

**MINUTES OF THE ORDINARY AND
EXTRAORDINARY SHAREHOLDERS' MEETING OF
BANCA SISTEMA S.p.A.
ITALIAN REPUBLIC**

On eleven May two thousand and twenty.

11 05 2020

In Milan, Largo Donegani 2, in my office.

I, the undersigned *Ciro de Vivo*, a notary practising in Milan, registered with the local Roll of Notaries, having received an express mandate, hereby prepare and sign the minutes of the ordinary and extraordinary Shareholders' Meeting of the company:

"BANCA SISTEMA S.p.A."

with registered office in Milan, at Largo Augusto 1/A, angolo Via Verziere 13, with share capital of € 9,700,446.24 (nine million seven hundred thousand four hundred and forty-six/24), of which € 9,650,526.24 (nine million six hundred and fifty thousand five hundred and twenty-six/24) is subscribed and paid in, divided into 80,421,052 (eighty million four hundred and twenty-one thousand and fifty-two) shares with a nominal amount of € 0.12 (zero point one two) each, with Tax Code and registration with the competent Companies' Register no. 12870770158, entered in the Economic and Administrative Index (R.E.A.) under no. MI-1619654, and in the Register of Banks under ABI code 03158.3, DELETE BECAUSE OBVIOUS? subject to the supervision of the Bank of Italy, the Parent of the Banca Sistema banking group - entered in the Register of Banking Groups under no. 3158, a member of the Interbank Deposit Protection Fund and the National Guarantee Fund, a company listed in the FTSE Italia Star segment, managed by Borsa Italiana, held at the company's registered office in Milan, at Largo Augusto 1/A, angolo Via Verziere 13, with some participants attending by videoconferencing, in my continuous presence, from 10.08 am to 11.49 am on 23 April 2020, to discuss and resolve on the following

AGENDA

Ordinary Meeting

- 1. Approval of the separate financial statements of Banca Sistema S.p.A. at 31 December 2019. Presentation of the Consolidated Financial Statements at 31 December 2019. Reports of the Directors, the Board of Statutory Auditors and the Independent Auditors. Relating and resulting resolutions.***
- 2. Allocation of the profit for the year 2019. Relating and resulting resolutions.***
- 3. Appointment of the Board of Statutory Auditors and its Chairperson. Relating and***

resulting resolutions.

4. Determination of the remuneration of the Board of Statutory Auditors. Relating and resulting resolutions.

5. Approval of the first section (Remuneration Policies of the Banca Sistema Group for 2020) of the Report on the remuneration policy and remuneration paid: resolution pursuant to article 123-ter, paragraph 3-ter of Legislative Decree no. 58 of 24 February 1998 as amended and supplemented. Relating and resulting resolutions.

6. Resolutions on the second section of the Report on the remuneration policy and remuneration paid: resolution pursuant to article 123-ter, paragraph 6 of Legislative Decree no. 58 of 24 February 1998 as amended and supplemented. Relating and resulting resolutions.

7. Authorisation for the purchase and disposal of treasury shares. Relating and resulting resolutions.

Extraordinary Meeting

8. Amendment to article 5 of the Articles of Association due to the introduction of the increase in voting rights, pursuant to article 127-quinquies of Legislative Decree no. 58 of 24 February 1998. Relating and resulting resolutions.

9. Amendment to articles 8, 9, 10, 11, 12, 14 (13 with new numbering), 18 (17 with new numbering), and 20 (19 with new numbering) of the Articles of Association; repeal of article 13 of the Articles of Association and consequent new numbering of articles 14 to 24 of the Articles of Association; introduction of new article 25 to the Articles of Association. Relating and resulting resolutions."

Whereas:

- as permitted by article 106 of Law Decree no. 18 of 17 March 2020 (known as the "Cura Italia" Decree) and in compliance with the provisions of Measure no. 187 issued by the Milan Council of Notaries - Companies Commission - on 11 March 2020, the entirety of the meeting's participants, including the Chairperson, can participate in Shareholders' Meetings via means of telecommunication - where permitted by the Articles of Association pursuant to article 2370, paragraph 4, of the Italian Civil Code, or in any case permitted by the regulations in force;

- these minutes are prepared at the request of the company, and by the Chairperson of the Shareholders' Meeting on its behalf, within the necessary period of time for the timely performance of the filing and publication obligations, pursuant to article 2375 of the Italian Civil Code.

Now therefore,

I hereby note that the Shareholders' Meeting takes place as follows.

The ordinary Shareholders' Meeting commences at 10.08 am. Pursuant to article 8.10 of the Articles of Association, the meeting is chaired by Ms. **Luitgard SPÖGLER**, born

in Renon (BZ) on 21 January 1962, with address for service at the company's registered office, in her capacity as Chairperson of the Board of Directors and legal representative of the aforementioned company, who chairs the meeting pursuant to article 8.10 of the Articles of Association and addresses and welcomes all of the participants, and proposes that the Shareholders' Meeting appoint me, the notary, as secretary of the Shareholders' Meeting, with a duty to assist during the meeting and prepare the minutes.

In the absence of objections or abstentions, the Chairperson confirms me to be the secretary of the meeting.

As requested by the Chairperson, I perform the necessary formalities for checking that the Shareholders' Meeting is correctly and validly constituted. I therefore note that:

- this meeting was duly called on single call pursuant to the law and article 8 of the Articles of Association in this place at 10.00 am, with a notice published at the registered office and on the authorised storage mechanism lInfo at www.linfo.it, on the website of the Company www.bancasistema.it - in the section governance/Shareholder's Meeting documentation - Ordinary and Extraordinary Shareholders' Meeting 23 April 2020, as well as with notice published in excerpt form on 13 March 2020 on the daily newspaper "Il Giornale".

At this juncture, the Chairperson requests me, the notary, to ascertain that all those participating in the Shareholders' Meeting are entitled to attend.

Following the request received, I report that:

a) the meeting is being attended by 75 (seventy-five) shareholders, either on their own behalf or by proxy, in person/via videoconferencing, representing 55.7925% (fifty-five point seven nine two five percent) of the shares, out of a total of 80,421,052 (eighty million four hundred and twenty-one thousand and fifty-two) shares constituting the share capital fully subscribed and paid in as at today's date, taking account of the fact that the total number of shares is 80,421,052 (eighty million four hundred and twenty-one thousand and fifty-two), of which 168,169 (one hundred and sixty-eight thousand one hundred and sixty-nine) are treasury shares.

The list with the names of the shareholders attending the meeting, personally or by proxy, the indication of the number of shares represented and the delegating parties, is attached to these minutes as Annex "A";

b) as regards the Board of Directors:

- the Chairperson of the Board of Directors, Ms. Luitgard Spögler, whose details are provided above, is connected via videoconferencing from the Bank's branch in Rome, located at Via Romagna 25;

- the CEO, Mr. Gianluca GARBI, is present in person at the Bank's registered office

in Milan, at Largo Augusto 1/A, angolo via Verziere 13;

- the following members of the Board of Directors are also in attendance via videoconferencing:

-- Federico FERRO-LUZZI, Director;

-- Francesco GALIETTI, Director;

-- Daniele PITTATORE, Director;

-- Laura CIAMBELLOTTI, Director;

-- Carlotta DE FRANCESCHI, Director;

while Marco GIOVANNINI, Director, and Giovanni Antonino PUGLISI, Deputy Chairperson, send their apologies;

c) the following members of the Board of Statutory Auditors are also in attendance via videoconferencing:

** Massimo CONIGLIARO, Chairperson;

** Lucia ABATI, Standing Auditor,

while the other Standing Auditor, Biagio VERDE, sends his apologies.

At this juncture, having noted the foregoing, the Chairperson:

- notes that, for the purposes of attendance at today's meeting, for the above-mentioned shares, the notifications specified by the law in force for attendance at the shareholders' meeting were sent by the relevant intermediaries and compliance with legal provisions of the proxies issued has been established;

- therefore declares that the necessary quorum for the ordinary session of today's meeting on single call has been reached;

- notes that:

-- to deal with the technical requirements of the proceedings, some senior managers and employees of the Bank are in attendance via audioconferencing;

-- today's meeting will take place according to the provisions of the Rules governing Shareholders' Meetings, also taking account of the provisions of article 106 of Law Decree no. 18 of 17 March 2020, containing "Measures to strengthen the Italian National Health Service and economically support families, workers and businesses linked to the COVID-19 epidemic emergency".

The Chairperson invites those who need to leave the room during the meeting to inform the Secretary and the accreditation desk near the entrance of the room.

The Chairperson also invites those who need to leave the room during the meeting to avoid leaving at the time of the vote, to facilitate the calculation of the quorum.

The Chairperson reminds the participants that pursuant to article 6.4 and article 6.5 of the Rules governing Shareholders' Meetings:

- requests to speak on individual items on the agenda may be submitted, after the debate is opened and following reading of the item on the agenda in respect of which

the entitled individual in question wishes to speak on, but before the Chairperson declares the debate on such item closed. The Chairperson specifies that individuals with a right to speak intending to take the floor must submit a request to me, the Notary, in my capacity as Secretary of the Shareholders' Meeting, providing their own name and the name of the shareholder they represent, if any. The Chairperson then clarifies that, in order to facilitate the Shareholders' Meeting, said requests must be made in writing and that she will give the floor to participants according to the order in which any written requests to speak are received.

The Chairperson then states that she has the duty, with support from me, the Notary, in my capacity as the Secretary of the Shareholders' Meeting, to direct the meeting, ensure fairness in the discussions and uphold the rights of the participants, specifying that, in general, a period of no more than 10 (ten) minutes will be given to each individual entitled to speak for them to make their point and that, after the established period, the individual entitled to speak may be invited to conclude within 5 (five) minutes. If the speech is not yet concluded, the Chairperson will proceed pursuant to the provisions of the Rules governing Shareholders' Meetings: to maintain the order in the Shareholders' Meeting and guarantee the correct execution of the proceedings and prevent any abuse of the right to speak, the floor may be taken back if an entitled person speaks out of order, or continues to speak beyond the allotted time pursuant to the Rules.

The Chairperson then specifies that a reply will be provided - by the Chairperson, the CEO, other Directors, the Statutory Auditors or employees of the Company - after each speech or at the end of all speeches on each item on the agenda. Pursuant to the Rules governing Shareholders' Meetings, the meeting may be suspended for up to a maximum of two hours to allow the responses to the speeches to be prepared. After the responses, those who have asked the floor will be allowed a short reply. When nobody else wishes to address the Meeting, answer or make any reply, the Chairperson will declare the discussion closed.

The Chairperson also reminds the participants that, pursuant to the Rules governing Shareholders' Meetings, the use of photo or video equipment and similar, recording devices of any kind and mobile phones with camera is not allowed on the premises in which the Shareholders' Meeting is taking place, with the exception of those necessary for the management of today's meeting.

Based on the available information and pursuant to the provisions in force issued by CONSOB, the Chairperson announces that the list indicating the names of the shareholders holding shares with voting rights exceeding 5% (five percent) of the share capital, the number of ordinary shares held by each and the percentage of share capital held is the following:

- Società di gestione delle partecipazioni in Banca Sistema S.r.l. ("SGBS"), holder of 23.10% (twenty-three point ten percent) of the ordinary shares, corresponding to 18,578,900 (eighteen million five hundred and seventy-eight thousand nine hundred) ordinary shares with nominal amount of € 0.12 (zero point twelve) each;
- Fondazione Sicilia, holder of 7.40% (seven point forty percent) of the ordinary shares, corresponding to 5,950,104 (five million nine hundred and fifty thousand one hundred and four) ordinary shares with nominal amount of € 0.12 (zero point twelve) each;
- Fondazione Cassa di Risparmio di Alessandria, holder of 7.91% (seven point ninety-one percent) of the ordinary shares, corresponding to 6,361,731 (six million three hundred and sixty-one thousand seven hundred and thirty-one) ordinary shares with nominal amount of € 0.12 (zero point twelve) each.

The Chairperson states as follows:

- the participants in this meeting have been asked to declare any exclusion and/or limitation of voting rights, pursuant to the relevant provisions in force. The Chairperson states that no participant has issued a declaration in this respect;
- with support from me, the Notary taking the minutes, and the relevant Bank departments, and based on the available information, the required controls on the admission to the vote of the attending shareholders, who were asked to declare any exclusion from the vote pursuant to the legal and supervisory provisions in force, were carried out and, as the attending shareholders have declared, there are no cases of exclusion from voting rights;
- there are no additional circumstances that may prevent or limit the exercise of voting rights;
- in the notice of call of this meeting, the shareholders have been informed, in a timely manner and in accordance with what is required by the legislation in force, of the procedures to cast their vote by post, making also available on the website the ballots for the exercise of the vote.

The Chairperson informs those present that at 10.17 am the Deputy Chairperson of the Board of Directors, Giovanni Antonino PUGLISI, is connecting via videoconferencing. The Chairperson notes that the Chairperson's Office has reported that two postal voting ballots were received by 22 April 2020.

The Chairperson reports that one postal voting ballot was received from Mr. Giorgio Cumin, holder of 107,112 (one hundred and seven thousand one hundred and twelve) shares with voting rights, equivalent to 0.13% (zero point thirteen percent) of the share capital, and that one postal voting ballot was received from the company "City Club S.r.l.", holder of 1,907,888 (one million nine hundred and seven thousand eight hundred and eighty-eight) shares with voting rights, equivalent to 2.38% (two point

thirty-eight percent) of the share capital.

The Chairperson then notes that:

- the meeting is recorded in audio format for minute-taking purposes;
- the identity and entitlement of the participants has been verified;
- shareholders have been able to request a copy of the documentation indicated in the items on the agenda;
- no requests from shareholders, pursuant to article 127-ter of the Consolidated Law on Finance were received prior to today;
- the Bank has not received requests for the addition of items on the agenda or draft resolutions on items on the agenda pursuant to article 126-bis of the Consolidated Law on Finance and article 8.4 of the Articles of Association of the Bank.

The Chairperson specifies that, pursuant to article 7.4 of the Rules governing Shareholders' Meetings, and with the exception of the voting ballots received by post, special voting ballots will be used, which have been delivered to the participants present at the Bank's Milan offices.

The Chairperson also notes that the following documentation was made available to the public in accordance with the law; in particular, pursuant to article 2429 of the Italian Civil Code and article 154-ter of the Consolidated Law on Finance:

- the "Annual Financial Report", containing the draft separate financial statements of Banca Sistema S.p.A. at 31 December 2019, accompanied by the Directors' Report, the Board of Statutory Auditors' Report and the Independent Auditors' Report, pursuant to article 2429 of the Italian Civil Code and article 154-ter of the Consolidated Law on Finance, as well as the consolidated financial statements of the Banca Sistema Group at 31 December 2019;
- the "Report on Corporate Governance and Ownership Structure" pursuant to article 123-bis of the Consolidated Law on Finance;
- the Board of Directors' Report on the individual proposals concerning the issues on discussion in today's meeting, pursuant to article 125-ter of the Consolidated Law on Finance and its annexes.

Before proceeding with the meeting, the Chairperson asks those not able to follow the videoconference correctly, or connect in time to speak, to report the issue by calling the telephone number reported in the notice of call, specifically 02 802801. Lastly, the Chairperson asks all those not intending to take the floor to place their microphone on "mute" and to check, once they have finished talking, that their PC, tablet or telephone microphone is switched off.

Before moving to the discussion of the items on the agenda, the Chairperson invites the attending Shareholders to disclose the existence of any shareholders' agreements or agreements referred to in article 122 of Legislative Decree no. 58 of 24 February

1998 ("Consolidated Law on Finance") and article 20 of Legislative Decree no. 385 of 1 September 1993 ("Consolidated Law on Banking").

At 10.23 am, Riccardo SISMONDI takes the floor, as a representative of Società di gestione delle partecipazioni in Banca Sistema S.r.l., Fondazione Sicilia and Fondazione Cassa di Risparmio di Alessandria, confirming the existence of a Shareholders' Agreement, in relation to which all formalities were fulfilled as set forth in paragraph 1 of article 122 of the Consolidated Law on Finance. This agreement involves approximately 38.41% (thirty-eight point forty-one percent) of the share capital with voting rights, namely:

- Società di gestione delle partecipazioni in Banca Sistema S.r.l. ("**SGBS**"), holder of 23.10% (twenty-three point ten percent) of the ordinary shares comprising the share capital, corresponding to 18,578,900 (eighteen million five hundred and seventy-eight thousand nine hundred) shares;
- Fondazione Sicilia, holder of 7.40% (seven point forty percent) of the ordinary shares comprising the share capital, corresponding to 5,950,104 (five million nine hundred and fifty thousand one hundred and four) shares;
- Fondazione Cassa di Risparmio di Alessandria, holder of 7.91% (seven point ninety-one percent) of the ordinary shares comprising the share capital, corresponding to 6,361,731 (six million three hundred and sixty-one thousand seven hundred and thirty-one) shares;

The Chairperson asks participants who will be voting by proxy for other shareholders to show the specific voting instructions that they have received from the delegating shareholders to the Bank's personnel when handing in their own ballots.

In light of the foregoing, pursuant to the provisions of article 2371 of the Italian Civil Code, noting:

- the verification of entitlement to speak and to vote; and
- the fact that the individuals participating in this Shareholders' Meeting by means of the aforementioned videoconferencing communication system have all been identified by me, the Notary;
- that nobody has reported that they are not able to freely and adequately interact in real time in the meeting or that they cannot view, receive and send documents, the Chairperson declares the meeting validly established, pursuant to the Bank's Articles of Association and provisions in force on the subject, and therefore able to validly resolve on the items on the aforementioned agenda.

Before proceeding with the official part of the meeting, the Chairperson - acting also on behalf of the Board of Directors - welcomes all the participants of the Shareholders' Meeting, being held via videoconferencing for the first time in Banca Sistema S.p.A.'s history. It is a necessity, due to the ongoing COVID-19 health

emergency, but at the same time it is also a sign of modernity and a taste of possible future developments that we are adopting with a positive spirit. The Chairperson reports that the Bank has, in the last few weeks, adopted new ways of organising work which allow all of the Banca Sistema Group's personnel to work remotely, wherever they are. The concept of work "place" has inevitably changed; it is no longer associated with physical spaces only, but it is the combination of elements that make it possible to interact, talk with co-workers, customers and other parties - in a virtual space, thanks to modern remote communication technologies. After expressing her gratitude to the IT Department, the Human Capital Department, the Crisis Committee, the CEO and all of the Bank's personnel who, through their hard work, have made it possible to carry out this rapid reorganisation without affecting business continuity, the Chairperson emphasises that the COVID-19 emergency has also highlighted how much, no matter who you are, people's health is a fundamental asset and an interest of collective importance. As such, it is the prerequisite for the prosperity and positive growth of any entity. Banca Sistema - in its various roles as intermediary bank, listed issuer, employer, counterparty and point of contact for authorities, other intermediaries and customers - intends to be a driver for change in order to achieve those objectives, including through the future adoption of a sustainability report.

The Chairperson reports that, like the previous years, 2019 was also a rich year of activities for the Bank, translating into very positive results, as the data that will be illustrated shortly by the CEO demonstrates. In particular, in the salary- and pension-backed loans sector, the acquisition of and merger with Atlantide S.p.A. has been completed, and direct operations in this sector have commenced. The Bank's workforce has consequently grown from 183 (one hundred and eighty three) to 215 (two hundred and fifteen) employees. A website dedicated to the QuintoPuoi product has been developed as a modern and structured asset to support innovative digital marketing and lead generation activities.

The Chairperson recalls that the acquisition of the collateralised lending business unit of Intesa Sanpaolo was announced at the end of the year, thanks to which ProntoPegno S.p.A. (a company of the Banca Sistema Group) will be able to take a significant step forward to become the principal banking operator in this market, with a strong social value, as demonstrated by the news and images published in the press in recent days. The Chairperson declares that she is confident that the Bank has all of the right resources and people, in addition to solid customer relations, to tackle the established business objectives and new challenges in this increasingly intense 2020.

