

9M 2016 Results

28 October 2016



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9M 2016 Results at a Glance

P&L

- **Net Income +17% y/y** reached at **€21.4m**
- **€50.8m Net Interest income +18% y/y**
- **Total operating costs and LLPs** in line with expectations
- **Stated ROAE 27%**

Strong commercial performance

- **9M 2016 Factoring Turnover +19% y/y**
- **VAT Turnover** growing at c. +50% y/y
- **CQS + SMEs outstanding** reached €293m, **+88% y/y**

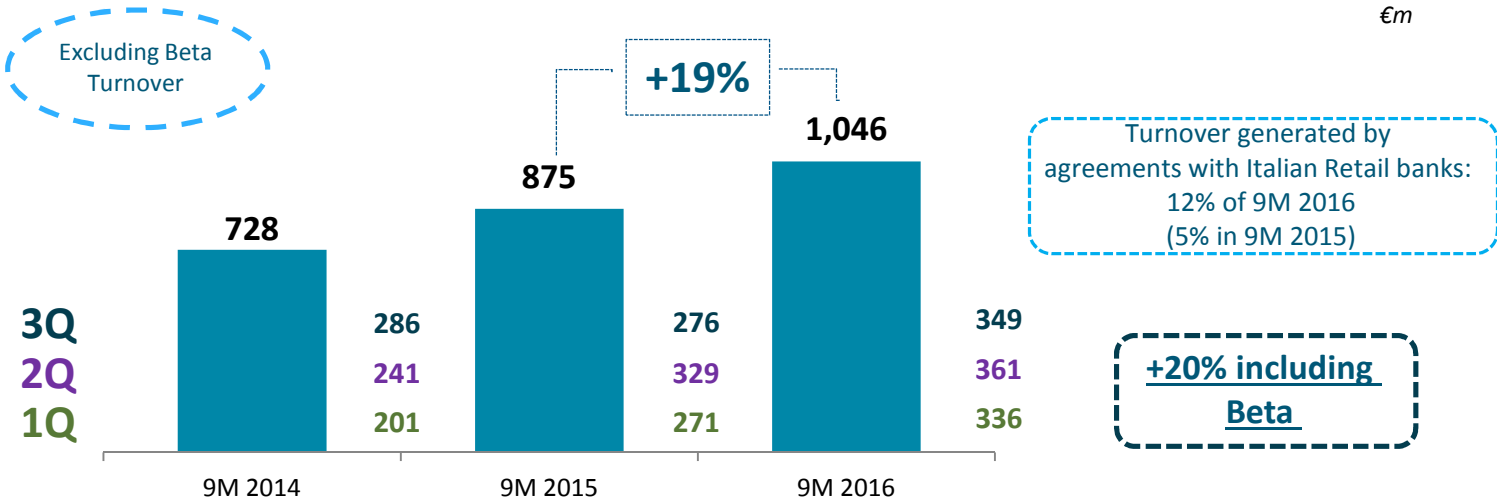
Balance Sheet

- **Stable Italian T-bills ptf** at €0.4bn as at 30.09.2016 vs that as at 30.06.2016
- **Retail funding represents 48% of Total Funds**
- **CET1 and TCR** reached including Beta respectively **12.4%** and **14.8%**

Note: 9M 2015 Net Income does not include net non-recurring items related to the IPO (€4.9m). 9M 2016 P&L and Balance Sheet include Beta Stepstone's contribution for the 3Q 2016.

Factoring Turnover/Outstanding

Factoring Turnover - €1,054m



1H 2016 Factoring Outstanding Breakdown - €997m

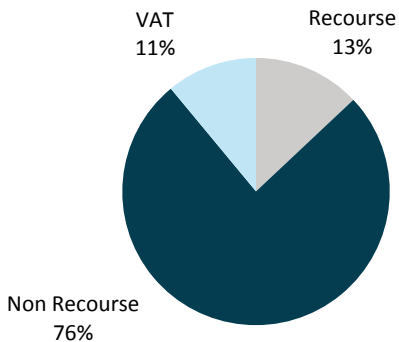
9M 2016 Factoring Outstanding Breakdown - €1,055m

By Type of Product

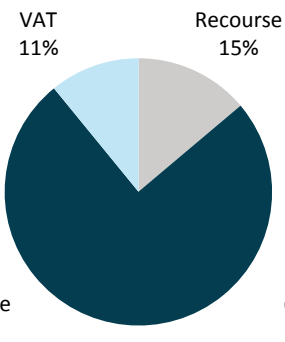
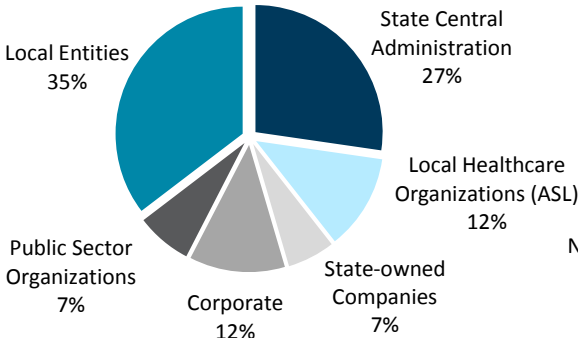
By Obligor

