

---

**BANCA**

**S I S T E M A**  
SPECIALTY FINANCE

# 1Q 2017 RESULTS

28 April 2017

# 1Q 2017 Results at a Glance

## P&L

- **Net Income at €4.4m** including yearly contribution to the National Resolution Fund
- **€12.4m NII**, influenced y/y by lower factoring turnover of 4Q 2016 vs 4Q 2015 and by an earlier than expected collection of a receivables in 1Q 2016
- **Total operating costs +4%**, y/y in line with expectations of 2017
- **LLPs impacted** by extraordinary write-backs and provisions on SMEs portfolio
- **1Q 2017 ROAE 15%, 2017 ROAE TARGET >20%**

## Commercial performance

- **1Q 2017 Factoring Turnover +21% y/y**
- **Increasing contribution on factoring turnover** from the agreements with banks
- **CQS outstanding reached €313m**, > +100% y/y

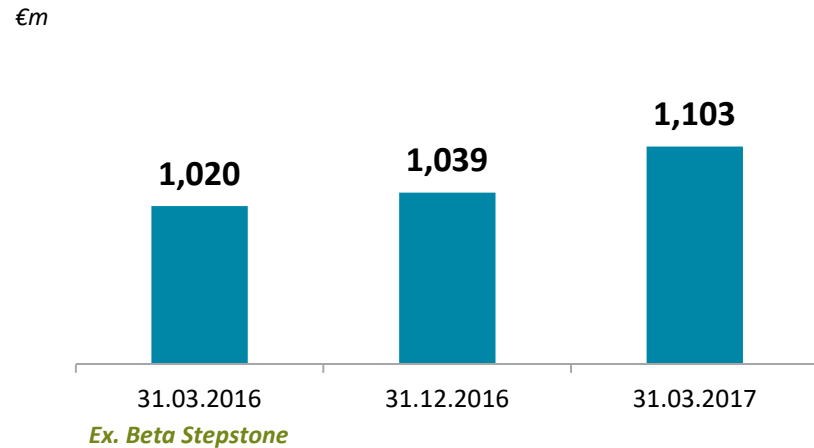
## Balance Sheet

- **Sale of “Quinto Sistema Sec 2016”** securitization scheduled for 2Q 2017
- **Core business funding cost stable q/q**
- **Retail funding 48%** of Total funds
- **LCR and NSFR well above regulatory requirements**
- **CET1 and TCR respectively 12.6% and 16.6%**

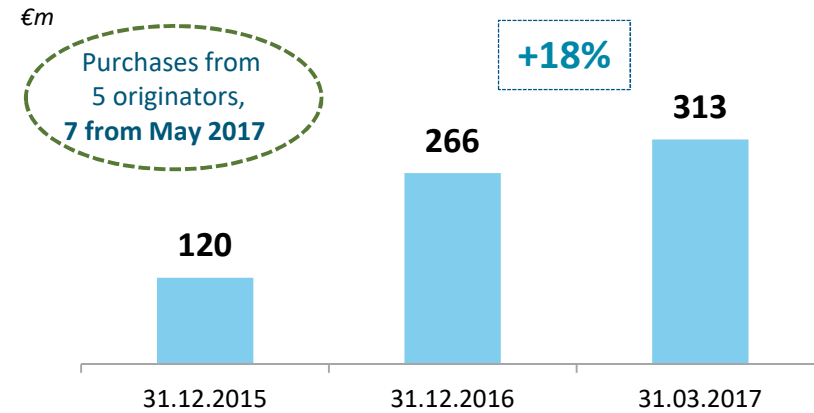
*Note: 1Q 2016 figures do not include the contribution of Beta Stepstone (purchased on the 01.07.2016 and merged in BST on the 01.01.2017).*

# Core business assets outstanding

## Factoring outstanding

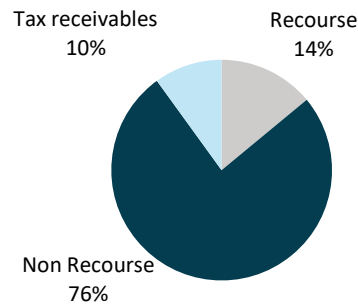


## CQS/CQP Loans outstanding



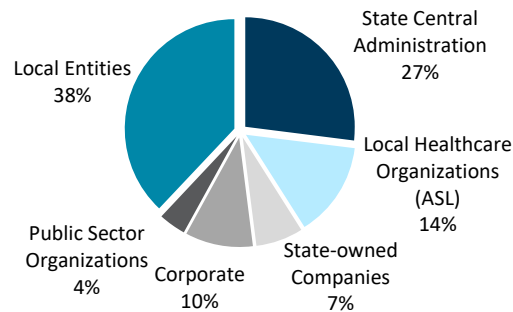
## Outstanding breakdown (31.03.2017)

