BANCA SISTEMA
CONTEMPORARY BANK

FY 2015 Results

5 February 2016

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FY 2015 Results at a Glance*

Delivering growth

- **Net Interest income +20% y/y** (+19% 4Q 15 vs. 4Q 14)
- **€2.7m total contribution** to the National Resolution Fund and the Italian Interbank Deposit Protection Fund (FITD)
- **Normalized Net Income for non-recurring items +21% y/y**
- **Dividend pay-out 25%** with a DPS of €0.05

ROAE 34%

Strong commercial performance

- **2015 PA Factoring Turnover +20% y/y** (+20% 4Q 15 vs. 4Q 14)
- **Factoring customers up to 294** from 124 in 2014
- **CQS/CQP** outstanding reached **€120m** (€13m year-end 2014)
- **SMEs financing** outstanding reached **€83m** (€19m year-end 2014)

~90% of the Factoring is recurring

Balance Sheet strength

- **Retail funding** represented **42%** of Total funding
- **Retail funding costs** down to **~230bps** vs ~310bps in 2014 (with a Take on rate of 1% on term deposits)
- **CET1** and **TCR** reached respectively **13.7%** and **16.8%**
- **Leverage Ratio at 4.2%**

Diversified funding

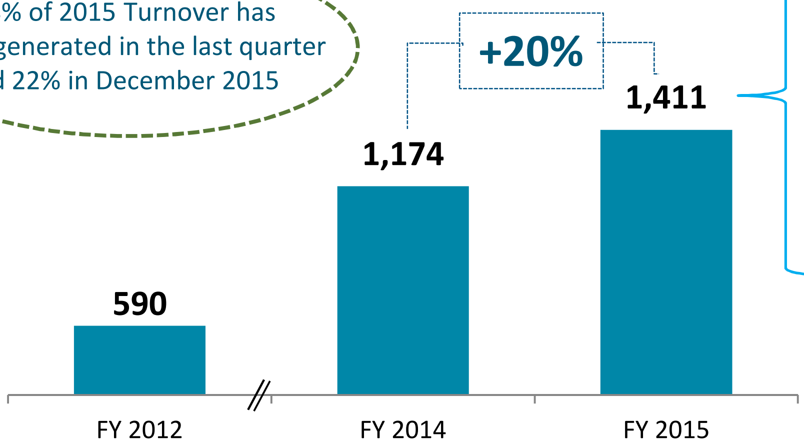
Notes: (*) FY 2015 Net Income and related ratios do not include non-recurring items related to the IPO and the extraordinary contribution to the National Resolution Fund (NRF).

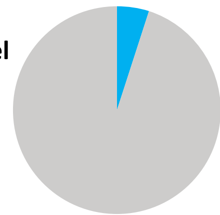
+20% year on year growth in a growing market

Factoring Turnover

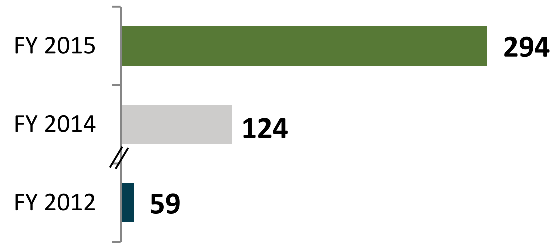
€m

38% of 2015 Turnover has been generated in the last quarter and 22% in December 2015





 # Customers: +140% y/y



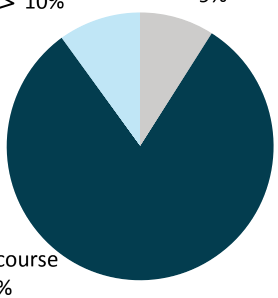
BANKING NETWORK
14 agreements with BANKS, for a total of ~1,110 branches

LOWER CUSTOMER CONCENTRATION
TOP 10 customers generated 45% of FY 2015 turnover vs. 54% in 2014

