BANCA
SISTEMA
SPECIALTY FINANCE

GROUP PROFILE

March 2019

Agenda

I. Overview of Banca Sistema

II. FY 2018 Results

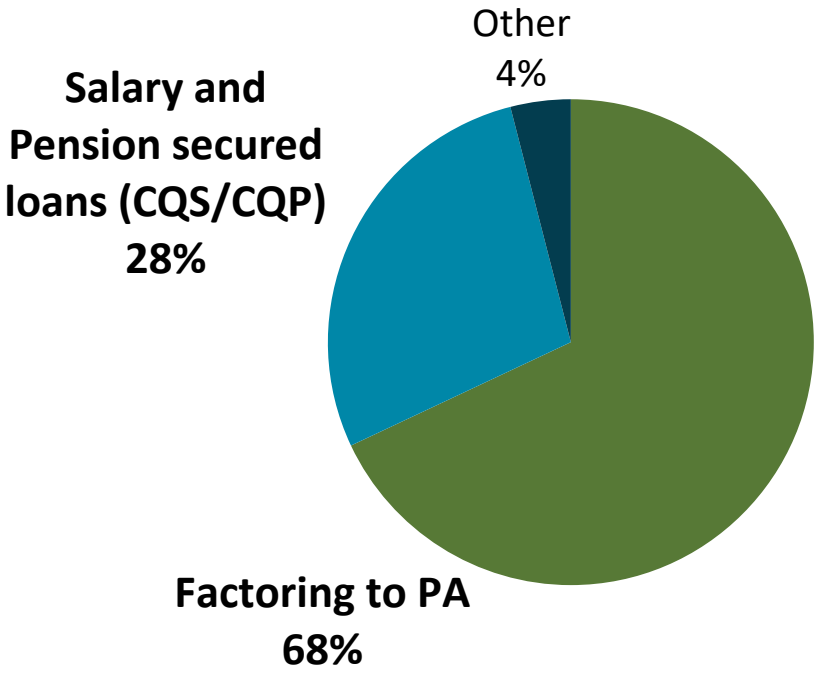
III. 2018 – 2020 Strategic Plan

Annexes

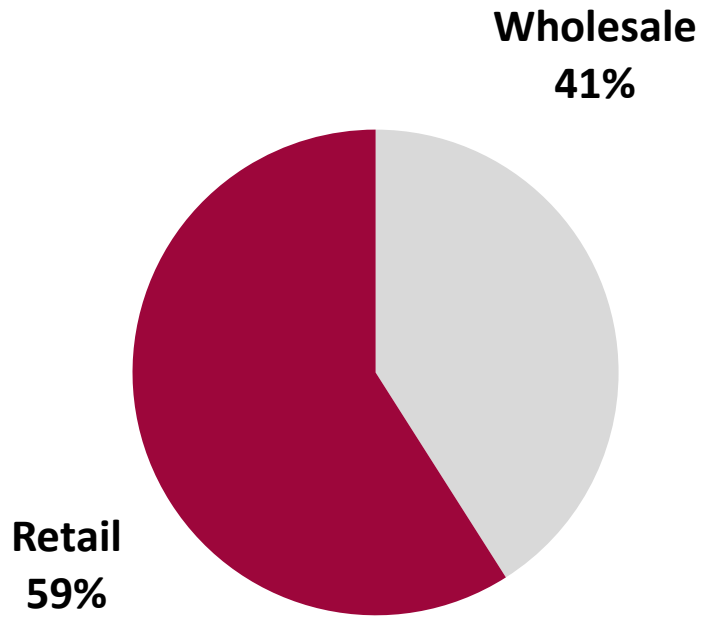
I. Overview of Banca Sistema

What we do

FY 2018
Total customer loans[1]
€2,295m



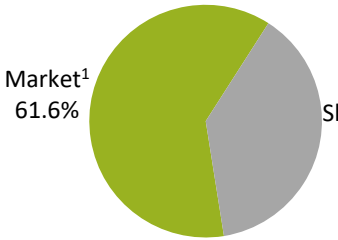
FY 2018
Total Funding
€2,899m



Note: 1. Total Customer loans represent the item of the Balance Sheet, "Assets at amortized cost", excluding the securities at amortized cost.

Snapshot

Shareholders Structure



- *Shareholders' agreement between two banking Foundations ("Fondazioni") and SGBS (of which the relative majority shareholder is Mr. Garbi, CEO of Banca Sistema)*
- *Fondazione Sicilia (7.4%); Fondazione Cassa di Risparmio di Alessandria (7.9%); SGBS S.r.l. (23.1%)*
- *2 year lock up period (expiring in June 2020)*

Key strengths

- Strong analytical capabilities
- Favourable legal framework
- Business diversification
- Strong competitive position with opportunities to consolidate the leadership
- Low risk business with high returns
- Clear model to support an efficient execution of the strategy (Business Plan 2018 – 2020)

The last 3 years….

- **Strong constant growth in factoring outstanding: €1,111m FY 15 vs €1,716m FY 18**
- **Diversification strategy: CQ outstanding, €120m FY 15 vs €652m FY 18**
- **Better diversified funding**
- **Constant low cost of risk**
- **11.0% CET1 2018 with minimum required for 2019 at 7.75%**
- **25% Dividend pay-out in 2015-2018**

Note: 1) 0.51% Garbifin Srl.

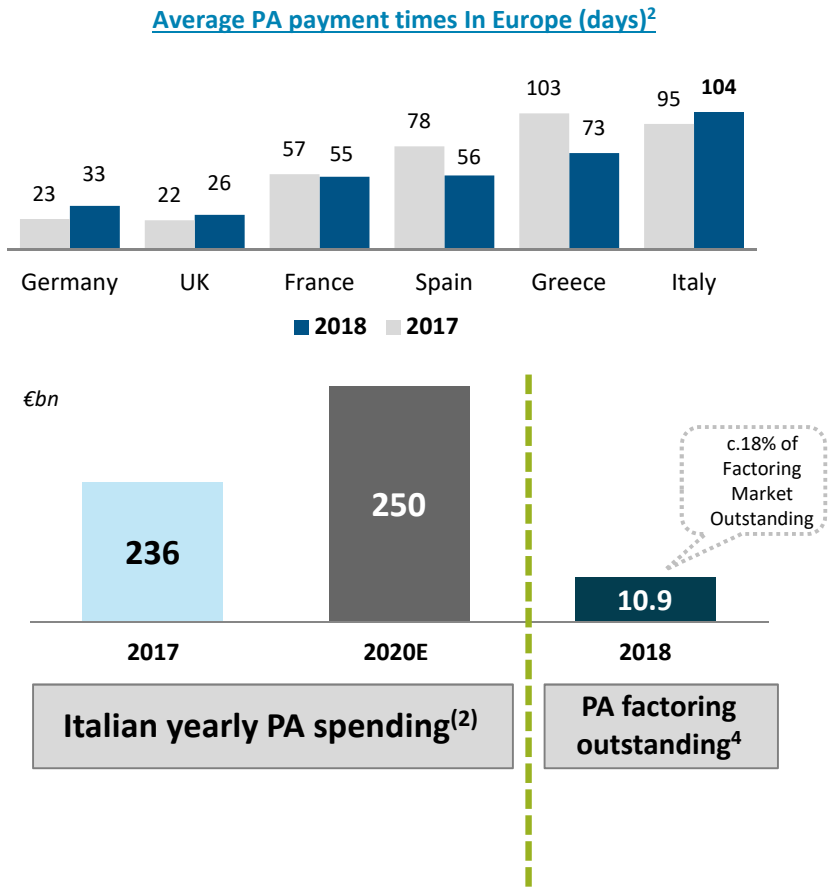
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Delay and PA spending are the drivers of this attractive Market

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

As at 31.12.2017 estimated Total Debt of Italian PA is c. €57bn[1]

As we operate with a focus on Public Administration receivables, our reference market is the Italian Public Spending, a large market with significant growth potential. As of 2017, Italy's annual PA spending amounts to c.€236bn and is expected to grow to c.€250bn by 2020[3]



Sources: 1. Bank of Italy, "Relazione annual 2017", May 2018; 2. Intrum Justitia, "European Payment Report 2018", May 2018; 3. MEF, "Documento di Economia e Finanze 2018 – Analisys and trends in public finance», April 2018. Including spending for goods and services and gross fixed capital formation; 4. Assifact.

BANCA SISTEMA

Supporting corporate entities in their business dealings with PAs

PA Suppliers (Banca Sistema Clients)

Leading multinationals and corporates

Main Sectors:

- Utilities
- Healthcare
- Services
- Food
- Transport
- Entertainment

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PA Obligors

Local Entities (regions and municipalities)

Regione Lazio · Regione Campania · Comune di Napoli

Local Healthcare Organizations ("ASLs")

ASL Regione Campania Azienda Sanitaria Locale Napoli 1 · Azienda Sanitaria Regionale Molise ASREM

State Central Administrations

Ministero della Difesa Repvbblica Italiana · Ministero dell'Interno · Agenzia Entrate

Other Entities of Public Interest

GSE · Italian Soccer League Serie A

Non-recourse factoring	Recourse factoring	Tax receivables (Non-recourse and Recourse)	Debt Collection and Credit Management Services
FY 2018 Turnover breakdown by product (€2.4bn, +20% y/y)			
71% (+40% y/y)	**14%** (-26% y/y)	**15%** (+6% y/y)	

Factoring business leverage on a well balanced network

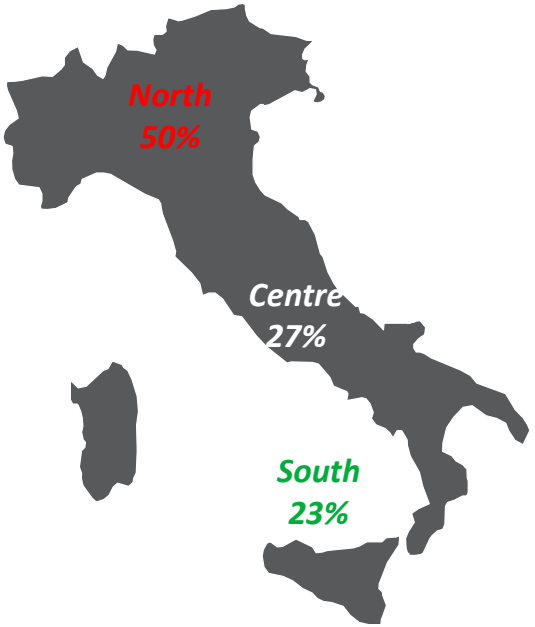
DIRECT CHANNEL

- **12 Origination resources**
- **7 Relationship Managers**



INDIRECT CHANNEL

18 commercial agreements to provide factoring products to third party banks in Italy, through **c. 1,500 branches**



