PRESS RELEASE

BANCA SISTEMA: NET INCOME +22% IN FIRST 9 MONTHS OF 2015[1]

- **Business performance:**
  - **+20% factoring turnover in 9M15 y/y**
  - **Outstanding salary- and pension-backed loans (CQS/CQP) at 30 September 2015 at 83 million vs. 13 million at the end of December 2014**
  - **Outstanding State-guaranteed SME loans at 30 September 2015 at 73 million vs. 19 million at the end of December 2014**

- **Net interest income up by 21% y/y**
- **Total income at 53.8 million against 48.8 million at the end of September 2014**

- **ROAE at 35% post IPO capital increase[1]**
- **Leverage Ratio at 4.6% fully-loaded**
- **Total Capital Ratio and CET1 at 20.0% and 16.2% respectively, at 30 September 2015[2]**

Milan, 30 October 2015

The Board of Directors of Banca Sistema has approved the consolidated results at 30 September 2015, reporting a **"normalized" net income** - excluding IPO-related non-recurring items - of 18.3 million (15.0 million in the same period of 2014).

Business Performance

In 9M15 the **factoring turnover** reported by Gruppo Banca Sistema came in at 876 million, up by 20% y/y (727 million). Including third-party receivables under management, at 30 September 2015 it reached 1,092 million.

[1] Amounts and indicators are calculated based on normalized P&L figures adjusted to filter out IPO non-recurring costs.
[2] In the absence of a formalized dividend policy, exclusively for the purpose of calculating own funds at 30 September 2015, we included net income for the period excluding dividends, calculated based on the average pay-out ratio of the last three years (12%), as established by the Commission Delegated Regulation (EU) no. 241/2014, supplementing Regulation EU 575/2013 of the European Parliament.

In Q3 2015 the turnover has been basically in line with the same quarter last year.
Factoring outstanding volumes (managerial data) at 30 September 2015 stood at 922 million, of which 95% is represented by PA borrowers (Public Administration), notably State Central Administrations (30%), Local Entities (38%), Local Healthcare Organizations (ASL) (14%), State-owned companies (8%) and Public Sector Organizations (5%).In line with the bank's core business, 80% of the outstanding volume at the end of September 2015 was represented by factoring without-recourse, 11% by factoring with-recourse and 7% by tax credits (VAT), the latter on the upside compared to the end of 2014.

In 9M15 the Group extended 63.7 million worth of **credit facilities to SMEs backed** by the SME Credit Guarantee Fund of the Ministry for Economic Development (law 662/96).

In 9M15 the Group purchased **salary- and pension-backed loans (CQS/CQP)** for approx 74.8 million, broken down among private-sector employees (29%), retirees (48%) and public-sector employees (23%).

<u>Operating results in 9M15</u>

The 9M15 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. Itemized below are the before-tax non-recurring costs referring to P&L items undergoing normalization adjustments:

- Personnel costs: 4,387 thousand;
- Other administrative expenses: 2,386 thousand.

Pre-tax these adjustments amount to 6,773 thousand, and after-tax to 4,854 thousand.

Normalized net income at 30 September 2015 came in at 18.3 million (+22%), reporting a steep rise over the same period of 2014.

In 9M15, **net interest income** stood at approx. 43 million, up by 21% compared to the same period of 2014, driven by the combined effect of a declining cost of funding only partially offset by a lower return from loans over the period and the greater contribution made by the new business lines.
Compared to 30 September 2014, the carry trade from Government bonds portfolio, as expected, is lower by approx. -0.6 million as a result of the falling government bond yields reported over the period.

Net fees and commissions, totaling 8.3 million, report a slight decline compared to 2014, mainly due to higher distribution fees paid to third parties.

In 9M2015 the Bank reported a lower **income from its proprietary portfolio**, as compared to 2014 (-2 million).

Total income added up to 53.8 million, up by 10% over the same period of 2014.

Loan loss provisions at 30/09/2015 were running at 3.9 million, up by 1.8 million compared to 30/06/2015, primarily due to the classification as NPLs of new municipalities in financial distress. The **cost of risk** at 30 September came in at 54bps.

The Group's **headcount** (FTE) grew from 112 employees at 30 September 2014 to 136 at 30 September 2015. **Personnel expenses** stood at 9.7 million, net of the non-recurring items described above, up by approx. 0.7 million over 2014, primarily driven by the growth in headcount.
Other administrative expenses added up to approx. 13.8 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 9M15 the **Cost Income ratio** stood at 44% compared to 49% for FY 2014.

Profits from equity investments, in excess of 0.3 million in 9M15, reflect the net pro-rated result of the company CS Union S.p.A..

Income tax for the period, including the additional taxes on the non-recurring items described above, totaled 8.3 million at 30 September 2015 (8.4 million in the same period of 2014).

Key balance sheet items at 30 September 2015

At the end of September 2015 the Bank reported **total assets** of approx. 2.3 billion, up by 10% compared to year-end 2014.