### By Type of Product

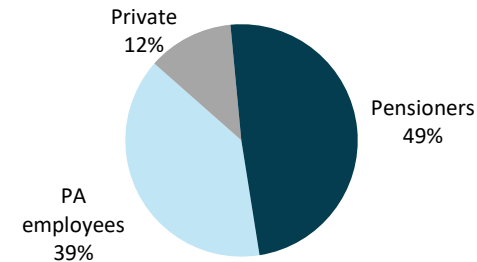


### By Obligor

PA accounts for 90%



## Outstanding breakdown by Type (31.03.2017)



- €56m volume purchased in 1Q 2017, >100% y/y
- 86% PA/State risk exposure
- Average contractual duration of 9.6 years
- ~€46m transferred to the SPV for the new securitization

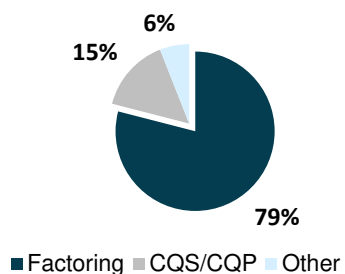
Note: Factoring outstanding management account.

# 1Q 2017 – Income Statement

Figures in millions of euro

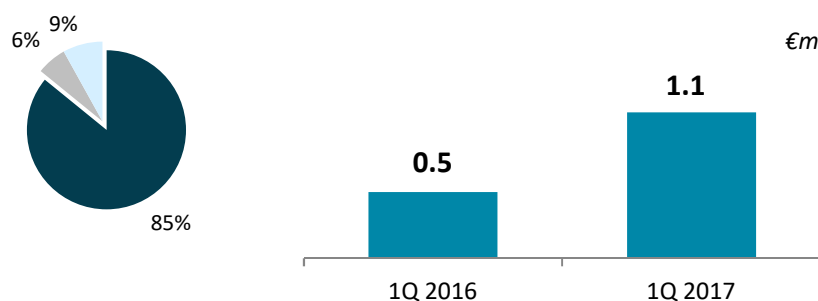
	31.03.2017	31.03.2016 Excluding Beta Stepstone	Difference %
<b>Net interest income</b>	<b>12.4</b>	16.1	-23%
Net fee and commission income	2.2	2.3	-6%
Dividends and similar income	-	-	
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	0.2	0.6	-64%
<b>Operating income</b>	<b>14.9</b>	19.1	-22%
Net impairment losses on loans	0.5	(1.5)	nm
<b>Net operating income</b>	<b>15.4</b>	17.6	-13%
Staff costs	(4.3)	(3.6)	19%
Other expenses	(4.9)	(5.3)	-7%
<b>Operating expenses</b>	<b>(9.2)</b>	(8.9)	4%
Profits from equity investments	-	-	
<b>Pre-tax profit from continuing operations</b>	<b>6.2</b>	8.7	-29%
Taxes on income for the period/year from continuing operations	(1.8)	(2.8)	-34%
<b>Profit (loss) for the year/period attributable to the shareholders of the Parent</b>	<b>4.4</b>	6.0	-26%

## Net Interest Income Breakdown



1Q 2017 - €12.4m

## Cashed-in Factoring LPIs



1Q 2016 - €16.1m

- Factoring contribution to NII represents 79% of the total
- 1Q 2017 NII includes €3.1m of factoring LPIs from Legal actions of which €1.1m cashed-in
- NII decrease y/y has been influenced by lower factoring turnover in 4Q 2015 vs 4Q 2016 at lower margin, earlier than expected collection of a factoring receivable in 1Q 2016 and lower carry trade on Govies' ptf, not compensated by the higher contribution from CQS/CQP loans
- Lower contribution from our short term Italian Government bond portfolio (-64%, trading revenues)
- LLPs mainly influenced by write-backs on the factoring and higher generic provisions on SMEs portfolio's
- Personnel expenses reflect headcount growth following Beta merger and slightly higher average salary
- Other expenses include €0.6m contribution to the National Resolution Fund

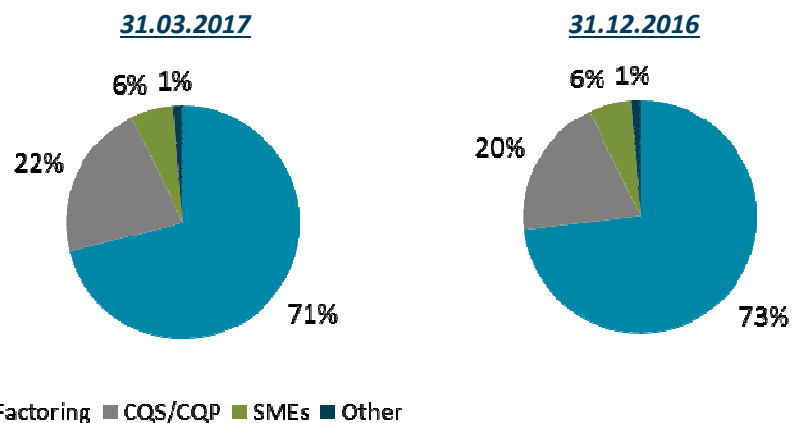
Note: see Note of Slide n.2.