FY 2018 Turnover breakdown by channel (€2.4bn, +20% y/y)

72%

28%

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Factoring Business

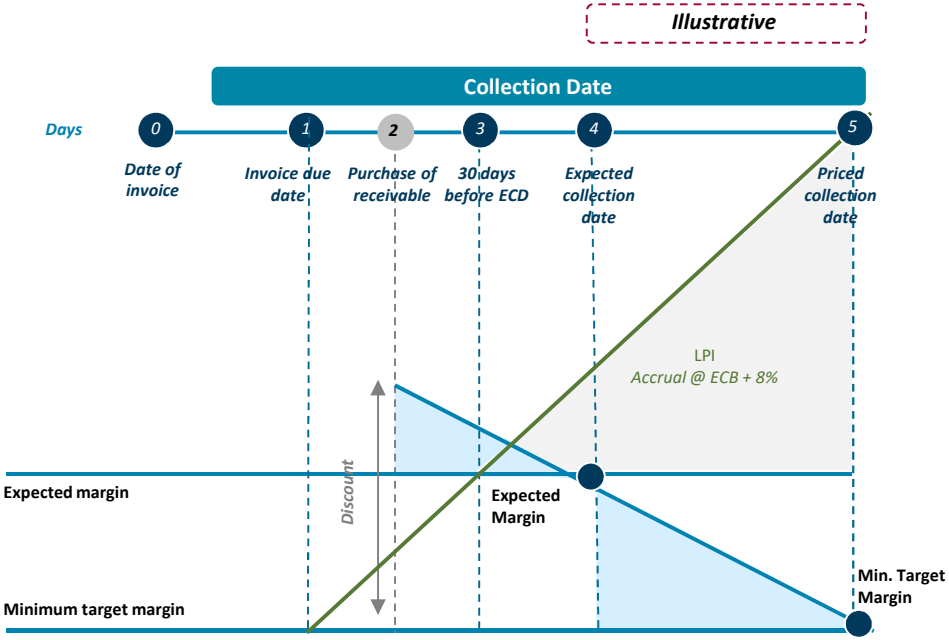
Overview of Key Dates for Pricing and Collection

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, "DFS")	• **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%

Late Payment Interests:

- Try to collect without starting a legal action till 30 days before ECD
- From the start of the legal action we rely on due LPI at: 8% + ECB *rate*

Note: 1. 60 days for healthcare related receivables.

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BST: Factoring outstanding

Our Key Strengths

Strong analytical capabilities

- **Disciplined underwriting process supported by accelerated collections** without relying on active LPI collection, up till 30 days before the ECD
- **Proprietary database** of payment times of Public Administration obligors, supporting **our underwriting capabilities and pricing models for individual invoices**

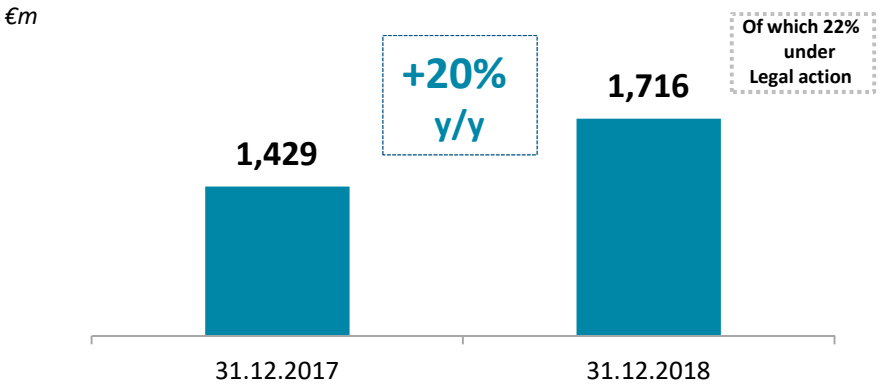
Compelling collection strategy with excellence in collections

- **The collection leverages** on the strong relationships with PAs and is focused on the **late payment interest ("LPI") when it is necessary**
- Strong performance due to **excellence in collection versus suppliers,** generating **high margins through accelerated recovery periods**
- Collection Department:
  - **Extrajudicial collection**: 16 headcount and 11 external field collectors
  - **Judicial collection**: 11 headcount and 20 Law firms

Low risk counterparty exposure

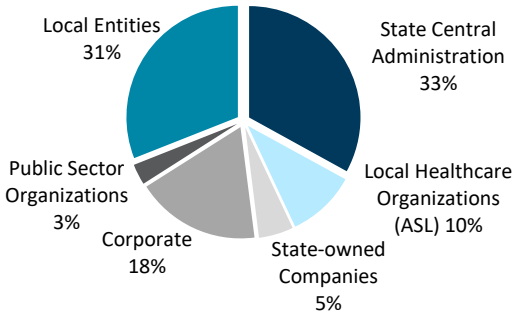
- **The majority of our credit exposure is towards the Italian Public Administration,** with **low risk underlying credit exposure** comparable to a **Government Bond**

Factoring outstanding



Outstanding breakdown by Obligor (31.12.2018)

PA accounts for 82%



Note: Factoring outstanding management account.

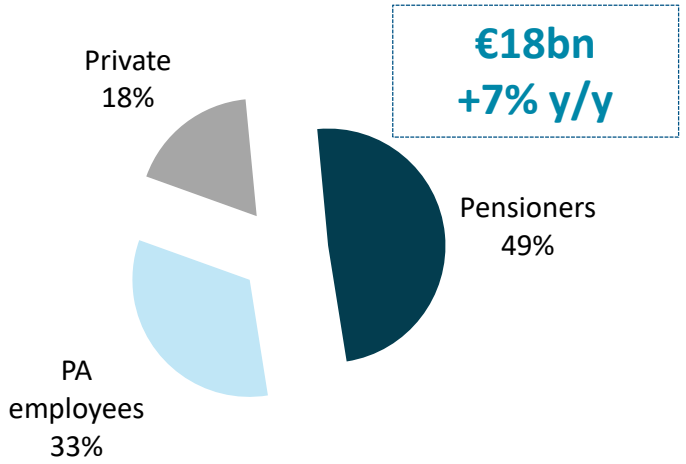
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Italian CQS/CQP market: Low risk Business

Key product items

- A product established by the law of the 1950s
- The borrower's loan is repaid directly from their salary/pension, by the employer/INPS (Italian pension institution)
- Monthly installment cannot exceed 1/5 of the salary/pension
- The loan takes precedence over any seizure of salary/pension amounts
- Insurance is mandatory by the law and covers in case of death, disability and loss of job
- CQS is partly collateralized by the TFR (compulsory retirement/severance plan)
- FY 2018, €5.4bn turnover (+4.6% y/y)

Outstanding as at 31.12.2018[1]



Note: 1) Source: Assofin.

BST: CQS/CQP outstanding

Our Business model

Commercial capabilities

- Agreements with 5 originators
- Acquisition of a minority stake in ADV Finance, an originator
- Recent announced acquisition of Atlantide (an originator), approved by Bank of Italy
- Lower exposure to the Private component vs the Market

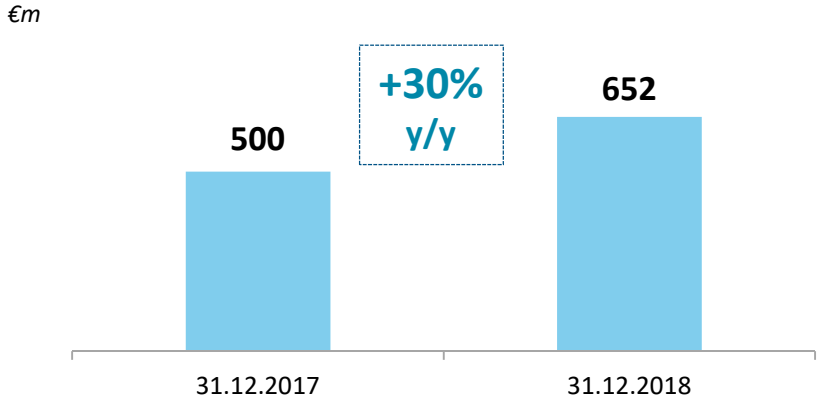
Dedicated funding

- A good portion of the assets is securitized, but consolidated in BST Balance Sheet
- Securitizations allow to get a cheaper funding through Repos (ECB and banks)

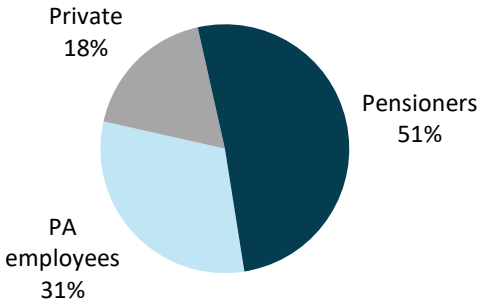
Low risk asset

- CQS/CQP historically have registered very low PD and almost 0% LGD also thanks to the insurance

CQS/CQP Loans outstanding



Outstanding breakdown by Type (31.12.2018)



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II. FY 2018 Results

FY 2018 Results at a Glance

Commercial performance

- **Factoring Turnover +20% y/y** equal to €2.4bn
- **Tax receivables represent 22%** of FY 2018 factoring outstanding
- **CQS/CQP outstanding reached €652m**, +30% y/y

