BANCA
SISTEMA
SPECIALTY FINANCE

GROUP PROFILE

September 2020

Agenda

I. Overview of Banca Sistema

II. 1H 2020 Results

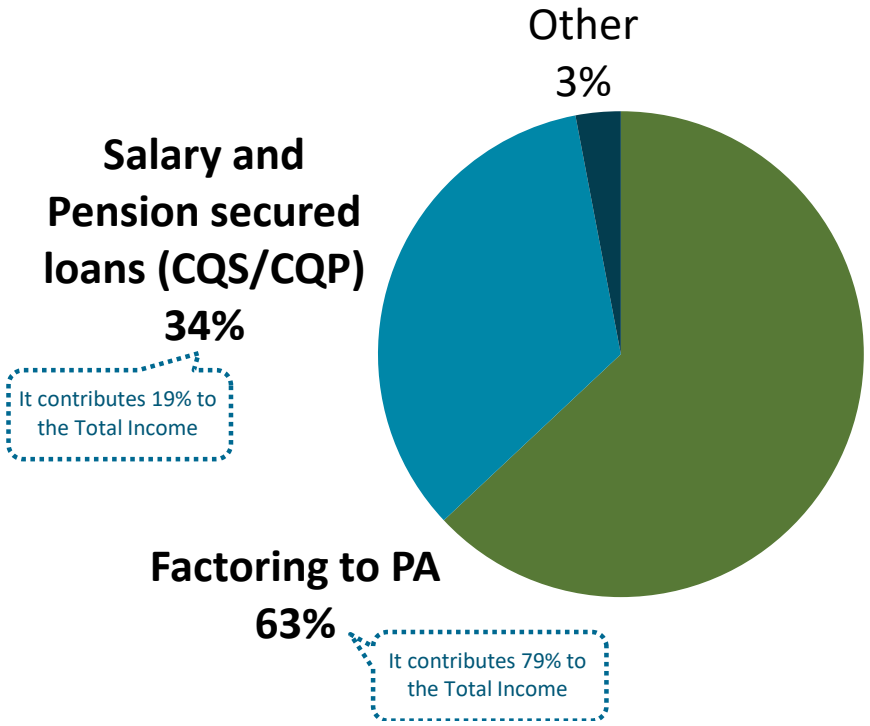
Annexes

I. Overview of Banca Sistema

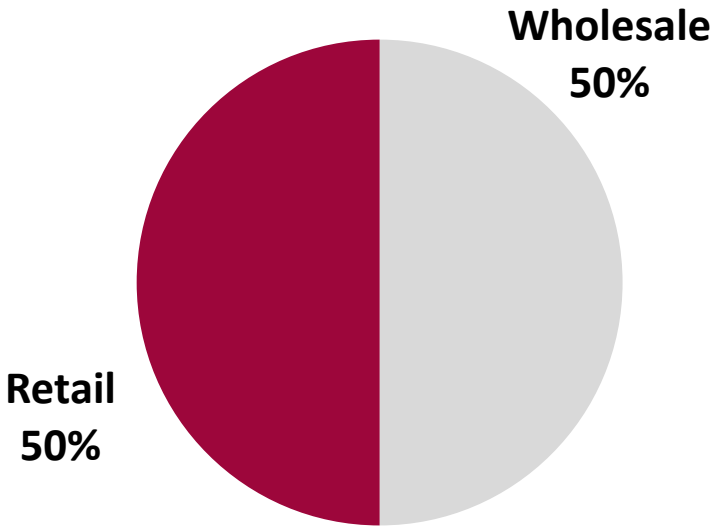
Among the top Italian specialty finance

What we do

1H 2020
Total customer loans[1]
€2,606m



1H 2020
Total Funding
€3,594m

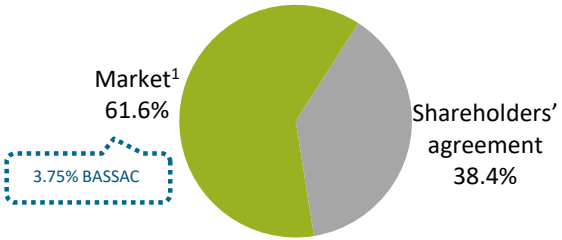


Note: 1. Total Customer loans represent the item of the Balance Sheet, "Assets at amortized cost", excluding the securities at amortized cost.

BANCA SISTEMA

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 1.07.2022)*

Key strengths

- Strong analytical capabilities
- Favorable 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

The last 4 years….

- **Strong constant growth in factoring outstanding: €1,111m FY 15 vs €1,839m FY 19**
- **Diversification strategy: CQ outstanding, €120m FY 15 vs €817m FY 19**
- **Better diversified funding**
- **Constant low cost of risk**
- **11.7%[2] CET1 1H 2020 with minimum required for 2020 at 7.75%**
- **25% Dividend pay-out in 2015-2019**

Notes: 1) 0.51% Garbifin Srl; 2) post acquisition of the Gold/ jewelry backed loans business unit.

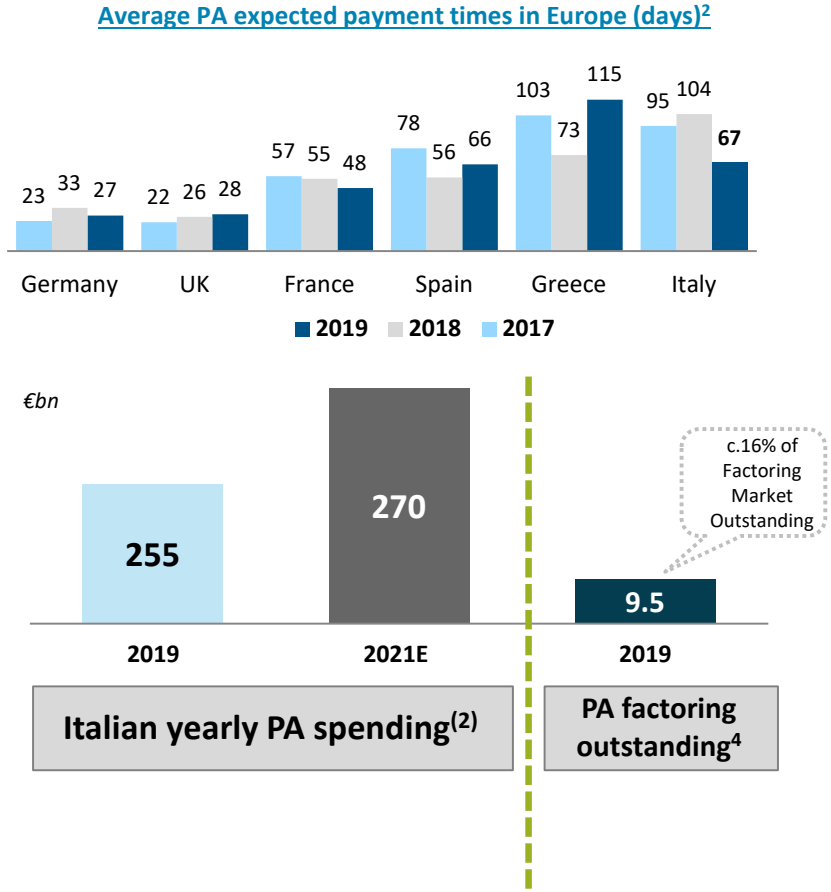
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Delay and PA spending are the drivers of this attractive Market

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

As at 31.12.2018 estimated Total Debt of Italian PA is c. €53bn[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 2019, Italy's annual PA spending amounts to c.€255bn and is expected to grow to c.€270bn by 2021[3]



Sources: 1. Bank of Italy, "Relazione annuale 2018", May 2019 2. Intrum Justitia, "European Payment Report 2019", May 2019; 3. MEF, "Documento di Economia e Finanze 2020 – Analisys and trends in public finance», April 2020. Including spending for goods and services and gross fixed capital formation; 4. Assifact.

