



# Jefferies 2016 Specialty Finance Summit

June 2016



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# Agenda

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I. Overview of Banca Sistema

II. 1Q 2016 Results

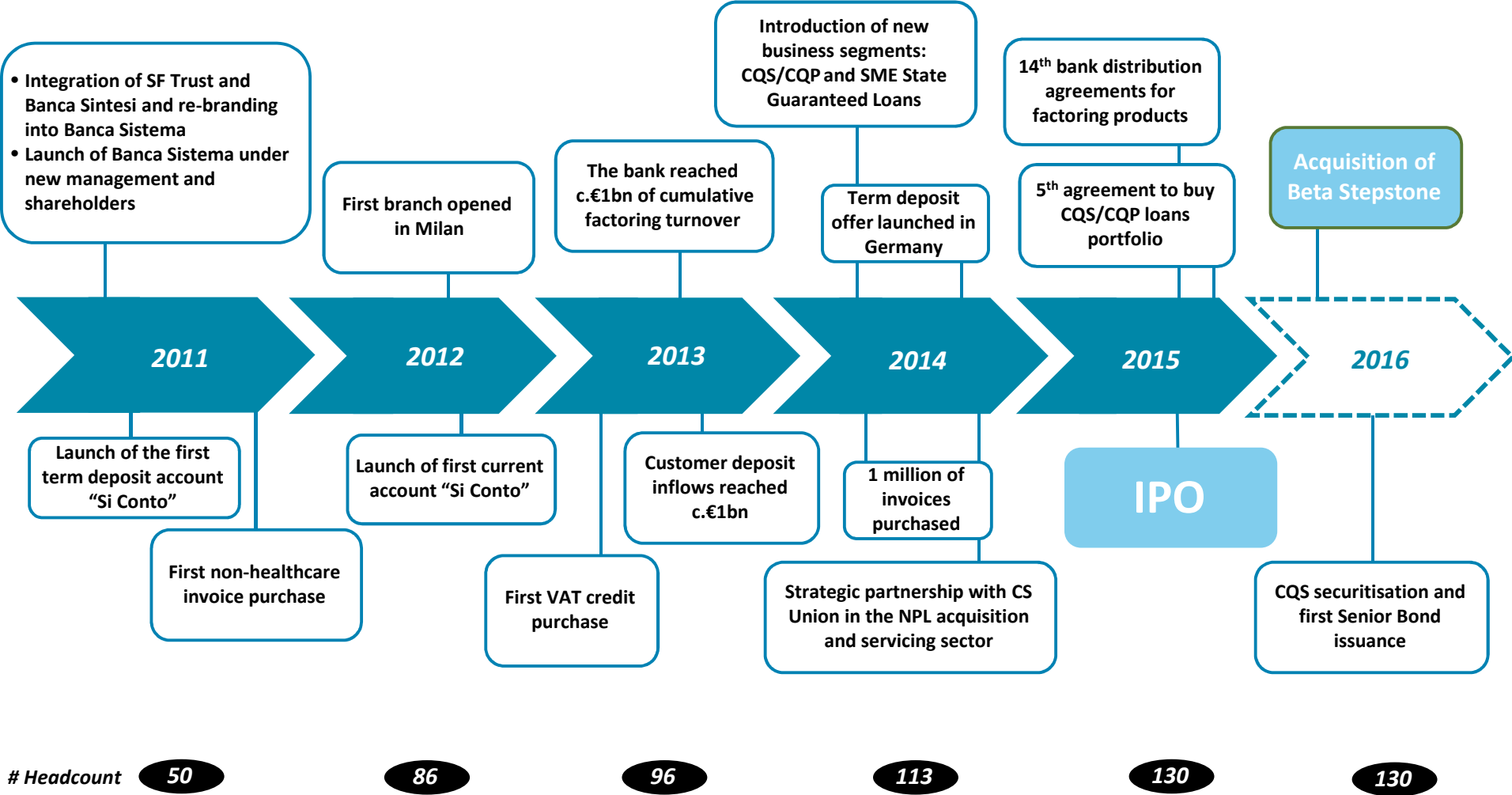
III. Acquisition of Beta Stepstone

*Appendix*

## **I. Overview of Banca Sistema**

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# Key Stages of Banca Sistema's Development