# 1Q 2017 – Balance Sheet

Figures in millions of euro

	31.03.2017	31.12.2016	Difference %
<b>ASSETS</b>			
Available-for-sale financial assets	572	515	11.1%
Held to maturity	84	-	nm
Loans and advances to customers	1,414	1,348	5%
Tangible and Intangible assets	26	25	2%
Other assets	191	111	72%
<b>Total assets</b>	<b>2,202</b>	<b>1,999</b>	<b>10%</b>
<b>LIABILITIES AND EQUITY</b>			
Due to banks	457	458	nm
Due to customers	1,438	1,262	14%
Debt securities issued	105	90	17%
Other liabilities	83	75	11%
Shareholders Equity	119	114	4%
<b>Total liabilities and equity</b>	<b>2,202</b>	<b>1,999</b>	<b>10%</b>

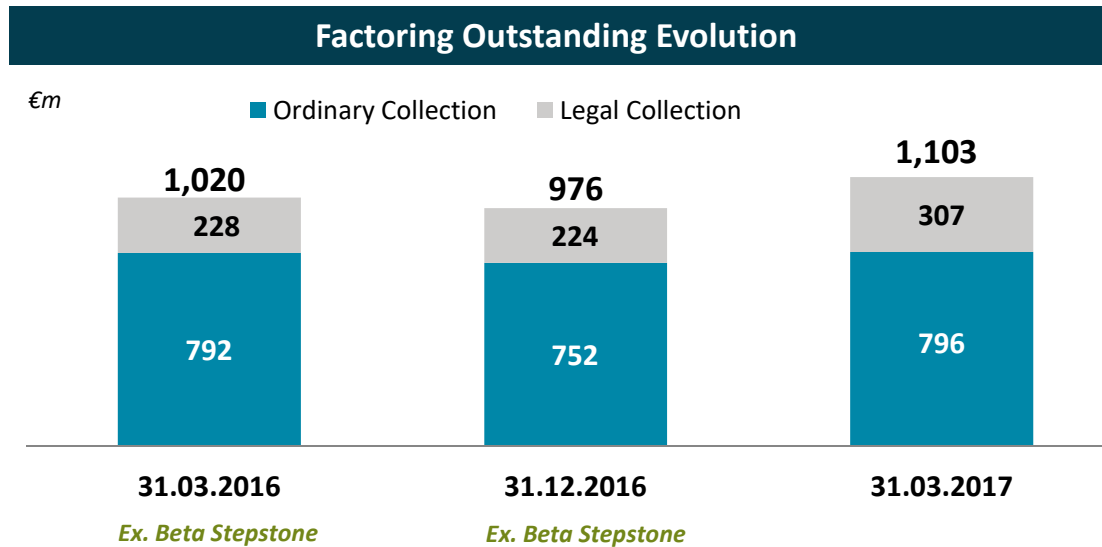
## Loans to customers Breakdown



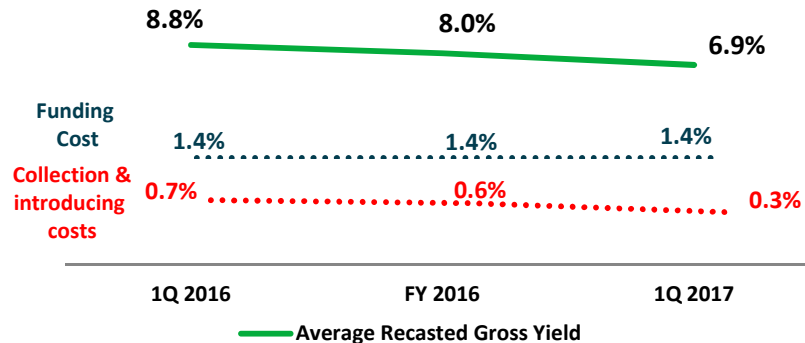
- **Govies' portfolio (€649m) up q/q** following the purchased of €84m of Italian 'BTP' with an average duration < 3 years, classified as Held To Maturity and a slightly higher AFS ptf (€565m) with an average residual maturity of 7 months
- **Loand to customers:**
  - **Factoring receivables** up q/q, thanks to the turnover originated in 1Q 2017
  - **CQS/CQP** increase due to further loan purchases
  - **SMEs State Guarantee loans** stable q/q (run-off ptf)
- **Due to banks** stable q/q as a combination of higher ECB funding and lower interbanking
- **Due to customers** is higher q/q mainly for the increase of the Repos (+€148m) related to the increase of the Govies' ptf and for the increase of the term deposits
- 2017 figures of the item **Debt securities issued** include €14m TIER II Subordinated bond issued this year
- **Shareholders Equity** in both period include €6.1m dividends to be paid on the 4.05.2017