Lastly, the Chairperson also thanks the Directors for their support in taking on and

facing the various challenges and the Statutory Auditors who are working with the company with constant and close attention.

The Chairperson then moves on to discuss the first item on the agenda:

1. Approval of the separate financial statements of Banca Sistema S.p.A. at 31 December 2019. Presentation of the Consolidated Financial Statements at 31 December 2019. Reports of the Directors, the Board of Statutory Auditors and the Independent Auditors. Relating and resulting resolutions.

The Chairperson notes that, at the meeting held on 11 March 2020, the Board of Directors approved the draft separate financial statements at 31 December 2019, and it is now necessary to proceed to their review and approval.

Said package, which includes the Independent Auditors' Report, the Board of Directors' Report, the Statement as set forth in article 154-bis, paragraph 5, of the Consolidated Law on Finance, and the Board of Statutory Auditors' Report, already made available to the shareholders and published under the terms of law on 30 March 2020, is attached to these minutes as Annex "B".

The Chairperson reminds the participants that the consolidated financial statements at 31 December 2019 were also drafted and approved by the Board of Directors at the meeting held on 11 March 2020: these too are submitted to today's Shareholders' Meeting accompanied by the Group Directors' Report and the Independent Auditors' Report.

At this juncture, the CEO, Gianluca GARBI, takes the floor in order to outline the principal data for the year 2019, also providing a brief presentation. The CEO notes that, as reported in the income statement, consolidated net profit was € 29,700,000.00 (twenty-nine million seven hundred thousand/00), with 9% (nine percent) growth year-on-year, with increasing net interest income. He notes that total income has reached € 100,900,000.00 (one hundred million nine hundred thousand/00), with 11% (eleven percent) growth on an annual basis. Operating costs are up by 20% (twenty percent), following the merger with Atlantide, which made it possible to start direct operations in the salary- and pension-backed loans sector, as previously recalled by the Chairperson. He specifies that the average return on equity was 18% (eighteen percent), and that although the decision on the dividend is deferred, as explained below, the proposed dividend is equal to € 0.093 (zero point zero ninety-three) per share.

As regards business performance, he noted that turnover in the factoring business grew by 27% (twenty-seven percent) and customers grew by 5.5% (five point five percent).

The CEO specifies that outstanding amounts on salary- and pension-backed loans have reached € 817,000,000.00 (eight hundred and seventeen million/00), with 25% (twenty-

five percent) growth in outstanding amounts on an annual basis. The outstanding amounts on collateralised loans also grew to € 12,000,000.00 (twelve million/00), with some 9,000 (nine thousand) individual underlying contracts.

From among the various transactions carried out during the course of the year, the CEO recalls the acquisition of and merger with Atlantide S.p.A. and the transfer of the collateralised lending business unit to ProntoPegno S.p.A., now an autonomous company 100%-owned by Banca Sistema. He notes that the divisionalisation project was also started, and ended at the beginning of this year, and that the acquisition of the Banca Intesa Group's collateralised lending business unit has been announced. He specifies that, as reported in the statement of financial position, the LCR and the Net Stable Funding Ratio are above regulatory levels.

He notes that the amount of retail funding represents 61% (sixty-one percent) of total funding. In terms of capital ratios, the CET1 Ratio and Total Capital Ratio are at 11.7% (eleven point seven percent) and 15% (fifteen percent), respectively. He specifies that, considering the reduction in the weightings that will derive from the implementation of the new CRR starting in 2021, they will become 13.9% (thirteen point nine percent) and 17.8% (seventeen point eight percent), respectively. He notes that, as regards turnover from factoring, growth was 27% (twenty seven percent). He emphasises that part of this growth, equivalent to 26% (twenty-six percent), was generated through commercial agreements entered into with other traditional banks and that tax receivables represent 18% (eighteen percent) of total turnover. Therefore, this is an increase, in terms of tax receivables, of 47% (forty-seven percent) on an annual basis.

On the other hand, as regards the other two segments in which the Bank operates in salary- and pension-backed loans, the CEO notes that the outstanding amounts grew by 25% (twenty-five percent), rising from € 652,000,000.00 (six hundred and fifty-two million/00) to € 817,000,000.00 (eight hundred and seventeen million/00), compared to € 500,000.00 (five hundred thousand/00) in 2017. He notes a growth trend that, in 2020, will very probably lead the Bank to more than double its position compared to 2017.

As regards the outstanding amounts on collateralised loans, he notes an increase from € 6,200,000.00 (six million two hundred thousand/00) in 2018 to € 11,300,000.00 (eleven million three hundred thousand/00) in 2019.

Moving on to the income statement, based on a line-by-line analysis looking at only the principal components, the CEO reports that, compared to the previous year, net interest income grew by 8% (eight percent), net fee and commission income grew by 5% (five percent), total income grew by 11% (eleven percent), net financial income grew by 9% (nine percent), and operating costs grew by 20% (twenty percent). Pre-tax

profit from continuing operations fell by 2% (two percent), and post-tax profit from continuing operations grew by 6% (six percent). In the end, the year's profit attributable to the owners of the Parent grew by 9% (nine percent).

As regards the statement of financial position, the CEO notes that there was a 4% (four percent) change in total assets, and a 19% (nineteen percent) change in total liabilities and equity.

Lastly, as a final comment on the COVID-19 emergency, the CEO proceeds to read an extract from the report on the financial statements, transcribed hereafter: "in the context of the COVID-19 epidemic emergency, the effect of the ongoing threat, which will have a negative impact on the country's economy and a foreseeable increase in public spending, particularly in the healthcare sector, is not currently expected to have a significant impact on the Group's activities in the short term, which by their nature are counter-cyclical. However, the situation will be continuously monitored, as indirect effects linked to a decrease in production by the transferor companies with which the Group works may be expected".

The Chairperson takes the floor and, after thanking the CEO for his presentation, proposes to those present that the reading of the draft financial statements, with the accompanying reports, including those of the Board of Statutory Auditors and Independent Auditors, and the statement referred to in article 154-bis, paragraph 5, of the Consolidated Law on Finance, be omitted, assuming that they have already been read and are known by all.

The Chairperson notes that the Shareholders' Meeting unanimously approves the aforementioned proposal.

With regard to the activity carried out by the Independent Auditors, as specified by the CONSOB Communication of 1996, in relation to the need to indicate an estimate of the hours required for the audit of the separate financial statements of Banca Sistema S.p.A. and the consolidated financial statements of the Banca Sistema Group, the Chairperson reports that said estimate is equivalent to about 3,450 (three thousand four hundred and fifty) hours. She reports that total fees due to the Independent Auditors currently stand at € 250,000.00 (two hundred and fifty thousand/00), plus VAT, expenses and supervisory contribution due to CONSOB.

At this juncture, having noted that nobody is asking to take the floor, the Chairperson, believing the information provided on the matter to be adequate, declares the discussion closed.

The Chairperson invites the Shareholders' Meeting to proceed with the approval of the separate financial statements of Banca Sistema S.p.A. at 31 December 2019, as made available at the registered office.

The Chairperson then reads the following resolution proposal:

"The Shareholders' Meeting of Banca Sistema S.p.A.,

resolves:

to approve the separate financial statements at 31 December 2019 of Banca Sistema S.p.A. that show a profit of € 29,955,723"

The Chairperson then invites the Shareholders' Meeting to vote on this resolution. The Chairperson requests me, the Notary, in my capacity as Secretary of the meeting, to ascertain the results of the vote on behalf of the Chairperson's Office:

Present: 75 (seventy-five) Shareholders representing 44,868,976 (forty-four million eight hundred and sixty-eight thousand nine hundred and seventy-six) ordinary shares with nominal amount of € 0.12 (zero point twelve) each, equivalent to 55.792575% (fifty-five point seven nine two five seven five percent) of the 80,421,052 (eighty million four hundred and twenty-one thousand and fifty-two) shares comprising the share capital, entirely subscribed and paid in.

In favour: 44,868,976

(forty-four million eight hundred and sixty-eight thousand nine hundred and seventy-six) ordinary shares, equivalent to 100% (one hundred percent) of the share capital represented at the Shareholders' Meeting.

Against: zero.

Abstained: zero.

Non-voting: zero.

The proposal is then unanimously approved by those present.

The Sheet with the details of the votes is attached to these minutes as Annex "C".

The Chairperson then moves on to discuss the **second item** on the agenda:

2. Allocation of the profit for the year 2019. Relating and resulting resolutions.

The Chairperson notes that, in a press release of 3 April last, it was made known that the Board of Directors of Banca Sistema, at its meeting of 3 April last, acknowledged the Bank of Italy's communication, published on 27 March 2020, in which, in the context of the COVID-19 emergency, it recommended, among other things, that banks *"not pay dividends, including the distribution of reserves, and make no irrevocable commitments to pay dividends for the financial years 2019 and 2020 at least until 1 October 2020"* in order to maximise their capital reserves.

In light of the foregoing and given the absolutely extraordinary and urgent situation, the Chairperson reports that, with a view to complying with the cited recommendation, at the aforementioned meeting the Board of Directors decided to present a new Report in relation to this Item 2 on the agenda to today's ordinary Shareholders' Meeting, instead of the one previously published on 30 March 2020.

The Chairperson then reads the aforementioned Report published on 3 March 2020.

"Dear Shareholders,

We refer to the proposed resolution submitted to the Ordinary Shareholders' Meeting, as described below, on the proposed allocation of the profit for 2019.

In the separate financial statements, Banca Sistema S.p.A. reported a profit for the year 2019 of € 29,955,723.45.

The Board of Directors, which met in an extraordinary meeting on 3 April 2020, having considered the recommendation published by the Bank of Italy on 27 March 2020, which was preceded by that of the European Central Bank on 27 March 2020, in response to the extraordinary emergency caused by the spread of COVID-19 and after careful evaluation, resolved to propose to this Ordinary Shareholders' Meeting that the profit for the year be allocated as follows:

- to dividend of € 7,479,157.84 for the 80,421,052 ordinary shares, equal to € 0.093 per share;

- the remainder of € 22,476,565.61 to retained earnings, noting that no allocation to the legal reserve was made since the limits set out in Article 2430 of the Italian Civil Code were reached.

The Board of Directors, during the meeting referred to above, also resolved to propose to this Ordinary Shareholders' Meeting that the decision and the resulting commitment on the payment of the dividend be postponed to the resolution of a new Shareholders' Meeting to be convened by the Board of Directors no earlier than 1 October 2020, in accordance with the supervisory provisions or other recommendations of the Supervisory Authorities".

Having finished reading, the Chairperson then opens the discussion.

At this juncture, Riccardo SISMONDI, on behalf of the shareholder Società di gestione delle partecipazioni in Banca Sistema S.r.l., takes the floor and requests that the aforementioned shareholder's request to defer the decision on the payment of the dividend to the resolution of a new Shareholders' Meeting to be convened by the Board of Directors no earlier than 1 October 2020, but in any case by the end of November 2020, be recorded in the minutes.

Having noted that there are no other requests to take the floor, the Chairperson, believing the information provided on the matter to be adequate, declares the discussion closed.

With no objections being made, the Chairperson then invites the Shareholders' Meeting to approve the following draft resolution, which is read out:

"The Ordinary Shareholders' Meeting of Banca Sistema S.p.A., pursuant to the decisions made during approval of the financial statements at 31 December 2019, resolves:

(i) to allocate the profit for the year 2019 of Banca Sistema S.p.A. equal to € 29,955,723.45 as follows:

- to dividend of € 7,479,157.84 for the 80,421,052 ordinary shares, equal to € 0.093 per share;

- the remainder of € 22,476,565.61 to retained earnings

in the manner and within the terms set forth by this Report. Please note that no allocation to the legal reserve was made since the limits set out in Article 2430 of the Italian Civil Code were reached;

(ii) to defer the decision on the payment of the dividend, and the consequent commitment, to the resolution of a new Shareholders' Meeting to be convened by the Board of Directors no earlier than 1 October 2020, in accordance with the supervisory provisions or other recommendations of the Supervisory Authorities".

The Chairperson then invites the Shareholders' Meeting to vote on this resolution, which also takes account of the request from the shareholder Società di gestione delle partecipazioni in Banca Sistema S.r.l., to supplement point (ii) of the proposed resolution as follows: "to defer the decision on the payment of the dividend to the resolution of a new Shareholders' Meeting to be convened by the Board of Directors no earlier than 1 October 2020, but in any case by the end of November 2020".

The Chairperson requests me, the Notary, in my capacity as Secretary of the meeting, to ascertain the results of the vote on behalf of the Chairperson's Office:

Present: 75 (seventy-five) Shareholders representing 44,868,976 (forty-four million eight hundred and sixty-eight thousand nine hundred and seventy-six) ordinary shares with nominal amount of € 0.12 (zero point twelve) each, equivalent to 55.792575% (fifty-five point seven nine two five seven five percent) of the 80,421,052 (eighty million four hundred and twenty-one thousand and fifty-two) shares comprising the share capital, entirely subscribed and paid in.

In favour: 44,868,976 (forty-four million eight hundred and sixty-eight thousand nine hundred and seventy-six) ordinary shares, equivalent to 100% (one hundred percent) of the share capital represented at the Shareholders' Meeting.

Against: zero.

Abstained: zero.

Non-voting: zero.

The proposal is then unanimously approved by those present.

The Sheet with the details of the votes is attached to these minutes as Annex "D".

The Chairperson then moves on to discuss the third item on the agenda:

3. Appointment of the Board of Statutory Auditors and its Chairperson. Relating and resulting resolutions.

The Chairperson recalls that today's Shareholders' Meeting is asked to appoint the members of the Board of Statutory Auditors, as the term of office of the statutory auditors appointed by the Shareholders' Meeting on 27 April 2017 is about to end,

upon the approval of the financial statements of Banca Sistema at 31 December 2019. The Chairperson also recalls that, pursuant to article 18.1 of the Articles of Association, the Board of Statutory Auditors comprises three standing auditors and two alternate auditors. In accordance with article 18.5 of the Articles of Association, the Shareholders' Meeting is called to appoint the Board of Statutory Auditors on the basis of lists presented by Shareholders.

The Chairperson recalls that lists which have a number of candidates equal to or greater than three must include candidates of a different gender, as specified in the Shareholders' Meeting notice of call, so as to allow the Board of Statutory Auditors to be set up in accordance with current laws regarding gender equality.

Having proposed that the reading of the entire Directors' Report in this item 3 of the agenda be omitted, the Chairperson ascertains that the Shareholders' Meeting unanimously approves said proposal.

The Chairperson proceeds, reporting that the following 2 (two) lists for the appointment of the Board of Statutory Auditors were submitted to the company's registered office by 30 March 2020:

List no. 1, submitted on 27 March 2020 by the shareholders Società di gestione delle partecipazioni in Banca Sistema S.r.l., Fondazione Sicilia and Fondazione Cassa di Risparmio di Alessandria, holders of 38.41% (thirty-eight point forty-one percent) of the share capital at the time the list was submitted, made up and ordered as follows.

Section I - Standing Auditors:

1. Lucia Abati;
2. Massimo Conigliaro;
3. Marziano Viozzi.

Section II - Alternate Auditors:

1. Daniela D'Ignazio;
2. Marco Armarolli.

List no. 2, submitted on 25 March 2020 by the shareholders Giorgio Cumin and the company City Club S.r.l., entirely owned by Mr. Cumin, jointly holding 2.51% (two point fifty-one percent) of the share capital at the time the list was submitted, made up and ordered as follows.

Section I - Standing Auditors:

1. Giorgio Cumin.

Section II - Alternate Auditors:

no candidates reported.

The Chairperson informs the Shareholders' Meeting that, subsequently, with a communication sent to Banca Sistema via certified email on 20 April last, the

shareholders Mr. Giorgio Cumin and the company City Club S.r.l., entirely owned by Mr. Cumin, jointly holding 2.51% (two point fifty-one percent) of the share capital, reported their intention to withdraw their list for the appointment of the members of the Board of Statutory Auditors, submitted on 25 March 2020, and declared that said list should be deemed not to have been submitted.

The Chairperson notes that the Bank has informed the market of this fact in due time through the publication of a press release on the same date, namely 20 April 2020. The Chairperson then clarifies that, for the purposes of this item on the agenda, list no. 2 cannot be taken into consideration.

She also notes that all of the Statutory Auditor candidates on list no. 1 have, under their own responsibility, certified that there are no grounds for their ineligibility or incompatibility, and that they meet the legal requirements for the office of Statutory Auditor and have delivered the list of the management and control positions they hold.

The Chairperson recalls that the lists, together with the accompanying documentation, were made available according to the terms and procedures provided for by the provisions in force, and therefore proposes that they not be read. The Chairperson notes that the Shareholders' Meeting unanimously approves the proposal.

The Chairperson also notes that pursuant to article 18 of the Bank's Articles of Association, in consideration of the withdrawal of list no. 2 by the relative shareholders, the Board of Statutory Auditors will be appointed as follows:

- a) all of the candidates are taken from the only list submitted to the Shareholders' Meeting (list no. 1) in the sequential order stated on the list;
- b) the Chairperson of the Board of Statutory Auditors will be voted on by legal majority.

In the light of all the above, the Chairperson declares the discussion to be open. At 11.01 am, Riccardo SISMONDI, on behalf of the shareholders Fondazione Sicilia and Fondazione Cassa di Risparmio di Alessandria, holders of 15.31% (fifteen point thirty-one percent) of the share capital, takes the floor and proposes that Mr. Massimo Conigliaro be appointed as Chairperson of the Board of Statutory Auditors in the absence of the minority list.

Having noted the aforementioned shareholders' request and that there are no other requests to take the floor, and believing the information provided on the matter to be adequate, the Chairperson declares the discussion closed.

In relation to the first part of this item 3 on the agenda of the ordinary Shareholder' Meeting, the Chairperson invites the participants to vote on list no. 1.

The Chairperson requests me, the Notary, in my capacity as Secretary of the meeting, to ascertain the results of the vote on behalf of the Chairperson's Office:

Present: 75 (seventy-five) Shareholders representing 44,868,976 (forty-four million eight hundred and sixty-eight thousand nine hundred and seventy-six) ordinary shares with nominal amount of € 0.12 (zero point twelve) each, equivalent to 55.792575% (fifty-five point seven nine two five seven five percent) of the 80,421,052 (eighty million four hundred and twenty-one thousand and fifty-two) shares comprising the share capital, entirely subscribed and paid in.

In favour: 37,550,527 (thirty-seven million five hundred and fifty thousand five hundred and twenty-seven) ordinary shares, equivalent to 83.69% (eighty-three point sixty-nine percent) of the share capital represented at the Shareholders' Meeting.

Against: 1 Shareholder representing 400 (four hundred) ordinary shares with nominal amount of € 0.12 (zero point twelve) each, equivalent to 0.0009% (zero point zero zero zero nine percent) of the share capital represented at the Shareholders' Meeting.

Abstained: 43 (forty-three) Shareholders representing 7,024,556 (seven million twenty-four thousand five hundred and fifty-six) ordinary shares with nominal amount of € 0.12 (zero point twelve) each, equivalent to 15.66% (fifteen point sixty-six percent) of the share capital represented at the Shareholders' Meeting.

Not voting: 2 (two) Shareholders representing 293,493 (two hundred and ninety-three thousand four hundred and ninety-three) ordinary shares with nominal amount of € 0.12 (zero point twelve) each, equivalent to 0.65% (zero point sixty-five percent) of the share capital represented at the Shareholders' Meeting.

The proposal is therefore approved by majority.

The Sheet with the details of the votes is attached to these minutes as Annex "E".