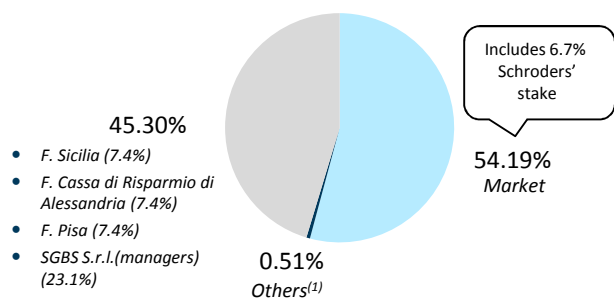


# Snapshot of Banca Sistema Today

## 1Q 2016 Results

|                     |                      |
|---------------------|----------------------|
| Factoring Turnover  | €0.3bn<br>(+24% y/y) |
| Net Income          | €6.0m                |
| Cost Income         | 47%                  |
| Leverage Ratio      | 4.5%                 |
| Total Capital Ratio | 16.8%                |
| ROAE                | 23%                  |

## Shareholders Structure



- Shareholder agreement between the three Banking Foundations and SGBS
- 3 year lock up period for the remaining core shareholders post IPO

Note: 1. Garbifin S.r.l. holding 0.51% stake (also subject to lock up).

## Our Key Strengths

Strong analytical capabilities

- Disciplined underwriting process supported by accelerated collections without relying on active LPI collection
- Proprietary database of payment times of Public Administration obligors, supporting our underwriting capabilities and pricing models for individual invoices

Compelling collection strategy with excellence in collections

- Non-litigation focused approach to collections, building strong relationships and partnerships with both Public Administration obligors and our clients
- Strong performance due to excellence in collection versus suppliers, generating high margins through accelerated recovery periods

Low risk counterparty exposure

- The majority of our credit exposure is towards the Italian Public Administration, with low risk underlying credit exposure comparable to a Government Bond

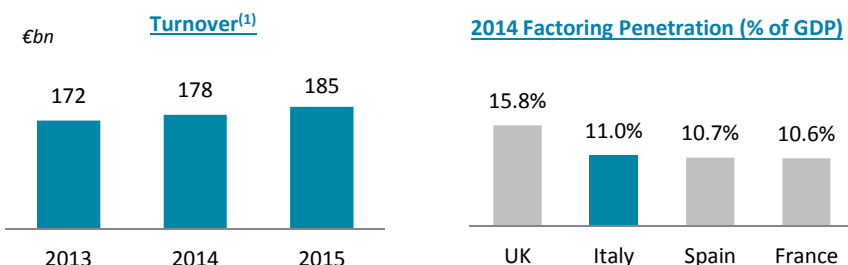
## A Winning Business Model

- Providing liquidity solutions and sophisticated collection services to our clients at an attractive cost compared to the outsourcing of the collection or internal management of the receivables
- Clients benefit from an improvement of their financial position and from cash flow optimization
- Our extra margin from accelerated collections is not considered an additional cost by our clients

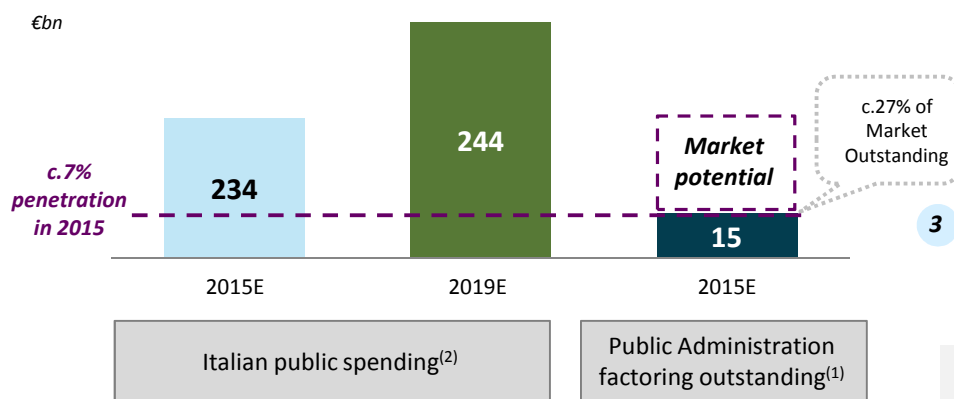
# An Attractive Market Opportunity

Large and still underpenetrated market with significant growth potential..