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)

Local Healthcare Organizations ("ASLs")

State Central Administrations

Other Entities of Public Interest

Italian Soccer League
Serie A

Non-recourse factoring	Recourse factoring	Tax receivables (Non-recourse and Recourse)	Debt Collection and Credit Management Services
1H 2020 Turnover breakdown by product (€1.4bn, +2% y/y)			
70% (+1% y/y)	**15%** (+16% y/y)	**15%** (-8% y/y)	

Factoring business leverage on a well balanced network

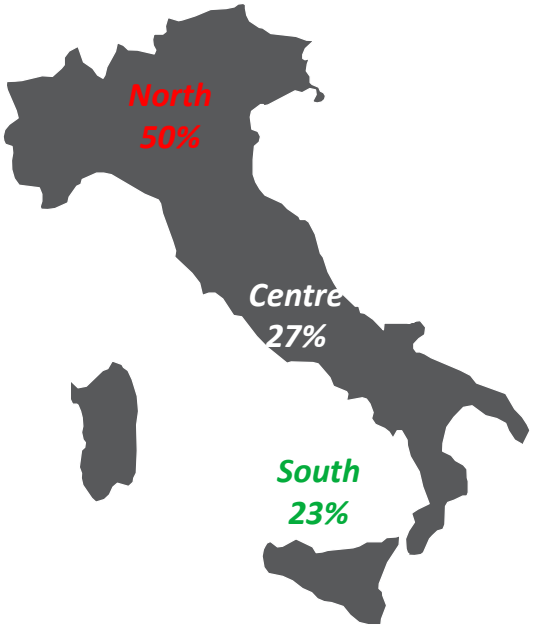
DIRECT CHANNEL

- **14 Origination resources**
- **8 Relationship Managers**



INDIRECT CHANNEL

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



1H 2020 Turnover breakdown by channel (€1.4bn, +2% y/y)

74%

26%

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Factoring Business

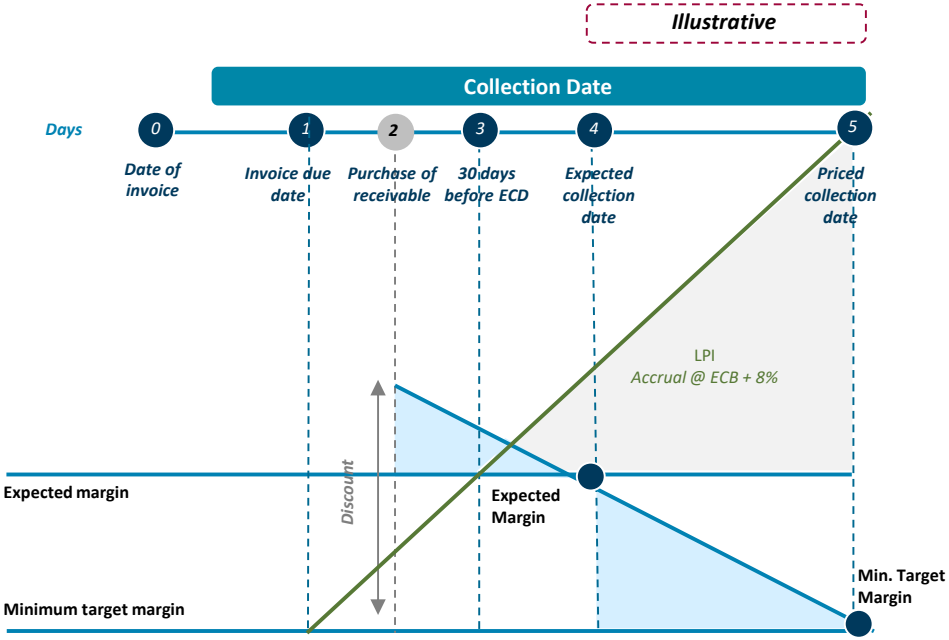
Overview of Key Dates for Pricing and Collection

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**

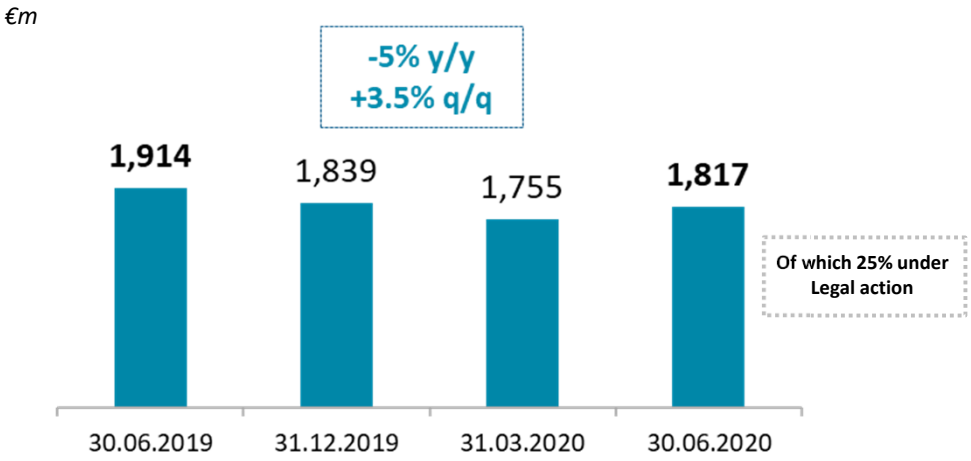
Compelling collection strategy with excellence in collections

- **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**: 13 headcount and 11 external field collectors
  - **Judicial collection**: 12 headcount and 23 Law firms

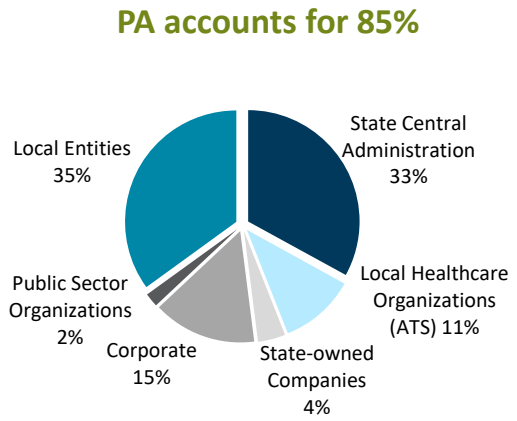
Low risk counterparty exposure

- **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 (30.06.2020)



Note: Factoring outstanding management account.

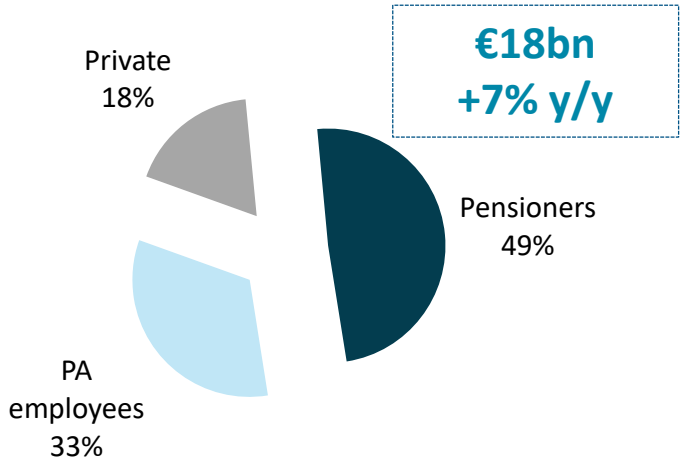
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Italian CQS/CQP market: Low risk Business

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 2019, €6.2bn turnover and €19.4bn Outstanding(1)

Outstanding as at 31.12.2018[1]



Note: 1) Source: Assofin.