In light of the votes just cast and the provisions of the Articles of Association in force, the Chairperson notes that the new Board of Statutory Auditors is composed as follows:

Standing Auditors:

- **Lucia Abati**, born in Cesena on 25 June 1975, an Italian citizen, Tax Code BTA LCU 79H65 C573R, entered in the Register of Auditors under no. 145523 by virtue of the Ministerial Decree of 18 June 2007;

- **Massimo Conigliaro**, born in Catania on 25 December 1969, Tax Code CNG MSM 69T25 C351G, entered in the Register of Auditors under no. 77755 by virtue of the Ministerial Decree of 7 June 1999;

- **Marziano Viozzi**, born in Fara Gera d'Adda on 20 August 1946, Tax Code VZZ MZN 46M20 D490I, entered in the Register of Auditors under no. 60950 by virtue of the Ministerial Decree of 12 April 1995;

Alternate Auditors:

- **Daniela D'Ignazio**, born in Atri on 1 March 1978, Tax Code DGN DNL 78C41 A488H, entered in the Register of Auditors under no. 144470 by virtue of the Ministerial

Decree of 30 May 2007;

- **Marco Armarolli**, born in Busto Arsizio on 23 January 1973, Tax Code RMR MRC 73A23 B300L, entered in the Register of Auditors under no. 132243 by virtue of the Ministerial Decree of 29 April 2004,

all with address for service at the registered office, Italian citizens, who will remain in office for three financial years and specifically until the approval of the financial statements at 31 December 2022.

The Chairperson recalls that the CVs of the Statutory Auditors just appointed, the declaration that they meet the integrity, professionalism and independence requirements made pursuant to article 144-quater of the CONSOB Issuers' Regulations, and the list of other offices held, are appended to the minutes of this Shareholders' Meeting.

The Chairperson then invites the Shareholders' Meeting to vote on the proposal of the shareholders Fondazione Sicilia and Fondazione Cassa di Risparmio di Alessandria with regard to the appointment of Mr. Massimo Conigliaro to the office of Chairperson of the Board of Statutory Auditors.

The Chairperson declares the vote to be open and invites the shareholders to vote. The Chairperson requests me, the Notary, in my capacity as Secretary of the meeting, to ascertain the results of the vote on behalf of the Chairperson's Office:

Present: 75 (seventy-five) Shareholders representing 44,868,976 (forty-four million eight hundred and sixty-eight thousand nine hundred and seventy-six) ordinary shares with nominal amount of € 0.12 (zero point twelve) each, equivalent to 55.792575% (fifty-five point seven nine two five seven five percent) of the 80,421,052 (eighty million four hundred and twenty-one thousand and fifty-two) shares comprising the share capital, entirely subscribed and paid in.

In favour: 31,766,736 (thirty-one million seven hundred and sixty-six thousand seven hundred and thirty-six) ordinary shares, equivalent to 70.80% (seventy point eighty percent) of the share capital represented at the Shareholders' Meeting.

Against: zero.

Abstained: zero.

Non-voting: zero.

The proposal is approved by majority.

The Sheet with the details of the votes is attached to these minutes as Annex "F". Lastly, the Chairperson, on behalf of the entire Board of Directors, thanks the outgoing Standing Auditor Mr. Biagio Verde, for the much appreciated support and contribution that he has given the Bank over the last few years.

The Chairperson then moves on to discuss the fourth item on the agenda.

4. Determination of the remuneration of the Board of Statutory Auditors.

The Chairperson notes that, with the appointment of the Board of Statutory Auditors resolved under point 3) above in the agenda, it has become necessary, in accordance with art. 2402 of the Italian Civil Code, to determine the remuneration of this Board for the entire term of office.

In this regard, the Chairperson notes that the Board of Directors has not made a proposal but simply provided some information to take into consideration, as detailed in the Directors' Report, to which she refers.

The Chairperson informs the Shareholders' Meeting that the members of the Board of Statutory Auditors and of the Board of Directors, have been covered, since 31 December 2018, by a D&O insurance policy with a limit of liability of € 5,000,000.00 (five million/00) and an annual premium, in 2019, of € 16,000.00 (sixteen thousand/00).

At this juncture, the Chairperson proposes to omit the full reading of the Directors' Report in item 4 on the agenda, already made available to the public in accordance with the law. The Chairperson notes that the Shareholders' Meeting unanimously approves the aforementioned proposal. She then opens the discussion and asks if anyone intends to take the floor with regard to the determining of the remuneration of the new Board of Statutory Auditors.

At 11.07 am, Riccardo SISMONDI, on behalf of Società di gestione delle partecipazioni in Banca Sistema S.r.l., holder of 23.10% (twenty-three point ten percent) of the share capital, takes the floor and, having referred to the content of the communication sent to Banca Sistema on 6 April 2020 giving notice of intention to make a proposal in this regard, and providing the relative details - an intention that was made known by the Bank in a press release issued on the same date - and having noted what is stated in the Board of Directors' Report with regard to the growing complexity and intensity of the tasks assigned to the Board of Statutory Auditors to ensure compliance with supervisory provisions, proposes that the Shareholders' Meeting determine the Board of Statutory Auditors' annual remuneration, for the entire term of office, as follows:

- for the Chairperson: € 50,000.00 (fifty thousand/00);

- for each Standing Auditor: € 35,000.00 (thirty-five thousand/00);

in addition to the reimbursement of out-of-pocket expenses incurred in relation to their ordinary duties.

The Chairperson then opens the discussion. Having noted that there are no other requests to take the floor, and believing the information provided on the matter to be adequate, the Chairperson declares the discussion closed.

The Chairperson then invites the Shareholders' Meeting to vote on the proposal of the shareholder Società di gestione delle partecipazioni in Banca Sistema S.r.l.

The Chairperson requests me, the Notary, in my capacity as Secretary of the meeting,

to ascertain the results of the vote on behalf of the Chairperson's Office:

Present: 75 (seventy-five) Shareholders representing 44,868,976 (forty-four million eight hundred and sixty-eight thousand nine hundred and seventy-six) ordinary shares with nominal amount of € 0.12 (zero point twelve) each, equivalent to 55.792575% (fifty-five point seven nine two five seven five percent) of the 80,421,052 (eighty million four hundred and twenty-one thousand and fifty-two) shares comprising the share capital, entirely subscribed and paid in.

In favour: 42,548,891 (forty-two million five hundred and forty-eight thousand eight hundred and ninety-one) ordinary shares, equivalent to 94.83% (ninety-four point eighty-three percent) of the share capital represented at the Shareholders' Meeting.

Against: zero.

Abstained: 11 (eleven) Shareholders representing 2,320,085 (two million three hundred and twenty thousand and eighty-five) ordinary shares with nominal amount of € 0.12 (zero point twelve) each, equivalent to 5.17% (five point seventeen percent) of the share capital represented at the Shareholders' Meeting.

Non-voting: zero.

The proposal is approved by majority.

The Sheet with the details of the votes is attached to these minutes as Annex "G".

The Chairperson then moves on to discuss the fifth item on the agenda:

5. Approval of the first section (Remuneration Policies of the Banca Sistema Group for 2020) of the Report on the remuneration policy and remuneration paid: resolution pursuant to article 123-ter, paragraph 3-ter of Legislative Decree no. 58 of 24 February 1998 as amended and supplemented. Relating and resulting resolutions.

The Chairperson recalls that the issue of remuneration policies for Banks is governed by Bank of Italy Circular 285, as well as article 9.2 of the Bank's Articles of Association. The Shareholders' Meeting is then asked to approve this document, which contains the remuneration rules for the incentive system available to members of the Board of Directors, the General Manager and the Bank's other personnel.

At this juncture, the Chairperson makes reference to the extensive content of the Directors' Report, already made available to the public in accordance with the law. She then proposes to those present to omit the reading thereof. The Chairperson notes that the Shareholders' Meeting unanimously approves the aforementioned proposal.

She specifies that the "Remuneration Policies Document of the Banca Sistema Group for 2020" constituting the first section of the "Report on the remuneration policy and remuneration paid" pursuant to article 123-ter, paragraph 3, of the Consolidated Law on Finance, is attached to these minutes as Annex "H".

The Chairperson proceeds, recalling that as regards the ratio between the fixed and variable components of remuneration, the Shareholders' Meeting, in the session held

on 18 April 2019, approved an unchanged variable-fixed remuneration ratio of maximum 200% (two hundred percent) (ratio of 2:1) for the CEO and General Manager, in accordance with the provisions of the aforementioned Bank of Italy Circular 285 and in line with the resolutions already taken for the previous year, in relation to the role of special complexity and strategic importance for the Bank.

She also recalls that, in accordance with the provisions laid down by Bank of Italy Circular 285, "If the Shareholders' Meeting approves the increased limit, then there shall be no need to submit a new resolution to the Shareholders' Meeting in subsequent years, provided that the underlying premises, on the basis of which the increase was decided, nor the personnel to whom it refers or the amount of the limit itself, do not change".

She also points out that the 2020 Remuneration Policies of the Banca Sistema Group comply with the provisions concerning remuneration and incentive policies and practices, as verified by the Bank's Compliance Department, and as shown in the Report, which is attached to these minutes as Annex "I".

The Chairperson then opens the discussion. As nobody is asking to take the floor, the Chairperson, believing the information provided on the matter to be adequate, declares the discussion closed.

The Chairperson then invites the Shareholders' Meeting to approve the following draft resolution, which is read out:

"The ordinary Shareholders' Meeting of Banca Sistema S.p.A.,

- having examined the Remuneration Policies Document of the Banca Sistema Group for 2020 (first section of the Report on the remuneration policy and remuneration paid, pursuant to article 123-ter, paragraph 3 of Legislative Decree no. 58 of 24 February 1998) and the related annexes made available to the public pursuant to the applicable regulations;

- having also examined the Information Document of the Regulation relevant to the 2020 Policies prepared in accordance with article 84-bis of Consob Regulation no. 11971/99, implementing the provisions of article 114-bis of the Consolidated Law on Finance;

- having heard and approved the proposal of the Board of Directors concerning the 2020 Remuneration Policies of the Banca Sistema Group;

- having heard the information notice concerning the variable-fixed remuneration ratio at a maximum of 200% (ratio of 2:1) for the CEO and General Manager;

resolves

1) to approve the Remuneration Policies Document of the Banca Sistema Group for 2020 (first section of the Report on the remuneration policy and remuneration paid, pursuant to article 123-ter, paragraph 3 of Legislative Decree no. 58 of 24 February

1998);

2) to grant the Board of Directors, in the persons of the Chairperson of the Board of Directors and the CEO, the powers necessary to fully implement the aforesaid 2020 Remuneration Policies of the Banca Sistema Group, severally and with the authority to sub-delegate such powers - to be exercised in accordance with the application criteria described above, making any necessary amendment or addition for the subject matter resolved on to be implemented."

The Chairperson invites the Shareholders' Meeting to vote on this resolution, noting that pursuant to article 123-ter, paragraph 3-ter, of the Consolidated Law on Finance, resolutions on this issue that are voted on by the Shareholders' Meeting are binding. She also reports that under article 9.2 of Banca Sistema's current Articles of Association, the following higher quorum is required for the approval of the remuneration policies: if the Shareholders' Meeting is constituted with at least half of the share capital, as is the case today, the resolution is passed by the favourable vote of at least 2/3 (two thirds) of the share capital represented at the Shareholders' Meeting.

The Chairperson requests me, the Notary, in my capacity as Secretary of the meeting, to ascertain the results of the vote on behalf of the Chairperson's Office:

Present: 75 (seventy-five) Shareholders representing 44,868,976 (forty-four million eight hundred and sixty-eight thousand nine hundred and seventy-six) ordinary shares with nominal amount of € 0.12 (zero point twelve) each, equivalent to 55.792575% (fifty-five point seven nine two five seven five percent) of the 80,421,052 (eighty million four hundred and twenty-one thousand and fifty-two) shares comprising the share capital, entirely subscribed and paid in.

In favour: 64 (sixty-four) Shareholders, representing 42,548,891 (forty-two million five hundred and forty-eight thousand eight hundred and ninety-one) ordinary shares, equivalent to 94.83% (ninety-four point eighty-three percent) of the share capital represented at the Shareholders' Meeting.

Against: 11 (eleven) Shareholders representing 2,320,085 (two million three hundred and twenty thousand and eighty-five) ordinary shares with nominal amount of € 0.12 (zero point twelve) each, equivalent to 5.17% (five point seventeen percent) of the share capital represented at the Shareholders' Meeting.

Abstained: zero.

Non-voting: zero.

The proposal is approved by majority.

The sheet with the details of the votes is attached to these minutes as Annex "L".

The Chairperson then moves on to discuss the sixth item on the agenda:

6. Resolutions on the second section of the Report on the remuneration policy and

remuneration paid: resolution pursuant to article 123-ter, paragraph 6 of Legislative Decree no. 58 of 24 February 1998 as amended and supplemented. Relating and resulting resolutions.

The Chairperson notes that, in accordance with article 123-ter of the Consolidated Law on Finance, article 84-quater and Annex 3A, Schedule 7-bis of the Consob Issuers' Regulation and article 6 of the Code of Conduct adopted by the Corporate Governance Committee of Borsa Italiana S.p.A., the Board of Directors prepared and approved on 11 March 2020, on proposal of the Remuneration Committee, the Report on the remuneration policy and remuneration paid.

She notes that said Report, to which she refers, was made available to the public within the terms and in the manner set forth by applicable laws, including publication on the Bank's website.

The Chairperson proposes to omit the reading thereof.

The Chairperson notes that the Shareholders' Meeting unanimously approves.

The Chairperson also reports that Banca Sistema's Internal Audit Department has carried out audits to verify that the remuneration practices are being correctly applied to the approved policies and verify compliance with the legal framework applicable to the Banca Sistema Group in 2019; she specifies that the Internal Audit Department's Report is attached to these minutes as Annex "M".

The Chairperson also specifies that the Shareholders' Meeting is called, pursuant to article 123-ter, paragraph 6, of the Consolidated Law on Finance, to resolve for or against the content of Section II of the Remuneration Report. She specifies that pursuant to the above-mentioned article, the resolution is not binding.

The Chairperson then opens the discussion. As nobody is asking to take the floor, the Chairperson, believing the information provided on the matter to be adequate, declares the discussion closed.

With no objections being made, the Chairperson then invites the Shareholders' Meeting to approve the following draft resolution, which is read out:

"The ordinary Shareholders' Meeting of Banca Sistema S.p.A.,

- having acknowledged the Report on the remuneration policy and remuneration paid approved by the Board of Directors of the Bank on 11 March 2020, on proposal of the Remuneration Committee, which met on 10 March 2020, pursuant to article 123-ter of the Consolidated Law on Finance and article 84-quater and Annex 3A, Schedule 7-bis of the Issuers' Regulation

resolves

- to approve the Second Section of the Remuneration Report".

The Chairperson then invites the Shareholders' Meeting to vote on this resolution. The Chairperson requests me, the Notary, in my capacity as Secretary of the meeting,

to ascertain the results of the vote on behalf of the Chairperson's Office:

Present: 75 (seventy-five) Shareholders representing 44,868,976 (forty-four million eight hundred and sixty-eight thousand nine hundred and seventy-six) ordinary shares with nominal amount of € 0.12 (zero point twelve) each, equivalent to 55.792575% (fifty-five point seven nine two five seven five percent) of the 80,421,052 (eighty million four hundred and twenty-one thousand and fifty-two) shares comprising the share capital, entirely subscribed and paid in.

In favour: 64 (sixty-four) Shareholders, representing 42,548,891 (forty-two million five hundred and forty-eight thousand eight hundred and ninety-one) ordinary shares, equivalent to 94.83% (ninety-four point eighty-three percent) of the share capital represented at the Shareholders' Meeting.

Against: 11 (eleven) Shareholders representing 2,320,085 (two million three hundred and twenty thousand and eighty-five) ordinary shares with nominal amount of € 0.12 (zero point twelve) each, equivalent to 5.17% (five point seventeen percent) of the share capital represented at the Shareholders' Meeting.

Abstained: zero.

Non-voting: zero.

The proposal is approved by majority.

The sheet with the details of the votes is attached to these minutes as Annex "N".

The Chairperson then moves on to discuss the seventh item on the agenda:

7. Authorisation for the purchase and disposal of treasury shares. Relating and resulting resolutions.

The Chairperson notes that the Board of Directors has submitted a motion for the purchase of ordinary shares of Banca Sistema S.p.A., pursuant to article 2357 of the Italian Civil Code and article 132 the Consolidated Law on Finance, as well as articles 77 and 78 of Regulation (EU) no. 575/2013 ("CRR") and article 29, paragraph 4 of Delegated Regulation (EU) no. 241/2014 ("Regulation 241/2014"), according to the terms and in the manner indicated below, in compliance with article 144-bis of the CONSOB Issuers' Regulation, only in order to be able to pay key personnel with shares in the Bank, as a component of the variable portion of their remuneration, in application of the provisions of the *Remuneration Policies Document of the Banca Sistema Group for 2020 (first section of the Report)*, as approved.

The Chairperson recalls that the planned acquisition of treasury shares can only be implemented with authorisation from the Bank of Italy.

The Chairperson reminds the participants of the content of the Directors' Report, made available to the public in accordance with the law, and proposes to omit its reading. The Chairperson notes that the Shareholders' Meeting unanimously approves. The Chairperson then opens the discussion.

As nobody is asking to take the floor, the Chairperson, believing the information provided on the matter to be adequate, declares the discussion closed.

With no objections being made, the Chairperson then invites the Shareholders' Meeting to approve the following draft resolution, which is read out:

"Having heard and approved the report of the Board of Directors on item 7) of the agenda;

resolves

A) TO AUTHORISE the Board of Directors (i) to submit to the Bank of Italy the request for authorisation to repurchase treasury shares for an amount of no more than € 855,000 and (ii) to purchase fully paid-in ordinary treasury shares of the Bank, with a nominal amount of € 0.12 (zero point twelve) each, for a maximum number having a total nominal amount not exceeding € 855,000 and in any case in compliance with the limit of one fifth of the share capital. This equivalent value will be covered by the undistributable reserve provided by law called "Reserve for the future purchase of treasury shares".

The aforementioned authorisation is intended as granted for a period of no more than 18 (eighteen) months from today's date. Shares may be purchased, even in tranches, at a price of no less than 15% - and no more than 15% - of the price determined on the last business day of each week as average of the official closing price of the quotations of Banca Sistema shares for the last two weeks in the TARGET calendar prior to the date of determination of the average price. This minimum and maximum price will be valid for a period starting as from the day after the date on which the average price is determined to the date on which the new weekly price is determined (inclusive).

B) TO AUTHORISE the Board of Directors to dispose of the treasury shares of Banca Sistema S.p.A. by allocating such treasury shares as part of the variable remuneration paid to specific employees in compliance with the remuneration policies approved from time to time by the Shareholders' Meeting;

C) TO ESTABLISH that purchases may be made exclusively by trading ordinary Banca Sistema S.p.A. shares on the Stock Exchange, according to procedures that ensure equal treatment for all shareholders as set forth by article 132 of Legislative Decree no. 58/1998, and in compliance with applicable market laws and practices accepted by Consob pursuant to article 13 of Regulation (EU) no. 596/2014.

D) TO AUTHORISE AND INSTRUCT the CEO, with the authority to sub-delegate such powers, to submit to the Bank of Italy the request for authorisation to purchase treasury shares and carry out any transactions that may be necessary, including financial transactions, pertaining to or resulting from the implementation of the above resolutions, in compliance with the procedures set forth by applicable laws and

regulations, ensuring through management and control of the subsidiaries, that the latter do not carry out any transaction involving the shares of Banca Sistema S.p.A. so as to ensure full compliance with the maximum limit of one fifth of the share capital. The CEO may use the services of third parties to execute the above, signing contracts and appointing agents or attorneys for single acts or categories of acts."

