BANCA
SISTEMA
CONTEMPORARY BANK

Group Profile

May 2016



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1Q 2016 Results at a Glance

P&L

- **€16.1m Net Interest income** +7% y/y and vs 4Q 2015
- **€0.6m yearly contribution** to the National Resolution Fund fully booked in 1Q 16
- **Cost of risk at 47bps** down from 50bps in 2015
- **Net Income at €6m**, with a trading income 56% y/y lower and higher costs
- **ROAE 23%**

Strong commercial performance

- **1Q 2016 Factoring Turnover +24% y/y**
- ~**90%** of factoring turnover is recurring
- **CQS/CQP** outstanding reached **€145m**
- **SMEs financing** outstanding at **€82m**

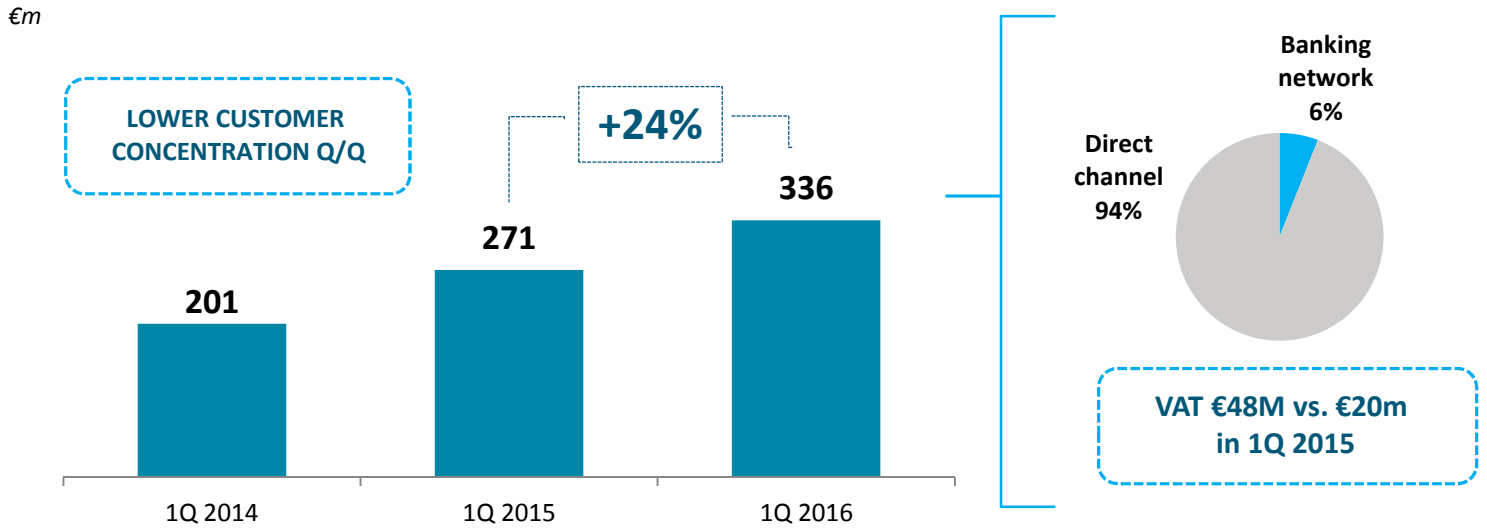
Balance Sheet

- **Retail funding** represented **40%** of Total funding
- **CQS securitization** launched at the end of 1Q 2016
- **Well diversified** Wholesale Funding
- **Retail funding costs** down to **~160bps** vs ~230bps FY 2015
- **CET1** and **TCR** reached respectively **13.8%** and **16.8%**
- **Leverage Ratio at 4.5%**

Note: 1Q 2015 Net Income does not include non-recurring items related to the IPO (€0.3m).

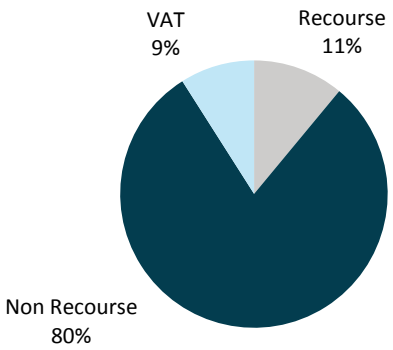
+24% year on year growth in a growing market

Factoring Turnover



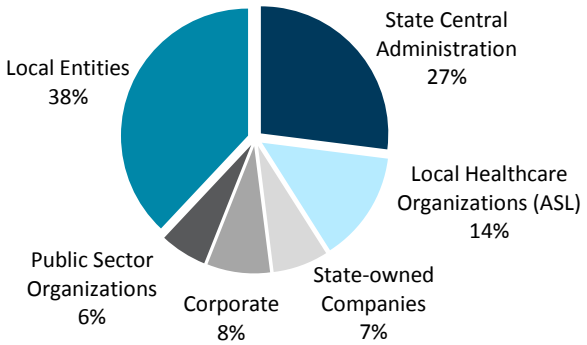
Factoring Outstanding Breakdown - €1,020m (+19% y/y)

By Type of Product

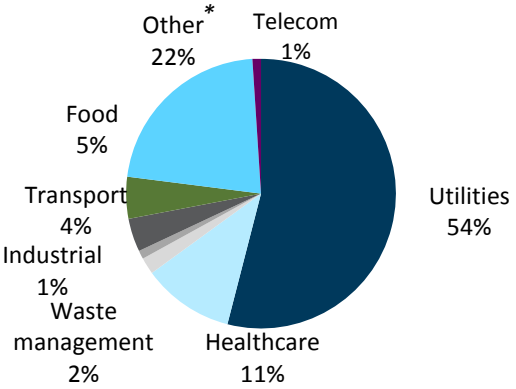


By Obligor

PA accounts for 92%



By Client



Note: (*) Including services, entertainment, agriculture and IT, among others.

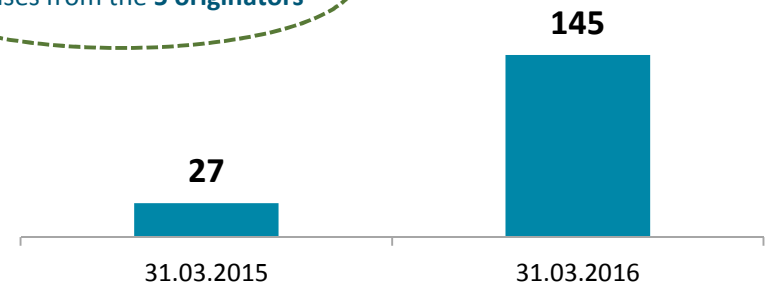
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CQS/CQP and SME loans represent today 17% of Total Loans

