CONSOLIDATED INTERIM FINANCIAL REPORT AS AT 31 MARCH 2017

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BANCA SISTEMA
CONTEMPORARY BANK

Banca SISTEMA Group

CONSOLIDATED INTERIM FINANCIAL REPORT AS AT 31 MARCH 2017

BANCA SISTEMA

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CONSOLIDATED REPORT ON OPERATIONS AS AT 31 MARCH 2017

COMPOSITION OF THE PARENT COMPANY'S MANAGEMENT BODIES

Board of Directors

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

Board of Statutory Auditors

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

Internal Control and Risk Management Committee

Chairman:	Mr	Daniele Pittatore
Members:	Ms	Carlotta De Franceschi
	Prof.	Giorgio Barba Navaretti
	Ms	Luitgard Spögler

Nominations Committee

Chairman:	Mr	Andrea Zappia
Members:	Ms	Ilaria Bennati
	Ms	Luitgard Spögler

Remuneration Committee

Chairman:	Prof.	Giorgio Barba Navaretti
Members:	Mr	Andrea Zappia
	Prof.	Giovanni Puglisi

Ethics Committee

Chairman:	Prof.	Giovanni Puglisi
Members:	Ms	Ilaria Bennati
	Mr	Marco Pompeo

Surveillance Body

Chairman:	Mr	Diego De Francesco
Members:	Mr	Daniele Pittatore
	Mr	Franco Pozzi

The Board of Directors was appointed by resolution of the Shareholders' Meeting dated 27 November 2015, appointing Ms Luitgard Spögler to the position of Chairman of the Board of Directors. Subsequently, the Board of Directors, meeting on the same date, appointed Mr Gianluca Garbi to the position of CEO and set up the Executive Committee, the Internal Control and Risk Management Committee, the Nominations Committee, the Remuneration Committee, the Ethics Committee, and the Surveillance Body. Following the resignation of Mr Michele Calzolari, tendered on 31 May 2016, on 10 June 2016 the Board of Directors co-opted Ms Ilaria Bennati as Director. In addition, the abolition of the Executive Committee became effective on 4 July 2016, with the resulting reorganisation of the Board committees, and Mr Giovanni Puglisi was appointed Deputy Chairperson. The Board of Statutory Auditors was appointed by resolution of the Shareholders' Meeting dated 22 April 2014.

HIGHLIGHTS DATA AS AT 31 MARCH 2017

31 Mar 2017

31 Dec 2016

31 Mar 2016

Balance Sheet Data (€ ,000)

Total assets	2,202,253	1,999,363	10.1%
Securities Portfolio	571,780	514,838	11.1%
Loans - Factoring	1,003,277	986,169	1.7%
Loans - Salary-backed loans and SME	391,953	344,911	13.6%
Funding - Banks and REPOs	900,970	753,707	19.5%
Funding - Term Deposits	463,556	443,395	4.5%
Funding - Current Accounts	442,607	436,986	1.3%

Profit and Loss Data (€ ,000)

Interest Margin	12,423	16,092	-22.8%
Net fee and commission income	2,249	2,342	-3.9%
Operating Income	14,903	19,076	-21.9%
Personnel Expenses	(4,274)	(3,625)	17.9%
Other administrative expenses	(5,052)	(5,212)	-3.1%
Profit before Taxes	6,181	8,730	-29.2%

Performance indicators

Cost/Income Ratio	62%	47%	32.9%
ROAE	15%	34%	-56.9%

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

On 18 January 2017, the Board of Directors approved the new "MiFID Policy" which was updated to incorporate regulatory changes and developments in the Bank's operations.

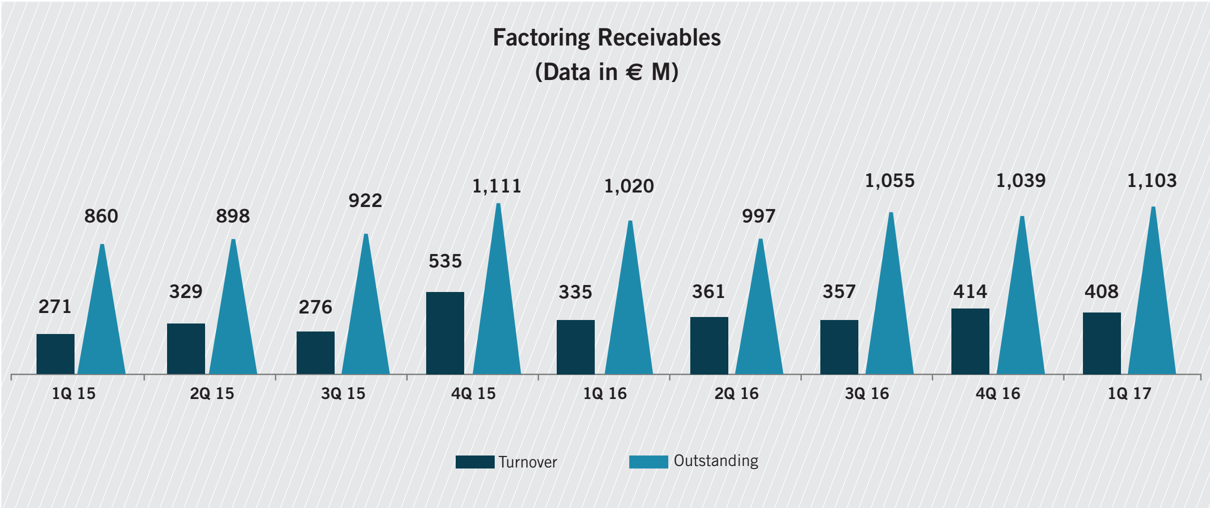
On 8 February 2017, the Board of Directors approved the 2017 Remuneration Policies Document of the Gruppo Banca Sistema S.p.A., and the Activity Plan for 2017 related to the II Level Internal Control Functions, (Risk, Compliance and Anti-Money laundering) and Internal Audit Department; the Board of Directors also acknowledged the quarterly report from the Internal Control Department as at 31 December 2016 (Risk Reporting, Tableau de bord of the Compliance Department and Tableau de bord of the Internal Audit Department), as well as the quarterly report on Transactions with Associated Parties within the scope of the Master Resolution, the annual Report of the Head of internal whistleblowing systems, and the Periodic Report from the Surveillance Body concerning the application of the "Organisation, management and control model pursuant to Legislative Decree 231/2001". On the same date, the Board of Directors also deliberated: I) to suspend the business of granting guaranteed loans to SMEs, guaranteed by the National Guarantee Fund managed by the Mediocredito Centrale S.p.A. (MCC), but still guaranteeing that loan applications received prior to that date that meet the conditions are granted; (II) to approve the opening of a new Banca Sistema branch office in Rome to house the new administrative offices that are currently located in another building in Rome, and the offices of the collateralised loan business. The Board of Directors approved the opening of a new branch in Rome on via Campania 59/C, together with the administrative office currently located in Piazzale delle Belle Arti, 8, which will also be transferred to this new location.