Having requested the Chairperson's Office to verify that the wording that has been read fully corresponds with what emerges from the Report, with particular regard to the number of shares, namely 855,000 (eight hundred and fifty-five thousand), the Chairperson requests me, the Notary, in my capacity as Secretary of the meeting, to ascertain the results of the vote on behalf of the Chairperson's Office:

Present: 75 (seventy-five) Shareholders representing 44,868,976 (forty-four million eight hundred and sixty-eight thousand nine hundred and seventy-six) ordinary shares with nominal amount of € 0.12 (zero point twelve) each, equivalent to 55.792575% (fifty-five point seven nine two five seven five percent) of the 80,421,052 (eighty million four hundred and twenty-one thousand and fifty-two) shares comprising the share capital, entirely subscribed and paid in.

In favour: 41 (forty-one) Shareholders, representing 39,893,088 (thirty-nine million eight hundred and ninety-three thousand and eighty-eight) ordinary shares, equivalent to 88.91% (eighty-eight point ninety-one percent) of the share capital represented at the Shareholders' Meeting.

Against: 34 (thirty-four) Shareholders representing 4,975,888 (four million nine hundred and seventy-five thousand eight hundred and eighty-eight) ordinary shares with nominal amount of € 0.12 (zero point twelve) each, equivalent to 11.09% (eleven point zero nine percent) of the share capital represented at the Shareholders' Meeting.

Abstained: zero.

Non-voting: zero.

The proposal is approved by majority.

The sheet with the details of the votes is attached to these minutes as Annex "O".

At this juncture, with no other business to discuss in relation to the ordinary session of the Shareholders' Meeting, the Chairperson proceeds to the extraordinary session at 11.31 am.

The Chairperson then moves on to discuss the first item of today's extraordinary Shareholders' Meeting, and therefore the eighth item on the agenda.

8. Amendment to article 5 of the Articles of Association due to the introduction of the increase in voting rights, pursuant to article 127-quinquies of Legislative Decree no. 58 of 24 February 1998.

In this regard, the Chairperson recalls that the extraordinary Shareholders' Meeting

is convened to resolve on the proposal to amend article 5 of the Articles of Association of Banca Sistema in order to introduce the system of increased voting rights in compliance with article 127-quinquies of the Consolidated Law on Finance. She reports that on 21 April last the Bank of Italy communicated that the proposed amendments to the Articles of Association do not contradict the principle of sound and prudent management following the assessment procedure that Banca Sistema has implemented. Notice of the adoption of the aforementioned decision by the Bank of Italy was made known by the Bank in a press release issued on 21 April last.

In particular, the aforementioned Bank of Italy decision stated that any assessments as to whether the proposed amendments to the Articles of Association comply with the law made by the Notary or the Companies' Register Office remain without prejudice.

In the light of the above, as regards the proposal to amend article 5 of the current Articles of Association of Banca Sistema, the Chairperson notes that this proposal is aimed at taking the opportunity offered by article 127-quinquies of the Consolidated Law on Finance, which provides for the option - for all companies that have shares listed on a regulated market, and also for banks - to amend their Articles of Association to provide for the attribution of increased voting rights *"up to a maximum of two votes for each share held by the same shareholder for a continuous period of no less than twenty-four months from the date of entry"* in a specific list which must be held by the issuer.

She clarifies that the purpose of increased voting rights is to provide listed companies with a tool that encourages the development of a long-term entrepreneurial culture, where the benefit of increased voting rights is only given to "loyal shareholders" who choose to make long-lasting investments (that is, in the medium- to long-term) in the listed company, in contrast to so-called short-termism.

She notes that, in the opinion of the Board of Directors, the introduction of increased voting rights is in Banca Sistema's interest since, by encouraging medium/long-term equity investments in the Bank through the "rewards" associated with increased voting rights, it increases the stability of the shareholder structure and reinforces growth strategies over the long term, also supporting the sustained growth in value of its shares. The greater stability of the shareholder structure can also bring greater stability in governance terms, which opens up opportunities to pursue long-term strategic projects and goals more easily and limits the risk of facilitating and rewarding merely speculative transactions, also on the market.

More generally, the Board of Directors believes that the introduction of the increase in voting rights is especially fitting for banks because, given that shareholders and directors are more likely to take a longer term approach, it enables more effective sound and prudent management.

Lastly, with regard to this proposal to introduce increased voting rights, the Chairperson notes that the application of the provisions of article 19 of the Consolidated Law on Banking on qualifying equity investments and the required authorisations from the Supervisory Authorities in any case remains without prejudice. She then recalls that shareholders who, at the end of the period of 24 (twenty-four) months provided for by the new Articles of Association for the granting of increased voting rights, hold a qualifying equity investment, will have to submit a specific request for authorisation to the Supervisory Authority.

For further details on this proposal the Chairperson invites those present to refer to the content of the Directors' Report, already made available to the public in accordance with the law, which also contains the draft of the new wording of article 5 of the Articles of Association. She then proposes to omit the reading thereof.

The Chairperson then opens the discussion.

As nobody is asking to take the floor, the Chairperson, believing the information provided on the matter to be adequate, declares the discussion closed.

With no objections being made, the Chairperson then invites the Shareholders' Meeting to approve the following draft resolution, which is read out:

"The Shareholders' Meeting of Banca Sistema S.p.A.,

resolves

- to amend article 5 of the Articles of Association according to the wording contained in the Directors' Report;

- to grant the Board of Directors - and each individual member acting on its behalf - the fullest powers to implement the resolution referred to above and in particular to perform all publication formalities connected thereto, with the power to make any changes or additions to it as may be required for the purposes of entry in the Companies' Register or by the competent authorities."

She then invites the Shareholders' Meeting to vote on this resolution.

The Chairperson requests me, the Notary, in my capacity as Secretary of the meeting, to ascertain the results of the vote on behalf of the Chairperson's Office:

Present: 75 (seventy-five) Shareholders representing 44,868,976 (forty-four million eight hundred and sixty-eight thousand nine hundred and seventy-six) ordinary shares with nominal amount of € 0.12 (zero point twelve) each, equivalent to 55.792575% (fifty-five point seven nine two five seven five percent) of the 80,421,052 (eighty million four hundred and twenty-one thousand and fifty-two) shares comprising the share capital, entirely subscribed and paid in.

In favour: 29 (twenty-nine) Shareholders representing 37,550,527 (thirty-seven million five hundred and fifty thousand five hundred and twenty-seven) ordinary shares, equivalent to 83.69% (eighty-three point sixty-nine percent) of the share

capital represented at the Shareholders' Meeting.

Against: 46 (forty-six) Shareholders representing 7,318,449 (seven million three hundred and eighteen thousand four hundred and forty-nine) ordinary shares with nominal amount of € 0.12 (zero point twelve) each, equivalent to 16.31% (sixteen point thirty-one percent) of the share capital represented at the Shareholders' Meeting.

Abstained: zero.

Non-voting: zero.

The proposal is therefore approved with the majority required by article 2368, paragraph 2, of the Italian Civil Code.

The sheet with the details of the votes is attached to these minutes as Annex "P". The Chairperson then moves on to discuss the second and last item of the extraordinary Shareholders' Meeting, and therefore the ninth item on the agenda.

9. Amendment to articles 8, 9, 10, 11, 12, 14 (13 with new numbering), 18 (17 with new numbering), and 20 (19 with new numbering) of the Articles of Association; repeal of article 13 of the Articles of Association and consequent new numbering of articles 14 to 24 of the Articles of Association; introduction of new article 25 to the Articles of Association. Relating and resulting resolutions.

The Chairperson notes that the Board of Directors also deemed it appropriate to proceed with an overall review of Banca Sistema's current Articles of Association in order not only to take account of the introduction of increased voting rights as approved, but more generally to align the Articles of Association to the current shareholder structure, the standards of the articles of association of other listed banks and the market best practices.

She provides a summary of the further amendments, which concern:

- the removal of clauses attributable to the Bank's new shareholder structure following its listing;
- the amendments to the composition of the Board of Directors and to the list voting procedure governing the election both of members of the Board of Directors and of members of the Board of Statutory Auditors;
- alignment to the new provisions governing "gender balance";
- the removal of clauses that constitute a mere literal repetition of the Supervisory Provisions for Banks;
- the introduction of amendments made purely for coordination purposes, to rectify errors and/or incorrect references and cross-references and to achieve a more concise text;
- the introduction of a transitional clause as regards the provisions on the composition of the Board of Directors.

The Chairperson specifies, however, that the Bank's name, registered office, corporate purpose, duration and financial year end date remain unchanged.

For further details on this proposal the Chairperson invites those present to refer to the Directors' Report, already made available to the public in accordance with the law. She then proposes to omit the reading thereof. The Chairperson notes that the Shareholders' Meeting unanimously approves.

The Chairperson then opens the discussion.

As nobody is asking to take the floor, the Chairperson, believing the information provided on the matter to be adequate, declares the discussion closed.

The Chairperson then invites the Shareholders' Meeting to approve the following draft resolution, which is read out:

"The Shareholders' Meeting of Banca Sistema S.p.A.,

resolves

- to approve the amendments to articles 8, 9, 10, 11, 12, 14 (13 with new numbering), 18 (17 with new numbering), and 20 (19 with new numbering) of the Articles of Association, according to the wording contained in the Directors' Report;*
- to approve the repeal of article 13 of the Articles of Association and consequent new numbering of articles 14 to 24 of the Articles of Association;*
- to approve the addition of article 25 of the Articles of Association, in the version hereunder:*

"Article 25: transitional provisions with regard to the amendments approved by the extraordinary Shareholders' Meeting on 23 April 2020

25.1 The amendments to these Articles of Association, as approved by the extraordinary Shareholders' Meeting on 23 April 2020, shall be effective as of the date of approval subsequent to the fulfilment of the authorisation and publication requirements established by law, save as provided by art. 25.2 below.

25.2 The amendments to art. 10 of these Articles of Association, as approved by the extraordinary Shareholders' Meeting on 23 April 2020, shall be effective as of the date of publication of the notice of call to the Shareholders' Meeting called to resolve on the first renewal of the Board of Directors after the date of that resolution.

25.3 The version of art. 10-bis transcribed below shall apply on a transitional basis up to the date of entry into force of art. 25.2 above."

- To approve the addition of article 10-bis (Board of Directors) of the Articles of Association, which shall apply on a transitional basis up to the date of entry into force of article 25.2, all according to the wording contained in the Directors'*

Report;

- to grant the Chairperson and the CEO, also separately, the powers necessary to: (i) accept or make any changes or additions (provided that such changes do not modify the essential substance of the resolutions) that may be required for the resolutions to be filed at the Companies' Register; (ii) file and register these, pursuant to laws in force, with explicit advance approval and ratification of the resolutions adopted and the text of the Articles of Association, as amended above".

The Chairperson requests me, the Notary, in my capacity as Secretary of the meeting, to ascertain the results of the vote on behalf of the Chairperson's Office:

Present: 75 (seventy-five) Shareholders representing 44,868,976 (forty-four million eight hundred and sixty-eight thousand nine hundred and seventy-six) ordinary shares with nominal amount of € 0.12 (zero point twelve) each, equivalent to 55.792575% (fifty-five point seven nine two five seven five percent) of the 80,421,052 (eighty million four hundred and twenty-one thousand and fifty-two) shares comprising the share capital, entirely subscribed and paid in.

In favour: 29 (twenty-nine) Shareholders representing 37,550,527 (thirty-seven million five hundred and fifty thousand five hundred and twenty-seven) ordinary shares, equivalent to 83.69% (eighty-three point sixty-nine percent) of the share capital represented at the Shareholders' Meeting.

Against: 46 (forty-six) Shareholders representing 7,318,449 (seven million three hundred and eighteen thousand four hundred and forty-nine) ordinary shares with nominal amount of € 0.12 (zero point twelve) each, equivalent to 16.31% (sixteen point thirty-one percent) of the share capital represented at the Shareholders' Meeting.

Abstained: zero.

Non-voting: zero.

The proposal is therefore approved with the majority required by article 2368, paragraph 2, of the Italian Civil Code.

The sheet with the details of the votes is attached to these minutes as Annex "Q".

* * * * *

At this juncture, the Chairperson thanks all of those present for their participation and thanks the Shareholders for the resolutions adopted.

Then, with no other business to discuss, the meeting is closed at approximately 11.49 am.

The Articles of Association are attached to these minutes as Annex "R".

* * * * *

These minutes are signed by me, the Notary, on eleven May two thousand and twenty. Written using an electronic system by a person whom I trust and completed by me, the

Notary, by hand. This document comprises seventeen sheets, totalling thirty-three incomplete pages.

Elenco Interventuti (Tutti ordinati cronologicamente)

Assemblea Ordinaria/Straordinaria

ALLEGATO "A" AL	
N. 5822	DI REP.
N. 2786	DI RACC.

Badge	Titolare		Ordinaria	Straordinaria
	Tipo Rap.	Deleganti / Rappresentati legalmente		

Badge	Titolare	Tipo Rap.	Deleganti / Rappresentati legalmente	Ordinaria	Straordinaria
1	SALA MARCO			4.000 0,004974%	4.000 0,004974%
2	SISMONDI RICCARDO			0	0
1	D SOCIETA' DI GESTIONE DELLE PARTECIPAZIONI IN BANCA SISTEMA SRL			18.578.900	18.578.900
2	D FONDAZIONE CASSA DI RISPARMIO DI ALESSANDRIA			6.361.731	6.361.731
3	D FONDAZIONE SICILIA			5.950.104	5.950.104
4	D CQ FINANCE SRL			1.183.670	1.183.670
5	D MALLO GIACOMO			244.730	244.730
6	D CAGNETTA VALENTINO			169.438	169.438
7	D CAVAZZUTI MARCELLO			101.017	101.017
8	D BALLARINI RITA			100.000	100.000
9	D BENNATI ILARIA			50.000	50.000
10	D TRUPIA ANDREA			47.950	47.950
11	D ZANZONI ISABELLA			30.000	30.000
12	D MUZ ALEXANDER			25.000	25.000
13	D RECH IVANO			20.000	20.000
14	D MINARDI MAURO			20.000	20.000
15	D MAZZOLA MARIO GIUSEPPE			10.000	10.000
16	D MURILLO MERILA			8.000	8.000
17	D FIORIO NICOLO' CARLO			6.431	6.431
18	D PAGANI CLAUDIO ANTONIO			5.000	5.000
19	D RIPAMONTI VITTORIO			3.000	3.000
20	D BANCHI LADERCHI UMBERTO			2.000	2.000
21	D DI PIERRO CARLO			1.250	1.250
22	D GENTILE GIUSEPPE			1.000	1.000
			Totale azioni	32.919.221 40,933587%	32.919.221 40,933587%
3	BEVILACQUA CHIARA			0	0
1	D GERANA SICAV-SIF, S.A.			13.480	13.480
2	D CC AND L US Q MARKET NEUTRAL ONSHORE FUND II			2.000	2.000
3	D CC&L Q MARKET NEUTRAL FUND			801	801
4	D WILSHIRE MUTUAL FUNDS INC - WILSHIR			19.754	19.754
5	D BOEING COMPANY EMPLOYEES RETIREMENT			208.436	208.436
6	D ENERGY CORP.RETIREMENT PLANS MASTER TR.			30.023	30.023
7	D SBC MASTER PENSION TRUST			80.317	80.317
8	D MIRF ARROWSTREET FOREIGNL			70.069	70.069
9	D MAN NUMERIC INT SMALL CAP TR			170.508	170.508
10	D PF INTERNATIONAL SMALL CAP FUND			54.623	54.623
11	D CLEARBRIDGE INTERNATIONAL SMALL CAP FUND			401.520	401.520
12	D RWSF CIT ACWIEUXUS			166.095	166.095
13	D ALASKA PERMANENT FUND CORPORATION			5.453	5.453
14	D CPA COP PSERS BATTERYMARCH FIN MGT			125.000	125.000
15	D FLORIDA RETIREMENT SYSTEM			481.924	481.924
16	D SOUTH CAROLINA RETIREMENT SYSTEMS GROUP TRUST			313.132	313.132
17	D GBVF GCIT INTL SM CAP OPP			14.700	14.700
18	D GRANDEUR PEAK GLOBAL CONTRARIA			59.271	59.271
19	D MUF LYXOR FTSE ITALIA MID CAP			251.270	251.270
20	D MUL - LYXOR ITALIA EQUITY PIR			10.411	10.411
21	D CONNOR, CLARKE & LUNN INVESTMENT MANAGEMENT			400	400

Elenco Interventuti (Tutti ordinati cronologicamente)

Assemblea Ordinaria/Straordinaria

Badge	Titolare		Ordinaria	Straordinaria
Tipo Rap.	Deleganti / Rappresentati legalmente			
22	D	MAN NUMERIC MULTI-STRATEGY MARKET NEUTRAL MASTER LTD CO NUMERIC INVESTORS LLC	239.200	239.200
23	D	MAN FUNDS XII SPC - MAN 1783 III SP MAPLES CORPORATE SERVICES LIMITED	54.293	54.293
24	D	METIS EQUITY TRUST	494.924	494.924
25	D	THE BOEING COMPANY EMPLOYEE SAVINGS PLANS MASTER TRUST	196.803	196.803
26	D	MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM	665.559	665.559
27	D	STATE TEACHERS RETIREMENT SYSTEM OF OHIO	290.306	290.306
28	D	DFA INTERNATIONAL SMALL CAP VALUE PNS GROUP INC	826.876	826.876
29	D	JOHN HANCOCK FUNDS II INTERNATIONAL SMALL COMPANY FUND	23.962	23.962
30	D	POLAR CAPITAL FUNDS PLC	425.000	425.000
31	D	THE ARROWSTREET COMMON CONTRACTUAL FUND	184.562	184.562
32	D	ISHARES VII PLC	22.476	22.476
33	D	OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM	22.385	22.385
34	D	AQR FUNDS-AQR MULTI-ASSET FUND	3.556	3.556
35	D	BRIGHTHOUSE F TR II - BRIGHTHOUSE/DIM INT SMALL COMPANY PTF	9.271	9.271
36	D	MERCER GE INTERNATIONAL EQUITY FUND	95.626	95.626
37	D	KP INTERNATIONAL EQUITY FUND	59.150	59.150
38	D	MARYLAND STATE RETIREMENT & PENSION SYSTEM	3.740	3.740
39	D	WISDOMTREE DYNAMIC CURRENCY HEDGED INTRNL SMALLCAP BQ	18.601	18.601
40	D	WISDOMTREE EUROPE SMALLCAP DIVIDEND FUND	292.236	292.236
41	D	WISDOMTREE EUROPE HEDGED SMALLCAP EQUITY FUND	18.942	18.942
42	D	PACIFIC SELECT FUND INTERNATIONAL SMALL-CAP PORTFOLIO	300.000	300.000
43	D	MAGALLANES MICROCAPS	1.740.305	1.740.305
44	D	ALLIANZ AZIONI ITALIA ALL STARS	400.000	400.000
45	D	LAZARD/WILMINGTON COLLECTIVE TRUST	47.716	47.716
46	D	ARROWSTREET (CANADA) INTERNATIONAL DEVELOPED MARKET EX US FUND I	38.791	38.791
47	D	ARROWSTREET (CANADA) GLOBAL WORLD SMALL CAP FUND II	105.287	105.287
Totale azioni			9.058.754 11,264158%	9.058.754 11,264158
4	GIRELLO ANNA		10.461	10.461
1	D	GARBI GIANLUCA	426.087	426.087
2	D	GARBIFIN SRL	435.453	435.453
Totale azioni			872.001 1,084294%	872.001 1,084294
5	CUMIN GIORGIO		107.112	107.112
1	R	CITY CLUB S.R.L.	1.907.888	1.907.888
Totale azioni			2.015.000 2,505563%	2.015.000 2,505563

Elenco Interventuti (Tutti ordinati cronologicamente)

Assemblea Ordinaria/Straordinaria

Badge	Titolare		Ordinaria	Straordinaria
	Tipo Rap.	Deleganti / Rappresentati legalmente		
		Totale azioni in proprio	121.573	121.573
		Totale azioni in delega	42.839.515	42.839.515
		Totale azioni in rappresentanza legale	1.907.888	1.907.888
		TOTALE AZIONI	44.868.976	44.868.976
			55,792575%	55,792575%
		Totale azionisti in proprio	3	3
		Totale azionisti in delega	71	71
		Totale azionisti in rappresentanza legale	1	1
		TOTALE AZIONISTI	75	75
		TOTALE PERSONE INTERVENUTE	5	5



Legenda:

D: Delegante R: Rappresentato legalmente

FINANCIAL

STATEMENTS

AND REPORTS

FOR

2019

BANCA
SISTEMA
CONTEMPORARY BANK

Banca SISTEMA Group

**DRAFT CONSOLIDATED
FINANCIAL STATEMENTS
AT 31 DECEMBER 2019**

BANCA
S I S T E M A

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DIRECTORS' REPORT
AT 31 DECEMBER 2019

COMPOSITION OF THE PARENT'S MANAGEMENT BODIES

Board of Directors

Chairperson	Ms.	Luitgard Spögler ¹
Deputy Chairperson	Mr.	Giovanni Puglisi (<i>Independent</i>)
CEO and General Manager	Mr.	Gianluca Garbi
Directors	Mr.	Daniele Pittatore (<i>Independent</i>)
	Ms.	Carlotta De Franceschi (<i>Independent</i>)
	Ms.	Laura Ciambellotti (<i>Independent</i>)
	Mr.	Federico Ferro Luzzi (<i>Independent</i>)
	Mr.	Francesco Galietti (<i>Independent</i>)
	Mr.	Marco Giovannini (<i>Independent</i>)

Board of Statutory Auditors

Chairperson	Mr.	Massimo Conigliaro
Standing Auditors	Mr.	Biagio Verde
	Ms.	Lucia Abati
Alternate Auditors	Mr.	Marco Armarolli
	Ms.	Daniela D'Ignazio

Independent Auditors

BDO Italia S.p.A.