2015 Factoring Outstanding Breakdown - €1,111m (+19% y/y)

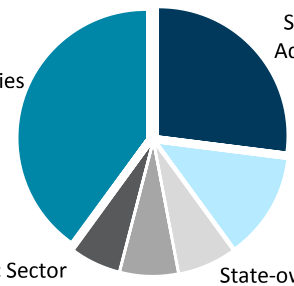
By Type of Product

4% in 2014

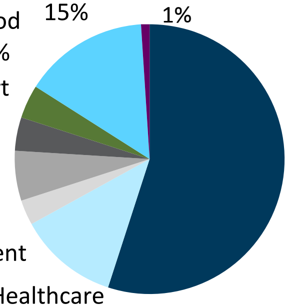


By Obligor

PA accounts for 93%



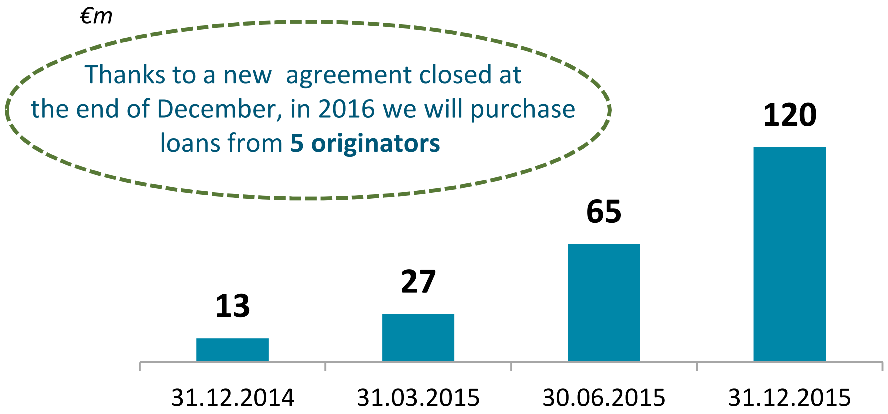
By Client



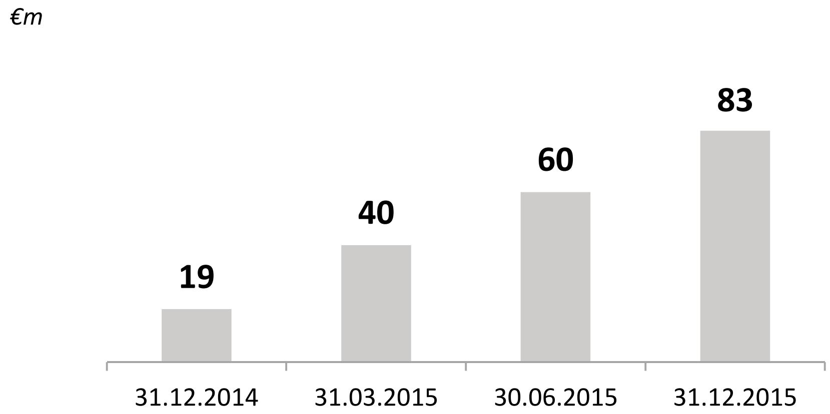
Note: (*) Including services, entertainment, agriculture and IT, among others.

