PRESS RELEASE

BANCA SISTEMA: Q1 2016 RESULTS, SHARE BUY-BACK, SENIOR BOND ISSUANCE AND ORGANIZATIONAL STRUCTURE UPDATE

- **Results at 31 March 2016:**
  - Factoring turnover at 336 million, +24% y/y
  - Outstanding salary- and pension-backed loans (CQS/CQP) at 145 million

  - Net interest income up by 7% y/y and q/q
  - Total operating costs at 8.9 million, including the 0.6 million annual contribution to the National Resolution Fund
  - Net income at 6 million and ROAE at 23%

  - Diversified funding: Securitization of CQS loans
  - CET1 at 13.8% (13.7% at 31.12.2015)
- **Launch of the share buy-back**
- **2-year Senior bond issuance**
- **Updates to organizational and governance structure in view of the acquisition of Beta Stepstone**

Milan, 29 April 2016

The Board of Directors of Banca Sistema has approved the preliminary results as at 31 March 2016, reporting a **net income** of 6 million, which includes the estimated annual contribution of 0.6 million to the National Resolution Fund fully expensed in the quarter.

Business Performance

The growth in **factoring,** our core business, with a turnover of 336 million, up by 24% y/y, was achieved also thanks to a commercial action in keeping with the guidelines that had been outlined already in 2015:

1. Increase in the number of customers (more than 40% y/y);
2. Focus on recurring business (c.90%);
3. Diversification of origination channels (6% of turnover generated through commercial agreements with banks).

From a product perspective, it is worth highlighting the growth reported by tax credit (VAT) factoring, which soared from 20 million in Q1 2015 up to 48 million in Q1 2016.

Factoring outstanding volumes (management accounting data) at 31 March 2016 stood at 1,020 million, with 92% referring to Public Administration borrowers (PA).
In line with the bank's core business, at the end of March 2016 80% of the outstanding volume was represented by factoring without-recourse, 11% by factoring with recourse and 9% by tax credits (VAT).

At the end of March 2016, **credit facilities to SMEs backed** by the SME Credit Guarantee Fund of the Ministry for Economic Development (law 662/96) totaled 82 million, basically stable compared to the end of 2015 (40 million at 31 March 2015).

In Q1 2016 the Group purchased **salary- and pension-backed loans (CQS/CQP)** for approx. 26 million, bringing total loans at 31 March 2016 to 145 million (27 million on 31 March 2015).

Operational results at 31 March 2016

Net interest income, amounting to 16 million, grew by 7% compared to the prior year and to Q4 2015, driven by a significant decline in the cost of funding and a greater contribution from the new lines of business (SME financing and CQS/CQP), despite the slight reduction in factoring margins mainly due to the shorter average duration of the portfolio.
Interest income from the receivables portfolio is basically made up of revenues generated by the factoring loan book, accounting for 85% of total interest income. Factoring interest income comes from the purchase of account receivables at a discount from face value, and does not include accrued late payment interest with Public Administration, amounting to approx. 88 million on loans already collected and roughly 71 million on uncollected loans, adding up to 159 million (152 million in 2015).
In 2016 late payment interest on portfolios mainly acquired in prior years came in at 0.5 million, compared to 2.9 million for full-year 2015. Since based on the Bank's accounting policy late payment interest is recorded upon final settlement, considering that most of the late payment interest collected in 2015 referred to injunctions issued in 2011-2012, it is reasonable to expect an increase in the coming quarters.
The cost of funding has been declining y/y compared to full-year 2015, driven by a general decrease in market rates - which had a positive impact on wholesale funding, in particular repo-based funding - as well as by a careful customer funding policy, with the renewal of expiring term deposits at lower rates.

Net fees and commissions, amounting to 2.3 million, fell by 20% as a result of the combined effect of higher distribution fees paid to third parties, that are closely related to the increase in factoring volumes, and lower factoring fees thanks to a lower use of commission-based products.

Income from the proprietary portfolio, at – 56%, made a lower contribution compared to the same period last year, due to the plummeting yields of Government securities.

Loan loss provisions in Q1 2016 added up to 1.5 million (1.0 million in Q1 2015), mainly driven by an increase in the collective provisioning of SME loan book and new write-downs on impairment of SME loans backed by the State (80% of nominal value secured by guarantee). The **cost of risk** (excluding reverse repos) came in at 0.47% (0.50% in 2015).

