

PRESS RELEASE

BANCA SISTEMA:

- APPROVED 2016 DRAFT FINANCIAL STATEMENTS

- PROPOSED DIVIDEND OF €0.076 PER SHARE

Milan, 8 March 2017

The Board of Directors of Banca Sistema has approved today the Bank's draft financial statements and the draft consolidated financial statements of Banca Sistema Group as at 31 December 2016, confirming the results already approved by the Board and disclosed to the market with a press release published on 8 February.

The Parent Company closed financial year 2016 with a net income of 24.5 million (25.6 million when normalized to account for non-recurring items), up by 44% against 2015. The consolidated net income for the year came in at 25.3 million (26.4 million when normalized to account for non-recurring items).

The Board of Directors decided to submit the distribution of a dividend of 0.076 euro per ordinary share for approval to the Shareholders' Meeting, to be convened on 27 April 2017. If approved by Shareholders, the dividend will be paid out on 4 May 2017, with ex-dividend date on 2 May (coupon no. 5) and record date on 3 May.

At the General Meeting, Shareholders will be called to approve the renewal of the Board of Statutory Auditors, the appointment of a director (pursuant to art. 2386 of the Italian Civil Code), the remuneration policies, Beta Stepstone's annual report as at 31.12.2016 (merged into Banca Sistema effective on 1.01.2017), and the renewal of the share buy-back and sale plan, subject to the revocation of the plan already approved by Shareholders on 27.11.2015.

With regard to the appointment of a director pursuant to art. 2386 of the Italian Civil Code, in the explanatory report prepared for the Shareholders' Meeting to be made available under the law, the Board of Directors will recommend to shareholders to confirm Ms. Ilaria Bennati, coopted by the Board of Directors in the meeting held on 10 June 2016 to replace Mr. Michele Calzolari.

With regard to the share buy-back and sale plan, the Board of Directors have approved today the proposal to be submitted to the General Shareholders' Meeting to give mandate to the Board of Directors to launch an 18-month plan starting on the General Meeting day, up to a maximum amount of approx. 1,478 thousand (which based on yesterday's closing price would correspond to about 0.9% of the bank's share capital), including the shares already purchased under the current plan.

The shares can be purchased at a minimum price no less than 15% - and at a maximum price no greater than 15% - of the price reported on the last working day of each week as the average official closing price of Banca Sistema stock price in the last two TARGET calendar weeks prior to the day the average price has been calculated. The minimum and maximum prices will remain effective throughout the period starting the day after the average price has been calculated up until the day the new weekly price is calculated (included). The purchased shares may then be sold at a price no less than 85% of the average carrying

price of the entire own-share portfolio calculated the day prior to the date the single sale transaction has been executed.

Ordinary share purchases and sales can be carried out exclusively through trades on the Market where Banca Sistema shares are traded, in accordance with procedures that abide by the principle of fair treatment of shareholders pursuant to art. 132 of TUF and in compliance with applicable regulations and market practices accepted by Consob pursuant to article 13 of Regulation (EU) no. 596/2014.

The objectives of the share buy-back and sale plan are those provided for under EC regulations as listed below:

- Support regular trading activities to avoid price movements that are not in line with the market and guarantee an adequate market liquidity support;
- Allocation to staff falling within the category of “key personnel” in keeping with the remuneration and incentive policies approved by the Shareholders’ Meeting;
- Reduction of own funds under art. 77 of CRR;
- Give directors a tool that provides the strategic and operational flexibility to use own shares as a consideration in corporate actions, including purchase and/or exchange of shareholdings, with other counterparties as part of transactions deemed of interest for the Bank.

The share buy-back and sale plan, when and if approved by the Shareholders’ Meeting, is subject to the prior authorization by the Bank of Italy under current regulations.

Own shares held by the Bank on 7 March 2016 are no. 33,221 corresponding to 0.041% of the share capital, purchased based on the current plan.

The Notice to Convene will be published under the law.