The Bank's **securities portfolio** is entirely made up of Italian Government bonds, having an average duration at 30 September 2015 of approx. 7.3 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. Securities held at 30 September 2015 totaled 917 million (858 million at 31 December 2014), and are represented exclusively by short-term Government bonds. The valuation reserve at 30 September posted a positive balance of 69 thousand.

Customer loans have been increasing compared to 31 December 2014**,** and they primarily include loans from the factoring credit portfolio. Factoring facilities, amounting to 867 million, are in line with year-end 2014. State-guaranteed loans to SMEs, and salary- and pension-backed loans (CQS/CQP) instead have been picking up. In particular, SME loans totaled 72.9 million (18.7 million at 31 December 2014), while CQS/CQP stood at 82.9 million (13.2 million at 31 December 2014).
Gross non-performing loans increased compared to 30 June 2015 due to the rise in past-due loans (from 31 million at 30 June 2015 to approx. 78 million at 30 September 2015). This pickup, due to the adoption of a more conservative internal classification method, does not reflect by itself a deterioration of the credit quality, since it is an inherent characteristic of the Bank's business. Please note also that the end-borrowers are always PA entities or organizations.
The net NPL to total customer loans ratio excluding reverse repos went from 1.82% at 30 June 2015 to 1.54%, still resting at contained levels, while the NPL coverage ratio increased from 19% at 30 June to 26%.

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 207 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 checking 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 75 million, compared to 730 million at year-end 2014.

As to **Due to customers**, term deposits (535 million at 30 September 2015 vs. approx. 569 million at the end of December 2014) and checking accounts (308 million at 30 June 2015 vs. approx. 312 million at the end of December 2014, including Corporate customers) reported a slight decline compared to year-end 2014, generated among other things by the Group strategic approach to reduce the cost of retail funding, while maintaining a high liquidity buffer, thanks also to the higher number of bank-related uncommitted credit facilities.

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 nine months of 2015 of 13.5 million.

Total own funds[4] at 30 September 2015 were running at 106.3 million (57.8 million at 31 December 2014) and **CET1**[4] totaled 86.3 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 16.2%;
- **TIER1** from 12.6% to 17.8%;
- **Total Capital** from 15.9% to 20.0%.

The decline in capital ratios over the quarter (30 September 2015 compared to 30 June 2015) was driven exclusively by the increase in risk-weighted assets, which went from €459 million to €531 million. This rise, regarding exclusively the credit risk component, and in particular past-due loans, was engendered by the adoption of a more conservative internal classification method for the factoring portfolio.

Please note, that in compliance with EBA's *Guidelines on common SREP (Supervisory Review and Evaluation Process)*, with a letter dated 14 October 2015 the Parent company was requested by the Bank of Italy to satisfy the following minimum requirements:

- CET1 ratio of 7.2%, +0.2% add-on to the regulatory requirement;
- TIER1 ratio of 9.6%, +1.1% add-on to the regulatory requirement;
- Total capital ratio of 12.9%, +2.4% add-on to the regulatory requirement.

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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] In the absence of a formalized dividend policy, exclusively for the purpose of calculating own funds at 30 September 2015, we included net income for the period excluding dividends, calculated based on the average pay-out ratio of the last three years (12%), as established by the Commission Delegated Regulation (EU) no. 241/2014, supplementing Regulation EU 575/2013 of the European Parliament.

Operational outlook

In the last quarter of 2015 the upward trend reported in factoring volumes, SME loans and salary- and pension-backed loans is expected to continue.
Based on current market conditions, net interest income will keep on benefitting from the stability of funding costs.

In the first nine months of the year new commercial and framework agreements have been entered, allowing the Group to enlarge its commercial network.

The goal is again to broaden our Customer base and take advantage of the opportunities presented by the excellent strategic positioning of Banca Sistema Group 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 quarterly report as at 30 September 2015 will be made available to the public, under the law, at the corporate head offices and at Borsa Italiana, 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 as at 30.09.2015 highlighting non-recurring items

BANCA SISTEMA GROUP: CONSOLIDATED BALANCE SHEET

	Figures in thousands of euro	30/09/2015	31/12/2014	Changes A - B	Changes % A - B
	ASSETS				
10.	Cash and cash equivalents	86	66	20	30.3%
20.	Financial assets held for trading	-	63	(63)	-100.0%
40.	Available-for-sale financial assets	922,230	858,007	64,223	7.5%
60.	Loans and advances to banks	9,372	16,682	(7,310)	-43.8%
70.	Loans and advances to customers	1,337,314	1,193,754	143,560	12.0%
100.	Equity investments	2,656	2,448	208	8.5%
120.	Property, plant and equipment	1,118	1,201	(83)	-6.9%
130.	Intangible assets	1,886	1,904	(18)	-0.9%
	of which: goodwill	*1,786*	*1,786*	-	*0.0%*
140.	Tax assets	4,145	2,752	1,393	50.6%
160.	Other assets	8,532	4,376	4,156	95.0%
	Total assets	**2,287,339**	**2,081,253**	**206,086**	**9.9%**

