CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2015

BANCA SISTEMA
CONTEMPORARY BANK

HALF YEAR

Banca Sistema Group

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Banca SISTEMA GROUP

CONSOLIDATED HALF-YEAR FINANCIAL REPORT AS AT 30 JUNE 2015

BANCA
SISTEMA

(Translation from the Italian original which remains the definitive version)

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CONSOLIDATED INTERIM DIRECTORS' REPORT

COMPOSITION OF PARENT COMPANY’S MANAGEMENT BODIES

Board of Directors

Chairman	Prof.	Giorgio Basevi (Independent)
Directors:	Mr	Gianluca Garbi
	Mr	Claudio Pugelli
	Prof.	Giovanni Puglisi
	Mr	Daniele Pittatore (Independent)
	Ms	Lindsey McMurray
	Prof.	Giorgio Barba Navaretti
	Mr	Matthew James Gary Potter
	Mr	Michele Calzolari (Independent)

CEO and General Manager

CEO	Mr	Gianluca Garbi

Board of Statutory Auditors

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

Executive Committee

Chairman	Mr	Gianluca Garbi
Members	Ms	Lindsey McMurray
	Prof.	Giorgio Barba Navaretti

Internal Control and Risk Management Committee

Members	Prof.	Giorgio Basevi
	Mr	Daniele Pittatore
	Mr	Michele Calzolari

Appointments Committee

Members	Mr	Claudio Pugelli
	Prof.	Giorgio Basevi
	Mr	Michele Calzolari

Remuneration Committee

Members	Prof.	Giovanni Puglisi
	Prof.	Giorgio Basevi
	Mr	Michele Calzolari

Ethics Committee

Chairman	Mr	Marco Pompeo
Members	Mr	Gianluca Garbi
	Prof.	Giorgio Barba Navaretti

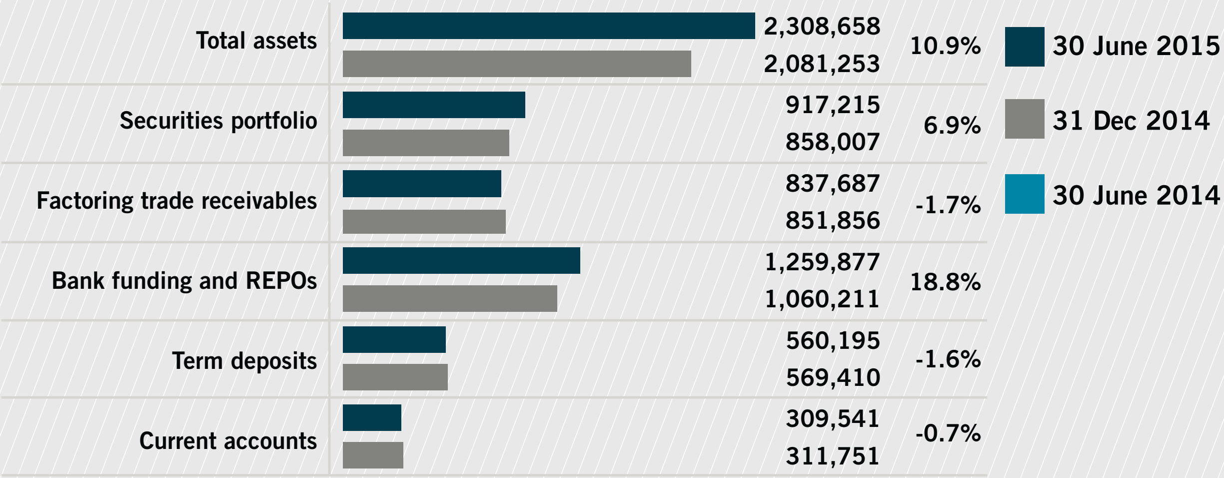
Supervisory Body

Chairman	Mr	Michele Calzolari
Members	Prof.	Giorgio Basevi
	Mr	Franco Pozzi

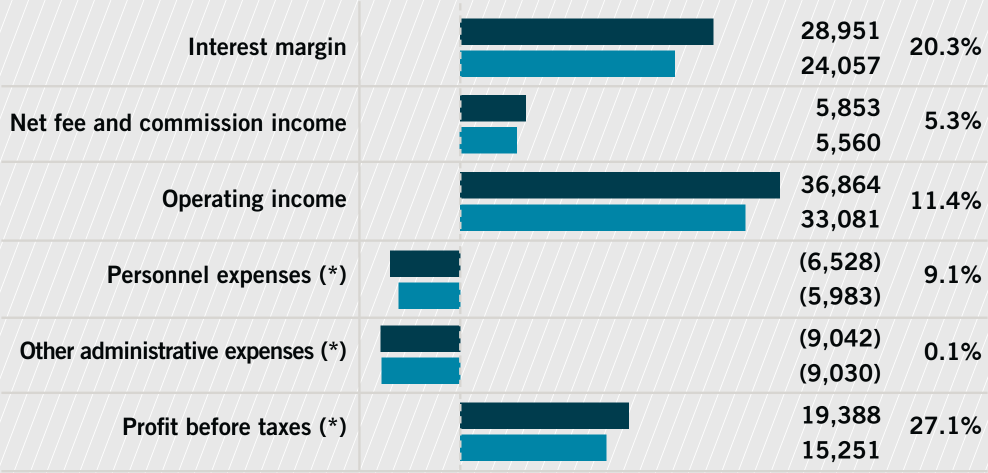
The Board of Directors and the Board of Statutory Auditors were appointed by decision of the Shareholders’ Meeting of 22 April 2014; subsequently, the Board of Directors, on a meeting on the same date, appointed: (i) Mr Gianluca Garbi, CEO and General Manager; (ii) established the Executive Committee, the Internal Control Committee, the Appointments and Remuneration Committee, the Ethics Committee and the Supervisory Body. On 28 April 2015 and 28 May 2015, the Board of Directors, for the purposes of ensuring the compliance of the board committees with the legislative and self-regulatory provisions applicable to listed companies, approved the separation of the Appointments and Remuneration Committee into an Appointments Committee and a Remuneration Committee and the renaming of the Internal Control Committee as the Internal Control and Risk Management Committee.

HIGHLIGHTS DATA AS AT 30 JUNE 2015

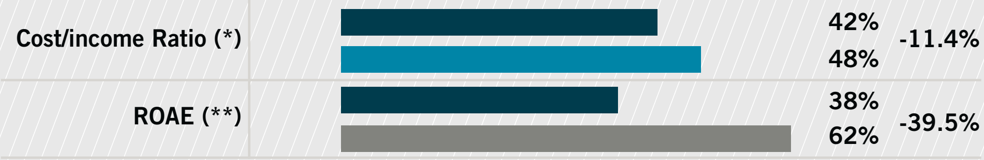
Balance sheet data (€ ,000)



Profit and loss data (€ ,000)



Performance indicators



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

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

PROFILE OF THE PARENT COMPANY

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

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

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

Since 2011, the Group’s primary objective has been to satisfy the financial requirements of companies who supply the PA by factoring, managing and recovering receivables, serving as a link between the public and private sectors. The Group offers a wide range of products aimed at companies which claim receivables from the Public Administration entities and consisting in the provision of factoring services, mainly without recourse, for the management of delays in payment by the Public Administration entities, as well as financing services for annual and quarterly VAT credits enjoyed by companies. The Group also offers its customers factoring services with recourse, maturity factoring and reverse factoring. Moreover, the Company offers online factoring and the certification of receivables due from the Public Administration entities. Since 2014, thanks to the partnership established with a specialised operator, the Company has begun to purchase with recourse receivables and manage tax receivables (mainly VAT credits) arising from insolvency proceedings.

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

In addition to operating on the factoring market, which constitutes the Group’s core business, the Company has developed new business lines. Already active in managing and recovering receivables on behalf of third parties, through the subsidiary Solvi S.r.l. (merged by incorporation into the Issuer, effective from 01 August 2013), since 2014 Banca Sistema has begun to provide a diversified range of other products and services, such as: (i) the acquisition of credit portfolios derived from the granting of financing in the particular form of salary- and pension-backed loans by qualified operators and (ii) financing to SMEs secured by the Ministry of Economy and Finance Guarantee Fund.

The main source for raising funds to finance the Group’s core business is banking activities, both retail and corporate, including the offer of traditional banking services such as current accounts and saving accounts for private clients, companies and businesses in Italy and Germany, as well as other ancillary banking services. These sources of funding, combined with the access to funding provided by the ECB through the ABACO (Collateralised Bank Assets) Procedure, treasury activities such as the management of Italian Republic securities held in portfolio and the management of the financial and credit assets and liabilities (‘ALM’) of the Issuer, as well as access to the interbank market, allow the Company stable access to reliable sources of liquidity at competitive rates. For the distribution of its products and services, the Issuer uses its own direct network, mainly composed of the Group’s subsidiaries and representative offices, as well as an indirect network, comprising banks, real estate investment companies, financial advisors and financial intermediaries (credit brokers), who operate under specific distribution agreements concluded with the Issuer.

COMPOSITION AND STRUCTURE OF THE GROUP

On 30 June 2015, the Banca Sistema Group comprised the Parent Company, Banca Sistema S.p.A., and Specialty Finance Trust Holding Limited, a company incorporated under U.K. law and fully controlled by the Bank.

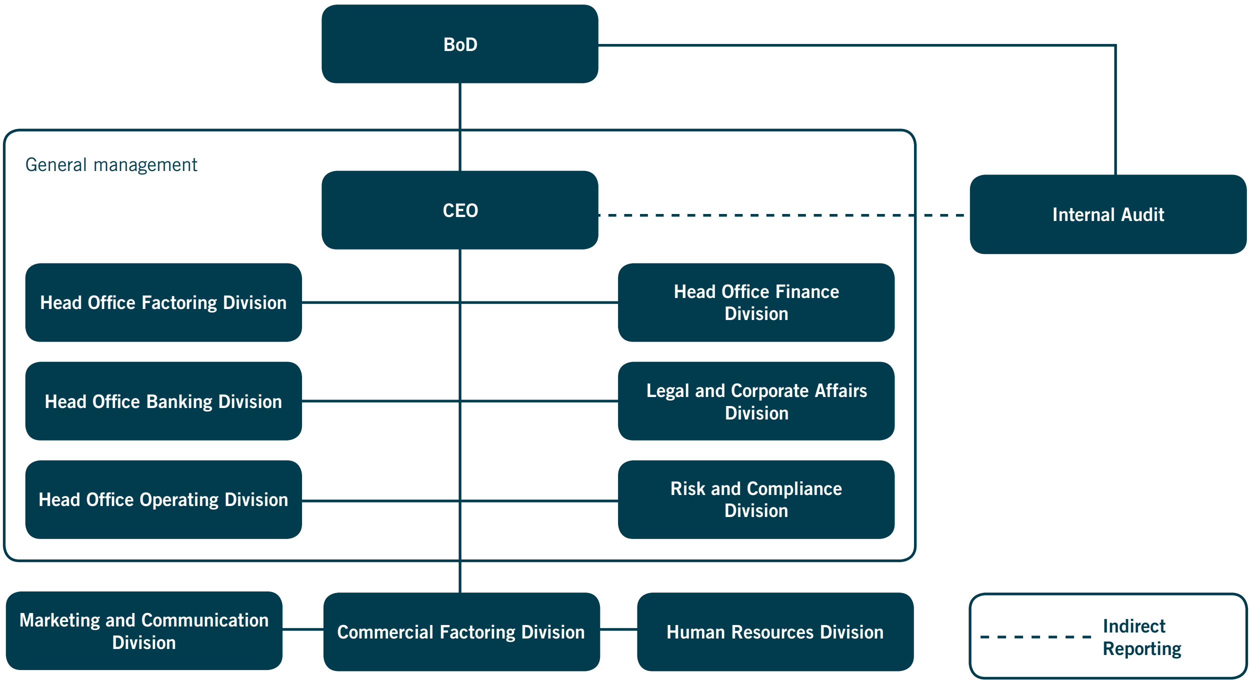
LISTING OF THE PARENT COMPANY

The global offering of the Bank's ordinary shares arising from a specific capital increase and from the shares already held by the shareholder SOF Luxco S.a.r.l. ended on 29 June 2015. The purpose of this offering was listing on the Star Segment of the MTA - Italian Equities Market organised and managed by Borsa Italiana (Italian Stock Exchange), with an offer price set at € 3.75 per share. Trading of the share began on the MTA on 2 July 2015.
During the placement phase, the Bank received € 146 million, excluding the greenshoe option. For details, see the following paragraphs. At the start of the listing, the share capital amounted to € 302 million.
Barclays Bank PLC acted as the global coordinator of the Global Sale and Subscription Offer, Banca Akros acted as the Placement Manager for the Public Offer, while Intermonte acted as Sponsor. The Joint Bookrunners, in addition to Barclays, were Banca Akros, Intermonte and Jefferies.

ORGANISATIONAL STRUCTURE

ORGANISATIONAL CHART

The organisational chart of the Banca Sistema Group, updated as at 30 June 2015, is shown below:



GENERAL MANAGEMENT

The following report to the CEO and General Manager:

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

REGISTERED OFFICES AND BRANCHES OF THE BANCA SISTEMA GROUP

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

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

HUMAN RESOURCES

The human resources within the Group, as at 30 June 2015, are summarised as follows:

FTE	30.06.2015	31.12.2014	30.06.2014
Senior managers	14	14	14
Middle managers (QD3 and QD4)	32	27	23
Other personnel	83	72	69
Total	**129**	**113**	**106**

The Group has further reinforced its organisational structure by introducing, during the period, 21 new persons. During the same period, 5 persons left the Group, 4 of whom from the 'employees' level and 1 manager, who was replaced through internal promotion.

Banca Sistema's listing on the STAR segment of the MTA involved the appointment of an Investor Relator, who supported the IPO and will manage the relationships with the financial markets, once the listing has taken place. Among the new arrivals, 5 persons joined the commercial sector, both factoring and banking; additionally, the Risk, IT, Credit Management and Back Office areas were also reinforced.

The average age of Group employees is 38 for the men and 37 for the women, with women accounting for 42% of the total; these figures are similar to the 2014 figures.

SIGNIFICANT EVENTS DURING THE REFERENCE PERIOD

The main resolutions passed by the Board of Directors of the Parent Company of Banca Sistema S.p.A. are summarised below.

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

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

The Banca Sistema S.p.A. Shareholders’ Meeting, in its session on 26 March 2015, approved (I) the financial statements for the year ended 31/12/2014 and (II) the “Remuneration Policies for the year 2015”.

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

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

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

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

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

On the same date, the Shareholders' Meeting finally approved, in ordinary session, the "Meeting Regulations".As regards the listing process and the relevant decisions, please refer to the paragraph "Significant events after the end of the reference period".

THE MACROECONOMIC SCENARIO

As shown by the ECB Economic Bulletin no. 4/2015 of 18 June 2015, during the first quarter of 2015, the real GDP percentage change over the previous period rose to 0.4%, from 0.3% during the fourth quarter of 2014. The data show that the economic recovery has improved owing to several different factors. The ECB monetary policy measures are contributing to the easing of the general financial conditions and facilitating access to credit, both for SMEs and larger companies.

In addition, the fall in oil prices is boosting the real disposable income and profitability of companies, supporting private investments and consumption, while the weakening of the Euro exchange rate has bolstered exports. In line with the growth in recovery, the labour market in the Euro Area has

continued to improve slightly, as shown by the gradual fall in unemployment, which, nevertheless, remains high both in the entire Euro Area and, at national level, in the majority of countries.

The monetary policy measures have contributed to a generalised easing of the financial conditions, which remain highly accommodating. Inflation expectations are high compared with the minimums of mid-January and the financing conditions for households and businesses have continued their positive development. The effects of these measures are impacting positively on the economy and making an additional contribution to improving prospects.