On 8 March 2017 the Board of Directors approved: (I) the "Annual report on the procedures for providing services, investment activities, ancillary services and activities related to the distribution of financial products issued by insurance companies and banks as per CONSOB decision no. 17297", II) the "2016 Risks Department Annual Report", III) the "2016 Compliance Department Annual Report', (IV) the "2016 Anti-Money Laundering Department Annual Report', (V) the "Compliance Department Annual Report on complaints received by the Bank", and (vi) the "Annual Report on the activities carried out by the Internal Audit Department during 2016". The Board of Directors also approved the Report on corporate governance and ownership structure which was prepared in accordance with art. 123-bis of Legislative Decree no. 58/1998, as well as the Remuneration Report in accordance with art. 123-ter of Legislative Decree no. 58/1998.

On 28 March 2017, the Board of Directors approved the issue of a floating rate, Tier II subordinated Bond with a maximum nominal amount of € 14 million. Settlement is to be carried out in a single tranche on 30 March 2017 and is reserved for institutional investors in private placement.

FACTORING

Turnover in March 2017 for the Banca Sistema Group was € 408 million, up 21% on the same period in 2016.

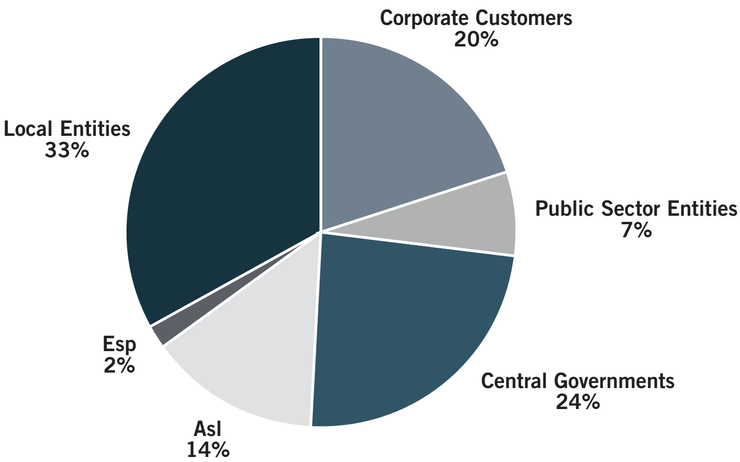


Outstanding loans as at 31 March 2017 amounted to € 1,103 million, up 6% on the € 1,039 at 31 December 2016 mainly due to increased volumes acquired in 2017 compared to collections during the same period.

The chart below shows the ratio of debtors to the outstanding portfolio as at 31 March 2017.

The Group's core business remains the Public Administration entities segment.

The Group works through both direct assignments by companies and within the framework of regional agreements for restructuring or re-organising public entity debts. These transactions include traditional factoring agreements, as well as reverse factoring agreements with highly reliable public entities, which are seeking to use factoring with their suppliers in their role as debtors.



The following table shows the factoring turnover by product type:

PRODUCT	31.03.2017	31.03.2016	€ Change	% Change
Trade receivables	367	288	79	27%
of which, without recourse	269	237	32	14%
of which, with recourse	98	50	48	96%
Tax receivables	41	48	(7)	-14%
of which, without recourse	38	38	(0)	0%
of which, with recourse	3	10	(7)	-70%
TOTAL	**408**	**336**	**72**	**21%**

The growth in turnover derives mainly from the purchase of with recourse trade receivables. The number of turnover generating customers in March 2017 was 166 and in line with the first quarter of 2016 due to the strengthening of indirect factoring of PA and private debtors, the extension of the sales network which began in 2015, and as a result of the agreements entered into with banks.

Collection and debt recovery activities

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

In March 2017, collections managed by the Bank under its credit factoring portfolios totalled € 336 million (down 20% on the first quarter in 2016).

Recovery and reconciliation of collections is divided into out-of-court recovery activity, when invoices are paid according to the internally estimated schedule, and legal recovery activity. In particular, the policy for managing and recovering receivables claimed by Banca Sistema from the public administration has been characterised, since the launch of the business, by an approach that involves legal action only after an outof-court recovery process.

Clearly, legal action remains the sole remedy available in the event of voluntary non-payment or failure to reach out-of-court agreements with the factored debtor. In particular, legal action is initiated when it is necessary to avoid a loss for the Bank.

In addition, the recovery of the late payment interest component is necessary in some cases to achieve the expected profitability.

At the close of the first half of 2016, the Bank revised its accounting treatment of late payment interest on the loans in the legal action portfolio, transitioning from cash accounting to accrual accounting on 30 June 2016, and implemented a statistical model for determining the expected recovery percentages.

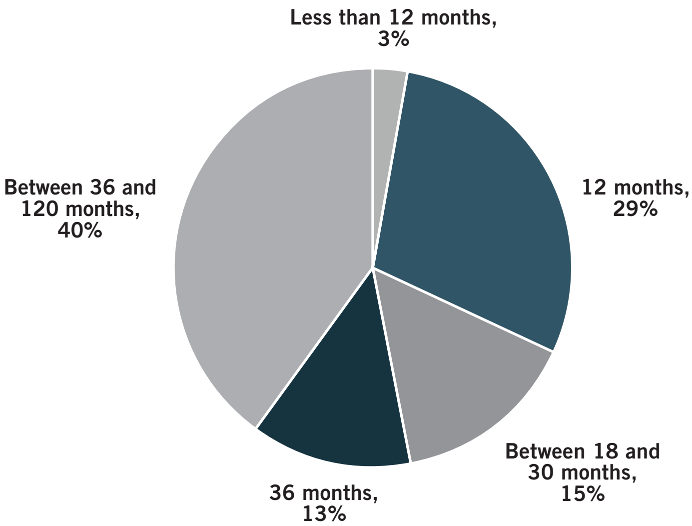
The adoption of this model has led to expected recovery percentages for debtors of the national health system of 65%, while for late payment interest on other PA debtors, despite recovery percentages of late payment interest and the model giving provision allocation percentages greater than 15%, the actual recovery percentage continued to be used temporarily for allocation purposes.

Direct funding

The funding policy of the banking division is strictly linked to changes in trade loans and market conditions. Retail funding accounts for 48% of the total and is composed of the account Si Conto! Corrente and the product Sì Conto! Deposito.
Total term deposits as at 31 March 2017 amounted to € 464 million, an increase of 5% compared to 31 December 2016. The above-mentioned amount also includes total term deposits of € 130 million (obtained with the help of a partner platform) held with entities resident in Germany and Austria (accounting for 29% of total deposit funding), an increase of +70 million over the first quarter in the previous year.
The increase benefited from the increase in interest rates in Germany over the course of the year.
Requests for early redemption or withdrawals from accounts were modest (-9%), in keeping with normal performance.

