BANCA SISTEMA

GROUP PROFILE

May 2021



Among the top Italian specialty finance

Who we are

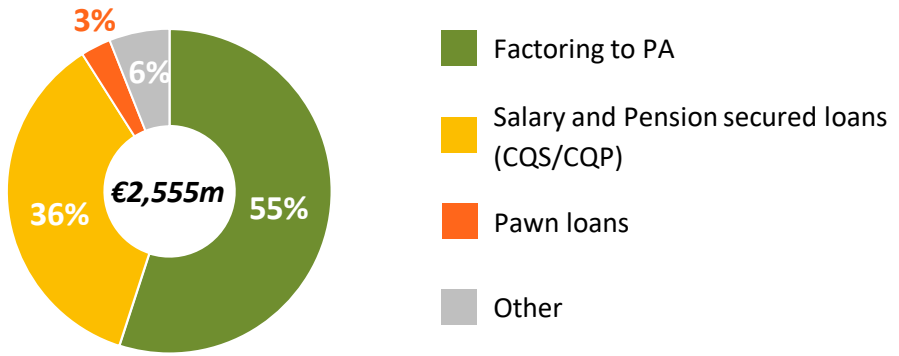
- Independent and diversified specialty finance player in Italy
- Established in 2011 (HQ in Milan), IPO in 2015
- Serving more than 400 corporates in **Factoring**, 50k customers in **CQ** and 33k customers in **Pawn loans**
- Successfully integration of last acquisition, Pawn loans business unit
- Total funds: 60% Retail/ 40% Wholesale
- 273 workforce

Mission

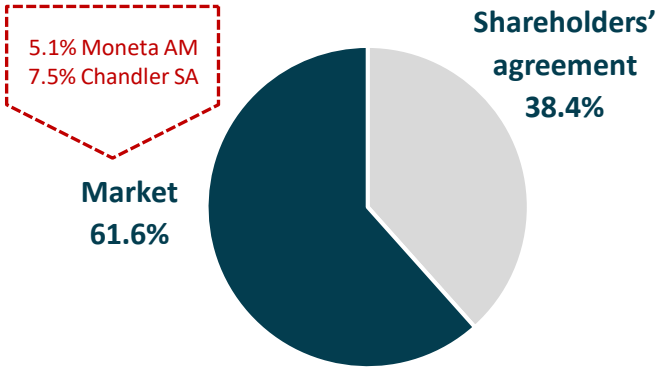
The Group's primary objectives include meeting the financial demands of corporate, by promoting efficiency and acting as a link between the public and private sectors, in addition to providing individuals access to an advanced, easy and readily-accessible banking world that is attentive to the needs of a country and growing businesses

Customer loans

(31.03.2021)



Shareholders



- *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)*

BANCA SISTEMA

Agenda



- **Banca Sistema Overview**



- **1Q 2021 Results**
- **Annexes**

BANCA SISTEMA

Factoring represents 55% of Customer loans

Business Model

What / How we do it

Banca Sistema purchases receivables, mainly without recourse (73% of the total turnover in 1Q21, of which 7% Tax receivables), from PA suppliers in Italy and Spain, but also Tax credits, receivables related to Football and Local transport subsidies

1Q21 €783m Turnover, +12 y/y (first player in Italy in this segment of Factoring)

Origination: 1) **Direct** (79% of turnover in 1Q21) through a Sales Force of 22 dedicated resources, in 5 offices; 2) **Indirect** (21%), thanks to agreements with 18 commercial banks (for a total of c. 1,600 branches in Italy)

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

Collection

The collection leverages on the strong relationships with PAs and is focused on the late payment interest ("LPI") when it is necessary, equal to 8%, that we get mainly after starting a legal action

Strong performance due to excellence in collection versus suppliers, generating high margins through accelerated recovery periods

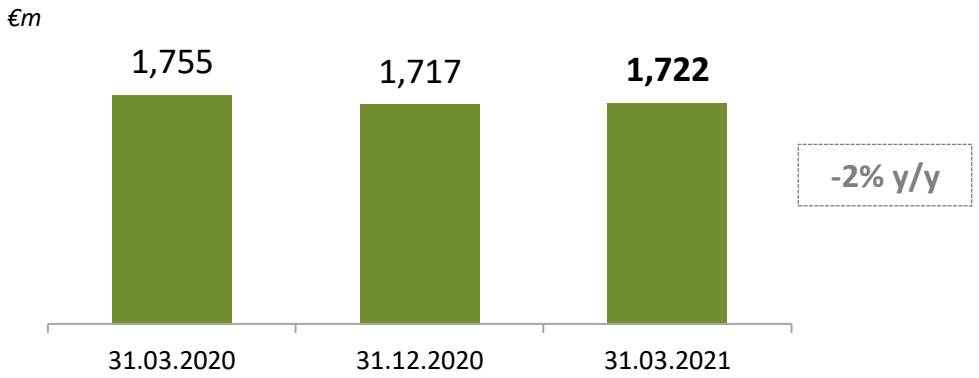
Collection Department:

- 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 (78%), with low risk underlying credit exposure comparable to a Government Bond

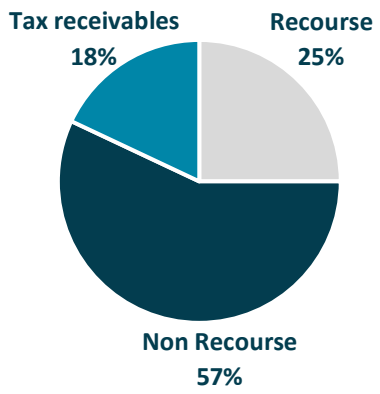
Factoring outstanding



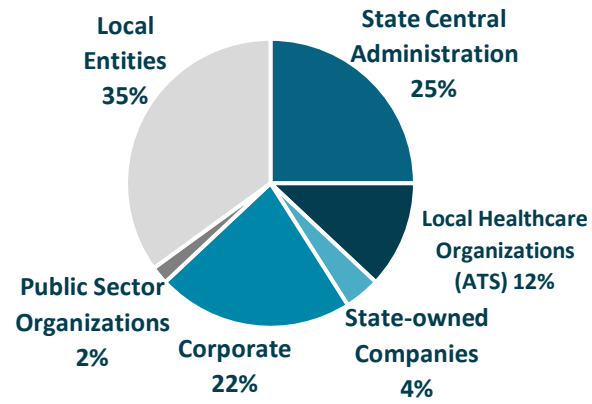
Total Factoring to PA in Italy was in 2020 €9.2bn (Outstanding)

Outstanding breakdown (31.03.2021)

By Type of Product



By Obligor



Notes: Factoring outstanding management account; Assifact: market figures source.