The Group's **headcount** (FTE) grew from 119 units at 31 March 2015 to 130 at 31 March 2016, in line with year-end 2015.
Personnel expenses grew by 0.4 million y/y driven by the increase in salaries and wages as a result of the growth in average headcount in 2015.
Other administrative expenses have remained basically stable y/y (net of the 0.4 million non-recurring costs in Q1 2015 related to the IPO). **Total operating costs**, net of the contribution to the National Resolution Fund, have been increasing basically as a result of higher personnel expenses.

At 31 March 2016, the **Cost Income ratio** came in at 47%.

Net income for the period, at 6 million, went down by 15% y/y (with net income in Q1 2015 being normalized to account for IPO non-recurring costs of 0.3 million) mainly as a result of the contribution to the National Resolution Fund which was not due in 2015 and the lower contribution from the proprietary portfolio.

Key balance sheet items at 31 March 2016

At 31 March 2016 the Bank reported **total assets** of approx. 2.3 billion.

The Bank's **securities portfolio** is basically unchanged compared to the end of December 2015 and is entirely made up of Italian Government bonds with an average duration of roughly 12 months.

Customer loans, primarily represented by loans from non-recourse factoring with the Public Administration, went from 82% at the end of December 2015 to 79% excluding repos. At 31 March 2016 the book value of factoring facilities went down by 8.1% compared to 31 December 2015, mainly driven by the collection dynamic in Q1 2016 (€419 million). Moreover, the year-end outstanding volume had been impacted by the significant amount of receivables portfolios purchased in Q4 2015 totaling €536 million.
In keeping with the business plan, a retained securitization of CQS loans has been launched, with the first sale of 119.6 million loans at the beginning of March 2016; in the same month the securitization vehicle Quinto Sistema Sec. 2016 S.r.l. (the SPV) issued three classes of Asset-Backed securities totaling €120.9 million, fully subscribed by the Bank. Since these securities are fully owned by the Bank, the derecognition of loans does not apply; therefore, the loans have been re-entered in the Bank's books as assets sold but not derecognized as an offset to the subscribed ABS securities.

The **Net doubtful loans** to total loan ratio (net of outstanding reverse repos) went from 7.1% at 31 December 2015 to 7.5% at 31 March 2016.
The NPL ratio (the ratio between net NPLs and total customer loans net of reverse repos) went from 1.5% at 31 March 2015 to 1.3%, still at contained levels 1.21% including reverse repos).
The NPL increase is mainly ascribable to a new local government under bankruptcy proceeding and to the reclassification from unlikely-to-pay to NPL of SME loans: to this respect note that the State average coverage ratio is 80% of the exposure.

Retail deposits account for approx. 40% of total funding and are represented by checking accounts and term deposits.

Due to banks has remained practically stable compared to 31 December 2015. For ECB funding, amounting to €52.7 million, credit claims were used as underlying collateral, and for the remaining part it was represented by Government bonds, down by €18 million compared to the end of 2015. At 31 March 2016 instead we reported an increase in interbank funding, in particular through term deposits with an average duration of 2 months.

As to **Due to customers**, in line with the Business plan pointing at increasing wholesale funding, a greater diversification, a reduction in the cost of funding and a longer duration, the term deposit stock (having a residual life at 31 March 2016 of roughly 17 months and a 13% weight of Germany on the total term deposits) declined by approx. 98 million compared to 31 December 2015, while the checking account stock increased by 18 million compared to 31 December 2015. The high liquidity buffer enabled us to reduce the cost of Retail funding by 70bps compared to the full-year 2015 cost.
The diversification of funding sources is being pursued through the securitization (described above), whose P&L effects will be even greater after the rating is assigned, and through the first issue, approved today by the Board of Directors, of 70 million 2-year Senior notes (private placement), subscribed by institutional investors (at a lower cost compared to the deposits offered to customers having an equal duration), and a wider use of collateral through the Abaco platform for refinancing with the ECB.

Total own funds at 31 March 2016 came in at 110.6 million (106.9 million at 31 December 2015) and **CET1** totaled 90.6 million (86.9 million at 31 December 2015).
Capital ratios have remained fairly stable compared with 31 December 2015, specifically:

- **CET1** from 13.7% to 13.8%;
- **TIER1** from 14.9% to 15.0%;
- **Total Capital** unchanged at 16.8%.

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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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All financial amounts reported in the press release are expressed in euros.

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During the same meeting, the Board of Directors – having been authorized by Shareholders at the Bank's Shareholders meeting held on 27 November 2015 to purchase and use own shares – approved the launch of a share buy-back program exclusively aimed at creating a "treasury stock" in order to build up the necessary share stock to be reserved for the Stock Grant Plan approved by the Bank's Shareholders on 28 April 2016.