There were 11,089 individual customers with term deposits as at 31 March 2017, an increase compared with the figures as at 31 March 2016 (10,800).
The average deposit was € 41 thousand, down compared with the figures as at 31 March 2016 (€ 43 thousand).
The breakdown of funding by term is shown below. The average duration of the portfolio is 21 months.

Breakdown of deposit accounts as at 31 March



Current accounts increased from 3,767 (as at 31 March 2016) to 4,298 in March 2017, while the current account balance as at 31 March 2017 was € 443 million, down € 9 million compared with 31 December 2016.

The Banca Sistema Group entered the salary- and pension-backed loan (CQS/CQP and to a lesser extent, salary deductions) market in 2014, through the acquisition from other specialist intermediaries of receivables portfolios derived from this specific type of financing. As at 31 March 2017, the Bank has five ongoing agreements with specialist distributors in the sector.

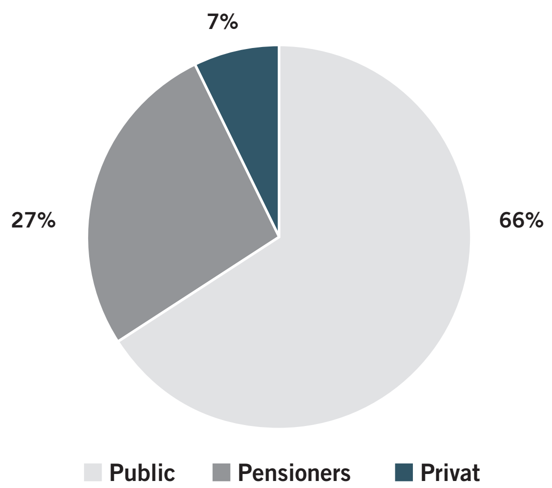
A salary-backed loan (CQS) is a consumer loan product that allows customers to allocate up to a fifth of their salaries to the payment of loan instalments.

The credit acquired in the first quarter of 2017 amounted to € 55.6 million (up 116% on the first quarter of 2016), including private-sector employees (7%), pensioners (27%) and public-sector employees (66%). Therefore, over 93% of the volumes refer to pensioners and employees of the PA, which remains the Bank’s main debtor.

	31.03.2017	31.03.2016	€ Change	% Change
No. of applications	2,689	1,249	1,440	115%
Volumes disbursed	55,567	25,779	29,788	116%

As shown in the table, the amounts disbursed in the first quarter of 2017 were considerably higher than in first quarter of 2016 as a result of the agreements concluded by the Bank during 2017.

CQS disbursed volumes - Breakdown



THE MAIN BALANCE SHEET AGGREGATES

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

ASSETS (€ ,000)	31.03.2017	31.12.2016	€ Change	% Change
Cash and cash equivalents	142	98	44	44.9%
Financial assets held for trading	894	996	(102)	-10.2%
Financial assets available for sale	571,780	514,838	56,942	11.1%
Financial assets held to maturity	84,050	-	84,050	n.a.
Due from banks	80,171	83,493	(3,322)	-4.0%
Loans to customers	1,414,212	1,348,329	65,883	4.9%
Equity investments	1,030	1,030	-	0.0%
Property and equipment	23,706	23,313	393	1.7%
Intangible assets	1,810	1,835	(25)	-1.4%
of which: goodwill	1,786	1,786	-	-0.0%
Tax assets	10,383	10,528	(145)	-1.4%
Other assets	14,075	14,903	(828)	-5.6%
Total assets	**2,202,253**	**1,999,363**	**202,890**	**10.1%**

The first quarter of 2017 ended with total assets of approximately € 2.2 billion, up 10.1% on the end of 2016, mainly because of an increase in the Italian government securities portfolio and from turnover in the factoring and salary-backed loans (CQS) portfolios. The merger by incorporation of Beta Stepstone into the Parent Company became effective 1 January 2017. For accounting purposes, since this is an operation to reorganise within the same group, in accordance with OPI 2 it was excluded from the area of application of IFRS 3, and the principle of value continuity was applied; as a result, the entry in the separate financial statements of the merging company of the equity from the merged company did not lead to the issue of higher current values than those expressed in the consolidated financial statements.

The Group's AFS (available-for-sale) securities portfolio is mainly comprised of Italian government bonds with an average remaining duration of about 7 months as at 31 March 2017 (the average duration at the end of 2016 was 7 months) and is in line with the Group investment policy to retain securities with durations under 12 months.

The government bond portfolio amounted to € 565 million at 31 March 2017 (€ 508 as at 31 December 2016). The valuation reserve for government securities at the end of the period was € 236 thousand net of tax. The AFS portfolio also includes 200 stakes of the Bank of Italy with a value of € 5 million purchased in July 2015 and the value at 31 December of the Axactor security, which represented the part of the price paid in the form of shares within the framework of the agreement for the sale of the shares of CS Union. At 31 March, the net fair value reserve was positive at € 260 million resulting in a period-end value of € 1.7 million. During 2017, a held-to-maturity securities portfolio was established made up entirely of Italian government securities with an average duration of 2.4 years and amounting to € 84 million.

The item "due from banks" can be attributed to liquidity funding in the ECB account and € 11.5 million deposited in an escrow account securing late payment interest from incorporated Beta.

LOANS TO CUSTOMERS (€ ,000)	31.03.2017	31.12.2016	€ Change	% Change
Factoring	1,003,277	986,169	17,108	1.7%
Salary-/pension-backed loans (CQS/CQP)	313,489	265,935	47,554	17.9%
Loans to SME	78,464	78,975	(511)	-0.6%
Current accounts	11,507	12,255	(748)	-6.1%
Compensation and Guarantee Fund	7,175	4,684	2,491	53.2%
Other receivables	300	311	(11)	-3.5%
Total	**1,414,212**	**1,348,329**	**65,883**	**4.9%**

"Loans to customers" mainly comprise outstanding loans for factoring receivables, down from 73% to 70% in the item. The cumulative turnover figure in the first quarter amounted to € 408 million (up 21% on the same period of the previous year). Salary- and pension-backed loans grew by 18% compared to the end of 2016 as a result of newly acquired volumes equal to € 56 million, while government-backed loans to SMEs fell as a result of marginal disbursement volumes and in line with the strategic decisions dictated by the changes in regulations regarding State guarantees and the pursuit of new lines of business. In particular, at the end of last year the Parent company began developing the gold collateralised loan business.

During 2017, the salary-backed loan factoring programme to the special purpose vehicle Quinto Sistema S.r.l. was terminated and a new securitisation began through the SPV Quinto Sistema 2017 S.r.l. with the first sale amounting to € 45.5 million.

The salary and pension-backed loan factoring programme to the special purpose vehicle Quinto Sistema 2016, for which the sale of securities is to begin in the second quarter of 2017, was terminated during the first quarter of 2017.