BST: CQS/CQP outstanding

Our Business model

Commercial capabilities

- Agreement with 5 active originators
- Direct origination following the merger of Atlantide
- Lower exposure to the Private component the Market

Dedicated funding

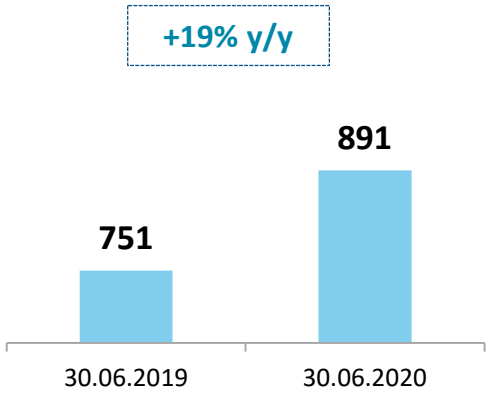
- A good portion of the assets is securitized, but consolidated in BST Balance Sheet
- Securitizations allow to get a cheaper funding through Repos (ECB and banks)

Low risk asset

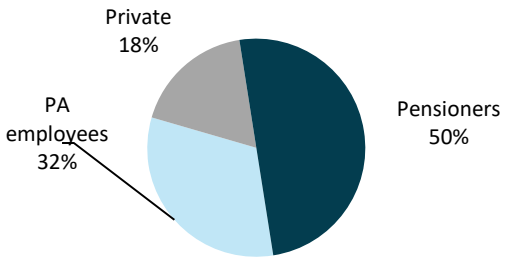
- CQS/CQP historically have registered very low PD and almost 0% LGD also thanks to the insurance

CQS/CQP Loans outstanding

€m



Outstanding breakdown by Type (30.06.2020)



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II. 1H 2020 Results

1H 2020 Results at a Glance

Commercial performance

- **Factoring Turnover** +2% y/y equal to €1,438m (+8% y/y ex. Tax Receivables and Receivables related to Football industry)
- **CQS/CQP outstanding** reached €891m, +19% y/y
- **Gold/ jewelry backed loans outstanding** at €13m, +61% y/y

P&L

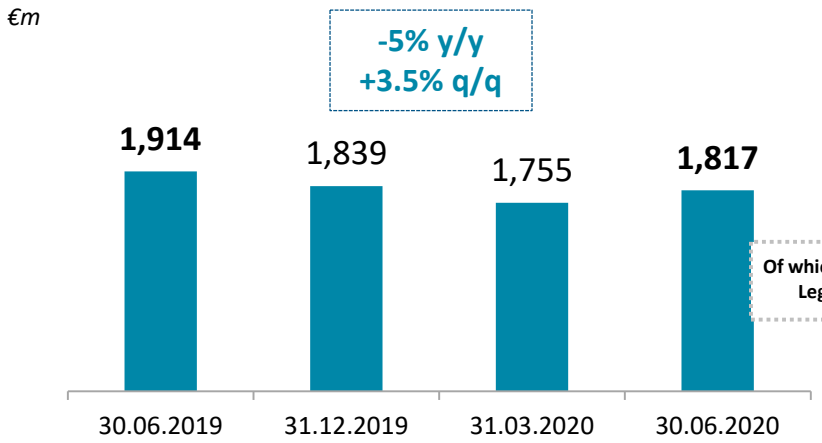
- **Net Interest Income** equal to €33.3m, **-3% y/y**
- **Lower funding cost y/y at 0.6%**
- **Total Income** equal to €45.9m, **+4% y/y**
- **Cost of risk equal to 37bps**; €5.1m LLPs (+6% y/y) in line with expectations
- **Total operating costs y/y increase** is mainly due to a higher contribution to the Single Resolution Fund (+€0.9 y/y) and Atlantide consolidation from 2Q 19
- **Net income +9% y/y,** equal to €12.1m (also up y/y without the gains from the sale of 25% stake in ProntoPegno in 1H 20 and 10% stake in Axactor Italy in 1H 19)

Balance Sheet

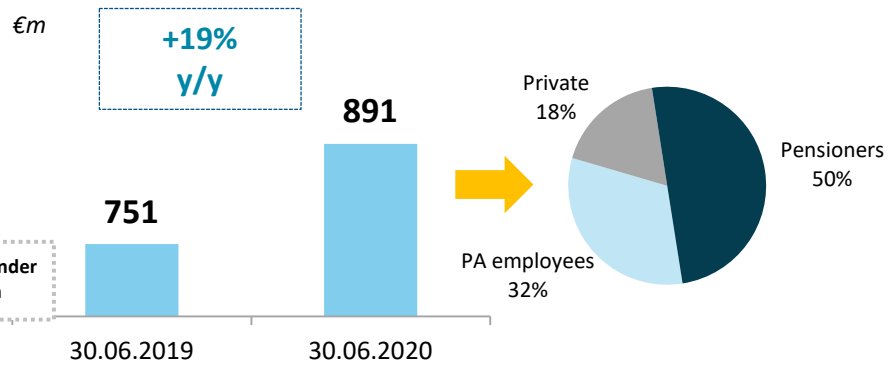
- **Wholesale Funding** (50% of Total Funds): BCE funding €691m, of which TLTRO III equal to €491m, higher q/q
- **CET1 ratio at 13.7% and TC ratio at 17.3%**, respectively 11.7% and 15.2% post acquisition of the Gold/ jewelry backed loans business unit

Commercial performance

Factoring outstanding



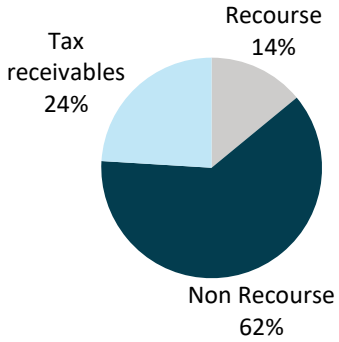
CQ loans outstanding



- €147m turnover in 1H 2020 (€138m in 1H 2019)
- 12% direct origination through agents/brokers

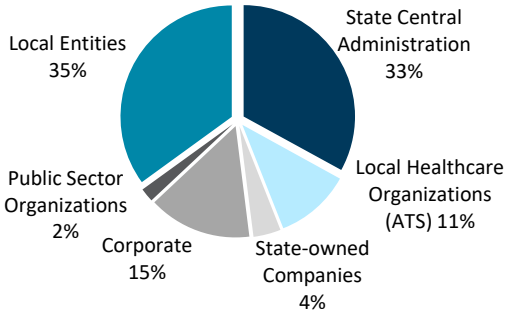
Outstanding breakdown (30.06.2020)

By Type of Product

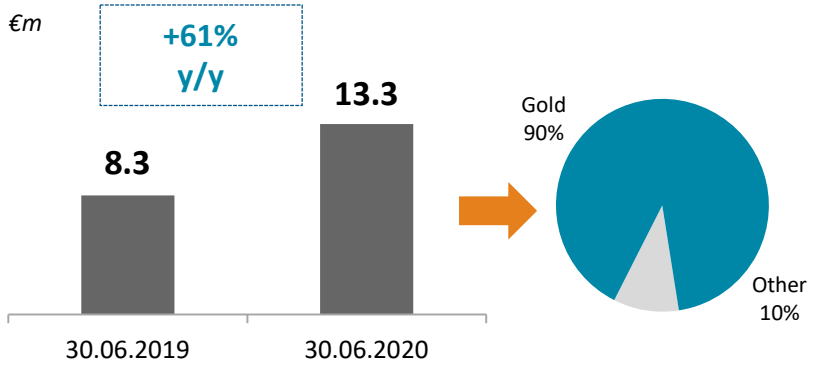


By Obligor

PA accounts for 85%



Gold/ jewelry backed loans outstanding



- Total turnover (including renewals): €10.6m (€7.6m in 1H 2019)
- «Other» includes Rolex watches and jewelry

Note: Factoring outstanding management account. Factoring customer loans, item of the Balance Sheet (slide 4) differ from management account for the following elements: Recourse factoring non-financed portion; Provisions; LPI; deferred income.

