1					6.230	0	0	0					
*	CEP DEP IP EUROPEAN SMALLER COS		Patrizia Marin	1.615.848	1.615.848	2,93094%	1					1.615.848	0	0	0					
*	CEP DEP IP EUROPEAN OPFS		Patrizia Marin	415.293	415.293	0,75319%	1					415.293	0	0	0					
*	Fidelity Funds SICAV		Patrizia Marin	1.910.682	1.910.682	3,46526%	1					1.910.682	0	0	0					
*	MultiLabel SICAV		Patrizia Marin	946.168	946.168	1,71599%	1					946.168	0	0	0					
*	Clearbridge International Small CAP FUND		Patrizia Marin	432.290	432.290	0,78401%	1					432.290	0	0	0					
*	Schroeder International Selection Fund		Patrizia Marin	2.289.659	2.289.659	4,15258%	1					2.289.659	0	0	0					
*	Vanguard International Explorer Fund		Patrizia Marin	2.371.523	2.371.523	4,30105%	1					2.371.523	0	0	0					
*	National West Bank PLC as Trustee of Jupiter Financial OPP F		Patrizia Marin	600.000	600.000	1,08817%	1					600.000	0	0	0					
*	Polar Capital Global Financial Trust PL		Patrizia Marin	332.246	332.246	0,60257%	1					332.246	0	0	0					
*	Transamerica International Small Cap		Patrizia Marin	500.000	500.000	0,90581%	1					500.000	0	0	0					
*	Invesco Funds		Patrizia Marin	819.429	819.429	1,48614%	1					819.429	0	0	0					
*	Schroeder European Smaller Companies Fund		Patrizia Marin	634.312	634.312	1,15040%	1					634.312	0	0	0					
*	Polar Capital Funds PLC		Patrizia Marin	820.000	820.000	1,48717%	1					820.000	0	0	0					
*	Grandeur Peak International Opportunitie		Patrizia Marin	1.071.907	1.071.907	1,94604%	1					1.071.907	0	0	0					
*	Axa World Funds		Patrizia Marin	600.000	600.000	1,08817%	1					600.000	0	0	0					
*	Schroeder Capital Management Collective T		Patrizia Marin	650.000	650.000	1,17886%	1					650.000	0	0	0					
*	The State of Connecticut Act through its Treasurer		Patrizia Marin	357.713	357.713	0,64876%	1					357.713	0	0	0					
*	The Jupiter Global Fund Sicav		Patrizia Marin	60.000	60.000	0,10882%	1					60.000	0	0	0					
*	State of Alaska Retirement and Benefits Plans		Patrizia Marin	196.293	196.293	0,35600%	1					196.293	0	0	0					
*	Microsoft Global Finance		Patrizia Marin	162.139	162.139	0,29406%	1					162.139	0	0	0					
*	Missouri Local Government Employees Retirement System		Patrizia Marin	307.129	307.129	0,55702%	1					307.129	0	0	0					
*	Grandeur Peak Global Reach FD		Patrizia Marin	134.028	134.028	0,24308%	1					134.028	0	0	0					
*	National Council For Social Security Fund		Patrizia Marin	108.000	108.000	0,19587%	1					108.000	0	0	0					
*	Grandeur Peak Global Micro Cap F		Patrizia Marin	60.510	60.510	0,10974%	1					60.510	0	0	0					
*	Schroeder International Small Companies P		Patrizia Marin	32.520	32.520	0,05898%	1					32.520	0	0	0					
*	Royce Global Valuetrust Inc.		Patrizia Marin	47.800	47.800	0,08669%	1					47.800	0	0	0					
*	SS BK and Trust Company Inv. Funds for Taxexempt Retirement PL		Patrizia Marin	17.911	17.911	0,03248%	1					17.911	0	0	0					
*	Royce International Micro - Cap Fund		Patrizia Marin	18.600	18.600	0,03373%	1					18.600	0	0	0					
*	Royce Value Trust Inc.		Patrizia Marin	200.000	200.000	0,36272%	1					200.000	0	0	0					
*	Arrowstreet capital global all country alpha extension fund (CAYMAN) Limited		Patrizia Marin	54.645	54.645	0,09911%	1					54.645	0	0	0					
*	Goldman Sachs Funds		Patrizia Marin	30.622	30.622	0,05554%	1					30.622	0	0	0					
*	Garbi Gianluca	Garbi Gianluca		26.500	26.500	0,04806%	1					26.500	0	0	0					
*	Girello Anna	Girello Anna		10.461	10.461	0,01897%	1					10.461	0	0	0					
*	Franceschi Egisto	Franceschi Egisto		30.000	30.000	0,05441%	1					30.000	0	0	0					
*	Ciferri-Ceretti Massimiliano	Ciferri-Ceretti Massimiliano		15.000	15.000	0,02720%	1					15.000	0	0	0					
	<b>TOTALI</b>	5	38		55.138.217	100,00%	43	0	0	0		55.138.217	0	0	0					

100,0000%

0,0000%

0,0000%

0,0000%



FINANCI  
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**BANCA**  
SISTEMA  
CONTEMPORARY BANK

STAT

EMENTS

AS AT 31

DECEMB

ER 2016



**Group Banca SISTEMA**

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**DRAFT FINANCIAL**

**STATEMENTS**

**AS AT 31 DECEMBER 2016**

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**BANCA**  
S I S T E M A



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REPORT ON OPERATIONS  
AS AT 31 DECEMBER 2016

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## COMPOSITION OF MANAGEMENT BODIES

### Board of Directors

Chairman	Ms	Luitgard Spögler
Deputy Chairperson	Prof.	Giovanni Puglisi
CEO and General Manager	Mr	Gianluca Garbi
Directors	Mr	Claudio Pugelli
	Prof.	Giorgio Barba Navaretti (Independent)
	Ms	Ilaria Bennati (Independent)
	Mr	Daniele Pittatore (Independent)
	Ms	Carlotta De Franceschi (Independent)
	Mr	Andrea Zappia (Independent)

### Board of Statutory Auditors

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

### Internal Control and Risk Management Committee

Chairman	Mr	Daniele Pittatore
Members	Ms	Carlotta De Franceschi
	Prof.	Giorgio Barba Navaretti
	Ms	Luitgard Spögler

### Nominations Committee

Chairman	Mr	Andrea Zappia
Members	Ms	Ilaria Bennati
	Ms	Luitgard Spögler

### Remuneration Committee

Chairman	Prof.	Giorgio Barba Navaretti
Members	Mr	Andrea Zappia
	Prof.	Giovanni Puglisi

### Ethics Committee

Chairman	Prof.	Giovanni Puglisi
Members	Ms	Ilaria Bennati
	Attorney-at-Law	Marco Pompeo

### Surveillance Body

Chairman	Mr	Diego De Francesco
Members	Mr	Daniele Pittatore
	Mr	Franco Pozzi

The Board of Directors was appointed by resolution of the Shareholders' Meeting dated 27 November 2015, with the appointment of Ms Luitgard Spögler to the position of Chairman of the Board of Directors. Subsequently, the Board of Directors, meeting on the same date, appointed Mr Gianluca Garbi to the position of CEO and set up the Executive Committee, the Internal Control and Risk Management Committee, the Nominations Committee, the Remuneration Committee, the Ethics Committee and the Surveillance Body. Following the resignation of Mr Michele Calzolari, tendered on 31 May 2016, on 10 June 2016 the Board of Directors co-opted Ms Ilaria Bennati as Director. In addition, the abolition of the Executive Committee became effective on 4 July 2016, with the resulting reorganisation of the Board committees, and Mr Giovanni Puglisi was appointed Deputy Chairperson. The Board of Statutory Auditors was appointed by resolution of the Shareholders' Meeting dated 22 April 2014.

## HIGHLIGHTS DATA AS AT 31 DECEMBER 2016

### Balance Sheet Data (€,000)

Total Assets		1,982,510	-17.8%	31 Dec 2016
		2,411,994		
Securities Portfolio		514,838	-44.4%	31 Dec 2015
		925,401		
Loans - Factoring		930,812	-11.3%	
		1,049,832		
Loans - Salary-backed loans and SME		344,911	69.5%	
		203,467		
Funding - Banks and REPOs		753,706	-40.7%	
		1,271,164		
Funding - Term Deposits		443,395	-22.5%	
		572,379		
Funding - Current Accounts		451,281	34.5%	
		335,574		

### Profit and Loss Data (€,000)

Interest Margin		68,501	17.6%
		58,246	
Net fee and commission income		8,625	-22.8%
		11,170	
Operating Income		78,615	9.0%
		72,119	
Personnel Expenses (*)		(14,171)	11.8%
		(12,670)	
Other administrative expenses (*)		(20,393)	-1.9%
		(20,787)	
Profit before Taxes (*)		36,182	8.7%
		33,290	

### Performance Indicators

Cost/income Ratio (*)		44%
		46%
ROAE (**)		25%
		32%

(\*) Amounts and indicators were calculated using profit and loss data adjusted for non-recurrent costs.

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

## SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

The Board of Directors approved the following on 5 February 2016: (I) the Activity Plan for 2016 related to the II Level Internal Control Functions, (Risk, Compliance and Anti-Money laundering) and Internal Audit Department, and (II) the Board of Directors' Regulations. The Board of Directors also acknowledged the quarterly report from the Internal Control Department as at 31 December 2015 (Risk Reporting, Tableau de bord of the Compliance Department and Tableau de bord of the Internal Audit Department), as well as the quarterly report on Transactions with Associated Parties within the scope of the Master Resolution. In addition, the Board of Directors, upon confirmation of the decision made on 16 December 2015 regarding the purchase of a building for the Bank's new headquarters, approved the establishment of a new, wholly owned vehicle (a limited liability company) with a view to further developing the business. This company will deal with property asset management, in addition to other activities (e.g. the management and sale of advertising space, cultural and educational events, etc.), possibly even on behalf of third parties.

On 15 March 2016 the Board of Directors approved: (I) the 'Annual report on the procedures for providing services, investment activities, ancillary services and activities related to the distribution of financial products issued by insurance companies and banks as per CONSOB decision no. 17297', (II) the '2015 Risks Division Annual Report', (III) the '2015 Compliance Department Annual Report', (IV) the '2015 Anti-Money Laundering Department Annual Report', (V) the 'Compliance Department Annual Report on complaints received by the Bank', (VI) the 'Annual Report on the activities carried out by the Internal Audit Department during 2015', and (VII) the Periodic Report to the Board of Directors and Board of Statutory Auditors from the Surveillance Body concerning the application of the 'Organisation, management and control model pursuant to Legislative Decree 231/2001'. The Board of Directors also approved the Report on corporate governance and

ownership structure which was prepared in accordance with section 123-bis of Legislative Decree no. 58/1998, as well as the updated IT System documentation (IT Security Policy, IT Risk Summary Report, Information Technology and Communication Adequacy and Cost Summary Report).

Following the resolutions dated 16 December 2015 approving the Remuneration Policies of the Banca Sistema Group for 2016 and the launch of the 2016-2019 Stock Grant Plan with approval of the relevant Regulation, as well as the ensuing resolutions for the creation of a legal reserve of profits linked to the free share capital increase reserved to beneficiaries of the 2016-2019 Stock Grant Plan and the free share capital increase pursuant to article 2349 of the Italian Civil Code servicing the Stock Grant Plan, following approval of the proposed amendment of article 5 of the Articles of Association, on 24 March 2016 the Board of Directors approved some changes to the previously approved versions that it deemed necessary based on indications received from the Supervisory Authorities.

On 25 March 2016, the Bank of Italy issued the authorisation provision - pursuant to Articles 77 and 78 of Regulation (EU) no. 575/2013, as well as Article 29 of Commission Delegated Regulation no. 241/2014 - for the repurchase of the Common Equity Tier 1 capital instruments issued by the Bank as resolved by the Shareholders' Meeting on 27 November 2015 for a predetermined amount not exceeding € 1,477,649.49 (amount to be deducted entirely from own funds as of the authorisation date) for the following purposes: (I) to support regular trading performance so as to avoid price movements that are not in line with the market movements and to guarantee market making (Article 29 (3) of Commission Delegated Regulation no. 241/2014); (II) to pay a portion of the variable remuneration in shares to key personnel as set out in the remuneration and incentive policies approved by the Shareholders' Meeting (Article 29 (4) of Commission Delegated Regulation no. 241/2014); (III) provide the directors with a flexible,

strategic and operational tool that will allow them to use own shares as consideration for any extraordinary transactions, such as acquisitions or investment exchanges, with other parties regarding transactions of interest to the Bank. The maximum amount available for this purpose is €140,000 (Article 29 (5) of Commission Delegated Regulation no. 241/2014);

On 28 April 2016, the ordinary and extraordinary Shareholders' Meeting decided on the following:

- the approval of the financial statements of Banca Sistema S.p.A. as at and for the year ended 31 December 2015;
- the allocation of the profit for 2015, with the payment of a dividend of €0.053 per share;
- the approval of the 2016 Remuneration Policies of the Banca Sistema S.p.A. Group, with a maximum limit of the ratio of the variable component to the fixed component of remuneration of 2:1 for positions falling into the category of "key personnel";
- to acknowledge the Remuneration Report, drafted in accordance with Part One, Title IV, Chapter 2, of Bank of Italy Circular no. 285 of 17 December 2013, approved by the Board of Directors on 24 March 2016, with a favourable opinion on Section I;
- to approve the 2016 Stock Grant Plan, concerning the free assignment to beneficiaries of ordinary shares of the Company at the end of the first cycle of the 2016 Plan, contingent on the achievement of certain company and individual performance targets;
- the establishment of a specific restricted equity reserve in service of the 2016 Stock Grant Plan and the 2017-2019 plans that may in future be approved by the Shareholders' Meeting in respect of the years of accrual 2017, 2018 and 2019, designated the "Restricted reserve for capital increase in service of stock-grant plans for bonuses in 2016, 2017, 2018 and 2019", in the amount of € 1,600,000.00, to be drawn from a pre-existing free equity reserve consisting of "undistributed profits" identified in the "Undistributed profit reserve";
- to approve (according to the authorisation received from the Bank of Italy on 26 April 2016 by provision no. 552423) a free share capital increase, pursuant

to Article 2349 of the Italian Civil Code and Article 5.4 of the Articles of Association, in divisible form, in service of the 2016 Stock Grant Plan, and in service of the stock grant plans that may in future be approved by the Shareholders' Meeting in respect of the years of accrual 2017, 2018 and 2019. The maximum amount of this free share capital increase is a nominal € 49,920, corresponding to a maximum number of 416,000 ordinary Company shares with a par value of € 0.12 each, and it must be executed by 30 June 2023. The free share capital increase will involve the use of the restricted reserve for share capital increases in service of the 2016 Plan and the 2017-2019 plans (established in the amount of € 1,600,000).

Within the framework of the securitisation transaction 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 relating to salary- and pension-backed loans to the special purpose vehicle Quinto Sistema Sec. 2016 S.r.l. for a book value of € 119.6 million, with the subsequent issue of ABS on 29 March 2016. The SPV Quinto Sistema Sec. 2016 S.r.l. was included in the list of SPVs under no. 35253.4 on 9 March 2016. On 24 March, the bond documents for the issue of the ABS were signed, while the OTC repo contract (structured as a sale and repurchase agreement) was signed on 29 March. Finally, on 30 March the settlement transactions for both the issue of the ABS (subscribed by Banca Sistema) and the Repo contract regarding the senior tranche were concluded.

The amount of the issue was € 120.9 million.

On 23 May a new portfolio of salary-backed loans was sold to the SPV Quinto Sistema Sec. 2016 for a book value of € 24.1 million partly financed through collection of principal from the securitised portfolio (€ 1.8 million), with the remainder funded through further payments "called up" on the ABS according to their "partly paid" structure. Following the second sale, the total securitised portfolio reached an outstanding value of approximately € 138 million.

On 23 May, the OTC repo contract was renewed for a term of two months in the case of the senior tranche for

an amount (following the sale of the new portfolio) of € 111.9 million (rolling over the initial repo, which had a nominal value of € 93.5) refinanced, as in the case of the previous transaction, without a haircut at an annual interest rate of 0.503% (including commissions).

On 29 April 2016, the Board of Directors, as part of a larger process of revising the Bank's organisational structure, approved (I) the abolition of the Executive Committee, (II) the resulting revision of operating powers and (III) the reorganisation of the compositions of the Board committees, in addition to the appointment of the new Deputy Chairperson of the Board of Directors (Mr Giovanni Antonino Puglisi) and the new Compliance Officer (Ms Daniele Mosconi). Furthermore, the Board of Directors also approved the reorganisation of the company structures through (I) the establishment of the new Collection Division, which will be responsible for management and recovery of the receivables of the Bank and third parties, and (II) the merger of the Central Factoring Division and the Central Banking Division to form the new Central Commercial Division. All of the above changes became effective on 4 July, following the expiry of the period of five business days from 24 June 2016, the date of issue by the Bank of Italy of the provision authorising the purchase by Banca Sistema S.p.A. of a 100% equity interest in Beta Stepstone S.p.A..

In addition, the Board of Directors approved the update to the Liquidity Policy and Contingency Funding Plan, the 2015 ICAAP Report, the "Annual report from the Internal Audit Department concerning audits conducted on the outsourced operating functions" and the Regulations for the Coordination of the Internal Control Department. Furthermore, the Board acknowledged the quarterly report by the Internal Control Department as at 31.3.2016 (Risk Reporting, Tableau de Bord of the Compliance Department and Tableau de Bord of the Internal Audit Department), the quarterly report on Transactions with Associated Parties within the scope of the Master Resolution and the Pillar III Disclosure.

Banca Sistema's first senior bond issue, approved during the session of the Board of Directors held on 29 April, was concluded on 3 May 2016. The placement in a

club deal reserved for institutional investors, in the total amount of € 70 million has a term of two years, with a fixed rate and an all-inclusive cost of 200 bps. The issue is part of a plan to diversify the forms of funding, in accordance with the Funding Plan, and allows for improved asset liability management.

Following the resolutions passed by the Board of Directors on 16 December 2015 and 5 February 2016, on 21 April 2016 a preliminary purchase agreement was signed for the purchase of a building which will also serve as the Bank's new headquarters.

On 10 June 2016, the Board of Directors approved Banca Sistema's participation in the second plan of targeted long-term refinancing operations ("TLTRO-II") for a maximum available amount of € 123 million. Based on the bids received, Banca Sistema subscribed the operation for the maximum amount available (€ 122,850,000.00). The operation was allotted on 24 June 2016 with spot settlement on 29 June 2016.

The Board of Directors also approved the Regulations of the Internal Audit Department.

In the context of a new securitisation transaction approved by the Board of Directors on 10 June 2016, the following sales contracts were signed on 30 June: the Sales Contract (including the Guarantees), Servicing Contract and Corporate Servicing Contract (for the management of the SPV). The portfolio of loans sold includes 145 enforceable injunctions amounting to total principal of € 23.9 million, with € 7.7 million of accrued late payment interest (of which € 1.5 million relating to repaid capital invoices and € 6.2 million of invoices that have yet to be repaid).

On 21 June 2016 Banca Sistema and the majority shareholders signed an agreement with Axactor AB, a company listed on the Oslo Stock Exchange, for the acquisition of a 90% equity interest in CS Union S.p.A., an Italian company active in the field of debt recovery and the purchase of non-performing loans (NPLs). The transaction was finalised on 28 June, with the sale to Axactor of the 15.8% equity interest in CS Union held by Banca Sistema, which will therefore continue to hold a 10% interest in the company, for a pre-tax capital gain of € 2.3 million in the first half of 2016.



The consideration (€ 3.8 million) was settled 60% in cash and the remainder in shares of Axactor. A three-year shareholders' agreement was also signed by Banca Sistema and Axactor for the joint development of the NPL business in Italy.

After having signed an agreement with Stepstone Financial Holdings on 4 February 2016 for the acquisition of a 100% interest in Beta Stepstone S.p.A. and having received notice of authorisation from the Bank of Italy on 24 June 2016, on 1 July 2016 the acquisition was finalised for consideration of € 57.2 million. The acquisition price includes a share of late payment interest not yet collected by Beta of approximately € 16.3 million; an identical amount was paid as a security deposit and will be released to the seller only after the collection of the aforementioned late payment interest.

The consideration was also adjusted based on shareholders' equity at the closing of the transaction (30 June 2016), which will result in an adjustment in favour of Banca Sistema of € 633 thousand. The purchase is in line with the strategic plan of Banca Sistema as notified in July 2015 during the IPO.

The purchase strengthens the Bank's presence in the factoring market for healthcare operators in Central and Southern Italy.

The following measures became effective on 4 July 2016, in accordance with the resolutions passed by the Board of Directors on 29 April 2016:

- the abolition of the Executive Committee, with the resulting expansion/update of the powers previously granted to the CEO and General Manager;
- the reorganisation of the composition of Board committees;
- the reorganisation of company structures through the establishment of the new Collection Division and the merger of the Central Factoring Division and Central Banking Division into the Central Commercial Division.

On 29 July 2016, the Board of Directors approved the plan for the merger by incorporation of Beta Stepstone S.p.A. into Banca Sistema S.p.A.. The application for authorisation of the merger pursuant to Art. 57,

paragraph 1, of the Consolidated Law on Banking was therefore submitted to the Bank of Italy on the same date.

On the same date, the Board of Directors also acknowledged the quarterly report by the Internal Control Department as at 30.6.2016 (Risk Reporting, Tableau de Bord of the Compliance Department and Tableau de Bord of the Internal Audit Department), as well as the quarterly report on Transactions with Associated Parties within the scope of the Master Resolution, for which the update was approved and the due date set for July 2017. The vehicle Largo Augusto Servizi e Sviluppo S.r.l. (LASS), fully owned by Banca Sistema, with capital of € 4 million, was incorporated on 25 August 2016.

The company's purpose includes, among others, the promotion of and participation in real-estate investment transactions, primarily with companies belonging to the banking group. On 31 August 2016, LASS then purchased a property located at Largo Augusto 1 in Milan, Italy, for a total of € 21.5 million, which will also be used as the Bank's new headquarters, once the planned restructuring work has been completed.

On 21 September 2016, the Board of Directors acknowledged the "Periodic Report to the Board of Directors and Board of Statutory Auditors from the Surveillance Body concerning the application of the 'Organisation, Management and Control Model pursuant to Legislative Decree 231/2001".

On 10 October 2016, authorisation was received from the Bank of Italy pursuant to Art. 57 of the Consolidated Law on Banking for the merger of incorporation of Beta Stepstone S.p.A. into Banca Sistema. On 15 November 2016, the Board of Directors then decided on the merger which was then finalised on 12 December 2016. The merger became effective beginning on 1 January 2017. On 18 October 2016, the Bank of Italy commenced the inspections regarding the "governance, management and control of credit risk". Then on 22 November 2016, the scope of the inspections being made by the Bank was broadened, upon the request of CONSOB, to include aspects related to investment services provided by the Bank and to the status of companies listed on the stock exchange.

On 19 October 2016, ratings were assigned to the securitisation of the portfolio of salary- and pension-backed loans (CQS and CQP), which has a total value of € 170 million. Moody's and DBRS assigned the senior class (€ 133 million) ratings of Aa2 and A, respectively, and the mezzanine class (€ 16 million) ratings of A3 and BBB, respectively. Those securities will be listed on the Luxembourg Stock Exchange.

The junior class of €2 1 million is unrated. The senior notes, to date used by Banca Sistema for refinancing operations with institutional investors, will thus be eligible for refinancing operations with the ECB. The deal is in line with the strategy to diversify funding sources and will enable the Bank to pursue its growth targets in this business segment.

On 28 October 2016, the Board of Directors resolved to approve the start of a new business, effective as of 1 December 2016, in the collateralised loans sector, pursuant to Art. 48 of the Consolidated Law on Banking, and the opening of a new branch in Milan, on via Vespri Siciliani, to be dedicated exclusively to this activity.

The branch will begin operating in the first quarter of 2017. On the same date, the Board of Directors also resolved

to launch a self-assessment process of the Corporate Bodies which was completed during the meeting on 15 December 2016 with the approval of the "Board of Directors Self-Regulation Document" and the document on the "Optimal qualitative and quantitative composition of the Board of Directors".

Always on 28 October 2016, the Board of Directors also acknowledged the quarterly report by the Internal Control Department as at 30.9.2016 (Risk Reporting, Tableau de Bord of the Compliance Department and Tableau de Bord of the Internal Audit Department) and verified that the independent directors continue to meet the independence requirements.

On 15 December 2016, the Board of Directors approved certain changes to the Bank's organisational structure. Among these that are worthy of mention, the Head of the Compliance and Anti-Money Laundering Function will report directly to the Board of Directors and the Underwriting Department will be separated from the Finance and Administration Department through the creation of a new Department that reports directly to the General Manager and CEO. These changes became effective beginning on 1 January 2017.

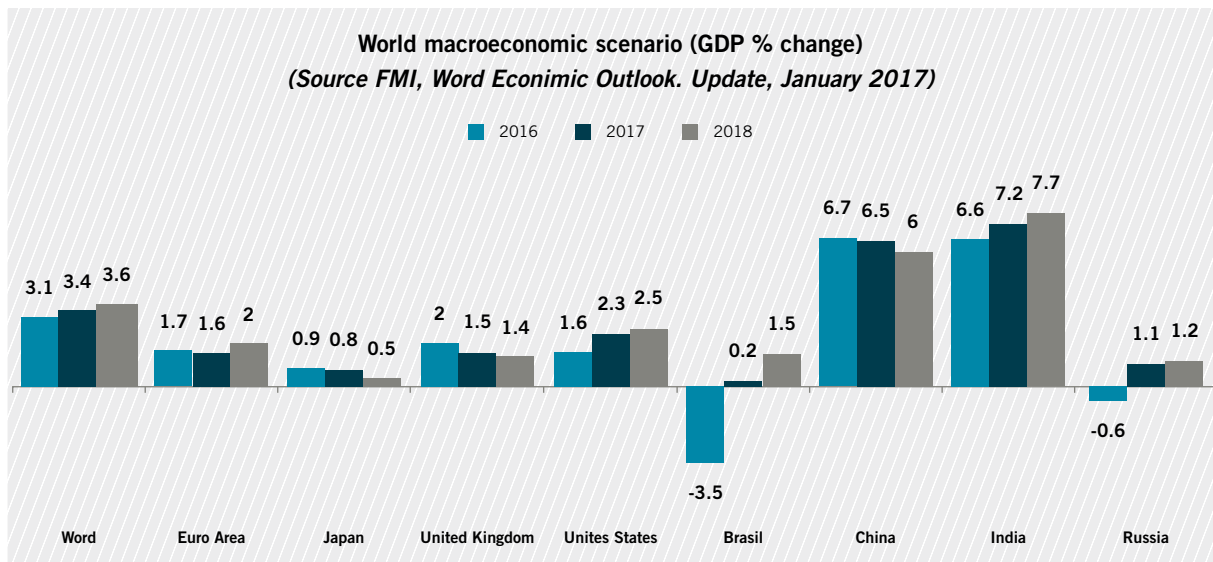
## THE MACROECONOMIC SCENARIO

The last quarter of 2016 was affected by an event of great importance for the global economy: the presidential elections in the United States. On 8 November 2016, Americans voted for the candidate of the Republican Party, the businessman Donald Trump as the new president in the White House. Even though the global economic conditions improved slightly in the last quarter of 2016, this event caused considerable uncertainty: if on one side the budget policies announced by the new administration might encourage an expansive impact, on the other side the implementation of restrictive commercial measures could lead to unfavourable effects and turmoil in emerging economies. The outlook for global growth is improving, though influenced by the uncertainty of the economic policies. China recorded a modest growth in the last quarter of 2016, shaking off the slowdown of the previous months, even though the series of risks connected to private sector and local government debt persists. Advanced economies recorded a slight expansion in trade in 2016, encouraging growth in global trade, though missing expectations. The same could not be said for emerging economies, which recorded a sharp slowdown. Oil prices are up due to a new agreement to cut production. However, the effects of this increase might not last long due to the geopolitical tensions in the major production areas, and to the possible recovery of production in the US, which would lead to a drop in global demand. In general the monetary policies of both emerging and advanced countries are expansive. Growth continues in the Euro area: as shown in Economic Bulletin no. 1 2017 of the Bank of Italy, issued on 13 January 2017, in the third quarter of 2016 GDP increased by 0.3%, driven by domestic demand components. The reasons for this faster growth are to

be sought in increased household spending, government consumption and changes in inventories.

According to the estimates in the Bulletin, also the last quarter was affected by growth at a rate just over the previous period. In December, the €-coin indicator prepared by the Bank of Italy, which measures the underlying performance of the area's GDP, increased again, confirming that economic activity is expanding.

Also inflation is up, which in December equalled 1.1 % (0.6% in November), although this was due to the acceleration in the prices of fresh food and energy prices; excluding the volatile factors, the underlying value thus remains stable. To monitor inflation and set suitable monetary conditions to ensure its increase, the Executive Committee of the ECB during the meeting on 8 December extended the duration of the asset purchase programme of the Eurosystem until price stability is achieved. The ECB continues to monitor financial markets more closely, trying to prioritise contacts with other central banks and be ready to provide additional liquidity, if needed. To do so, it introduced four new targeted refinancing operations with longer terms of four years and highly advantageous conditions. On 21 December the third operation was launched, with the aim of stimulating the supply of credit and supporting economic activity and price performance in a number of channels. In the last quarter of 2016, loans to both businesses and households increased, thanks to the stabilisation of the average cost of loans at the lowest level since the monetary union began (about 1.8%). Following the US presidential elections, capital outflows began again in emerging countries, with the depreciation of the currencies and the increase of the volatility expected on exchange rates.



## ITALY

The Italian recovery continues at a modest rate due to an increase in household spending and investments.

In the third quarter of 2016, as indicated in Bank of Italy's Economic Bulletin, GDP increased by 0.3%, in line with the European trend and continuing to rise in the last quarter of 2016, though at a limited rate.

Industrial activity continues to expand, encouraging a stabilisation in the property sector, though with greater uncertainty in the non-residential sector. Manufacturing activity and retail improved in the third quarter of 2016, while a downturn occurred in the construction sector.

Business confidence indicators remained quite high, in any case with uneven performances in the major sectors of the economy, especially in the foreign component.

The outlook for investment spending is improving and an additional increase is expected in 2017, thanks to new incentives for investments in technological assets and the lengthening of those made to reduce the cost of capital. Furthermore, inflation expectations are up, guaranteeing additional support to the appetite to invest.

In addition, in the third quarter of 2016 the net bond funding of Italian companies was positive.

Household consumption continues to strengthen, though at a slower pace than the previous period.

The propensity to save increased progressively though remaining at contained levels. During 2016, an increase was recorded in disposable income (about

2.3% compared to the previous period), thanks to the improvements recorded in the employment situation. Spending on durable and semi-durable goods slowed, while the acquisition of non-durable goods and services increased.

Italian household debt continues to decrease in proportion to disposable income (61.4%), remaining below the average for the euro area (95% at the end of June). Interest rates on new loans decreased further. In the third quarter of 2016, exports of goods and services remained stable compared to the previous period. Exports of services increased by 1.3%.

Imports also decreased (0.7% by volume), but at a slower rate. The current account surplus continued to improve, rising to € 40.4 billion in the first eleven months of 2016 (almost double compared to the same period of the previous year), thanks above all to the strong performance of the trade surplus, due to the decreased expenditure on energy products.

Foreign purchases of Italian government bonds decreased compared to the previous period, especially due to a gradual reset of a portfolio of resident households towards insurance products and the managed savings. Investments in foreign securities by Italian residents continued to increase.

Permanent and temporary employment is up, while growth in labour costs was zero.

Credit to the private sector is growing at a moderate

rate. Loans to households are gaining speed, while loans to businesses are differentiated by sector of economic activity: loans to manufacturing companies and construction firms are down, while credit to service companies continues to rise.

Funding of Italian banks remains substantially stable. Credit quality continues to improve, while remaining high.

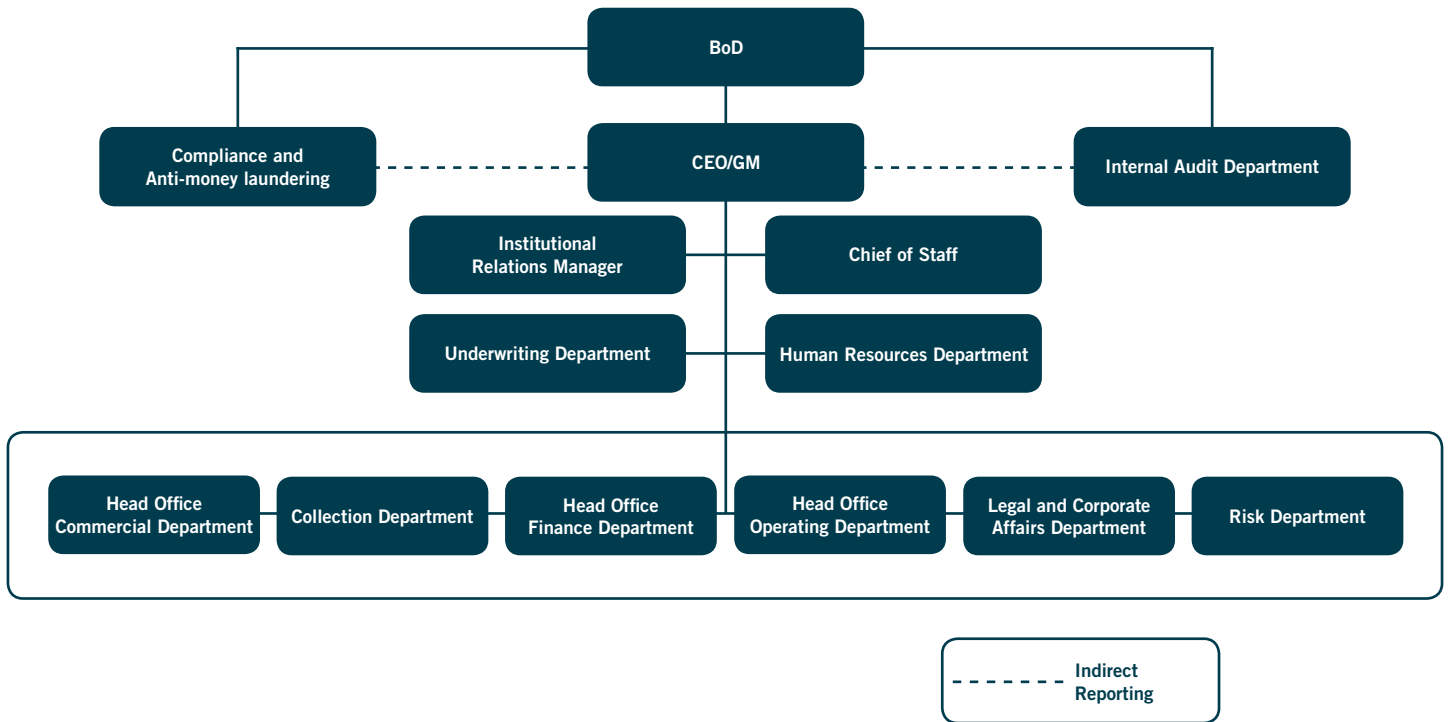
Overall the economic activity may continue to

strengthen, thanks to the accommodating direction of the monetary policies and the gradual strengthening of lending. The risk for the recovery of the global economy arises from the possible implementation of protectionist practises and the turbulence that may derive from the new US presidency and the uncertainties on negotiations that will outline the new trade relations between the European Union and the United Kingdom, following Brexit.

## COMPOSITION AND ORGANISATIONAL STRUCTURE OF THE GROUP

### ORGANISATIONAL CHART

An updated organisational chart of Parent Company, Banca Sistema, is shown below:



## GENERAL MANAGEMENT

The following report to the CEO and General Manager:

- Central Commercial Manager
- Central Financial Manager
- Collection Manager
- Risk Manager
- Central Operating Manager
- Legal and Company Affairs Manager
- Underwriting Manager
- Human Resources Manager
- Chief of Staff
- Institutional Relations 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 Savonarola, 217 (Administrative office)
- Palermo - Via della Libertà, 52 (Administrative office)
- Naples - Via Toledo, 156 (Legal and administrative office)
- Watford - (UK) CP House, Otterspool Way (Representative Office)

## HUMAN RESOURCES

As at 31 December 2016, the Bank is composed by 130 employees, broken down by category as follows:

FTE	31/12/2016	31/12/2015
Senior managers	18	14
Middle managers (QD3 and QD4)	40	33
Other personnel	72	77
<b>Total</b>	<b>130</b>	<b>124</b>

During the year, a total of 24 new resources joined the Parent Company in the Banking, Collections, and Reconciliation areas, and the Director Middle Office, while 18 resources left the Bank. The average age of employees at the Bank is 40 for men and 38 for women, with women accounting for 41% of the total.

### The Italian factoring market

The market situation, as previously highlighted in the first half of 2016, is characterised by overall growth of the sector that exceeds the forecasts published by the most important specialised observers. Data from Assifact in November 2016 shows operator turnover up 8% on the same period in 2015. Preliminary sector turnover estimates for 2016 are more than € 200 billion compared to € 185 billion in the previous year. Without recourse factoring is by far the most common form of factoring used by the market (about 70% of total turnover).

Unlike the trend in bank loans, which were severely impacted by the economic crisis that characterised the last 9 years, factoring saw continuous turnover growth of more than 60% over the same period (in 2007, turnover was € 120 billion), demonstrating a certain resilience to negative economic events, as well as being clearly anti-cyclical.

The capacity of the sector to support businesses during the downward phase of the cycle is related to the operators' unique approach to managing risks in which evaluation is not limited to the party being financed, but the quality of the factored receivables and the solvency of the debtors are also considered. The attention paid to managing the factored receivables allows for risk to be better contained with respect to normal bank loans. This further bears out the validity of debtor financing, and factoring in general, from various points of view.

Factoring, as an opportunity for diversification of access to sources of financing for the business world - as in the specific case small and medium enterprises - which is often subject to considerable credit restrictions imposed by the traditional banking industry, has contributed productively to providing financial support for business continuity and growth.

Credit management services, with the constantly expanding skillset possessed by factoring companies, permit considerable simplification of relationships between the participants in the system, which, in the

absence of structural changes in Italy, promote a virtuous process aimed at ensuring better performance in the monetisation of the expected cash flows of suppliers.

In addition, for large companies, factoring services, especially factoring without recourse, are of strategic importance due to their significant contribution to improving net financial position.

This first clear advantage is accompanied by the possibility, through servicing, of receiving full support in solving critical issues in relations with debtors - consider, for example, the public administration - thanks to the specialisation and far-reaching local monitoring ability assured by the most well organised operators.

The analysis of the data provided by ASSIFACT further emphasises that, from the operators' perspective, the Italian market still appears quite concentrated: with over 60% of turnover in 2016, market share is solidly in the hands of the top three factoring companies.

In the Italian market, one of the most important in the world, the demand for factoring services towards the Public Administration represents a significant portion of the market. According to Assifact estimates, around 30% of outstanding receivables are Public Administration debtors, while the sector's exposure is 25%. Despite the efforts made by the Government with the enactment of Legislative Decree no. 35 of 8 April 2013, converted by Law no. 64 of 6 June 2013 with the aim of rectifying the payment of certain, liquid and collectable pre-existing Public Administration debt through the allocation of about € 40 billion and the transposition of the EU regulation on late payments that exacerbated the amount of late payment interest for payments beyond 60 days, public entities continue to have difficulties in fulfilling payment commitments at agreed due dates.

In this regard, mention is quite frequently made in the Italian press of the constant difficulties in relations between suppliers and government entities, as a result of which Italy is still today the worst payer in Europe, with average payment times that are still above 130 days



compared the European average of 45 days.

In the interest of completeness, it should be noted that, while there are still considerable difficulties in properly identifying actual values, recent sources in the press indicate that the stock of outstanding, unpaid receivables is estimated at approximately € 65 billion. If a particular segment of the public administration is considered, namely goods and services provided to Italy's National Health Service, the average payment times reach and exceed 140 days (according to Assobiomedica).

From a geographical standpoint, regional payment performance is rather well defined and may be broken down into three different groups:

Up to 90 days past due: Valle d'Aosta, Friuli Venezia Giulia, Trentino Alto Adige, Lombardy, Marche, Liguria and Veneto.

Up to 180 days past due: Emilia Romagna, Umbria, Basilicata, Abruzzo, Puglia, Tuscany, Lazio and Piedmont.

More than 180 days past due: Sardinia, Sicily, Campania, Calabria, and Molise.

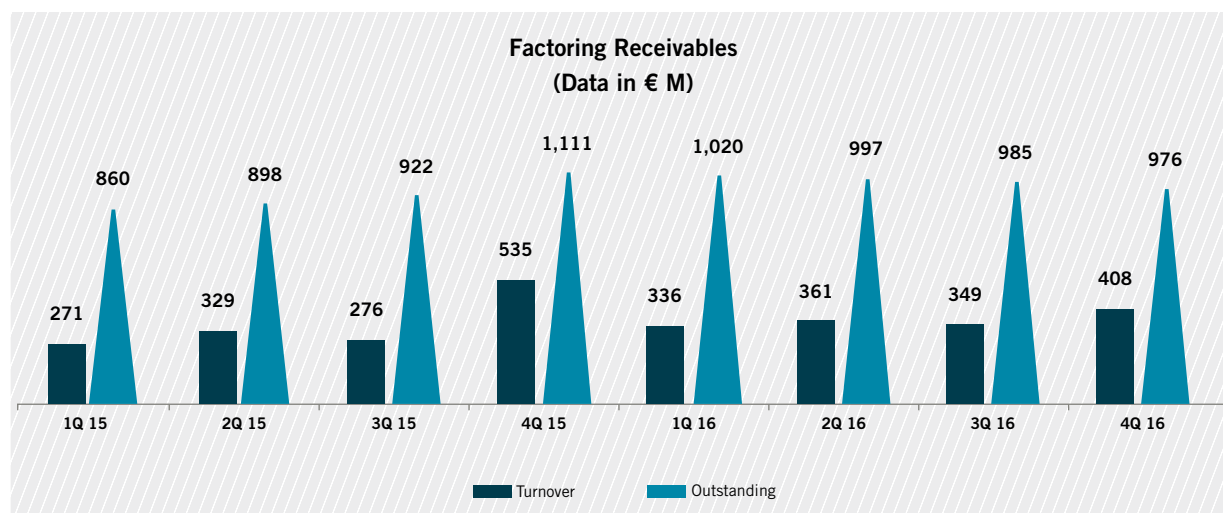
In addition, in 2016 the regions with the greatest density of companies remained those in which factoring was most common (Lombardy, Lazio and Piedmont).

Considering these statistics, for suppliers the assignment of receivables from public entities, especially without recourse, continues to represent an important tool for rebalancing their finances and entrusting credit collection to third parties. In this context, the sector performs, and will continue to perform, an important role in supporting SMEs even in relation to the difficulties in lending that have come forth in banking system because of increased risk and the subsequent capital reinforcement requirements from the Supervisory Authorities.

The significant growth of factoring in recent decades bears witness to the strategic value of this service in supporting the economic system. In the light of recent developments in the European political situation, the sector's prospects remain stably tied to aspects of development (factoring of tax credits, export factoring, etc.) capable of guaranteeing further margins of volume growth and extension to new services.

## Banca Sistema and Factoring Activities

The December 2016 turnover of Banca Sistema was € 1,453 million, up 3% on the same period in 2015. Considering the third-party receivables managed, total volumes amount to € 1,745 million as at 31 December 2016.



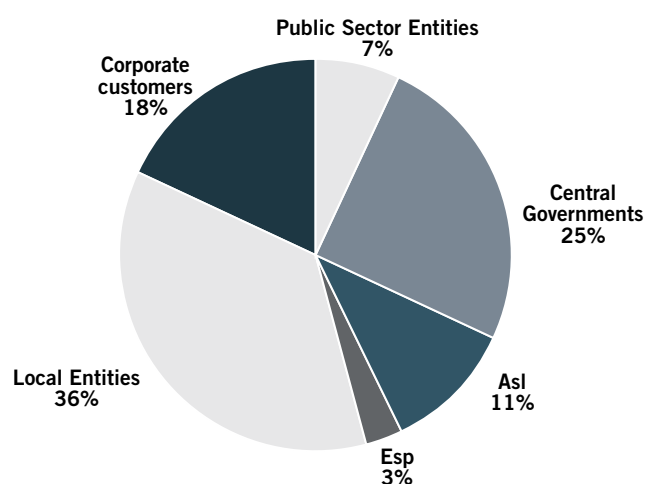
Outstanding loans as at 31 December 2016 amounted to € 976 million, impacted by the trend in turnover in 2016 and by collections in the period, down 12% on the € 1,111 million recorded at 31 December 2015, mainly due to the collection trend in 2016, which was

higher than receivable portfolios acquired during the same period.

Collections as at 31 December 2016 stood at € 1,524 million, up 28% on collections as at 31 December 2015.

The chart below shows the ratio of debtors to the outstanding portfolio as at 31 December 2016.

The Bank's core business remains the Public Administration entities segment.



The Bank works through both direct assignments by companies and within the framework of regional agreements for restructuring or re-organising public entity debts. These transactions 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 by product type:

PRODUCT	31.12.2016	31.12.2015	€ Change	% Change
Trade receivables	1,290	1,270	20	2%
of which, without recourse	1,002	1,096	(94)	-9%
of which, with recourse	288	174	114	66%
Tax receivables	163	142	22	15%
of which, without recourse	142	123	19	15%
of which, with recourse	21	18	3	14%
<b>TOTAL</b>	<b>1,453</b>	<b>1,411</b>	<b>42</b>	<b>3%</b>

Tax receivables as at 31 December 2016 increased (+15%), partly due to the introduction of split payments in 2015, and include VAT credits from insolvency proceedings as well as IRES receivables.

The number of customers in December 2016 increased

#### Collection and debt recovery activities

For the purposes of its debt recovery activities, the Group uses both its own internal structures, and a network of external operators and companies specialised in debt recovery that are active across the entire 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.

In December 2016, collections managed by the Bank under its credit factoring portfolios totalled €1,524 million (up 28% on 2015).

Recovery and reconciliation of collections is divided into out-of-court recovery activity, when invoices are paid according to the internally estimated schedule, and legal

to 337, up 15% on 2015 due to the strengthening of indirect factoring for the PA and private debtors, the extension of the sales network which began in 2015, and as a result of the agreements entered into with banks.

recovery activity. In particular, the policy for managing and recovering receivables claimed by Banca Sistema from the public administration has been characterised, since the launch of the business, by an approach that involves legal action only after an out-of-court recovery process.

Clearly, legal action remains the sole remedy available in the event of voluntary non-payment or failure to reach out-of-court agreements with the factored debtor. In particular, legal action is initiated when it is necessary to avoid a loss for the Bank. In addition, the recovery of the late payment interest component is necessary in some cases in order to achieve the expected profitability.

It should be noted that, due to an inefficient judicial system, as often remarked in many institutional settings,

the transition from out-of-court collection to legal collection has the consequence of extending collection times for this latter component. Accordingly, even if the receivables amount subject to legal action remains on average below 10% of the total receivables acquired each year, the effect of delay in the Italian judicial system results in the stratification of the timetable for such receivables subject to legal action and means that 23% of outstanding receivables at the end of December 2016 consisted of receivables subject to legal action. At the close of the first half of 2016, the Bank revised its accounting treatment of late payment interest on the loans in the legal action portfolio, transitioning

from cash accounting to accrual accounting on 30 June 2016.

During the fourth quarter of 2016, in light of the expansion and improvement of the data base related to historically observed collection of late payment interest and the inclusion of the historical collection data series from Beta Stepstone (acquired on 1 July 2016), the Bank implemented a statistical model to determine the expected percentage of recovery. The adoption of this model has led to an increase, in the income statement, in the expected recovery percentage of late payment interest for debtors of the national health system, which went from 15% to 65%.

### **Servicing activities**

Through its network of collectors, the Bank manages and reconciles the collection of invoices of third customers. As at 31 December 2016, the amount of third-party

receivables managed by the Bank totalled € 292 million, while the fee and commission income generated by this business segment totalled € 968 thousand.

## **BANKING**

### **Direct funding**

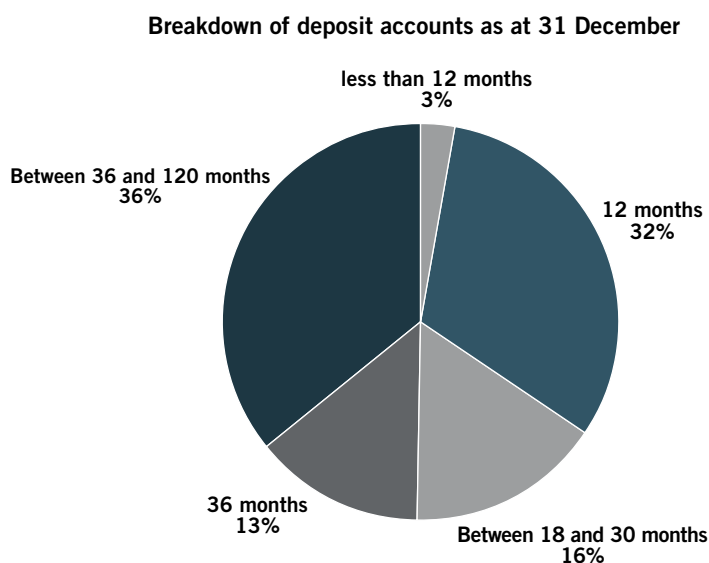
The funding policy of the banking division is strictly linked to changes in trade loans and market conditions. Retail funding accounts for 51% of the total and is composed of the account Si Conto! Corrente and the product SI Conto! Deposito. Total term deposits as at 31 December 2016 amounted to € 443 million, a decrease of € 114 million compared to 31 December 2015. The decrease was due to a specific decision by the Bank that is in line with the strategy to diversify funding sources and with a view of optimising costs. Requests for early redemption or withdrawals from accounts were modest (-10%), in keeping with normal performance.

The above-mentioned amount also includes total term deposits of € 117 million (obtained with the help of a partner platform) held with entities resident in Germany and Austria (accounting for 26% of total deposit funding), an increase of 78 million over the prior year.

The increase benefited from the increase in interest rates in Germany over the course of the year.

There were 11,162 individual customers with term deposits as at 31 December 2016, an increase compared with the figures as at 31 December 2015 (10,693). The average deposit was € 39 thousand, down compared with the figures as at 31 December 2015 (€ 52 thousand).

The breakdown of funding by term is shown below.



Current accounts increased from 3,632 (as at 31 December 2015) to 4,111 in December 2016, while the current account balance as at 31 December 2016 was € 451 million, up € 116 million compared with 31 December 2015.

#### Indirect funding

Indirect funding from assets under administration as at 31 December 2016 amounted to €113 million (€ 364 million as at 31 December 2015).

The breakdown is as follows:

type (€ M)	31/12/2016	31/12/2015	€ Change	% Change
Bonds	25,162	123,037	(97,875)	-79.5%
Equities	77,945	232,575	(154,630)	-66.5%
Warrants	44	319	(275)	-86.2%
Funds	10,327	8,177	2,150	26.3%
<b>TOTAL</b>	<b>113,478</b>	<b>364,108</b>	<b>(250,630)</b>	<b>-68.8%</b>

#### Guaranteed loans to small and medium-sized enterprises

Granting loans to SMEs guaranteed by the Guarantee fund of the Ministry of Economic Development (Law 662/96) is an instrument that enables companies to access secured credit, and the Bank to grant loans with low risk of impact on the capital in view of the State guarantee (up to 80%); the average guarantee coverage for the Bank is 80%.

In light of the new regulatory measures that are about to be introduced on guarantees to this type of loan, the

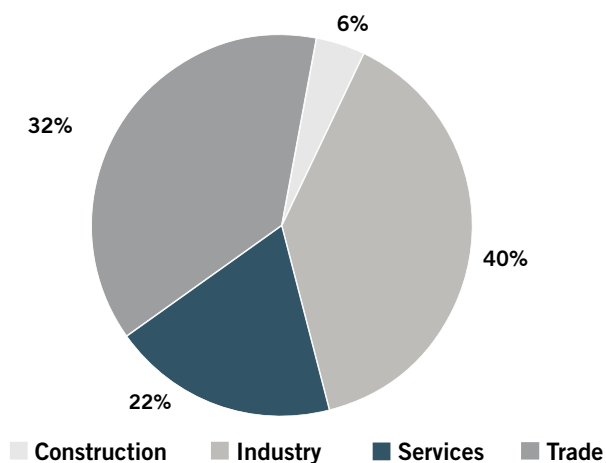
Bank has decided to suspend granting guaranteed loans to SMEs, redirecting the resources dedicated to SME loans to a segment where there is deemed to be more room for growth, such as salary- and pension-backed loans, also thanks to strategic agreements currently being discussed with leading originators.

As at 31 December 2016, the Group disbursed € 30.0 million (€ 79.0 million in December 2015), with € 79 million outstanding at the end of the period.

	31/12/2016	31/12/2015	€ Change	% Change
No. of applications	90	188	(98)	-52%
Volumes disbursed	30,030	79,015	(48,985)	-62%

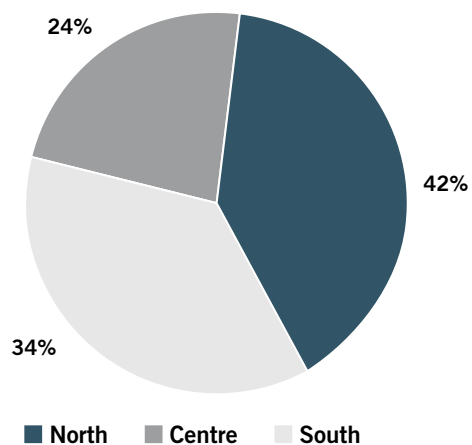
As shown in the graphs below, the geographical areas and sectors are quite varied, thus enabling the Bank to benefit from a highly diversified portfolio.

**Outstanding PMI - Breakdown by sector**



The breakdown of volumes disbursed by geographical area is shown below.

**Area Volumes disbursed to SME - Breakdown by geographical area**



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

Banca Sistema entered the salary- and pension-backed loan (CQS/CQP and to a lesser extent, salary deductions) market in 2014, through the acquisition from other specialist intermediaries of receivables portfolios derived from this specific type of financing. As at 31 December 2016, the Bank has five ongoing agreements with specialist distributors in the sector.