Against a background of extremely low interest rates, money market and loan growth have continued their recovery. Partly as a consequence of the expanded Asset acquisition plan (PAA), monetary indicators have improved further and lending has continued to grow, albeit at modest levels. In April, the decline in loans to non-financial companies continued to ease and the growth rate for loans to households increased slightly. These trends were supported by a significant fall in bank loan rates in most of the Euro Area, from summer 2014, and also by signs of improvement both in the supply and demand of such loans. Globally, recent trends are confirming that the ECB monetary policy measures are contributing to restoring the correct functioning of the monetary policy transmission mechanism and easing bank lending conditions. Indeed, the bank lending survey (BLS) carried out in the Euro Area in April 2015 by the ECB shows that the easier conditions for the granting of loans are continuing to support further reinforcement of the growth in lending, especially to businesses. Moreover, the greater competition between banks during the first quarter of 2015 has encouraged an easing of lending conditions, which has gone hand in hand with a growth in loan applications from companies. This adds to the fact that, as the survey on the access to finance of enterprises in the Euro Area has confirmed, the improving conditions on the credit market concern both small and medium-sized enterprises (SMEs) and not only large businesses.

The yields of long-term AAA government bonds, after falling to historical lows around mid-April, returned, in early June, to the levels recorded in January, in line with the announcement of the expanded asset acquisition plan (PAA).

Nevertheless, in a longer-term perspective, the majority of the government bond yields in the Euro Area remain very low across all maturities.

The corporate bonds and shares yields were driven by those of the sovereign bond markets.

The real Euro exchange rate towards the main trade partners of the Euro Area remained essentially stable over the last few months.

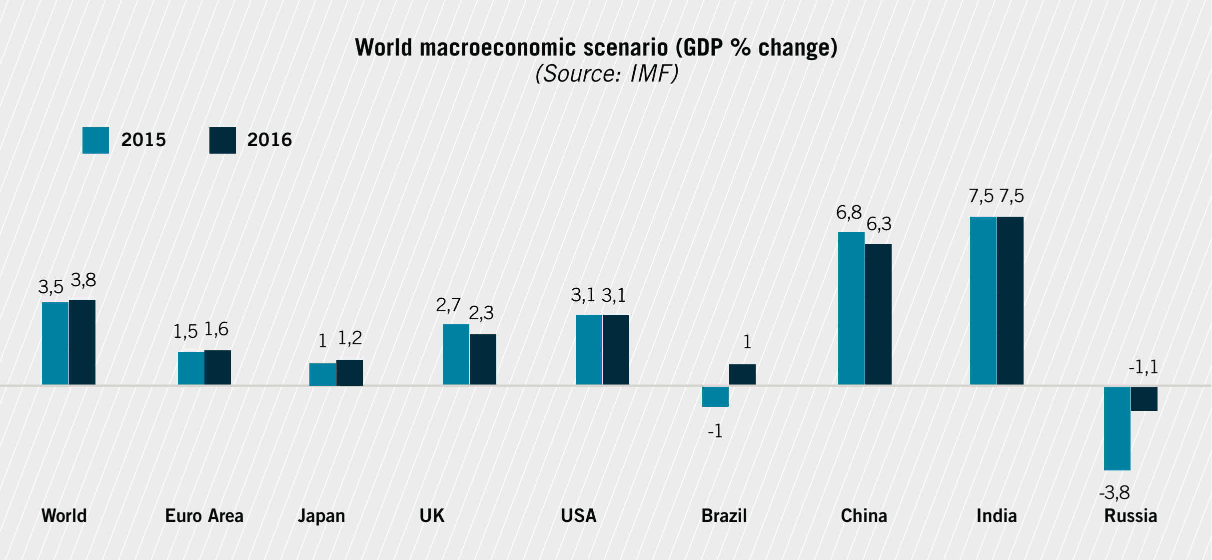
In June 2015, market volatility was caused mainly by the Greek crisis, which caused significant variations in the yields of securities in Euro, especially in peripheral countries. The impact was partly mitigated by the plentiful liquidity injected by the European Central Bank through the MRO transactions and the QE securities purchase programme, decided in the first few months of the year.

The recent agreement reached between the European Institutions and the Greek government has restored the confidence of the operators, with a resulting reduction in the volatility and yields of government securities. Despite the fact that the Greek Parliament has pledged to adhere to its commitments to creditors and implement a system of macroeconomic reforms, enabling a gradual recovery of the economic cycle over the next few years, there is still some uncertainty concerning the outcome of the final agreement, notwithstanding the belief that the country's exit from the Euro Zone has been avoided.

The macroeconomic forecasts for the Euro Area issued by Eurosystem experts in June and contained in the ECB Economic Bulletin no. 4/2015 of 18 June 2015 provide for annual GDP growth in real terms of 1.5% in 2015, 1.9% in 2016 and 2% in 2017 and for average annual inflation to reach 0.3% in 2015, 1.5% in 2016 and 1.8% in 2017.

According to forecasts, the economic recovery in the Euro Area should strengthen over the next three years, with positive contributions to growth from both internal and external demand.

World macroeconomic scenario (GDP % change)
(Source: IMF)



ITALY

As shown in the ECB Economic Bulletin no. 2/2015 of 17 April 2015, during the fourth quarter of 2014, the fall in GDP came to an end, thanks to the acceleration in exports, the continuing growth in consumption and a slight increase in investments. During the first few months of 2015, the confidence of households and businesses grew considerably, even if the relaunch of the industrial sector cycle awaits consolidation.

Household consumption continued to expand moderately. Foreign trade was the main spur to GDP growth, with considerable acceleration in exports and more modest growth in imports. Added value increased in the tertiary sector, while falling in the construction, industry (in the strictest sense) and agriculture sectors.

During the first quarter of 2015, gross domestic product (GDP) rose by 0.3% compared with the previous quarter, while growth was 0.1%, compared with the first quarter of 2014 (Source: ISTAT, 29 May 2015).

The Ita-coin indicator developed by the Bank of Italy, which provides an estimate of the quarterly changes in GDP free from short-term fluctuations, shows improvement but continues to indicate the residual weakness of the underlying dynamics of the economy. More favourable signs are provided by the qualitative surveys, which indicate a framework of greater confidence in the decisions of companies and households, especially as regards the future.

The Bulletin data indicate that since the autumn of 2014, industrial production has shown signs of improvement, confirmed only in part during the first few months of the year. During the first quarter of 2015, industrial production recorded modest growth. However, the indicators taken from the surveys at companies have improved dramatically and anticipate a recovery in production. In March, confidence continued to rise across all the main sectors, reaching the levels recorded four years ago.

Operators are considerably more optimistic with regard to the trend in demand for their products, both current and forecast, in particular for the foreign component, as well as the conditions for access to credit.

Households' expenditure continues to rise, albeit moderately, supported mainly by the acquisition of durable goods. Over the first few months of the year, the consumer confidence index rose sharply, reaching June 2002 levels in March. The rise was particularly marked as regards decisions concerning the general economic framework and labour market prospects.

Exports grew over the last few months of 2014, in particular thanks to the recovery in demand from European Union countries. An analysis of the prospects of sales abroad indicate an expansive framework.

During the fourth quarter of 2014, the recovery in total hours worked was accompanied by a slight fall in employment. During the first few months of 2015, employment remained stable and the unemployment rate fell through lower participation in the labour market. Employment prospects are brighter.

Inflation is close to zero and the analysts of the main research and analysis companies believe it will remain at this value for the whole of 2015. However, over the first few months of the year, consumer expectations were improved slightly. The decline in loans to companies continues further, reflecting, above all, weak demand. Loan conditions eased slightly for larger companies, while the tightening affecting smaller companies came to an end. Construction companies still face difficulties in accessing loans, since they are characterised by a greater number of non-performing items. The interest rates on loans to companies and households continue to fall.

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[1] Ita-coin provides a monthly estimate of the trends in economic activity, using information from a broad set of.

According to ISTAT[2] economic provisions for 2015, Italian gross domestic product (GDP) will rise by 0.7% in real terms, followed by growth of 1.2% in 2016 and 1.3% in 2017. In 2015, the positive contribution of domestic demand net of stocks to GDP growth will be 0.3 percentage points, while that of net foreign demand will be 0.4 percentage points. Over the following two years, cyclical consolidation will generate a growing contribution from domestic demand (+0.8 and +1.1 percentage points), while the consequent rise in imports will reduce the contribution of net foreign demand in 2017. In 2015, households' expenditure will record a positive change of 0.5% in real terms, caused by the improvement in disposable income. Over the following two years, private consumption will grow (+0.7% and +0.9%), supported by a gradual rise in employment. Investments will start to grow again this year (+1.2%), driven by the improved conditions for access to loans and the expectations associated with a recovery in production.

The capital accumulation process is forecast to recover at a sustained pace in 2016 (+2.5%) and with greater intensity in 2017 (+2.8%). The rise in employment (+0.6% in terms of work units) will be accompanied by a moderate fall in the unemployment rate, which will consolidate at12.5% in 2015. In 2016, the unemployment rate will fall to 12.0% and the work units will rise significantly (+0.9%).

This development will continue more rapidly in 2017, with the unemployment rate falling to 11.4% and the work units growing by 1.0%.

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[2] ISTAT: issue of 07 May 2015

FACTORING

The Italian factoring market

As highlighted by the Italian factoring trade association (Assifact), during 2014 the factoring market confirmed the growth of the last few years recording a 7% increase. Factoring in Italy also showed growth of almost 3%, despite the economic crisis. The factoring volumes in Italy in terms of turnover exceeded 177 billion, representing 8% of the global market and 13% of the European market. This is an excellent result when you consider that GDP in the Euro Area grew by only 0.9% in 2014, despite more favourable expectations.

Therefore, factoring is keeping its promises and remains a trump card. Over the last thirty years, the factoring sector has grown four times faster than the global economy. In 1980, overall factoring volumes around the world were 50 billion; in 2015, the volume of annual turnover at global level exceeded € 2,300 billion (in 2000 it was 600 billion).

During 2014, we observed that the Government and the Public Administration entities in general were paying close attention to late payments by the PA. Recent legislation has promoted recognition of debts for the purposes of discharging previous arrears. However, these measures seem to have lost their momentum and the first half of 2015 saw a gradual deterioration in payment times.

Some 50 billion was allocated for the 2013-2014 period for the purposes of encouraging the repayment of trade payables by the Public Administration entities. Furthermore, during 2014, it is estimated that PA paid companies trade payables of around 10 billion, compared with approximately 19 billion in 2013. Indeed, these measures did generate an average improvement in payment times. Nevertheless, since last autumn, this trend has been reversed. The current average is 165 days. However, this is an average: repayment times range from 90 days in Lombardy to 2 years in certain regions and municipalities in the South.

Moreover, during the year new legislative instruments have been issued to ease the transfer to the financial system of payables due to companies from Public Administration entities. Yet despite the efforts of governments over the last few years and the media focus on the issue of late payments by the Public Administration, this issue remains a serious problem for Italy and represents approximately 3.1% of GDP. These figures exclude receivables purchased by financial intermediaries; if these are taken into consideration, the total rises to € 70 billion.

The ‘Debt certification platform’ developed by the Ministry of Economy and Finance has not updated the monitoring of debts accrued by the PA since 31 December 2013. Nevertheless, according to the European Payment Report, the payment times of the Italian public authorities continue to be much greater than the average in the other European countries.

The latest Bank of Italy annual report and the Intrum Justitia reports show that the Italian Public Administration entities are the worst payers in Europe. A study conducted by the CGIA of Mestre (Association of artisans and small enterprises) highlighted the extremely negative consequences of this unfavourable behaviour on the Italian business climate. According to the analyses of the CGIA of Mestre, at least 76% of Italian companies are suffering from a shortage of liquidity caused by the delay in receiving payments.

As for the national factoring market, without recourse factoring or factoring receivables sold at an agreed price represented over 66% of the total. An analysis of bad loans in our country, conducted by the trade association Assifact, has shown that, as regards factoring exposures, bad loans represented 3.46% of total exposures at the end of 2014. This data is particularly reassuring, albeit slightly worse than the previous year, when compared with the ratio of bad loans to total bank loans (approximately 10%).

In terms of turnover, the first few months of 2015 have confirmed the positive trend recorded in 2014. Volumes purchased in the first quarter of the year increased by +4.58% and positive data is also provided from an initial summary analysis of the second quarter of 2015.

Due to its characteristics, the factoring sector represents an effective opportunity for using resources, especially when you consider the capital absorption and the capacity of the companies in the sector to support the financial component with an offer in terms of services and opportunities for growth.

At the end of 2014, with a view to tackling tax evasion more effectively, the so-called 'split payment' legislative instrument was introduced. This new measure requires the Public Administration entities, at the time of payment, to pay the VAT owed directly to the tax authorities, paying the supplier only the taxable amount. The modification to the VAT system, introduced through the 2015 Stability Law, entered into force on 1 January of the same year, had a considerable impact on companies' liquidity. In the factoring sector, however, the number of tax receivables between companies has grown due to the aforementioned measure, involving companies which, in the past, were either not at all or only occasionally structurally entitled to a tax credit.

The same Law also established the "reverse charge" mechanism, vetoed by the European Union, which has nonetheless promoted split payment.

Data from Assifact, the trade association for factoring companies, have confirmed that the so-called indirect factoring has recorded strong growth over the last few years.

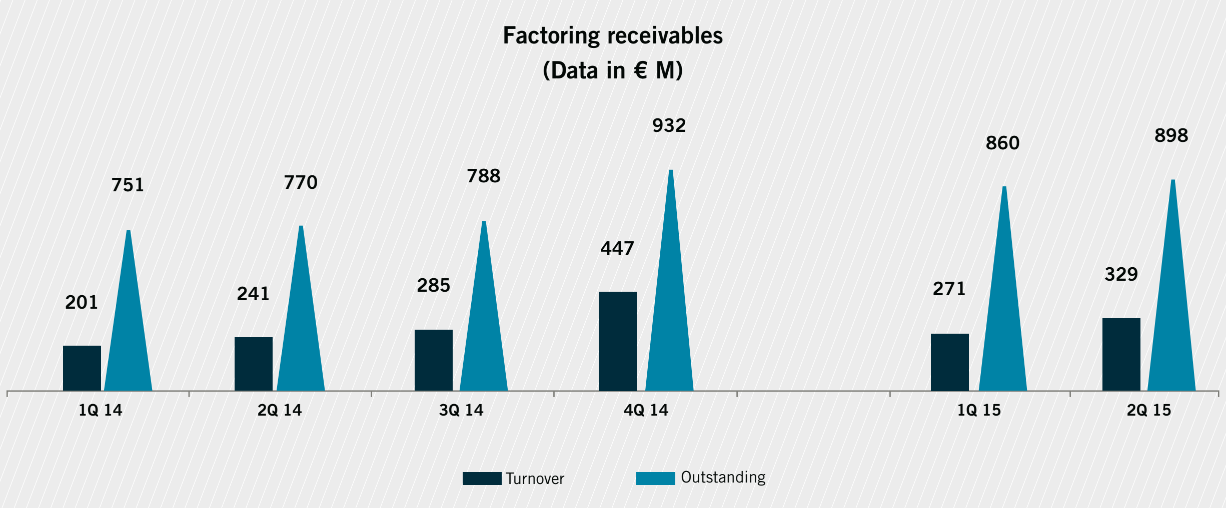
The instrument calls for a deal between the factoring company and a major debtor which, through an agreement, enables the granting of favourable conditions to its suppliers. The Assifact findings, with reference to the first 5 months of 2015, show that indirect factoring reached a total of €3.4 billion and growth of 23% compared with the same period of the previous year.

Factoring has consolidated its position as the principle instrument for managing trade payables and receivables and a valid alternative to other means of financing for supporting suppliers of both Public Administration entities and individuals. It is also thanks to factoring that the country has managed to limit the drastic consequences of the longest post-war financial crisis to date.

The governance and financing of credit is essential for growth in our country. Bank of Italy data confirm that trade receivables represented 35% of the total financial assets of Italian companies at the end of 2014.

