1INFO DIGITAL SIGN

BETA STEPSTONE S.p.A.

Banca Sistema Group

Annual Report and Financial Statements

as at 31 December 2016

Beta Stepstone S.p.A. with a Single Member (hereinafter, also, the “**Company**”)

Registered Office

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Certified e-mail: admin@pec.betastone.com

Administrative Headquarters

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Tel. + 39 081 0609214

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Date of incorporation: 16 September 2005

Registration in the Companies’ Register: 26 September 2005

Tax Code, VAT Number and registration number in the Companies’ Register of Milan: 04986270967

Economic and Administrative Index (R.E.A.) number 1787383

A company belonging to the Banca Sistema Group, until 31 December 2016, and subject to management and coordination by Banca Sistema S.p.A., listed in the Companies Register of Milan under R.E.A. number 1787383, and listed at number 95 in the register of financial intermediaries pursuant to Article 107 of the Consolidated Law on Bank (TUB), previously Legislative Decree 141/2010 which temporarily continued the activities pursuant to Article 10 of Legislative Decree 141/2010 (already entered in the general list at no. 37314 set out in Article 106 of Legislative Decree no. 385 of 14 September 1993, and at no. 33112.4 of the “special list” set out in Article 107 of Legislative Decree no. 385 of 14 September 1993),
removed from the register, effective 1 January 2017, following the merger by incorporation into Banca Sistema S.p.A.

Share Capital: Euro 47,000,000.00 fully subscribed and paid in

A member of ASSIFACT - Association of Italian factoring companies

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Management and Control Bodies

Board of Directors in office until 30/06/2016

Chairman

Andrea Rigoni *

Chief Executive Officer

Fausto Galmarini **

Francesca Discepolo

Gaetano Caprino

Antonio Salvi

Board of Directors[1]

Chairman

Margherita Mapelli*

Chief Executive Officer

Fausto Alberto Edoardo Galmarini**

Directors

Massimiliano Ciferri Ceretti

Egisto Franceschi

Stephen Skerrett

* Chairman of the Executive Committee

** Member of the Executive Committee

Board of Statutory Auditors in office until 30/06/2016

Chairman

Fedele Gubitosi

Standing Auditors

Francesco Genoni

Riccardo Bordoli

Alternate Auditors

Alessandro Ceriani

Marco Armarolli

Board of Statutory Auditors[2]

Chairman

Diego De Francesco

Standing Auditors

Fedele Gubitosi

Massimo Conigliaro

Alternate Auditors

Alessandro Ceriani

Marco Armarolli

Independent Auditors

PricewaterhouseCoopers S.p.A.

Supervisory Board[3]

Mr Daniele Discepolo

Mr Manlio Genero

Ms Maria Salvi

[1] In office since 01/07/2016.
[2] In office since 01/07/2016.
[4] Appointed by the Board of Directors on 15 December 2010

Directors Report on Management Performance

Dear Shareholders,

we highlight the following major events that occurred during the year just ended:

- On 4 February 2016, Stepstone Financial Holdings S.à.r.l. (hereinafter, "**Stepstone FH**"), the previous Single Shareholder and Banca Sistema S.p.A. (hereinafter "**Banca Sistema**") reached an agreement regarding the transfer to the latter of the Company's entire share capital, subject to authorisation of the Supervisory Authority;
- regarding the request made in October 2015 to be listed in the register of Financial Intermediaries under amended article 106 of the Consolidated Law on Banking, on 22 April 2016, the Bank of Italy informed the Company that the procedure had been initiated with effect as of 6 April 2016;
- With provision no. 821439 from 23 June 2016, the Bank of Italy granted authorisation to Banca Sistema to acquire a 100% equity interest in the Company;
- With regard to fulfilment of the above mentioned agreement dated 04 February 2016, on 28 June 2016 the company - having received official approval from the Bank of Italy - repaid Stepstone FH the subordinated loan granted for regulatory purposes of Euro 10,000,000, along with the interest accrued from the date on which the loan was granted, and
- on 1 July 2016, at the offices of the notary Cavallotti in Milan, the transfer of shares from the previous Single Shareholder to Banca Sistema was finalised. From that date, Beta Stepstone became part of the Banca Sistema banking group and Banca Sistema assumed the management and coordination activities. The latest financial information available for Banca Sistema are reported in the Notes to the financial statements in Section 6 - Related party transactions, pursuant to Article 2497-bis, paragraph 4 of the Italian Civil Code.
- On the same day, after the previously mentioned transfer of shares, a shareholders' meeting was held and the new members of the Board of Directors and the Board of Statutory Auditors were appointed. Mr. Fausto Galmarini, already the CEO, was reconfirmed for that role;
- On 29 July 2016, taking into account the indications received from the parent company, the Company's Board of Directors approved the plan for the merger by incorporation of Beta Stepstone S.p.A. into Banca Sistema S.p.A., with finalisation being subject to authorisation by the Supervisory Authority, and in this context, deliberated to continue commercial operations until the merger exclusively with "revolving" customers, channelling the new assignment transactions to Banca Sistema through an ad hoc collaboration agreement;
- On 16 September 2016, the Company and Banca Sistema signed the aforementioned commercial collaboration agreement, setting the relative economic conditions;

- By letter on 28 September 2016, having acknowledged the authorisation request for the merger by incorporation presented by Banca Sistema, the Supervisory Authorities informed the Company of the suspension of the registration procedure terms under amended article 106 of the Consolidated Law on Banking pending the final outcome of the merger project;
- Through an order on 7 October 2016, provided pursuant to article 57 of Legislative Decree no. 385 of 1 September 1993, the Bank of Italy authorised the merger of the Company into Banca Sistema;
- On 26 October 2016, the Board of Directors definitively approved the plan for the merger by incorporation of Beta Stepstone S.p.A. into Banca Sistema S.p.A.;
- On 12 December 2016, the deed of merger by incorporation of Beta Stepstone into Banca Sistema drafted by Mr Luigi Augusto Miserocchi, notary public (rep. no. 104594 folder no. 21786) was signed, with legal and tax effect from 1 January 2017. Beginning on this latest date, pursuant to Article 2504 bis of the Italian Civil Code, Banca Sistema acquired all the assets and assumed all the liabilities previously belonging to the Company;
- On 1 January 2017, as a result of the merger, Beta Stepstone has ceased trading.

Domestic and international macro-economic overview

Global economic conditions have improved slightly (Source: Bank of Italy economic bulletin January 2017). A number of uncertainties continue to weigh on the outlook. Prospects for the United States will depend on the economic policies enacted by the new administration which have yet to be worked out in detail. The announced fiscal policy measures could have an expansionary effect although it is difficult to quantify at the moment, but negative effects may result from the adoption and spread of restrictive trade measures. Global growth could be slowed by turbulence in emerging market economies associated with the normalisation of US monetary policy.

Expectations in the financial markets of an expansionary budgetary policy and higher inflation in the United States, which emerged after the presidential elections, have triggered a shift in portfolios from bonds to equities. Long term yields have also risen in other advanced economies, but only to a limited extent due to a divergence of monetary policies.

Capital outflows from emerging economies have resumed. Growth in the Euro area continues at a moderate though gradually strengthening pace.

The risks of deflation have decreased; inflation increased in December but core inflation is still at low levels. In order to maintain adequate expansive monetary conditions and ensure inflation continues to move upward, the ECB's Governing Council has decided to extend its bond purchasing programme at least until December 2017, or beyond, of necessary.

According to the latest available indicators, in autumn the Italian economy continued to recover, even if only moderately.

Considering the trends in industrial production, electrical consumption and freight transport, which all recorded growth, and the business confidence indicators which are at high levels, GDP is estimated to have increased at a rate of around 0.2% in the fourth quarter of 2016 compared to the previous period.

Economic activity was stimulated by a pick-up in investments and increased household spending. Signs of stabilisation in the construction sector, and especially in the residential sector, have been confirmed. The downward trend in the consumer confidence index, which started in the beginning of the year, stalled in December.

The Bank of Italy's TARGET2 debtor position remained essentially unchanged in the last quarter of 2016, reaching 357 billion Euro at the end of December. Considering the balance of payments figures (for which data is available up to November), the continuous widening of the balance between January and November can be attributed above all to the diversification of Italian households portfolios towards asset management services and insurance products - which are characterised by investment policies that are less biased towards domestic assets - and from the drop in bank funding on the international markets, which coincided with the creation of liquidity through the Eurosystem programmes. The surplus in the current account has recorded a further improvement.

In the third quarter of 2016, total employment stabilised and the number of employed workers, both fixed term and permanent, increased. The latest economic indicators point to a moderate expansion in employment in the final months of 2016.

During the year, the trend in private-sector salaries decreased considerably, impacted by both the delays in many renewals, and from the lack of salary increases given in 2016: the significant freeze in contractual salaries has impacted nearly half of payrolled workers.

The forecast for the Italian economy, updated based on the most recent developments and corrected for the number of working days, indicate an average increase in GDP of 0.9% in 2016. For this year, it is expected to grow at about the same pace of 0.9%, before increasing to 1.1% in both 2018 and 2019.

Economic output will still be driven by domestic demand already in this year, and also by the gradual strengthening in foreign demand.

The level of GDP in 2019 will still be about 4 percentage points lower than 2007.

The economic framework assumes a continued moderate level of long-term yields and relaxed credit standards in terms of cost and availability.

Overall, it is estimated that the risks to growth remain primarily oriented towards the downside. The main factors feeding the uncertainty, apart from the financial conditions, stem from the global situation.

In contrast to the main assumptions underpinning the projections, the risk is particularly high that the global economic recovery may be affected by the emergence and spread of protectionist policies along with possible turbulence in emerging economies.

Public Finances

Estimates based on information, that are still preliminary, provided by the Bank of Italy (cfr. Economic Bulletin of the Bank of Italy - January 2017), suggest that, in 2016, public administration net borrowing would decrease compared to 2015 and that the reduction could even be slightly greater than the decrease communicated by the government in September's Update of the 2016 Economic and Financial Document. Moreover, the ratio of debt to GDP is estimated to have grown slightly. Official assessments indicate that the budgetary provisions for the three-year period 2017-19 grew the deficit by about half a percentage point on average of GDP compared to the current scenario.

In 2016, state sector borrowing reached 47.7 billion Euro, a decrease of about 11 billion Euro compared to 2015. In the first eleven months of the year, the general government borrowing requirement net of real estate sales, came to 53.3 billion Euro, around 10.5 billion Euro less than the corresponding period of 2015.

Based on estimates released by Istat, in the first nine months of last year, net borrowing by the public administration was 2.3% of GDP compared to 2.6% reported in the corresponding period of 2015. The increase in primary current expenditures (1.2%), driven by the growth in intermediate consumption expenditures (2.4%) and cash social benefits (1.8%), were more than offset by the positive trend in inflows (0.9%), lower interest payments (-2.6%) and by a reduction in capital account expenditures (-8.1%). Regarding this last item, fixed gross investments posted a modest decline of 0.5% while the reduction in other capital account expenditures was more significant at -19.1%.

At the end of November government borrowing amounted to 2,229.4 billion Euro, an increase of 56.7 billion compared to the end of 2015. Given the reduction in the Treasury's cash balance of around 3 billion Euro and the government's probable cash surplus in December, in 2016 the ratio of debt to GDP is expected to have increased by less than half a percentage point.

In December, Parliament approved the budgetary provisions for the three-year period 2017-19. These include expansionary measures valued at about 26 billion against funding generation of just over 13 billion. The budgetary provision with the most impact on the public finances is the cancellation, for this year only, of the VAT rate increase which, according to current legislation, would have generated more than 15 billion in additional revenue. An additional 11 billion or so were allocated almost entirely to increased expenditure aimed at boosting investments and providing income support to certain segments of the population. Finally, funds have been allocated for multi-year expenditures related to managing seismic emergencies. Half of the financial coverage comes from expected revenues from anti-tax evasion measures and tax collection measures such as the extension of the voluntary disclosure deadlines and settlements and concessions in tax collection cases.

According to official assessments the provisions will bring net borrowing to 2.3% of GDP this year, 0.7% higher than that current trend.

According to the government's estimates for the two-year period 2018-19, the deficit will decrease more rapidly than in 2017, in large part due to the increase in indirect taxes under the safeguard clauses, from greater permanent income from anti-tax evasion measures and from the delay, as provided for in the budgetary provisions, of certain capital expenditures in the period from 2019 to 2020.

The banking sector

Based on information provided by the Bank of Italy (cfr. Economic Bulletin of the Bank of Italy - January 2017), in the three months ended in November, lending to the private non-financial sector grew slightly (1.1% adjusted for seasonality and annualised). Household lending accelerated to 2.1% with continued robust growth both in consumer credit (2.7%), driven by the trend in disposable income, and from home mortgages (2.0%), which is in line with the increase home sales.

In November, the increase in lending to businesses was marginally positive over the three months (0.3%, adjusted for seasonality and annualised) and was unchanged over the twelve months. Differences persist based on the economic sector: lending to companies in the services sector continued to increase (2.3% over twelve months), whereas loans to manufacturing companies dropped slightly (-0-5%). The contraction in lending to construction firms continues to worsen (-5.4%). Lending to firms with 20 or more employees has essentially flat at 0.4%, while the decline in lending to smaller sized firms slowed slightly to -3.2%.

Between August and November total funding of Italian banks remained substantially stable. The increase in resident deposits and the greater use of refinancing transactions with the Eurosystem have somewhat offset the drop in bonds held by households. The placement of bonds with intermediaries and institutional investors has continued to decline.

The demand for business loans has remained substantially unchanged. Demand from households for home mortgages and consumer credit have continued to strengthen and are driven by low interest rates and the improved outlook in the real estate market.

Banks have made use of the Targeted Longer-Term Refinancing Operations (TLTRO2) mainly to take advantage of the very favourable interest rates. The liquidity obtained overall was used, and will continue to be used to replace the refinancing operations with Eurosystem, to grant loans to firms and households and, to a lesser extent, to replace other maturing debt. The operations have had a positive impact both on the lending policies and on the terms and condition offered on loans to customers.

The cost of credit is currently at historically low levels. In November, the average interest rate on new business loans continued to decrease by 10 basis points to 1.6% compared to August. The cost of new mortgages dropped by 15 basis points to 2.2% for fixed rate loans, and by 10 basis points to 1.7% for variable rate loans. The spread with the euro-area average remained practically nil for loans to firms and was very narrow for those to households (25 basis points).

The improvement in the economic outlook continues have a beneficial effect, albeit gradual, on the credit quality of Italian banks. In the third quarter of 2016, the ratio of new non-performing loans and receivables to total outstanding loans fell three-tenths of a percent from 2.9% to 2.6% on a seasonally adjusted annualized basis. The ratio fell by four-tenths of percent 4.1% for loans to firms and by two tenths of a percent to 1.7% for those to households.

According to ABI, the stock of net non-performing loans at the end of 2016 totalled 86.9 billion Euro representing 4.89% of total loans.

The profitability of the significant banking groups diminished in the first nine months of 2016 compared with the same period last year: annualized ROE dropped to 1.4% from 3.8%. Net interest income and other income decreased by 4.3% and 1.4 %, respectively.

Operating costs increased by 6.1%, mainly due to the extraordinary expenses associated with voluntary redundancy schemes for some personnel and with contributions to the deposit guarantee and resolution funds.

Gross income diminished by about one fifth. Write-downs of loans and receivables rose by 20.6 per cent, following the significant increase in the NPL coverage ratios by some banks.

Capital adequacy improved slightly in the third quarter. The CET1 ratio for the significant banking groups averaged 11.9% of risk-weighted assets, about 10 basis points higher than in June.

At the end of December, the Government authorized the financing of possible measures, in the form of guarantees for newly issued liabilities or capital injections, to support Italian banks or banking groups, up to a maximum of 20 billion Euro for 2017; it will proceed with the precautionary recapitalization requested by Banca Monte dei Paschi di Siena, in compliance with European regulations on bank recovery and resolution and State aid.

The Italian factoring market

The Italian factoring market represents a significant share of both the worldwide and European factoring markets (about 8% and 11%, respectively according to the latest information provided by EUF) and is equal to about 12% of GDP.

According to Assifact, turnover realised by operators in the sector totalled 202,402 million Euro in 2016, an increase of 9.53% with respect to the prior year.

Unlike the trend in bank loans, which were severely impacted by the economic crisis that characterised the last 9 years, factoring saw continuous growth in business over the same period (from the pre-crisis period in 2007 to 2016, turnover increased by 60%), demonstrating a certain resilience to negative economic events, as well as being clearly anti-cyclical.

Outstanding receivables at 31 December 2016 totalled 61 billion Euro, an increase of 6.12% with respect to 2015. Without recourse (including permanently acquired position) represents 69.5% of the total versus 30.5% for with recourse.

The total of loans (advances to sellers and consideration for permanently acquired loan positions) was 49.7 billion Euro, an increase of 8.43% with respect to the previous year.

The capacity of the sector to support businesses during the downward phase of the cycle is related to the operators' unique approach to managing risks in which evaluation is not limited to the party being financed, but the quality of the factored receivables and the solvency of the debtors are also considered (payments are monitored on a daily basis). The attention paid to managing the factored receivables allows for risk to be significantly better contained with respect to normal bank loans.

From preliminary estimates provided by Assifact on a sample of 16 members, gross doubtful loans in the factoring segment at 31 December 2016 were 3.20% of total exposure (less than one third of the figure reported by Banks), the unlikely to pay category was 1.45%, and the non-performing past due exposures were 2.02%.

With regard to the geographical breakdown of the sellers (sample of 21 members representing 91% of turnover), the most developed areas is Lombardy (30%), followed by Lazio (24%), Piedmont (11.7%), Veneto and Emilia Romagna (both at 6.5%), followed by Campania (4%) and Tuscany (3.5%).

With regard to assigned debtors, most are located in Lazio (27%), in Lombardy (21%), Emilia Romagna (7.6%), Piedmont (7.5%), Veneto (6.5%), Campania (6.4%), Tuscany (4.9%), and Sicily (3.5%).

More than 23% of outstanding receivables are Public Administration debtors, while the sector's exposure is 17%.

The non-performing exposures account for 6.67% of total gross exposures (down from 8.6% in 2015). Doubtful receivables make up 48%, non-performing past due exposures 30% and unlikely to pay 22%. With recourse transactions account for the majority of loans in both the non-performing and doubtful categories.

With reference to the Public Administration, at 31 December 2016, 35% of outstanding credit was past due (of which 58% was more than one year past due). Past due certified receivables account for 3.10% of the total.

With reference to the economic sector, 48% of the past due are from National Health Service entities, 27% from Central Administration offices, and 23% from the local authorities.

With regard to the breakdown by territory, 39% of past due receivables refer to entities located in Lazio, 16% to entities located in Campania, 8% in Sicily, 7% in Calabria, 6% in Puglia, and 5% in Tuscany.

Summary of Company performance and management results

Notwithstanding the efforts made over the years by the last three governments with disbursement of 56 billion Euro overall (the most robust since the enactment of Legislative Decree no. 35 of 08 April 2013, converted by Law no. 64 of 06 June 2013) to reduce the stock of certain, liquid and collectable pre-existing Public Administration debt, and the transposition of the EU regulation on late payments that exacerbated the amount of default interest for payments beyond 30 days (60 days for some entities of the national health service located in Regions subject financial recovery plans), public entities continue to have difficulties in fulfilling payment commitments at agreed due dates.

An estimate by the Bank of Italy in June 2016 puts the total debt owed by the Public Administration at 65 billion Euro, 31 billion of which are “physiological” and 34 billion are past due. The previously mentioned statistics as of 31 December 2016 regarding past due debt provided by Assifact are emblematic in this regard and evidence that this phenomenon persists.

For suppliers, the assignment of loans and receivables from public entities, especially without recourse, has represented, and will continue to represent an important tool for rebalancing their finances and for entrusting judicial credit recovery to third parties. In this context, the sector has performed, and will continue to perform, an important role in supporting SMEs even in relation to the difficulties in lending that have come forth in banking system because of increased risk and the subsequent capital reinforcement requirements from the Supervisory Authorities.

However, the Company was unable to take advantage of the favourable conditions of this specific market, despite have plenty of liquidity, because it was instructed by its former parent company to curb operations because of the advanced negotiations with a banking group, negotiations that were concluded on 4 February 2016 with the signing of an agreement in which Stepstone FH, the former Single Shareholder, would transfer 100% of its shares to Banca Sistema, subject to authorisation from the Supervisory Authority.

Having received the necessary authorisations, on 1 July 2016 the former Single Shareholder and Banca Sistema signed the closing agreement and on the same date the Company became part of the Banca Sistema Group.

In the second half of the year, in connection with the proposed merger of the Company into Banca Sistema, commercial operations were in large part channelled towards the parent through an ad hoc collaboration agreement (the Company continued operating only with revolving customers).