P&L

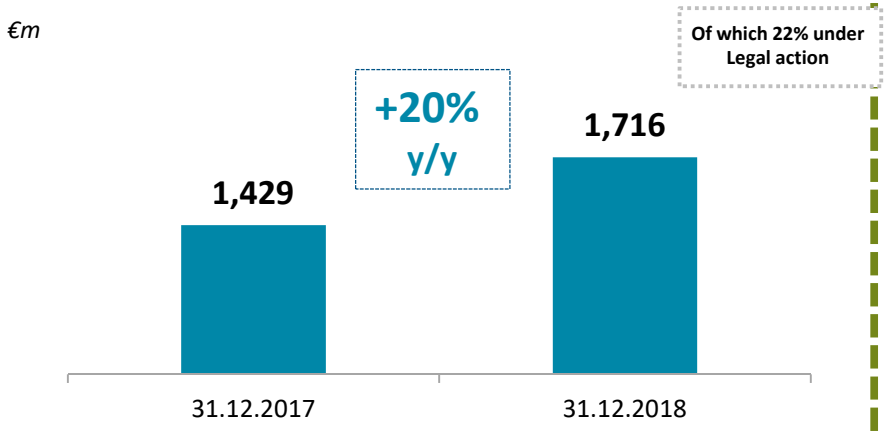
- **Growing Adjusted Interest Income margin during 2018**
- **Net Interest Income** equal to €74.6m, **+6% y/y**
- **Cost of funding stable y/y and q/q at 0.9%**
- **Total Income** equal to €91.1m, **+10% y/y**, driven by higher core business growth
- **Total operating costs** +11% y/y and **Cost of Risk** at 33bps stable y/y
- **Net Income at €27.2m**, with a ROAE at 18.9%

Balance Sheet

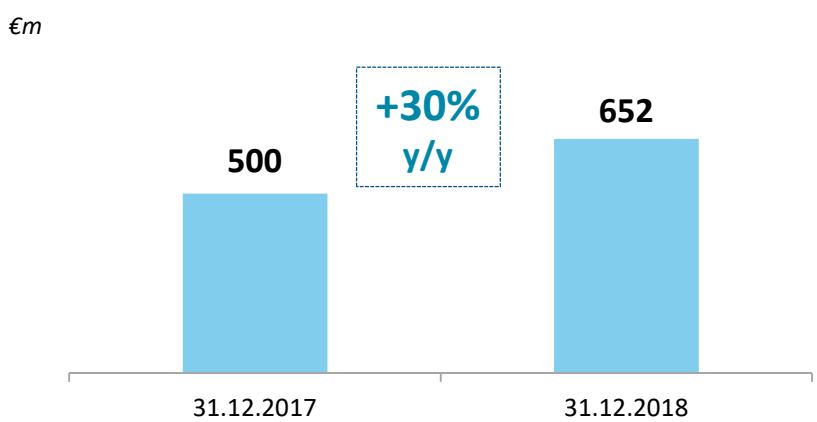
- **Term deposits:** Strong growth since 3Q in particular from the foreign component
- **LCR and NSFR above regulatory requirements**
- **CET1 ratio at 11.0%, pro-forma with lower CQ RWA at 12.5%**
- **Immaterial impact from our short term Govies' ptf**
- **Dividend distribution of €0.087 per share**

Core business assets outstanding is growing

Factoring outstanding

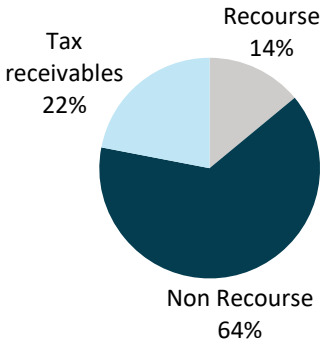


CQ Loans outstanding



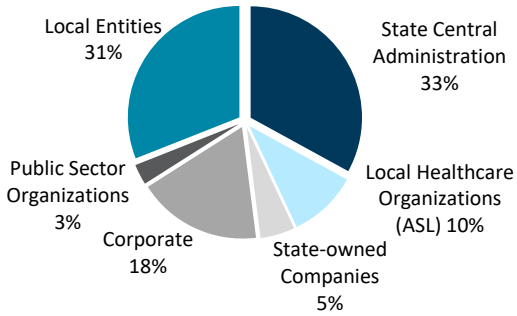
Outstanding breakdown (31.12.2018)

By Type of Product

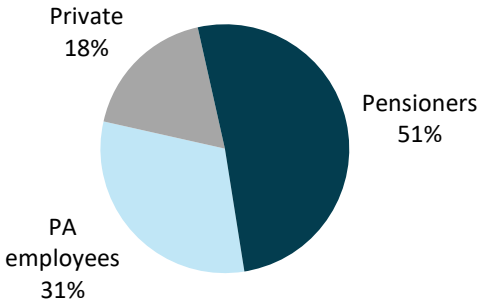


By Obligor

PA accounts for 82%



Outstanding breakdown by Type (31.12.2018)



- €212m turnover in FY 2018
- 82% PA risk exposure

Note: Factoring outstanding management account.

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FY 2018 – Balance Sheet

Figures in millions of Euro

	IAS39 31.12.2017	IFRS9 31.12.2018	Change in %
ASSETS			
Financial assets at fair value through P&L **[Held to Sell]**	1	-	nm
Financial assets at fair value through Other Comprehensive Income **[Held to Collect and Sell]**	286	304	6%
Loans at amortized cost	1,886	2,352	25%
Factoring	*1,286*	*1,567*	*22%*
CQ	*500*	*652*	*30%*
SMEs State Guaranteed loans	*56*	*28*	*-50%*
Other	*44*	*105*	*nm*
Securities at amortized cost	84	435	*nm*
Tangible and Intagible assets	26	30	15%
Non-current assets held for sale and discontinued operations	--	2	nm
Equity investments	1	1	nm
Other assets	25	21	-16%
Total assets	**2,309**	**3,145**	**36%**
LIABILITIES AND EQUITY			
Due to banks	518	695	34%
Due to customers	1,284	1,899	48%
Debt securities issued	282	305	8%
Other liabilities	90	93	3%
Shareholders Equity	135	153	13%
Total liabilities and equity	**2,309**	**3,145**	**36%**

- **Loans at amortized cost up 25% (€2,352m)**:
  - **Factoring receivables** up +22% at~€1.6bn, thanks to the turnover originated in 2018
  - **CQ loans** (€652m) +30% vs 2017 year-end and up also q/q
- **Govies' portfolio (€734m) almost stable q/q and higher y/y, with an average residual duration of 21 months**, includes **€298m** 'Held to Collect and Sell' with an average residual duration of 14 months
- **Non-current assets held for sale** Item includes the minority stake of Axactor Italy, following the decision to sell it in 2019
- **Due to banks** increase is driven by higher ECB funding vs 2017 year-end and q/q, thanks to higher available collateral
- **Due to customers increase** is driven by higher term deposits and higher current accounts
- **Debt securities issued** increase y/y is mainly driven by the replacement and upsize of the Senior Bond in 2Q 2018

Note: Comparatives simply reflect the statutory data as at 31 December 2017 based on the previous accounting standard IAS 39, therefore they do not represent restated balances resulting from the retroactive adoption of the new accounting standard IFRS9.

FY 2018 – Income Statement

Figures in millions of Euro

	IAS39 31.12.2017	IFRS9 31.12.2018	Change in %
Interest income	90.1	99.7	11%
Interest expenses	(19.5)	(25.1)	29%
Net interest income	**70.7**	**74.6**	**6%**
Net fee and commission income	10.7	15.3	43%
Dividends and similar income	0.2	0.2	nm
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	0.9	1.0	10%
Total income	**82.5**	**91.1**	**10%**
Net impairment losses on loans	(5.4)	(6.8)	27%
Net operating income	**77.1**	**84.3**	**9%**
Personnel expenses	(17.6)	(19.9)	13%
Other expenses	(20.5)	(22.3)	9%
Operating expenses	**(38.1)**	**(42.2)**	**11%**
Profits from equity investments	(0.1)	0.0	nm
Pre-tax profit from continuing operations	**38.9**	**42.1**	**8%**
Taxes on income for the period/year from continuing operations	(12.1)	(14.6)	20%
Loss after tax from discontinued operations	-	(0.3)	nm
Profit (loss) for the year/period attributable to the shareholders of the Parent	**26.8**	**27.2**	**1%**