CQS/CQP Loans outstanding

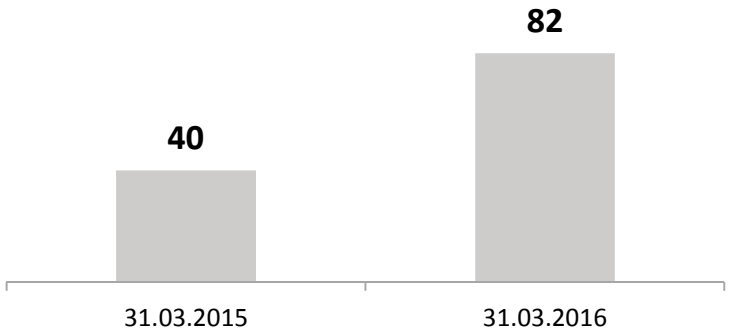
€m

We expect further purchases from the **5 originators**

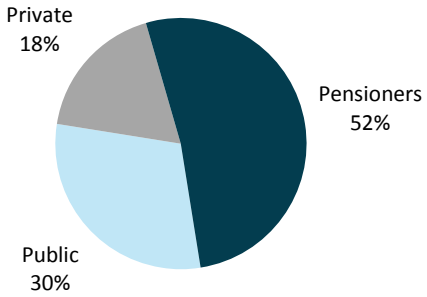


SME State Guaranteed Loans outstanding

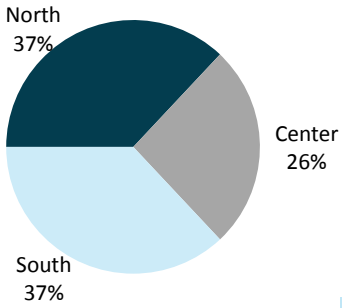
€m



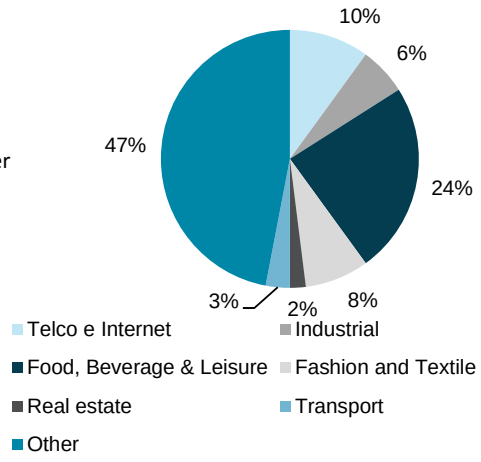
Split by Type



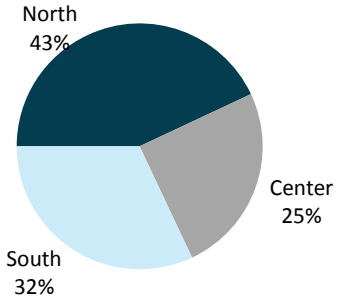
Split by Geography



Split by Industry



Split by Geography



Outstanding as at 31.03.2016

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1Q 2016 – Income Statement*

Figures in thousands of euro

	31.03.2016 A	31.03.2015 B (Normalized)	Difference % A - B
Net interest income	**16,092**	**15,016**	**7.2%**
Net fee and commission income	2,342	2,940	-20.3%
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	642	1,449	-55.7%
Operating income	**19,076**	**19,405**	**-1.7%**
Loan loss provisions	(1,471)	(944)	55.8%
Net operating income	**17,605**	**18,461**	**-4.6%**
Personnel expenses	(3,625)	(3,226)	12.4%
Other administrative expenses	(4,613)	(4,699)	-1.8%
Net allowance for risks and charges	(531)	-	100.0%
Net provisions for risks and charges	(75)	(76)	-1.3%
Other net operating income/expense	(27)	16	-268.8%
Operating expenses	**(8,871)**	**(7,985)**	**11.1%**
Profits of equity-accounted investees	(6)	48	-112.5%
Pre-tax profit from continuing operations	**8,728**	**10,524**	**-17.1%**
Taxes on income for the period/year from continuing operations	(2,767)	(3,551)	-22.1%
Net income	**5,961**	**6,973**	**-14.5%**

- **NII increase (+7%)** driven by the combined effects of: a lower cost of funding; higher contribution from CQS/CQP and SME loans, more than compensated lower contribution from factoring (due to faster DSOs)
- Lower contribution from our short term Italian Government **bond portfolio (-56%)**
- **Higher LLPs** as a consequence of the SMEs portfolio's deterioration and outstanding growth
- **Personnel expenses** are in line considering the higher headcount
- **Net provisions for risk and charges** includes the ordinary yearly contribution to National Resolution Fund (€0.6m)
- **Net Income** in 1Q 2016 includes a contribution of LPIs from legal procedures of €0.5m. Considering that the first legal actions started in 2012, it is reasonable to expect a further contribution in terms of LPIs

Note (*): 1Q 2015 Net Income does not include non-recurring items related to the IPO (€0.3m).

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1Q 2016 – Balance Sheet

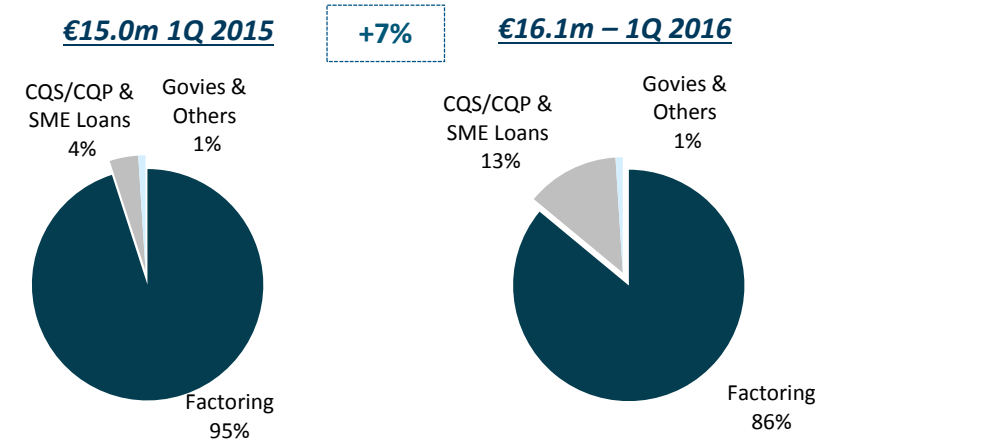
Figures in thousands of euro

	31.03.2016 A	31.12.2015 B	Difference % A - B
ASSETS			
Cash and cash equivalents	100	104	-3.8%
Available-for-sale financial assets	925,436	925,402	0.0%
Loans and advances to banks	6,703	2,076	222.9%
Loans and advances to customers	1,326,777	1,457,990	-9.0%
Equity investments	2,571	2,696	-4.6%
Property, plant and equipment	1,001	1,058	-5.4%
Intangible assets	1,859	1,872	-0.7%
of which: goodwill	*1,786*	*1,786*	*0.0%*
Tax assets	4,612	7,353	-37.3%
Other assets	7,897	13,119	-39.8%
Total assets	**2,276,956**	**2,411,670**	**-5.6%**
LIABILITIES AND EQUITY			
Due to banks	372,922	362,075	3.0%
Due to customers	1,724,130	1,878,339	-8.2%
Debt securities issued	20,411	20,102	1.5%
Tax liabilities	653	804	-18.8%
Other liabilities	57,582	55,317	4.1%
Post-employment benefits	1,410	1,303	8.2%
Provisions for risks and charges:	879	372	136.3%
Share capital, share premiums, reserves, valuation reserves and treasury shares	93,008	75,751	22.8%
Profit (loss) for the year	5,961	17,607	-66.1%