By Type of Product *Including Beta*

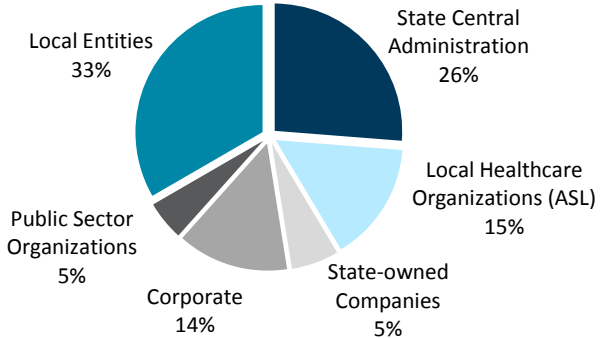
By Obligor



PA accounts for 88%



PA accounts for 86%

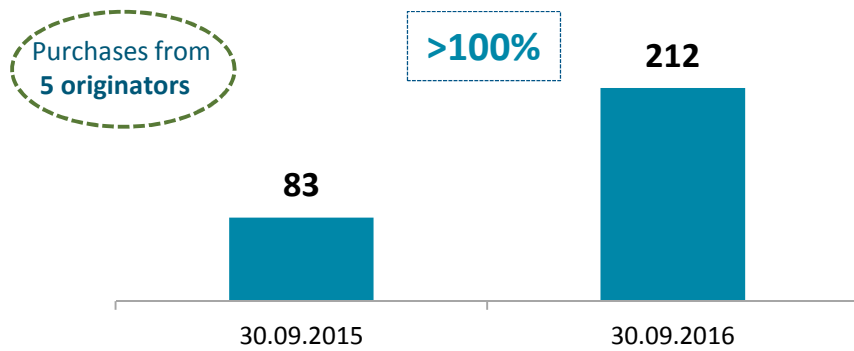


Factoring Outstanding, management account.

CQS/CQP and SME loans represent today 22% of Total Loans

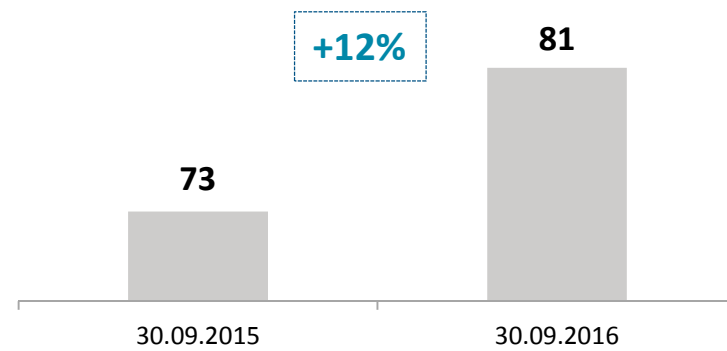
CQS/CQP Loans outstanding

€m

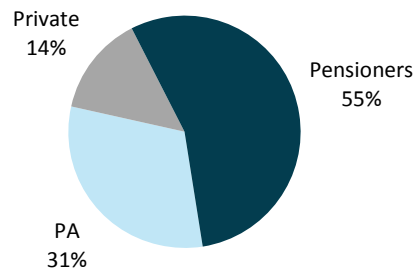


SME State Guaranteed Loans outstanding

€m



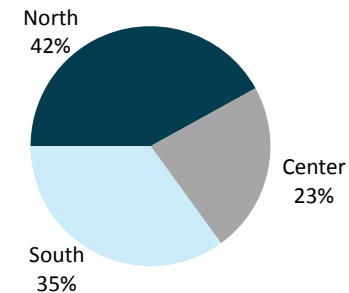
Outstanding breakdown by Type (30.09.2016)



CQS:

- 86% Public (55% Pensioners)
- Average Gross Yield 4.1%, Q3 2016 in line with Q1 and Q2 2016
- Average contractual duration of 9.6 years

Outstanding breakdown by Geography (30.09.2016)



SMEs State Guaranteed Loans:

- More competition from commercial banks
- Average Gross Yield 6.4%, Q3 2016 lower than Q1 and Q2 2016
- Average duration of 4.3 years