A salary-backed loan (CQS) is a consumer loan product

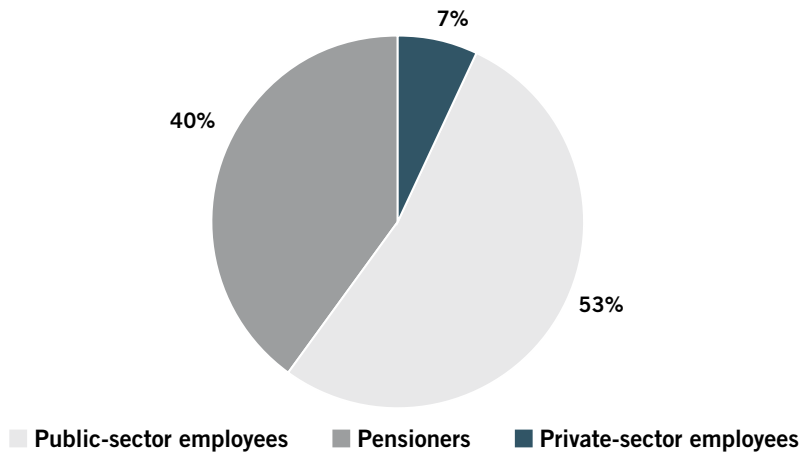
that allows customers to allocate up to a fifth of their salaries to the payment of loan instalments.

The volumes acquired from the beginning of the year until December 2016 amounted to € 156.7 million, including private-sector employees (7%), pensioners (40%) and public-sector employees (53%). Therefore, over 93% of the volumes refer to pensioners and employees of the PA, which remains the Bank's main debtor.

	31/12/2016	31/12/2015	€ Change	% Change
No. of applications	7,641	5,526	2,115	38%
Volumes disbursed	156,691	114,894	41,797	36%

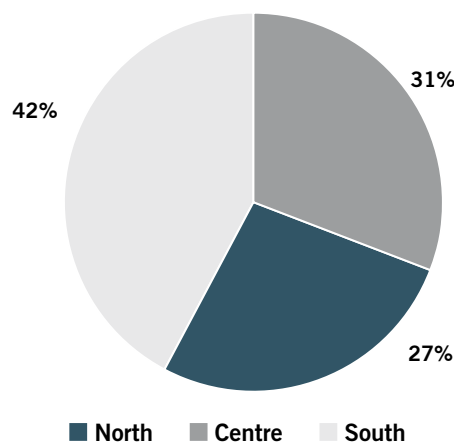
As shown in the table, the amounts disbursed in 2016 were considerably higher than in 2015 as a result of the agreements concluded by the Bank during 2015.

**CQS disbursed volumes - Breakdown**



The geographical breakdown of the pension- and salary-backed loan portfolio is shown below:

**CQS disbursed volumes - Breakdown by geographical area**



## TREASURY ACTIVITIES

### Treasury portfolio

A proprietary portfolio has been established in order to support liquidity commitments through short-term investment in Italian government bonds. In 2016, the consistency and the duration of the securities portfolio were down considerably compared to the end of 2015 given that the historically low yields on government bonds were not in line with the volatility expectations that impacted the market for a large part of 2016 (Brexit - the constitutional referendum and government crisis - review of Italy's credit rating).

### Wholesale funding

As at 31 December 2016, wholesale funding was about 49% of the total, comprising a new bond issue, repurchase agreements traded on the MTS MMF Repo platform, inter-bank deposits and refinancing operations with the ECB (58% as at 31 December 2015).

In 2016, trading on the MMF Repo screen-based market totalled about € 82 billion compared to € 115 billion in 2015.

Participation in the TLTRO II operation proposed by the European Central Bank was settled in the amount of € 122.85 million on 29 June, with maturity on 24 June 2020. The issue of the € 70 million senior bond maturing on 03 May 2018, placed with institutional investors, allowed diversification of the sources of funding and a significant increase in duration of the sources of funding, whereas the securitisation of salary-backed loans allowed positions to be refinanced more efficiently than the traditional types of funding.

The Group also used the interbank deposit market both through the e-MID market and through bilateral agreements with other banks. In particular, it should be noted that the securitisation of Quinto Sistema Sec. 2016, completed with a partly-paid securities structure

The nominal value of the proprietary portfolio amounts to € 507 million compared to € 920 million as at 31 December 2015, with a duration of 6.7 months (9.1 months at 31 December 2015).

In 2016, transactions involving government bonds totalled € 3.4 billion (against € 9.8 billion traded in 2015).

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

and “progressive growth of the securitised portfolio” (a “warehouse” structure) permitted an efficient and effective source of funding dedicated to the CQS portfolio to be maintained throughout the year. In fact, during 2016, through the conclusion of successive guaranteed refinancing agreements (“over the counter REPOs”), the securitised senior notes were refinanced with more advantageous conditions with respect to the traditional types of funding up until the time they were officially eligible as collateral for Eurosystem refinancing transactions, as they are at 31 December 2016. Existing bank deposits amounted to € 300 million, compared to € 282 million as at 31 December 2015. In 2016 trading volumes were € 2.2 billion, compared to € 2.8 billion in 2015.

The listing of the shares of Banca Sistema on the Milan Stock Exchange permitted a sharp improvement in interbank relations, facilitating the granting of MM lines of credit. Such funding allows short-term treasury needs to be met by exploiting the extremely low level of interest rates, with the possibility of drawing funds from the interbank market in a manner useful 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)	31/12/2016	31/12/2015	€ Change	% Change
Cash and cash equivalents	96	104	(8)	-7.7%
Financial assets held for trading	996	-	996	n.a.
Financial assets available for sale	514,838	925,402	(410,564)	-44.4%
Due from banks	71,282	1,996	69,286	3471.2%
Loans to customers	1,312,636	1,459,255	(146,619)	-10.0%
Equity investments	61,628	2,378	59,250	2491.6%
Property and equipment	812	1,047	(235)	-22.4%
Intangible assets	1,821	1,872	(51)	-2.7%
of which: goodwill	1,786	1,786	-	0.0%
Tax assets	4,954	7,353	(2,399)	-32.6%
Other assets	13,447	12,587	860	6.8%
<b>Total assets</b>	<b>1,982,510</b>	<b>2,411,994</b>	<b>(429,484)</b>	<b>-17.8%</b>

The 2016 financial year ended with total assets of € 2 billion, down 18% on 2015, mainly as a result of the decision to maintain a reduced exposure to Italian government bonds (-45%) and the changes in collections of factored receivables, which affected the stock at the end of the period.

The Bank's AFS (available-for-sale) securities portfolio is mainly comprised of Italian government bonds with an average remaining duration of about 7 months as at 31 December 2016 (the average duration at the end of 2015 was 9 months) and is in line with the Bank investment policy to retain securities with durations under 12 months. The government bond portfolio amounted to €508 million

(€ 920 as at 31 December 2015).

The valuation reserve for government securities was € 221 thousand net of tax. The AFS portfolio also includes 200 stakes of the Bank of Italy with a value of € 5 million purchased in July 2015 and the value at 31 December of the Axactor security, which represented the part of the price paid in the form of shares within the framework of the agreement for the sale of the shares of CS Union. Since 31 December, that security's fair value increased by € 458 thousand, net of the tax effect of € 226 thousand, thus resulting in a period-end value of € 2.0 million. The increase in the item 'due from banks' can be attributed to liquidity funding in the ECB account.

<b>LOANS TO CUSTOMERS (€,000)</b>	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>€ Change</b>	<b>% Change</b>
Factoring	930,812	1,049,832	(119,020)	-11.3%
Salary-/pension-backed loans (CQS/CQP)	265,935	120,356	145,579	121.0%
Loans to SME	78,976	83,111	(4,135)	-5.0%
Reverse repurchase agreements	-	177,868	(177,868)	-100.0%
Current accounts	31,977	15,170	16,807	110.8%
Compensation and Guarantee Fund	4,684	12,486	(7,802)	-62.5%
Other receivables	252	432	(180)	-41.7%
<b>Total</b>	<b>1,312,636</b>	<b>1,459,255</b>	<b>(146,619)</b>	<b>-10.0%</b>

"Loans to customers" mainly comprise outstanding loans for factoring receivables, down from 82% to 71% in the item. Salary- and pension-backed loans grew by more than 100% compared to the end of 2015 as a result of newly acquired volumes equal to € 157 million, while government-backed loans to SMEs remained generally in line with 2015, as disbursements partially offset collections during the period.

As at 31 December 2016 the book value of factoring receivables is down by 11.3% on 31 December 2015, mainly as a result of the trend in collections recorded in 2016 (€ 1,550 million). The cumulative turnover figure at 31 December 2016 thus amounted to € 1,453 million (€ 1,411 million in the previous year). The number of turnover-generating customers during 2016 was 337, of which 192 were new customers in 2016.

As mentioned above, securitisation of salary-backed loans began in 2016, as projected in the business plan.

The amount of the receivables factored to the special-purpose vehicle in four different periods was € 197.9 million (€ 182.3 million outstanding at the end of the period), compared to the ABSs of the special-purpose vehicle Quinto Sistema S.r.l. (the SPV), fully subscribed by the Bank, of a total € 190 million at 31 December 2016.

On 19 October, Moody's and DBRS assigned ratings to the Class A (Senior) and Class B (Mezzanine) notes. On 20 October, the notes were listed on the Luxembourg Stock Exchange and the prospectus, which complies with the Prospectus Directive, was published. Since the securities are completely held by the Bank, the conditions for derecognition of the loans have not been met. Therefore, the loans have been re-recorded in the accounts as assets sold and not derecognised with a balancing entry against the subscribed asset-backed securities (ABS).

The following table shows the quality of receivables in the "loans to customers" item, without considering the amount relating to reverse REPOs during the periods in which that investment was present.

STATUS	31/12/2015	31/03/2016	30/06/2016	30/09/2016	31/12/2016
Bad loans	20,021	23,426	29,936	36,019	35,229
Unlikely to pay	5,913	4,722	10,586	11,133	19,748
Overdue payments/defaults>180 days	65,419	64,395	64,664	96,028	64,775
<b>Non-performing</b>	<b>91,353</b>	<b>92,543</b>	<b>105,186</b>	<b>143,180</b>	<b>119,752</b>
Performing	1,172,410	1,111,123	1,085,778	1,150,176	1,176,646
Other loans to customers (excluding REPOs)	26,732	28,995	15,293	19,670	36,816
<b>Total excluding REPOs</b>	<b>1,290,495</b>	<b>1,232,661</b>	<b>1,206,257</b>	<b>1,313,026</b>	<b>1,333,214</b>
<b>Individual adjustments</b>	7,137	8,284	9,969	12,109	16,246
Collective adjustments	3,233	3,557	3,531	4,198	4,331
<b>Total adjustments</b>	<b>10,370</b>	<b>11,841</b>	<b>13,500</b>	<b>16,307</b>	<b>20,578</b>
<b>Net exposure</b>	<b>1,280,125</b>	<b>1,220,820</b>	<b>1,192,757</b>	<b>1,296,719</b>	<b>1,312,636</b>

The ratio of net non-performing loans to the total in the portfolio (net of reverse repos) is up from 7.1% as at 31 December 2015 to 9.0% as at 31 December 2016, mainly due to increases in bad loans and unlikely to pay. Net bad loans amounted to 1.7% of total loans to customers, remaining at moderate levels. The increase in the quarter in loans classified as "unlikely to pay" is mainly due to a deterioration in factored receivables due from public companies, and to a lesser extent, from loans to SMEs. The amount of past due loans is mainly attributed to factoring receivables without recourse from the Public Administration and is considered normal for the sector and does not represent an issue in terms of credit quality and probability of collection.

During the quarter, the provision for value adjustments increased as a result of an increase of up to 100% in the value adjustment percentage on the SME portfolio from a thorough and more prudent overall assessment of 20% of the portfolio that is not guaranteed by the Guarantee fund of the Ministry of Economic Development, and from the value adjustments on specific factoring positions between private parties.

The coverage ratio of bad loans has increased to 34.8% as at 31 December 2016 (30.6% as at 31 December

2015): this percentage, since it is impacted by factoring of receivables from distressed local authorities, is entirely appropriate.

The Bank is completing a process related to a valuation model for the provision for bad loans deriving from Public Administration debtors on Factoring products, the first results of which give a higher probability of recovery that what is currently estimated.

Compared to the end of the previous year, there were no temporary investments in reverse repurchase agreements (€ 178 million at the end of 2015). The amounts of the cash used in the Compensation and Guarantee Fund to finance transactions in repurchase agreements with bank customers decreased significantly due to the reduction of the securities portfolio.

Equity investments includes the following wholly owned subsidiaries that fall within the scope for full consolidation in the Group's consolidated financial statements:

- Largo Augusto Servizi e Sviluppo S.r.l. (LASS) with a book value of €4 million;
- Beta Stepstone S.p.A. (hereinafter "Beta") with a book value of €56.7 million;
- SF Trust Holding (hereinafter "SFTH") which was

completely written off in previous years.

LASS is a wholly owned vehicle established during the third quarter of 2016 with fully paid-in share capital of € 4 million. On 31 August 2016, the subsidiary, using a loan from the Parent Company, purchased a property for € 21.5 million that will be used as the Bank's new headquarters once the planned renovation work has been completed.

Beta is a factoring company acquired on 1 July 2016 for an acquisition price of € 56.7 million, net of certain contractual adjustments and reductions of €3.5 million. During the acquisition process, the amount of late payment interest receivable not yet collected by Beta was placed in an escrow account, release of which to the seller is conditional solely on the collection of that late payment interest, fully securing the receivable in question. Equity

investments also include the Bank's current equity stake of 10.0% in CS Union S.p.A., a company operating on the financial and commercial bad loans management market, as well as in the management and recovery of receivables between individuals. As previously described, in the context of the strategic collaboration agreement between Banca Sistema and Axactor, in the second quarter of 2016 the Bank finalised the sale to Axactor of the 15.8% equity interest held in CS Union, recording a capital gain of € 2.4 million.

The price of sale was settled 60% in cash and the remainder in shares of Axactor.

Other assets include amounts being processed after the end of the reference period and advance tax payments of approximately € 10.5 million.

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

<b>LIABILITIES AND SHAREHOLDERS' EQUITY (€,'000)</b>	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>€ Change</b>	<b>% Change</b>
Due to banks	458,126	362,075	96,051	26.5%
Due to customers	1,256,843	1,878,339	(621,496)	-33.1%
Securities issued	90,330	20,102	70,228	349.4%
Tax liabilities	3,570	804	2,766	344.0%
Other liabilities	58,086	55,619	2,467	4.4%
Employee termination indemnities	1,640	1,303	337	25.9%
Provisions for risks and charges	279	348	(69)	-19.8%
Valuation reserves	518	350	168	48.0%
Reserves	79,038	66,366	12,672	19.1%
Share capital	9,651	9,651	-	0.0%
Treasury shares (-)	(52)	-	(52)	n.a.
Profit for the period/year	24,481	17,037	7,444	43.7%
<b>Total liabilities and shareholders' equity</b>	<b>1,982,510</b>	<b>2,411,994</b>	<b>(429,484)</b>	<b>-17.8%</b>

Wholesale funding represents about 49% of the total (58% as at 31 December 2015), down compared to the end of 2015 due to a decrease in repurchase agreements traded through the MTS platform (classified under "due to customers", since there is no direct balancing entry

with banks). There was an increase in the weight of bond funding, which rose from 2% to 11% of the total wholesale funding, thanks to the private placement of a senior bond of €70 million maturing in two years, as well as the greater use of funding from the ECB.

<b>DUE TO BANKS (€,'000)</b>	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>€ Change</b>	<b>% Change</b>
Due to Central banks	192,850	80,002	112,848	141.1%
Due to banks	265,276	282,073	(16,797)	-6.0%
<i>Current accounts and demand deposits</i>	<i>20,039</i>	<i>10,328</i>	<i>9,711</i>	<i>94.0%</i>
<i>Term deposits</i>	<i>245,237</i>	<i>271,745</i>	<i>(26,508)</i>	<i>-9.8%</i>
<b>Total</b>	<b>458,126</b>	<b>362,075</b>	<b>96,051</b>	<b>26.5%</b>

Amounts due to banks increased compared to 31 December 2016 due to the increase in refinancing operations with the ECB with the ABS from the securitisation of salary- and pension-backed receivables (CQS/CQP) as collateral, which allowed for funding of € 120.4 million to be obtained. Retail loans were placed as collateral for the remaining amount. The Bank also participated in the TLTRO II

auction for € 123 million, with a duration of four years and current expected rate of -40bps. This potential revenue was not recognised in that it will only become certain on the maturity date; a rate of 0% was instead considered. As at 31 December 2016, there was a funding on the interbank market in the form of term deposits with an average duration of about 2 months.

<b>DUE TO CUSTOMERS (€,'000)</b>	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>€ Change</b>	<b>% Change</b>
Term deposits	443,395	572,379	(128,984)	-22.5%
Funding (repurchase agreements)	295,580	909,089	(613,509)	-67.5%
Current accounts and demand deposits	451,281	335,574	115,707	34.5%
Deposits with Cassa Depositi e Prestiti	35,615	30,603	5,012	16.4%
Due to assignors	30,972	30,694	278	0.9%
<b>Total</b>	<b>1,256,843</b>	<b>1,878,339</b>	<b>(621,496)</b>	<b>-33.1%</b>

The period-end stock of term deposits was down 22.5% on the end of 2015, reflecting net negative deposits (net of interest accrued) of € 126.5 million; gross deposits from the beginning of the year were € 425.4 million, against withdrawals caused mainly by non-renewals totalling € 551.9 million. The reduction in funding from deposit accounts is in line with the Bank's need to diversify and contain the costs of funding.

Funding from repurchase agreements was also down mainly as a result of the smaller securities portfolio. Amounts due to customers also include funding of € 34.8 million from Cassa Depositi e Prestiti obtained against collateral consisting solely of loans to SMEs by the Bank. Other amounts due include payables related to receivables acquired but not funded.

The balance of debt securities issued increased compared to 31 December 2016 due to the new issue of bonds placed with institutional customers.

The item's composition was as follows:

- Tier 2 subordinated loan of € 12 million, set to mature on 15 November 2022;
- Tier 1 subordinated loan of € 8 million, with no maturity (perpetual basis);
- senior bond of € 70 million, set to mature on 3 May 2018.

The provision for risks and charges mainly refers to the portion of the 2015 bonus deferred to the following three years.

Some service providers have recently initiated legal action seeking payment of consideration for services

rendered that, in the Bank's opinion, did not require any additional provisions. "Other liabilities" mainly include payments received after the end of the period from the

assigned debtors and which were still being allocated and items being processed during the days following period-end, as well as trade payables and tax liabilities.

## CAPITAL ADEQUACY

Provisional information concerning the regulatory capital and capital adequacy of Banca Sistema is shown below.

<b>OWN FUNDS (€,000) AND CAPITAL RATIOS</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
<b>Common Equity Tier 1 (CET1)</b>	<b>103.937</b>	<b>86.892</b>
TIER1	8.000	8.000
<b>Additional Tier 1 capital (T1)</b>	<b>111.937</b>	<b>94.892</b>
TIER2	12.092	12.000
<b>Total Own Funds (TC)</b>	<b>124.028</b>	<b>106.892</b>
<b>Total risk weighted assets</b>	<b>795.949</b>	<b>635.658</b>
of which, credit risk	661.824	535.194
of which, operational risk	129.531	100.464
of which, market risk	4.595	0
<b>CET1</b>	<b>13,06%</b>	<b>13,67%</b>
<b>T1</b>	<b>14,06%</b>	<b>14,93%</b>
<b>LCR</b>	<b>15,58%</b>	<b>16,82%</b>

Total own funds were € 124 million as at 31 December 2016 and included the profit for 2016, net of dividends estimated on the profit for the year of 2016 of € 6.1 million. The estimate was made based on a pay-out of 25%.

The increase in RWAs compared to 31 December 2015, was primarily due to the increase in loans, particularly salary- and pension-backed loans, the increase in past-due loans to the public administration and the purchase of the property.

## CAPITAL AND SHARES

### Capital and ownership structure

The share capital of Banca Sistema is composed by 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 18 January 2017 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)	23.1%
Garbifin	0.5%
Fondazione Sicilia	7.4%
Fondazione Cassa di Risparmio di Alessandria	7.4%
Fondazione Pisa	7.4%
Schroders	6.7%
Market	47.5%

### Treasury shares

As at 31 December 2016, Banca Sistema held 25,000 treasury shares ("Treasury Shares") to service the incentive plans for the Group's key personnel, i.e. an equity interest of 0.031%.

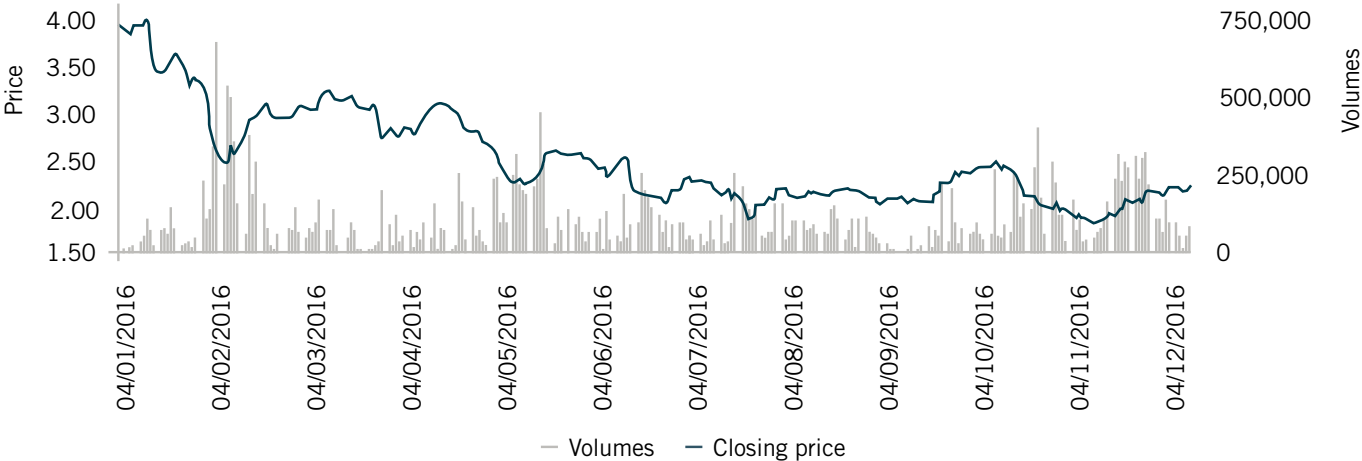
### Stock performance

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

- FTSE Italia All-Share Capped;
- FTSE Italia All-Share;
- FTSE Italia STAR;
- FTSE Italia Servizi Finanziari;
- FTSE Italia Finanza;
- FTSE Italia Small Cap.

The following table presents stock performance from 4 January 2016 to 30 December 2016.

### Price trend



Source: Bloomberg



## ECONOMIC RESULTS

INCOME STATEMENT (€,'000)	31/12/2016	31/12/2015	€ Change	% Change
Interest margin	68,501	58,246	10,255	17.6%
Net fee and commission income	8,625	11,170	(2,545)	-22.8%
Dividends and similar income	313	33	280	848.5%
Profit (Loss) on trading	(105)	152	(257)	-169.1%
Profit from disposal or repurchase of financial assets	1,280	2,518	(1,238)	-49.2%
<b>Net interest and other banking income</b>	<b>78,614</b>	<b>72,119</b>	<b>6,495</b>	<b>9.0%</b>
Net value adjustments due to loan impairment	(10,226)	(5,439)	(4,787)	88.0%
<b>Net income from banking activities</b>	<b>68,388</b>	<b>66,680</b>	<b>1,708</b>	<b>2.6%</b>
Personnel expenses	(14,171)	(12,670)	(1,501)	11.8%
Other administrative expenses	(20,393)	(20,787)	394	-1.9%
Net allowance for risks and charges	69	300	(231)	-77.0%
Net value adjustments to property and equipment/ intangible assets	(299)	(306)	7	-2.3%
Other operating income (expenses)	215	73	142	194.5%
<b>Operating expenses</b>	<b>(34,579)</b>	<b>(33,390)</b>	<b>(1,189)</b>	<b>3.6%</b>
Profit (loss) from equity investments	2,373	-	2,373	n.a.
Profit (Loss) from disposal of investments	-	-	-	n.a.
<b>Profit from current operations before taxes</b>	<b>36,182</b>	<b>33,290</b>	<b>2,892</b>	<b>8.7%</b>
Income taxes for the period	(10,606)	(10,426)	(180)	1.7%
<b>Profit (loss) for the period</b>	<b>25,576</b>	<b>22,864</b>	<b>2,712</b>	<b>11.9%</b>

The 2016 results were normalised to exclude the extraordinary contribution to the National Resolution Fund of € 1.3 million (€ 0.9 million net of tax) and costs related to the integration of Beta for € 0.3 million, both of which are classified under the 'other administrative expenses'. It should also be recalled that the economic results at 31 December 2015 have been normalised in order to eliminate the extraordinary contribution to the National Resolution Fund (FRN) of € 1.9 million (€ 1.3 million net of tax) and non-recurring costs pertaining to the listing process included in personnel expenses and other administrative expenses of €6.5 million (€ 4.6 million net of tax).

The 2016 financial year closed with a profit of € 25.6 million, an increase of 11.9% over 2015, mainly as a result of increased interest margins that more than

offset the increased loan value adjustments and higher operating costs. As described above, the increase in the interest margin was due in part to the recognition of € 11.3 million of late payment interest, which represents the portion of the late payment interests accrued at 31 December 2016 that may reasonably be expected to be recovered: before 30 June 2016, late payment interest was recognised on a cash basis.

On 30 June 2016, the Bank revised its accounting treatment of late payment interest in accordance with IFRS as a result of the experience gained and the systematic implementation of out-of-court and judicial recovery measures for past-due receivables, transitioning from cash accounting to accrual accounting only for receivables subject to legal action. On average, the percentage of total receivables acquired each year that

are subject to legal action is less than 10%. During the fourth quarter of 2016, in light of the expansion and improvement of the data base related to historically observed collection, the inclusion of the historical data series of collections from Beta Stepstone, as well as regulatory clarifications (content of the document regarding the “Financial statement treatment of late payment interest pursuant to Legislative Decree 231/2002 on permanently acquired non-performing positions” of 9 December 2016), the Bank completed an analysis of the recovery estimates and implemented a statistical model to determine the expected percentage of recovery in order to record them in the income statement.

This model, considering the size of series from Beta,

resulted in an increase in the expected recovery percentages for debtors of the national health system, which went from 15% to 65% with a resulting increase in the percentage used for financial statement purposes compared to the previous quarters. Whereas for late payment interest on other public administration debtors, despite the late payment interest recovery percentages and the model would have resulted in an allocation percentage greater than 15%. The recovery percentages used in June were prudently confirmed. Had the Bank applied the rates provided by the model, interest income would have been higher by € 15.8 million.

The result for 2016 also includes the realised capital gain deriving from the sale of a 15% interest in CS Union to Axactor of € 2.4 million.

<b>INTEREST MARGIN (€,'000)</b>	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>€ Change</b>	<b>% Change</b>
<b>Interest and similar income</b>				
Receivables portfolios	83,460	77,685	5,775	7.4%
Securities portfolio	(237)	813	(1,050)	-129.2%
Other	636	760	(124)	-16.3%
<b>Total interest income</b>	<b>83,859</b>	<b>79,258</b>	<b>4,601</b>	<b>5.8%</b>
<b>Interest expense and similar expense</b>				
Due to banks	(1,832)	(1,198)	(634)	52.9%
Due to customers	(11,385)	(18,587)	7,202	-38.7%
Securities issued	(2,141)	(1,228)	(913)	74.3%
<b>Total interest expense</b>	<b>(15,358)</b>	<b>(21,013)</b>	<b>5,655</b>	<b>-26.9%</b>
<b>Interest margin</b>	<b>68,501</b>	<b>58,245</b>	<b>10,256</b>	<b>17.6%</b>

The interest margin improved by 17.6% compared to the previous year due to a significant decrease in the cost of funding and a greater contribution deriving from the salary- and pension-backed loan portfolios. As previously described, following the refinement of the internal assessment methods and the greater amount of data available, part of the late payment interest accrued up to 31 December 2016 has been recognised in the income statement, but solely for invoices subject to recovery through legal action; this total interest (which amounts to 7% of total late payment interest accrued as at 31 December 2016 on invoices collected and

still outstanding) represents the amount prudentially estimated and deemed recoverable of the total interest accrued on invoices the recovery of which has passed to legal action.

Considering the gradual rise in the turnover from factoring, there was an increase in the amount of late payment interest accrued on settled and outstanding invoices, which amounted to approximately € 170.8 million, net of the amount already allocated, at 31 December 2016 (€ 70.2 million on collected invoices).

In 2016, the late payment interest collected, primarily on portfolios acquired in previous years, amounted to

€ 5.8 million, compared to € 2.9 million in all of 2015. Collections include € 2.3 million from the sale of late payment interest receivables to third parties.

The amount resulting from the change of the estimation methods concerning the recoverability of such interest was € 11.3 million, of which € 5.7 million as the effect of the change of the estimation method compared to the previous period.

The policy adopted by Banca Sistema in managing and recovering receivables claimed from the Public Administration continues to be characterised by an approach that involves legal action only in cases of voluntary non-payment or when there is a failure to reach out-of-court agreements with the assigned debtor. In particular, legal action is always initiated when it is necessary to avoid a loss for the Bank. In addition, the recovery of the late payment interest component is necessary in some cases in order to achieve the expected profitability.

Interest income from the receivables portfolio continues to be mainly composed of revenues generated by the factoring receivables portfolio, which accounts for 84% of total interest income. Due to the reduction in average collection times, profitability declined compared to the previous year, net of the late payment interest component. In 2016, the increase in the tax receivables portfolio contributed to the stability of the contribution of

the factoring portfolio.

The increase in the margin was also driven by the marked growth in interest on the salary-backed portfolios, which rose from € 2.6 million to € 7.4 million, and in part from the increase on the SME portfolios which contributed about € 5.4 million to the total.

The negative performance of the securities portfolio, a result of the ECB's interest rate policy, should be linked to the funding cost which was positive. Overall, the carry trade remains positive.

Other interest income mainly includes income generated by revenue from hot money transactions and current accounts.

Funding costs fell compared with the previous year following a general reduction in market rates, which has had a positive impact on wholesale funding, especially from repurchase agreements, but particularly as a result of a focus on the customer deposit diversification and management policy, which allowed for the substitution of term deposit renewals with lower rates compared to those expiring. The increase in interest due to banks was primarily due to the cost of funding from other banking institutions, the exposure to which, in 2016, was significantly greater than in 2015.

As a result of the current interbank rates and ECB policies, funding through REPOs did not generate any interest expense.

<b>COMMISSION MARGIN (€,000)</b>	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>€ Change</b>	<b>% Change</b>
<b>Fee and commission income</b>				
Collection activities	968	1,108	(140)	-12.6%
Factoring activities	8,749	10,905	(2,156)	-19.8%
Other	788	729	59	8.1%
<b>Total fee and commission income</b>	<b>10,505</b>	<b>12,742</b>	<b>(2,237)</b>	<b>-17.6%</b>
<b>Fee and commission expense</b>				
Placement	(1,509)	(1,031)	(478)	46.4%
Other	(371)	(541)	170	-31.4%
<b>Total fee and commission expense</b>	<b>(1,880)</b>	<b>(1,571)</b>	<b>(309)</b>	<b>19.7%</b>
<b>Commission margin</b>	<b>8,625</b>	<b>11,171</b>	<b>(2,546)</b>	<b>-22.8%</b>

Net fees and commissions, equal to €9 million, were down by 23%, primarily due to lower commissions on factoring business as a result of lesser use of products with commissions.

Commissions on collection activity, related to the service of reconciliation of third-party invoices collected from the public administration are down slightly compared to the prior year, while other fee and commission income, which primarily includes commissions on collection and payment services and the keeping and management of current accounts, remained stable compared to the previous year.

The placement fees and commissions paid to third parties increased due to their close correlation with the increase in the factoring volumes disbursed. Such fees and commissions include the costs of origination of factoring receivables of €954 thousand (up 22% on the same period of last year), while the remainder includes returns to third party intermediaries for the placement of the SI Conto! Deposito product, which grew as a result of the higher volumes placed in Germany. Other commission expenses include commissions for trading third-party securities and for interbank collections and payment services.

<b>RESULTS OF THE SECURITIES PORTFOLIO (€,000)</b>	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>€ Change</b>	<b>% Change</b>
<b>Profit (Loss) on trading</b>				
Profit (loss) realised on trading portfolio debt securities	(105)	152	(257)	-169.1%
<b>Total</b>	<b>(105)</b>	<b>152</b>	<b>(257)</b>	<b>-169.1%</b>
<b>Profit (loss) from disposal or repurchase</b>				
Profit (loss) on AFS portfolio debt securities	1,280	2,518	(1,238)	-49.2%
<b>Total</b>	<b>1,280</b>	<b>2,518</b>	<b>(1,238)</b>	<b>-49.2%</b>
<b>Total profit (loss) from the securities portfolio</b>	<b>1,175</b>	<b>2,670</b>	<b>(1,495)</b>	<b>-56.0%</b>

During 2016, profits generated by the proprietary portfolio made a smaller contribution than in same period of last year due to less favourable market performance.

Credit risk adjustments made at 31 December 2016 totalled € 10.2 million of which € 4.3 million in the fourth quarter mainly after increasing the value adjustment percentage to 100% specifically for the SME portfolio which resulted from a thorough and more prudent overall assessment of 20% of the portfolio that is not guaranteed by the Guarantee fund of the Ministry of Economic Development, and from the value adjustments on specific factoring positions between

private parties classified as “unlikely to pay”. Also, the collective value adjustment percentage of the SME portfolio was increased during the first quarter of 2016. The analytical adjustments made in the previous quarters were mainly due to the classification of new positions of entities in distress and of new SMEs in the “bad loans” category. The loss rate, following what was illustrated above, amounted to 79 bps, which is up on the previous year.

<b>PERSONNEL EXPENSES (€ ,000)</b>	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>€ Change</b>	<b>% Change</b>
Wages and salaries	(11,055)	(10,151)	(904)	8.9%
Social security contributions and other costs	(2,261)	(1,987)	(273)	13.8%
Directors' and statutory auditors' remuneration	(855)	(532)	(324)	60.8%
<b>Total</b>	<b>(14,171)</b>	<b>(12,670)</b>	<b>(1,501)</b>	<b>11.8%</b>

The increase in personnel costs is mainly due to the increase in wages and salaries from new staff hiring, beginning during the second half of 2015, with higher costs compared to the previous average.

As at 31 December 2016 the item also includes total costs relating to voluntary redundancy payments of € 250 thousand, compared to € 206 thousand in the previous year.

<b>OTHER ADMINISTRATIVE EXPENSES (€ ,000)</b>	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>€ Change</b>	<b>% Change</b>
Servicing and collection activities	(4,337)	(6,957)	2,620	-37.7%
Resolution Fund	(654)	(617)	(37)	6.0%
Consultancy	(4,650)	(2,795)	(1,855)	66.4%
Computer expenses	(3,556)	(2,980)	(576)	19.3%
Rent and related fees	(1,839)	(1,690)	(149)	8.8%
Indirect taxes and duties	(1,920)	(2,481)	561	-22.6%
Advertising	(204)	(512)	308	-60.2%
Auditing fees	(294)	(262)	(32)	12.2%
Other	(442)	(487)	45	-9.2%
Car hire and related fees	(705)	(619)	(86)	13.9%
Expense reimbursement and entertainment	(558)	(370)	(188)	50.8%
Membership fees	(255)	(219)	(36)	16.4%
Infoprovder expenses	(305)	(286)	(19)	6.6%
Special purpose vehicle expenses	(169)	-	(169)	n.a.
Maintenance of movables and real properties	(44)	(213)	169	-79.3%
Telephone and postage expenses	(153)	(167)	14	-8.4%
Stationery and printing	(102)	(57)	(45)	78.9%
Insurance	(204)	(66)	(138)	209.1%
Discretionary payments	(3)	(9)	6	-66.7%
<b>Total</b>	<b>(20,394)</b>	<b>(20,787)</b>	<b>393</b>	<b>-1.9%</b>

Other administrative expenses decreased by 2% compared to the previous year, primarily due to the combined effect of a reduction in servicing costs that more than offset the increases in consultancy costs.

In particular, costs related to collection and servicing activities decreased as a result of the internalisation of the management of some portfolios that were previously managed externally and from a reduction in the cost percentage applied to managed collections.

The rise in computer expenses is linked to the increase in services provided by the outsourcer due to the increase in Group operations and IT updates on new products.

Consultancy costs increased due to the fact that part of the costs of projects correlated with new initiatives in 2016 were recognised during the period. In particular, the figure at 31 December 2016 includes € 1.3 million of costs tied to the securitisation, € 1.1 million of due diligence and consultancy costs relating to actual and potential acquisitions of new companies (of which € 0.3 thousand related to the acquisition of Beta).

The other administrative expenses at 31 December 2016 were normalised and therefore do not include € 0.3 million

in costs related to the merger and integration of Beta or the allocation of the extraordinary contribution to the National Resolution Fund of € 1.3 million. In 2015, the other administrative expenses were normalised for costs related to the IPO of € 2.4 million and the extraordinary contribution to the National Resolution Fund of € 1.9 million. Other expenses and income primarily consist of income deriving from the refund by the National Interbank Deposit Guarantee Fund of the sum of € 290 thousand paid by the Bank in 2014 for the default of Banca Tercas, following the Bank's decision not to participate in the form of voluntary contribution described below. The item also includes € 347 thousand for the 2016 contribution to the Deposit Guarantee Schemes.

Profit (loss) from equity investments includes not only the capital gain on the sale of 15.8% of the interest in CS Union, but also the pro-rata loss for the period referring to the current 10% interest in CS Union.

The Group's tax rate decreased compared to the previous half-year, primarily due to the application of the participation exemption ("Pex") to the capital gain recorded on the sale of part of the interest in CS Union.

The following shows the reconciliation of the normalised and statutory income statement for 2016.

<b>INCOME STATEMENT (€,'000)</b>	<b>2016 NORMALISED</b>	<b>NORMALISATION</b>	<b>2016 STATUTORY</b>
Interest margin	68,501		68,501
Net fee and commission income	8,625		8,625
Dividends and similar income	313		313
Profit (Loss) on trading	(105)		(105)
Profit from disposal or repurchase of financial assets	1,280		1,280
<b>Net interest and other banking income</b>	<b>78,614</b>		<b>78,614</b>
Net value adjustments due to loan impairment	(10,226)		(10,226)
<b>Net income from banking activities</b>	<b>68,388</b>		<b>68,388</b>
Personnel expenses	(14,171)		(14,171)
Other administrative expenses	(20,393)	(1,622)	(22,015)
Net allowance for risks and charges	69		69
Net value adjustments to property and equipment/intangible assets	(299)		(299)
Other operating income (expenses)	215		215
<b>Operating expenses</b>	<b>(34,579)</b>	<b>(1,622)</b>	<b>(36,201)</b>
Profit (loss) from equity investments	2,373		2,373
Profit (Loss) from disposal of investments	0		0
<b>Profit from current operations before taxes</b>	<b>36,182</b>	<b>(1,622)</b>	<b>34,560</b>
Income taxes for the period	(10,606)	527	(10,079)
<b>Profit (loss) for the period</b>	<b>25,576</b>	<b>(1,095)</b>	<b>24,481</b>

The normalisation of other administrative expenses refer to the extraordinary contribution to the National Resolution Fund for € 1.3 million and costs related to the integration of Beta for € 0.3 million.

The following shows the reconciliation of the normalised and statutory income statement for 2015.

INCOME STATEMENT (€,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
<b>Net interest and other banking income</b>	<b>72.119</b>	-		<b>72.119</b>
Net value adjustments due to loan impairment	(5.439)	-		(5.439)
<b>Net income from banking activities</b>	<b>66.680</b>	-		<b>66.680</b>
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
<b>Operating expenses</b>	<b>(33.391)</b>	<b>(6.495)</b>	<b>(1.852)</b>	<b>(41.738)</b>
Profit (loss) from equity investments	-	-		-
Profit (Loss) from disposal of investments	-	-		-
<b>Profit from current operations before taxes</b>	<b>33.289</b>	<b>(6.495)</b>	<b>(1.852)</b>	<b>24.942</b>
Income taxes for the period	(10.426)	1.919	602	(7.905)
<b>Profit (loss) for the period</b>	<b>22.863</b>	<b>(4.576)</b>	<b>(1.250)</b>	<b>17.037</b>

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.



## RISK MANAGEMENT AND SUPPORT CONTROL METHODS

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 risks (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 audit.

The "Risk Management System" is monitored by the Risk 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 to fully identify the risks the Bank is exposed to (risk map). To reinforce its ability to manage corporate risks, the Bank has set up a Risk Management Committee and ALM, whose mission is to help the Bank define strategies, risk policies, and profitability and liquidity targets.

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

Pursuant to the eleventh amendment of Bank of Italy Circular 285/13, within the framework of the Internal Control System (Part I, Section IV, Chapter 3, Subsection II, Paragraph 5) the Bank entrusted the Internal Control Committee and Risk Management with the task of coordinating the second and third level Control Departments; to that end, the Committee allows the integration and interaction between these Departments, encouraging cooperation, reducing overlaps and supervising operations.

During the year, the Bank modified its second level control structure by separating the Compliance Department from the Risk Management Department, and assigning the head of the new department the role of Compliance Officer.

With reference to the risk management framework, the

Bank adopts an integrated reference framework both to identify its own risk appetite and for the internal process of determining capital adequacy.

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 based on the strategic guidelines and regulatory changes.

The ICAAP (the Internal Capital Adequacy Assessment Process) allows the Bank to conduct ongoing tests of its structure for determining risks and to update the related safeguards included in its RAF.

With regard to protecting against credit risk, along with the well-established first level controls and the periodic monitoring put in place by the Risk Management Department, the Bank is completing a process related to a valuation model for the provision for bad loans deriving from Public Administration debtors on Factoring products. The main assumption of this model is the absence of credit risk for PA debtors through the allocation of a provision for each invoice once the expected collection date has passed, that is, the end of the discount period, and is based on the actual value of expected future cash flows, taking into account the recovery times. The analysis is expected to be concluded in the first half of 2017.

With regard to the monitoring of credit risk, the Bank (beginning in April 2016) has a dedicated collection department (Collection Division) which reports directly to the CEO and whose operations are regulated by a specific internal policy.

It should also be noted that, in accordance with the obligations imposed by the applicable regulations, each year the Bank publishes its report (Pillar 3) on capital adequacy, risk exposure and the general characteristics of the systems for identifying, measuring and managing risks. The report is available on the website [www.bancasistema.it](http://www.bancasistema.it) in the Investor Relations section.

In order to measure 'Pillar 1 risks', the Group has adopted standard methods to calculate the capital requirements for Prudential Regulatory purposes.

In order to evaluate "Pillar 2" 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 with operations comparable to those of the Bank are assessed.

### **New regulatory and tax provisions**

#### **BRRD (Bank Recovery and Resolution Directive - 2014/59/EU)**

The BRRD (the Bank Recovery and Resolution Directive - 2014/59/EU) established new resolution rules, applicable from 1 January 2015 to all banks in the European Union, and its measures are financed, with effect from 1 January 2015, by the National Resolution Fund, which, with effect from 1 January 2016, was merged into the Single Resolution Fund (SRF). In fact, with effect from that date, the national funds of all countries belonging to the monetary union, instituted in 2015 in accordance with the BRRD, were merged into the Single Resolution Fund. On 29 April 2016, with subsequent ratification on 27 May 2016, the Bank of Italy, as the resolution authority, gave notice of the ordinary contribution due for 2016, calculated

in accordance with Commission Delegated Regulations 2015/63 and 2015/81.

As at 30 June 2016, in application of IFRIC 21 Levies, the Bank recognised the full contribution of € 655 thousand (€ 617 thousand in 2015) in the income statement, under other administrative expenses.

The Bank of Italy, through the Communication dated 27 December 2016, called for two years of additional contributions for 2016 pursuant to Article 1, paragraph 848, of Law no. 208 of 28 December 2015, given Article 25 of Law Decree no. 237 of 23 December 2016. The amount of the extraordinary contribution, which was fully accounted for in the 2016 income statement, was € 1.3 million.

### **DGS (Deposit Guarantee Schemes) Directive (former National Interbank Deposit Guarantee Fund)**

The publication in the Official Journal of the Italian Republic no. 56 of 8 March 2016 of Legislative Decree no. 30 of 15 February 2016 marked the transposition of the DGS Directive (Deposit Guarantee Schemes - 2014/49/EU), aimed at increasing the protection of depositors and harmonising the regulatory framework at the European level.

The calculation criteria, and thus the amount of the contribution for 2016, have yet to be defined. As at 31 December 2015, an additional mechanism beyond that governed by the DGS Directive was in place on a voluntary basis (the "Voluntary Scheme"), with the aim

of supporting banks under receivership or in distress, in which the Group elected not to participate. The Bank began to operate in late 2011 and thus decided not to contribute to losses deriving from events that occurred prior to the Bank's existence. Accordingly, on 26 April 2016 the National Interbank Deposit Guarantee Fund gave notice of the refund of the contribution previously paid for Banca Tercas (which the European Commission considered as "state aid") of € 290 thousand, recognised in income statement under other operating income. The amount of the contribution for the 2016 financial year was € 347 thousand.

### **New Contracting Code**

The text of the new Contracting Code (Legislative Decree no. 50 of 18 April 2016) was published in Italy's Official Journal on 19 April 2016. Article 106 (13) of the Code reads as follows:

"13. The provisions of Law no. 52 of 21 February 1991 shall apply. To be enforceable on contracting authorities, the assignment of receivables must be witnessed by a public deed or authenticated private agreement and the debtor administrations must be notified. Without prejudice to the observance of traceability obligations, assignment of receivables deriving from consideration for tenders, concessions and planning competitions is valid and binding on contracting authorities that are public administrations if such administrations do not

reject them with notice to be served on the assignor and assignee within 45 days of notice of assignment. In the contract entered into or in a concurrent separate agreement, public administrations may accept in advance the assignment by the performing party of all or part of the receivables that have yet to accrue. In any event, the entity that has been notified of the assignment may raise all objections against the assignee that were available to the assignor under the contract governing works, services, the supply of goods or design entered into with the latter."

The new statute does not substantially modify the rules previously set out in Article 117 of the repealed Contracting Code (Legislative Decree no. 163/2006).

## 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 2016 - is available in the Governance Section of the Bank website ([www.bancasistema.it](http://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 2016 - is available in the Governance Section of the Bank website ([www.bancasistema.it](http://www.bancasistema.it)).

### Research and Development Activities

No research and development activity was carried out in 2016.

## 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 Bank, including within the scope of ordinary operations; these transactions were carried out in accordance with market conditions and, in any event,

based on mutual financial advantage and in compliance with all procedures.

With respect to transactions with parties who exercise management and control functions in accordance with article 136 of the Consolidated Law on Banking, they are included in the Executive Committee resolution, specifically authorised by the Board of Directors and with the approval of the Statutory Auditors, subject to compliance with the obligations provided under the Italian Civil Code with respect to matters relating to the conflict of interest of directors.

## ATYPICAL OR UNUSUAL TRANSACTIONS

During 2016, 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

During the month of January, the inspection initiated by the Bank of Italy in October 2016 was concluded. The outcome of the inspection is expected during the first or second quarter of 2017.

The migration and integration connected to the merger by

incorporation of Beta Stepstone into Banca Sistema were completed with legal and tax effect beginning on 1 January 2017.

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

## BUSINESS OUTLOOK AND MAIN RISKS AND UNCERTAINTIES

The 2016 financial year ended with continuing growth in volumes and revenues in the factoring sector and in terms of salary-backed loans (CQS).

Particularly in factoring, the commercial agreements entered into in 2015 have contributed to the Group's growth and product and customer diversification process, much like the way the Beta acquisition will provide an increased ability to manage Collection/Servicing of loans

in legal action to a Group level.

The objective for the following year is to consolidate growth in the core factoring business and to take advantage of additional growth opportunities in salary-backed loans (CQS). The reduced focus on guaranteed loans to SMEs will be compensated by new product lines and the evaluation of strategic and complementary acquisitions.

## PROPOSED DISTRIBUTION OF PROFITS FOR THE PERIOD

Dear Shareholders,

We submit the financial statements for the period ended 31 December 2016, showing a profit of € 24,481,013.26 for your approval.

We recommend the following distribution of profits:

- a dividend of € 6,111,999.95;

- the remainder of € 18,369,013.31 to be carried forward.

A provision to the Legal Reserve was not made since the limits set out in Article 2430 of the Italian Civil Code were reached.

Milan, 8 March 2017

*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		31/12/2016	31/12/2015
10.	Cash and cash equivalents	95,755	104,251
20.	Financial assets held for trading	996,363	-
40.	Financial assets available for sale	514,837,601	925,401,846
60.	Due from banks	71,282,041	1,996,278
70.	Loans to customers	1,312,635,594	1,459,255,000
100.	Equity investments	61,628,184	2,377,570
110.	Property and equipment	811,539	1,046,900
120.	Intangible assets	1,821,104	1,871,896
	of which goodwill	1,785,760	1,785,760
130.	Tax assets	4,953,426	7,352,330
	a) current	618,755	3,536,812
	b) deferred	4,334,671	3,815,518
	as specified in Law 214/2011	2,372,378	2,658,441
150.	Other assets	13,448,146	12,587,718
	<b>Total assets</b>	<b>1,982,509,753</b>	<b>2,411,993,789</b>

		(Amounts in Euros)	
Liabilities and shareholders' equity		31/12/2016	31/12/2015
10.	Due to banks	458,125,711	362,075,254
20.	Due to customers	1,256,842,964	1,878,338,848
30.	Securities issued	90,329,669	20,102,319
80.	Tax liabilities	3,569,992	804,176
	a) current	-	-
	b) deferred	3,569,992	804,176
100.	Other liabilities	58,087,635	55,617,999
110.	Employee termination indemnities	1,640,222	1,303,389
120.	Provisions for risks and charges	278,922	348,370
	b) other provisions	278,922	348,370
130.	Valuation reserves	517,664	350,413
160.	Reserves	39,686,132	26,929,739
170.	Share premium reserve	39,351,779	39,435,649
180.	Share capital	9,650,526	9,650,526
190.	Treasury shares (-)	(52,476)	-
200.	Profit (loss) for the year (+/-)	24,481,013	17,037,107
	<b>Total liabilities and shareholders' equity</b>	<b>1,982,509,753</b>	<b>2,411,993,789</b>

## INCOME STATEMENT

		(Amounts in Euros)	
Items		31/12/2016	31/12/2015
10.	Interest and similar income	83,858,668	79,258,219
20.	Interest expense and similar expense	(15,357,677)	(21,012,533)
30.	<b>Interest margin</b>	<b>68,500,991</b>	<b>58,245,686</b>
40.	Fee and commission income	10,505,344	12,741,843
50.	Fee and commission expense	(1,879,862)	(1,571,431)
60.	<b>Net fee and commission income</b>	<b>8,625,482</b>	<b>11,170,412</b>
70.	Dividends and similar income	312,953	32,850
80.	Profit (Loss) on trading	(104,576)	151,958
100.	Profit (loss) from disposal or repurchase of:	1,280,214	2,518,381
	b) financial assets available for sale	1,280,214	2,518,381
120.	<b>Net interest and other banking income</b>	<b>78,615,064</b>	<b>72,119,287</b>
130.	Net value adjustments/write-backs due to impairment of:	(10,226,423)	(5,439,467)
	a) receivables	(10,226,423)	(5,439,467)
140.	<b>Net income from banking activities</b>	<b>68,388,641</b>	<b>66,679,820</b>
150.	Administrative expenses:	(36,185,907)	(41,803,993)
	a) personnel expenses	(14,171,058)	(16,778,714)
	b) other administrative expenses	(22,014,849)	(25,025,279)
160.	Net allowance for risks and charges	69,448	300,000
170.	Net adjustments to/recoveries on property and equipment	(248,096)	(246,402)
180.	Net adjustments to/recoveries on intangible assets	(50,792)	(60,059)
190.	Other operating income (expenses)	213,639	72,293
200.	<b>Operating expenses</b>	<b>(36,201,708)</b>	<b>(41,738,161)</b>
210.	Profit (loss) from equity investments	2,372,709	-
250.	<b>Profit (loss) before tax from continuing operations</b>	<b>34,559,642</b>	<b>24,941,659</b>
260.	Taxes on income from continuing operations	(10,078,629)	(7,904,552)
290.	<b>Profit (loss) for the period</b>	<b>24,481,013</b>	<b>17,037,107</b>



## STATEMENT OF COMPREHENSIVE INCOME

		(Amounts in Euros)	
Items		31/12/2016	31/12/2015
10.	<b>Profit (loss) for the period</b>	<b>24,481,013</b>	<b>17,037,107</b>
	<b>Other income items net of taxes without reversal to the income statement</b>		
40.	Defined benefit plans	(95,249)	(45,918)
	<b>Other income items net of taxes with reversal to the income statement</b>	-	-
100.	Financial assets available for sale	262,500	394,553
130.	<b>Total other comprehensive income (net of tax)</b>	<b>167,251</b>	<b>348,635</b>
140.	<b>Comprehensive income (Items 10+130)</b>	<b>24,648,264</b>	<b>17,385,742</b>

## STATEMENT OF CHANGES IN EQUITY AS AT 31/12/2016

(Amounts in Euros)

	Balance at 31.12.2015	Change in opening balances	Balance at 01.01.2016	Allocation of net result from previous year		Changes during the year							Shareholders' equity as at 31/12/2016			
				Reserves	Dividends and other allocations	Changes in reserves	Operations on shareholders' equity							Comprehensive income as at 31/12/2016		
							Issue of new shares	Purchase of treasury shares	Extraordinary dividends	Changes in equity instruments	Derivatives on treasury shares	Stock Options				
Share capital:																
a) ordinary shares	<b>9,650,526</b>	-	9,650,526	-	-	-	-	-	-	-	-	-	-	-	-	<b>9,650,526</b>
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	<b>39,435,649</b>	-	39,435,649	-	-	(83,870)	-	-	-	-	-	-	-	-	-	<b>39,351,779</b>
Reserves	<b>26,929,739</b>	-	26,929,739	12,774,792	1,325	(19,724)	-	-	-	-	-	-	-	-	-	<b>39,686,132</b>
a) retained earnings	<b>27,704,190</b>	-	27,704,190	12,774,792	1,325	-	-	-	-	-	-	-	-	-	-	<b>40,480,307</b>
b) other	<b>(774,451)</b>	-	(774,451)	-	-	(19,724)	-	-	-	-	-	-	-	-	-	<b>(794,175)</b>
Valuation reserves	<b>350,413</b>	-	350,413	-	-	-	-	-	-	-	-	-	-	-	167,251	<b>517,664</b>
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	(52,476)	-	-	-	-	-	-	-	<b>(52,476)</b>
Profit (loss) for the period	<b>17,037,107</b>	-	17,037,107	(12,774,792)	(4,262,315)	-	-	-	-	-	-	-	-	-	24,481,013	<b>24,481,013</b>
<b>Shareholders' equity</b>	<b>93,403,434</b>	-	<b>93,403,434</b>	-	<b>(4,260,990)</b>	<b>(103,594)</b>	-	-	-	-	-	-	-	-	<b>24,648,264</b>	<b>113,634,638</b>

## STATEMENT OF CHANGES IN EQUITY AS AT 31/12/2015

(Amounts in Euros)

	Balance at 31.12.2014	Change in opening balances	Balance at 01.01.2015	Allocation of net result from previous year		Changes during the year							Comprehensive income as at 31/12/2015	Shareholders' equity as at 31/12/2015	
				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			
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	
<b>Shareholders' equity</b>	<b>41,698,642</b>	<b>-</b>	<b>41,698,642</b>	<b>-</b>	<b>(1,971,789)</b>	<b>36,290,839</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,385,742</b>	<b>93,403,434</b>	

## STATEMENT OF CASH FLOWS (direct method)

(Amounts in Euros)

	31/12/2016	31/12/2015
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations</b>	<b>29,052,795</b>	<b>12,989,216</b>
▪ interest income collected	83,858,668	79,258,219
▪ interest expense paid	(15,357,677)	(21,012,533)
▪ net fees and commissions	8,625,482	11,170,412
▪ personnel expenses	(12,241,166)	(15,122,614)
▪ other expenses	(39,785,185)	(49,750,998)
▪ taxes and duties	3,952,673	8,446,730
<b>2. Cash flows generated by (used in) financial assets</b>	<b>484,937,051</b>	<b>(324,091,103)</b>
▪ financial assets held for trading	(1,100,939)	214,758
▪ financial assets available for sale	412,011,710	(64,527,746)
▪ loans to customers	136,392,983	(269,935,172)
▪ due from banks: on demand	(69,285,763)	14,595,099
▪ other assets	6,919,060	(4,438,042)
<b>3. Cash flows generated by (used in) financial liabilities</b>	<b>(451,575,684)</b>	<b>276,912,831</b>
▪ due to banks: on demand	96,050,457	(459,328,507)
▪ due to customers	(621,495,884)	724,542,321
▪ securities issued	70,227,350	(7,128)
▪ other liabilities	3,642,393	11,706,145
<b>Net cash flow generated by (used in) operating activities</b>	<b>62,414,162</b>	<b>(34,189,056)</b>
<b>B. INVESTMENT ACTIVITIES</b>		
<b>1. Cash flows from</b>	<b>3,239,875</b>	<b>32,850</b>
▪ dividends collected on equity investments	312,953	32,850
▪ sales of equity investments	2,926,922	-
<b>2. Cash flows used in</b>	<b>(61,349,067)</b>	<b>(144,592)</b>
▪ purchases of equity investments	(61,336,332)	(150)
▪ purchases of property and equipment	(12,735)	(116,701)
▪ purchases of intangible assets	-	(27,741)
<b>Net cash flow generated by (used in) investment activities</b>	<b>(58,109,192)</b>	<b>(111,742)</b>
<b>C. FINANCING ACTIVITIES</b>		
▪ issues/purchases of treasury shares	(52,476)	36,310,564
▪ dividend distribution and other	(4,260,991)	(1,971,789)
<b>Net cash flow generated by (used in) financing activities</b>	<b>(4,313,467)</b>	<b>34,338,775</b>
<b>NET CASH FLOW GENERATED/USED DURING THE YEAR</b>	<b>(8,496)</b>	<b>37,977</b>

### RECONCILIATION

Cash and cash equivalents at the beginning of the year	104,251	66,274
Total net cash flow generated/used during the year	(8,496)	37,977
Cash and cash equivalents: effect of change in exchange rates	-	-
Cash and cash equivalents at balance sheet date	95,755	104,251

## NOTES TO THE FINANCIAL STATEMENTS

### 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 2016 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 as subsequently updated, regarding the forms and rules for drafting the Banks' Financial Statements.