The share buy-back program, in compliance with the resolutions passed by Shareholders, has the following features:

- the program relates to a maximum of No. 25,000 ordinary shares of Banca Sistema, up to an overall maximum amount of Euro 750,000.00;
- the program will commence today and will be completed by 29.06.2016;
- share buy-backs shall be performed in compliance with the operating conditions and the procedures established by the accepted "market practices" issued by Consob pursuant to Article 180, Paragraph 1, letter c), of Legislative Decree 58/1998 with resolution No. 16839/2009, EC Regulation No. 2273/2003 of December 22, 2003, as well as by the applicable regulations on "market abuse", as resolved by the aforementioned Shareholders' Meeting of 27 November 2015 and in line with additional limitations resolved by Shareholders, in particular:
  - (i) purchases may be carried out, even in more tranches, at a minimum price not lower than 15% - and a maximum price not higher than 15% - compared to the price reported on the last working day of each week as the average of the official Banca Sistema closing stock price of the last two weeks of the TARGET calendar preceding the average price calculation day. The minimum and maximum price will be effective throughout the period starting on the day after the average price calculation day and ending on the day the new weekly price is determined (included).
  - (ii) should the shares that have been bought back be resold, as envisaged by 6-bis, this can take place even in more tranches and even prior to having purchased the maximum amount of purchasable shares, at a price not lower than 85% of the average carrying price of the entire own-share portfolio of Banca Sistema, including those purchased for other purposes, as reported the day prior to the day of the single selling transaction.

- purchases will be carried out according to the procedures provided for in Article 144-bis, Paragraph 1, letter b), of the Issuers Regulation and to applicable provisions, in order to ensure the equal treatment of shareholders according to art. 132 of TUF;
- it is prohibited to trade Banca Sistema shares in the 15 calendar days before the approval of the accounting data for the period by the Board of Directors (blackout period).

Note that as at 28 April 2016, Banca Sistema held no own shares.

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In view of the prospective purchase by Banca Sistema of the entire share capital of Beta Stepstone (announced on 4 February 2016), and in order to gain a greater operational efficiency, considering the size of the Bank and its operational complexity level, the Board of Directors of Banca Sistema has approved the following primary changes to its organizational and governance structure, that are to come into effect upon receiving the authorization to acquire Beta Stepstone from the Bank of Italy:

- elimination of the Executive Committee and delegation of new management powers to the CEO;
- assignment of new offices to directors with a special consideration for the makeup of Board committees
- creation of a new Collection Department in charge of managing and collecting loans granted by the Bank and by third parties;
- merger of the Central Factoring Department and the Central Banking Department into the new Central Sales Department.

For the same reasons, the representatives of the parties to the Shareholders' Agreement, which came into effect on 2 July 2015, informed the Board of Directors that the Agreement was updated on 28 April 2016, with effectiveness subject to the Bank of Italy's authorization to acquire Beta Stepstone, and that they will make all the required notifications under the law.

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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
- Normalized Consolidated income statement as at 31 March 2015

BANCA SISTEMA

BANCA SISTEMA GROUP: CONSOLIDATED BALANCE SHEET

Figures in thousands of euro

		31.03.2016 A	31.12.2015 B	Difference A - B	Difference % A - B
	ASSETS				
10.	Cash and cash equivalents	100	104	(4)	-3.8%
40.	Available-for-sale financial assets	925,436	925,402	34	0.0%
60.	Loans and advances to banks	6,703	2,076	4,627	222.9%
70.	Loans and advances to customers	1,326,777	1,457,990	(131,213)	-9.0%
100.	Equity investments	2,571	2,696	(125)	-4.6%
120.	Property, plant and equipment	1,001	1,058	(57)	-5.4%
130.	Intangible assets	1,859	1,872	(13)	-0.7%
	of which: goodwill	*1,786*	*1,786*	-	*0.0%*
140.	Tax assets	4,612	7,353	(2,741)	-37.3%
160.	Other assets	7,897	13,119	(5,222)	-39.8%
	Total assets	**2,276,956**	**2,411,670**	**(134,714)**	**-5.6%**