The Italian factoring market is the 3<sup>rd</sup> largest in Europe, (2<sup>nd</sup> largest compared to GDP) with a clear growth trajectory<sup>(1)</sup>

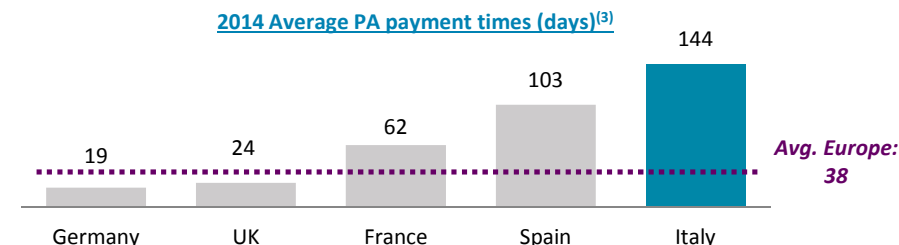


As of 2015, Italy's annual estimated public spending amounts to c.€234bn and is expected to grow to c.€244bn by 2019<sup>(2)</sup>

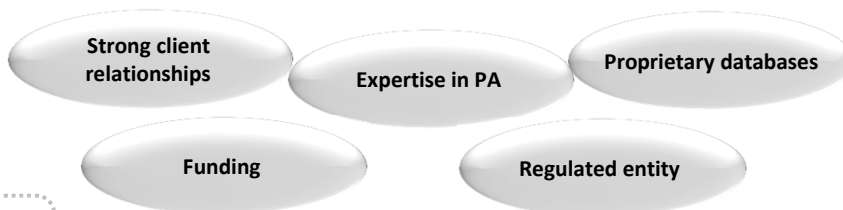


..With key market features highlighting a unique opportunity

1 Italy is characterized by structurally high Public Administration payment times compared to other European countries



2 High barriers to entry and limited number of players able to compete in the market



3 Low risk business with credit exposure primarily towards public entities

**Unique opportunity to exploit the potential of a large and under-penetrated market**

Note: 1. Source: Assifact and Factor Chain International; 2. Source: MEF (Documento di Economia e Finanze 2015 – Analisi e tendenze della finanza pubblica). Including spending for goods and services and gross fixed capital formation; 3. Intrum Justitia as of 2015.

## **II. 1Q 2016 Results**

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# 1Q 2016 Results at a Glance

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## 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** (€27m in 1Q 2015)
- **SMEs financing outstanding at €82m** (€40m in 1Q 2015)