Consequently, turnover was impacted by the above mentioned constraints reaching 37.4 million Euro, a decrease of 14% with respect to 2015.

Considering (i) the plentiful amount of liquidity available and (ii) the agreements between the buyer and the seller, even from a cost management point of view, on 28 June 2016, the Company repaid the subordinated loan to the former Single Shareholder granted for regulatory purposes, in advance and without penalty, including accrued interest from the date on which the loans was granted, upon receiving clearance from the Bank of Italy.

As mentioned in the previous report to the financial statements, in January 2016, the Company, with the support of its tax consultants, filed a detailed defence with the Inspections Division of the Revenue Office regarding the observations in the tax audit report (PVC) issued on 04 December 2015 by the Revenue Office regarding the 2012 tax year challenging the transfer pricing on intercompany loans.

In the first half of 2016, the Company provided the Revenue Office with additional requested documentation (always regarding transfer pricing on intercompany loans but this time with reference to the 2011 and 2013 fiscal years, as well as information and data related to, and provided by the former Single Shareholder. As of today, no measures were issued regarding the 2012 tax year.

However, on 14 December 2016, the Revenue Office notified the Company of two assessment notices regarding the 2011 tax year (one for transfer pricing for 1,093 m, and the other for withholding tax for 1,404 m). A specific provision for these assessments was not made since the Company feels that it has fully complied with the regulations and intends to present its case in the appropriate forum. In that regard, Banca Sistema (who took over Beta Stepstone as a result of the merger with effect as from 1st January 2017), obtained eligible guarantees and contractual indemnities from the former sole shareholder of Beta Stepstone (Stepstone Financial Holdings).

<u>Operating results</u>

Revenues derived from interest on loans and receivables without recourse (from the assignor), from legally established late payment interest (from the debtor), from capital gains (difference between the nominal value of collected receivables and the amortised cost), and interest on bank deposits, decreased by 3.3% with respect to the prior period attributable to the decrease in portfolio loans and receivables resulting from collections volumes being higher than new acquisitions, and to the decrease in bank deposits from the early repayment to the former Single Shareholder of the subordinated loan granted for regulatory purposes.

Despite the drop in turnover for the reasons mentioned above, commission revenues recorded an increase of 2.8% attributable to a non-recurring income item (231 penalty) collected from an assignor on some legally actioned loans and receivables for which the legal rate of interest was recognised by the courts, and not the late payment interest according to Legal Decree 231.

Repayment of the subordinated loan mentioned previously allowed for a significant reduction in the funding costs (-68%) which more than offset the slight drop in revenues.

This resulted in a significant improvement in the net interest and other banking income which grew by 19.6% with respect to the previous year.

With regard to operating costs, there was an additional decrease in personnel costs (-15.8%) following the redundancy of 4 resources (one of which was a senior manager), and the transfer of 3 resources (including one senior manager) to the parent company Banca Sistema in fourth quarter, despite the "extraordinary" incentive paid to a redundant executive.

Administrative expenses also decreased, down -23% compared with the previous year, mainly from lower consultancy and legal expenses.

The total write-backs resulting from the collection of more late payment interest and impaired loans and receivables than expected is significantly below the figure from the previous year because of the lower volume of collections and for the lack of "extraordinary" compensation recorded in 2015 tied to late payments by certain debtors. The existence of such a significant write-back amount, even in the current year, demonstrates the continuous prudence adopted by the Company in estimating provisions. With regard to default interest, which was accounted for only after the judicial assessment, it should be noted that the company policy requires a 20% lump-sum adjustment that is supported by a historical series collection data from completed judgements which show that recovery is more that 90%.

In 2016, taxes again benefited from the abatement resulting from ACE (aid to economic growth) which is granted though regulation to companies that strengthen their financial position or reinvest their earnings. The overall rate was 21% versus 31% in 2015.

Profit after tax was down 14.8% on 2015.

Net profit on the other hand was substantially in line with the previous year despite a slow down in operations.

Main operating information

The following tables provide a comparison of turnover, outstanding receivables, and collections at 31 December 2016 and 31 December 2015.

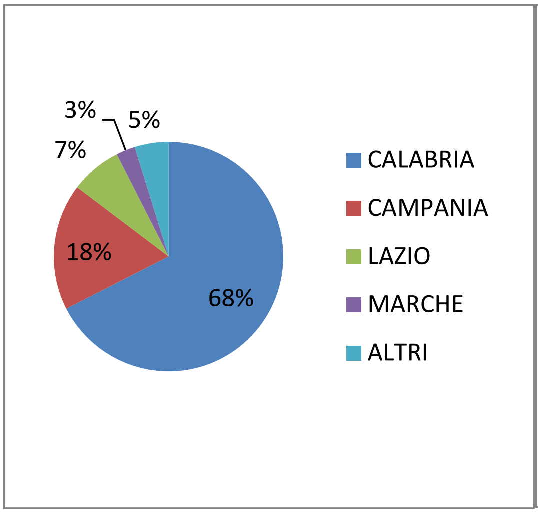
Turnover

Millions of Euro	2016	2015	Change
Without recourse			
CALABRIA	8.0	4.7	71%
CAMPANIA	3.4	6.6	-49%
Total Without Recourse	***11.4***	***11.2***	***1%***
With recourse			
CALABRIA	17.3	17.9	-3%
CAMPANIA	3.7	5.5	-33%
LAZIO	2.7	6.1	-55%
MARCHE	1.0	1.3	-22%
MOLISE	0.1	0.4	-74%
SARDINIA	1.3	1.5	-16%
Total With Recourse	***26.1***	***32.7***	***-20%***
Total turnover	**37.4**	**43.9**	***-15%***

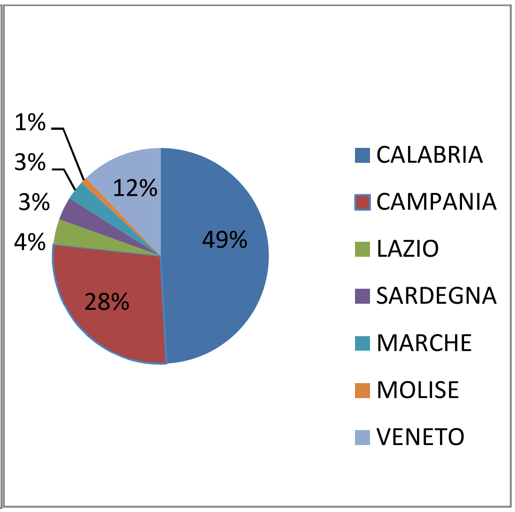
The number of invoices acquired in 2016 were 1,282 (of which 838 with recourse) compared to 1.265 (of which 931 with recourse) in 2015.

Distribution of assigned debtors by geographical area

Turnover by region 2016



Turnover by region 2015



Outstanding receivables (at face value, excluding default interest receivables)

Outstanding receivables at their nominal value at 31.12.2016 are geographically distributed as follows:

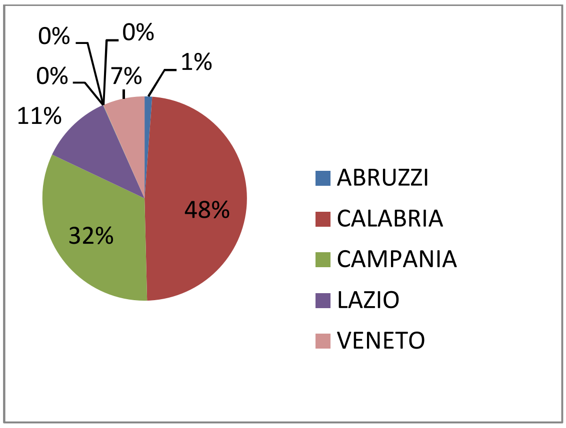
€/million	**2016**	**2015**	**% Change**
CALABRIA	30.3	38.8	-22%
CAMPANIA	20.4	20.9	-3%
LAZIO	7.1	11.2	-37%
VENETO	4.1	0.0	100%
OTHER	0.8	0.2	411%
TOTAL	**62.7**	**71.1**	**-12%**

Distribution by product

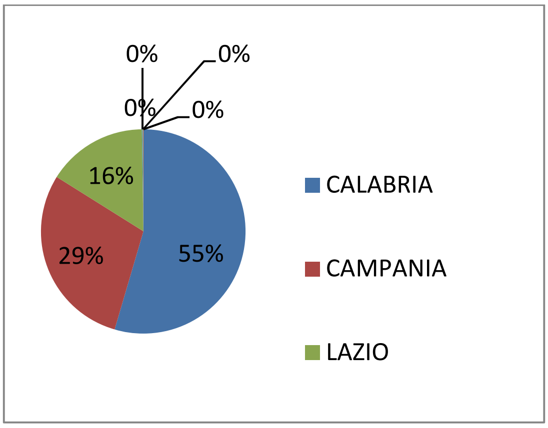
€/million	**Without recourse**	**With recourse**
CALABRIA	25.4	5.0
CAMPANIA	16.2	4.9
LAZIO	4.5	2.5
MOLISE	0.01	0.0
PUGLIA	0.03	0.0
VENETO	0.0	4.1
TOTAL	**46.2**	**16.5**

Distribution by geographical area

Outstanding by region 2016



Outstanding by region 2015



Collections

Collection detail	**Fiscal year 2016**	**Fiscal year 2015**
Capital balance of without recourse receivables	15,263,941	24,308,432
Capital balance of with recourse receivables	30,128,568	20,586,298
Interest on receivables without recourse	4,292,091	10,749,957
Total	**49,684,601**	**55,644,687**

Human Resources

As at 31 December 2016, excluding the Chief Executive Officer, the Company had 12 employees.

	Employees at 31 December 2015	**Joiners**	**Promotions**	**Terminations/Leavers**	**Employees at 31 December 2016**
Managers	2	-	-	(2)	0
Middle managers	7	-	-	(2)	5
Office workers	10	-	-	(3)	7
TOTAL	**19**	**-**	**-**	**(7)**	**12**

of which:

	Naples office	**Milan office**	**Employees at 31 December 2016**
Managers	0	0	0
Middle managers	4	1	5
Office workers	7	0	7
TOTAL	**11**	**1**	**12**

Note that 3 of the 7 leavers (one manager, one middle manager, and one office worker) were hired by the parent Banca Sistema in the second half of 2016 in view of the merger of the Company.

Exposure and management of financial risks

Information related to the Company’s exposure to financial risks and the management policies are illustrated in the notes to the financial statements in part D - Other disclosures.

Commentary on the financial results

Income statement

In €

		2016	2015
10	Interest and similar income	4.962.193	5.132.023
20	Interest and similar expense	(516.102)	(1.593.796)
	Net interest income	**4.446.091**	**3.538.227**
30	Fee and commission income	1.311.514	1.275.020
40	Fee and commission expense	-	-
	Net fee and commission income	**1.311.514**	**1.275.020**
	Total income	**5.757.606**	**4.813.247**
100	Net impairment losses/reversals of impairment losses on:	1.340.618	3.113.045
	a) financial assets	*1.340.618*	*3.113.045*
	b) other financial transactions	-	*0*
110	Administrative expenses:	(3.046.656)	(3.683.412)
	a) personnel expenses	(1.659.837)	*(1.971.853)*
	b) other administrative expenses	(1.386.819)	*(1.711.559)*
120	Depreciation and net impairment losses on property and equipment	(12.912)	(32.430)
130	Amortisation and net impairment losses on intangible assets	(17.222)	(54.431)
150	Net accruals to provisions for risks and charges	(500.000)	0
160	Net other operating expense	(55.110)	(84.379)
	PRE-TAX PROFIT FROM CONTINUING OPERATIONS	**3.466.324**	**4.071.640**
190	Income taxes on continuing operations	(731.442)	(1.270.045)
	PROFIT FOR THE YEAR	**2.734.882**	**2.801.596**

The 2016 financial year closes with net income of Euro 2,734 thousand after recording income taxes of Euro 731 thousand.

The positive change in interest margins is tied to the significant reduction in funding interest resulting from the Company's full repayment during the period, to the (former) single shareholder, of the subordinated loan using its own available funds.

With respect to interest income: late payment interest from debtors (without-recourse operations) remained stable, interest earned from customers on with-recourse advances increased, while interest on bank deposits decreased because of the reduction in the bank balance following the repayment of the subordinated loan mentioned previously.

Net commissions are in line with previous year.

Fixed costs decreased significantly both as a result of lower personnel costs (7 fewer employees compared to 2015) despite the payment of a leaving incentive to a manager (€100k) and as a result of lower administrative expenses (consultancy and legal expenses).

The composition of interest and similar income is detailed below.

	31-dic-16	31-dic-15	Change
Default interest	3.426.930	3.469.955	-1%
Interest income - customers	1.778.625	1.308.713	36%
Other interest income - debtors' compensation, etc..	-	343.035	-100%
Interest income - banks	234.727	488.900	-52%
Total interest income	**5.440.281**	**5.610.602**	**-3%**
Write-down of default interest	**(959.668)**	**(648.403)**	**48%**
Interest income, net of write-down	**4.480.613**	**4.962.200**	**-10%**
Realised gains	1.903.462	1.330.859	43%
Gain / Loss from application of IAS	(1.421.881)	(1.161.036)	22%
Total Gains / Losses	**481.581**	**169.824**	**184%**
Interest and similar income	**4.962.193**	**5.132.023**	**-3%**

Interest expense decreased by 68% compared to the previous year as a result of the repayment of the subordinated loan to the former single shareholder.

	31-dic-16	31-dic-15	Change
Interest and financial charges	577	33.090	-98%
Interest expense and bank charges	15.799	50.620	-69%
Interest expense - Shareholder Loan		310.086	-100%
Interest expense - Subordinated Shareholder Loan	499.726	1.200.000	-58%
Total interest and similar expense	**516.102**	**1.593.796**	**-68%**
Economic effect amortised cost receivables without			

The increase in total income and the simultaneous reduction in fixed costs led to an improvement in profitability from ordinary operations.

The decrease in pre-tax profit is attributable to lower write-backs on default interest receivables (2015 was positively impacted by extraordinary compensation received from some debtors from the Campania region, who were tied to late payments on a portion of the receivables included in the memorandum of understanding that had been entered into with the Campania Region).

Profit after-tax is essentially in line with that of the previous year thanks to lower taxes from applying the ACE tax incentives.

Statement of financial position

In €

	Assets	31/12/2016		31/12/2015	
10	Cash and cash equivalents		1,762		1,937
40	Available-for-sale financial assets				
60	Loans and receivables		83,454,122		105,580,711
	with banks	*14,360,698*		*28,765,262*	
	with customers	*69,093,424*		*76,815,448*	
100	Property and equipment		30,533		96,352
110	Intangible assets		13,656		23,728
120	Tax assets		4,800,230		2,457,456
	a) current	*2,420,856*		*46,795*	
	b) deferred	*2,379,375*		*2,410,661*	
	including as per Law no. 214/2011		*1,272,761*		*1,339,749*
140	Other assets		1,227,385		1,598,622
	Total assets		**89,527,688**		**109,758,805**

	Liabilities and equity	31/12/2016		31/12/2015	
10	Financial liabilities		19,575,096		39,373,515
70	Tax liabilities:		5,913,856		5,230,561
	a) current	*1,074,849.86*		*16,861*	
	b) deferred	*4,839,006*		*5,213,700*	
90	Other liabilities		1,470,392		3,056,938
100	Post-employment benefits		357,830		414,072
110	Provisions for risks and charges:		500,000		0
	a) pension and similar obligations	*0*		*0*	
	b) other provisions	*500,000*		*0*	
120	Share capital		47,000,000		47,000,000
160	Reserves		12,068,697		11,928,617
170	Valuation reserves		(93,064)		(46,493)
180	Profit (loss) for the period		2,734,882		2,801,596
	Total liabilities and equity		**89,527,688**		**109,758,805**

The decrease in assets is mainly attributed to the reduction in portfolio loans and receivables, and the funds available in the bank accounts.

With regard to the loans and receivables, collections during the period were higher than disbursements for new acquisitions while cash in banks was in large part used to repay the subordinated loan and to pay the 2015 dividend to the former single shareholder.

The increase in deferred tax assets is tied to the current tax receivables (advance payments of IRES/IRAP).

The changes in liabilities are illustrated below:

Figures in '000

Liabilities detail	**31/12/2016**	**31/12/2015**	**Absolute change**
Due to financial institutions		52	52
Amounts due to assignors for II tranches	19,575,096	23,198,305	3,623,210
Subordinated loan from the Shareholder	0	16,175,158	16,175,158
Total liabilities	**19,575,096**	**39,373,515**	**19,798,420**

The decrease in liabilities is attributed to (i) the decrease in the amounts due to assignors in relation to payment of the second tranches, and (ii) repayment of the subordinated loan mentioned above.

The other liabilities consist mainly of (i) legal fees payable to be settled for Euro 0.5 million, (ii) Due to entities for collections to be recharged and RTU for Euro 0.5 million, (iii) trade payables for Euro 0.2 million, (iv) due to social security institutions for Euro 0.1 million.

As a result of the profit achieved, total equity is in line with the previous year despite the 2015 dividend payment to the former Single Shareholder.

No research and development activity was carried out during the year.

Other disclosures

Fulfilment requests from the Bank of Italy following registration in the “special list” according to Article 107 (previous text) of Legislative Decree no. 385/93.

With regard to the merger of the company into Banca Sistema, with legal and tax effect from 1 January 2017, the company fulfilled, for the last time and on an individual basis, the following regulatory requirements:

- *Report to the Central Credit Register* the reporting obligations of credit exposures in relation to registration in the special list.
- *Supervisory Reports* relative to financial position data as set out in the regulations.
- *Usury Reporting*, forwarding of information, over the course of the year and within the set deadlines, regarding with-recourse advances disbursed to customers, and loans granted to transferors on returned, without-recourse positions, as reporting of public debtor exposures is not envisaged.
- *Communication related to key shareholders*. within 30 days of the expected date.
- *Communication related to corporate bodies*, in accordance with the methods and the due dates set out in the applicable regulations.

The ICAAP Report, which the company has regularly filed with the Bank of Italy for the years 2012, 2013, 2014 and 2015, will not, however, be prepared on an individual level for 2016 because it will be prepared by the incorporating company, Banca Sistema.

Relations with related parties

Relations with related parties relate exclusively to the current account with the parent Bank which had a cash balance of Euro 14,294,789 at 31 December 2016 and is subject to condition normally found on the open market, as well as the commercial collaboration agreement signed on 16 September 2016 which has resulted in the Company receiving commissions from Banca Sistema totalling Euro 46,695.

It should also be noted that in the first half of 2016, having received clearance from the Bank of Italy, the Company repaid the former Single Shareholder Stepstone FH - a related party until 1 July 2016 - the subordinated loan granted for regulatory purposes of Euro 10,000,000, along with the interest accrued from the date on which the loan was granted (of which Euro 499,726 attributable to the year).

Treasury shares and shares of the parent company

The Company does not hold, nor has it held during the year, directly or indirectly through other parties, treasury share or shares of the parent companies.

Fair Value of financial instruments

At 31 December 2016, there were no financial assets or financial liabilities valued at fair value on a recurring basis.

Regarding the determination of fair value of the financial instruments to be provided in the mandatory disclosure in the Notes to the Financial Statements, the following methods were applied:

- for financial items (both assets and liabilities) with a remaining duration equal to, or less than 18 months, it was deemed reasonable to consider the carrying value as they consist exclusively of current bank accounts assets and liabilities;
- For other *in bonis* financial items, in cases where a market price or a price set by trade associations or supervisory bodies, the stated value is derived from an estimate of the fair value on a going concern basis (due to the merger with Banca Sistema) and with the Company not having to significantly reduce its assets at unfavourable economic conditions. This value nonetheless reflects the quality of the assets.

Also, at 31 December 2016 the Company does not hold any derivative instruments.

Internal Control System

The Internal Control System consists of the sets of rules, the procedures and the organisation structures that seek to ensure compliance with the business strategies and the achievement of effective and efficient processes, the safeguarding of assets and the protection from losses, the reliability, completeness and accuracy of accounting and operational information, and to ensure that transactions comply with the law, supervisory regulations, and the internal policies, plans, regulations and procedures.

The Internal Control System is structured on the following three levels:

- line controls, aimed at continuously verifying the correct execution of transactions and productive activities. These controls are executed at the single operating unit level;
- risk management controls which are put in place in the various area through the choice of risk measurement methodologies, the setting of precise targets in terms of risk/return, as well as, checks on compliance with set risk limits. These controls are carried out by Risk Control Function unit;
- Internal Audit activities aimed at identifying anomalous trends, violations of procedures and regulations, as well as evaluating the overall effectiveness of the internal control system. This is outsourced to Consolving S.r.l. of Milan;
- compliance controls aimed at verifying compliance with internal and external regulations. These are carried out by the Risk Control Function manager which uses an outsourcer (Consilia Regulatory s.r.l., which replaced Consilia Business Management s.r.l. on 01 February 2016 as a result of a demerger) for the verifications to be made on processes and procedures.