Figures in thousands of euro

		31.03.2016 A	31.12.2015 B	Difference A - B	Difference % A - B
	LIABILITIES AND EQUITY				
10.	Due to banks	372,922	362,075	10,847	3.0%
20.	Due to customers	1,724,130	1,878,339	(154,209)	-8.2%
30.	Debt securities issued	20,411	20,102	309	1.5%
80.	Tax liabilities	653	804	(151)	-18.8%
100.	Other liabilities	57,582	55,317	2,265	4.1%
110.	Post-employment benefits	1,410	1,303	107	8.2%
120.	Provisions for risks and charges:	879	372	507	136.3%
140.+170.+ 180.+190.	Share capital, share premiums, reserves, valuation reserves and treasury shares	93,008	75,751	17,257	22.8%
220.	Profit (loss) for the year	5,961	17,607	(11,646)	-66.1%
	Total liabilities and equity	**2,276,956**	**2,411,670**	**(134,714)**	**-5.6%**

BANCA SISTEMA GROUP: CONSOLIDATED INTERIM FINANCIAL REPORT AS AT 31 MARCH 2016

Figures in thousands of euro

		31.03.2016 A	31.03.2015 B	Difference A - B	Difference % A - B
10.	Interest income	20,168	21,109	(941)	-4.5%
20.	Interest expenses	(4,076)	(6,093)	2,017	-33.1%
30.	**Net interest income**	**16,092**	**15,016**	**1,076**	**7.2%**
40. - 50.	Net fee and commission income	2,342	2,940	(598)	-20.3%
80. + 90. + 100. + 110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	642	1,449	(807)	-55.7%
120.	**Operating income**	**19,076**	**19,405**	**(329)**	**-1.7%**
130.	Net impairment losses on loans	(1,471)	(944)	(527)	55.8%
140.	**Net operating income**	**17,605**	**18,461**	**(856)**	**-4.6%**
180. a)	Staff costs	(3,625)	(3,226)	(399)	12.4%
180. b)	Other administrative expenses	(4,613)	(5,124)	511	-10.0%
190.	Net allowance for risks and charges	(531)	-	(531)	100.0%
200. + 210.	Net provisions for risks and charges	(75)	(76)	1	-1.3%
220.	Other net operating income/expense	(27)	16	(43)	-268.8%
230	**Operating expenses**	**(8,871)**	**(8,410)**	**(461)**	**5.5%**
240.	Profits of equity-accounted investees	(6)	48	(54)	-112.5%
280.	**Pre-tax profit from continuing operations**	**8,728**	**10,099**	**(1,371)**	**-13.6%**
290.	Taxes on income for the period/year from continuing operations	(2,767)	(3,408)	641	-18.8%
340.	**Profit (loss) for the year/period attributable to the shareholders of the Parent**	**5,961**	**6,691**	**(730)**	**-10.9%**

BANCA SISTEMA GROUP: CONSOLIDATED INTERIM FINANCIAL REPORT AS AT 31 MARCH 2015 (normalized figures)

Figures in thousands of euro

		31.03.2016 A	31.03.2015 B (Normalized)	Difference A - B	Difference % A - B
10.	Interest income	20,168	21,109	(941)	-4.5%
20.	Interest expenses	(4,076)	(6,093)	2,017	-33.1%
30.	**Net interest income**	**16,092**	**15,016**	**1,076**	**7.2%**
40. - 50.	Net fee and commission income	2,342	2,940	(598)	-20.3%
80. + 90. + 100. + 110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	642	1,449	(807)	-55.7%
120.	**Operating income**	**19,076**	**19,405**	**(329)**	**-1.7%**
130.	Net impairment losses on loans	(1,471)	(944)	(527)	55.8%
140.	**Net operating income**	**17,605**	**18,461**	**(856)**	**-4.6%**
180. a)	Staff costs	(3,625)	(3,226)	(399)	12.4%
180. b)	Other administrative expenses	(4,613)	(4,699)	86	-1.8%
190.	Net allowance for risks and charges	(531)	-	(531)	100.0%
200. + 210.	Net provisions for risks and charges	(75)	(76)	1	-1.3%
220.	Other net operating income/expense	(27)	16	(43)	-268.8%
230	**Operating expenses**	**(8,871)**	**(7,985)**	**(886)**	**11.1%**
240.	Profits of equity-accounted investees	(6)	48	(54)	-112.5%
280.	**Pre-tax profit from continuing operations**	**8,728**	**10,524**	**(1,796)**	**-17.1%**
290.	Taxes on income for the period/year from continuing operations	(2,767)	(3,551)	784	-22.1%
340.	**Profit (loss) for the year/period attributable to the shareholders of the Parent**	**5,961**	**6,973**	**(1,012)**	**-14.5%**