BANCA
SISTEMA

PRESS RELEASE

BANCA SISTEMA: NET INCOME +36% IN H1 2015[1]

- **Rising factoring turnover:**
    - **+36% % in H1 2015 compared with H1 2014**
    - **+37% in Q2 2015 compared with Q2 2014**

- **Net interest income up by 20% compared with H1 2014**
- **Total income at 36.9 million against 33.1 million at the end of June 2014**

- **Cost Income ratio down to 42%[1]**
- **ROAE at 38% post IPO capital increase[1]**
- **Leverage Ratio at 4.4% fully-loaded**
- **Total Capital Ratio and CET1 at 22.2% and 17.9%, respectively, at 30 June 2015[2]**

Milan, 30 July 2015

The Board of Directors of Banca Sistema has approved the H1 2015 consolidated results, reporting a "**Normalized" net income**, excluding IPO-related non-recurring items, of 13.4 million (9.8 million in H1 2014).

Business performance

In H1 2015, the **factoring turnover** reported by Gruppo Banca Sistema came in at 600 million, up by 36% over the first six months of 2014 (442 million). Including third-party receivables under management, at 30 June 2015 total turnover reached 747 million.
In Q2 2015 the turnover ran at 329 million, up by 37% compared to the same quarter last year.
Factoring outstanding volumes (managerial data) at 30 June 2015 stood at 898 million, of which 96% is represented by PA obligors (Public Administration), notably State Central Administrations (27%), Local Entities (38%), Local Healthcare Organizations (ASL) (17%), State-owned companies (9%) and Public Sector Organizations (5%).

[1] Amounts and indicators are calculated based on normalized P&L figures adjusted to filter out IPO non-recurring costs.
[2] Exclusively for the purpose of calculating own funds (Total Capital), TIER1 and CET1, retained earnings, amounting to 7.7 million in H1 2015, have been projected based on the average pay–out ratio over the last three years (2012 -2014), as established by the Commission Delegated Regulation (EU) no. 241/2014, supplementing Regulation EU 575/2013 of the European Parliament.

In line with the bank's core business, 81% of the outstanding volume at the end of June 2015 was represented by factoring without-recourse, 11% by factoring with-recourse and 7% by tax credits (VAT), on the upside compared to the end of 2014.

In H1 2015 the Group extended 46.5 million worth of **credit facilities to SMEs backed** by the SME Credit Guarantee Fund of the Ministry for Economic Development (law 662/96).

In the first half of 2015 the Group purchased **salary- and pension-backed loans (CQS/CQP)** for approx. 54 million, broken down among private-sector employees (22%), retirees (50%) and public-sector employees (28%).

Operating results in H1 2015

The first half 2015 operating results reported below have been normalized to filter out IPO non-recurring costs, which are mainly represented by underwriting and advisory costs, as well as the cost associated with the re-measurement of the bonus deferred components recognized in prior financial years (Long term incentive plan). Itemized below are the before-tax non-recurring costs referring to P&L items undergoing normalization adjustments:

- Personnel costs : 4,389 thousand;
- Other administrative expenses: 2,218 thousand.

Pre-tax they amount to 6,607 thousand, and after tax to 4,743 thousand.

"Normalized " net income in H1 2015 added up to 13.4 million euro (+36%), reporting a steep rise over the same period last year, net of the non-recurring costs listed above.

In the first six months of 2015, **net interest income** hit approx. 29 million, up by 20% compared to the same period of 2014. The rise was mainly driven by:

- the increase in factoring loans;
- the contribution from the new CQS/CQP business lines and guaranteed SME financing;
- the reduction in the cost of funding.

Compared to H1 2014, we are less dependent on interest income received from securities, which decreased by €1.6 million as a result of the shrinking government bond yields reported over the period.

Net fees and commissions, totaling 5.9 million, went up by 5.3% compared to 2014, driven by the increase in the factoring turnover of products featuring higher management fees.

In H1 2015 the Bank reported a lower **income from its proprietary portfolio**, as compared to H1 2014.

Total income added up to 36.9 million, up by 11% over the same period of 2014.

Loan loss provisions, amounting to 2.1 million, are in line with the 2.0 million reported in the first half of 2014. The annualized **cost of risk** in H1 2015 was 44bps, again in line with the cost of risk of 41bps reported in full-year 2014. Indeed, it is worth pointing out that to date the Bank has never reported losses on its credit exposures.

The Group's **headcount** (FTE) grew from 106 on 30 June 2014 to 129 on 30 June 2015. **Personnel expenses** in H1 2015 stood at 6.5 million, net of the non-recurring items described above, up by approx. 0.5 million over the first half of 2014, primarily as a result of the growth in headcount.