BANCA SISTEMA

CQ represents 36% of Customer loans

Business Model

What / How we do it

CQ is a personal loan ruled by the Italian civil law. The instalments are automatically deducted from the debtor's salary or pension up to 1/5 of the net amount based on an obligation between the employee (debtor) and the employer or pension scheme

BST buys CQ loans portfolios via agreements with 5/6 originators (Indirect channel – 71% of 1Q21 turnover). BST also originates direct loans through dedicated brokers/agents with "QuintoPuoi" brand

1Q21 €42m Turnover (€86m in 1Q20)

Back office and Collections resources are based in Bologna

Dedicated funding

A significant part of the assets are securitized and can be used in several way as collateral in transactions with banks and institutional counterparties

CQ loans are used to access ECB funding via Repo on securitized assets or directly via the Eurosystem collateral framework

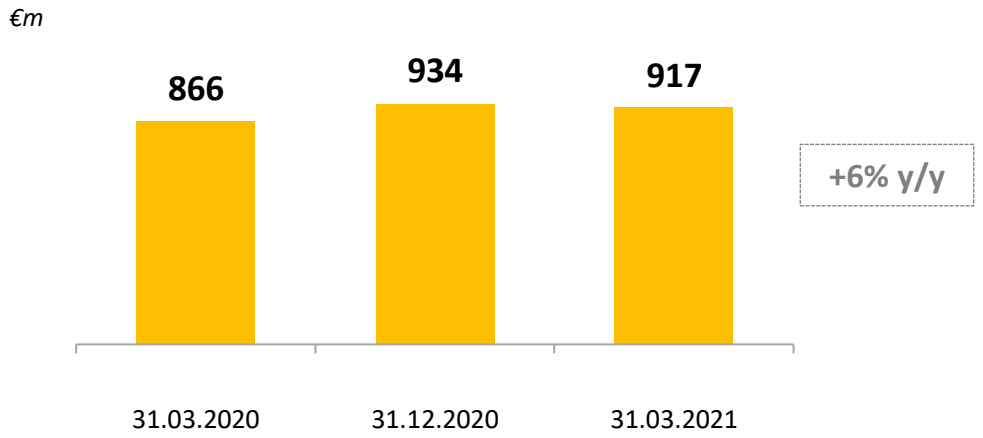
Low risk asset

CQS/CQP typically incur very low PD and almost 0% LGD also thanks to the insurance

The insurance, mandatory by Law, covers the risk of death, job loss and inability for work

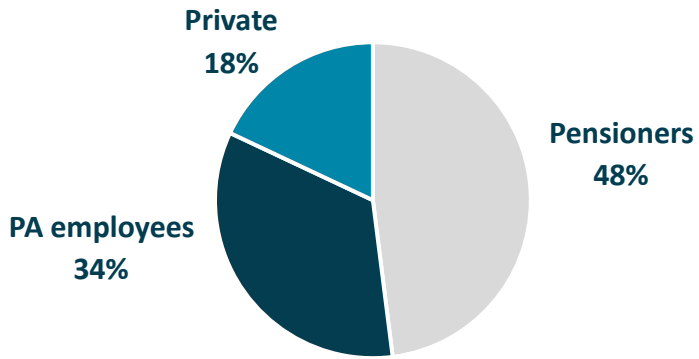
Additionally, CQS is partly collateralized by the "TFR" (Severance Fund)

CQ loans outstanding



CQ Market in Italy was as at 31.12.2020 €21.2bn (Outstanding)

Outstanding breakdown by Type (31.03.2021)



Note: Assofin, market figures source.

BANCA SISTEMA

Pawn loans has an Income margin > 15%

Business Model

What / How we do it

- Secured loans backed mainly by gold, but also jewelry, diamonds and one watch brands
- Fast loan procedure
- Assets not redeemed (less than 5% of the overall portfolio on average), 30 days after the loan expires can be sold through a public auction
- Offered loan durations: 3/6/12 months (renewal till 3 years)
- **Total turnover in 1Q21 (including renewals): €37.3m**
- **#13 auctions in 1Q21, for a €1.3m cumulative turnover**

Operations

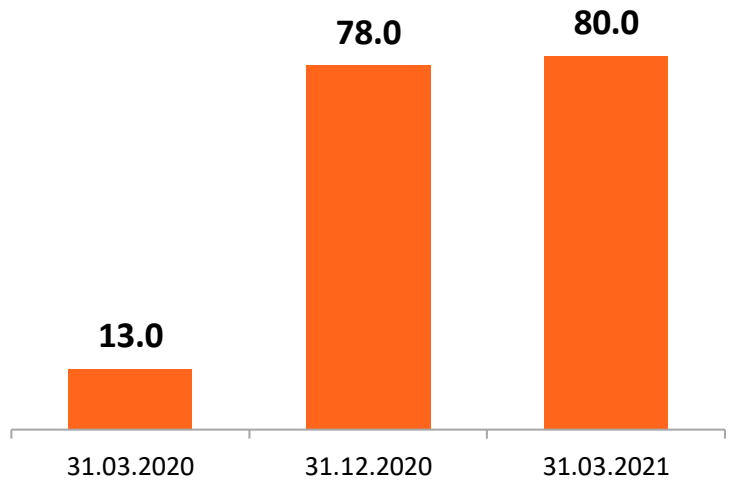
- First dedicated branch opened in Milan (02.2017)
- Other dedicated branches: Turin, Rome, Naples (2), Florence, Parma, Palermo, Pisa, Rimini, Mestre and Civitavecchia
- Acquisition of two small loan ptf (2018)
- Dedicated company: prontaPEGNO
- **Acquisition of Intesa SanPaolo business unit in 2020**

Key factors

- Fit with BST risk appetite
- High return and almost 0 credit risk
- Short term funding need
- Low RWA absorption

Pawn loans outstanding

€m



>80% of Outstanding backed by GOLD

~50% Loan To Value

1Q21 Income margin 15.2%

31% of the new Volume are renewed

BANCA SISTEMA

Agenda



- Banca Sistema Overview



- 1Q 2021 Results
- Annexes

BANCA
SISTEMA

1Q 2021 Results at a Glance

Commercial performance

- **Factoring Turnover** +12% y/y equal to €783m
- **CQ outstanding** reached €917m, +6% y/y
- **Pawn loans outstanding reached €80m**, from €13m as at 31.03.2020 before the acquisition of the business unit from ISP
- **SMEs State guaranteed loans** outstanding equal to €118m (€74m as at 31.12.2020)

P&L

- **Net Interest Income** equal to €19.3m, **+21% y/y**
- **Lower funding cost y/y at 0.5%**
- **Total Income** equal to €26.0m, **+18% y/y**
- **Recurring cost of risk equal to 37bps**; €4.1m LLPs up y/y due to a single position relating to a municipality in conservatorship
- **Total operating costs y/y increase** is mainly due to the consolidation of the Pawn loans business unit purchased in 3Q20
- **Net income** equal to €4.5m, substantially stable compared to last year

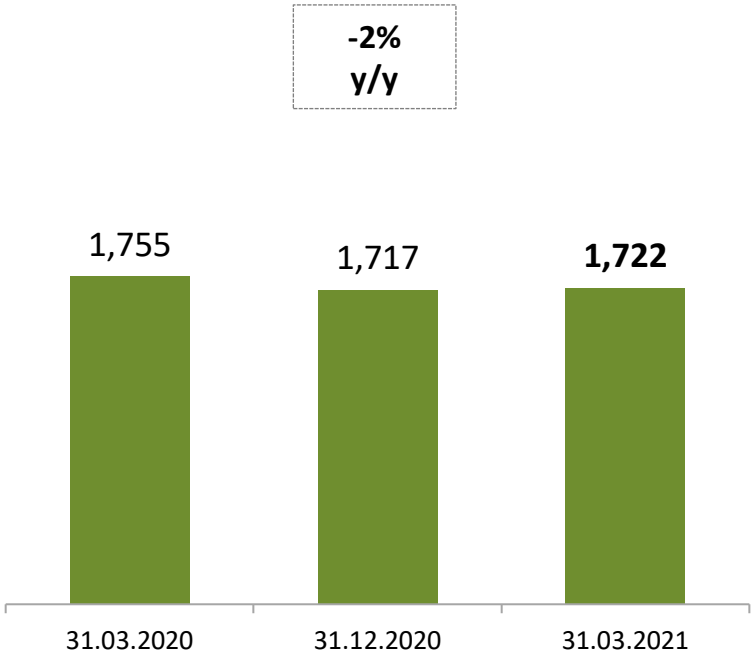
Balance Sheet

- **Wholesale funding slightly down q/q** (40% of Total Funds): BCE funding up q/q at €738m
- **CET1 ratio at 12.2% and TC ratio at 15.6%**