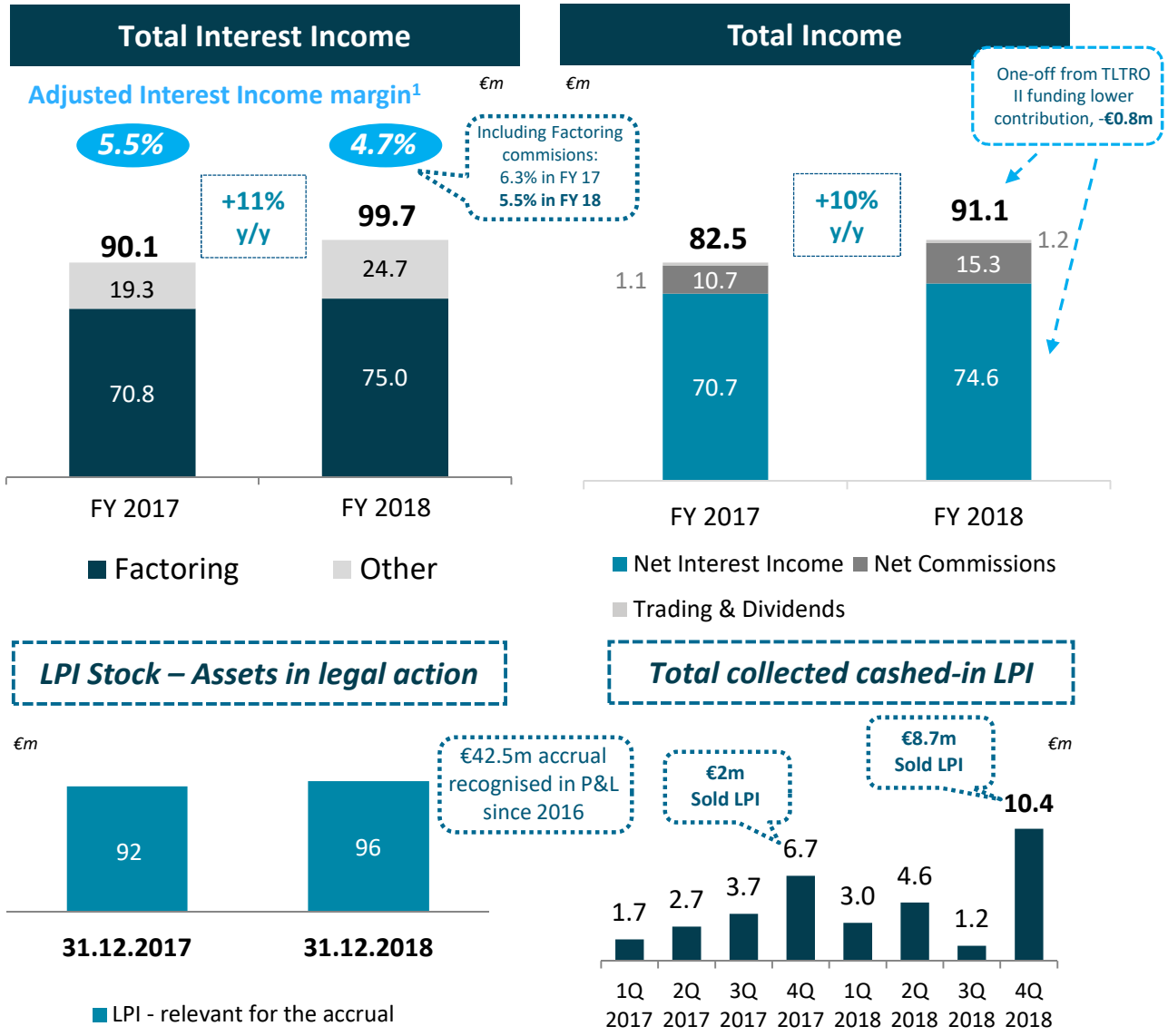
Tax rate increase due to lower deductions

Note: Comparatives merely reflect the statutory data as at 31 June 2017 according to IAS 39, therefore they do not represent restated balances resulting from the retroactive adoption of the aforesaid accounting standard, and as such are not fully comparable.

BANCA SISTEMA

Total Income y/y and q/q supported by business growth

- **FY 2018 Interest Income +11% y/y, growth is driven by higher Factoring and CQ contribution**
- **Factoring represents 75% of Total Interest Income**
- **Adjusted Interest Income margin y/y reduction is mainly driven by factoring profitability and higher weight of CQ on total stock, although has shown an upward trend over 2018**
- **Factoring LPIs from legal action** in P&L in 2018 equal to €28.4m (€26.8m in 2017 excluding the contribution of the transaction related to Beta Stepstone's acquisition equal to €2.8m):
  - of which €7.8m related to the change of accrual rates following the update (in 3Q 2018) of the collection rates which feed the statistical model, of which €4.9m related to previous years (€9.6m in 2017, of which €3.7 related to previous years)
  - of which accrual at constant rates €10.3m, lower q/q (€8.0m in 2017)
  - of which "extra collection" €10.3m (€9.2m in 2017)
- **Total Income y/y increase, +10%, is driven by higher NII, +6% y/y** (also including €0.8m one-off effect on Interest expenses) and **by higher Net Commissions, +43% y/y**. Net Commissions growth is mainly driven by factoring commission income (+€4.3m), q/q increase is also driven by spreading commission expenses related to foreign term deposits

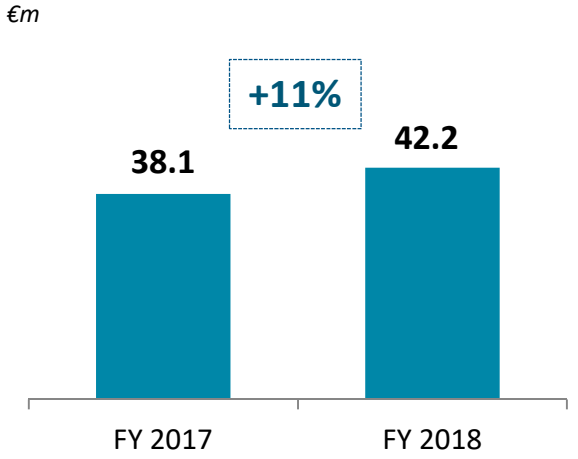


Note: (1) Calculated as [Period Interest Income] / [Average end of period net customer loans] - excluding the contribution from securities portfolio, credit due from banks and Repo (Balance Sheet and Financial Statement figures).

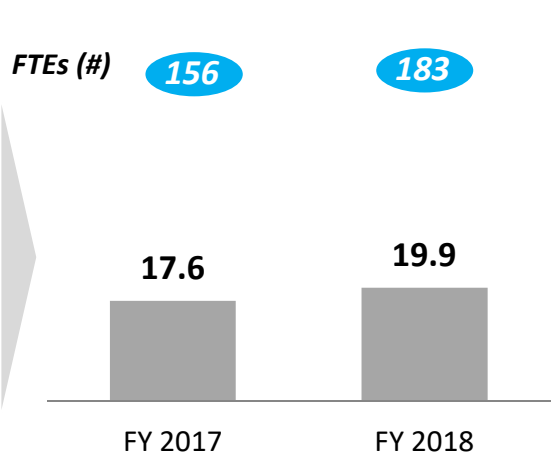
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Operating costs up y/y for business growth

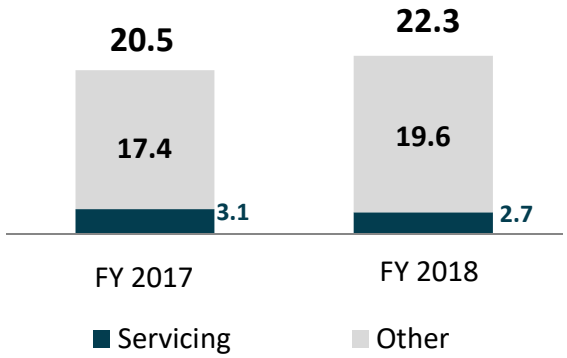
Operating Costs



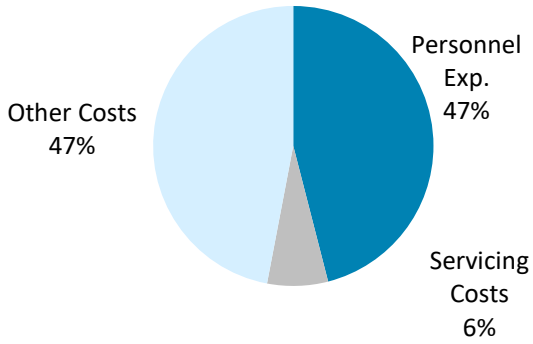
Personnel Expenses



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



Operating Costs Breakdown

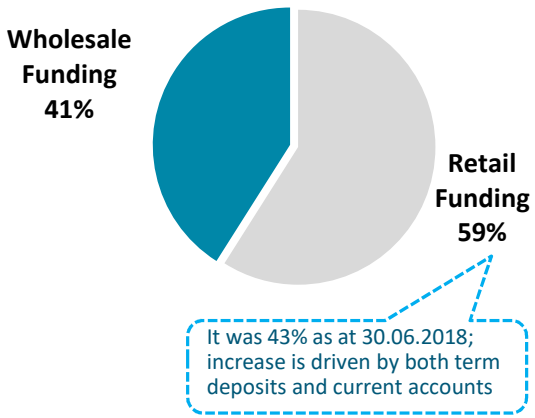


- Personnel Expenses increase due to FTEs increase
- Other costs, excluding Servicing costs, are higher y/y for:
  - Rating on CQ securitisation
  - Expenses for the branch openings
  - Higher contribution y/y to Interbank Deposit Protection Fund (FITD) and Resolution Fund
- Cost Income stable y/y at 46%

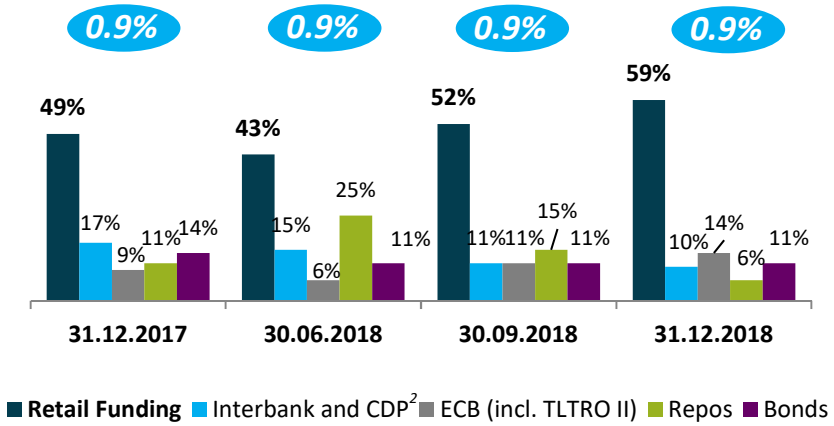
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Stable funding cost during 2018