Manager in charge of financial reporting

Mr. Alexander Muz

¹ Meets the independence requirement pursuant to art. 147-ter, paragraph 4, and art. 148, paragraph 3 of Legislative Decree no. 58 of 24 February 1998, but it also does not meet the provisions of art. 3, application criteria 3.c.1.b and 3.c.2 of the Code of Conduct issued by Borsa Italiana.

COMPOSITION OF THE INTERNAL COMMITTEES

Internal Control and Risk Management Committee

Chairperson	Ms.	Laura Ciambellotti
Members	Ms.	Carlotta De Franceschi
	Mr.	Federico Ferro Luzzi
	Mr.	Daniele Pittatore

Appointments Committee

Chairperson	Mr.	Federico Ferro Luzzi
Members	Mr.	Marco Giovannini
	Ms.	Luitgard Spögler

Remuneration Committee

Chairperson	Mr.	Giovanni Puglisi
Members	Mr.	Francesco Galietti
	Mr.	Marco Giovannini

Ethics Committee

Chairperson	Mr.	Giovanni Puglisi
Members	Ms.	Carlotta De Franceschi
	Mr.	Federico Ferro Luzzi

Supervisory Body

Chairperson	Mr.	Massimo Conigliaro
Members	Mr.	Daniele Pittatore
	Mr.	Franco Pozzi

FINANCIAL HIGHLIGHTS AT 31 DECEMBER 2019

Statement of financial position data (€,000)

Total Assets		3,730,081	18.6%	31 Dec 19
		3,144,903		
Securities Portfolio		991,560	34.0%	31 Dec 18
		739,880		
Loans - Factoring		1,714,661	9.5%	
		1,566,613		
Loans - Salary-backed loans and SME		829,227	22.0%	
		679,589		
Funding - Banks and REPOs		845,429	-3.4%	
		875,016		
Funding - Term Deposits		1,325,794	38.4%	
		958,193		
Funding - Current Accounts		681,577	3.7%	
		657,082		

Income statement data (€,000)

Net interest income		80,694	8.2%
		74,565	
Net fee and commission income		16,068	5.3%
		15,255	
Total Income		100,913	10.8%
		91,085	
Personnel Expenses		(23,166)	16.4%
		(19,908)	
Other administrative expenses		(22,939)	9.5%
		(20,954)	
Profit for the year		29,719	9.4%
		27,167	

Performance Indicators

Cost/Income		50.0%	8.0%
		46.3%	
ROAE		18.0%	-16.4%
		21.5%	

SIGNIFICANT EVENTS FROM 1 JANUARY TO 31 DECEMBER 2019

On 5 February 2019, following the exercise of the put option by Banca Sistema, the shares of Axactor Italy S.p.A. were sold to Axactor Holding S.r.l., with registered office in Cuneo, for a total price of € 2,399,413.36, equal to approximately 8.42% of the share capital, as part of the shareholders' agreement signed on 28 June 2016.

On 22 February 2019, the shareholders of Banca Sistema, Società di Gestione delle Partecipazioni in Banca Sistema S.r.l., Fondazione Sicilia and Fondazione Cassa di Risparmio di Alessandria (jointly, the "Foundations" and, together with SGBS, the "Parties") agreed to amend the shareholders' agreement they signed on 29 June 2018, which became effective on 2 July 2018 and will expire on 1 July 2020 (the "Agreement"). Also under the new agreement, no shareholder exercises individual control over the Bank.

On 13 March 2019, the Bank received authorisation from the Bank of Italy to acquire and subsequently merge Atlantide S.p.A., a financial intermediary pursuant to article 106 of the Consolidated Law on Banking, which is active in the granting of salary- and pension-backed personal loans. The acquisition was completed on 3 April 2019. Subsequently, on 18 June 2019, the merger of Atlantide S.p.A. into Banca Sistema S.p.A. was finalised and became effective on 30 June 2019.

On 13 May 2019, the Bank sold all its equity investments:

- equal to 19.90% of the share capital of ADV Finance S.p.A. to Top Partecipazioni S.r.l. for a price of € 619,806;
- equal to 19.90% of the quota capital of Procredit S.r.l. to ADV Finance S.p.A. for a price of € 158,205.

On the same date, the investment agreements related to the two equity investments were terminated.

On 23 May 2019, Banca Sistema issued a Tier II subordinated bond. The € 6 million bond, placed with an institutional investor (private placement), has a 10-year maturity with a fixed coupon of 7% and an early redemption option following a regulatory event.

On 26 June 2019, the Bank of Italy issued authorisation to ProntoPegno S.p.A., a wholly-owned subsidiary of the

Bank, to engage in the activities referred to in art. 106 of the Consolidated Law on Banking. The company was thus authorised to grant collateralised loans to the public. Subsequently, on 23 July 2019, the deed of transfer of Banca Sistema's "Collateralised Lending" business unit to the subsidiary ProntoPegno S.p.A. was signed. The transfer became effective beginning on 1 August 2019, the date the company was entered in the register pursuant to art. 106 of the Consolidated Law on Banking and began operating. The transferred business unit, with total assets of approximately € 8 million, is almost entirely made up of collateral-backed loans and includes 11 employees and 6 branches. The business unit, which was appraised by an expert commissioned to prepare the report pursuant to art. 2343 ter, paragraph 2, letter b) of the Italian Civil Code, was valued at € 4.66 million. The transfer of the collateralised lending business to a separate company will make it possible to capitalise on the growth opportunities that have already been identified in the two years since the business was launched. On 30 August 2019, in accordance with the required authorisation by the Bank of Italy, Banca Sistema introduced a treasury share purchasing programme with the aim of creating a "stock of treasury shares" to be used to pay for part of the variable remuneration assigned to "key personnel" on the basis of the remuneration and incentive policies approved by the Shareholders' Meeting. The programme ended on 12 September 2019 when it reached the maximum limit of € 300,000 in shares authorised by the Bank of Italy.

On 17 September 2019, the third securitisation of Banca Sistema's CQS portfolio (Salary- and Pension-Backed Loans), Quinto Sistema Sec. 2019, began with the issue of three classes of partly-paid asset-backed securities (ABS) by Quinto Sistema Sec. 2019, a special purpose vehicle set up pursuant to Law 130/99. The securities issued had an initial value of approximately € 152 million, which can be increased through the partly-paid mechanism up to a maximum of € 780 million. As with previous transactions, securities can be used by Banca Sistema for refinancing transactions with institutional investors. Then, once a

rating has been obtained, senior-class securities may also be used for refinancing transactions with the ECB, in particular TLTRO III transactions.

As such, the Bank will have access to up to € 295 million under the new TLTRO III programme. The availability period has been set at 3 years from the date the company takes part in the auction (the last auction is in March 2021), while the rate is set at 0%.

On 27 September 2019, the Bank completed the placement of the second tranche of the subordinated Tier II bond issue (2019-2029) equal to € 12 million. The first tranche was issued in May with the simultaneous early redemption of the subordinated lower tier 2 loan (2012-2022), in accordance with the authorisation issued by the Bank of Italy on 16 August 2019. The new bond was completely subscribed by an institutional investor (private placement).

On 12 November 2019, the liquidity provider mandate started on 13 November 2018 and carried out by Intermonte SIM, an independent intermediary that trades the shares of Banca Sistema in its own name to support the liquidity of the security, was extended. The mandate

will continue for a further three months, until 12 February 2020, under the same conditions as before.

On 18 November 2019, the Bank entered into a binding agreement to acquire the collateralised lending business unit of the Intesa Sanpaolo Group. The business unit, which is profitable, consists of loans and receivables amounting to approximately € 60 million, six branches (Turin, Naples, Florence, Mestre, Parma and Civitavecchia) and employees. Loans, which have remained stable over the last two years, have generated total income of approximately € 9 million per year. Through this acquisition, the Group, while continuing to focus on assets with high returns and low risk, has taken a significant step forward in this business and has strengthened its market position. The business unit's six branches will join those of ProntoPegno thereby guaranteeing increased geographical diversification. The transaction, valued at € 34 million including goodwill, will be carried out by the subsidiary ProntoPegno, which will be adequately capitalised. A number of banking foundations will become shareholders of ProntoPegno without compromising Banca Sistema's control of the company.

THE MACROECONOMIC SCENARIO

Italy's gross domestic product remained relatively constant in the last few months of 2019 due in large part to the crisis in the manufacturing sector. There was a decrease in investment, especially in capital goods. Surveys carried out by ISTAT show that orders and foreign demand were positive, although there is still growing uncertainty in the economy due to heightened trade tensions.

In the final months of 2019, household consumption increased thanks to the increase in disposable income. Household purchasing power increased by 0.3% while the propensity to save held steady at around 9%. Italian household debt as a percentage of disposable income decreased and is well below the average for the Euro Area (61.7%). The average cost of new mortgages to households for the purchase of new homes decreased (1.4% in November).

Exports in the first quarters of 2019 were also affected by weak growth in world trade (down 0.1%, mainly sales of services), but in the last quarter, exports of goods to both EU and non-EU countries grew.

Imports increased by 1.3% in volume terms. In 2019, the current account surplus widened compared to the previous year due to the increase in the surplus of assets.

The number of people employed increased, especially in the private sector, as did the number of working hours per employee. As a result, the employment rate rose to 59.2% and the unemployment rate fell to 9.7%.

Inflation continued to be very low due to the effect of energy prices. Consumer price inflation increased to 0.5% in December as a result of the acceleration in food prices. Core inflation remained low (0.6% in December). The cost of household credit decreased significantly. Business lending contracted slightly, in line with the weakness in demand. Loans to businesses declined, particularly to small businesses and primarily in the construction sector. There was a slight decrease in general government debt. The impact of new non-performing loans on total loans granted by banking groups continued to decline (to 1.2%) especially in the services and construction sectors. The return on equity increased to 7.9% compared to 7.0% in 2018.

Overall, the picture described in the Bank of Italy's Economic Bulletin predicts modest but gradually recovering growth in world trade which could lead to a steady increase in GDP over the next three years. The main risks to this scenario are still significant and are mainly related to increasing geopolitical uncertainty.

The Italian factoring market

According to preliminary sector data published by Assifact, in the year just ended the market recorded volume growth of 6.44%, well above the expectations of specialised observers and all the more significant if we consider that 2018 closed with an increase of 8.07%. This acceleration, most of which occurred in the first half of the year, is partly due to high-value transactions carried out by some operators with retail debtors which made it possible to achieve a total turnover of over € 255 billion (14.5% of GDP). Without recourse factoring is by far the most common form of factoring used by the market, accounting for 78% of total turnover versus 22% for recourse factoring transactions. In terms of amounts outstanding, these percentages do not vary much (73% versus 27%), thereby confirming that the assigning customers prefer completing assignments by hedging the risk associated with the assigned debtors.

Receivables turnover is at a slightly better level than last year due to a small reduction in average collection times. In fact, the outstanding amounts (loans and receivables to be collected as at 31 December 2019 totalling € 66.2 billion) were down 2.11% compared to 2018. The advance payments/consideration on assignments, amounting to € 54.5 billion, are, on the other hand, essentially unchanged from the previous year. The proportion of advances to outstanding receivables (81.23% compared to 80.81% in 2018) allows banks/intermediaries to maintain a conservative margin for any possible credit dilution risks.

Unlike the trend in bank loans, which was severely affected by the prolonged economic crisis that began in 2007, factoring did not experience the same repercussions in terms of its business, which, by contrast, continued to grow at a rapid pace (turnover steadily increased from € 120 billion in 2007 to the current € 255 billion), thus proving its resilience to negative economic cycles.

The capacity of the sector to support businesses even during the downward phase of the cycle is related to the operators' unique approach to managing risks, as

evaluation is not limited to the party being financed, but mainly the quality of the receivables acquired and the solvency of the assigned debtors are also considered. The particular attention paid to the management of purchased or financed receivables and the constant monitoring of collections ensure that risk is kept at much lower levels than those of traditional bank loans.

The sector's low level of risk is also confirmed by Assifact's estimates: at the end of 2019, gross non-performing loans decreased again to 4.44% of outstanding receivables (6.33% in 2018), of which 0.95% (1.69% in 2018) related to past due exposures, 1.66% (1.87% in 2018) were unlikely to pay, and 1.83% (2.78% in 2018) were bad exposures. Net of adjustments, non-performing loans stood at 2% (3.10% in 2018), considerably lower than those reported by commercial banks in their financing.

Factoring represents an important opportunity available to the business world - especially small and medium-sized enterprises - that provides access to essential sources of financing necessary for ensuring financial support for business continuity and growth.

The range of services offered (credit management, risk hedging and credit collection, just to name a few) and the excellent level of expertise attained over the years by factoring companies permit considerable simplification of supply relationships between the participants in the system despite the lack of structural changes in Italy.

Even large companies benefit considerably from factoring services: through without recourse factoring they are able to reduce working capital and improve their net financial position. They can also optimise the supply chain relationship with the various suppliers through Supply Chain Finance and reduce internal costs through the use of advanced technological platforms that banks/intermediaries can make available to them.

Through servicing, they also receive full support in managing relations with debtors - consider, for example, the Public Administration - thanks to the specific expertise and thorough monitoring guaranteed by the specialised

operators.

SMEs represent 60% of assignor companies and, with regard to economic sectors, 30% are manufacturers, 11% are commercial enterprises and 8% are construction companies.

In the Italian market, one of the most developed not only in Europe, but in the world, a significant share of turnover is made up of factored receivables due from the Public Administration with extremely long payment terms and complex bureaucratic procedures for recognising and reconciling the receivable.

According to estimates provided by Assifact, more than € 12.8 billion of outstanding receivables are due from Public Administration debtors, which is essentially in line with the previous year, representing 21% of all outstanding receivables. A total of 26% of receivables are due from entities of the National Health Service, 27% are due from the Central Authorities, and 19% are due from Territorial Entities, with the remainder of 28% due from Public Sector Entities.

The efforts made by the Government in recent years through the establishment of ad hoc funds aimed at rectifying the payment of certain, liquid and collectable pre-existing Public Administration debt, and the transposition of the EU regulation on late payments which exacerbated the amount of default interest for late payments beyond 60 days, have led to only a slight reduction in payment times by the Public Administration, which today stand at just under 90 days. In fact, on 28 January 2020, the European Court of Justice delivered a judgement against Italy for violating the directive. According to Assifact estimates, at the end of 2019 about 32% of the receivables due from the Public Administration were past due (in 2018, the past due amount was 34%). However, it should be noted that more than 65% of the past due amount is over one

year (a deterioration from 55% in 2018) and 22% from 90 days to one year (an improvement from 24% in 2018).

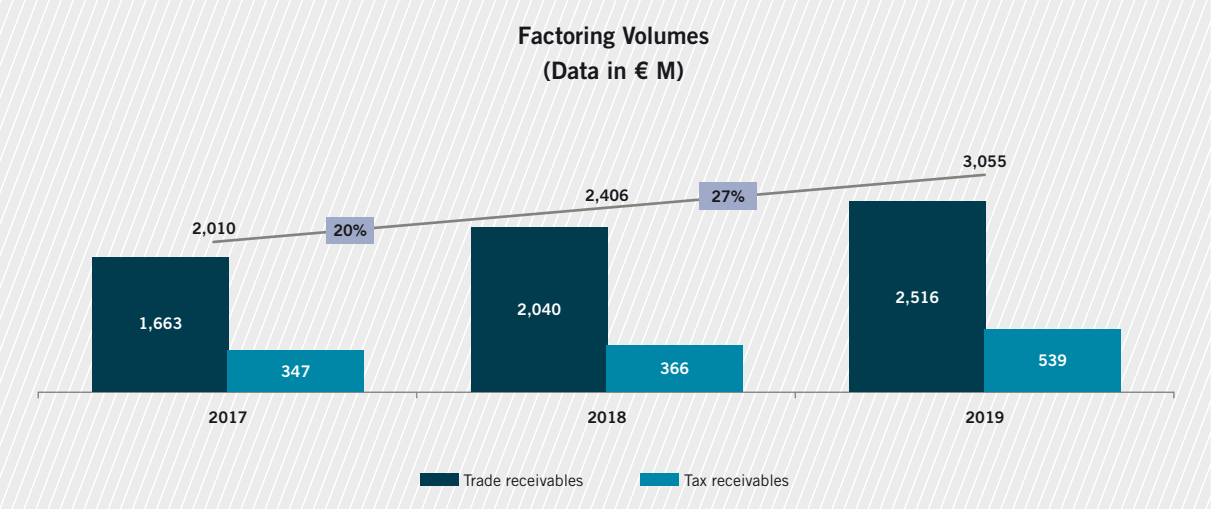
In order to speed up the payment of the debts accumulated by the Public Administrations, the Budget Law approved at the end of 2018 allows the Territorial Entities and the National Health Service Companies to obtain treasury advances from Cassa Depositi e Prestiti at a variable rate against payment deductions. Unlike Decree Law 35 of 2013, under which non-recurring advances were used to reduce the stock of debt with repayment up to a maximum of 30 years and which effectively allowed for a reduction of accumulated debts by approximately € 40 billion, the new measure has only served to reduce the time taken to pay current expenses but not to significantly reduce pre-existing stock since the advance has to be repaid within one year.

With regard to the "DoD", the new definition of default introduced by EBA which also includes receivables more than 90 days past due and whose application is expected to start on 1 January 2021, Assifact, the Association of Factoring Operators, conducted an impact study to assess its effects. Based on the findings that would demonstrate that past due items are of little relevance in identifying default with respect to traditional forms of financing, the Association has submitted a proposal to the Bank of Italy that aims to provide an interpretation of the rule that is more consistent with the business, focusing on commercial rather than financing transactions. The DoD is also being dealt with by the EU Federation for Factoring, which will soon put forward its own position to the competent authorities that is in line with that of Assifact.