	Figures in thousands of euro	30/09/2015	31/12/2014	Changes A - B	Changes % A - B
	LIABILITIES AND EQUITY				
10.	Due to banks	271,707	821,404	(549,697)	-66.9%
20.	Due to customers	1,861,552	1,153,797	707,755	61.3%
30.	Debt securities issued	20,410	20,109	301	1.5%
80.	Tax liabilities	2,722	6,248	(3,526)	-56.4%
100.	Other liabilities	40,052	36,441	3,611	9.9%
110.	Post-employment benefits	1,472	1,173	299	25.5%
120.	Provisions for risks and charges:	434	1,030	(596)	-57.9%
	b) other provisions	434	1,030	(596)	-57.9%
140. + 170. + 180. + 190.	Share capital, share premiums, reserves, valuation reserves and treasury shares	75,497	21,512	53,985	251.0%
220.	Profit (loss) for the year	13,493	19,539	(6,046)	-30.9%
	Total liabilities and equity	**2,287,339**	**2,081,253**	**206,086**	**9.9%**

BANCA SISTEMA GROUP: CONSOLIDATED INCOME STATEMENT

	Figures in thousands of euro	30.09.2015 A	30.09.2014 B	Changes A - B	Changes % A - B
10.	Interest income	59,543	56,542	3,001	5.3%
20.	Interest expenses	(16,549)	(20,862)	4,313	-20.7%
30.	**Net interest income**	**42,994**	**35,680**	**7,314**	**20.5%**
40. - 50.	Net fee and commission income	8,308	8,608	(300)	-3.5%
70.	Dividends and similar income	33	33	-	0.0%
80. + 90. + 100. + 110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	2,450	4,489	(2,039)	-45.4%
120.	**Operating income**	**53,785**	**48,810**	**4,975**	**10.2%**
130.	Net impairment losses on loans	(3,921)	(2,344)	(1,577)	67.3%
140.	**Net operating income**	**49,864**	**46,466**	**3,398**	**7.3%**
180. a)	Staff costs	(14,095)	(9,023)	(5,072)	56.2%
180. b)	Other administrative expenses	(16,140)	(13,168)	(2,972)	22.6%
190.	Accantonamenti netti ai fondi per rischi e oneri	(60)	(369)	309	-83.7%
200. + 210.	Net provisions for risks and charges	(234)	(150)	(84)	56.0%
220.	Other net operating income/expense	162	(396)	558	-140.9%
230	**Operating expenses**	**(30,367)**	**(23,106)**	**(7,261)**	**31.4%**
240.	Profits of equity-accounted investees	341	-	341	n.s.
280.	**Pre-tax profit from continuing operations**	**19,838**	**23,360**	**(3,522)**	**-15.1%**
290.	Taxes on income for the period/year from continuing operations	(6,345)	(8,358)	2,013	-24.1%
340.	**Profit (loss) for the year/period attributable to the shareholders of the Parent**	**13,493**	**15,002**	**(1,509)**	**-10.1%**

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

	Figures in thousands of euro	30.09.2015 A (Normalised)	30.09.2014 B	Changes A - B	Changes % A - B
10.	Interest income	59,543	56,542	3,001	5.3%
20.	Interest expenses	(16,549)	(20,862)	4,313	-20.7%
30.	**Net interest income**	**42,994**	**35,680**	**7,314**	**20.5%**
40. - 50.	Net fee and commission income	8,308	8,608	(300)	-3.5%
70.	Dividends and similar income	33	33	-	0.0%
80. + 90. + 100. + 110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	2,450	4,489	(2,039)	-45.4%
120.	**Operating income**	**53,785**	**48,810**	**4,975**	**10.2%**
130.	Net impairment losses on loans	(3,921)	(2,344)	(1,577)	67.3%
140.	**Net operating income**	**49,864**	**46,466**	**3,398**	**7.3%**
180. a)	Staff costs	(9,708)	(9,023)	(685)	7.6%
180. b)	Other administrative expenses	(13,754)	(13,168)	(586)	4.5%
190.	Accantonamenti netti ai fondi per rischi e oneri	(60)	(369)	309	-83.7%
200. + 210.	Net provisions for risks and charges	(234)	(150)	(84)	56.0%
220.	Other net operating income/expense	162	(396)	558	-140.9%
230	**Operating expenses**	**(23,594)**	**(23,106)**	**(488)**	**2.1%**
240.	Profits of equity-accounted investees	341	-	341	n.s.
280.	**Pre-tax profit from continuing operations**	**26,611**	**23,360**	**3,251**	**13.9%**
290.	Taxes on income for the period/year from continuing operations	(8,264)	(8,358)	94	-1.1%
340.	**Profit (loss) for the year/period attributable to the shareholders of the Parent**	**18,347**	**15,002**	**3,345**	**22.3%**