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1H 2020 – Balance Sheet

Figures in millions of Euro

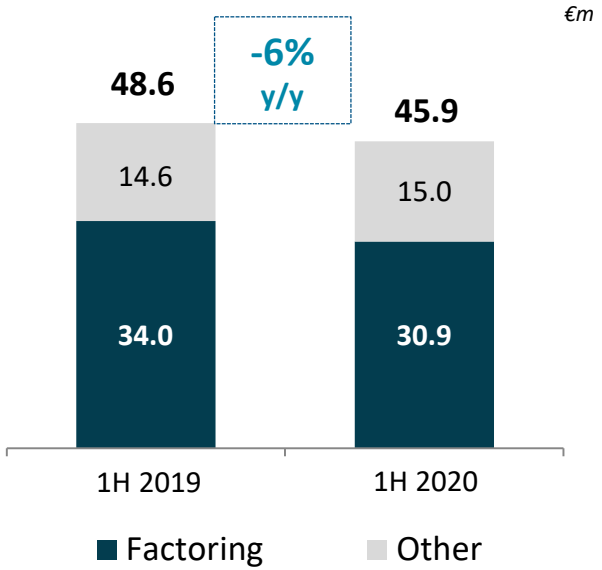
	31.12.2019	31.03.2020	30.06.2020	Change in % 30.06.2020 vs 31.12.2019
ASSETS				
Financial assets at fair value through Other Comprehensive Income **[Held to Collect and Sell]**	556	749	754	36%
Loans at amortized cost	**2,677**	**2,639**	**2,673**	**-0.1%**
Factoring	***1,715***	***1,629***	***1,638***	***-4%***
CQ	***817***	***866***	***891***	***9%***
Gold/Jewelry backed loans	***12***	***13***	***13***	***13%***
SMEs State Guaranteed loans	*12*	*10*	*16*	*33%*
Other	*121*	*121*	*115*	*-5%*
Securities at amortized cost **[Held to Collect]**	435	315	447	3%
Tangible and Intangible assets	33	33	33	nm
Other assets	29	26	26	-10%
Total assets	**3,730**	**3,762**	**3,933**	**5%**
LIABILITIES AND EQUITY				
Due to banks	**388**	**806**	**754**	**94%**
of which ECB exposure	*358*	*658*	*691*	*93%*
Due to customers	**2,552**	**2,164**	**2,317**	**-9%**
of which term deposits	*1,326*	*1,097*	*1,006*	*-24%*
of which current accounts	*682*	*640*	*700*	*3%*
Debt securities issued	477	468	522	10%
Other liabilities	136	145	149	8%
Shareholders Equity	177	179	191	8%
Total liabilities and equity	**3,730**	**3,762**	**3,933**	**5%**

- **Govies' portfolio (€1,196m) up q/q**, with an average duration of 21.1 months, it includes €749m 'Held to Collect and Sell', with an average duration of 23.3 months
- **Loans at amortized cost up q/q (€2,673m**) and flat vs. 2019 year-end:
  - **Factoring receivables** down 4% at €1.6bn (€1.7bn as at 31.12.2019)
  - **CQ loans up** q/q and up vs 2019 year-end
  - **"Gold/jewelry"** stable q/q and up 13% vs 2019 year-end
- **Due to banks** q/q increase is due to higher ECB funding equal to €691m (of which €491m TLTRO III)
- **Due to customers decrease q/q and vs 2019 year-end** is mainly driven by term deposits, in particular the foreign component, following the reduction of offered interest rates. Current accounts q/q stock increase is driven by Corporates
- **Debt securities** slight increase q/q is due to CQ Securitization
- **Other liabilities** include "2019 Dividend" not distributed (~€7.5m)

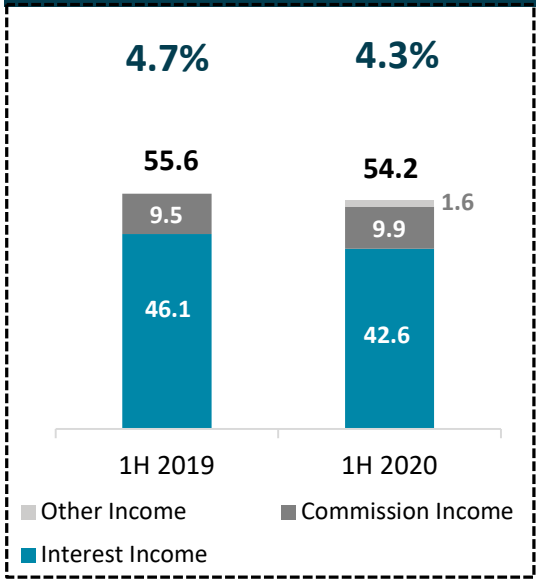
Interest income mainly driven by factoring LPI

- **1H 2020 Interest Income is down 6% y/y, drop is driven mainly by lower contribution of Factoring LPI in 2Q 20 vs 2Q 19**
- Factoring represents 67% of Total Interest Income
- Lower contribution y/y by **factoring LPIs from legal action** (32% of the factoring Interest Income; it was 36% FY 2019**)**, in 1H 2020 equal to 9.9m (€11.9m in 1H 2019):
  - of which accrual €3.7m (€5.4m in 1H 2019)
  - of which "extra collection" €6.3m (€6.4m in 1H 2019)
- **Adjusted Income margin down y/y, driven by CQ.**

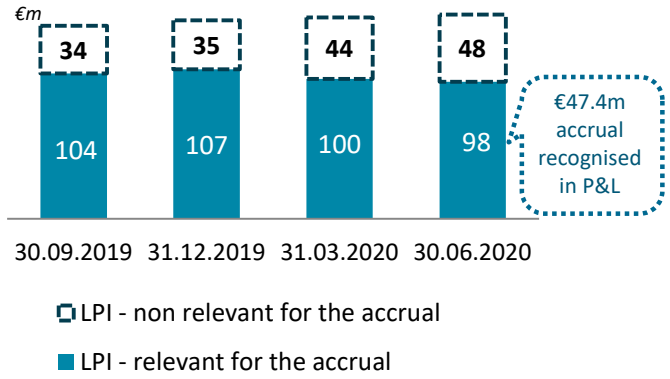
Total Interest Income



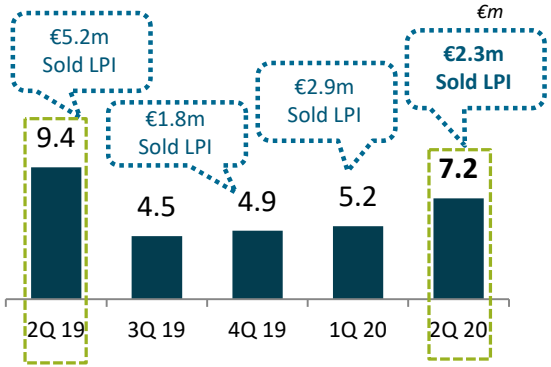
Adjusted Income margin[1]