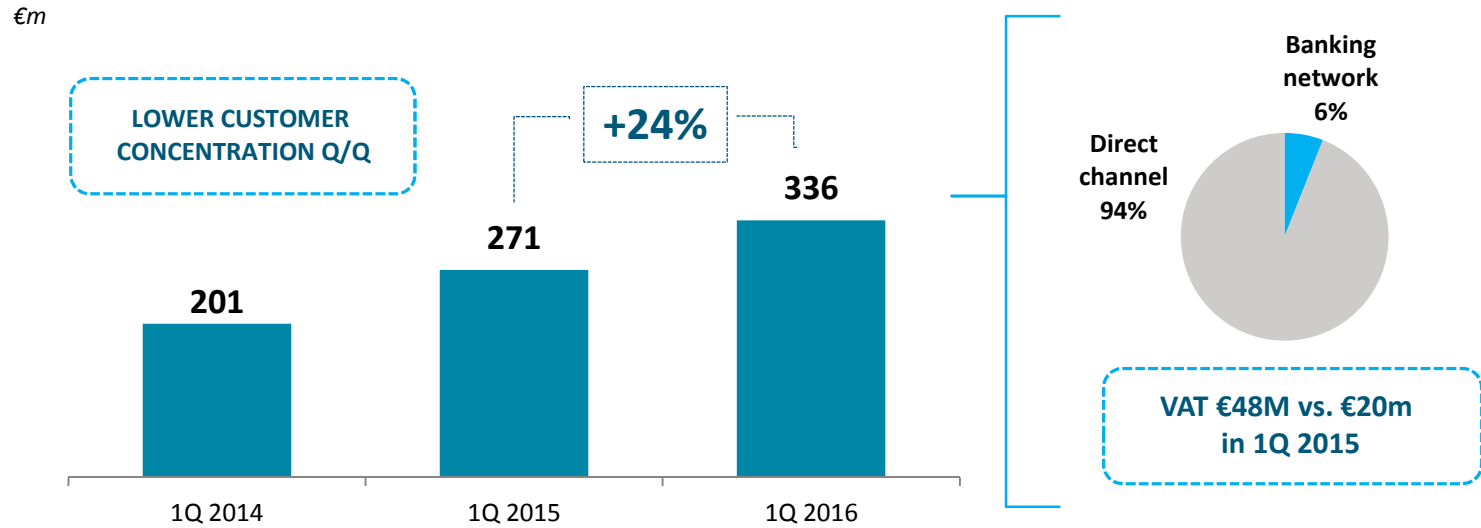
## Balance Sheet

- **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).*

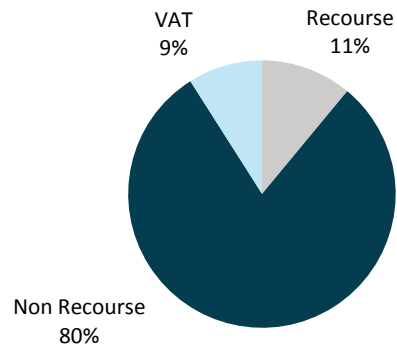
# +24% year on year growth in a growing market

## Factoring Turnover



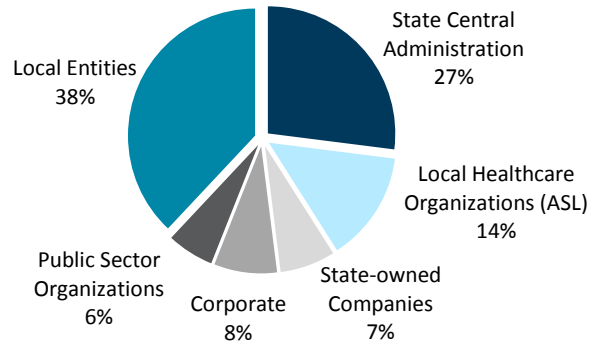
## Factoring Outstanding Breakdown - €1,020m (+19% y/y)

### By Type of Product

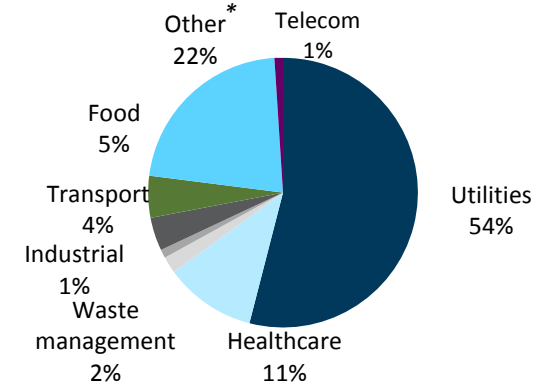


### By Obligor

#### PA accounts for 92%



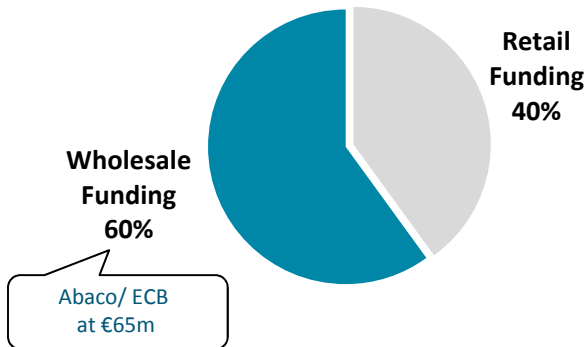
### By Client



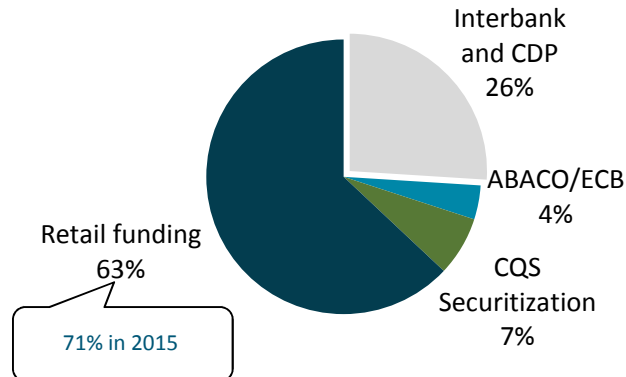
Note: (\*) Including services, entertainment, agriculture and IT, among others.