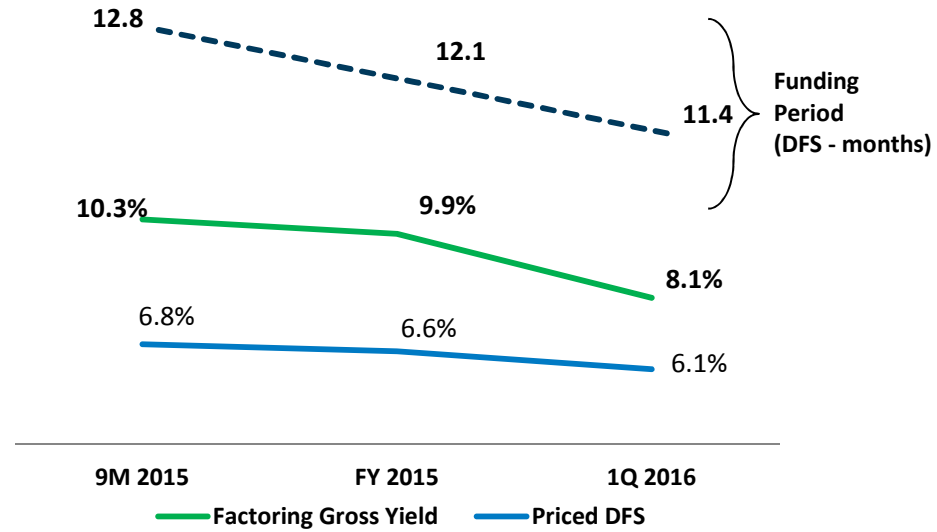
- **Stable Govies AFS portfolio of €920m** with an average residual maturity of 12 months
- **Factoring receivables** in line with yearly business growth and cyclical concentration of purchases in December
- **CQS/CQP** increase due to €25m loan purchases
- **Due to banks**: slight increase on **Interbank** and slight decrease on **ECB** funding, that is today already higher due to a higher collateral
- **Less retail term deposits, but more current accounts**, also thanks to higher liquidity buffer from Interbanking, securitization and Abaco
- **Total own funds at €110.6m (TCR 16.8%) and CET1 at €90.6m (ratio 13.8%)**

Factoring represents the main source of revenues

Net Interest Income Split



Factoring - Yield and Price



- Net Interest Income, represented 84% of the Total Income:
  - factoring is the main contributor, 86% of the Net Interest Income. Its lower Yield has been compensated by a lower funding cost and it will benefit in the future from a higher cash contribution from LPIs
  - higher contribution from CQS/CQP and SME loans

- At the end of March 2016 LPIs, not booked on our Balance Sheet, amount to €159m (€152m in 2015) of which €71m is from receivables not yet collected

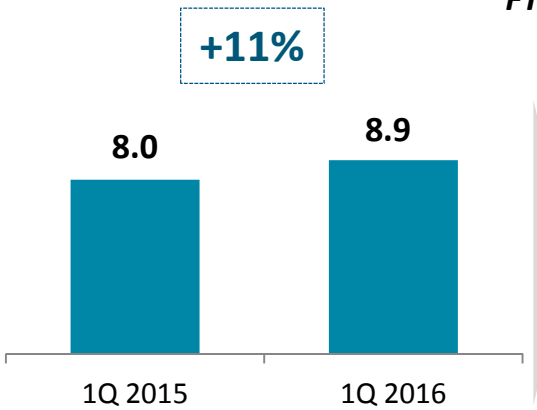
Note: Gross Yield and Priced DFS include also commissions components.

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Efficiency and saving enabled by our business Model

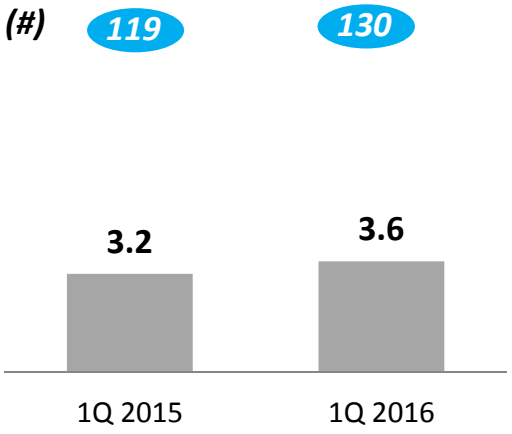
Operating Costs*

€m

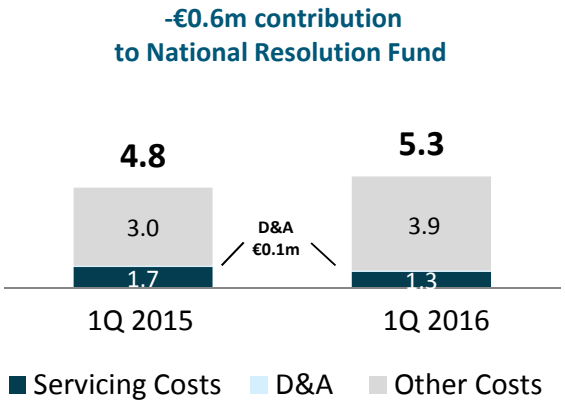


Personnel Expenses

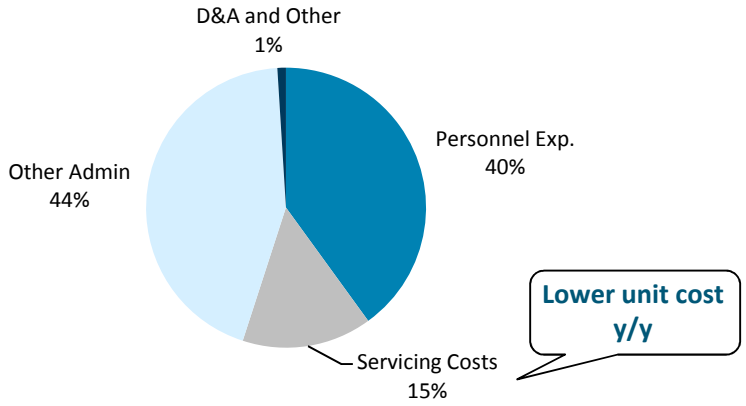
FTEs (#)