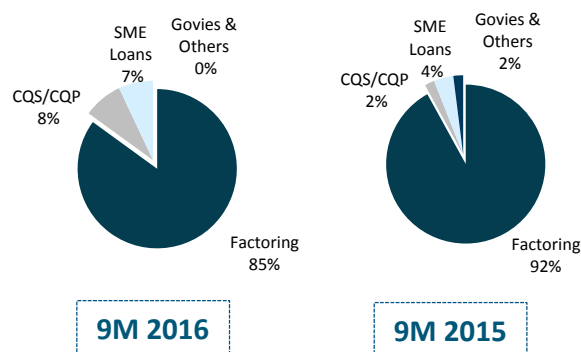
9M 2016 – Income Statement

Figures in millions of euro

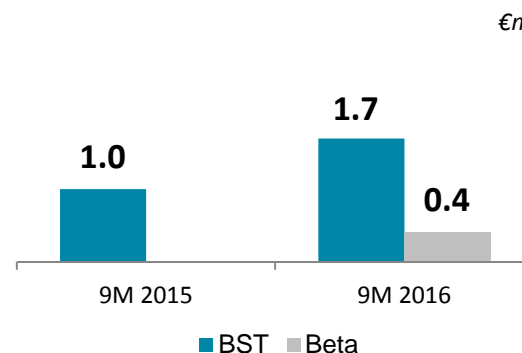
	30.09.2016 A	of which Beta Stepstone	30.09.2015 B (Normalized)	Difference % A - B
Net interest income	50.8	1.7	43.0	18.1%
Net fee and commission income	6.9	0.2	8.3	-16.9%
Dividends and similar income	0.2	-	-	nm
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	1.1	-	2.5	-56.0%
Operating income	59.0	1.9	53.8	9.7%
Net impairment losses on loans	(4.9)	-	(3.9)	25.6%
Net operating income	54.0	1.9	49.9	8.2%
Staff costs	(11.1)	(0.3)	(9.7)	14.4%
Other expenses	(15.4)	(0.4)	(14.0)	10.0%
Operating expenses	(26.5)	(0.7)	(23.6)	12.3%
Profits of equity-accounted investees	2.3	-	0.3	nm
Pre-tax profit from continuing operations	29.8	1.2	26.6	12.0%
Taxes on income for the period/year from continuing operations	(8.4)	(0.3)	(8.3)	1.2%
Profit (loss) for the year/period attributable to the shareholders of the Parent	21.4	0.9	18.3	16.9%

- Factoring contribution to NII represents 85% of the total
- NII includes €7.9m of accrued LPIs, representing 15% of the LPIs due, on the legally actioned invoices (in the past booked on a cash based) €5m are related to prior years
- NII has also been influenced by: lower cost of funding; higher contribution from CQS/CQP, Factoring VAT and SME loans; Beta Stepstone contribution in the 3Q 2016
- Lower contribution from our short term Italian Government bond portfolio (-56%)
- Higher LLPs as a consequence of the SMEs portfolio's deterioration stable cost of risk
- Personnel expenses reflect headcount growth y/y
- Net Income of the 9M 2016 includes also gain from the sale of CS Union gross of €2.3m

Net Interest Income Breakdown



Cashed-in Factoring LPIs



Note: 9M 2015 figures does not include net non-recurring items related to the IPO (€4.9m) and Beta contribution.

9M 2016 – Balance Sheet

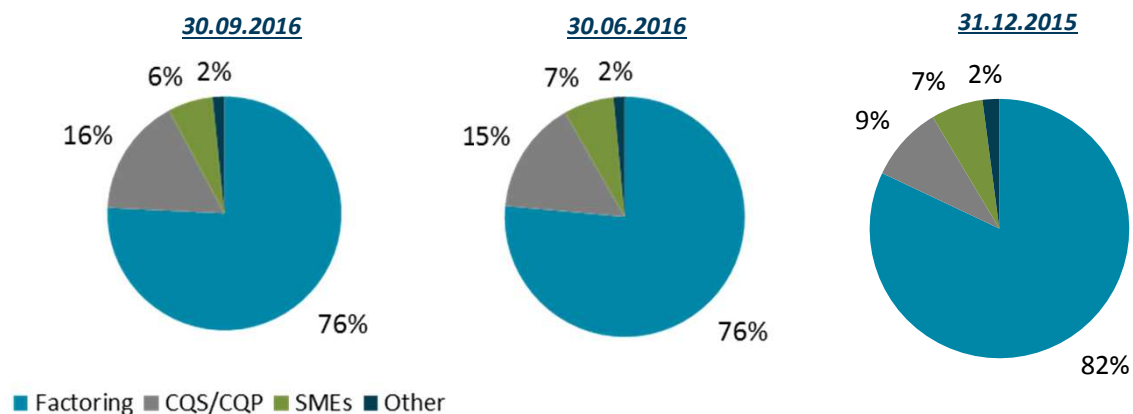
Figures in millions of euro

	30.09.2016 A	30.06.2016 B	31.12.2015	Difference % A - B
ASSETS				
Available-for-sale financial assets	435	411	925	5.8%
Loans and advances to customers	1,297	1,193	1,458	8.7%
Tangible and Intangible assets	25	3	3	733.3%
Other assets	55	72	26	-23.6%
Total assets	1,812	1,679	2,412	7.9%
LIABILITIES AND EQUITY				
Due to banks	435	353	362	23.2%
Due to customers	1,101	1,069	1,878	3.0%
Debt securities issued	91	90	20	1.1%
Other liabilities	75	63	59	19.0%
Shareholders Equity	110	104	93	5.8%
Total liabilities and equity	1,812	1,679	2,412	7.9%

Note: 9M 2016 figures include the contribution of Beta Stepstone (purchased in July 2016).

