CONSOLIDATED INTERIM FINANCIAL REPORT AS AT 31 MARCH 2016

BANCA SISTEMA
CONTEMPORARY BANK

Banca Sistema Group

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CONSOLIDATED INTERIM DIRECTORS' REPORT

COMPOSITION OF PARENT COMPANY'S MANAGEMENT BODIES

Board of Directors

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

Board of Statutory Auditors

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

Executive Committee

Chairman:	Mr	Gianluca Garbi
Members:	Prof.	Giorgio Barba Navaretti
	Ms	Carlotta De Franceschi

Internal Control and Risk Management Committee

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

Nominations Committee

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

Remuneration Committee

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

Ethics Committee

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

Supervisory Body

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

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

HIGHLIGHTS DATA AS AT 31 MARCH 2016

Balance sheet data (€ .000)

	31 Mar 2016	31 Dec 2015	%
Total assets	2,276,956	2,411,670	-5.6%
Securities portfolio	925,436	925,401	0.0%
Loans - Factoring	964,481	1,049,832	-8.1%
Loans - Salary-backed loans and SME	227,344	203,466	11.7%
Funding - Banks and REPOs	1,212,637	1,271,164	-4.6%
Funding - Term deposits	474,556	572,379	-17.1%
Funding - Current accounts	353,196	335,574	5.3%

Balance sheet data (€ .000)

	31 Mar 2016	31 Mar 2015	%
Interest margin	16,092	15,016	7.2%
Net fee and commission income	2,342	2,940	-20.3%
Operating income	19,076	19,405	-1.7%
Personnel expenses	(3,625)	(3,226)	12.4%
Other administrative expenses (*)	(4,613)	(4,699)	-1.8%
Profit before taxes (*)	8,728	10,523	-17.1%

Performance indicators

	31 Mar 2016	Comparative
Cost/income (*)	47%	41%
ROAE (**)	23%	34%

(*) Amounts and indicators related to 31 March 2015 were calculated using profit and loss data adjusted for non-recurrent costs.

(**) The Return on Average Equity (ROAE) was calculated as the ratio of the normalised profit for the period (at 31 March 2015) to average shareholders' equity.

SIGNIFICANT EVENTS DURING THE REFERENCE PERIOD

On 4 February 2016, Banca Sistema reached an agreement with Stepstone Financial Holdings for the acquisition of 100% of the share capital of Beta Stepstone S.p.A. (hereinafter "Beta" or the "Company"). The purchase is in line with the strategic plan of Banca Sistema as notified in July 2015 during the IPO. The purchase strengthens the presence of Banca Sistema in the factoring market for healthcare operators in Central and Southern Italy. The purchase price to be paid in cash by Banca Sistema totals € 60.8 million, equal to the shareholders' equity at 30 June 2015 (shareholders' equity at 31 December was € 61.7 million). The purchase price is subject to review and correction based on the shareholders' equity upon concluding the transaction and net of any contractual reductions and adjustments. Under the agreement, part of the purchase price will be paid in advance via an escrow account, which will be released to the Seller only after the Bank has collected the late payment interest recorded in Beta's financial statements. The completion of the deal, which is expected during the first half of 2016, is subject to authorisation by the relevant Authorities.

Therefore, on 2 March 2016 an application for prior authorisation was submitted to the Bank of Italy for the acquisition of a controlling interest in Beta Stepstone S.p.A., in accordance with section 53, paragraph 1, letter c) of Legislative Decree no. 385 of 1 September 1993, as amended (the "Consolidated Law on Banking")

The following were approved on 5 February 2016: (I) the Activity Plan for 2016 related to the II Level Internal Control Func-tions, (Risk, Compliance and Anti-Money laundering) and Internal Audit Department, (II) the Board of Directors' Regula-tions. The Board of Directors also acknowledged the quarterly report from the Internal Control Department as at 31 December 2015 (Risk Reporting, Tableau de board of the Compliance Department and Tableau de board of the Internal Audit Department), as well as the quarterly report on Transactions with Associated Parties within the scope of the Master Reso-lution. In addition, the Board of Directors, upon confirmation of the decision made on 16 December 2015 regarding the pur-chase of a building for the Bank's new headquarters, approved the establishment of a new, wholly owned vehicle (a limited liability company) with a view to further developing the business. This company will deal with property asset management, in addition to other activities (e.g. the management and sale of advertising space, cultural and educational events, etc.), possibly even on behalf of third parties. The acquisition of the 100% interest in the vehicle is subject to prior communication to the Bank of Italy.

Within the framework of the securitisation transaction approved by the Board of Directors on 5 February 2016, on 4 March 2016 an agreement was signed to sell the first portfolio of receivables related to salary- and pension-backed loans to the special purpose vehicle Quinto Sistema Sec. 2016 S.r.l., with a book value of € 119.6 million, and the subsequent issue of ABS which took place on 29 March 2016. The SPV Quinto Sistema Sec. 2016 S.r.l. was entered in the list of SPVs under no. 35253.4 on 9 March 2016. On 24 March, the bond documents for the issue of the ABS were signed, while on 29 March the Repo OTC contract (structured as a sale and repurchase agreement) with Duomo Funding plc was signed. Finally, on 30 March the settlement transactions for both the issue of the ABS (subscribed by Banca Sistema) and the Repo contract with Duomo Funding plc regarding the senior tranche were concluded. The amount of the issue was € 120.9 million.

On 15 March 2016, the following were approved: (I) the 'Annual report on the procedures for providing services, investment activities, ancillary services and activities related to the distribution of financial products issued by insurance companies and banks as per CONSOB decision no. 17297' (II) the '2014 Risks Division Annual Report' (III) the '2015 Compliance Department Annual Report', (IV) the '2015 Anti-Money Laundering Department Annual Report' (V) the 'Compliance Department Annual Report on complaints received by the Bank' (VI) the 'Annual

Report on the activities carried out by the Internal Audit Department during 2015' and (VII) the Periodic Report to the Board of Directors and Board of Statutory Auditors from the Supervisory Body concerning the application of the 'Organisation, management and control model pursuant to Legislative Decree 231/2001".

The Board of Directors also approved the Report on corporate governance and ownership structure which was prepared in accordance with section 123-bis of Legislative Decree no. 58/1998, as well as the updated IT System documentation (IT Security Policy, IT Risk Summary Report, Information Technology and Communication Adequacy and Cost Summary Report).