The Banca Sistema Group and factoring Activities

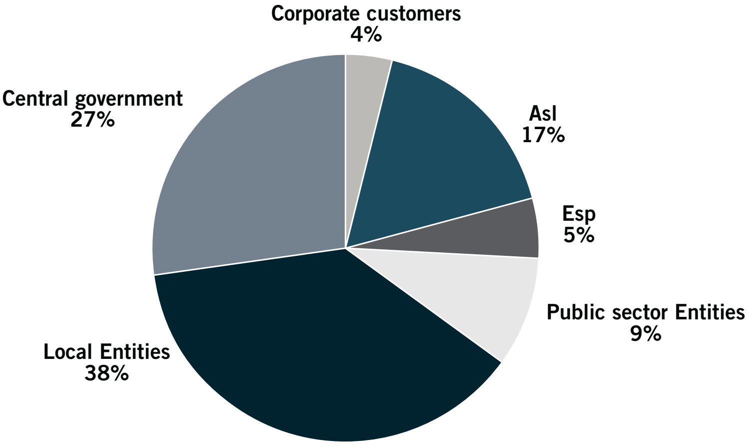
The turnover for the first half of 2015 for the Banca Sistema Group was € 600 million, representing growth of 36% compared with the same period of 2014. Considering the third party receivables managed, total volumes came to € 747 million as at 30 June 2015.



Outstanding volumes totalled € 898 million as at 30 June 2015, a reduction of 3.7% compared with the € 932 million at the end of 2014, as a result of significant collections from exposures to the Public Administration recorded in the first half of 2015 and totalling € 611 million (an increase of 9% compared with the collections recorded in the second half of 2014). The chart to the right shows the impact of debtors on the outstanding portfolio as at 30 June 2015. The Group's core business remains the Public Administration entities segment.

The Group works through both direct assignments by companies and within the framework of regional agreements for restructuring or reorganising public entity debts.

These operations include traditional factoring agreements, as well as reverse factoring agreements with highly reliable public entities which are seeking to use factoring with their suppliers in their role as debtors.



The following table shows the factoring turnover per product type.

PRODUCT	1H 15	1H 14	€ Change	% Change
Without recourse	440.7	367.5	73.2	20%
VAT	45.1	22.7	22.4	99%
With recourse	103.2	43.2	60.0	139%
Maturity	10.9	8.6	2.3	27%
TOTAL	**599.9**	**441.9**	**158.0**	**36%**

Tax credits include VAT credits from outstanding insolvency proceedings, totalling € 2.2 million. This business was launched at the end of the previous financial year, with the support of a special market operator.

Group collection and recovery activities

For the purposes of its debt recovery activities, the Group uses both its own internal structures, equipped with significant skills and experience in the analysis, management and monitoring of the debt collection process, and a network of external operators specialised in debt recovery and active across the entire country. The network of freelancers used by the Company enables an exact adjustment of the debt collection activities with regard to each specific debtor and, at the same time, the replacement of representatives should they fail to achieve satisfactory results or an increase in the number of operators when it becomes necessary to focus on specific areas.

SERVICING ACTIVITIES

The Group provides debt management and recovery services on behalf of third parties, operating mainly for companies which claim receivables (mainly in the healthcare sector) from Public Administration entities or healthcare structures.

To this end, the Group uses both its own internal structures, equipped with significant skills and experience in the analysis, management and monitoring of the debt collection process, and a network of external operators specialised in debt recovery and active across the entire country. The network of freelancers used by the Company enables an exact adjustment of the debt collection activities with regard to each specific debtor and, at the same time, the replacement of representatives should they fail to achieve satisfactory results or an increase in the number of operators when it becomes necessary to focus on specific areas. Thanks to the considerable experience accrued in the collection of debts through factoring and the capabilities acquired in managing relationships with the managers and offices of public and private entities through its network of specialised staff, the Group offers its customers an ongoing and effective reduction in the collection time for receivables due from both PA entities and individuals.

On 30 June 2015, the Group signed a series of agreements with a network of persons (the ‘Collectors’) operating across the whole of Italy, tasked with managing, within specific geographical areas, the collection activities of a predefined amount of debts on behalf of the Group and to the benefit of customers who turn to the Company for the collection of their receivables.

More specifically, the Group operates through 14 Collectors who, in accordance with the banking provisions applicable to the Company and the non-competition requirements in force from time to time, conduct the following activities: (I) verifying the certainty, liquidity and collectability of the debts; (II) establishing a relationship between the Group and the debtors to facilitate the collection of the debts and (III) continuously updating the information and data available.

On 30 June 2015, the amount of third-party receivables managed by the Group totalled € 147 million, while the fee and commission income generated by this business segment totalled € 506 thousand.

During 2014, Banca Sistema also launched and concluded a project with a two-fold purpose: firstly, to improve the debt collection processes and secondly, to migrate the Group’s IT systems to a new platform.

Direct funding

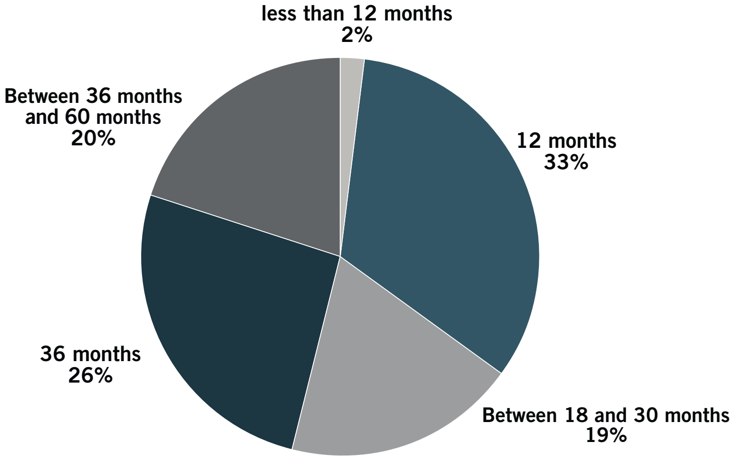
The funding policy of the banking division is strictly linked to changes in trade loans and market conditions. Today, funding is also geared towards current accounts, whereas, in the past, term deposits took precedence. This choice was based on the need to make the relationship with the customers less volatile, and at the same time ensure a fee and commission return through the offering of traditional services. A positive effect on the average cost of funding can be added to the above.

The Group therefore achieved its goals, by setting a ceiling limit to the rates on term deposits, which have always remained in line with market rates, without being a market leader and structuring a current account with easy terms and a good return. Consequently, the Group will continue to operate consistently with this strategy.

Total term deposits as at 30 June amounted to €540 million (the figure does not include accruals pertaining to the period), a positive change (+ €33 million) with respect to the same period of the previous year.

There were 10,983 individual customers with term deposits as at 30 June 2015, a fall compared with the figures as at 30 June 2014 (11,078). The average deposit was € 49 thousand, an increase compared with the figures as at 30 June 2014 (€ 46 thousand). The breakdown of funding by term is shown on the right.

Breakdown of deposit accounts as at 30 June



The number of customers with a current account as at 30 June 2015 moved from 2,838 (31 December 2014) to 3,280, while the current account balance as at 30 June 2015 was € 309 million, revealing a net negative balance of -€ 2 million.

Indirect funding

Indirect funding from assets under administration as at 30 June 2015 totalled €224 million (€362 million as at 30 June 2014).

The breakdown is as follows:

Type (€ million)	30 June 2015	30 June 2014	€ Change	% Change
Bonds	111,820	203,519	-91,699	-45.06%
Equities	105,448	96,870	8,578	8.86%
Warrants	217	60,044	-59,827	-99.64%
Funds	6,651	1,633	5,018	307.29%
TOTAL	**224,136**	**362,066**	**-137,930**	**-38.10%**

During 2015, a process was launched to expand the offer of products/services such as new funds and to strengthen the structure through the hiring of new personnel in the Private Banking area. In addition, the opening of branches in Pisa and Padua generated a territorial expansion of customers with assets under administration in Banca Sistema.

Guaranteed loans to small and medium-sized enterprises

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

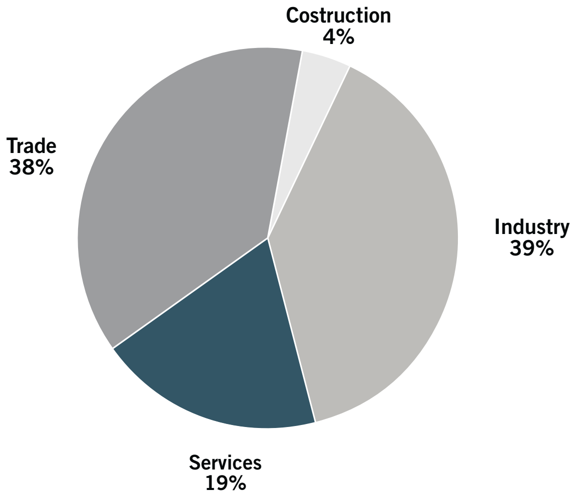
This instrument allows companies to access secured credit under easy terms, and allows the Group to grant low risk loans with a reduced impact on the capital in view of the Government guarantee (up to 80%); the average guarantee coverage for the Group is 80%.

In the first half of 2015, the Group disbursed € 46.5 million (€ 20.8 million in 2014), with € 59.9 million outstanding at the end of the period.

During the first half of 2015, the volumes disbursed were more than double the total in 2014.

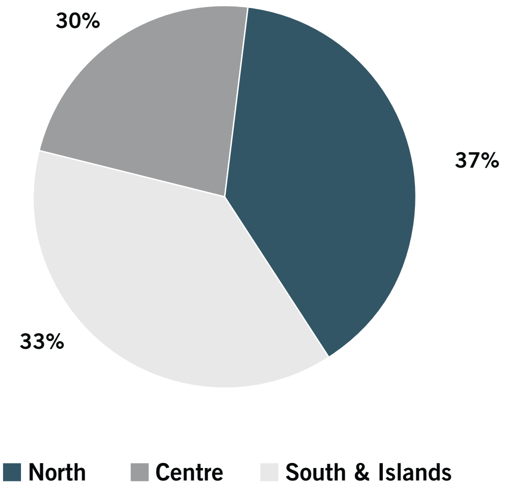
	1H 15	FY 14	€ Change	% Change
No. of applications	103.0	52.0	51.0	98%
Volumes disbursed	46.5	28.8	25.7	124%

As the graphs below show, the geographic and sector distribution is very varied, enabling the Group to benefit from a highly diversified portfolio.



The following shows the volumes disbursed per geographic area.

Volumes disbursed to SMEs - Breakdown by geographical area



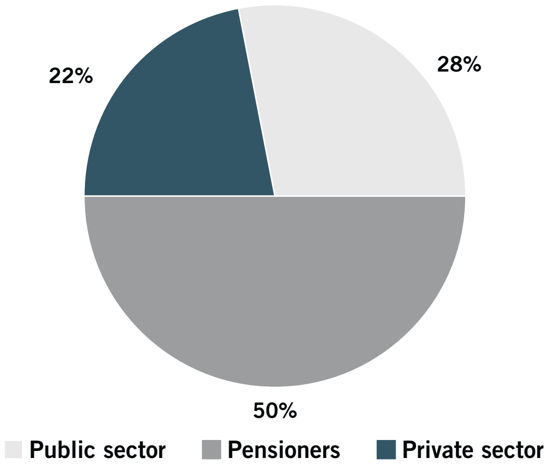
Salary-backed loans (CQS) and Pension-backed loans (CQP)

The Banca Sistema Group entered the salary- and pension-backed loan (CQS/CQP) market in 2014, through the acquisition without recourse from other specialised portfolio intermediaries of receivables arising from the granting of these specific types of financing. As at 30 June, the Bank had entered into 3 distribution agreements.

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 amounted to about €54 million, broken down between private-sector employees (22%), pensioners (50%) and public-sector employees (28%). Therefore, over 78% of the volumes refer to pensioners and employees of the PA, which remain the Bank's main debtor.

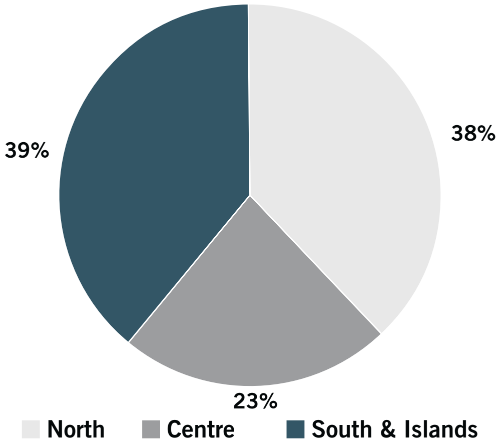
CQS disbursed volumes - Breakdown



	1H 15	FY 14	€ CHANGE	% CHANGE
No. of applications	2,623.0	656.0	1,967.0	300%
Volumes	53.6	13.4	40.2	300%

As shown in the table, the amounts disbursed in the first half of 2015 were considerably more than in 2014, as a result of the two new agreements concluded by the Bank during the period.

CQS disbursed volumes - Breakdown by geographical area



TREASURY ACTIVITIES

The treasury function consists mainly in managing the operating and structural liquidity generated by the Bank's core business, characterised by the considerable movement of flows arising from the ordinary acquisition of receivables without recourse.

The treasury is responsible for assessing, within a short-term time frame, the impacts of funding and lending transactions, generated by the intermediation activities, on the Bank' financial balance, for the purposes of preparing suitable measures able to offset the positive or negative financial balances arising from the succession of incoming and outgoing financial flows, while ensuring economically viable conditions.

In this regard, the treasury seeks out profitable forms of short-term investment for temporary surpluses of financial resources which would otherwise represent non-interest bearing or low yield assets for the Bank; alternatively, it is the responsibility of the treasury to identify sources which will enable the Bank to address, at an acceptable cost, the liquidity needs generated by ordinary management.

The treasury is also responsible for managing the Group's financial and credit assets and liabilities (ALM) and is required to maintain a suitable dynamic relationship between medium- to long-term assets and liabilities, ensuring diversification of the sources and maturities.

The management of treasury also involves the recourse to the main settlement markets and to the major financial markets for trading securities.

The need to swiftly address imbalances in corporate financial flows requires the treasury function to have a certain amount of liquidity reserves in the form of money market instruments (short-term deposits with other banks or instruments which can be easily sold on the market, such as short-term government bonds); in addition, the treasury is entrusted with short-term borrowing transactions, conducted through the collection of inter-bank deposits or by accessing Bank of Italy credit as well as credit in the form of advances on current account securities pledges (Repurchase Agreements, Buy and Sell Back, Stock Lending).

Treasury portfolio

A portfolio of owned securities has been established in order to better support liquidity commitments through the short-term investment in Italian Government Bonds.

The portfolio of owned securities as at 30/06/2015 amounted to € 917 million (858 as at 31/12/2014) and only comprised Italian short-term government bonds.

During the period, the portfolio of owned securities did not change in terms of value, type of securities and residual duration. In particular, as at 30 June 2015, the duration of the portfolio was 9.3 months (8.5 months as at 31 December 2014).

Traded volumes increased compared to the previous year, along with the number and amount of monetary settlements by the Treasury Area.

In the first half of 2015, the transactions involving government bonds totalled € 7,198 billion (compared with € 5,928 billion traded in the first half of 2014). Government bonds are mainly traded on the MTS Italian markets (in which the Bank trades as a market dealer), the European Bond Market (EBM), through the BondVision deal-to-client platform, or on BrokerTec.

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

Wholesale funding

Wholesale funding represented about 59% of the total as at 30 June 2015 and mainly comprised repurchase agreements traded on the MTS MMF Repo platform and refinancing mechanisms with the ECB (54% as at 31 December 2014). These transactions were carried out during the period by using treasury portfolio Italian Government securities as the underlying asset, along with eligible trade receivables due from Public Administration entities arising from factoring activities (ABACO).

The choice between the above-mentioned funding sources mainly depends on the contingent market performance of short-term liquidity. In particular, compared with 31 December 2014, priority was given to repurchase agreements, rather than the MRO transactions proposed by the ECB, due to their cost.
The Group also used the interbank deposit market both through the e-MID market and bilateral agreements with other banks.