CQS/CQP and SME loans represent today 16% of Loans

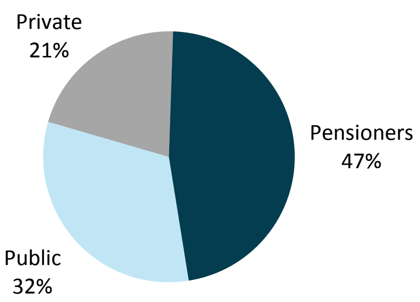
CQS/CQP Loans outstanding



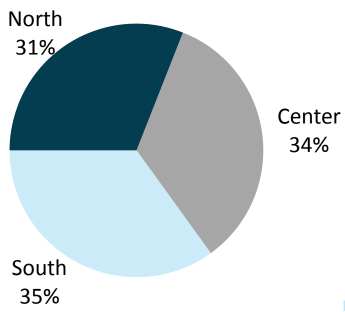
SME State Guaranteed Loans outstanding



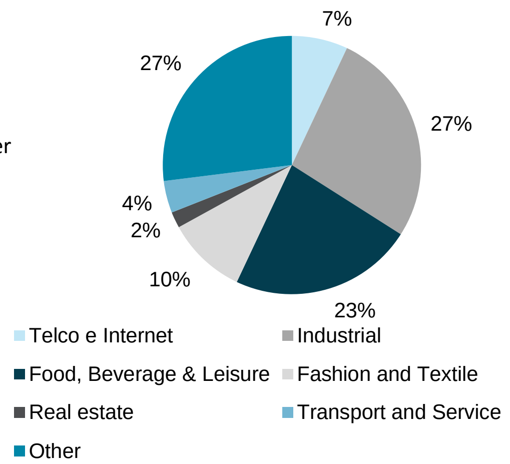
Split by Type



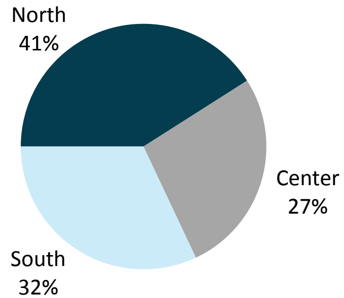
Split by Geography



Split by Industry



Split by Geography



Outstanding as at 31.12.2015

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FY 2015 – Income Statement*

Income Statement - €m	FY 2015	FY 2014	Change
Net Interest Income	58.0	48.3	20.0%
Net commission income	11.2	11.5	-2.9%
Dividends	-	0.03	nm
Trading income	2.6	4.7	-43.6%
Total income	**71.8**	**64.5**	**11.3%**
Loan loss provisions	(5.4)	(3.5)	54.5%
Operating income	**66.4**	**61.0**	**8.8%**
Personnel expenses	(13.1)	(12.1)	8.5%
Admistrative expenses	(20.1)	(18.4)	9.4%
Net provisions for risk and charges	0.3	(0.4)	-181.3%
Amortization and depreciation and Other	(0.3)	(0.6)	-57.6%
Operating costs	**(33.2)**	**(31.5)**	**5.6%**
Income before taxes from continuing operations	**33.2**	**29.5**	**12.1%**
Profits on equity investments - CS Union	0.4	0.1	nm
Profit on Investment disposal - Core business	0.5	-	nm
Profit before taxes	**34.1**	**29.6**	**15.1%**
Taxe on income from continuing operations	(10.4)	(10.1)	2.9%
Normalized Net income	**23.7**	**19.5**	**21.5%**
Net non recurring items - IPO & extra. contribution to NRF	**(6.1)**		
Net income	**17.6**		

- **NII increase (+20**%) driven by, lower cost of funding, higher factoring volumes and higher contribution from CQS/CQP and SMEs loans that more than compensated lower contribution from Govies portfolio
- Lower contribution from our short term Italian Government **bond portfolio (-44%)**
- **Higher LLPs** as a consequence of higher NPLs
- **Personnel expenses** are in line considering the higher headcount **(+14 average FTEs y/y)**
- **Operating costs +3%** ex. also the ordinary contributions to National Resolution Fund and FITD (€0.9m)
- We have a positive contribution of **€0.4m** from our stake in CS Union, an Italian player in NPLs market, and €0.5m as a deferral price of a sale of factoring receivables

Notes: (*) FY 2015 Net Income and related ratios do not include non-recurring items related to the IPO and the extraordinary contribution to the National Resolution Fund (€1.8m).

FY 2015 – Balance Sheet

Balance Sheet - €m		31/12/2015	31/12/2014	Change
Financial assets		925.4	858.1	7.8%
Due from banks		2.1	16.7	-87.6%
Customer loans		1,458.0	1,193.8	22.1%
	Factoring	***1,049.8***	***851.9***	*23.2%*
	CQS/CQP loans	***120.4***	***13.2***	*809.9%*
	SME State Guaranteed loans	***83.2***	***18.7***	*345.8%*
	Repos	*177.9*	*290.3*	*-38.7%*
	Other	*26.7*	*19.7*	35.7%
Equity investments		2.7	2.4	10.1%
Property and Equipment		2.9	3.1	-5.6%
	Goodwill	*1.8*	*1.8*	*nm*
Other assets		20.6	7.2	186.0%
Total Assets		**2,411.7**	**2,081.3**	**15.9%**
Due to banks		362.1	821.4	-55.9%
	Central banks	*80.0*	*730.0*	*-89.0%*
	Banks	*282.1*	*91.4*	*208.7%*
Due to customers		1,878.4	1,153.8	62.8%
	Term deposits	*572.4*	*569.4*	*0.5%*
	Repos	*909.1*	*238.8*	*280.7%*
	Cash accounts	*335.6*	*311.8*	*7.6%*
	Other	*61.3*	*33.8*	*81.2%*
Debt securities		20.1	20.1	0.0%
Other liabilities		57.7	44.9	28.5%
Shareholders' Equity		93.4	41.1	127.5%
Total Liabilities		**2,411.7**	**2,081.3**	**15.9%**

- **Stable Govies AFS portfolio of €920m** with an average residual maturity of 9.0 months
- **Factoring receivables** increase in line with yearly business growth and cyclical concentration in December
- **CQS/CQP** increase thanks to €115m loan purchases
- Reduced exposure to **ECB** and increased funding from **Repo market** due to lower financing cost and funding from **other banks** (Interbanking)
- **Stable retail term deposits and current accounts**, also thanks to higher liquidity buffer from Interbanking
- **Total own funds at €106.9m (TCR 16.8%) and CET1 at €86.9m (ratio 13.7%)**