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Statement of the Manager in charge of preparing corporate financial reports

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

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

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Banca Sistema

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

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

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

The Bank is also active in the purchasing and management of non-performing financial and trade receivables as well as management and debt recovery from individuals, thanks to its stake in the capital of CS Union S.p.A. and in its controlling company Axactor AB, listed to the Oslo Stock Exchange.

Attachments

- Consolidated balance sheet
- Consolidated income statement
- Normalized consolidated income statement as at 31 December 2016 and 31 December 2015
- Parent Company balance sheet
- Parent Company income statement
- Normalized Parent Company income statement as at 31 December 2016 and 31 December 2015

BANCA SISTEMA GROUP: CONSOLIDATED BALANCE SHEET

Figures in thousands of euro

		31.12.2016 A	31.12.2015 B	Difference A - B	Difference % A - B
	ASSETS				
10.	Cash and cash equivalents	98	104	(6)	-5.8%
20.	Financial assets held for trading	996	-	996	n.a.
40.	Available-for-sale financial assets	514,838	925,402	(410,564)	-44.4%
60.	Loans and advances to banks	83,493	2,076	81,417	3921.8%
70.	Loans and advances to customers	1,348,329	1,457,990	(109,661)	-7.5%
100.	Equity investments	1,030	2,696	(1,666)	-61.8%
120.	Property, plant and equipment	23,313	1,058	22,255	2103.5%
130.	Intangible assets	1,835	1,872	(37)	-2.0%
	<i>of which: goodwill</i>	1,786	1,786	-	0.0%
140.	Tax assets	10,528	7,353	3,175	43.2%
160.	Other assets	14,903	13,119	1,784	13.6%
	Total assets	1,999,363	2,411,670	(412,307)	-17.1%

Figures in thousands of euro

		31.12.2016 A	31.12.2015 B	Difference A - B	Difference % A - B
	LIABILITIES AND EQUITY				
10.	Due to banks	458,126	362,075	96,051	26.5%
20.	Due to customers	1,262,123	1,878,339	(616,216)	-32.8%
30.	Debt securities issued	90,330	20,102	70,228	349.4%
80.	Tax liabilities	8,539	804	7,735	962.1%
100.	Other liabilities	59,825	55,317	4,508	8.1%
110.	Post-employment benefits	1,998	1,303	695	53.3%
120.	Provisions for risks and charges:	4,105	372	3,733	1003.5%
140. + 170. + 180. + 190.	Share capital, share premiums, reserves, valuation reserves and treasury shares	89,004	75,751	13,253	17.5%
220.	Profit (loss) for the year	25,313	17,607	7,706	43.8%
	Total liabilities and equity	1,999,363	2,411,670	(412,307)	-17.1%

Note: FY 2016 figures include the contribution of Beta Stepstone (purchased in July 2016).

BANCA SISTEMA GROUP: CONSOLIDATED FINANCIAL REPORT AS AT 31 DECEMBER 2016

Figures in thousands of euro

		31.12.2016 A	01.07-31.12.2016 Beta contribution	31.12.2015 B	Difference % A - B
10.	Interest income	86,321	2,615	79,019	9.2%
20.	Interest expenses	(15,321)	(9)	(21,013)	-27.1%
30.	Net interest income	71,000	2,606	58,006	22.4%
40.-50.	Net fee and commission income	9,060	436	11,168	-18.9%
70.	Dividends and similar income	227	-	-	n.a.
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	1,196	436	2,640	-54.7%
120.	Operating income	81,483	3,042	71,814	13.5%
130.	Net impairment losses on loans	(9,765)	462	(5,439)	79.5%
140.	Net operating income	71,718	3,504	66,375	8.0%
180. a)	Staff costs	(15,169)	(642)	(17,528)	-13.5%
180. b)	Other administrative expenses	(22,529)	(641)	(24,350)	-7.5%
190.	Net allowance for risks and charges	(431)	(500)	300	-243.7%
200.+210.	Net provisions for risks and charges	(308)	(8)	(312)	-1.3%
220.	Other net operating income/expense	150	(75)	71	111.3%
230	Operating expenses	(38,287)	(1,866)	(41,819)	-8.4%
240.	Profits of equity-accounted investees	2,281	-	422	440.5%
270	Profits from investments disposal	-	-	534	-100.0%
280.	Pre-tax profit from continuing operations	35,712	1,638	25,512	40.0%
290.	Taxes on income for the period/year from continuing operations	(10,399)	(350)	(7,905)	31.5%
340.	Profit (loss) for the year/period attributable to the shareholders of the Parent	25,313	1,288	17,607	43.8%

Note: FY 2016 figures include the contribution of Beta Stepstone (purchased in July 2016) of the 2H 2016; 2015 figures do not include Beta Stepstone results.