During the first half of 2015, the volumes exchanged on the MMF REPO market amounted to approximately € 43,757 billion (€ 32,1 billion for the whole of 2014), while deposits on the e-MID and OTC markets totalled € 1.7 billion.

Short and medium-term operating cash flows were always maintained well above the levels needed to ensure the conversion of assets into cash at any moment throughout the period.

THE MAIN BALANCE SHEET AGGREGATES

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

ASSETS (€ ,000)	30.06.2015	31.12.2014	CHANGE
Cash and cash equivalents	87	66	21
Financial assets held for trading	-	63	(63)
Financial assets available for sale	917,215	858,007	59,208
Due from banks	46,013	16,682	29,331
Loans to customers	1,326,403	1,193,754	132,649
Equity investments	2,596	2,448	148
Property and equipment	1,149	1,201	(52)
Intangible assets	1,891	1,904	(13)
of which: goodwill	1,786	1,786	-
Tax assets	3,989	2,752	1,237
Other assets	9,315	4,376	4,939
Total assets	**2,308,658**	**2,081,253**	**227,405**

The Group ended the first half of 2015 with total assets of approximately € 2.3 billion, 10.9% up on the results at the end of the previous year.

The Bank's securities portfolio is entirely composed of Italian government bonds with an average duration of about 9.3 months as at 30 June 2015 (the average duration at the end of 2014 was 8.5 months), in line with the Group's investment policies to keep securities with durations of less than 12 months. Compared with year end, the nominal value of the securities grew from € 860 to € 919 million. Following market tensions in June caused by the "Greek crisis", the fair value, as at 30 June, of the Italian government bonds in the portfolio was negative by € 1.3 million. By mid-July, the prices of securities started to rise again, bringing the fair value to positive levels.

As at 31 December, there was only one credit default swap contract, recognised among "Financial assets held for trading", which was settled before the contractual deadline on 28 February 2015, following the collection of the underlying credit portfolio subject to hedging.

LOANS TO CUSTOMERS (€ ,000)	30.06.2015	31.12.2014	CHANGE	%
Factoring	837,687	851,856	(14,169)	-1.7%
Reverse repurchase agreements	334,554	290,316	44,238	15.2%
Loans to SME	59,872	18,664	41,208	220.8%
Salary/pension-backed loans (CQS/CQP)	65,367	13,228	52,139	394.2%
Current accounts	15,409	15,876	(467)	-2.9%
Compensation and Guarantee Fund	13,194	3,556	9,638	271.0%
Other receivables	320	258	62	24.0%
Total	**1,326,403**	**1,193,754**	**132,649**	**11.1%**

The "Loans to customers" item is mainly composed of outstanding loans in the factoring receivables portfolio, totalling € 838 million (-2% compared with year end). On the other hand, government-backed loans to SMEs are rising, along with salary- and pension-backed loans.

The factoring receivables turnover for the first half of 2015 totalled € 600 million (€ 1.2 billion as at 31 December 2014 and € 441 million as at 30 June 2014), recording a 36% increase compared with the first half of 2014. This amount includes tax receivables of € 45 million (€ 53 million as at 31 December 2014 and € 23 million as at 30 June 2014), which recorded a 96% increase compared with the first half of 2014.

Government-backed loans to SMEs disbursed during the first half of 2015 totalled € 46.5 million (€ 20.8 million as at 31 December 2014 and € 3.2 million as at 30 June 2014), while the volume of the salary- and pension-backed loans acquired was € 53.6 million (€ 13 million as at 31 December 2014 and € 0.8 million as at 30 June 2014).

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

LOANS TO CUSTOMERS		30.06.15	31.12.14
	Bad loans	22,266	11,439
	Unlikely to pay	11,278	10,078
Gross exposure	Past due	21,386	20,680
	Non-performing	**54,930**	**42,197**
	Performing (excluding REPO)	943,940	866,171
	Total	**998,870**	**908,368**
Provision for individual adjustments		4,566	2,473
Provision for collective adjustments		2,455	2,457
Total provision for adjustments		**7,021**	**4,930**
Net exposure		**991,849**	**903,438**

The impact of net non-performing loans on the total outstanding portfolio is low and amounts to 5%. The increase in bad loans compared with 31 December 2014 is physiological, related to the Bank's business.

The Bad loans ratio (calculated as the ratio of net bad loans to the total of loans to customers, net of reverse REPO) changed from 1.01% as at 31 December 2014 to 1.82% as at 30 June 2015, even though it remained at reasonable levels.

Loans to customers also include temporary investments in reverse repurchase agreements of € 335 million (€ 290 million at the end of 2014). The amounts deposited against the cash used in the Compensation and Guarantee Fund for finance transactions in repurchase agreements with bank customers rose in accordance with the greater number of REPO operations.

Equity investments include the Bank's equity stake of 25.80% in CS Union S.p.A. (a company created from the merger between the companies Candia S.p.A. and St.Ing. S.p.A.), operating on the bad financial and commercial loans management market, as well as in the management and recovery of receivables between individuals.

The increase of € 148 thousand represents the pro-quota result for the period.

Other assets include amounts being processed spanning period-end and trade invoices to be issued and mainly attributable to collection. The item is physiological and the increase compared with the previous financial year is mainly linked to a receivable relating to a deposit totalling € 1.5 million made in order to participate in the acquisition of a tax credit arising from an insolvency procedure and an equal increase of € 1.5 million in advances paid for interest with holding tax.

Comments on the main aggregates of balance sheet liabilities are given below.

LIABILITIES AND SHAREHOLDERS' EQUITY (€ ,000)	30.06.2015	31.12.2014	CHANGE
Due to banks	166,535	821,404	(654,869)
Due to customers	1,991,504	1,153,797	837,707
Securities issued	20,104	20,109	(5)
Tax liabilities	3	6,248	(6,245)
Other liabilities	45,473	36,441	9,032
Employee termination indemnities	1,364	1,173	191
Provisions for risks and charges	384	1,030	(646)
Valuation reserves	(872)	2	(874)
Reserves	67,096	13,059	54,037
Share capital	8,451	8,451	-
Profit for the period/year	8,616	19,539	(10,923)
Total liabilities and shareholders' equity	**2,308,658**	**2,081,253**	**227,405**

Wholesale funding represents about 59% of the total (54% as at 31 December 2014), and mainly comprises repurchase agreements traded through the MTS platform (classified under 'due to customers' since there is no direct balancing entry with banks) and, to a lesser extent, refinancing operations with the ECB and funding from other banks through the E-Mid market and term deposits.

There is only residual funding from bond loans, amounting to about 2% of the total.

Retail customer deposits remained in line with the previous financial year and were mainly linked to the SI Conto! Deposito product.

DUE TO BANKS (€ ,000)	30.06.2015	31.12.2014	CHANGE	%
Due to Central banks	35,000	730,020	(695,020)	-95.2%
Due to banks	131,535	91,384	40,151	43.9%
Current accounts and demand deposits	*10,485*	*36,366*	(25,831)	-71.0%
Term deposits	*121,050*	*55,018*	65,982	119.9%
Total	**166,535**	**821,404**	**(654,869)**	**-79.7%**

The composition of the "Due to banks" item has changed compared with the end of the previous financial year following greater funding from repurchase agreements instead of refinancing operations with the ECB, since during the period REPOs proved more convenient than Central Bank rates.

Funding from other banks rose compared with the previous financial year.

Customer deposits, following what has been illustrated above, recorded a 73% increase compared with the previous financial year, mainly following greater use of funding through repurchase agreements, rather than ECB funding, in order to finance the securities portfolio. The breakdown is as follows:

DUE TO CUSTOMERS (€ ,000)	30.06.2015	31.12.2014	CHANGE	%
Term deposits	560,195	569,410	(9,215)	-1.6%
Funding (repurchase agreements)	1,093,342	238,807	854,535	357.8%
Current accounts and demand deposits	309,541	311,751	(2,210)	-0.7%
Other amounts due	28,426	33,829	(5,403)	-16.0%
Total	**1,991,504**	**1,153,797**	**837,707**	**72.6%**

The year-end stock of term deposits showed a slight decline compared with the previous financial year, as a result of negative deposits of € 12 million; gross deposits during the first six months were € 203 million, against withdrawals caused mainly by non-renewals totalling € 215 million (net deposits for the whole of 2014 were positive and amounted to € 35 million, € 10 million in the first half of 2014).
Other amounts due include payables related to receivables acquired but not funded.

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

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

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

- release of € 300 thousand following the elimination of a potential risk connected to the collection of a tax credit acquired without recourse;
- release of the allowance made over the previous financial years for the residual part of the long-term incentive plan;
- allowance of € 310 thousand for the new bank resolution fund described below.

“Other liabilities” mainly include payments received after the end of the period by the assigned debtors and which were still being assigned and items being processed during the days following period-end, as well as trade payables and tax liabilities.

The following shows the changes in shareholders' equity since 31 December 2014:

SHAREHOLDERS' EQUITY (€ ,000)	31.12.2014	ALLOCATION OF PROFIT		OTHER CHANGES	NET RESULT FOR THE PERIOD	30.06.2015
		Dividends	**Reserves**			
Share capital	8,451					8,451
Reserves	13,059		17,567	36,470		67,096
Valuation reserves	2			(874)		(872)
Profit (Loss) for the year/period	19,539	(1,972)	(17,567)		8,616	8,616
Total	**41,051**					**83,291**

The other shareholders' equity reserves include the amount collected during the placement for the new shares issued during the listing phase (10 million shares at the unit price of € 3.75) less the listing costs of € 1.5 million, net of deferred tax assets of € 0.5 million deductible over five years. In accordance with the international accounting standards, all incremental costs strictly linked to the listing process were capitalised (chiefly placement commissions for the new shares and consultancy costs) in proportion to the number of new shares issued compared with the total number of new shares.

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

(€ ,000)	OTHER RESERVES
Other reserves	37,500
Capitalised listing costs	(1,525)
Deferred tax assets	504
Total reserves	**36,479**

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

The reconciliation between the net result and shareholders' equity of the parent company and the figures from the consolidated financial statements is shown below.

(€ ,000)	NET RESULT	SHAREHOLDERS' EQUITY
Banca Sistema's balances as at 30/06/2015	**8,804**	**84,126**
Assumption of value of investments		
Profit (loss)/shareholders' equity-subsidiaries	(188)	(835)
Other changes		
Adjustments to transfers of investments		
Banca Sistema's consolidated balances as at 30/06/2015	**8,616**	**83,291**

CAPITAL ADEQUACY

By means of a letter dated 05 May 2014, the Parent Company informed the Bank of Italy of its desire to exercise its option to be exempt from filing consolidated reports (an option laid down in paragraph 1.4 of circular 115 “Instructions for preparing banks’ supervisory reports on a consolidated basis”).

Provisional information concerning the regulatory capital and capital adequacy of Banca Sistema is show below.

OWN FUNDS (€ ,000) AND CAPITAL RATIOS	30.06.15	31.12.14
Common Equity Tier 1 (CET1)	**82,038**	**37,849**
TIER1	8,000	8,000
Additional Tier 1 capital (AT1)	**90,038**	**45,849**
TIER2	12,000	12,000
Total Own Funds (TC)	**102,038**	**57,849**
Total risk weighted assets	**458,869**	**363,771**
Ratio - CET1	17.9%	10.4%
Ratio - AT1	19.6%	12.6%
Ratio - TCR	**22.2%**	**15.9%**

Total own funds, as at 30 June 2015, totalled € 102 million.

In the absence of a formalised dividend policy, for the sole purposes of calculating own funds as at 30 June 2015, retained earnings included in the Common Equity Tier 1 capital, totalling € 7.7 million, were estimated by taking as a reference the average pay out over the last three years, as laid down in Delegated Regulation (EU) No 241/2014 supplementing Regulation (EU) No 575/2013 of the European Parliament.

ECONOMIC RESULTS

INCOME STATEMENT OF PROFIT AND LOSS (€ ,000)	30.06.2015	30.06.2014	CHANGE
Interest margin	28,951	24,057	4,894
Net fee and commission income	5,853	5,560	293
Dividends and similar income	-	33	(33)
Net income from trading activities	109	672	(563)
Profit from disposal or repurchase of financial assets	1,951	2,759	(808)
Operating income	**36,864**	**33,081**	**3,783**
Net value adjustments due to loan impairment	(2,091)	(2,018)	(73)
Net income from banking activities	**34,773**	**31,063**	**3,710**
Personnel expenses	(6,528)	(5,983)	(545)
Other administrative expenses	(9,042)	(9,030)	(12)
Net allowance for risks and charges	(10)	(300)	290
Net value adjustments to property and equipment/intangible assets	(154)	(89)	(65)
Other operating income (expenses)	128	(410)	538
Operating expenses	**(15,606)**	**(15,812)**	**206**
Profit (loss) from equity investments	221	-	221
Profit from current operations before taxes	**19,388**	**15,251**	**4,137**
Income taxes for the period	(6,029)	(5,408)	(621)
Profit (loss) for the period	**13,359**	**9,843**	**3,516**

The economic results for the first half of 2015, represented and commented on below, have been normalised in order to eliminate non-recurrent costs pertaining to the listing process; these costs are mainly attributable, as described in detail in the final part of the paragraph, to placement and consultancy costs as well as from a cost resulting from the revaluation of the long-term incentive plan recognised in the previous financial years.

The net result for the first half was € 13.4 million (+36%), a dramatic increase compared with the corresponding six months of the previous year.

INTEREST MARGIN (€ ,000)	30.06.2015	31.12.2014	€ CHANGE	% CHANGE
Interest and similar income				
Credit portfolios	39,653	34,987	4,666	13.3%
Securities portfolio	616	2,228	(1,612)	-72.4%
Other	231	889	(658)	-74.0%
Total interest income	**40,500**	**38,104**	**2,396**	**6.3%**
Interest expense and similar charges				
Due to banks	(498)	(1,105)	607	-54.9%
Due to customers	(10,435)	(11,955)	1,520	-12.7%
Securities issued	(616)	(987)	371	-37.6%
Total interest expense	**(11,549)**	**(14,047)**	**2,498**	**-17.8%**
Interest margin	**28,951**	**24,057**	**4,894**	**20.3%**

Total interest income is mainly composed of revenue generated from the factoring receivables portfolio, which totalled € 39.7 million (+13% compared with the previous six months), representing 98% of the total. Moreover, the contribution from pension- and salary-backed loan products and SME funding also rose, contributing 5.6%. Compared with the previous six months, however, the result shows less dependence on interest from securities, which fell by € 1.6 million due to a reduction in government bond yields during the period. Moreover, there was a smaller contribution from Other interest income mainly caused by a decrease in income generated by revenue from investments in hot money transactions and reverse repurchase agreements with institutional clients, which fell by € 0.5 million overall compared with the previous six months. Compared with the previous period, the increase in interest from the factoring portfolio is marked by greater average volumes compared with 2014, as well as an increase in interest generated by agreements.

Funding costs fell compared with the same period of the last year following a general reduction in market rates which has had a positive impact on wholesale funding, accompanied by a reduction in deposit and current account rates; the effect of the reduction in current account funding rates has been mitigated since the average volumes obtained in the first half of 2015 were considerably higher than in 2014.

Interest due to banks is mainly attributable to the cost of funding from the ECB, which was reduced mainly through a limited use of this form of financing.

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

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

COMMISSION MARGIN (€ ,000)	30.06.2015	30.06.2014	€ CHANGE	% CHANGE
Fee and commission income				
Collection activities	506	592	(86)	-14.5%
Factoring activities	5,834	5,078	756	14.9%
Other	326	321	5	1.6%
Total fee and commission income	**6,666**	**5,991**	**675**	**11.3%**
Fee and commission expenses				
Placement	(528)	(344)	(184)	53.5%
Other	(285)	(87)	(198)	227.6%
Total fee and commission expenses	**(813)**	**(431)**	**(382)**	**88.6%**
Net fee and commission income	**5,853**	**5,560**	**294**	**5.3%**

Net fees and commissions, equalling € 5.9 million, grew by 5.3%.