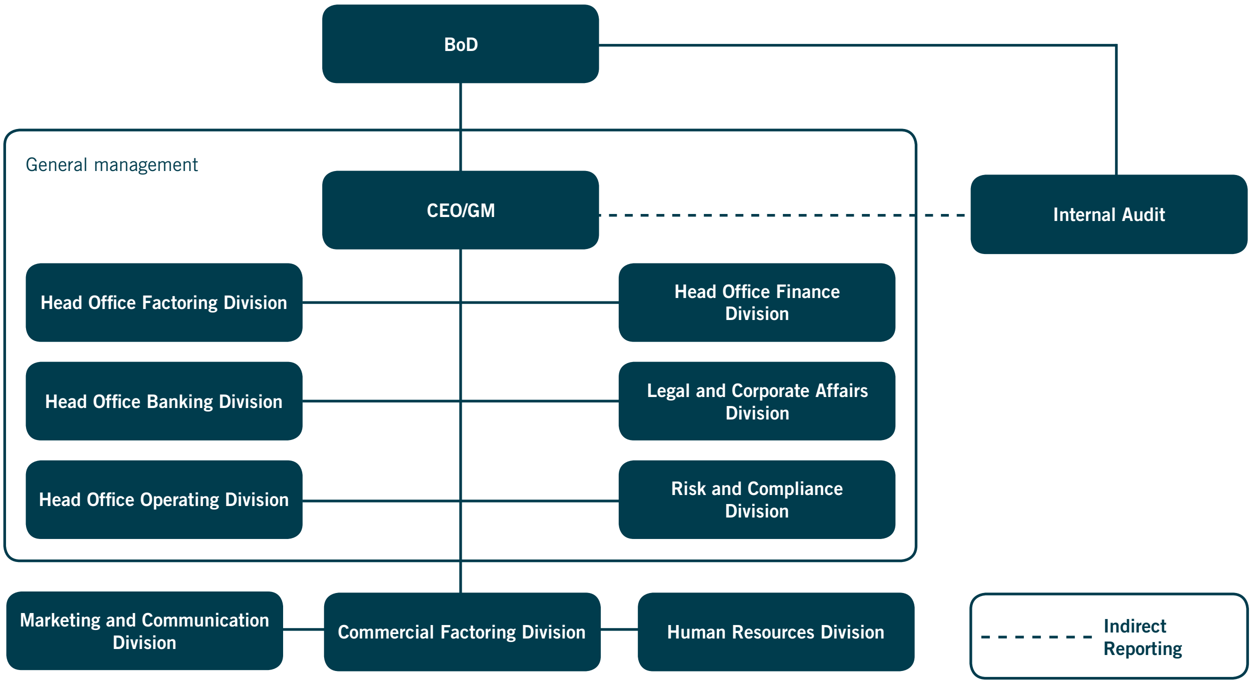
Following the resolutions dated 16 December 2015 approving the Remuneration Policies of the Banca Sistema Group for 2016 and the launch of the 2016-2019 Stock Grant Plan with approval of the relevant Regulation, as well as the ensuing resolutions for the creation of a legal reserve of profits linked to the free share capital increase reserved to beneficiaries of the 2016-2019 Stock Grant Plan and the free share capital increase pursuant to article 2349 of the Italian Civil Code servicing the Stock Grant Plan, following approval of the proposed amendment of article 5 of the Articles of Association, on 24 March 2016, the Board of Directors approved some changes to the previously approved versions that it deemed necessary based on indications received from the Supervisory Authorities. On 27 January 2016, a request was made to the Bank of Italy to issue the assessment provision regarding the proposed share capital increase and the related change to article 5.1 of the Articles of Association. On 25 March 2016, the Bank of Italy issued the authorisation provision - pursuant to Articles 77 and 78 of Regulation (EU) No. 575/2013, as well as, Article 29 of the Commission Delegated Regulation No. 241/2014 - for the repurchase of the Common Equity Tier 1 capital instruments issued by the Bank as resolved by the Shareholders' Meeting on 27 November 2015 for a predetermined amount not exceeding € 1,477,649.49 (amount to be deducted entirely from own funds as of the authorisation date) for the following purposes: (I) to support regular trading performance so as to avoid price movements that are not in line with the market movements and to guarantee market making (Article 29 (3) of the Commission Delegated Regulation No. 241/2014); (II) to pay a portion of the variable remuneration in shares to key personnel as set out in the remuneration and incentive policies approved by the Shareholders' Meeting (Article 29 (4) of the Commission Delegated Regulation No. 241/2014); (III) provide the directors with a flexible, strategic and operational tool that will allow them to use own shares as consideration for any extraordinary transactions, such as acquisitions or investment exchanges, with other parties regarding transactions of interest to the Bank. The maximum amount available for this purpose is € 140,000 (Article 29 (5) of the Commission Delegated Regulation No. 241/2014);

COMPOSITION AND ORGANISATIONAL STRUCTURE OF THE GROUP

On 31 March 2016, 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.

ORGANISATIONAL CHART

The organisational chart of the Banca Sistema Group is shown below:



GENERAL MANAGEMENT

The following report to the CEO and General Manager:

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

REGISTERED OFFICES AND BRANCHES OF THE BANCA SISTEMA GROUP

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

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

HUMAN RESOURCES

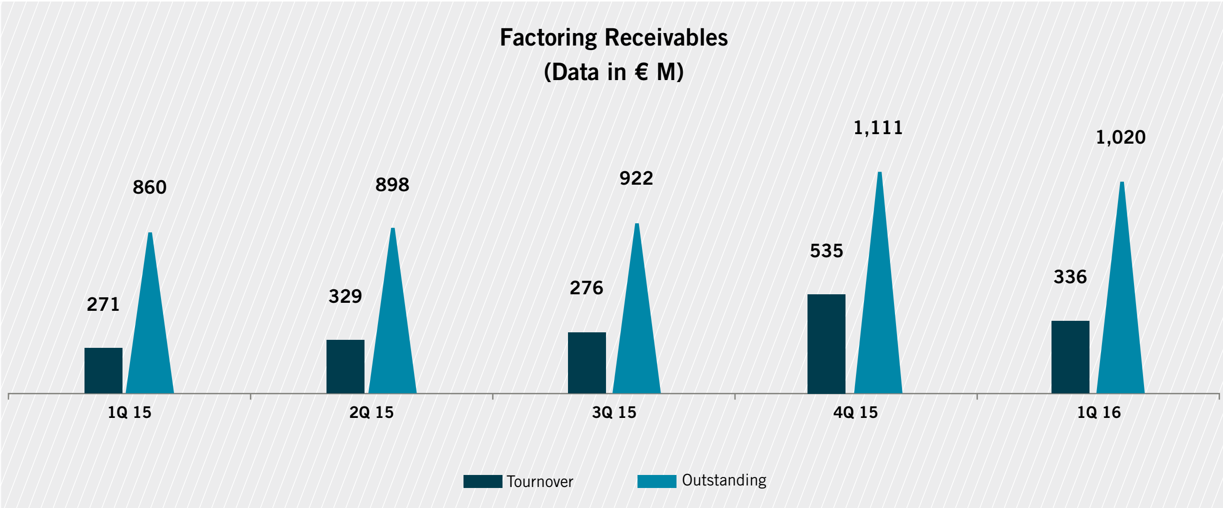
As at 31 March 2016, the Group had a staff of 130, broken down by category as follows:

FTES	31.03.2016	31.12.2015	31.03.2015
Senior managers	15	15	15
Middle managers (QD3 and QD4)	33	33	27
Other personnel	82	82	77
Total	**130**	**130**	**119**

Headcount at the end of the quarter remained unchanged compared to the end of last year, since 6 new employees joined the Group and the same number left during the period. The new personnel hired during the quarter replaced employees in the commercial, operations and legal areas. The average age of Group employees is 39 for men and 38 for women, with women accounting for 41% of the total. These figures are similar to those reported in 2015.

FACTORING

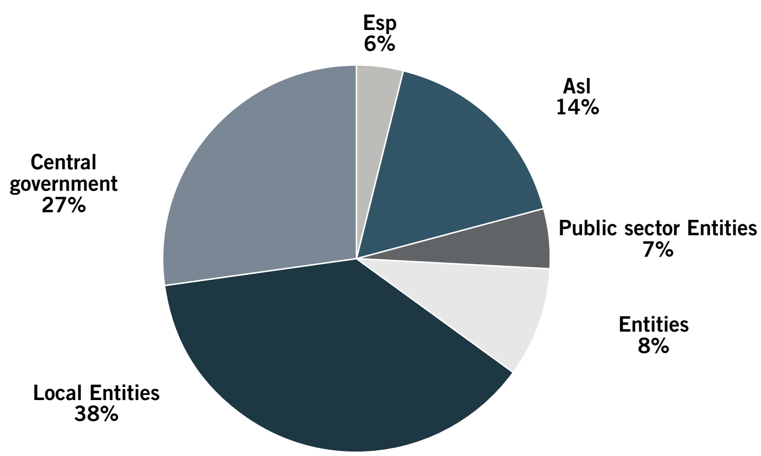
Turnover in the first quarter of 2016 for the Banca Sistema Group was € 336 million, up 24% on the same period in 2015. Considering the third party receivables managed, total volumes came to € 395 million as at 31 March 2016.



Outstanding loans as at 31 March 2016 amounted to € 1,020 million, impacted by the trend in turnover in 2016 and by collections in the period, up 19% on the € 860 million reported in the first quarter of 2015, but down 8% on the € 1,111 recorded at 31 December 2015, mainly due to the collection trend during the first quarter of 2016, which was higher than receivable portfolios acquired during the same period.

Collections against exposures to the Public Administration as at 31 March 2016 stand at € 419 million, up 25% on collections as at 31 March 2015.

The chart below shows the ratio of debtors to the outstanding portfolio as at 31 March 2016. 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 re-organising public entity debts. These transactions include traditional factoring agreements, as well as reverse factoring agreements with highly reliable public entities, which are seeking to use factoring with their suppliers in their role as debtors.

The following table shows the factoring turnover per product type:

PRODUCT	31.03.2016	31.03.2015	€ Change	% Change
Trade receivables	288	251	37	15%
of which, without recourse	*237*	*228*	*9*	*4%*
of which, with recourse	*50*	*23*	*28*	*123%*
Tax receivables	48	20	29	145%
of which, without recourse	*38*	*20*	*18*	*94%*
of which, with recourse	*10*	*-*	*10*	*n.a.*
TOTAL	**336**	**271**	**65**	**24%**

Tax receivables (VAT) as at 31 March 2016 increased considerably (+145%), partly due to the introduction of split payments in 2015, and include VAT credits from insolvency proceedings, a business that was launched at the end of 2014 with the support of a market specialist.