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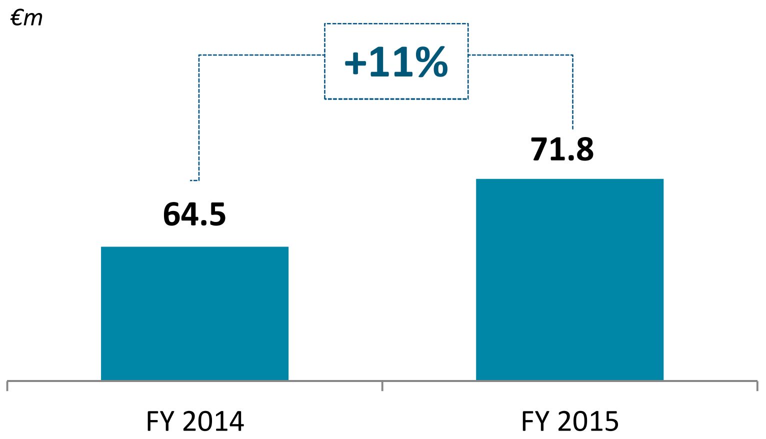
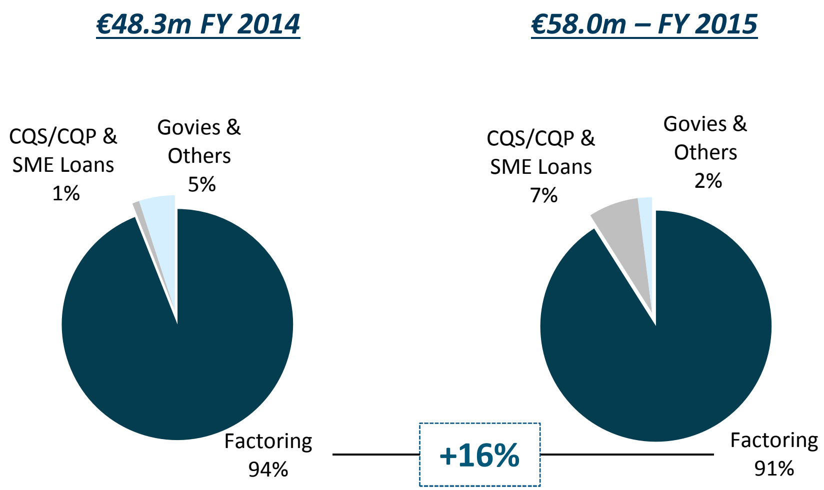
Strong revenues supporting earnings growth

Total Income



Net Interest Income Split



- Total Income up 11%, from €64.5 in 2014 to €71.8m in 2015
- Net Interest Income, represented 81% of the Total Income, up +20% y/y:
  - factoring is the main contributor, with 91% of the Net Interest Income and increase +15% y/y, also thanks to a lower cost of funding (-80bps y/y Retail and -20bps y/y Wholesale)
  - higher contribution from CQS/CQP and SME loans from 1% in 2014 to 7% in 2015(+€3.9m in 2015 vs. 2014)
- These increases more than compensated for the lower total contribution from our short term Govies, declining both at Net Interest Income level (carry trade of €1.6m in 2015 vs. €2.4m in 2014) and at trading income level
- At the end of 2015 LPIs, not accounted in our Balance Sheet, amount to €152m (€121m in 2014) of which €70m on receivables not yet collected

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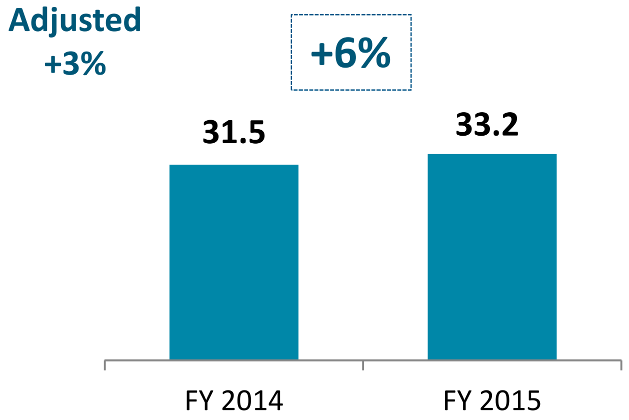
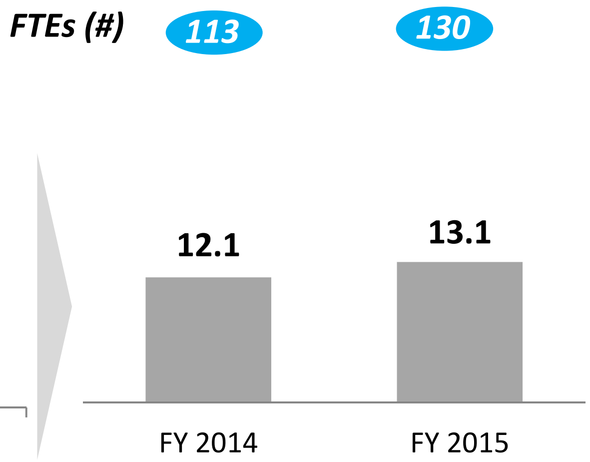
Efficiency and saving enabled by our business Model