- **Govies AFS portfolio stable at €0.4bn q/q** with a residual duration of 11 months
- **Govies ptf reduction vs 31.12.2015** influenced as well as the reduction of REPO both on Assets side and Liability side of the Balance Sheet
- **Factoring receivables** in line q/q excluding the contribution of Beta Stepstone for €75m consolidated from this quarter
- **CQS/CQP** increase due to further loan purchases
- **Tangible assets** increase q/q due to the contribution of the €22m purchase of building in Milan, new head quarter
- **Due to banks** increase q/q due to **Interbank** and y/y also due to the increase on **ECB** funding (TLTRO II)
- **Retail funding** slightly lower q/q in line with business needs and funding diversification

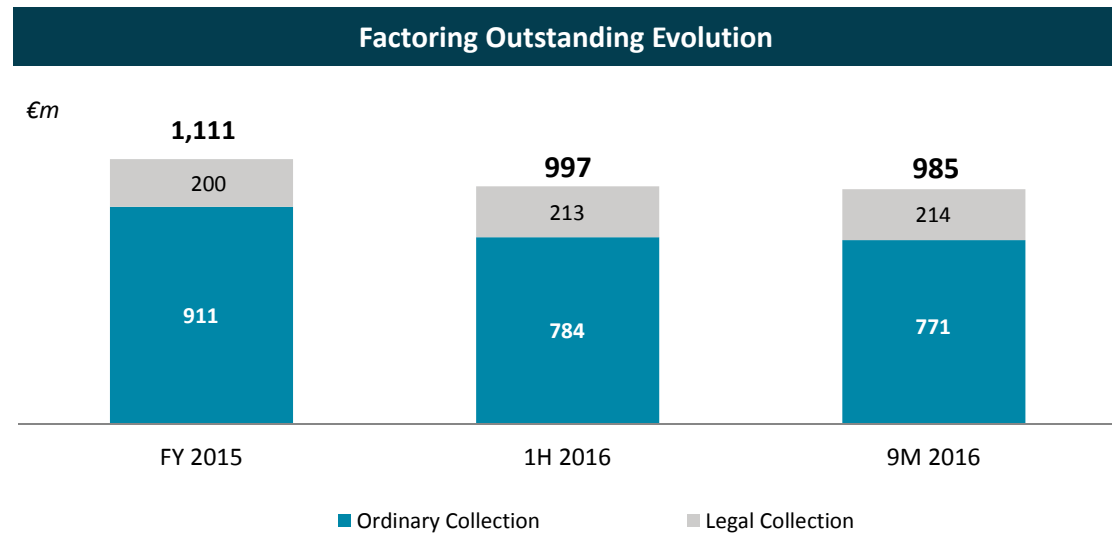
Loans to customers Breakdown ex. Repos



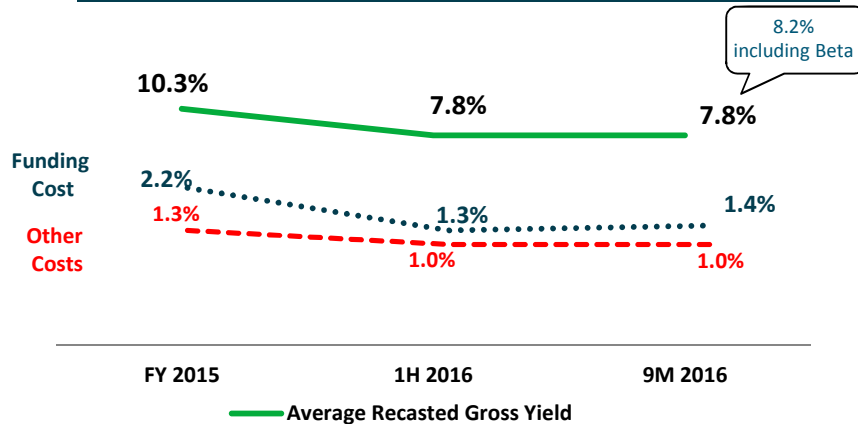
Note: 0 Assets Repos as at 30.09.2016 and 30.06.2016; €178m Assets Repos as at 31.12.2015.

Factoring update excluding Beta

- Average Outstanding trend influenced by:
 - Quarterly turnover seasonality
 - purchased portfolios with lower Priced DFS that in the past
 - the portion of the Outstanding in Legal Collection
- Priced Yield in line with expectations with higher competition at the end of September 2016
- Stable Average Gross Yield q/q with a contribution from accrued LPs in the 3Q 2016 of €1m of which Beta for €0.7m



Average Gross Yield on Factoring Outstanding (Interest and Commission Income)

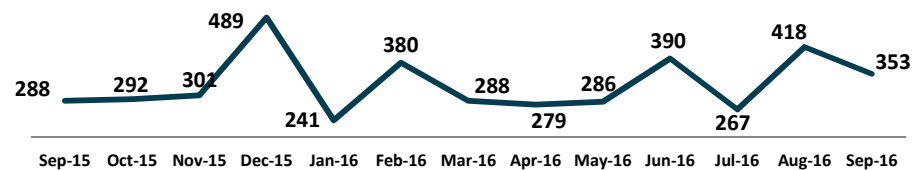


Gross Yield includes Commission Income: €6.8m in 9M 2016; €4.6m in 1H 2016; €10.9m in FY 2015
 Other Costs include among others Legal and Servicing expenses equal to: -0.5% in 9M 2016; -0.5% in 1H 2016 and -0.9% in FY 2015