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;
- reliable, so that the consolidated financial statements:
  - faithfully represent the capital/financial position, the income statement 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 subject to an audit 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 balance sheet, the income statement, statement of comprehensive income, the statement of changes in 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 principles and provisions contained in Circular no. 262 of 22 December 2005 and/or the subsequent updates issued by the Bank of Italy is not sufficient to give a true and correct representation that is relevant, reliable, comparable, and understandable, the explanatory notes 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;
- 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 balance sheet 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 balance sheet or the income statement;
- if an element of the assets or liabilities comes under several items in the balance sheet, 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 balance sheet 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 review 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.

EU REGULATION	Stock performance
2015/28 of 17 December 2014	Annual Improvements Cycle to IFRS 2010-2012 - IFRS 2, 3 and 8 and IAS 16, 24 and 38
2015/29 of 17 December 2014	Changes to IAS 19
2015/2113 of 23 November 2015	Changes to IAS 16 and 41
2015/2173 of 24 November 2015	Changes to IFRS 11
2015/2231 of 2 December 2015	Changes to IAS 16 and 38
2015/2343 of 15 December 2015	Changes to IFRS 5 and 7 and to IAS 19 and 34
2015/2406 of 18 December 2015	Changes to IAS 1
2015/2441 of 18 December 2015	Changes to IAS 27
2016/1703 of 22 September 2016	Changes to IFRS 10, IFRS 12 and to IAS 28

The table shows the new international accounting standards in force from 1 January 2018.

EU REGULATION	Stock performance
2016/1905 of 22 September 2016	IFRS 15 - Income from contracts with customers
2016/2067 of 22 November 2016	IFRS 9 - Financial instruments

### SECTION 3 - Subsequent events

With regard to IAS 10, after 31 December 2016, the balance-sheet date, and up to 8 March 2017, 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. On 1 March 2017, the branch located in Milan, via Vespri Siciliani, dedicated exclusively to collateralised loans, was opened. This activity was also recently started at the Bank's branch already in the city of Pisa.

### SECTION 4 - Other aspects

Starting this financial year, the Bank revised its accounting treatment of late payment interest in accordance with IFRS as a result of the experience gained and the systematic implementation of out-of-court and judicial recovery measures for past-due receivables, and transitioned from cash accounting to accrual accounting only for receivables subject to legal action. The accounting was done based on the expected percentage of recovery which is at least 65% for debtors of the national health system, while for other PA debtors it is estimated to be at least 15%.

There are no significant aspects to note.

### Changes to IAS 39

On 24 July 2014, the IASB completed its review process

of IAS 39 by issuing IFRS 9 “Financial Instruments”, adoption of which is mandatory for financial years beginning on or after 1 January 2018. At the beginning of 2017, the Bank launched a project aimed at determining the qualitative and quantitative impacts on the financial statements, as well as to identify and subsequently implement the changes necessary at the organisational, internal regulation and application system levels.

IFRS 9, which will replace IAS 39 “Financial Instruments: Recognition and Measurement”, introduces significant changes, particularly with regard to the following:

- Classification and measurement of financial instruments
- Impairment
- Hedge Accounting

With regard to classification and measurement activities, the Bank will perform a detailed review of the cash flow characteristics of instruments measured at amortised cost under IAS 39 to identify any assets that, not going beyond a SPPI (Solely Payments of Principal and Interest) review, should be valued at fair value according to IFRS 9.

From an initial assessment, the most significant and pervasive impacts are expected from implementing the new impairment model which transitions from the current “incurred loss” based model, to one based on the concept of “expected loss”.



## 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<sup>1</sup>. 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 “profit (loss) on trading”.

#### **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. Financial assets available for sale

#### **Classification criteria**

This category includes the non-derivative financial assets not classified otherwise as “Held-for-trading financial assets”, “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 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 previously mentioned 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.

<sup>1</sup> 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).

## **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.

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 previously mentioned 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 derecognised 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 profit and loss 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. Financial assets held to maturity**

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 of 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 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) if the company transfers almost all 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 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 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 re-mains 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 based on its fair value including the costs/income of the transaction directly attributable to the acquisition of the receivable.

Costs/income having the previously mentioned 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 based on 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/income 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 considers 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 non-performing loans 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 bad 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 based on 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 at fair value through profit and loss**

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 based on 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. 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 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 based on 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 based on 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, in-sofar 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 balance sheet 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 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. Non-current assets held for sale**

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 based on 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. Deferred tax assets are recorded in the financial statements to the extent that it is probable that they will be recovered based on 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 financial statements 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 reference date of the annual financial statements and the interim financial statements 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 issued**

#### **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 issued include all the liabilities issued (bond loans not classified as “financial 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 previously mentioned 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 previously mentioned financial liabilities are valued at amortised cost with the effective interest rate method.

#### **Derecognition criteria**

The above financial liabilities are derecognised from the balance sheet 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. Financial liabilities held for trading**

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

### **15. Financial liabilities at fair value through profit and loss**

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 reporting 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 in foreign currency 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 previously mentioned 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, the 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 discretionary 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 business combination may give rise to a participatory relation between the parent company (acquirer) and the subsidiary (acquired). A business 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 balance sheet 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 based on 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 based on the prices of bonds and not based on historical data) quoted on the market and relating to both the Counterparty and the Investor, measured based on 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 matrices.

The application of the standard did not have any significant effects on the Bank, 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**

In order to prepare the financial statements, the fair value hierarchy used was the following:

- Level 1- Effective market quotes
- The measurement 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 measured at fair value on a recurring basis: breakdown by fair value levels.

Financial assets/liabilities measured at fair value	31/12/2016			31/12/2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	996	-	-	-	-	-
2. Financial assets at fair value through profit and loss	-	-	-	-	-	-
3. Financial assets available for sale	509,838	-	5,000	920,402	-	5,000
4. Hedging derivatives	-	-	-	-	-	-
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
<b>TOTAL</b>	<b>510,834</b>	<b>-</b>	<b>5,000</b>	<b>920,402</b>	<b>-</b>	<b>5,000</b>
1. Held-for-trading financial liabilities	-	-	-	-	-	-
2. Financial liabilities at fair value through profit and loss	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

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



A.4.5.4 Assets and liabilities not measured at fair value or measured 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	31/12/2016				31/12/2015			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets held to maturity	-	-	-	-	-	-	-	-
2. Due from banks	71,282	-	-	71,282	1,996	-	-	1,996
3. Loans to customers	1,312,636	-	-	1,312,636	1,459,255	-	-	1,459,255
4. Property and equipment held for investment	-	-	-	-	-	-	-	-
5. Non-current assets and groups of assets held for sale	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,383,918</b>	-	-	<b>1,383,918</b>	<b>1,461,251</b>	-	-	<b>1,461,251</b>
1. Due to banks	458,126	-	-	458,126	362,075	-	-	362,075
2. Due to customers	1,256,843	-	-	1,256,843	1,878,339	-	-	1,878,339
3. Securities issued	90,330	-	-	90,330	20,102	-	-	20,102
4. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,805,299</b>	-	-	<b>1,805,299</b>	<b>2,260,516</b>	-	-	<b>2,260,516</b>

**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

	31/12/2016	31/12/2015
a. Cash	96	104
<b>TOTAL</b>	<b>96</b>	<b>104</b>

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

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

Items/Values	31/12/2016			31/12/2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>A. Non-derivative financial assets</b>						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	996	-	-	-	-	-
3. Units of UCI	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
<b>TOTAL A</b>	<b>996</b>	-	-	-	-	-
<b>B. Derivative instruments</b>	-	-	-	-	-	-
1. Financial derivatives	-	-	-	-	-	-
1.1 For trading	-	-	-	-	-	-
1.2 Connected with the fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 For trading	-	-	-	-	-	-
2.2 Connected with the fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
<b>TOTAL B</b>	-	-	-	-	-	-
<b>TOTAL (A+B)</b>	<b>996</b>	-	-	-	-	-

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

Items/Values	31/12/2016	31/12/2015
<b>A. NON-DERIVATIVE FINANCIAL ASSETS</b>		
<b>1. Debt securities</b>	-	-
a. Governments and Central Banks	-	-
b. Other public institutions	-	-
c. Banks	-	-
d. Other issuers	-	-
<b>2. Equity securities</b>	<b>996</b>	-
a. Banks	-	-
b. Other issuers:	996	-
▪ insurance companies	-	-
▪ financial companies	-	-
▪ non-financial companies	996	-
▪ other	-	-
<b>3. Units of UCI</b>	-	-
<b>4. Loans</b>	-	-
a. Governments and Central Banks	-	-
b. Other public institutions	-	-
c. Banks	-	-
d. Other subjects	-	-
<b>TOTAL A</b>	<b>996</b>	-
<b>B. DERIVATIVE INSTRUMENTS</b>	-	-
a. Banks	-	-
▪ <i>fair value</i>	-	-
b. Customers	-	-
▪ <i>fair value</i>	-	-
<b>TOTAL B</b>	-	-
<b>TOTAL (A+B)</b>	<b>996</b>	-

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

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

Items/Values	31/12/2016			31/12/2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	507,873	-	-	920,402	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	507,873	-	-	920,402	-	-
2. Equity securities	1,965	-	5,000	-	-	5,000
2.1 Measured at fair value	1,965	-	5,000	-	-	5,000
2.2 Measured at cost	-	-	-	-	-	-
3. Units of UCI	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
<b>TOTAL</b>	<b>509,838</b>	<b>-</b>	<b>5,000</b>	<b>920,402</b>	<b>-</b>	<b>5,000</b>

The AFS portfolio is mostly made up of Italian government securities with a short-term maturity. Equity securities refer to the value of the stakes of the Bank of Italy and the Axactor shares attributable to the sale of the stake in CS UNION S.p.A..

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

Items/Values	31/12/2016	31/12/2015
<b>1. Debt securities</b>	<b>507,873</b>	<b>920,402</b>
a) Governments and Central Banks	507,873	920,402
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
<b>2. Equity securities</b>	<b>6,965</b>	<b>5,000</b>
a) Banks	5,000	5,000
b) Other issuers	1,965	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	1,965	-
- other	-	-
<b>3. Units of UCI</b>	<b>-</b>	<b>-</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other subjects	-	-
<b>TOTAL</b>	<b>514,838</b>	<b>925,402</b>

**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	31/12/2016				31/12/2015			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Due from Central Banks</b>	<b>62,441</b>				<b>1,909</b>			
1. Term deposits	-	X	X	X	-	X	X	X
2. Compulsory reserve	62,441	X	X	X	1,909	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
<b>B. Due from banks</b>	<b>8,841</b>	-	-	-	<b>87</b>	-	-	-
<b>1. Loans</b>	<b>8,841</b>	-	-	-	<b>87</b>	-	-	-
1.1 Current accounts and demand deposits	8,491	X	X	X	87	X	X	X
1.2. Term deposits	-	X	X	X	-	X	X	X
1.3. Other loans:	350	-	-	-	-	-	-	-
- Reverse repurchase agreements	-	X	X	X	-	X	X	X
- Financial leases	-	X	X	X	-	X	X	X
- Other	350	X	X	X	-	X	X	X
<b>2. Debt securities</b>	-	-	-	-	-	-	-	-
2.1 Structured securities	-	X	X	X	-	X	X	X
2.2 Other debt securities	-	X	X	X	-	X	X	X
<b>TOTAL</b>	<b>71,282</b>	-	-	<b>71,282</b>	<b>1,996</b>	-	-	<b>1,996</b>

**Key:**

BV = Book value

FV = Fair value

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

**SECTION 7 - LOANS TO CUSTOMERS - ITEM 70**

**7.1 Loans to customers: breakdown by product**

Type of transactions/ Values	31/12/2016						31/12/2015					
	Book value			Fair Value			Book value			Fair Value		
	Performing	Non-performing		L1	L2	L3	Performing	Non-performing		L1	L2	L3
		Purchased	Other					Purchased	Other			
<b>Loans</b>	<b>1,209,126</b>	<b>1,059</b>	<b>102,451</b>	-	-	<b>1,312,636</b>	<b>1,375,039</b>	<b>2,216</b>	<b>82,000</b>			<b>1,459,255</b>
1. Current accounts	31,972	-	5	X	X	X	15,144	-	28	X	X	X
2. Reverse repurchase agreements	-	-	-	X	X	X	177,868	-	-	X	X	X
3. Mortgage loans	62,857	-	16,119	X	X	X	74,894	-	776	X	X	X
4. Credit cards, personal loans and salary- or pension-backed loans	265,829	-	320	X	X	X	119,850	-	938	X	X	X
5. Financial leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	743,389	1,059	85,951	X	X	X	861,507	2,216	72,796	X	X	X
7. Other loans	105,079	-	56	X	X	X	125,777	-	7,463	X	X	X
<b>Debt securities</b>	-	-	-	-	-	-	-	-	-	-	-	-
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	-	-	-	X	X	X	-	-	-	X	X	X
<b>TOTAL (book value)</b>	<b>1,209,126</b>	<b>1,059</b>	<b>102,451</b>	-	-	<b>1,312,636</b>	<b>1,375,039</b>	<b>2,216</b>	<b>82,000</b>	-	-	<b>1,459,255</b>

The item mostly includes the amount of the credits acquired in connection with the factoring activity. The debt exposure of the factoring activities mainly refers to activities within 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

The total of the assets sold and not derecognized for retained securitisation transactions was assigned to various technical forms of loan, just as foreseen by the instructions to prepare the financial statements.

## 7.2 Loans to customers: breakdown by debtors/issuers

Type of transactions/Values	31/12/2016			31/12/2015		
	Performing	Non-performing		Performing	Non-performing	
		Purchased	Other		Purchased	Other
<b>1. Debt securities:</b>	-	-	-	-	-	-
a) Governments	-	-	-	-	-	-
b) Other Public institutions	-	-	-	-	-	-
c) Other issuers	-	-	-	-	-	-
non-financial companies	-	-	-	-	-	-
financial companies	-	-	-	-	-	-
insurance companies	-	-	-	-	-	-
other	-	-	-	-	-	-
<b>2. Loans to:</b>	<b>1,209,125</b>	<b>1,059</b>	<b>102,452</b>	<b>1,375,039</b>	<b>2,216</b>	<b>82,000</b>
a) Governments	236,261	-	736	273,962	-	1,631
b) Other Public institutions	440,749	1,059	58,924	521,021	2,216	40,655
c) Other parties	532,115	-	42,792	580,056	-	39,714
non-financial companies	249,579	-	41,183	252,569	-	38,198
financial companies	15,361	-	-	199,872	-	-
insurance companies	2	-	1	-	-	-
other	267,173	-	1,608	127,614	-	1,516
<b>TOTAL</b>	<b>1,209,125</b>	<b>1,059</b>	<b>102,452</b>	<b>1,375,039</b>	<b>2,216</b>	<b>82,000</b>

## SECTION 10 - EQUITY INVESTMENTS - ITEM 100

### 10.1 Equity investments: information on investment relationships

Names	Registered office	Interest %	% of votes available
<b>A. Wholly-controlled enterprises</b>			
1. S.F. Trust Holdings Ltd	<b>London</b>	100%	100%
2. Beta StepStone S.p.A.	<b>Milan</b>	100%	100%
3. Largo Augusto Servizi e Sviluppo S.r.l.	<b>Milan</b>	100%	100%
<b>C. Companies under considerable control</b>			
1. CS Union S.p.A.	<b>Cuneo, Italy</b>	10.00%	10.00%

### 10.2 Significant equity investments: book value, fair value and dividends earned

### 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 (loss for the year)	Other income items (after taxes)	Overall profitability
A. Wholly-controlled enterprises														
1. S.F. Trust Holdings Ltd	-	63	682	1,157	151	-	(46)	(6)	(199)	(199)	-	(199)	-	(199)
2. Beta Stepstone S.p.A.	2	83,917	5,316	19,575	7,297	3,051	2.606	(8)	1,638	1,288	-	1,288	-	1,288
3. Largo Augusto Servizi e Sviluppo S.r.l.	-	-	22,636	18,566	200	-	(61)	-	(160)	(130)	-	(130)	-	(130)

### 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 (loss for the year)	Other income items (after taxes)	Overall profitability
C. Companies under considerable control									
1. CS Union S.p.A	2,378	40,148	36,661	8,440	9,389	-	526	-	526

The figures are presented in accordance with the International Accounting Standards.



### 10.5 Equity investments: annual changes

Items/Values	31/12/2016	31/12/2015
<b>A. Opening balance</b>	<b>2,377</b>	<b>2,377</b>
<b>B. Increases</b>	<b>60,707</b>	-
B.1 Purchases	60,707	-
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
<b>C. Decreases</b>	<b>1,456</b>	-
C.1 Sales	1,456	-
C.2 Impairment losses	-	-
C.3 Other changes	-	-
<b>D. Closing balance</b>	<b>61,628</b>	<b>2,377</b>
<b>E. Total revaluations</b>	-	-
<b>F. Total impairment losses</b>	-	-

On 28 June 2016 the sale of part of the interest in CS Union was finalised (with sale to Axactor of 15.8% of CS Union's share capital held by Banca Sistema).

Banca Sistema will continue to hold a 10% interest in the company.

Instead, on 1 July 2016 the acquisition of Beta Stepstone S.p.A. was finalised for an amount equal to

Euro 57.2 million.

The acquisition price includes a share of late payment interest not yet collected by Beta of approximately € 16.3 million; an identical amount was paid as a security deposit and will be released to the seller only after the collection of the aforementioned late payment interest.

**SECTION 11 - PROPERTY, PLANT AND EQUIPMENT - ITEM 110**

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

Assets/Values	31/12/2016	31/12/2015
<b>1. Property and equipment owned</b>	<b>812</b>	<b>1,047</b>
a) land	-	-
b) buildings	-	-
c) furniture	247	282
d) electronic equipment	565	765
e) other	-	-
<b>2. Property and equipment acquired under finance lease</b>	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
<b>TOTAL</b>	<b>812</b>	<b>1,047</b>

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 less than Euro 516: 100%

**11.5 Property and equipment for business use: annual changes**

	Land	Buildings	Furniture	Electronic equipment	Other	Total
<b>A. Gross opening balances</b>	-	-	<b>947</b>	<b>1,541</b>	-	<b>2,488</b>
A.1 Total net value reductions	-	-	665	776	54	1,495
<b>A.2 Net opening balances</b>	-	-	<b>282</b>	<b>765</b>	-	<b>1,047</b>
<b>B. Increases</b>	-	-	<b>7</b>	<b>7</b>	-	<b>14</b>
B.1 Purchases	-	-	7	7	-	14
B.2 Capitalized improvement expenses	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value allocated to	-	-	-	-	-	-
a. shareholders' equity	-	-	-	-	-	-
b. income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfers of properties held for investment	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
<b>C. Decreases</b>	-	-	<b>42</b>	<b>207</b>	-	<b>249</b>
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	-	42	207	-	249
C.3 Value adjustments for impairment allocated to	-	-	-	-	-	-
a. shareholders' equity	-	-	-	-	-	-
b. income statement	-	-	-	-	-	-
C.4 Negative changes in fair value allocated to	-	-	-	-	-	-
a. shareholders' equity	-	-	-	-	-	-
b. 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	-	-	-	-	-	-
<b>D. Net closing balance</b>	-	-	<b>247</b>	<b>565</b>	-	<b>812</b>
D.1 Total net value reductions	-	-	707	983	54	1,744
<b>D.2 Gross closing balance</b>	-	-	<b>954</b>	<b>1,548</b>	-	<b>2,502</b>
<b>E. Valuation at cost</b>	-	-	<b>247</b>	<b>565</b>	-	<b>812</b>

**SECTION 12 - INTANGIBLE ASSETS - ITEM 120**

**12.1 Intangible assets: breakdown by type of asset**

Assets/Values	31/12/2016		31/12/2015	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
<b>A.1 Goodwill</b>	-	<b>1,786</b>	-	<b>1,786</b>
<b>A.2 Other intangible assets</b>	<b>35</b>	-	<b>86</b>	-
A.2.1 Assets measured at cost:	35	-	86	-
a. Internally generated intangible assets	-	-	-	-
b. Other assets	35	-	86	-
A.2.2 Assets measured at fair value	-	-	-	-
a. Internally generated intangible assets	-	-	-	-
b. Other assets	-	-	-	-
<b>TOTAL</b>	<b>35</b>	<b>1,786</b>	<b>86</b>	<b>1,786</b>

The other intangible assets are recorded at purchase cost including also accessory costs, and are systematically amortized over a period of 5 years. The item mainly refers to 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, 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. Since 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 € 1.8 million recorded in the financial statements is an asset

that cannot be separated from the rest of the bank.

In particular, 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 Budget, 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 1.2% on an annual basis.

The main parameters used for estimation purposes were as follows:

Risk Free Rate + country risk premium	1.5%
Equity Risk Premium	5.5%
Beta	1.4%
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 December 2016. 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 2016.

### 12.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: Other		Total
		Def	Indef	Def	Indef	
<b>A. Opening balance</b>	<b>1,786</b>	-	-	<b>3,100</b>	-	<b>4,886</b>
A.1 Total net value reductions	-	-	-	3,014	-	3,014
<b>A.2 Net opening balances</b>	<b>1,786</b>	-	-	<b>86</b>	-	<b>1,872</b>
<b>B. Increases</b>	-	-	-	-	-	-
B.1 Purchases	-	-	-	-	-	-
B.2 Increases in internal intangible assets	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- of shareholders' equity	-	-	-	-	-	-
- income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
<b>C. Decreases</b>	-	-	-	<b>51</b>	-	<b>51</b>
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	51	-	<b>51</b>
- Amortization	-	-	-	51	-	51
- Write-downs	-	-	-	-	-	-
+ shareholders' equity	-	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-	-
- of shareholders' equity	-	-	-	-	-	-
- income statement	-	-	-	-	-	-
C.4 Transfers of held-for-sale non-current assets	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
<b>D. Net closing balance</b>	<b>1,786</b>	-	-	<b>35</b>	-	<b>1,821</b>
D.1 Total net value adjustments	-	-	-	3,065	-	<b>3,065</b>
<b>E. Gross closing balance</b>	<b>1,786</b>	-	-	<b>3,100</b>	-	<b>4,886</b>
<b>F. Valuation at cost</b>	<b>1,786</b>	-	-	<b>35</b>	-	<b>1,821</b>

Key - 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 1 August 2013.

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

Below is the breakdown of the assets for current taxes

	31/12/2016	31/12/2015
<b>Current tax assets</b>	<b>8,777</b>	<b>11,740</b>
IRES prepayments	6,920	9,228
IRAP prepayments	1,806	2,481
Other	50	31
<b>Current tax liabilities</b>	<b>(8,158)</b>	<b>(8,204)</b>
IRES tax and duty reserve	(5,994)	(6,438)
IRAP tax and duty reserve	(2,129)	(1,684)
Substitute tax reserve	(34)	(82)
<b>Total</b>	<b>619</b>	<b>3,537</b>

**13.1 Deferred tax assets: breakdown**

	31/12/2016	31/12/2015
<b>Prepaid tax assets through profit and loss:</b>	<b>3,784</b>	<b>3,197</b>
Receivable write-downs	1,647	1,807
Extraordinary transactions	844	1,053
Other	1,293	337
<b>Prepaid tax assets through shareholders' equity:</b>	<b>551</b>	<b>618</b>
Extraordinary transactions	551	618
<b>Total</b>	<b>4,335</b>	<b>3,815</b>

**13.2 Deferred tax liabilities: breakdown**

	31/12/2016	31/12/2015
<b>Deferred tax liabilities through profit and loss:</b>	<b>3,234</b>	<b>598</b>
Late payment interest not collected	3,231	595
AFS (available-for-sale) securities	-	-
Other	3	3
<b>Deferred tax liabilities through shareholders' equity:</b>	<b>336</b>	<b>206</b>
AFS (available-for-sale) securities	336	206
<b>Total</b>	<b>3,570</b>	<b>804</b>

### 13.3 Changes in deferred tax assets through profit and loss

	31/12/2016	31/12/2015
<b>1. Initial amount</b>	<b>3,197</b>	<b>2,434</b>
<b>2. Increases</b>	<b>1,086</b>	<b>1,259</b>
2.1 Deferred tax assets recorded in the year	1,086	1,259
a. relative to previous financial years	-	-
b. due to the changes in accounting policies	-	-
c. write-backs	-	-
d. other	1,086	1,259
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>499</b>	<b>496</b>
3.1 Deferred tax assets annulled in the year	499	496
a) reversals	499	496
b) write-downs for uncollectible amounts	-	-
c) changes in accounting policies	-	-
d) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
a. transformation in tax receivables pursuant to Law 214/2011	-	-
b. other	-	-
<b>4. Final amount</b>	<b>3,784</b>	<b>3,197</b>

#### 13.3.1 Change in deferred tax assets pursuant to Law 214/2011.

	31/12/2016	31/12/2015
<b>1. Initial amount</b>	<b>2,658</b>	<b>2,261</b>
<b>2. Increases</b>	<b>0</b>	<b>450</b>
<b>3. Decreases</b>	<b>285</b>	<b>53</b>
3.1 Reversals	72	33
3.2 Transformations in tax receivables	-	-
a) deriving from losses for the year	-	-
b) deriving from tax losses	-	-
3.3 Other decreases	213	20
<b>4. Final amount</b>	<b>2,373</b>	<b>2,658</b>

### 13.4 Change in deferred tax liabilities (through profit and loss)

	31/12/2016	31/12/2015
<b>1. Initial amount</b>	<b>598</b>	<b>3</b>
<b>2. Increases</b>	<b>3,231</b>	<b>595</b>
2.1 Deferred taxes recorded in the year	3,231	595
a. relative to previous financial years	-	-
b. due to the changes in accounting policies	-	-
c. other	3,231	595
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>595</b>	<b>-</b>
3.1 Deferred taxes annulled in the year	595	-
a. reversals	-	-
b. due to the changes in accounting policies	-	-
c. other	595	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
<b>4. Final amount</b>	<b>3,234</b>	<b>598</b>

### 13.5 Change in deferred tax assets (recorded in equity)

	31/12/2016	31/12/2015
<b>1. Initial amount</b>	<b>618</b>	<b>277</b>
<b>2. Increases</b>	<b>37</b>	<b>445</b>
2.1 Deferred tax assets recorded in the year	37	445
a. relative to previous financial years	-	-
b. due to the changes in accounting policies	-	-
c. other	37	445
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>104</b>	<b>104</b>
3.1 Deferred tax assets annulled in the year	104	104
a. reversals	104	104
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	-	-
<b>4. Final amount</b>	<b>551</b>	<b>618</b>



### 13.6 Change in deferred tax liabilities (recorded in equity)

	31/12/2016	31/12/2015
<b>1. Initial amount</b>	<b>206</b>	<b>11</b>
<b>2. Increases</b>	<b>336</b>	<b>206</b>
2.1 Deferred taxes recorded in the year	336	206
a) relative to previous financial years	-	-
b) due to the changes in accounting policies	-	-
c) other	336	206
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>206</b>	<b>11</b>
3.1 Deferred taxes annulled in the year	206	11
a) reversals	-	-
b) due to the changes in accounting policies	-	-
c) other	206	11
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
<b>4. Final amount</b>	<b>336</b>	<b>206</b>

## SECTION 15 - OTHER ASSETS - ITEM 150

### 15.1 Other assets: breakdown

	31/12/2016	31/12/2015
Tax advances	10,550	10,179
Work in progress	1,592	1,038
Prepayments not related to a specific item	537	266
Trade receivables	386	-
Leasehold improvements	264	572
Other	65	479
Security deposits	54	54
Accrued income not related to a specific item	-	-
<b>TOTAL</b>	<b>13,448</b>	<b>12,588</b>

The item is mainly composed of tax advances relative to virtual stamp and withholding taxes on interest expense and to the withholding taxes by Capital Gains. The “work in progress items” predominantly relate to bank transfers allocated to their own items and set to zero in January 2017.

## LIABILITIES

### SECTION 1 - DUE TO BANKS - ITEM 10

#### 1.1 Due to banks: breakdown by product

Type of transactions/Values	31/12/2016	31/12/2015
<b>1. Due to Central banks</b>	<b>192,850</b>	<b>80,002</b>
<b>2. Due to banks</b>	<b>265,276</b>	<b>282,073</b>
2.1 Current accounts and demand deposits	20,039	10,328
2.2 Term deposits	245,237	271,745
2.3 Loans	-	-
2.3.1 Repurchase agreements	-	-
2.3.2 Other	-	-
2.4 Debts for commitments to repurchase own equity instruments	-	-
2.5 Other payables	-	-
<b>Total</b>	<b>458,126</b>	<b>362,075</b>
<b>Fair value - Level 1</b>	<b>-</b>	<b>-</b>
<b>Fair value - Level 2</b>	<b>-</b>	<b>-</b>
<b>Fair value - Level 3</b>	<b>458,126</b>	<b>362,075</b>
<b>Fair value</b>	<b>458,126</b>	<b>362,075</b>

The item increased compared to 31 December 2015 due to a rise in funding from the ECB.

In June 2016, Banca Sistema participated in the second plan of targeted long-term refinancing operations,

TLTRO-II, for a maximum available amount of € 123 million. Total funding from the ECB in the amount of € 192.8 million was obtained against trade receivables and government bonds.

## SECTION 2 - DUE TO CUSTOMERS - ITEM 20

### 2.1 Due to customers: breakdown by product

Type of transactions/Values	31/12/2016	31/12/2015
1. Current accounts and demand deposits	451,229	335,541
2. Term deposits	443,396	572,357
3. Loans	362,163	939,583
3.1 Repurchase agreements	295,581	909,089
3.2 Other	66,582	30,494
4. Debts for commitments to repurchase own equity instruments	-	-
5. Other amounts due	55	30,858
<b>Total</b>	<b>1,256,843</b>	<b>1,878,339</b>
<b>Fair value - Level 1</b>	-	-
<b>Fair value - Level 2</b>	-	-
<b>Fair value - Level 3</b>	<b>1,256,843</b>	<b>1,878,339</b>
<b>Total Fair value</b>	<b>1,256,843</b>	<b>1,878,339</b>

The item other payables includes collections of € 35.6 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 ISSUED - ITEM 30

### 3.1 Securities issued: breakdown by product

Type of securities/ Values	31/12/2016				31/12/2015			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Securities</b>								
1. Bonds	90,330	-	-	90,330	20,102	-	-	20,102
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	90,330	-	-	90,330	20,102	-	-	20,102
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>90,330</b>	-	-	<b>90,330</b>	<b>20,102</b>	-	-	<b>20,102</b>

In May 2016, the Bank placed a bond loan of € 70 million maturing on 3 May 2018 at institutional investors.

This allowed the diversification of the funding sources and a significant increase in duration of the same.

### 3.2 Breakdown of item 30 'Securities issued': subordinated securities

	Issuer	Type of issue	Coupon	Maturity date	Nominal value	IAS value
<b>Tier 1 capital</b>	Banca Sistema S.p.A.	Innovative equity instruments: mixed rate- ISIN IT0004881444	Until 13 June 2023, fixed rate at 7%	Perpetual	8,000	8,018
			From 14 June 2023 float-ing rate 6-month Euribor + 5.5%			
<b>Tier 2 capital</b>	Banca Sistema S.p.A.	Subordinate ordinary loans (Lower Tier 2): ISIN IT0004869712	6-month Euribor + 5.5%	15/11/2022	12,000	12,085
<b>TOTAL</b>					<b>20,000</b>	<b>20,103</b>

#### 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

	31/12/2016	31/12/2015
Work in progress	26,812	32,784
Tax payables to the Tax Authority and other tax authorities	9,133	11,989
Payments received in the reconciliation phase	8,234	1,823
Accrued expenses	6,398	4,292
Trade payables	5,259	2,239
Due to employees	1,651	1,377
Pension repayments	450	518
Due to group companies	138	400
Other	13	195
<b>TOTAL</b>	<b>58,088</b>	<b>55,617</b>

**SECTION 11 - EMPLOYEE TERMINATION INDEMNITIES - ITEM 110**

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

**11.1 Employee termination indemnities: annual changes**

	31/12/2016	31/12/2015
<b>A. Opening balance</b>	<b>1,303</b>	<b>1,173</b>
<b>B. Increases</b>	<b>557</b>	562
B.1 Allowances of the year	426	524
B.2 Other changes	132	38
<b>C. Decreases</b>	<b>221</b>	<b>432</b>
C.1 Benefits paid	197	347
C.2 Other changes	23	85
<b>D. Closing balance</b>	<b>1,640</b>	<b>1,303</b>
<b>TOTAL</b>	<b>1,640</b>	<b>1,303</b>

The increase in "Other changes" refers to the actuarial adjustment amount accounted for in 2016.

The other decreases mainly refer to employee termination indemnities paid in 2016.

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

Annual discount rate	1.31%
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 termination 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	31/12/2016	31/12/2015
1. Post-employment benefit		
2. Other provisions for risks and charges	279	349
2.1 Legal disputes	-	-
2.2 Personnel charges	279	279
2.3 Other	-	70
<b>TOTAL</b>	<b>279</b>	<b>349</b>

“Other provisions” predominantly refer to the deferred part of bonus.

**12.2 Provision for risks and charges: annual changes**

	Post-employment benefit	Other provisions	Total
<b>A. Opening balance</b>	-	349	349
<b>B. Increases</b>	-	-	-
B.1 Allowances of the year	-	-	-
B.2 Time value changes	-	-	-
B.3 Changes due to discount rate changes	-	-	-
B.4 Other changes	-	-	-
<b>C. Decreases</b>	-	70	70
C.1 Uses in the year	-	-	-
C.2 Changes due to discount rate changes	-	-	-
C.3 Other changes	-	70	70
<b>D. Closing balance</b>	-	279	279

## SECTION 14 - SHAREHOLDERS' 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 composed by 80,421,052 ordinary shares with a par value of € 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%
Garbifin	0.50%
Fondazione Sicilia	7.40%
Fondazione Cassa di Risparmio di Alessandria	7.40%
Fondazione Pisa	7.40%
Schroders Group	6.70%
Market	47.50%

As at 31 December 2016 Banca Sistema held 25,000 treasury shares of the company to service the incentive plan for the Group's key personnel.

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

	Amount 2016	Amount 2015
1. Share capital	9,651	9,651
2. Share premium reserve	39,352	39,435
3. Reserves	39,686	26,930
4. (Treasury shares)	(53)	-
5. Valuation reserves	517	350
6. Equity instruments	-	-
7. Profit (loss) for the period	24,481	17,037
<b>TOTAL</b>	<b>113,634</b>	<b>93,403</b>

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

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

Items/Types	Ordinary	Other
<b>A. Initial number of shares</b>	<b>80,421,052</b>	-
fully paid-up	80,421,052	-
not fully paid-up	-	-
A.1 Treasury shares (-)	-	-
<b>A.2 Outstanding shares: opening balance</b>	<b>80,421,052</b>	-
<b>B. Increases</b>	-	-
B.1 New issues	-	-
on payment:	-	-
- business combination transactions	-	-
- conversion of bonds	-	-
- exercising warrants	-	-
- other	-	-
without consideration:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Disposal of treasury shares	-	-
B.3 Other changes	-	-
<b>C. Decreases</b>	-	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Company disposal transactions	-	-
C.4 Other changes	-	-
<b>D. Outstanding shares: closing balance</b>	<b>80,421,052</b>	-
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 Reserves earnings: 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 31/12/2016	Possibility of use	Quota available
<b>A. Share capital</b>	9.651	-	-
<b>B. Capital reserves:</b>		-	-
Share-premium reserve	39.352	A,B,C	-
Reserve for loss recorded		-	-
<b>C. Reserves earnings:</b>		-	-
Legal reserves	1.930	B	-
Valuation reserve	517	-	-
Merger reserve	435	A,B,C	-
Profit from previous year	36.637		
Treasury share reserve	1.478	A,B,C	-
Paid for future capital increase	-	-	-
<b>D. Other reserves</b>	<b>(794)</b>		
Treasury shares	(53)	-	-
<b>TOTAL</b>	<b>89.153</b>	-	-
Net profit	24.481	-	-
<b>TOTAL EQUITY</b>	<b>113.634</b>	-	-
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	31/12/2016	31/12/2015
1) Financial guarantees issued	45	671
a. Banks	-	-
b. Customers	45	671
2) Commercial guarantees issued	-	45
a. Banks	-	45
b. Customers	-	-
3) Irrevocable commitments to disburse funds	-	-
a. Banks	-	-
I) for specified use	-	-
II) for unspecified use	-	-
b. Customers	-	-
I) for specified use	-	-
II) for unspecified use	-	-
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets pledged for third-party commitments	-	-
6) Other commitments	-	-
<b>TOTAL</b>	<b>45</b>	<b>716</b>

### 2. Assets pledged as collateral of liabilities and commitments

Portfolios	31/12/2016	31/12/2015
1. Financial assets held for trading	-	-
2. Financial assets at fair value through profit and loss	-	-
3. Financial assets available for sale	402,657	771,332
4. Financial assets held to maturity	-	-
5. Due from banks	-	-
6. Loans to customers	314,931	107,242
7. Property and equipment	-	-

#### 4. Management and dealing on behalf of third parties

Type of services	Amount
<b>1. Execution of orders on behalf of customers</b>	-
a) Purchases	-
1. regulated	-
2. non-regulated	-
b) Sales	-
1. regulated	-
2. non-regulated	-
<b>2. Portfolio management</b>	-
a) individual	-
b) collective	-
<b>3. Securities custody and administration</b>	<b>1,158,667</b>
a) third-party securities under custody: related to the performance of depository 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	37,343
1. securities issued by the bank drafting the financial statements	3,846
2. other securities	33,497
c) third-party securities deposited with third parties	37,343
d) property deeds deposited with third parties	1,121,324
<b>4. Other transactions</b>	-

## PART C - INFORMATION ON THE INCOME STATEMENT

### SECTION 1 - INTEREST - ITEMS 10 AND 20

#### 1.1. Interest and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other transactions	31/12/2016	31/12/2015
1. Financial assets held for trading	-	-	-	-	-
2. Financial assets available for sale	(242)	-	-	(242)	813
3. Financial assets held to maturity	-	-	-	-	-
4. Due from banks	-	16	-	16	8
5. Loans to customers	-	84,085	-	84,085	78,437
6. Financial assets at fair value through profit and loss	-	-	-	-	-
7. Hedging derivatives	-	-	-	-	-
8. Other assets	-	-	-	-	-
<b>TOTAL</b>	<b>(242)</b>	<b>84,101</b>	<b>-</b>	<b>83,859</b>	<b>79,258</b>

The negative performance of the securities portfolio, a result of the ECB's interest rate policy, should be linked to the funding cost which was positive. Overall, the carry trade remains positive.

#### 1.4 Interest expense and similar expense: breakdown

Items/Technical forms	Payables	Securities	Other transactions	31/12/2016	31/12/2015
1. Due to Central banks	7	-	-	7	84
2. Due to banks	1,825	-	-	1,825	1,115
3. Due to customers	11,385	-	-	11,385	18,585
4. Securities issued	-	2,141	-	2,141	1,228
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value through profit and loss	-	-	-	-	-
7. Other liabilities and provisions	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-
<b>TOTAL</b>	<b>13,217</b>	<b>2,141</b>	<b>-</b>	<b>15,358</b>	<b>21,012</b>

**SECTION 2 - NET FEE AND COMMISSION INCOME - ITEMS 40 AND 50**

**2.1 Fee and commission income: breakdown**

Type of services/Values	31/12/2016	31/12/2015
a. guarantees given	1	3
b. credit derivatives	-	-
c. management, dealing and consultancy services:	<b>173</b>	<b>332</b>
1. trading in financial instruments	27	-
2. currency trading	-	-
3. portfolio management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. custody and administration of securities	1	2
5. depositary bank	-	-
6. placement of securities	58	25
7. income from reception and transmission of orders	48	46
8. consultancy services	-	-
8.1. on investments	-	-
8.2. on financial structure	-	-
9. distribution of third party services	39	259
9.1. portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. insurance products	39	259
9.3. other products	-	-
d. collection and payment services	90	54
e. servicing related to securitisations	-	-
f. services related to factoring	8,749	10,905
g. tax collection services	-	-
h. management of multilateral trading facilities	-	-
i. management of current accounts	69	77
j. other services	1,423	1,372
<b>TOTAL</b>	<b>10,505</b>	<b>12,743</b>

## 2.2 Fee and commission income: distribution channels of products and services

Channels/Values	31/12/2016	31/12/2015
<b>A) c/o its respective branches:</b>	<b>58,034</b>	<b>284</b>
1. portfolio management	-	-
2. placement of securities	57,995	25
3. third-party services and products	39	259
<b>B) door-to-door sales:</b>	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-
<b>C) other distribution channels:</b>	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-

## 2.3 Fee and commission expense: breakdown

Services/Values	31/12/2016	31/12/2015
<b>A) guarantees received</b>	<b>87</b>	<b>62</b>
<b>B) credit derivatives</b>	-	<b>63</b>
<b>C) management, dealing and consultancy services:</b>	<b>633</b>	<b>359</b>
1. trading in financial instruments	70	108
2. currency trading	-	-
3. portfolio management	-	-
3.1 own portfolio	-	-
3.2 third party portfolios	-	-
4. custody and administration of securities	8	-
5. placement of financial instruments	-	-
6. 'out-of-branch' sale of financial instruments, products and services	555	251
<b>D) collection and payment services</b>	<b>137</b>	<b>141</b>
<b>E) other services</b>	<b>1,023</b>	<b>946</b>
<b>TOTAL</b>	<b>1,880</b>	<b>1,571</b>

**SECTION 3 - DIVIDENDS AND SIMILAR INCOME - ITEM 70**

**3.1 Dividend and similar income: breakdown**

Items/Income	31/12/2016		31/12/2015	
	dividends	income from units of UCI	dividends	income from units of UCI
B. Financial assets available for sale	227	-	-	-
D. Equity investments	86	-	33	-
<b>Total</b>	<b>313</b>	<b>-</b>	<b>33</b>	<b>-</b>

**SECTION 4 - PROFIT (LOSS) ON TRADING - ITEM 80**

**4.1 Profit (losses) on trading: breakdown**

Operations/Income items	Capital gains (A)	Profits from trading (B)	Capital loss (C)	Losses from trading (D)	Net result [(A+B) - (C+D)]
<b>1. Held for trading financial assets</b>	-	5	(108)	-	(103)
1.1 Debt securities	-	-	-	-	-
1.2 Equities	-	5	(108)	-	(103)
1.3 Units of UCI	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
<b>2. Financial liabilities held for trading</b>	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
<b>3. Other financial assets and liabilities: foreign exchange differences</b>	-	-	-	-	(2)
<b>4. Derivative instruments</b>	-	-	-	-	-
4.1 Financial derivatives:	-	-	-	-	-
On debt securities and interest rates	-	-	-	-	-
On securities and stock indices	-	-	-	-	-
On currencies and gold	-	-	-	-	-
Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>5</b>	<b>(108)</b>	<b>-</b>	<b>(105)</b>

**SECTION 6 - PROFIT (LOSS) FROM DISPOSAL/REPURCHASE - ITEM 100**
**6.1 Profit (loss) from disposal/repurchase: breakdown**

Items/Income components	31/12/2016			31/12/2015		
	Profits	Losses	Net income (loss)	Profits	Losses	Net income (loss)
<b>Financial assets</b>						
1. Due from banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Financial assets available for sale	1,476	(196)	1,280	-	(137)	-
3.1 Debt securities	1,279	(196)	1,083	-	(137)	-
3.2 Equities	197	-	197	-	-	-
3.3 Units of UCI	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>1,476</b>	<b>(196)</b>	<b>1,280</b>	<b>-</b>	<b>(137)</b>	<b>-</b>
<b>Financial liabilities</b>						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**SECTION 8 - NET VALUE ADJUSTMENTS/WRITE-BACKS DUE TO IMPAIRMENT - ITEM 130**
**8.1 Net value adjustments due to loan impairment: breakdown**

Items/Income components	Impairment losses (1)			Write-backs (2)				31/12/2016	31/12/2015
	Individual		Collective	Individual		Collective			
	Write-offs	Other		A	B	A	B		
A. Due from banks:	-	-	-	-	-	-	-	-	
loans	-	-	-	-	-	-	-	-	
debt securities	-	-	-	-	-	-	-	-	
B. Loans to customers:	(16)	(9,622)	(674)	-	-	86	-	(10,226)	(5,440)
Non-performing loans purchased	-	-	-	-	-	-	-	-	-
loans	-	-	-	-	-	-	-	-	-
debt securities	-	-	-	-	-	-	-	-	-
Other receivables	(16)	(9,622)	(674)	-	-	86	-	(10,226)	(5,440)
loans	(16)	(9,622)	(674)	-	-	86	-	(10,226)	(5,440)
debt securities	-	-	-	-	-	-	-	-	-
<b>C. Total</b>	<b>(16)</b>	<b>(9,622)</b>	<b>(674)</b>	<b>-</b>	<b>-</b>	<b>86</b>	<b>-</b>	<b>(10,226)</b>	<b>(5,440)</b>

Key:  
A = from interest  
B = other



**SECTION 9 - ADMINISTRATIVE EXPENSES - ITEM 150**

**9.1 Personnel expense: breakdown**

Other benefits in favour of employees include a gross variable component recognised to the management and linked to the Bank's listing.

Type of expenditure / Values	31/12/2016	31/12/2015
1) Employees	13,062	15,625
a) wages and salaries	8,369	7,651
b) social security charges	2,012	1,770
c) termination indemnities	-	-
d) supplementary benefits	-	-
e) allowance to the provision for employee termination indemnities	486	354
f) allowance to the provision for pensions and similar obligations:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external pension funds:	249	217
- defined contribution plans	249	217
- defined benefit plans	-	-
h) costs from share-based payments	-	-
i) other benefits in favour of employees	1,946	5,633
2) Other personnel	14	45
3) Directors and statutory auditors	855	532
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	240	577
<b>TOTAL</b>	<b>14,171</b>	<b>16,779</b>

**9.2 Average number of employees by category**

**Personnel**

a) Executives:	17
b) Managers:	36
c) Remaining employees:	80

### 9.3 Other administrative expenses: breakdown

Type of expenditure / Values	2016	2015
Consultancy	4,945	3,998
Servicing and collection activities	4,337	6,958
Computer expenses	3,557	2,980
Resolution Fund	1,967	2,469
Indirect taxes and duties	1,917	2,481
Rent and related fees	1,839	1,690
Car hire and related fees	705	619
Expense reimbursement and entertainment	558	418
Other	456	571
Infoprovider expenses	305	323
Auditing fees	294	874
Membership fees	255	250
Advertising	204	791
Insurance	204	66
Vehicle expenses	169	-
Telephone and postage expenses	153	167
Stationery and printing	103	148
Maintenance of movables and real properties	44	213
Discretionary payments	3	9
<b>TOTAL</b>	<b>22,015</b>	<b>25,025</b>

**SECTION 10 - NET ALLOWANCE FOR RISKS AND CHARGES - ITEM 160**

**10.1 Net allowance for risks and charges: breakdown**

Member	2016	2015
Releasing allowance for risks and charges - other risks and charges	69	300
<b>TOTAL</b>	<b>69</b>	<b>300</b>

**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)
<b>A. Property and equipment</b>				
A.1 Owned	(248)	-	-	(248)
▪ Used in operations	(248)	-	-	(248)
▪ For investment	-	-	-	-
A.2 Acquired in financial lease	-	-	-	-
▪ Used in operations	-	-	-	-
▪ For investment	-	-	-	-
<b>TOTAL</b>	<b>(248)</b>	<b>-</b>	<b>-</b>	<b>(248)</b>

**SECTION 12 - NET ADJUSTMENTS TO/WRITE-BACKS 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 income (a + b - c)
<b>A. Intangible assets</b>				
A.1 Owned	(51)	-	-	(51)
▪ Generated internally by the company	-	-	-	-
▪ Other	(51)	-	-	(51)
A.2 Acquired in financial lease	-	-	-	-
<b>TOTAL</b>	<b>(51)</b>	<b>-</b>	<b>-</b>	<b>(51)</b>

## SECTION 13 - OTHER OPERATING EXPENSES AND INCOME - ITEM 190

### 13.1 Other operating expenses: breakdown

	2016	2015
Amortization on leasehold improvements	248	257
Other operating expenses	520	241
<b>TOTAL</b>	<b>768</b>	<b>498</b>

### 13.2 Other operating income: breakdown

	2016	2015
Reimbursement of expenses on current accounts and deposits for sundry taxes	271	372
Recovery factoring legal expenses	280	-
Recoveries of sundry expenses	25	170
Other Income	406	28
<b>TOTAL</b>	<b>982</b>	<b>570</b>

“Reimbursement of expenses on current accounts and deposits for sundry taxes” includes the amounts 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 14 - PROFIT (LOSS) FROM EQUITY INVESTMENTS - ITEM 210

Income item/ Values	2016	2015
A Income	2,373	-
1. Revaluations	-	-
2. Profits from disposals	2,373	-
3. Write-backs	-	-
4. Other Income	-	-
B Charges	-	-
1. Write-downs	-	-
2. Value adjustments for impairment	-	-
3. Loss from disposal	-	-
4. Other expenses	-	-
<b>Net income (loss)</b>	<b>2,373</b>	<b>-</b>

Profit from disposal refers to the sale to Axactor of the 15% stake held in CS Union.