Due LPI Stock – Assets in legal action



Total collected cashed-in LPI

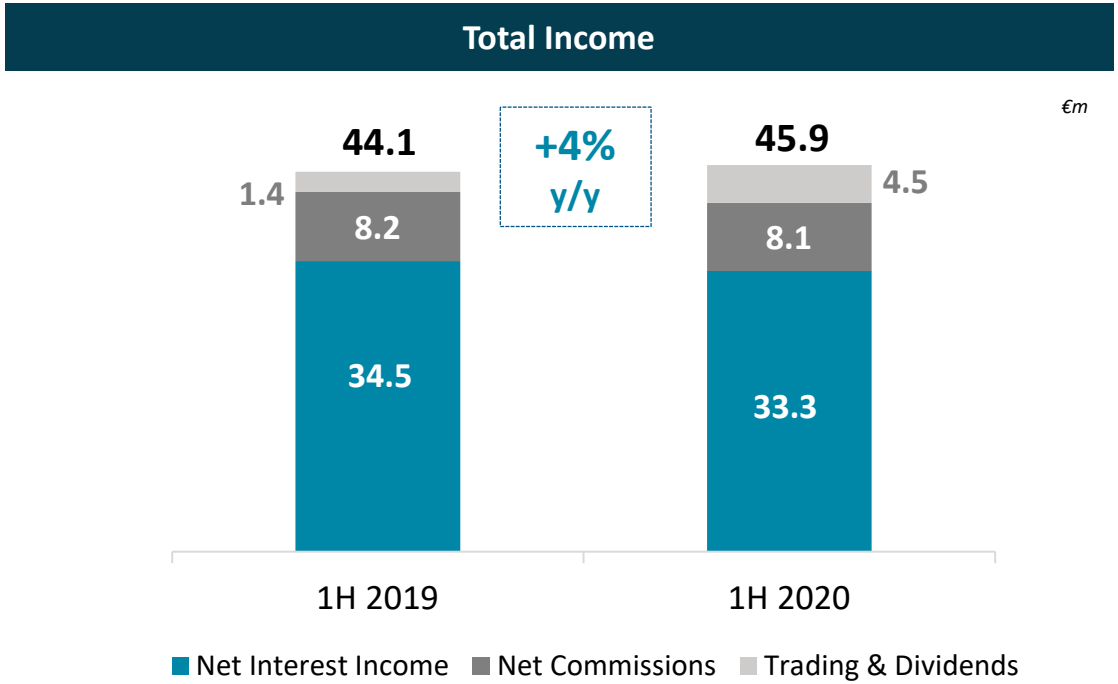


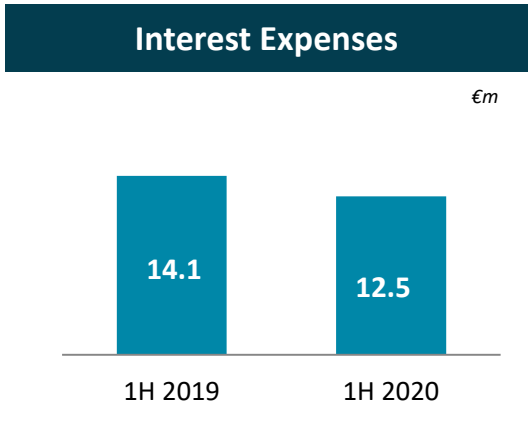
Note: (1) Calculated as [Period Interest Income + Commission Income] / [Average end of period net customer loans] - excluding the contribution from securities portfolio, credit due from banks and Repo (Balance Sheet and Financial Statement figures).

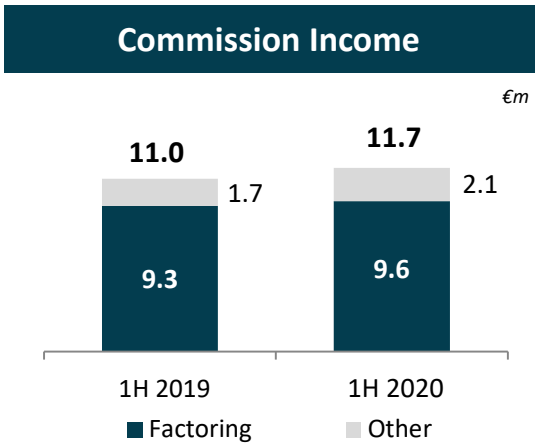
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Total Income supported by business growth

- **1H 2020 Total Income is up 4% y/y**, thanks to the contribution of **Other Income** (Trading and Dividends)
- **NII y/y decrease, 3%, is driven by Interest Income decrease**. Total Cost of funding (0.8% in 2019) is lower y/y, equal to 0.6% and also interest expenses are lower y/y.
- **Net Commissions substantially stable y/y.** Commission Income up y/y. Since Q2 2019, commission income and expenses include CQ component from direct origination
- **Gold/jewelry backed loans contribution on Total Income in 1H 2020: €0.8m**
- **Trading & Dividends** includes €1.6m gain from the sale of a factoring ptf in 1H 2020 (€0.3 in 2Q 20)
- Higher contribution of the **Govies' portfolio, €4.9m** (€3.5m in 1H 2019) of which €2.3m to the NII (€2.3 in 1H 2019)