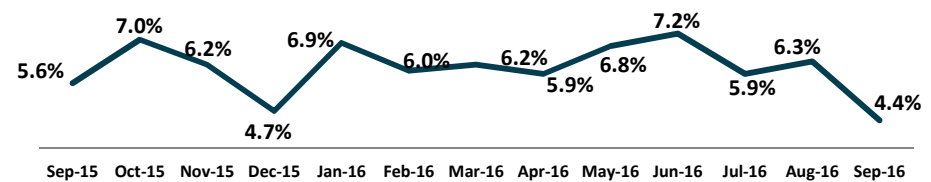
Note: Priced DFS includes also commission income. Other Costs include also Cost of Risk.

How we originate new business:

Funding period based on Expected Collection date ("DFS")



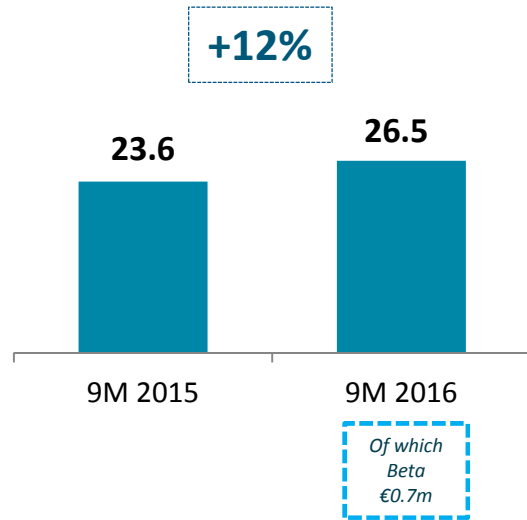
Target Yield at Expected Collection date ("DFS")



Costs ex. some components in line with expectations

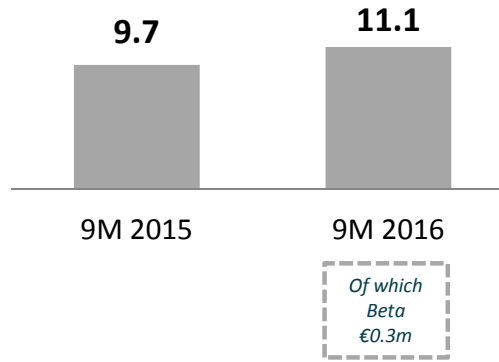
Operating Costs

€m



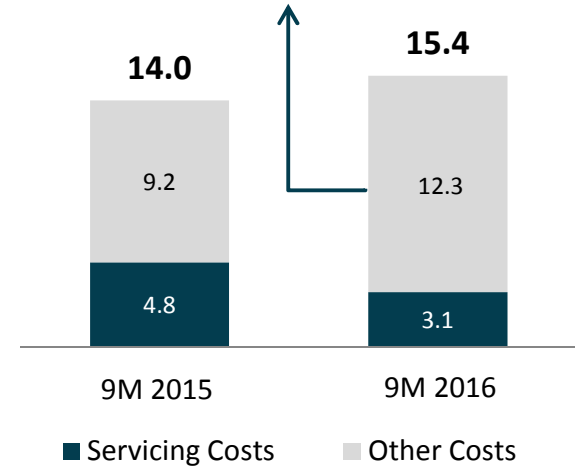
Personnel Expenses

FTEs (#) **136** **143**

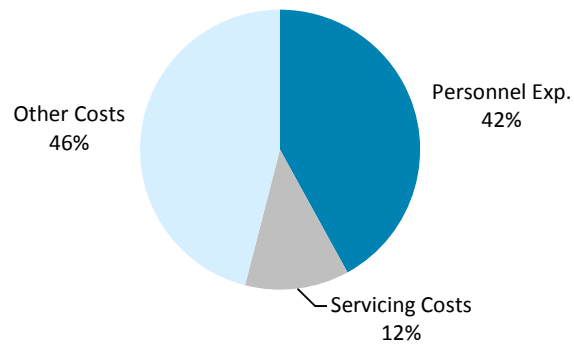


Administrative Expenses, Net Provisions for risk, Servicing Costs, Other and D&A

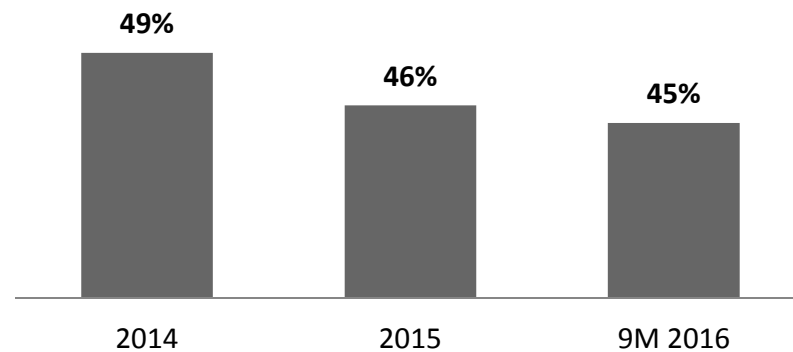
- €0.2m provision for the Deposit Scheme
- €0.6m contribution to National Resolution Fund and €0.3m rebate from the Fund
- €1.1m Securitization expenses
- €1m Advisory fees, including those for Beta