## SECTION 18 - TAXES ON INCOME FROM CONTINUING OPERATIONS - ITEM 260

### 18.1 Taxes on income from continuing operations: breakdown

Item/Values	2016	2015
1. Current taxes (-)	(8,124)	(8,122)
2. Changes in current taxes of previous years (+/-)	95	49
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 (+/-)	586	763
5. Changes in deferred tax liabilities (+/-)	(2,636)	(595)
6. Income tax for the year (-) (-1+/-2+3+/-4+/-5)	(10,079)	(7,905)

### 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)	% Change
<b>Theoretical fiscal charge for IRES (Corporate Income Tax)</b>	<b>34,560</b>	<b>(9,504)</b>	<b>27.50%</b>
Permanent increase	1,077	(296)	0.86%
Temporary increase	5,817	(1,600)	4.63%
Permanent decrease	(19,656)	5,406	-15.64%
<b>Actual fiscal charge for IRES (Corporate Income Tax)</b>	<b>21,799</b>	<b>(5,995)</b>	<b>17.34%</b>
IRAP (Regional Business Tax)	Taxable income	IRAP (Regional Business Tax)	% Change
<b>Theoretical fiscal charge for IRAP</b>	<b>34,560</b>	<b>(1,925)</b>	<b>5.57%</b>
Permanent increase	34,716	(1,934)	5.60%
Permanent decrease	(31,052)	1,730	-5.00%
<b>Actual fiscal charge for IRAP</b>	<b>38,224</b>	<b>(2,129)</b>	<b>6.16%</b>
▪ Other fiscal charges			
<b>Total actual fiscal charge for IRES and IRAP</b>	<b>60,023</b>	<b>(8,124)</b>	<b>23.51%</b>

## SECTION 20 - OTHER INFORMATION

Nothing to report.

## SECTION 21 - EARNINGS PER SHARE

Earnings per share (EPS)	2016
Net income (thousands of Euro)	24,481
Average number of outstanding shares	80,408,552
Earnings per share basic (Euro)	0.304

## PART D - OTHER COMPREHENSIVE INCOME (CONSOLIDATED)

### *Analytical statement of other comprehensive income (consolidated)*

Items	Gross amount	Income Tax	Net amount
<b>10. Profit (loss) for the period</b>			<b>24,481</b>
<b>Other income items without reversal to the income statement</b>			
20. Property and equipment	-	-	-
30. Intangible assets	-	-	-
40. Defined benefit plans	-	-	(95)
50. Non-current assets held for sale	-	-	-
60. Share of valuation reserves connected with investments carried at equity:	-	-	-
<b>Other income items with reversal to the income statement</b>			
<b>70. Hedges of foreign investments:</b>			
a) variazioni di <i>fair value</i>	-	-	-
b) rigiro a conto economico	-	-	-
c) altre variazioni	-	-	-
<b>80. Foreign exchange differences:</b>			
a) changes in value	-	-	-
b) reversal to the income statement	-	-	-
c) other changes	-	-	-
<b>90. Cash flow hedges :</b>			
a) changes in fair value	-	-	-
b) reversal to the income statement	-	-	-
c) other changes	-	-	-
<b>100. Financial assets available for sale:</b>	<b>392</b>	<b>130</b>	<b>263</b>
a) changes in fair value	1,015	336	680
b) reversal to the income statement			
- adjustments for impairment losses	-	-	-
- profit/loss on sale	(623)	(206)	(417)
c) other changes	-	-	-
<b>110. Non-current assets held for sale:</b>			
a) changes in fair value	-	-	-
b) reversal to the income statement	-	-	-
c) other changes	-	-	-
<b>120. Share of valuation reserves connected with investments carried at equity:</b>			
a) changes in fair value	-	-	-
b) reversal to the income statement			
- adjustments for impairment losses	-	-	-
- profit/loss on sale	-	-	-
c) other changes	-	-	-
<b>130. Total other income items</b>	<b>392</b>	<b>130</b>	<b>167</b>
<b>140. Comprehensive income (10+130)</b>	<b>392</b>	<b>130</b>	<b>24,648</b>

### SECTION 1 - RISKS

#### 1.1 Credit risk

##### QUALITATIVE INFORMATION

In order to manage the significant risks to which it is or could be exposed, 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 and ALM - extra-board 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 working at a level of complexity and with operations comparable to those of the Bank are assessed.

With reference to the new provisions in matters of regulatory supervision (15th 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 associated the strategic objectives to 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.

The structure of the RAF is based on specific indicators so-called Key Risk Indicators (KRI) which measure the Bank's solvency in the following areas:

- Share capital
- Liquidity;
- Quality of the credit portfolio;
- Profitability;
- Other specific risks the Bank is exposed to.

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. Starting from 1 January 2014, the Bank 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 no. 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, provide for the banks the possibility to determine the weighting coefficients for the calculation of the capital requirement with respect to credit exposure within 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 2016, uses 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 does not

represent in any way, 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;

During the third quarter of 2016, the Bank preventively assessed the impact of ECAI DBRS downgrading Italy (from A- to BBB) after 13 January 2017.

According to the analyses carried out and as subsequently proven, the main consequence of the deterioration of Italy's creditworthiness was a reduction in the collateral to guarantee the refinancing operations, which in any case did not have any particular effect on the Bank's liquidity level.



## 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 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 its internal structures, thus obtaining, through 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.

As mentioned 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 by 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 Collection Division, 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 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, tele-phone 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 other business: regarding 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. In detail:

- 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 initialled 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 through 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 meetings, 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. 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**

The Banca Sistema Group defines its credit quality policy as a function of the provisions in the Bank of Italy Circular

272 (Accounts Matrix), the principle definitions of which are provided on the following pages.

The Supervisory Provisions for Banks assign to intermediaries specific obligations concerning the monitoring and classification of loans: “The obligations of the operating units in the monitoring phase of the loan granted must be deducible from the internal regulation. In particular, intervention terms and methods must be set in case of irregularity. The measurement, management and classification criteria for irregular loans, as well as the related responsible units, must be set with resolution of the board of directors, which indicates the methods of coordination among these criteria and the methods required by the supervisory reports.

The board of directors must be regularly informed on the performance of the irregular loans and the related recovery procedures.”

According to the definitions in the above-mentioned Bank of Italy Circular, financial assets that lie within the categories of the bad loans, unlikely to pay or non-performing 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:

#### **Bad loans**

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 Group (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 for the portion subject to the applicable liquidation procedure
- the credits purchased from third parties having bad 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, 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 bad loans 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.

## Non-performing 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 bad loans, unlikely to pay, 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 standardised 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. The regulation also requires the overall exposure to a debtor to be recognised as past-due and/or overdrawn if, at the reference date of the report, the relevance threshold of 5% is exceeded.

## Forborne exposures

Defined as forborne exposures ("forbearance") are the exposures which lie in the categories of "Non-performing exposures with forbearance measures" and "Forborne performing exposures" as defined in the International Technical Standards (ITS).

A forbearance measure represents a concession towards a debtor which faces or is about to face difficulties in fulfilling its financial obligations ("financial difficulties"); a "concession" indicates one of the following actions:

- an amendment of the previous terms and conditions of a contract which the debtor is considered unable to fulfil due to its financial difficulties, that would not have been granted if the debtor was not in financial difficulty;
- a total or partial refinancing operation of a problem loan that would not have been granted if the debtor was not in financial difficulty.

Art. 172 of ITS EBA sets some situations which, if occurring, lead in any case to the presence of forbearance measures, i.e. when:

- an amended contract was classified as non-performing and would have been so in the absence of the amendment;
- the amendment made to the contract implies a partial or total cancellation of the debt;
- the intermediary approves the use of forbearance clauses incorporated in the contract for a debtor classified as non-performing or that would have been so without resorting to these clauses;

- at the same time or close to the additional granting of credit by the intermediary, the debtor makes payments of capital or interest on another contract with the intermediary that was classified as non-performing or that would have been classified so in the absence of the refinancing.

According to these criteria, forbearance is presumed to have taken place when:

- the amended contract has totally or partially expired for more than 30 days (without being classified as non-performing) at least once during the three months before the amendment or would have been so in the absence of the amendment;

- at the same time or close to the additional granting of credit by the intermediary, the debtor make payments of capital or interest on another contract with the intermediary that was totally or partially expired for more than 30 days (without being classified as non-performing) at least once during the three months before the amendment or would have been so in the absence of the amendment;
- the intermediary approves the use of forbearance clauses incorporated in the contract for a debtor which has expired for more than 30 days or that would have been so without resorting to these clauses.

## 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	Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Performing financial assets	Total
1. Financial assets available for sale	-	-	-	-	507,872	507,872
2. Financial assets held to maturity	-	-	-	-	-	-
3. Due from banks	-	-	-	-	71,282	71,282
4. Loans to customers	22,969	15,932	64,608	239,149	969,977	1,312,635
5. Financial assets at fair value through profit and loss	-	-	-	-	-	-
6. Financial assets held for disposal	-	-	-	-	-	-
<b>Total 2016</b>	<b>22,969</b>	<b>15,932</b>	<b>64,608</b>	<b>239,149</b>	<b>1,549,131</b>	<b>1,891,789</b>
<b>Total 2015</b>	<b>13,899</b>	<b>5,093</b>	<b>65,255</b>	<b>258,961</b>	<b>2,038,475</b>	<b>2,381,653</b>

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. Financial assets available for sale	-	-	-	507,872	-	507,872	507,872
2. Financial assets held to maturity	-	-	-	-	-	-	-
3. Due from banks	-	-	-	71,282	-	71,282	71,282
4. Loans to customers	119,756	16,246	103,510	1,213,458	4,332	1,209,126	1,312,636
5. Financial assets at fair value through profit and loss	-	-	-	-	-	-	-
6. Financial assets held for disposal	-	-	-	-	-	-	-
<b>Total 2016</b>	<b>119,756</b>	<b>16,246</b>	<b>103,510</b>	<b>1,792,612</b>	<b>4,332</b>	<b>1,788,280</b>	<b>1,891,790</b>
<b>Total 2015</b>	<b>91,352</b>	<b>7,135</b>	<b>84,216</b>	<b>2,300,670</b>	<b>3,233</b>	<b>2,297,437</b>	<b>2,381,653</b>

A.1.2.1 Distribution of credit exposures by portfolios

Portfolios/seniority past due	OTHER EXPOSURES					Total (net exposure)
	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	
1. Financial assets available for sale	-	-	-	-	507,872	507,872
2. Financial assets held to maturity	-	-	-	-	-	-
3. Due from banks	-	-	-	-	71,282	71,282
4. Loans to customers	51,872	26,959	67,505	92,813	969,977	1,209,126
5. Financial assets at fair value through profit and loss	-	-	-	-	-	-
6. Financial assets held for disposal	-	-	-	-	-	-
<b>Total 2016</b>	<b>51,872</b>	<b>26,959</b>	<b>67,505</b>	<b>92,813</b>	<b>1,549,131</b>	<b>1,788,280</b>
<b>Total 2015</b>	<b>163,710</b>	<b>27,445</b>	<b>43,308</b>	<b>24,497</b>	<b>2,038,476</b>	<b>2,297,436</b>

*A.1.3 On- and off-balance sheet credit exposures to banks: gross and net values*

Type of exposures/Values	Gross exposure				Performing financial assets	Individual adjustments	Collective adjustments	Net exposure
	Non-performing 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				
<b>A. ON-BALANCE SHEET EXPOSURES</b>	-	-	-	-		-	-	
a) Bad loans	-	-	-	-	-	-	-	-
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	-	-	-	-	<b>71,282</b>	-	-	<b>71,282</b>
of which: forborne exposures	-	-	-	-	-	-	-	-
<b>TOTAL A</b>	-	-	-	-	<b>71,282</b>	-	-	<b>71,282</b>
<b>B. OFF-BALANCE-SHEET EXPOSURES</b>	-	-	-	-		-	-	
a) Non-performing	-	-	-	-	-	-	-	-
b) Performing	-	-	-	-	-	-	-	-
<b>TOTAL B</b>	-	-	-	-	-	-	-	-
<b>TOTAL (A+B)</b>	-	-	-	-	<b>71,282</b>	-	-	<b>71,282</b>

*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				Performing financial assets	Individual adjustments	Collective adjustments	Net exposure
	Non-performing 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				
<b>A. ON-BALANCE SHEET EXPOSURES</b>	-	-	-	-	-	-	-	-
a) Bad loans	1	62	352	34,816	-	12,260	-	22,971
of which: forborne exposures	-	-	-	-	-	-	-	-
b) Unlikely to pay	11,427	2,869	2,063	3,390	-	3,817	-	15,932
of which: forborne exposures	-	-	-	-	-	-	-	-
c) Non-performing past due exposures	29,665	5,352	11,100	18,661	-	170	-	64,608
of which: forborne exposures	-	-	-	-	-	-	-	-
d) Performing past due exposures	-	-	-	-	239,509	-	552	238,957
of which: forborne exposures	-	-	-	-	-	-	-	-
e) Other performing exposures	-	-	-	-	1,481,820	-	3,780	1,478,040
of which: forborne exposures	-	-	-	-	-	-	-	-
<b>TOTAL A</b>	<b>41,093</b>	<b>8,283</b>	<b>13,515</b>	<b>56,867</b>	<b>1,721,329</b>	<b>16,247</b>	<b>4,332</b>	<b>1,820,508</b>
<b>B. OFF-BALANCE-SHEET EXPOSURES</b>	-	-	-	-	-	-	-	-
a) Non-performing	-	-	-	-	-	-	-	-
b) Performing	-	-	-	-	45	-	-	45
<b>TOTAL B</b>	-	-	-	-	45	-	-	45
<b>TOTAL (A+B)</b>	<b>41,093</b>	<b>8,283</b>	<b>13,515</b>	<b>56,867</b>	<b>1,721,374</b>	<b>16,247</b>	<b>4,332</b>	<b>1,820,553</b>

A.1.7 On-balance sheet credit exposures to customers: dynamics of gross non-performing exposures

Reasons/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
<b>A. Starting gross exposure</b>	<b>20,021</b>	<b>5,913</b>	<b>65,420</b>
of which: non-derecognized assigned exposures			
<b>B. Increases</b>	<b>34,903</b>	<b>25,799</b>	<b>143,330</b>
B.1 incoming performing exposures	11,213	13,979	98,482
B.2 transfers from others categories of non-performing exposures	13,964	3,569	-
B.3 other increases	9,726	8,251	44,848
<b>C. Decreases</b>	<b>19,693</b>	<b>11,963</b>	<b>143,972</b>
C.1 outgoing performing exposures	4,724	-	57,386
C.2 derecognitions	-	-	-
C.3 collections	14,969	2,389	79,655
C.4 gains on sales	-	-	-
C.5 losses from disposals	-	-	-
C.6 transfers to others categories of non-performing exposures	-	9,574	6,931
C.7 Other decreases	-	-	-
<b>D. Final gross exposure</b>	<b>35,231</b>	<b>19,749</b>	<b>64,778</b>
of which: non-derecognized assigned exposures			

A.1.8 On-balance sheet credit exposures to customers: dynamics of overall adjustments

Reasons/Categories	BAD LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE EXPOSURES	
	Total	Of which: forborne exposures	Total	Of which: forborne exposures	Total	Of which: forborne exposures
<b>A. Initial total adjustments</b>	<b>6,122</b>	-	<b>820</b>	-	<b>195</b>	-
- of which: non-derecognized assigned exposures	-	-	-	-	-	-
<b>B. Increases</b>	<b>8,491</b>	-	<b>3,816</b>	-	<b>136</b>	-
B.1 value adjustments	7,690	-	3,766	-	59	-
B.2 losses from disposal	-	-	-	-	-	-
B.3 transfers from others categories of non-performing exposures	722	-	5	-	-	-
B.4 other increases	79	-	45	-	77	-
<b>C. Decreases</b>	<b>2,353</b>	-	<b>820</b>	-	<b>162</b>	-
C.1 valuation write-backs	2,107	-	98	-	110	-
C.2 collection write-backs	1	-	-	-	32	-
C.3 profits from disposals	-	-	-	-	-	-
C.4 derecognitions	-	-	-	-	-	-
C.5 transfers to others categories of non-performing exposures	-	-	722	-	5	-
C.6 Other decreases	245	-	-	-	15	-
<b>D. Final total adjustments</b>	<b>12,260</b>	-	<b>3,817</b>	-	<b>169</b>	-
- 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						Without rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
<b>A. On-balance sheet exposures</b>	-	1,078,451	-	-	-	-	757,733	1,836,184
<b>B. Derivatives</b>	-	-	-	-	-	-	-	-
B.1 Financial derivatives	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-
<b>C. Guarantees given</b>	-	-	-	-	-	-	45	45
<b>D. Commitments to disburse funds</b>	-	-	-	-	-	-	-	-
<b>E. Other</b>	-	-	-	-	-	-	-	-
<b>Total</b>	-	1,078,451	-	-	-	-	757,778	1,836,229

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

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	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)

Creditworthiness class	Risk weighting factors	ECAI
		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.3.2 Guaranteed on-balance sheet credit exposures

	Net exposure	Real security (1)				CLN	Personal security (2)						Total (1)+(2)		
		Mortgaged estate	Properties under financial lease	Securities	Other collateral		Credit derivatives			Credit commitments					
							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:	348,600	-	-	9,292	263,462	-	-	-	-	62,372	213	-	8,559	343,898	
2.1 fully guaranteed	319,991	-	-	9,291	263,458	-	-	-	-	38,683	-	-	8,559	319,991	
- of which non-performing	6,540	-	-	-	1	-	-	-	-	6,021	-	-	518	6,540	
2.2 partially guaranteed	28,609	-	-	1	4	-	-	-	-	23,689	213	-	-	23,907	
- of which non-performing	4,930	-	-	-	-	-	-	-	-	4,578	-	-	-	4,578	
2. Guaranteed off-balance sheet credit exposures:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 fully guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
- 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
<b>A. On-balance sheet exposures</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.1. Bad loans	-	-	-	10,240	5,137	-	-	-	-	-	-	-	12,573	6,543	-	156	582	-
of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	-	-	14,977	3,814	-	955	2	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	736	-	-	49,743	130	-	-	-	-	-	-	-	13,632	38	-	497	1	-
of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 A.4 Performing exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which: forborne exposures	744,134	-	89	440,749	-	1,913	15,361	-	-	-	-	-	249,579	-	1,689	267,173	-	641
<b>TOTAL A</b>	<b>744,870</b>	-	<b>89</b>	<b>500,732</b>	<b>5,267</b>	<b>1,913</b>	<b>15,361</b>	-	-	-	<b>3</b>	-	<b>290,761</b>	<b>10,395</b>	<b>1,689</b>	<b>268,781</b>	<b>585</b>	<b>641</b>
<b>B. Off-balance-sheet exposures</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.1. Bad loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2. Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4. Performing exposures	-	-	-	-	-	-	-	-	-	-	-	-	9	-	-	36	-	-
<b>TOTAL B</b>	-	-	-	-	-	-	-	-	-	-	-	-	9	-	-	36	-	-
<b>TOTAL (A+B) 2016</b>	<b>744,870</b>	-	<b>89</b>	<b>500,732</b>	<b>5,267</b>	<b>1,913</b>	<b>15,361</b>	-	-	-	<b>3</b>	-	<b>290,770</b>	<b>10,395</b>	<b>1,689</b>	<b>268,817</b>	<b>585</b>	<b>641</b>
<b>TOTAL (A+B) 2015</b>	<b>1,195,995</b>	<b>20</b>	<b>105</b>	<b>563,893</b>	<b>4,934</b>	<b>1,436</b>	<b>199,872</b>	-	-	-	-	-	<b>291,437</b>	<b>1,620</b>	<b>1,146</b>	<b>129,132</b>	<b>563</b>	<b>546</b>

**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
<b>A. On-balance sheet exposures</b>			-	-	-	-	-	-	-	-
A.1 Bad loans	22,971	12,260	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	15,932	3,817	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	64,608	170	-	-	-	-	-	-	-	-
A.4 Other performing exposures	1,705,763	4,303	9,609	25	1,625	5	-	-	-	-
<b>Total</b>	<b>1,809,274</b>	<b>20,550</b>	<b>9,609</b>	<b>25</b>	<b>1,625</b>	<b>5</b>	-	-	-	-
<b>B. Off-balance-sheet exposures</b>										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4 Other performing exposures	45	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>45</b>	-	-	-	-	-	-	-	-	-
<b>Total (A+B) 2016</b>	<b>1,809,319</b>	<b>20,550</b>	<b>9,609</b>	<b>25</b>	<b>1,625</b>	<b>5</b>	-	-	-	-
<b>Total (A+B) 2015</b>	<b>2,359,117</b>	<b>10,311</b>	<b>21,211</b>	<b>59</b>	-	-	-	-	-	-

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
<b>A. On-balance sheet exposures</b>	-	-	-	-	-	-	-	-
A.1 Bad loans	3,821	1,641	957	863	3,491	2,155	14,703	7,600
A.2 Unlikely to pay	1,812	222	-	-	1,570	38	12,549	3,557
A.3 Non-performing past due exposures	2,559	8	955	2	12,796	36	48,298	124
A.4 Other performing exposures	214,218	802	90,381	340	854,358	797	546,975	2,365
<b>Total</b>	<b>222,410</b>	<b>2,673</b>	<b>92,293</b>	<b>1,205</b>	<b>872,215</b>	<b>3,026</b>	<b>622,525</b>	<b>13,646</b>
<b>B. Off-balance-sheet exposures</b>	-	-	-	-	-	-	-	-
B.1 Bad loans	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-
B.3 Other non-performing assets	-	-	-	-	-	-	-	-
B.4 Other performing exposures	36	-	-	-	9	-	-	-
<b>Total</b>	<b>36</b>	-	-	-	<b>9</b>	-	-	-
<b>Total (A+B) 2016</b>	<b>222,446</b>	<b>2,673</b>	<b>92,293</b>	<b>1,205</b>	<b>872,224</b>	<b>3,026</b>	<b>622,525</b>	<b>13,646</b>
<b>Total (A+B) 2015</b>	<b>164,498</b>	<b>1,014</b>	<b>63,498</b>	<b>788</b>	<b>1,472,179</b>	<b>1,574</b>	<b>658,943</b>	<b>6,935</b>



**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
<b>A. On-balance sheet exposures</b>	-	-	-	-	-	-	-	-	-	-
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Other performing exposures	71,282	-	-	-	-	-	-	-	-	-
<b>Total A</b>	<b>71,282</b>	-	-	-	-	-	-	-	-	-
<b>B. Off-balance-sheet exposures</b>	-	-	-	-	-	-	-	-	-	-
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4 Other performing exposures	-	-	-	-	-	-	-	-	-	-
<b>Total B</b>	-	-	-	-	-	-	-	-	-	-
<b>Total (A+B) 2016</b>	<b>71,282</b>	-	-	-	-	-	-	-	-	-
<b>Total (A+B) 2015</b>	<b>2,041</b>	-	-	-	-	-	-	-	-	-

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
<b>A. On-balance sheet exposures</b>	-	-	-	-	-	-	-	-
A.1 Bad loans	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-
A.4 Other performing exposures	8,489	-	122	-	62,671	-	-	-
<b>Total</b>	<b>8,489</b>	-	<b>122</b>	-	<b>62,671</b>	-	-	-
<b>B. Off-balance-sheet exposures</b>	-	-	-	-	-	-	-	-
B.1 Bad loans	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-
B.3 Other non-performing assets	-	-	-	-	-	-	-	-
B.4 Other performing exposures	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-
<b>Total (A+B) 2016</b>	<b>8,489</b>	-	<b>122</b>	-	<b>62,671</b>	-	-	-
<b>Total (A+B) 2015</b>	<b>81</b>	-	<b>6</b>	-	<b>1,954</b>	-	-	-

#### B.4 Significant exposures

As at 31 December 2016, the Bank's major exposures are as follows:

- a) Book value € 1,186,331 (in thousands)
- b) Weighted value € 70,611 (in thousands)
- c) No. of positions 16.

## 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	Financial assets held for trading			Financial assets at fair value through profit and loss			Financial assets available for sale			Financial assets held to maturity			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	31/12/2016	31/12/2015	
<b>A. Non-derivative financial assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>498,718</b>	<b>878,574</b>	
1. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	295,528	771,332	
2. Equity securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3. UCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	203,190	107,242	
<b>B. Derivative instruments</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total 2016</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>498,718</b>	-	
<i>of which non-performing</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total 2015</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>878,574</b>	
<i>of which non-performing</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

#### Key:

- A = financial assets disposed of and recorded in whole (book value)
- B = financial assets disposed of and recorded partially (book value)
- C = financial assets disposed of and recorded in partially (entire value)

**E.2. Financial liabilities against financial assets disposed of a not derecognized: book value**

Liabilities/Asset portfolio	Financial assets held for trading	Financial assets at fair value through profit and loss	Financial assets available for sale	Financial assets held to maturity	Due from banks	Loans to customers	Total
<b>1. Due to customers</b>	-	-	<b>295,581</b>	-	-	-	<b>295,581</b>
a) against fully recorded assets	-	-	295,581	-	-	-	295,581
b) against partially recorded assets	-	-	-	-	-	-	-
<b>2. Due to banks</b>	-	-	-	-	-	-	-
a) against fully recorded assets	-	-	-	-	-	-	-
b) against partially recorded assets	-	-	-	-	-	-	-
<b>Total 2016</b>	-	-	<b>295,581</b>	-	-	-	<b>295,581</b>
<b>Total 2015</b>	-	-	<b>761,966</b>	-	<b>49,257</b>	<b>30,603</b>	<b>841,826</b>

## SECTION 2 - MARKET RISK

As at 31 December 2016 the Bank is marginally exposed to the market risk due to the position in the trading portfolio of a security. The security is in Swedish krona and, as a consequence, it also generates an exchange rate risk which, due to the size, is also limited.

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

The trading risk moved exclusively following the trading of a security; due to the size of the investment the price risk is limited.

### 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:

- Determination of the relevant currencies.  
“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;
- Classification of the assets and liabilities in time brackets. 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.
- Weighting the net exposures of each bracket.  
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;
- Sum of the weighted net exposures of the various brackets. 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;
- Aggregation in the various currencies. 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 not perform any such transactions in 2016.

#### **C. Cash flow hedging**

The Bank did not perform any such transactions in 2016.

**QUANTITATIVE INFORMATION**

**1. Banking book: distribution by residual term (by repricing date) of financial assets and liabilities**

Currency of denomination: Euro

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 years up to 5 years	from more than 5 years up to 10 years	more than 10 years	Unspecified term
<b>1. Non-derivative financial assets</b>	<b>436,282</b>	<b>324,850</b>	<b>216,261</b>	<b>425,865</b>	<b>348,100</b>	<b>139,566</b>	<b>866</b>	-
1.1 Debt securities	-	92,140	100,092	295,597	20,043	-	-	-
- with option of advance repayment	-	-	-	-	-	-	-	-
- other	-	92,140	100,092	295,597	20,043	-	-	-
1.2 Loans to banks	64,102	6,854	326	-	-	-	-	-
1.3 Loans and advances to customers	372,180	225,856	115,843	130,268	328,057	139,566	866	-
- current accounts	31,976	-	-	-	-	1	-	-
- other loans	340,204	225,856	115,843	130,268	328,057	139,565	866	-
- with option of advance repayment	10,104	34,649	29,199	29,299	201,059	122,581	15	-
- other	330,100	191,207	86,644	100,969	126,998	16,984	851	-
<b>2. Cash liabilities</b>	<b>483,817</b>	<b>673,731</b>	<b>82,972</b>	<b>75,596</b>	<b>476,423</b>	<b>4,733</b>	<b>8,026</b>	-
2.1 Due to customers	463,541	358,731	70,887	75,596	283,346	4,733	8	-
- current accounts	463,111	60,168	65,678	64,613	236,904	3,768	8	-
- other loans	430	298,563	5,209	10,983	46,442	965	-	-
- with option of advance repayment	-	-	-	-	-	-	-	-
- other	430	298,563	5,209	10,983	46,442	965	-	-
2.2 Due to banks	20,276	315,000	-	-	122,850	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	20,276	315,000	-	-	122,850	-	-	-
2.3 Debt securities	-	-	12,085	-	70,227	-	8,018	-
- with option of advance repayment	-	-	12,085	-	-	-	-	-
- other	-	-	-	-	70,227	-	8,018	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with option of advance repayment	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>	-	<b>594</b>	<b>41</b>	<b>84</b>	<b>415</b>	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	594	41	84	415	-	-	-
- Options	-	594	41	84	415	-	-	-
+ long positions	-	27	41	84	415	-	-	-
+ short positions	-	567	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
<b>4. Other off-balance-sheet transactions</b>	-	-	-	-	-	-	-	-
+ 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 euro, except for the security in the trading portfolio.

The exchange rate risk is limited due to the size of the investment.

Items	CURRENCIES					
	DOLLAR USA	POUND STERLING	YEN	CANADIAN DOLLAR	SWISS FRANC	OTHER CURRENCIES
<b>A. Financial assets</b>	-	-	-	-	-	<b>2,962</b>
A.1 Debt securities	-	-	-	-	-	-
A.2 Equities	-	-	-	-	-	2,962
A.3 Loans to banks	-	-	-	-	-	-
A.4 Loans and advances to customers	-	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
<b>B. Other assets</b>	-	-	-	-	-	-
<b>C. Financial liabilities</b>	-	-	-	-	-	-
C.1 Due to banks	-	-	-	-	-	-
C.2 Due to customers	-	-	-	-	-	-
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
<b>D. Other liabilities</b>	-	-	-	-	-	-
<b>E. Financial derivatives</b>	-	-	-	-	-	-
- Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
<b>Total assets</b>	-	-	-	-	-	<b>2,962</b>
<b>Total liabilities</b>	-	-	-	-	-	-
<b>Imbalance (+/-)</b>	-	-	-	-	-	<b>2,962</b>

The amount refers to the Axactor shares held by the bank partly in the AFS portfolio and partly in the Trading portfolio. They are listed securities (in Swedish krona) but traded in Norwegian krone.

## 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 2016, the Bank had not executed any derivative contract to hedge the credit portfolio.



## SECTION 3 - LIQUIDITY RISK

### QUALITATIVE INFORMATION

#### A. General aspects, management processes and methods of measuring 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 2016, 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

### 1. 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 years up to 5 years	Over 5 years	indeterminate
<b>Non-derivative financial assets</b>	<b>365,777</b>	<b>26,538</b>	<b>3,587</b>	<b>41,693</b>	<b>213,485</b>	<b>233,434</b>	<b>432,429</b>	<b>358,782</b>	<b>131,857</b>	<b>6,835</b>
A.1 Government securities	-	-	-	-	92,042	100,086	295,396	20,018	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCI units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	365,777	26,538	3,587	41,693	121,443	133,348	137,033	338,764	131,857	6,835
Banks	8,497	-	-	11	8	330	-	-	-	6,835
Customers	357,280	26,538	3,587	41,682	121,435	133,018	137,033	338,764	131,857	-
<b>Cash liabilities</b>	<b>481,874</b>	<b>415,619</b>	<b>39,183</b>	<b>22,974</b>	<b>196,051</b>	<b>72,578</b>	<b>77,615</b>	<b>476,190</b>	<b>24,741</b>	<b>-</b>
B.1 Deposits and current accounts	481,400	48,040	38,978	22,955	195,291	65,991	65,264	236,904	3,776	-
Banks	20,276	45,000	35,000	15,000	150,000	-	-	-	-	-
Customers	461,124	3,040	3,978	7,955	45,291	65,991	65,264	236,904	3,776	-
B.2 Debt securities	-	-	-	-	-	1,314	1,314	70,000	20,000	-
B.3 Other liabilities	474	367,579	205	19	760	5,273	11,037	169,286	965	-
<b>Off-balance-sheet transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives with-out 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	-	-	-	-	-	-	-	-	-	-

With reference to the financial assets subject to “retained securitisation”, at the end of 2016, Banca Sistema has two securitisation transactions in place for which it signed the set of securities issued.

## 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 expense;
- 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 supplemented representation of the business risks, this type of risk is considered, in accordance with the specific aspects, among operational, reputational and strategic risks.

The Bank monitors the ICT risks based on the continuous information flows between the functions concerned defined in its IT security policies.

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 Bank's 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 capital 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 2016, the Shareholders' equity was composed as follows:

Items/Values	31/12/2016	31/12/2015
1 Share capital	9,651	9,651
2 Share premium reserve	39,352	39,436
3 Reserves	39,686	26,929
- of profits	39,686	26,929
a) legal	1,930	1,522
b) statutory	-	-
c) treasury shares	1,478	-
d) other	36,278	25,407
- other	-	-
3.bis Dividends paid	-	-
4 Equity instruments	-	-
5 (Treasury shares)	(52)	-
6 Valuation reserves	518	350
- Financial assets available for sale	680	417
- Property and equipment	-	-
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash flow hedges	-	-
- Foreign exchange differences	-	-
- Non-current assets held for sale	-	-
- Actuarial gain (loss) relative to defined-benefit plans	(162)	(67)
- Quotas of the valuation reserves regarding investee companies valued at equity	-	-
- Special revaluation laws	-	-
7 Profit (loss) for the year	24,481	17,037
<b>TOTAL</b>	<b>113,636</b>	<b>93,403</b>

**B.2 Valuation reserves for financial assets available for sale: breakdown**

Assets/Values	31/12/2016		31/12/2015	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	221	-	508	113
2. Equity securities	458	-	-	-
3. Units of UCI	-	-	-	-
4. Loans	-	-	-	-
<b>Total</b>	<b>679</b>	<b>-</b>	<b>508</b>	<b>113</b>

**B.3 Valuation reserves for financial assets available for sale: annual changes**

	Debt securities	Equity securities	Units of UCI	Loans
<b>1. Opening balance</b>	<b>395</b>	-	-	-
<b>2. Positive variations</b>	<b>558</b>	-	-	-
2.1 Increases in fair value	330	630	-	-
2.2 Reclassifications from negative reserves to the income statement:	22	-	-	-
▪ following impairment	-	-	-	-
▪ following disposal	22	-	-	-
2.3 Other changes	206	55	-	-
<b>3. Negative variations</b>	<b>732</b>	-	-	-
3.1 Reductions in fair value	-	-	-	-
3.2 Adjustments for impairment losses	-	-	-	-
3.3 Reclassifications of positive reserves to the income statement: following disposal	623	-	-	-
3.4 Other changes	109	227	-	-
<b>4. Closing balance</b>	<b>221</b>	<b>458</b>	-	-

## SECTION 2 - OWN FUNDS AND REGULATORY WEIGHTINGS

### 2.1 Own funds

#### A. QUALITATIVE INFORMATION

Own Funds, risk weighted assets and solvency ratios as at 31 December 2016 were determined based on the new regulation, harmonised 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) capital

This item includes:

- Paid up capital of € 9.7 million;
- A share-premium reserve of € 39.4 million;
- Other reserves including undistributed profits of € 59 million.

In particular, this item includes a net profit of € 18 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 € 518 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 € 162 thousand;

- Positive reserves on available-for-sale assets amounting to € 680 thousand.

##### D) Items to be deducted from CET1

This item includes the following main aggregates:

- Goodwill and other intangible assets, equal to € 1.8 million;
- E) Transitional provisions - 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, issued by Central Authorities, amounting to € 221 thousand (-);
  - A positive filter on negative actuarial reserves (IAS 19), amounting to € 65 thousand (+).
  - Application of the prudential filters for unearned profits measured at fair value, amounting to € 184 thousand (-)

##### 2) Additional Tier 1 (AT1) capital

G) Additional Tier1 (AT1) capital, 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 equity instrument with mixed rate amounting to Euro 8 million.

##### 3) Tier 2 (T2) capital

M) Tier2 (T2) capital, 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 € 12 million.

- O) A positive filter from the application of the national filters on AFS positive reserve, pursuant to Circular 285/2013 equal to € 92 thousand (+)

## B. QUANTITATIVE INFORMATION

	31/12/2016
<b>A. Common Equity Tier 1 (CET1) Before application of prudential filters</b>	<b>106,097</b>
of which CET 1 instruments subject to transitional provisions	-
<b>B. CET1 prudential filters (+/-)</b>	-
<b>C. CET1 including elements to be deducted and of the effects of the transitional provisions (A+/-B)</b>	<b>106,097</b>
<b>D. Items to be deducted from CET1</b>	<b>(1,821)</b>
<b>E. Transitional Provisions - Impact on CET (+/-)</b>	<b>(340)</b>
<b>F. Total Common Equity Tier 1 (CET1) (C-D+/-E)</b>	<b>103,937</b>
<b>G. Additional Tier1 (AT1) including elements to be deducted and the effects of the transitional provisions</b>	<b>8,000</b>
of which AT1 instruments subject to transitional provisions	-
<b>H. Items to be deducted from AT1</b>	-
<b>I. Transitional Provisions - Impact on AT1 (+/-)</b>	-
<b>L. Total Additional Tier 1 (AT1) (G-H+/-I)</b>	<b>8,000</b>
<b>M. Tier2 (T2) including elements to be deducted and the effects of the transitional provisions</b>	<b>12,000</b>
of which T2 instruments subject to transitional provisions	-
<b>N. Items to be deducted from T2</b>	-
<b>O. Transitional Provisions - impact on T2 (+/-)</b>	92
<b>P. Total Tier 2 (T2) (M-N+/-O)</b>	<b>12,092</b>
<b>Q. Total Own Funds (F+L+P)</b>	<b>124,028</b>



## 2.2 Capital adequacy

### A. QUALITATIVE INFORMATION

The Own funds totalled 124 million, against risk-weighted assets of 796 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.

As at 31 December 2016, Banca SISTEMA presented a CET1 capital ratio equal to 13%, a Tier 1 capital ratio equal to 14 % and a Total capital ratio of 15.6%.

### B. QUANTITATIVE INFORMATION

Categories/Values	UNWEIGHTED AMOUNTS		WEIGHTED AMOUNTS/ REQUIREMENTS	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
<b>A. RISK ASSETS</b>	-	-	-	-
A.1 Credit and counterparty risk	2,468,245	2,234,170	661,824	535,194
1. Standardised approach	2,468,245	2,234,170	661,824	535,194
2. Internal ratings based approach	-	-	-	0
2.1 Basic	-	-	-	0
2.2 Advanced	-	-	-	0
3. Securitised debt	-	-	-	0
<b>B. MINIMUM REGULATORY REQUIREMENTS</b>			-	-
B.1 Credit and counterparty risk			52,946	42,815
B.2 Credit assessment adjustment risk			0	0
B.3 Settlement risk			0	0
B.4 Market risk			368	0
1. Standard approach			368	0
2. Internal models			0	0
3. Concentration risk			0	0
B.5 Operational risk			10,362	8,037
1. Basic indicator approach			10,362	8,037
2. Standardised approach			-	-
3. Advanced measurement approach			-	-
B.6 Other calculation elements			0	0
B.7 Total capital requirements			63,676	50,853
<b>C. RISK ASSETS AND CAPITAL RATIOS</b>			-	-
C.1 Risk-weighted assets			795,949	635,658
C.2 CET1 capital/risk-weighted assets (CET1 capital ratio)			13.06%	13.67%
C.3 Tier1 capital/risk-weighted assets (Tier 1 capital ratio)			14.06%	14.93%
C.4 Total own funds/risk-weighted assets (Total Capital Ratio)			15.58%	16.82%

## PART G - BUSINESS COMBINATIONS

### Section 1 - Transactions performed in the year

During the year, the Bank did not carry out business combinations.

### Section 2 - Transactions performed after the end of the year

On 15 November 2016, the Board of Directors decided on the merger which was then finalised on 12 December 2016. The merger became effective beginning on 1 January 2017.

For accounting purposes, since this is an operation to reorganise the companies existing within the same group, in accordance with OPI 2 it was excluded from

the area of application of IFRS 3. The merger accounting records, as a consequence, were posted according to the guidelines of IAS 8.101. In particular, the principle of value continuity was applied; as a result, the entry in the separate financial statements of merging company of the equity from the merged company did not lead to the issue of higher current values than those expressed in the consolidated financial statements. The merger by incorporation of Beta reproduced the same effects presented in the consolidated financial statements prepared for statutory purposes.

Below is a summary of the main information concerning these transactions as required by IFRS 3:

Name	Date of the transaction (1)	Transaction cost (2)	Interest %	Net interest and other banking income (3)	Group net profit (3)
Beta Stepstone S.p.A.	1 January 2017	56,707 mln	100%	84,373	26,868

(1) Date of legal and tax effect of the merger by incorporation

(2) Beta investment book value in Banca Sistema's financial statements

(3) In accordance with IFRS 3 the values are calculated by hypothesising that the business combination was realised at the beginning of 2016

## 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 interest 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.

Transactions with parties who exercise management and control functions in accordance with article 136 of the Consolidated Law on Banking have been included in the

Executive Committee resolution, specifically authorised by the Board of Directors and with the approval of the Statutory Auditors, until 4 July 2016, which is the date of abrogation of the mentioned Committee, 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 of 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 person-nel 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	31/12/2016
Remuneration to Board of Directors and Statutory Auditors Committee	1,298	70	-	1,368
Short-term benefits for employees	-	-	1,962	1,962
Post-employment benefits	49	-	195	260
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	-	-	-	-
<b>Total</b>	<b>1,347</b>	<b>70</b>	<b>2,157</b>	<b>3,590</b>

## DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

The following table shows the assets, liabilities, guarantees and commitments as at 31 December 2016, differentiated by type of related party with an indication of the impact on each individual caption.

Values in thousands of Euro	SUBSIDIARIES	DIRECTORS, BOARD OF STATUTORY AUDITORS AND KEY MANAGERS	OTHER RELATED PARTIES	% OF CAPTION
Loans to customers	19,723	655	9,463	2.2%
Due to customers	14,295	1,559	5,540	1.7%
Securities issued	-	-	20,102	22.3%
Other assets	-	-	12	0.1%
Other liabilities	138	-	-	0.2%

The following table indicates the costs and income for 2016, 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
Interest income	107	2	9	0.1%
Interest expenses	45	48	62	1.0%
Other administrative expenses	458	-	-	2.0%
Fee and commission income	-	-	1,209	11.1%
Fee and commission expense	47	-	-	3.4%

The following table sets forth the details of each related party.

	AMOUNT (thousands of Euro)	PERCENTAGE (%)
<b>ASSETS</b>	<b>29,186</b>	<b>1.46%</b>
<b>Loans to customers</b>	-	-
CS Union S.p.A.	9,463	0.75%
Speciality Finance Trust Holdings Ltd	1,157	0.09%
Largo Augusto Servizi e Sviluppo S.r.l.	18,566	1.47%
<b>LIABILITIES</b>	<b>39,755</b>	<b>1.99%</b>
<b>Due to customers</b>	-	-
CS Union S.p.A.	12	0.00%
Beta Stepstone S.P.A.	14,295	1.13%
Shareholders - SGBS	4	0.00%
Shareholders - Fondazione Pisa	4,282	0.34%
Shareholders - Fondazione CR Alessandria	842	0.07%
Shareholders - Fondazione Sicilia	80	0.01%
<b>Other liabilities</b>	-	-
Speciality Finance Trust Holdings Ltd	138	0.23%
<b>Securities issued</b>	-	-
Shareholders - Fondazione Pisa	20,102	22.25%

	AMOUNT (thousands of Euro)	PERCENTAGE (%)
<b>REVENUES</b>	<b>1,325</b>	-
<b>Interest income</b>	-	-
CS Union S.p.A.	61	0.07%
Speciality Finance Trust Holdings Ltd	45	0.05%
Shareholders - Fondazione CR Alessandria	1	0.00%
Shareholders - Fondazione Pisa	7	0.01%
<b>Fee and commission income</b>	-	-
Shareholders - Fondazione Pisa	1,209	11.10%
<b>COSTS</b>	<b>1,813</b>	-
<b>Interest expenses</b>	-	-
CS Union S.p.A.	20	0.13%
Shareholders - Fondazione Pisa	1,244	0.19%
Beta Stepstone S.P.A.	45	0.30%
<b>Fee and commission expense</b>	-	-
Beta Stepstone S.P.A.	47	3.37%
<b>Other administrative expenses</b>	-	-
Speciality Finance Trust Holdings Ltd	458	2.03%

## PART I - PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

During FY 2016, 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 2016, 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 and Quarterly Reports of listed companies	KPMG S.p.A.	Banca Sistema S.p.A.	184

## PART L - SEGMENT REPORTING

For the purposes of segment reporting as per IFRS 8, the income statement is broken down by segment as follows.

### Breakdown by segment: profit and loss data at 31 December 2016

Items	31/12/2016			
	Factoring	Banking	Corporate	Total
<i>Values in thousands of Euro</i>				
Interest margin	58,880	8,162	1,459	68,501
Net fee and commission income	8,764	553	(692)	8,625
Other costs/revenue	-	-	1,488	1,488
<b>Net interest and other banking income</b>	<b>67,644</b>	<b>8,715</b>	<b>2,255</b>	<b>78,614</b>
Net value adjustments due to loan impairment	(4,754)	(5,472)	-	(10,226)
<b>Net income from banking activities</b>	<b>62,890</b>	<b>3,243</b>	<b>2,255</b>	<b>68,388</b>

### Breakdown by segment: balance sheet data as at 31 December 2016

Items	31/12/2016			
	Factoring	Banking	Corporate	Total
<i>Values in thousands of Euro</i>				
Financial assets	-	-	515,834	515,834
Due from banks	-	-	71,282	71,282
Due to banks	-	-	458,126	458,126
Loans to customers	930,812	345,163	36,661	1,312,636
Due to customers	30,972	-	1,225,871	1,256,843

The Factoring division includes the business area related to the origination of trade and tax receivables with and without recourse. In addition, the division includes the business area related to the management and recovery of receivables on behalf of third parties.

The Banking segment includes the business area related to the origination of guaranteed loans to small and medium-sized enterprises, pension- and salary-backed loan portfolios and costs/income from assets under

administration and the placement of third-party products.

The Corporate segment includes activities related to the management of the Group's financial resources and costs/income in support of the business activities. Moreover, this segment includes all the consolidation entries, as well as all the inter-company cancellations.

The secondary disclosure by geographic area has been omitted as immaterial, since the customers are mainly 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 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 2016 to 31 December 2016.
2. The suitability and effective application of the administrative and accounting process for the drafting of the Financial statements as at 31 December 2016 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. Moreover, the undersigned hereby certify that:
  - 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 report on operations includes a reliable analysis of business performance and results, as well as of the position of the issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Milan, 8 March 2017

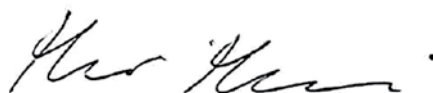
Gianluca Garbi

*CEO*



Margherita Mapelli

*Manager responsible for drafting the company  
accounting documents*



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STATUTORY AUDITORS' REPORT

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**BANCA SISTEMA S.P.A.**

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**STATUTORY AUDITORS' REPORT**

**AT THE SHAREHOLDERS' MEETING CONVENED TO APPROVE THE  
FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016**

**IN ACCORDANCE WITH ARTICLE 153 OF ITALIAN LEGISLATIVE DECREE  
58/1998 AND OF ARTICLE 2429 OF THE ITALIAN CIVIL CODE**

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***Part one: introduction***

Dear Shareholders of Banca Sistema S.p.A. ("**Bank**"),

With this report, we would like to inform you, pursuant to Article 153 of Italian Legislative Decree 58/1998 and to Article 2429 of the Italian Civil Code, in regard to the supervisory activities carried out during the calendar year (and, in order to provide complete information, in regard to the most important facts subsequent to the closing of the financial year), and we also formulate hypotheses concerning the financial statements and their approval.

This report has been jointly approved in time to be registered in accordance with the law.

During the year 2016, in accordance with the law and with the Articles of Association, we monitored: compliance with the requirements of law, regulations and the Articles of Association, and can confirm that such requirements have been duly met; compliance with the principles of sound and prudent management; the adequacy and operation of the company's organisation; the adequacy and operation of the administrative and accounting system; and the other acts and events provided for by law.

We have examined the draft financial statements of Banca Sistema S.p.A. at 31 December 2016 (the "**Financial Statements**") consisting of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement, and the Notes to the Financial Statements, accompanied by the Directors' Report on Operations and complementary accounting statements, showing net income for the year of € 24,481,013.00.

The Board of Directors, having approved the draft financial statements on 8 March 2017, then provided us with the file in accordance with the law.

From the drafting of the report on the previous financial statements up until the present date, the Board of Statutory Auditors in office has held 9 meetings (including the meeting regarding the drafting of this report), and has attended the meetings of the governing bodies as you can see from the documents you have in the file prepared for today's meeting.

We shall provide you with detailed information about the work conducted, later on in this report.

### ***Part two: the monitoring of compliance with the law and with the Articles of Association***

In this section we shall report on the work carried out by this Board of Statutory Auditors in accordance with Article 2403 of the Italian Civil Code.

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).

In addition to the previously mentioned meetings of the Board of Statutory Auditors, during 2016 the Board of Statutory Auditors 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.

In carrying out its work during the Board of Statutory Auditors' meetings, the Board regularly met with the heads of the main functions of the Bank (Risk & Compliance, Legal & Corporate Affairs, Internal Control & Audit, Collection); it examined the documents provided, and it carried out its own analyses and assessments, as summarised in its minutes, which failed to

reveal 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 analysed the most important economic and financial transactions made, and verified that such were conducted in accordance with the law and with the memorandum of association, and that they were not obviously imprudent or risky and/or potentially in conflict of interest and/or conflicting with the resolutions approved by the Shareholders' Meetings and/or prejudicial to the operating performance, assets and financial position of the Bank. The Board of Statutory Auditors deems the transactions examined to be in keeping with the Bank's corporate interests.

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 2016, we highlight:

- The signing of the share purchase agreement, regarding the entire share capital of Beta Stepstone S.p.A., with Stepstone Financial Holdings in its capacity as assignor;
- The resolution adopted during the course of the Board of Directors' meeting of 29 July 2016, approving the planned merger by incorporation of Beta Stepstone S.p.A. into Banca Sistema S.p.A., and declaring said merger effective as of the beginning of 2017. Consequently, the extraordinary operation whereby the Bank was merged with the company Beta Stepstone, has been completed, although the separate financial statements of Banca Sistema S.p.A. for the year ended 31 December 2016 do not include the figures of Beta Stepstone S.p.A.;
- Within the context of the audits included in ordinary supervisory activity, the Bank of Italy's inspection conducted during the final quarter of 2016; the Board of Directors has still not received any details of the formal outcome of said inspection; the Board of Statutory Auditors has monitored the progress of work;
- The exchange of correspondence with the Bank of Italy (also on the part of the Board of Statutory Auditors) in regard to the clarification requested by the Regulatory Authority concerning the amounts due from the Municipality of L'Aquila;
- The suspension of lending to SMEs;

- Modification of the principles for the reporting of interest income (see also page 36 of the Financial Statements and the Report by the Independent Auditors, for further information);
- The purchase of the property situated at Largo Augusto 1, to be used as the Bank's main branch, through the subsidiary Largo Augusto Servizi E Sviluppo S.r.l.;
- The start of the repurchase of the Common Equity Tier 1 capital instruments issued by the Bank, following the granting of authorisation by the Bank of Italy;
- The abolition of the Executive Committee, the concurrent review of operating powers and the reorganisation of the compositions of the Board committees, in addition to the appointment of the new Deputy Chairperson of the Board of Directors (Prof. Giovanni Antonio Puglisi) and the new Compliance Officer (Ms Daniela Mosconi);
- The establishment of the new Collection Department, which will be responsible for management and recovery of the receivables of the Bank and third parties, and the merger of the Central Factoring Department and the Central Banking Department to form the new Central Commercial Department.
- A new senior bond issue amounting to € 70 million, the placement of which is reserved for institutional investors;
- The signing of an agreement with Axactor AB, a company listed on the Oslo Stock Exchange, for the acquisition of a 90% equity interest in CS Union S.p.A., an Italian company active in the field of debt recovery and the purchase of non-performing loans (NPLs);
- The start of a new business in the collateralised loans sector, pursuant to Article 48 of the Consolidated Law on Banking (Italian Legislative Decree no. 385/1993);
- The monitoring of company business in keeping with the Risk Appetite Framework.

With regard to “significant events during the year”, reference is also made to the Directors' Report on Operations.

No legal opinions have been issued.

Finally, pursuant to Article 2408 of the Italian Civil Code, we declare that in 2016, 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 2016.

The Financial Statements have been drafted in accordance with the International Financial Reporting Standards (IAS/IFRS), as endorsed by the European Commission and implemented 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 subsequently amended and supplemented.

In observance of the provisions of Italian Legislative Decree no. 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 S.p.A. (hereinafter “KPMG”) provided this Board of Statutory Auditors, pursuant to Article 2409-septies of the Italian Civil Code, with the relevant information, and today published its own audit report on the financial statements as at 31 December 2016, and said report does not contain any particular observations or qualifications in regard to such.

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 Statement of financial position contained in the financial statements submitted for approval to the Shareholders’ Meeting is summarised as follows (in thousands of Euro):

Assets.....	1,982,509,753
Liabilities.....	1,868,875,115
Capital and reserves.....	89,153,625

Operating result.....24,481,013

The restated Income Statement shows the following values:

Net banking income.....78,615,064

Net value adjustments/write-backs due to impairment of:.....(10,226,423)

Operating costs (administrative costs and other proceeds/charges).....(35,972,268)

Net adjustments to tangible/intangible assets.....(298,888)

Net allowance for risks and charges.....64,448

Profit/Loss from equity investments.....2,372,709

Profit from current operations before taxes.....34,559,642

Income tax.....(10,078,629)

Net income.....24,481,013

#### ***Part four: relations with the Independent Auditors***

Mutually useful key information was exchanged during the year with representatives of the Independent Auditors, KPMG, for the performance of the respective duties during the course of the regular meetings held pursuant to Article 150 of the Consolidated Law on Finance; said information did not reveal any critical and/or otherwise relevant issues.

KPMG has certified, in accordance with Article 17 of Italian Legislative Decree 39/2010, that during the period between 1 January and 31 December 2016, no situations were found compromising the independence of the Independent Auditors, nor any grounds for incompatibility pursuant to Articles 10 and 17 of Italian 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 2016 has not revealed any 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 Italian Legislative Decree no. 39 of 27 January 2010.

As far as concerns any further assignments bestowed upon the Independent Auditors and/or persons belonging to its “network”, the only assignment carried out in addition to the mandatory legal audit was the voluntary quarterly audit carried out for supervisory purposes; the Board of Statutory Auditors has made no observations in regard to such, and more generally, no critical aspects have emerged concerning the independence of the Independent Auditors.