# Funding strategy focused on diversifying

Total Funding Breakdown

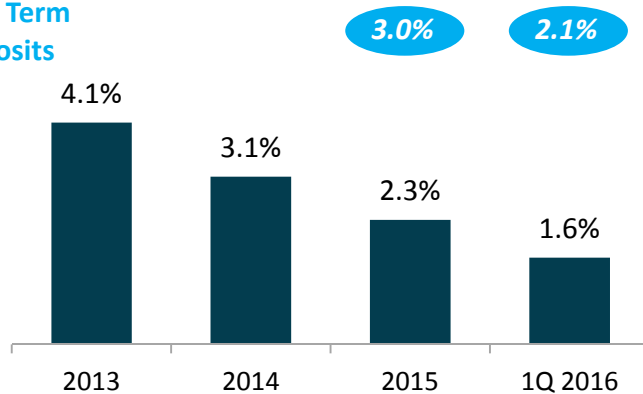


Core Business Funding

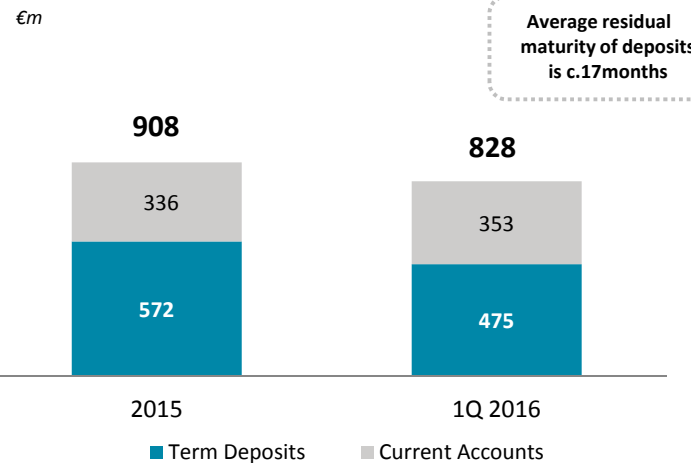


Retail Cost of Funding

Cost Term Deposits



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).

### **III. Acquisition of Beta Stepstone**

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# Acquisition of Beta Stepstone: Transaction Highlights

|  |   |
|--|---|
| <p><b>Beta Stepstone</b></p>                         | <ul style="list-style-type: none"> <li>• Beta Stepstone is a specialized Public Administration receivables factoring player focused on the Healthcare segment owned by Fortress</li> </ul>  |
| <p><b>Consideration</b></p>                          | <ul style="list-style-type: none"> <li>• 100% of Beta Stepstone to be acquired for €60.8m (P/BV 1x)*</li> <li>• Transaction to be funded entirely with available resources</li> <li>• 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</li> </ul> |
| <p><b>Clear Strategic Rationale</b></p>              | <ul style="list-style-type: none"> <li>• 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</li> </ul>  |
| <p><b>Strong Business Fit with Banca Sistema</b></p> | <ul style="list-style-type: none"> <li>• Strong business model, geographical focus and client base complementarities</li> <li>• 21 Headcount in three offices (Milan, Naples and Bologna)</li> </ul>  |
| <p><b>Financial Highlights</b></p>                   | <ul style="list-style-type: none"> <li>• Net Income €4.1m in 2014(€1.9m in 1H 2015) and Total Assets €113m as at 30.06.2015</li> <li>• Transaction is EPS accretive in the first year after acquisition</li> <li>• Total RWA consolidation, post merger, of ~€50m based on 1H 15 figures</li> </ul>   |
| <p><b>Synergies</b></p>                              | <ul style="list-style-type: none"> <li>• Expected increase in Factoring Turnover in a range between €150m - €250m p.a.</li> <li>• Targeting annual cost synergies of €1m</li> <li>• Funding synergies from the refinancing of the existing portfolio: €1.7m</li> </ul>  |
| <p><b>Anticipated Timetable</b></p>                  | <ul style="list-style-type: none"> <li>• Transaction is subject to Bank of Italy approval, closing by 1H 2016</li> <li>• Merger of Beta into Banca Sistema by 2H 2016 subject to Bank of Italy approval</li> <li>• Post merger, creation of a dedicated “Beta” division within Banca Sistema</li> </ul>   |

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

**Q&A**

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