Operating Costs Breakdown



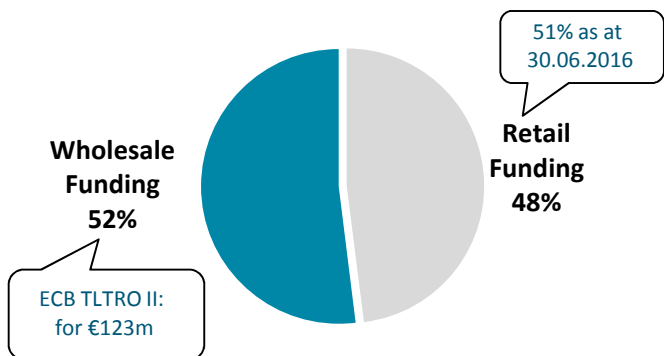
Cost Income Ratio



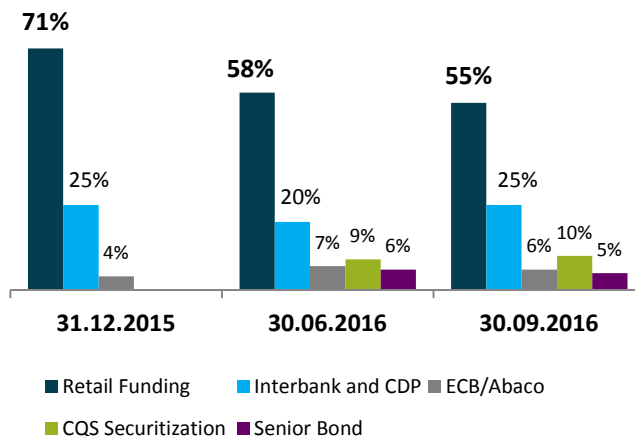
Note: 9M2015 Costs and related ratios do not include non-recurring items; 9M 2016 P&L includes Beta Stepstone's contribution for the 3Q 2016.

Funding strategy focused on diversifying (ex. Beta)

Total Funding Breakdown



Core Business Funding Breakdown

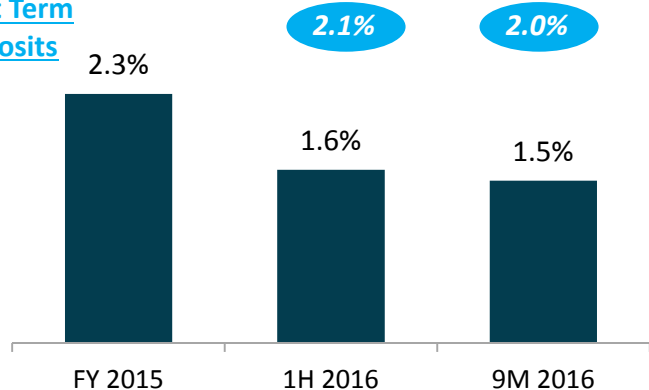


- Term Deposits and Current Accounts have been reduced y/y to allow additional funding: TLTRO, Securitization and a 2Y Senior bond

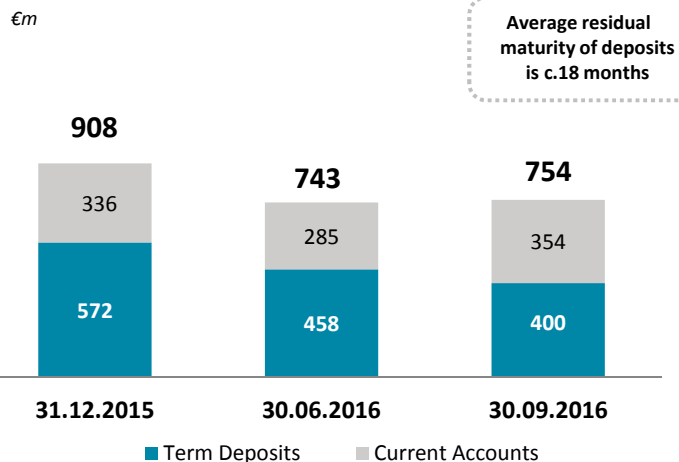
- In October has been increased the Offer rates on Term Deposits with the aim to maintain stable the stock