Factoring commercial performance

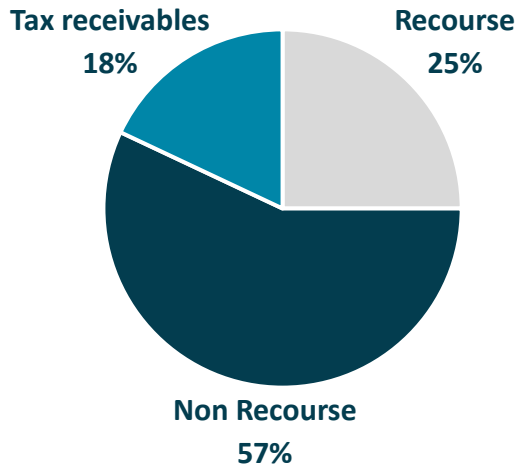
Factoring outstanding

€m



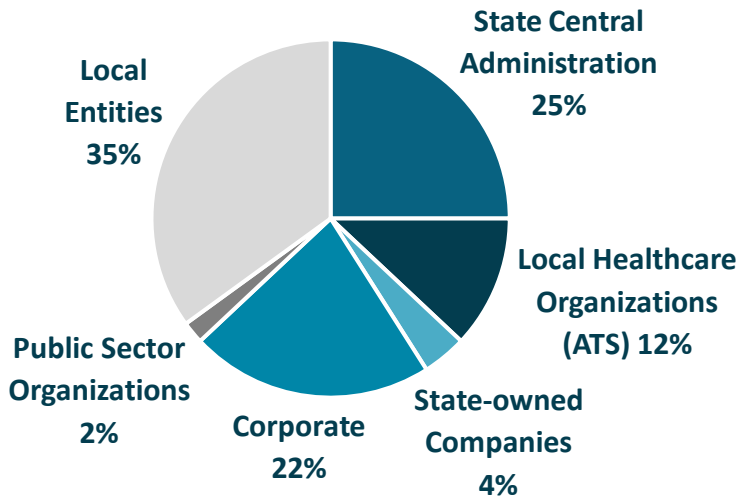
Outstanding breakdown (31.03.2021)

By Type of Product



By Obligor

PA accounts for 78%



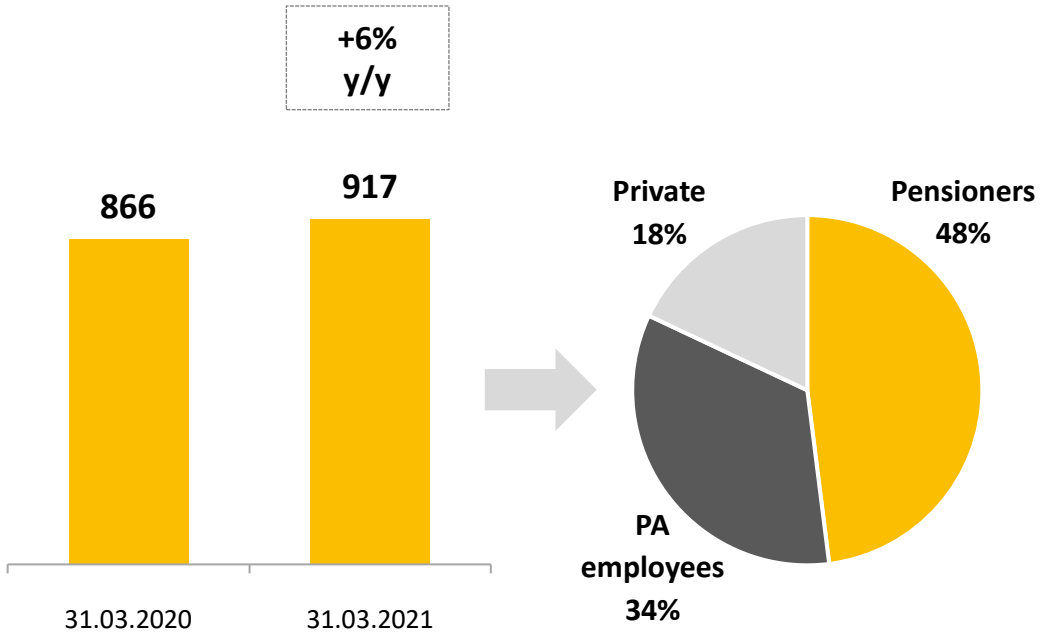
Note: Factoring outstanding management account. Factoring customer loans, item of the Balance Sheet (slide 4) differ from management account for the following elements: Recourse factoring non-financed portion; Provisions; LPI; deferred income.

BANCA SISTEMA

CQ and Pawn loans commercial performance

CQ loans outstanding

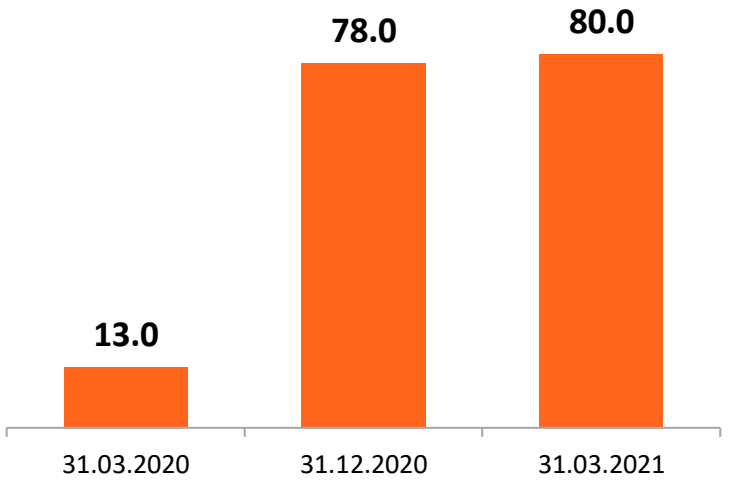
€m



- **€42m turnover in 1Q 2021 (€86m in 1Q 2020)**
- **29% direct origination through agents/brokers**

Pawn Loans outstanding

€m



- **~50k contracts**
- **Total turnover in 1Q21 (including renewals): €37.3m**
- **#13 auctions in 1Q21, for a €1.3m cumulative turnover**

BANCA SISTEMA

Figures in millions of Euro

	31.12.2020	31.03.2021	Change in % 31.03.2021 vs 31.12.2020
ASSETS			
Financial assets at fair value through Other Comprehensive Income **[Held to Collect and Sell]**	431	473	10%
Loans at amortized cost	**2,695**	**2,634**	**-2%**
Factoring	***1,482***	***1,415***	***-4%***
CQ	***934***	***917***	***-2%***
Pawn loans	***78***	***80***	***3%***
SMEs State Guaranteed loans	*74*	*118*	*59%*
Other [(1)]	*127*	*104*	*-18%*
Securities at amortized cost **[Held to Collect]**	448	233	-48%
Tangible and Intangible assets	65	74	14%
Other assets	32	33	3%
Total assets	**3,671**	**3,447**	**-6%**
LIABILITIES AND EQUITY			
Due to banks	**870**	**821**	**-6%**
of which ECB exposure	*690*	*738*	*7%*
Due to customers	**2,164**	**1,924**	**-11%**
of which term deposits	*1,217*	*1,166*	*-4%*
of which current accounts	*634*	*586*	*-7%*
Debt securities issued	248	298	20%
Other liabilities	182	193	6%
Shareholders Equity	207	211	1%
Total liabilities and equity	**3,671**	**3,447**	**-6%**

Note: (1) The item include "Loans to banks" respectively as at 31.12.2020 and 31.03.2021 equal to €92.5m and to €79.1m