BANCA SISTEMA GROUP: CONSOLIDATED FINANCIAL REPORT AS AT 31 DECEMBER 2016 AND 2015 (normalized figures)

Figures in thousands of Euro

		31.12.2016 A	01.07-31.12.2016 Beta contribution	31.12.2015 B	Difference % A - B
10.	Interest income	86,321	2,615	79,019	9.2%
20.	Interest expenses	(15,321)	(9)	(21,013)	-27.1%
30.	Net interest income	71,000	2,606	58,006	22.4%
40.-50.	Net fee and commission income	9,060	436	11,168	-18.9%
70.	Dividends and similar income	227	-	-	n.a.
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	1,196	436	2,640	-54.7%
120.	Operating income	81,483	3,042	71,814	13.5%
130.	Net impairment losses on loans	(9,765)	462	(5,439)	79.5%
140.	Net operating income	71,718	3,504	66,375	8.0%
180. a)	Staff costs	(15,169)	(642)	(13,139)	15.5%
180. b)	Other administrative expenses	(20,907)	(641)	(20,112)	4.0%
190.	Net allowance for risks and charges	(431)	(500)	300	-243.7%
200.+210.	Net provisions for risks and charges	(308)	(8)	(312)	-1.3%
220.	Other net operating income/expense	150	(75)	71	111.3%
230	Operating expenses	(36,665)	(1,866)	(33,192)	10.5%
240.	Profits of equity-accounted investees	2,281	-	422	440.5%
270	Profits from investments disposal	-	-	534	-100.0%
280.	Pre-tax profit from continuing operations	37,334	1,638	34,139	9.4%
290.	Taxes on income for the period/year from continuing operations	(10,926)	(350)	(10,426)	4.8%
340.	Profit (loss) for the year/period attributable to the shareholders of the Parent	26,408	1,288	23,713	11.4%

Note: FY 2016 figures include the contribution of Beta Stepstone (purchased in July 2016) of the 2H 2016. 2015 figures do not include Beta Stepstone results and are normalized for non-recurring items related to the IPO (€6.7m gross) and the extraordinary contribution to the National resolution Fund (€1.9m gross). 2016 figures do include the extraordinary contribution to the National Resolution Fund (€1.3m gross) and integration expenses for Beta Stepstone (€0.3m gross).

BANCA SISTEMA: BALANCE SHEET

Figures in thousands of euro

		31.12.2016 A	31.12.2015 B	Difference % A - B
	ASSETS			
10.	Cash and cash equivalents	96	104	-7.7%
20.	Financial assets held for trading	996	-	0.0%
40.	Available-for-sale financial assets	514,838	925,402	-44.4%
60.	Loans and advances to banks	71,282	2,076	3333.6%
70.	Loans and advances to customers	1,312,636	1,457,990	-10.0%
100.	Equity investments	61,628	2,696	2185.9%
110.	Property, plant and equipment	812	1,058	-23.3%
120.	Intangible assets	1,821	1,872	-2.7%
	<i>of which: goodwill</i>	1,786	1,786	0.0%
130.	Tax assets	4,954	7,353	-32.6%
150.	Other assets	13,447	13,119	2.5%
	Total assets	1,982,510	2,411,670	-17.8%