Total Funding breakdown

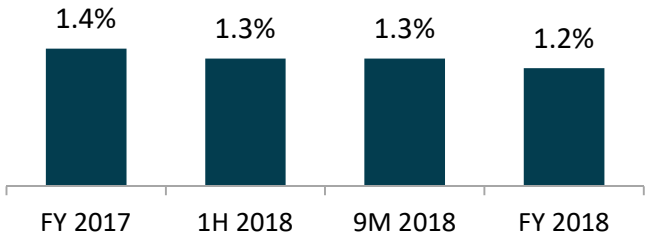


Total Funding breakdown

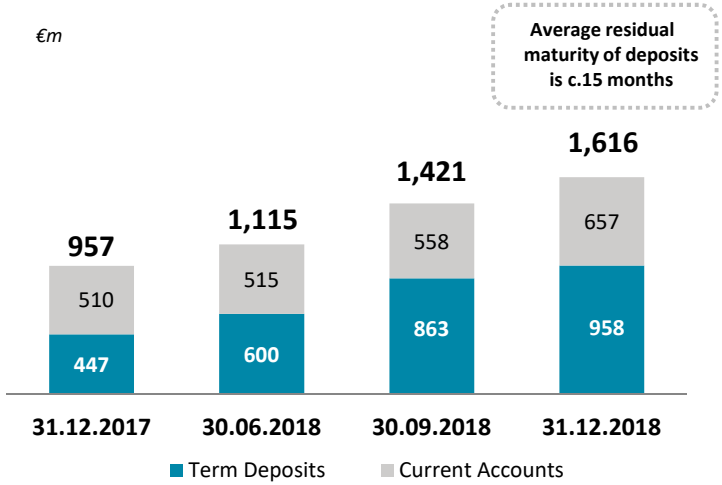


- Cost of funding stable y/y and q/q including the €0.8m one-off, deriving from TLTRO II (€123m) cost increase from -40bps to 0bps
- Term Deposits stock, is up y/y, and it is expected to grow further in 2019
- Foreign component of term deposits accounts, as at 31.12.2018, 39% of total stock and is growing strongly since 3Q 2018
- Current accounts stock up y/y, +26% # retail accounts
- ECB financing (€413m) higher vs 2017 year-end and q/q thanks to higher available collateral from CQ securitization and also factoring
- No wholesale funding maturities in 2019

Retail Funding Cost



Retail Funding

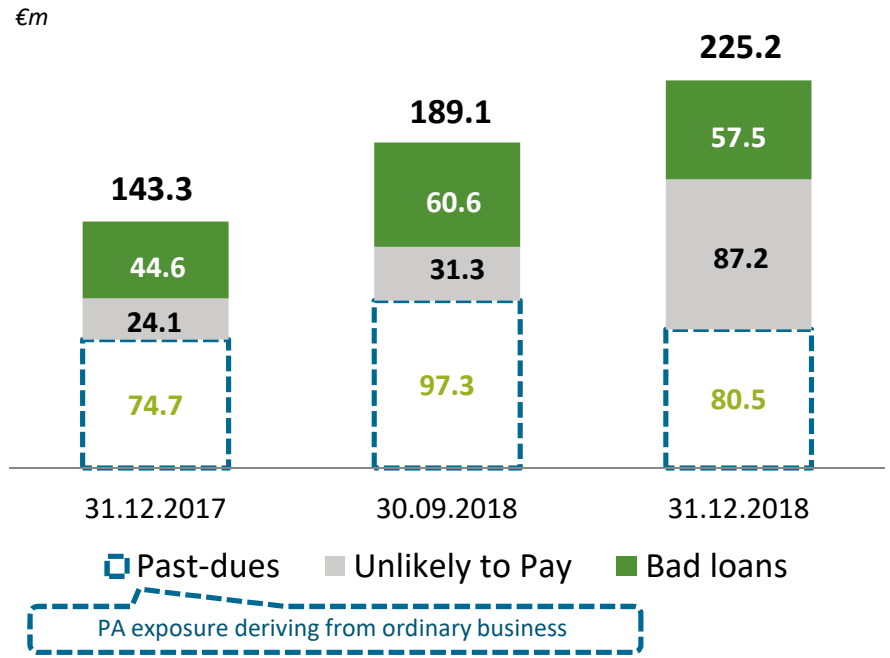


Notes: (1) 2018 funding cost figures do not benefit from -40bps ECB TLTRO II funding, while FY 2017 does for a total amount of €0.8m;
(2) CDP stands for Cassa Depositi e Prestiti (in particular is referring to a credit line).

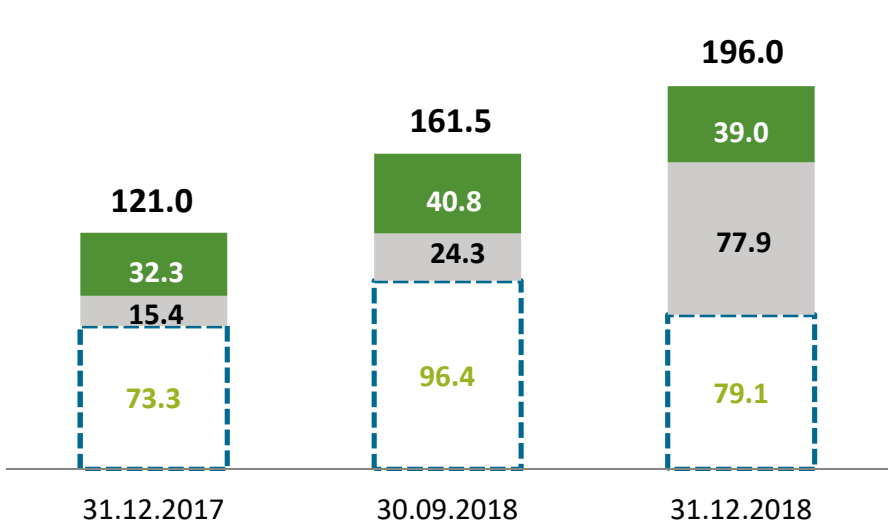
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Asset Quality driven by factoring business

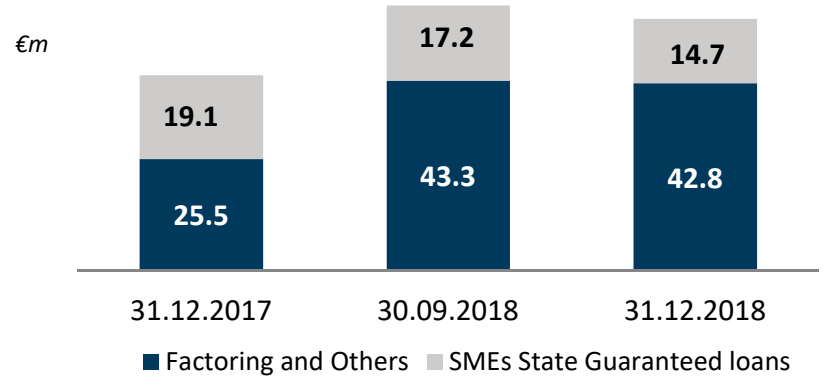
Gross Non Performing Exposures



Net Non Performing Exposures



Gross Bad loans breakdown



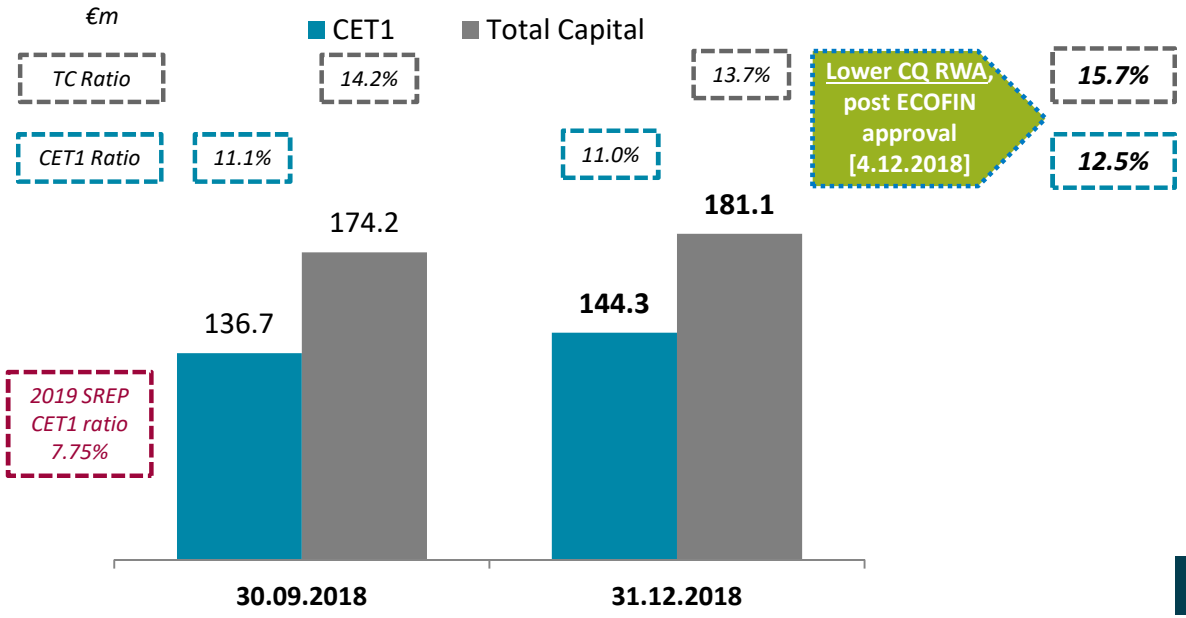
- Net Bad Loans represents 1.7% of total loans stable y/y
- Unlikely to Pay increase q/q is due to factoring to PA
- Past-dues is mainly attributed to factoring receivables without recourse from the Public Administration and is considered normal for the sector and does not represent an issue in terms of credit quality and probability of collection
- Cost of credit risk, 33bps, in line with expectations and y/y

Note: NPE analysis is referring exclusively to the former Balance Sheet item, "Customer loans", that based on new scheme, following the introduction of IFRS 9, is part of the Balance Sheet item "Loan at amortized cost".