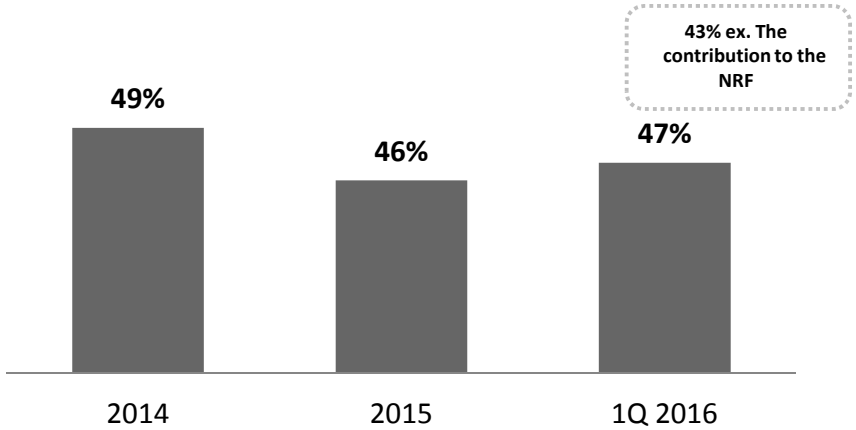
Administrative Expenses, Net Provisions for risk, Servicing Costs, Other and D&A*



Operating Costs Breakdown



Cost Income Ratio

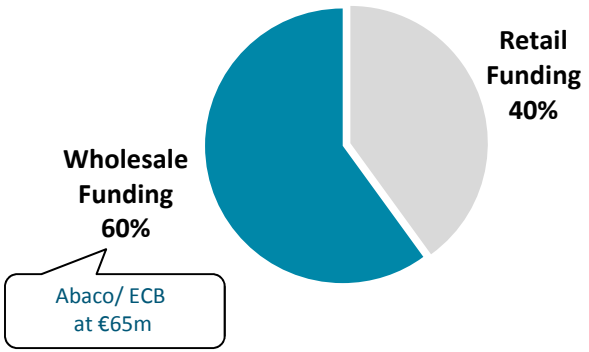


Note: (*) 1Q 2015 Costs and related ratios do not include non-recurring items.

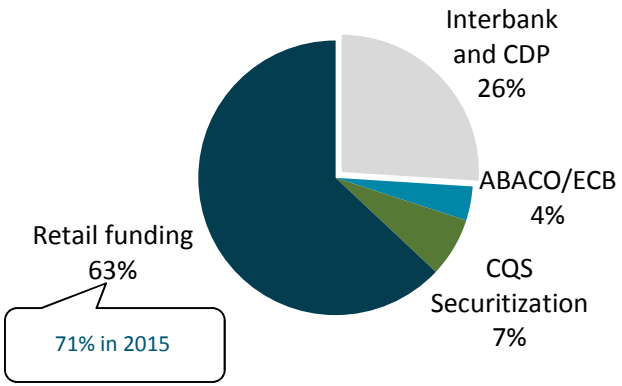
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Funding strategy focused on diversifying

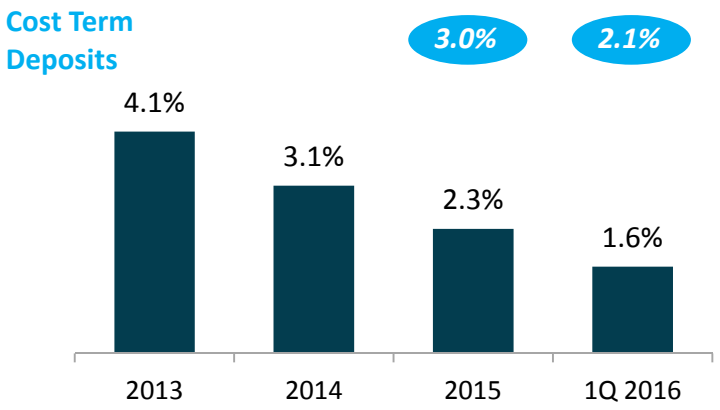
Total Funding Breakdown



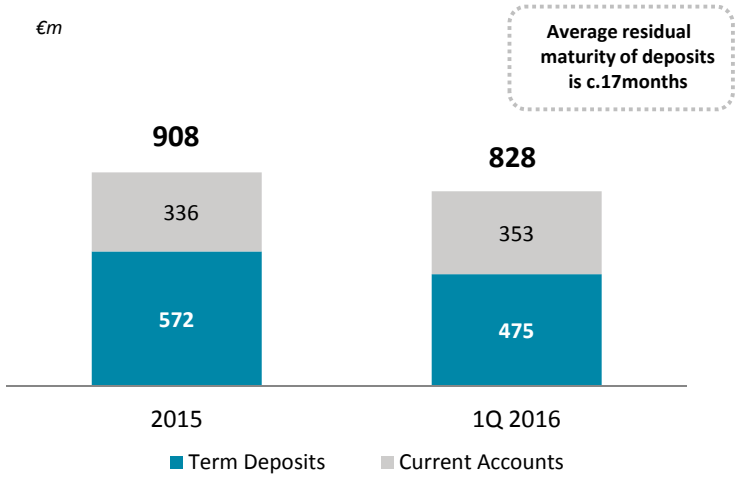
Core Business Funding



Retail Cost of Funding



Retail Funding



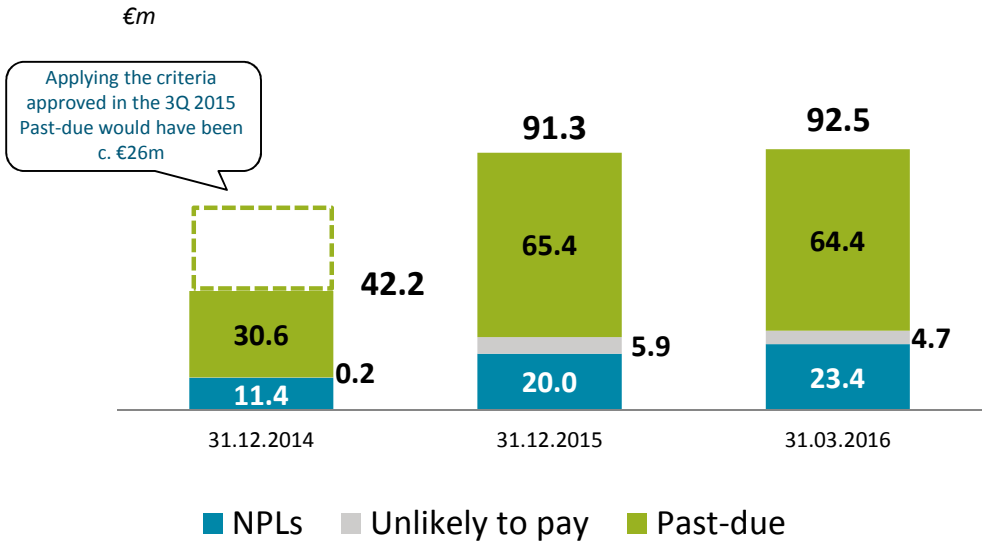
- **Higher diversification and better ALM**
- Term Deposits have been reduced to allow additional funding: Abaco/ECB and a 2Y Senior bond (private placement)
- 13% of term deposits from Germany
- Wholesale funding included the warehouse credit line related to the CQS securitization launched at the end of March

Notes: Average cost of funding (current accounts and term deposits); CDP stands for Cassa Depositi e Prestiti (in particular is referring to a credit line).