Retail Cost of Funding

Cost Term Deposits



Retail Funding



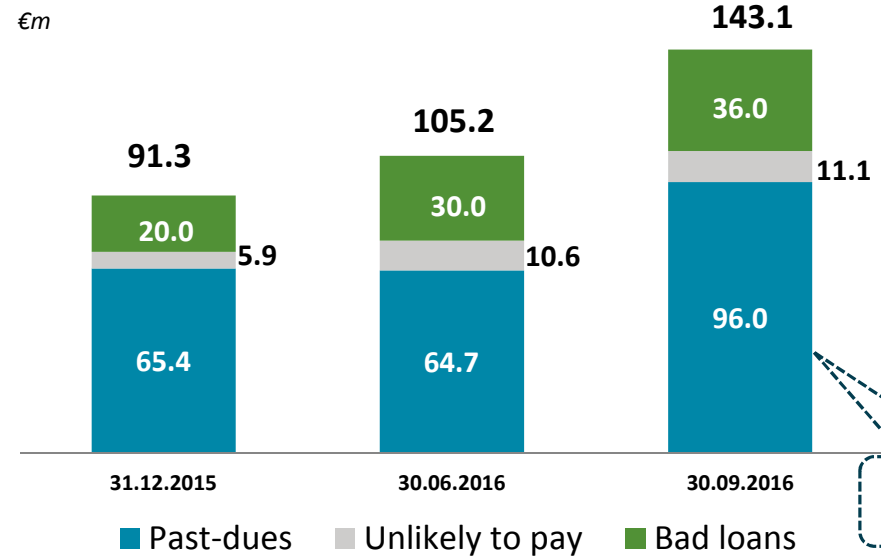
- 21% of term deposits from Germany/Austria

- Wholesale funding included the warehouse credit line related to the CQS securitization rated and listed in October 2016

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).

Conservative risk policy in all the business lines

Gross Non Performing Loans⁽¹⁾

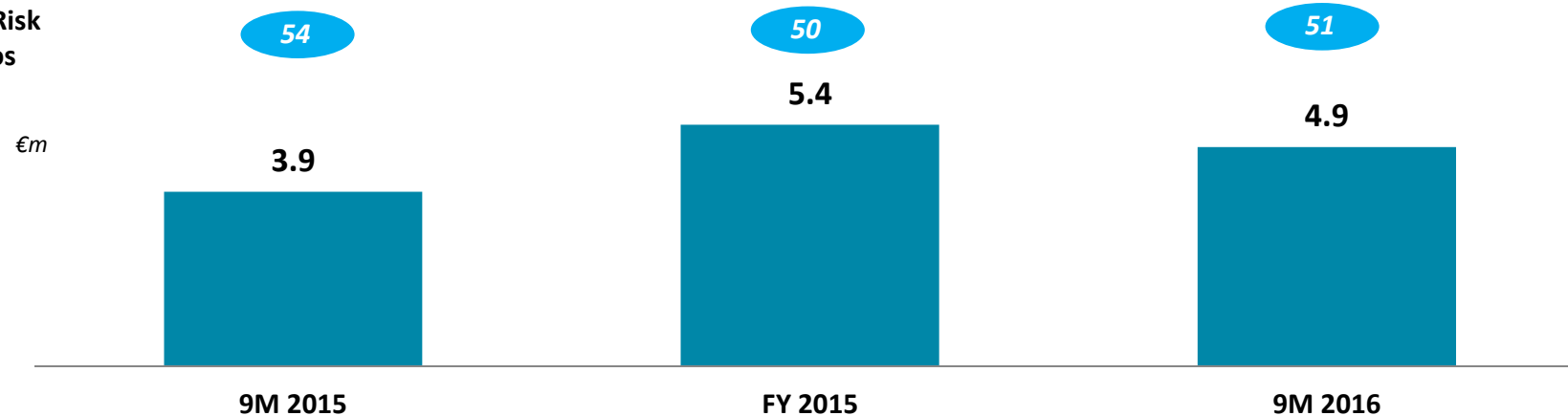


- Net Bad Loans represents 2% of total loans as at 30.09.2016 ex. Repos (1.1% in 2015)
- Bad loans increase q/q was due to some deterioration of the SMEs State Guaranteed loans portfolio mainly and factoring (also for the entry of 4 Municipalities under “Distressed” procedure)
- Past-dues q/q increase is mainly due to the purchase of portfolio in 3Q 2016 with obligors already classified as Past-dues and worsening of PAs payment timing
- Loan loss provisions slightly higher q/q, in 3Q 2016 €1.8m vs €1.7m in 2Q 2016, with a stable Cost of Risk