The volumes of the purchase of receivables connected with products that involve higher management fees and commissions increased compared with the previous period. Fees and commissions from customers for collection activities fell slightly due to the lower number of third party invoices managed.

Other fee and commission income mainly includes commissions linked to the placement of insurance sureties, collection and payment services and the holding and management of current accounts (€ 37.2 thousand).

Fee and commission expenses include, under the placement item, the costs of origination of factoring receivables for € 437 thousand (€ 259 thousand in the previous period) while the remaining part includes the returns to third party intermediaries for the placement of the SI conto! Deposito product.

The other fee and commission expenses include commissions due for interbank collection and payment services. In 2015, the item also includes € 63 thousand for commissions from the CDS premium taken out at the end of 2014 and € 57 thousand for commissions reversed to Insurance Companies for premiums placed and collected by the Bank.

RESULTS OF THE SECURITIES PORTFOLIO (€ ,000)	30.06.2015	30.06.2014	€ CHANGE	% CHANGE
Profit (Loss) on trading				
Profit (loss) realised on trading portfolio debt securities	109	672	(563)	-83.8%
Total	**109**	**672**	**(563)**	**-83.8%**
Profit (loss) from disposal or repurchase				
Profit (loss) on AFS portfolio debt securities	1,951	2,759	(808)	-29.3%
Total	**1,951**	**2,759**	**(808)**	**-29.3%**
Total profit (loss) from securities portfolio	**2,060**	**3,431**	**(1,371)**	**-40.0%**

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

PERSONNEL EXPENSES (€ ,000)	30.06.2015	30.06.2014	€ CHANGE	% CHANGE
Wages and salaries	(5,004)	(4,681)	(323)	6.9%
Social security contributions and other costs	(1,258)	(1,037)	(221)	21.3%
Directors' and statutory auditors' remuneration	(266)	(265)	(1)	0.4%
Total	**(6,528)**	**(5,983)**	**(545)**	**9.1%**

The Group's human resources moved from 106 as at 30 June 2014 to 129 at period-end.

The increase in personnel expenses, totalling € 545 thousand, is therefore mainly attributable to the growth in the size of workforce, with an average of more than 15 units, switching from an average of 109 to 124.

OTHER ADMINISTRATIVE EXPENSES (€ ,000)	30.06.2015	30.06.2014	€ CHANGE	% CHANGE
Servicing and collection activities	(3,329)	(3,391)	62	-1.8%
Consultancy	(713)	(997)	284	-28.5%
Computer expenses	(1,462)	(1,481)	19	-1.3%
Rent and related fees	(794)	(715)	(79)	11.0%
Indirect taxes and duties	(735)	(646)	(89)	13.8%
Advertising	(363)	(412)	49	-11.9%
Auditing fees	(123)	(183)	60	-32.8%
Other	(305)	(181)	(124)	68.5%
Car hire and related fees	(291)	(232)	(59)	25.4%
Legal and notary expenses	(269)	(158)	(111)	70.3%
Expense reimbursement and entertainment	(225)	(196)	(29)	14.8%
Membership fees	(127)	(135)	8	-5.9%
Infoprovider expenses	(120)	(110)	(10)	9.1%
Maintenance of movables and real properties	(90)	(115)	25	-21.7%
Telephone and postage expenses	(87)	(74)	(13)	17.6%
Discretionary payments	(9)	(4)	(5)	125.0%
Total	**(9,042)**	**(9,030)**	**(12)**	**0.1%**

Other administrative expenses, totalling € 9 million, remained essentially in line with the previous six months.

The amounts due to third parties for the collection and servicing of trade receivables are in line with the first half of 2014; in particular, payment for third-party servicers has fallen mainly because of the lower volumes managed and a reduction in the percentage cost applied to income.

Profit (loss) from equity investments reflects the net pro-quota result of the company CS Union S.p.A. from 1Q15.

The other management income/expenses item as at 30 June 2015 have deviated from the six months of the previous year mainly through the allocation of a one-off payment of € 0.3 million made in the first half of 2014, in response to a request for hedging from the National Interbank Deposit Guarantee Fund for the default of Banca Tercas.

The allowance to the provision for risks and charges, totalling € 10 thousand, was the result of an allocation made during the first half of 2014 and totalling € 300 thousand, following the elimination of a potential risk connected to the collection of a tax credit acquired without recourse and the simultaneous allowance resulting from an estimate of the contribution to the new bank resolution fund.

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

STATEMENT OF PROFIT AND LOSS (€ ,000)	30.06.2014 NORMALISED	IPO COSTS	30.06.2015 STATUTORY
Interest margin	28,951	-	28,951
Net fee and commission income	5,853	-	5,853
Dividends and similar income	-	-	-
Profit (Loss) on trading	109	-	109
Profit from disposal or repurchase of financial assets	1,951	-	1,951
Operating income	**36,864**	**-**	**36,864**
Net value adjustments due to loan impairment	(2,091)	-	(2,091)
Net income from banking activities	**34,773**	**-**	**34,773**
Personnel expenses	(6,528)	(4,389)	(10,917)
Other administrative expenses	(9,042)	(2,218)	(11,260)
Net allowance for risks and charges	(10)	-	(10)
Net value adjustments to property and equipment/intangible assets	(154)	-	(154)
Other operating income (expenses)	128	-	128
Operating expenses	**(15,606)**	**(6,607)**	**(22,213)**
Profit (loss) from equity investments	221	-	221
Profit from current operations before taxes	**19,388**	**(6,607)**	**12,781**
Income taxes for the period	(6,029)	1,864	(4,165)
Profit (loss) for the period	**13,359**	**(4,743)**	**8,616**

Personnel expenses include a gross variable component recognised to the management and linked to the Bank's IPO. The other administrative expenses mainly include share placement commissions, consultancy costs and other costs linked to the listing process.

New legislation and taxation

New deposit guarantee and resolution mechanism systems

Directives 2014/49/EU (Deposit Guarantee Schemes Directive - DGS) of 16 April 2014 and 2014/59/EU (Bank Recovery and Resolution Directive - BRRD) of 15 May 2014 were introduced as part of the strategic objective of reinforcing the single market and systemic stability, along with the Single Resolution Mechanism, which was also established by EU Regulation no. 806/2014 of 15 July 2014.

Contribution expenses arising from the Deposit Guarantee Schemes Directive

The new directive calls for Italian banks to switch from an ex-post contribution system to a mixed system, which provides for funds to be paid ex-ante until reaching, within 10 years from the entry into force of the directive (before 03 July 2024), a minimum target level, amounting to 0.8% of covered deposits. The contributions of each entity are calculated according to the ratio of the amount of their own deposits to the overall amount of the Country's protected deposits.

The Directive required transposition by the Member States in their national legal systems before 03 July 2015. On the date of this Report, the Directive had not yet been transposed by the Italian State.

The FITD (National Interbank Deposit Guarantee Fund) has indicated its intention of collecting, for 2015, only the contribution related to the second half of the year. In consideration of the notification from the FITD and since the legal obligation to pay the 2015 annual contribution will apply in the second half of 2015, no allocation was made to the statement of profit and loss. Based on currently available information, it is estimated that the expenses for the Bank could be around € 200 thousand gross of the relevant tax effects, considering the possibility of providing part of the financial resources through payment obligations, up to a maximum of 30% of the contribution owed.

Contribution expenses arising from the Bank Recovery and Resolution Directive

Directive 2014/59/EU defines the new resolution rules, which shall apply from 01 January 2015 to all the European Union banks in the event of financial difficulties, even if only prospective. To this end, the aforementioned directive calls for national resolution funds to have financial resources which must be provided through compulsory contributions from authorised credit institutions. In this case, too, the financing mechanism is mixed. Amounts must be paid in advance until reaching a minimum target level of 1% of covered deposits by 31 December 2024. The contributions from each entity are calculated according to the ratio of the amount of own liabilities (net of own funds and covered deposits) to the overall amount of liabilities for all the authorised credit institutions across the country. In order to achieve the target level, the financial resources provided by the credit institutions may include payment commitments, up to a maximum of 30%. The allocation of resources from national resolution funds during 2015 will be transferred to the European Single Resolution Fund (SRF) managed by a new European Resolution Authority (Single Resolution Board - SRB), whose establishment is provided for by Regulation no. 806/2014, which introduced the Single Resolution Mechanism (SRM), which will enter into force on 01 January 2016. On the date of drafting of this half-year report, the regulations for transposing the directive into the national legal system have not yet been issued and unambiguous procedures for recognising expenses have not yet been defined. Against such an uncertain background, the Bank has estimated an allocation of € 310 thousand, taking into account the fact that 30% of the aforementioned contribution may be covered through secured payment commitments.

Legislative Decree no. 83 of 27 June 2015

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

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

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

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

RISK MANAGEMENT AND SUPPORT CONTROL METHODS

In order to manage the significant risks to which it is or could be exposed, the Group has set up a risk management system that reflects the characteristics, size and complexity of its operations.

In particular, this system is based on four fundamental principles: appropriate supervision by corporate bodies and departments; adequate risk management policies and procedures (both in terms of exposure to credit risk and the disbursement of credit); suitable methods and adequate tools for risk identification, monitoring and management and adequate measurement techniques; comprehensive internal controls and independent auditing.

The "Risk Management System" is monitored by the Risk and Compliance Division, which ensures that capital adequacy and the degree of solvency with respect to its business are kept under constant control. In order to reinforce its ability to manage corporate risks, the Group established the Risk Management Committee, which supports the CEO in defining strategies, risk policies and profitability targets.

The Risk Management Committee continuously monitors the relevant risks and any new risks, even if only potential, resulting from changes in the working environment or the planned Group operations.

In accordance with Bank of Italy Circular no. 263/06 as amended, the Parent Company, Banca Sistema S.p.A., has tasked the Internal Control and Risks Committee with the job of coordinating the second and third level Control Departments; to that end, the Committee allows integration and interaction between these Departments, encouraging synergy, reducing any overlaps and supervising operations.

The methods used by the Group 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 the 'Pillar 1 risks', the Group has adopted standard methods to calculate the capital requirements for Prudential Regulatory purposes.

In order to evaluate non-measurable "Pillar 2 risks", the Group adopts - where possible - the methods stipulated under Supervisory regulations or those established by trade associations. If there are no such indications, standard market practices by operators that work at a level of complexity and operation comparable to the Group are also assessed.

RESEARCH AND DEVELOPMENT

No research and development activity was carried out in the first half of 2015.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties and connected parties, including the relative authorisation and disclosure procedures, are governed by the "Procedure governing transactions with associated parties" approved by the Board of Directors and published on the Internet site of the Parent Company, Banca Sistema S.p.A.

Transactions between the Group companies and related parties or connected parties were carried out in the interests of the Company, including within the scope of ordinary operations; these transactions were carried out in accordance with market conditions and, in any event, on the basis of mutual financial advantage and in compliance with all procedures.

With respect to transactions with parties who exercise administration, management and control functions in accordance with article 136 of the Consolidated Law on Banking, they are included in the Executive Committee decision, specifically authorised by the Board of Directors and with the approval of the Statutory auditors, subject to compliance with the obligations provided under the Civil Code with respect to matters relating to the conflict of interest of directors.

Please refer to the Notes to the financial statements for information concerning individual transactions with related parties.

ATYPICAL OR UNUSUAL TRANSACTIONS

During the first half of 2015, the Group did not carry out atypical or unusual transactions, as defined in Consob Communication no. 6064293 of 28 July 2006.

SIGNIFICANT EVENTS AFTER THE END OF THE REFERENCE PERIOD

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

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

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

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

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

On 17 June 2015, Borsa Italiana, through measure no. 8073, provided for the listing on the stock exchange of the Bank' shares for trading on the MTA - Italian Equities Market. On 18 June 2015, Consob issued a measure approving the prospectus, which enabled the launch of the public share offer: on this date, the institutional offer was launched, while, on 19 June 2015, the retail offer also began. Both offers ended on 29 June: the offer price was set at € 3.75 per share, equivalent to company capitalisation of around € 302 million, calculated on the basis of the Offer Price. Trading began on 2 July 2015.

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

On 15 July, the sale/purchase agreement for 200 nominal stakes of € 5 million, representing 0.066% of the share capital of Bank of Italy, was signed, with the simultaneous transfer of the holding certificate. The transfer is subject to the condition subsequent of verification, by the Bank of Italy, of the existence of the legal requirements for Banca Sistema to be the holder of the stakes.

Lastly, on 17 July 2015, the Coordinator of the Global Sale and Subscription Offer, Barclays Bank PLC, including in the name and on behalf of the members of the Institutional Placement Consortium, fully exercised the Greenshoe Option granted by the Selling Shareholder, SOF Luxco S.a.r.l., for a global total of 3,897,865 ordinary Banca Sistema shares. The acquisition price for the shares which were the subject of the Greenshoe

Option was € 3.75 per share - corresponding to the Offer Price for shares which are the subject of the Global Sale and Subscription Offer - for an overall amount of around € 14.6 million gross of the commissions and costs related to the operation. The settlement of the shares related to the Greenshoe Option occurred on 21 July 2015.

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

Shareholding Structure

Based on evidence from the Shareholders' Register and more recent information available, as at 2 July 2015, the shareholders with stakes of more than 5%, the threshold above which Italian law (art.120 of the Consolidated Law on Finance) requires disclosure to the investee company and Consob, were as follows:

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

SUBSEQUENT EVENTS AND OUTLOOK AND MAIN RISKS AND UNCERTAINTIES

During the second half of 2015, the growth in factoring volumes recorded during the first half of the year, is expected to continue, along with a greater contribution from loans to SMEs and salary-backed loans.

The interest margin, based on current market conditions, will continue to benefit from essentially stable funding costs.

Over the reference period, new strategic commercial agreements and framework agreements were concluded, which have enabled the Group to launch a diversification process for the products offered.
The objective is still to broaden the customer base and exploit opportunities presented by the Banca Sistema Group's excellent strategic positioning on the Italian market.