BANCA SISTEMA

Regulatory Capital well above minimun requirements

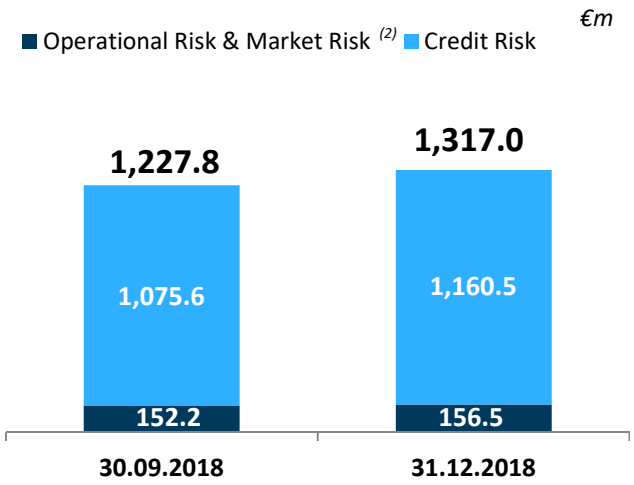
CET1 and Total Capital(1)



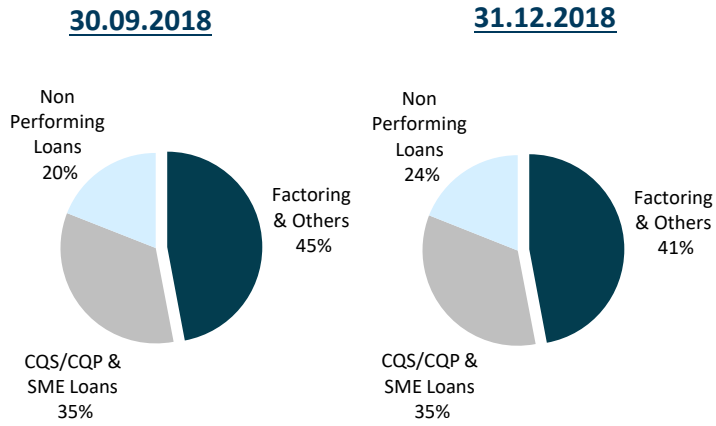
At the end of 2018, ECOFIN has approved a number of amendments to "CRR", including the reduction of the risk weighting for CQ loans. The amendment will bring the risk weighting down to 35% from the current 75%. Lower RWA would have increased CET1 ratio and TCR respectively by 150bps and 200bps

Impact of 'Held to Collect and Sell' reserve from Govies' ptf on FY 2018 CET1 ratio: -7bps (-24bps as at 30.09.2018)

RWA breakdown



RWA – Credit Risk



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. €8.7m as at 30.09.2018 and almost 0 as at 31.12.2018.

BANCA SISTEMA

III. 2018 – 2020 Strategic Plan

DELIVERING **SECTOR LEADING PROFITABILITY** IN 2017…

…OUR **2017** FINANCIAL PERFORMANCE AT A GLANCE…

€87.2m
Interest Income
Adjusted Interest Income Margin ~550bps[1] including factoring commission income 630bps

€26.8m
Net Income

22%
Return on Average Equity

+12%
Factoring customers (YoY)

11.9%
CET1 Ratio
Regulatory minimum = 6.5% in 2017

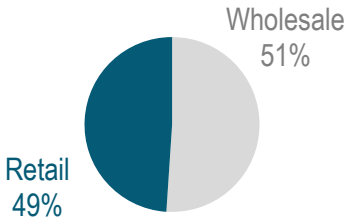
€0.086
DPS
~25% pay-out

+37%
Factoring Turnover (YoY)

+64%
CQ Turnover (YoY)

Total Funds

Diversified funding with the right balance between Retail and Wholesale



Geographic diversification within the retail customer base

Rise in **factoring turnover supported by growing contribution from commercial agreements with banks**

Strong diversification on factoring customers

Higher contribution from CQ

Higher contribution of factoring LPI[2]

Total cost of funding stable YoY at ~1% and cost of risk at 30bps

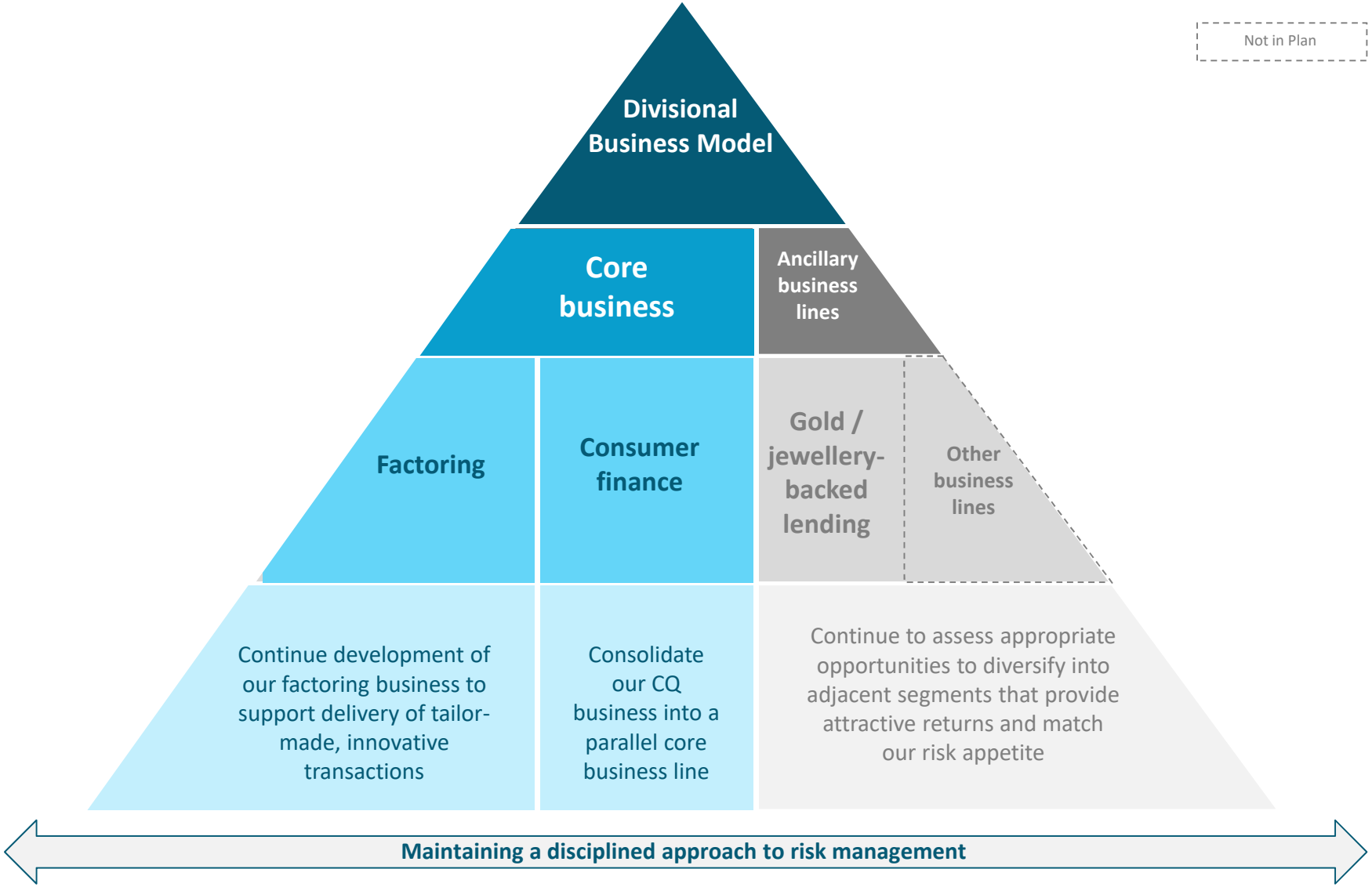
Total **operating costs +4% YoY** mainly driven by personnel expenses

Liquidity Capital Ratio (“LCR”) and Net Stable Funding Ratio (“NSFR”) **well above regulatory requirements**

[1] Calculated as [Period Interest Income] / [Average end of period net customer loans], excluding, in both items, the contribution from securities portfolio, credit due from banks and Repo (Balance Sheet and Financial Statement figures). [2] As at the end of 2017, total stock of factoring LPI was €126m and 37% average accrual recognized on P&L since 2016, for a total of €33.5m

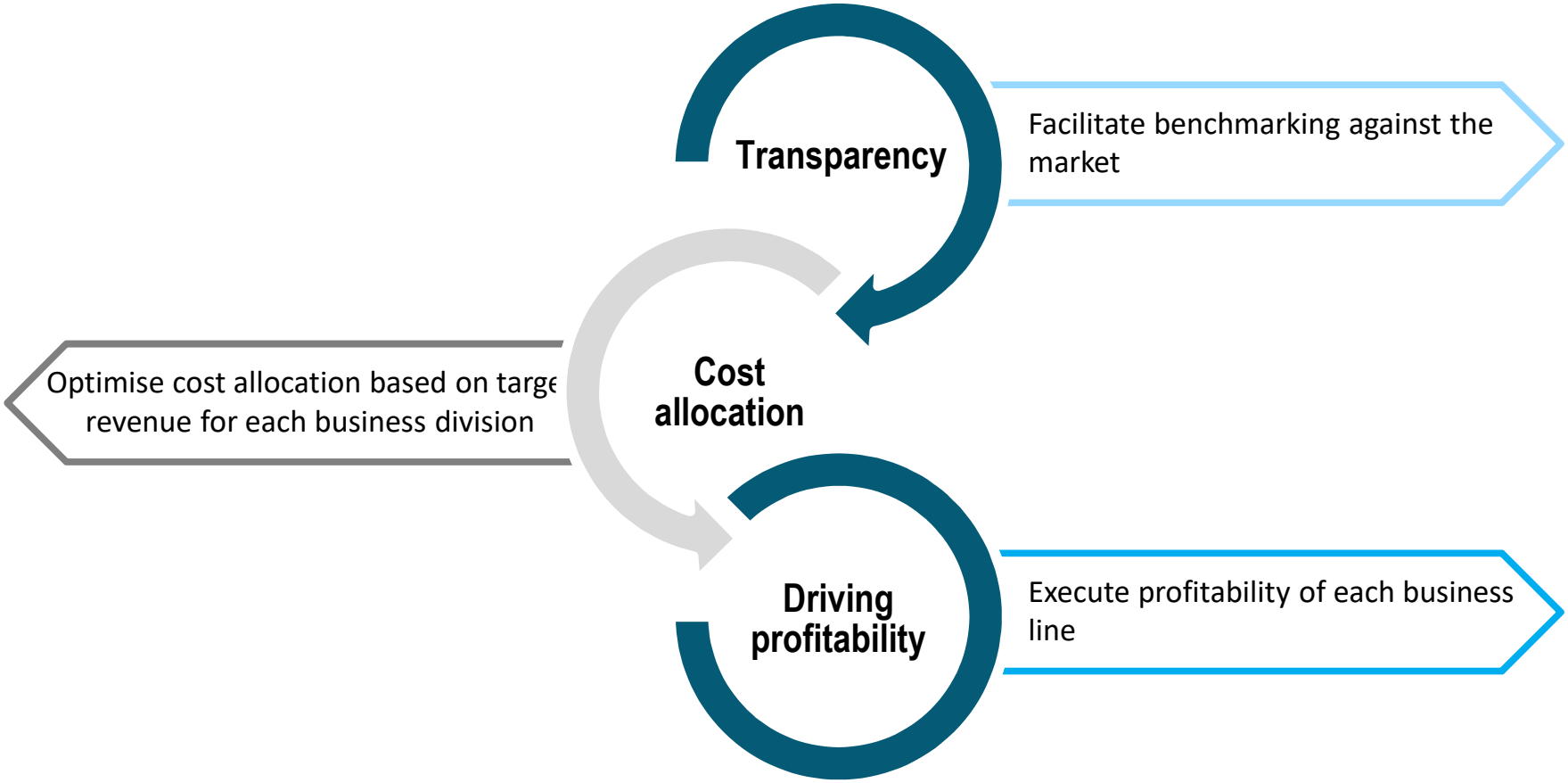
A **STRATEGY** FACILITATING DELIVERY OF **TAILOR-MADE, INNOVATIVE SOLUTIONS** TO CUSTOMERS