1Q 2021 – Balance Sheet

- **Govies' portfolio (€701m) down q/q**, with an average duration of 27.9 months, it includes €467m 'Held to Collect and Sell', up q/q, with an average duration of 25.2 months
- **Loans at amortized cost down q/q (€2,634m**):
  - **Factoring receivables** down 4% at €1.4bn (€1.5bn as at 31.12.2020)
  - **CQ loans down q/q** due to lower purchases than previous quarters
  - **Pawn Loans up q/q** thanks to organic growth
  - Strong growth on SMEs State guaranteed loans
- **Tangible assets up q/q** due to the acquisition of a building in Rome, as an office for all the Group's activities, including the new branch dedicated to Pawn loans
- **Due to banks** q/q decrease is driven by interbanking. ECB funding up at €738m (of which €540m TLTRO III up q/q vs €490m as at 31.12.2020)
- **Due to customers decrease q/q** is mainly driven by the decrease of Repo as a consequence of Govie's ptf reduction. Term deposits and current accounts are as well as down q/q
- **Debt securities** increase q/q is due to higher funding through ABS as collateral

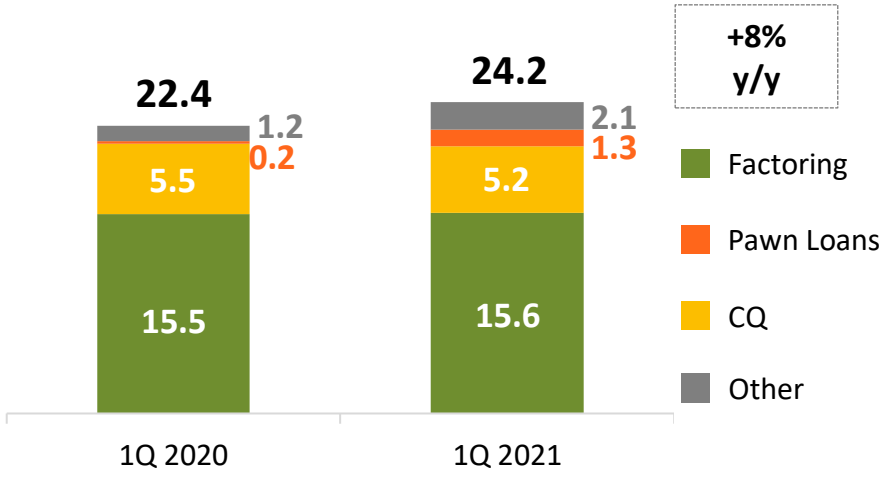
BANCA SISTEMA

Interest income growth mainly driven by Pawn loans

- **1Q 2021 Interest Income is up 8% y/y due to higher contribution of Pawn loans and SMEs State guaranteed loans ptf**
- Factoring represents 64% of Total Interest Income
- Stable contribution y/y by factoring, but **higher LPIs from legal action** equal to €6.6m (€3.4m 1Q 2020):
  - of which accrual €2.3m (€1.2m in 1Q 2020)
  - of which "extra collection" €4.3m (€2.2m in 1Q 2020)
- LPI contribution has compensated lower contribution from tax receivables
- CQ contribution for €5.2m (€5.5m in 1Q 2020
- Pawn loans contribution for €1.3m (€0.2m in 1Q 2020)
- **Total Adjusted Income margin stable q/q and vs FY 2020, with a different mix, lower CQ margin and higher Pawn loans margin**

Total Interest Income

€m



Adjusted Income margin[1]

	1Q20	1Q21
Total	**4.4%** **€27.7m**	**4.5%** **€28.2m**
Factoring	*5.3%* *€21.7m*	*5.4%* *€19.3m*
CQ	*2.8%* *€5.5m*	*2.3%* *€5.2m*
Pawn Loans	*13.9%* *FY20*	*15.2%* *€2.9m*

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

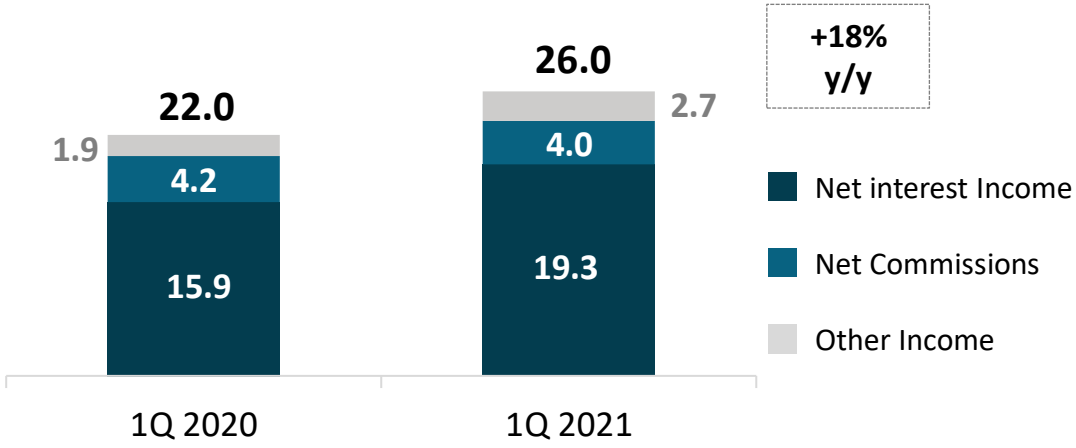
BANCA SISTEMA

Total Income up y/y

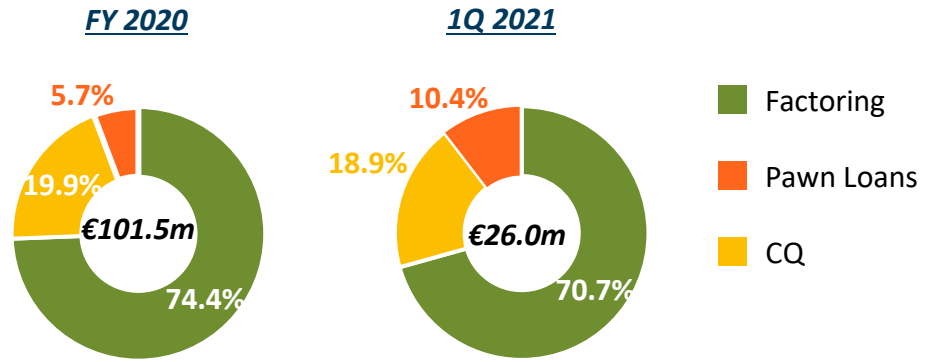
- **1Q 2021 Total Income up +18% y/y**, thanks to the contribution of **Net Interest Income**
- **NII 21% y/y increase is driven by Interest Income +8% y/y and Interest Expenses -23% y/y**. Total Cost of funding is lower, equal to 0.5% (0.7% in 1Q 2020), in both component Retail and Wholesale
- **Net Commissions down y/y** due to lower factoring contribution not fully compensated by higher contribution from Pawn loans
- **Other Income** includes €0.3m gain from the sale of a factoring ptf in 1Q 2021 (€1.3 in 1Q 2020, excluding 1Q 2020 average quarterly gain was €0.4m)
- Higher contribution of the **Govies' portfolio, €2.9m** (€1.5m in 1Q 2020) of which €0.5m to the NII (€0.9 in 1Q 2020) and €2.4m to Other Income (€0.6m in 1Q 2020)