# Focus on Factoring

- Outstanding trend influenced by:
  - Quarterly turnover, strong volume in March 2017
  - the portion of the outstanding in Legal Collection (y/y and q/q)
- Target Yield in line with expectations with higher competition at quarter-end
- Average Gross Yield in line with expectation of lower contribution from LPI in the first part of 2017 vs 2H 2017



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



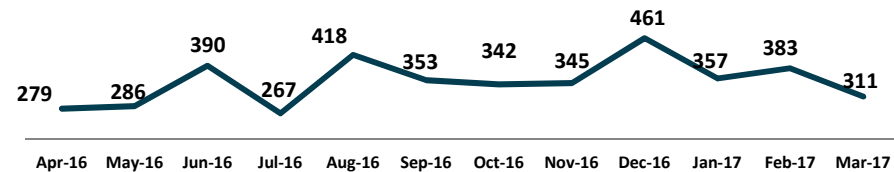
Gross Yield includes Commission Income: €2.4m in 1Q 2017; €9.1m in FY2016; €2.4m in 1Q 2016

**FY 2016 and 1Q 2016 figures do not include Beta Stepstone.**

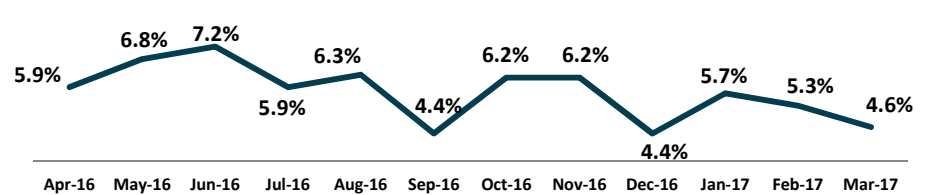
Note: Priced DFS includes also commission income. Other Costs include also Cost of Risk. Outstanding figures are management account data.

### How we originate new business:

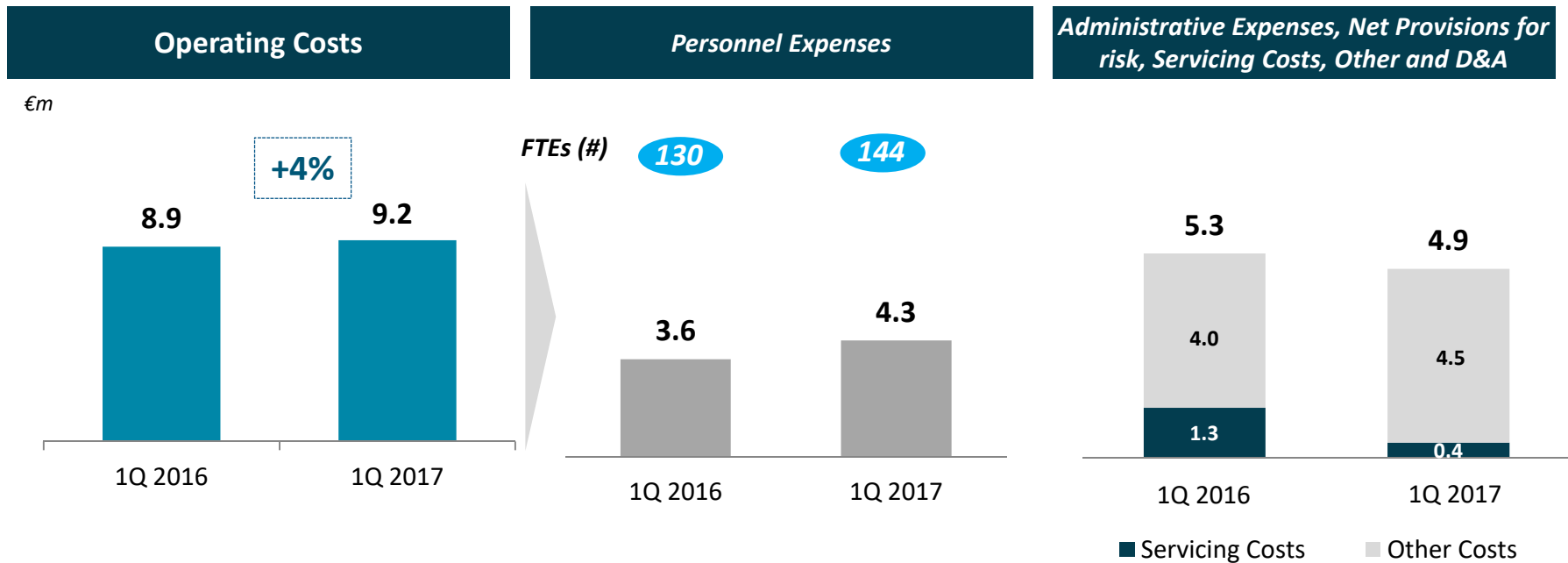
#### Funding period based on Expected Collection date ("DFS")