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

Milan, 30 July 2015

On behalf of the Board of Directors

The Chairman

Prof. Giorgio Basevi

The CEO

Gianluca Garbi

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL REPORT

AS AT 30 JUNE 2015

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in thousands of Euro

	Assets	30.06.2015	31.12.2014
10.	Cash and cash equivalents	87	66
20.	Financial assets held for trading	-	63
40.	Financial assets available for sale	917,215	858,007
60.	Due from banks	46,013	16,682
70.	Loans to customers	1,326,403	1,193,754
100.	Equity investments	2,596	2,448
120.	Property and equipment	1,149	1,201
130.	Intangible assets	1,891	1,904
	of which goodwill	*1,786*	*1,786*
140.	Tax assets	3,989	2,752
	a) Current	366	41
	b) Deferred	3,623	2,711
	of which pursuant to Law 214/2011	3,149	2,261
160.	Other assets	9,315	4,376
	Total assets	**2,308,658**	**2,081,253**

Amounts in thousands of Euro

	Liabilities and shareholders' equity	30.06.2015	31.12.2014
10.	Due to banks	166,535	821,404
20.	Due to customers	1,991,504	1,153,797
30.	Securities issued	20,104	20,109
80.	Tax liabilities	3	6,248
	a) Current	-	6,234
	b) Deferred	3	14
100.	Other liabilities	45,473	36,441
110.	Employee termination indemnities	1,364	1,173
120.	Provisions for risks and charges	384	1,030
	b) Other provisions	384	1,030
140.	Valuation reserves	(872)	2
170.	Reserves	62,771	8,734
180.	Share premium reserve	4,325	4,325
190.	Share capital	8,451	8,451
220.	Profit (loss) for the period (+/-) / year	8,616	19,539
	Total liabilities and shareholders' equity	**2,308,658**	**2,081,253**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Amounts in thousands of Euro

	Items	30.06.2015	30.06.2014
10.	Interest and similar income	40,500	38,104
20.	Interest expense and similar charges	(11,549)	(14,047)
30.	**Interest margin**	**28,951**	**24,057**
40.	Fee and commission income	6,666	5,991
50.	Fee and commission expenses	(813)	(431)
60.	**Net fee and commission income**	**5,853**	**5,560**
70.	Dividends and similar income	-	33
80.	Profit (Loss) on trading	109	672
100.	Profit (loss) from disposal or repurchase of:	1,951	2,759
	a) receivables		
	b) financial assets available for sale	1,951	2,759
	c) financial assets held to maturity	-	
	d) financial liabilities	-	
120.	**Operating income**	**36,864**	**33,081**
130.	Net value adjustments/write-backs due to impairment of:	(2,091)	(2,018)
	a) receivables	(2,091)	(2,018)
140.	**Net income from banking activities**	**34,773**	**31,063**
180.	Administrative expenses:	(22,177)	(15,333)
	a) personnel expenses	(10,917)	(5,983)
	b) other administrative expenses	(11,260)	(9,030)
190.	Net allowance for risks and charges	(10)	(300)
200.	Net adjustments to/recoveries on property and equipment	(123)	(73)
210.	Net adjustments to/recoveries on intangible assets	(31)	(16)
220.	Other operating income (expenses)	128	(410)
230.	**Operating expenses**	**(22,213)**	**(15,812)**
240.	Profit (loss) from equity investments	221	-
270.	Profit (Loss) on disposal of investments	-	-
280.	**Profit (loss) before tax from continuing operations**	**12,781**	**15,251**
290.	Taxes on income from continuing operations	(4,165)	(5,408)
300.	**Profit after tax from continuing operations**	**8,616**	**9,843**
320.	Profit (loss) for the period	8,616	9,843
340.	**Parent company profit for the period**	**8,616**	**9,843**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Amounts in thousands of Euro

	Items	30.06.2015	30.06.2014
10.	**Profit (Loss) for the period**	**8,616**	**9,843**
	Other income items net of taxes without reversal to the statement of profit and loss		
20.	Property and equipment	-	-
30.	Intangible assets	-	-
40.	Defined benefit plans	10	22
50.	Non-current assets held for sale	-	-
60.	Share of valuation reserves connected with investments carried at equity:	- -	- -
	Other income items net of taxes with reversal to the statement of profit and loss	-	-
70.	Hedges of foreign investments	-	-
80.	Foreign exchange differences	-	-
90.	Cash flow hedges	-	
100.	Financial assets available for sale	864	488
110.	Non-current assets held for sale	-	-
120.	Share of valuation reserves connected with investments carried at equity:	-	-
130.	**Total other comprehensive income (net of tax)**	874	510
140.	**Comprehensive income (Items 10+130)**	**9,490**	**10,353**
150.	**Total consolidated comprehensive income pertaining to minority interests**	-	-
160.	**Total consolidated comprehensive income pertaining to the Parent Company**	**9,490**	**10,353**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AS AT 30/06/2015

Amounts in thousands of Euro

				Allocation of net result from previous year		Changes during the year									
							Operations on shareholders' equity								
	Balance at 31.12.2014	Change in opening balances	Balance at 01.01.2015	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	Changes in equity investments	Comprehensive income as at 30.06.2015	**Group shareholders' equity at 30.06.2015**
Share capital:															
a) ordinary shares	**8,451**	-	8,451		-	-	-	-	-	-	-	-	-	-	**8,451**
b) other shares	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premium reserve	**4,325**	-	4,325	-	-	-	-	-	-	-	-	-	-	-	**4,325**
Reserves	**8,734**	-	8,734	17,567	-	36,470	-	-	-	-	-	-	-	-	**62,771**
a) retained earnings	**9,006**	-	9,006	17,567		-	-	-			-	-	-	-	**26,573**
b) other	**(272)**	-	(272)		-	36,470	-	-			-	-	-	-	**36,198**
Valuation reserves	**2**	-	2	-	-	-	-	-			-	-	-	(874)	**(872)**
Equity instruments	**-**	-	-	-	-	-	-	-			-	-	-	-	**-**
Treasury shares	**-**	-	-	-	-	-	-	-			-	-	-	-	**-**
Profit (loss) for the period	**19,539**	-	19,539	(17,567)	(1,972)	-	-	-			-	-	-	8,616	**8,616**
Shareholders' equity	**41,051**	-	**41,051**	-	**(1,972)**	**36,470**	-	-	-	-	-	-	-	**7,742**	**83,291**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AS AT 30/06/2014

Amounts in thousands of Euro

				Allocation of net result from previous year		Changes during the year									
							Operations on shareholders' equity								
	Balance at 31.12.2013	Change in opening balances	Balance at 01.01.2014	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	Changes in equity investments	Comprehensive income for 2014	**Group shareholders' equity at 30.06.2014**
Capitale:															
a) azioni ordinarie	**8,451**	-	8,451		-	-	-	-	-	-	-	-	-	-	**8,451**
b) altre azioni	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Sovrapprezzi di emissione	**4,325**	-	4,325	-	-	-	-	-	-	-	-	-	-	-	**4,325**
Riserve	**2,456**	-	2,456	6,298	-	(10)	-	-	-	-	-	-	-	-	**8,744**
a) di utili	**2,708**	-	2,708	6,298	-	-	-	-			-	-	-	-	**9,006**
b) altre	**(252)**	-	(252)		-	(10)	-	-			-	-	-	-	**(262)**
Riserve da valutazione	**(257)**	-	(257)	-	-	-	-	-			-	-	-	510	**253**
Strumenti di capitale	**-**	-	-	-	-	-	-	-			-	-	-	-	**-**
Azioni proprie	**-**	-	-	-	-	-	-	-			-	-	-	-	**-**
Utile (Perdite) di periodo	**7,002**	-	7,002	(6,298)	(704)	-	-	-			-	-	-	9,843	**9,843**
Patrimonio netto	**21,977**	-	**21,977**	-	**(704)**	**(10)**	-	-	-	-	-	-	-	**10,353**	**31,616**

CONSOLIDATED STATEMENT OF CASH FLOWS (direct method)

Amounts in thousands of Euro

	30.06.2015	30.06.2014
A. OPERATING ACTIVITIES		
1. Managementinterest	**2,426**	**13,894**
▪ income collected	40,500	38,104
▪ interest expense paid	(11,549)	(14,048)
▪ dividends and similar income	-	-
▪ net fees and commissions	5,853	5,560
▪ personnel expenses	(16,552)	(5,983)
▪ net premiums collected	-	-
▪ other insurance income/expenses	-	-
▪ other income	(11,143)	(9,739)
▪ other expenses	-	-
▪ taxes and duties	(4,684)	-
▪ income/expenses relating to groups of assets held for disposal, net of taxes	-	-
2. Cash flows from (used in) financial assets	**(227,697)**	**43,910**
▪ financial assets held for trading	172	672
▪ financial assets designated at fair value through profit and loss	-	-
▪ financial assets available for sale	(58,131)	(8,218)
▪ receivables due from customers	(134,740)	(4,239)
▪ due from banks: on demand	(29,331)	57,442
▪ due from banks: other receivables	-	-
▪ other assets	(5,667)	(1,747)
3. Cash flows generated by/used in financial liabilities	**190,800**	**(54,448)**
▪ due to banks: on demand	(654,869)	(478,177)
▪ due to banks: other payables	-	-
▪ due to customers	837,707	430,290
▪ securities issued	(5)	(9,924)
▪ financial liabilities held for trading	-	-
▪ financial liabilities designated at fair value through profit and loss	-	-
▪ other liabilities	7,967	3,363
Net cash flow from (used in) operating activities	**(34,471)**	**3,356**
B. INVESTMENT ACTIVITIES		
1. Cash flows from	**-**	**33**
▪ sales of equity investments		-
▪ dividends collected on equity investments	-	33
▪ sales/reimbursements of financial assets held to maturity	-	-
▪ sales of property and equipment	-	-
▪ sales of intangible assets	-	-
▪ purchases of subsidiaries and business lines	-	-
2. Cash flows used in	**(89)**	**(2,677)**
▪ purchases of equity investments	-	**(2,377)**
▪ purchases of financial assets held to maturity	-	-
▪ purchases of property and equipment	(71)	(248)
▪ purchases of intangible assets	(18)	(52)
▪ purchases of subsidiaries and business lines	-	-
Net cash flow from (used in) investment activities	(89)	**(2,644)**
C. FINANCING ACTIVITIES		
▪ issues/purchases of treasury shares	**36,551**	-
▪ issues/purchases of equity instruments	-	-
▪ dividend distribution and other	(1,972)	(704)
Net cash flow from (used in) financing activities	**34,579**	**(704)**
NET CASH FLOW GENERATED/USED DURING THE YEAR	**19**	**8**

RECONCILIATION - ITEMS

Cash and cash equivalents at the beginning of the year	66	71
Total net cash flow generated/used during the year	19	8
Cash and cash equivalents: effect of change in exchange rates	-	-
Cash and cash equivalents at balance sheet date	85	79

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

Statement of compliance with international accounting standards

This condensed, consolidated half-year report was drafted in accordance with Legislative Decree no. 38 of 28 February 2005, pursuant to the IAS/IFRS accounting standards issued by the International Accounting Standards Board (IASB) as authorised and in force on 30 June 2015, including the interpretation documents (SIC) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as established by EU Regulation no. 1606 of 19 July 2002. These standards were used to prepare the comparative data and opening balances as at 01 January 2015.

In preparing the condensed, consolidated half-year report, the Bank followed the instructions concerning financial statements issued by the Bank of Italy in its Regulation of 22 December 2005, the simultaneous Circular no. 262/05, the update of 22 December 2014 and the clarification notes, supplemented by the general provisions of the Italian Civil Code and other relevant legislative and regulatory provisions.

The condensed, consolidated half-year report was drafted in summary form and in accordance with IAS 34, with specific reference to the arrangements for disclosing financial information, supplemented by the other relevant legislative and regulatory standards.

The specific accounting standards adopted have been applied consistently with regard to the financial statements as at 31 December 2014.

There were no derogations to the application of the IAS/IFRS accounting standards.

The condensed, consolidated half-year report was subject to a limited audit by KPMG S.p.A..

General basis of preparation

The condensed, consolidated half-year report comprises the Statement of financial position, Statement of profit and loss, Statement of other comprehensive income, Statement of changes in equity, Statement of cash flows and 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 Banca Sistema Group.

The financial statements, drawn up in accordance with the general guidelines laid down by the IAS, show the data for the period compared with the data from the previous financial year or corresponding period of the previous financial year as regards balance sheet and profit and loss figures, respectively.

Pursuant to the provisions of art. 5 of Legislative Decree no. 38/2005, the financial statements use the Euro as the currency for accounting purposes. The amounts in the Accounting statements and Notes to the financial statements are expressed (unless expressly specified) in thousands of Euro.

The financial statements were drafted in accordance with the specific accounting standards endorsed by the European Commission, as well as pursuant to the general assumptions laid down by the Framework for the preparation and presentation of financial statements issued by the IASB.

The Directors' Report and Notes to the financial statements provide the information required by international accounting standards, the Law and Bank of Italy, along with other non-mandatory information deemed equally necessary for giving a true and fair view of the consolidated position.

Scope and methods of consolidation

The condensed, consolidated half-year report includes Banca Sistema S.p.A. and the companies directly or indirectly controlled by or connected with it.

Compared with the situation as at 31 December 2014, no changes to the scope of consolidation have been reported. The following statement shows the investments included within the scope of consolidation of the condensed, consolidated half-year report.

NAMES COMPANIES	REGISTERED OFFICE	TYPE OF RELATIONSHIP (1)	INVESTMENT		% OF VOTES AVAILABLE (2)
			INVESTING COMPANY	% HELD	
Companies					
Companies subject to full consolidation					
1 S.F. Trust Holdings Ltd	London	1	**Banca Sistema**	100%	100%
Consolidated at equity					
2 CS Union S.p.A.	Italy	4	**Banca Sistema**	25.80%	25.80%

Key:

(1) Type of relationship.

1. = majority of voting rights at the ordinary shareholders' meetings
2. = controlling influence
3. = agreements with other shareholders
4. = other forms of control
5. = unitary management as defined in Art. 26.1 of 'Legislative Decree 87/92'
6. = unitary management as defined in Art. 26.2 of 'Legislative Decree 87/92'
7. = joint control

(2) Available voting rights at ordinary shareholders' meeting, with separate indication of effective and potential rights

Changes in the scope of consolidation

The Group's scope has not changed compared with the end of the previous year.

Full method

The investments in subsidiaries are consolidated using the full consolidation method. The concept of control goes beyond owning a majority of the percentage of stakes in the share capital of the subsidiary and is defined as the power of determining the managerial and financial policies of the said subsidiary to obtain benefits from its business.

Full consolidation provides for line-by-line aggregation of the balance sheet and profit and loss aggregates from the accounts of the subsidiaries. To this end, the following adjustments were made:

- the book value of the investments held by the Parent Company and the corresponding part of the shareholders' equity are eliminated;
- the portion of shareholders' equity and profit or loss for the year is shown in a specific caption.

The results of the above adjustments, if positive, are shown - after allocation to the assets or liabilities of the subsidiary - as goodwill in item '130 Intangible Assets' on the date of initial consolidation. The resulting differences, if negative, are recognised in the statement of profit and loss. Intra-group balances and transactions, including revenue, costs and dividends, are entirely eliminated. The financial results of a subsidiary acquired during the financial year are included in the consolidated financial statements from the date of acquisition. At the same time, the financial results of a transferred subsidiary are included in the consolidated financial statements up to the date on which the subsidiary is transferred.

The accounts used in the preparation of the consolidated financial statements are drafted on the same date. The consolidated financial statements were drafted using consistent accounting standards for transactions and similar events.

If a subsidiary uses accounting standards different from those adopted in the consolidated financial statements for transactions and events in similar circumstances, adjustments are made to the accounting position for consolidation purposes. Detailed information with reference to Art. 89 of Directive 2013/36/EU of the European Parliament and Council (CRD IV), are published at the link www.bancasistema.it/pillar3.

Consolidation with the equity method

Associated companies are consolidated with the equity method.

The equity method provides for the initial recognition of the investment at cost and subsequent value adjustment based on the relevant share of the shareholders' equity of the subsidiary.

The differences between the value of the equity investment and the shareholders' equity of the relevant subsidiary are included in the accounting value of the subsidiary.

In the valuation of the relevant share, any potential voting rights are not taken into consideration.

The relevant share of the annual results of the subsidiary is shown in a specific item of the consolidated of profit and loss.

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. Should the recovery value prove lower than the book value, the difference is recognised in the of profit and loss.

Events after the reference date of the half-year financial report

After the reference date of the condensed, consolidated half-year report, there were no events worthy of mention in the Notes to the financial statements which would have had an impact on the statement of financial position and statement of profit and loss of the Bank or Group.

Information on the main financial statement items

The accounting policies adopted for the drafting of the condensed consolidated half-year report, with reference to the classification, recording, valuation and derecognition criteria for the various assets and liabilities, like the guidelines for recognising costs and revenues, have remained unchanged compared with those adopted in the annual and consolidated financial statements as at 31 December 2014, to which reference is made.
With reference to the condensed consolidated half-year report as at 30/06/2014, for the purposes of improving comparison, the amount of debt due to the National Interbank Deposit Guarantee Fund was reclassified from other administrative costs to other charges.

INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

There were no financial assets transferred between portfolios.

INFORMATION ON FAIR VALUE

Qualitative information

Fair value levels 2 and 3: valuation techniques and inputs used

There were no deviations from the valuation guidelines and techniques in use as at 31 December 2014.

Processes and sensitivity of valuations

The portfolio of financial instruments classified at level 3 has no significant impact on the Bank's financial statements.