The number of customers in the first quarter of 2016 increased to 166, up 42% on the first quarter of 2015 due to the strengthening of indirect factoring for the PA and private debtors, the extension of the sales network at the beginning of 2015, and as a result of the agreements entered into with banks.

Group collection and debt recovery activities

For the purposes of its debt recovery activities, the Group uses both its own internal structures, and a network of external operators and companies specialised in debt recovery that are active across the entire country. The network of freelancers used by the Bank enables an exact adjustment of the debt collection activities with regard to each specific debtor or an increase in the number of operators when it becomes necessary to focus on specific areas.

In the first quarter of 2016, collections managed by the Bank under its credit factoring portfolios totalled € 419 million (up 25% on the same quarter in 2015).

Servicing activities

As at 31 March 2016, via the network of Collectors, the Group collects receivables on behalf of customers who contact the Company for its collecting service of their receivables.

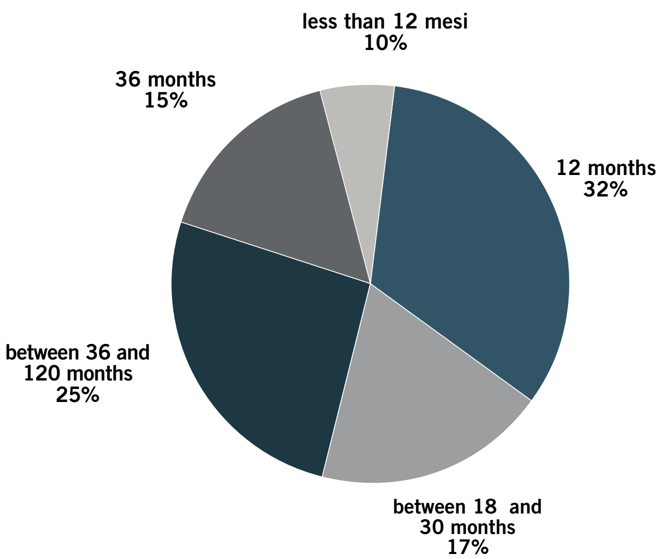
On 31 March 2016, the amount of third-party receivables managed by the Group totalled € 59 million, while the commission income generated by this business segment totalled € 237 thousand.

Direct funding

The funding policy of the banking division is strictly linked to changes in trade loans and market conditions. Today, funding is also geared towards current accounts, whereas, in the past, term deposits took precedence. This choice was based on the need to make the relationship with the customers less volatile, and at the same time ensure a fee and commission return through the offering of traditional services. A positive effect on the average cost of funding can be added to the above. Despite not being the market leader, the Group achieved the expected goals by capping rates on term deposits, which remain in line with market rates and providing current accounts with easy terms and a good return.
Total term deposits as at 31 March 2016 amounted to € 475 million, a decrease of € 97 million with respect to previous the quarter ended 31 December 2015.
The above amount also includes total term deposits of € 60 million (obtained with the help of a partner platform) held with entities resident in Germany and Austria.

There were 10,800 individual customers with term deposits as at 31 March 2016, down on 31 March 2015 (11,047). The average deposit was € 43 thousand, down compared with the figures as at 31 March 2015 (€ 49 thousand).
The breakdown of funding by term is shown below.

Breakdown of deposit accounts as at 31 March



Current accounts increased from 3,051 (as at 31 March 2015) to 3,767 at the end of the first quarter, while the current account balance as at 31 March 2016 was € 353 million, up € 18 million compared with 31 December 2015.

Indirect funding

Indirect funding from assets under administration as at 31 March 2016 totalled € 326 million (€ 364 million as at 31 December 2015).

The breakdown is as follows:

Type (€ million)	31 Mar 2016	31 Dec 2015	€ Change	% Change
Bonds	133,143	123,037	10,106	8.21%
Equities	183,863	232,575	-48,712	-20.94%
Warrants	96	319	-223	-69.91%
Funds	8,667	8,177	490	5.99%
TOTAL	**325,769**	**364,108**	**-38,339**	**-10.53%**

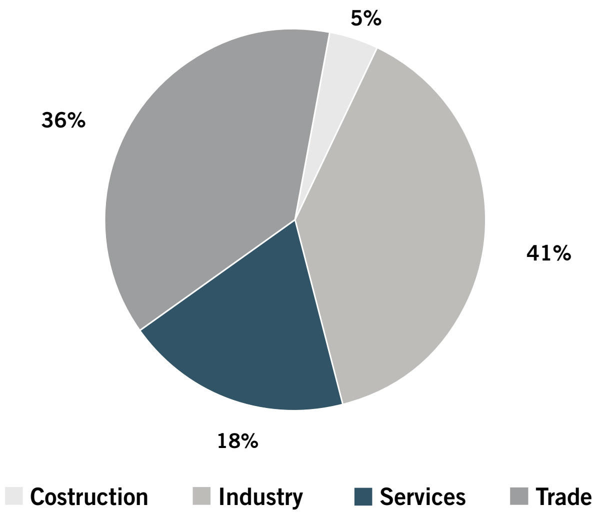
Guaranteed loans to small and medium-sized enterprises

In 2014, the Banca Sistema Group started granting loans to SMEs, guaranteed by the Guarantee fund of the Ministry of Economic Development (Law 662/96).
This instrument enables companies to access secured credit, and the Group to grant riskier loans with low impact on the capital in view of the State guarantee (up to 80%); the average guarantee coverage for the Group is 80%. As at 31 March 2016, the Group disbursed € 7.3 million (€ 23.7 million in the first quarter of 2015), with € 82 million outstanding at the end of the period.

	Mar 16 YTD	Mar 15 YTD	€ Change	% Change
No. of applications	20	49	(29)	-59%
Volumes disbursed	7,310	23,680	(16,370)	-69%

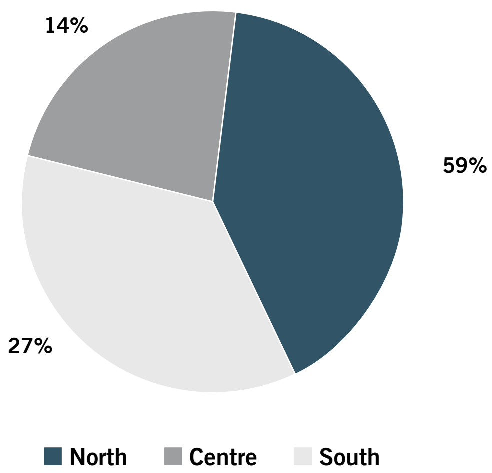
As shown in the graphs below, geographical areas and sectors are quite varied, thus enabling the Group to benefit from a highly diversified portfolio.

Outstanding SME - Sector



The following shows the volumes disbursed per geographical area.

Volumes Disbursed SME - Breakdown by geographical area

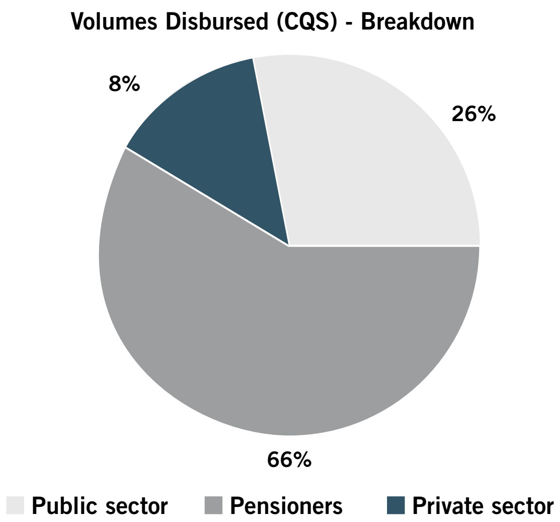


Salary-backed loans (CQS) and Pension-backed loans (CQP)

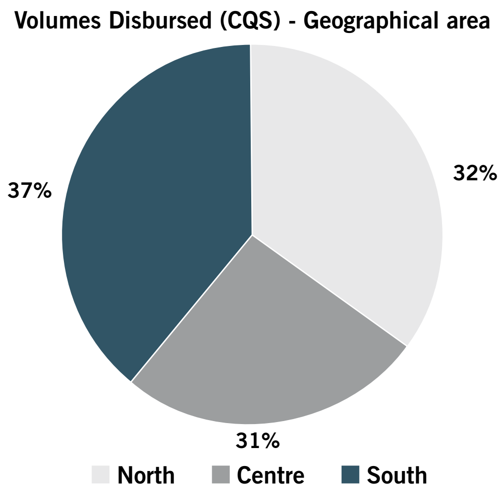
The Banca Sistema Group entered the salary- and pension-backed loan (CQS/CQP and to a lesser extent, salary deductions) market in 2014, through the acquisition without recourse from other specialist brokers of receivables portfolios derived from this specific type of financing. As at 31 March 2016, the Bank has 5 ongoing agreements with specialist distributors in the sector. A salary-backed loan (CQS) is a consumer loan product that allows customers to allocate up to a fifth of their salaries to the payment of loan instalments.
The volumes acquired in the first quarter of 2016 amounted to € 25.8 million, including private-sector employees (8%), pensioners (66%) and public-sector employees (26%). Therefore, over 92% of the volumes refer to pensioners and employees of the PA, which remains the Bank's main debtor.