Of which Beta: ~€4m

Cost of Risk and Loan Loss Provisions⁽¹⁾

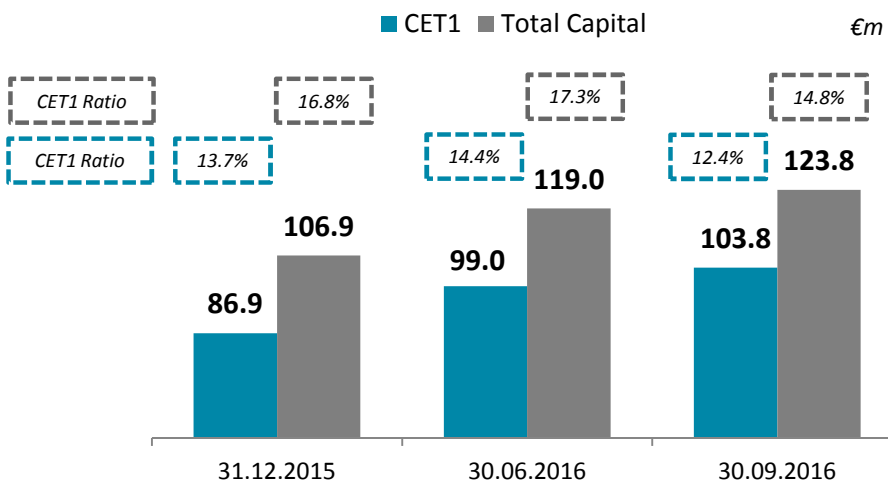
Cost of Risk Ex. Repos (bps)



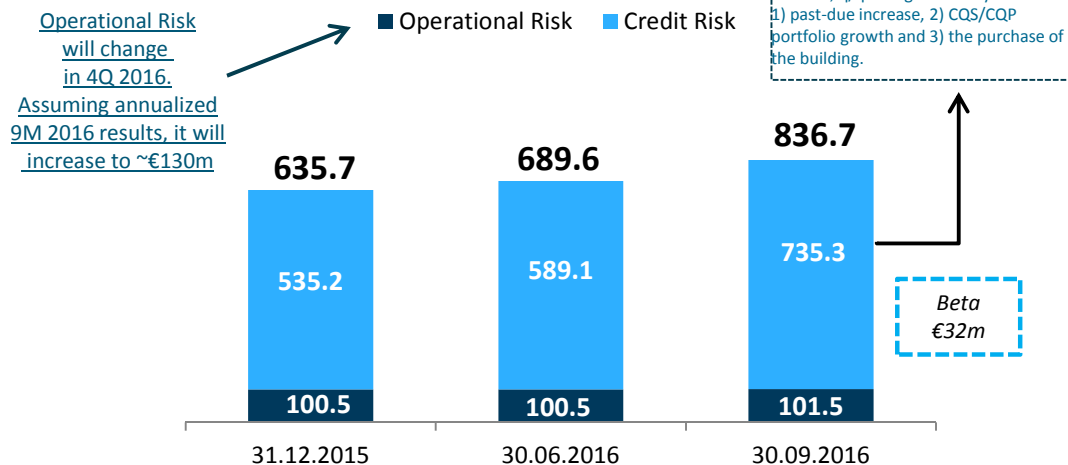
Note: (1) 9M 2016 figures include Beta Stepstone's contribution for the 3Q 2016.

Regulatory Capital

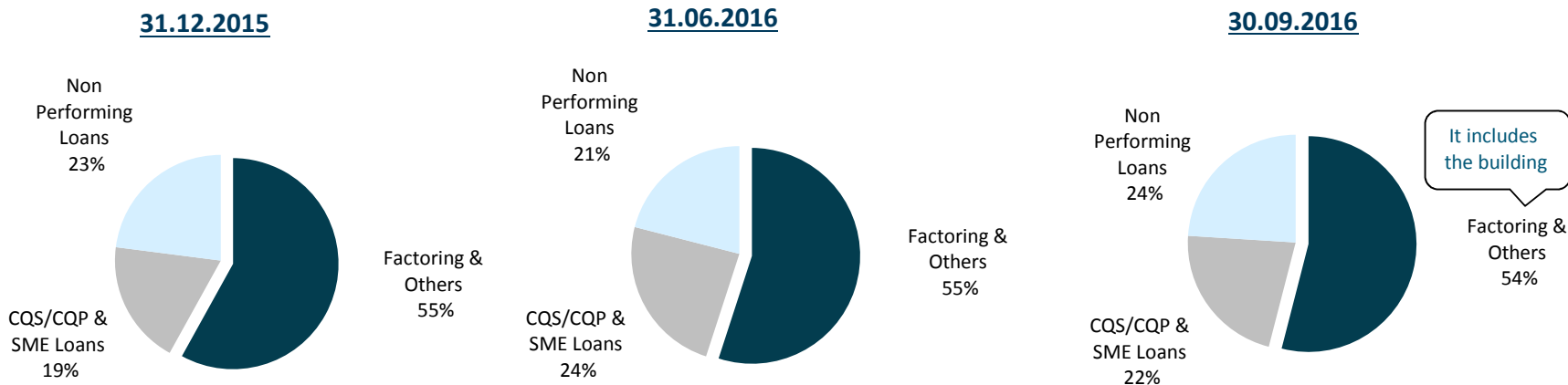
CET1 and Total Capital⁽¹⁾



RWA breakdown⁽¹⁾



RWA – Credit Risk⁽¹⁾



Note: (1) CET1 and Total Capital, following CRR directive, are based on an estimated dividends pay-out of ~15% (average effective pay-out of the last three years); 9M 2016 figures include Beta.

BANCA

S I S T E M A

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