Other administrative expenses came in at approx. 9 million (net of the non-recurring items described above), and are basically in line with the same period of 2014. Third-party costs from the collection and servicing of account receivables are in line with the prior period; notably, fees to third-party servicers have been driven down mainly by the lower volumes under management and by the reduction in the percentage cost applied to collected amounts.

In H1 2015 the **Cost Income ratio** stood at 42% as compared to 49% for full-year 2014.

Profits from equity investments, totaling 0.2 million in H1 2015, reflect the net pro-rated result of the company CS Union S.p.A..

Income tax for the period has been increasing from 5.4 million in H1 2014 to 6.0 million in H1 2015, including the additional taxes on the non-recurring items described above.

Key H1 2015 balance sheet items

The first half of 2015 closed with **total assets** of approx. 2.3 billion, up by 11.0% compared to year-end 2014.

The Bank's **securities portfolio** is entirely made up of Italian Government bonds, having an average duration at 30 June 2015 of approx. 9.3 months (the residual average duration at year-end 2014 was 8.5 months), in line with the Group investment policy requirement to hold securities with a duration below 12 months.
Compared to year-end 2014, the securities nominal value went from 860 to 919 million (at accounting level from 858 to 917 million, respectively).

Customer loans have been increasing compared to year-end 2014 and they primarily include loans from the factoring credit portfolio. Factoring receivables, amounting to 838 million, reported a slight decline of approx. 2% compared to year-end 2014, also as a result of the higher collected amounts reported in H1 2015 in spite of the fact that over the same period the turnover has been significant. State-guaranteed loans to SMEs, and salary- and pension-backed loans (CQS/CQP) instead have been picking up. In particular, SME loans totaled 59.9 million (18.7 million at 31 December 2014), while CQS/CQP stood at 65.4 million (13.2 million at 31 December 2014).
Gross non-performing loans accounted for 5.5% of total gross loans, excluding repos outstanding at 30 June 2015. A significant portion of non-performing loans are represented by past due loans mainly due to payment delays on factoring with-recourse loans to Public Administration obligors.
The increase in bad loans reported in H1 2015 over year-end 2014 (from 11.4 million to 22.3 million), to a great extent related to PA borrowers, is normal and in line with the Bank's business. The net bad loans on net total loan ratio excluding outstanding repos went from 1.0% at 31 December 2014 to 1.8% at 30 June 2015, and remain at contained levels.

Equity investments, that include the 25.8% stake in CS Union S.p.A. (engaging in the purchase and management of non-performing account receivables and financial loans, as well as credit collection), increased by 148 thousand as a result of the pro-rated result for the period reported by the investee.

Retail deposits account for approx. 41% (46% at 31 December 2014) of total funding, and are represented by current accounts and term deposits.

Due to banks reported a significant drop compared to 31 December 2014, due to a greater repo-based funding (see Due to customers) primarily through Cassa Compensazione e Garanzia and not the ECB, towards which the end-of-period exposure amounted to 35 million, compared to 730 million at year-end 2014.

As to **Due to customers**, term deposits (560 million at 30 June 2015 vs. approx. 569 million at the end of December 2014) and checking accounts (310 million at 30 June 2015 vs. approx. 312 million at the end of December 2014, including Corporate customers) remained basically stable with respect to the end of 2014, supported by the Group strategic approach to reduce the cost of retail funding, while maintaining a high liquidity buffer.
The Basel 3 liquidity ratios, **NSFR** and **LCR**, which at 30 June 2015 stood at 114% and 121%, respectively, are well above the fully-loaded targets for 2018.

Shareholders' equity went up compared to 31 December 2014, mainly driven by the increase in reserves, that include the proceeds raised in the new share issue for the IPO (10 million shares at a unit price of €3.75) net of the IPO-related capitalized costs of approx. 1.5 million (net of 0.5 million deferred tax assets, that can be tax-deducted over a five-year period)[3], as well as by the net income for the first six months of 2015 of 8.6 million.

Total own funds[4] at 30 June 2015 totaled 102 million (57.8 million at 31 December 2014), and **CET1** amounted to 82 million (37.8 million at 31 December 2014).
Capital ratios[4] have all been going up compared to 31 December 2014, specifically:

- **CET1** from 10.4% to 17.9%;
- **TIER1** from 12.6% to 19.6%;
- **Total Capital** from 15.9% to 22.2%;

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The Board of Directors acknowledged that, following the exit of the shareholder Sof Luxco Sarl, in the coming months the Board of Directors is going to be changed to reflect the new shareholding structure.