#### ***Part five: Compliance with the Corporate Governance Code***

The Bank complies with the corporate governance code of the Committee for Corporate Governance of Listed Companies. The following information concerns certain aspects deemed of key importance.

##### *Internal Control Committee*

Banca Sistema S.p.A. has set up its own Internal Control Committee, the current members of which were appointed by the Board of Directors on 10 June 2016. The person responsible for internal control has been chosen and appointed. That person is Franco Pozzi. Relations between the Internal Control Committee and the person responsible for internal control shall be conducted on a regular basis.

##### *Other Committees*

A Nominations Committee and a Remuneration Committee have been set up.

##### *Board of Directors*

- The Board of Directors supervises over the performance of management, paying particular attention to situations of conflict of interests, bearing in mind above all the information it receives from the CEO and from the internal control committee, and regularly comparing the results achieved with those planned.
- The Board of Directors examines and approves the most important economic and financial transactions, and in particular those transactions with related parties.

- The members of the Board of Directors include a number of independent directors that the Board of Statutory Auditors deems adequate in consideration of the overall composition of the Board of Directors.
- The authorised persons regular report to the Board of Directors on the work conducted by way of exercise of their delegated powers.
- The authorised persons provide adequate information regarding transactions with related parties the examination of which is not reserved for the Board of Directors.
- The Statutory Auditors have been provided with the same information supplied to the directors.

Details of the number of meetings held by the Board of Directors, by the Internal Control Committee, and by all of the Board committees, and the respective involvement of the members of the Board of Statutory Auditors, are given in the “Report on Corporate Governance”.

***Part six: Disclosure pursuant to CONSOB Communication no. 1025564/2001***

This section contains the information provided for by CONSOB Communication no. 1025564 of 6 April 2001 and subsequent amendments and additions, in some cases already given in other sections of this Report.

- The Company has not carried out any atypical or unusual transactions with:
  - Companies within the Group;
  - Related parties;
  - Third parties.

See also page 48 of the Financial Statements for further information on this topic.

- Major economic and financial transactions have been conducted, as illustrated in full in the financial statements and below (see “Part two” of this Report).
- Ordinary/regular transactions with related parties have been conducted, as described on page 47 and, above all, on pages 165 and 166, of the Financial Statements (which should be read in regard to such); in this regard, we would inform you that the aforesaid transactions were all appropriate and in keeping with the Bank’s interests.
- The directors have clearly expressed the Company’s interest in completing the transactions, in their Report on Operations.



- The administrative structure has had to be reviewed in recent months, and during the course of the most recent meeting of the Board of Statutory Auditors (in March 2017), the corrective actions decided by the Board of Directors, and subsequently implemented in order to improve said structure, were illustrated. In this regard, the Board of Statutory Auditors has expressed its approval.
- The instructions issued by the Company to the subsidiaries, pursuant to Article 114, paragraph 2, of the Consolidated Law on Finance, have been deemed adequate.
- The Board of Statutory Auditors has duly exchanged the required information with the governing bodies of the subsidiaries, and no relevant issues have emerged.
- As regards those aspects for which the Board of Statutory Auditors is responsible, the organisational structure is deemed adequate.
- The internal control system is deemed adequate, as is the management and accounting system which is also deemed to reliably report operating events.
- With regard to other evaluations, observations and comments, see “Part two” of this Report.
- No omissions, wrongdoings or irregularities were discovered during supervision.
- It is deemed unnecessary to submit to the Shareholders’ Meeting any proposals concerning the financial statements and approval of such, other than those approved by the Board of Directors and reproduced in the “Summary and Conclusions”.
- The Board of Statutory Auditors did not have to avail itself of its powers to convene a Shareholders’ Meeting or a meeting of the Board of Directors.
- Pursuant to paragraph 2 point 2 and sub-points of the CONSOB Communication, the following is hereby specified:
  - Transactions indicated in paragraph 2 sub-paragraph 2, in paragraph 2 sub-paragraph 2.1, and in paragraph 2, sub-paragraph 2.2, of CONSOB Communication no. 1025564 of 6 April 2001; no atypical or unusual transactions have been carried out, including those between Group companies and those with related parties, and consequently there is no need to provide any further details in this regard;
  - Transactions indicated in paragraph 2, sub-paragraph 2.3, of the CONSOB Communication: as previously mentioned, see pages 47, 165 and 166 of the Financial Statements.

## ***Summary and Conclusions***

Dear Shareholders of Banca Sistema S.p.A.

Based on the foregoing considerations, and as far as the Board of Statutory Auditors is aware, and insofar as the regular controls carried out have revealed, there are no reasons for not approving the draft financial statements of Banca Sistema for the year ended 31 December 2016, as such have been drafted and submitted to you by the governing body, or for not approving the distribution of dividends.

Likewise, the Board of Statutory Auditors has taken note, and brings to your attention, both the contents of the report on the Company's financial statements drawn up by the Independent Auditors KPMG, issued pursuant to Articles 14 and 16 of Italian Legislative Decree 39/2010 – which shows that the financial statements give a true and fair view of the Bank's financial position, operating result and cash flows – and the result of the exchanges of information with the aforesaid 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.

As a consequence of the foregoing, and without prejudice to all of the references to individual paragraphs of the Financial Statements made previously in this Report, the Board of Statutory Auditors invites you to decide in accordance with the proposal made by the Board of Directors of Banca Sistema S.p.A. reported below:

*“Dear Shareholders,*

*We submit the financial statements for the year ended 31 December 2016, showing a profit of Euro 24,481,013.26 for your approval.*

*We recommend the following distribution of profits:*

- *a Dividend of Euro 6,111,999.95;*
- *the remainder of Euro 18,369,013.31 to be carried forward.*

*A provision to the Legal Reserve was not made since the limits set out in Article 2430 of the Italian Civil Code were reached.*

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Milan, 23 March 2017

Board of Statutory Auditors

Diego De Francesco

*Chairman*

Biagio Verde

*Standing Statutory Auditor*

Massimo Conigliaro

*Standing Statutory Auditor*

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INDEPENDENT AUDITORS' REPORT

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KPMG S.p.A.  
Revisione e organizzazione contabile  
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PEC [kpmgspa@pec.kpmg.it](mailto:kpmgspa@pec.kpmg.it)

(Translation from the Italian original which remains the definitive version)

## **Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010**

To the shareholders of  
Banca Sistema S.p.A.

### **Report on the separate financial statements**

We have audited the accompanying separate financial statements of Banca Sistema S.p.A. (the "bank"), which comprise the statement of financial position as at 31 December 2016, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes thereto.

### ***Directors' responsibility for the separate financial statements***

The bank's directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15.

### ***Independent auditors' responsibility***

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the bank's preparation of



**Banca Sistema S.p.A.**  
*Independent auditors' report*  
31 December 2016

separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the separate financial statements give a true and fair view of the bank's financial position as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15.

### **Report on other legal and regulatory requirements**

#### ***Opinion on the consistency of the directors' report and certain information presented in the report on corporate governance and ownership structure with the separate financial statements***

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in the report on corporate governance and ownership structure required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the bank's directors, with the separate financial statements. In our opinion, the directors' report and the information presented in the report on corporate governance and ownership structure referred to above are consistent with the separate financial statements of Banca Sistema S.p.A. as at and for the year ended 31 December 2016.

Milan, 23 March 2017

KPMG S.p.A.

(signed on the original)

Bruno Verona  
Director of audit



**BANCA**  
S I S T E M A  
CONTEMPORARY BANK



**SINTESI DEI RISULTATI AL 31 DICEMBRE 2016****Conto  
Economico  
(P&L)**

- **Utile netto +11% a/a** pari a €26,4m escludendo gli elementi non ricorrenti
- **€71m Margine di Interesse, +22% a/a**, includendo €11,3m interessi di moratori da azione legali per effetto dell'aggiornamento della politica contabile
- **Totale costi operativi** in linea con le attese al netto delle componenti non ricorrenti
- **Rettifiche di credito** impattate dalle maggiori rettifiche sul ptf di PMI
- **25% Adjusted ROAE e distribuzione dividendo per €0,076 ad azione**

**Performance  
Commerciale**

- **Turnover Factoring +3% a/a**
- **N. client factoring + 15% a/a**
- **Outstanding CQS** raggiunge €266m, **+121% a/a**

**Progetti  
Speciali  
2016**

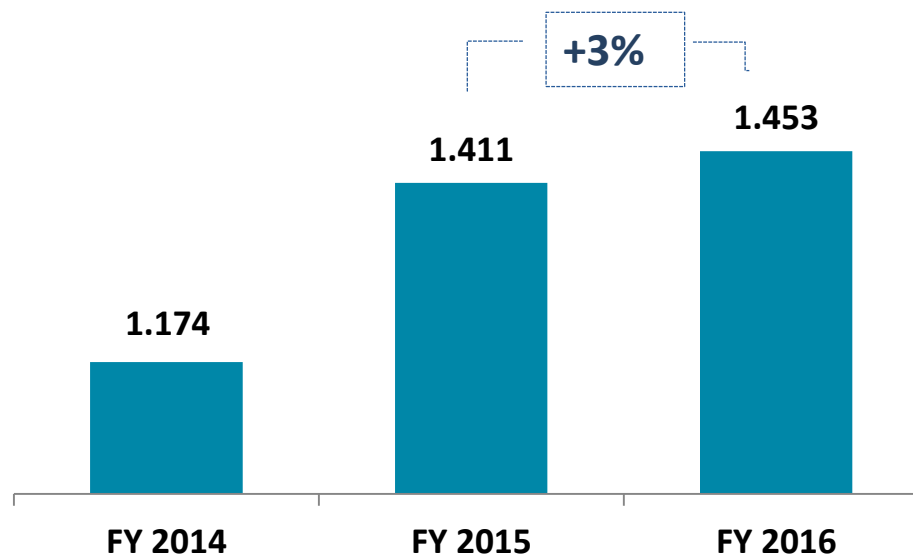
- **Acquisizione di Beta Stepstone** con un contributo più alto delle attese
- **Partnership con Axactor per il business degli NPL** attraverso la vendita parziale della partecipazione in CS Union, con una plusvalenza lorda pari a €2,3m

**Stato  
Patrimoniale**

- **LCR e NSFR superiori ai livelli regolamentari**
- **Retail funding rappresenta il 51% della Raccolta Totale**
- **CET1 e TCR rispettivamente 13,3% e 15,8%**

## TURNOVER FACTORING

▪ €m



Turnover generato dagli accordi con le Banche commerciali italiane:  
13,5% nel 2016

- +15% a/a N. clienti
- 90% Turnover recurring

### FY 2016 – CONTO ECONOMICO

#### GRUPPO BANCA SISTEMA: CONTO ECONOMICO CONSOLIDATO NORMALIZZATO AL 31 DICEMBRE 2016 E 2015

Importi in migliaia di Euro

	Voce di Bilancio	31.12.2016 A (Normalizzato)	01.07-31.12.2016 contributo di Beta	31.12.2015 B (Normalizzato)	Variazioni % A - B
10.	Interessi attivi e proventi assimilati	86.321	2.615	79.019	9,2%
20.	Interessi passivi e oneri assimilati	(15.321)	(9)	(21.013)	-27,1%
<b>30.</b>	<b>Margine di interesse</b>	<b>71.000</b>	<b>2.606</b>	<b>58.006</b>	<b>22,4%</b>
40. -50.	Commissioni nette	9.060	436	11.168	-18,9%
70.	Dividendi e proventi simili	227	-	-	n.a.
80.+90. + 100.+110.	Risultato netto dell'attività di negoziazione, copertura, cessione/riacquisto e delle attività/passività valutate al fair value	1.196	436	2.640	-54,7%
<b>120.</b>	<b>Margine di intermediazione</b>	<b>81.483</b>	<b>3.042</b>	<b>71.814</b>	<b>13,5%</b>
130.	Rettifiche/riprese di valore nette per deterioramento di crediti	(9.765)	462	(5.439)	79,5%
<b>140.</b>	<b>Risultato netto della gestione finanziaria</b>	<b>71.718</b>	<b>3.504</b>	<b>66.375</b>	<b>8,0%</b>
180. a)	Spese per il personale	(15.169)	(642)	(13.139)	15,5%
180. b)	Spese amministrative	(20.907)	(641)	(20.112)	4,0%
190.	Accantonamenti netti ai fondi per rischi e oneri	(431)	(500)	300	-243,7%
200.+210.	Rettifiche/riprese di valore su attività materiali e immateriali	(308)	(8)	(312)	-1,3%
220.	Altri oneri/proventi di gestione	150	(75)	74	102,7%
<b>230</b>	<b>Costi operativi</b>	<b>(36.665)</b>	<b>(1.866)</b>	<b>(33.189)</b>	<b>10,5%</b>
240.	Utili (Perdite) delle partecipazioni	2.281	-	422	440,5%
270.	Utili (Perdite) da cessione di investimenti	-	-	534	-100,0%
<b>280.</b>	<b>Utile della operatività corrente al lordo delle imposte</b>	<b>37.334</b>	<b>1.638</b>	<b>34.142</b>	<b>9,3%</b>
290.	Imposte sul reddito d'esercizio	(10.926)	(350)	(10.426)	4,8%
<b>340.</b>	<b>Utile (perdita) di periodo di pertinenza della capogruppo</b>	<b>26.408</b>	<b>1.288</b>	<b>23.716</b>	<b>11,4%</b>

Note: I risultati del 2016 includono il contributo di Beta Stepstone (acquistata a luglio 2016) del secondo semestre. I risultati al 2015 non includono il contributo di Beta e gli elementi non ricorrenti dell'IPO (€6,7mln lordi) ed il contributo straordinario al Fondo di Risoluzione Nazionale (€1,9mln lordi). I risultati 2016 non includono il contributo straordinario al Fondo di Risoluzione Nazionale (€1,3mln lordi) ed i costi per l'integrazione di Beta Stepstone (€0,3mln lordi).

### FY 2016 – STATO PATRIMONIALE

#### GRUPPO BANCA SISTEMA: STATO PATRIMONIALE CONSOLIDATO

Importi in migliaia di Euro

	Voce di Bilancio	31.12.2016 A	31.12.2015 B	Variazioni A - B	Variazioni % A - B
	<b>ATTIVO</b>				
10.	Cassa e disponibilità liquide	98	104	(6)	-5,8%
20.	Attività finanziarie detenute per la negoziazione	996	-	996	n.a.
40.	Attività finanziarie disponibili per la vendita	514.838	925.402	(410.564)	-44,4%
60.	Crediti verso banche	83.493	2.076	81.417	3921,8%
70.	Crediti verso clientela	1.348.329	1.457.990	(109.661)	-7,5%
100.	Partecipazioni	1.030	2.696	(1.666)	-61,8%
120.	Attività materiali	23.313	1.058	22.255	2103,5%
130.	Attività immateriali	1.835	1.872	(37)	-2,0%
	<i>di cui avviamento</i>	<i>1.786</i>	<i>1.786</i>	<i>-</i>	<i>0,0%</i>
140.	Attività fiscali	10.528	7.353	3.175	43,2%
160.	Altre attività	14.903	13.119	1.784	13,6%
	<b>Totale dell'attivo</b>	<b>1.999.363</b>	<b>2.411.670</b>	<b>(412.307)</b>	<b>-17,1%</b>

Importi in migliaia di Euro

	Voce di Bilancio	31.12.2016 A	31.12.2015 B	Variazioni A - B	Variazioni % A - B
	<b>PASSIVO E PATRIMONIO NETTO</b>				
10.	Debiti verso banche	458.126	362.075	96.051	26,5%
20.	Debiti verso clientela	1.262.123	1.878.339	(616.216)	-32,8%
30.	Titoli in circolazione	90.330	20.102	70.228	349,4%
80.	Passività fiscali	8.539	804	7.735	962,1%
100.	Altre passività	59.825	55.317	4.508	8,1%
110.	Trattamento di fine rapporto del personale	1.998	1.303	695	53,3%
120.	Fondi per rischi e oneri	4.105	372	3.733	1003,5%
140. +170. + 180. +190.	Capitale, sovrapprezzi di emissione, riserve, riserve da valutazione	89.004	75.751	13.253	17,5%
220.	Utile (Perdita) di periodo/d'esercizio (+/-)	25.313	17.607	7.706	43,8%
	<b>Totale del passivo e del patrimonio netto</b>	<b>1.999.363</b>	<b>2.411.670</b>	<b>(412.307)</b>	<b>-17,1%</b>

Note: I dati del 2016 includono il contributo di Beta Stepstone (acquistata a luglio 2016).

Allegato "F" al m. 15017/3918 di rep.

N°	NOMINATIVO AZIONISTA	PRESENZA IN PROPRIO O PER DELEGA		NUMERO AZIONI	NUMERO AZIONI CON DIRITTO DI VOTO	% AZIONI SU TOTALE PRESENTE IN ASSEMBLEA	SCHEDE AZIONARIA - AZZURRA													
		IN PROPRIO	PER DELEGA				ES	ES	ES	ES	ES	ES	ES	ES						
						55.138.217														
*	Società di Gestione partecipazioni Banca Sistema		Anna Girello	18.578.900	18.578.900	33,69514%	1							18.578.900	0	0	0	0	0	
*	Fondazione Sicilia		Anna Girello	5.950.104	5.950.104	10,79125%	1							5.950.104	0	0	0	0	0	
*	Garbifin SRL		Anna Girello	409.453	409.453	0,74259%	1							409.453	0	0	0	0	0	
*	Fondazione Cassa di Risparmio di Alessandria		Anna Girello	5.950.104	5.950.104	10,79125%	1							5.950.104	0	0	0	0	0	
*	Fondazione Pisa	Claudio Pugelli		6.118.104	6.118.104	11,09594%	1							6.118.104	0	0	0	0	0	
*	WF VALERO ENERGY CORP PENS PLVCM		Patrizia Marin	187.049	187.049	0,33924%	1							187.049	0	0	0	0	0	
*	KEYBKTTEE CHARITABLE INTL EFSMID CAP		Patrizia Marin	59.045	59.045	0,10709%	1							59.045	0	0	0	0	0	
*	GBVF GCIT INTLSM CAP OPP		Patrizia Marin	6.230	6.230	0,01130%	1							6.230	0	0	0	0	0	
*	CEP DEP IP EUROPEAN SMALLER COS		Patrizia Marin	1.615.848	1.615.848	2,93054%	1							1.615.848	0	0	0	0	0	
*	CEP DEP IP EUROPEAN OPSS		Patrizia Marin	415.293	415.293	0,75319%	1							415.293	0	0	0	0	0	
*	Fidelity Funds SICAV		Patrizia Marin	1.910.682	1.910.682	3,46526%	1							1.910.682	0	0	0	0	0	
*	Multilabel SICAV		Patrizia Marin	946.168	946.168	1,71599%	1							946.168	0	0	0	0	0	
*	Clearbridge International Small CAP FUND		Patrizia Marin	432.290	432.290	0,78401%	1							432.290	0	0	0	0	0	
*	Schroeder International Selection Fund		Patrizia Marin	2.289.659	2.289.659	4,15258%	1							2.289.659	0	0	0	0	0	
*	Vanguard International Explorer Fund		Patrizia Marin	2.371.523	2.371.523	4,30105%	1							2.371.523	0	0	0	0	0	
*	National West Bank PLC as Trustee of Jupiter Financial OPP F		Patrizia Marin	600.000	600.000	1,08617%	1							600.000	0	0	0	0	0	
*	Polar Capital Global Financial Trust PL		Patrizia Marin	332.246	332.246	0,60257%	1							332.246	0	0	0	0	0	
*	Transamerica International Small Cap		Patrizia Marin	500.000	500.000	0,90681%	1							500.000	0	0	0	0	0	
*	Invesco Funds		Patrizia Marin	819.429	819.429	1,48614%	1							819.429	0	0	0	0	0	
*	Schroeder European Smaller Companies Fund		Patrizia Marin	634.312	634.312	1,15040%	1							634.312	0	0	0	0	0	
*	Polar Capital Funds PLC		Patrizia Marin	820.000	820.000	1,48717%	1							820.000	0	0	0	0	0	
*	Grandeur Peak International Opportunities		Patrizia Marin	1.071.907	1.071.907	1,94404%	1							1.071.907	0	0	0	0	0	
*	Axa World Funds		Patrizia Marin	600.000	600.000	1,08817%	1							600.000	0	0	0	0	0	
*	Schroeder Capital Management Collective T		Patrizia Marin	650.000	650.000	1,17886%	1							650.000	0	0	0	0	0	
*	The State of Connecticut Acting through its Treasurer		Patrizia Marin	357.713	357.713	0,64876%	1							357.713	0	0	0	0	0	
*	The Jupiter Global Fund Scav		Patrizia Marin	60.000	60.000	0,10882%	1							60.000	0	0	0	0	0	
*	State of Alaska Retirement and Benefits Plans		Patrizia Marin	196.293	196.293	0,35600%	1							196.293	0	0	0	0	0	
*	Microsoft Global Finance		Patrizia Marin	162.139	162.139	0,29406%	1							162.139	0	0	0	0	0	
*	Missouri Local Government Employees Retirement System		Patrizia Marin	307.129	307.129	0,55702%	1							307.129	0	0	0	0	0	
*	Grandeur Peak Global Reach FD		Patrizia Marin	134.028	134.028	0,24308%	1							134.028	0	0	0	0	0	
*	National Council For Social Security Fund		Patrizia Marin	108.000	108.000	0,19587%	1							108.000	0	0	0	0	0	
*	Grandeur Peak Global Micro Cap F		Patrizia Marin	60.510	60.510	0,10974%	1							60.510	0	0	0	0	0	
*	Schroeder International Small Companies P		Patrizia Marin	32.520	32.520	0,05898%	1							32.520	0	0	0	0	0	
*	Royce Global Value Trust Inc.		Patrizia Marin	47.800	47.800	0,08669%	1							47.800	0	0	0	0	0	
*	SS BK and Trust Company Inv. Funds for Taxexempt Retirement PL		Patrizia Marin	17.911	17.911	0,03248%	1							17.911	0	0	0	0	0	
*	Royce International Micro - Cap Fund		Patrizia Marin	18.600	18.600	0,03373%	1							18.600	0	0	0	0	0	
*	Royce Value Trust Inc.		Patrizia Marin	200.000	200.000	0,36272%	1							200.000	0	0	0	0	0	
*	Arrowstreet capital global all country alpha extension fund (CAYMAN) Limited		Patrizia Marin	54.645	54.645	0,09911%	1							54.645	0	0	0	0	0	
*	Goldman Sachs Funds		Patrizia Marin	30.622	30.622	0,05554%	1							30.622	0	0	0	0	0	
*	Garbi Gianluca	Garbi Gianluca		26.500	26.500	0,04806%	1							26.500	0	0	0	0	0	
*	Girello Anna	Girello Anna		10.461	10.461	0,01897%	1							10.461	0	0	0	0	0	
*	Franceschi Egipto	Franceschi Egipto		30.000	30.000	0,05441%	1							30.000	0	0	0	0	0	
*	Ciferri-Ceretti Massimiliano	Ciferri-Ceretti Massimiliano		15.000	15.000	0,02720%	1							15.000	0	0	0	0	0	
	<b>TOTALI</b>	<b>5</b>	<b>38</b>		<b>55.138.217</b>	<b>100,00%</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>55.138.217</b>	<b>0,00000%</b>	<b>0,00000%</b>	<b>0,00000%</b>	<b>0,00000%</b>	<b>0,00000%</b>	<b>0,00000%</b>	<b>0,00000%</b>	<b>0,00000%</b>	

Allegato "G" al m. 15087/3918 di rep.

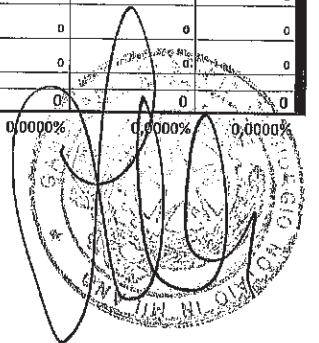
N°	NOMINATIVO AZIONISTA	PRESENZA IN PROPRIO O PER DELEGA		NUMERO AZIONI	NUMERO AZIONI CON DIRITTO DI VOTO	% AZIONI SU TOTALE PRESENTE IN ASSEMBLEA	SCHEMA 3 ORDINARIA - BIANCA													
		IN PROPRIO	PER DELEGA				F	C	A	NV	azioni Favorevoli	azioni Contrari	azioni Astenuti	azioni NV						
						55.138.217														
*	Società di Gestione partecipazioni Banca Sistema		Anna Girello	18.578.900	18.578.900	33,69514%	1					18.578.900	0	0	0	0				
*	Fondazione Sicilia		Anna Girello	5.950.104	5.950.104	10,79125%	1					5.950.104	0	0	0	0				
*	Garbifin SRL		Anna Girello	409.453	409.453	0,74259%	1					409.453	0	0	0	0				
*	Fondazione Cassa di Risparmio di Alessandria		Anna Girello	5.950.104	5.950.104	10,79125%	1					5.950.104	0	0	0	0				
*	Fondazione Pisa	Claudio Pugelli		6.118.104	6.118.104	11,09594%	1					6.118.104	0	0	0	0				
*	WF VALERO ENERGY CORP PENS PLVCM		Patrizia Marin	187.049	187.049	0,33924%	1					187.049	0	0	0	0				
*	KEYBKTTEE CHARITABLE INTL EF SMID CAP		Patrizia Marin	59.045	59.045	0,10709%	1					59.045	0	0	0	0				
*	GSVF GCIT INTL SM CAP OPP		Patrizia Marin	6.230	6.230	0,01130%	1					6.230	0	0	0	0				
*	CEP DEP IP EUROPEAN SMALLER COS		Patrizia Marin	1.615.848	1.615.848	2,93054%	1					1.615.848	0	0	0	0				
*	CEP DEP IP EUROPEAN OPFS		Patrizia Marin	415.293	415.293	0,75919%	1					415.293	0	0	0	0				
*	Fidelity Funds SICAV		Patrizia Marin	1.910.682	1.910.682	3,46526%	1					1.910.682	0	0	0	0				
*	Multilabel SICAV		Patrizia Marin	948.168	948.168	1,71599%	1					948.168	0	0	0	0				
*	Clearbridge International Small CAP FUND		Patrizia Marin	432.290	432.290	0,78401%	1					432.290	0	0	0	0				
*	Schroeder International Selection Fund		Patrizia Marin	2.289.659	2.289.659	4,15258%	1					2.289.659	0	0	0	0				
*	Vanguard International Explorer Fund		Patrizia Marin	2.371.523	2.371.523	4,30105%	1					2.371.523	0	0	0	0				
*	National West Bank PLC as Trustee of Jupiter Financial OPP F		Patrizia Marin	600.000	600.000	1,08817%	1					600.000	0	0	0	0				
*	Polar Capital Global Financial Trust PL		Patrizia Marin	332.246	332.246	0,60257%	1					332.246	0	0	0	0				
*	Transamerica International Small Cap		Patrizia Marin	500.000	500.000	0,90681%	1					500.000	0	0	0	0				
*	Invesco Funds		Patrizia Marin	819.429	819.429	1,48614%	1					819.429	0	0	0	0				
*	Schroeder European Smaller Companies Fund		Patrizia Marin	634.312	634.312	1,15040%	1					634.312	0	0	0	0				
*	Polar Capital Funds PLC		Patrizia Marin	820.000	820.000	1,48717%	1					820.000	0	0	0	0				
*	Grandeur Peak International Opportunita		Patrizia Marin	1.071.907	1.071.907	1,94404%	1					1.071.907	0	0	0	0				
*	Axa World Funds		Patrizia Marin	600.000	600.000	1,08817%	1					600.000	0	0	0	0				
*	Schroeder Capital Management Collective T		Patrizia Marin	650.000	650.000	1,17886%	1					650.000	0	0	0	0				
*	The State of Connecticut Acting through its Treasurer		Patrizia Marin	357.713	357.713	0,64876%	1					357.713	0	0	0	0				
*	The Jupiter Global Fund Sicav		Patrizia Marin	60.000	60.000	0,10882%	1					60.000	0	0	0	0				
*	State of Alaska Retirement and Benefits Plans		Patrizia Marin	196.293	196.293	0,35600%	1					196.293	0	0	0	0				
*	Microsoft Global Finance		Patrizia Marin	162.139	162.139	0,29406%	1					162.139	0	0	0	0				
*	Missouri Local Government Employees Retirement System		Patrizia Marin	307.129	307.129	0,55702%	1					307.129	0	0	0	0				
*	Grandeur Peak Global Reach FD		Patrizia Marin	134.028	134.028	0,24308%	1					134.028	0	0	0	0				
*	National Council For Social Security Fund		Patrizia Marin	108.000	108.000	0,19587%	1					108.000	0	0	0	0				
*	Grandeur Peak Global Micro Cap F		Patrizia Marin	60.510	60.510	0,10974%	1					60.510	0	0	0	0				
*	Schroeder International Small Companies P		Patrizia Marin	32.520	32.520	0,05898%	1					32.520	0	0	0	0				
*	Royce Global Valuetrust Inc.		Patrizia Marin	47.800	47.800	0,08669%	1					47.800	0	0	0	0				
*	SS BK and Trust Company Inv. Funds for Taxexempt Retirement PL		Patrizia Marin	17.911	17.911	0,03248%	1					17.911	0	0	0	0				
*	Royce International Micro - Cap Fund		Patrizia Marin	18.600	18.600	0,03373%	1					18.600	0	0	0	0				
*	Royce Value Trust Inc.		Patrizia Marin	200.000	200.000	0,36272%	1					200.000	0	0	0	0				
*	Arrowstreet capital global all country alpha extension fund (CAYMAN) Limited		Patrizia Marin	54.645	54.645	0,09911%	1					54.645	0	0	0	0				
*	Goldman Sachs Funds		Patrizia Marin	30.622	30.622	0,05554%	1					30.622	0	0	0	0				
*	Garbi Gianluca	Garbi Gianluca		26.500	26.500	0,04806%	1					26.500	0	0	0	0				
*	Girello Anna	Girello Anna		10.461	10.461	0,01897%	1					10.461	0	0	0	0				
*	Franceschi Eglsto	Franceschi Eglsto		30.000	30.000	0,05441%	1					30.000	0	0	0	0				
*	Ciferri-Caretti Massimiliano	Ciferri-Caretti Massimiliano		15.000	15.000	0,02720%	1					15.000	0	0	0	0				
	<b>TOTALI</b>	<b>5</b>	<b>38</b>		<b>55.138.217</b>	<b>100,00%</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>55.138.217</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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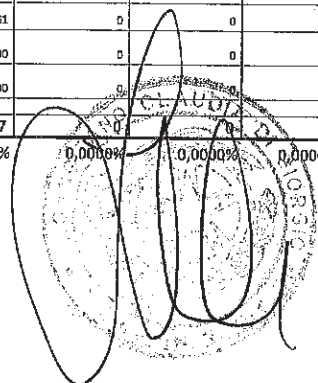
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Allegato "H" al m. 15017/3918 di Me

N°	NOMINATIVO AZIONISTA	PRESENZA IN PROPRIO O PER DELEGA		NUMERO AZIONI	NUMERO AZIONI CON DIRITTO DI VOTO	% AZIONI SU TOTALE PRESENTE IN ASSEMBLEA							
		IN PROPRIO	PER DELEGA										
						55.138.217							
*	Società di Gestione partecipazioni Banca Sistema		Anna Girello	18.578.900	18.578.900	33,69514%	1				18.578.900	0	0
*	Fondazione Sicilia		Anna Girello	5.950.104	5.950.104	10,79125%	1				5.950.104	0	0
*	Garbifin SRL		Anna Girello	409.453	409.453	0,74259%	1				409.453	0	0
*	Fondazione Cassa di Risparmio di Alessandria		Anna Girello	5.950.104	5.950.104	10,79125%	1				5.950.104	0	0
*	Fondazione Pisa	Claudio Pugelli		6.118.104	6.118.104	11,09594%	1				6.118.104	0	0
*	WF VALERO ENERGY CORP PENS PLVCM		Patrizia Marin	187.049	187.049	0,33924%	1				187.049	0	0
*	KEYBKTTEE CHARITABLE INTL EF SMID CAP		Patrizia Marin	59.045	59.045	0,10709%	1				59.045	0	0
*	SBVFGCIT INTL SM CAP OPP		Patrizia Marin	6.230	6.230	0,01130%	1				6.230	0	0
*	CEP DEP IP EUROPEAN SMALLER COS		Patrizia Marin	1.615.848	1.615.848	2,93054%	1				1.615.848	0	0
*	CEP DEP IP EUROPEAN OPPS		Patrizia Marin	415.293	415.293	0,75819%	1				415.293	0	0
*	Fidelity Funds SICAV		Patrizia Marin	1.910.682	1.910.682	3,46526%	1				1.910.682	0	0
*	Multilabel SICAV		Patrizia Marin	946.168	946.168	1,71599%	1				946.168	0	0
*	Clearbridge International Small CAP FUND		Patrizia Marin	432.290	432.290	0,78401%	1				432.290	0	0
*	Schroeder International Selection Fund		Patrizia Marin	2.289.659	2.289.659	4,19258%	1				2.289.659	0	0
*	Vanguard International Explorer Fund		Patrizia Marin	2.371.523	2.371.523	4,30105%	1				2.371.523	0	0
*	National West Bank PLC as Trustee of Jupiter Financial OPP F		Patrizia Marin	600.000	600.000	1,08817%	1				600.000	0	0
*	Polar Capital Global Financial Trust PL		Patrizia Marin	332.246	332.246	0,60257%	1				332.246	0	0
*	Transamerica International Small Cap		Patrizia Marin	500.000	500.000	0,90681%	1				500.000	0	0
*	Invesco Funds		Patrizia Marin	819.429	819.429	1,48644%	1				819.429	0	0
*	Schroeder European Smaller Companies Fund		Patrizia Marin	634.512	634.512	1,15040%	1				634.512	0	0
*	Polar Capital Funds PLC		Patrizia Marin	820.000	820.000	1,48717%	1				820.000	0	0
*	Grandeur Peak International Opportunite		Patrizia Marin	1.071.907	1.071.907	1,94404%	1				1.071.907	0	0
*	Axa World Funds		Patrizia Marin	600.000	600.000	1,08817%	1				600.000	0	0
*	Schroeder Capital Management Collective T		Patrizia Marin	650.000	650.000	1,17886%	1				650.000	0	0
*	The State of Connecticut Acting through its Treasurer		Patrizia Marin	357.713	357.713	0,64876%	1				357.713	0	0
*	The Jupiter Global Fund Sicav		Patrizia Marin	60.000	60.000	0,10882%	1				60.000	0	0
*	State of Alaska Retirement and Benefits Plans		Patrizia Marin	196.293	196.293	0,35600%	1				196.293	0	0
*	Microsoft Global Finance		Patrizia Marin	162.139	162.139	0,29406%	1				162.139	0	0
*	Missouri Local Government Employees Retirement System		Patrizia Marin	307.129	307.129	0,55702%	1				307.129	0	0
*	Grandeur Peak Global Reach FD		Patrizia Marin	134.028	134.028	0,24308%	1				134.028	0	0
*	National Council For Social Security Fund		Patrizia Marin	108.000	108.000	0,19587%	1				108.000	0	0
*	Grandeur Peak Global Micro Cap F		Patrizia Marin	60.510	60.510	0,10974%	1				60.510	0	0
*	Schroeder International Small Companies P		Patrizia Marin	32.520	32.520	0,05898%	1				32.520	0	0
*	Royce Global Valustrust Inc.		Patrizia Marin	47.800	47.800	0,08669%	1				47.800	0	0
*	SS BK and Trust Company Inv. Funds for Taxexempt Retirement FL		Patrizia Marin	17.911	17.911	0,03268%	1				17.911	0	0
*	Royce International Micro - Cap Fund		Patrizia Marin	18.600	18.600	0,03373%	1				18.600	0	0
*	Royce Value Trust Inc.		Patrizia Marin	200.000	200.000	0,36272%	1				200.000	0	0
*	Arrowstreet capital global all country alpha extension fund (CAYMAN) Limited		Patrizia Marin	54.645	54.645	0,09911%	1				54.645	0	0
*	Goldman Sachs Funds		Patrizia Marin	30.622	30.622	0,05554%	1				30.622	0	0
*	Garbi Gianluca	Garbi Gianluca		26.500	26.500	0,04806%	1				26.500	0	0
*	Girello Anna	Girello Anna		10.461	10.461	0,01897%	1				10.461	0	0
*	Franceschi Eglsto	Franceschi Eglsto		30.000	30.000	0,05441%	1				30.000	0	0
*	Ciferri-Ceretti Massimiliano	Ciferri-Ceretti Massimiliano		15.000	15.000	0,02720%	1				15.000	0	0
	<b>TOTALI</b>	<b>5</b>	<b>38</b>		<b>55.138.217</b>	<b>100,00%</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>55.138.217</b>	<b>0</b>	<b>0</b>

100,0000% 0,0000% 0,0000% 0,0000%



La sottoscritta Maria Italiano, nata a Palermo (PA) il 5 gennaio 1970, codice fiscale TLNMRA70A45G273V, cittadina italiana, in relazione alla propria candidatura per l'assunzione della carica di Sindaco effettivo, in vista della nomina da parte dell'Assemblea ordinaria degli azionisti di Banca Sistema S.p.A. convocata per il 27 aprile 2017 in unica convocazione

#### DICHIARA

- di accettare irrevocabilmente la candidatura a Sindaco effettivo di Banca Sistema S.p.A. e, sin d'ora, l'eventuale propria nomina;
- di non essere candidata in nessuna altra lista per la nomina a Sindaco effettivo o supplente di Banca Sistema S.p.A.

La Sottoscritta, inoltre, viste, tra l'altro, le disposizioni di cui all'art. 26 del D.Lgs. 1° settembre 1993, n. 385, all'art. 148 del D.Lgs. 24 febbraio 1998, n. 58, al Decreto del Ministero del Tesoro, del Bilancio e della Programmazione Economica del 18 marzo 1998, n. 161 ed al Decreto del Ministero della Giustizia del 30 marzo 2000, n. 162

**ATTESTA**, sotto la propria responsabilità,

- l'insussistenza a suo carico di cause di ineleggibilità, decadenza e incompatibilità<sup>1</sup>, nonché il possesso di tutti i requisiti di onorabilità e professionalità prescritti dal D.M. 30 marzo 2000, n. 162, dal Decreto 18 marzo 1998, n. 161, dall'art. 148 del D.Lgs. 24 febbraio 1998, n. 58 e dallo Statuto di Banca Sistema S.p.A. per ricoprire la carica di Sindaco di Banca Sistema S.p.A.;
- il possesso dei requisiti di indipendenza ai sensi dell'art. 148 del D.Lgs. 24 febbraio 1998, n. 58 e ai sensi del Codice di Autodisciplina della Società Quotate.

La sottoscritta si impegna a comunicare tempestivamente a Banca Sistema S.p.A. ogni successiva modifica di quanto sopra dichiarato ed in particolare eventuali variazioni degli incarichi di amministrazione e controllo ricoperti che dovessero verificarsi fino al giorno di svolgimento dell'Assemblea.

Inoltre, autorizza la pubblicazione dei dati sopra indicati e delle informazioni sulle caratteristiche personali e professionali contenute nel *curriculum vitae* e nell'elenco degli incarichi di amministrazione e controllo ricoperti presso altre società allegati alla presente dichiarazione, ai sensi e per gli effetti dell'art. 2400 del Codice Civile e dell'art. 148-*bis* del D.Lgs. 24 febbraio 1998, n. 58.

La sottoscritta si impegna altresì a produrre, su richiesta di Banca Sistema S.p.A., la documentazione idonea a confermare la veridicità dei dati dichiarati.

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<sup>1</sup> In caso di nomina alla carica di sindaco effettivo di Banca Sistema e di sussistenza a tale data di ipotesi di incompatibilità ai sensi dell'art. 36 del Decreto Legge 211/2011 (c.d. 'divieto di interlocking'), entro il termine di 90 giorni dalla nomina si procederà all'esercizio dell'opzione prevista dall'art. 36, comma 2-bis, del Decreto Legge 211/2011.



Milano, 1° aprile 2017

La dichiarante

Flora Helber

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INFORMATIVA (ai sensi dell'art. 13 del D.lgs 30/06/2003 n. 196) – Banca Sistema S.p.A., con sede in Milano, Corso Monforte, 20, La informa, in qualità di Titolare, che i dati da Lei forniti saranno trattati in conformità alle disposizioni del D.lgs 30/06/2003 n. 196 per l'accertamento dei requisiti necessari per l'assunzione della carica di Sindaco di Banca Sistema S.p.A., sia mediante procedure informatiche sia eventualmente presso le competenti amministrazioni al fine di verificare la veridicità degli stessi. Tale trattamento non richiede il Suo consenso.

Inoltre, con il Suo consenso, Banca Sistema S.p.A. pubblicherà i Suoi dati sul sito [www.bancasistema.it](http://www.bancasistema.it), nonché le informazioni sulle Sue caratteristiche personali e professionali contenute nel Suo *curriculum vitae* e nell'elenco degli incarichi di amministrazione, direzione e controllo ricoperti presso altre società allegati alla presente dichiarazione.

Banca Sistema S.p.A. comunica altresì che a Lei competono diritti quali quello di ottenere la cancellazione, l'aggiornamento, la notifica e l'integrazione dei Suoi dati nonché quello di opporsi, per motivi legittimi, al trattamento degli stessi. Il Responsabile designato al trattamento è Banca Sistema S.p.A. L'indirizzo e-mail al quale potrà rivolgersi per qualsiasi occorrenza è il seguente: [legale@bancasistema.it](mailto:legale@bancasistema.it).

Data:

Per ricevuta

Flora Helber

**FORMATO EUROPEO  
PER IL CURRICULUM  
VITAE**



**INFORMAZIONI PERSONALI**

Nome Maria Italiano  
Indirizzo Via E. Parisi 21 - Palermo – Studio: via G.Abela 10 - Palermo  
Telefono 091.6124093  
Fax 091.9760295  
E-mail maria.italiano@pec.commercialistipa.it  
Nazionalità Italiana  
Data di nascita 5 gennaio 1970

**ESPERIENZA LAVORATIVA**

- Date (da – a) Dal 1995 ad oggi
- Nome e indirizzo del datore di lavoro Studio consulenza Maria Italiano – via G. Abela 10 - Palermo
- Tipo di impiego Libero professionista
- Principali mansioni e responsabilità Dottore commercialista  
Consulente Tecnico di Ufficio Tribunale di Palermo – Sez. V Imprese – Sez. IV Fallimentare-  
Sez. III - 157 perizie dal 1998 fino alla data odierna.  
Consulente Tecnico di Ufficio Tribunale di Palermo - GIP  
Consulente Tecnico di Ufficio Tribunale di Trapani e Tribunale Termini Imerese  
Amministratore giudiziario Tribunale di Palermo – Sez. Misure di Prevenzione
  
- Date (da - a) Novembre 2015 ad oggi
- Nome e indirizzo Banca di Credito cooperativo Don Rizzo – Via V. Emanuele II n. 13- Alcamo (TP)
- Tipo di impiego Sindaco effettivo
  
- Date (da – a) Gennaio 2013 ad oggi
- Nome e indirizzo CESVOP Palermo – via Maqueda 334 - Palermo
- Tipo di impiego Sindaco effettivo
  
- Date (da – a) Maggio 2010 a giugno 2012
- Nome e indirizzo Lavoro Sicilia spa – partecipata Regione Siciliana – Via P.pe di Belmonte 107 - Palermo
- Tipo di impiego Presidente collegio sindacale
  
- Date (da – a) Giugno 2004 a maggio 2010
- Nome e indirizzo Italia Lavoro spa – partecipata Regione Siciliana -via Marchese di Villabianca 98 - Palermo
- Tipo di impiego Sindaco effettivo
  
- Date (da – a) Dal 2004 al 2006
- Nome e indirizzo Al.fa srl – via Siracusa 19 – Palermo
- Tipo di impiego Sindaco effettivo
  
- Date (da – a) Dal 2000 al 2001
- Nome e indirizzo ALC srl – Palermo
- Tipo di impiego Presidente Collegio sindacale

- Date (da – a) Gennaio 2009 a dicembre 2014
- Nome e indirizzo CAAF CGIL Sicilia srl – via Bevignani 38 – Palermo
- Tipo di impiego RAF – Responsabile dell'assistenza fiscale
  
- Date (da – a) Dal marzo 2008 all'aprile 2009
- Nome e indirizzo CAPE Regione Siciliana SGR SPA – Gestione fondi Private Equity - Milano
- Tipo di impiego Revisore della funzione di Compliance
  
- Date (da – a) Dal febbraio 2003 al settembre 2005
- Nome e indirizzo Trade srl – via C.A. Dalla Chiesa ,10 - Palermo
- Tipo di impiego Amministratore unico
  
- Date (da – a) Dal giugno 2002 all'aprile 2006
- Nome e indirizzo Alto Belice Corleonese spa – via G.Kastriota – Piana degli Albanesi
- Tipo di impiego Responsabile del "Patto Territoriale Agricoltura e Pesca" siglato tra i comuni del Belice
  
- Data (da – a) Dal 1996 al 2003
- Nome e indirizzo Università di Palermo – Facoltà di Giurisprudenza – Istituto di Economia Politica
- Tipo di impiego Culture della materia Economia Politica – Assistente universitario
  
- Date (da – a) Settembre 1993 a settembre 1994
- Nome e indirizzo del datore di lavoro Coopers and Lybrand spa- Exter srl(oggi Price Waterhouse Coopers) – via M.Ugo 60 – Palermo
- Tipo di impiego Dipendente livello iniziale Revisione contabile

#### ISTRUZIONE E FORMAZIONE

- Date (da – a) 1999 – Iscrizione Albo Revisori Contabili (DM 100 del 15.11.1999)  
1995 – Iscrizione Albo Dottori Commercialisti Palermo – ( 21.02.1995 n. 941 A)
  
- Date (da – a) Gennaio 1991 - Luglio 1993
- Nome e tipo di istituto di istruzione University of Hertfordshire - Hertfordshire – London (UK)
- Qualifica conseguita Bachelor of Arts with Honours in Business Studies
- Livello nella classificazione nazionale (se pertinente) 2.1 / 1
  
- Date (da – a) Settembre 1988 - Luglio 1992
- Nome e tipo di istituto di istruzione Università di Palermo
- Qualifica conseguita Laurea in Economia e Commercio (vecchio ordinamento)
- Livello nella classificazione nazionale (se pertinente) 110/110 Lode e menzione alla tesi
  
- Date (da – a) Settembre 1983 - Luglio 1988
- Nome e tipo di istituto di istruzione Istituto Gonzaga – Palermo
- Qualifica conseguita Maturità scientifica
- Livello nella classificazione nazionale (se pertinente) 60/60esimi

#### MADRELINGUA

Italiano

#### ALTRE LINGUA

Inglese

- Capacità di lettura Eccellente
- Capacità di scrittura Eccellente
- Capacità di espressione orale Eccellente

ALTRE LINGUA

- Capacità di lettura
- Capacità di scrittura
- Capacità di espressione orale

Spagnolo

Sufficiente  
Sufficiente  
Sufficiente

CAPACITÀ E COMPETENZE  
RELAZIONALI

Vivere con altre persone, in ambiente multiculturale, occupando posti in cui la comunicazione è importante e in situazioni in cui è essenziale lavorare in squadra (ad es. cultura e sport), volontariato...

Dal 1989 fino al 1999 quale socio del Club Rotaract Palermo Est ho coordinato diversi progetti sociali e culturali. Nel tempo ho ricoperto la carica di Segretario per 4 anni, quindi di Presidente del club nel 1995-1996, Delegato di zona per tutta la provincia di Palermo nel 1997. Infine dal 1998 al 1999 sono stata Rappresentante nazionale Rotaract per l'Italia in Europa (Delegato nazionale ERIC). Questa esperienza mi ha permesso di consolidare le mie attitudini relazionali e rappresentative all'interno dei gruppi di persone e di essere promotore di vari progetti.

CAPACITÀ E COMPETENZE  
TECNICHE

*Con computer, attrezzature specifiche, macchinari, ecc.*

Ottime capacità di utilizzo dei più diffusi software di gestione contabile  
Buone capacità di utilizzo Windows e fogli di calcolo Excel

ALTRE CAPACITÀ E COMPETENZE

*Competenze non precedentemente indicate.*

Dal 1995 ho ricoperto più volte l'incarico di amministratore di varie società a responsabilità limitata.

PATENTE

Patente B

Autorizzo il trattamento dei miei dati personali D.Legs. 196/2003

Maria Italiano  
  
Palermo, 29.03.2017

## DICHIARAZIONE

La sottoscritta Maria Italiano nata a Palermo il 05.01.1970 residente in Palermo Via Enrico Parisi 21, consapevole delle responsabilità e delle sanzioni penali previste dall'Art. 76 del D.P.R. 445/2000 per le false attestazioni e dichiarazioni mendaci e sotto la propria responsabilità dichiara che ad oggi ricopre le seguenti cariche in enti pubblici o in società a partecipazione pubblica, nonché in società private iscritte nei pubblici registri:

Sindaco Effettivo della società Banca di credito cooperativo Don Rizzo con sede in Alcamo ( TP) Via V. Emanuele II n.15/17 P.I. 0007130817

Sindaco Effettivo dell' Ente non commerciale CESVOP con sede in Palermo Via Dei Cantieri 47 C.F.97169780828

Amministratore della società TUAR SRL con sede in Palermo Via G. Abela 10 – P.I. 04895350827

Palermo, 29.03.2017

*Maria Italiano*

FORMATO EUROPEO  
PER IL CURRICULUM  
VITAE



PERSONAL INFORMATION

Name	Maria Italiano
Address	Via E. Parisi 21 - Palermo – via G.Abela 10 - Palermo
Phone-number	+39.91.6124093
Fax	+39.91.9760295
E-mail	maria.italiano@pec.commercialistipa.it
Nationality	Italian
Date of birth	05.01.1970

WORK EXPERIENCE

- Dates ( from – to )
  - Occupation

From 1995 - Present  
Independent Accountant an Tax Advisor with a private office in Palermo via G. Abela 10  
External Assessor working for Tribunale of Palermo – Sez V Imprese – Sez.IV -Sez.III  
External assessor Tribunale of Palermo - GIP  
External assessor Tribunale of Trapani e Tribunale Termini Imerese  
N. 157 expert's reports and technical consultancies already done from 1998 till present.  
Judicial administrator working for Tribunale of Palermo – Sez. Misure di Prevenzione
- Dates (from-to)
  - Company
  - Occupation

November 2015 - Present  
Banca di Credito Cooperativo Don Rizzo – Via V. Emanuele II – Alcamo (TP)  
Statutory Auditor
- Dates (from-to)
  - Company
  - Occupation

January 2013 – Present  
CESVOP Palermo – via Maqueda 334 – Palermo  
Statutory Auditor
- Dates (from-to)
  - Company
  - Occupation

May 2010 - June 2012  
Lavoro Sicilia spa – 100% owned by Regione Siciliana – Via P.pe di Belmonte 107 - Palermo  
Board President of Statutory Auditors
- Dates (from-to)
  - Company
  - Occupation

June 2004 - May 2010  
Italia Lavoro spa – via Marchese di Villabianca 98 - Palermo  
Statutory Auditor
- Dates (from-to)
  - Company
  - Occupation

2004 – 2006  
Al.fa srl – via Siracusa 19 – Palermo  
Statutory Auditor
- Dates (from-to)
  - Company
  - Occupation

2000 – 2001  
ALC srl – Palermo  
Board President of Statutory Auditors

- Dates (from-to) January 2009-December 2014
  - Company CAAF CGIL Sicilia srl – via Bevignani 38 – Palermo
  - Occupation Tax Consultant Advisor ( RAF)
  
- Dates (from-to) March 2008-April 2009
  - Company CAPE Regione Siciliana SGR SPA – Private Equity Company - Milano
  - Occupation "Compliance" Auditor
  
- Dates (from-to) February 2003- September 2005
  - Company Trade srl – via C.A. Dalla Chiesa , 10 – Palermo
  - Occupation Sole Director
  
- Dates (from-to) June 2002 - April 2006
  - Company Alto Belice Corleonese spa – via G.Kastriota – Piana degli Albanesi
  - Occupation Chief Administrative Officer "Patto Territoriale Agricoltura e Pesca" subscribed by Belice's local towns
  
- Dates (from-to) From 1996 to 2003
  - Company University of Palermo – Law Faculty
  - Occupation Honorary Fellow of Political Economy
  
- Dates (from-to) September 1993 - September 1994
  - Company Coopers and Lybrand spa ( Exter srl) – via M.Ugo 60 – Palermo
  - Occupation Internal Auditor

## EDUCATION

- Dates (from – to) Registered Auditor from 1999 (DM 100 del 15.11.1999)  
Registered Accountant from 1995 – ( Palermo 21.02.1995 n. 941 A)
  
- Dates (from – to) January 1991 - July 1993
  - University University of Hertfordshire - Hertfordshire – London (UK)
- Level Qualification Bachelor of Arts with Honours in Business Studies  
Final mark Second Division
  
- Dates (from –to ) September 1988 - July 1992
  - University University Of Palermo
- Level Qualification Master Degree "Economia e Commercio"  
Final mark 110/110 with Honours
  
- Dates (from –to ) September 1983 - July 1988
  - School Name Istituto Gonzaga – Palermo
- Level Qualification Scientific High School Degree  
Final mark 60/60

MOTHER TOUNGE Italian

OTHEER LANGUAGES English - excellent  
Spanish - basic

ACTIVITIES AND AWARDS

From 1989 till 1999 I was a member of Rotaract Palermo Est. I was first secretary ( 4 years), after president ( 1 year) and from 1998 till 1999 I was the Italian Representative in Europe for all the Italian Rotaract Clubs ( ERIC Representative). As a member of Rotaract Club I developed many different social and culture projects.