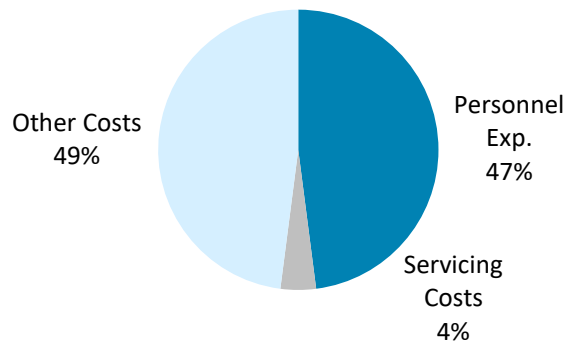
#### Target Yield at Expected Collection date ("DFS")



# Costs in line with expectations



## Operating Costs Breakdown

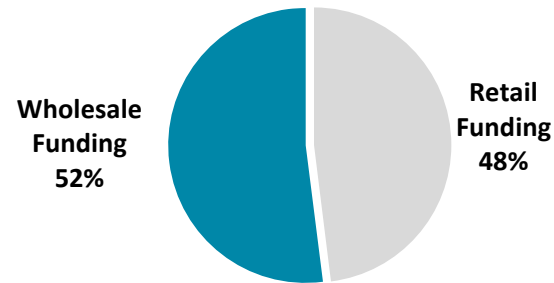


- Personnel Expenses increase due to higher headcount following the acquisition of Beta Stepstone, higher average salary and a new no-competition agreements
- Servicing costs mainly related to factoring benefit from internalisation of the collection
- Other costs include €0.6m yearly ordinary contribution to the National Resolution Fund
- ~€1m expected cost for the recently launched process for the second CQS securitisation

Note: see Note of Slide n.2.

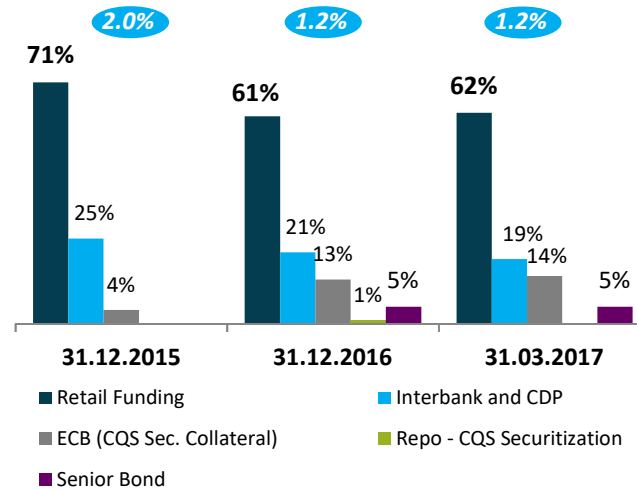
# Stable funding cost with slightly higher Retail funding stock