Total Income

€m



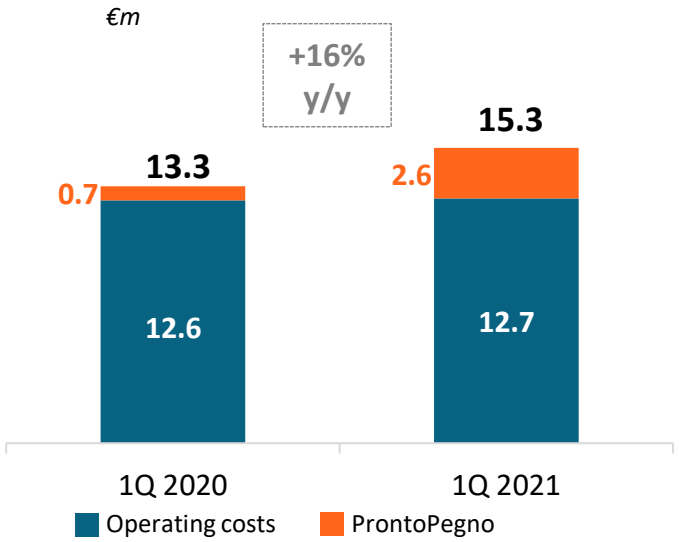
Total Income by Division



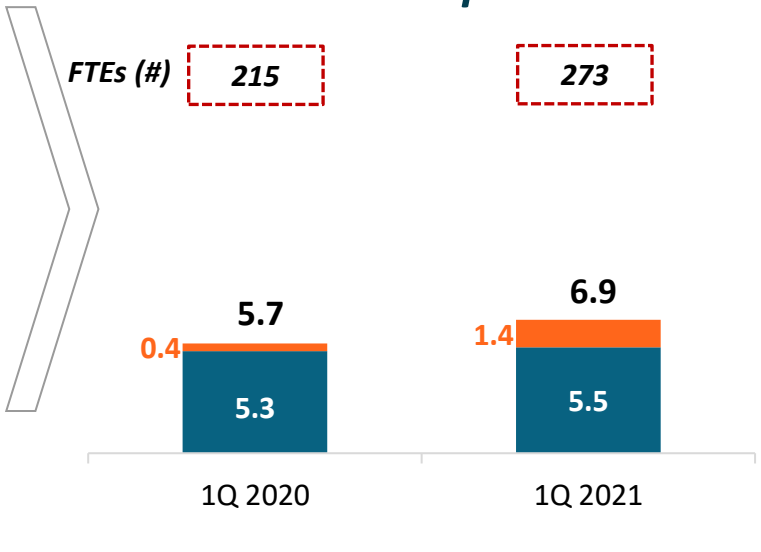
BANCA SISTEMA

Costs up due to the consolidation of Pawn loans business unit

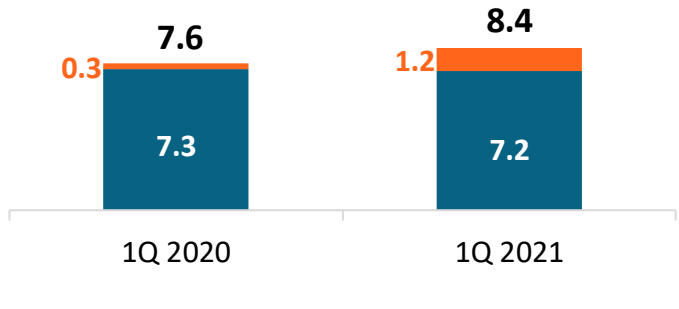
Total Operating Costs



Personnel Expenses

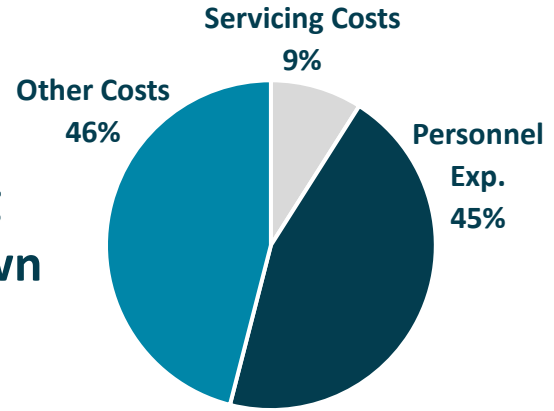


Administrative Expenses, Net Provisions for risk, Other and D&A



- Personnel Expenses are up y/y mainly due to higher FTEs following the acquisition of Pawn loans business unit
- Administrative expenses increase y/y is due to the consolidation of the business unit. In 1Q 2021, Servicing costs are up y/y and also the contribution to the Single Resolution Fund (SRF) for +€0.2m y/y
- D&A equal to €0.7m in 1Q 2021 (€0.4m in 1Q 2020) are up y/y mainly due the consolidation of the Pawn loans business unit, in particular the rent of the 6 branches