Operating Costs*

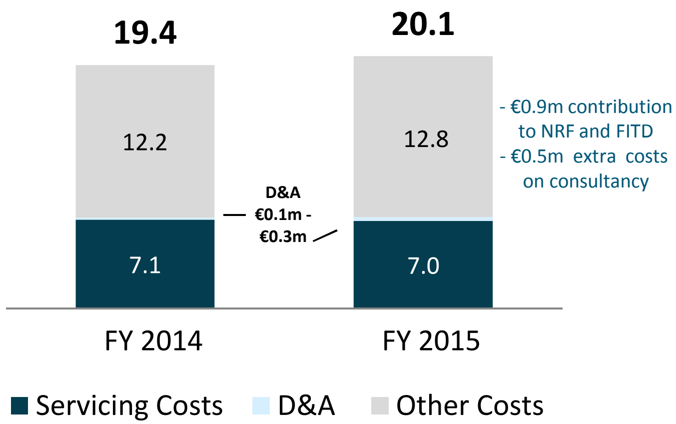
€m



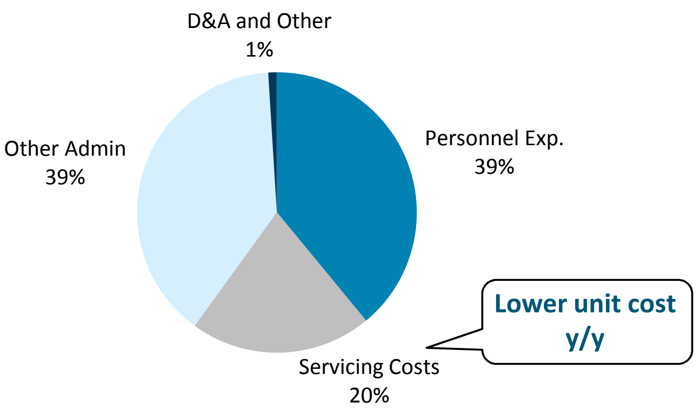
Personnel Expenses*



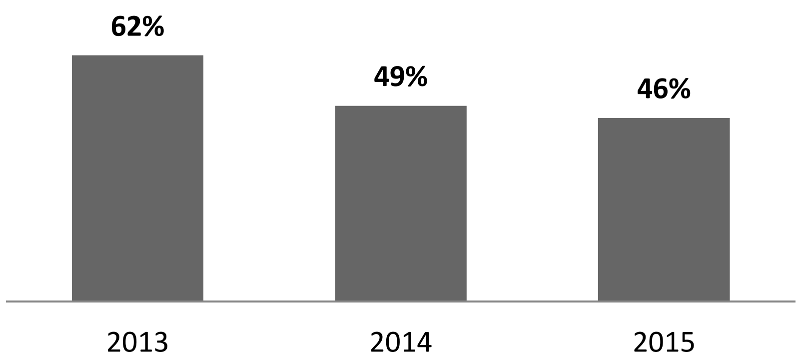
Administrative Expenses, Net Provisions for risk, Servicing Costs, Other and D&A*



Operating Costs Breakdown*



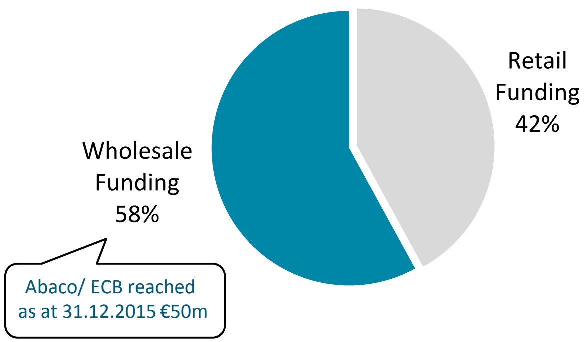
Cost Income Ratio*



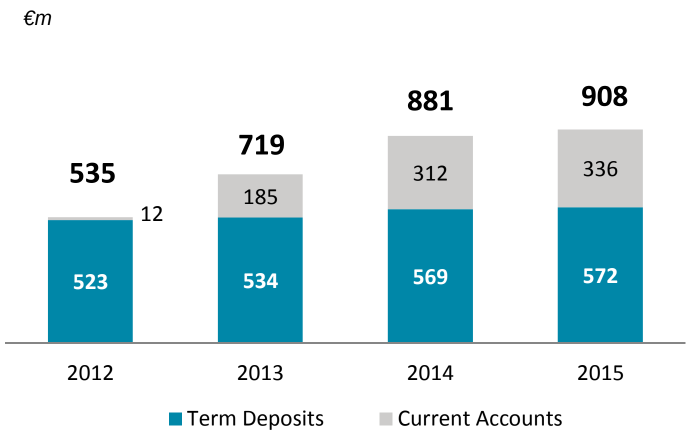
Note: (*) FY 2015 Costs and related ratios do not include non-recurring items.