	Mar 16 YTD	Mar 15 YTD	€ Change	% Change
No. of applications	1,249	738	511	69%
Volumes disbursed	25,779	13,767	12,012	87%

As shown in the table, the amounts disbursed in the first quarter of 2016 were considerably higher than in the same period in 2015 as a result of the agreements concluded by the Bank during 2015.



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



TREASURY ACTIVITIES

Treasury portfolio

A portfolio of owned securities has been established in order to better support liquidity commitments through the short-term investment in Italian Government Bonds.
As at 31 March 2016, the portfolio of owned securities did not change in terms of value, type of securities and residual duration compared to 2015.
In particular, as at 31 march 2016, the nominal value of the portfolio of owned securities amounted to € 920 million (unchanged compared with 31 December 2015) with a duration of 11.7 months (9 months as at 31 December 2015).
During the first quarter of 2016, transactions involving government bonds totalled € 1.6 billion (against € 9.8 billion traded in 2015).
The decline in yields on Italian government bonds to all-time lows following the introduction of quantitative easing by the European Central Bank considerably reduced market volatility and thus trading volumes.
Government bonds are mainly traded on the MTS Italian markets (in which the Bank trades as a market dealer), the European Bond Market (EBM), through the BondVision deal-to-client platform, or on BrokerTec.

Wholesale funding

As at 31 March 2016, wholesale funding was about 60% of the total, mainly comprising repurchase agreements traded on the MTS MMF Repo platform, inter-bank deposits and, to a lesser extent, refinancing mechanisms with the ECB (58% as at 31 December 2015). These transactions were carried out during the period with treasury portfolio Italian Government securities as underlying assets, along with eligible trade receivables due from Public Administration entities arising from factoring activities and loans to SMEs (ABACO).
The choice between the above-mentioned funding sources mainly depends on the contingent market performance of short-term liquidity. In particular, and in line with 31 December 2015, priority was given to repurchase agreements rather than the MRO transactions proposed by the ECB.
During the first quarter of 2016, trading on the MMF Repo screen-based market totalled about € 35.7 billion (€ 114.9 billion in 2015).
The Group also used the interbank deposit market both through the e-MID market and through bilateral agreements with other banks.
As at 31 March 2016, deposits totalled € 314 million, an increase compared to € 282 million as at 31 December 2015, and trading totalled € 800 million against € 2.8 billion in 2015.
The listing of Banca Sistema shares on the Milan Stock Exchange significantly improved access to MM credit lines, with access to funds from the interbank market, which were useful to diversify funding.
On 30 March 2016, the first phase of the securitisation process of the salary-backed loan (CQS) portfolio was launched. This transaction will be completed during 2016.
As a result, the Bank has sold its portfolio of salary-backed loans to a securitisation SPV established in compliance with Law 130/99, called Quinto Sistema Sec. 2016 S.r.l., which has in turn issued 3 classes of partly-paid asset-backed securities (ABS) with an initial value of € 119.6 million. During the ramp-up period of the securitised portfolio, Banca Sistema will make additional sales to Quinto Sistema Sec. 2016 with a resulting increase in the nominal value of the ABS.
Banca Sistema used senior notes with a value of € 93,5 million to refinance transactions with institutional investors. The deal is in line with the strategy to diversify funding sources that has already been explained to the market during the IPO, which will enable the Bank to pursue its growth targets in this business segment and to reduce the cost of funding.

THE MAIN BALANCE SHEET AGGREGATES

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

ASSETS (€,000)	31.03.2016	31.12.2015	Change
Cash and cash equivalents	100	104	(4)
Available-for-sale financial assets	925,436	925,402	34
Due from banks	6,703	2,076	4,627
Loans to customers	1,326,777	1,457,990	(131,213)
Equity investments	2,571	2,696	(125)
Property and equipment	1,001	1,058	(57)
Intangible assets	1,859	1,872	(13)
of which: goodwill	1,786	1,786	-
Tax assets	4,612	7,353	(2,741)
Other assets	7,897	13,119	(5,222)
Total assets	**2,276,956**	**2,411,670**	**(134,714)**

The first quarter of 2016 ended with total assets of approximately € 2.3 billion, down 6% on 31 December 2015, mainly as a result of changes in collections of factored receivables (-8%).

The Bank's AFS (available-for-sale) securities portfolio comprises Italian government bonds with an average remaining duration of about 11.7 months as at 31 March 2016 (the average duration at the end of 2014 was 9.0 months) and is in line with the Group investment policy to retain securities with durations under 12 months. The valuation reserve was € 163 thousand as at 31 March. The AFS portfolio also includes 200 stakes of the Bank of Italy purchased in July and valued at € 5 million.

LOANS TO CUSTOMERS (€,000)	31.03.2016	31.12.2015	€ Change	% Change
Factoring	964,481	1,049,832	(85,351)	-8.1%
Salary/pension-backed loans (CQS/CQP)	144,992	120,356	24,636	20.5%
Loans to SME	82,352	83,110	(758)	-0.9%
Reverse repurchase agreements	105,957	177,868	(71,911)	-40.4%
Current accounts	16,690	13,906	2,784	20.0%
Compensation and Guarantee Fund	12,069	12,486	(417)	-3.3%
Other receivables	236	432	(196)	-45.4%
Total	**1,326,777**	**1,457,990**	**(131,213)**	**-9.0%**

"Loans to customers" mainly comprise outstanding loans for factoring receivables without recourse from the Public Administration, down from 82% to 79% in the item, excluding Repos Salary- and pension-backed loans grew by 20% compared to the end of 2015 as a result of new acquired volumes equal to € 26 million, while government-backed loans to SMEs remained in line with 2015 as disbursements offset collections during the period.

As at 31 March 2016 the book value of receivables from factoring is down by 8.1% on 31 December 2015, mainly as a result of the trend in collections recorded during the first quarter of 2016 (€ 419 million). In addition, outstanding loans at the end of the year were impacted considerably by the significant acquisition of receivables portfolios during Q4 2015 with a value of € 536 million. Turnover from factoring receivables during the first quarter of 2016 was € 336 million, up 24% on the same period in 2015, when it stood at € 271 million. The number of turnover-generating customers during the first quarter was 166, of which 50 were new customers.

As mentioned previously, in 2016 and in line with the business plan, a retained securitisation transaction of salary-backed loans (CQS) was launched with the sale of € 119.6 million at the beginning of March. During the same month, the special purpose vehicle Quinto Sistema S.r.l. (SPV) issued 3 classes of asset-backed securities (ABS) with an initial value of € 120.9 million which were entirely subscribed by the Bank. Since the securities are completely held by the Bank, the conditions for derecognition of the loans have not been met.

Therefore, the loans have been re-recorded in the accounts as assets sold and not derecognised with a balancing entry against the subscribed asset-backed securities (ABS).

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

	31.03.2015	30.06.2015	30.09.2015	31.12.2015	31.03.2016
Doubtful	16,401	22,266	21,724	20,021	23,426
Unlikely to pay	1,572	1,521	3,708	5,913	4,722
Past due/overdrawn>180 days	48,220	31,143	71,656	65,419	64,395
Non-performing	**66,193**	**54,930**	**97,088**	**91,353**	**92,543**
Performing	798,444	943,940	934,067	1,172,410	1,111,123
Other loans to customers (excluding REPOs)	23,758		22,209	26,732	28,995
Total excluding REPOs	**888,395**	**998,870**	**1,053,364**	**1,290,495**	**1,231,661**
Total loans					
Individual adjustments	**3,963**	**4,566**	**6,379**	**7,137**	**8,284**
Collective adjustments	**1,910**	**2,455**	**2,471**	**3,233**	**3,557**
Total adjustments	**5,873**	**7,021**	**8,850**	**10,370**	**11,841**
Net exposure	**882,522**	**991,849**	**1,044,514**	**1,280,125**	**1,220,820**

The ratio of net non-performing loans to the total in the portfolio (net of reverse REPOs) is up from 7.1% as at 31 December 2015 to 7.5% as at 31 March 2016.