COMPUTER SKILLS

Good skills with windows, excel and main accounting software systems

HOBBY AND ABILITIES

Travelling

DRIVING LICENCE

B Licence

  
Maria Italiano

Palermo, 29.03.2017



## DECLARATION

I, Maria Italiano, born in Palermo on 5 January 1970, residing in Palermo at Via Enrico Parisi 21, being aware of the liabilities and criminal penalties set forth by section 76/1956 of Italian Presidential Decree 445/2000 if a fake certificate is submitted or false statements made, do hereby declare, under my own responsibility, that I currently cover the following positions with public entities or state-controlled companies, and with private companies registered with public registers:

- Standing Statutory Auditor of Banca di credito cooperativo Don Rizzo, having its registered offices in Alcamo (TP), at Via V. Emanuele II no. 15/17 – VAT 0007130817;
- Standing Statutory Auditor of the non-commercial entity CESVOP, having its registered offices in Palermo, at Via Dei Cantieri no. 47, Fiscal Code 97169780828;
- Director of TUAR S.r.l., having its registered offices in Palermo, at Via G. Abela no. 10, VAT 04895350827.

Palermo, 29 March 2017

[*signed*]

Il sottoscritto Massimo Conigliaro, nato a Catania (CT) il 25 dicembre 1969, codice fiscale CNGMSM69T25C351G, cittadino italiano, in relazione alla propria candidatura per l'assunzione della carica di Sindaco effettivo, in vista della nomina da parte dell'Assemblea ordinaria degli azionisti di Banca Sistema S.p.A. convocata per il 27 aprile 2017 in unica convocazione

#### DICHIARA

- di accettare irrevocabilmente la candidatura a Sindaco effettivo di Banca Sistema S.p.A. e, sin d'ora, l'eventuale propria nomina;
- di non essere candidato in nessuna altra lista per la nomina a Sindaco effettivo o supplente di Banca Sistema S.p.A.

Il Sottoscritto, inoltre, viste, tra l'altro, le disposizioni di cui all'art. 26 del D.Lgs. 1° settembre 1993, n. 385, all'art. 148 del D.Lgs. 24 febbraio 1998, n. 58, al Decreto del Ministero del Tesoro, del Bilancio e della Programmazione Economica del 18 marzo 1998, n. 161 ed al Decreto del Ministero della Giustizia del 30 marzo 2000, n. 162

**ATTESTA**, sotto la propria responsabilità,

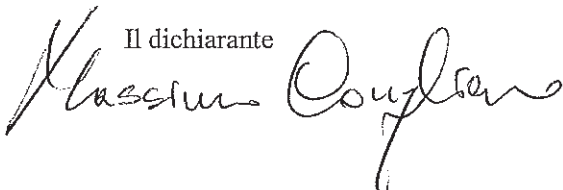
- l'insussistenza a suo carico di cause di ineleggibilità, decadenza e incompatibilità, nonché il possesso di tutti i requisiti di onorabilità e professionalità prescritti dal D.M. 30 marzo 2000, n. 162, dal Decreto 18 marzo 1998, n. 161, dall'art. 148 del D.Lgs. 24 febbraio 1998, n. 58 e dallo Statuto di Banca Sistema S.p.A. per ricoprire la carica di Sindaco di Banca Sistema S.p.A.;
- il possesso dei requisiti di indipendenza ai sensi dell'art. 148 del D.Lgs. 24 febbraio 1998, n. 58 e ai sensi del Codice di Autodisciplina della Società Quotate.

Il sottoscritto si impegna a comunicare tempestivamente a Banca Sistema S.p.A. ogni successiva modifica di quanto sopra dichiarato ed in particolare eventuali variazioni degli incarichi di amministrazione e controllo ricoperti che dovessero verificarsi fino al giorno di svolgimento dell'Assemblea.

Inoltre, autorizza la pubblicazione dei dati sopra indicati e delle informazioni sulle caratteristiche personali e professionali contenute nel *curriculum vitae* e nell'elenco degli incarichi di amministrazione e controllo ricoperti presso altre società allegati alla presente dichiarazione, ai sensi e per gli effetti dell'art. 2400 del Codice Civile e dell'art. 148-*bis* del D.Lgs. 24 febbraio 1998, n. 58.

Il sottoscritto si impegna altresì a produrre, su richiesta di Banca Sistema S.p.A., la documentazione idonea a confermare la veridicità dei dati dichiarati.

Milano, 1° aprile 2017

Il dichiarante  


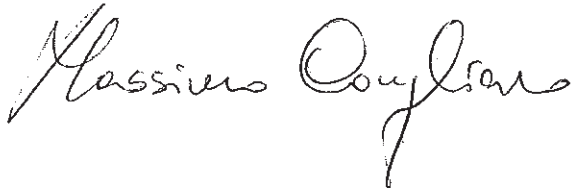
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INFORMATIVA (ai sensi dell'art. 13 del D.lgs 30/06/2003 n. 196) – Banca Sistema S.p.A., con sede in Milano, Corso Monforte, 20, La informa, in qualità di Titolare, che i dati da Lei forniti saranno trattati in conformità alle disposizioni del D.lgs 30/06/2003 n. 196 per l'accertamento dei requisiti necessari per l'assunzione della carica di Sindaco di Banca Sistema S.p.A., sia mediante procedure informatiche sia eventualmente presso le competenti amministrazioni al fine di verificare la veridicità degli stessi. Tale trattamento non richiede il Suo consenso.

Inoltre, con il Suo consenso, Banca Sistema S.p.A. pubblicherà i Suoi dati sul sito [www.bancasistema.it](http://www.bancasistema.it), nonché le informazioni sulle Sue caratteristiche personali e professionali contenute nel Suo *curriculum vitae* e nell'elenco degli incarichi di amministrazione, direzione e controllo ricoperti presso altre società allegati alla presente dichiarazione.

Banca Sistema S.p.A. comunica altresì che a Lei competono diritti quali quello di ottenere la cancellazione, l'aggiornamento, la notifica e l'integrazione dei Suoi dati nonché quello di opporsi, per motivi legittimi, al trattamento degli stessi. Il Responsabile designato al trattamento e Banca Sistema S.p.A. L'indirizzo e-mail al quale potrà rivolgersi per qualsiasi occorrenza è il seguente: [legale@bancasistema.it](mailto:legale@bancasistema.it).

Per ricevuta



**MASSIMO CONIGLIARO**

*dottore commercialista – revisore legale - pubblicista*

*professore a contratto di Diritto Tributario (IUS 12)  
Link Campus University – sede di Catania*

**Luogo e data di nascita:** Catania, 25.12.1969

**Residenza:** Siracusa, Via San Giovanni alle Catacombe 7

**Studio:** 96100 Siracusa, Via San Giovanni alle Catacombe 7

Telefono 0931 464033 Fax 0931 24899 Cellulare 347 3547140

E-mail: *massimo@conigliaro.it* Pec : *massimo.conigliaro@pec.it*

Codice fiscale: CNGMSM69T25C351G - Partita iva: 01143050894

***Profilo breve***

Dottore commercialista, esercita la libera professione con particolare riferimento al contenzioso tributario, il diritto societario e fallimentare.

Oltre ad un'intensa attività processuale tributaria, svolge attività giudiziaria, ricoprendo incarichi di curatore fallimentare, commissario liquidatore, amministratore giudiziario, assistendo altresì imprese e privati nella ristrutturazione del debito.

Revisore legale, è componente di collegi sindacali di società ed enti.

E' professore incaricato di diritto tributario (IUS 12) presso la Link Campus University di Catania; ha svolto attività di docenza anche per enti ed università private quali la Scuola Superiore Economia e Finanze Ezio Vanoni e la Luiss Business School.

Pubblicista, è autore di numerosi testi editi, tra gli altri, dal Sole 24 Ore ed articoli pubblicati in riviste specializzate di settore. Svolge attività di relatore in convegni e seminari in tutta Italia.

Da anni impegnato in attività associative di categoria, dal 1° gennaio 2013 è Presidente dell'Ordine dei Dottori Commercialisti di Siracusa.

Si autorizza il trattamento dei dati ai sensi del D. Lgs. 196/2003.

In fede.

Siracusa, 28.3.2017

Dott. Massimo Conigliaro



DICHIARAZIONE AI SENSI DELL'ART. 2400 C.C., comma 4  
Società in cui l'esponente aziendale ricopre funzioni di amministrazione, direzione o controllo e relative controllanti e controllate

Dott. Massimo Conigliaro

Cariche ricoperte: incarichi di amministrazione			
Denominazione	Sede Sociale (indirizzo, città, stato)	Codice fiscale/Partita IVA/Camera di Commercio (se straniera)	Carica ricoperta
AG Gestioni Immobiliari S.r.l.	Via San Giovanni alle Catacombe, 7 - 96100 Siracusa	C.F. / P.IVA 01043600897	Amministratore Unico
Conigliaro Elaborazione Dati (CED) S.r.l.	Via San Giovanni alle Catacombe, 7 - 96100 Siracusa	C.F. / P.IVA 00941560898	Amministratore Unico
Olimpo Costruzioni S.r.l.	Contrada Falдино s.n. - 96017 Noto (SR)	C.F. / P.IVA 01543920894	Amministratore Giudiziario
Mirmina Spatalucente Paolo	Contrada Falдино s.n. - 96017 Noto (SR)	C.F. MRMPLA80L05F943P	Amministratore Giudiziario
Iblea Marittima S.r.l. in liquidazione	Via San Giovanni alle Catacombe, 7 - 96100 Siracusa	C.F. / P.IVA 00947650891	Liquidatore
Casa di Cura Santa Lucia srl in liquidazione	Via San Giovanni alle Catacombe 7 - 96100 Siracusa	C.F. - P.IVA 00161620893	Liquidatore
Sicustransport Siracusa S.r.l. in liquidazione	Via San Giovanni alle Catacombe, 7 - 96100 Siracusa	C.F. / P.IVA 0150204890	Liquidatore Giudiziario
Coop. Rosario Cancellieri	Via Mino Bixio 12 - 97019 Vittoria (RG)	C.F. / P.IVA 82001780889	Commissario Liquidatore
Coop. Asistenza Anziani 1982 scr1	Via San Giovanni alle Catacombe, 7 - 96100 Siracusa	C.F. / P.IVA 00601110893	Curatore Fallimentare
Fondazione Siracusa è Giustizia	Via Loggetta 27/A - 96100 Siracusa	C.F. / P.IVA 93068770895	Vice Presidente
Ordine Dottori Commercialisti Siracusa	Viale Santa Panagia 141 - 96100 Siracusa	C.F./P. IVA 01602680892	Presidente

Cariche ricoperte: incarichi di controllo			
Denominazione	Sede Sociale (indirizzo, città, stato)	Codice fiscale/Partita IVA/Camera di Commercio (se straniera)	Carica ricoperta
SIPAFER S.p.A.	Contrada Pietra di Roma, sn - 98070 Torrenova (ME)	C.F. / P.IVA 01771600838	Presidente Collegio Sindacale
Servizi Integrati Acque del Mediterraneo - SIAM S.p.a.	Viale Santa Panagia 141 - 96100 Siracusa	C.F. / P.IVA 01838990891	Presidente Collegio Sindacale
Banca SISTEMA S.p.A.	Corso Monforte, 20 - 20122 Milano	C.F. / P.IVA 12870770158	Sindaco Effettivo
K.r.a.t.o.s. società consortile a r.l.	Via Ombrone 2/G	C.F. - P.Iva 14034831009	Sindaco effettivo
Ordine Ingegneri Provincia Siracusa	Via Arsenale 44/D - 96100 Siracusa	C.F. - P.IVA 80003110899	Revisore Unico
Gruppo Aura srl	Viale Santa Panagia 141/B - 96100 Siracusa	C.F. P.IVA 01559690890	Revisore Unico
Croce Rossa Italiana - Comitato di Siracusa	Via Eiorina 29-25 - 96100 Siracusa	C.F. 1812710893	Revisore Unico

Siracusa, 28 marzo 2017

Dott. Massimo Conigliaro



**MASSIMO CONIGLIARO**

Chartered accountant - statutory auditor – publicist

Professor of Tax Law (IUS 12) Link Campus University - Catania

**Place and date of birth:** Catania, 12.25.1969

**Location:** Via San Giovanni alle Catacombe, 7, 96100, Siracusa

**Studio:** Via San Giovanni alle Catacombe, 7, 96100, Siracusa

Phone 0931 464033 Fax 0931 24899 Mobile 347 3547140

E-mail: [massimo@conigliaro.it](mailto:massimo@conigliaro.it) Pec: [massimo.conigliaro@pec.it](mailto:massimo.conigliaro@pec.it)

VAT: CNGMSM69T25C351G - VAT number: 01143050894

***Short Personal Profile***

Chartered accountant, conducts a private practice specialized in tax litigation, corporate and bankruptcy law.

In addition to intense tax procedural activities, performs judicial activities, holding positions as official receiver, liquidator, administrative receiver, also assisting businesses and individuals in debt restructuring.

Legal Auditor, member of boards of auditors of companies and organizations.

Professor of tax law (IUS 12) at the Link Campus University of Catania; has worked as a lecturer for institutions and private universities, such as the *Ezio Vanoni* School of Economics and Finance and *Luiss* Business School.

Publicist, author of numerous texts published - among others - by the *Sole 24 Ore* and articles published in specialized magazines. Speaker at conferences and seminars throughout Italy.

For several years has engaged in activities with sector associations; President of the Order of Chartered Accountants of Syracuse, as from the 1st of January 2013.

The processing of data pursuant to Legislative Decree no. 196/2003 is authorized.

Siracusa, 28.3.2017

Dr. Massimo Conigliaro



DECLARATION PURSUANT ART. 2400 C.C., par. 4  
Companies in which the company member covers administrative, management or control position

Dr. Massimo Conigliaro

Positions covered: duties as director			
name	registered office	tax code and VAT	office held
AG Gestioni Immobiliari S.r.l.	Via San Giovanni alle Catabombe, 7 - 96100 Siracusa	C.F. / P.IVA 01049600897	sole director
Conigliaro Elaborazione Dati (CED) S.r.l.	Via San Giovanni alle Catabombe, 7 - 96100 Siracusa	C.F. / P.IVA 00941560898	sole director
Olimpo Costruzioni S.r.l.	Contrada Faidino s.n. - 96017 Noto (SR)	C.F. / P.IVA 01549920894	judicial administrator
Mirmina Spetalucente Paolo	Contrada Faidino s.n. - 96017 Noto (SR)	C.F. / P.IVA 00947650891	judicial administrator
Iblea Marittima S.r.l. in liquidazione	Via San Giovanni alle Catabombe, 7 - 96100 Siracusa	C.F. / P.IVA 00161620893	liquidator
Casa di Cura Santa Lucia srl in liquidazione	Via San Giovanni alle Catabombe, 7 - 96100 Siracusa	C.F. / P.IVA 0150204890	liquidator
Sicurtransport Siracusa S.r.l. in liquidazione	Via Nino Bixio 12 - 97019 Vittoria (RG)	C.F. / P.IVA 82001780899	judicial liquidator
Coop. Rosario Cancellieri	Via San Giovanni alle Catabombe, 7 - 96100 Siracusa	C.F. / P.IVA 00601110893	liquidator
Coop. Assistenza Anziani 1982 sch	Via Loggetta 27/A - 96100 Siracusa	C.F. / P.IVA 93068770895	official receiver
Fondazione Siracusa è Giustizia	Viale Santa Panagia 141 - 96100 Siracusa	C.F. / P.IVA 01602680892	Vice President
Ordine Dottori Commercialisti Siracusa			President

Positions covered: duties as auditor			
name	registered office	fiscal code and VAT	office held
SIPAFER S.p.A.	Contrada Pietra di Roma, sn - 98070 Torrenova (ME)	C.F. / P.IVA 01771600838	President of the Board of Auditors
Servizi Integrati Acque del Mediterraneo - SIAM S.p.a.	Viale Santa Panagia 141 - 96100 Siracusa	C.F. / P.IVA 01838990891	President of the Board of Auditors
Banca SISTEMA S.p.A.	Corso Monforte, 20 - 20122 Milano	C.F. / P.IVA 12870770158	Auditor
K.r.a.t.o.s. società consortile a r.l.	Via Ombrone 2/G	C.F. - P.Iva 14034831009	Auditor
Ordine Ingegneri Provincia Siracusa	Via Arsenale 44/D - 96100 Siracusa	C.F. - P.IVA 80003110899	Auditor
Gruppo Aura srl	Viale Santa Panagia 141/B - 96100 Siracusa	C.F. P.IVA 015535690890	Auditor
Croce Rossa Italiana - Comitato di Siracusa	Via Eforina 23-25 - 96100 Siracusa	C.F. 1812710893	Auditor

Siracusa, 28 marzo 2017

Dott. Massimo Conigliaro



Il sottoscritto Biagio Verde, nato ad Alessandria (AL) il 18 luglio 1943, codice fiscale VRDBGI43L18A182D, cittadino italiano, in relazione alla propria candidatura per l'assunzione della carica di Sindaco effettivo, in vista della nomina da parte dell'Assemblea ordinaria degli azionisti di Banca Sistema S.p.A. convocata per il 27 aprile 2017 in unica convocazione

#### DICHIARA

- di accettare irrevocabilmente la candidatura a Sindaco effettivo di Banca Sistema S.p.A. e, sin d'ora, l'eventuale propria nomina;
- di non essere candidato in nessuna altra lista per la nomina a Sindaco effettivo o supplente di Banca Sistema S.p.A.

Il Sottoscritto, inoltre, viste, tra l'altro, le disposizioni di cui all'art. 26 del D.Lgs. 1° settembre 1993, n. 385, all'art. 148 del D.Lgs. 24 febbraio 1998, n. 58, al Decreto del Ministero del Tesoro, del Bilancio e della Programmazione Economica del 18 marzo 1998, n. 161 ed al Decreto del Ministero della Giustizia del 30 marzo 2000, n. 162

**ATTESTA**, sotto la propria responsabilità,

- l'insussistenza a suo carico di cause di ineleggibilità, decadenza e incompatibilità, nonché il possesso di tutti i requisiti di onorabilità e professionalità prescritti dal D.M. 30 marzo 2000, n. 162, dal Decreto 18 marzo 1998, n. 161, dall'art. 148 del D.Lgs. 24 febbraio 1998, n. 58 e dallo Statuto di Banca Sistema S.p.A. per ricoprire la carica di Sindaco di Banca Sistema S.p.A.;
- il possesso dei requisiti di indipendenza ai sensi dell'art. 148 del D.Lgs. 24 febbraio 1998, n. 58 e ai sensi del Codice di Autodisciplina della Società Quotate.

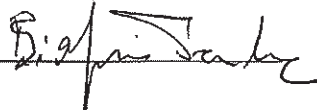
Il sottoscritto si impegna a comunicare tempestivamente a Banca Sistema S.p.A. ogni successiva modifica di quanto sopra dichiarato ed in particolare eventuali variazioni degli incarichi di amministrazione e controllo ricoperti che dovessero verificarsi fino al giorno di svolgimento dell'Assemblea.

Inoltre, autorizza la pubblicazione dei dati sopra indicati e delle informazioni sulle caratteristiche personali e professionali contenute nel *curriculum vitae* e nell'elenco degli incarichi di amministrazione e controllo ricoperti presso altre società allegati alla presente dichiarazione, ai sensi e per gli effetti dell'art. 2400 del Codice Civile e dell'art. 148-bis del D.Lgs. 24 febbraio 1998, n. 58.

Il sottoscritto si impegna altresì a produrre, su richiesta di Banca Sistema S.p.A., la documentazione idonea a confermare la veridicità dei dati dichiarati.

Milano, 1° aprile 2017

Il dichiarante





\*\*\*\*\*

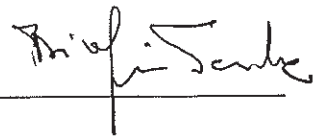
INFORMATIVA (ai sensi dell'art. 13 del D.lgs 30/06/2003 n. 196) – Banca Sistema S.p.A., con sede in Milano, Corso Monforte, 20, La informa, in qualità di Titolare, che i dati da Lei forniti saranno trattati in conformità alle disposizioni del D.lgs 30/06/2003 n. 196 per l'accertamento dei requisiti necessari per l'assunzione della carica di Sindaco di Banca Sistema S.p.A., sia mediante procedure informatiche sia eventualmente presso le competenti amministrazioni al fine di verificare la veridicità degli stessi. Tale trattamento non richiede il Suo consenso.

Inoltre, con il Suo consenso, Banca Sistema S.p.A. pubblicherà i Suoi dati sul sito [www.bancasistema.it](http://www.bancasistema.it), nonché le informazioni sulle Sue caratteristiche personali e professionali contenute nel Suo *curriculum vitae* e nell'elenco degli incarichi di amministrazione, direzione e controllo ricoperti presso altre società allegati alla presente dichiarazione.

Banca Sistema S.p.A. comunica altresì che a Lei competono diritti quali quello di ottenere la cancellazione, l'aggiornamento, la notifica e l'integrazione dei Suoi dati nonché quello di opporsi, per motivi legittimi, al trattamento degli stessi. Il Responsabile designato al trattamento è Banca Sistema S.p.A. L'indirizzo e-mail al quale potrà rivolgersi per qualsiasi occorrenza è il seguente: [legale@bancasistema.it](mailto:legale@bancasistema.it).

Data: 01-04-2017

Per ricevuta



A handwritten signature in black ink, appearing to read 'Dario Scuderi', is written over a horizontal line.

## CURRICULUM VITAE

**Biagio VERDE**, nato ad Alessandria il 18 luglio 1943, residente in Alessandria nella via di Vittorio n. 8, ed ivi domiciliato, telefono 0131/222336 (cell. 3336526744).

**1. titolo onorifico: commendatore al merito della Repubblica Italiana** (decreto Presidente Repubblica 02.06.2008) ;

**2. titoli di studio:**

- a) **dottore in giurisprudenza** in data 15/12/1976 presso l'Università di Pavia (votazione 110 con lode);
- b) **ragioniere e perito commerciale** nell'anno 1962 presso l'Istituto Tecnico Commerciale "L. da Vinci" di Alessandria;
- c) **abilitazione** all'esercizio della professione di Commercialista nella sessione 1980;

**3. iscrizione al Registro dei revisori di cui all'art. 1, comma 1, lett. G) del Dlgs. N. 39/2010 e art. 1, comma 1, del Decreto del Ministero dell'Economia e delle Finanze n. 144/2012 (già registro dei revisori contabili di cui all'abrogato Dlgs. 27 gennaio 1992 n. 88), al n. 60269;**

**4. Esperienze professionali di revisione contabile effettivamente svolte negli ultimi dieci anni :**

- a. **sindaco effettivo** della "Leo Pizzo S.p.A.", con sede in Valenza ( Al.), dal 30/6/1997 **e continua** ;
- b. **sindaco effettivo** della "Giorgio Visconti S.p.A.", con sede in Valenza ( Al.), dal 30/6/1999 **e continua** ;
- c. **presidente** del Collegio Sindacale dell'Azienda Ospedaliera Nazionale "SS. Antonio e Biagio e Cesare Arrigo" di Alessandria dal 20/6/2003 al 21.11.2015 (**sindaco effettivo** dal 24/5/2000 al 19/6/2003);
- d. **sindaco effettivo** del Collegio Sindacale straordinario dell'Azienda Ospedaliera Nazionale "SS. Antonio e Biagio e Cesare Arrigo" di Alessandria dal 17.12.2015 al 10.02.2016 ;

- e. **presidente** del Collegio Sindacale della "Fondazione Uspidalet Onlus" dal 20.06.2009 al 29.04.2015 ;
- f. **sindaco effettivo** dell' Agenzia Territoriale per la Casa Prov. di Alessandria dal 15 dicembre 2005 al 31.12.2014;
- g. **revisore** effettivo della "Fondazione Gianfranco Pittatore per studi e ricerche in campo economico e finanziario" dal 30.03.2010 **e continua** ;
- h. **revisore dei conti** del Comune di Frugarolo (Al) dal 13.10.2011 al 12.10.2014;
- i. **sindaco** effettivo della Società Consortile a r.l. "Federazione Sovrazonale Piemonte 6 – Piemonte Sud Est s.c. a r.l." dal 16.05.2012 al 31/12/2014;
- j. **sindaco effettivo** della "Milano Piero s.r.l.", con sede in San Salvatore Monferrato ( Al.), dal 30/6/2003 al 29.05.2007;
- k. **sindaco effettivo** della "Masini S.p.A.", con sede in Valenza (Al.), dall'1/1/2004 al 3.03.2008;
- l. **sindaco effettivo** della "Staurino F.Ili S.r.l.", con sede in Valenza (Al.), dal 30/6/2004 al 15.05.2008;
- m. **sindaco effettivo** della "Roberto Legnazzi S.p.A.", con sede in Valenza (Al.), dall'11/11/1995 al 28/11/2003;
- n. **componente** del collegio revisori dei conti dell'ambito scolastico territoriale n. 3 – prov. di Alessandria dal 16 ottobre 2005 al 31 dicembre 2006 ;
- o. **presidente** del collegio revisori dei conti dell'ambito scolastico territoriale n. 6 – prov. di Alessandria dal 17 maggio 2004 al 16.10.2011;
- p. **presidente collegio dei revisori dei conti** del Consorzio Intercomunale Servizi Socio Assistenziali Comuni dell'Alessandrino dal 5.11.2012 **e continua** ;
- q. **sindaco effettivo** della "Pasquale Bruni s.p.a.", con sede in Milano, dall' 8/07/2013 **e continua** ;
- r. **sindaco effettivo** di Banca SISTEMA S.p.A. quotata , con sede in Milano, dal 22/04/2014 **e continua** ;
- s. **revisore dei conti** del Comune di Sezzadio (Al) dal 7/07/2014 **e continua** ;
- t. **revisore dei conti** del Comune di Volpedo (Al) dal 26/06/2015 **e continua**;

##### 5. Cariche ricoperte :

- u. giudice tributario** (Commissione Tributaria 2° grado di Alessandria, ora Commissione Tributaria Regionale Piemonte) dal 1990 **e continua** ; dal 25.05.2010 al 31.12.2014 anche applicato alla Commissione Tributaria Centrale ;
- v. presidente** del Comitato Direttivo "Fondazione Centro di Orientamento Scolastico e Professionale", con sede in Alessandria, dal 1990 (membro del Direttivo dal dicembre 1987) **al 3.12.2009**;
- w. consigliere** di amministrazione della fondazione "Opera diocesana di culto e religione Alessandro III" dal 16.12.2008 poi commissario **e continua** ;
- x. membro esterno** del Collegio Arbitrale di Disciplina dell'Amministrazione Comunale di Alessandria dal 13/5/2003 al 2007;
- y. consigliere di amministrazione** della Cassa di Risparmio di Alessandria, Ente Pubblico Economico, dal 10/9/1980 al 23/12/1991;
- z. consigliere di amministrazione** della Cassa di Risparmio di Alessandria S.p.A. dal 24/12/1991 al 28/4/1998;
- aa. consigliere di amministrazione** della Fondazione Cassa di Risparmio di Alessandria dal 24/12/1991 al 3/7/1993;
- bb. consigliere di amministrazione** della "Terme di Acqui S.p.A." dal 10/7/1987 al 24/7/1991;
- cc. consigliere di amministrazione** della "S.A.I.P. S.p.A." (Società Alessandrina per gli Insedimenti Produttivi), con sede in Alessandria, dal 9/11/1984 al 21/12/1998;
- dd. membro del consiglio Direttivo** "Consorzio Garanzia Credito della Piccola Impresa e dell'Artigianato Orafo, Argentiero e Affini", con sede in Valenza (Al.), dal 1986 al 21/4/1999;
- ee. membro del consiglio direttivo** Consorzio Prov.le per la Formazione Professionale, con sede in Alessandria, dal 1977 al 1987;
- ff. consigliere comunale** di Alessandria dal 15/6/1975 al 27/10/1980 ;

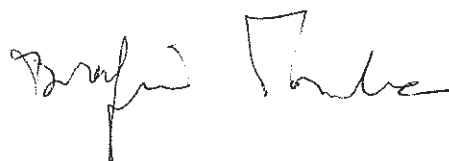
## **6. esperienze professionali ritenute utili ai fini della candidatura**

- a. in servizio** c/o Dipartimento Provinciale dell'Economia e delle Finanze di Alessandria - Direzione Prov.le Servizi Vari dall'8/1/1964;

- b. vice capo** del suddetto Dipartimento Prov.le dal 25/2/2002;
- c. direttore sostituto** della predetta Direzione Prov.le (ora Direzione Territoriale Ministero Economia e Finanze di Alessandria) dall'8/6/1989 (**cessato dal servizio per dimissioni con decorrenza 1° settembre 2009**) ;
- d. membro della Commissione giudicatrice** agli esami per l'accertamento della conoscenza della lingua francese riguardanti il personale della D.P.T. di Aosta (Aosta 27/9/1989);
- e. docente** al corso di riqualificazione (pos. ec. C 3) personale Ministero Economia e Finanze per Dipartimenti Prov.li Regione Emilia Romagna (Modena 3 aprile / 3 maggio 2002);
- f. componente Commissione esaminatrice** del corso di riqualificazione (pos. ec. C 3) personale Ministero Economia e Finanze per Dipartimenti Prov.li Regione Emilia Romagna (Modena 15/17 maggio 2002);
- g. docente** ai corsi (n. 4) di riqualificazione (pos. ec. C/C2) personale Ministero Economia e Finanze per i Dipartimenti Prov.le Regione Emilia Romagna (Modena 10 febbraio / 15 aprile 2004);
- h. componente Commissione esaminatrice** dei corsi (n. 4) di riqualificazione (pos. ec. C/C2) personale Ministero Economia e Finanze per Dipartimenti Prov.li Regione Emilia Romagna (Modena 16-17-18 marzo, 30-31- marzo, 1 aprile, 20-21-22 aprile, 4-5-6 maggio 2004);
- i. docente** ai corsi (n. 4) di riqualificazione (pos. ec. C/C2) personale Ministero Economia e Finanze per Dipartimenti Provinciali Regione Piemonte (Torino 19 febbraio / 3 maggio 2004);
- j. docente** ai corsi (n. 4) di riqualificazione (pos. ec. B/B3 ) personale Ministero Economia e Finanze per Dipartimenti Prov.li Regione Emilia Romagna (Modena 11 maggio / 29 giugno 2004);
- k. componente Commissione esaminatrice** dei corsi (n. 4) di riqualificazione (pos. ec. B/B3) personale Ministero Economia e Finanze per Dipartimenti Pro.li Regione Emilia Romagna (Modena 4,18,30 giugno e 14 luglio 2004);

- l. docente** ai corsi (n. 4) di riqualificazione (pos. ec. B/B3) personale Ministero Economia e Finanze per Dipartimenti Prov.li Regione Piemonte (Torino 3 giugno / 5 luglio 2004);
- m. relatore** su tematiche giuslavoristiche e fiscali al Corso di formazione Coni progetto "SPORT SCHOOL MANAGER" (Acqui Terme 14/15 ottobre 11/12 novembre 2006) ;
- n. commissario ad acta** (sent.1225/2008 TAR Piemonte sez. II)
- o. commissario ad acta** (ord. 48/3/09 Comm.Trib.Prov.AI. sez. III).

Alessandria, 27 marzo 2017

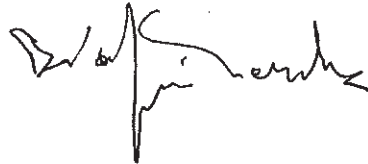
A handwritten signature in black ink, appearing to read 'Borghi' followed by a surname that is partially obscured or less legible.

## DICHIARAZIONE

Il sottoscritto Dott. Biagio Verde, nato ad Alessandria il 18 luglio 1943, residente in Alessandria, Via di Vittorio 8, consapevole delle responsabilità e delle sanzioni penali previste dall'Art. 76 del D.P.R. 445/2000 per le false attestazioni e dichiarazioni mendaci e sotto la propria responsabilità dichiara che ad oggi ricopre le seguenti cariche in enti pubblici o in società a partecipazione pubblica, nonché in società private iscritte nei pubblici registri:

- Sindaco Effettivo della società Giorgio Visconti S.p.A., con sede in Valenza (AL), Via Carlo Camurati 47;
- Sindaco Effettivo della società Leo Pizzo S.p.A., con sede in Valenza (AL), Circonvallazione Ovest;
- Sindaco Effettivo della società Pasquale Bruni S.p.A., con sede in Valenza (AL), Circonvallazione Ovest - Zona CO.IN.OR.

Alessandria, 27 marzo 2017



## CURRICULUM VITAE

**Biagio VERDE**, born in Alessandria on 18 July 1943, residing in Alessandria at Via di Vittorio no. 8, domiciled thereat, phone 0131/222336 (mobile phone 3336526744).

**1. honorary title: Commander of the Order of Merit of the Italian Republic**

(decree of the President of the Republic 02.06.2008);

**2. educational qualifications:**

- a) **Law Degree** awarded on 15/12/1976 by Pavia University (110 marks cum laude);
- b) **diploma in accounting and business** obtained in 1962 from the Alessandria "L. da Vinci" Technical-Business High School;
- c) **licence to practice** as a Public Accountant in the 1980 session;

**3. registered with the Association of Auditors pursuant to section 1, paragraph 1, (G) of Italian Legislative Decree no. 39/2010 and section 1, paragraph 1 of Italian Decree of the Ministry of Economy and Finance no. 144/2012 (former Italian Auditors' Association as per repealed Italian Legislative Decree no. 88 dated 27 January 1992), under no. 60269:**

**4. Professional experience as auditor in the last ten years:**

- a. **standing statutory auditor** of "Leo Pizzo S.p.A.", having registered offices in Valenza (Al.), as from 30/6/1997 **still in office**;
- b. **standing statutory auditor** of "Giorgio Visconti S.p.A.", having registered offices in Valenza (Al.), as from 30/6/1999 **still in office**;
- c. **chairman** of the Board of Statutory Auditors of the Alessandria "SS. Antonio e Biagio e Cesare Arrigo" National Hospital from 20/6/2003 to 21/11/2015 (**standing statutory auditor** from 24/5/2000 to 19/6/2003);
- d. **standing statutory auditor** of the Extraordinary Board of Statutory Auditors of the Alessandria "SS. Antonio e Biagio e Cesare Arrigo" National Hospital from 17.12.2015 to 10.02.2016;



- e. **chairman** of the Board of Statutory Auditors of the "Uspidalet Onlus Foundation" (non-profit organisation) from 20.06.2009 to 29.04.2015;
- f. **standing statutory auditor** of the Agenzia Territoriale della Casa for the Province of Alessandria from 15 December 2005 to 31.12.2014;
- g. **regular auditor** of the "Gianfranco Pittatore Foundation for business and economic studies and research" as from 30.03.2010 **still in office**;
- h. **auditor** of Frugarolo Municipality (Al) from 13.10.2011 to 12.10.2014;
- i. **standing statutory auditor** of Società Consortile a r.l. "Federazione Sovrazonale Piemonte 6 - Piemonte Sud Est s.c. a r.l." from 16.05.2012 to 31/12/2014;
- j. **standing statutory auditor** of "Milano Piero s.r.l.", having registered offices in San Salvatore Monferrato (Al.), from 30/6/2003 to 29.05.2007;
- k. **standing statutory auditor** of "Masini S.p.A.", having registered offices in Valenza (Al.), from 1/1/2004 to 3.03.2008;
- l. **standing statutory auditor** of "Staurino F.lli S.r.l.", having registered offices Valenza (Al.), from 30/6/2004 to 15.05.2008;
- m. **standing statutory auditor** of "Roberto Legnazzi S.p.A.", having registered offices in Valenza (Al.), from 11/11/1995 to 28/11/2003;
- n. **member** of the board of auditors for school territory no. 3 - Alessandria Province from 16 October 2005 to 31 December 2006;
- o. **chairman** of the board of auditors for school territory no. 6 - Alessandria Province from 17 May 2004 to 16.10.2011;
- p. **chairman of the board of auditors** of the Inter-Municipality Consortium for Care Assistant Services of the Municipalities of Alessandria Province as from 5.11.2012 **still in office**;
- q. **standing statutory auditor** of "Pasquale Bruni S.p.A.", having registered offices in Milan, from 08/07/2013, **still in office**;
- r. **standing statutory auditor** of Banca SISTEMA S.p.A. a listed company, having registered offices in Milan, as from 22/04/2014, **still in office**;
- s. **auditor** of Sezzadio Municipality (Al) as from 7/07/2014, **still in office**;
- t. **auditor** of Volpedo Municipality (Al) as from 26/06/2015 **still in office**;

## 5. Positions held:

- u. tax court judge** (former 2nd Degree Alessandria Tax Commission, today the Regional Piedmont Tax Commission) as from 1990 **still in office**; from 25.05.2010 to 31.12.2014 also at the Central Tax Commission;
- v. chairman** of the of the Executive Committee of the "Fondazione Centro di Orientamento Scolastico e Professionale", having registered offices in Alessandria, as from 1990 (member of the Committee since December 1987) **to 3.12.2009**;
- w. director** of the board of directors of the "Opera diocesana di culto e religione Alessandro III" Foundation from 16.12.2008 and later commissioner, **still in office**;
- x. external member** of the Arbitration Board of the Alessandria Municipal Administration from 13/5/2003 to 2007;
- y. director of the board of directors** of the Alessandria Cassa di Risparmio, Public Economic Entity, from 10/9/1980 to 23/12/1991;
- z. director of the board of directors** of Cassa di Risparmio di Alessandria S.p.A. from 24/12/1991 to 28/4/1998;
- aa. director of the board of directors** of the Alessandria Cassa di Risparmio Foundation from 24/12/1991 to 3/7/1993;
- bb. director of the board of directors** of "Terme di Acqui S.p.A." from 10/7/1987 to 24/7/1991;
- cc. director of the board of directors** of "S.A.I.P. S.p.A." (Company of Alessandria for Production Manufacturing Sites), having registered offices in Alessandria, from 9/11/1984 to 21/12/1998;
- dd. member of the Executive Committee** of "Consorzio Garanzia Credito della Piccola Impresa e dell'Artigianato Orafo, Argentiero e Affini", having registered offices in Valenza (Al.), from 1986 to 21/4/1999;
- ee. member of the Executive Committee of the** Provincial Consortium for Professional Training having registered offices in Alessandria, from 1977 to 1987;
- ff. Member of municipal Council** of Alessandria from 15/6/1975 to 27/10/1980;

## 6. professional experience considered to be useful for the application

- a. **employed** by the Provincial Department of Economy and Finance of Alessandria - Provincial Services Head Office as from 8/1/1964;
- b. **deputy chief** of the above Provincial Department as from 25/2/2002;
- c. **deputy director** of the above Provincial Head Office (today the Territorial Head Office of the Alessandria Ministry of Economy and Finance) as from 8/6/1989 (**resigned on 1 September 2009**);
- d. **member of the examination board** for French language exams for the staff of the Aosta D.P.T. (Aosta 27/9/1989);
- e. **lecturer** of the retraining course (pos. ec. C 3) for the personnel of the Ministry of Economy and Finance for the Provincial Departments of Emilia Romagna Region (Modena 3 April/3 May 2002);
- f. **member of the examination board** of the retraining course (pos. ec. C 3) for the personnel of the Ministry of Economy and Finance for the Provincial Departments of Emilia Romagna Region (Modena 15/17 May 2002);
- g. **lecturer** for (4) retraining courses (pos. ec. C/C2) for the personnel of the Ministry of Economy and Finance for the Provincial Departments of Emilia Romagna Region (Modena 10 February / 15 April 2004);
- h. **member of the Examination Board** for (4.) retraining courses (pos. ec. C/C2) for the personnel of the Ministry of Economy and Finance for the Provincial Departments of Emilia Romagna Region (Modena 16-17-18 March, 30- 31-March, 1 April, 20-21-22 April, 4-5-6 May 2004);
- i. **lecturer** for the retraining courses (n. 4) (pos. ec. C/C2) for the personnel of the Ministry of Economy and Finance for the Provincial Departments of Piedmont Region (Turin 19 February / 3 May 2004);
- j. **lecturer** for the retraining courses (4) (pos. ec. 8/83) for the personnel of the Ministry of Economy and Finance for the Provincial Departments of Emilia Romagna Region (Modena 11 May / 29 June 2004);
- k. **member of the Examination Board** of the retraining courses ( 4) (pos. ec. 8/83) for the personnel of the Ministry of Economy and Finance for the Provincial Departments of Emilia Romagna Region (Modena 4,18,30 June and 14 July 2004);

- l. lecturer** for the retraining courses (4) (pos. ec. B/83) for the personnel of the Ministry of Economy and Finance for the Provincial Departments of Piedmont Region (Turin 3 June/ 5 July 2004);
- m. supervisor** on labour-law and tax matters for the Coni training course under the "SPORT SCHOOL MANAGER" Project (Acqui Terme 14/15 October 11/12 November 2006);
- n. acting commissioner** (judgement 1225/2008 Piedmont TAR (Regional Administrative Court) division II)
- o. acting commissioner** (order 48/3/09 Al. Prov. Tax Comm division III).

Alessandria, 27 March 2017

*[signed]*

## DECLARATION

I, Biagio Verde, born in Alessandria on 18 July 1943, residing in Alessandria at Via di Vittorio 8, being aware of the liabilities and criminal penalties set forth by section 76/1956 of Italian Presidential Decree 445/2000 if a fake certificate is submitted or false statements made, do hereby declare, under my own responsibility, that I currently cover the following positions with public entities or state-controlled companies, and with private companies registered with public registers:

- Standing Statutory Auditor of Giorgio Visconti S.p.A., having registered offices in Valenza (AL), at Via Carlo Camurati 47;
- Standing Statutory Auditor of Leo Pizzo S.p.A., having registered offices in Valenza (AL), Circonvallazione Ovest;
- Standing Statutory Auditor of Pasquale Bruni S.p.A., having registered offices in Valenza (AL), Circonvallazione Ovest - Zona CO.IN.OR.

Alessandria, March 2017

[*signed*]

Il sottoscritto Marco Armarolli, nato a Busto Arsizio (VA) il 23 gennaio 1973, codice fiscale RMRMRC73A23B300L, cittadino italiano, in relazione alla propria candidatura per l'assunzione della carica di Sindaco supplente, in vista della nomina da parte dell'Assemblea ordinaria degli azionisti di Banca Sistema S.p.A. convocata per il 27 aprile 2017 in unica convocazione

#### DICHIARA

- di accettare irrevocabilmente la candidatura a Sindaco supplente di Banca Sistema S.p.A. e, sin d'ora, l'eventuale propria nomina;
- di non essere candidato in nessuna altra lista per la nomina a Sindaco effettivo o supplente di Banca Sistema S.p.A.

Il Sottoscritto, inoltre, viste, tra l'altro, le disposizioni di cui all'art. 26 del D.Lgs. 1° settembre 1993, n. 385, all'art. 148 del D.Lgs. 24 febbraio 1998, n. 58, al Decreto del Ministero del Tesoro, del Bilancio e della Programmazione Economica del 18 marzo 1998, n. 161 ed al Decreto del Ministero della Giustizia del 30 marzo 2000, n. 162

**ATTESTA**, sotto la propria responsabilità,


- l'insussistenza a suo carico di cause di ineleggibilità, decadenza e incompatibilità, nonché il possesso di tutti i requisiti di onorabilità e professionalità prescritti dal D.M. 30 marzo 2000, n. 162, dal Decreto 18 marzo 1998, n. 161, dall'art. 148 del D.Lgs. 24 febbraio 1998, n. 58 e dallo Statuto di Banca Sistema S.p.A. per ricoprire la carica di Sindaco di Banca Sistema S.p.A.;
- il possesso dei requisiti di indipendenza ai sensi dell'art. 148 del D.Lgs. 24 febbraio 1998, n. 58 e ai sensi del Codice di Autodisciplina della Società Quotate.

Il sottoscritto si impegna a comunicare tempestivamente a Banca Sistema S.p.A. ogni successiva modifica di quanto sopra dichiarato ed in particolare eventuali variazioni degli incarichi di amministrazione e controllo ricoperti che dovessero verificarsi fino al giorno di svolgimento dell'Assemblea.

Inoltre, autorizza la pubblicazione dei dati sopra indicati e delle informazioni sulle caratteristiche personali e professionali contenute nel *curriculum vitae* e nell'elenco degli incarichi di amministrazione e controllo ricoperti presso altre società allegati alla presente dichiarazione, ai sensi e per gli effetti dell'art. 2400 del Codice Civile e dell'art. 148-bis del D.Lgs. 24 febbraio 1998, n. 58.

Il sottoscritto si impegna altresì a produrre, su richiesta di Banca Sistema S.p.A., la documentazione idonea a confermare la veridicità dei dati dichiarati.

Milano, 1° aprile 2017

Il dichiarante  


\*\*\*\*\*

INFORMATIVA (ai sensi dell'art. 13 del D.lgs 30/06/2003 n. 196) – Banca Sistema S.p.A., con sede in Milano, Corso Monforte, 20, La informa, in qualità di Titolare, che i dati da Lei forniti saranno trattati in conformità alle disposizioni del D.lgs 30/06/2003 n. 196 per l'accertamento dei requisiti necessari per l'assunzione della carica di Sindaco di Banca Sistema S.p.A., sia mediante procedure informatiche sia eventualmente presso le competenti amministrazioni al fine di verificare la veridicità degli stessi. Tale trattamento non richiede il Suo consenso.

Inoltre, con il Suo consenso, Banca Sistema S.p.A. pubblicherà i Suoi dati sul sito [www.bancasistema.it](http://www.bancasistema.it), nonché le informazioni sulle Sue caratteristiche personali e professionali contenute nel Suo *curriculum vitae* e nell'elenco degli incarichi di amministrazione, direzione e controllo ricoperti presso altre società allegati alla presente dichiarazione.

Banca Sistema S.p.A. comunica altresì che a Lei competono diritti quali quello di ottenere la cancellazione, l'aggiornamento, la notifica e l'integrazione dei Suoi dati nonché quello di opporsi, per motivi legittimi, al trattamento degli stessi. Il Responsabile designato al trattamento e Banca Sistema S.p.A. L'indirizzo e-mail al quale potrà rivolgersi per qualsiasi occorrenza è il seguente: [legale@bancasistema.it](mailto:legale@bancasistema.it).

Milano, 1° aprile 2017

Per ricevuta

A handwritten signature in black ink, appearing to read "Enrico Amadio", written over a horizontal line.

FORMATO EUROPEO  
PER IL CURRICULUM  
VITAE



INFORMAZIONI PERSONALI

Nome **ARMAROLLI MARCO**  
Indirizzo **c/o Studio Rock, Via Turati 29, Milano, 20121**  
Telefono **+39 02 6271161**  
Fax **+39 02 29001135**  
E-mail **armarolli@studiorock.net**

Nazionalità Italiana  
Data di nascita 23/01/1973

ESPERIENZA LAVORATIVA

- Date (da – a) Da febbraio 2005
  - Nome e indirizzo del datore di lavoro **STUDIO ROCK, VIA TURATI N. 29, MILANO**
  - Tipo di azienda o settore Studio Professionale
  - Tipo di impiego Socio
  - Principali mansioni e responsabilità
    - Consulenza fiscale e societaria a primari gruppi italiani ed a società di medie dimensioni;
    - Redazione di bilanci, dichiarazioni dei redditi e report;
    - Redazione circolari di studio;
- 
- Date (da – a) Da gennaio 2004 a gennaio 2005
  - Nome e indirizzo del datore di lavoro **DI TANNO E ASSOCIATI, CORSO VENEZIA N. 36, MILANO**
  - Tipo di azienda o settore Studio Professionale
  - Tipo di impiego Dottore Commercialista e Revisore Contabile
  - Principali mansioni e responsabilità
    - Consulenza fiscale e societaria a primari gruppi italiani ed a società di medie dimensioni;
    - Redazione di bilanci, dichiarazioni dei redditi;
    - Partecipazione ad operazioni di riorganizzazione aziendale.
- 
- Date (da – a) Da novembre 1998 a dicembre 2003
  - Nome e indirizzo del datore di lavoro **STUDIO ROCK, VIA DEL BOLLO N. 4, MILANO**
  - Tipo di azienda o settore Studio Professionale
  - Tipo di impiego Dottore Commercialista
  - Principali mansioni e responsabilità
    - Consulenza fiscale e societaria a primari gruppi italiani ed a società di medie dimensioni;
    - Redazione di bilanci, dichiarazioni dei redditi e report;
    - Redazione di circolari di studio;



- Date (da – a)
- Nome e indirizzo del datore di lavoro
- Tipo di azienda o settore
- Tipo di impiego
- Principali mansioni e responsabilità

Da ottobre 1997 a ottobre 1998  
**SERCON s.a.s.**  
 Società di elaborazione dati  
 Collaboratore  
 Funzioni contabili e amministrative

#### ISTRUZIONE E FORMAZIONE

- Master Ipsos di specializzazione sulle operazioni straordinarie;
- Abilitazione all'esercizio della libera professione di Dottore Commercialista e Revisore Contabile, iscritto all'Albo di Busto Arsizio;
- Iscritto nel Registro dei Revisori Contabili, numero progressivo 132243, con provvedimento del 29/04/2004 pubblicato nella Gazzetta Ufficiale della Repubblica Italiana n. 35 – IV Serie Speciale – del 04/05/2004;
- Laurea in Economia e Commercio conseguita con la votazione di 106/110 indirizzo: Libera Professione di Dottore Commercialista. Tesi in diritto commerciale dal titolo "L'attuazione del Registro delle Imprese" presso l'Università degli Studi di Pavia;
- Diploma di Ragioneria con la votazione di 48/60 presso l'Istituto Tecnico Commerciale Statale di Gallarate.

#### CAPACITÀ E COMPETENZE PERSONALI

MADRELINGUA ITALIANO

ALTRE LINGUE

- Capacità di lettura
- Capacità di scrittura
- Capacità di espressione orale

#### INGLESE

Buono  
 Buono  
 Discreto

- Capacità di lettura
- Capacità di scrittura
- Capacità di espressione orale

#### FRANCESE

Livello scolastico  
 Livello scolastico  
 Livello scolastico

#### CAPACITÀ E COMPETENZE RELAZIONALI, ORGANIZZATIVE E TECNICHE

Svolge la propria attività con società e gruppi, sia italiani che esteri nelle aree del diritto tributario, societario, contrattuale e nella valutazione aziendale.

E' membro di numerosi Collegi Sindacali.

Ottime capacità organizzative del proprio lavoro e di quello dei propri collaboratori.

#### ALTRE CAPACITÀ E COMPETENZE

Ottime capacità informatiche, ottima dimestichezza con strumenti elettronici. Ottima conoscenza del sistema operativo Windows e del pacchetto Office. Conoscenza di alcuni programmi per la gestione dell'attività professionale.

#### PATENTE O PATENTI

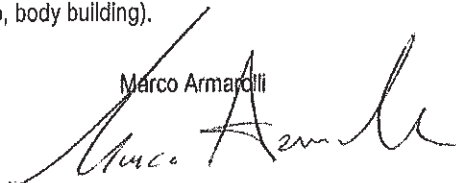
Patente A, Patente B

#### ULTERIORI INFORMAZIONI

Hobbies: Viaggi, lettura, cinema, sport praticati (nuoto, body building).

Milano, 1° aprile 2017

Marco Armerolli



## DICHIARAZIONE

Il sottoscritto Marco Armarolli, nato a Busto Arsizio (VA) il 23 gennaio 1973, residente in Carugate (MI), Via Pio XI 38, consapevole delle responsabilità e delle sanzioni penali previste dall'Art. 76 del D.P.R. 445/2000 per le false attestazioni e dichiarazioni mendaci e sotto la propria responsabilità dichiara che ad oggi ricopre le seguenti cariche in enti pubblici o in società a partecipazione pubblica, nonché in società private iscritte nei pubblici registri:

- Presidente del Collegio Sindacale della società SOCIETA'DI GESTIONE DELLE PARTECIPAZ.DI BANCA SISTEMA Srl, con sede in Corso Langhe, 10 - 12051 Alba CN (Italia);
- Sindaco Unico di SISLEY ITALIA S.r.l., con sede in Viale Bianca Maria, 23 - 20122 Milano (Italia);
- Sindaco Effettivo della società CELLINA ENERGY S.r.l., con sede in Foro Buonaparte, 31 - 20121 Milano (Italia);
- Sindaco Effettivo della società COMAT ENERGIA S.r.l., con sede in Foro Buonaparte, 31 - 20121 Milano (Italia);
- Sindaco Effettivo della società DAB ITALIA SOCIETA' CONSORTILE PER AZIONI, con sede in Foro Buonaparte, 71 - 20121 Milano (Italia);
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- Sindaco Effettivo della società G.B.M. - COMPAGNIA FINANZIARIA COMMERCIALE S.p.A., con sede in Via Antonio Mambretti, 9 - 20157 Milano (Italia);
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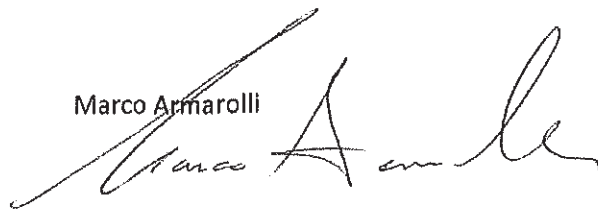
- Sindaco Effettivo della società MEDIAFRIENDS ONLUS, con sede in Viale Europa, 48 - 20043 Cologno Monzese MI (Italia);
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- Sindaco Effettivo della società POGGIO MONDELLO S.r.l., con sede in Via Catania, 25 - 90100 Palermo (Italia);
- Sindaco Effettivo RADIO STUDIO 105 S.p.A., con sede in Largo Guido Donegani, 1 - 20121 Milano (Italia);
- Sindaco Effettivo RADIOMEDIASET S.p.A., con sede in Largo Guido Donegani, 1 - 20121 Milano (Italia);
- Sindaco Effettivo SISTEMI DI ENERGIA S.p.A.; con sede in Foro Buonaparte, 31 - 20121 Milano (Italia);
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- Sindaco Supplente della società LUXLODE S.p.A., con sede in Via Santa Sofia, 27 - 20122 Milano (Italia);
- Sindaco Supplente della società MEDUSA FILM S.p.A., con sede in Viale Aventino, 26 - 00153 Roma (Italia);
- Sindaco Supplente della società NUOVA C.I.S.A. S.p.A. In Liquidazione, con sede in Foro Buonaparte, 31 - 20121 Milano (Italia);
- Sindaco Supplente della società PUBLITALIA 80 S.p.A., con sede in Via Pietro Paleocapa, 3 - 20121 Milano (Italia);



- Sindaco Supplente della società RETI TELEVISIVE ITALIANE - R.T.I. S.p.A., con sede in Largo del Nazareno, 8 - 00187 Roma (Italia);
- Sindaco Supplente della società SOCIETA' IDROELETTRICA CALABRESE S.r.l., con sede in Foro Buonaparte, 31 - 20121 Milano (Italia);
- Sindaco Supplente della società TOWERTEL S.p.A., con sede in Via Giacomo Zanella, 21 - 20851 Lissone MB (Italia);
- Sindaco Supplente della società VIDEO TIME S.p.A., con sede in Via Pietro Paleocapa, 3 - 20121 Milano (Italia).