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Conservative risk policy in all the business lines

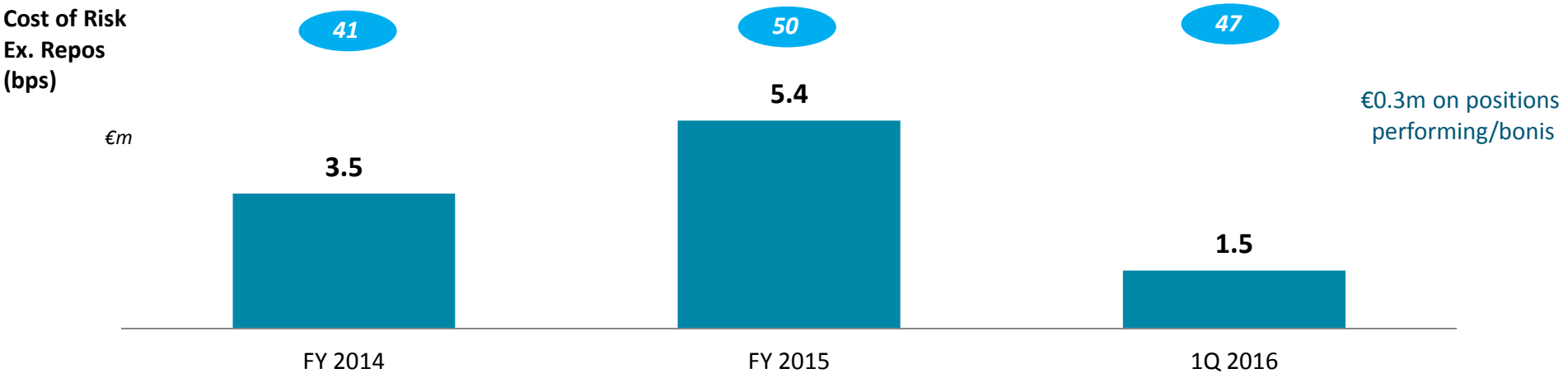
Gross Doubtful Loans



- Stable asset quality q/q
- Net NPL ratio 1.3% as at 31.03.2016 ex. Repos (1.1% in 2015)
- NPLs increase was due to some deterioration of the SMEs State Guaranteed loans portfolio and factoring
- "Unlikely to pay" decrease q/q was due to SME loans move to NPL status

- Loan loss provisions in 1Q 2016 equal to €1.5m and relative cost of risk is higher than 2015, for SME loans and lower in factoring

Cost of Risk and Loan Loss Provisions

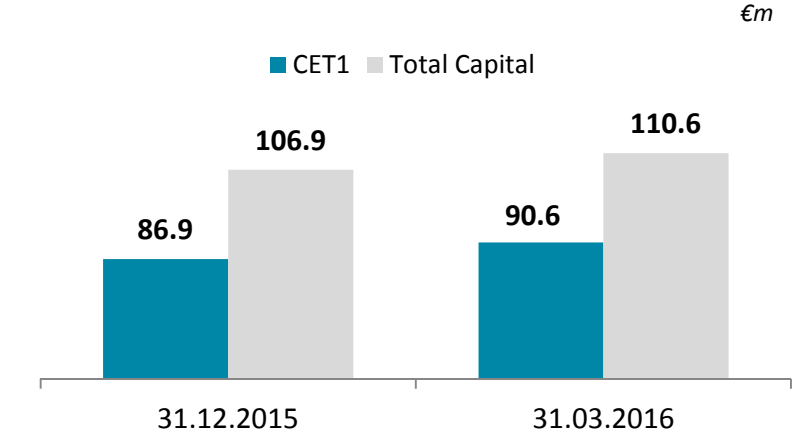


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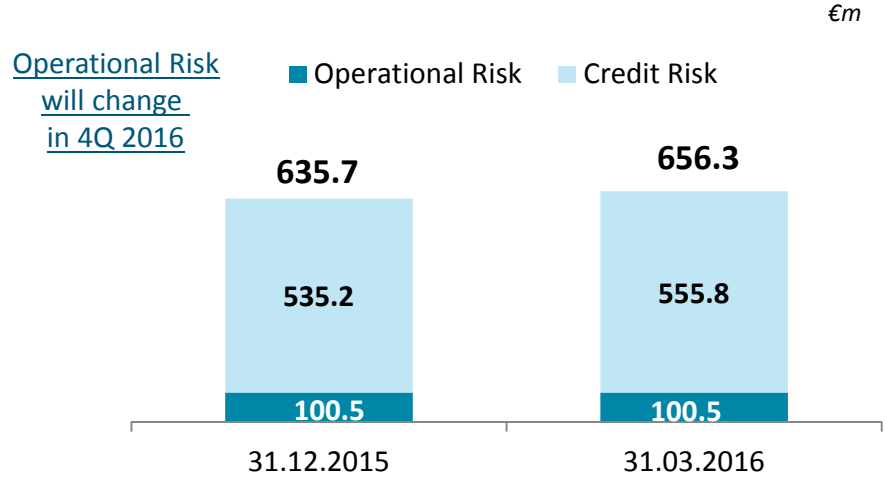
Appendix

Regulatory Capital

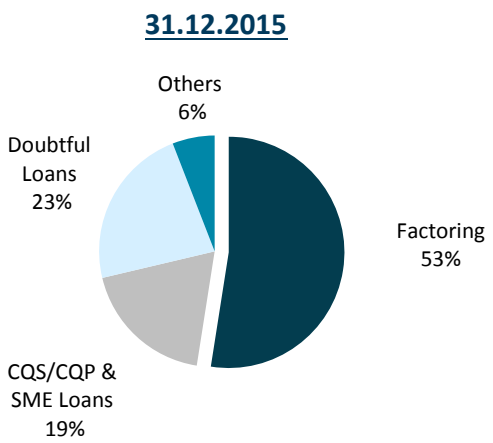
CET1 and Total Capital

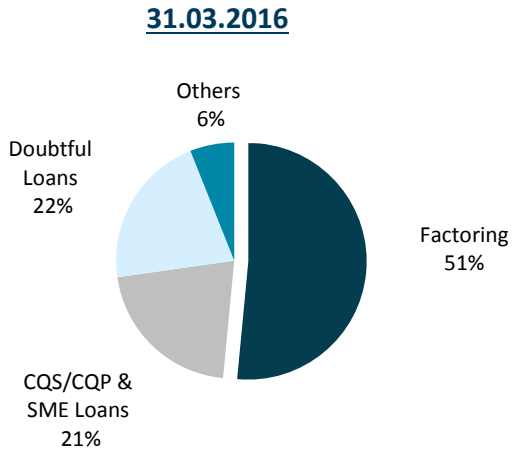


RWA breakdown



RWA – Credit Risk





Note: CET1 and Total Capital, following CRR directive, are based on an estimated dividends pay-out of 14% (average effective pay-out of the last three years).