The NPL ratio (calculated as the ratio of net non-performing loans to the total of loans to customers, net of reverse REPOs) declined from 1.5% as at 31 March 2015 to 1.3%, thus remaining at a modest level (1.21% including reverse REPOs). The increase in doubtful loans is mainly due to a new entity filing application for insolvency proceedings and to the reclassification of some "unlikely to pay" loans to SMEs to the "doubtful" category: in this regard, the average Government guarantee covers up to 80% of the exposure.

The coverage ratio of doubtful loans is up from 30.6% as at 31 December 2015 to 31.5% as at 31 March 2016; this percentage is impacted by factoring of receivables from distressed local authorities, adequately written-down.

Loans to customers also include temporary investments in reverse repurchase agreements of € 106 million (€ 178 million at the end of 2015). The amounts of the cash used in the Compensation and Guarantee Fund to finance transactions in repurchase agreements with bank customers remained stable.

Equity investments include the Bank's equity stake of 25.80% in CS Union S.p.A., a company operating on the doubtful financial and commercial loans management market, as well as in the management and recovery of receivables between individuals.

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 decrease on the previous period is mainly due to the decrease in tax credits paid during the period.

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

LIABILITIES AND SHAREHOLDERS' EQUITY (€,000)	31.03.2016	31.12.2015	€ Change
Due to banks	372,922	362,075	10,847
Due to customers	1,724,130	1,878,339	(154,209)
Securities in issue	20,411	20,102	309
Tax liabilities	653	804	(151)
Other liabilities	57,582	55,317	2,265
Employee termination indemnities	1,410	1,303	107
Provisions for risks and charges	879	372	507
Valuation reserves	58	350	(292)
Reserves	83,299	65,750	17,549
Share capital	9,651	9,651	-
Profit for the period/year	5,961	17,607	(11,646)
Total liabilities and shareholders' equity	**2,276,956**	**2,411,670**	**(134,714)**

Wholesale funding represents about 60% of the total (58% as at 31 December 2015), 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 funding from other banks through term deposits.

Repurchase agreements include € 94 million generated from a Repo transaction with an institutional investor in which a senior note from the securitisation transaction with Sistema CQS 2016 was used as the underlying asset.

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

The amount of collections from retail customers essentially linked to the SI Conto! Deposito product is down on the previous period, in line with the financing requirements of the commercial business and against increased inter-bank funding.

DUE TO BANKS (€,000)	31.03.2016	31.12.2015	€ Change	% Change
Due to Central banks	65,001	80,002	(15,001)	-18.8%
Due to banks	307,921	282,073	25,848	9.2%
Current accounts and demand deposits	*18,609*	*10,328*	*8,281*	*80.2%*
Term deposits	*289,312*	*271,745*	*17,567*	*6.5%*
Total	**372,922**	**362,075**	**10,847**	**3.0%**

"Due to banks" has essentially remained unchanged compared with the balance as at 31 December 2015. Funding from the ECB, € 52.7 million of which was obtained against trade receivables, with the remaining amount against government bonds, decreased by € 18 million compared to the end of 2015.

As at 31 March 2016, there was an increase in funding on the interbank market mainly in the form of term deposits with an average duration of 2 months.

DUE TO CUSTOMERS (€,000)	31.03.2016	31.12.2015	€ Change	% Change
Term deposits	474,556	572,379	(97,823)	-17.1%
Funding (repurchase agreements)	839,715	909,089	(69,374)	-7.6%
Current accounts and demand deposits	353,196	335,574	17,622	5.3%
Deposits with Cassa Depositi e Prestiti	30,636	30,603	33	0.1%
Other amounts due	26,027	30,694	(4,667)	-15.2%
Total	**1,724,130**	**1,878,339**	**(154,209)**	**-8.2%**

The period-end stock of term deposits was down 17% on the end of 2015, as a result of net negative deposits of € 95 million; gross deposits in Q1 2016 were € 168 million, against withdrawals caused mainly by non-renewals totalling € 262 million. Funding from repurchase agreements was also down, as a result of decreased need. As mentioned previously, "repurchase agreements" include funding from senior notes from the Sistema CQS 2016 retained securitisation transaction and also includes funding of € 30.6 million from Cassa Depositi e Prestiti obtained against a guarantee comprising solely loans to SMEs granted by the Bank.

Other amounts due include payables related to receivables acquired but not funded.

The composition of the securities issued is the same as at 31 December 2015 and is as follows:

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

The provision for risks and charges, totalling € 879 thousand, includes the following:

- an allowance totalling € 600 thousand which represents the estimated ordinary contribution to the bank resolution fund;
- an allowance representing the deferred portion of the 2015 bonus made in the previous period.

"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 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
Parent Company Shareholders' equity	**6,080**	**99,165**
Assumption of value of investments	-	-
Profit (loss)/shareholders' equity - subsidiaries	(119)	(197)
Group Shareholders' equity	**5,961**	**98,968**

CAPITAL ADEQUACY

By means of a letter dated 05 May 2014, the Parent Company informed the Bank of Italy of its intention 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	31.03.2016	31.12.2015
Common Equity Tier 1 (CET1)	**90,559**	**86,892**
TIER1	8,000	8,000
Additional Tier 1 capital (T1)	**98,559**	**94,892**
TIER2	12,000	12,000
Total Own Funds (TC)	**110,559**	**106,892**
Total risk weighted assets	**656,289**	**635,658**
of which, credit risk	555,825	535,194
of which, operational risk	100,464	100,464
Ratio - CET1	13.8%	13.7%
Ratio - T1	15.0%	14.9%
Ratio - TCR	**16.8%**	**16.8%**

Total pro-forma own funds were € 111 million as at 31 March 2016 and included the profit for the year ended 31 December 2015, net of forecast dividends of € 4,262 thousand, and of the dividends estimated on the profit of Q1 2016.

The estimates were made on the basis of the average pay-out for the past three years in accordance with European Commission Delegated Regulation (EU) No. 241/2014, supplementing Regulation (EU) No. 575/2013 of the European Parliament.

The increase in RWA compared to 31 December 2015 is due to the increase in salary-backed loans (CQS) and factoring to companies, which absorbs assets more than factoring to the public administration.

CAPITAL AND SHARES

Capital and ownership structure

The share capital of Banca Sistema is divided into 80,421,052 ordinary shares, for total paid-in share capital of € 9,650,526.24. All outstanding shares have regular dividend entitlement from 1 January.
Based on evidence from the Shareholders' Register and more recent information available, as at 20 April 2016, the shareholders with stakes of more than 5%, the threshold above which Italian law (art. 120 of the Consolidated Law on Financial Intermediation) 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%
Market	47.97%

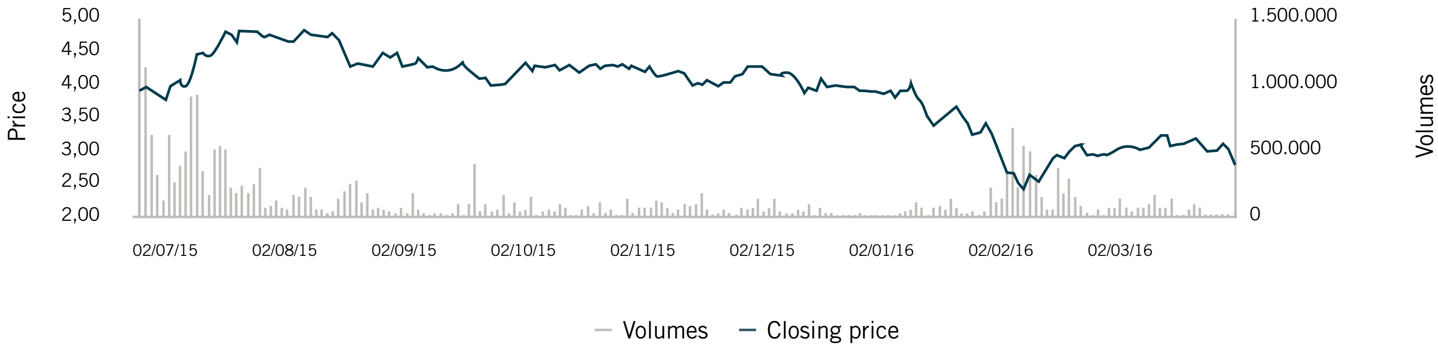
Share performance

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

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

The following table presents share performance from the first day of listing, 2 July 2015, until 31 March 2016.