Since the securities of both special purpose vehicles (2016 and 2017) are completely held by the Bank, the conditions for derecognition of the loans have not been met. Therefore, the loans have been re-recorded in the accounts as assets sold and not derecognised with a balancing entry against the subscribed assetbacked securities (ABS).

The following table shows the quality of receivables in the "loans to customers" item, without considering the amount relating to reverse REPOs during the periods in which that investment was present.

STATUS	31.12.2016	31.03.2017
Doubtful	35,231	40,643
Unlikely to pay	20,189	17,676
Overdue payments/defaults >180 days	68,342	85,828
Non-performing	**123,762**	**144,147**
Performing	1,242,832	1,272,618
Other loans to customers (excluding REPOs)	4,033	19,278
Total excluding REPOs	**1,370,628**	**1,436,043**
Individual adjustments	**16,457**	**16,329**
Collective adjustments	**5,842**	**5,502**
Total adjustments	**22,299**	**21,831**
Net exposure	**1,348,329**	**1,414,212**

The ratio of gross impaired loans to the total in the portfolio is up from 9% at 31 December 2016 to 10% at the end of the first quarter 2017, mainly due to increases in past due and doubtful accounts, tied to new distressed entities, new “doubtful” SMEs, and to the reclassification from the “unlikely to pay” category. Net doubtful loans amounted to 2.2% of total loans to customers, remaining at moderate levels.

The amount of past due loans is mainly attributed to factoring receivables without recourse from the Public Administration and is considered normal for the sector and does not represent an issue in terms of credit quality and probability of collection.

Within the scope of reviewing the model for expected losses and the related recovery times for doubtful receivables from Public Administration debtors, the amounts prudently allocated in previous years were reviewed. Part of this exercise also included a thorough recalculation of the estimated value adjustments on the “unlikely to pay” category. This exercise resulted in a net release of € 2.3 million.

The coverage ratio of impaired loans is down from 13.3% at 31 December 2016 to 11.3% at 31 March 2017.

The amounts of the cash used in the Compensation and Guarantee Fund to finance transactions in repurchase agreements with bank customers decreased significantly due to the reduction of the securities portfolio.

Equity investments include the Bank’s current equity stake of 10.0% in CS Union S.p.A., a company operating on the doubtful financial and commercial loans management market, as well as in the management and recovery of receivables between individuals.

Property and equipment includes the property located in Milan, which will primarily be used as Banca Sistema's new offices following the completion of the renovation work, scheduled for the fourth quarter of 2017.

Other assets include amounts being processed after the end of the reference period and advance tax payments of approximately € 5 million.

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

LIABILITIES AND SHAREHOLDERS' EQUITY (€ ,000)	31.03.2017	31.12.2016	€ Change	% Change
Due to banks	457,107	458,126	(1,019)	-0.2%
Due to customers	1.437,845	1,262,123	175,722	13.9%
Securities issued	104,971	90,330	14,641	16.2%
Tax liabilities	10,134	8,539	1,595	18.7%
Other liabilities	67,306	59,825	7,481	12.5%
Employee termination indemnities	2,007	1,998	9	0.5%
Provisions for risks and charges	4,302	4,105	197	4.8%
Valuation reserves	307	425	(118)	-27.8%
Reserves	104,267	78,980	25,287	32.0%
Share capital	9,651	9,651	-	0.0%
Treasury shares (-)	(42)	(52)	10	-19.2%
Profit for the period/year	4,398	25,313	(20,915)	-82.6%
Total liabilities and shareholders' equity	**2,202,253**	**1,999,363**	**202,890**	**10.1%**

Wholesale funding represents about 52% of the total (49% as at 31 December 2016), up compared to the end of 2016 due to an increase in repurchase agreements traded through the MTS platform (classified under "due to customers", since there is no direct balancing entry with banks).

The weight of bond funding held steady at 11% of the total wholesale funding thanks to the placement of a new bond included in TIER 2 equal to € 14 million.

DUE TO BANKS (€ ,000)	31.03.2017	31.12.2016	€ Change	% Change
Due to Central banks	222,850	192,853	30,000	15.6%
Due to banks	234,246	265,276	(31,030)	-11.7%
Current accounts and demand deposits	*227*	*20,276*	*(20,049)*	*-98.9%*
Term deposits	*234,019*	*245,000*	*(10,981)*	*-4.5%*
Total	**457,096**	**458,126**	**(1,030)**	**-0.2%**

Amounts due to banks remained steady overall compared to 31 December 2016 with an increase in refinancing operations with the ECB compared to interbank funding. The collateral for ECB refinancing are mainly ABS from the securitisation of salary- and pension-backed securities and retail loans for the remaining amount. The Bank also participated in the TLTRO II auction for € 123 million, with a duration of four years and current expected rate of -40bps.

This potential revenue has not yet been recognised.

DUE TO CUSTOMERS (€ ,000)	31.03.2017	31.12.2016	€ Change	% Change
Term deposits	463,556	443,396	20,160	4.5%
Funding (repurchase agreements)	443,863	295,581	148,282	50.2%
Current accounts and demand deposits	442,607	436,986	5,621	1.3%
Deposits with Cassa Depositi e Prestiti	35,644	35,615	29	0.1%
Due to assignors	52,175	50,545	1,630	3.2%
Total	**1,437,845**	**1,262,123**	**175,722**	**13.9%**

The growth in deposits is tied to the increase in funding from repurchase agreements, mainly because of the increase in the securities portfolio. The period-end stock of term deposits was up 4.5% on the end of 2016, reflecting net positive deposits (net of interest accrued) of € 19 million; gross deposits from the beginning of the year were € 97 million, against withdrawals caused mainly by non-renewals totalling € 78 million.
Amounts due to customers also include funding of € 34.8 million from Cassa Depositi e Prestiti obtained against collateral consisting solely of loans to SMEs by the Bank. Other amounts due include payables related to receivables acquired but not funded.

The balance of debt securities issued increased compared to 31 December 2016 due to the new issue of bonds placed with institutional customers. The item's composition was as follows:

- Tier 2 subordinated loan of € 12 million, set to mature on 15 November 2022;
- Tier 2 subordinated loan of € 14 million, set to mature on 30 March 2027;
- Tier 1 subordinated loan of € 8 million, with no maturity (perpetual basis);
- senior bond of € 70 million, set to mature on 3 May 2018.

The provision for risks and charges of € 4.1 million includes the amount of € 3.3 million, representing the estimated future liabilities attributable to Beta, calculated based on the price allocation in accordance with IFRS 3. The remainder refers to the portion of the bonus deferred to the following years.