Milano, li 1° aprile 2017.

Marco Armarolli

A handwritten signature in black ink, appearing to read 'Marco Armarolli', written in a cursive style. The signature is positioned below the printed name.

FORMATO EUROPEO  
PER IL CURRICULUM  
VITAE



PERSONAL INFORMATION

Name **ARMAROLLI MARCO**  
Address **c/o Studio Rock, Via Turati 29, Milan, 20121**  
Telephone **+39 02 6271161**  
Fax **+39 02 29001135**  
E-mail **armarolli@studiorock.net**

Nationality Italian  
Date of birth 23/01/1973

WORK EXPERIENCE

- Dates (from – to) February 2005 - Present
  - Name and address of employer **STUDIO ROCK, VIA TURATI N. 29, MILAN**
  - Type of business or sector Professional firm
  - Type of occupation Partner
  - Main activities or responsibilities
    - Tax and corporate consulting to major Italian groups and medium-sized companies;
    - Drafting of financial statements, tax returns and reports;
    - Drafting of firm circular letters.
- 
- Dates (from – to) January 2004 - January 2005
  - Name and address of employer **DI TANNO E ASSOCIATI, CORSO VENEZIA N. 36, MILAN**
  - Type of business or sector Professional firm
  - Type of occupation Chartered Accountant and Auditor
  - Main activities or responsibilities
    - Tax and corporate consulting to major Italian groups and medium-sized companies;
    - Drafting of financial statements, tax returns;
    - Participation in corporate reorganizations.
- 
- Dates (from – to) November 1998 - December 2003
  - Name and address of employer **STUDIO ROCK, VIA DEL BOLLO N. 4, MILAN**
  - Type of business or sector Professional firm
  - Type of occupation Chartered Accountant
  - Main activities or responsibilities
    - Tax and corporate consulting to major Italian groups and medium-sized companies;
    - Drafting of financial statements, tax returns and reports;
    - Drafting of firm circular letters.
- 
- Dates (from – to) October 1997 - October 1998
  - Name and address of employer **SERCON S.A.S.**
  - Type of business or sector Data processing company
  - Type of occupation Staff
  - Main activities or responsibilities Accounting and administrative functions.

## EDUCATION AND TRAINING

- IPSOA specialization course on extraordinary transactions;
- Qualification to practice as a Chartered Accountant and Auditor, enrolled in Busto Arsizio;
- Enrolled in the Register of Auditors, serial number 132243, with measure of 29/04/2004 published in the Official Gazette of the Italian Republic No. 35 — Special Series IV - of 04/05/2004;
- Degree in Economics with 106/110 marks. Specialization: public practice as a Chartered Accountant. Thesis in commercial law entitled "Implementation of the Register of Companies" at the University of Pavia;
- Diploma in Accounting with 48/60 marks at the State Technical Institute in Gallarate.

## PERSONAL SKILLS

### MOTHER TONGUE

ITALIAN

### OTHER LANGUAGES

#### ENGLISH

- Understanding
- Writing
- Speaking

Good

Good

Intermediate

#### FRENCH

- Understanding
- Writing
- Speaking

Basic

Basic

Basic

## SOCIAL, ORGANIZATIONAL AND TECHNICAL SKILLS AND COMPETENCES

Conducts his activities with both Italian and foreign companies and groups in the areas of tax law, company law, contracts and business valuation.

A member of several Boards of Statutory Auditors.

Excellent organizational skills of *his own work* and that of his employees.

## OTHER SKILLS AND COMPETENCES

Excellent computer skills, great familiarity with electronic instruments. Excellent knowledge of Windows operating system and Office suite. Knowledge of some programs for the management of the professional activity.

## DRIVING LICENSE

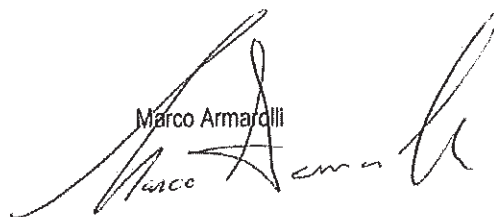
B license

## ADDITIONAL INFORMATION

Hobbies: Viaggi, lettura, cinema, sport praticati (nuoto, body building).

Milan, 1<sup>st</sup> april 2017

Marco Armarolli



## DICHIARAZIONE

Il sottoscritto Marco Armarolli, nato a Busto Arsizio (VA) il 23 gennaio 1973, residente in Carugate (MI), Via Pio XI 38, consapevole delle responsabilità e delle sanzioni penali previste dall'Art. 76 del D.P.R. 445/2000 per le false attestazioni e dichiarazioni mendaci e sotto la propria responsabilità dichiara che ad oggi ricopre le seguenti cariche in enti pubblici o in società a partecipazione pubblica, nonché in società private iscritte nei pubblici registri:

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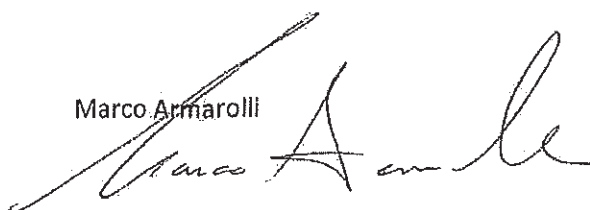




- Sindaco Supplente della società RETI TELEVISIVE ITALIANE - R.T.I. S.p.A., con sede in Largo del Nazareno, 8 - 00187 Roma (Italia);
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- Sindaco Supplente della società TOWERTEL S.p.A., con sede in Via Giacomo Zanella, 21 - 20851 Lissone MB (Italia);
- Sindaco Supplente della società VIDEO TIME S.p.A., con sede in Via Pietro Paleocapa, 3 - 20121 Milano (Italia).

Milano, lì 1° aprile 2017.

Marco Amadori

A handwritten signature in black ink, appearing to read 'Marco Amadori', written in a cursive style.

La sottoscritta Daniela D'Ignazio, nata ad Atri (TE) il 1° marzo 1978, codice fiscale DGNDNL78C41A488H, cittadina italiana, in relazione alla propria candidatura per l'assunzione della carica di Sindaco supplente, in vista della nomina da parte dell'Assemblea ordinaria degli azionisti di Banca Sistema S.p.A. convocata per il 27 aprile 2017 in unica convocazione

#### DICHIARA

- di accettare irrevocabilmente la candidatura a Sindaco supplente di Banca Sistema S.p.A. e, sin d'ora, l'eventuale propria nomina;
- di non essere candidata in nessuna altra lista per la nomina a Sindaco effettivo o supplente di Banca Sistema S.p.A.

La Sottoscritta, inoltre, viste, tra l'altro, le disposizioni di cui all'art. 26 del D.Lgs. 1° settembre 1993, n. 385, all'art. 148 del D.Lgs. 24 febbraio 1998, n. 58, al Decreto del Ministero del Tesoro, del Bilancio e della Programmazione Economica del 18 marzo 1998, n. 161 ed al Decreto del Ministero della Giustizia del 30 marzo 2000, n. 162

**ATTESTA**, sotto la propria responsabilità,

- l'insussistenza a suo carico di cause di ineleggibilità, decadenza e incompatibilità, nonché il possesso di tutti i requisiti di onorabilità e professionalità prescritti dal D.M. 30 marzo 2000, n. 162, dal Decreto 18 marzo 1998, n. 161, dall'art. 148 del D.Lgs. 24 febbraio 1998, n. 58 e dallo Statuto di Banca Sistema S.p.A. per ricoprire la carica di Sindaco di Banca Sistema S.p.A.;
- il possesso dei requisiti di indipendenza ai sensi dell'art. 148 del D.Lgs. 24 febbraio 1998, n. 58 e ai sensi del Codice di Autodisciplina della Società Quotate.

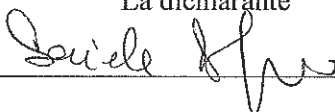
La sottoscritta si impegna a comunicare tempestivamente a Banca Sistema S.p.A. ogni successiva modifica di quanto sopra dichiarato ed in particolare eventuali variazioni degli incarichi di amministrazione e controllo ricoperti che dovessero verificarsi fino al giorno di svolgimento dell'Assemblea.

Inoltre, autorizza la pubblicazione dei dati sopra indicati e delle informazioni sulle caratteristiche personali e professionali contenute nel *curriculum vitae* e nell'elenco degli incarichi di amministrazione e controllo ricoperti presso altre società allegati alla presente dichiarazione, ai sensi e per gli effetti dell'art. 2400 del Codice Civile e dell'art. 148-bis del D.Lgs. 24 febbraio 1998, n. 58.

La sottoscritta si impegna altresì a produrre, su richiesta di Banca Sistema S.p.A., la documentazione idonea a confermare la veridicità dei dati dichiarati.

Milano, 29 Marzo 2017

La dichiarante



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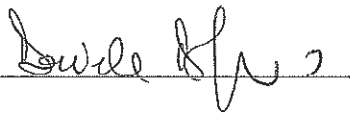
INFORMATIVA (ai sensi dell'art. 13 del D.lgs 30/06/2003 n. 196) – Banca Sistema S.p.A., con sede in Milano, Corso Monforte, 20, La informa, in qualità di Titolare, che i dati da Lei forniti saranno trattati in conformità alle disposizioni del D.lgs 30/06/2003 n. 196 per l'accertamento dei requisiti necessari per l'assunzione della carica di Sindaco di Banca Sistema S.p.A., sia mediante procedure informatiche sia eventualmente presso le competenti amministrazioni al fine di verificare la veridicità degli stessi. Tale trattamento non richiede il Suo consenso.

Inoltre, con il Suo consenso, Banca Sistema S.p.A. pubblicherà i Suoi dati sul sito [www.bancasistema.it](http://www.bancasistema.it), nonché le informazioni sulle Sue caratteristiche personali e professionali contenute nel Suo *curriculum vitae* e nell'elenco degli incarichi di amministrazione, direzione e controllo ricoperti presso altre società allegati alla presente dichiarazione.

Banca Sistema S.p.A. comunica altresì che a Lei competono diritti quali quello di ottenere la cancellazione, l'aggiornamento, la notifica e l'integrazione dei Suoi dati nonché quello di opporsi, per motivi legittimi, al trattamento degli stessi. Il Responsabile designato al trattamento è Banca Sistema S.p.A. L'indirizzo e-mail al quale potrà rivolgersi per qualsiasi occorrenza è il seguente: [legale@bancasistema.it](mailto:legale@bancasistema.it).

Data: 29 Marzo 2017

Per ricevuta

A handwritten signature in black ink, appearing to read "Dario Riva", is written over a horizontal line.

## DANIELA D'IGNAZIO

Nata il 1° Marzo 1978

### TITOLI DI STUDIO

- **Laurea in Economia e Commercio** conseguita presso l'Università degli Studi di L'Aquila con la votazione di 110/110 *cum laude*. Tesi in Finanza Etica e *Corporate Social Responsibility*.
- **Master in Corporate Finance e Management Control** – Business School de “Il Sole24 Ore”.
- **Qualifica di Dottore Commercialista** conseguita nella I^ sessione dell'anno 2006.
- **Iscritta al Registro dei Revisori Legali**, D.M. del 30/05/2007, G.U. n. 47 del 15/06/2007, 4° serie speciale.

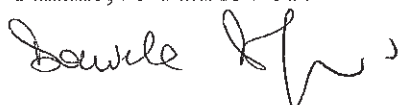
### ESPERIENZE DI LAVORO

- Esperienza presso la **divisione Corporate Finance di ACBGroup S.p.A.** svolgendo attività di assistenza in processi di quotazione in Borsa, attività di assistenza a commissari di società in amministrazione straordinaria, collaborazione in attività di valutazioni d'azienda.
- Dal Febbraio 2006 ad oggi esercita la libera professione di Dottore Commercialista affrontando problematiche di natura fiscale e societaria all'interno dello **Studio Bracchetti Calori e Associati**, studio integrato ACBGroup, di cui è socia. Principali esperienze maturate: operazioni straordinarie legate a riorganizzazioni di Gruppi, fiscalità di bilanci redatti in conformità ai principi contabili OIC e IAS/IFRS, fiscalità internazionale e problemi di doppia imposizione, esperienza in materia di *Transfer Pricing*, contenzioso tributario, consulenza ed assistenza a favore di enti non profit.
- **Membro della Commissione Pubblica utilità, Sociale ed Enti non profit** dell'Ordine dei Dottori Commercialisti ed Esperti Contabili di Milano.

### INCARICHI DI AMMINISTRAZIONE E CONTROLLO

- Rottapharm Biotech S.r.l. - Sindaco Effettivo
- Pastificio di Chiavenna S.r.l. - Sindaco Effettivo
- MPG Italia S.r.l. - Sindaco Effettivo
- Spencer Stuart Italia S.r.l. – Sindaco Supplente
- Tower Watson Italia S.r.l. - Sindaco Supplente
- Atlantica Properties S.p.a. - Sindaco Supplente
- Rottapharm S.p.a. - Sindaco Supplente
- Fidim S.r.l. - Sindaco Supplente
- RRL Immobiliare S.p.a. - Sindaco Supplente
- Officina dell'Arte S.r.l. in Liquidazione - Sindaco Supplente

Milano, 29 Marzo 2017



## DANIELA D'IGNAZIO

Born on 1 March 1978

### EDUCATION

- **First class Honours Degree in Economics** (GPA 110/110 *cum laude*) - University of L'Aquila. Thesis in Ethical Investments and Corporate Social Responsibility
- **Master in Corporate Finance and Management Control** – Il Sole24 Ore Business School
- **Qualified as Chartered Accountant** (“Dottore Commercialista”) in 2006
- **Registered in the Auditor’s National Register**, D.M. of 30 May 2007 and published on the Official Gazette n. 47 on 15 June 2007, 4° “serie speciale”.

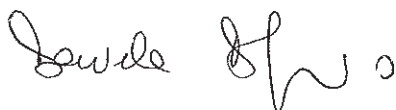
### BUSINESS EXPERIENCE

- **ACBGroup - Corporate Finance Division**  
Gained experience on company valuation, Initial Public Offerings, M&A deals and business restructuring
- **Studio Bracchetti Calori e Associati (ACBGroup) - Partner**
  - Advised multinational companies on Restructuring and M&A transactions. Main areas of expertise are international tax, double taxation, transfer pricing, OIC and IAS/IFRS accounting standards, and tax litigation.
  - Advised non-profit organisations to enhance their fiscal set-up and resolve tax litigations
- **Chartered Accountant Association in Milan**
  - Member of the non-profit Committee

### APPOINTMENTS AS BOARD MEMBER AND STATUTORY AUDITOR MEMBER

- Rottapharm Biotech S.r.l. - Acting statutory auditor
- Pastificio di Chiavenna S.r.l. - Acting statutory auditor
- MPG Italia S.r.l. - Acting statutory auditor
- Spencer Stuart Italia S.r.l. - Alternate statutory auditor
- Tower Watson Italia S.r.l. - Alternate statutory auditor
- Atlantica Properties S.p.a. - Alternate statutory auditor
- Rottapharm S.p.a. - Alternate statutory auditor
- Fidim S.r.l. - Alternate statutory auditor
- RRL Immobiliare S.p.a. - Alternate statutory auditor
- Officina dell'Arte S.r.l. in Liquidazione - Alternate statutory auditor

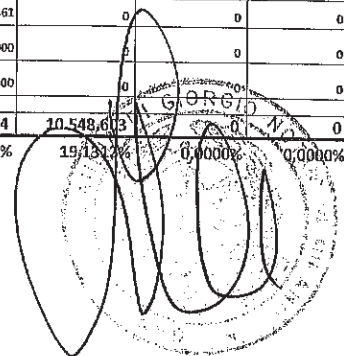
Milan, 29 March 2017



Allegabo "L" al m. 150/7/3918 di ref

N°	NOMINATIVO AZIONISTA	PRESENZA IN PROPRIO O PER DELEGA		NUMERO AZIONI	NUMERO AZIONI CON DIRITTO DI VOTO	% AZIONI SU TOTALE PRESENTE IN ASSEMBLEA	SCHEMA 5.1 ORDINARIA - ROSA								
		IN PROPRIO	PER DELEGA				55.138.217	F	C	A	NV	azioni Favorevoli	azioni Contrari	azioni Astenuti	azioni NV
*	Società di Gestione partecipazioni Banca Sistema		Anna Giello	18.578.900	18.578.900	33,69514%	1					18.578.900	0	0	0
*	Fondazione Stella		Anna Giello	5.950.104	5.950.104	10,79125%	1					5.950.104	0	0	0
*	Garbini SRL		Anna Giello	409.453	409.453	0,74259%	1					409.453	0	0	0
*	Fondazione Cessa di Risparmio di Alessandria		Anna Giello	5.950.104	5.950.104	10,79125%	1					5.950.104	0	0	0
*	Fondazione Pisa	Claudio Pagani		6.118.104	6.118.104	11,08594%	1					6.118.104	0	0	0
*	WF VALERO ENERGY CORP PENS PLVCM		Patrizia Marin	187.049	187.049	0,33924%		1				0	187.049	0	0
*	KEYBK TTEE CHARITABLE INTL EFSMID CAP		Patrizia Marin	59.045	59.045	0,10709%		1				0	59.045	0	0
*	GBVF GCIT INTLSM CAP OPP		Patrizia Marin	6.230	6.230	0,01130%		1				0	6.230	0	0
*	CEP DEP IP EUROPEAN SMALLER COS		Patrizia Marin	1.615.848	1.615.848	2,93054%	1					1.615.848	0	0	0
*	CEP DEP IP EUROPEAN OPFS		Patrizia Marin	415.293	415.293	0,75319%	1					415.293	0	0	0
*	Fidelity Funds SICAV		Patrizia Marin	1.910.682	1.910.682	3,46526%	1					1.910.682	0	0	0
*	Multilabel SICAV		Patrizia Marin	946.168	946.168	1,71599%		1				0	946.168	0	0
*	Clearbridge International Small CAP FUND		Patrizia Marin	432.290	432.290	0,78401%		1				0	432.290	0	0
*	Schroeder International Selection Fund		Patrizia Marin	2.289.659	2.289.659	4,15258%		1				0	2.289.659	0	0
*	Vanguard International Explorer Fund		Patrizia Marin	2.371.523	2.371.523	4,30105%		1				0	2.371.523	0	0
*	National West Bank PLC as Trustee of Jupiter Financial OPP F		Patrizia Marin	600.000	600.000	1,08317%		1				0	600.000	0	0
*	Polar Capital Global Financial Trust PL		Patrizia Marin	332.246	332.246	0,60257%	1					332.246	0	0	0
*	Transamerica International Small Cap		Patrizia Marin	500.000	500.000	0,90681%		1				0	500.000	0	0
*	Jvesco Funds		Patrizia Marin	819.429	819.429	1,48614%	1					819.429	0	0	0
*	Schroeder European Smaller Companies Fund		Patrizia Marin	634.312	634.312	1,15040%		1				0	634.312	0	0
*	Polar Capital Funds PLC		Patrizia Marin	820.000	820.000	1,48717%	1					820.000	0	0	0
*	Grandeur Peak International Opportunita		Patrizia Marin	1.071.907	1.071.907	1,94404%	1					1.071.907	0	0	0
*	Axa World Funds		Patrizia Marin	600.000	600.000	1,08317%		1				0	600.000	0	0
*	Schroeder Capital Management Collective T		Patrizia Marin	650.000	650.000	1,17886%		1				0	650.000	0	0
*	The State of Connecticut Acting through Its Treasurer		Patrizia Marin	357.713	357.713	0,64876%		1				0	357.713	0	0
*	The Jupiter Global Fund Scav		Patrizia Marin	60.000	60.000	0,10882%		1				0	60.000	0	0
*	State of Alaska Retirement and Benefits Plans		Patrizia Marin	196.293	196.293	0,35600%		1				0	196.293	0	0
*	Microsoft Global Finance		Patrizia Marin	162.139	162.139	0,29406%		1				0	162.139	0	0
*	Missouri Local Government Employees Retirement System		Patrizia Marin	307.129	307.129	0,55702%		1				0	307.129	0	0
*	Grandeur Peak Global Reach FD		Patrizia Marin	134.028	134.028	0,24308%	1					134.028	0	0	0
*	National Council For Social Security Fund		Patrizia Marin	108.000	108.000	0,19587%		1				0	108.000	0	0
*	Grandeur Peak Global Micro Cap F		Patrizia Marin	60.510	60.510	0,10974%	1					60.510	0	0	0
*	Schroeder International Small Companies P		Patrizia Marin	32.520	32.520	0,05888%		1				0	32.520	0	0
*	Royce Global Valuetrust Inc.		Patrizia Marin	47.800	47.800	0,08669%	1					47.800	0	0	0
*	SSBK and Trust Company Inv. Funds for Taxexempt Retirement PL		Patrizia Marin	17.911	17.911	0,03248%		1				0	17.911	0	0
*	Royce International Micro - Cap Fund		Patrizia Marin	18.600	18.600	0,03373%	1					18.600	0	0	0
*	Royce Value Trust Inc.		Patrizia Marin	200.000	200.000	0,36272%	1					200.000	0	0	0
*	Arrowstreet capital global all country alpha extension fund (CAYMAN) Limited		Patrizia Marin	54.645	54.645	0,09911%	1					54.645	0	0	0
*	Goldman Sachs Funds		Patrizia Marin	30.622	30.622	0,05554%		1				0	30.622	0	0
*	Garbi Gianluca	Garbi Gianluca		26.500	26.500	0,04806%	1					26.500	0	0	0
*	Giello Anna	Giello Anna		10.461	10.461	0,01897%	1					10.461	0	0	0
*	Franceschi Egipto	Franceschi Egipto		30.000	30.000	0,05441%	1					30.000	0	0	0
*	Ciferri-Cerotti Massimiliano	Ciferri-Cerotti Massimiliano		15.000	15.000	0,02720%	1					15.000	0	0	0
TOTALI		5	38		55.138.217	100,00%	22	21	0	0	44.589.614	10.548.603	0	0	

80,8688% 19,1312% 0,0000% 0,0000%



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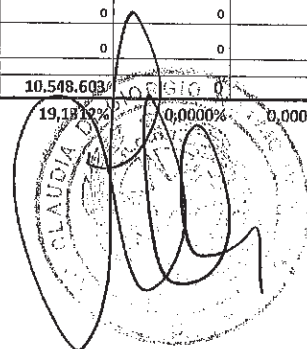
N°	NOMINATIVO AZIONISTA	PRESENZA IN PROPRIO O PER DELEGA		NUMERO AZIONI	NUMERO AZIONI CON DIRITTO DI VOTO	% AZIONI SU TOTALE PRESENTE IN ASSEMBLEA	SCHEDA AZIONARIA						
		IN PROPRIO	PER DELEGA				NUMERO AZIONI	PERCENTUALE	NUMERO AZIONI	PERCENTUALE			
						55.138.217							
*	Società di Gestione partecipazioni Banca Sistema		Anna Girello	18.578.900	18.578.900	33,69514%	1		18.578.900	0	0	0	0
*	Fondazione Sicilia		Anna Girello	5.950.104	5.950.104	10,79125%	1		5.950.104	0	0	0	0
*	Garbifin SRL		Anna Girello	409.453	409.453	0,74259%	1		409.453	0	0	0	0
*	Fondazione Cassa di Risparmio di Alessandria		Anna Girello	5.950.104	5.950.104	10,79125%	1		5.950.104	0	0	0	0
*	Fondazione Pisa	Claudio Pugelli		6.118.104	6.118.104	11,09594%	1		6.118.104	0	0	0	0
*	WF VALERO ENERGY CORP PENS PLVCM		Patrizia Marin	187.049	187.049	0,33924%		1	0	187.049	0	0	0
*	KEYBK TREE CHARITABLE INTL EF SMID CAP		Patrizia Marin	59.045	59.045	0,10709%		1	0	59.045	0	0	0
*	GBVFGCIT INTL SM CAP OPP		Patrizia Marin	6.230	6.230	0,01130%		1	0	6.230	0	0	0
*	CEP DEP IP EUROPEAN SMALLER COS		Patrizia Marin	1.615.848	1.615.848	2,93054%	1		1.615.848	0	0	0	0
*	CEP DEP IP EUROPEAN OPPTS		Patrizia Marin	415.293	415.293	0,75319%	1		415.293	0	0	0	0
*	Fidelity Funds SICAV		Patrizia Marin	1.910.682	1.910.682	3,46526%	1		1.910.682	0	0	0	0
*	Multilabel SICAV		Patrizia Marin	946.168	946.168	1,71599%		1	0	946.168	0	0	0
*	Clearbridge International Small CAP FUND		Patrizia Marin	432.290	432.290	0,78401%		1	0	432.290	0	0	0
*	Schroeder International Selection Fund		Patrizia Marin	2.289.659	2.289.659	4,15258%		1	0	2.289.659	0	0	0
*	Vanguard International Explorer Fund		Patrizia Marin	2.371.523	2.371.523	4,30105%		1	0	2.371.523	0	0	0
*	National West Bank PLC as Trustee of Jupiter Financial OPP F		Patrizia Marin	600.000	600.000	1,08817%		1	0	600.000	0	0	0
*	Polar Capital Global Financial Trust PL		Patrizia Marin	332.246	332.246	0,60257%	1		332.246	0	0	0	0
*	Transamerica International Small Cap		Patrizia Marin	500.000	500.000	0,90681%		1	0	500.000	0	0	0
*	Invesco Funds		Patrizia Marin	819.429	819.429	1,48614%	1		819.429	0	0	0	0
*	Schroeder European Smaller Companies Fund		Patrizia Marin	634.312	634.312	1,15040%		1	0	634.312	0	0	0
*	Polar Capital Funds PLC		Patrizia Marin	820.000	820.000	1,48717%	1		820.000	0	0	0	0
*	Grandeur Peak International Opportunitie		Patrizia Marin	1.071.907	1.071.907	1,94404%	1		1.071.907	0	0	0	0
*	Axa World Funds		Patrizia Marin	600.000	600.000	1,08817%		1	0	600.000	0	0	0
*	Schroeder Capital Management Collective T		Patrizia Marin	650.000	650.000	1,17886%		1	0	650.000	0	0	0
*	The State of Connecticut Acting through its Treasurer		Patrizia Marin	357.713	357.713	0,64876%		1	0	357.713	0	0	0
*	The Jupiter Global Fund Sicav		Patrizia Marin	60.000	60.000	0,10882%		1	0	60.000	0	0	0
*	State of Alaska Retirement and Benefits Plans		Patrizia Marin	196.293	196.293	0,35600%		1	0	196.293	0	0	0
*	Microsoft Global Finance		Patrizia Marin	162.139	162.139	0,29406%		1	0	162.139	0	0	0
*	Missouri Local Government Employees Retirement System		Patrizia Marin	307.129	307.129	0,55702%		1	0	307.129	0	0	0
*	Grandeur Peak Global Reach FD		Patrizia Marin	134.028	134.028	0,24308%	1		134.028	0	0	0	0
*	National Council For Social Security Fund		Patrizia Marin	108.000	108.000	0,19587%		1	0	108.000	0	0	0
*	Grandeur Peak Global Micro Cap F		Patrizia Marin	60.510	60.510	0,10974%	1		60.510	0	0	0	0
*	Schroeder International Small Companies P		Patrizia Marin	32.520	32.520	0,05898%		1	0	32.520	0	0	0
*	Royce Global Valuetrust Inc.		Patrizia Marin	47.800	47.800	0,08689%	1		47.800	0	0	0	0
*	SS BK and Trust Company Inv. Funds for Taxexempt Retirement PL		Patrizia Marin	17.911	17.911	0,03248%		1	0	17.911	0	0	0
*	Royce International Micro - Cap Fund		Patrizia Marin	18.600	18.600	0,03373%	1		18.600	0	0	0	0
*	Royce Value Trust Inc.		Patrizia Marin	200.000	200.000	0,36272%	1		200.000	0	0	0	0
*	Arrowstreet capital global all country alpha extension fund (CAYMAN) Limited		Patrizia Marin	54.645	54.645	0,09911%	1		54.645	0	0	0	0
*	Goldman Sachs Funds		Patrizia Marin	30.622	30.622	0,05554%		1	0	30.622	0	0	0
*	Garbi Gianluca	Garbi Gianluca		26.300	26.300	0,04806%	1		26.300	0	0	0	0
*	Girello Anna	Girello Anna		10.461	10.461	0,01897%	1		10.461	0	0	0	0
*	Franceschi Eglsto	Franceschi Eglsto		30.000	30.000	0,05441%	1		30.000	0	0	0	0
*	Ciferri-Ceratti Massimiliano	Ciferri-Ceratti Massimiliano		15.000	15.000	0,02720%	1		15.000	0	0	0	0
	<b>TOTALI</b>	<b>5</b>	<b>38</b>		<b>55.138.217</b>	<b>100,00%</b>	<b>22</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>44.589.614</b>	<b>10.548.603</b>	<b>0</b>

80,8688%

19,1312%

0,0000%

0,0000%







**Remuneration Policies Document of the  
Banca Sistema Group S.p.A.  
2017**

**Document approved  
by the Board of Directors on 8 February 2017  
and updated on 28 March 2017**

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### 1. INTRODUCTION

This document (the “**Remuneration Policies Document**”) has been prepared in accordance with Part I, Title IV, Chapter 2, of Bank of Italy Circular no. 285 of 17 December 2013 (“**Circular 285**”) on “Remuneration and Incentive Policies and Practices” (hereinafter, the “Policies”), the provisions of the Corporate Governance Code for listed companies, adopted by the Corporate Governance Committee sponsored by Borsa Italiana S.p.A. (the “**Corporate Governance Code**”) (hereinafter, jointly referred to as “**The Provisions**”).

The Provisions are supplemented by the relevant *Regulatory Technical Standards* issued by the European Commission, as proposed by the EBA.

The Provisions implement Directive 2013/36/EU (henceforth “**CRD 4**”), 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 the international level, including those issued by the *European Banking Authority* (“**EBA**”) and the *Financial Stability Board* (“**FSB**”).

In particular, the Provisions set out principles and specific criteria which banks must apply in order to:

- guarantee that remuneration systems are defined and implemented properly;
- manage potential conflicts of interest effectively;
- ensure that the remuneration system considers current and potential risks and each intermediary’s capitalisation and liquidity level;
- improve the level of transparency towards the market;
- strengthen control by the Supervisory Authorities.

The aim of the Provisions is to realise a remuneration system – in the interest of all stakeholders – consistent with the values, strategies and long-term company objectives, tied to results that are appropriately adjusted to reflect its risks, consistently with adequate capitalisation and liquidity as necessary to fund its activities. In any event, this system has to avoid distorted incentives that might induce participants to commit regulatory infractions or assume excessive risks for banks and the financial system as a whole.

The Provisions require the parent company of a 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 by all group companies.

Therefore, this document, prepared by Banca Sistema S.p.A. (“**Banca Sistema**” or “**Parent Company**” or the “**Bank**”), is valid for the entire Banca Sistema Group (the “**Group**”).

In any case, Group companies are responsible for compliance with the Provisions and, in general, compliance with the regulations applicable to remuneration policies and the instructions issued by the Parent Company.

Pursuant to Part I, Title IV, Chapter 2, Section I, paragraph 7 of Circular 285, in application of a proportional criterion, every bank may apply the remuneration provisions according to the methods that better reflect the characteristics, size, risk levels and complexity of its business activities.

In detail, the banks are broken down into the following three categories for the application of Circular 285:

- “*larger and more complex banks*”: those that are deemed significant under art. 6(4) of Regulation (EU) No. 1024/2013 (Single Supervisory Mechanism – “SSM”) (1)
- “*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 SSM;
- “*medium size banks*”: banks whose balance sheet assets are between EUR 3.5 and 30 billion and banks who 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 SSM.

By having total assets far below EUR 3.5 billion, both at the individual and group level, Banca Sistema could be considered to meet the definition of “smaller” banks. Nevertheless, in light of its status as a listed company and EBA guidance, it has been decided to apply the rules referring to “medium size” banks, Circular 285, TITLE IV, Chapter 2.

## 2. MISSION OF THE BANCA SISTEMA GROUP AND OBJECTIVES OF THE REMUNERATION POLICIES

Banca Sistema has adopted a business model with the aim of becoming an independent leader in the “speciality finance” segment. This model is based on a strategy pursuing steady growth, by exploiting the expertise and experience of its own staff.

The Banca Sistema strategic plan and industrial plan are contained in the “Industrial Plan 2015-2018” approved by the Board of Directors on 26 March 2015.

Considering the mission outlined hereinabove, the Provisions, and EBA guidance, the remuneration strategy of the Group pursues the following aims:

- to direct the efforts of directors and employees towards the Bank's 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 reflect and promote healthy and effective management of the Bank;
- to ensure the fairness of remuneration, rewarding employees for their contribution and the responsibilities given;
- to offer competitive salary packages;

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(1) According to art. 6(4) of SSM, “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 promote conduct that is consistent with the Group Code of Ethics (the “Code of Ethics”), the Group’s internal procedures and the legislative and regulatory provisions in force applicable to Banca Sistema and the whole Group.

The Group remuneration strategy also reflects the RAF (Risk Appetite Framework) adopted by the Bank, which contains specific performance indicators that take its risk appetite into account.

### 3. REMUNERATION POLICIES DEFINITION PROCESS

The Remuneration and Incentive Policies (the “Policies”) were defined in accordance with the process described below, in compliance with the prescriptions of the Provisions and those of the Banca Sistema Articles of Association.

The remuneration policies definition process has seen the involvement of the following Bank bodies and functions, according to the remits and responsibilities described hereinafter:

- The **Board of Directors**, which prepares the Bank’s Policies, submits them to the Shareholders’ Meeting, and reviews them at least once annually, also oversees their proper implementation. It ensures that the remuneration policy is adequately documented and accessible within the corporate organisation. It defines the incentive plan targeting the individuals classified as “key personnel” and all other Group employees (see paragraph 4 hereunder). It also ensures that the Bank Policies are adequately implemented and aligned with the overall framework of corporate governance, its corporate culture, its risk appetite, and related governance processes.

Finally, the Board of Directors ensures that the grant, payment, and accrual of variable remuneration, including the application of malus and claw-back mechanisms, do not allow the Group remuneration policy to prejudice its solid base of capitalisation.

The Board of Directors discharges its duties with the support and contribution of the following company functions:

- the **Human Resources Department**, which coordinates the process of defining remuneration policies and contributes to the preparation of Policies by providing the necessary information, inter alia in reference to the structure and levels of remuneration and to the incentive systems;
- the **Risk Department**, which participates in the process of identifying contingent events that may influence corporate activity, by analysing the impact of these events within the scope of acceptable risk limits and by periodically monitoring the impact of implementation of the Policies on Group risk appetite. The Risk Department is invited to the Remuneration Committee meetings dedicated to the drafting, implementation, and control of the Policies. In particular, it ensures their consistency with the reference framework for determining risk appetite and the governance and risk management policies defined in the RAF. The Risk Department, acting jointly with the Compliance Department, effectively contributes, according to their respective roles, to definition of the “bonus pools”, the result indicators and the granted remuneration, while reporting any possible findings on the impact on staff behaviour and/or on the risk of undertaken activities;
- the **Compliance Department**, which conducts ex ante reviews of compliance of the Policies. It annually assesses the compliance of the Policies with applicable laws, regulations, and internal regulations, including the Group Code of Ethics. Inter alia its reviews consider legal and reputation risks. The Compliance Department informs the Board of Directors with a special

report on any findings, so that the Board of Directors considers them when it approves and evaluates the Policies;

- the **Internal Audit Department**, which performs an independent review of employee remuneration and incentive practices when the Policies are drafted and implemented. It conducts that review at least once annually in compliance with the Provisions and EBA guidance to determine their impact on the Bank risk profile. It examines, among others, at least on an annual basis, the compliance of the incentive practices to the so approved Policies and to the regulation in force;
  - the **Finance and Administration 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;
  - **Executive in charge of preparing accounting and company documents ("Dirigente Preposto")**, who verifies the compliance and consistency of the Remuneration Policy with respect to the accounting and company documents and, in particular, their accuracy with respect to the individual 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 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 corporate functions are involved in the process of preparing and monitoring the Policies;
    - to provide input, based inter alia on the information received from the internal functions concerned, on the achievement of the performance targets linked to the incentive plans and verification of the other requirements imposed for payment of the remuneration;
    - to review the need for an ex post correction in variable remuneration (liability and claw-back), by making appropriate proposals to the Board of Directors;
    - to provide adequate confirmation on the activity performed by corporate bodies, including the Shareholders' Meeting, by verifying the adequacy of the information to be provided to the shareholders on the Policies, particularly in regard to any proposals for going over the 1:1 ratio between the fixed component and variable component of remuneration;
    - to propose to the Board of Directors the engagement of independent experts on Remuneration and Incentive Policies;
    - to verify whether the existing remuneration policy has been updated yet and, if necessary, features proposals for change.

To perform its duties effectively and responsibly, the Remuneration Committee has access to all data and all information concerning the decision-making process of the Board of Directors related to the drafting, implementation, auditing and review of the Remuneration Policies and practices. The Committee also disposes of adequate resources and has unconditional access to all information and data from the control functions. It interacts with those control functions and with the other relevant corporate functions (e.g. the Human Resources Department, the Legal Department, the Finance and Administration Department), whose members may be asked to participate at Committee meetings.

- The **Shareholders' Meeting**, which approves:
  - the 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 (“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 1:1, but not more than 2:1.

- **Board of Statutory Auditors**

The Board of Statutory Auditors plays a consulting role on request of the Board of Directors and oversees the correct application of the remuneration rules in accordance with the laws and regulations in force at the time of the verification.

At least once annually, the Policies are subject to review of: the review activity and the related corrective plans that are proposed, approved and implemented are documented in written reports or minutes of the relevant meetings.

#### 4. KEY PERSONNEL SELF-ASSESSMENT AND IDENTIFICATION PROCESS

The process of identifying the “key personnel” (i.e. the persons whose professional activity does have or may have a substantial impact on the risk profile of the Group) reflects the provisions of the Delegated Regulation (EU) No. 604/2014 (“**Regulatory Technical Standards**” or “**RTS**”).

The self-evaluation designed to identify the “key personnel” is performed annually by the Board of Directors of the Bank, and in any case each time the organizational structure is changed, on the basis of a detailed process engaging the participation of the Remuneration Committee and internal control functions.

The Board of Directors of the Bank:

- approves the guidelines for the identification process, periodically re-examines and approves any waivers and/or changes as necessary;
- participates in the process and monitors it on an ongoing basis;
- approves any exclusions of employees.

“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” include executives with strategic responsibilities, namely, those persons who have direct or indirect powers and responsibilities over the planning, management and control of the Bank’s business. The executives with strategic responsibilities include its executive and non-executive directors.

In application of the quantitative and qualitative criteria provided for in the RTS, and examination of the different risk levels existing in the various activities of the Group, a total of 28 key personnel positions have been identified, currently held by 27 staff members. These positions can be broken down into the following categories:

**A. Directors with executive offices**

- Directors who hold executive offices in the Parent Company (1 position)<sup>2</sup>;

**B. Non-executive Directors**

- Directors who do not hold executive offices in the Parent Company (8 positions);

**C. Managers of key company functions**

- Commercial Department (1 position);
- Collection Department (1 position);
- Finance and Administration Department (2 positions);
- Commercial Factoring Department (2 positions);
- Legal and Corporate Affairs Department (1 position);
- Centralised Operations Department (2 positions);
- Underwriting 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 Department (1 position);
- Executive in charge of preparing accounting and company documents (1 position);
- Compliance and Anti-Money Laundering Function (1 position);

**E. Other “risk takers”**

- Treasury Function (1 position);
- Investor Relations Function (1 position);
- Chief of Staff (1 position);
- Marketing and Communications Department (1 position);

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<sup>2</sup> The Chief Executive Officer also holds the position of General Manager.



### 5. DISCLOSURE REQUIREMENTS

Regarding remuneration policies and practices for “key personnel”, the Bank publishes on its website a series of information pursuant to art. 450 of Regulation (EU) No. 575/2013 (“CRR”), in compliance with EBA guidelines, including:

- the decision-making process followed in the definition of the Policies;
- 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 and the Chief Executive Officer.

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 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 time-frames set out in the applicable provisions of law.

### 6. THE STRUCTURE OF REMUNERATION AT GROUP LEVEL

Pursuant to Part I, Title IV, Chapter 2, Section I, Paragraph 3, of Circular 285,

- (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 according 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 (golden parachutes)*”.

#### 6.1 General Principles

The remuneration paid to the Group’s employees consists of a fixed component, for all levels of employment, and of a variable component for persons in the “key personnel” category.

The Bank does not grant discretionary pension benefits or agreed compensation in the event of early termination of employment or early dismissal from office.

The remuneration paid to the Group's employees consists of the following components:

### **6.1.1 Fixed component**

- paid at all levels of responsibility;
- based on the technical, professional, and managerial skills of personnel and the responsibility assigned to each person. It is constantly monitored to check its internal and external fairness on the marketplace, inter alia by using assessments prepared by independent consultants retained by the Parent Company; the Bank applies the National Collective Bargaining Agreement (CCNL) for Executive Managers and for Personnel in the Professional Units who are employees of Credit, Financial, and Instrumental Enterprises, and the National Collective Bargaining Agreement for the Senior Managers employed by Credit, Financial, and Instrumental Enterprises.
- structured on the basis of the sustainability criterion.

### **6.1.2 Variable component**

The Board of Directors has approved these Policies together with the Long Term Incentive Plan for 2017-2019, also referred to hereinafter as "**LTIP**".

The variable component is benchmarked to performance indicators adjusted for the risk and aligned with the RAF. The total amount is based on effective and lasting results and also considers qualitative objectives. For the purposes of its allocation and distribution, among other reasons, the variable component reflects the risks and results of the Bank and the Group as a whole, the risks and results of the individual business units and, if applicable, the individual risks and results.

In accordance with the Policies, the rules for the variable component of remuneration apply to the variable remuneration of the "key personnel". Any bonuses that are granted to other employees as well may be paid within the limits of the "bonus pool" and on condition that the company-level performance targets indicated herein be met, and in compliance with the other provisions of the Policies.

The variable component is benchmarked to performance indicators adjusted for the risk and aligned with the RAF approved every year by the Board of Directors.

The variable component is conditioned on achievement of company-level performance targets and individual targets (see Annex 1 of this document). When specific company-level performance targets and individual targets are met (as differentiated by brackets of beneficiaries), the LTIP recipients accrue the right to receive variable remuneration that is comprised partly of cash and partly of Bank shares ("Bonus").

In order to ensure that the LTIP is financially sustainable and guarantee that the Bank is adequately capitalised, the total Bonuses payable to all its employees and "key personnel" cannot exceed the value of the "bonus pool", which is determined every year by the Bank's Board of Directors, on proposal of the CEO, after receiving input from the Chief Financial Officer, the Executive in charge of preparing accounting and company documents, the Risk Manager and the Compliance Manager.

The CEO's proposal is assessed by the Remuneration Committee, which issues its own opinion to the Board of Directors.

The size of the bonus pool is based on the forecast of effective and lasting results in terms of company-level performance, considering the objectives set in the industrial plan approved by the Board of Directors and detailed in the annual budgets and RAF. The condition for distribution of the bonus pool is realisation of positive gross profit, where "gross profit" means the non-adjusted gross profit as presented by the Board of

Directors of the Report on Operations (<sup>1</sup>), (hereinafter, “**Gross Profit**”). In the opposite case, no Bonus may be distributed.

For distribution of the Bonus, the Bank has identified the following access criteria for the three-year period 2017-2019 (Key Risk Indicator, or “**KRI**”) envisaged in the RAF of the reference year, and having equal weight:

- **Common Equity Tier 1 ratio (CET1)**
- **Liquidity Coverage Ratio (LCR)**

If even just one of the aforementioned two KRI's fails to reach the first level threshold indicated in the RAF, the Bank does not pay any Bonus.

The annual bonus pool is determined *ex ante* as a percentage of gross profit (but may never exceed 10%) forecast in the budget approved by the Board of Directors of the Bank. The annual bonus pool is approved by the Board of Directors at the same time that the annual budget is approved.

The bonus pool is also subject to an *ex post* correction factor according to the level of Return on Risk Adjusted Capital (Rorac) envisaged in the RAF for the previous year:

- if the Rorac realised in the year exceeds the first level threshold, as identified in the RAF, 100% of the bonus pool is distributed;
- if the realised Rorac falls between the first and second level thresholds, 80% of the bonus pool is paid out;
- if the realised Rorac is less than the second level threshold, as forecast in the RAF, the Board of Directors of the Bank will resolve the non-distribution of Bonuses.

In case of reduction of the bonus pool in accordance with the above determined criteria, the individual bonus (as defined under Annex 1) will be proportionally reduced for all the beneficiaries.

The Company bodies and employees enjoy a few non-monetary benefits of differing relevance, based on the company role and service. In particular, these are medical insurance, company car and flexible benefits.

The benefits in the year 2017 will include the following:

- Medical insurance for all employees and for the members of the Bank's Board of Directors
- Company car for the managers and personnel with commercial roles.
- Flexible benefits for the company managers and officers. Banca Sistema has introduced a Benefit Plan for the purpose of supporting its own workers and families in social and cultural activities, public transportation, educational development and school expenses of their children. This plan is intended for the company managers and officers, that is, almost half of the Group's employees.

### **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 applicable laws and the Articles of Association of the Bank, 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.

The Board of Directors' proposal to the Shareholders' Meeting in this regard shall indicate at least the following information: the functions to which those persons affected by the decision belong and their number, for each function; the reasons underlying the proposed increase; the implications, even in a forward-looking perspective, on the Company's ability to continue to comply with all applicable prudential rules.

( ) Possibly adjusted to ensure the comparability of gross profit with the amount realised in previous years.

### 6.1.4 Recipients of the LTIP

According to the weight of the specific role in the corporate organisation and the influence on risk levels and business results, 15 organisational roles have been identified and broken down into three categories of Recipients (broken down into brackets 1 to 3 in **Table "A"** that follows).

**TABLE "A"**

<b>Business</b>	<b>Role</b>	<b>Total numer</b>
Level 1	Chief Executive Officer and General Manager	1
Level 2	Head of Collection Services Deputy Head of Commercial Division Head of Legal & Corporate Affairs Chief Operating Officer Deputy Head of Commercial Division Head of Treasury	6
Level 3	Commercial Factoring Chief of Staff Investor Relator Head of Administration and Supervision Head of Underwriting Head of Pricing and Structuring Head of Middle Office Head of IT	8
		15

During the three-year period 2017-2019, the variable remuneration will be paid after approval of the financial statements as follows:

- For amounts of less than Euro 20,000, the entire variable remuneration will be paid in cash upfront.
- For amounts between Euro 20,000 and Euro 50,000, the variable remuneration will be paid 50% upfront in cash, and the remaining 50% will be deferred and paid in shares of the Bank at the end of the three-year deferral period.
- For amounts exceeding Euro 50,000, the variable remuneration will be paid 60% upfront (of which 50% cash and 50% in Bank shares). The remaining 40% will be deferred and paid at the end of the three-year deferral period, for an amount equal to 50% in cash and the remaining 50% in Bank shares.

For the purpose of the calculation of Bank shares to be assigned and of the assignment rules, reference shall be made to Annex 2 and the Information Document relating to the Stock Grant Plan 2017-2019 published on the internet site [www.bancasistema.it](http://www.bancasistema.it), section Governance.

### ***Vesting***

The total time period of the LTIP is six years, insofar as a deferred part of the Bonuses will be paid during the three-year period 2020-2022 as envisaged in the Policies.

### ***Retention***

The retention period (during which no purchases or sales may be made) of the Bank shares granted on a deferred basis is set at 12 months.

### ***Malus***

So that adequate ex post correction mechanisms can be adopted, the Bank may, during the variable remuneration deferral period, reduce or zero out the deferred amount of the cash portion and the Bank share portion to reflect performance over the whole three-year period, net of the risks effectively assumed or realised, and/or the changes in the balance sheet and liquidity of the Bank or to take into account new and unexpected situations / non-recurring events (e.g. new risks, unexpected losses) or individual acts (*malus*).

The amount of the reduction (or elimination of the deferred part of variable remuneration is resolved by the Board of Directors of the Bank, as proposed by the Remuneration Committee. The malus mechanism is applied especially when during the three-year period the average of individual objectives achieved is less than 75% of the average for the targets identified in accordance with this Policy.

### ***Claw-Back***

While the failure to achieve positive Gross Profit does not offer access to the system of incentives for any staff member, and not only to the most important one, the incentives granted and/or paid to members of the personnel that have determined or contributed to formation of the following are subject to claw-back (obligation to return the paid incentives or denial of payment of granted incentives):

- acts that caused a significant loss for the Bank;
- violations of the obligations imposed pursuant to article 26 or, when the individual is an interested party, article 53, paragraphs 4 et seq. of the Consolidated Law on Banking (TUB) or the obligations affecting remuneration and incentives(),
- fraudulent or grossly negligent acts causing damage to the Bank.

In this case, the Board of Directors resolves on application of the claw-back mechanism.

<sup>(1)</sup> Art. 26 Legislative Decree 385/1993: "1. *The persons who perform administrative, management, and control functions at banks have to be qualified to perform their assigned duties.*

2. *For the purposes of paragraph 1, the members have to meet the prerequisites of professionalism, integrity, and independence, satisfy the criteria for competence and fairness, dedicate the necessary time to effective performance of their assigned duties, in order to guarantee healthy and prudent management of the bank.*

3. *With a decree adopted after consulting with the Bank of Italy, the Minister of Economy and Finance identifies:*

a) *uniform integrity requirements for all members; b) the professional and independence prerequisites that are scaled according to the principles of proportionality; c) the principles of competence, consistent with the position to be held and the characteristics of the bank, and adequate composition of the body; d) the criteria of fairness, reflecting inter alia the officer's business relations, his conduct in relations with supervisory authorities and the sanctions or corrective measures levied by the latter, restrictive measures pertaining to the*

professional activities performed, and all other elements that could impact the officer's fairness; e) the limits on accumulation of offices imposed on bank officers, scaled according to the principles of proportionality and considering the dimensions of the intermediary; f) the causes for temporary suspension from the position and its duration.

4. [...omitted...]

5. The administration and control bodies of banks review the fitness of their own members and the overall adequacy of the body, by documenting the analytical process and adequately justifying the outcome of the assessment. In the case of specific and limited deficiencies referring to the criteria envisaged in paragraph 3, sub-paragraph c), the same bodies may adopt the measures necessary to overcome them. In all other cases, unfitness or violation of the limits on the cumulation of offices triggers forfeiture of the position. Forfeiture is announced by the body belonged to within thirty days after the member's appointment or knowledge of the intervening deficiency or violation. For those members who are not members of a body, the forfeiture review and announcement are made by the body that appointed them.

6. Partly in order to minimise the costs borne by banks, the Bank of Italy implements its own terms and conditions to assess officers' fitness and compliance with the limits on cumulation of offices, inter alia on the basis of the analysis performed and any measures adopted pursuant to paragraph 5. If a deficiency or violation is found, it declares forfeiture of the position”.

( ) Art. 53, paragraphs 4 et seq., Legislative Decree 385/1993: “4. The Bank of Italy regulates the conditions and limits for the assumption by banks or banking groups of risk-bearing assets vis-à-vis those who might exercise direct or indirect influence on management of the bank or the banking group and the parties related to it. In any event, and without prejudice to the obligations imposed in article 2391, paragraph 1, Italian Civil Code, the shareholders and directors shall abstain from those resolutions where they have a conflicted interest, on their own behalf or on behalf of others. If conflicts of interest actually arise, the Bank of Italy may impose conditions and specific limits on the assumption of risk-bearing assets.

4-bis. The conditions envisaged in paragraph 4 are determined by considering:

a) the amount of bank assets;

b) the amount of any bank investment that might be held;

c) all of the risk-bearing assets held vis-à-vis the parties indicated in paragraph 4 and the other parties related to them as established by the Bank of Italy.

4-ter. The Bank of Italy identifies the cases where failure to comply with the conditions indicated in paragraph 4 triggers suspension of the administrative rights connected with the participation.

4-quater. In compliance with the decisions taken by the CICR (Interministerial Committee for Credit and Savings), the Bank of Italy regulates the conflicts of interest between banks and the parties indicated in paragraph 4, in relation to other types of economic relationships.

4-quinquies. The provisions issued pursuant to this article may envisage that certain transactions be subject to authorisation of the Bank of Italy. They may also envisage that certain decisions concerning remuneration and incentives be remitted to the shareholders' meeting, even in the case where the dual management and control model applies, by setting quorums for holding meetings and passing resolutions in application of or waiving statutory requirements.

4-sexies” [...omitted...]

## 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, in accordance with the resolution of the Board of 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 compensation 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 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 any remuneration granted to the CEO is subject not only to the rules imposed for the bonus pool but also to the provisions envisaged in Annexes 1 and 2.

Banca Sistema has entered into a non-compete agreement with the Chief Executive Officer, pursuant to and as an effect of the provisions laid down in Article 2125 Italian Civil Code. The compensation due for the

accepted non-compete obligation, for each of the three years subsequent to the termination of employment, has been agreed in the amount of 25% of the annual gross salary received in the last year of work and of the flexible benefits possibly enjoyed.

The compensation shall be deferred as it will be payable by the end of the last month of the validity of the non-competition obligation, (ie the end of the three years of restriction of competition) calculated from the termination of the employment relationship.<sup>3</sup> Violation of the aforementioned obligation shall imply for the Chief Executive Officer the obligation to immediately refund an amount equal to the total cost incurred by Banca Sistema to pay the compensation for the non-compete obligation, as well as, in accordance with Article 1382 and *ff* Italian Civil Code, the obligation to immediately remit a net amount equal to 35% of the annual gross salary relative to the last year of work, including the flexible benefits, as a conventional penalty. Moreover, as a result of the violation of other obligations of the agreement (information, confidentiality obligations, no-diversion of employees) the same, in accordance with Article 1382 and *ff* Italian Civil Code, shall pay to the Bank, for each violation, as a contractual penalty, a net amount equal to 20% of the annual gross salary relative to the last year of appointment, including flexible benefits.