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Balance Sheet as at 31.03.2016 - Details

[€m as at 31.12.2015]

Loans to Customers €1,327m

- **Factoring: €964m** [1,050]
- **CQS: €145m** [120]
- **SMEs financing: €82m** [83]
- Repos: €106m [178]
- Other: €29m [27]

Due to Banks €373m

- **Banks: €308m (Interbank)** [282]
- **ECB: €12m** [31]
- **ECB/ Abaco: €53m** [49]

Due to Customers €1,724m

- **Retail funding: €828m:** [908]
  - **€475m term deposits** [572]
- **Repo – Securitization CQS: €94m** [0]
- Repo: €746m (with "MTS Repo") [909]
- **CDP credit line: €31m** [31]
- Other: €26m [30]

Factoring Business

Overview of Key Dates for Pricing and Collection

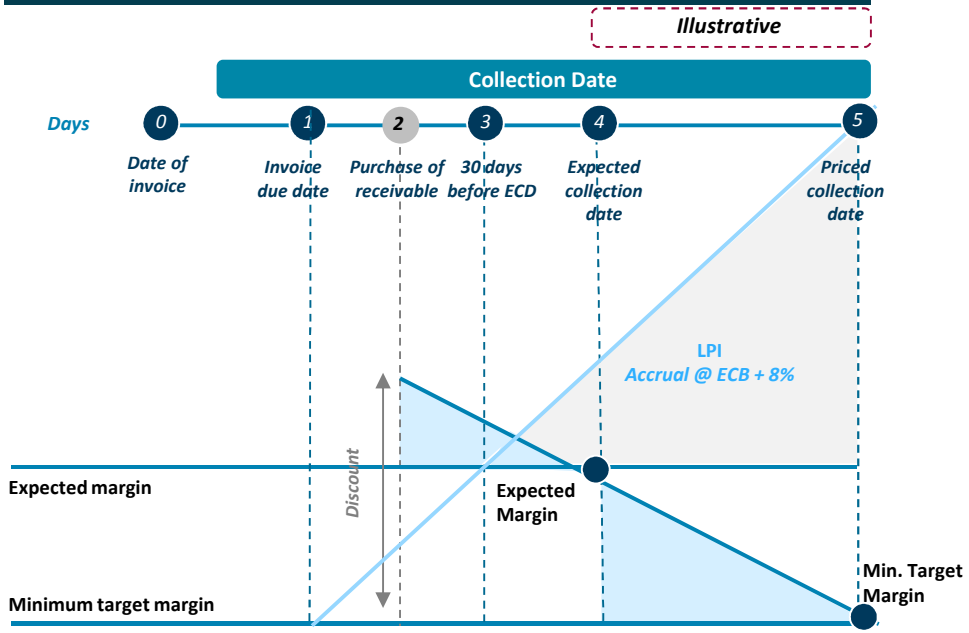
Banca Sistema's experience and capabilities allow to accurately forecast the expected collection date for each receivable, thus allowing for precise pricing decisions

Receivables Factoring - Key Dates

Days Sales Outstanding (DSO) of the receivable

0	Date of Invoice	• Date of original invoice
1	Invoice Due Date	• 30/60 days after invoice(1)
2	Purchase of receivable	• Start of ordinary collection activities
3	30 days before Expected Collection Date	• Start of accelerated collection activities
4	Expected Collection Date (ECD)	• Number of collection days estimated for each specific debtor based on company's proprietary tools, analysis and experience
5	Priced Collection Date (PCD)	• **Estimated conservative date of payment on which the pricing to the client and underwriting is based**; estimated for each debtor based on company proprietary tools and analysis

Collection Dates and Contribution Margin Overview



Interest Margin – Illustrative

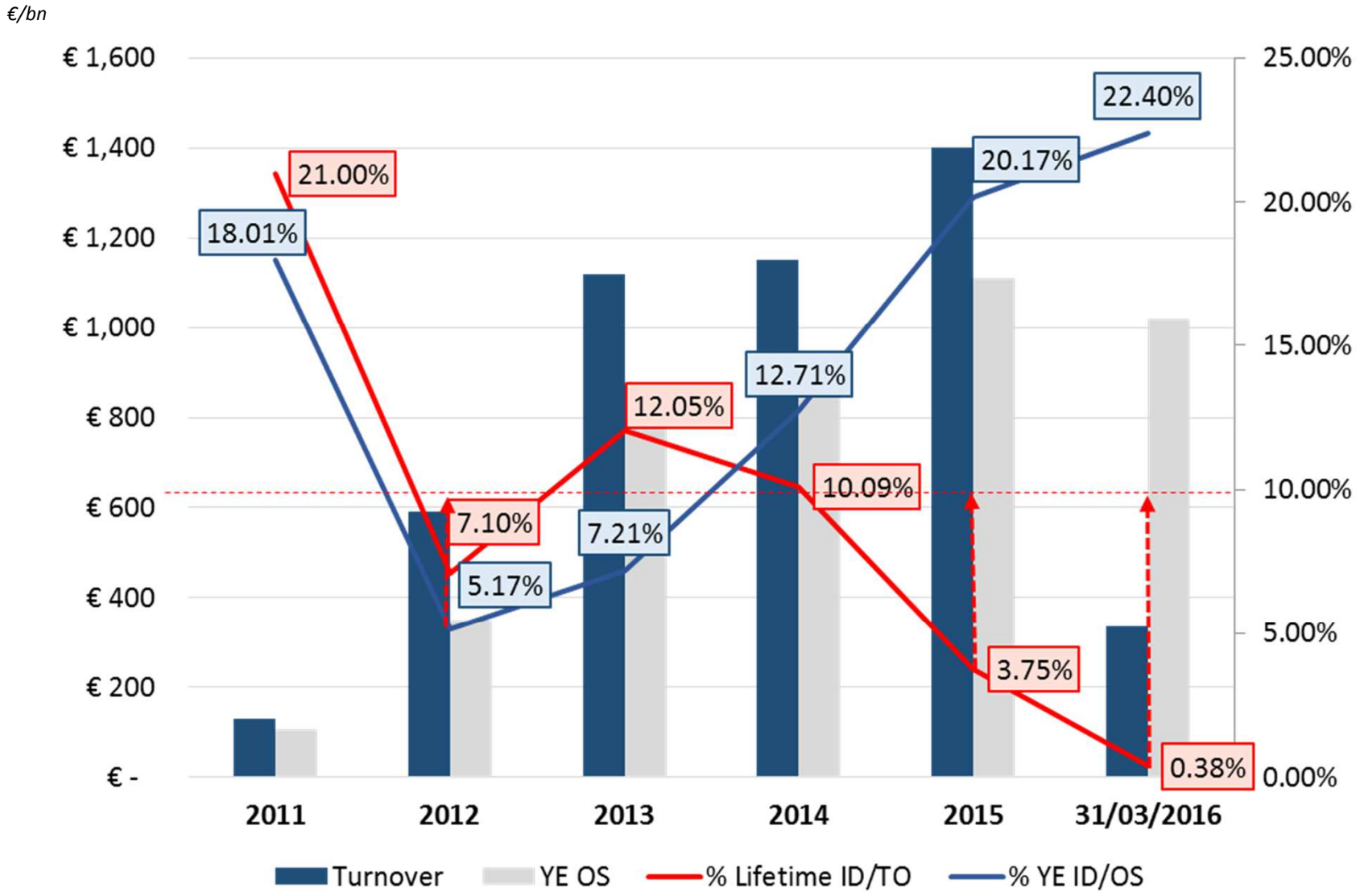
	Priced collection date	Discount to face value	Min. target gross yield
Client effective cost	11 months	5%	5.8%
	Payment Date (ECD)	**Months of anticipated collection**	**Actual gross yield**
Banca Sistema gross interest yield	7 months	4 months	9.0%