It should be noted that in December, the Italian Revenue Office issued two assessment notices to the Beta subsidiary regarding the 2011 tax year (one assessment regarding transfer pricing for € 1,093 thousand, and the other for withholding tax for € 1,404 thousand). A specific provision for these assessments was not made since the Company feels that it has fully complied with the regulations, and it intends to present its case in the appropriate forum. Also, Banca Sistema, having taken over the position as a result of the merger by incorporation of Beta Stepstone which became effective on 1 January 2017, has received adequate contractual guarantees and compensation in this regard from the former single shareholder of Beta Stepstone (Stepstone Financial Holdings).
"Other liabilities" mainly include payments received after the end of the period from the assigned debtors and which were still being allocated and items being processed during the days following period-end, as well as trade payables and tax liabilities.

CAPITAL ADEQUACY

Due to the incorporation of LASS, it is no longer possible to opt out of consolidated financial reporting. Accordingly, financial reporting was produced on a consolidated basis starting from the third quarter of 2016.

Provisional information concerning the regulatory capital and capital adequacy of the Banca Sistema Group is shown below.

OWN FUNDS (€ ,000) AND CAPITAL RATIOS	31.03.2017	31.12.2016
Common Equity Tier 1 (CET1)	**107,814**	**104,621**
ADDITIONAL TIER 1	8,000	8,000
Additional Tier 1 capital (T1)	**115,814**	**112,621**
TIER2	26,026	12,092
Total Own Funds (TC)	**141,840**	**124,713**
Total risk weighted assets	**854,021**	**788,041**
of which, credit risk	719,146	652,999
of which, operational risk	130,447	130,447
of which, market risk	4,428	4,595
Ratio -- CET1	12.6%	13.3%
Ratio -- AT1	13.6%	14.3%
Ratio -- TCR	16.6%	15.8%

Total own funds were € 142 million as at 31 March 2017 and included the profit for the first quarter of 2017, net of dividends estimated on the profit for the year which were estimated was made based on a pay-out of 25% of the Parent Company's profit.

The increase in RWAs compared to 31 December 2016, was primarily due to the increase in loans, particularly salary- and pension-backed loans, and the increase in past-due loans to the Public Administration.

ECONOMIC RESULTS

INCOME STATEMENT (€ ,000)	31.03.2017	31.12.2016	€ Change	% Change
Interest margin	12,423	16,092	(3,669)	-22.8%
Net fee and commission income	2,249	2,342	(93)	-4.0%
Dividends and similar income	-	-	-	n.a.
Profit (Loss) on trading	(149)	3	(152)	n.a.
Profit from disposal or repurchase of financial assets	380	639	(259)	-40.5%
Net interest and other banking income	**14,903**	**19,076**	**(4,173)**	**-21.9%**
Net value adjustments due to loan impairment	488	(1,471)	1,959	n.a.
Net income from banking activities	**15,391**	**17,605**	**(2,214)**	**-12.6%**
Personnel expenses	(4,274)	(3,625)	(649)	17.9%
Other administrative expenses	(5,052)	(5,213)	161	-3.1%
Net allowance for risks and charges	-	69	(69)	-100.0%
Net value adjustments to property and equipment/intangible assets	(77)	(75)	(2)	2.7%
Other operating income (expenses)	193	(27)	220	n.a.
Operating expenses	**(9,210)**	**(8,871)**	**(339)**	**3.8%**
Profit (loss) from equity investments	-	(6)	6	-100.0%
Profit from current operations before taxes	**6,181**	**8,728**	**(2,547)**	**-29.2%**
Income taxes for the period	(1,783)	(2,767)	984	-35.6%
Parent company profit for the period	**4,398**	**5,961**	**(1,563)**	**-26.2%**

The first quarter of 2017 ended with a profit of € 4.4 million, a decrease compared to the same period of the previous year, mainly with a decrease in the interest margin.

Following the incorporation of Beta Stepstone in Banca Sistema on 1 January 2017, the consolidated results as at 31 March 2017 include the contribution of the merged Beta Stepstone. Therefore, the results at 31 March 2017 are not completely comparable.

As previously mentioned in the Annual Financial Report as at 31 December 2016, during the first quarter the Bank completed the process of updating the valuation model for the provision for doubtful receivables deriving from Public Administration debtors on Factoring products, which has led to a more precise view of collection probability and timing.

The result of this analysis was the release of about € 2.3 million from the provision.

INTEREST MARGIN (€ ,000)	31.03.2017	31.03.2016	€ Change	% Change
Interest and similar income				
Receivables portfolios	16,483	19,989	(3,506)	-17.5%
Securities portfolio	(235)	40	(275)	n.a.
Other	107	142	(35)	-24.6%
Total interest income	**16,355**	**20,168**	**(3,813)**	**-18.9%**
Interest expense and similar expense				
Due to banks	(380)	(543)	163	-30.0%
Due to customers	(2,912)	(3,224)	312	-9.7%
Securities issued	(640)	(309)	(331)	107.1%
Total interest expense	**(3,932)**	**(4,076)**	**144**	**-3.5%**
Interest margin	**12,423**	**16,092**	**(3,669)**	**-22.8%**

The interest margin decreased by 22.8% compared to the same period of the previous year mainly caused by a lower contribution from factoring that was partially offset by higher margins from the salary- and pension-backed loan portfolios.

The contribution of the factoring portfolio is the result of lower turnover in the fourth quarter of 2016 compared to the same period in 2015 (€ 408 million compared to € 535 million in 2015) as well as from a reduction in market margins. In the first quarter of 2016, factoring margin benefited from collections made earlier than expected.

The amount of late payment interest coming from the factoring portfolio under legal action at 31 March 2017 was € 3.1 million (€ 0.5 million at 31 March 2016) of which € 2.0 million allocated, in accordance with the relative accounting method and determined by the statistical model for determining the collections expected during the second half of 2016. The collection of this late payment interest was € 1.1 million compared to the € 0.5 million in the first quarter of 2016. The adoption of this model has resulted in an expected recovery percentage of 65% for debtors of the national health system. Conversely, for late payment interest on other public administration debtors, despite the recovery percentages for late payment interest and as a consequence of the model providing an allocation percentage greater than 15%, this recovery percentage will continue to be used temporarily for allocation purposes.

The amount of late payment interest accrued on settled and outstanding invoices net of the amount already allocated amounted to approximately € 110 million (€ 104.4 million at 31 December 2016).

The positive impact on margin was also driven by the marked growth in interest on the salary-backed portfolios, which rose from € 1.4 million to € 2.6 million, while the decrease in margin on the SME portfolios which contributed about € 1.1 million to the total following the strategic decision to stop developing this area of the business.

The negative performance of the securities portfolio, a result of the ECB’s interest rate policy, should be linked to the funding cost which was positive. Overall, the carry trade remains positive.

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

The cost of funding was essentially unchanged compared to the same period of the previous year, in line with the general decrease in market rates, and thanks to a continued and careful funding diversification policy and retail funding management.

The increase in interest on issued securities is strictly related to the new bond issues and therefore to higher stock compared to the previous year.