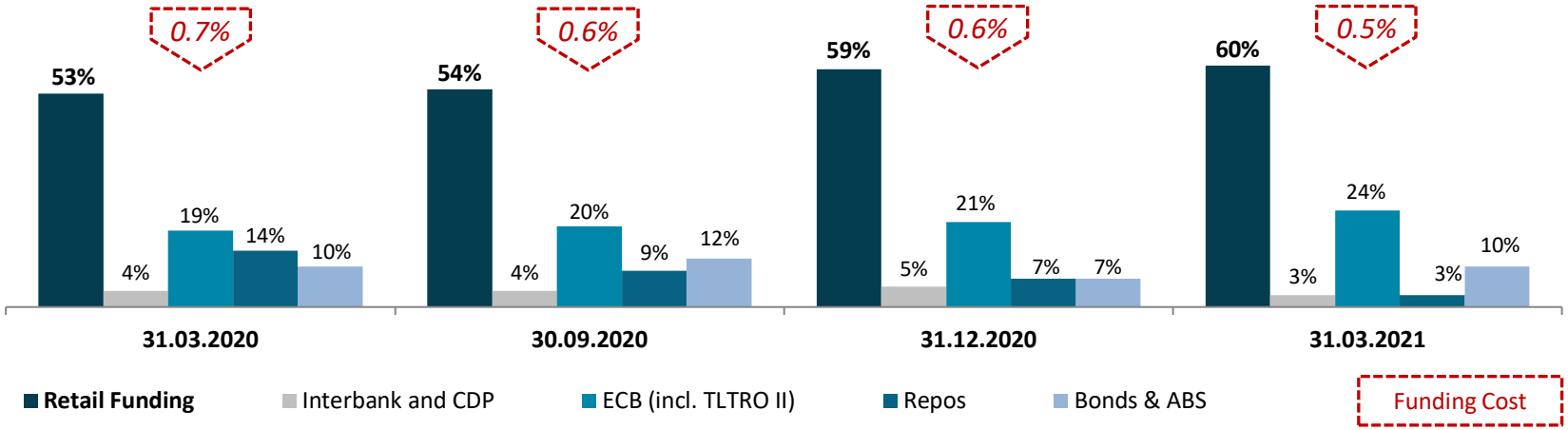
Total Operating Costs Breakdown



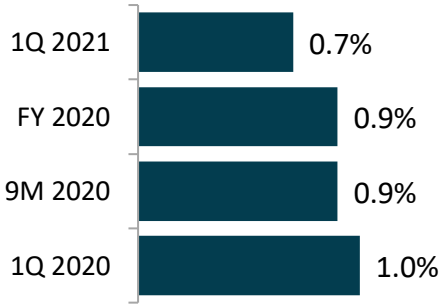
BANCA SISTEMA

Lower funding cost y/y

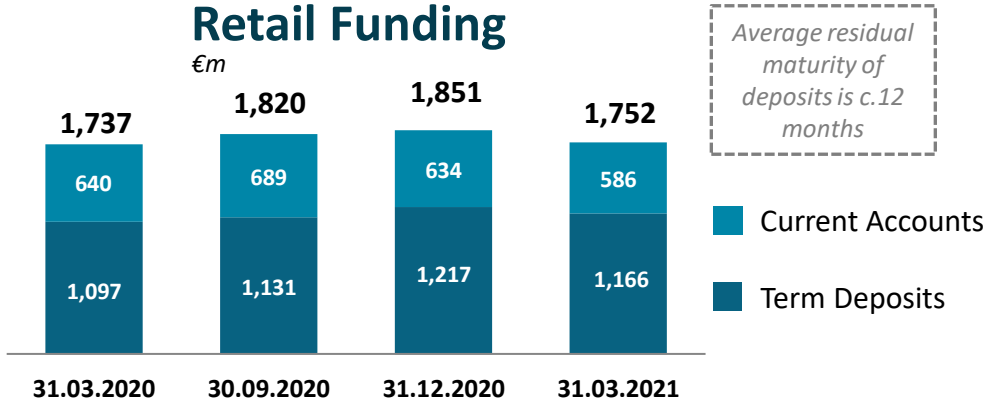
Total Funding breakdown



Retail Funding Cost



Retail Funding



Average residual maturity of deposits is c.12 months

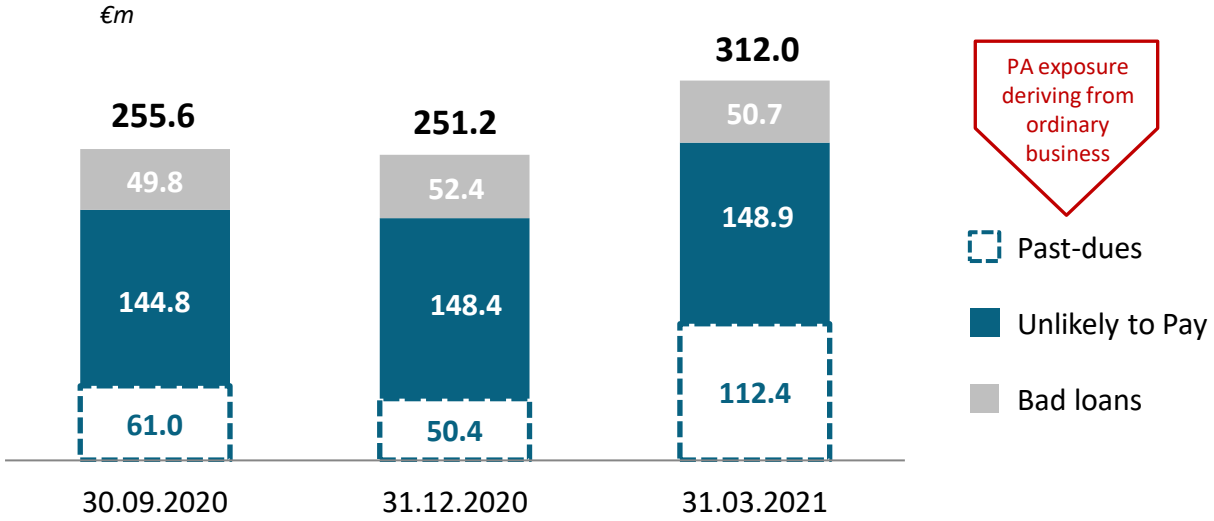
- Cost of funding lower y/y and q/q
- Wholesale component decrease q/q is due to the reduction of the Govie's ptf (directly related to the Repos reduction) and lower funding from banks. ECB funding, equal to €738m, of which €540m TLTRO III, is up q/q by €50m
- ABS funding increase q/q leveraging on the CQ ABS as collateral
- Retail Funding down q/q, due to the reduction of the interest rates offered to customers, since February 2021, for both term deposits and current account

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

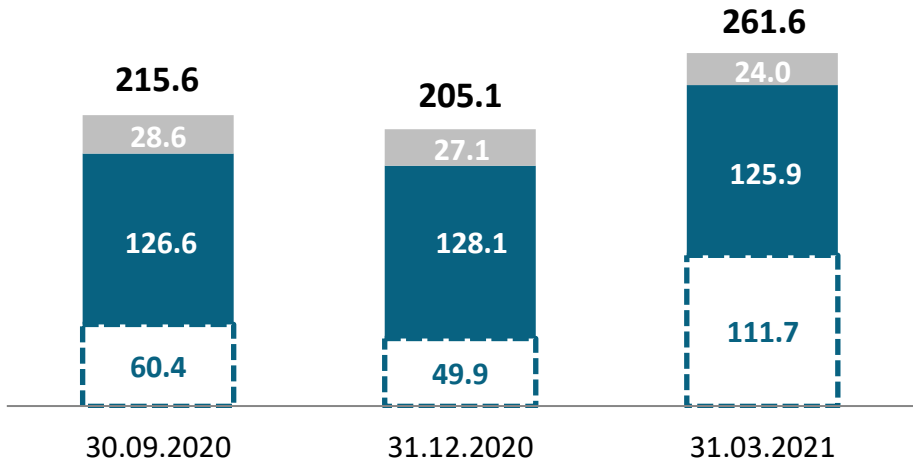
BANCA SISTEMA

Asset Quality driven by factoring business

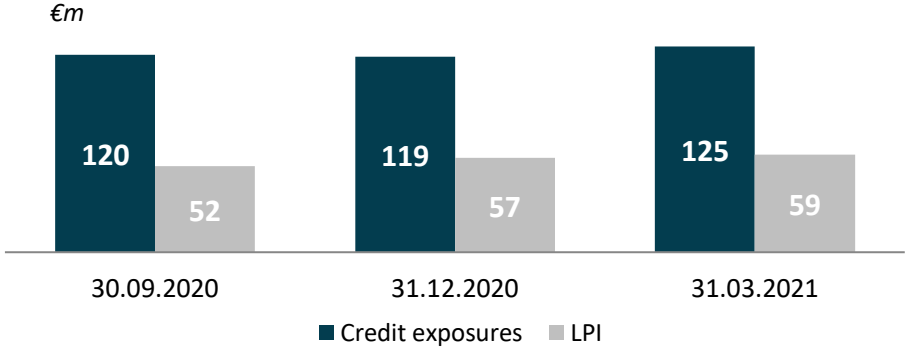
Gross Non Performing Exposures



Net Non Performing Exposures



Exposure to Municipality in Conservatorship & related LPI stock



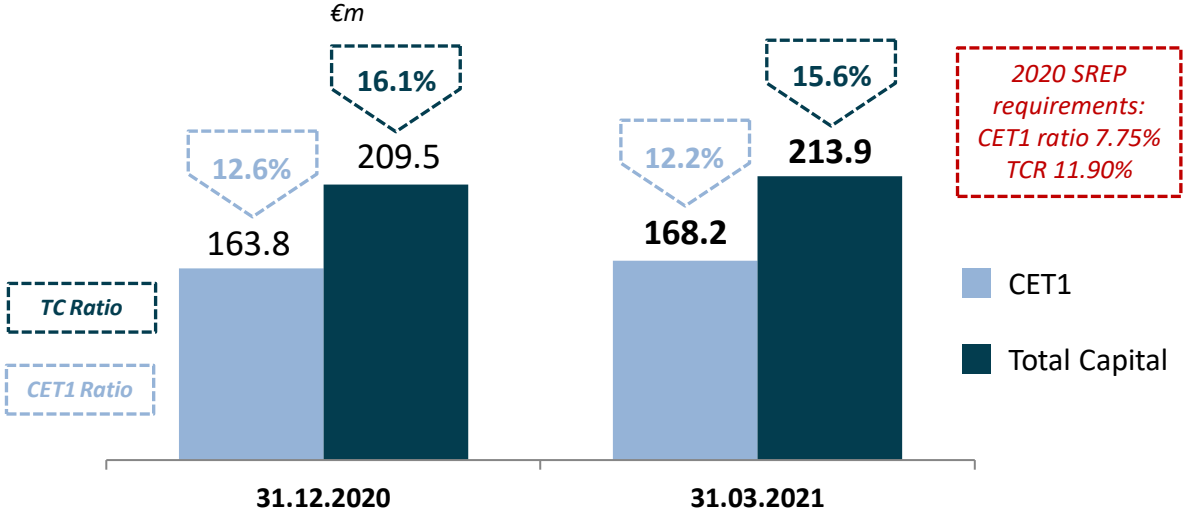
- Gross Non Performing Exposures up q/q due to Past-dues increase (relating to factoring) driven by the introduction from 1.01.2021 of the new definition of default
- Credit exposures vs municipality in conservatorship are classified as Bad loans or UtP
- Gross NPE ratio increases to 11.9% compared to 9.5% as at 31.12.2020, following the growth in Past-due, which, given to the nature of the factoring business with the PA, is not a harbinger of a deterioration of either the borrowers creditworthiness or the probability of recovery
- LLPs in 1Q 2021, equal to €4.1m, are up y/y (€1.9m in 1Q 2020) due to €2.4m provisions related to invoices part of conservatorship procedure of a municipality. This provision is a consequence of the one-off decision to accept a transaction on some invoices within the conservatorship scope. The provision will be, however, to a large extent compensated by the collection of the LPIs included in the transaction, currently off-balance sheet
- 1Q 2021 Cost of credit risk, considering the above-mentioned provisions as non recurring, stands at 37bps

Note: NPE ratio = (Gross Non performing Exposure) / (Total Gross Customer Loans).