## Total Funding Breakdown



## Core Business Funding Breakdown

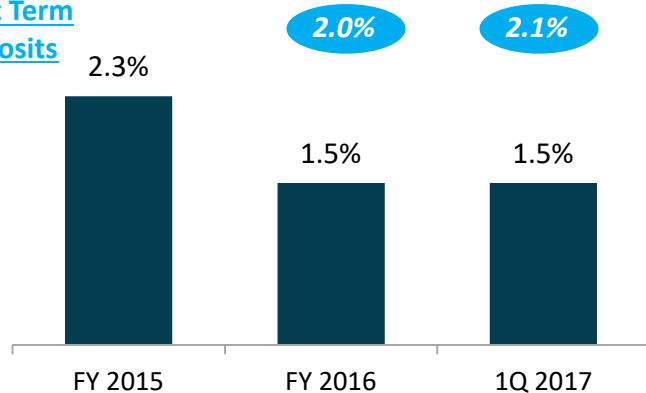
### Core Funding Cost



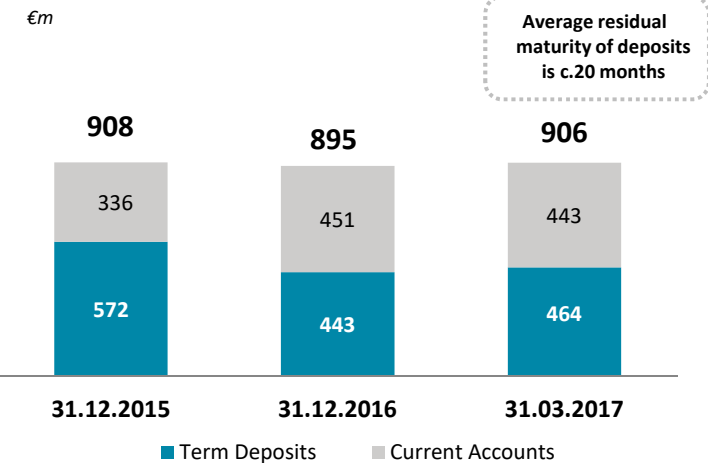
- Term Deposits stock is up q/q, due to higher rates offered to customers since mid-October. Although average cost was almost stable q/q
- Current account stock q/q stable
- ~30% of term deposits from Germany/Austria

## Retail Funding Cost

### Cost Term Deposits



## Retail Funding

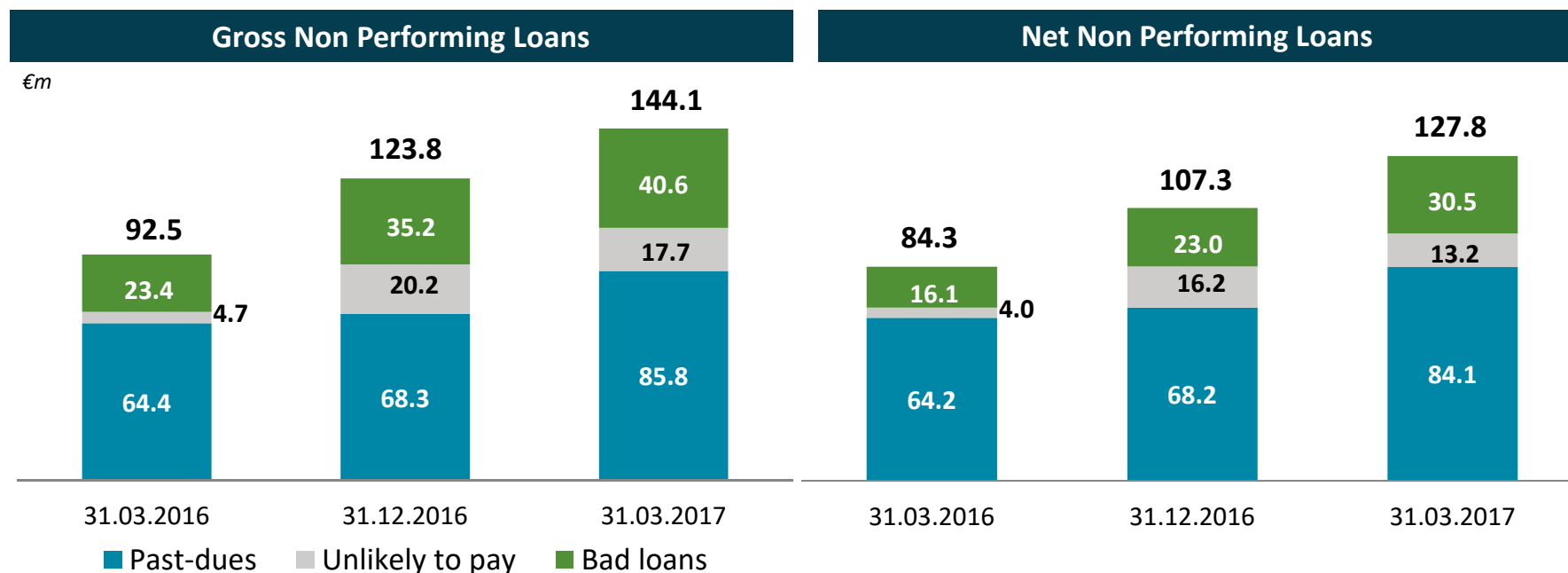


- Wholesale funding includes CQS securitization used as collateral for ECB funding and further changes are expected following the sale of the first securitization and impact of the recently launched new securitization

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). 2015 figures do not include Beta Stepstone contribution.