…CONTINUING TO **BUILD ON STRONG FOUNDATIONS IN OUR CORE BUSINESS** WHILST **DEVELOPING NEW REVENUE STREAMS** IN LINE WITH BANCA SISTEMA'S OVERALL RISK APPETITE….



A DIVISIONAL MODEL TO DRIVE OUR BUSINESS MOMENTUM

…SUPPORTING EFFICIENT EXECUTION OF OUR STRATEGY…



…AND ENABLING ACHIEVEMENT OF SYNERGIES AND GREATER ECONOMIES OF SCALE…

SHAPING OUR FACTORING BUSINESS FOR FURTHER SUCCESS

A FAVOURABLE MARKET BACKDROP FOR FACTORING…

Operating in an environment with rising interest rates - larger clients expected to return to factoring market to improve their net financial position.
Estimated market growth of ~7% factoring turnover per annum[1].



The extension of the Italian VAT "Split Payment" regime is expected to impact approximately 200,000 companies predicted to increase factoring volumes – estimated market opportunity of additional €15bn[2].

…BANCA SISTEMA'S FACTORING BUSINESS IS WELL POSITIONED IN THIS MARKET TO EVOLVE TO PROVIDE INNOVATIVE, TAILOR-MADE SOLUTIONS. KEY AREAS OF FOCUS INCLUDE…

Factors enabling Banca Sistema to provide innovative, tailor-made solutions…



We continue to embrace opportunities for diversification within our factoring business to allow it to continue to evolve…

KEY TRENDS IN FACTORING SHAPING THE STRATEGIC CONTEXT….

7%

Estimated market growth in terms of turnover per annum[1]

€15bn

Estimated market opportunity derived from the Split Payment extension[2]

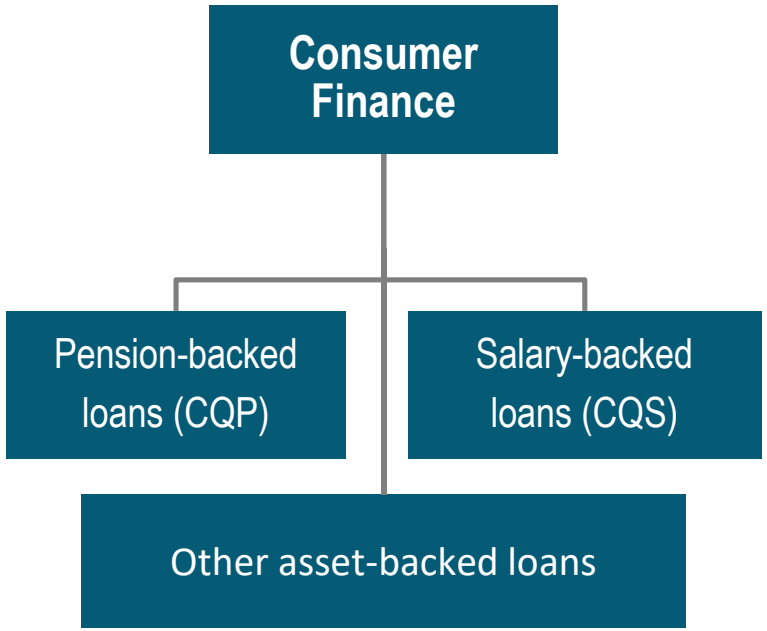
~€35bn

Estimated increase, 2017 vs 2020, Total public spending[3]

Sources: [1] Assifact and Bain & Company estimates; [2] Bain & Company estimates; [3] Ministry of Economy and Finance (MEF), "Documento di Economia e Finanza 2017 – Analisi e tendenze della finanza pubblica".

EXPLOITING THE POTENTIAL OF OUR CQS/CQP CONSUMER FINANCE BUSINESS…

- Further consolidate growth of our CQS/CQP business into a parallel **core business line**
- Further expand our position and leadership in a niche market with low risk and high returns
- To **develop** the Bank's **commercial network** and **exploit synergies** to further improve returns



1. Business model based on third party origination to remain the key growth driver
2. Favourable market conditions to drive origination volumes
3. Large proportion of assets can be securitised
4. Superior asset quality compared to other consumer finance segments
5. Benefit of potential reduction in RWA density

SEEKING **NEW OPPORTUNITIES TO DIVERSIFY…**

…TO DIFFERENTIATE AND FURTHER ADVANCE OUR BUSINESS…

Over the years, Banca Sistema has **diversified its business model** by **exploring opportunities** in adjacent and complementary sectors **that offer** the same combination of **high yield and low risk** as seen in its core businesses…

Exploring opportunities

We will continue to pursue **diversification** of the business

Investing in new business lines that provide attractive returns

We continue to be an **incubator for new opportunities** in specialty finance

Continuing to monitor **M&A opportunities**

EXAMPLES

Gold/jewellery-backed loans

2016 – Test

2017 – First two dedicated branches

2018 – Two more dedicated branches and extension to jewellery

- ✓ Very high returns
- ✓ Low capital absorption
- ✓ Superior asset quality
- ✓ Short term loans

NPL portfolio servicing

2014 – Acquisition of a minority stake in two service platforms (Candia and Sting)

2015 – Merger of these two service platforms to form CS Union

2016 – CS Union sold to Axactor holding. Banca Sistema retains 10% stake today in Axactor Italy and a minority stake in Axactor holding, listed on Oslo Stock Exchange.

- ✓ A profitable opportunity

SMEs State Guaranteed Loans

2014 - Opportunity arose to pursue SME lending in a favourable regulatory environment

2017 - Due to regulatory changes at a later date, Banca Sistema withdrew from this area despite the returns generated from this business

- ✓ Demonstrates agility to exploit market opportunities
- ✓ Illustrates Banca Sistema's pragmatic approach

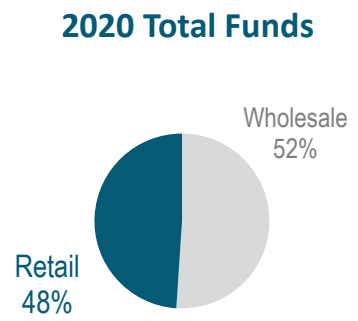
A prime example of how Banca Sistema's approach has led to success…

Following initial establishment of the CQ business, experience was gained. This business has now achieved a level to enable it to be incorporated as a core business line…

Maintaining a disciplined approach to risk management

MAINTAINING **ASSET QUALITY, FUNDING** AND **COST EFFICIENCY**

FUNDING



Total funding costs broadly stable

~1%

- Continue geographic diversification within the retail customer base (term deposits) when efficient
- Funding mix based on asset duration
- Take market opportunity to obtain funding from institutional investors
- Efficient usage of securitised assets to obtain cheaper funding (including TLTRO from ECB)

COST OF RISK

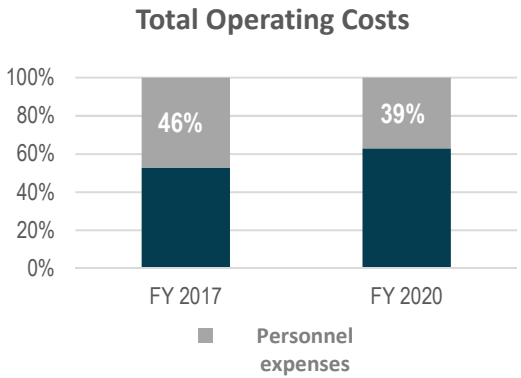
- No major impacts on asset quality from regulatory changes

Expected cost of risk below

30bps

- CQ has a negligible cost of risk
- No impact from Tax Receivables
- High level of coverage on corporate NPE in 2017

TOTAL OPERATING COSTS



Cost Income Ratio

~47%

- FTEs increase from 2017 to 2020 to sustain planned growth
- Other expenses expected to grow in line with Business Plan volume growth

Average 2018 - 2020

AND ACHIEVING OUR FINANCIAL TARGETS…

	CAGR 2017 – 2020 (%)	2020	CAGR 2015 – 2017 (%)	2017
1 Factoring	Turnover: **~18%** Outstanding[1]: **~28%**	Turnover: **€3.3 bn** Outstanding[1]: **€3.0 bn**	Turnover: **19%** Outstanding[1]: **13%**	Turnover: **€2.0 bn** Outstanding[1]: **€1.4 bn**
2 Consumer Finance	Outstanding: **~25%**	Outstanding: **€1.0 bn**	Outstanding: **104%**	Outstanding: **€0.5 bn**

	2018 – 2020
3 Return on Average Equity (RoAE)	RoAE within a range of **[18% - 24%]** per annum
4 CET1 Ratio	CET1 ratio of **~10.5%** over the period, **>11% by** 2020[2], with on average ~38% RWA density[3]
5 Adjusted Interest Income Margin	Adjusted Interest Income Margin within a range of **400bps – 450bps**[4], including factoring commission income 440bps – 490bps
6 Cost of Funds	**~1%** on average
7 Cost of Risk	Below **30bps** on average
8 Cost Income Ratio	**~47%** on average