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Operational outlook

In the second half of 2015 the upward trend reported in the first half of the year in factoring volumes is expected to continue, together with a greater contribution from SME loans and salary- and pension-backed loans .
Based on current market conditions, net interest income will keep on benefitting from the stability of funding costs.

New commercial agreements and framework agreements have been entered during the first half, which allowed the Group to start a product diversification process.

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3 In compliance with international accounting standards, all incremental costs strictly connected with the IPO (mainly underwriting and advisory fees) have been capitalized as a proportion of the number of new shares issued over the total number of new shares.
4 Exclusively for the purpose of calculating own funds (Total Capital), TIER1 and CET1, retained earnings, amounting to 7.7 million in H1 2015, have been projected based on the average pay–out ratio over the last three years (2012 -2014), as established by the Commission Delegated Regulation (EU) no. 241/2014, supplementing Regulation EU 575/2013 of the European Parliament.

The goal is again to broaden our Customer base and take advantage of the opportunities presented by the excellent strategic positioning of Gruppo Banca Sistema on the Italian market.

The net IPO proceeds and the resulting shoring-up of Own Funds will facilitate the pursuit of our strategies, notably the strengthening and stabilization of the factoring core business and the growth of the new business lines introduced in 2014, and will also favor a further business diversification based on the identification of new opportunities, including strategic acquisitions.

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Statement of the Manager in charge of preparing corporate financial reports

The manager in charge of preparing the corporate financial reports of Banca Sistema, in compliance with paragraph two of art. 154 bis of the "Consolidated act for financial intermediation", hereby states that the accounting information illustrated in this press release is consistent with documental evidence, accounting books and book-keeping entries.

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The Half-yearly Report as at 30 June 2015 will be made available to the public, under the law, at the corporate head offices, and will also be published on the bank's website www.bancasistema.it, as well as on the website of the authorized central storage mechanism www.1info.it.

All amounts reported in the press release are in euro.

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Banca Sistema

Banca Sistema was founded in 2011, as a bank specialized in financing and managing trade receivables owed by the Italian Public Administrations, thereby entering a sector of the Italian financial system aimed at granting liquidity to corporate entities in their business dealings with the PA's, mainly through factoring and credit management services.

With main offices in Milan, Rome and London, during this time Banca Sistema has extended its activities and services available both to business and retail Clients.

As an independent financial operator characterized by a diversified business model, Banca Sistema can offer, today, recourse and non-recourse factoring services. This includes receivables between private companies, yearly and quarterly VAT receivables refunds, current accounts, time deposits with durations up to 10 years, guarantees, securities deposit, reverse factoring, certification of Public Administration credits, salary and pension backed loans, and small and medium enterprises financing.

The Bank is also active in the purchasing and management of non-performing financial and trade receivables as well as management and debt recovery from individuals, thanks to its shareholding in CS Union S.p.A..

Attachments

- Consolidated balance sheet
- Consolidated income statement
- Consolidated income statement highlighting non-recurring items

BANCA SISTEMA GROUP: CONSOLIDATED BALANCE SHEET

	Figures in thousands of euro	30/06/2015	31/12/2014	Changes A - B	Changes % A - B
	ASSETS				
10.	Cash and cash equivalents	87	66	21	31.8%
20.	Financial assets held for trading	-	63	(63)	-100.0%
40.	Available-for-sale financial assets	917,215	858,007	59,208	6.9%
60.	Loans and advances to banks	46,013	16,682	29,331	175.8%
70.	Loans and advances to customers	1,326,403	1,193,754	132,649	11.1%
100.	Equity investments	2,596	2,448	148	6.0%
120.	Property, plant and equipment	1,149	1,201	(52)	-4.3%
130.	Intangible assets	1,891	1,904	(13)	-0.7%
	of which: goodwill	*1,786*	*1,786*	-	*0.0%*
140.	Tax assets	3,989	2,752	1,237	44.9%
160.	Other assets	9,315	4,376	4,939	112.9%
	Total assets	**2,308,658**	**2,081,253**	**227,405**	**10.9%**