Price trend



Source: Bloomberg

ECONOMIC RESULTS

STATEMENT OF PROFIT AND LOSS (€,000)	31.03.2016	31.03.2015 NORMALISED	€ Change
Interest margin	16,092	15,016	1,076
Net fees and commissions	2,342	2,940	(598)
Profit (Loss) on trading	3	49	(46)
Profit from disposal or repurchase of financial assets	639	1,400	(761)
Net interest and other banking income	**19,076**	**19,405**	**(329)**
Net value adjustments due to loan impairment	(1,471)	(944)	(527)
Operating income	**17,605**	**18,461**	**(856)**
Personnel expenses	(3,625)	(3,226)	(399)
Other administrative expenses	(4,613)	(4,699)	86
Net allowance for risks and charges	(531)	-	(531)
Net value adjustments to property and equipment/intangible assets	(75)	(76)	1
Other operating income (expenses)	(27)	16	(43)
Operating expenses	**(8,871)**	**(7,985)**	**(885)**
Profit (loss) from equity investments	(6)	48	(54)
Profit from current operations before taxes	**8,728**	**10,524**	**(1,796)**
Income taxes for the period	(2,767)	(3,551)	784
Profit (loss) for the period	**5,961**	**6,973**	**(1,012)**

The first quarter of 2016 ended with a profit of € 6.0 million, down 15% on the same period in 2015 as a result of lower profits on the owned securities portfolio (-0.8million), increased personnel costs due to increases in staff and an allowance of € 600 thousand to the provision for risks and charges for the contribution to the National Resolution Fund made in the fourth quarter of 2015. The economic results as at 31 March 2015 have been normalised in order to eliminate non-recurring costs pertaining to the listing process of € 0.4 million (€ 0.3 million net of tax) included in other administrative expenses.

INTEREST MARGIN (€,000)	31.03.2016	31.03.2015	€ Change	% Change
Interest and similar income				
Receivables portfolios	19,986	20,529	(543)	-2.6%
Securities portfolio	40	429	(389)	-90.7%
Other	142	154	(12)	-7.8%
Total interest income	**20,168**	**21,109**	**(941)**	**-4.5%**
Interest expense and similar charges				
Due to banks	(543)	(217)	(326)	150.2%
Due to customers	(3,224)	(5,568)	2.344	-42.1%
Securities in issue	(309)	(308)	(1)	0.3%
Total interest expense	**(4,076)**	**(6,093)**	**2,017**	**-33.1%**
Interest margin	**16,092**	**15,016**	**1,076**	**7.2%**

The interest margin is up 7% on last year, due to the combined effect of a significant fall in collection costs and the increased contribution from new business lines (loans to SMEs and salary- and pension-backed loans (CQS/CQP)), despite smaller margins from factoring mainly as a result of a reduction in the average duration of portfolios.

Interest income essentially arises from the revenues generated by the core business of the Bank, up from 97% to 99%, showing a continued decreasing dependence on interest from securities. Interest income from the receivables portfolio is mainly composed of revenues generated by the factoring receivables portfolio, representing 85% of total interest income. Interest income from factoring is generated by the purchase of discounted loans and does not include late payment interest from the Public Administration of about € 88 million in relation to receivables already collected and about € 71 million on receivables not collected, for a total of € 159 million (€ 152 million in 2015). In 2016, late payment interest on portfolios acquired mainly in previous periods amounted to € 0.5 million (€ 2.9 million in 2015). The request for late payment interest is one of the most effective ways of trying to shorten payment delays. Nevertheless, in some cases the Bank is forced to take legal action even to recover late payment interest from legal actions taken when collection times exceed estimates. Since the Bank's accounting policy states that late payment interest be recognised when the transaction is completed and taking into account that the majority of late payment interest collected in 2015 were linked to petitions for payment orders initiated in 2011-2012, it is reasonable to expect a higher incidence of this type of interest in the following quarters.

The increase in the margin was also driven by the marked growth in interest on the salary-backed (CQS) and SME portfolios, which collectively rose from € 789 thousand to € 2,816 (their contribution to the interest margin on the receivables portfolio was equal to 6.8% and 7.2%, respectively).

Other interest income mainly includes income generated by revenue from hot money transactions and current accounts.

Funding costs fell compared with the last year following a general reduction in market rates, which has had a positive impact on wholesale funding, especially from repurchase agreements, but particularly as a result of a focus on the customer deposit policy, which allowed for the substitution of term deposit renewals with lower rates compared to those expiring.

Interest due to banks is mainly attributable to the cost of funding from other banks. With respect to the previous year, interest expense for funding from the ECB decreased mainly as a result of the limited use of this form of financing in favour of funding from interbank deposits and REPOs. Funding through REPOs, as a result of the current interbank rates and ECB policies, has not generated interest expense.

COMMISSION MARGIN (€,000)	31.03.2016	31.03.2015	€ Change	% Change
Fee and commission income				
Collection activities	237	253	(16)	-6.3%
Factoring activities	2,368	2,919	(551)	-18.9%
Other	162	146	16	11.0%
Total fee and commission income	**2,767**	**3,318**	**(551)**	**-16.6%**
Fee and commission expense				
Placement	(344)	(230)	(114)	49.6%
Other	(81)	(149)	68	-45.6%
Total fee and commission expense	**(425)**	**(378)**	**(47)**	**12.4%**
Commission margin	**2,342**	**2,940**	**(598)**	**-20.3%**

Net fee and commission income, amounting to € 2.3 million, is down 20% due to the combined effect of increased commissions paid to third parties for placements (closely related to the increase in turnover from factoring) and a decrease in commissions from factoring resulting from the limited use of products with commissions.

Other fee and commission income mainly includes commissions linked to collection and payment services and the holding and management of current accounts.

Fee and commission expense includes the costs of origination of factoring receivables of € 221 thousand (up 18% on the same period of last year) while the remainder includes returns to third party intermediaries for the placement of the SI Conto! Deposito product, which grew as a result of the higher volumes placed in Germany.

Other commission expenses include commissions for trading third-party securities and for interbank collections and payment services.

RESULTS OF THE SECURITIES PORTFOLIO (€,000)	31.03.2016	31.03.2015	€ Change	% Change
Profit (Loss) on trading				
Profit (loss) realised on trading portfolio debt securities	3	49	(46)	-93.9%
Total	**3**	**49**	**(46)**	**-93.9%**
Profit (loss) from disposal or repurchase				
Profit (loss) on AFS portfolio debt securities	639	1,400	(761)	-54.4%
Total	**639**	**1,400**	**(761)**	**-54.4%**
Total profit (loss) from the securities portfolio	**642**	**1,449**	**(807)**	**-55.7%**

During 2016, profits generated by the owned portfolio made a smaller contribution than in same period last year due to less favourable market trends.

Credit risk adjustments in the first quarter of 2016 amounted to a total of € 1.5 million (€ 1.0 million in the first quarter of 2015), mainly as a result of an increase in the collective adjustment percentage on the SME portfolio and new adjustments. The increase in analytical adjustments, on the other hand, is mainly due to the classification of a new entity and of new SMEs in the "doubtful" category. The cost of risk (calculated excluding reverse REPOs) is 0.47%.

PERSONNEL EXPENSES (€,000)	31.03.2016	31.03.2015	€ Change	% Change
Wages and salaries	(2,717)	(2,516)	(201)	8.0%
Social security contributions and other costs	(684)	(565)	(119)	21.0%
Directors' and statutory auditors' remuneration	(224)	(145)	(79)	54.6%
Total	**(3,625)**	**(3,226)**	**(399)**	**12.4%**

The increase in personnel costs of € 400 thousand is mainly due to the increase in wages and salaries from the hiring of new staff, up from 117 to 131 in first quarter of 2016.

Personnel expenses also include costs relating to voluntary redundancy payments of € 121 thousand which were not present in the same period of last year.