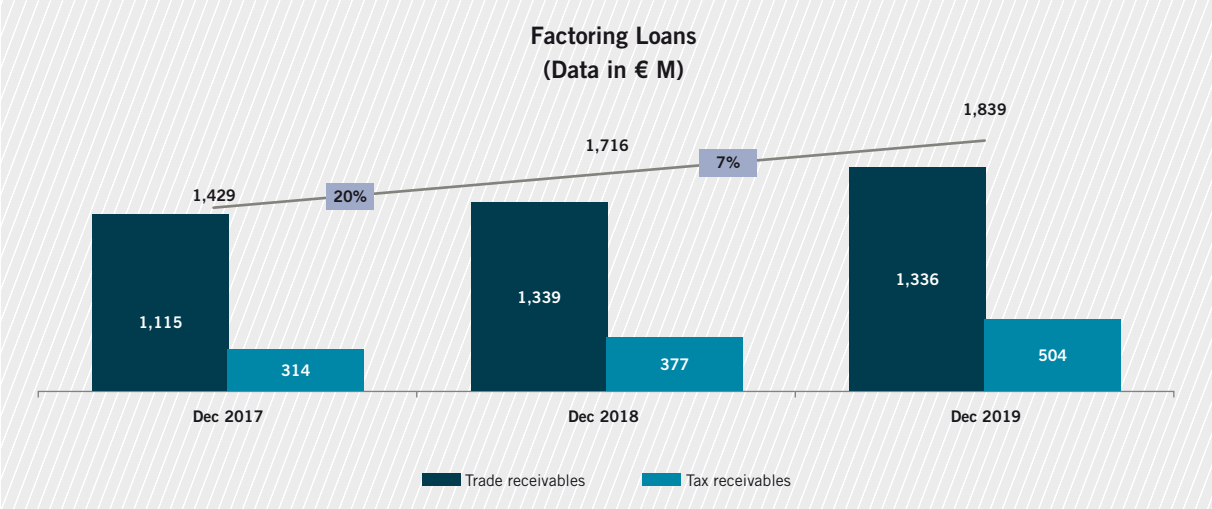
Even the Italian Banking Association (ABI) and the European Banking Association (EBA) are working on this issue to support Assifact's proposal to protect the low-risk business.

Banca Sistema and factoring activities

Total volumes for the year ended 31 December 2019 of the Banca Sistema Group were € 3,055 million, up 27% on 2018, thus continuing to confirm its ability to post solid year over year growth.

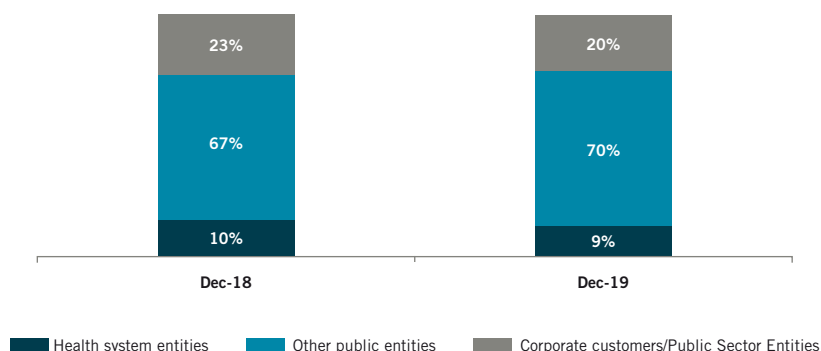


Loans as at 31 December 2019 amounted to € 1,839 million, up 7% on the € 1,716 million at 31 December 2018 mainly due to increased volumes acquired in 2019 compared to collections during the year.



The chart below shows the ratio of debtors to the total exposure in the loans and receivables portfolio at 31 December 2019

and 2018. The Group's core factoring business remains the Public Administration entities segment.



Volumes were generated through both its own internal commercial network, or through banks with which the Group has entered into distribution agreements.

In December 2019, existing distribution agreements accounted for 26% of total volumes. The following table shows the factoring volumes by product type:

PRODUCT (amounts in millions of Euro)	31.12.2019	31.12.2018	€ Change	% Change
Trade receivables	2,516	2,040	476	23%
<i>of which, without recourse</i>	<i>2,165</i>	<i>1,711</i>	<i>454</i>	<i>27%</i>
<i>of which, with recourse</i>	<i>351</i>	<i>329</i>	<i>22</i>	<i>7%</i>
Tax receivables	539	366	173	47%
<i>of which, without recourse</i>	<i>535</i>	<i>353</i>	<i>182</i>	<i>51%</i>
<i>of which, with recourse</i>	<i>4</i>	<i>13</i>	<i>(9)</i>	<i>-71%</i>
TOTAL	3,055	2,406	649	27%

In absolute terms, the growth in volumes derives mainly from the purchase of receivables from public debtors or debtors with similar risk.

SALARY- AND PENSION-BACKED LOANS AND QUINTOPUOI

At 31 December 2019, the Group had operated in the salary- and pension-backed loans segment mainly through the purchase of receivables generated by other specialist operators. Starting from the second quarter of 2019 following the acquisition of Atlantide, the Banca Sistema Group has expanded its retail offering with the direct origination of salary- and pension-backed loans through a new product, QuintoPuoi. QuintoPuoi is distributed through a network of 20 single-company agents and

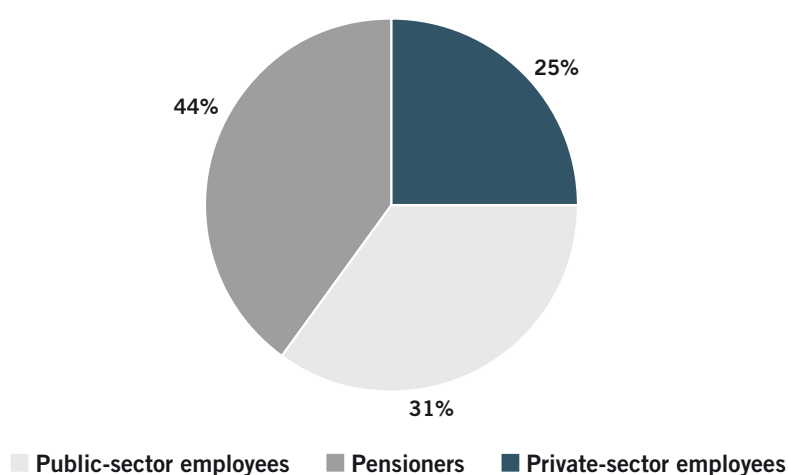
specialised brokers located throughout Italy and is supported by a dedicated structure within the Bank.

The volumes of acquired portfolios and directly originated receivables from the beginning of the year until December 2019 amounted to € 266 million, including private-sector employees (25%), pensioners (44%) and public-sector employees (31%). Therefore, over 75% of the volumes refer to pensioners and employees of Public Administration, which remains the Bank's main debtor.

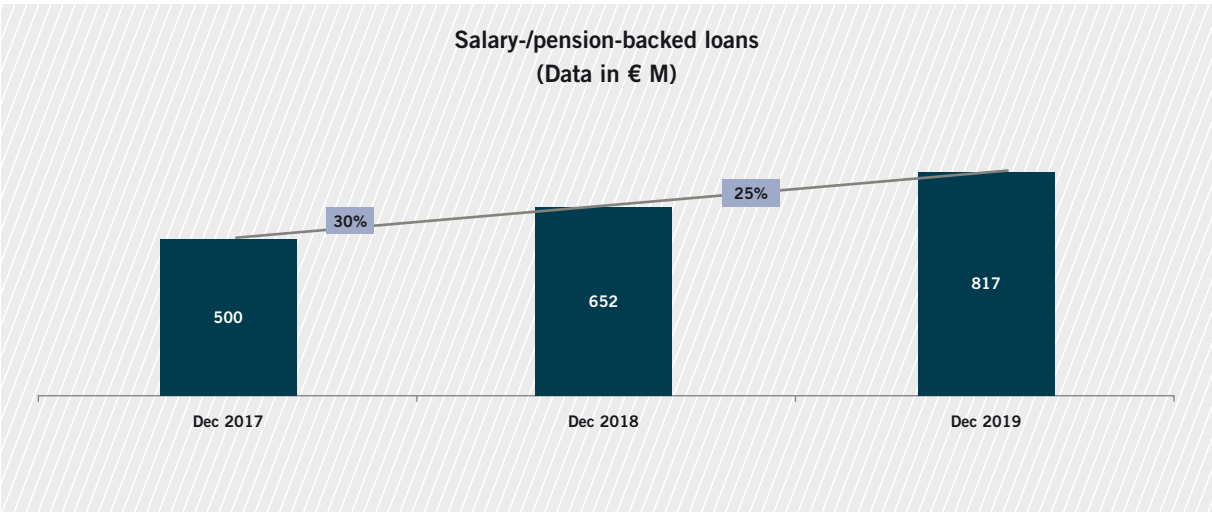
	31.12.2019	31.12.2018	€ Change	% Change
No. of applications	14,087	10,571	3,516	33%
<i>of which originated</i>	<i>1,047</i>	<i>-</i>	<i>na</i>	<i>na</i>
Volumes disbursed (millions of Euro)	266	212	54	26%
<i>of which originated</i>	<i>22</i>	<i>-</i>	<i>na</i>	<i>na</i>

As shown in the table, the amount disbursed at December 2019 is up compared to the amount disbursed at December 2018.

CQ disbursed volumes - Breakdown



The chart below shows the performance of outstanding loans in the salary-/pension-backed loans (CQS/CQP) portfolio:



COLLATERALISED LENDING AND PRONTOPEGNO

The Banca Sistema Group began working in the collateralised lending business at the beginning of 2017, combining the credentials of a solid bank with the advantages of a specialist that is continuously willing to innovate and grow to offer greater value to customers, in terms of professionalism and timeliness.

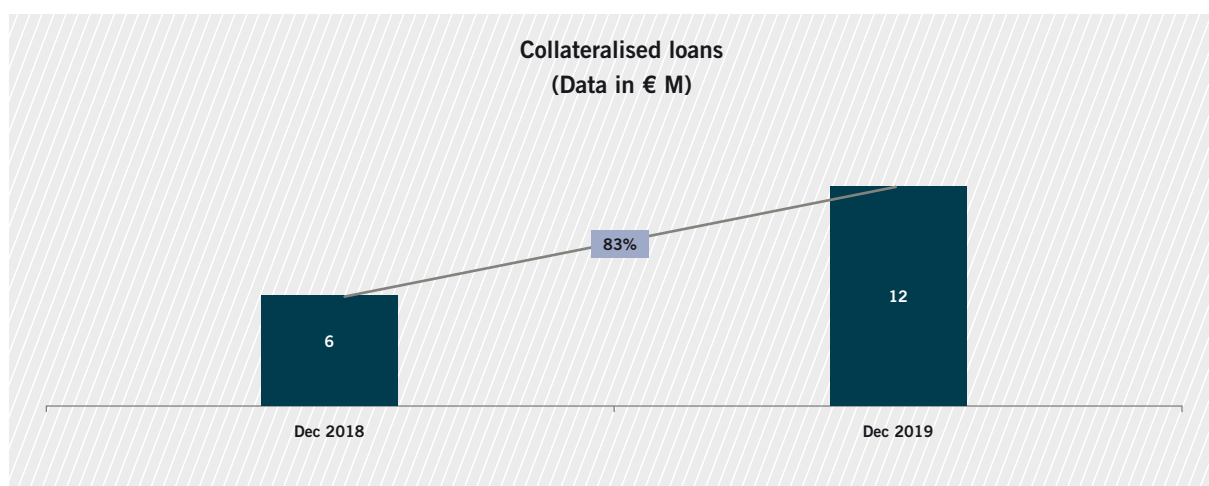
To take advantage of the growth prospects that have

emerged since starting this business, the Bank has decided to transfer its “collateralised lending” business to a dedicated company.

Today ProntoPegno, the Pawnbroker of the Banca Sistema Group, has 6 branches across the country: Milan, Rome, Pisa, Naples, Palermo and Rimini.

Key figures are provided below:

	31.12.2019	31.12.2018	€ Change	% Change
No. of applications	13,977	9,139	4,838	53%
Volumes disbursed (millions of Euro)	18	9	8	87%
Loans (millions of Euro)	12	6	5	83%



The statement of financial position as at 31 December 2019 is provided below.

ASSETS	31.12.2019
Cash and cash equivalents	498,620
Financial assets measured at amortised cost	12,869,378
<i>a) loans and receivables with banks</i>	<i>1,112,216</i>
<i>c) loans and receivables with customers</i>	<i>11,757,162</i>
Property and equipment	489,041
Tax assets	175,910
<i>a) current</i>	<i>618</i>
<i>b) deferred</i>	<i>175,292</i>
Other assets	36,143
Total assets	14,069,092

LIABILITIES AND EQUITY	31.12.2019
Financial liabilities measured at amortised cost	8,501,719
a) liabilities	8,501,719
Other liabilities	690,718
Post-employment benefits	95,081
Provisions for risks and charges:	221,704
<i>c) other provisions for risks and charges</i>	<i>221,704</i>
Share capital	5,000,000
Valuation reserve	(12,037)
Loss for the year (+/-)	(428,093)
Total liabilities and equity	14,069,092

The assets consist mainly of loans to customers for the collateralised lending business, the contracts for which were transferred at their carrying amount by the Bank on 1 August.

Liabilities, on the other hand, in addition to the initial capital contribution of € 5 million, consist of the liability to the parent resulting from the transfer of the business

unit.

The other "financial liabilities measured at amortised cost" include the premium (€ 259 thousand) resulting from the auctions carried out between January 2018 and September 2019. For 5 years, this amount is recognised in the financial statements as due to customers; if customers do not collect the amount, it is recognised as revenue.

The income statement for the period from 1 August to 31 December 2019 is provided below.

INCOME STATEMENT	Period from 01.08 to 31.12.2019
Interest and similar income	316,640
of which interest income calculated under the effective interest method	316,640
Interest and similar expense	(15,423)
Net interest income	301,217
Fee and commission income	230,444
Fee and commission expense	(2,113)
Net fee and commission income	228,331
Total income	529,547
Net impairment losses on:	(1,545)
a) financial assets measured at amortised cost	(1,545)
Net financial income	528,002
Administrative expenses:	(1,147,881)
a) personnel expense	(680,080)
b) other administrative expenses	(467,802)
Net impairment losses on property and equipment	(44,445)
Other operating income	65,506
Operating costs	(1,126,821)
Pre-tax loss from continuing operations	(598,819)
Income taxes	170,726
Loss for the year	(428,093)

The loss for the first five months of operations was impacted by non-recurring IT and start-up costs totalling € 40 thousand. The company is expected to break even next year when it has sufficient critical mass to be profitable.

Personnel expenses mostly include the cost of the 16 employees transferred from the Bank to the Company,

as well as the allocation of the variable incentive for the year.

The pro-forma total income for the period since the beginning of the year is provided below. It includes the performance of the collateralised lending business unit for the first 7 months of the year which are included in the Bank's income statement.

INCOME STATEMENT	Period from 01.08 to 31.12.2019 - pro-forma
Interest and similar income	667
Interest and similar expense	-15
Net interest income	652
Fee and commission income	455
Fee and commission expense	-2
Net fee and commission income	453
Total income	1,105

FUNDING AND TREASURY ACTIVITIES

Treasury portfolio

A treasury portfolio has been established in order to support the Bank's liquidity commitments solely through short-term investment in Italian government bonds.

The balance at 31 December 2019 increased to a nominal € 985 million from € 735 million at 31 December 2018.

The treasury portfolio allowed for optimal management of the Treasury commitments which are increasingly characterised by a concentration of transactions in very

specific periods.

At 31 December, the nominal amount of securities in the HTCS (formerly AFS) portfolio amounted to € 550 million (compared to € 300 million as at 31 December 2018) with a duration of 20.1 months (13.5 months at 31 December 2018).

At 31 December, the HTC portfolio amounted to € 435 million with a duration of 14.5 months.

Wholesale funding

As at 31 December 2019, wholesale funding was about 39% of the total, mainly comprising bonds, inter-bank deposits and refinancing transactions with the ECB (41% as at 31 December 2018).

The issue of both senior and subordinated bonds over the past two years placed with institutional investors has enabled a diversification of the sources of funding and a significant increase in the duration of funding.

Securitisations with salary- and pension-backed loans as collateral completed with a partly-paid securities structure

continue to allow Banca Sistema to efficiently refinance its CQS/CQP portfolio and to continue to grow its salary- and pension-backed loan business, whose funding structure is optimised by the securitisation.

For its short-term liquidity needs, the Group used the interbank deposit market. Existing bank deposits at 31 December 2019 totalled € 30 million (€ 282 million at 31 December 2018). Interbank funding was significantly reduced as a result of a decrease in short-term liquidity needs.

Retail funding

The funding policy of the banking division is strictly linked to changes in trade loans and market conditions. Retail funding accounts for 61% of the total and is composed of the account SI Conto! Corrente and the product SI Conto! Deposito.

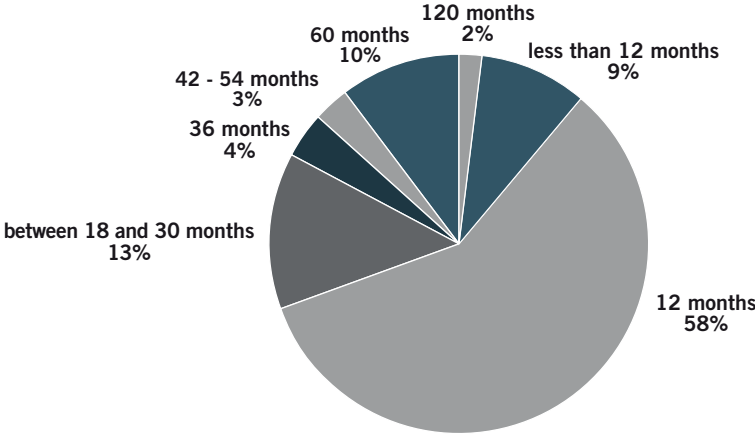
Total term deposits as at 31 December 2019 amounted to € 1,326 million, an increase of 38% compared to 31

December 2018.

The above-mentioned amount also includes total term deposits of € 799 million (obtained with the help of partner platforms) held with entities resident in Germany, Austria and Spain (accounting for 60% of total deposit funding), an increase of € +436 million over the previous year.

The breakdown of funding by term is shown below. The average residual life of the portfolio is 12 months.

Breakdown of deposit accounts as at 31 December



Current accounts increased from 5,790 (as at 31 December 2018) to 6,902 as at 31 December 2019, while the current account balance at 31 December 2019 increased +4% on 2018 to € 682 million.