Funding strategy focused on diversifying

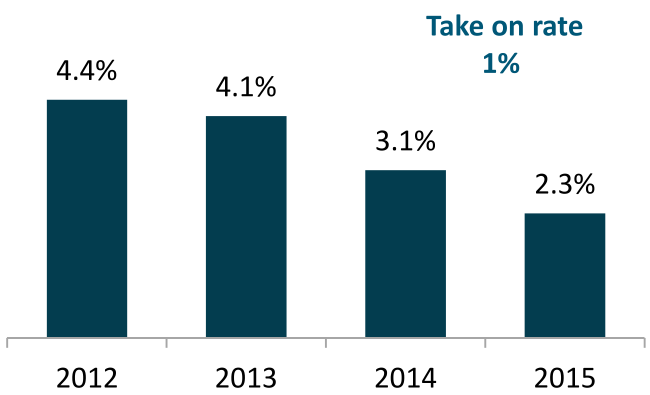
Funding Breakdown



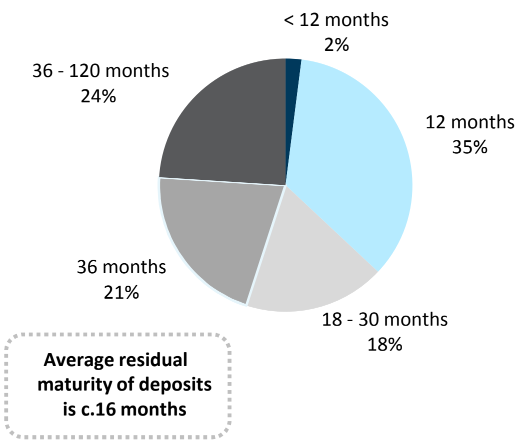
Retail Funding



Retail Cost of Funding[1]



Retail Term Deposits Maturity Profile



- Stable Retail Funding even if rates have been lowered for two times during the year
- €0.9bn of Retail funding as of 31.12.2015 with a 63%/37% term deposits /current accounts split
- Out of €572m term deposits outstanding, 8% have been originated in Germany
- Wholesale funding is composed today primarily by Repos and banks
- Increasing Interbank funding following the IPO (Due to banks equals €282m)

Note: 1. Average cost of funding (current accounts and term deposits)

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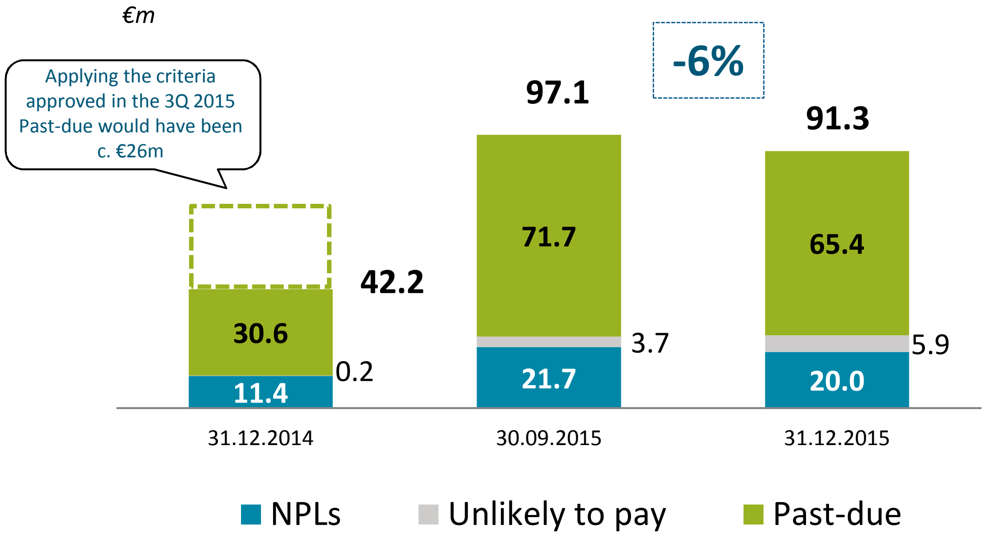
Conservative risk policy in all the business lines

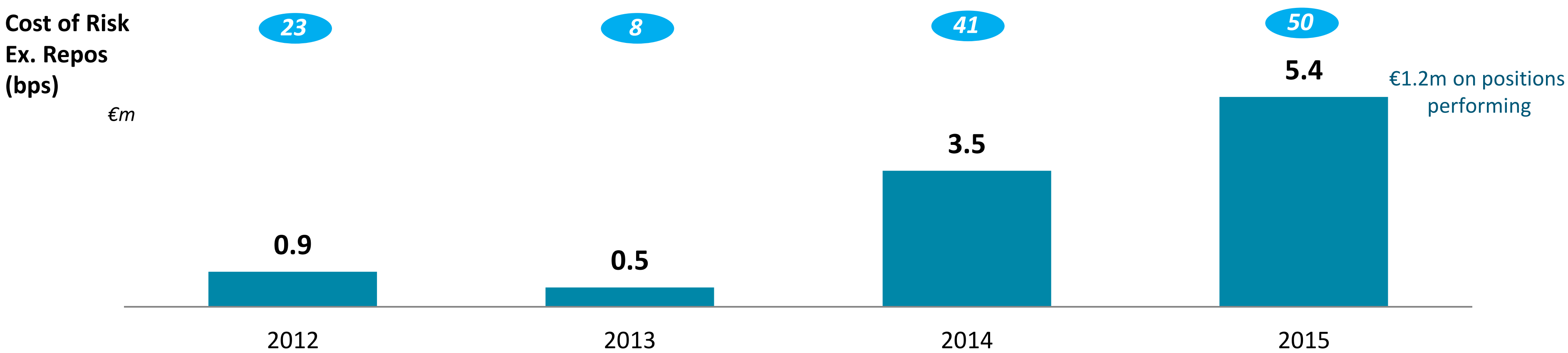
Gross Doubtful Loans



- Better asset quality q/q: Gross Doubtful Loans -6%
- Net NPL ratio 1.1% as at 31.12.2015 ex. Repos (1% in 2014)
- 15% of Gross NPLs is represented by receivables not included in the "Distressed" procedure of Municipalities classified as NPL
- Unlikely to pay increase y/y and q/q was due to SME loans covered at 94% including the 80% guarantee of the Government