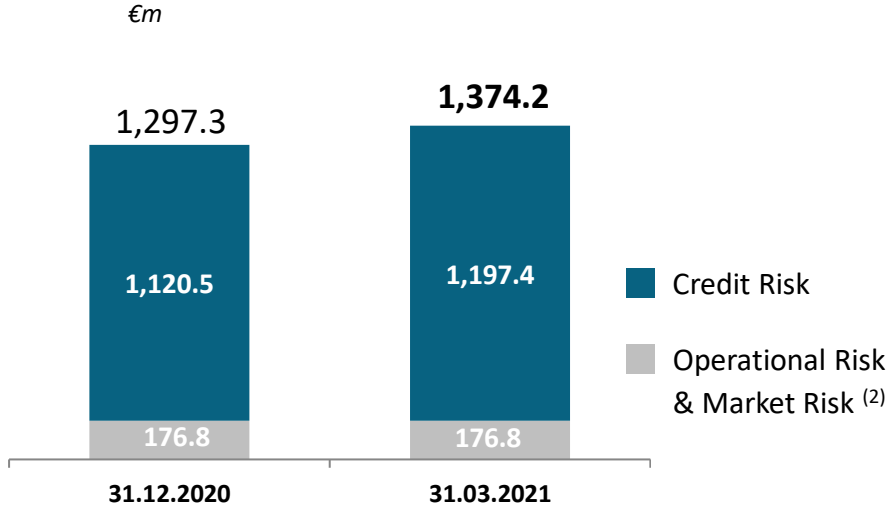
BANCA SISTEMA

Regulatory Capital well above minimum requirements

CET1 and Total Capital(1)



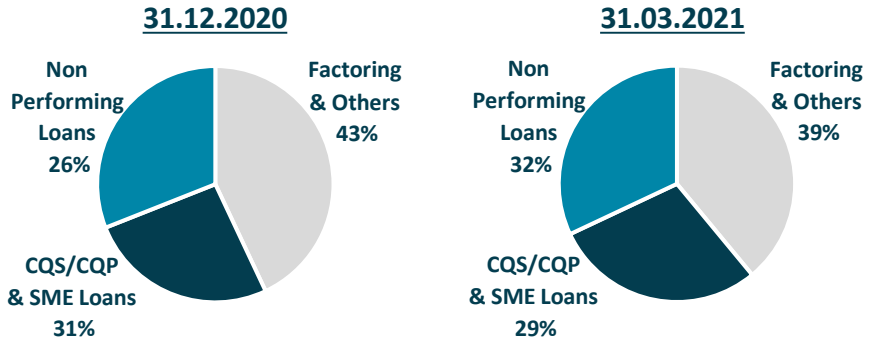
RWA breakdown



RWA q/q increase is driven by the increase of Past-dues.

Ratios as at 31.12.2020 and 31.3.2021 do not include the dividends on the profits for the years 2019 and 2020 approved by the Shareholders' Meetings but not distributed. In line with the past, Regulatory capital as at 31.03.2021 does not include 25% of the profit recorded in the period.

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 31.12.2020 and as at 31.03.2021.

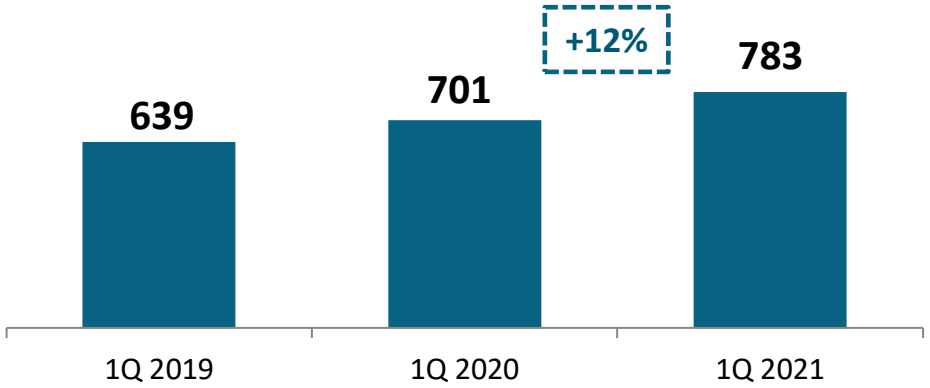
BANCA SISTEMA

Annexes

Factoring Turnover

Factoring Turnover

€m

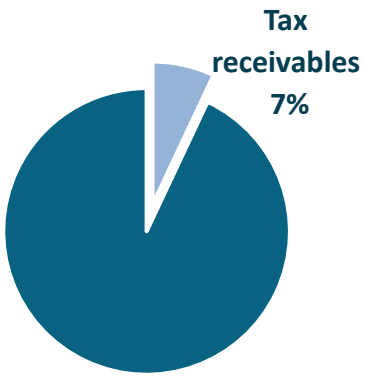


+21% y/y ex. Tax Receivables

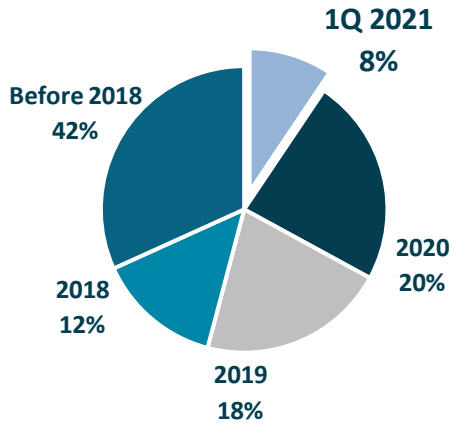
Turnover generated by agreements with Italian Retail banks: 22% in 1Q 2021