Figures in thousands of euro

		31.12.2016 A	31.12.2015 B	Difference % A - B
	LIABILITIES AND EQUITY			
10.	Due to banks	458,126	362,075	26.5%
20.	Due to customers	1,256,843	1,878,339	-33.1%
30.	Debt securities issued	90,330	20,102	349.4%
80.	Tax liabilities	3,570	804	344.0%
100.	Other liabilities	58,086	55,317	5.0%
110.	Post-employment benefits	1,640	1,303	25.9%
120.	Provisions for risks and charges:	279	372	-25.0%
130. +160. + 170. +180. + 190.	Share capital, share premiums, reserves, valuation reserves and treasury shares	89,155	75,751	17.7%
200.	Profit (loss) for the year	24,481	17,607	39.0%
	Total liabilities and equity	1,982,510	2,411,670	-17.8%

BANCA SISTEMA: FINANCIAL REPORT AS AT 31 DECEMBER 2016

Figures in thousands of euro

		31.12.2016 A	31.12.2015 B	Difference % A - B
10.	Interest income	83,859	79,258	5.8%
20.	Interest expenses	(15,358)	(21,013)	-26.9%
30.	Net interest income	68,501	58,245	17.6%
40. -50.	Net fee and commission income	8,625	11,171	-22.8%
70.	Dividends and similar income	313	33	0.0%
80. +90. +100. +110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	1,175	2,670	-56.0%
120.	Operating income	78,614	72,119	9.0%
130.	Net impairment losses on loans	(10,226)	(5,439)	88.0%
140.	Net operating income	68,388	66,680	2.6%
150. a)	Staff costs	(14,171)	(16,779)	-15.5%
150. b)	Other administrative expenses	(22,015)	(25,025)	-12.0%
160.	Net allowance for risks and charges	69	300	100.0%
170. +180.	Net provisions for risks and charges	(299)	(306)	-2.3%
190.	Other net operating income/expense	215	72	198.6%
200	Operating expenses	(36,201)	(41,738)	-13.3%
210.	Profits of equity-accounted investees	2,373	-	n.a.
270	Profits from investments disposal	-	-	0.0%
250.	Pre-tax profit from continuing operations	34,560	24,942	38.6%
260.	Taxes on income for the period/year from continuing operations	(10,079)	(7,905)	27.5%
290.	Profit (loss) for the year	24,481	17,037	43.7%

BANCA SISTEMA: FINANCIAL REPORT AS AT 31 DECEMBER 2015 AND 2016 (normalized figures)

Figures in thousands of Euro

		31.12.2016 A	31.12.2015 B	Difference % A - B
10.	Interest income	83,859	79,258	5.8%
20.	Interest expenses	(15,358)	(21,013)	-26.9%
30.	Net interest income	68,501	58,245	17.6%
40. -50.	Net fee and commission income	8,625	11,171	-22.8%
70.	Dividends and similar income	313	33	848.5%
80. +90. +100. +110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	1,175	2,670	-56.0%
120.	Operating income	78,614	72,119	9.0%
130.	Net impairment losses on loans	(10,226)	(5,439)	88.0%
140.	Net operating income	68,388	66,680	2.6%
150. a)	Staff costs	(14,171)	(12,670)	11.8%
150. b)	Other administrative expenses	(20,393)	(20,787)	-1.9%
160.	Net allowance for risks and charges	69	300	-77.0%
170. +180.	Net provisions for risks and charges	(299)	(306)	-2.3%
190.	Other net operating income/expense	215	72	198.6%
200	Operating expenses	(34,579)	(33,391)	3.6%
210.	Profits of equity-accounted investees	2,373	-	#DIV/0!
270	Profits from investments disposal	-	-	#DIV/0!
250.	Pre-tax profit from continuing operations	36,182	33,289	8.7%
260.	Taxes on income for the period/year from continuing operations	(10,606)	(10,426)	1.7%
290.	Profit (loss) for the year	25,576	22,863	11.9%

Note: 2015 figures are normalized for nonrecurring items related to the IPO (€6.7m gross) and the extraordinary contribution to the National resolution Fund (€1.9m gross). 2016 figures do include the extraordinary contribution to the National Resolution Fund (€1.3m gross) and integration expenses for Beta Stepstone (€0.3m gross).