- Loan loss provisions in 2015 equal to €5.4m and relative cost of risk are higher than those in 2014, due to SME loans and the entry of new PA entities in "Distressed" procedures
- Factoring cost of risk in line with 2014
- ~35% of LLPs in Q4 2015 (23% in FY 2015) is related to the factoring performing portfolio and was a consequence of higher factoring outstanding at the end of the year

Cost of Risk and Loan Loss Provisions



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Acquisition of Beta Stepstone: Transaction Highlights

Beta Stepstone	• Beta Stepstone is a specialized Public Administration receivables factoring player focused on the Healthcare segment owned by Fortress
Consideration	• 100% of Beta Stepstone to be acquired for €60.8m (P/BV 1x)* • Transaction to be funded entirely with available resources • Protection mechanism on a total amount of €16m, part of the purchase price, linked to the recoverability of certain Late Payment Interest in Balance Sheet
Clear Strategic Rationale	• The acquisition of Beta Stepstone reinforces Banca Sistema positioning in the Italian Factoring Market and supports the vision to become the leading independent specialty finance player in Italy
Strong Business Fit with Banca Sistema	• Strong business model, geographical focus and client base complementarities • 21 Headcount in three offices (Milan, Naples and Bologna)
Financial Highlights	• Net Income €4.1m in 2014(€1.9m in 1H 2015) and Total Assets €113m as at 30.06.2015 • Transaction is EPS accretive in the first year after acquisition • Total RWA consolidation, post merger, of ~€50m based on 1H 15 figures
Synergies	• Expected increase in Factoring Turnover in a range between €150m - €250m p.a. • Targeting annual cost synergies of €1m • Funding synergies from the refinancing of the existing portfolio: €1.7m
Anticipated Timetable	• Transaction is subject to Bank of Italy approval, closing by 1H 2016 • Merger of Beta into Banca Sistema by 2H 2016 subject to Bank of Italy approval • Post merger, creation of a dedicated "Beta" division within Banca Sistema

Note: (*) Shareholders' Equity of €60.8m as of H1 2015

Reinforcing Banca Sistema Positioning in the Italian Factoring Market

Strengthened Combined Profile

 # Clients — **180** Mainly SMEs and Mid-Corporates **+63%**

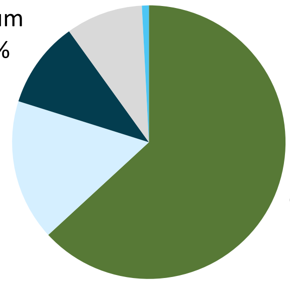
Commercial presence — Better positiong in the healthcare segment and in those Regions with more interesting returns due to high DSOs (523 Calabria; 284 Campania)

Sales force — **5 FTE** Senior and specialised resources **+28%**

Synergies — - Fast integration that will allow to deliver all cost synergies in the first 12 months from the acquisition
- Immedite savings on Beta's funding

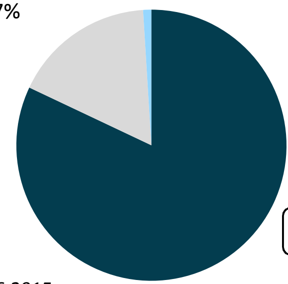
Beta Stepstone

Outstanding split by Region



Higher penetration in Calabria and Campania, representing respectively the 4°and 3° in terms of Outstading as at 31.12.2015