- **High profitability resulting from (i) accelerated recovery period due to excellence in collection practice and (ii) disciplined underwriting process and pricing of receivables acquired**
- **Strong collection performance resulting from deep analytical capabilities and PA expertise**
- **Since 2011 the vast majority of the total collections occurred both before the expected collection date and before the priced collection date**
- The residual portion of receivables collected after the priced collection date, is collected using legal actions which include claim of LPI

Note: 1. 60 days for healthcare related receivables.

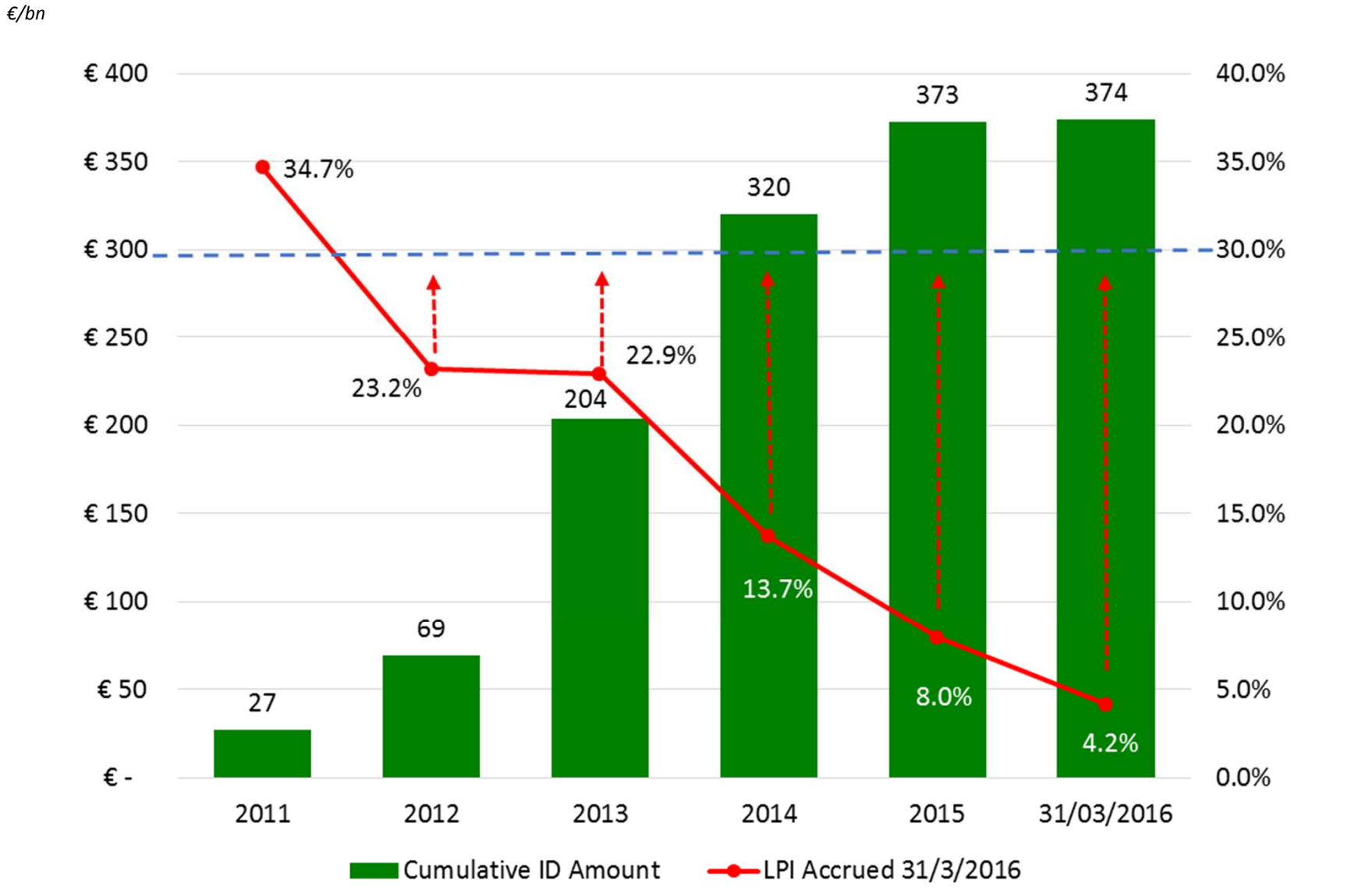
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Turnover, Outstanding and Injunction Decrees (ID)