# Conservative risk policy in all the business lines

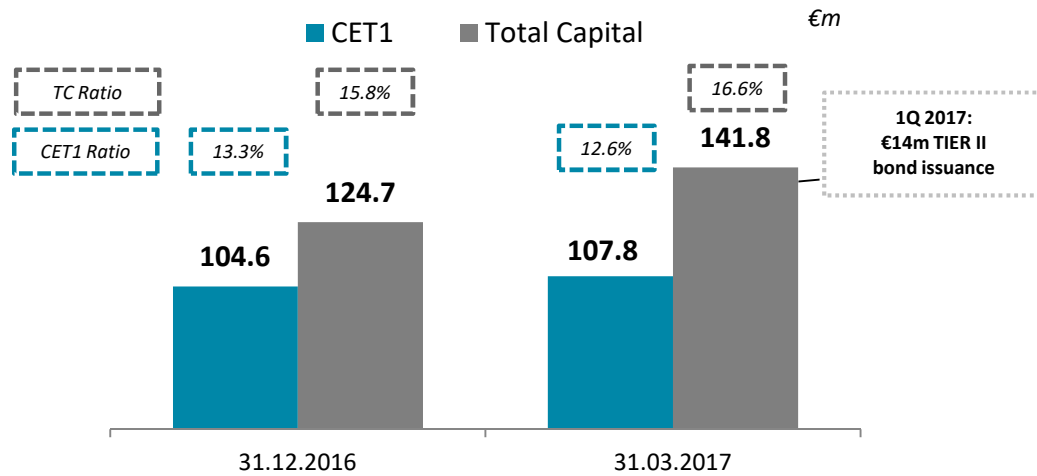


- Net Bad Loans represents 2.2% of total loans as at 31.03.2017
- Bad loans increase q/q was due to some deterioration of factoring positions (new Municipalities under ‘Distressed procedure’) and the SMEs State Guaranteed loans portfolio
- Factoring Bad loans represent 51% of the total as at 31.03.2017 (47% as at 31.12.2016)
- Unlikely to pay decrease q/q was mainly due to further deterioration of SMEs State Guaranteed loans moving to Bad loans
- Past-dues 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
- Loan loss provisions in 1Q 2017 were influenced mainly by:
  - net write-backs on factoring for ~€2.3m
  - higher provisions on SMEs State Guaranteed loans

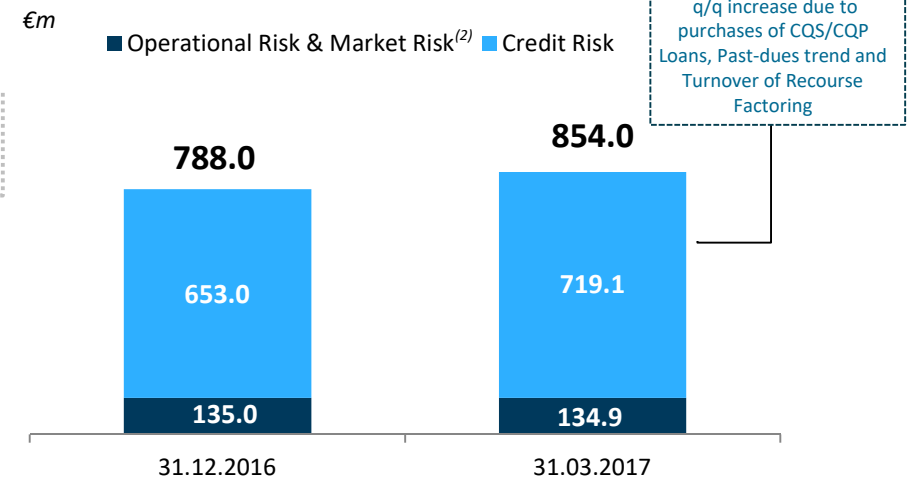
Note: see Note of Slide n.2.

# Regulatory Capital

## CET1 and Total Capital<sup>(1)</sup>

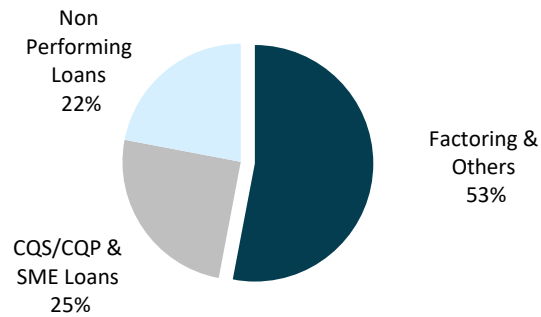


## RWA breakdown

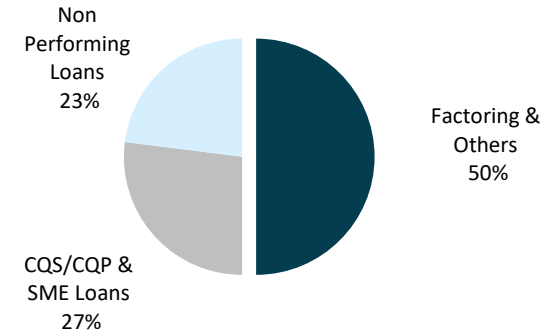


## RWA – Credit Risk

31.12.2016



31.03.2017



Note: (1) CET1 and Total Capital, following CRR directive, are based on an expected dividend pay-out of ~25% of the Banca Sistema Holding Net Income; (2) RWA – Market Risk c. €5m.