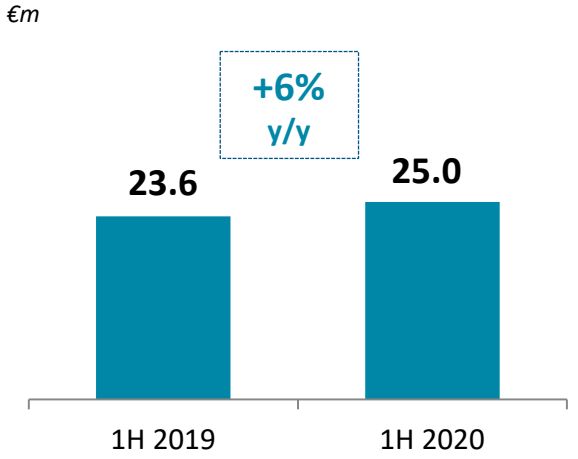




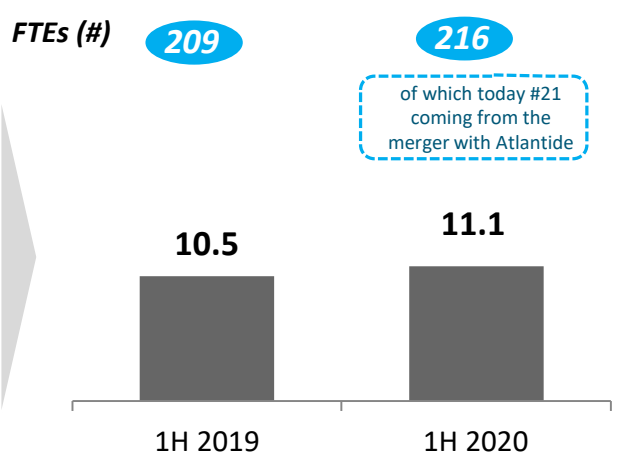
BANCA SISTEMA

Costs up mainly due to the contribution to the SRF

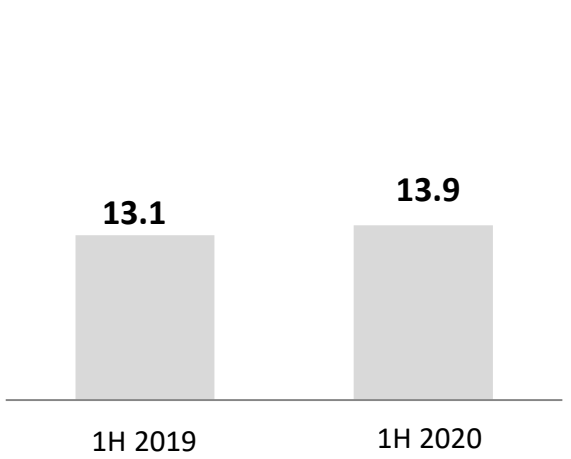
Operating Costs



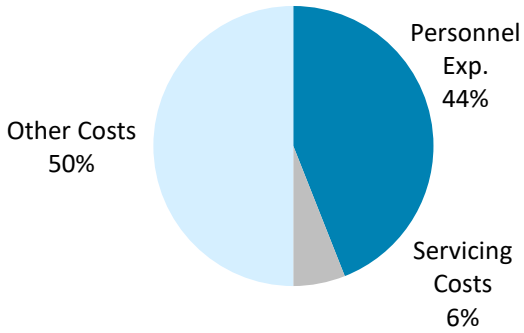
Personnel Expenses



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



Operating Costs Breakdown

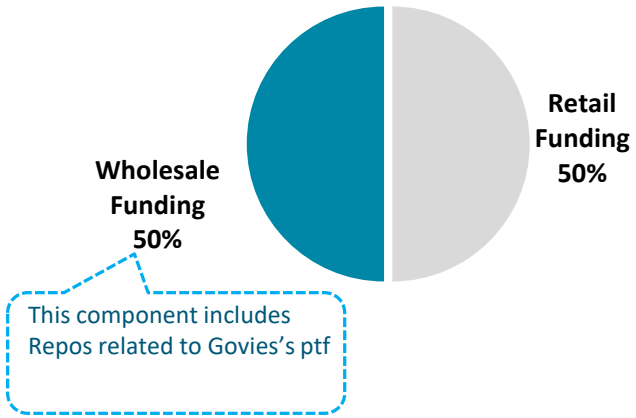


- Atlantide quarterly contribution to the cost base since Q2 2019 is around €0.6m per quarter
- Other expenses stable y/y excluding the higher contribution to the Single Resolution Fund (SRF) for +€0.9m (total contribution in 1H 2020 equal to €2.0m)

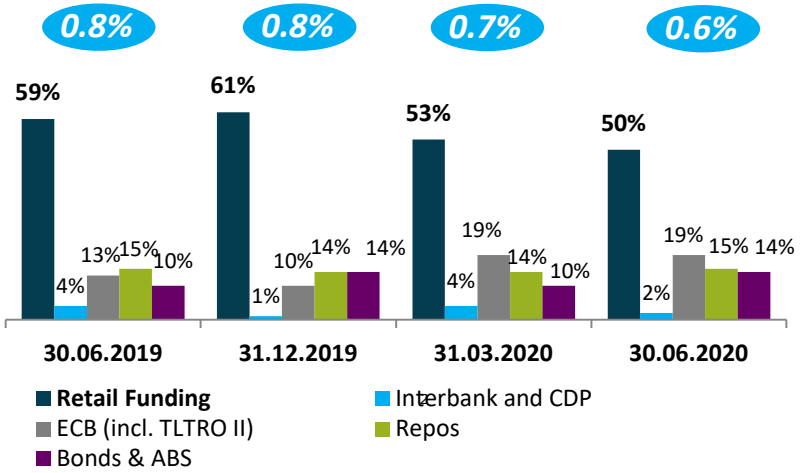
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Lower funding cost y/y

Total Funding breakdown

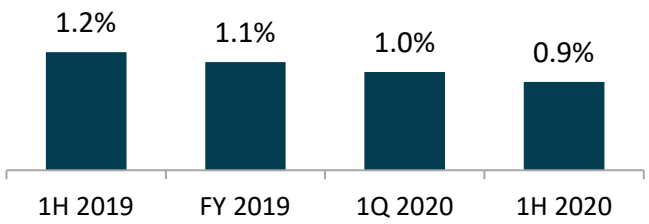


Total Funding breakdown

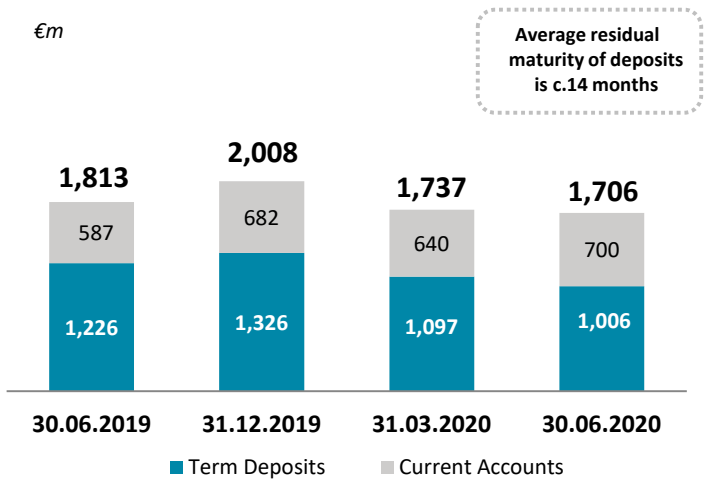


- Cost of funding lower y/y and q/q
- Wholesale component q/q increase is due mainly to higher ECB funding equal to €691m of which €491m TLTRO III (max TLTRO III allowance €491m)
- Retail Funding down q/q, due to Term Deposits stock (in particular the foreign component) that has registered an expected reduction, as a consequence of the lower rates offered, since the end of 2019
- Current accounts q/q increase is driven by higher Corporate accounts

Retail Funding Cost



Retail Funding

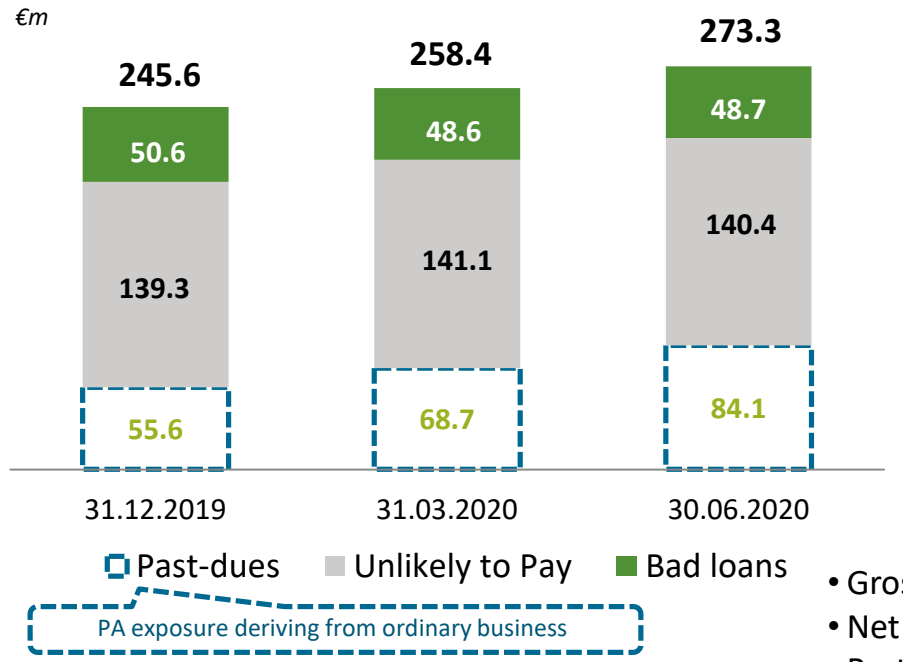


Notes: CDP stands for Cassa Depositi e Prestiti (in particular is referring to a credit line).