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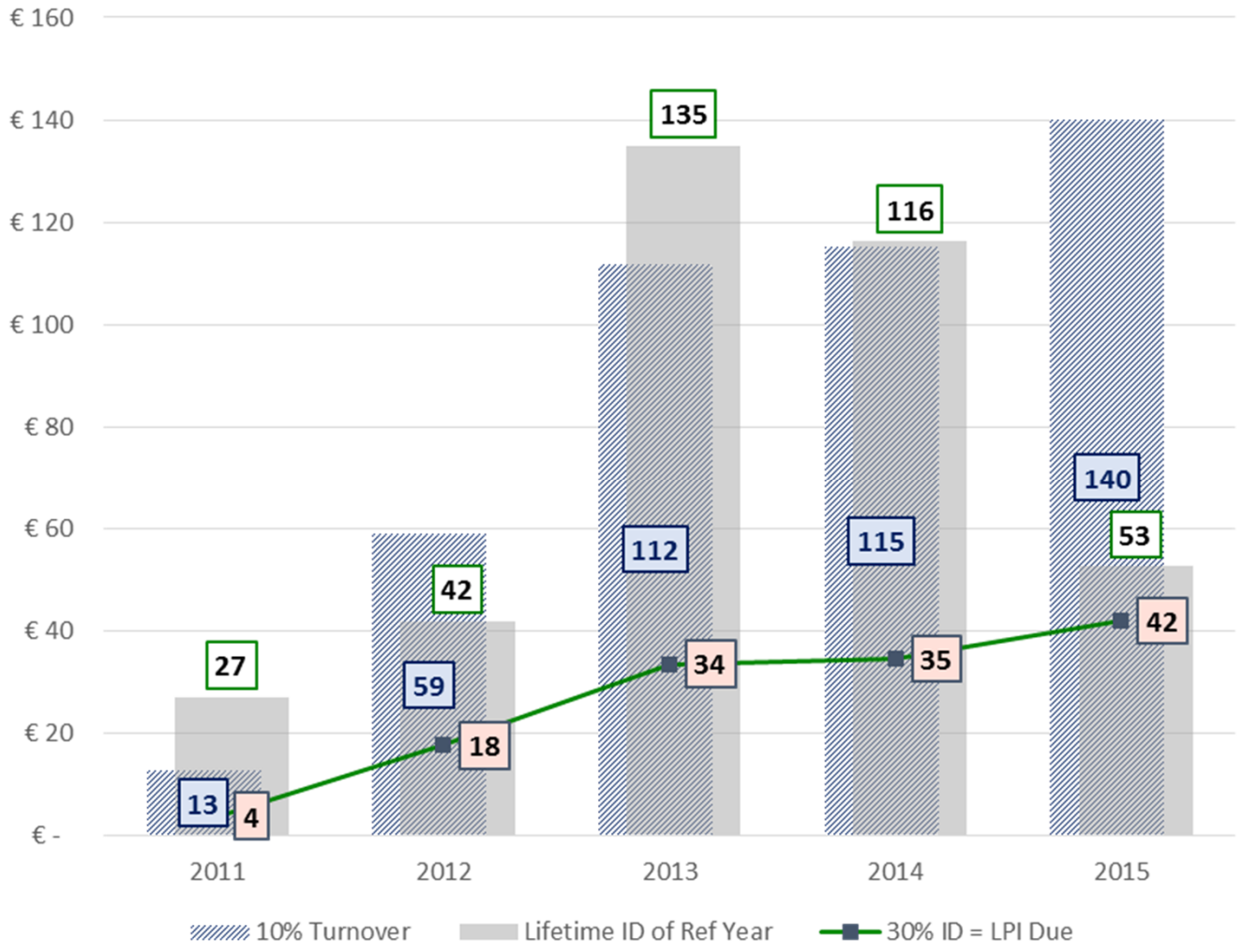
ID Amount and % LPI accrued per reference Year



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Estimates 1/2

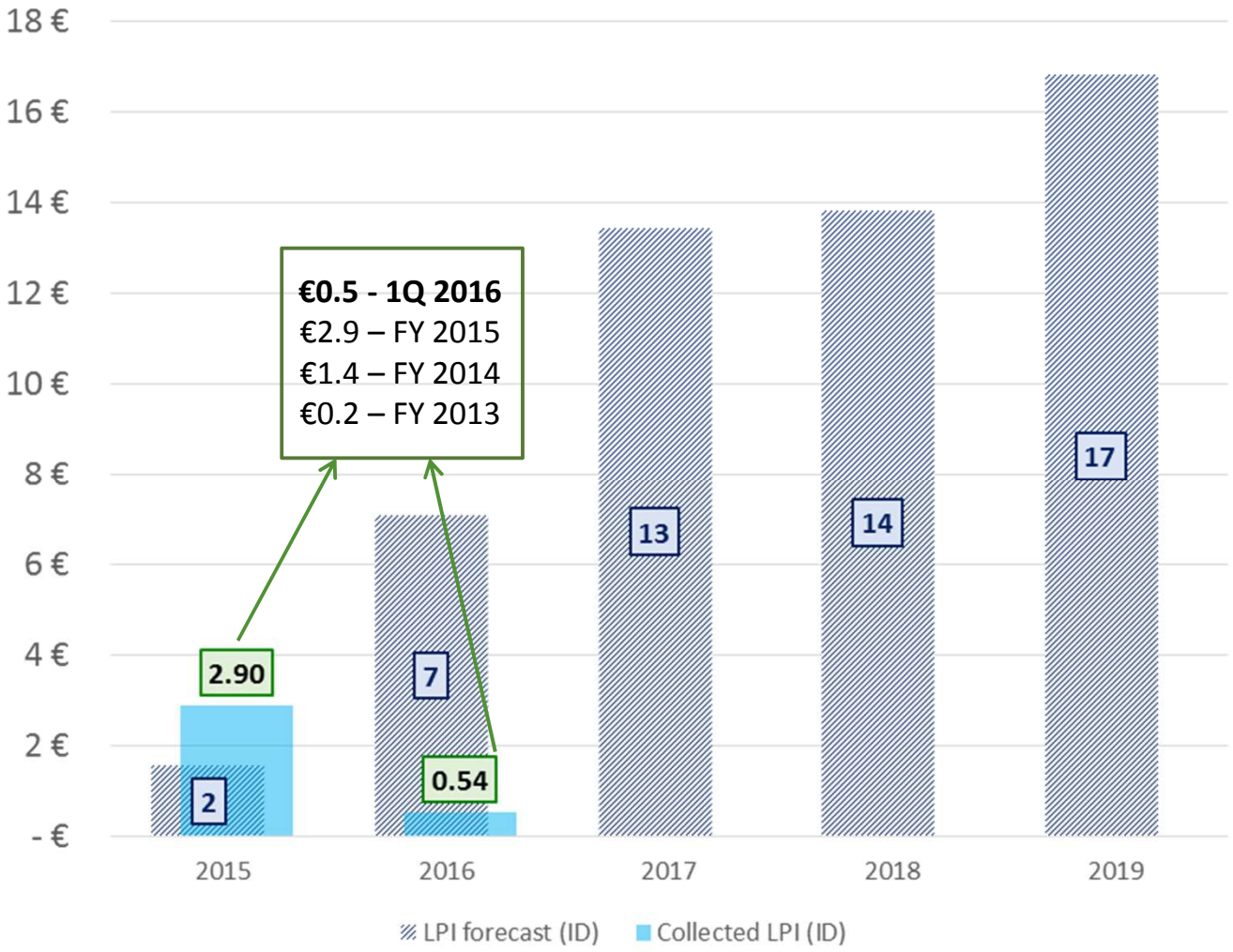
€/m



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Estimates 2/2

€/m



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Remarks

- **Most of the Assets that have been activated through an Injunction to pay (ID) have ended their administration period and do not generate any interest any more.**
- **We expect that 10% of the receivables purchased have to be collected by injunction decrees. When the injunction decrees are activated the related average duration of these receivables become 4-5 years and it has to be compared with an ordinary collection duration that takes on average less than 1 year.**
- **When the actioned decrees are collected they bear on average 30% [(ECB rate + 8%) x 4 years] of "Due LPI".**
- **We estimate that only 40% of the "Due LPI" are effectively collected.**

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