OTHER ADMINISTRATIVE EXPENSES (€,000)	31.03.2016	31.03.2015	€ Change	% Change
Servicing and collection activities	(1,324)	(1,726)	402	-23.3%
Consultancy	(730)	(658)	(72)	10.9%
Computer expenses	(845)	(651)	(194)	29.8%
Rent and related fees	(470)	(388)	(82)	21.1%
Indirect taxes and duties	(384)	(371)	(13)	3.5%
Advertising	(63)	(276)	213	-77.2%
Auditing fees	(79)	(69)	(10)	14.5%
Other	(131)	(109)	(22)	20.2%
Car hire and related fees	(178)	(132)	(46)	34.8%
Expense reimbursement and entertainment	(133)	(92)	(41)	44.6%
Membership fees	(62)	(69)	7	-10.1%
Infoprovider expenses	(114)	(59)	(55)	93.2%
Maintenance of movables and real properties	(10)	(13)	3	-23.1%
Telephone and postage expenses	(38)	(39)	1	-2.6%
Stationery and printing	(33)	(24)	(9)	37.5%
Insurance	(19)	(16)	(3)	18.8%
Discretionary payments	-	(8)	8	-100.0%
Total	**(4,613)**	**(4,700)**	**87**	**-1.9%**

Other administrative expenses have remained essentially in line with the previous quarter thanks to lower servicing and advertising costs, which more than offset the increase in computer expenses.

In particular, costs related to collection and servicing activities decreased as a result of the internalisation of the management of some portfolios that were previously managed externally and from a reduction in the cost percentage applied to managed collections.

The rise in computer expenses is linked to the increase in services provided by the outsourcer due to the increase in Group operations and IT updates on new products.

The provision for risks and charges includes € 600 thousand representing the estimated contributions to be paid to the European Bank Resolution Fund. No allowance was made during the first quarter of 2015 for this contribution.

The Group tax rate fell from 34% in 2015 to 32% in 2016 mainly due to:

- the full deduction, for the purposes of calculating the amount of IRAP payable, of the costs of permanent staff and,
- as specified in the ACE provision ("assistance for economic growth"), by the increased deduction rate (from 4 to 4.5%) and by the 40% increase in the multiplier (of increases in shareholders' equity compared to the previous year), of which the Bank took advantage due to its listing on the STAR segment of the Stock Exchange on 02 July 2015.

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

Set out below are the leading macro categories subject to evaluation: governance, with an analysis of the risks relating to the Bank's ability to support the corporate strategy; the macroeconomic context, with an assessment of the country risk for Italy, along with the probable impact on credit control, with specific reference to the core business of credit factoring with the PA; funding policy, with an analysis of the degree of sustainability of investments carried out by the Bank in relation to the funding policy/the sources of funding; developments in operational risks, associated mainly with the management and updating of the information systems used by the Bank; the evaluation of the adequacy of assets and the characteristic risks of banking, with the numerical presentation of capital and liquidity ratios.

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

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

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

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

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

Starting from 1 January 2014, the Bank has used a reference framework both to identify its own risk appetite and for the internal process of determining capital adequacy. This system is the Risk Appetite Framework (RAF) designed to make sure that the growth and development objectives of the Bank are compatible with capital and financial solidity. The RAF comprises monitoring and alert mechanisms and related processes to take action in order to promptly intervene in the event of discrepancies with defined targets. The framework is subject to annual review in light of strategic guidelines and regulatory changes.

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

In order to measure 'Pillar 1 risks', the Bank has adopted standard methods to calculate the capital requirements for Prudential Regulatory purposes.

In order to evaluate non-measurable "Pillar II" risks, the Bank adopts - where possible - the methods set out in the Regulatory framework or those established by trade associations.

If there are no such indications, standard market practices by operators working at a level of complexity and with operations comparable to those of the Bank are assessed.

OTHER INFORMATION

Research and Development Activities

No research and development activity was carried out in the first quarter of 2016.

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 resolution, specifically authorised by the Board of Directors and with the approval of the Statutory auditors, subject to compliance with the obligations provided under the Civil Code with respect to matters relating to the conflict of interest of directors.

ATYPICAL OR UNUSUAL TRANSACTIONS

During the first quarter of 2016, the Group did not carry out any atypical or unusual transactions, as defined in Consob Communication no. 6064293 of 28 July 2006.

SIGNIFICANT EVENTS AFTER THE ENDOFTHE PERIOD

Following the resolutions passed by the Board of Directors on 16 December 2015 and 5 February 2016, on 21 April 2016 a preliminary purchase agreement was signed for the purchase a building for the Bank's new headquarters. There were no additional significant events after the end of the period to be mentioned.

BUSINESS OUTLOOK AND MAIN RISKS AND UNCERTAINTIES

The first quarter of 2016 began with continuing growth in line with the previous period in the factoring sector and in terms of salary-backed loans (CQS).

Based on current market conditions, the interest margin will continue to benefit from a reduction in funding costs and diversification through new sources of funding. In this regard, the Bank completed its first securitisation transaction of salary-backed loans (CQS) within the established time frame, from which it expects to benefit as a result of the reduced cost of funding.

The new strategic commercial and framework agreements entered into in 2015 are already contributing to the Group's growth and product diversification process.

The objective is still to broaden the customer base and exploit the opportunities presented by the Banca Sistema Group's excellent strategic positioning on the Italian market.

The objective for 2016 is still that of pursuing growth through the strengthening and consolidation of the core factoring business, growth in the new business lines introduced in 2014 and through the identification of new opportunities, including through strategic acquisitions.

Milan, 29 April 2016

On behalf of the Board of Directors

The Chairman
Luitgard Spögler

The CEO
Gianluca Garbi

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of Euro)

	Assets	31.03.2016	31.12.2015
10.	Cash and cash equivalents	100	104
40.	Financial assets available for sale	925,436	925,402
60.	Due from banks	6,703	2,076
70.	Loans to customers	1,326,777	1,457,990
100.	Equity investments	2,571	2,696
120.	Property and equipment	1,001	1,058
130.	Intangible assets	1,859	1,872
	of which goodwill	1,786	1,786
140.	Tax assets	4,612	7,353
	a) current	866	3,537
	b) deferred	3,746	3,816
	b1) as specified in Law 214/2011	2,509	2,658
160.	Other assets	7,897	13,119
	Total assets	**2,276,956**	**2,411,670**

(Amounts in thousands of Euro)

	Liabilities and shareholders' equity	31.03.2016	31.12.2015
10.	Due to banks	372,922	362,075
20.	Due to customers	1,724,130	1,878,339
30.	Securities in issue	20,411	20,102
80.	Tax liabilities	653	804
	b) deferred	653	804
100.	Other liabilities	57,582	55,317
110.	Employee termination indemnities	1,410	1,303
120.	Provisions for risks and charges	879	372
	b) other provisions	879	372
140.	Valuation reserves	58	350
170.	Reserves	43,884	26,314
180.	Share premiums	39,415	39,436
190.	Share capital	9,651	9,651
220.	Profit (loss) for the year (+/-)	5,961	17,607
	Total liabilities and shareholders' equity	**2,276,956**	**2,411,670**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Amounts in thousands of Euro)

	Items	31.03.2016	31.03.2015
10.	Interest and similar income	20,168	21,109
20.	Interest expense and similar charges	(4,076)	(6,093)
30.	**Interest margin**	**16,092**	**15,016**
40.	Fee and commission income	2,767	3,318
50.	Fee and commission expense	(425)	(378)
60.	**Net fees and commission income**	**2,342**	**2,940**
80.	Profit (Loss) on trading	3	49
100.	Profit (loss) from disposal or repurchase of:	639	1,400
	b) financial assets available for sale	639	1,400
120.	**Net interest and other banking income**	**19,076**	**19,405**
130.	Net value adjustments/write-backs due to impairment of:	(1,471)	(944)
	a) receivables	(1,471)	(944)
140.	**Operating income**	**17,605**	**18,461**
180.	Administrative expenses:	(8,238)	(8,350)
	a) personnel expenses	(3,625)	(3,226)
	b) other administrative expenses	(4,613)	(5,124)
190.	Net allowance for risks and charges	(531)	-
200.	Net adjustments to/recoveries on property and equipment	(62)	(60)
210.	Net adjustments to/recoveries on intangible assets	(13)	(16)
220.	Other operating income (expenses)	(27)	16
230.	**Operating expenses**	**(8,871)**	**(8,410)**
240.	Profit (loss) from equity investments	(6)	48
280.	**Profit (loss) before tax from continuing operations**	**8,728**	**10,099**
290.	Taxes on income from continuing operations	(2,767)	(3,408)
300.	**Profit (loss) after tax from continuing operations**	5,961	6,691
320.	**Profit (loss) for the period**	5,961	6,691
340.	**Parent company profit for the period**	**5,961**	**6,691**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(Amounts in thousands of Euro)