During 2016, Consolving performed planned audits and prepared specific reports that were presented to the Board of Directors and the Board of Statutory Auditors. No significant weaknesses were identified and the deficiencies identified in previous audits were corrected.

Risk Management, which is incorporated in the activities of the Risk Control Function, has been in operation since 2010. It is responsible for identifying, evaluating and monitoring all risks related to the activities performed by the Company, highlighting the overall risks that the Company is exposed to through periodic reports. The second and third level controls have not revealed any significant anomalies. Nevertheless, the recommendations provided were acknowledged.

The Supervisory Body 231 (Legislative Decree 231/2001) issued periodic reports to the Board of Statutory Auditors and the Board of Directors. No weaknesses were identified in 2016.

Significant events occurring after the close of the financial year

Significant events occurring after the close of the financial year are listed below:

- on 1 January 2017, the merger by incorporation of the Company in Banca Sistema became operational and fully effective for legal and tax purposes;
- thereafter, no events or situations occurred that could have an impact on the financial or economic positions illustrated in these financial statements;
- on 8 March 2017, the Board of Directors of Banca Sistema approved these financial statements due to the merger.

Business outlook

Taking into account the positive economic situation and the continuing difficulty that public entities have in paying their debts within the due date, it is reasonable to expect continued growth in the sector in 2017.

In connection with the merger of the Company in Banca Sistema, an individual operating budget was not prepared for 2017.

Information regarding business continuity

This document represents that last individual financial statements of the Company due to the merger by incorporation in Banca Sistema which became effective for legal and tax purposes beginning on 1 January 2017.

Proposal of the Board of Directors

Dear Shareholders,

We ask you to approve the Financial Statements for the year ended 31 December 2016, with net income after tax of Euro 2,734,882.

Taking into account the merger by incorporation of the Company in Banca Sistema, the allocation of the profits on an individual level does not need to be proposed.

Milan, 8 March 2017

On behalf of the Board of Directors
The Chairman

Financial statements as at and for the year ended 31 December 2016

Statement of financial position

In €

	Assets	31/12/2016		31/12/2015	
10	Cash and cash equivalents		1,762		1,937
40	Available-for-sale financial assets				
60	Loans and receivables		83,454,122		105,580,711
	with banks	*14,360,698*		*28,765,262*	
	with customers	*69,093,424*		*76,815,448*	
100	Property and equipment		30,533		96,352
110	Intangible assets		13,656		23,728
120	Tax assets		4,800,230		2,457,456
	a) current	*2,420,856*		*46,795*	
	b) deferred	*2,379,375*		*2,410,661*	
	including as per Law no. 214/2011		*1,272,761*		*1,339,749*
140	Other assets		1,227,385		1,598,622
	Total assets		**89,527,688**		**109,758,805**

	Liabilities and equity	31/12/2016		31/12/2015	
10	Financial liabilities		19,575,096		39,373,515
70	Tax liabilities:		5,913,856		5,230,561
	a) current	*1,074,849.86*		*16,861*	
	b) deferred	*4,839,006*		*5,213,700*	
90	Other liabilities		1,470,392		3,056,938
100	Post-employment benefits		357,830		414,072
110	Provisions for risks and charges:		500,000		-
	b) other provisions	*500,000*		-	
120	Share capital		47,000,000		47,000,000
160	Reserves		12,068,697		11,928,617
170	Valuation reserves		(93,064)		(46,493)
180	Profit (Loss) for the year		2,734,882		2,801,596
	Total liabilities and equity		**89,527,688**		**109,758,805**

Income statement

In €

	Items	31/12/2016	31/12/2015
10	Interest and similar income	4,962,193	5,132,023
20	Interest and similar expense	(516,102)	(1,593,796)
	Net interest income	**4,446,091**	**3,538,227**
30	Fee and commission income	1,311,514	1,275,020
40	Fee and commission expense	-	-
	Net fee and commission income	**1,311,514**	**1,275,020**
	Total income	**5,757,606**	**4,813,247**
100	Net impairment losses/reversals of impairment losses on:	1,340,618	3,113,045
	a) financial assets	*1,340,618*	*3,113,045*
	b) other financial transactions	-	-
110	Administrative expenses:	(3,046,656)	(3,683,412)
	a) personnel expenses	(1,659,837)	*(1,971,853)*
	b) other administrative expenses	(1,386,819)	*(1,711,559)*
120	Depreciation and net impairment losses on property and equipment	(12,912)	(32,430)
130	Amortisation and net impairment losses on intangible assets	(17,222)	(54,431)
150	Net accruals to provisions for risks and charges	(500,000)	0
160	Net other operating expense	(55,110)	(84,379)
	PRE-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS	**3,466,324**	**4,071,640**
190	Income taxes on continuing operations	(731,442)	(1,270,045)
	PROFIT (LOSS) FOR THE YEAR	**2,734,882**	**2,801,596**

Statement of comprehensive income

In €

		2016	2015
10	**Profit for the year**	**2.734.882**	**2.801.596**
	Other comprehensive income/(expense), net of income tax, that will not be reclassified subsequently to profit or loss		
20	Property and equipment		
30	Intangible assets		
40	Defined benefit plans	(46.571)	7.047
50	Non-current assets held for sale		
60	Portion of valuation reserves of equity-accounted investees		
	Other comprehensive income/(expense), net of income tax, that will be reclassified subsequently to profit or loss		
70	Hedges of investments in foreign operations		
80	Exchange rate gains/(losses)		
90	Cash flow hedges		
100	Available-for-sale financial assets		
110	Non-current assets held for sale		
120	Portion of valuation reserves of equity-accounted investees		
130	**Total other comprehensive income/(expense), net of income tax**	**(46.571)**	**7.047**
140	**Comprehensive income (items 10+130)**	**2.688.311**	**2.808.643**

Statement of changes in equity

2016

	Balance at 31.12.2015	Adjustment to opening balance	Balance at 1.1.2016	Allocation of prior year profit		Changes of the year							Equity at 31 December 2016
							Equity transactions						
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of treasury shares	Distribution of extraordinary dividends	Change in equity instruments	Other changes	Comprehensive income for 2016	
Share capital:	**47.000.000**		**47.000.000**										**47.000.000**
Share premium	-		-										-
Reserves:	**11.928.617**		**11.928.617**	**140.080**	**0**								**12.068.697**
a) income-related													
b) other	11.928.617		11.928.617	140.080									12.068.697
Valuation reserves:	**(46.493)**		**(46.493)**			**(46.571)**							**(93.064)**
Equity instruments	**0**												
Treasury shares (-)	**0**												
Profit for the year	**2.801.596**		**2.801.596**	**(140.080)**	**(2.661.516)**							**2.734.882**	**2.734.882**
Equity	**61.683.720**		**61.683.720**	**-**	**(2.661.516,20)**	**(46.571)**	**-**	**-**	**-**	**-**	**-**	**2.734.882**	**61.710.515**

2015

	Balance at 31.12.2014	Adjustment to opening balance	Balance at 1.1.2015	Allocation of prior year profit		Changes of the year							Equity at 31 December 2015
							Equity transactions						
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of treasury shares	Distribution of extraordinary dividends	Change in equity instruments	Other changes	Comprehensive income for 2015	
Share capital:	**47.000.000**		**47.000.000**										**47.000.000**
Share premium													
Reserves:	**7.823.375**		**7.823.375**	**4.105.241**									**11.928.617**
a) income-related													
b) other	7.823.375		7.823.375	4.105.241									11.928.617
Valuation reserves:	**(53.540)**		**(53.540)**			7.047							**(46.493)**
Equity instruments													
Treasury shares (-)													
Profit for the year	**4.105.241**		**4.105.241**	**(4.105.241)**								**2.801.596**	**2.801.596**
Equity	**58.875.077**		**58.875.077**	**-**		**7.047**						**2.801.596**	**61.683.720**

Statement of Cash Flows (indirect method)

A. OPERATING ACTIVITIES	Amount	
	2016	2015
1. Operations	(493.533)	(1.913.552)
- profit for the year (+/-)	2.734.882	2.801.596
- gains/losses on financial assets held for trading		
- financial assets/liabilities measured at fair value (-/+)		
- gains/losses on hedges (-/+)		
- net impairment losses/net reversals of impairment losses (+/-)	(1.349.837)	(7.660.233)
- net impairment losses on property and equipment and intangible assets (+/-)	75.891	63.454
- net accruals to provisions for risks and charges and other income/expense (+/-)	500.000	
- taxes and tax credits still to be paid (+/-)		
- net impairment losses/net reversals of impairment losses on disposal groups, net of the tax effect (+/-)		
- other adjustments (+/-)	(2.454.470)	2.881.631
2. Cash flows generated by financial assets	9.325.104	15.462.757
- financial assets held for trading		
- financial assets at fair value through profit or loss		
- available-for-sale financial assets		28.000
- loans and receivables with banks		
- loans and receivables with financial institutions		
- loans with customers	8.953.868	15.349.840
- other assets	371.237	84.917
3. Cash flows used by financial liabilities	(20.574.742)	(41.637.381)
- due to banks		
- due to financial institutions	(16.175.158)	(22.186.357)
- due to customers	(3.623.210)	(12.684.475)
- securities issued		
- financial liabilities held for trading		
- financial liabilities at fair value through profit or loss		
- other liabilities	(776.374)	(6.766.549)
Net cash flows used by operating activities	**(11.743.171)**	**(28.088.176)**
B. INVESTING ACTIVITIES		
1. Cash flows generated by	0	0
- sales of equity investments		
- dividends collected		
- sales of held-to-maturity investments		
- sales of property and equipment		
- sales of intangible assets		
- sales of business units		
2. Cash flows used by	0	(11.892)
- acquisitions of equity investments		
- acquisitions of held-to-maturity investments		
- purchases of property and equipment		(11.892)
- purchases of intangible assets		
- purchases of business units		
Net cash flows generated/(used) by investing activities	**0**	**(11.892)**
C. FINANCING ACTIVITIES		
- issue/repurchase of treasury shares		(310.086)
- issue/purchase of equity instruments		
- distribution of dividends and other allocations	(2.661.516)	
Net cash flows used by financing activities	**(2.661.516)**	**(310.086)**
NET CASH FLOWS OF THE YEAR	(14.404.687)	(28.410.154)

Reconciliation

	Amount	
	2016	**2015**
Cash and cash equivalents at the beginning of the year	**28,767,199**	**57,177,353**
Total net cash flows of the year	(14,404,739)	(28,410,154)
Cash and cash equivalents at year end	**14,362,460**	**28,767,199**

Notes to the financial statements

Part A - ACCOUNTING POLICIES

Part B - NOTES TO THE STATEMENT OF FINANCIAL POSITION

Part C - NOTES TO THE INCOME STATEMENT

Part D – OTHER DISCLOSURES

Part A - ACCOUNTING POLICIES

A.1 – General Part

Section 1 - Statement of IFRS compliance

Section 2 - Basis of preparation

Section 3 – Events after the reporting period

Section 4 - Other matters

A.2 - Main financial statements captions

1. Loans and receivables
2. Financial liabilities
3. Property and equipment
4. Intangible assets
5. Current and deferred taxes
6. Post-employment benefits
7. Prepayments and accrued income, accrued expenses and deferred income
8. Provisions for risks and charges
9. Cost and revenue recognition
10. Other disclosures

A.3 – TRANSFERS OF FINANCIAL ASSETS BETWEEN PORTFOLIOS

A.4 – FAIR VALUE DISCLOSURE

A.5 – INFORMATION ON “DAY ONE PROFIT/LOSS”

A.1 – GENERAL PART

Section 1 - STATEMENT OF IFRS COMPLIANCE

Pursuant to Regulation (EC) no. 1606/2002, Beta Stepstone S.p.A. (the "company") has prepared these financial statements as at and for the year ended 31 December 2016 in compliance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) endorsed by the European Commission up to 31 December 2016.

The financial statements have also been prepared in accordance with the Bank of Italy's "Instructions for the preparation of the financial statements of financial intermediaries" which apply as of the year ended or ending 31 December 2016, issued in its Measure of 9 December 2016.

Unless otherwise established by the Bank of Italy's special regulation, the information provided in these notes reflects the Italian Civil Code's provisions governing financial statements.

Section 2 – BASIS OF PREPARATION

These financial statements comprise:

- a statement of financial position;
- an income statement;
- a statement of changes in equity;
- a statement of comprehensive income;
- a statement of cash flows prepared using the indirect method;
- these notes.

These financial statements are consistent with the company's accounting records.

The financial statements have been prepared in accordance with measurement criteria adopted on the basis of a going concern assumption also considering the company’s merger into Banca Sistema and in compliance with accruals-based accounting, the materiality of information and the predominance of substance over form.

The amounts presented in these financial statements have been calculated in accordance with the IFRS issued by the International Accounting Standard Board (IASB) and endorsed by the European Commission up to 31 December 2016 pursuant to Regulation (EC) no. 1606 of 19 July 2002.

For the purposes of facilitating the interpretation and application of the new accounting standards, reference was also made to the following documents, although not yet endorsed by the European Commission:

- Framework for the Preparation and Presentation of Financial Statements issued by the International Accounting Standards Board (IASB);
- Implementation Guidance, Basis for Conclusions and any other documents prepared by the IASB or the IFRIC (IFRS Interpretations Committee), integrating the standards issued.

Finally, again with respect to interpretation, where applicable, reference was also made to the documents about the adoption of the IFRS in Italy, issued by the Italian accounting standard setter (OIC) and the Italian banking association (ABI). Specifically, reference was made to Document 7 by Bank of Italy/Consob/Ivass issued on 9 November 2016 on the accounting treatment of default interest pursuant to Legislative decree no. 231/2002 on performing loans factored without recourse.

In accordance with article 5 of Legislative decree no. 38/2005, the company's reporting currency is the Euro. The amounts shown in the financial statements and these notes are in thousands of Euros.

The financial statements present the figures for 2016 with previous year corresponding figures.

For the purposes of the information disclosed in these notes, all financial statements captions are presented at 31 December 2016 and 2015, broken down as required by the Bank of Italy's instructions.

Section 3 – EVENTS AFTER THE REPORTING PERIOD

Banca Sistema's Board of Directors approved these financial statements on 8 March 2017. Indeed, the company's merger into Banca Sistema became fully operational and effective for legal and tax purposes on 1 January 2017.

After this date, no facts or circumstances occurred that had an impact on the financial position and performance described herein.

Section 4 – OTHER MATTERS

IFRS developments

The following table sets out the new standards or amendments to existing standards, with the related endorsement regulations issued by the European Commission, which became applicable in 2016.

IAS/IFRS standards and related IFRIC interpretations applicable to annual periods beginning after 1 January 2016:

Documents endorsed by the EU at 31 October 2016

Name	Issue date	Date of application	Date of endorsement	EU regulation and issue date	Notes and references to this list
IFRS 15 – Revenue from contracts with customers	May 2014 (Note 1)	1 January 2018	22 September 2016	(EU) 2016/1905 29 October 2016	Early application is permitted. See 460-481

Documents not yet endorsed by the EU at 31 October 2016

Name	Issue date by the IASB	Date of application of the IASB document	Expected date of endorsement by the IASB
Standards			
IFRS 9 - Financial Instruments	July 2014	1 January 2018	IV quarter of 2016
IFRS 14 - Regulatory Deferral Accounts	January 2014	(Note 1)	(Note 1)
IFRS 16 - Leases	January 2016	1 January 2019	2017
Amendments			
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2014	Postponed until completion of the IASB project on the equity method	Postponed pending the completion of the IASB project on the equity method

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	January 2016	1 January 2017	IV quarter of 2016
Amendments to IAS 7: Disclosure Initiative	January 2016	1 January 2017	IV quarter of 2016
Clarifications to IFRS 15 - Revenue from Contracts with Customers	April 2016	1 January 2018	I half of 2017
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	June 2016	1 January 2018	II half of 2017
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	September 2016	1 January 2018	2017

The amendments to the standards and interpretations endorsed by the European Commission in 2016 or in prior years, whose application became mandatory as of 2016, had no significant impacts on the preparation of these financial statements.

IFRS 9 was adopted on 29 November 2016 with the publication of (EU) Regulation 2016/2067 of the European Commission dated 22 November 2016 on the Official Journal of the European Union. This standard will apply to annual periods beginning on or after 1 January 2018.

It will replace IAS 39 and will govern the accounting of financial instruments as summarised below:

- Classification and measurement:
    - Financial assets: under IFRS 9 financial assets shall be classified according to three categories: amortised cost, fair value through other comprehensive income (equity reserve) and fair value through profit or loss, on the basis of both the business model applied and the characteristics of the contractual cash flow from the financial assets. The criteria for recognition and derecognition are substantially the same as those of IAS 39.
    - Financial liabilities, the provisions of IAS 39 have been reproduced almost entirely in IFRS 9, except for the financial liabilities measured at fair value, where changes in the fair value of financial liabilities due to changes in the credit rating of the issuer must be recognised through other comprehensive income (equity reserve) and no longer through profit or loss (early application of this provision is permitted as of the endorsement date of the new standard).

- Impairment: the expected credit losses model is introduced, replacing the incurred losses model currently in force under IAS 39. The standard provides for the division of financial assets into three stages on the basis of the credit standing of the counterparty. For the counterparties with the best credit standing, calculation of the expected loss is carried out over a time horizon of 12 months, while for the other two stages with a lower credit standing, calculation of the expected loss is carried out for the residual term of the financial asset (“lifetime expected loss”).

- Hedge accounting: the hedging models set out in IFRS 9 are generally simplified compared to those in IAS 39 and introduce a stronger link with risk management.

Based on the proposed merger of the company into Banca Sistema as of 1 January 2017, the introduction of these changes to the reference framework will have no impact on Beta Stesptone S.p.A.'s financial position.

A.2 - MAIN FINANCIAL STATEMENTS CAPTIONS

1. Loans and receivables

Classification

Loans and receivables consist of financial assets with banks and customers.

Loans and receivables with customers refer to the factoring transactions completed in accordance with a regular assignment deed notified to the transferred debtor. They comprise:

- the receivables factored without recourse and recognised in the name of the transferred debtor in accordance with IFRS-compliant recognition criteria;
- the advances disbursed to the assignors in relation to the receivables factored without recourse for which the assumptions underlying recognition have not been verified;
- the advances disbursed to the assignors in relation to the receivables factored with recourse, inclusive of interest and accrued charges.

There were no reclassifications to other financial asset categories in accordance with IAS 39.

Recognition

Loans and receivables are initially recognised at the agreement signing date, based on fair value, which equals the amount disbursed or the purchase price, including transaction costs or revenue attributable to the individual loan or receivable and determinable from the transaction start date, even when paid subsequently. The initially recognised amount does not include costs that, despite having the above characteristics, are to be reimbursed by the counterparty or that are administrative costs.

Measurement

Loans and receivables are subsequently measured at amortised cost, being the initially recognised amount decreased/increased by principal repayments, reversals of impairment losses/impairment losses and amortisation - calculated using the effective interest method - of the differential between the amount disbursed and that collectable at maturity for each loan/receivable. The effective interest rate considers the present value of the future cash flows and the amount disbursed, inclusive of the cost/income related to the loan/receivable. According to this accounting method, the economic effect of income is allocated over the expected residual life of the loan/receivable.

The amortised cost method is not used for current loans and receivables for which the discounting effect of cash flows would be negligible. They are measured on a historical cost basis.

Default interest receivables are recognised on an accruals basis and adjusted to their expected recoverable amount, considering the percentages of effective realisation in prior years. Default interest is recognised only after court confirmation (not when the default arises) which sets the rate to be applied (ECB + approx. 800 bps or the legal rate) and the effective date.

Loans and receivables are tested for impairment to determine whether there is objective evidence of impairment due to events subsequent to initial recognition. This includes loans and receivables classified as "*non-performing, unlikely to pay or past due/overdue*" as per the Bank of Italy's instructions in line with IAS/IFRS.

The individual impairment test measures the difference between the carrying amount (at amortised cost) and present value of estimated future cash flows discounted at the position's original effective interest rate and considering both the expected collection time and the enforcement value of guarantees, if any, and the costs to be incurred for enforcement.

The original effective rate of each loan and receivable is unchanged over time. Impairment losses are taken to profit or loss. Loans and receivables are reinstated to their original value in subsequent periods when the reasons for impairment are no longer valid, as long as this assessment is objectively linked to an event that took place after recognition of the impairment loss. Reversals of impairment losses are recognised in the income statement and shall never exceed the position's amortised cost had the impairment loss not been recognised.