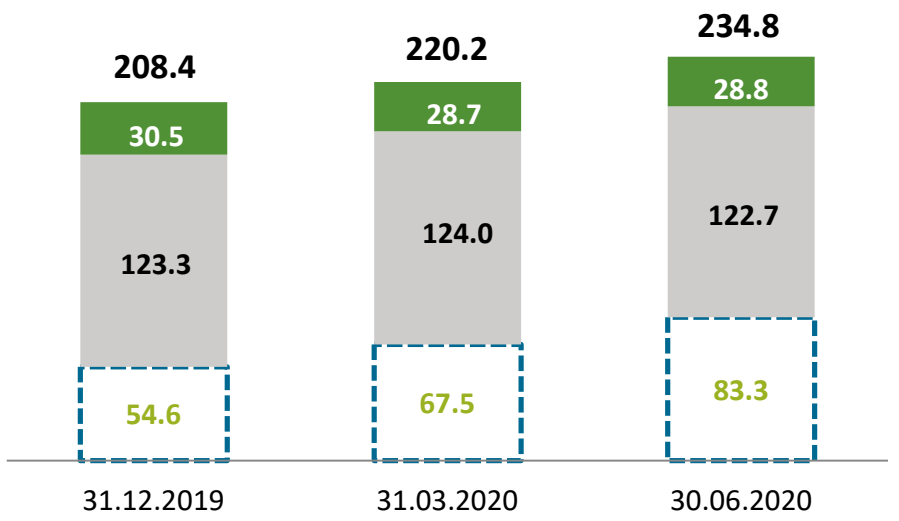
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Asset Quality driven by factoring business

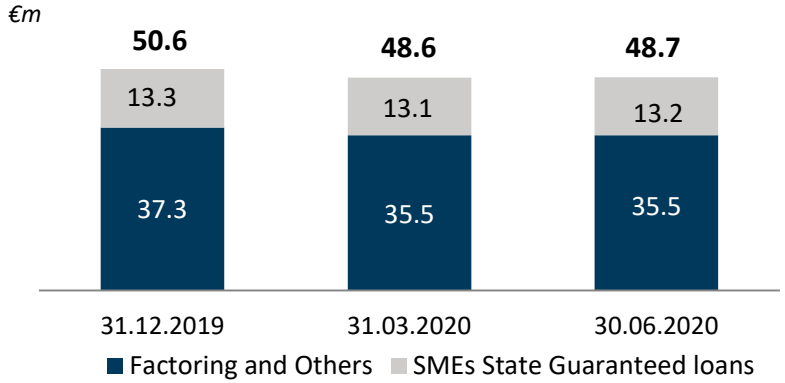
Gross Non Performing Exposures



Net Non Performing Exposures



Gross Bad loans breakdown



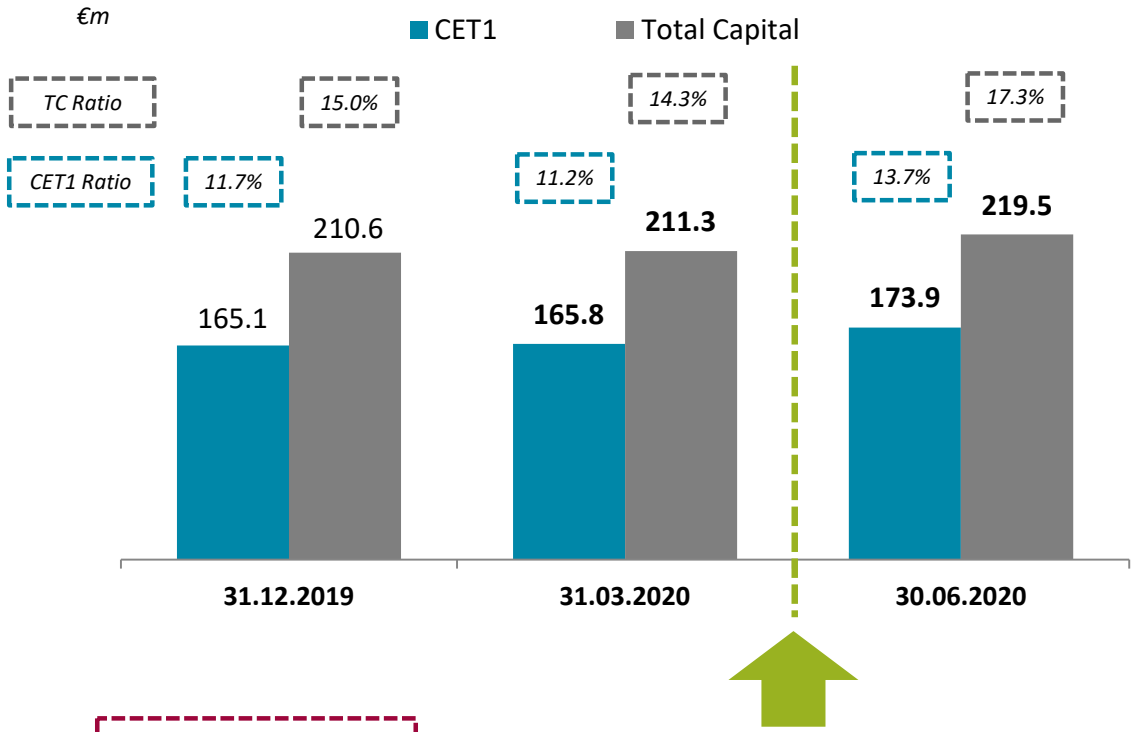
- Gross Non Performing Exposures up q/q
- Net Bad Loans represents 1.1% of total loans lower q/q
- Past-dues increase is due to factoring to PA. Substantially for one single position not paid as at 30.06.2020, because the Municipality (the obligor) has not received funds from the Central Government to compensate for lower revenues due to the continuing epidemiological emergency (Covid-19)
- 1H 20 Cost of credit risk at 37bps (36bps FY 2019). Part of the LLPs in 1H 20 are consequence of the update of the models for the provision on the performing loans, due to the worsening of the macroeconomic context caused by the ongoing health emergency (Covid-19)

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".

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Regulatory Capital well above minimum requirements

CET1 and Total Capital(1)

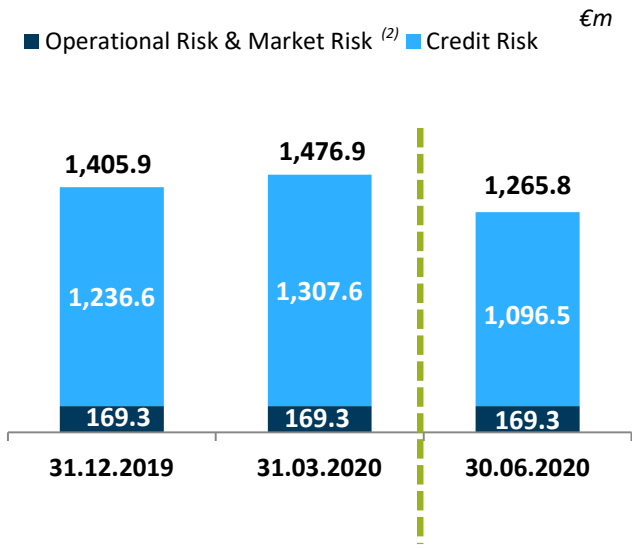


2020 SREP requirements:
CET1 ratio 7.75%
TCR 11.90%

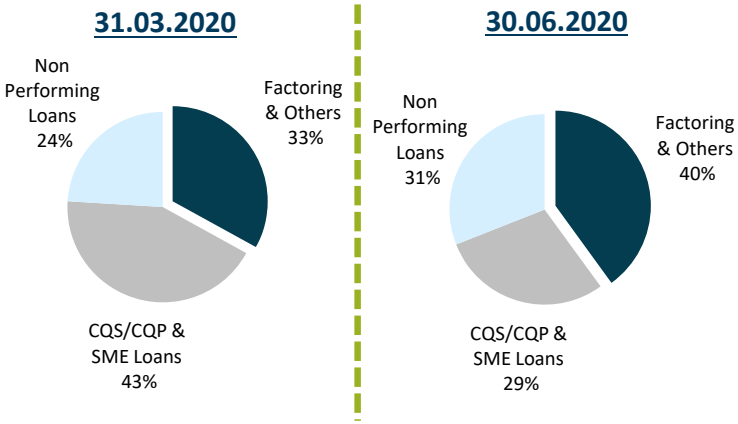
CET1 ratio and TC ratio respectively at 11.7% and 15.2% post acquisition of the Gold/ jewelry backed loans business unit

Lower RWA, following the issuance of EU Regulation 873/2020 which led, among other changes, to the reduction of the risk capital weighting (RWA) for CQ loans from 75% to 35%