	Items	31.03.2016	31.03.2015
10.	**Profit (loss) for the period**	**5,961**	**6,691**
	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	(39)	(100)
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	(253)	358
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)**	(292)	258
140.	**Comprehensive income (Items 10+130)**	**5,669**	**6,949**
150.	**Total consolidated comprehensive income pertaining to minority interests**	**-**	**-**
160.	**Total consolidated comprehensive income pertaining to the Parent Company**	**5,669**	**6,949**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31/03/2016

Amounts in thousands of Euro

				Allocation of net result from previous year		Changes during the year									
							Operations on shareholders' equity								
	Balance at 31.12.2015	Change in open-ing balances	Balance at 1.1.2016	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 31.03.2016	**Group shareholders' equity at 31.03.2016**
Share capital:															
a) ordinary shares	**9,651**	-	9,651		-	-		-	-	-	-	-	-	-	**9,651**
b) other shares	**-**	-	-	-	-	-		-	-	-	-	-	-	-	**-**
Share premiums	**39,436**	-	39,436	-	-	(21)		-	-	-	-	-	-	-	**39,415**
Reserves	**26,314**	-	26,314	17,607	-	(38)		-	-	-	-	-	-	-	**43,884**
a) retained earnings	**26,573**	-	26,573	17,607		-		-			-	-	-	-	**44,181**
b) other	**(259)**	-	(259)		-	(38)		-			-	-	-	-	**(297)**
Valuation reserves	**350**	-	350	-	-			-			-	-	-	(292)	**58**
Capital instruments	**-**	-	-	-	-	-		-			-	-	-	-	**-**
Treasury shares	**-**	-	-	-	-	-		-			-	-	-	-	**-**
Profit (loss) for the period	**17,607**	-	17,607	(17,607)	-	-		-			-	-	-	5,961	**5,961**
Shareholders' equity	**93,358**	-	**93,358**	**-**	**-**	**(59)**		-	-	-	-	-	-	**5,669**	**98,968**

(*) at the reporting date, the amount classified as reserves includes profit of € 4,262 thousand that has not yet been distributed to the shareholders in the form of dividends.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31/03/2015

Amounts in thousands of Euro

	Balance at 31.12.2014	Change in opening balances	Balance at 1.1.2015	Allocazione risultato esercizio precedente		Changes during the year									Group shareholders' equity at 31.03.2015
							Operations on shareholders' equity								
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividends	Changes in equity instruments	Derivatives on treasury shares	Stock Options	Changes in equity investments	Comprehensive income as at 31.03.2015	
Share capital:															
a) ordinary shares	**8,451**	-	8,451		-	-	-	-	-	-	-	-	-	-	**8,451**
b) other shares	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premiums	**4,325**	-	4,325	-	-	-	-	-	-	-	-	-	-	-	**4,325**
Reserves	**8,734**	-	8,734	17,567	-	(5)	-	-	-	-	-	-	-	-	**26,296**
a) retained earnings	**9,006**	-	9,006	17,567	-	-	-	-			-	-	-	-	**26,573**
b) other	**(272)**	-	(272)		-	(5)	-	-			-	-	-	-	**(277)**
Valuation reserves	**2**	-	2	-	-	-	-	-			-	-	-	258	**260**
Capital instruments	**-**	-	-	-	-	-	-	-			-	-	-	-	**-**
Treasury shares	**-**	-	-	-	-	-	-	-			-	-	-	-	**-**
Profit (loss) for the period	**19,539**	-	19,539	(17,567)	(1,972)	-	-	-			-	-	-	6,691	**6,691**
Shareholders' equity	**41,051**	-	**41,051**	-	**(1,972)**	**(5)**	-	-	-	-	-	-	-	**6,950**	**46,023**

STATEMENT OF CASH FLOWS (direct method)

Amounts in thousands of Euro

	31.03.2016	31.03.2015
A. OPERATING ACTIVITIES		
1. Management	**(99)**	**5,851**
▪ interest income collected	20,168	21,109
▪ interest expense paid	(4,076)	(6,093)
▪ dividends and similar income	-	-
▪ net fees and commissions	2,342	2,941
▪ personnel expenses	(1,653)	(1,427)
▪ net premiums collected	-	-
▪ other insurance income/expenses	-	-
▪ other expenses	(5,171)	(5,109)
▪ other income	-	-
▪ taxes and duties	(11,709)	(5,570)
▪ income/expenses relating to groups of assets held for disposal, net of taxes	-	-
2. Cash flows generated by (used in) financial assets	**142,310**	**(52,866)**
▪ financial assets held for trading	3	112
▪ financial assets designated at fair value through profit and loss	-	-
▪ financial assets available for sale	313	(59,891)
▪ receivables due from customers	129,742	4,599
▪ due from banks: on demand	(4,627)	3,906
▪ due from banks: other receivables	-	-
▪ other assets	16,879	(1,592)
3. Cash flows generated by (used in) financial liabilities	**(142,296)**	**49,029**
▪ due to banks: on demand	10,847	(554,185)
▪ due to banks: other payables	-	-
▪ due to customers	(154,209)	594,178
▪ securities issued	309	309
▪ financial liabilities held for trading	-	-
▪ financial liabilities designated at fair value through profit and loss	-	-
▪ other liabilities	757	8,727
Net cash flow generated by (used in) operating activities	**(84)**	**2,014**
B. INVESTMENT ACTIVITIES		
1. Cash flows from	**-**	**(10)**
▪ sales of equity investments	-	(10)
▪ dividends collected on equity investments	-	-
▪ 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	**(5)**	**(29)**
▪ purchases of equity investments	-	**(1)**
▪ purchases of financial assets held to maturity	-	-
▪ purchases of property and equipment	(5)	(16)
▪ purchases of intangible assets	-	(12)
▪ purchases of subsidiaries and business lines	-	-
Net cash flow generated by (used in) investment activities	**(5)**	**(39)**
C. FINANCING ACTIVITIES		
▪ issues/purchases of treasury shares	85	-
▪ issues/purchases of equity instruments	-	-
▪ dividend distribution and other	-	(1,972)
Net cash flow generated by (used in) financing activities	**85**	**(1,972)**
NET CASH FLOW GENERATED/USED DURING THE YEAR	**(4)**	**3**

RECONCILIATION - ITEM

Cash and cash equivalents at the beginning of the year	104	66
Total net cash flow generated/used during the year	(4)	3
Cash and cash equivalents: effect of change in exchange rates	-	-
Cash and cash equivalents at balance sheet date	100	69

ACCOUNTING POLICIES

GENERAL BASIS OF PREPARATION

This Consolidated Interim Financial Report as at 31 March 2016 has been prepared in accordance with Art. 154-ter of Legislative Decree no. 58 of 24 February 1998 and Legislative Decree No. 38 of 28 February 2005, according to the IAS/IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission, as established by Regulation (EC) No 1606 of 19 July 2002, from which there were no derogations. The specific accounting standards adopted have been applied consistently with regard to the financial statements as at 31 December 2015.

The Consolidated Interim Financial Report as at 31 March 2016 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 these Notes and is accompanied by a Directors' Report on management performance, the financial results achieved and the financial position of the Banca Sistema Group.

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.

This Consolidated Interim Financial Report includes Banca Sistema S.p.A. and its direct and indirect subsidiaries or associates. There were no changes in the scope of consolidation compared to the situation as at 31 December 2015.

The accounting policies adopted for the drafting of the Consolidated Interim Financial 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 separate and consolidated financial statements as at 31 December 2015, to which reference is made.

Events after the reporting date

No events that would have required the adjustment of the data presented in the Consolidated Interim Financial Report have occurred since the reporting date.

Other aspects

The Consolidated Interim Financial Report was approved on 29 April 2016 by the Board of Directors, which authorised its disclosure to the public in accordance with IAS 10.

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

The undersigned, Margherita Mapelli, in her capacity as Designated manager responsible for drafting the company accounting documents of Banca Sistema S.p.A., in accordance with paragraph 2 of Art. 154-bis of Legislative Decree no. 58 of 24 February 1998, hereby certifies that the accounting information presented in this Consolidated Interim Financial Report as at 31 March 2016 matches the accounting documents, books and records.

Milan, 29 April 2016

Margherita Mapelli

Designated manager responsible
for drafting the company accounting documents

CONSOLIDATED INTERIM FINANCIAL REPORT AS AT 31 MARCH 2016

BANCA SISTEMA
CONTEMPORARY BANK