As a result of the current interbank rates and ECB policies, funding through REPOs did not generate any interest expense.

COMMISSION MARGIN (€ ,000)	31.03.2017	31.03.2016	€ Change	% Change
Fee and commission income				
Collection activities	217	237	(20)	-8.4%
Factoring activities	2,367	2,368	(1)	0.0%
Other	177	162	15	9.3%
Total fee and commission income	**2,761**	**2,767**	**(6)**	**-0.2%**
Fee and commission expense				
Placement	(425)	(344)	(81)	23.5%
Other	(86)	(82)	(4)	4.9%
Total fee and commission expense	**(511)**	**(425)**	**(86)**	**20.2%**
Commission margin	**2,250**	**2,342**	**(92)**	**-3.9%**

Net fees and commissions of € 2.3 million were down by 4%, primarily due to greater placement commissions. Commissions on collection activity, related to the service of reconciliation of third-party invoices collected from the public administration are in line with the same period of the previous year, while other fee and commission income, which primarily includes commissions on collection and payment services and the keeping and management of current accounts, also remained stable.

The placement fees and commissions paid to third parties increased due to their close correlation with the increase in the factoring volumes disbursed. Fee and commission expense includes the costs of origination of factoring receivables of € 261 thousand (up 18% on the same period of the previous year) while the remainder includes returns to third party intermediaries for the placement of the SI Conto! Deposito product, which grew as a result of the higher volumes placed in Germany.

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

RESULTS OF THE SECURITIES PORTFOLIO (€ ,000)	31.03.2017	31.03.2016	€ Change	% Change
Profit (Loss) on trading				
Realised profit	1	3	(2)	-66.7%
Valuation loss/gain	(150)	-	(150)	n.a.
Total	**(149)**	**3**	**(152)**	**n.a.**
Profit (loss) from disposal or repurchase				
Profit (loss) on AFS portfolio debt securities	380	639	(259)	-40.5%
Total	**380**	**639**	**(259)**	**-40.5%**
Total profit (loss) from the securities portfolio	**231**	**642**	**(411)**	**-64.0%**

During the first quarter of 2017, profits generated by the proprietary portfolio made a smaller contribution than they did in the same period of the previous year due to less favourable market performance. It had a negative impact on the current share price of the trading portfolio.

Credit risk adjustments made at 31 March 2017 have resulted in an overall positive effect of € 488 thousand as the combined result of the net positive impact on the factoring portfolio of € 2.3 million and the higher allowances on the SME portfolio mainly because of the new reclassification of doubtful loans and an increase in the collective value adjustment percentage on the SME portfolio.

The loss rate, following what was illustrated above, amounted to -0.15 bps.

PERSONNEL EXPENSES (€ ,000)	31.03.2017	31.03.2016	€ Change	% Change
Wages and salaries	(3,324)	(2,818)	(506)	18.0%
Social security contributions and other costs	(748)	(583)	(165)	28.3%
Directors' and statutory auditors' remuneration	(202)	(224)	22	-9.9%
Total	**(4,274)**	**(3,625)**	**(649)**	**17.9%**

The increase in personnel costs is mainly due to the increase in the average number of employees which went from 130 to 144 following the entrance of 14 Beta employees that were out of scope in the first quarter of 2016, and an increase in gross annual salaries which includes an additional cost component related to the new non-compete agreement.

As at 31 March 2017 the item also includes total costs relating to voluntary redundancy payments of € 139 thousand, compared to € 121 thousand in the same period of the previous year.

As at 31 March 2017, the Group had a staff of 144, broken down by category as follows:

FTEs	31.03.2017	31.12.2016	31.03.2016
Senior managers	19	19	15
Middle managers (QD3 and QD4)	43	43	33
Other personnel	82	82	82
Total	**144**	**144**	**130**

OTHER ADMINISTRATIVE EXPENSES (€ ,000)	31.03.2017	31.03.2016	€ Change	% Change
Servicing and collection activities	(431)	(1,324)	893	-67.4%
Resolution Fund	(655)	(600)	(55)	9.2%
Consultancy	(1,041)	(730)	(311)	42.6%
Computer expenses	(1,040)	(845)	(195)	23.1%
Rent and related fees	(478)	(470)	(8)	1.7%
Indirect taxes and duties	(329)	(384)	55	-14.3%
Advertising	(86)	(63)	(23)	36.5%
Auditing fees	(70)	(79)	9	-11.4%
Other	(78)	(127)	49	-38.6%
Car hire and related fees	(202)	(178)	(24)	13.5%
Expense reimbursement and entertainment	(197)	(133)	(64)	48.1%
Membership fees	(110)	(62)	(48)	77.4%
Infoprovider expenses	(72)	(114)	42	-36.8%
Special purpose vehicle expenses	(57)	(3)	(54)	n.a.
Maintenance of movables and real properties	(22)	(10)	(12)	n.a.
Telephone and postage expenses	(54)	(38)	(16)	42.1%
Stationery and printing	(45)	(33)	(12)	36.4%
Insurance	(85)	(19)	(66)	n.a.
Discretionary payments	-	-	-	n.a.
Total	**(5,052)**	**(5,212)**	**160**	**-3.1%**

Other administrative expenses decreased by 3.1% compared to first quarter of 2016, primarily due to the combined effect of a reduction in servicing costs that more than offset the increases in consultancy and IT costs.

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

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

Consultancy costs increased because part of the project costs correlated with new initiatives in 2017 and legal expenses for credit collection activities through enforceable injunctions were recognised during the period. In the first quarter, like in the previous year, a provision of the estimated contributions to be paid to the European Bank Resolution Fund was recorded. To increase comparability, the amount related to the first quarter of 2016 was reclassified to other administrative expenses from provisions for risks and changes.

The other expenses and income mainly include the collection of legal expenses paid in advance for injunctions to assigned PA debtors.

OTHER INFORMATION

Research and Development Activities

No research and development activity was carried out in the first quarter of 2017.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties and connected parties, including the relative authorisation and disclosure procedures, are governed by the "Procedure governing transactions with associated parties" approved by the Board of Directors and published on the internet site of the Parent Company, Banca Sistema S.p.A..

Transactions between the Group companies and related parties or connected parties were carried out in the interests of the Bank, including within the scope of ordinary operations; these transactions were carried out in accordance with market conditions and, in any event, based on mutual financial advantage and in compliance with all procedures.

With respect to transactions with parties who exercise management and control functions in accordance with art. 136 of the Consolidated Law on Banking, they are included in the Executive Committee resolution, specifically authorised by the Board of Directors and with the approval of the Statutory Auditors, subject to compliance with the obligations provided under the Italian Civil Code with respect to matters relating to the conflict of interest of directors.

ATYPICAL OR UNUSUAL TRANSACTIONS

During the first quarter of 2017, the Group did not carry out any atypical or unusual transactions, as defined in Consob Communication no. 6064293 of 28 July 2006.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

There were no additional significant events after the end of the period to be mentioned.