Loans and receivables that are not tested individually for impairment are tested collectively. They are grouped into categories and the expected losses are estimated considering historical data and other elements observable at their measurement date. The impairment test considers the counterparty's country risk.

Collective impairment losses are recognised in profit or loss.

Derecognition

Loans and receivables are derecognised only when their transfer entails the substantial transfer of all the risks and rewards of ownership. Conversely, when the company retains a significant portion of the risks and rewards related to the transferred loans and receivables, these will continue to be recognised in the financial statements, although, legally, title to the financial asset was actually transferred.

If the substantial transfer of risks and rewards cannot be verified, the financial assets are derecognised when the company has not retained control of the transferred asset. Conversely, if the company has retained control, including in part, it shall continue to recognise the financial asset to the extent of the expected changes in the carrying amount and the estimated changes in cash flows.

Finally, transferred financial assets are derecognised when the right to receive the related cash flows, with the concurrent obligation of transferring them to third parties, is retained.

2. Financial liabilities

Due to customers (comprised of the second instalments of the without-recourse factoring of receivables which are paid only upon full collection) are recognised, measured and derecognised in accordance with the same criteria applicable to loans with customers. Indeed, they originate from the same contract and their settlement date coincides with the collection date of the receivable factored.

Due to banks and financial institutions are recognised at their nominal amount as they refer to on-demand current account deposits.

3. Property and equipment

Recognition and classification

This caption comprises movable and immovable assets, systems, other machinery and equipment owned for use by the company. Initial recognition is at cost, which includes all charges directly related to the operation of the asset.

Ordinary maintenance costs are expensed.

Measurement

Property and equipment are measured at cost adjusted by accumulated depreciation calculated on a straight-line basis over the residual life of the asset**.**

Derecognition

An item of property and equipment is derecognised when sold or when it is permanently withdrawn from use and the company does not expect any future economic benefits from its disposal.

4. Intangible assets

Recognition and classification

Intangible assets mainly comprise software or costs related to leasehold improvements.

Measurement

Intangible assets are measured at cost adjusted by accumulated

amortisation calculated on a straight-line basis over the residual life of the asset.

Derecognition

Intangible assets are derecognised upon disposal or when the asset is permanently withdrawn from use.

5. Current and deferred taxes

Income taxes are calculated in accordance with national tax legislation and are recognised on an accruals basis, in line with the recognition criteria applicable to the cost and revenue that generated them. Therefore, they represent the balance of the current and deferred taxation related to the year's income.

Current tax assets and liabilities include the net balance of the company's tax position vis-à-vis Italy's tax authorities.

Deferred taxes are calculated using the balance sheet liability method, considering the tax effect of the temporary differences between the carrying amounts of assets and liabilities and their tax bases which generate taxable or deductible amounts in future periods. To this end, "*taxable temporary differences*" are those that will generate taxable amounts in future years and "*deductible temporary differences*" are those that will generate deductible amounts in future years.

Deferred tax liabilities are calculated by applying the tax rates set by the law to the taxable temporary differences whose realisation is deemed probable and to deductible temporary differences for which the existence of taxable amounts when the related tax deductibility occurs is reasonably certain.

In the years when the deductible temporary differences exceed the taxable temporary differences, the related deferred tax assets are recognised in the statement of financial position under Deferred tax assets. Conversely, in the years when the taxable temporary differences exceed the deductible temporary differences, the related deferred tax assets are recognised in the statement of financial position under Deferred tax liabilities.

When the deferred tax assets and liabilities refer to the items that have an impact on the income statement, the balancing entry is represented by income taxes.

When the deferred tax assets and liabilities refer to transactions that had a direct impact on equity without affecting the income statement (such as IFRS first-time adoption adjustments), these are recognised as a balancing entry in equity, under specific reserves where required.

6. Post-employment benefits

Post-employment benefits are recognised at their *actuarial amount*, calculated using the *project unit credit method* based on statistical historical analyses, the demographic curve and the discounting of future disbursements, applying market interest rates.

Until 31 December 2012, actuarial gains and losses were entirely recognised in the income statement in accordance with the previous version of IAS 19.

Following the coming into force of the new version of IAS 19 issued by the IASB in June 2011, application of which became mandatory on 1 January 2013, actuarial gains and losses are immediately and entirely recognised in the "Statement of comprehensive income" with an impact on equity. As the *corridor approach* has never been applied, the prudential filters established by the Bank of Italy in its communication dated 8 May 2013 in terms of regulatory capital do not apply.

The present value of the company's commitments is calculated by an independent expert using the projected unit credit method.

The annual discount rate applied is based on a rate deductible from securities or equivalent instruments, with an AA rating which is deemed to best reflect market yields, and considering the average term of the liability.

7. Prepayments and accrued income, accrued expenses and deferred income

They include income and expense pertaining to the year accrued on assets and liabilities and are recognised as an adjustment to the assets and liabilities to which they refer.

8. Provisions for risks and charges

“Provisions for risks and charges: b) other provisions” include liabilities whose amount or due date are uncertain. They are recognised when the following conditions are met:

- there is a present obligation at the reporting date as a result of a past event;
- the obligation is legal (i.e., it derives from a contract, legislation or

  other operation of law) or constructive (i.e., it derives from an entity’s action where the entity has created a valid expectation on the part of other parties that it will discharge its responsibilities);
- it is probable that an outflow of resources will be required to settle the obligation;
- a reliable estimate can be made of the obligation.

9. Cost and revenue recognition

Revenue is recognised when received or, in the event of provision of services, when the future benefits can be quantified reliably when rendered.

Specifically, interest is recognised on an accruals basis based on the contractually-agreed rate or the effective interest rate when the amortised cost method is applied.

Default interest income, recognised only after court confirmation and the definition of the rate to be applied (ECB+800 bp or legal rate), is recognised on an accruals basis and prudently adjusted to take into account the possibility of a settlement agreement with the debtors. However, the company usually fully recovers it before the court.

Costs are recognised in the income statement in the same period the related revenue is recognised. When cost and revenue can be matched generically and indirectly, costs are recognised over several periods using rational procedures and on a systematic basis. Costs that cannot be matched to revenue are immediately recognised in the income statement.

10. Other disclosures

Use of estimates and assumptions in the preparation of the financial statements

The preparation of financial statements also involves the use of estimates and assumptions that may have a significant effect on the carrying amount of assets and liabilities, income and expenses and the related disclosure. The preparation of estimates involves using the available information and adopting subjective valuations, based on past experience, in order to arrive at reasonable assumptions to present operations. Because of their nature, the estimates and assumptions used may change from one year to the next. Consequently, it cannot be excluded that, in future years, the amounts recognised change, also significantly, as a consequence of changes in the subjective valuations applied due to unforeseeable facts/events.

Specifically, subjective valuations refer to:

- the calculation of impairment losses on loans and receivables and, in general, other financial assets;
- the calculation of accrued default interest income, as described in the "Cost and revenue recognition" paragraph;
- estimates and assumptions on the recoverability of deferred tax assets;
- estimates and assumptions used to measure loans and receivables and liabilities with customers at amortised cost.

Amortised cost calculation

Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount and the maturity amount and minus any reduction for impairment.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Subsequent to initial recognition, under the amortised cost, costs and revenue are allocated as a decrease or an increase in the asset/liability over the entire useful life through amortisation.

Given the nature of the loans and receivables in portfolio, the company calculates the effective interest rate for each invoiced acquired, estimating the collection date based on available information and the progress of the credit collection procedures. Each time these estimates are revised, the company recalculates the amortisation plan of financial assets and financial liabilities, taking the adjustment to profit or loss.

The amortised cost method is applied to loans and receivables and liabilities with customers, provided that the loans/receivables and the liability with the company originate from the same contract and the settlement date mainly coincides with the collection date of the receivable factored.

Default interest income, recognised only after court confirmation, is adjusted to its estimated recoverable amount, considering the percentages of effective realisation in prior years.

Impairment losses calculation

Financial assets

At each reporting date, financial assets other than those classified as Held *for trading* and as *Measured at fair value* are tested for impairment to check whether there is an objective evidence of an impairment loss.

Impairment losses are recognised when there is objective evidence of a reduction in future cash flows compared to those originally estimated, due to unforeseeable specific events.

Impairment tests are carried out on individual financial assets which show specific evidence of impairment or collectively in the case of financial assets which do not require individual assessment or for which this assessment does not indicate an impairment.

Collective assessment is based on the identification of consistent risk classes of financial assets based on the characteristics of the debtor/issuer, the business segment, the geographical segment and the existence of any guarantees or other significant factors.

Loans and receivables with banks and customers are assessed individually when they are *non-performing, unlikely to pay or past due/overdue* as per the Bank of Italy's definitions in line with IAS/IFRS.

They are measured individually, or by determining the expected loss by consistent categories and analytical allocation to individual positions. The impairment loss on each loan and receivable is equal to the difference between the carrying amount at amortised cost and the present value of the expected future cash flows, calculated by applying the original effective interest rate.

Future cash flows consider the expected collection times, the expected enforcement value of any guarantees and the costs that may incurred for recovery. The cash flows related to loans and receivables whose recovery is not expected in the short term are not discounted as the amount of the differential would be negligible.

The loans and receivables for which no individual objective evidence of impairment has been identified are subject to collective assessment.

A.4 – FAIR VALUE DISCLOSURE

IFRS 13 and the Bank of Italy's regulations for the preparation of banks' financial statements require that assets and liabilities be recognised at their fair value when they refer to a specific hierarchy based on the nature of the inputs used to determine the following “fair value levels”:

<u>Level 1</u>

It includes the instruments which can be measured using prices in active markets (effective market quotes). In this case, the fair value is equal to the price at which the financial instrument would be exchanged at the reporting date (with no adjustments) on the main active market, or when no main market exists, on the market deemed most advantageous to which the entity has immediate access.

<u>Level 2</u>

It includes the instruments which can be measured using inputs – other than the quoted prices included within Level 1 – that are observable for the asset or liability, either directly or indirectly.

This measurement is based on prices or credit spreads deducted from the official quotes of active markets of instruments substantially similar in terms of risk factors (comparable approach), using an appropriate calculation methodology (pricing model). The methodologies used in the comparable approach reproduce the prices of the instruments quoted on active markets excluding discretionary parameters, such to have a major effect on the final measurement price.

When the fair value measurement uses observable data that require a significant adjustment based on unobservable inputs, the measurement is included in Level 3.

<u>Level 3</u>

It includes unobservable inputs. The related fair value is based on measurements that entail estimates and assumptions by the assessor (mark to model). Measurement takes place using pricing models that are based on specific assumptions concerning:

- the development of expected cash flows, possibly linked to future events to which the probabilities obtained based on past experience or assumed behaviour can be allocated;
- the level of specific input parameters not quoted on active markets, whose estimate privileges the information obtained from prices and spreads observed on the market. When this information is not available, the historical data of the specific underlying risk factor or specialist research are used (e.g., rating agencies' reports or reports by leading market players).

A.4.1 Levels 2 and 3: valuation techniques and inputs used

As mentioned earlier, fair value is calculated for the sole purposes of the mandatory disclosure to be provided in the notes to the financial statements.

The fair value of the financial instruments included in the tables of these notes was calculated using the following methods and assumptions:

- the fair value of financial assets and financial liabilities equal to or lower than 18 months is equal to the carrying amount. This category comprises current accounts and overdrafts;

- the carrying amount of performing assets approximates fair value. This is the case when there is no active market and there are no specific prices by trade associations or supervisory bodies, assuming that the company is a going concern, considering the merger into Banca Sistema, and has no need to significantly decrease its assets at economically unfavourable terms. Fair value reflects the quality of assets, also considering the economic conditions generally applied to factor loans and receivables without recourse vis-à-vis the public administration and the default interest rate applied pursuant to Legislative decree no. 231.

Quantitative disclosure

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

None.

A.4.5.2 Changes in assets measured at fair value on a recurring basis (level 3)

None.

A.4.5.3 *Changes in liabilities measured at fair value on a recurring basis (level 3)*

The company has liabilities measured at fair value on a recurring basis.

Attività/Passività finanziarie misurate al fair value	Livello 1	Livello 2	Livello 3	Totale
1. Attività finanziarie detenute per la negoziazione				-
2. Attività finanziarie valutate al fair value				-
3. Attività finanziarie disponibili per la vendita		-		-
4. Derivati di copertura				-
5. Attività materiali				
6. Attività immateriali				
Totale	-	-	-	-
1.Passività finanziarie detenute per la negoziazione				-
2. Passività finanziarie valutate al fair value				-
3. Derivati di copertura				-
Totale	-	-	-	-

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

	31.12.2016				31.12.2015			
	CA	L1	L2	L3	VB	L1	L2	L3
1. Held-to-maturity investments	-	-	-	-		-	-	-
2. Loans and receivables	83.454	-	-	83.454	105.581	-	-	105.581
3. Investment property	-	-	-			-	-	-
4. Non current assets held for sale and disposal groups	-	-	-			-	-	-
Total	**83.454**	**-**	**-**	**83.454**	**105.581**	**-**	**-**	**105.581**
1. Liabilities	19.575	-	-	19.575	39.374	-	-	39.374
2. Securities issued	-	-	-	-	-	-	-	
3. Liabilities associated with disposal groups	-	-	-	-	-	-	-	
Total	**19.575**	**-**	**-**	**19.575**	**39.374**	**-**	**-**	**39.374**

Legenda:
VB=Valore di bilancio
L1= Livello 1
L2= Livello 2
L3= Livello 3

Figures in '000

A.5 Information on "Day one profit/loss"

The company did not recognise transactions of this kind in the year.

Part B - NOTES TO THE STATEMENT OF FINANCIAL POSITION

ASSETS

Section 1 – Cash and cash equivalents - Item 10

Items/Values	**Total 2016**	**Total 2015**
a) Cash	2	2
b) Other	-	-
Total	**2**	**2**

Figures in '000

This is the cash balance at 31 December 2016.

Section 6 - Loans and receivables - Item 60

6.1 "Loans and receivables with banks"

	31/12/2016				31/12/2015			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Deposits and current accounts	14.361			14.361	28.765			28.765
2. Financing:								
2.1 Reverse repurchase agreements								
2.2 Finance leases								
2.3 Factoring								
- with recourse								
- without recourse								
2.4 Other financing								
3. Debt instruments								
- structured instruments								
- other debt instruments								
4. Other assets								
Total	**14.361**			**14.361**	**28.765**			**28.765**

Figures in '000

Current account deposits are held with the following banks:

Figures in '000

	31/12/2016	**31/12/2015**	**Absolute change**
Banca Sistema	14,295	-	14,295
Unicredit S.p.A	23	2,563	-2,540
Banca Credito Popolare Torre del Greco	43	8,107	-8,064
Veneto Banca	-	17,103	-17,103
Unicredit Factoring (term deposit)	-	992	-992
Total	**14,361**	**28,765**	**-14,404**

6.2 "Loans and receivables with financial institutions"

None.

6.3 “Loans and receivables with customers”

	31/12/2016						31/12/2015					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Purchased	Other					Purchased	Other			
1. Financing	**65.221**	-	**3.794**	-	-	**69.015**	**74.304**	-	**2.324**	-	-	**76.628**
1.1. Finance lease	-	-	-	-	-	-	-	-	-	-	-	-
of which: without final purchase option	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Factoring	65.221	-	3.794	-	-	69.015	74.304	-	2.324	-	-	76.628
- *with recourse*	*7.968*	-	*3.564*	-	-	*11.532*	*11.647*	-	*1.880*	-	-	*13.527*
- *without recourse*	*57.253*	-	*231*	-	-	*57.483*	*62.657*	-	*445*	-	-	*63.101*
1.3. Consumer loans	-	-	-	-	-	-	-	-	-	-	-	-
1.4. Credit cards	-	-	-	-	-	-	-	-	-	-	-	-
1.5. Pawn loans	-	-	-	-	-	-	-	-	-	-	-	-
1.6 Financing granted in relation to service payments rendered	-	-	-	-	-	-	-	-	-	-	-	-
1.7. Other financing	-	-	-	-	-	-	-	-	-	-	-	-
of which: from enforcement of guarantees and commitments	-	-	-	-	-	-	-	-	-	-	-	-
2. Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
2.1 structured instruments	-	-	-	-	-	-	-	-	-	-	-	-
2.2 other debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets	78	-	-	-	-	78	187	-	-	-	-	187
Total	**65.299**	**0**	**3.794**	**0**	**0**	**69.093**	**74.491**	**0**	**2.324**	**0**	**0**	**76.815**

Figures in ‘000

At 31 December 2016, this item comprised:

1. Performing loans purchased on a without-recourse basis (recognised in the name of the transferred debtor under the “*recognition*” assumptions, measured at “*amortised cost*” and prudently adjusted by Euro 401 thousand), totalling Euro 43.7 million;
2. Default interest receivables confirmed by the court, recognised on an accruals basis and amounting to Euro 16.6 million, prudently adjusted by Euro 3.3 or 20% of their amount (carrying amount of approximately Euro 13.3 million);
3. *With-recourse* advances to customers (mainly performing customers) totalling Euro 11.5 million, against factored loans and receivables with a nominal amount of Euro 16.5 million (no adjustment following the wide guarantee difference);
4. Return of *without-recourse* loans and receivables to assignors totalling Euro 1,1 million, prudently adjusted by Euro 210 thousand.

The item is broken down below as follows:

<u>Loans and receivables with customers</u>	**31/12/2016**	**31/12/2015**
Loans and receivables factored without recourse	43,724,815	49,518,377
With recourse advances	11,531,691	13,526,918
Lump-sum adjustment to without-recourse loans and receivables	(401,717)	(910,935)
Other loans and receivables/returns, performing	745,121	187,047
Doubtful loans and receivables/unlikely to pay exposures	440,192	503,036
Impairment losses on doubtful loans and receivables/unlikely to pay exposures	(209,664)	(250,000)
Loans and receivables for default interest	16,578,894	17,799,012
Lump-sum adjustments to default interest	(3,315,908)	(3,558,005)
Total loans and receivables with customers	**69,093,424**	**76,815,448**

6.4 “Loans and receivables”: guaranteed assets

None.

Section 10 – Property and equipment – Item 100

10.1 Breakdown of item 100 "Property and equipment"

“Property and equipment” amount to Euro 31 thousand. The breakdown of this item and the changes therein are described below.

10.1 Property and equipment used in operations: breakdown of assets measured at cost

Activities/Values	Total 2016	Total 2015
1. Owned	**31**	**97**
a) land		
b) buildings		
c) furniture	8	87
d) electronic systems	23	10
e) other		
2. Under finance lease		
a) land		
b) buildings		
c) furniture		
d) electronic systems		
e) other		
Total	**31**	**97**

Figures in ‘000

10.5 Owner-occupied property and equipment: changes

	Land	Buildings	Furniture	Electronic systems	Other	**Total**
A. **Gross opening balance**			**165**	**131**		**296**
A.1 Total net impairment losses			(79)	(121)		(200)
A.2 **Net opening balance**			**87**	**10**		**97**
B. **Increases**			-	**39**		**39**
B.1 Purchases			-	-		-
B.2 Capitalised improvement costs						
B.3 Reversals of impairment losses						
B.4 Fair value gains recognised in:						
a) equity						
b) profit or loss						
B.5 Exchange rate gains						
B.6 Transfers from investment property						
B.7 Other increases				39		39
C. **Decreases**			**(78)**	**(26)**		**(105)**
C.1 Sales						
C.2 Depreciation			(8)	(6)		(14)
C.3 Impairment losses recognised in:						
a) equity						
b) profit or loss						
C.4 Fair value losses recognised in:						
a) equity						
b) profit or loss						
C.5 Exchange rate losses						
C.6 Transfers to:						
a) investment property						
b) disposal groups						
C.7 Other decreases			(71)	(20)		- 91
D. **Net closing balance**			**8**	**23**		**31**
D.1 Total net impairment losses			(157)	(148)		(305)
D.2 **Gross closing balance**			**165**	**170**		**335**
E. Measurement at cost			**8**	**23**		**31**

Figures in ‘000

Section 11 – Intangible assets – Item 110

11.1 Breakdown of item 110 "Intangible assets"

Item/Assessment	**Total 2016**		**Total 2015**	
	Assets measured at cost	Assets measured at fair value through profit or loss	Assets measured at cost	Assets measured at fair value through profit or loss
1 Goodwill	**-**	**-**	**-**	**-**
2 Other intangible assets				
2.1. owned	14	-	24	-
- internally generated assets	-	-	-	-
- other	14	-	24	-
2.2 under finance lease	-	-	-	-
Total 2	**14**	**-**	**24**	**-**
3. Assets related to finance leases:				
3.1 unopted assets	-	-	-	-
3.2 assets withdrawn following termination	-	-	-	-
3.3 other assets	-	-	-	-
Total 3	**-**	**-**	**-**	**-**
4. Assets under operating lease	-	-	-	-
Total (1+2+3+4)	**14**	**-**	**24**	**-**
Total	**14**	**-**	**24**	**-**

Figures in ‘000

A breakdown of and changes therein are given below.