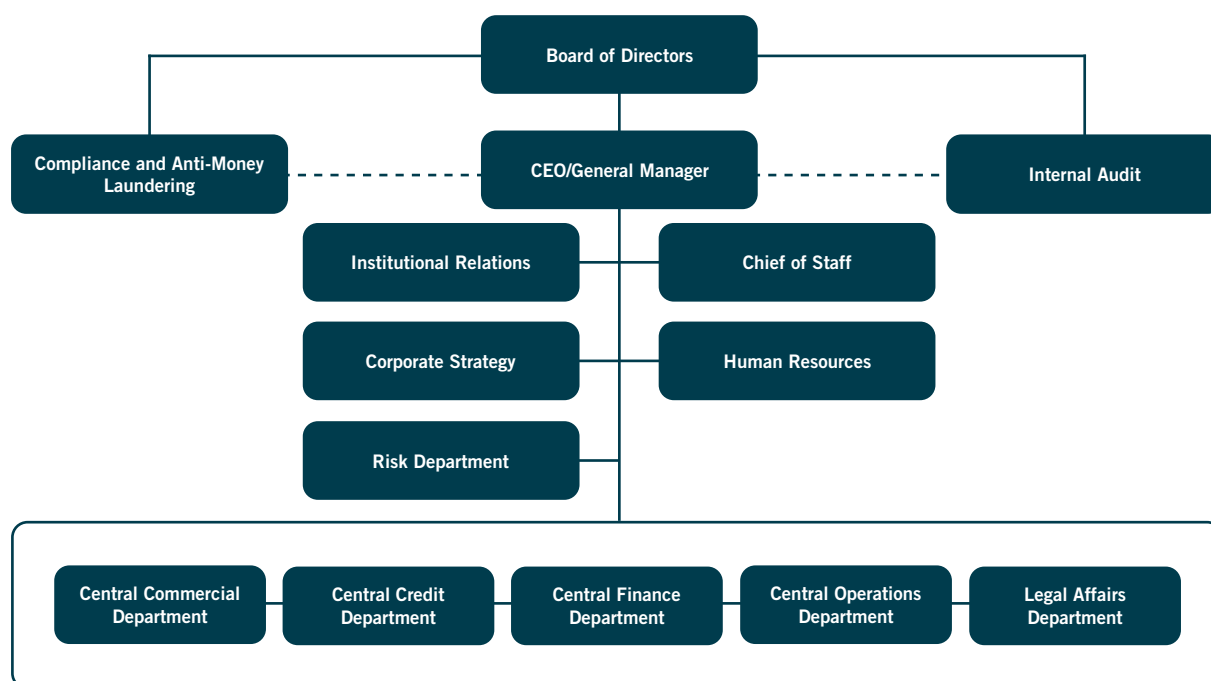
COMPOSITION AND ORGANISATIONAL STRUCTURE OF THE GROUP

Scope of the banking group

At 31 December 2019, the Banca Sistema Group comprised the Parent, Banca Sistema S.p.A., Specialty Finance Trust Holding Limited, a company incorporated under U.K. Law, Largo Augusto Servizi e Sviluppo S.r.l. (incorporated on 25 August 2016), and the newly incorporated ProntoPegno S.p.A, all fully owned by the Bank.

Organisational chart

The organisational chart of the Parent, Banca Sistema, as at 31 December 2019 is shown below:



REGISTERED OFFICES AND BRANCHES OF THE BANCA SISTEMA GROUP

The Registered Offices and Branches of the Banca Sistema Group are as follows:

- Milan - Largo Augusto 1/A, angolo Via Verziere 13 (registered office and branch)
- Milan - Piazza Napoli, Ang. Via Vespri Siciliani, 1 (collateralised loan branch)
- Rome - Via Romagna, 25 (bank and collateralised loan branch)
- Rome - Via Campania, 59 (administrative office)
- Pisa - Galleria Chiti, 1 (bank and collateralised loan branch)
- Palermo - Via Bara all'Olivella 2 (administrative office)
- Palermo - Via Marco Polo 7 (collateralised loan branch)
- Naples - Via Verdi 35 (administrative office)
- Naples - Via Verdi 36 (collateralised loan branch)
- Rimini - Corso d'Augusto 68 (collateralised loan branch)
- Watford - (UK) CP House, Otterspool Way (Representative office)

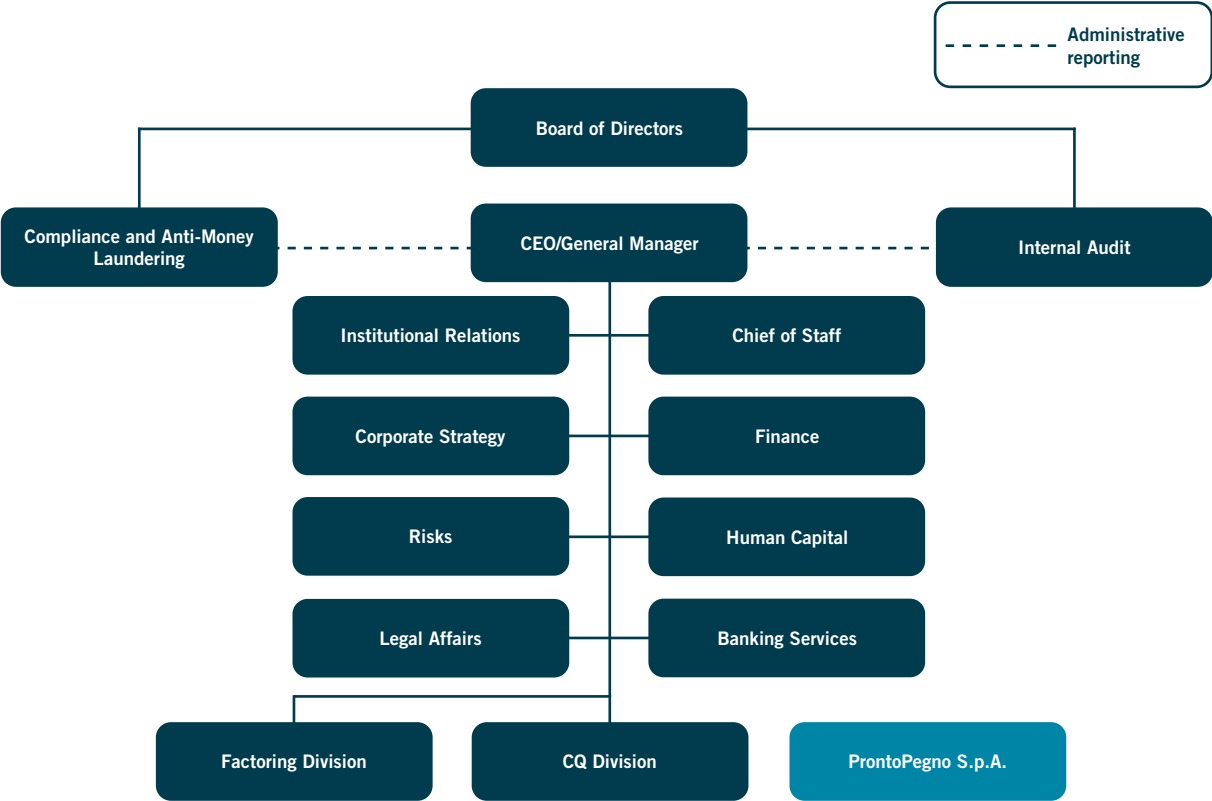
As at the date this Directors' Report was prepared, the organisational structure has undergone significant changes, moving from the functional organisational model described above to a divisional organisational model.

This reorganisation - which is also part of the Business Plan approved for the three-year period 2018-2020 - is the result of a comprehensive project, carried out with the support of qualified external consultants, intended to update and focus the Group's organisational structure, responsibilities and mandates, human capital and information system on the increasing diversification and specialisation of its business.

As of 1 February 2020, two business divisions, one of which is responsible for supervising and developing the Factoring business and the other for developing salary- and pension-backed loans (CQ), became operational and separate from the other "central" departments (besides

the control departments of Internal Audit and Compliance & AML, also Risks, Finance, Corporate Strategy, Chief of Staff, Institutional Relations, Human Capital, which together form the "Corporate Centre").

Each of these two Divisions is equipped with structures in charge of managing commercial, credit and operational activities, as well as a direct staff responsible for managing the main business processes (planning and monitoring, pricing, operational marketing, human resource management and recruiting). By operating within the guidelines, processes and tools developed by the "Corporate Centre" departments, the Business Divisions will be able to concentrate, with even greater speed and focus, on growing their respective customer segments and innovating products and processes. The organisational chart in force since 1 February 2020 is as follows:



HUMAN RESOURCES

As at 31 December 2019, the Group had a staff of 215, broken down by category as follows:

FTES	31.12.2019	31.12.2018
Senior managers	24	21
Middle managers (QD3 and QD4)	45	41
Other personnel	146	121
Total	215	183

Over the course of the year the Bank realigned the organisational structure based on market changes and performance in order to support the achievement of its strategic objectives. In particular, with the aim of entering the primary CQS/CQP market and in keeping with the operational objectives set out in the 2018-2020 Business Plan, the Bank merged the Bologna-based company Atlantide S.p.A. thereby also expanding the number of offices operating in Italy. The merger resulted in 24 employees being acquired, including 2 senior managers, 4 managers and 18 from the Professional Areas.

During the year, as part of an increasingly focused business specialisation strategy, the Bank sold the collateralised lending business unit to the newly formed company ProntoPegno S.p.A. This transaction involved a total of 14 permanent employees, including 9 managers, 1 senior manager and 4 from the Professional Areas.

During the year, a total 32 new resources joined the Group, mainly in the CQ Operations and Commercial Factoring Departments, in the Departments that oversee the credit and collection process, in Compliance and Anti-Money Laundering, in Corporate Affairs and in Marketing (23 replaced the same number of people who had left or

were long-term absent and 9 to improve professional and managerial expertise).

During the same period 24 employees left the Bank (including 7 following the expiry of their term contract), of which 2 were senior managers and 5 were managers.

During the year, various professional training courses were organised covering regulatory topics affecting the Bank, both with internal and external instructors. More specifically, training was provided on Privacy, Transparency, Legislative Decree 231 and Anti-Money Laundering, Mifid 2, Related Party Transactions, the New Bankruptcy Law and Market Abuse. Specific training courses and coaching programmes were also developed and launched focusing on managerial and professional topics mainly for the Commercial Department and new managers, as well as language training, for a total of 309 days and 835 participants. Some of these programmes will continue during 2020 in order to complete the continuing professional development of the remaining employees.

The average age of Group employees is 43 for men and 39 for women. The breakdown by gender remains essentially stable compared to 2018 with women accounting for 48% of the total.

INCOME STATEMENT RESULTS

INCOME STATEMENT (€ ,000)	2019	2018	€ Change	% Change
Net interest income	80,694	74,565	6,129	8.2%
Net fee and commission income	16,068	15,255	813	5.3%
Dividends and similar income	227	227	-	0.0%
Net trading income (expense)	208	(129)	337	<100%
Gain from sales or repurchases of financial assets/liabilities	3,716	1,167	2,549	>100%
Total income	100,913	91,085	9,828	10.8%
Net impairment losses on loans and receivables	(9,055)	(6,814)	(2,241)	32.9%
Net financial income	91,858	84,271	7,587	9.0%
Personnel expense	(23,166)	(19,908)	(3,258)	16.4%
Other administrative expenses	(22,939)	(20,954)	(1,985)	9.5%
Net accruals to provisions for risks and charges	(1,996)	(414)	(1,582)	>100%
Net impairment losses on property and equipment/intangible assets	(1,632)	(532)	(1,100)	>100%
Other operating expense	(768)	(396)	(372)	93.9%
Operating costs	(50,501)	(42,204)	(8,297)	19.7%
Gains (losses) on equity investments	-	8	(8)	-100.0%
Gains (losses) on sales of investments	(8)	-	(8)	n.a.
Pre-tax profit from continuing operations	41,349	42,075	(726)	-1.7%
Income taxes for the year	(12,192)	(14,554)	2,362	-16.2%
Post- tax profit for the year	29,157	27,521	1,636	5.9%
Post-tax profit (loss) from discontinued operations	562	(354)	916	<100%
Profit for the year attributable to the owners of the parent	29,719	27,167	2,552	9.4%

Profit for the year was € 29.8 million, an increase of 9.5% on the previous year, thanks to the growth in total income generated mainly by the factoring sector, and to a large extent by the salary- and pension-backed loans sector and the securities portfolio, which offset higher impairment losses on loans and receivables and the natural increase in operating costs.

The profit for 2019 includes, beginning in the second quarter of 2019, the revenue and costs of Atlantide as a result of the acquisition of the company becoming effective on 3 April 2019: merger-related costs of € 571 thousand and a negative contribution to gross profit for the nine months included in the accounts were quantified, offset to

a large extent by the use of the company's previous losses, which generate a benefit of € 1.5 million on profit for the year.

In the third quarter of 2019, the expected rates of recovery of default interest on factoring and the related collection times used for the estimate as at 30 September 2019 were updated in the light of the progressive consolidation of the historical data series; the adjustment of these estimates led to the recognition of higher total interest income of € 5.1 million at 31 December 2019 (€ 7.8 million in 2018). The profit for 2019 includes the consolidated profit from the sale of the remaining 10% of Axactor Italia to the parent Axactor AB.

NET INTEREST INCOME (€ ,000)	2019	2018	€ Change	% Change
Interest and similar income				
Loans and receivables portfolios	105,751	96,870	8,881	9.2%
Securities portfolio	750	258	492	>100%
Other	3,823	2,582	1,241	48.1%
Financial liabilities	12	-	12	n.a.
Total interest income	110,336	99,710	10,626	10.7%
Interest and similar expense				
Due to banks	(579)	(2,537)	1,958	-77.2%
Due to customers	(21,007)	(14,572)	(6,435)	44.2%
Securities issued	(7,930)	(6,992)	(938)	13.4%
Financial assets	(126)	(1,044)	918	-87.9%
Total interest expense	(29,642)	(25,145)	(4,497)	17.9%
Net interest income	80,694	74,565	6,129	8.2%

Net interest income increased by 8.2% from the previous year, due to the contribution from the loans and receivables portfolio which more than offset the increase in interest expense as a result of higher average lending. The total contribution of the factoring portfolio was € 81 million (equal to 74% of the entire loans and receivables portfolio), which is up 8.0% on the previous year thanks to the tax receivables portfolio which was able to benefit from earlier than expected collections; when considering the commission component associated with the factoring business, the contribution increased by 9.5% over 31 December 2018. The component linked to default interest from legal action at 31 December 2019 was € 29 million (€ 28.4 million in 2018):

- of which € 5.1 million resulting from the updated recovery estimates (€ 7.8 million at 31 December 2018);
- of which € 12.0 million that results from maintaining the recovery estimates (€ 10.3 million at 31 December 2018) which is in line with the previous year thanks to the activation of a loans and receivables portfolio for a significant amount;
- of which € 11.9 million (€ 10.3 million at 31 December 2018) coming from net collections during the year, i.e. the difference between the amount collected during the year, equal to € 21.6 million (€ 19.2 million in 2018) and that recognised on an

accruals basis in previous years. This item includes collections from sales made to third parties at the end of the first and second half of the year.

The amount of the stock of default interest from legal actions accrued at 31 December 2019, relevant for the allocation model, was € 107.1 million (€ 96 million at the end of 2018) while the loans and receivables recognised in the financial statements amounted to € 49.9 million.

During the year, factoring portfolios were sold that generated a total profit of € 1.1 million recognised in the item Gain from sales or repurchases of financial assets/liabilities.

The positive impact on income was also driven by growth in interest on the salary- and pension-backed portfolios, which rose from € 19.6 million to € 23 million, an increase of 17.6% over the previous year.

The item "Other" mainly includes income arising from the financing activity of the securities portfolio in repurchase agreements at negative rates, which accounts for € 2.7 million, and interest on collateralised loans of € 664 thousand.

The increase in the cost of funding compared to the previous year is closely related to the increase in average lending. In particular, interest on term deposits from customers increased as a direct result of the increase in the underlying stock.

The cost of funding from banks for 2018 included € 0.8 million resulting from the reversal of the positive rate

component of the TLTRO II recognised in 2017, which the Bank was unable to use.

NET FEE AND COMMISSION INCOME (€ ,000)	2019	2018	€ Change	% Change
Fee and commission income				
Collection activities	1,247	1,127	120	10.6%
Factoring activities	18,409	15,772	2,637	16.7%
Fee and commission income - off-premises	1,859	-	1,859	n.a.
Other	975	726	249	34.3%
Total fee and commission income	22,490	17,625	4,865	27.6%
Fee and commission expense				
Placement	(3,925)	(1,837)	(2,088)	>100%
Fees - off-premises	(1,936)	-	(1,936)	n.a.
Other	(561)	(533)	(28)	5.3%
Total fee and commission expense	(6,422)	(2,370)	(4,052)	>100%
Net fee and commission income	16,068	15,255	813	5.3%

Net fee and commission income of € 16.1 million increased by 5.3% due to the greater commissions from factoring. These should be considered together with interest income, since it makes no difference from a management point of view whether profit is recognised in the commissions and fees item or in interest in the without recourse factoring business.

Commissions on collection activities, related to the service of reconciliation of third-party invoices collected from Public Administration are in line with the previous year. Other fee and commission income includes commissions and fees from collection and payment services, the keeping and management of current accounts, and fees related to the collateral-backed loan business, amounting to € 456 thousand. Fee and commission income - off-premises refers to the commissions on the new salary- and pension-

backed loan (CQ) origination business of € 1.9 million, which should be considered together with the item Fees - off-premises, which are composed of the commissions paid to financial advisers for the off-premises placement of the salary- and pension-backed loan product, including the year-end bonuses payable to them.

The increase in placement fees and commissions paid to third parties is attributable to higher returns to third party intermediaries for the placement of the SI Conto! Deposito product, following the higher volumes placed under the passporting regime. This item also includes the origination costs of factoring receivables, which remained in line with those reported the previous year. Other commission expense includes commissions for trading third-party securities and for interbank collections and payment services.

GAIN FROM SALES OR REPURCHASES (€ ,000)	2019	2018	€ Change	% Change
Gains from HTCS portfolio debt instruments	2,610	1,167	1,443	>100%
Gains from receivables	1,106	-	1,106	n.a.
Total	3,716	1,167	2,549	>100%

The item Gain from sales or repurchases mainly includes gains generated by the proprietary HTCS portfolio which increased by € 1.4 million over the previous year; the securities portfolio also generated gains of € 0.2 million from the trading portfolio which is included in the item Trading income.

Gains from receivables of € 1.1 million derive, as

described above, from the sale of factoring portfolios. Impairment losses on loans and receivables recognised at 31 December 2019 increased over the previous years to € 9.2 million. Impairment losses are attributable to slight impairment of some factoring loans and bring the loss rate to 0.36% (0.33% at 31 December 2018).

PERSONNEL EXPENSE (€ ,000)	2019	2018	€ Change	% Change
Wages and salaries	(21,682)	(18,612)	(3,069)	16.5%
Social security contributions and other costs	(339)	(308)	(32)	10.1%
Directors' and statutory auditors' remuneration	(1,145)	(988)	(157)	15.9%
Total	(23,166)	(19,908)	(3,258)	16.4%

The increase in personnel expense is mainly due to the increase in the average number of employees from 174 to 202. This increase was influenced by the 21 new employees of the recently acquired company, Atlantide, who joined the Bank's personnel in the

second quarter of the year. This item also includes an additional cost component of € 0.8 million for estimated redundancy charges, the cost of non-compete agreements and the variable component of wages and salaries.

OTHER ADMINISTRATIVE EXPENSES (€ ,000)	2019	2018	€ Change	% Change
IT expenses	(5,614)	(4,372)	(1,242)	28.4%
Consultancy	(4,300)	(3,823)	(477)	12.5%
Resolution Fund	(1,146)	(942)	(204)	21.7%
Servicing and collection activities	(2,992)	(2,736)	(256)	9.4%
Indirect taxes and duties	(2,355)	(2,171)	(184)	8.5%
Rent and related fees	(950)	(2,054)	1,104	-53.7%
Expense reimbursement and entertainment	(840)	(770)	(70)	9.1%
Car hire and related fees	(644)	(858)	214	-24.9%
Insurance	(487)	(394)	(93)	23.6%
Advertising	(502)	(568)	66	-11.6%
Membership fees	(310)	(265)	(45)	17.0%
Expenses related to management of the SPVs	(450)	(536)	86	-16.0%
Audit fees	(368)	(314)	(54)	17.2%
Infoprovder expenses	(638)	(255)	(383)	>100%
Other	(430)	(385)	(45)	11.7%
Telephone and postage expenses	(190)	(179)	(11)	6.1%
Maintenance of movables and real properties	(174)	(235)	61	-26.0%
Stationery and printing	(61)	(97)	36	-37.1%
Merger-related costs	(488)	-	(488)	n.a.
Total	(22,939)	(20,954)	(1,985)	9.5%

Administrative expenses include costs related to the merger of Atlantide into the Bank amounting to € 488 thousand (total merger-related costs amounted to € 571 thousand, including the cost recognised under reduction in value due to amortisation).