RWA breakdown



RWA – Credit Risk



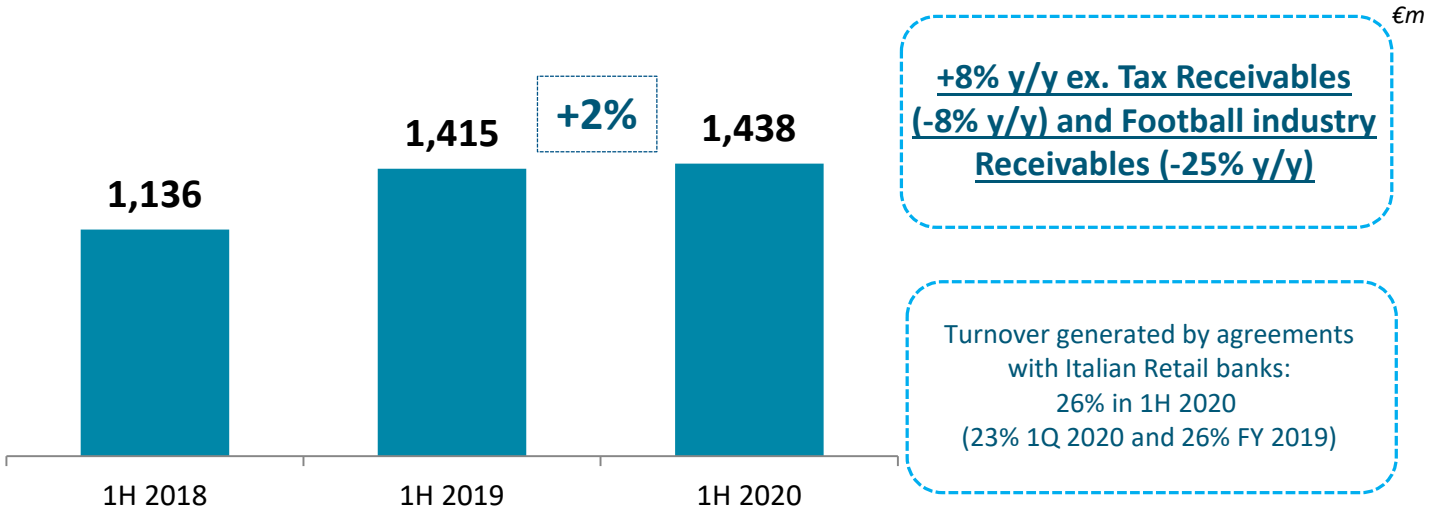
Note: (1) CET1, Tier1 and Total Capital, following CRR directive, are based on an expected dividend pay-out of ~25% of the Banca Sistema Holding Net Income; (2) RWA – Market Risk ~0 as at 31.12.2019 and 31.03.2020.

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Annexes

Factoring Turnover

Factoring Turnover

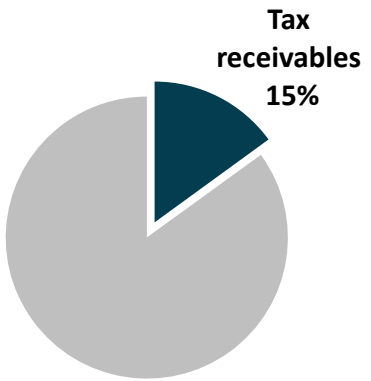


+8% y/y ex. Tax Receivables (-8% y/y) and Football industry Receivables (-25% y/y)

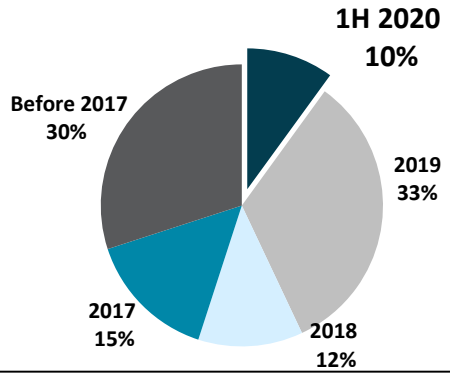
Turnover generated by agreements with Italian Retail banks:
26% in 1H 2020
(23% 1Q 2020 and 26% FY 2019)

1H 2020 Factoring Turnover breakdown

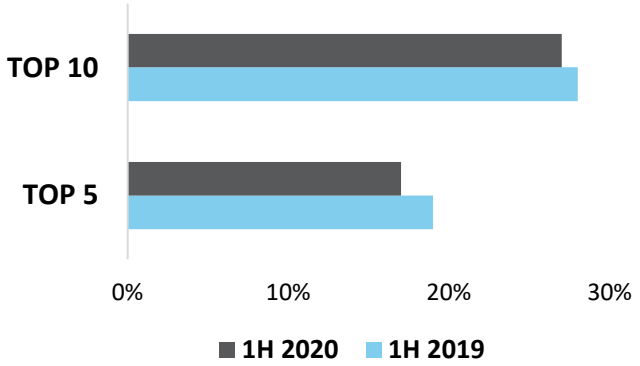
By Type



By Year of Customer's Acquisition



Customer Concentration



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1H 2020 – Income Statement

Figures in millions of Euro

	1H 2019	1Q 2019	2Q 2019	1H 2020	1Q 2020	2Q 2020	1H 20 vs 1H 19 change in %
Interest income	48.6	21.6	27.0	45.9	22.4	23.5	-6%
Interest expenses	(14.1)	(7.0)	(7.1)	(12.5)	(6.4)	(6.1)	-11%
Net interest income	**34.5**	**14.7**	**19.8**	**33.3**	**15.9**	**17.4**	**-3%**
Commission income	11.0	5.1	5.9	11.7	6.0	5.7	6%
Commission expenses	(2.8)	(1.1)	(1.7)	(3.6)	(1.8)	(1.8)	27%
Net commission	**8.2**	**4.0**	**4.2**	**8.1**	**4.2**	**3.9**	**-1%**
Dividends and similar income	0.2	-	0.2	0.2	-	0.2	nm
Net income from trading	0.2	0.3	(0.1)	0.2	0.3	(0.1)	0%
Net income from disposal/repurchase assets:	1.0	0.4	0.6	4.2	1.9	2.3	320%
a) measured at amortised cost	-	-	-	1.9	1.3	0.6	nm
b) measured at fair value through other comprehensive income	1.0	0.4	0.6	2.3	0.6	1.7	130%
Total income	**44.1**	**19.3**	**24.8**	**45.9**	**22.0**	**23.9**	**4%**
Net impairment losses on loans	(4.8)	(2.6)	(2.2)	(5.1)	(1.9)	(3.2)	6%
Net operating income	**39.3**	**16.7**	**22.6**	**40.8**	**20.1**	**20.7**	**6%**
Personnel expenses	(10.5)	(4.9)	(5.6)	(11.1)	(5.7)	(5.4)	6%
Other expenses	(13.1)	(5.9)	(7.2)	(13.9)	(7.6)	(6.3)	6%
Operating expenses	**(23.6)**	**(10.8)**	**(12.8)**	**(25.0)**	**(13.3)**	**(11.7)**	**6%**
Profits from investments disposal	-	-	-	1.1		1.1	nm
Pre-tax profit from continuing operations	**15.8**	**5.9**	**9.9**	**16.9**	**6.8**	**10.1**	**7%**
Taxes on income for the period/year from continuing operations	(5.2)	(2.0)	(3.2)	(4.9)	(2.2)	(2.7)	-5%
Profit after tax from discontinued operations	0.6	0.6	-	-	-	-	nm
Profit (loss) for the year/period	**11.2**	**4.5**	**6.7**	**12.0**	**4.6**	**7.4**	**7%**
Minority interests	-	-	-	0.1	-	0.1	nm
Profit (loss) for the year/period attributable to the shareholders of the Parent	**11.2**	**4.5**	**6.7**	**12.1**	**4.6**	**7.5**	**9%**

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Carlo Di Pierro
Head of Investor Relations
carlo.dipierro@bancasistema.it
+39 02 80280358
+39 3355288794