11.2 Intangible assets: changes

	Total
A. Opening balance	**24**
B. Increases	**7**
B.1 Purchases	-
B.2 Reversals of impairment losses	
B.3 Fair value gains recognised in	
- equity	
- profit or loss	
B.4 Other increases	7
C. Decreases	**(17)**
C.1 Sales	
C.2 Amortisation	(17)
C.3 Impairment losses recognised in	
- equity	
- profit or loss	
C.4 Fair value losses recognised in:	
- equity	
- profit or loss	
C.5 Other decreases	
D. Closing balance	**14**

Figures in '000

Section 12 – Tax assets and liabilities

12.1 Breakdown of item 120 "Tax assets": current and deferred

	2016		2015	
A) Current tax assets:		**2,421**		**47**
a) IRAP paid on account	329		0	
b) IRES paid on account	2,026		47	
c) withholding taxes	66		0	
d) DTA conversion	0		0	
e) other	0		0	
B) Deferred tax assets with a balancing entry in profit or loss:		**2,359**		**2,391**
a) impairment losses on loans and receivables	1,273		1,340	
b) impairment losses on loans and receivables for default interest	946		1,012	
c) tax losses	0		0	
d) provisions for risks	140		23	
e) other	0		16	
C) Deferred tax assets with a balancing entry in equity:		**20**		**20**
a) actuarial loss on post-employment benefits	20		20	
Tax assets		**4,800**		**2,458**

Figures in '000

12.2 Breakdown of item 70 "Tax liabilities: current and deferred"

Section 12 – Tax assets and tax liabilities – Item 120 of assets and item 70 of liabilities

12.2 Breakdown of item 70 Tax liabilities: current and deferred

	2016	2015
A) Current tax liabilities:	**1,075**	**17**
a) tax provision and IRES taxation	773	0
a) tax provision and IRAP taxation	302	17
B) Deferred tax liabilities with a balancing entry in profit or loss:	**4,839**	**5,214**
a) default interest receivable not yet received	4,755	5,092
b) post-employment benefits	7	7
c) other	77	115
Tax liabilities	**5,914**	**5,231**

Figures in '000

12.3 Changes in deferred tax assets (recognised in profit or loss)

	Total 2016		Total 2015	
1. Opening balance		**2,390**		**4,115**
2. Increases		**382**		**226**
2.1 Deferred tax assets recognised in the year		382		226
a) related to previous years			10	
b) due to changes in accounting policies				
c) reversals of impairment losses				
d) other	382		216	
2.2 New taxes or increases in tax rates				
2.3 Other increases				
3. Decreases		**413**		**1951**
3.1 Deferred tax assets derecognised in the year		413		1,951
a) reversals	413		1,951	
b) impairment due to non-recoverability				
c) due to changes in accounting policies				
d) other				
3.2 Decrease in tax rates				
3.3 Other decreases				
a) conversion into tax credits as per Law no. 214/2011				
b) other				
4. Closing balance		**2,359**		**2,390**

Figures in '000

12.3.1 Change in deferred tax assets pursuant to Law no. 214/2011 (recognised in profit or loss)

	Total 2016	**Total 2015**
1. Opening balance	**1,340**	**1,340**
2. Increases		
3. Decreases	**67**	**0**
3.1 Reversals	67	0
3.2 Conversion into tax assets		
a) arising from the loss for the year		
b) arising from tax losses		
3.3 Other decreases		
4. Closing balance	**1,273**	**1,340**

Figures in '000

12.4 Change in deferred tax liabilities (recognised in profit or loss)

	Total 2016	**Total 2015**
1. Opening balance	**5,214**	**8,047**
2. Increases	**830**	**1,037**
2.1 Deferred taxes recognised in the year	830	1,037
a) related to previous years		137
b) due to changes in accounting policies		
c) other	830	900
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**1,205**	**3,870**
3.1 Deferred taxes derecognised in the year	1,205	3,870
a) reversals	1,205	3,870
b) due to changes in accounting policies		
c) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance	**4,839**	**5,214**

Figures in '000

12.5 Change in deferred tax assets (recognised in equity)

	Total 2016	Total 2015
Opening balance	**20**	**20**
2. Increases	**0**	**0**
2.1 Deferred tax assets recognised in the year	0	0
a) related to previous years		
b) due to changes in accounting policies		
c) other		
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**0**	**0**
3.1 Deferred tax assets derecognised in the year	0	0
a) reversals		
b) impairment due to non-recoverability		
c) due to changes in accounting policies		
d) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance	**20**	**20**

Figures in ‘000

12.6 Change in deferred tax liabilities (recognised in equity)

None.

On 14 December 2016, the Revenue Office notified the Company of two assessment notices regarding the 2011 tax year (one for transfer pricing for Euro 1,093 thousand~~-~~, and the other for withholding taxes of Euro 1,404 thousand). No specific accrual was recognised since the Company acted in full compliance with the relevant law and intends to submit solid arguments to the competent authorities. In this respect, on 10 February 2017 and in agreement with the former Single Shareholder, Banca Sistema (which replaced Beta Stepstone as a result of the merger) filed a tax settlement proposal with the Revenue Office to establish a cross examination and emphasise the groundlessness of the claims. Indeed, the Company acted correctly in checking the fairness of the transfer pricing and in total respect of the regulatory requirements applicable to withholding taxes.

Section 14 - Other assets - Item 140

14.1 Breakdown of item 140 "Other assets"

	2016	2015
Loans and receivables related to the F23 form	1,032	1,258
Prepayments	11	7
Leasehold improvements	-	21
Other	184	312
Total	**1,227**	**1,599**

Figures in ‘000

Other assets comprise (i) financial assets for unified contributions and registration taxes (F23), paid in advance by the Company on behalf of the debtors, which are recovered upon judicial and extra-judicial receipt of the factored loans and receivables, and (ii) receivables for legal fees paid in advance which, usually, are reimbursed by debtors at the end of the judicial or extra-judicial collection.

Prepayments are calculated on an accruals basis.

LIABILITIES

Section 1 – Financial liabilities - Item 10

Financial liabilities 1.1

They may be analysed as follows:

	31/12/2016			31/12/2015		
	due to banks	due to financial institutions	due to customers	due to banks	due to financial institutions	due to customers
1. Financing	-	-	-	-	**1**	-
1.1 Repurchase agreements	-	-	-	-	-	-
1.2 Other financing	-	-	-	-	1	-
2. Other liabilities	-	-	**19.575**	-	**16.175**	**23.198**
Total	-	-	**19.575**	-	**16.176**	**23.198**
Fair value – level 1	-	-	-	-	-	-
Fair value – level 2	-	-	-	-	-	-
Fair value – level 3	-	-	***19.575***	-	***16.176***	***23.198***
Total fair value	-	-	***19.575***	-	***16.176***	***23.198***

Figures in '000

Due to customers comprise the second instalments of the without-recourse purchase price of receivables pledged as collateral for the full repayment of the receivables due from each transferred debtor. These amounts are disbursed: (i) upon full collection of the receivables whose allocation is not disputed by the debtor, or (ii), where contractually provided for, provided that it is confirmed that the judicial authority's measure is no longer open to challenge. Similarly to loans and receivables with customers, financial liabilities are measured at amortised cost and discounted using the effective internal rate of return. Indeed, they originate from the same contract and the settlement date of the financial liability usually coincides with the collection date of the receivable factored.

Section 7 – Tax liabilities

Reference should be made to section 12 – Tax assets and liabilities.

Section 9 - Other liabilities - Item 90

"Other liabilities" refer to the liabilities that do not fall under the other liability items of the statement of financial position.

9.1 Breakdown of item 90 "Other liabilities"

This caption may be analysed as follows:

	31/12/2016	31/12/2015
Due to bodies for collections to be recharged	518	1.787
Trade payables	203	451
Tax authorities and social security institutions for withholdings and contributions to be paid	104	168
Accrued expenses on amounts due to employees	38	105
Other liabilities	608	546
Total	**1.470**	**3.057**

Figures in '000

Due to bodies for collections to be recharged

They refer to the amounts collected from transferred debtors and not yet reconciled due to the lack of data about the relevant receivables.

Trade payables

They mainly refer to invoices for services and consultancies received before the reporting date or invoices received after the reporting date, but pertaining to 2016, which will be paid as contractually agreed.

Other liabilities

They mainly comprise accrued expenses and deferred income, calculated on an accruals basis, collections from invoices not transferred during the reversal to the assignor and the collection of legal fees to be recharged to beneficiaries.

Section 10 – Post-employment benefits - Item 100

10.1 "Post-employment benefits": annual changes

This item changed as follows:

	Total 2016	Total 2015
A. Opening balance	**414**	**380**
B. Increases	**119**	**63**
B.1 Accruals	72	63
B.2 Other increases	47	
C. Decreases	**175**	**28**
C.1 Payments	97	21
C.2 Other decreases	77	7
D. Closing balance	**358**	**414**

Figures in '000

“Post-employment benefits” are governed by article 2120 of the Italian Civil Code and include the estimate, calculated using the above-mentioned actuarial techniques, of the amount to be paid to employees upon termination of their employment contract.

10.2 Other disclosures

Until 31 December 2012, actuarial gains and losses were entirely recognised in the income statement in accordance with the previous version of IAS 19.

Following the coming into force of the new version of IAS 19 issued by the IASB in June 2011, application of which became mandatory on 1 January 2013, actuarial gains and losses are immediately and entirely recognised in the “Statement of comprehensive income” with an impact on equity. As the *corridor approach* has never been applied, the prudential filters established by the Bank of Italy in its communication dated 8 May 2013 in terms of regulatory capital do not apply.

Post-employment benefits are broken down below in accordance with IAS 19.

Reporting period	**2016**
Past service liability at 1 January 2016	**414**
Interest cost	**9**
Current service cost	**63**
Past service liability of newly-hired employees	
Utilisation	**(175)**
Actuarial (gain) or loss	**47**
Past service liability at 31 December 2016	**358**
Post-employment benefits recognised at 31 December 2016	**358**

Figures in ‘000

Section 11 – Provisions for risks and charges − Item 110

11.1 Breakdown of item 110 “Provisions for risks and charges”

	31/12/2016	31/12/2015
Provision for risks and charges	500	-
Total	**500**	**-**

The provision was prudently accrued to cover the unfavourable outcome of some disputed loans and receivables from assignors.

11.2 Changes in item 110 “Provisions for risks and charges”

A. Opening balance	-
B. Increases	**500**
- accruals	500
- other increases	-
C. Decreases	**-**
- utilisations	-
- releases	-
- other decreases	-
D. Closing balance	**500**

Section 12 – Equity – Items 120, 130, 140 and 150

12.1 Breakdown of item 120 "Share capital"

Items/Values	Total 2016	Total 2015
1. Share capital	**47,000**	**47,000**
1.1 Ordinary shares	47,000	47,000
1.2 Other shares (to be specified)		

Figures in ‘000

The share capital is comprised of 47,000,000 ordinary shares of a nominal amount of Euro 1 each and is wholly owned by the sole shareholder Banca Sistema.

12.2 Breakdown of item 130 "Treasury shares"

None.

12.3 Breakdown of item 140 "Equity instruments"

None.

12.4 Breakdown of item 150 "Share premium"

None.

12.5 Other disclosures: item 160 “Reserves”

Pursuant to the Bank of Italy's circular no. 5365 of 2 January 2009, the company's equity is broken down below, with indication of the origin, availability and distributability of the various items comprising it.

	Amount	Possible use	Available portion	Summary of uses in the past years	
				To cover losses	Other reasons
Share capital	47.000				
Legal reserve	3.612	*(A - B)*			
Statutory reserve	10	*(A - B)*			
Revaluation reserve	(93)	*(A - B)*			
Other reserves	8.447	*(A - B - C)*	8.447		
Total	**58.976**		**8.447**		
Undistributable portion	**50.528**				
Residual distributable portion	**8.447**				

Figures in ‘000

Part C - NOTES TO THE INCOME STATEMENT

Section 1 - Interest - Items 10 and 20

1.1 Breakdown of item 10 “Interest and similar income"

	Debts instruments	Financing	Other	2016	2015
1. Financial assets held for trading	-	-	-	-	-
2. Financial assets at fair value through profit or loss	-	-	-	-	-
3. Available-for-sale financial assets	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-
5. Loans and receivables	-	-	-	**4.962**	**5.132**
5.1 - With banks	-	-	235	235	489
5.2 - With financial institutions	-	-	-	-	-
5.3 - With customers	-	4.337	391	4.727	4.643
6. Other assets	X	X	-	-	
7. Hedging derivativesa	X	X	-	-	
Total				**4.962**	**5.132**

Figures in ‘000

1.2 Interest and similar income: other disclosures

Interest income is broken down below with prior year corresponding figures:

		2016	2015	Change
Default interest		3,427	3,470	(43)
Interest income - customers		1,506	1,309	197
Interest income - banks		235	489	(254)
Other interest income - debtors' compensation, etc.		391	343	48
Total interest income		**5,558**	**5,611**	**(52)**
Lump-sum prudent adjustments to default interest		**(960)**	**(648)**	**(311)**
Interest income, net of adjustments	**A**	**4,599**	**4,962**	**(363)**
Realised gains		1,785	1,331	455
IFRS adjustments for measuring loans and receivables at amortised cost		(1,422)	(1,161)	(261)
Total gains	**B**	**363**	**170**	**194**
Interest and similar income	**A+B**	**4,962**	**5,132**	**(170)**

Figures in ‘000

1.3 Breakdown of item 20 “Interest and similar expense"

	Financing	Securities	Other	2016	2015
1. Due to banks	16	X	-	**16**	-
2. Due to financial institutions	500	X	-	**500**	**1.594**
3. Due to customers	-	X	-	-	-
4. Securities issued	X	-	-	-	-
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities	X	X	-	-	-
8. Hedging derivatives	X	X	-	-	-
Total	**500**	-	-	**516**	**1.594**

Figures in ‘000

Interest expense refers to advance payments on loans and receivables previously obtained from Unicredit Factoring S.p.A. (fully repaid) and the interest accrued during the first half of 2016 on the subordinated loan granted (and fully repaid) by the former sole shareholder Stepstone FH .

Section 2 - Fees and commissions - Items 30 and 40

2.1 Breakdown of item 30 "Fee and commission income"

Detail	Total 2016	Total 2015
1. finance leases	-	-
2. factoring transactions	929	1,205
3. consumer loans	-	-
4. guarantees issued	-	-
5. services for:	8	33
- *funds managed on behalf of third parties*	-	-
- *foreign exchange transactions*	-	-
- *product distribution*	-	-
- *other*	*8*	*33*
6. collection and payment services	375	37
7. securitisation servicing services	-	-
8. other fee and commission income:	-	-
- other	-	-
Total	**1,312**	**1,275**

Figures in ‘000

Section 8 – Net reversals of impairment losses/impairment losses – Item 100

8.1 - "Net reversals of impairment losses/impairment losses on loans and receivables"

	Impairment losses		Reversals of impairment losses		2016	2015
	individual	portfolio	individual	portfolio		
1 - Loans and receivables with banks						
- leases	-	-	-	-	-	-
- factoring	-	-	-	-	-	-
- other loans and receivables	-	-	-	-	-	-
2 - Loans and receivables with financial institutions						
Acquired impaired loans and receivables						
- leases	-	-	-	-	-	-
- factoring	-	-	-	-	-	-
- other loans and receivables	-	-	-	-	-	-
Other loans and receivables						
- leases	-	-	-	-	-	-
- factoring	-	-	-	-	-	-
- other loans and receivables	-	-	-	-	-	-
3 - Loans and receivables with customers			-	1.341	1.341	3.113
Acquired impaired loans and receivables						
- leases	-	-	-	-	-	-
- factoring	-	-	-	-	-	-
- consumer loans	-	-	-	-	-	-
- other loans and receivables	-	-	-	-	-	-
Other loans and receivables						
- leases	-	-	-	-	-	-
- factoring	-	-	-	1.341	1.341	3.113
- consumer loans	-	-	-	-	-	-
- other loans and receivables	-	-	-	-	-	-
Total	**-**	**-**	**-**	**1.341**	**1.341**	**3.113**

Figures in ‘000

The reversal of the impairment loss on the portfolio mainly refers to the collection of loans and receivables and default interest in excess of the recognised amount.

8.2 - "Net reversals of impairment losses/impairment losses on available-for-sale financial assets"

None.

8.3 - "Net reversals of impairment losses/impairment losses on held-to-maturity investments"

None.

8.4 - "Net reversals of impairment losses/impairment losses on other financial transactions"

None.

Section 9 – Administrative expenses - Item 110

9.1 Breakdown of item 110.a “Personnel expenses”

Items/Sectors	**Total 2016**	**Total 2015**
1) Employees	**1,232**	**1,447**
a) wages and salaries	840	993
b) social security charges	274	313
c) post-employment benefits		
d) pension and similar costs		
e) accrual for post-employment benefits	75	68
f) accrual for pension and similar provisions:		-
- defined contribution		
- defined benefits		
g) payments to external supplementary pension funds:		-
- defined contribution		-
- defined benefits		-
h) other personnel expense	43	73
2) Other personnel	**0**	**25**
3) Directors and statutory auditors	**477**	**524**
4) Retired personnel		
5) Cost recoveries for personnel seconded to other companies	**(49)**	**(24)**
6) Cost reimbursements for personnel seconded to the company		
Total	**1,660**	**1,972**

Figures in ‘000

9.2 Average number of employees by category

	Total 2016	Total 2015
Managers	0	2
Junior managers	5	7
Other employees	7	10
Total	**12**	**19**

Similarly to the previous reports, the Chief Executive Officer is not included in the workforce.

9.3 Breakdown of item 110.b "Other administrative expenses"

Detail	Total 2016	Total 2015
Legal, technical and professional consultancies	615	713
Office lease	218	207
Software maintenance fees	309	275
Other overheads	114	178
Travel costs and expense reimbursement	80	82
Post, telephone and data transmission costs	32	40
Undeductible VAT	-	141
Maintenance, repairs and rentals	9	62
Utilities	11	14
Total	**1,387**	**1,712**

Figures in '000

Other administrative expenses also include the fees paid to the independent auditors and other companies of the PwC network as detailed below:

Service	PwC S.p.A.		PwC network	
	Italy	Abroad	Italy	Abroad
Audit	54			
Advisory services			59	

Figures in '000

Section 10 – Depreciation and net impairment losses on property and equipment – Item 120

10.1 Breakdown of item 120 "Depreciation and net impairment losses on property and equipment"

	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	**Carrying amount (a + b + c)**
1. Assets - property and equipment	**13**	**-**	**-**	**13**
1. 1 owned				
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	9	-	-	9
d) operating assets	4	-	-	4
e) other	-	-	-	-
1. 2 under finance lease				-
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	-	-	-	-
d) operating assets	-	-	-	-
e) other	-	-	-	-
2. Investment property	-	-	-	-
a) other	-	-	-	-
Total	**13**	**-**	**-**	**13**

Figures in '000

Section 11 – Amortisation and net impairment losses on intangible assets – Item 130

11.1 Breakdown of item 130 "Amortisation and net impairment losses on intangible assets"

	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	**Carrying amount (a + b + c)**
1. Goodwill	-	-	-	-
2. Other intangible assets	**17**	-	-	**17**
2.1 Owned	17	-	-	17
2.2 Under finance lease	-	-	-	-
3. Assets related to finance leases	-	-	-	-
4. Assets under operating lease	-	-	-	-
Total	**17**	**-**	**-**	**17**

Figures in '000

Section 13 – Net accruals to provisions for risks and charges – Item 150

13.1 Breakdown of item 150 "Net accruals to provisions for risks and charges"

	2016	**2015**
Net accruals to the provision for risks and charges	500	-
Total	**500**	**-**

It was prudently recognised to cover the unfavourable outcome of some disputed loans and receivables from assignors.

Section 14 – Net other operating expense – Item 160

	Total 2016	Total 2015
14.1 Other income	55	48
14.2. Other expense	(110)	(132)
Total	**(55)**	**(84)**

Figures in '000

14.1 Breakdown of item 160 "Other operating income"

	Total 2016	Total 2015
Prior year income	12	17
Revenue from services		
Other income	43	30
Total	**55**	**48**

Figures in '000

Prior year income refers to amounts collected following legal proceedings in excess of the recognised receivable and are included in the "from collection" item.

14.2 Breakdown of item 160 "Other operating expense"

	Total 2016	Total 2015
Prior year expense	(105)	(113)
Amortisation of leasehold improvements	(3)	(14)
Other expense	(1)	(5)
Total	**(110)**	**(132)**

Figures in '000

Prior year expense refers mainly to the legal fees incurred to recover the receivables in portfolio not repaid by debtors.