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.

No incentive mechanisms are currently envisaged for non-executive Directors. If approved, such incentives would represent an insignificant portion of the remuneration paid.

### **6.3 The structure of remuneration paid to members of the Board of Statutory Auditors**

Only fixed remuneration is paid to the members of the Board of Statutory Auditors and is established by the Shareholders' Meeting at the time of appointment and refers to the entire term of office.

### **6.4 The structure of remuneration paid to management bodies**

#### *Fixed component*

The fixed remuneration paid to all employees of the Bank and the Group applies 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 particular focus on professional expertise and experience and the level of commitment shown.

Remuneration of employees in the "key personnel" category shall be resolved by the Board of Directors, which shall define the incentive plan intended for these persons and for all other employees of the Group.

#### **6.4.1 Variable component**

The variable component of remuneration that might be granted to employees classified as "key personnel" is subject to the rules set out in Annex 1.

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<sup>3</sup> The Bank reserves the right to correspond to those entitled to a limited advance payment on the agreed consideration, in each case less than 50% of the consideration for the non-competition obligation expected in the individual agreements.

The employees included among the “key personnel” may be assigned a cash Bonus for a limited amount.

After approval of the financial statements, the Bank sends a specific letter to the beneficiaries (the “**Letter of Assignment**”) for assignment of the Bonus, indicating, among other things, (i) the amount paid in cash in the reference year; (ii) the number of shares assigned at the conditions specified in the 2017-2019 Stock Grant Plan.

From the year 2015, the Bank has also entered into 35 non-compete agreements with all company managers, the persons performing sales functions and the employees that hold key offices, whose compensation shall be deferred in accordance to the same methods provided for the Chief Executive Officer and better described at the preceding par. 6.2 <sup>4</sup>

### **6.5 Remuneration paid to members of the company’s control functions**

For those employed in the corporate control functions (including the Human Resources Department and the Manager responsible for preparing the Company’s financial reports) the assignment of the Bonus is subject to meeting qualitative targets only, which are to no extent linked to the Bank’s financial performance. The payment of the Bonus is in no way linked to the results achieved by the areas that are subject to their control.

The variable part of remuneration of the members of the corporate control functions may not exceed 1/3 (one third) of the fixed part.

The Bank has the following three control functions:

- Chief Financial Officer, in his capacity as Manager responsible for preparing the Company’s financial reports
- Internal Audit Director
- Human Resources Director
- Risk Manager
- Compliance and Anti-Money Laundering Manager

## **7. SPECIFIC RULES APPLICABLE TO THE DEFERRED PORTION OF REMUNERATION**

The relationship between the Bank and the beneficiaries of the Bonus on occurrence of specific events is subject to the following terms and conditions.

### **7.1 Dismissal, resignation, consensual 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

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<sup>4</sup> *Pls refer to the provisions of sub footnote on page no. 1*



the variable remuneration still outstanding at the date of employment termination, unless otherwise resolved on justifiable grounds by the Board of Directors, on motion by the Remuneration Committee.

The variable part of remuneration cannot be paid during the advance notice period, regardless of whether the employee works or not.

If the employment relationship is terminated consensually, the beneficiary is entitled to obtaining the accrued variable remuneration, calculated on a pro-rated basis and considering the achievement of the previously determined business and individual performance targets. Payment of the amount to the interested party is approved by the Board of Directors, after receiving the opinion of the Remuneration Committee.

### **7.2 Retirement - Disability**

The rules governing the consensual 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**

Once probate begins after the beneficiary begins, the heirs are entitled to request the Bonus (already accrued and not yet distributed) owed to the Beneficiary himself pursuant to the statute of limitations on the right.

### ANNEX 1

This Annex describes the individual performance indicators tied to the payment of variable remuneration (portion paid in cash and shares), once the bonus pool is defined.

They are the tool used by the Bank to assess individual performance and determine the consequent individual Bonus, and as ex post correction mechanisms (*malus*) when the deferred bonus for the applicable year is paid.

The total variable remuneration resulting from the individual incentives may never exceed the amount of the bonus pool. If it does turn out to be greater, the individual incentives will be reduced on a pro-rated basis to eliminate the excess part of the bonus pool.

#### **A. Company-level performance**

The parameters applying to company-level performance, which affect the distribution of the variable component relating to the bonus pool, are regulated at paragraph 6.1.2 of the Policies.

Fulfilment of the company-level performance target is checked by the Board of Directors, after receiving the opinion of the Remuneration Committee, in accordance with the procedures described above.

#### **B. Individual performance**

In addition to the company-level performance requirements illustrated above, payment of the variable component, partly in cash and partly in stock, is subject to the attainment of individual quantitative and qualitative objectives that are defined and communicated to the most important personnel at the beginning of the reference year.

The performance evaluation process is carried out yearly: each employee of the Bank logs into the Banca Sistema HR web portal: <http://studioripamonti.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, annual cost funding savings compared to budget).

Value creation: these targets provide added value to a new product or a new service (e.g. contribution to marketing initiatives to achieve factoring targets, timely management of complaints, professional growth of collaborators).

Reduction of costs: operating cost reduction targets (e.g. reduction of consultant costs, overtime, maintenance costs).

Reduction of response times: these targets are linked to internal and external customer satisfaction (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 Control 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 (e.g. reducing the percentage of operating errors, increasing the equivalent advertising value, compliance with project timelines).

Qualitative indicators: the Group uses four qualitative indicators, each divided into two sub-indicators. These are included in the performance sheet provided on the aforementioned website. There are four 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

In particular, the qualitative indicators concern:

- observance and compliance with the essential “values” on which the Bank bases its activities, in compliance with the applicable provisions of law and the Group’s Code of Ethics;
- customer retention and the appropriateness of relationships with customers;
- professional ability and skills;
- constant dedication to work, cooperation with co-workers 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 reputation risks.

\* \* \* \*

The following individual targets have been identified for application of the provisions of the LTIP 2017-2019:

### **Bracket 1 (Chief Executive Officer/General Manager)**

In regard to the Chief Executive Officer/General Manager, the bonus shall be subject to the achievement of a positive Gross Profit (as defined above) as a condition for distribution of the bonus pool and, for the three-year period 2017/2019, to the achievement of the access criteria (Key Risk Indicated; hereinafter, **KRI**) envisaged in the RAF of the reference year, having equal weight (**CET1 – LCR**).

This is so because, as said, in the event of non-achievement of the first-level threshold indicated in the RAF even for only one of the two aforementioned KRIs, the Bank shall pay no Bonus.

In addition to these company targets, payment of the bonus shall be subject to the evaluation (according to the criteria set out in the following paragraph) of the achievement of the targets linked to the following parameters.

- Company-level profitability
- Company-level growth
- Growth in Bank stock price

The unit of measurement for company-level profitability is the “Gross Profit” compared with the budget.

Growth means the year-by-year percentage of growth in the net interest and other banking income as compared with the budget.

The growth in stock price means the difference between the trend change (compared with the previous year) in the average market price of Bank stock and the trend change in the average FTSE Italia Finanza index during the last quarter of the year, according to the following formula:

$$\left[ \frac{BS^{4/t} - BS^{4/t-1}}{BS^{4/t-1}} \times 100 \right] - \left[ \frac{\text{Indice}^{4/t} - \text{Indice}^{4/t-1}}{\text{Indice}^{4/t-1}} \times 100 \right]$$

WHERE:

$BS^{4/t}$  = average market price of Banca Sistema stock during last three months of reference year t

$BS^{4/(t-1)}$  = average market price of Banca Sistema stock during last three months of reference year t-1

$\text{Indice}^{4/t}$  = average FTSE Italia Finanza index during last three months of reference year t

$\text{Indice}^{4/(t-1)}$  = average FTSE Italia Finanza index during last three months of reference year t-1

For the purpose of the granting of the Bonus to the Chief Executive Officer, the Bank has identified the following correction criteria (Key Risk Indicator, from now on KRI) as provided for in the RAF of the correspondent relevant year, of equal weight between them:

- **Common Equity Tier 1 ratio (CET1)**
- **Liquidity Coverage Ratio (LCR)**

In case of failure to reach the target threshold indicated in the RAF approved by the Bank's Board of Directors of even just one of two KRI, and as long as the first level threshold is met, the total variable component of the remuneration to be granted to the CEO/General Manager may not exceed 80% of the fix component.

DEFINITION OF TARGETS:

“Threshold” means achievement of at least 75% of the company-level profitability and growth targets and means the attainment of a value of no less than 5% of the share value growth target.

“Over-performance” means achievement of at least 150% of the company-level profitability and growth targets and the attainment of a value of no less than 5% of the share value growth target.

The first two targets (company-level profitability and growth) determine 40% of the total Bonus, while the third target (share value growth) accounts for 20% of the Bonus.

In particular, the Bonus will be calculated as follows for each one of the three targets:

- *threshold* = 50% of Gross Annual Remuneration
- *target* = 100% of Gross Annual Remuneration
- *over-performance* = 200% of Gross Annual Remuneration

The Board of Directors of the Bank will assess the level of achievement of the Chief Executive Officer's targets after approval of the financial statements for each reference year of the Plan.

### THREE-YEAR PERFORMANCE

A comprehensive assessment of the three-year performance will be carried out at the end of the three-year period 2017-2019, which will permit payment of the deferred Bonuses.

If the set targets are not met and in order to permit adoption of adequate mechanisms for *ex post* correction mechanisms, the Bank may, during the period of deferral of the variable remuneration, both for the part in cash and for the part to be paid in Bank stock, apply a reduction or elimination of the amount of the deferred part to account for performance over the whole three-year period, net of the risks effectively assumed or realised, notwithstanding the verification of the criteria for access envisaged in paragraph 6.1.2 and/or trends in the balance sheet and liquidity of the Bank or to reflect new and unexpected situations / non-recurring events (e.g. new risks, unexpected losses) or individual acts (*malus*).

The amount of the reduction (or elimination) of the deferred part of variable remuneration is resolved by the Board of Directors of the Bank, as proposed by the Remuneration Committee. The *malus* mechanism is applied especially when during the three-year period the average of individual objectives achieved is less than 75% of the average for the targets identified in accordance with this Policy.

### Brackets 2, 3

The objectives for the other categories of the most important personnel consist of the following, in addition to the company-level targets:

- 2 Department targets set by the department head (in the case of direct reporting lines to the Chief Executive Officer, one of the two targets is pre-set and counted in the gross profit budgeted by the Banca).
- 2 individual targets.

The Department targets count for 60% and are identical for all affected persons belonging to the Department (aside from those who report directly to the Chief Executive Officer).

The individual targets count for 40% and may be quantitative and/or qualitative.

If the qualitative targets are not directly measurable, the processes used to judge their level of achievement will have to be indicated in advance.

The department head defines the two individual targets for each one of the positions in his organisation that are included in the LTIP. These targets have to be specifically connected with the position held by the affected person.

The threshold, target and over-performance targets will be pre-set and defined by the department head and shared with his collaborators.

The deviation from the target is defined for every single department and individual target.

Failure to reach at least the threshold level in the two individual targets will zero out the entire individual incentive.

The Board of Directors of the Bank will assess the level of achievement of the personal targets after approval of the financial statements for each reference year of the Plan.

The value of the incentive for each one of the following brackets is:

BRACKET 2: 66.7% of the Gross Annual Remuneration with a maximum of 80% for the over-performance and a minimum of 33.35% for the threshold.

BRACKET 3: 50% of the Gross Annual Remuneration with a maximum of 60% for the over-performance and a minimum of 25% for the threshold.

### THREE-YEAR PERFORMANCE

A comprehensive assessment of the three-year performance will be carried out at the end of the three-year period 2017-2019, which will permit payment of the deferred Bonuses.

If the set targets are not met and in order to permit adoption of adequate mechanisms for *ex post* correction mechanisms, the Bank may, during the period of deferral of the variable remuneration, both for the part in cash and for the part to be paid in Bank stock, apply a reduction or elimination of the amount of the deferred part to account for performance over the whole three-year period, net of the risks effectively assumed or realised, notwithstanding the verification of the criteria for access envisaged in paragraph 6.1.2 and/or trends in the balance sheet and liquidity of the Bank or to reflect new and unexpected situations / non-recurring events (e.g. new risks, unexpected losses) or individual acts (*malus*).

The amount of the reduction (or elimination) of the deferred part of variable remuneration is resolved by the Board of Directors of the Bank, as proposed by the Remuneration Committee. The *malus* mechanism is applied especially when during the three-year period the average of individual objectives achieved is less than 75% of the average for the targets identified in accordance with this Policy.

**ANNEX 2****Long Term Incentive Plan (“LTIP”)****Introduction**

This Annex describes the main characteristics of the *Long Term Incentive Plan* adopted by the Banca Sistema and the 2017-2019 Stock Grant Plan (hereinafter the “**Plan**”) submitted to the Shareholders' Meeting for approval in order to decide the disbursement of the variable part of the Remuneration.

**1. Definitions**

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.

<b>Shares</b>	The ordinary shares of Banca Sistema, giving regular dividend rights and having a nominal value of EUR 0.12 each.
<b>Allocation of the Bonuses</b>	Criteria for determining the Bonuses to allocate to each Beneficiary on the basis of the 2017-2019 LTIP.
<b>Assignment of Shares</b>	Subject to the attainment of the <i>performance</i> targets (company and individual) set forth by the 2017 Remuneration Policies Document (hereinafter the “ <b>2017 Policies</b> ”) - the free allocation of the number of Shares that each Beneficiary will receive free of charge for each Cycle, pursuant to the resolutions of the Board of Directors at the end of the three-year period.
<b>Banca Sistema or the Bank</b>	Banca Sistema S.p.A., having registered office in Milan, at Corso Monforte no. 20, 20122, registered with the Milan Companies' Register under no. 12870770158.
<b>Beneficiaries</b>	The KP (as defined hereunder)
<b>Bonus Pool</b>	The amount decided by the Board of Directors of the Bank at the beginning of each Cycle.
<b>Bonus</b>	The variable item (paid pursuant to clause 6.1.4 of the 2017 Policies) of the remuneration for the years 2017 - 2019 as set forth by the 2017 Policies.
<b>Transfer</b>	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 the same 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.
<b>Cycle</b>	<p>The period of time comprising the financial years to which the <i>performance</i> targets refer, and to whose attainment payment of the Bonus set forth by the 2017-2019 LTIP is subject.</p> <ul style="list-style-type: none"> <li>- 1st Cycle: 01/01/2017 - 31/12/2017 (the 1st Cycle ends on the date of approval of the 2017 consolidated financial statements);</li> <li>- 2nd Cycle: 01/01/2018 - 31/12/2018 (the 2nd Cycle ends on the date of approval of the 2018 consolidated financial statements);</li> <li>- 3rd Cycle: 01/01/2019 - 31/12/2019 (the 3rd Cycle ends on the date of approval of the 2019 consolidated financial statements);</li> </ul>
<b>Remuneration Committee or "RC"</b>	The Committee created by Banca Sistema in implementation of the recommendations set forth by the Code of Conduct of Listed Companies and Bank of Italy Circular no. 285 dated 17 December 2013 <i>Supervisory regulations for banks, as amended</i> .
<b>Board of Directors</b>	The board of directors of Banca Sistema.
<b>2017 Remuneration Policies Document</b>	The Document containing the remuneration policies of the Banca Sistema S.p.A. Group, approved by the Board of Directors on 8 February 2017 and updated on 28 March 2017.
<b>Banca Sistema Group or the Group</b>	Banca Sistema and the companies that currently, or in the future, may be controlled directly or indirectly, by Banca Sistema pursuant to section 2359 of the Italian Civil Code and section 93 of the Consolidated Law on Finance (TUF).
<b>Permanent Disability</b>	Any medically certified condition that permanently impairs the Beneficiary's ability to work and that entails termination of the employment relationship.
<b>Letter of Assignment</b>	The letter pursuant to which the Bonus, terms and payment conditions thereof are communicated to the Beneficiary.
<b>Letter of Allocation</b>	<p>The letter with which Banca Sistema communicates to the Beneficiary:</p> <p>(i) the amount of the cash Bonus (paid by</p>



	<p>bank transfer on the Beneficiary's account);</p> <p>(ii) the number of Shares allocated (and deposited on an open administered time deposit account);</p> <p>(iii) the Deferment Period.</p> <p>(iv) the Retention <i>Period</i> applicable to the assigned Shares.</p>
<b>Key Personnel or "KP"</b>	The resources indicated by paragraph 4 of the 2017 Policies
<b>Retention <i>Period</i></b>	The Period during which the Beneficiary undertakes not to transfer the assigned Shares.
<b>Price of the Shares</b>	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 - STAR segment in the three months prior to the date on which the Board of Directors decides the Assignment of the Shares.

## 2. Subject Matter and Scope of the LTIP

The Bank adopted an LTIP in 2016 which was revised when the Board of Directors of the Bank approved the 2017 Policies and is relevant to the Allocation of Bonuses and the Assignment of the Banca Sistema Shares to the Beneficiaries - as set forth by clause 6.1.4 of the 2017 Policy - subject to the attainment of the *performance* targets (indicated by Annex 1 of the 2017 Policies).

## 3. Allocation of the Bonus and Assignment of the Shares

The Allocation of the Bonus (paid in *cash* and, if necessary, in part through the free Assignment of Shares ) is subject to the attainment of specific *performance*, company and individual targets, as set forth by the 2017 Policies (see Annex 1).

At the time of Allocation of the Bonus and/or Assignment of the Shares, the Beneficiary should:

- cover a position, or have a permanent employment contract, with the Company and should not be on extended leave;
- not have given notice of resignation;
- not have received notice of dismissal;
- not have reached a consensual agreement to end the employment relationship.

As regards the structure of the variable item and the calculation of the bonus payable, please see clause 6.1.4 of the 2017 Policies.

The bonus allocation methods are advised with a letter of Allocation, containing the individual and corporate goals and the Plan Regulations, while the actual allocation is made by means of an Allocation Letter advised within 60 days from approval of the consolidated financial statements.

The Shares assigned during the LTIP give regular dividend rights and the Beneficiary shall accordingly become the holder of all the relevant administrative and ownership rights on the same from the time the Shares are registered in its name, without prejudice to the provisions specified hereinafter.

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.

As regards the calculation of the number of Shares to allocate to each Beneficiary, please see the Information Document of the *Stock Grant* Plan on the website of the Bank ([www.bancasistema.it](http://www.bancasistema.it)) in the section *Governance*.

The portion of the Bonus in Shares shall be assigned to the Beneficiary via an intermediary authorised by the Bank with which each Beneficiary has opened a securities deposit in accordance with the instructions and terms (time deposit account during the *Retention* Period) that the Beneficiary receives from the Bank. The costs associated with the above 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 payable by 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.

If the individual employment relationship is transferred by the Bank to another company of the Group and/or if the employment relationship is terminated and a new one started within the Group, the Beneficiary shall maintain *mutatis mutandis*, all and any rights allocated by the *Stock Grant* Plan.

#### **4. Deferment and *Retention* Period**

In line with the provisions of Circular 285 and the EBA guidelines, the LTIP sets forth - for the three-year period 2017 to 2019 - that the variable remuneration shall in part (40 - 50%) be subject to a deferral period of 3 years if the amount to be paid is equal to or greater than EUR 20,000.00 (see clause 6.1.4. of the 2017 Policies).

As regards the Shares used as variable remuneration, the LTIP provides a Period of *Retention* whose duration differs for each Cycle of the LTIP, as from the date relevant to the financial year of the corresponding Cycle.

In the period 2017-2019 - depending on the variable remuneration indicated by clause 6.1.4. of the 2017 Policies - the total, or 50% or 60% of the annual bonus, will be paid, after ascertaining the attainment of the targets set forth by Annex 1, within 30 days from approval of the financial statements for the relevant year.

In the period 2020-2022, namely with a three-year deferral and final assignment after confirming the attainment of the targets for the three year period 2017-2019 within 30 days from approval of the financial statements as to 31 December 2019, the remaining annual incentive (i.e. 50% or 40% of the assigned Bonus) accrued will be paid for the financial years ending on 31 December 2017, 31 December 2018 and 31 December 2019 in the form of Shares or shares and in *cash*, as set forth by the 2017 Policies.

More specifically, subject to the attainment of the targets set for by Annex 1 of the 2017 Policies:

- at the end of the 1st Cycle the Bonus accrued is assigned and the number of Shares and amount in *cash* relevant to the deferred portion, will be identified. The latter may be permanently assigned within 30 days from approval of the financial statements as to 31 December 2019. The duration of the *retention* period will be 1 (one) year as from the date of the Assignment of the Shares relevant to the 1st Cycle;

- at the end of the 2nd Cycle the Bonus accrued and the number of Shares and amount in *cash* if any, making up the deferred portion, are identified. The latter may be permanently assigned within 30 days from approval of the financial statements as to 31 December 2019. The duration of the *retention* period shall be equal to 1 (one) year as from the date of Assignment of the Shares relevant to the 2nd Cycle;

- at the end of the 3rd Cycle, the Bonus accrued and the number of Shares and amount in *cash* making up the deferred portion, are identified. The latter may be permanently assigned within 30 days from approval of the financial statements as to 31 December 2019. The Duration of the *retention* period shall be 1 (one) year as from the date of the Assignment of the Shares relevant to the 3rd Cycle.

The 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 the *Retention* period does not apply.

The Shares that are subject to the *Retention* Period remain in a time deposit account managed by an intermediary authorised by the Bank for the entire *Retention* Period.

Dividends and interest accrued during the *Retention* Period are paid into said time deposit account. Such amounts will be released together with the Shares at the end of the *Retention Period*.

The Bank reserves the right to use other Share deposit methods in order to improve the contribution, tax or financial effects of the Plan for the Company, in accordance with the applicable provisions of the law.

The Shares will become freely tradable after the relevant *Retention* Period.

## **5. Restrictions on the transfer of the entitlement to the free assignment of the Shares**

The right for assignment of the Shares free of charge is personal, granted to the person named and cannot be transferred or traded (except to heirs in the case of death). Any attempted or completed transfer of the Shares shall be deemed invalid and ineffective by the Company.

## **6. General provisions**

### **6.1 LTIP Management and Administration**

The Board of Directors approves the LTIP, subject to the competence of Bank's Shareholder Meeting relevant to share or similar Plans. Resolutions adopted by the Board of Directors relevant to the interpretation and application of the LTIP, shall be final and binding for all the parties in question.

The Board of Directors of the Bank is responsible for the management of the LTIP. The Board has all-encompassing operating powers for the management of the LTIP, that may however be delegated.

### **6.2 Costs and Tax-Contribution System**

The Beneficiary shall bear the cost of any taxes and contributions due relevant to:

- the assignment of Shares,
- the Shares held,
- the Transfer of Shares.

Banca Sistema shall act as the withholding agent in the cases set forth by law, deducting the required taxes and contributions in accordance with applicable laws. The Beneficiary undertakes to provide Banca Sistema with all the information necessary to properly fulfil its duties as withholding agent, including those requested by Banca Sistema.

### **6.3    *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 Bank.

All benefits arising out of the LTIP are extraordinary in nature and have no effect whatsoever on or in relation to the calculation of direct and indirect items of the salary, which are subject to applicable laws and collective bargaining agreements.

### **6.4    *Amendments to the LTIP***

Without prejudice to the fact that the Shareholders' Meeting is responsible for amending the *Stock Grant* Plan, the Board of Directors may at any time amend the LTIP as it deems fit in order to ensure the compliance thereof with applicable laws.

The Board of Directors is vested with the necessary and/or appropriate powers to fully implement the LTIP without prejudice to the provisions of applicable laws and regulations, in particular, the provisions of the "Supervisory Regulations for Banks relevant to Remuneration and Incentive Policies and Practices" issued by the Bank of Italy.

The Board of Directors will notify the Beneficiaries of any amendments within 10 business days from the date of approval thereof.

Milano, 19 aprile 2017

**Oggetto: *Parere della Funzione Compliance e Antiriciclaggio in merito alle politiche di remunerazione del Gruppo Banca Sistema S.p.A. per l'esercizio 2017.***

La Funzione Compliance e Antiriciclaggio (di seguito "**la Funzione**") è chiamata a esprimere il proprio parere sulle nuove politiche di remunerazione del Gruppo Banca Sistema S.p.A. (il "**Gruppo**") per l'esercizio 2017 (di seguito le "**Politiche 2017**").

Secondo quanto previsto dalle disposizioni in materia di politiche e prassi di remunerazione e incentivazione di cui alla Parte I, Titolo IV, Capitolo 2, Sezione II, paragrafo 3 della Circolare di Banca d'Italia n. 285 del 17 dicembre 2013 – 7° aggiornamento del 18 novembre 2014 (di seguito le "**Disposizioni**" o la "**Circolare**"), la Funzione è chiamata a verificare "*che il sistema premiante aziendale sia coerente con gli obiettivi di rispetto delle norme, dello statuto nonché di eventuali codici etici o altri standard di condotta applicabili alla banca, in modo che siano opportunamente contenuti i rischi legali e reputazionali insiti soprattutto nelle relazioni con la clientela*".

In particolare, la Funzione ha verificato la conformità delle Politiche con il Codice Etico, approvato dal Consiglio di Amministrazione di Banca Sistema S.p.A (di seguito la "**Banca**") del 31 luglio 2013 e aggiornato in data 8 febbraio 2017, nonché con la normativa esterna applicabile, con particolare riferimento alle Disposizioni e all'art. 25 comma 4 lettera c) del Regolamento congiunto Consob e Banca d'Italia in materia di organizzazione e procedure degli intermediari che prestano servizi di investimento o di gestione collettiva del risparmio del 29 ottobre 2007 e successivi aggiornamenti, al Codice di Autodisciplina per le Società Quotate nonché alle disposizioni in materia previste dal D.Lgs. 58/98 (Testo Unico della Finanza), dal D.Lgs 385/93 (Testo Unico Bancario) e successivi aggiornamenti e provvedimenti attuativi emanati dalla Consob, tenendo anche in considerazione le linee guide emanate dall'EBA in materia.

La Funzione Compliance e Antiriciclaggio ha avuto dei confronti con il Direttore Risorse Umane, che ha coordinato il processo di definizione delle politiche di remunerazione, con i consulenti legali esterni, che hanno supportato la Banca nel garantire il rispetto della normativa in materia nonché con le medesima Autorità di Vigilanza.

Le Politiche 2017 prevedono, ai fini dell'applicazione della normativa in materia di remunerazione, la classificazione della Banca come intermediario intermedio, così come indicato nella Premessa alle Politiche 2017. Tale approccio di classificazione risulta essere maggiormente prudenziale in quanto non prende in considerazione esclusivamente il requisito quantitativo previsto dalla normativa (totale attivo inferiore a 3,5 miliardi che comporterebbe la classificazione della Banca come di minore dimensione) ma anche la crescente complessità della Banca connessa alla quotazione delle azioni sul mercato MTA e all'evoluzione dell'operatività della Banca nell'ultimo anno.

Conseguentemente, le regole previste dalle Disposizioni sono integralmente applicate ma con una maggiore flessibilità, alla luce del principio di proporzionalità e dell'ammontare della remunerazione variabile erogata, anche in termini di percentuale della componente variabile della remunerazione in azioni, di periodo di differimento della componente variabile, nonché di *retention*.

In aggiunta, nelle Politiche 2017 rispetto a quelle previste nel 2016, oltre ad essere stato aggiornato l'elenco del personale più rilevante in funzione dell'evoluzione dell'operatività aziendale e specificato quanto previsto per il *golden parachute*, è stato introdotto un sistema di incentivi a lungo termine riferibili agli esercizi 2017-2019 (Long Term Incentive Plan) personalizzato in funzione delle 4 categorie di destinatari.

Tale sistema di incentivo è basato su indicatori di performance corretti per il rischio, allineati al RAF approvato annualmente dal Consiglio di Amministrazione così come al raggiungimento degli obiettivi aziendali e di performance individuale definiti in funzione del ruolo aziendale. In aggiunta, in ottica di garantire una maggiore tutela della stabilità patrimoniale e della liquidità della Banca, per la definizione del bonus pool a consuntivo che si riflette anche su quello individuale, sono stati revisionati i criteri di applicazione degli specifici indicatori di performance corretti per il rischio (CET1 Ratio, RORAC e LCR i cui livelli sono definiti secondo le assunzioni di base presenti nel budget, senza tenere presente che ci potrebbero essere aggiustamenti per eventi straordinari ad oggi non rilevabili), prevedendo un sistema più articolato in coerenza con l'operatività aziendale. Sono infine stati rivisti i criteri di *malus* e introdotti meccanismi di *claw back* in linea con la normativa di riferimento.

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Alla luce di quanto descritto è ragionevole ritenere che le Politiche 2017 risultino in linea alla normativa di riferimento e al Codice Etico della Banca.

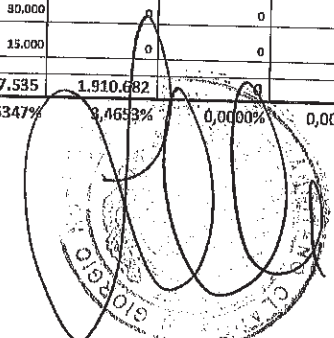
Responsabile della Funzione Compliance e Antiriciclaggio



Allegato "Q" al m. 15017/3918  
di rep.

N°	NOMINATIVO AZIONISTA	PRESENZA IN PROPRIO O PER DELEGA		NUMERO AZIONI	NUMERO AZIONI CON DIRITTO DI VOTO	% AZIONI SU TOTALE PRESENTE IN ASSEMBLEA	SELEZIONE ORDINARIA VERBALE							
		IN PROPRIO	PER DELEGA				1	2	3	4				
*	Società di Gestione partecipazioni Banca Sistema		Anna Girello	18.578.900	18.578.900	33,69514%	1				18.578.900	0	0	0
*	Fondazione Sicilia		Anna Girello	5.950.104	5.950.104	10,79125%	1				5.950.104	0	0	0
*	Garbifin SRL		Anna Girello	409.453	409.453	0,74259%	1				409.453	0	0	0
*	Fondazione Cassa di Risparmio di Alessandria		Anna Girello	5.950.104	5.950.104	10,79125%	1				5.950.104	0	0	0
*	Fondazione Pisa	Claudio Pugelli		6.118.104	6.118.104	11,09594%	1				6.118.104	0	0	0
*	WF VALERO ENERGY CORP PENS PLVCM		Patrizia Marin	187.049	187.049	0,33924%	1				187.049	0	0	0
*	KEYBK TTEE CHARITABLE INTL EF SMID CAP		Patrizia Marin	59.045	59.045	0,10709%	1				59.045	0	0	0
*	GBVFCIT INTL SM CAP OPP		Patrizia Marin	6.230	6.230	0,01130%	1				6.230	0	0	0
*	CEP DEP IP EUROPEAN SMALLER COS		Patrizia Marin	1.615.848	1.615.848	2,93054%	1				1.615.848	0	0	0
*	CEP DEP IP EUROPEAN OPFS		Patrizia Marin	415.293	415.293	0,75319%	1				415.293	0	0	0
*	Fidelity Funds SICAV		Patrizia Marin	1.910.682	1.910.682	3,46526%		1			0	1.910.682	0	0
*	Multifabul SICAV		Patrizia Marin	946.168	946.168	1,71599%	1				946.168	0	0	0
*	Clearbridge International Small CAP FUND		Patrizia Marin	432.290	432.290	0,78401%	1				432.290	0	0	0
*	Schroeder International Selection Fund		Patrizia Marin	2.289.659	2.289.659	4,15258%	1				2.289.659	0	0	0
*	Vanguard International Explorer Fund		Patrizia Marin	2.371.523	2.371.523	4,30105%	1				2.371.523	0	0	0
*	National West Bank PLC as Trustee of Jupiter Financial OPP F		Patrizia Marin	600.000	600.000	1,08817%	1				600.000	0	0	0
*	Polar Capital Global Financial Trust PL		Patrizia Marin	332.246	332.246	0,60257%	1				332.246	0	0	0
*	Transamerica International Small Cap		Patrizia Marin	500.000	500.000	0,90683%	1				500.000	0	0	0
*	Invesco Funds		Patrizia Marin	819.429	819.429	1,48614%	1				819.429	0	0	0
*	Schroeder European Smaller Companies Fund		Patrizia Marin	634.312	634.312	1,15040%	1				634.312	0	0	0
*	Polar Capital Funds PLC		Patrizia Marin	820.000	820.000	1,48717%	1				820.000	0	0	0
*	Grandeur Peak International Opportunities		Patrizia Marin	1.071.907	1.071.907	1,94404%	1				1.071.907	0	0	0
*	Axa World Funds		Patrizia Marin	600.000	600.000	1,08817%	1				600.000	0	0	0
*	Schroeder Capital Management Collective T		Patrizia Marin	650.000	650.000	1,17886%	1				650.000	0	0	0
*	The State of Connecticut Acting through Its Treasurer		Patrizia Marin	357.713	357.713	0,64876%	1				357.713	0	0	0
*	The Jupiter Global Fund Sicav		Patrizia Marin	60.000	60.000	0,10882%	1				60.000	0	0	0
*	State of Alaska Retirement and Benefits Plans		Patrizia Marin	196.293	196.293	0,35600%	1				196.293	0	0	0
*	Microsoft Global Finance		Patrizia Marin	162.139	162.139	0,29406%	1				162.139	0	0	0
*	Missouri Local Government Employees Retirement System		Patrizia Marin	307.129	307.129	0,55702%	1				307.129	0	0	0
*	Grandeur Peak Global Reach FD		Patrizia Marin	134.028	134.028	0,24308%	1				134.028	0	0	0
*	National Council For Social Security Fund		Patrizia Marin	108.000	108.000	0,19587%	1				108.000	0	0	0
*	Grandeur Peak Global Micro Cap F		Patrizia Marin	60.510	60.510	0,10974%	1				60.510	0	0	0
*	Schroeder International Small Companies P		Patrizia Marin	32.520	32.520	0,05898%	1				32.520	0	0	0
*	Royce Global Value Trust Inc.		Patrizia Marin	47.800	47.800	0,08659%	1				47.800	0	0	0
*	SS BK and Trust Company Inv. Funds for Taxexempt Retirement PL		Patrizia Marin	17.911	17.911	0,03248%	1				17.911	0	0	0
*	Royce International Micro - Cap Fund		Patrizia Marin	18.600	18.600	0,03373%	1				18.600	0	0	0
*	Royce Value Trust Inc.		Patrizia Marin	200.000	200.000	0,36272%	1				200.000	0	0	0
*	Arrowstreet capital global all country alpha extension fund (CAYMAN) Limited		Patrizia Marin	54.645	54.645	0,09911%	1				54.645	0	0	0
*	Goldman Sachs Funds		Patrizia Marin	30.622	30.622	0,05554%	1				30.622	0	0	0
*	Garbi Gianluca	Garbi Gianluca		26.500	26.500	0,04806%	1				26.500	0	0	0
*	Girello Anna	Girello Anna		10.461	10.461	0,01897%	1				10.461	0	0	0
*	Franceschi Egleto	Franceschi Egleto		30.000	30.000	0,05441%	1				30.000	0	0	0
*	Ciferri-Ceretti Messilliano	Ciferri-Ceretti Messilliano		15.000	15.000	0,02720%	1				15.000	0	0	0
<b>TOTALI</b>		<b>5</b>	<b>38</b>		<b>55.138.217</b>	<b>100,00%</b>	<b>42</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>53.227.595</b>	<b>1.910.682</b>	<b>0</b>	<b>0</b>

96,5347% 3,4653% 0,0000% 0,0000%



### Relazione della Funzione Internal Audit sugli esiti delle verifiche condotte sulla rispondenza delle prassi di remunerazione alle politiche approvate e al contesto normativo del Gruppo Banca Sistema SpA per l'esercizio 2016

#### All'attenzione dell'Assemblea degli Azionisti di Banca Sistema SpA

La presente relazione riporta gli esiti delle valutazioni della Funzione Internal Audit (di seguito "Funzione") in merito alle verifiche di competenza<sup>1</sup> relative alla rispondenza delle prassi remunerative adottate dal Gruppo Banca Sistema SpA (o "Banca") al "Documento sulle politiche di remunerazione 2016" (di seguito le "Politiche 2016") e alla normativa applicabile.

L'approccio e le modalità di verifica sono state condotte nell'ambito di un *framework* di controlli standard ritenuto idoneo a fornire l'analisi di conformità richiesta.

La Direzione Risorse Umane della Banca ha coordinato il processo di predisposizione e redazione delle Politiche 2016 con il supporto di uno studio legale esterno, al fine di garantire il rispetto della normativa in materia e avere un *benchmarking* di mercato. Si è inoltre avuto un confronto continuo e trasparente con l'Autorità di Vigilanza.

Le Politiche 2016 sono state preventivamente condivise dal Comitato per la Remunerazione e dal Consiglio di Amministrazione della Banca, per poi essere formalmente approvate dall'Assemblea degli Azionisti nella riunione del 28 aprile 2016, in conformità alle previsioni statutarie (art. 9.2) e alla Circolare di Banca d'Italia n. 285 del 17 dicembre 2013<sup>2</sup> relativamente alle previsioni in materia di politiche e prassi di remunerazione e incentivazione nelle banche e nei gruppi bancari. Si precisa inoltre che, alla suddetta adunanza assembleare, la Funzione Compliance e Antiriciclaggio ha presentato la relazione di sua competenza sulle Politiche 2016, da cui si evidenzia l'allineamento alla normativa di riferimento e al Codice Etico adottato dalla Banca.

Le verifiche effettuate dalla Funzione sull'applicazione delle Politiche 2016 hanno evidenziato quanto segue:

- La determinazione della componente variabile ("bonus pool") della retribuzione per l'esercizio 2016 è coerente con le indicazioni contenute nelle Politiche 2016 approvate dall'Assemblea degli Azionisti della Banca del 28 aprile 2016 (si veda successivo punto 1).

<sup>1</sup> Le disposizioni in materia di politiche e prassi di remunerazione e incentivazione di cui alla Parte I, Titolo IV, Capitolo 2, Sezione II, Paragrafo 3 della Circolare Banca d'Italia n. 285 del 17 dicembre 2013, stabiliscono che: "La funzione di revisione interna verifica, tra l'altro, con frequenza almeno annuale, la rispondenza delle prassi di remunerazione alle politiche approvate e alla presente normativa".

<sup>2</sup> Il 7° aggiornamento del 18 novembre 2014 della Circolare 285 ha inserito nella Parte Prima, Titolo IV, il nuovo Capitolo 2 "Politiche e prassi di remunerazione e incentivazione", recependo i principi della Direttiva 2013/36/UE (c.d. "CRD IV") e gli indirizzi e i criteri concordati in sede internazionale, tra cui quelli dell'European Banking Authority (EBA) e del Financial Stability Board ("FSB").





- Il Consiglio di Amministrazione e il Comitato per la Remunerazione hanno valutato e/o approvato, ciascuno per le rispettive competenze, l'allocazione degli incentivi 2016 e tutte le decisioni sono state assunte all'unanimità (si veda successivo punto 3).
- L'entità del bonus relativo all'esercizio 2016 è stato determinato nel rispetto del rapporto 1:1 per tutti i dipendenti.
- La componente variabile sarà erogata a conclusione dell'iter deliberativo previsto per l'approvazione del bilancio d'esercizio 2016 da parte dell'Assemblea degli Azionisti convocata il 27 aprile 2017 e, di conseguenza, non è stato possibile verificare l'effettiva liquidazione degli importi deliberati prima dell'emissione della presente relazione.
- La parte variabile relativa all'esercizio 2016 delle funzioni di controllo interno non supera il limite di 1/3 rispetto alla parte fissa.
- I compensi del Presidente del Consiglio di Amministrazione, dei Consiglieri e dei membri del Collegio Sindacale per l'attività svolta sono coerenti con quanto deliberato dall'Assemblea e senza alcun meccanismo di incentivazione, ad eccezione dell'Amministratore Delegato.

Dalle verifiche svolte dalla scrivente Funzione per gli aspetti di cui sopra è ragionevole ritenere che le Politiche 2016 siano state correttamente applicate.

Dagli accertamenti effettuati sono emersi inoltre i seguenti aspetti che si riportano all'attenzione degli Azionisti:

1. Le Politiche 2016 prevedono che l'erogazione del bonus, sia per la parte *up-front*, sia per quella differita, sia condizionata al raggiungimento degli obiettivi di patrimonializzazione e liquidità delle Banca, relativi ai seguenti indicatori: CET1 Ratio, RORAC e LCR. La verifica del conseguimento dei livelli target di questi indicatori è effettuata dal Consiglio di Amministrazione, previo parere del Comitato per la Remunerazione, sulla base dei livelli stabiliti nel RAF (*Risk Appetite Framework*) dell'anno di riferimento in coerenza con gli obiettivi declinati nel budget. In particolare, le Politiche 2016 stabiliscono che, qualora gli obiettivi relativi ai suddetti indicatori non siano raggiunti, il beneficiario non avrà diritto a ricevere la quota del bonus. A questo proposito si evidenzia che il calcolo del RORAC è stato determinato utilizzando il risultato d'esercizio consolidato al 31.12.2016 "normalizzato", al netto dei costi inattesi non ricorrenti (€ 1,3 milioni per il contributo straordinario al Fondo Nazionale di Risoluzione e € 0,3 milioni per i costi di integrazione di Beta Stepstone SpA). Il RORAC così determinato è pari a 41,9% e quindi superiore a quello previsto a target del 41,1%. Il Consiglio di Amministrazione ha ampiamente discusso sul punto, addivenendo alla conclusione che tale approccio sia da considerarsi coerente con un'attenta gestione delle risorse umane in una logica di *retainment*. Peraltro, tale prassi è in uso anche da parte di altri istituti di credito di depurare la determinazione dei target da elementi straordinari. Sulla base di quanto sopra evidenziato, tutti gli obiettivi aziendali di patrimonializzazione e di



liquidità della Banca previsti nelle Politiche 2016 sono stati considerati raggiunti e quindi il Consiglio di Amministrazione ha deliberato l'utilizzo del bonus pool per il pagamento della componente variabile, ferme restando le valutazioni sulle performance individuali.

Si evidenzia che il RORAC calcolato con il risultato di esercizio consolidato effettivo è pari al 40,2%, quindi con una differenza minima rispetto al target e tale da non giustificare la mancata erogazione del bonus a tutti i dipendenti, anche in considerazione del positivo risultato d'esercizio e del pieno raggiungimento degli altri obiettivi previsti dalle Politiche 2016.

2. A partire dall'esercizio 2015 la Banca ha sottoscritto un patto di non concorrenza con tutti i dirigenti e con alcuni dipendenti appartenenti alle funzioni commerciali o che occupano posizioni chiave. Negli esercizi 2015 e 2016 a ciascuno dei suddetti dipendenti firmatari del patto sono stati erogati degli importi considerati come parte della remunerazione fissa. All'inizio del 2017 il suddetto patto è stato rivisto per allinearli ai più recenti orientamenti giurisprudenziali e, a fine marzo 2017, il nuovo patto è stato sottoscritto in sede protetta dalla maggior parte dei dipendenti aventi diritto. A questi è stata erogata un'ulteriore *tranche* di anticipo ai sensi del nuovo accordo, che si aggiunge agli importi sino ad allora erogati nell'ambito del precedente patto, come stabilito in sede di conciliazione.

Milano, 21 aprile 2017



Il Responsabile della Funzione Internal Audit  
di Banca Sistema SpA

Allegato "S" de m. 152/17/3918  
di rep.

N°	NOMINATIVO AZIONISTA	PRESENZA IN PROPRIO O PER DELEGA		NUMERO AZIONI	NUMERO AZIONI CON DIRITTO DI VOTO	% AZIONI SU TOTALE PRESENTE IN ASSEMBLEA							
		IN PROPRIO	PER DELEGA										
						55.138.217							
*	Società di Gestione partecipazioni Banca Sistema		Anna Girello	18.578.900	18.578.900	33,69514%	1			18.578.900	0	0	0
*	Fondazione Sicilia		Anna Girello	5.950.104	5.950.104	10,79125%	1			5.950.104	0	0	0
*	Garbini SRL		Anna Girello	409.453	409.453	0,74299%	1			409.453	0	0	0
*	Fondazione Cassa di Risparmio di Alessandria		Anna Girello	5.950.104	5.950.104	10,79125%	1			5.950.104	0	0	0
*	Fondazione Pisa	Claudio Pugelli		6.118.104	6.118.104	11,09594%	1			6.118.104	0	0	0
*	WF VALERO ENERGY CORP PENS PLVCM		Patrizia Marin	187.049	187.049	0,33924%	1			187.049	0	0	0
*	KEYBK TTEE CHARITABLE INTL EF SMID CAP		Patrizia Marin	59.045	59.045	0,10709%	1			59.045	0	0	0
*	GBVF GCIT INTLSM CAP OPP		Patrizia Marin	6.230	6.230	0,01130%	1			6.230	0	0	0
*	CEP DEP IP EUROPEAN SMALLER COS		Patrizia Marin	1.615.848	1.615.848	2,93054%	1			1.615.848	0	0	0
*	CEP DEP IP EUROPEAN OPPTS		Patrizia Marin	415.293	415.293	0,75319%	1			415.293	0	0	0
*	Fidelity Funds SICAV		Patrizia Marin	1.910.682	1.910.682	3,46526%		1		0	1.910.682	0	0
*	Multilabel SICAV		Patrizia Marin	946.168	946.168	1,71599%	1			946.168	0	0	0
*	Clearbridge International Small CAP FUND		Patrizia Marin	432.290	432.290	0,78401%	1			432.290	0	0	0
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*	Polar Capital Global Financial Trust PL		Patrizia Marin	332.246	332.246	0,60257%	1			332.246	0	0	0
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*	Royce Value Trust Inc.		Patrizia Marin	200.000	200.000	0,36272%	1			200.000	0	0	0
*	Arrowstreet capital global all country alpha extension fund (CAYMAN) Limited		Patrizia Marin	54.645	54.645	0,09911%	1			54.645	0	0	0
*	Goldman Sachs Funds		Patrizia Marin	30.622	30.622	0,05554%	1			30.622	0	0	0
*	Garbi Gianluca	Garbi Gianluca		26.500	26.500	0,04806%	1			26.500	0	0	0
*	Girello Anna	Girello Anna		10.461	10.461	0,01897%	1			10.461	0	0	0
*	Francoschi Egleto	Francoschi Egleto		30.000	30.000	0,05441%	1			30.000	0	0	0
*	Cifari-Caretti Massimiliano	Cifari-Caretti Massimiliano		15.000	15.000	0,02720%	1			15.000	0	0	0
	<b>TOTALI</b>	<b>5</b>	<b>38</b>	<b>55.138.217</b>	<b>55.138.217</b>	<b>100,00%</b>	<b>42</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>53.227.535</b>	<b>1.910.682</b>	<b>0</b>
											<b>96,5347%</b>	<b>3,4653%</b>	<b>0,0000%</b>

Stampa circolare con firma e data: 15/05/2017

Allegato "T" al m. 15047/3918 di rep

N°	NOMINATIVO AZIONISTA	PRESENZA IN PROPRIO O PER DELEGA		NUMERO AZIONI	NUMERO AZIONI CON DIRITTO DI VOTO	% AZIONI SU TOTALE PRESENTE IN ASSEMBLEA	SCRIZIONE QUOTAZIONARIA - VOTI												
		IN PROPRIO	PER DELEGA				PRO	CONTRO	ASTENUTO	NON VOTATO	NON PRESENTE								
						55.138.217													
*	Società di Gestione partecipazioni Banca Sistema		Anna Girello	18.578.900	18.578.900	33,69514%	1					18.578.900	0	0	0	0	0	0	0
*	Fondazione Sicilia		Anna Girello	5.950.104	5.950.104	10,79125%	1					5.950.104	0	0	0	0	0	0	0
*	Garbifin SRL		Anna Girello	409.453	409.453	0,74259%	1					409.453	0	0	0	0	0	0	0
*	Fondazione Cassa di Risparmio di Alessandria		Anna Girello	5.950.104	5.950.104	10,79125%	1					5.950.104	0	0	0	0	0	0	0
*	Fondazione Pisa	Claudio Pugelli		6.118.104	6.118.104	11,09594%	1					6.118.104	0	0	0	0	0	0	0
*	WF VALERO ENERGY CORP PENS PLVCM		Patrizia Marin	187.049	187.049	0,33924%		1				0	187.049	0	0	0	0	0	0
*	KEYBKTTEE CHARITABLE INTL EF SM10 CAP		Patrizia Marin	59.045	59.045	0,10709%		1				0	59.045	0	0	0	0	0	0
*	GBVFGCIT INTL SM CAP OPP		Patrizia Marin	6.230	6.230	0,01180%		1				0	6.230	0	0	0	0	0	0
*	CEP DEP IP EUROPEAN SMALLER COS		Patrizia Marin	1.615.848	1.615.848	2,93054%	1					1.615.848	0	0	0	0	0	0	0
*	CEP DEP IP EUROPEAN OPSPS		Patrizia Marin	415.293	415.293	0,75319%	1					415.293	0	0	0	0	0	0	0
*	Fidelity Funds SICAV		Patrizia Marin	1.910.682	1.910.682	3,46526%		1				0	1.910.682	0	0	0	0	0	0
*	Multilabel SICAV		Patrizia Marin	946.168	946.168	1,71599%		1				0	946.168	0	0	0	0	0	0
*	Clearbridge International Small CAP FUND		Patrizia Marin	432.290	432.290	0,78401%		1				0	432.290	0	0	0	0	0	0
*	Schroeder International Selection Fund		Patrizia Marin	2.289.659	2.289.659	4,15258%		1				0	2.289.659	0	0	0	0	0	0
*	Vanguard International Explorer Fund		Patrizia Marin	2.371.523	2.371.523	4,30105%	1					2.371.523	0	0	0	0	0	0	0
*	National West Bank PLC as Trustee of Jupiter Financial OPP F		Patrizia Marin	600.000	600.000	1,08817%		1				0	600.000	0	0	0	0	0	0
*	Polar Capital Global Financial Trust PL		Patrizia Marin	332.246	332.246	0,60257%	1					332.246	0	0	0	0	0	0	0
*	Transamerica International Small Cap		Patrizia Marin	500.000	500.000	0,90681%		1				0	500.000	0	0	0	0	0	0
*	Invesco Funds		Patrizia Marin	819.429	819.429	1,48614%	1					819.429	0	0	0	0	0	0	0
*	Schroeder European Smaller Companies Fund		Patrizia Marin	634.312	634.312	1,15040%		1				0	634.312	0	0	0	0	0	0
*	Polar Capital Funds PLC		Patrizia Marin	820.000	820.000	1,48717%	1					820.000	0	0	0	0	0	0	0
*	Grandeur Peak International Opportunitie		Patrizia Marin	1.071.907	1.071.907	1,94404%	1					1.071.907	0	0	0	0	0	0	0
*	Axa World Funds		Patrizia Marin	600.000	600.000	1,08817%		1				0	600.000	0	0	0	0	0	0
*	Schroeder Capital Management Collective T		Patrizia Marin	650.000	650.000	1,17886%		1				0	650.000	0	0	0	0	0	0
*	The State of Connecticut Acting through its Treasurer		Patrizia Marin	357.713	357.713	0,64876%		1				0	357.713	0	0	0	0	0	0
*	The Jupiter Global Fund Steav		Patrizia Marin	60.000	60.000	0,10882%		1				0	60.000	0	0	0	0	0	0
*	State of Alaska Retirement and Benefits Plans		Patrizia Marin	196.293	196.293	0,35600%		1				0	196.293	0	0	0	0	0	0
*	Microsoft Global Financa		Patrizia Marin	162.139	162.139	0,29406%		1				0	162.139	0	0	0	0	0	0
*	Missouri Local Government Employees Retirement System		Patrizia Marin	307.129	307.129	0,55702%		1				0	307.129	0	0	0	0	0	0
*	Grandeur Peak Global Reach FD		Patrizia Marin	134.028	134.028	0,24308%	1					134.028	0	0	0	0	0	0	0
*	National Council For Social Security Fund		Patrizia Marin	108.000	108.000	0,19587%		1				0	108.000	0	0	0	0	0	0
*	Grandeur Peak Global Micro Cap F		Patrizia Marin	60.510	60.510	0,10974%	1					60.510	0	0	0	0	0	0	0
*	Schroeder International Small Companies P		Patrizia Marin	32.520	32.520	0,05898%		1				0	32.520	0	0	0	0	0	0
*	Royce Global Value Trust Inc.		Patrizia Marin	47.800	47.800	0,08669%	1					47.800	0	0	0	0	0	0	0
*	SS BK and Trust Company Inv. Funds for Taxexempt Retirement PL		Patrizia Marin	17.911	17.911	0,03248%	1					17.911	0	0	0	0	0	0	0
*	Royce International Micro - Cap Fund		Patrizia Marin	18.600	18.600	0,03373%	1					18.600	0	0	0	0	0	0	0
*	Royce Value Trust Inc.		Patrizia Marin	200.000	200.000	0,35272%	1					200.000	0	0	0	0	0	0	0
*	Arrowstreet capital global all country alpha extension fund (CAYMAN) Limited		Patrizia Marin	54.645	54.645	0,09911%		1				0	54.645	0	0	0	0	0	0
*	Goldman Sachs Funds		Patrizia Marin	30.822	30.822	0,05554%	1					30.822	0	0	0	0	0	0	0
*	Garbi Gianluca	Garbi Gianluca		26.500	26.500	0,04806%	1					26.500	0	0	0	0	0	0	0
*	Girello Anna	Girello Anna		10.461	10.461	0,01897%	1					10.461	0	0	0	0	0	0	0
*	Franceschi Eglsto	Franceschi Eglsto		30.000	30.000	0,05441%	1					30.000	0	0	0	0	0	0	0
*	Ciferri-Coratti Massimiliano	Ciferri-Coratti Massimiliano		15.000	15.000	0,02720%	1					15.000	0	0	0	0	0	0	0
	<b>TOTALI</b>	5	38		55.138.217	100,00%	23	20	0	0		45.044.343	10.093.874	0	0	0	0	0	0
												81,6935%	18,3065%	0,0000%	0,0000%				

The stamp is circular and contains the text "ATAID IN" and "S.p.A." along with a signature.