1Q 2021 Factoring Turnover breakdown

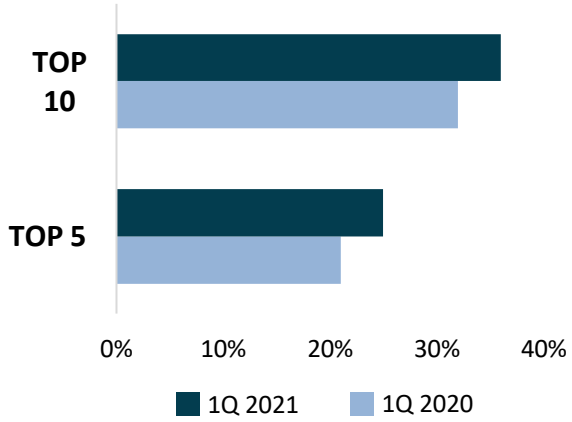
By Type



By Year of Customer's Acquisition



Customer Concentration

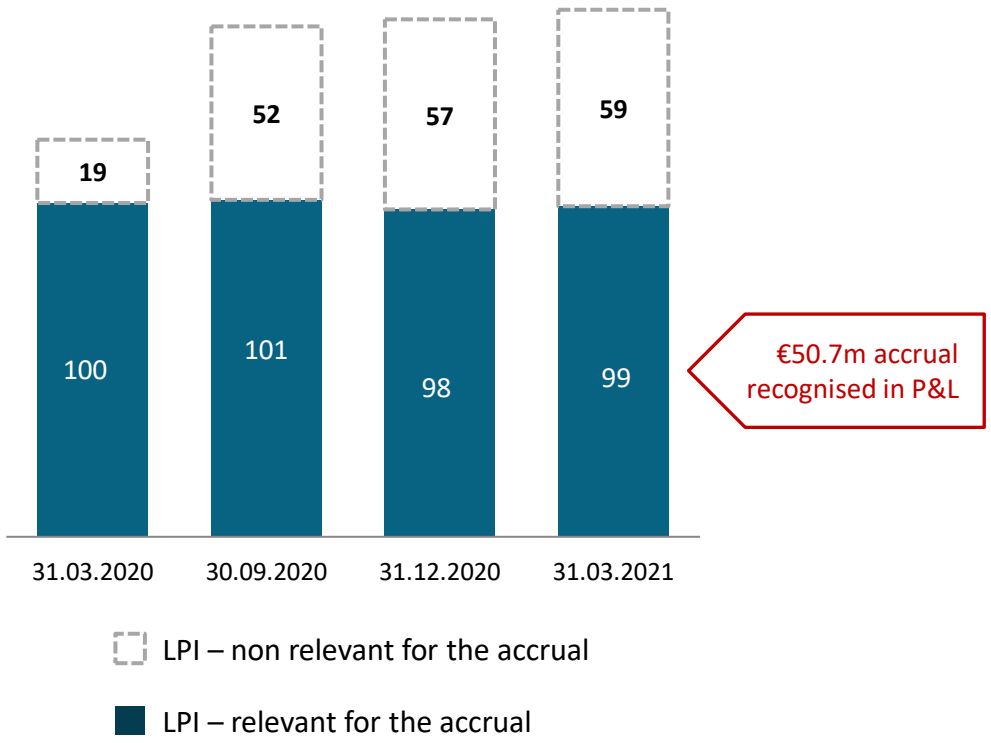


BANCA SISTEMA

Late Payment Interest

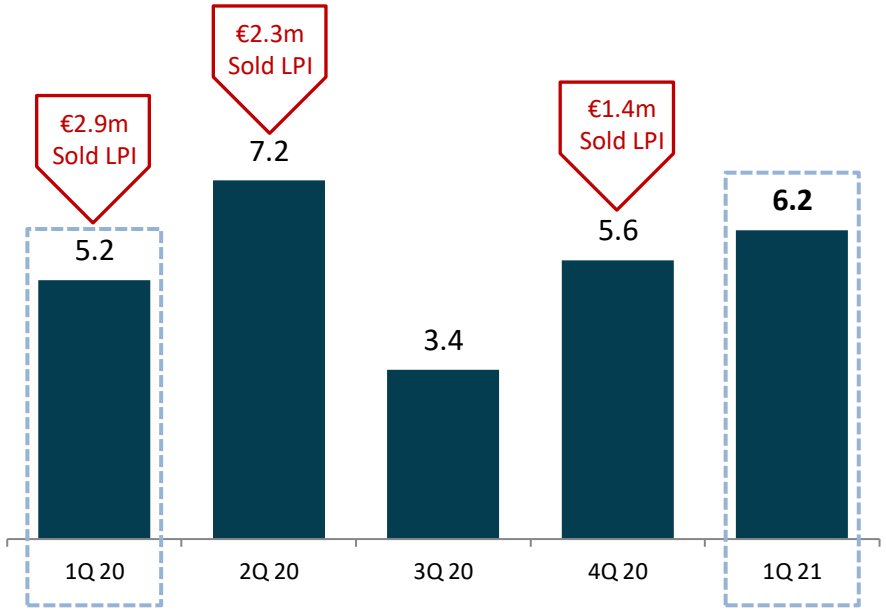
Due LPI Stock – Assets in legal action

€m



Total collected cashed-in LPI

€m



BANCA SISTEMA

1Q 2021 – Income Statement

Figures in millions of Euro

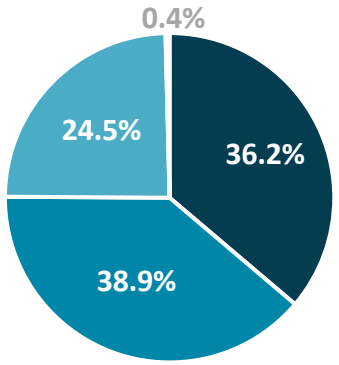
	1Q 2020	1Q 2021	1Q 21 vs 1Q 20 change in %
Interest income	22.4	24.2	8%
Interest expenses	(6.4)	(5.0)	23%
Net interest income	**15.9**	**19.3**	**21%**
Commission income	6.0	5.9	-2%
Commission expenses	(1.8)	(1.9)	6%
Net commission	**4.2**	**4.0**	**-4%**
Net income from disposal/repurchase assets:	1.9	2.7	42%
a) measured at amortised cost	1.3	0.8	-38%
b) measured at fair value through other comprehensive income	0.3	1.9	nm
c) financial liabilities	0.3	-	nm
Total income	**22.0**	**26.0**	**18%**
Net impairment losses on loans	(1.9)	(4.1)	nm
Net operating income	**20.1**	**21.9**	**9%**
Personnel expenses	(5.7)	(6.9)	21%
Other expenses	(7.6)	(8.4)	11%
Operating expenses	**(13.3)**	**(15.3)**	**16%**
Pre-tax profit from continuing operations	**6.8**	**6.5**	**-4%**
Taxes on income for the period/year from continuing operations	(2.2)	(2.1)	-7%
Profit (loss) for the year/period	**4.6**	**4.5**	**-2%**
Minority interests	-	0.03	nm
Profit (loss) for the year/period attributable to the shareholders of the Parent	**4.6**	**4.5**	**-3%**

Note: The item Interest income includes the negative component, registered by the subsidiary ProntoPegno SpA, of the PPA relating to the year 2021 equal to €125k (of which the residual value is €21k).

BANCA SISTEMA

Asset Quality

Gross Bad loans



31.12.2020

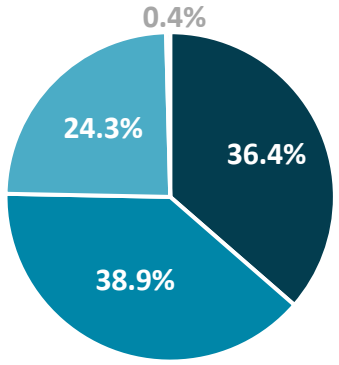
Conservatorships (factoring)

Factoring

SME State Guarantee Loans

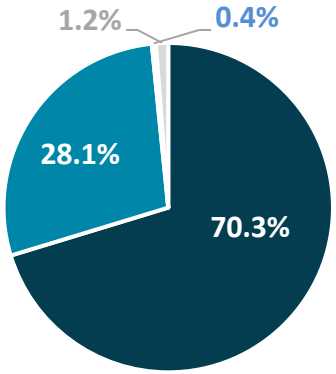
Other

Loans granted before 2020

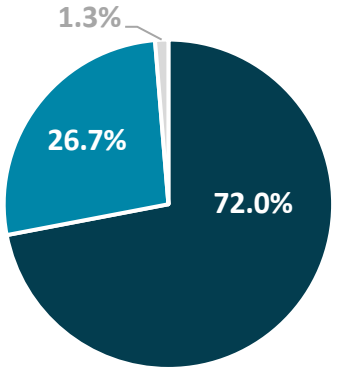


31.03.2021

Gross Unlikely to Pay



31.12.2020



31.03.2021

BANCA SISTEMA

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.

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

BANCA SISTEMA