Section 17 – Income taxes on continuing operations – Item 190

17.1 Breakdown of item 190 "Income taxes on continuing operations"

Component/Values	**2016**	**2015**
1. Current taxes (-)	(1,075)	(2,504)
2. Changes in current taxes from previous years (+/-)		
3. Decrease in current taxes for the year		
3.bis Decrease in current taxes for the year due to loans and receivables assets as per Law no. 214/2011	0	0
4. Change in deferred tax assets (+/-)	(31)	(1,735)
5. Change in deferred tax liabilities (+/-)	375	2,970
Tax expense for the year	**(731)**	**(1,270)**

Figures in '000

17.2 Reconciliation between the theoretical and effective tax expense

	2016	**2015**
PRE-TAX PROFIT (LOSS) ON CONTINUING OPERATIONS	**3,466**	**4,072**
Theoretical tax rate	33.22%	33.22%
Theoretical taxes	**(1,151)**	**(1,353)**
1. IRES rate adjustment		
2. IRAP rate adjustment		
3. Permanent differences	420	405
4. Transfer of prior year deferred tax assets		(322)
5. Other differences		
Income taxes recognised in the income statement (item 190)	**(731)**	**(1,270)**

Figures in '000

Section 19 – Income statement: other disclosures

19.1 Breakdown of interest and fee and commission income

	Interest income			Fee and commission income			2016	2015
	Banks	Financial institutions finanziari	Customers	Banks	Financial institutions finanziari	Customers		
1. Finance lease								
- immovable assets								
- movable assets								
- operating assets								
- intangible assets								
2. Factoring	**235**	**-**	**4.727**	**-**	**-**	**1.311**	**6.273**	**6.407**
- current accounts			1.266			667	1.934	1.907
- future loans and receivables			240			0	240	230
- loans and receivables factored without recourse			2.831			596	3.427	3.410
- loans and receivables acquired at below the nominal amount							-	-
- other financing	235		391			47	672	860
3. Consumer loans								
- personal loans								
- special-purpose loans								
- salary-backed loans								
4.Pawn loans								
5 Guarantees and commitments								
- commercial								
- financial								
Total	**235**	**-**	**4.727**	**-**	**-**	**1.311**	**6.273**	**6.407**

Figures in '000

Part D – OTHER DISCLOSURES

Section 1 – Specific disclosures about the business

B. Factoring and assignment of loans and receivables

B.1 Gross amount and carrying amount

B.1.1 - Factoring transactions

	2016			2015		
	Gross amount	Impairment losses	Carrying amount	Gross amount	Impairment losses	Carrying amount
1. Unimpaired assets	**68.938**	**3.718**	**65.221**	**79.023**	**4.469**	**74.554**
- Exposures to assignors (with recourse)	8.635	-	8.635	11.706	-	11.706
- Assignment of future receivables	2.558	-	2.558	2.755	-	2.755
- Other	6.077	-	6.077	8.951	-	8.951
- Exposures to assigned debtors (without recourse)	60.304	3.718	56.586	67.317	4.469	62.848
2. Impaired assets	**4.004**	**210**	**3.794**	**2.324**	**250**	**2.074**
2.1 Non-performing	-	-	-	-	-	-
- Exposures to assignors (with recourse)	-	-	-	-	-	-
- Assignment of future receivables						
- Other						
- Exposures to assigned debtors (without recourse)	-	-	-	-	-	-
- Loans and receivables acquired at below the nominal amount						
- Other						
2.2 Unlikely to pay	**440**	**210**	**231**	**445**	**250**	**195**
- Exposures to assignors (with recourse)	-	-	-	-	-	-
- Assignment of future receivables						
- Other						
- Exposures to assigned debtors (without recourse)	440	210	231	445	250	195
- Loans and receivables acquired at below the nominal amount						
- Other	440	210	231	445	250	195
2.3 Past due/overdue	**3.564**	**-**	**3.564**	**1.880**	**-**	**1.880**
- Exposures to assignors (with recourse)	3.564	-	3.564	1.880	-	1.880
- Assignment of future receivables						
- Other	3.564	-	3.564	1.880	-	1.880
- Exposures to assigned debtors (without recourse)	-	-	-	-	-	-
- Loans and receivables acquired at below the nominal amount						
- Other						
TOTAL	**72.942**	**3.927**	**69.015**	**81.347**	**4.719**	**76.628**

Figures in '000

B.2 Breakdown by residual maturity

B.2.1 Factoring with recourse: Advances and outstanding

Time frames	Advances		Outstanding	
	Total 2016	Total 2015	Total 2016	Total 2015
- on demand	8,112	6,127	11,646	9,396
- up to 3 months	1,014	1,656	1,455	2,539
- from 3 to 6 months	2,406	5,744	3,454	8,809
- from 6 months to 1 year				
- over 1 year				
- open term				
Total	**11,532**	**13,527**	**16,555**	**20,744**

Figures in '000

B.2.2 Factoring without recourse: exposures

Time frames	Exposures	
	Total 2016	Total 2015
- on demand	897	253
- up to 3 months	2,243	96
- from 3 to 6 months	13,219	18,389
- from 6 months to 1 year	23,649	24,647
- over 1 year	17,476	19,717
- open term		
Total	**57,484**	**63,101**

Figures in '000

B.3.1 Changes in impairment losses

B.3.1 - Factoring transactions

	Opening impairment losses	Increases				Decreases					Closing impairment losses
		Impairment losses	Losses on sales	Transfers from other categories	Other increases	Reversals of impairment losses	Gains on assignment	Transfers to other categories	Derecognition	Other decreases	
Individual impairment losses on impaired assets											
Exposures to assignors	**250**	**5**				**-**			**45**	**-**	**210**
- Non-performing	-					-					-
- Unlikely to pay	250	5							45	-	210
- Past due/overdue											
Exposures to assigned debtors											
- Non-performing											
- Unlikely to pay											
- Past due/overdue											
2. Collective impairment losses on other assets	**4.469**	**960**			**-**	**1.341**		**-**	**9**		**3.718**
- Exposures to assignors											
- Exposures to assigned debtors	4.469	960				1.341			9	361	3.718
Total	**4.719**	**965**				**1.341**		**-**	**54**	**361**	**3.927**

Figures in '000

Net impairment losses refer to default interest receivable accrued at the reporting date (Euro 3.3 million).

B.4 Other disclosures

B.4.1 Turnover of assigned loans and receivables

Item	Total 2016	Total 2015
1. Without recourse	**11,353**	**11,230**
- including: acquired at below nominal amount		
2. With recourse	**26,069**	**32,715**
Total	**37,422**	**43,945**

Figures in '000

B.4.2 Collection services

Item	Total 2016	Total 2015
Loans and receivables collected during the year	**0**	**3,984**
Loans and receivables at the reporting date	**0**	**0**

Figures in '000

B.4.3 Nominal amount of factoring for future loans and receivables

Item	Total 2016	Total 2015
Contracts to purchase future loans and receivables	**0**	**5,353**
Loans and receivables at the reporting date	**4,089**	**5,353**

Figures in '000

D. GUARANTEES GIVEN AND COMMITMENTS

D.1 Value of guarantees given and commitments

None.

Section 2 - Securitisation transactions and sale of assets

None.

Section 3 - Risks and related hedging policies

The company attaches great importance to risk management and control in order to identify, assess and measure the events which may jeopardise its objectives.

The main current and potential risks identified based on the characteristics of the business and actively managed by the company are as follows:

- credit risk: it arises from the possibility that a counterparty be unable to meet its obligations;
- concentration risk: it arises from the excess concentration with an individual assignor (with recourse) or debtor (without recourse);
- operational risk: it arises from the inadequacy or malfunctioning of procedures, human resources and internal systems, or the possibility of incidents, malfunctioning or faults causing damage to people and the environment and impacting the financial results;
- liquidity risk: it arises from the inability to meet short-term payment obligations;
- interest rate risk: it is related to the potential impact that an unexpected change in interest rates may have on the company's current profit and equity due to the mismatching of maturities;
- unquantifiable risks: they arise from risks that cannot be numerically quantified, including:
  - *strategic risk*: it is related to the forward-looking decrease in profits (or capital) due to changes in the operational background or wrong management's decisions;
  - *reputational risk*: it is related to the forward-looking decrease in profits (or capital) due to the deterioration of the image of the intermediary vis-à-vis customers, counterparties, shareholders, investors or supervisory bodies;
  - *compliance risk*: it is related to possible judicial or administrative penalties, significant financial losses or damage to reputation as a consequence of violations of imperative provisions (as prescribed by law or regulations) or also of self-regulation (e.g., articles of association, codes of conduct, corporate governance codes).

3.1 Credit risk

QUALITATIVE DISCLOSURE

1. General aspects

The company specialises in the purchasing of loans and receivables “without recourse” and “with recourse” (the latter business line was launched in 2012), specifically from the public administration.

Its business activities are regulated by Law no. 52 of 21 February 1991 with respect to commercial loans and receivables, while all other loans and receivables are governed by article 1260 and following articles of the Italian Civil Code. Its customers mainly comprise companies of any size that provide goods, works or services to the public administration.

The terms and conditions of factoring contracts agreed from time to time with the assignor are defined based on the results of the credit and legal due diligences carried out on the assigning companies and the related assigned debtors, as well as the preliminary analysis of the loans and receivables to be factored in order to check their certainty, liquidity and collectability. These assumptions are necessary to obtain the issue of a court order in the event of non-payment at maturity.

Following the assignment of loans and receivables carried out pursuant to Law no. 52/1991 or article 1260 of the Italian Civil Code, the company succeeds the assignor in its relationship with the related assigned debtors. With respect to without-recourse transactions, following the full transfer of the non-recourse risk vis-à-vis the assignor (except for returns for just cause), the company may recover the receivable only by taking legal action against the assigned debtor. The recovery of a receivable through a legal action against the assigned debtor requires the issue of a court order. The procedural status of the position is subsequently monitored together with the calculation of the estimated collection days.

With respect to with-recourse transactions, the company, which has the right to exercise the recourse action vis-à-vis the assignor, does not commence a recovery action against the debtor at the maturity date of the advance, unless the assignor does not repay the advance or expressly requests for it.

2. Credit risk management policies

2.1 Main risk factors

The credit (or counterparty) risk is the company's exposure to potential losses generated by the counterparty's failure to meet its obligations.

This risk is related to deficiencies associated with the nature of the loans and receivables purchased and the financial standing of the assignor (with recourse) or the assigned party (without recourse).

When loans and receivables are purchased without recourse, the primary counterparty risk is the assigned debtor. When the public administration (PA) is involved, the risk is vis-à-vis the public body or the local body, the local health care units (AA.SS.LL.) and hospitals (A.O.). The AA.SS.LL. and the A.O. are legally independent, but are financially supported by the central government through annual budget appropriations for the national health service and the regions.

With respect to with-recourse transactions (in the event of non-payment by the assigned debtor or return of the receivable when, during the judicial collection of the receivable, the inability to proceed against the debtor is confirmed), the company exercises its right of recourse against the assignor to obtain the return of the advances made. Consequently, the exposure to this risk refers to the assignor, instead of the assigned debtor.

The "quantifiable" risk is measured using the *standardised method* set out in the Supervisory regulations.

The credit risk may also include:

- the "*dilution*" risk, i.e., the possibility that the receivable purchased is no longer collectable at maturity due to offsetting, allowances, disputes between the assigned debtor and the assignor. This risk is mitigated by means of specific provisions included in the assignment contract;

- the risk of "*revocation claims*": under Law no. 52/1991, debtors shall pay the assignee, including should the assignor go bankrupt. Moreover, payments cannot be revoked. Furthermore, the receiver may request that the assignment be revoked should it prove that the assignee was aware of the insolvency status of the assignor when the transaction was being finalised.

These risks are monitored during the preliminary investigation stage through careful and in-depth analysis of the credit standing of the parties involved.

2.2 Risk management, measurement and control systems adopted and organisational structures responsible for it

Because of the lack of significant historical internal figures and the small number of assignors and debtors, the company is unable to develop risk measurement systems internally. Therefore, it adopts the standardised method set out in Circular no. 216 of 5 August 1996 - seventh update of 9 July 2007.

Under this method, exposures are broken down into segments, based on the nature of the counterparty and the technical characteristics of the relationship (with or without recourse) to which different weighting rates are applied. The latter may also consider the evaluations provided third parties (ECAI) acknowledged by the Bank of Italy (specifically, for public administration bodies).

With respect to IFRS-compliant factoring without recourse, exposures are allocated to "assigned debtors", while those with recourse are allocated to the "assignor", the beneficiary of the advance.

Consequently, the company carefully selects the "assignors" with which it signs assignment contracts through an accurate analysis of their credit standing, while considering the "public-sector" nature of the assigned debtors and the commercial development targets.

Selection takes place through:

- activities preliminary to the purchase of the loans/receivable (preliminary investigation);
- monitoring the debtors and assignors in portfolio (at least once a year, or earlier when additional risks are assumed);
- the transaction's settlement method (including disbursement in instalments).

Furthermore, the credit risk is constantly measured and monitored by the Risk control function through:

- portfolio analyses and assessments;
- reporting to the company's decision-making bodies.

Credit risk assumption rests with the Chief Executive Officer for amounts below Euro 500,000 and the Executive committee (comprising the Managing director and the Chairman) for higher amounts. Responsibility for related party transactions rests with the Board of directors.

As part of the process to purchase loans and receivables, in addition to the decision-making activities carried out by the Chief Executive Officer or the Executive committee, the "credit committee", comprised of the Preliminary investigation manager, the Risk control function manager, the Legal function manager, the Administrative manager and the Portfolio manager, issues "non-binding" opinions and prepares specific reports which include all information deemed useful and necessary to carefully analyse the counterparty to be assigned and the loans and receivables which may be purchased, indicating the price to be applied and the expected economic returns.

2.3 Credit risk mitigation techniques

The company does not apply risk mitigation techniques as defined in the Bank of Italy's circular no. 216, Section IV.

However, credit risk is mitigated through (i) the methods underlying the price to purchase the loans and receivables without recourse which provide for several tranches (the first upon purchase, the other ones when specific conditions, including the certification of the loan/receivable or the collection of the entire loan/receivable, are met); (ii) the pledging as a guarantee of the subsequent tranches until full recovery of all the loans and receivables purchased from the same assignor (with recourse) and obtaining of personal guarantees (specifically for with recourse transactions) subject to the preliminary evaluation of the guarantor.

2.3 Procedures and methodologies used in managing and controlling impaired financial assets

When loans and receivables are factored without recourse, the risk is vis-à-vis the assigned debtors, mainly comprised of public administration bodies. Based on Supervisory requirements, credit exposures to the PA may be classified as:

- *non-performing*: when the bodies are in financial distress;
- *unlikely to pay:* when it is improbable that the debtor fully meets its credit obligations without resorting to actions including the enforcement of guarantees;
- *past due/overdue*: when they are overdue by a continuous period of more than 90 days. The continuous period ceases when the debtor pays at least one of the other debt positions within 90 days;
- *performing*: when the counterparties show no irregularities in relation to payments.

With respect to loans and receivables factored without recourse and subsequently returned to the assignor, the risk - being the *Repurchase price* calculated on the basis of the contractual terms and conditions – is allocated to the assignor. In accordance with the Supervisory regulations, these loans and receivables are classified as:

- *performing:* when the assignor is not in default vis-à-vis the company or its payments are late by not more than 90 days or are late by more than 90 days, but only if the past due amount is below 5% of the total exposure;
- *unlikely to pay:* when it is improbable that the debtor fully meets its credit obligations without resorting to actions including the enforcement of guarantees;
- *past due/overdue*: when the exposure is past due by more than 90 days if the higher of the two following amounts is equal or greater than the 5% threshold: a) the average of the past due amount on the entire exposure measured daily in the prior quarter; b) the past due amount on the entire exposure at the reporting date;
- *non-performing*: when the party is insolvent, although not confirmed by the court, or in a substantially similar situation.

The above classification is in line with the Supervisory requirement (Circular no. 217, 13th update) as of 1 January 2015 in respect of a different definition of "*default*" which entailed the reclassification of impaired assets into: *non-performing, unlikely to pay* (replacing the watchlist loan category) and *impaired past due-overdue*. The restructured exposure category is no longer present, while the new "non-performing forbearance exposure" and the "performing forbearance exposure" categories were introduced.

When loans and receivables are returned to an assignor in relation to which there are second tranches of the purchase price of other loans and receivables, contractually withheld to guarantee the full collection of all loans and receivables purchased, the exposure is included under the "*risk of revocation claim*" when the guarantee covers the amount of the returned loan/receivable. Furthermore, when the second tranches are due, the exposure is decreased by the same amount.

Conversely, when the second tranches of the price are not enough, the personal guarantees and/or the collateral acquired as part of the contract are enforced to recover the repurchase price. Should there be no ancillary guarantees, a repayment plan of the repurchase price is usually defined based on the assignor's repayment ability.

Should it be impossible to reach an out-of-court repayment agreement, the position will be classified under the relevant category, in accordance with the Supervisory regulations referred to above, by the Risk control function, informing the Chief Executive Officer.

The exposures related to "with recourse" transactions are classified as impaired past due-overdue in accordance with the "debtor's approach" regulation.

QUANTITATIVE DISCLOSURE

1. Credit exposures by portfolio and credit quality

Portfolio/Quality	Non-performing	Unlikely to pay	Impaired past due/overdue	Unimpaired past due/overdue	Other unimpaired	**Total**
1. Available-for-sale financial assets						
2. Held-to-maturity investments						
3. Loans and receivables with banks					14,361	**14,361**
4. Loans and receivables with customers		231	3,564	1,841	63,458	**69,093**
5. Financial assets at fair value through profit or loss						
6. Financial assets held for sale						
Total 2016	**0**	**231**	**3,564**	**1,841**	**77,819**	**83,454**
Total 2015	**0**	**195**	**1,880**	**1,791**	**101,715**	**105,581**

Figures in '000

Loans and receivables with banks show the company's current account balances.

2. Credit exposure

2.1- Loans and receivables with customers: gross amounts, carrying amounts and residual maturity brackets

	Gross amount					Individual impairment	Collective impairment	Carrying amount
	Impaired assets				Unimpaired assets			
	up to 3 months	from 3 to 6 months	from 6 months to 1 year	more than 1 year				
A. ON-STATEMENT FINANCIAL POSITION								
a) Non-performing					x		x	
of which: forborne exposures					x		x	
b) Unlikely to pay	440				x	210	x	**231**
of which: forborne exposures					x		x	
c) Impaired past due/overdue exposures		3.564			x		x	**3.564**
of which: forborne exposures		2.811			x		x	
d) Unimpaired past due/overdue exposures	x	x	x	x	1.841	x		**1.841**
of which: forborne exposures	x	x	x	x		x		
e) Other unimpaired exposures	x	x	x	x	67.176	x	3.718	**63.459**
of which: forborne exposures	*x*	x	x	x		x		x
TOTAL A	**440**	**3.564**	**0**	**0**	**69.018**	**210**	**3.718**	**69.094**
B. OFF-STATEMENT FINANCIAL POSITION								
a) Impaired					x		x	
b) Unimpaired	x	x	x	x		x		
TOTAL B	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL A + B	**440**	**3.564**	**0**	**0**	**69.018**	**210**	**3.718**	**69.094**

Figures in '000

2.2- Loans and receivables with banks and financial institutions: gross amounts, carrying amounts and residual maturity bracket

	Gross amount					Individual impairment	Collective impairment	Carrying amount
	Impaired assets deteriorate				Unimpaired assets			
	up to 3 months	from 3 to 6 months	from 6 months to 1 year	more than 1 year				
A. ON-STATEMENT FINANCIAL POSITION								
a) Non-performing					x		x	
of which: forborne exposures					x		x	
b) Unlikely to pay					x		x	
of which: forborne exposures					x		x	
c) Impaired past due/overdue exposures					x		x	
of which: forborne exposures					x		x	
d) Unimpaired past due/overdue exposures	x	x	x	x		x		
of which: forborne exposures	x	x	x	x		x		
e) Other unimpaired exposures	x	x	x	x	14.361	x		14.361
of which: forborne exposures	x	x	x	x		x		
TOTAL A	**0**	**0**	**0**	**0**	**14.361**	**0**	**0**	**14.361**
B. OFF-STATEMENT FINANCIAL POSITION								
a) Impaired					x		x	
b) Unimpaired	x	x	x	x		x		
TOTAL B	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL A + B	**0**	**0**	**0**	**0**	**14.361**	**0**	**0**	**14.361**

Figures in '000

These are the company's current account balances.