**Appendix**

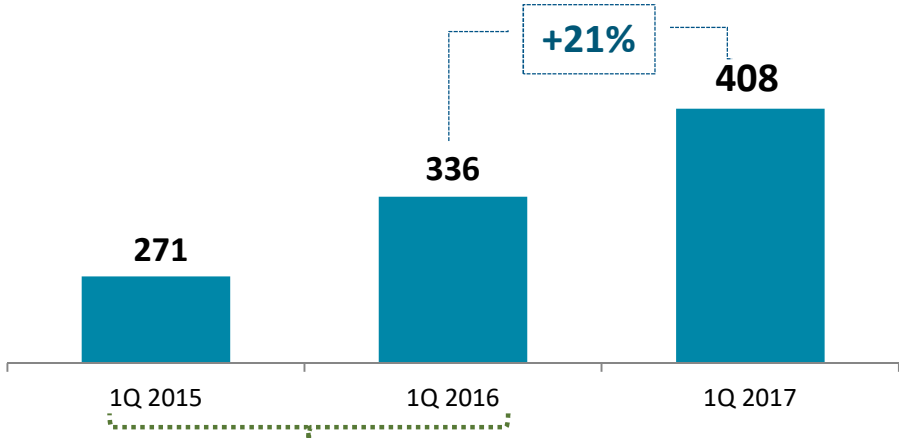
---

# Factoring Turnover

## Factoring Turnover

€m

+19% including Beta in 1Q 2016

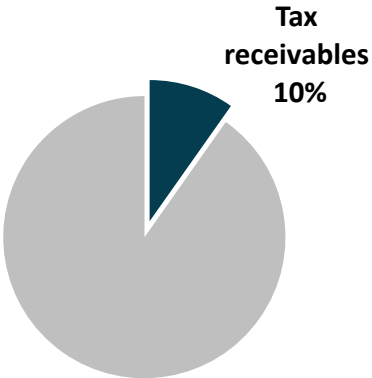


Turnover generated by agreements with Italian Retail banks: 28% of 1Q 2017 (13.5% FY 2016)

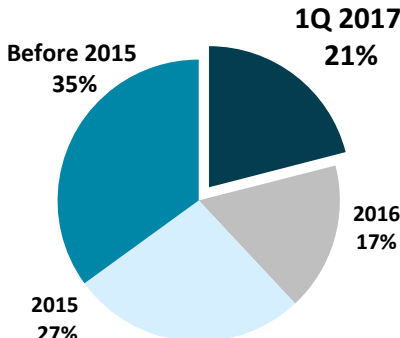
Ex. Beta Stepstone

## 1Q 2017 Factoring Turnover breakdown

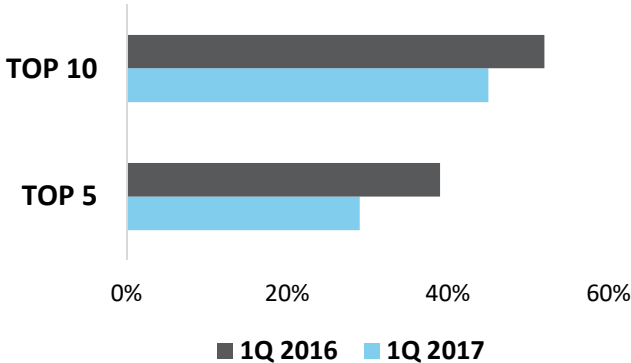
By Type



By Year of Customer's Acquisition



Customer Concentration



# Disclaimer

---

The distribution of this presentation in other jurisdictions may be restricted by law or regulation. Accordingly, persons who come into possession of this document should inform themselves of, and observe, these restrictions. To the fullest extent permitted by applicable law, the companies involved in the proposed business combination disclaim any responsibility or liability for the violation of such restrictions by any person.

This presentation does not constitute or form part of, and should not be construed as, any offer or invitation to subscribe for, underwrite or otherwise acquire, any securities of Banca Sistema or any member of its group, nor should it or any part of it form the basis of, or be relied on in connection with, any contract to purchase or subscribe for any securities in Banca Sistema or any member of its group, or any commitment whatsoever.

The information contained in this presentation is for background purposes only and is subject to amendment, revision and updating. Certain statements in this presentation are forward-looking statements under the US federal securities laws about Banca Sistema. Forward-looking statements are statements that are not historical facts. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements are generally identified by the words “expects”, “anticipates”, “believes”, “intends”, “estimates” and similar expressions. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions which could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements.

Banca Sistema do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as of the date of this presentation.

# BANCA

S I S T E M A  
SPECIALTY FINANCE

## Carlo Di Piero

Head of Investor Relations

[carlo.dipiero@bancasistema.it](mailto:carlo.dipiero@bancasistema.it)

+39 02 80280358

+39 3355288794