BUSINESS OUTLOOK AND MAIN RISKS AND UNCERTAINTIES

The first quarter of 2017 financial year ended with continuing growth in volumes in the factoring sector and in terms of salary-backed loans (CQS).

Particularly in factoring, the commercial agreements entered into in 2015 have contributed to the Group's growth and product and customer diversification process, much like the way the Beta acquisition will provide an increased ability to manage Collection/Servicing of loans in legal action to a Group level.

The objective for this year is to consolidate growth in the core factoring business and to take advantage of additional growth opportunities in salary-backed loans (CQS). The reduced focus on guaranteed loans to SMEs will be compensated by new product lines and the evaluation of strategic and complementary acquisitions.

Milan, 28 April 2017

On behalf of the Board of Directors

The Chairman

Luitgard Spögler

The CEO

Gianluca Garbi

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of Euro)

	Assets	31.03.2017	31.12.2016
10.	Cash and cash equivalents	142	98
20.	Financial assets held for trading	894	996
40.	Financial assets available for sale	571,780	514,838
40.	Financial assets available for sale	84,050	-
60.	Due from banks	80,171	83,493
70.	Loans to customers	1,414,212	1,348,329
100.	Equity investments	1,030	1,030
120.	Property and equipment	23,706	23,313
130.	Intangible assets	1,810	1,835
	of which goodwill	1,786	1,786
140.	Tax assets	10,383	10,528
	a) current	2,418	3,034
	b) deferred	7,965	7,494
	b1) as specified in Law 214/2011	3,467	3,984
160.	Other assets	14,075	14,903
	Total assets	**2,202,253**	**1,999,363**

(Amounts in thousands of Euro)

	Liabilities and shareholders' equity	31.03.2017	31.12.2016
10.	Due to banks	457,107	458,126
20.	Due to customers	1,437,845	1,262,123
30.	Securities issued	104,971	90,330
80.	Tax liabilities	10,134	8,539
	a) current	1,596	1,076
	b) deferred	8,538	7,463
100.	Other liabilities	67,306	59,825
110.	Employee termination indemnities	2,007	1,998
120.	Provisions for risks and charges	4,302	4,105
	b) other provisions	4,302	4,105
140.	Valuation reserves	307	425
170.	Reserves	64,916	39,608
180.	Share premium reserve	39,331	39,352
190.	Share capital	9,651	9,651
200.	Treasury shares (-)	(42)	(52)
210.	Minority interests	20	20
220.	Profit (loss) for the period/year	4,398	25,313
	Total liabilities and shareholders' equity	**2,202,253**	**1,999,363**

CONSOLIDATED INCOME STATEMENT

(Amounts in thousands of Euro)

	Items	31.03.2017	31.03.2016
10.	Interest and similar income	16,355	20,168
20.	Interest expense and similar expense	(3,932)	(4,076)
30.	**Interest margin**	**12,423**	**16,092**
40.	Fee and commission income	2,760	2,767
50.	Fee and commission expense	(511)	(425)
60.	**Net fee and commission income**	**2,249**	**2,342**
70.	Dividends and similar income	-	-
80.	Profit (Loss) on trading	(149)	3
100.	Profit (loss) from disposal or repurchase of:	380	639
	b) financial assets available for sale	380	639
120.	**Net interest and other banking income**	**14,903**	**19,076**
130.	Net value adjustments/write-backs due to impairment of:	488	(1,471)
	a) receivables	488	(1,471)
140.	**Net income from banking activities**	**15,391**	**17,605**
180.	Administrative expenses:	(9,326)	(8,838)
	a) personnel expenses	(4,274)	(3,625)
	b) other administrative expenses	(5,052)	(5,213)
190.	Net allowance for risks and charges	-	69
200.	Net adjustments to/recoveries on property and equipment	(65)	(62)
210.	Net adjustments to/recoveries on intangible assets	(12)	(13)
220.	Other operating income (expenses)	193	(27)
230.	**Operating expenses**	**(9,210)**	**(8,871)**
240.	Profit (loss) from equity investments	-	(6)
280.	**Profit (loss) before tax from continuing operations**	**6,181**	**8,728**
290.	Taxes on income from continuing operations	(1,783)	(2,767)
300.	**Profit (loss) after tax from continuing operations**	**4,398**	**5,961**
320.	**Profit (loss) for the period**	**4,398**	**5,961**
340.	**Parent company profit for the period**	**4,398**	**5,961**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(Amounts in thousands of Euro)

		31.03.2017	31.12.2016
10.	**Profit (loss) for the year**	**4,398**	**5,961**
	Other income items net of taxes without reversal to the income statement		
40.	Defined benefit plans	66	(39)
	Other income items net of taxes with reversal to the income statement	**-**	**-**
100.	Financial assets available for sale	(183)	(253)
130.	**Total other comprehensive income (net of tax)**	**(117)**	**(292)**
140.	**Comprehensive income (Items 10+130)**	**4,281**	**5,669**
150.	**Total consolidated comprehensive income pertaining to minority interests**	**-**	**-**
160.	**Total consolidated comprehensive income pertaining to the Parent Company**	**4,281**	**5,669**

STATEMENTS OF CHANGES IN CONSOLIDATED EQUITY AS AT 31.03.2017

Amounts in thousands of Euro

				Allocation of net result from previous year		Changes during the year										
							Operations on shareholders' equity									
	Balance at 31.12.2016	Change in opening balances	Balance at 1.1.2017	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividends	Changes in equity instruments	Derivatives on treasury shares	*Stock options*	Changes in equity investments	Comprehensive income as at 31.03.2017	**Group shareholders' equity at 31.03.2017**	**Minority shareholders' equity at 31.03.2017**
Share capital:																
a) ordinary shares	**9,651**	-	9,651		-	-	-	-	-	-	-	-	-	-	**9,651**	**20**
b) other shares	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	
Share premium reserve	**39,352**	-	39,352	-	-	(21)	-	-	-	-	-	-	-	-	**39,331**	
Reserves	**39,608**	-	39,608	19,201	6,112	(5)	-	-	-	-	-	-	-	-	**64,916**	
a) retained earnings	**39,918**	-	39,918	19,201	6,112	(5)		-		-	-	-	-	-	**65,226**	
b) other	**(310)**	-	(310)		-		-	-		-	-	-	-	-	**(310)**	
Valuation reserves	**425**	-	425	-	-		-	-		-	-	-	-	(117)	**307**	
Equity instruments	**-**	-	-	-	-	-	-	-		-	-	-	-	-	**-**	
Treasury shares	**(52)**	-	(52)	-	-	-	-	10		-	-	-	-		**(42)**	
Profit (loss) for the period	**25,313**	-	25,313	(19,201)	(6,112)	-		-		-	-	-	-	4,398	**4,398**	
Group shareholders' equity	**114,296**	**-**	**114,296**	**-**	**-**	**(26)**		**10**	**-**	**-**	**-**	**-**	**-**	**4,188**	**118,561**	
Minority shareholders' equity	**20**	**-**	**20**	**-**	**-**				**-**	**-**	**-**	**-**	**-**		**-**	**20**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AS AT 31.03.2016