Outstanding Non Recourse split by Obligor



Data as at 30.06.2015

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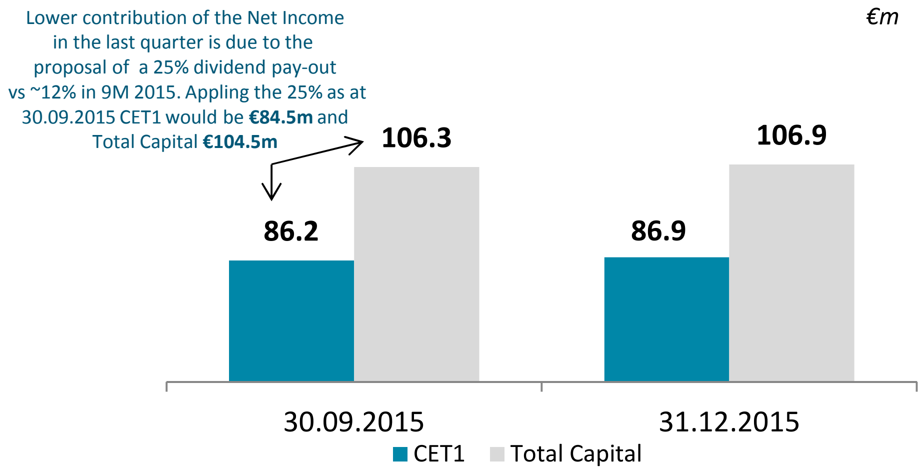
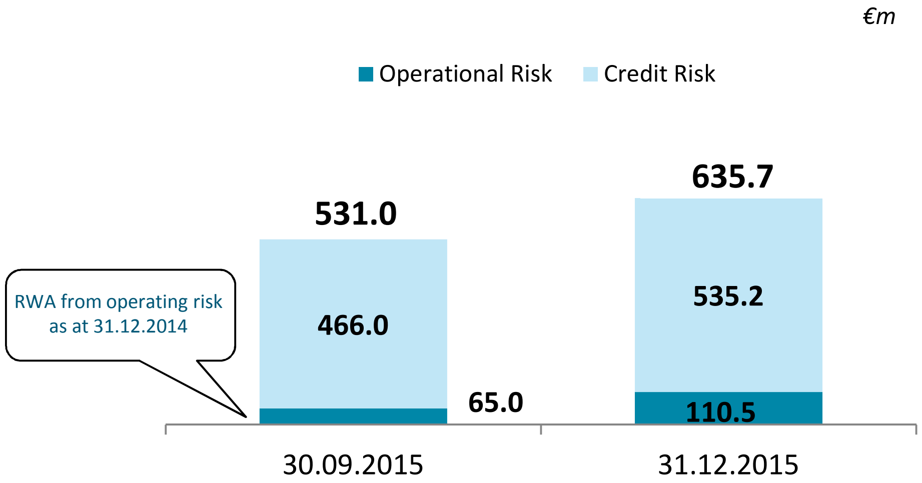
Appendix

Regulatory Capital

CET1 and Total Capital

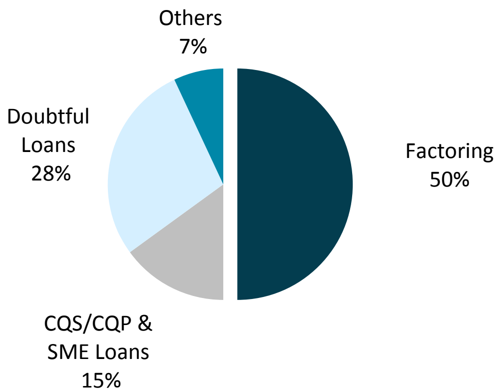


RWA breakdown

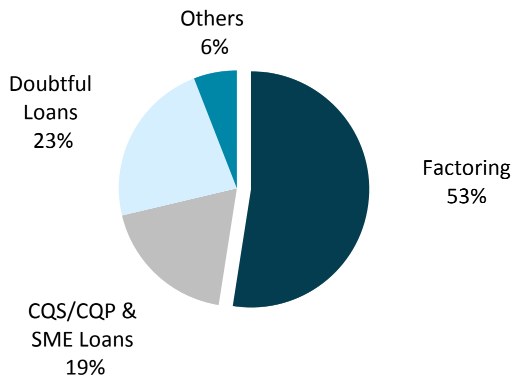


RWA – Credit Risk

30.09.2015



31.12.2015



Public sources show that the delay is almost unchanged

From the only public source, in particular for the Health Care segment (representing 13% of the business), PA is paying the same

DSO
Days Sales Outstanding

Representing 91% of total Factoring Outstanding by obligor, the first three Regions 56%

Ranking based on the weight on 31/12/2015 Outstanding	Region	*December 2014* DSO	*January 2015* DSO	*June 2015* DSO	*November 2015* DSO	% Chg. 12/14 – 11/15
1	*LATIUM*	157	171	181	177	- -
2	*SICILY*	229	241	245	228	=
3	*CAMPANIA*	279	300	290	284	=
4	*CALABRIA*	669	696	555	523	+ + +
5	*LOMBARDY*	84	88	83	84	=
6	*APULIA*	176	186	180	168	+
7	*PIEDMONT*	217	229	226	191	+ +
8	*ABRUZZO*	136	144	135	132	=
9	*TUSCANY*	169	174	149	156	+ +
10	*SARDINIA*	145	152	152	180	- - -
	ITALY	**166**	**176**	**168**	**161**	=

According to Intrum Justitia data, in 2014 Italy still had one of the longest average PA payment times at 170 days. This compares to 154 days in Spain, 40 in the UK and a European average of 58

	% Change
+ + +	X> +15%
+ +	+5% <X< +15%
+	+3% <X< +5%
=	-3% <X< +3%
-	-5% <X< -3%
- -	-15% <X< -5%
- - -	X< -15%

Source: Assobiomedica.

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