	Figures in thousands of euro	30/06/2015	31/12/2014	Changes A - B	Changes % A - B
	LIABILITIES AND EQUITY				
10.	Due to banks	166,535	821,404	(654,869)	-79.7%
20.	Due to customers	1,991,504	1,153,797	837,707	72.6%
30.	Debt securities issued	20,104	20,109	(5)	0.0%
80.	Tax liabilities	3	6,248	(6,245)	-100.0%
100.	Other liabilities	45,473	36,441	9,032	24.8%
110.	Post-employment benefits	1,364	1,173	191	16.3%
120.	Provisions for risks and charges:	384	1,030	(646)	-62.7%
	b) other provisions	384	1,030	(646)	-62.7%
140. + 170. + 180. + 190.	Share capital, share premiums, reserves, valuation reserves and treasury shares	74,675	21,512	53,163	247.1%
220.	Profit (loss) for the year	8,616	19,539	(10,923)	-55.9%
	Total liabilities and equity	**2,308,658**	**2,081,253**	**227,405**	**10.9%**

BANCA SISTEMA GROUP: CONSOLIDATED INCOME STATEMENT

	Figures in thousands of euro	30.06.2015 A	30.06.2014 B	Changes A - B	Changes % A - B
10.	Interest income	40,500	38,104	2,396	6.3%
20.	Interest expenses	(11,549)	(14,047)	2,498	-17.8%
30.	**Net interest income**	**28,951**	**24,057**	**4,894**	**20.3%**
40. - 50.	Net fee and commission income	5,853	5,560	293	5.3%
70.	Dividends and similar income	-	33	(33)	-100.0%
80. + 90. + 100. + 110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	2,060	3,431	(1,371)	-40.0%
120.	**Operating income**	**36,864**	**33,081**	**3,783**	**11.4%**
130.	Net impairment losses on loans	(2,091)	(2,018)	(73)	3.6%
140.	**Net operating income**	**34,773**	**31,063**	**3,710**	**11.9%**
180. a)	Staff costs	(10,917)	(5,983)	(4,934)	82.5%
180. b)	Other administrative expenses	(11,260)	(9,030)	(2,230)	24.7%
190.	Accantonamenti netti ai fondi per rischi e oneri	(10)	(300)	290	-96.7%
200. + 210.	Net provisions for risks and charges	(154)	(89)	(65)	73.0%
220.	Other net operating income/expense	128	(410)	538	-131.2%
230	**Operating expenses**	**(22,213)**	**(15,812)**	**(6,401)**	**40.5%**
240.	Profits of equity-accounted investees	221	-	221	n.s.
280.	**Pre-tax profit from continuing operations**	**12,781**	**15,251**	**(2,470)**	**-16.2%**
290.	Taxes on income for the period/year from continuing operations	(4,165)	(5,408)	1,243	-23.0%
340.	**Profit (loss) for the year/period attributable to the shareholders of the Parent**	**8,616**	**9,843**	**(1,227)**	**-12.5%**

BANCA SISTEMA GROUP: CONSOLIDATED INCOME STATEMENT NORMALISED AS AT 30 JUNE 2015

	Figures in thousands of euro	30.06.2015 A (Normalised)	30.06.2014 B	Changes A - B	Changes % A - B
10.	Interest income	40,500	38,104	2,396	6.3%
20.	Interest expenses	(11,549)	(14,047)	2,498	-17.8%
30.	**Net interest income**	**28,951**	**24,057**	**4,894**	**20.3%**
40. - 50.	Net fee and commission income	5,853	5,560	293	5.3%
70.	Dividends and similar income	-	33	(33)	-100.0%
80. + 90. + 100. + 110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	2,060	3,431	(1,371)	-40.0%
120.	**Operating income**	**36,864**	**33,081**	**3,783**	**11.4%**
130.	Net impairment losses on loans	(2,091)	(2,018)	(73)	3.6%
140.	**Net operating income**	**34,773**	**31,063**	**3,710**	**11.9%**
180. a)	Staff costs	(6,528)	(5,983)	(545)	9.1%
180. b)	Other administrative expenses	(9,042)	(9,030)	(12)	0.1%
190.	Accantonamenti netti ai fondi per rischi e oneri	(10)	(300)	290	-96.7%
200. + 210.	Net provisions for risks and charges	(154)	(89)	(65)	73.0%
220.	Other net operating income/expense	128	(410)	538	-131.2%
230	**Operating expenses**	**(15,606)**	**(15,812)**	**206**	**-1.3%**
240.	Profits of equity-accounted investees	221	-	221	n.s.
280.	**Pre-tax profit from continuing operations**	**19,388**	**15,251**	**4,137**	**27.1%**
290.	Taxes on income for the period/year from continuing operations	(6,029)	(5,408)	(621)	11.5%
340.	**Profit (loss) for the year/period attributable to the shareholders of the Parent**	**13,359**	**9,843**	**3,516**	**35.7%**