2.3- Classification of exposures based on external and internal ratings

2.3.1 Breakdown of credit exposure on- and off-statement of financial position by external rating class

	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-statement of financial position			56.586				12.507	69.093
B. Derivatives								
B.1 Financial derivatives								
B.2 Credit derivatives								
C. Guarantees given								
D. Commitments to disburse funds								
E. Other								
Total	-	-	**56.586**	-	-	-	**12.507**	**69.093**

Figures in '000

The Baa2 rating (class 3) assigned to the sovereign risk by the external rating agency Moody's leads to a weighting rate of 100% of exposures to public administration bodies, except for local bodies (20%) and central administrations (0%). The weighting rate of exposures with no ratings is 100%.

2.3.2 Breakdown of credit exposure on- and off-statement of financial position by internal rating class

None.

3. Credit concentration

3.1 Breakdown of loans and receivables with customers by the counterparty's business segment

in thousands of Euros	**Values at 31 December 2016**	**Values at 31 December 2015**
BODIES PROVIDING HEALTH SERVICES	€ 38,728	€ 43,515
MANUFACTURING COMPANIES	€ 12,181	€ 13,724
OTHER BODIES PROVIDING HEALTH SERVICES	€ 9,817	€ 11,584
REGIONAL ADMINISTRATIONS	€ 7,071	€ 7,518
MUNICIPALITIES AND GROUPS OF MUNICIPALITIES	€ 665	€ -
UNITS OR COMPANIES WITH 20 OR MORE EMPLOYEES	€ 184	€ 202
COMPANIES CONTROLLED BY LOCAL ADMNISTRATIONS	€ 138	€ 137
COMPANIES WITH FEWER THAN 20 EMPLOYEES	€ 131	€ 42
OTHER LOCAL ADMNISTRATIONS	€ 86	
GOVERNMENT ORGANISATIONS AND BODIES	€ 86	€ 89
BODIES PROVIDING ECONOMIC SERVICES	€ 5	€ 5
BODIES PROVIDING CULTURAL AND ASSISTANCE SERVICES	€ 1	€ 1
Total	**€ 69,093**	**€ 76,815**

3.2 Breakdown of loans and receivables with customers by the counterparty's geographical segment

in thousands of Euros	**Values at 31 December 2016**	**Values at 31 December 2015**
CALABRIA	€ 36,299	€ 41,462
CAMPANIA	€ 23,240	€ 23,301
LAZIO	€ 6,823	€ 8,608
VENETO	€ 2,600	€ 2,808
PUGLIA	€ 111	€ 193
ABRUZZO	€ 5	€ 5
MOLISE	€ 4	€ 342
MARCHE	€ 4	-€ 49
LOMBARDY	€ 3	€ 3
PIEDMONT	€ 3	€ 3
SARDINIA	€ -	€ 137
EMILIA-ROMAGNA	€ -	€ 2
Total	**€ 69,093**	**€ 76,815**

3.3 Large exposures

Large exposures are positions equal to or greater than 10% of the regulatory capital.
At 31 December 2016, only two positions exceeded 10% of the regulatory capital, as shown below:

Debtor	**Carrying amount**	**Weighted amount**
ASL NAPOLI 3SUD	9,602,782	9,602,782
A.S. PROV.LE OF CROTONE	8,863,855	8,863,855

No risk position exceeds 25% of the regulatory capital. Consequently, no additional requirement envisaged by regulation when exceeding the threshold is necessary.

4 Models and other methodologies to measure and manage credit risk

None.

5 Other quantitative disclosure about credit risk

Performing exposures to the assignor for with-recourse advances and returned loans and receivables have a weighting rate of 100%.

3.2 Market risk

The company is not exposed to the market risk as its portfolio does not include financial instruments.

3 *2.1 Interest rate risk*

The company is exposed to the interest rate risk only to the extent of its non-current portfolio, while it is not exposed to this risk (included in the market risk) as it does not have a significant trading book.
With respect to liabilities, the company is no longer exposed to banks and the amounts due to customers in relation to the payment of the second tranches of the consideration for the loans and receivables purchased without recourse do not bear any interest. The interest rate risk determines the potential impact that an unexpected change in interest rates may have on the company's current profit and equity due to the mismatching between lending and funding.
Loans bear a fixed rate, considering as such also the rate applicable to default interest pursuant to Legislative decree no. 231 on past due/overdue loans and receivables purchased without recourse (8% + ECB rate which is substantially close to zero).

The company measures this risk in accordance with the methodology described in annex C, Title III, Chapter 1 of the Annex to Circular no. 263.

QUANTITATIVE DISCLOSURE

1. Breakdown of financial assets and liabilities by residual life (repricing date)

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**15.469.329**	**2.261.577**	**13.306.697**	**35.336.658**	**17.615.327**	**0**	**0**	**0**
1.1 Debt instruments								
1.2 Loans and receivables	15.469.329	2.261.577	13.306.697	35.336.658	17.615.327	0		
1.3 Other instruments								
2. Liabilities	**(1.638.690)**	**(1.411.312)**	**(4.779.137)**	**(7.842.528)**	**(3.903.429)**	**0**	**0**	**0**
2.1 Amounts due	(1.638.690)	(1.411.312)	(4.779.137)	(7.842.528)	(3.903.429)			
2.2 Securities issued								
2.3 Other liabilities								
3. Financial derivatives								
Options								
3.1 Long positions								
3.2 Short positions								
Other derivatives								
3.3 Long positions								
3.4 Short positions								

Figures in '000

The company's portfolio is mainly comprised of past due/overdue loans and receivables from the public administration whose residual life is related to the expected collection days.

The estimated term also considers the debtor's geographical segment, the progress of the recovery of the loan/receivable through legal action and the existence of any ban on seize. The estimate does not include the payments made voluntarily by the debtors given the little significance of this event and the short historical series supporting quantitative estimates.

There are no financial liabilities bearing floating rates.

2. Models and other methodologies to measure and manage the interest rate risk

The interest rate risk on the non-current portfolio is a "*quantifiable*" risk in relation to which the company applies the methodology described in Annex M to the Bank of Italy's Circular no. 216 as part of Pillar II risk quantification.

3. Other quantitative disclosure about the interest rate risk

None.

3.2.2 Price risk

QUALITATIVE DISCLOSURE

The company is not exposed to price risk, which is included in the market risk, as it has no instruments generating this risk.

1. General aspects

QUANTITATIVE DISCLOSURE

Not significant.

1. Models and other methodologies to measure and manage the price risk

Not significant.

2. Other quantitative disclosure about the price risk

Not significant.

3.2.2 Currency risk

The company has no foreign currency assets or liabilities. Consequently, it is not exposed to the currency risk.

3.3 Operational risks

QUALITATIVE DISCLOSURE

Operational risks refer to the losses or damage suffered by company or third parties as a result of the inadequacy or malfunctioning of procedures, systems and human resources or from external events.

In order to identify and monitor the operational risks typical of its activities, the company has identified the operational risks, if any, existing within its processes, setting up and implementing the controls necessary to mitigate them. The risk of losses or damage that may arise from the sudden unavailability of one or more technical applications and/or infrastructures (hardware and software), due to material damage, is mitigated through prevention and control activities, including data back-up, review, maintenance and disaster recovery plans.

Finally, the evolution of the relevant regulatory and legislative background is another potential source of risk. In this respect, the company monitors its internal procedures and policies to ensure compliance with the regulations applicable from time to time, in order to implement any changes and minimise any financial impact.

QUANTITATIVE DISCLOSURE

Operational risk	**2014**	**2015**	**2016**	**Three-year average**	**Capital requirement 2016**
Total income	6,662	4,813	5,758	5,744	862

Figures in '000

3.4 Liquidity risk

QUALITATIVE DISCLOSURE

1. General aspects, management processes and methods of measuring the liquidity risk

The funding liquidity risk, related to the company's current or future inability to meet its financial commitments, is the main source of risk. The exposure to this risk is mitigated by:

- the cash inflows from the collection of the loans and receivables in portfolio;
- the cash and cash equivalents on open bank current accounts.

The company is not exposed to the market liquidity risk as it has no trading books.

Under its lending and funding structure, the company has no significant misalignments between the maturity dates of collections and payments.

With respect to transactions without recourse, payment of the first tranche of the consideration to the assignor is financed by the cash and cash equivalents available on bank current accounts.

Payment of the second tranche to the assignor (and repayment of the advance to the lending body) is subject to the full collection of the related loan/receivable.

With respect to factoring with recourse, the advance to the disbursed to the assignor (up to 80% of the transferred loan/receivable) is drawn from the cash and cash equivalents available on bank current accounts. When the transferred loan/receivable is collected, the company decreases the advance granted to the assignor and, should the collected amount be greater than the exposure, it will pay the excess amount to the assignor.

The regular flow of collections and deposits on bank current accounts prevents the liquidity risk.

Therefore, the liquidity risk is subject to the following factors:

- the slowdown in the collection flow;
- the zeroing of available funds on bank current accounts.

In order to minimise the above risk, the company:

- regularly monitors the collection flow;
- carefully checks the available funds on open bank current accounts.

Under its lending and funding structure, the company has no significant misalignments between the maturity dates of collections and payments.

The recourse to sources of financing has always considered the sustainability of costs and the company's ability to repay.

To date, the company is not indebted to banks. The funding structure changed as follows over the past three years:

Sources of financing	**2013**	**2014**	**2015**	**2016**
Banks and financial intermediaries	€ 56,863,670	€ 6,091,141	€ -	€ -
Subordinated loan from the former sole shareholder	€ 13,744,658	€ 14,944,658	€ 16,144,658	€ -
Loan from the former sole shareholder	€ 16,333,476	€ 17,326,580	€ -	€ -
II tranches – assignors	€ 48,899,408	€ 35,882,780	€ 23,198,305	€ 19,575,096

In order to monitor the liquidity risk, the Administration department produces a monthly report which shows available cash and the projected outflows of the month (advances/balance to be disbursed to assignors, current expenses, e.g., salaries, payment of interest expense, etc.). Together with the Risk control function, it checks that the projection balance is not below Euro 500,000 (the significant threshold that ensures that the company's will continue as a going concern for at least two months) and provides the Chief Executive Officer with adequate information. To date, the company has always complied with this threshold.

QUANTITATIVE DISCLOSURE

1. Breakdown of financial assets and liabilities by residual contractual maturity – Currency: Euro

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 to 3 years	From 3 years to 5 years	After 5 years	Open term
On-statement of financial position assets	**15.469**			**8.328**	**2.876**	**12.143**	**17.461**	**16.898**	**0**		
A.1 Government bonds											
A.2 Other debt instruments											
A.3 Financing	1.107		0	8.328	2.876	12.143	17.461	16.898			
A.4 Other assets	14.362						0	0	0		
On-statement of financial position liabilities	**(1.639)**			**(1.152)**	**(267)**	**(4.911)**	**(8.221)**	**(4.621)**	**0**		
B.1 Due to:											
- Banks											
- Financial institutions											
- Customers	(1.639)			(1.152)	(267)	(4.911)	(8.221)	(4.621)	0		
B.2 Debt instruments											
B.3 Other liabilities											
Off-statement of financial position transactions											
C.1 Financial derivatives with exchange of principal											
- Long positions											
- Short positions											
C.2 Derivatives withouth exchange of principal											
- Positive differentials											
- Negative differentials											
C.3 Financing to be received											
- Long positions											
- Short positions											
C.4 Irrevocable commitments to disburse funds											
- Long positions											
- Short positions											
C.5 Financial guarantees issued											
C.6. Financial guarantees received											

Figures in ‘000

The company's portfolio is mainly comprised of past due/overdue loans and receivables from the public administration whose residual life is related to the expected collection days.

The estimated term also considers the debtor's geographical segment, the progress of the recovery of the receivable through legal action and the existence of any ban on seize. The payments made voluntarily by the debtors were excluded given the little significance of this event and the short historical series supporting quantitative estimates.

Section 4 – Equity

4.1 Company's equity

4.1.1 Qualitative disclosure

The company's definition of Regulatory capital is consistent with that set out in the Bank of Italy's circular no. 216, Section II.

The company must comply with the capital requirements on an individual basis as it belongs to a group whose parent is based in Europe. As it does not collect savings from the general public, in accordance with the applicable legislation, it applies 6% to the risk-weighted positions, maintaining a capital requirement for credit risk far above the regulatory threshold.

4.1.2 Qualitative disclosure

4.1.2.1 Company's equity: breakdown

Items/Values	2016	2015
1. Share capital	47,000	47,000
2. Share premium		
3. Reserves	12,069	11,929
- income-related		
a) legal reserve	3,612	3,471
b) statutory	10	10
c) treasury shares		
d) other	8,447	8,447
- other		
4. (Treasury shares)		
5. Valuation reserves	-93	-46
- Available-for-sale financial assets		
- Property and equipment		
- Intangible assets		
- Hedges of investments in foreign operations		
- Cash flow hedges		
- Exchange rate gains/(losses)		
- Non-current assets held for sale and disposal groups		
- Net actuarial losses on defined benefit plans	-93	-46
- Portion of valuation reserves of equity-accounted investments		
6. Equity instruments		
7. Profit (loss) for the year	2,735	2,802
Total	**61,711**	**61,684**

Figures in '000

4.1.2.2 Valuation reserves for available-for-sale financial assets: breakdown

None.

4.1.2.3 Valuation reserves for available-for-sale financial assets: annual changes

None.

4.2 REGULATORY CAPITAL AND RATIOS

4.2.1 Regulatory capital

4.2.1.1 Qualitative disclosure

The company's regulatory capital is almost entirely comprised of the share capital, reserves and the profit for the year.

4.2.1.2 Quantitative disclosure

	Totale 2016	Totale 2015
A. Tier 1 capital (Common Equity Tier 1 – CET1) before the application of prudential filters	61.711	59.022
of which CET1 instruments subject to transitional provisions		
B. CET1 prudential filters (+/-)		
C. CET1 before deductions and the effect of transitional provisions (A +/- B)	61.711	59.022
D. Deductions from CET1	-14	-24
E. Transitional provisions – Impact on CET1 (+/-)		
F. Total Tier 1 capital (Common Equity Tier 1 – CET1) (C – D +/-E)	61.697	58.998
G. Additional Tier 1 – AT1) before deductions and the effect of transitional provisions		
of which AT1 instruments subject to transitional provisions		
H. Deductions from AT1		
I. Transitional provisions – Impact on AT1 (+/-)		
L. Total Additional Tier 1 – AT1 (G - H +/- I)	61.697	58.998
M. Tier 2 –T2 before deductions and the effect of transitional provisions	0	16.145
of which T2 instruments subject to transitional provisions		
N. Deductions from T2		
O. Transitional provisions – Impact on T2 (+/-)		0
P. Total Tier 2 –T2 (M - N)		16.145
Q. Regulatory capital (F + L + P)	61.697	75.143

Figures in ‘000

Tier 1 capital of 2015 (A) is shown net of the dividend paid in 2016.

4.2.2 Capital adequacy

4.2.2.1 Qualitative disclosure

The company calculates the Total internal capital in accordance with applicable regulations and the principle of proportionality, applying the Building block approach, whereby the regulatory requirements for Pillar 1 risks are added up to internal capital, if any, related to the other significant Pillar 2 measurable risks.

The calculation of the total internal capital considers and quantifies the following risks:

- Credit risk;
- Operational risk;
- Concentration risk (granularity adjustment);
- Exceeding the individual thresholds set by Supervisory requirements;
- Rate on the non-current portfolio.

The equity components used to cover the total internal capital are the same as those used to calculate regulatory capital. Consequently, the capital adequacy with respect to the risks to which the company is exposed is assessed by comparing the total internal capital against regulatory capital.

Until 31 December 2014, the company has disclosed information about its capital adequacy, risk exposure and the general characteristics of the systems used to identify, measure and manage these risks (Pillar III) on the website of the trade association (ASSIFACT). Starting from 1 January 2015, this information has been available on its website www.betastone.com.

Following the company's merger into Banca Sistema, the information about 2016 will be included in the disclosure provided by the parent, Banca Sistema, available on the website www.bancaistema.it.

4.2.2.2 Quantitative disclosure

	Unweighted amounts		Weighted amounts	
	2016	**2015**	**2016**	**2015**
A. RISK ASSETS				
A.1 Credit and counterparty risk				
1. Standardised methodology	**89.513**	**109.858**	**68.729**	**79.221**
2. Internal rating-based methodology				
2.1 Basic				
2.2 Advanced				
3. Securitisation				
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**4.124**	**4.753**
B.2 Credit valuation adjustment risk				
B.3 Settlement risk				
B.4 Market risk				
1. Standard methodology				
2. Internal models				
3. Concentration risk				
B.5 Operational risk			**862**	**991**
1. Basic			862	991
2. Standardised				
3. Advanced				
B.6 Other prudential requirements				
B.7 Other calculation elements				
B.8 Total prudential requirements			**4.985**	**5.744**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Weighted risk assets			83.089	95.736
C.2 Tier 1 capital/Weighted risk assets (CET 1 capital ratio)			74%	62%
C.3 Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)			74%	62%
C.4 Regulatory capital/Weighted risk assets (Total capital ratio)			74%	78%

Figures in ‘000

Prudential reporting figures at 31 December 2016.

Section 5 – Statement of comprehensive income

		2016	2015
10	**Profit for the year**	**2.734.882**	**2.801.596**
	Other comprehensive income/(expense), net of income tax, that will not be reclassified subsequently to profit or loss		
20	Property and equipment		
30	Intangible assets		
40	Defined benefit plans	(46.571)	7.047
50	Non-current assets held for sale		
60	Portion of valuation reserves of equity-accounted investees		
	Other comprehensive income/(expense), net of income tax, that will be reclassified subsequently to profit or loss		
70	Hedges of investments in foreign operations		
80	Exchange rate gains/(losses)		
90	Cash flow hedges		
100	Available-for-sale financial assets		
110	Non-current assets held for sale		
120	Portion of valuation reserves of equity-accounted investees		
130	**Total other comprehensive income/(expense), net of income tax**	**(46.571)**	**7.047**
140	**Comprehensive income (items 10+130)**	**2.688.311**	**2.808.643**

Section 6 – Related party transactions

Transactions with the parent

Share capital is wholly owned by Banca Sistema S.p.A. which, pursuant to article 2497 and following articles of the Italian Civil Code, manages and coordinated the Company.

The highlights of the parent's statement of financial position and income statement relating to the last approved individual financial statements for 2015 are given below:

Statement of financial position

	Assets	31/12/2015	31/12/2014
10.	Cash and cash equivalents	104,251	66,274
20.	Financial assets held for trading	-	62,800
40.	Available-for-sale financial assets	925,401,846	858,007,084
60.	Loans and receivables with banks	1,996,278	16,591,377
70.	Loans and receivables with customers	1,459,255,000	1,194,759,295
100.	Equity investments	2,377,570	2,377,420
110.	Property and equipment	1,046,900	1,176,601
120.	Intangible assets	1,871,896	1,904,214
	of which: goodwill	*1,785,760*	*1,785,760*
130.	Tax assets	7,352,330	2,752,361
	a) current	3,536,812	41,044
	b) deferred	3,815,518	2,711,317
	of which: as per Law no. 214/2011	2,658,441	2,261,265
150.	Other assets	12,587,718	4,322,640
	Total assets	**2,411,993,789**	**2,082,020,066**

	Liabilities and equity	31/12/2015	31/12/2014
10.	Due to banks	362,075,254	821,403,761
20.	Due to customers	1,878,338,848	1,153,796,527
30.	Securities issued	20,102,319	20,109,447
80.	Tax liabilities	804,176	6,248,024
	a) current	-	6,233,877
	b) deferred	804,176	14,147
100.	Other liabilities	55,617,999	36,591,590
110.	Post-employment benefits	1,303,389	1,173,344
120.	Provisions for risks and charges	348,370	998,730
	b) other provisions	348,370	998,730
130.	Valuation reserves	350,413	1,778
160.	Reserves	26,929,739	9,526,896
170.	Share premium	39,435,649	4,325,085
180.	Share capital	9,650,526	8,450,526
200.	Profit (Loss) for the year (+/-)	17,037,107	19,394,357
	Total liabilities and equity	**2,411,993,789**	**2,082,020,066**

in Euros

Income statement

		2015	2014
10.	Interest and similar income	79,258,219	75,842,919
20.	Interest and similar expense	(21,012,533)	(27,455,229)
30.	**Net interest income**	**58,245,686**	**48,387,690**
40.	Fee and commission income	12,741,843	12,537,011
50.	Fee and commission expense	(1,571,431)	(1,066,587)
60.	**Net fee and commission income**	**11,170,412**	**11,470,424**
70.	Dividends and similar income	32,850	33,070
80.	Net trading income	151,958	885,611
100.	Gain on the sale or repurchase of:	2,518,381	3,810,045
	b) available-for-sale financial assets	2,518,381	3,809,959
	d) financial liabilities	-	86
120.	**Total income**	**72,119,287**	**64,586,840**
130.	Net impairment losses/reversals of impairment losses on:	(5,439,467)	(3,644,928)
	a) loans and receivables	(5,439,467)	(3,644,928)
140.	**Net financial income**	**66,679,820**	**60,941,912**

150.	Administrative expenses:	(41,803,993)	(30,484,566)
	a) personnel expenses	(16,778,714)	(11,520,273)
	b) other administrative expenses	(25,025,279)	(18,964,293)
160.	Net accruals to provisions for risks and charges	300,000	(369,448)
170.	Net impairment losses/reversals of impairment losses on property and equipment	(246,402)	(182,084)
180.	Net impairment losses/reversals of impairment losses on intangible assets	(60,059)	(39,680)
190.	Other operating income/expense	72,293	(338,465)
200.	**Operating costs**	**(41,738,161)**	**(31,414,243)**
210.	Net gains (losses) on equity investments	-	-
250.	**Pre-tax profit (Loss) on continuing operations**	**24,941,659**	**29,527,669**
260.	Income taxes on continuing operations	(7,904,552)	(10,133,312)
290.	**Profit (Loss) for the period**	**17,037,107**	**19,394,357**

in Euros

Related party transactions were carried out on an arm's length basis and exclusively referred to the current account held with the parent which, at 31 December 2016, had a credit balance of Euro 14,294,789. Furthermore, they comprise the commercial collaboration agreement signed on 16 September 2016 whereby the Company received fees of Euro 46,695 from Banca Sistema.