Fair value hierarchy

The following fair value hierarchy was used in order to prepare the consolidated half-year report:

Level 1 - Effective market quotes: the valuation is the market price of said financial instrument subject to valuation, obtained on the basis of quotes expressed by an active market.
Level 2 - Comparable Approach
Level 3 - Mark-to-Model Approach

Transfer of assets and liabilities measured at fair value (levels 1 and 2) (levels 2 and 3)

Nothing to report.

INFORMATION CONCERNING ‘DAY ONE PROFIT/LOSS’

Nothing to report.

ASSETS

CASH AND CASH EQUIVALENTS - ITEM 10

Cash and cash equivalents: breakdown

Items/Values	30.06.2015	31.12.2014
a) Cash	87	66
b) Demand deposits with Central Banks	-	-
Total	**87**	**66**

FINANCIAL ASSETS AVAILABLE FOR SALE - ITEM 40

Financial assets available for sale: breakdown by type

Items/Values	30.06.2015			31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	917,215	-	-	858,007	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	917,215	-	-	858,007	-	-
2. Equities	-	-	-	-	-	-
2.1 Measured at fair value	-	-	-	-	-	-
2.2 Measured at cost	-	-	-	-	-	-
3. Units of UCI	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
TOTAL	**917,215**	-	-	**858,007**	-	-

The Bank's securities portfolio is entirely composed of Italian government bonds with an average duration of about 9.3 months as at 30 June 2015 (the average duration at the end of 2014 was 8.5 months), in line with the Group's investment policies to keep securities with durations of less than 12 months.

Compared with year end, the nominal value of the securities grew from € 860 to € 919 million.

Following market tensions in June caused by the 'Greek crisis', the fair value, as at 30 June, of the Italian government bonds in the portfolio was negative by € 1.3 million.

By mid-July, the prices of securities started to rise again, bringing the fair value to positive levels.

DUE FROM BANKS - ITEM 60

Due from banks: breakdown by type

Type of transactions/Values	30.06.2015				31.12.2014			
	BV	FV Level 1	FV Level 2	FV Level 3	BV	FV Level 1	FV Level 2	FV Level 3
A. Due from Central Banks	**8,899**				**16,114**			
1. Term deposits	-	X	X	X	-	X	X	X
2. Compulsory reserve	8,899	X	X	X	16,114	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Due from banks	**37,114**				**568**			
1. Loans	**37,114**			X	**568**			
1.1 Current accounts and demand deposits	551	X	X	X	568	X	X	X
1.2. Term deposits	-	X	X	X	-	X	X	X
1.3. Other loans:	36,563				-			
- Reverse repurchase agreements	-	X	X	X	-	X	X	X
- Financial leases	-	X	X	X	-	X	X	X
- Others	36,563	X	X	X	-	X	X	X
2. Debt securities	-				-			
2.1 Structured securities	-	X	X	X	-	X	X	X
2.2 Other debt securities	-	X	X	X	-	X	X	X
TOTAL	**46,013**	**-**	**-**	**46,013**	**16,682**	**-**	**-**	**16,682**

Key:

FV = fair value
BV = book value

RECEIVABLES DUE FROM CUSTOMERS - ITEM 70

Receivables due from customers: breakdown by type

Type of transactions/Values	30.06.2015						31.12.2014					
	Book value			*Fair value*			Book value			*Fair value*		
	Performing	Non-performing		L1	L2	L3	Performing	Non-performing		L1	L2	L3
		Purchased	Other					Purchased	Other			
Loans	**1,276,039**	**13,616**	**36,748**			**1,326,403**	**1,154,030**	**6,117**	**33,607**			**1,193,754**
1. Current accounts	15,409		-	x	x	x	15,818	-	58	x	x	x
2. Reverse repurchase agreements	334,554			x	x	x	290,316	-	-	x	x	x
3. Mortgages	57,565		2,307	x	x	x	18,357	-	307	x	x	x
4. Credit cards, personal loans and salary-backed loans	63,597		2,091	x	x	x	13,485	-	-	x	x	x
5. Financial leases				x	x	x	-	-	-	x	x	x
6. Factoring	713,614	13,616	32,345	x	x	x	812,498	6,117	33,242	x	x	x
7. Other loans	91,300		5	x	x	x	3,556	-	-	x	x	x
Debt securities							-	-	-			
8. Structured securities				x	x	x	-	-	-	x	x	x
9. Other debt securities				x	x	x	-	-	-	x	x	x
TOTAL (book value)	**1,276,039**	**13,616**	**36,748**	-	-	**1,326,403**	**1,154,030**	**6,117**	**33,607**	-	-	**1,193,754**

On- and off-balance sheet credit exposures to customers: gross and net values

Type of exposures/Values	GROSS EXPOSURE	INDIVIDUAL ADJUSTMENTS	COLLECTIVE ADJUSTMENTS	NET EXPOSURE
A. ON-BALANCE SHEET EXPOSURES				
a) Bad loans	22,266	4,198		18,068
b) Probable defaults	11,278	280		10,998
c) Non-performing past due exposures	21,385	88		21,297
d) Other assets	2,196,684		2,455	2,194,229
TOTAL A	**2,251,613**	**4,566**	**2,455**	**2,244,592**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing				
b) Other	671			671
TOTAL B	**671**			**671**

The impact of net non-performing loans on the total outstanding portfolio is low and amounts to 5%.

The increase in bad loans compared with 31 December 2014 is physiological, related to the Bank's business. The Bad loans ratio (calculated as the ratio of net bad loans to the total of loans to customers, net of reverse REPO) changed from 1.01% as at 31 December 2014 to 1.82% as at 30 June 2015, even though it remained at reasonable levels.

EQUITY INVESTMENTS - ITEM 100

Assets/Values	30.06.2015	31.12.2014
A. INITIAL AMOUNT	**2,448**	-
B. INCREASES	**148**	**2,448**
B.1 Purchases		2,377
B.2 Write-backs		
B.3 Revaluations		
B.4 Other changes	148	71
C. DECREASES	-	-
C.1 Sales		-
C.2 Impairment losses		-
C.3 Other changes		-
D. FINAL AMOUNT	**2,596**	**2,448**
E. TOTAL REVALUATIONS		-
F. TOTAL IMPAIRMENT LOSSES		-

Equity investments include the Bank's equity stake of 25.80% in CS Union S.p.A. (a company created from the merger between the companies Candia S.p.A. and St.Ing. S.p.A.), operating on the bad financial and commercial loans management market, as well as in the management and recovery of receivables between individuals.

The increase of € 148 thousand represents the pro-quota result for the period.

PROPERTY AND EQUIPMENT - ITEM 120

Property and equipment used in operations: breakdown of the assets valued at cost

Assets/Values	30.06.2015	31.12.2014
1.1. PROPERTY AND EQUIPMENT OWNED	**1,149**	**1,201**
a) land	-	-
b) buildings	-	-
c) furniture	309	309
d) electronic equipment	730	873
e) other	110	19
1.2. PROPERTY AND EQUIPMENT ACQUIRED UNDER FINANCE LEASE	-	
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
TOTAL	**1,149**	**1,201**

INTANGIBLE ASSETS - ITEM 130

Intangible assets: breakdown per type of activity

Assets/Values	30.06.2015		31.12.2014	
	FINITE USEFUL LIFE	INDEFINITE USEFUL LIFE	FINITE USEFUL LIFE	INDEFINITE USEFUL LIFE
A.1 GOODWILL		**1,786**		**1,786**
A.2 OTHER INTANGIBLE ASSETS	**105**	-	**118**	-
A.2.1 Assets measured at cost	105	-	118	-
a) Internally generated intangible assets	-	-		-
b) Other assets	105	-	118	-
A.2.2 Assets measured at fair value	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
TOTAL	**105**	**1,786**	**118**	**1,786**

OTHER ASSETS - ITEM 160

Other assets: breakdown

	30.06.2015	31.12.2014
Tax advances	3,984	2,484
Other	1,884	561
Prepayments not attributable to a specific item	1,326	166
Items under processing	1,210	253
Leasehold improvements	698	825
Accrued income not attributable to a specific item	144	21
Security deposits	69	66
TOTAL	**9,315**	**4,376**

Other assets include amounts being processed after the end of the reference period and trade invoices to be issued and mainly attributable to collection. The item is physiological and the increase compared with the previous financial year is mainly linked to a receivable relating to a deposit totalling € 1.5 million made in order to participate in the acquisition of a tax credit arising from an insolvency procedure and an equal increase of € 1.5 million in advances paid for interest withholding tax.

LIABILITIES

DUE TO BANKS - ITEM 10

Due to banks: breakdown by type

Type of transactions/Values	30.06.2015	31.12.2014
1. Due to Central banks	**35,000**	**730,020**
2. Due to banks	**131,535**	**91,384**
2.1 Current accounts and demand deposits	10,485	36,366
2.2 Term deposits	121,050	55,018
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	-	-
TOTAL	**166,535**	**821,404**
Fair value - Level 1	-	-
Fair value - Level 2	-	-
Fair value - Level 3	**166,535**	**821,404**
Fair value	**166,535**	**821,404**

DUE TO CUSTOMERS - ITEM 20

Due to customers: breakdown by type

Type of transactions/Values	30.06.2015	31.12.2014
1. Current accounts and demand deposits	309,515	311,751
2. Term deposits	560,195	569,410
3. Loans	1,093,368	238,807
3.1 Repurchase agreements	1,093,342	238,807
3.2 Other	26	
4. Debts for commitments to repurchase own equity instruments		-
5. Other payables	28,426	33,829
TOTAL	**1,991,504**	**1,153,797**
Fair value - Level 1	**-**	**-**
Fair value - Level 2	**-**	**-**
Fair value - Level 3	**1,991,504**	**1,153,797**
Fair value	**1,991,504**	**1,153,797**

SECURITIES ISSUED - ITEM 30

Securities issued: breakdown by type

Type of securities/Values	30.06.2015				31.12.2014			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. SECURITIES								
1. Bonds	20,104			20,104	20,109			20,109
1.1 structured								
1.2 other	20,104			20,104	20,109			20,109
2. Other securities								
2.1 structured								
2.2 other								
TOTAL	**20,104**			**20,104**	**20,109**			**20,109**

Details of item 30 'Securities issued'. subordinated securities

	ISSUER	TYPE OF ISSUE	COUPON	MATURITY DATE	NOMINAL VALUE	IAS VALUE
Tier 1 capital	Banca Sistema S.p.A.	Innovative equity instruments: mixed rate ISIN IT0004881444	Until June 2023, rate fixed at 7% From June 2023, floating rate 6-month Euribor + 5.5%	Perpetual	8,000	8,014
Tier 2 capital	Banca Sistema S.p.A.	Subordinate ordinary loans (Lower Tier 2): ISIN IT0004869712	6-month Euribor + 5.5%	15.11.2022	12,000	12,090
TOTALE					**20,000**	**20,104**

OTHER LIABILITIES – ITEM 100

Other liabilities: breakdown

		30.06.2015	31.12.2014
Items under processing		19,440	16,939
Tax payables to the Revenue Agency and other tax authorities		11,280	11,524
Due to employees		6,527	2,004
Accrued liabilities		5,414	3,448
Trade payables		2,447	2,068
Pension repayments		332	437
Other		33	21
	TOTAL	**45,473**	**36,441**

"Other liabilities" mainly include payments received after the end of the period by the assigned debtors and which were still being assigned and items being processed during the days following period-end, as well as trade payables and tax liabilities.

EMPLOYEE TERMINATION INDEMNITIES – ITEM 110

Employee termination indemnities: annual changes

		30.06.2015	31.12.2014
A. INITIAL AMOUNT		**1,173**	**732**
B. INCREASES		**275**	**569**
B.1 Allowance of the year		264	379
B.2 Other changes		11	190
C. DECREASES		**84**	**128**
C.1 Benefits paid		15	21
C.2 Other changes		69	107
D. FINAL AMOUNT		**1,364**	**1,173**
	TOTAL	**1,364**	**1,173**

The increase in “Other changes” refers to the actuarial adjustment amount accounted for as at 30/06/2015. The decrease in “Other changes” refers to the portions of the provision for employee termination indemnities accrued as at 30/06/2015 and paid to other supplementary pension funds.

The actuarial adjustment of employee termination indemnities was conducted as a closed group, based on “accrued benefits” through the “Projected Unit Credit” (PUC) criterion, as stipulated in paragraphs 64-66 of IAS 19.

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

Annual discount rate	2.06%
Annual inflation rate	0.60% for 2015
	1.20% for 2016
	1.50% 2017 and 2018
	2.00% from 2019 onwards
Annual real salary increase rate	1.00%
Annual employee termination indemnities increase rate	1.950% for 2015
	2.400% for 2016
	2.625% 2017 and 2018
	3.000% from 2019 onwards

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.

PROVISIONS FOR RISKS AND CHARGES – ITEM 120

Provisions for risks and charges: breakdown

Items/Values	30.06.2015	31.12.2014
1. Provision for pensions	-	-
2. Other provisions for risks and charges	384	1,030
2.1 Legal disputes	-	-
2.2 Personnel charges	5	661
2.3 Other	379	369
TOTAL	**384**	**1,030**

Provisions for risks and charges: annual changes

	PROVISION FOR PENSIONS	OTHER PROVISIONS	TOTAL
A. INITIAL AMOUNT	-	**1,030**	**1,030**
B. INCREASES	-	**310**	**310**
B.1 Allowance of the year	-	310	310
B.2 Time value changes	-	-	-
B.3 Changes due to discount rate changes	-	-	-
B.4 Other changes	-	-	-
C. DECREASES	-	**956**	**956**
C.1 Uses in the year	-	956	956
C.2 Changes due to discount rate changes	-	-	-
C.3 Other changes	-	-	-
D. FINAL AMOUNT	-	**384**	**384**

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

- allowance of € 310 thousand for the new bank resolution fund described below;
- release of € 300 thousand following the elimination of a potential risk connected to the collection of a tax receivable acquired without recourse and, for the remaining part, release of the allowance made over the previous financial years for the residual part of the long-term incentive plan.

GROUP SHAREHOLDERS’ EQUITY - ITEMS 140, 160, 170, 180, 190, 200 and 220

“Share capital” and “Treasury shares”: breakdown

The share capital of the Parent Company as at 30 June 2015 was entirely composed of 70,421,052 ordinary shares of a nominal value of € 0.12.

Since 02 July 2015, following the placement of new shares, the share capital is composed of 80,421,052 ordinary shares.

The Group does not hold treasury shares, neither of the parent company nor of its subsidiaries.