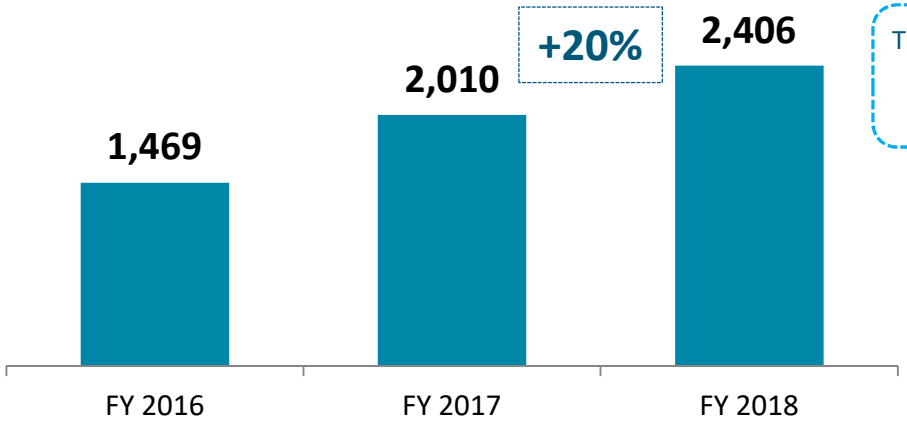
[1] Management data; [2] Excluding any RWA reduction expected on CQ business; [3] RWA desity = [end of period Total RWA] / [end of period Total Assets]; [4] Calculated as [Period Interest Income] / [Average end of period net customer loans] - excluding the contribution from securities portfolio, credit due from banks and Repo (Balance Sheet and Financial Statement figures).

Annexes

Factoring Turnover

Factoring Turnover

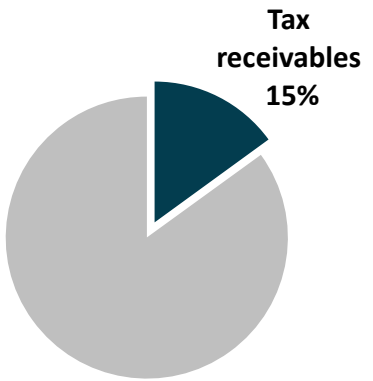
€m



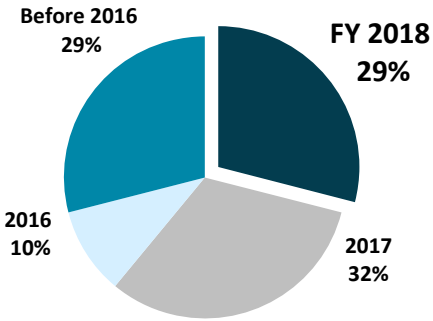
Turnover generated by agreements with Italian Retail banks:
28% in FY 2018 (29% FY 2017)

FY 2018 Factoring Turnover breakdown

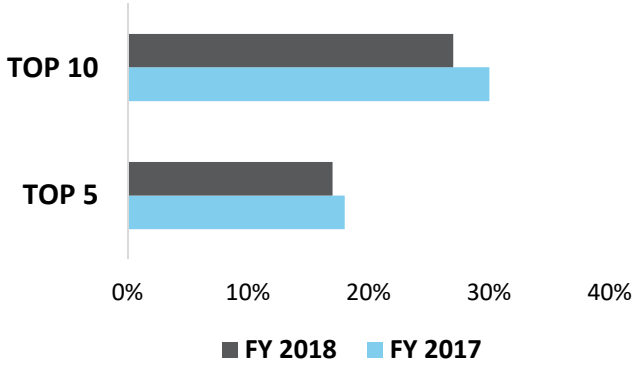
By Type



By Year of Customer's Acquisition



Customer Concentration

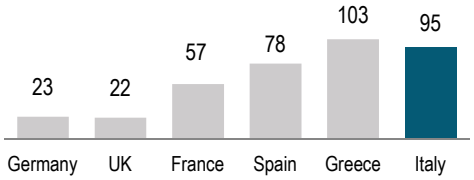


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OPERATING IN AN **ATTRACTIVE, LARGE AND GROWING MARKET**…

Payment times in Italy amongst the longest in Europe

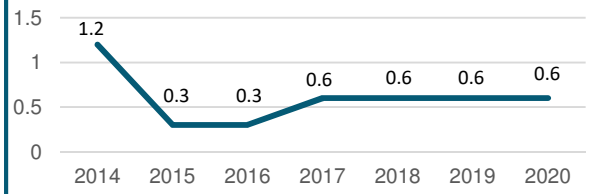
2016 Average PA payment times (days) [1]



…expected to remain stable to 2020…

Italian public spending in line with general Eurozone recovery

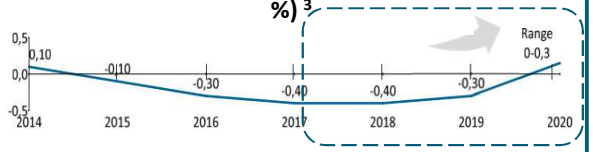
Italia Public Spending (YoY%) [2]



…this is expected to continue…

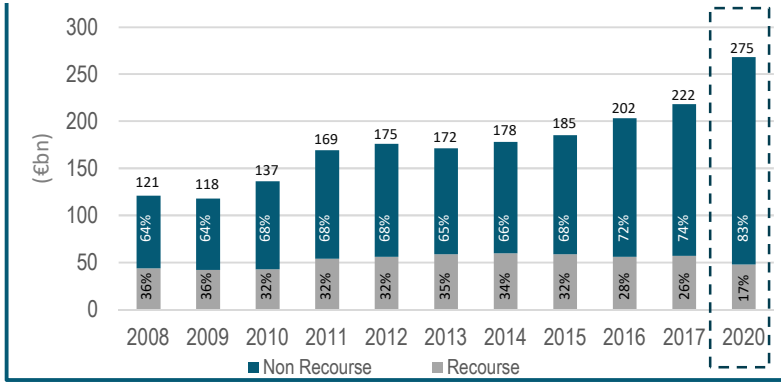
Gradual recovery in interest rates

Euribor 1M (annual average %) [3]

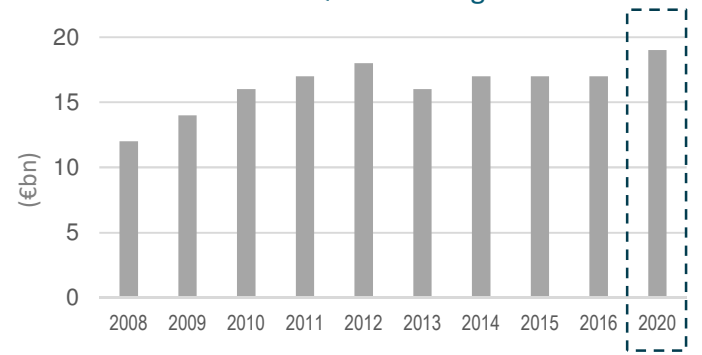


…supported by a gradual reduction in ECB monetary stimulus from 2019…

Factoring turnover [4]



CQ outstanding [5]



Sources:[1] Intrum Justitia 2017 European Payment Report; [2] Bain & Company analysis on ISTAT (the national institute for statistics) and IMF; [3] Strategic plans of the main banking players; [4] Assifact and Bain & Company estimates; [5] Assofin and Bain & Company estimates.

Gold/jewellery back lending in Italy

Italian Market

The gold/jewellery back lending in Italy is the institutional pawnbroking business. This business is **anticyclical**, compared to the "traditional lending".

According to Bank of Italy, the average estimated volume per year is around **€800m**, with more than 30,000 loans issued each month.

Most of pawns are paid back at the expiration date: **between 5% - 8% is sold at auction**

Main market players: Italian commercial banks and independent broker networks

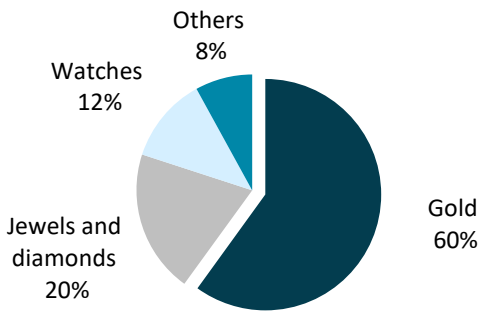
First «Mount of Compassion» («Monte di Pietà») was established in Perugia in 1462

Revenues/ Loan — *15 - 18%*

Interest/ Revenues — *60/70%*

Gross Annual Rate — *12 - 14%*

Yearly Turnover Breakdown



Main Features of the Product in Italy

- The pawn loan is a particular form of short-term loan with a collateral on property goods which is based on the existence and value of assets pledged
- The pawn loan consists of a main contract (policy of payment) and an ancillary contract (pledge)
- Renewal of the loan for a maximum period of **3 Years**
- The loan amount is commensurate with the estimated value of the goods offered as collateral, while respecting the limits set by law:
  - **4/5** of the estimated value in case of a pledge of precious goods
  - **2/3** of the estimated value in case of a pledge of other goods

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Banca Sistema Gold/jewellery back lending

No relevant impact on 2018 – 2019 P&L

BANCA SISTEMA STRATEGY

Product (prontoPEGNO)

- Actual focus on gold, on jewelries, diamonds and some watch brands
- Fast loan procedure
- Advertising in different languages
- Offered loan durations: 3/6/12 months

Operations

- First dedicated branch opened in Milan (02.2017)
- Other dedicated branches: Rome (07.2017); Naples, Palermo and Rimini (2018)
- 2 Further branch openings by 2019
- Acquisition of two small loan ptf (2018)

Profitability

- Short term secured financing
- Margins above the average of other retail banking products
- Commission contribution
- Further revenues in case the good is sold in auction

Funding/ Regulatory Capital

- Fit with Banca Sistema actual diversified funding base
- Low RWA absorption





BANCA SISTEMA

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