In the first half of 2016, the subordinated loan (nominal amount for supervisory purposes of Euro 10,000,000) was repaid to the former sole shareholder Stepstone FH - a related party until 1 July 2016, in addition to interest accrued on the signing date (of which Euro 499,726 pertaining to the year).

Transactions with Directors and Statutory Auditors

As set out in table 9.1 Part C of these notes, the Directors' fees amount to Euro 401 thousand. Together with those paid to the Board of statutory auditors (Euro 76 thousand), the fees total Euro 477 thousand.

BETA STEPSTONE S.P.A.

Società per Azioni con socio unico

* * *

RELAZIONE DEL COLLEGIO SINDACALE

ALL'ASSEMBLEA DEGLI AZIONISTI CONVOCATA PER L'APPROVAZIONE DEL

BILANCIO CHIUSO AL 31 DICEMBRE 2016

ai sensi dell'art. 2429 comma 2 cod. civ.

***

Parte prima: introduzione

Signori Azionisti di Banca Sistema S.p.A., che in virtù della operazione straordinaria di fusione intervenuta con effetto giuridico dal primo istante del 01 gennaio 2017 siete chiamati ad approvare il bilancio di Beta Stepstone S.p.A. ("**Società**"), incorporata in Banca Sistema S.p.A.,

la presente relazione è stata approvata collegialmente ed in tempo utile per il suo deposito presso la sede della società, nei 15 giorni precedenti la data di convocazione dell'assemblea di approvazione del bilancio.

Con deliberazione assunta nel corso dell'Assemblea ordinaria del 01 luglio 2016, a seguito delle dimissioni del precedente Collegio Sindacale, è stato nominato il nuovo Collegio Sindacale, nelle persone degli scriventi Dott. Diego De Francesco (Presidente), Dott. Fedele Gubitosi (Sindaco Effettivo, già Presidente di codesto organo di controllo) e Dott. Cesare Girello (Sindaco effettivo); prima della riunione del 15 dicembre 2016, quest'ultimo ha rassegnato le proprie dimissioni per ragioni strettamente personali, venendo per l'effetto sostituito dal Dott. Massimo Conigliaro, il quale era Sindaco Supplente.

Nel corso dell'esercizio 2016, in conformità alle disposizioni di legge e di Statuto, abbiamo vigilato sull'osservanza della legge, dei regolamenti e dello Statuto; nel rispetto dei principi di corretta amministrazione; sull'adeguatezza e funzionamento dell'assetto organizzativo nonché sull'adeguatezza e funzionamento dell'assetto amministrativo e contabile, così come sugli altri atti e fatti previsti dalla legge.

In particolare ribadiamo che la Società è ad oggi fusa per incorporazione in Banca Sistema S.p.A. e pertanto il soggetto giuridico Beta Stepstone S.p.A. è estinto; ciononostante, essendo la fusione efficace a partire dal primo istante dell'anno 2017, è stato necessario redigere e portare all'approvazione dell'assemblea degli azionisti (di Banca Sistema S.p.A.) il bilancio dell'esercizio chiuso al 31 dicembre 2016, ultimo giorno di esistenza dell'entità giuridica Beta Stepstone S.p.A.

Abbiamo esaminato il progetto di bilancio d'esercizio di Beta Stepstone S.p.A. al 31 dicembre 2016 (il "**Bilancio**"), composto dallo Stato Patrimoniale, dal Conto Economico, dal Prospetto della Redditività complessiva, dal Prospetto delle variazioni di Patrimonio Netto, dal Rendiconto Finanziario e dalla Nota

Integrativa, corredato dalla Relazione sulla Gestione e dai prospetti informativi complementari, portante un utile di esercizio di € 2.734.882,00.

Il Consiglio di Amministrazione, ad esito dell'approvazione avvenuta in data 08 marzo 2017, ha messo a nostra disposizione il fascicolo nei termini di legge.

Nel corso del 2016 e fino alla data odierna il Collegio Sindacale *pro tempore* in carica ha effettuato 6 riunioni (inclusa quella relativa alla stesura della presente relazione), ed ha partecipato alle riunioni degli organi sociali.

Di tutte le attività descritte poc'anzi Vi diamo dettagliata informativa nel seguito della presente relazione.

Parte seconda: vigilanza sul rispetto delle leggi e dello Statuto

Nel presente paragrafo vi riferiamo sull'attività svolta da questo Collegio Sindacale ai sensi dell'art. 2403 del codice civile.

Nel corso dell'esercizio il Collegio ha vigilato sull'osservanza della legge, dell'atto costitutivo e sul rispetto dei principi di corretta amministrazione. L'attività è stata ispirata ai principi di comportamento del Collegio Sindacale raccomandati dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili.

Oltre alle riunioni sindacali di cui si è scritto precedentemente, nel corso del 2016 il Collegio *pro tempore* in carica ha partecipato alle riunioni degli organi sociali, svoltesi nel rispetto delle norme statutarie, legislative e regolamentari che ne disciplinano il funzionamento e in virtù delle quali si può ragionevolmente assicurare che le deliberazioni adottate sono state conformi alla legge ed allo Statuto sociale, non sono state manifestamente imprudenti, azzardate o in potenziale conflitto d'interesse né in contrasto con quelle assunte dall'Assemblea degli Azionisti o tali che abbiano potuto compromettere l'integrità del patrimonio sociale.

Nello svolgimento delle proprie attività in seno alle riunioni sindacali, il Collegio si è riunito periodicamente con i responsabili delle principali funzioni interne della Società (*compliance* e antiriciclaggio, sistema di controllo interno e *audit*, finanza); ha esaminato i documenti forniti ed effettuato le proprie analisi e valutazioni, riepilogate nei propri verbali e che non hanno portato all'emersione di elementi in grado di far dubitare del rispetto della legge, dello Statuto sociale e dei principi di corretta amministrazione; ha analizzato le operazioni di maggior rilievo economico, finanziario e patrimoniale, giudicandole non azzardate e/o pregiudizievoli per l'andamento economico, patrimoniale e finanziario della Società.

Il Collegio Sindacale dà atto che nel corso delle riunioni consiliari e nel bilancio sono state esposte le principali informazioni inerenti i rapporti della Banca con parti correlate. Al riguardo, il Collegio Sindacale ritiene opportuno richiamare l'attenzione dei soci sulla lettura dei paragrafi della Relazione sulla Gestione e della Nota Integrativa in cui tali accadimenti sono descritti.

Fra i fatti di rilievo verificatisi nel 2016 segnaliamo:

- La rinnovata composizione di codesto organo di controllo;
- La sottoscrizione dell'accordo di *share purchase agreement*, tra Stepstone Financial Holdings e Banca Sistema, che ha comportato il *change of control* della proprietà della Società;
- La fusione per incorporazione di Beta Stepstone S.p.A. in Banca Sistema, la cui efficacia giuridica e fiscale è stata posticipata al 1° gennaio 2017;
- L'avvio del procedimento di iscrizione all'albo unico degli Intermediari Finanziari, di cui al novellato art. 106 del T.U.B., come da comunicazione di Banca d'Italia ricevuta in data 22 aprile 2016;
- La ricezione di n. 2 avvisi di accertamento riferiti al periodo d'imposta 2011, uno riferito al *transfer pricing* e l'altro relativo alla *witholding tax*. Al riguardo si riporta un estratto del bilancio d'esercizio chiuso al 31 dicembre 2016: *"Il 14.12.2016 l'Agenzia delle Entrate ha peraltro notificato alla Società due avvisi di accertamento circa l'annualità d'imposta 2011 (uno sul transfer pricing per euro 1.093 m, l'altro sulla witholding tax per euro 1.404 m). Non si è effettuato alcun accantonamento specifico in quanto la Società ritiene di aver rispettato pienamente la normativa di riferimento, intende far valere le proprie ragioni nelle sedi più opportune e Banca Sistema, subentrata nella posizione per effetto della fusione per incorporazione di Beta Stepstone con efficacia dal 1° gennaio 2017, ha ottenuto al riguardo idonee garanzie e indennizzi contrattuali dall'ex Socio Unico di Beta Stepstone (Stepstone Financial Holdings)."*;
- L'ottenimento del nulla osta da parte di Banca d'Italia, ai fini del rimborso a Stepstone Financial Holdings, parte correlata fino al 1° luglio 2016, del prestito subordinato computabile ai fini di vigilanza di nominali Euro 10.000.000, oltre gli interessi maturati dalla data di sottoscrizione;
- L'effettuazione degli adempimenti richiesti da Banca D'Italia a seguito dell'iscrizione nell'elenco speciale ex art. 107 del D.Lgs. 385/93 – a titolo esemplificativo e non esaustivo: segnalazione in Centrale Rischi, segnalazioni di vigilanza e segnalazioni usura;
- Il monitoraggio delle attività aziendali in coerenza con il *Risk Appetite Framework*.

In materia di "fatti di rilievo avvenuti nel corso dell'esercizio" si rinvia altresì al contenuto della relazione sulla gestione predisposta dagli amministratori.

Infine, ai sensi dell'art. 2408 del c.c. si dichiara che, nel corso del 2016, non è stata ricevuta alcuna denunzia da parte dei Soci, né esposti di altro tipo, né fatti censurabili o comunque negativamente rilevanti segnalati dalla Società di Revisione o da altri, tali da richiedere la segnalazione alla Banca d'Italia e/o menzione nella presente relazione.

Parte terza: vigilanza sul bilancio di esercizio

Nella presente sezione diamo conto della nostra attività di controllo inerente la composizione e redazione del bilancio di esercizio di Beta Stepstone S.p.A. per il periodo chiuso al 31 dicembre 2016.

Il Bilancio è stato redatto secondo i Principi Contabili Internazionali (IAS/IFRS), omologati dalla Commissione Europea e recepiti in Italia dal Decreto Legislativo 28 febbraio 2005, n. 38 tenendo in considerazione le istruzioni della Banca d'Italia, emanate con Circolare n. 262 del 22 dicembre 2005 e ss.mm.ii.

In ottemperanza alle disposizioni del D.Lgs. 39/2010, spetta al soggetto incaricato del controllo legale dei conti esprimere un giudizio sul bilancio che indichi che è conforme alle norme che ne disciplinano la redazione e se rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, i flussi di cassa ed il risultato economico dell'esercizio; al riguardo si segnala che PricewaterHouseCoopers S.p.A. (di seguito "**PWC**") ha scambiato ai sensi dell'art. 2409-*septies* le informazioni rilevanti con il Collegio Sindacale ed ha rilasciato la propria relazione di revisione al bilancio al 31/12/2016 in data 20/03/2017, e tale relazione non contiene rilievi o eccezioni.

Pertanto il Collegio Sindacale assume che i dati del bilancio corrispondano a quelli risultanti dalla contabilità interna, tenuta regolarmente nel rispetto dei principi di cui alla normativa vigente.

Ciò posto, il Collegio Sindacale ha vigilato che il generale procedimento di composizione e redazione del bilancio fosse *compliant* alla normativa vigente.

Lo Stato Patrimoniale relativo al bilancio che viene sottoposto all'approvazione dell'Assemblea dei Soci si riassume nei seguenti valori (in migliaia di Euro):

Attività…………………………………………………………………...89.527.688

Passività………...…………………………...27.817.173

Capitale e riserve…………………………………………………………...58.975.633

Risultato dell'esercizio………………………………………………………2.734.882

Il Conto Economico riclassificato presenta, in sintesi, i seguenti valori:

Margine d'intermediazione…………………………………………………5.757.606

Rettifiche/riprese di valore nette per deterioramento attività finanziarie…...1.340.618

Costi operativi (spese amministrative e altri proventi / oneri) ……………(3.101.766)

Rettifiche su attività materiali/immateriali…………………………………….(30.134)

Accantonamenti netti ai fondi per rischi e oneri……………………………...(500.000)

Utile operatività corrente al lordo delle imposte……………………………3.466.324

Imposte sul reddito………………………………………………………(731.442)

Risultato dell'esercizio…………………………………………………2.734.882

Parte quarta: rapporti con la società di revisione

Nel corso dell'esercizio è stato effettuato con i rappresentanti della società di revisione legale PWC lo scambio di informazioni rilevanti per l'espletamento dei rispettivi compiti.

Al riguardo, si segnala la partecipazione della Società di Revisione legale alla riunione di insediamento del rinnovato Collegio Sindacale, il 12 settembre 2016, nell'ambito della quale PWC non ha segnalato atti o fatti ritenuti censurabili, sulla base della revisione contabile svolta con data di riferimento 30 giugno, e ha rassicurato il Collegio sull'inesistenza di aspetti significativi che richiedessero segnalazione circa la regolare tenuta della contabilità e la corretta rilevazione dei fatti di gestione.

PWC ha attestato, in conformità all'art. 17 del D.Lgs. 39/2010, che nel periodo compreso tra il 01 gennaio ed il 31 dicembre 2016 non sono state riscontrate situazioni che abbiano compromesso l'indipendenza della società di revisione o cause di incompatibilità ai sensi degli art. 10 e 17 del D.Lgs. 39/2010 e relative disposizioni attuative.

Altresì, PWC ha informato il Collegio Sindacale che dalla revisione legale svolta al 31 dicembre 2016 non sono emerse significative carenze nel sistema di controllo interno in relazione al processo di informativa finanziaria da portare all'attenzione del Collegio Sindacale, ai sensi dell'art. 19 del D. Lgs. 27 gennaio 2010, n. 39.

Sintesi e conclusioni

Signori Azionisti di Banca Sistema S.p.A.,

sulla base di quanto sopra esposto e per quanto è stato portato a conoscenza del Collegio Sindacale ed è stato riscontrato dai controlli periodici svolti, anche dal precedente Collegio Sindacale sulla base di quanto appreso dalla lettura di atti e documenti, si ritiene non sussistano ragioni ostative all'approvazione del progetto di bilancio di Beta Stepstone S.p.A. per l'esercizio chiuso al 31 dicembre 2016 così come è stato redatto e Vi è proposto dall'organo di amministrazione di Banca Sistema S.p.A.

Altresì il Collegio Sindacale ha preso atto, e porta alla Vostra attenzione, sia il contenuto della relazione al bilancio della società di revisione legale PWC, emessa ai sensi degli articoli 14 e 16 del D.Lgs. n. 39/2010, dalla quale si evince che il bilancio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria, del risultato economico e dei flussi di cassa della Banca, sia l'esito degli scambi di informazioni intercorsi con la medesima società di revisione, la quale ha confermato la propria indipendenza, non ha rilevato errori significativi, ritiene che la contabilità sia regolarmente tenuta e non vi siano aspetti significativi che chiedano la segnalazione agli organi di Governance.

Come conseguenza di tutto quanto precede, e fermi tutti i rinvii ai fatti intervenuti ed ai singoli paragrafi del Bilancio effettuati in precedenza all'interno di questa Relazione, il Collegio Sindacale Vi invita a deliberare conformemente alla proposta del Consiglio di Amministrazione di Banca Sistema S.p.A. che qui si riporta:

"Signori Azionisti,

vi chiediamo di approvare il Bilancio d'esercizio chiuso il 31 dicembre 2016 con un utile, al netto delle imposte, di Euro 2.734.882.

Tenuto conto dell'intervenuta fusione per incorporazione della Società in Banca Sistema non necessita proporre a livello individuale la relativa destinazione."

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Milano, 21 marzo 2017

Il Collegio Sindacale

Diego De Francesco	Fedele Gubitosi	Massimo Conigliaro
Presidente	*Sindaco Effettivo*	*Sindaco Effettivo*

pwc

RELAZIONE DELLA SOCIETA' DI REVISIONE INDIPENDENTE AI SENSI DEGLI ARTICOLI 14 E 16 DEL DLGS 27 GENNAIO 2010, N° 39

BETA STEPSTONE SPA

BILANCIO D'ESERCIZIO AL 31 DICEMBRE 2016

pwc

RELAZIONE DELLA SOCIETA' DI REVISIONE INDIPENDENTE AI SENSI DEGLI ARTICOLI 14 E 16 DEL DLGS 27 GENNAIO 2010, N° 39

Agli Azionisti di
Banca Sistema SpA

Relazione sul bilancio d'esercizio

Abbiamo svolto la revisione contabile del bilancio d'esercizio di Beta Stepstone SpA, costituito dallo stato patrimoniale al 31 dicembre 2016, dal conto economico, dal prospetto della redditività complessiva, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalla nota integrativa che include una sintesi dei principi contabili significativi e altre note esplicative.

Responsabilità degli amministratori per il bilancio d'esercizio

Gli amministratori di Banca Sistema SpA sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'articolo 43 del DLgs n° 136/15.

Responsabilità della società di revisione

E' nostra la responsabilità di esprimere un giudizio sul bilancio d'esercizio sulla base della revisione contabile. Abbiamo svolto la revisione contabile in conformità ai Principi di revisione internazionali (ISA Italia) elaborati ai sensi dell'articolo 11 del DLgs 39/10. Tali principi richiedono il rispetto di principi etici, nonché la pianificazione e lo svolgimento della revisione contabile al fine di acquisire una ragionevole sicurezza che il bilancio d'esercizio non contenga errori significativi.

La revisione contabile comporta lo svolgimento di procedure volte ad acquisire elementi probativi a supporto degli importi e delle informazioni contenuti nel bilancio d'esercizio. Le procedure scelte dipendono dal giudizio professionale del revisore, inclusa la valutazione dei rischi di errori significativi nel bilancio d'esercizio dovuti a frodi o a comportamenti o eventi non intenzionali. Nell'effettuare tali valutazioni del rischio, il revisore considera il controllo interno relativo alla redazione del bilancio d'esercizio dell'impresa che fornisca una rappresentazione veritiera e corretta al fine di definire procedure di revisione appropriate alle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno dell'impresa. La revisione contabile comprende altresì la valutazione dell'appropriatezza dei principi contabili adottati, della ragionevolezza delle stime contabili effettuate dagli amministratori, nonché la valutazione della presentazione del bilancio d'esercizio nel suo complesso.

Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Giudizio

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria di Beta Stepstone SpA al 31 dicembre 2016, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'articolo 43 del DLgs n° 136/15.

Richiamo di informativa

Senza modificare il nostro giudizio, segnaliamo che, come più ampiamente illustrato nel bilancio d'esercizio e nella Relazione sulla gestione, con efficacia 1 gennaio 2017 si è perfezionata la fusione per incorporazione di Beta Stepstone SpA in Banca Sistema SpA.

Altri aspetti

La Società, come richiesto dalla legge, ha inserito nella nota integrativa i dati essenziali dell'ultimo bilancio della società che esercita su di essa l'attività di direzione e coordinamento. Il giudizio sul bilancio di Beta Stepstone SpA non si estende a tali dati.

Relazione su altre disposizioni di legge e regolamentari

Giudizio sulla coerenza della relazione sulla gestione con il bilancio d'esercizio

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n° 720B al fine di esprimere, come richiesto dalle norme di legge, un giudizio sulla coerenza della relazione sulla gestione, la cui responsabilità compete agli amministratori di Banca Sistema SpA, con il bilancio d'esercizio di Beta Stepstone SpA al 31 dicembre 2016. A nostro giudizio la relazione sulla gestione è coerente con il bilancio d'esercizio di Beta Stepstone SpA al 31 dicembre 2016.

Milano, 20 marzo 2017

PricewaterhouseCoopers SpA

Pierfrancesco Anglani
(Revisore legale)