The following shows the Group’s shareholder’s equity:

Items/Values	AMOUNT 30.06.2015	AMOUNT 31.12.2014
1. Share capital	8,451	8,451
2. Share premium reserve	4,325	4,325
3. Reserves	62,771	8,734
4. (Treasury shares)	-	-
5. Valuation reserves	(872)	2
6. Equity instruments	-	-
7. Profit (loss) for the period	8,616	19,539
TOTAL	**83,291**	**41,051**

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

STATEMENT OF PROFIT AND LOSS

INTEREST - ITEMS 10 AND 20

Interest and similar income: breakdown

Items / Technical forms	Debt securities	Loans	Other transactions	30.06.2015	30.06.2014
1. Financial assets held for trading	-	-	-	-	-
2. Financial assets available for sale	616	-	-	616	2,228
3. Financial assets held to maturity	-	-	-	-	-
4. Due from banks	-	2,273	-	2,273	40
5. Loans to customers	-	37,611	-	37,611	35,836
6. Financial assets designated at fair value through profit and loss	-	-	-	-	-
7. Hedging derivatives	-	-	-	-	-
8. Other assets	-	-	-	-	-
TOTAL	**616**	**39,884**	**-**	**40,500**	**38,104**

Interest expense and similar charges: breakdown

Items / Technical forms	Payables	Securities	Other transactions	30.06.2014	30.06.2013
1. Due to Central banks	68	-	-	68	706
2. Due to banks	430	-	-	430	399
3. Due to customers	10,435	-	-	10,435	11,955
4. Securities issued	-	616	-	616	987
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
7. Other liabilities and provisions	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-
TOTALE	**10,933**	**616**	**-**	**11,549**	**14,047**

FEES AND COMMISSIONS - ITEMS 40 AND 50

Fee and commission income: breakdown

Type of services/Values	30.06.2015	30.06.2014
A) Guarantees given	3	-
B) Credit derivatives	-	-
C) Management, dealing and consultancy services:	**204**	**227**
1. Trading in financial instruments	-	2
2. Currency trading	-	-
3. Portfolio management	-	-
3.1. Individual	-	-
3.2. Collective	-	-
4. Custody and administration of securities	-	3
5. Depositary bank	-	-
6. Placement of securities	7	4
7. Income from reception and transmission of orders	21	30
8. Consultancy services	-	-
8.1. On investments	-	-
8.2. On financial structure	-	-
9. Distribution of third party services	176	188
9.1. Portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. Insurance products	176	188
9.3. Other products	-	-
D) Collection and payment services	19	4
E) Servicing related to securitisations	-	56
F) Services related to factoring	5,834	5,078
G) Tax collection services	-	-
H) Management of multilateral trading facilities	-	-
I) Management of current accounts	37	35
J) Other services	569	591
TOTALE	**6,666**	**5,991**

Fee and commission expenses: breakdown

Services/Values	30.06.2015	30.06.2014
A) Guarantees received	-	-
B) Credit derivatives	63	-
C) Management, dealing and consultancy services:	164	94
1. Trading in financial instruments	73	9
2. Currency trading	-	-
3. Portfolio management	-	-
3.1 Own portfolio	-	-
3.2 Third party portfolios	-	-
4. Custody and administration of securities	-	-
5. Placement of financial instruments	91	-
6. “Out-of-branch” sale of financial instruments, products and services	-	
D) Collection and payment services	61	46
E) Other services	525	291
TOTAL	**813**	**431**

PROFIT (LOSS) FROM DISPOSAL/REPURCHASE - ITEM 100

Profit (loss) from disposal/repurchase: breakdown

Items/Income components	30.06.2015			30.06.2014		
	Profits	Losses	Net profit (loss)	Profits	Losses	Net profit (loss)
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Financial assets available for sale	2,088	(137)	1,951	3,143	(348)	2,759
3.1 Debt securities	2,088	(137)	1,951	3,143	(348)	2,759
3.2 Equities	-			-	-	-
3.3 Units of UCI	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**2,088**	**(137)**	**1,951**	**3,143**	**(348)**	**2,759**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-		
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

NET VALUE ADJUSTMENTS/WRITE-BACKS DUE TO IMPAIRMENT - ITEM 130

Net value adjustments due to loan impairment: breakdown

Items/Income components	Impairment losses (1)			Write-backs (2)				30.06.2015	30.06.2014
	Individual		Collective	Individual		Collective			
	Write-offs	Other		A	B	A	B		
A. DUE FROM BANKS:	-	-	-	-	-	-	-	-	-
- loans	-	-	-	-	-	-	-	-	-
- debt securities	-	-	-	-	-	-	-	-	-
B. LOANS TO CUSTOMERS:	-	(1,809)	(451)	169	-	-	-	(2,091)	(2,018)
Non-performing loans purchased	-	-	-	-	-	-	-	-	-
- loans	-	-	-	-	-	-	-	-	-
- debt securities	-	-	-	-	-	-	-	-	-
Other receivables	-	(1,809)	(451)	169	-	-	-	(2,091)	(2,018)
- loans	-	(1,809)	(451)	169	-	-	-	(2,091)	(2,018)
- debt securities	-	-	-	-	-	-	-	-	-
C. TOTAL	**-**	**(1,809)**	**(451)**	**169**	**-**	**-**	**-**	**(2,091)**	**(2,018)**

Key:

A = from interest

B = other

ADMINISTRATIVE EXPENSES - ITEM 180

Personnel expenses: breakdown

Type of expenditure / Values	30.06.2015	30.06.2014
1) Employees	**10,585**	**5,601**
A) Wages and salaries	4,092	3,163
B) Social security charges	941	732
C) Termination indemnities	-	-
D) Supplementary benefits	-	-
E) Allowance to the provision for employee termination indemnities	210	289
F) Allowance to the provision for pensions and similar obligations:	107	112
- Defined contribution plans	107	112
- Defined benefit plans	-	-
G) Payments to external pension funds:	-	-
- Defined contribution plans	-	-
- Defined benefit plans	-	-
H) Costs from share-based payments	-	-
I) Other benefits in favour of employees	5,235	1,305
2) Other personnel	35	68
3) Directors and statutory auditors	266	265
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	31	49
TOTAL	**10,917**	**5,983**

Other administrative expenses: breakdown

Type of expenditure / Values		30.06.2015	30.06.2014
Servicing and collection activities		3,329	3,391
Consultancy		3,027	997
Computer expenses		1,468	1,481
Rent and related fees		794	715
Indirect taxes and duties		735	646
Advertising		369	412
Auditing fees		123	183
Other		177	181
Car hire and related fees		291	232
Legal and notary expenses		269	158
Expense reimbursement and entertainment		225	196
Membership fees		127	135
Infoprovider expenses		140	110
Maintenance of movables and real properties		90	115
Telephone and postage expenses		87	74
Discretionary payments		9	4
	TOTAL	**11,260**	**9,030**

Taxes on income from continuing operations: breakdown

Item / Values	30.06.2015	30.06.2014
Current taxes (-)	(4,154)	(5,968)
Changes in current taxes of previous years (+/-)	-	-
Reduction in current taxes of the year (+)	-	-
Reduction in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	-	-
Changes in deferred tax assets (+/-)	(11)	560
Changes in deferred tax liabilities (+/-)	-	-
Income tax for the year (-) (-1+/-2+3+/-4+/-5)	(4,165)	(5,408)

INFORMATION CONCERNING THE PARENT COMPANY SHAREHOLDERS' EQUITY

OWN FUNDS AND CAPITAL RATIOS

Quantitative information

	30.06.2015
A. COMMON EQUITY TIER 1 (CET1) BEFORE APPLICATION OF PRUDENTIAL FILTERS	83,070
of which CET 1 instruments subject to transitional provisions	860
B. CET1 PRUDENTIAL FILTERS (+/-)	-
C. CET1 gross of elements to be deducted and of the effects of the transitional provisions (A+/-B)	83,070
D. ITEMS TO BE DEDUCTED FROM CET1	(1,891)
E. TRANSITIONAL PROVISIONS - IMPACT ON CET (+/-)	860
F. TOTAL COMMON EQUITY TIER 1 (CET1) (C-D+/-E)	82,038
G. ADDITIONAL TIER1 (AT1) GROSS OF ELEMENTS TO BE DEDUCTED AND THE EFFECTS OF THE TRANSITIONAL PROVISIONS	8,000
of which AT1 instruments subject to transitional provisions	-
H. ITEMS TO BE DEDUCTED FROM AT1	-
I. TRANSITIONAL PROVISIONS - IMPACT ON AT1 (+/-)	-
L. TOTAL ADDITIONAL TIER 1 (AT1) (G-H+/-I)	8,000
M. TIER2 (T2) GROSS OF ELEMENTS TO BE DEDUCTED AND THE EFFECTS OF THE TRANSITIONAL PROVISIONS	12,000
di cui strumenti di T2 oggetto di disposizioni transitorie	-
N. ITEMS TO BE DEDUCTED FROM T2	-
O. TRANSITIONAL PROVISIONS - IMPACT ON T2 (+/-)	-
P. TOTAL TIER 2 (T2) (M-N+/-O)	12,000
Q. TOTAL OWN FUNDS (F+L+P)	102,038

INFORMATION CONCERNING RISKS AND RELATIVE HEDGING POLICIES

CAPITAL ADEQUACY

Quantitative information

Categories / Values	UNWEIGHTED AMOUNTS		WEIGHTED AMOUNTS/REQUIREMENTS	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
A. RISK ASSETS				
A.1 Credit and counterparty risk	**1,992,288**	**1,799,310**	**393,913**	**298,803**
1. Standardised approach	1,992,288	1,799,310	393,913	298,803
2. Internal ratings based approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**31,513**	**23,904**
B.2 Credit assessment adjustment risk			**0**	**1**
B.3 Settlement risk			0	0
B.2 Market risk			0	0
1. Standard approach			0	0
2. Internal models			0	0
3. Concentration risk			0	0
B.5 Operational risk			**5,196**	**5,196**
1. Basic indicator approach			5,196	5,196
2. Standardised approach			-	-
3. Advanced measurement approach			-	-
B.6 Other calculation elements			0	0
B.7 Total capital requirements			**36,710**	**29,102**
C. RISK ASSETS AND CAPITAL RATIOS			**458,869**	**363,771**
C.1 Risk-weighted assets			458,869	363,771
C.2 CET1 capital/risk-weighted assets (CET1 capital ratio)			17,88%	10,40%
C.3 Tier1 capital/risk-weighted assets (Tier 1 capital ratio)			19,62%	12,60%
C.4 Total own funds/risk-weighted assets (Total Capital Ratio)			22,24%	15,90%

Large risks

As at 30 June 2015, the Parent Company’s major risks are as follows:

a) Exposure Value = 2,781,109.343

b) Weighted Value (Value of the exposure after CRM and exemptions pursuant to art. 400 of CRR) = 123,114,472

c) No. positions 19.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties and connected parties, including the relative authorisation and disclosure procedures, are governed by the "Procedure governing transactions with associated parties" approved by the Board of Directors and published on the Internet site of the Parent Company, Banca Sistema S.p.A.

Transactions between the Group companies and related parties or connected parties were carried out in the interests of the Company, including within the scope of ordinary operations; these transactions were carried out in accordance with market conditions and, in any event, on the basis of mutual financial advantage and in compliance with all procedures.

With respect to transactions with parties who exercise administration, management and control functions in accordance with article 136 of the Consolidated Law on Banking, they are included in the Executive Committee decision, specifically authorised by the Board of Directors and with the approval of the Statutory auditors, subject to compliance with the obligations provided under the Civil Code with respect to matters relating to the conflict of interest of directors.

Pursuant to IAS 24, the related parties for Banca Sistema include:

- shareholders with significant influence;
- companies belonging to the banking Group;
- companies subject to significant influence;
- key management personnel;
- the close relatives of key management personnel and the companies controlled by (or connected with) such personnel or their close relatives.

Disclosure on the compensation of key management personnel

The following data show the compensation of key managers, as per IAS 24 and Bank of Italy Circular no. 262 of 22 December 2005 as subsequently updated, which requires the inclusion of the members of the Board of Statutory Auditors.

Values in thousands of Euro	BOARD OF DIRECTORS	BOARD OF STATUTORY AUDITORS	OTHER KEY MANAGERS	1ST QUARTER OF 2015	1ST QUARTER OF 2014
Values in thousands of Euro	235	54	1,710	1,999	1,733
Short-term benefits for employees	-	-	-	-	-
Post-employment benefits	-	-	-	-	-
Other long-term benefits		-	-	-	-
Termination benefits					
Share-based payment	-	-	-	-	-
Total	**235**	**54**	**1,710**	**1,999**	**1,733**

Disclosure on transactions with related parties

The following table shows the assets, liabilities, guarantees and commitments as at 30 June 2015, 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	9,162	1,353	28	0.79%
Due to customers	71	408	21,484	1.10%
Securities issued	-	-	20,104	100.00%
Other liabilities	393	-	-	0.86%

The following table indicates the costs and income for the first half of 2015, differentiated by type of related party.

Values in thousands of Euro	SUBSIDIARIES	DIRECTORS, BOARD OF STATUTORY AUDITORS AND KEY MANAGERS	OTHER RELATED PARTIES	% OF CAPTION
Interest income	310	9	-	0.79%
Interest expenses		-	795	6.88%
Other administrative expenses	349	-	-	3.10%

The following table sets forth the details of each related party.

Values in thousands of Euro	ASSETS	LIABILITIES	COSTS	REVENUES
SF Trust Holding Ltd.	975	393	343	19
CS Union S.p.A.	8,186	71	6	291
Shareholders - SGBS	-	24	-	-
Shareholders - Sof Luxco	-	1,752	7	-
Shareholders - Fondazione Pisa	20,104	18,789	781	-
Shareholders - Fondazione CR Alessandria	-	185	2	-
Shareholders - Fondazione Sicilia	-	276	1	-
	29,265	**21,490**	**1,140**	**310**

SEGMENT REPORTING

For the purposes of segment reporting as per IFRS 8, the statement of profit and loss is broken down by segment as follows.

Breakdown by segment: profit and loss data at 30 June 2015

Items	30 JUNE 2015			
Values in thousands of Euro	FACTORING	BANKING	CORPORATE	CONSOLIDATED TOTAL
Interest margin	26,463	1,479	1,009	**28,951**
Net fee and commission income	5,841	160	(148)	**5,853**
Other costs/revenue			2,060	2,060
Operating income	**32,304**	**1,639**	**2,921**	**36,864**
Net value adjustments due to loan impairment	(1,061)	(1,030)	-	(2,091)
Net income from banking activities	**31,243**	**609**	**2,921**	**34,773**

Breakdown by segment: balance sheet data as at 30 June 2015

Items	30 JUNE 2015			
Values in thousands of Euro	FACTORING	BANKING	CORPORATE	CONSOLIDATED TOTAL
Financial assets	-	-	917,215	**917,215**
Due from banks	-	-	46,013	**46,013**
Due to banks	-	-	166,535	**166,535**
Loans to customers	837,687	125,239	363,477	**1,326,403**
Due to customers	28,426	-	1,963,078	**1,991,504**

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.

CERTICATION OF THE DESIGNATED MANAGER RESPONSIBLE FOR DRAFTING THE COMPANY ACCOUNTING DOCUMENTS

CERTIFICATION OF THE CONDENSED, CONSOLIDATED HALF-YEAR FINANCIAL REPORT PURSUANT TO ART. 81-TER OF CONSOB REGULATION No. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned, Gianluca Garbi, in his capacity as CEO, and Margherita Mapelli, in her capacity as Designated manager responsible for drafting the company accounting documents of Banca Sistema S.p.A. hereby certify, having taken into account the provisions of art. 154-bis, paragraphs 3 and 4, of legislative decree no. 58 of 24 February 1998:

   - the suitability as regards the characteristics of the company, and
   - the effective implementation of the administrative and accounting procedures for the drafting of the condensed, consolidated half-year financial report, during the first half of 2015.

2. The Designated manager was appointed by resolution of the Board of Directors with effect from 02 July 2015, and since then has fulfilled her duties and acquired the necessary powers for the execution of the verification activities prescribed by the law. A project geared towards the implementation of the instruments to be used for the execution of the periodic checks by the Designated manager on a structured and continuous basis, in line with the provisions of the generally accepted international reference standards for the internal control system is currently being finalised.

3. Moreover, the undersigned hereby certify that:

3.1 the condensed, consolidated half-year financial report

a) was drafted in accordance with the applicable international accounting standards endorsed by the European Community, pursuant to regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) corresponds to the results of the accounting books and records;

c) is suitable for providing a true and fair view of the financial position of the issuer and all the companies included in the scope of consolidation.

3.2 The interim directors' report includes a reliable analysis of the important events which occurred during the first half of the year and their impact on the consolidated condensed half-year financial report, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim directors' report includes, moreover, a reliable analysis of the information concerning major transactions with related parties.

Milan, 30 July 2015

Gianluca Garbi
CEO

Margherita Mapelli
Designated manager responsible for drafting the company accounting documents

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(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

To the shareholders of
Banca Sistema S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Banca Sistema Group, comprising the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, statement of changes in consolidated equity, consolidated statement of cash flows and notes thereto, as at and for the six months ended 30 June 2015. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as adopted in Italy (Italian-ISA) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Banca Sistema Group as at and for the six months ended 30 June 2015 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 4 August 2015

KPMG S.p.A.

(signed on the original)

Bruno Verona
Director of Audit

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero

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CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2015

HALF YEAR

BANCA
SISTEMA
CONTEMPORARY BANK