Amounts in thousands of Euro

				Allocation of net result from previous year		Changes during the year									
							Operations on shareholders' equity								
	Balance at 31.12.2015	Change in opening balances	Balance at 1.1.2016	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividends	Changes in equity instruments	Derivatives on treasury shares	*Stock options*	Changes in equity investments	Comprehensive income as at 31.03.2016	**Group shareholders' equity at 31.03.2016**
Share capital:															
a) ordinary shares	**9,651**	-	9,651		-	-	-	-	-	-	-	-	-	-	**9,651**
b) other shares	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premium reserve	**39,436**	-	39,436	-	-	(21)	-	-	-	-	-	-	-	-	**39,415**
Reserves	**26,314**	-	26,314	17,607	-	(38)	-	-	-	-	-	-	-	-	**43,884**
a) retained earnings	**26,573**	-	26,573	17,607	-	-		-		-	-	-	-	-	**44,181**
b) other	**(259)**	-	(259)		-	(38)	-	-		-	-	-	-	-	**(297)**
Valuation reserves	**350**	-	350	-	-		-	-		-	-	-	-	(292)	**58**
Equity instruments	**-**	-	-	-	-	-	-	-		-	-	-	-	-	**-**
Treasury shares	**-**	-	-	-	-	-	-	-		-	-	-	-	-	**-**
Profit (loss) for the period	**17,607**	-	17,607	(17,607)		-		**-**		**-**	**-**	**-**	**-**	5,961	**5,961**
Shareholders' equity	**93,358**	-	**93,358**	**-**		**(59)**		**-**	**-**	**-**	**-**	**-**	**-**	**5,669**	**98,968**

CONSOLIDATED STATEMENT OF CASH FLOWS (direct method)

Amounts in thousands of Euro

	31.03.2017	31.03.2016
A. OPERATING ACTIVITIES		
1. Operations	**(2,607)**	**(99)**
▪ interest income collected	16,355	20,168
▪ interest expense paid	(3,932)	(4,076)
▪ net fees and commissions	2,250	2,342
▪ personnel expenses	(2,322)	(1,653)
▪ other expenses	(4,859)	(5,171)
▪ taxes and duties	(10,099)	(11,709)
2. Cash flows generated by (used in) financial assets	**(109,613)**	**(142,310)**
▪ financial assets held for trading	(47)	3
▪ financial assets available for sale	(56,680)	313
▪ loans to customers	(65,395)	129,742
▪ due from banks: on demand	3,342	(4,627)
▪ other assets	9,211	16,879
3. Cash flows generated by (used in) financial liabilities	**196,673**	**(142,296)**
▪ due to banks: on demand	(1,019)	10,847
▪ due to customers	175,722	(154,209)
▪ securities issued	14,641	303
▪ other liabilities	7,329	757
Net cash flow generated by (used in) operating activities	**84,496**	**(84)**
B. INVESTMENT ACTIVITIES		
1. Cash flows from	**46**	**0**
▪ dividends collected on equity investments	33	-
▪ sale of intangible assets	13	-
2. Cash flows used in	**(84,508)**	**(5)**
▪ purchases of financial assets held to maturity	(84,050)	0
▪ purchases of property and equipment	(458)	(5)
▪ purchases of intangible assets		
Net cash flow generated by (used in) investment activities	**(84,462)**	**(5)**
C. FINANCING ACTIVITIES		
▪ issues/purchases of treasury shares	10	85
▪ dividend distribution and other	-	-
Net cash flow generated by (used in) financing activities	**10**	**85**
NET CASH FLOW GENERATED/USED DURING THE YEAR	**44**	**(4)**

RECONCILIATION - ITEMS

Cash and cash equivalents at the beginning of the year	98	104
Total net cash flow generated/used during the year	44	(4)
Cash and cash equivalents at balance sheet date	142	100

ACCOUNTING POLICIES

GENERAL BASIS OF PREPARATION

This Consolidated Interim Financial Report as at 31 March 2017 has been prepared in accordance with Art. 154-ter of Legislative Decree no. 58 of 24 February 1998 and Legislative Decree no. 38 of 28 February 2005, according to the IAS/IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission, as established by Regulation (EC) no. 1606 of 19 July 2002, from which there were no derogations.

The specific accounting standards adopted have been applied consistently with regard to the financial statements as at 31 December 2016.

The Consolidated Interim Financial Report as at 31 March 2017 comprises the Statement of financial position, Statement of profit and loss, Statement of other comprehensive income, Statement of changes in equity, Statement of cash flows and these Notes and is accompanied by a Directors' Report on management performance, the financial results achieved and the financial position of the Banca Sistema Group.

Pursuant to the provisions of art. 5 of Legislative Decree no. 38/2005, the financial statements use the Euro as the currency for accounting purposes. The amounts in the Accounting statements and Notes to the financial statements are expressed (unless expressly specified) in thousands of Euro. The financial statements were drafted in accordance with the specific accounting standards endorsed by the European Commission, as well as pursuant to the general assumptions laid down by the Framework for the preparation and presentation of financial statements issued by the IASB.

This Consolidated Interim Financial Report includes Banca Sistema S.p.A. and its direct and indirect subsidiaries or associates. There were no changes in the scope of consolidation compared to the situation as at 31 December 2016.

The accounting policies adopted for the drafting of the Consolidated Interim Financial Report, with reference to the classification, recording, valuation and derecognition criteria for the various assets and liabilities, like the guidelines for recognising costs and revenues, have remained unchanged compared with those adopted in the separate and consolidated financial statements as at 31 December 2016, to which reference is made.

This Interim Financial Report at 31 March 2017 is accompanied by certification by the Manager responsible for preparing the Company's financial reports, pursuant to Art. 154-bis of the Consolidated Law on Finance, and the consolidated financial statements have been subject to a limited audit.

Events after the reporting date

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

Other aspects

The Consolidated Interim Financial Report was approved on 28 April 2017 by the Board of Directors, which authorised its disclosure to the public in accordance with IAS 10.

DECLARATION OF THE MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS

The undersigned, Margherita Mapelli, in her capacity as Manager responsible for preparing the Company's financial reports of Banca Sistema S.p.A., in accordance with paragraph 2 of Art. 154-bis of Legislative Decree no. 58 of 24 February 1998, hereby certifies that the accounting information presented in this Consolidated Interim Financial Report as at 31 March 2017 matches the accounting documents, books, and records.

Milan, 28 April 2017

Margherita Mapelli

Manager responsible for
preparing the Company's financial reports