The rise in IT expenses is linked to the increase in services provided by the outsourcer due to the increase in Group operations as well as to IT updates on new products.

The amount of the items Rent and Car hire for the first half of 2019 was impacted by the application of the new IFRS 16. In 2019, these items include only property management costs and utility costs, and, unlike in 2018, does not include lease payments, the cost of which, in 2019, is mainly reflected in the item depreciation of the "right-of-use" asset.

The increase in consulting expenses is mainly due to the costs incurred for legal expenses related to pending lawsuits and enforceable injunctions.

The increase in indirect taxes and duties is mainly due to the increase in contributions paid for the enforceable injunctions deposited with public administration.

The contribution to the Resolution Fund represents the required amount of ex-ante contributions for 2019 and includes the payment of the additional contribution of € 0.3 million required in June.

The increase in impairment losses on property and equipment/intangible assets is the result of higher provisions for property used for business purposes,

as well as the depreciation of the "right-of-use" asset following the application of IFRS 16. This item includes € 82 thousand in merger-related costs attributable to the accelerated amortisation of software belonging to Atlantide that is no longer being used.

The increase in accruals to provisions for risks is mainly attributable to the measurement of contingent liabilities for ongoing lawsuits, and the assessment and quantification of possible future risks.

Other operating income and expense was adversely affected by the increased contribution from the Bank to the Interbank Deposit Protection Fund (FITD), which amounted to € 1.4 million in 2019 (€ 0.6 million in 2018), due to the higher amount of customer deposits. The item Post-tax profit (loss) from discontinued operations is composed of the profit realised on the put option exercised for the sale of the 10% equity investment in Axactor Italy S.p.A.

The Group's tax rate improved significantly due to full utilisation of the losses that Atlantide had accumulated up to the date of its acquisition and subsequent merger with the Bank, which resulted in a benefit of € 1.5 million. In addition to this benefit, the Group benefited from the reintroduction by the legislator of "ACE" (Aid to Economic Growth), which is aimed at strengthening the capital structure of companies, a measure that was introduced in 2011, abolished by the previous 2019 Budget Law and then reintroduced with the 2020 Budget Law.

THE MAIN STATEMENT OF FINANCIAL POSITION AGGREGATES

The comments on the main aggregates on the asset side of the statement of financial position are shown below.

ASSETS (€ ,000)	2019	2018	€ Change	% Change
Cash and cash equivalents	652	289	363	>100%
Financial assets measured at fair value through other comprehensive income	556,383	304,469	251,914	82.7%
Financial assets measured at amortised cost	3,112,387	2,786,692	325,695	11.7%
a) loans and receivables with banks	81,510	56,861	24,649	43.3%
b1) loans and receivables with customers - loans	2,595,700	2,294,420	301,280	13.1%
b2) loans and receivables with customers - debt instruments	435,177	435,411	(234)	-0.1%
Equity investments	-	786	(786)	-100.0%
Property and equipment	29,002	27,910	1,092	3.9%
Intangible assets	3,921	1,788	2,133	>100%
Tax assets	8,476	7,817	659	8.4%
Non-current assets held for sale and disposal groups	-	1,835	(1,835)	-100.0%
Other assets	19,260	13,317	5,943	44.6%
Total assets	3,730,081	3,144,903	585,178	18.6%

The year ended 31 December 2019 closed with total assets up 18.4% (at € 3.7 billion) on the end of 2018, due to the effect of the increase in the portfolios of loans and receivables with customers and the securities portfolio.

The securities portfolio relating to Financial assets measured at fair value through other comprehensive income (“HTCS” or “Held to collect and Sell”) of the Group was increased and continues to be mainly comprised of Italian government bonds with an average duration of about 20.1 months (the average remaining duration at

the end of 2018 was 13.5 months). This is consistent with the Group investment policy. The HTCS portfolio amounted to € 550 million at 31 December 2019 (€ 300 million at 31 December 2018). The associated valuation reserve was positive at the end of the year, amounting to € 468 thousand before the tax effect. In addition to government securities, the HTCS portfolio also includes 200 shares of the Bank of Italy, amounting to € 5 million, and the Axactor Norway shares, which at 31 December 2019 had a positive net fair value reserve, resulting in a year-end amount of € 1.2 million.

LOANS AND RECEIVABLES WITH CUSTOMERS (€ ,000)	2019	2018	€ Change	% Change
Factoring	1,714,661	1,566,613	148,048	9.5%
Salary-/pension-backed loans (CQS/CQP)	817,229	652,040	165,189	25.3%
Collateralised loans	11,757	6,428	5,329	82.9%
Loans to SMEs	11,998	27,549	(15,551)	-56.4%
Current accounts	18,213	23,186	(4,973)	-21.4%
Compensation and Guarantee Fund	20,676	17,413	3,263	18.7%
Other loans and receivables	1,166	1,191	(25)	-2.1%
Total loans	2,595,700	2,294,420	301,280	13.1%
Securities	435,177	435,411	(234)	-0.1%
Total loans and receivables with customers	3,030,877	2,729,831	301,046	11.0%

The item loans and receivables with customers under Financial assets measured at amortised cost (hereinafter HTC, or “Held to Collect”), is composed of loan receivables with customers and, beginning in 2018, the “held-to-maturity securities” portfolios.

Outstanding loans for factoring receivables compared to Total loans, therefore excluding the amounts of the securities portfolio, were in line with the end of 2018 at 66%. Their absolute value grew as a result of volumes generated over the year which were up by 27% on the previous year to € 3,055 million (€ 2,406 million at 31 December 2018).

Salary- and pension-backed loans grew thanks to new loans, which increased by 25% compared to the previous year (the new volumes acquired in 2019 amounted to € 266 million), while government-backed loans to SMEs fell, which is in

line with the strategic decision to discontinue this line of business.

The collateralised loan business, carried out through the branches in Milan, Rome, Pisa, Naples, Palermo and Rimini, reported loans of € 11.8 million at 31 December 2019, which are the result of loans granted during the first half of the year and renewals with existing customers. Since August, following the sale of a business unit, this business is being managed through the newly formed company ProntoPegno, a wholly-owned subsidiary of the Bank.

Securities are composed entirely of Italian government securities with an average duration of 14.5 months for an amount of € 435 million. The mark-to-market valuation of the securities at 31 December 2019 was a positive fair value of € 1.4 million.

The following table shows the quality of receivables in the Loans and receivables with customers item, excluding the securities positions.

STATUS	31.12.2018	31.03.2019	30.06.2019	30.09.2019	31.12.2019
Bad exposures	57,467	55,877	54,124	57,319	50,622
Unlikely to pay	87,189	98,206	113,462	122,738	139,349
Past due	80,507	76,183	68,733	59,674	55,647
Non-performing	225,163	230,266	236,319	239,731	245,618
Performing	2,104,711	2,305,247	2,428,104	2,372,450	2,392,985
Stage 2	106,473	119,559	114,250	124,252	124,252
Stage 1	1,998,238	2,185,688	2,313,854	2,248,198	2,268,733
Total loans and receivables with customers	2,329,874	2,535,513	2,664,423	2,612,181	2,638,603
Individual impairment losses	29,169	32,220	33,662	34,746	37,217
Bad exposures	18,451	18,944	19,602	20,394	20,078
Unlikely to pay	9,277	11,672	12,665	13,588	16,042
Past due	1,441	1,604	1,395	764	1,097
Collective impairment losses	6,284	6,299	6,791	7,302	5,686
Stage 2	579	680	585	807	667
Stage 1	5,705	5,619	6,206	6,495	5,019
Total impairment losses	35,453	38,519	40,453	42,048	42,903
Net exposure	2,294,421	2,496,994	2,623,970	2,570,133	2,595,700

The ratio of gross non-performing loans to the total portfolio went from 9.7% at 31 December 2018 to 9.3% at the end of December 2019. The increase in the absolute value of non-performing loans compared to 31 December 2018 is mainly due to new factoring positions with local authorities in financial difficulty and private-sector assignors. The amount of past due loans and local authorities in financial difficulty is attributed to factoring receivables without recourse from Public Administration and is considered normal for the sector and does not represent an issue in terms of credit quality and probability of collection.

Net bad exposures remained at moderate levels and amounted to 1.2% of total loans and receivables with customers, while the coverage ratio of non-performing loans was equal to 15.2%.

The item Equity investments, with the sale of the non-controlling interests in ADV Finance S.p.A. and its

subsidiary Procredit S.r.l. in the second quarter of 2019, is no longer recognised.

Also during the year, following the exercise of the put option by Banca Sistema, the shares were sold to Axactor Holding S.r.l. As a result, the item Non-current assets held for sale and disposal groups is no longer recognised. Property and equipment includes the property located in Milan which is also being used as Banca Sistema's new offices. The property purchased in 2017 was renovated and completed in October 2018; its carrying amount, including capitalised items, is € 26.6 million after the accumulated depreciation of the building. The other capitalised costs include furniture, fittings and IT devices and equipment, as well as the right of use relating to the lease payments for branches and company cars.

Intangible assets increased following the recognition of the goodwill generated by the acquisition of Atlantide S.p.A. on 3 April 2019.

The allocation of the purchase price for Atlantide is provided below:

ATLANTIDE PRICE ALLOCATION

Spot purchase price	3,022
Estimated earn-out	1,301
Recognised equity investment price (A)	4,323
Atlantide equity at 31 March 2019 (B)	(2,189)
Residual value to be allocated (A+B)	2,134
Provisional allocation to goodwill	(2,134)

As mentioned above, part of the goodwill is the result of an estimate of the earn-out value at € 1,301 thousand to be recognised in relation to the production volumes set out in the business plan prepared by Atlantide's management: in fact, the acquisition includes a deferred

payment mechanism in the form of an earn-out to be paid to the sellers, which will be determined based on target production volumes for 2021. Other assets totalling € 14.7 million mainly include amounts being processed after the end of the year and advance tax payments.

Comments on the main aggregates on the liability side of the statement of financial position are shown below.

LIABILITIES AND EQUITY (€ ,000)	31.12.2019	31.12.2018	€ Change	% Change
Financial liabilities measured at amortised cost	3,416,486	2,898,740	517,746	17.9%
a) due to banks	388,359	695,197	(306,838)	-44.1%
b) due to customers	2,551,600	1,898,556	653,044	34.4%
c) securities issued	476,527	304,987	171,540	56.2%
Tax liabilities	16,433	15,676	757	4.8%
Other liabilities	94,662	65,638	29,024	44.2%
Post-employment benefits	3,051	2,402	649	27.0%
Provisions for risks and charges	22,297	9,293	13,004	>100%
Valuation reserves	267	(1,131)	1,398	<100%
Reserves	137,749	117,666	20,083	17.1%
Share capital	9,651	9,651	-	0.0%
Treasury shares (-)	(234)	(199)	(35)	17.6%
Profit for the year	29,719	27,167	2,552	9.4%
Total liabilities and equity	3,730,081	3,144,903	585,178	18.6%

Wholesale funding, which represents about 39% (41% at 31 December 2018) of the total, decreased in relative terms from the end of 2018 following the increase in

funding through deposit accounts. The contribution of bond funding to total wholesale funding was 50.4% (34.2% at the end of 2018).

DUE TO BANKS (€ ,000)	31.12.2019	31.12.2018	€ Change	% Change
Due to Central banks	358,250	412,850	(54,600)	-13.2%
Due to banks	30,109	282,347	(252,238)	-89.3%
<i>Current accounts and demand deposits</i>	<i>20</i>	<i>53</i>	<i>(33)</i>	<i>-62.3%</i>
<i>Term deposits</i>	<i>30,089</i>	<i>282,294</i>	<i>(252,205)</i>	<i>-89.3%</i>
Total	388,359	695,197	(306,838)	-44.1%

The total of the sub-item "Due to banks" decreased by 44% compared to 31 December 2018 due to the decrease in interbank funding; refinancing with the ECB is backed primarily by ABS from the salary- and pension-backed loans (CQS/CQP) securitisation. The Bank has been granted

access to the new TLTRO III programme for an amount of up to € 295 million, of which € 108 million is currently being used. The availability period has been set at 3 years from the date the company takes part in the auction (the last auction is in March 2021), while the rate is set at 0%.

DUE TO CUSTOMERS (€ ,000)	31.12.2019	31.12.2018	€ Change	% Change
Term deposits	1,325,794	958,193	367,601	38.4%
Financing (repurchase agreements)	457,070	179,819	277,251	>100%
Current accounts	681,577	657,082	24,495	3.7%
Due to assignors	83,783	87,397	(3,614)	-4.1%
Other payables	3,376	16,065	(12,689)	-79.0%
Total	2,551,600	1,898,556	653,044	34.4%

The item Due to customers increased compared to the end of the year, mainly due to an increase in funding from repurchase agreements and from term deposits. The year-end amount of term deposits increased by 38.4% compared to the end of 2018, reflecting net positive

deposits (net of interest accrued) of € 368 million; gross deposits from the beginning of the year were € 1,190 million, against withdrawals totalling € 822 million.

Due to assignors includes payables related to receivables acquired but not financed.

SECURITIES ISSUED (€ ,000)	31.12.2019	31.12.2018	€ Change	% Change
Bond - AT1	8,016	8,017	(1)	0.0%
Bond - Tier II	37,547	31,570	5,977	18.9%
Bonds - other	430,964	265,400	165,564	62.4%
Total	476,527	304,987	171,540	56.2%

The nominal amount of securities issued at 31 December 2019 is broken down as follows:

- Tier 1 subordinated loan of € 8 million, with no maturity (perpetual basis) and a fixed coupon until 18 December 2022 at 7% issued on 18 December 2012;
- Tier 2 subordinated loan of € 19.5 million, 2017-2027 with a variable coupon equal to 6-month Euribor + 4.5%;
- Tier 2 subordinated loan of € 18 million, 2019-2029 with a fixed coupon of 7%;
- Senior bonds (market placement) of € 175 million, 2017-2020 with a fixed coupon of 1.75%;
- Senior bonds (private placement) of € 90 million, 2018-2021 with a fixed coupon of 2%.

Other bonds include 95% of the senior share of the ABS in the Quinto Sistema Sec. 2019 securitisation subscribed by a third-party institutional investor.

The provision for risks and charges of € 22.3 million includes the provision for possible liabilities

attributable to past acquisitions, the estimated portion of the bonus for the year, the deferred portion of the bonus accrued in previous years, and the estimate related to the non-compete agreement. The provision also includes an estimate of the charges relating to lawsuits with customers and the estimated charges for other lawsuits and legal disputes. Following the acquisition of Atlantide, the provision increased as a result of the estimated earn-out to be paid to the sellers linked to the achievement of production volume targets for the next three years, and the provision for supplementary customer allowances. Also included is the provision to cover the estimated adverse effect of possible early repayments on CQS portfolios purchased from third-party intermediaries.

Other liabilities mainly include payments received after the end of the year from the assigned debtors and which were still being allocated and items being processed during the days following year-end, as well as trade payables and tax liabilities.

The reconciliation between the profit for the year and equity of the parent and the figures from the consolidated financial statements is shown below.

Figures are in thousands of Euro.

(€ ,000)	PROFIT (LOSS)	EQUITY
Profit/equity of the parent	29,956	179,624
Assumption of value of investments	-	(20,000)
Consolidated profit loss/equity	(237)	17,528
Equity attributable to the owners of the parent	29,719	177,152
Equity attributable to non-controlling interests	-	(32)
Group equity	29,719	177,120

CAPITAL ADEQUACY

Provisional information concerning the regulatory capital and capital adequacy of the Banca Sistema Group is shown below.

OWN FUNDS (€ ,000) AND CAPITAL RATIOS	31.12.2019	31.12.2018
Common Equity Tier 1 (CET1)	165,119	144,293
ADDITIONAL TIER1	8,000	8,000
Tier 1 capital (T1)	173,119	152,293
TIER2	37,500	28,799
Total Own Funds (TC)	210,619	181,092
Total risk-weighted assets	1,405,890	1,317,043
of which, credit risk	1,236,603	1,160,521
of which, operational risk	169,252	156,522
of which, CVA	35	-
Ratio - CET1	11.7%	11.0%
Ratio - T1	12.3%	11.6%
Ratio - TCR	15.0%	13.7%
<i>Pro-forma CET1 (CRR II amendment) (*)</i>	13.9%	12.5%
<i>Pro-forma T1 (CRR II amendment) (*)</i>	14.6%	13.2%
<i>Pro-forma TCR (CRR II amendment) (*)</i>	17.8%	15.7%

(*) = estimate of the impact on the capital ratios resulting from the application of the reduction in the weighting of the CQS/CQP assets set out in Regulation 876/2019 that will be applied as of 28 June 2021

Total own funds were € 211 million at 31 December 2019 and included the profit for the year, net of dividends estimated on the profit for the year which were equal to a pay-out of 25% of the Parent's profit. The increase was due to the combined effect of the profit for 2019, the merger of Atlantide (which generated goodwill of € 2.1 million, classified on the Statement of financial position under intangible assets) and the issue, in the second quarter and third quarter of 2019, of a TIER 2 subordinated loan for a total of € 18 million (in conjunction with the repayment of another Lower TIER 2 subordinated loan of € 12 million, which can no longer be fully included as a capital). The increase in capital ratios compared to 31 December 2018 is attributable to higher profits and lower capital absorption from loans.

With notice received on 9 March 2020, the Bank of Italy issued its final decision regarding the consolidated capitalisation requirements to be observed from the first reporting date for own funds after the date of receipt of the decision, following the outcome of the Supervisory Review and Evaluation Process (SREP). The Group's consolidated capitalisation requirements, according to the transitory criteria, are as follows:

- CET1 ratio of 7.75%;
- TIER1 ratio of 9.55%;
- Total Capital Ratio of 11.90%.

The additional ratio for the CET1 ratio is unchanged from that expected for 2019, while the T1 ratio and the Total Capital Ratio, the OCR, were increased by 5 basis points. The SREP decision does not include any specific quantitative liquidity requirements.

CAPITAL AND SHARES

Capital and ownership structure

The share capital of Banca Sistema is composed of 80,421,052 ordinary shares, for a total paid-in share capital of € 9,650,526.24. All outstanding shares have regular dividend entitlement from 1 January.

Based on evidence from the Shareholders' Register and

more recent information available, as at 7 February 2020 the shareholders with stakes of more than 5%, the threshold above which Italian law (art. 120 of the Consolidated Law on Finance) requires disclosure to the investee and Consob, were as follows:

SHAREHOLDERS	% HELD
SGBS S.r.l.	23.10%
Garbifin S.r.l.	0.51%
Fondazione Sicilia	7.40%
Fondazione Cassa di Risparmio di Alessandria	7.91%
<i>Market</i>	<i>61.08%</i>

Treasury shares

At 31 December 2019, after the launch in 2019 of a plan for the repurchase of treasury shares designed to create a stock of securities to be used for the incentive plan for the Group's key personnel, the Bank held 168,669 shares (equal to 0.21% of the share capital).

Stock performance

The shares of Banca Sistema are traded on the Mercato Telematico Azionario - Italian Equities Market (MTA) of the Italian Stock Exchange, STAR segment. The Banca Sistema stock is included in the following Italian Stock Exchange indices:

- FTSE Italia All-Share Capped;
- FTSE Italia All-Share;
- FTSE Italia STAR;
- FTSE Italia Servizi Finanziari;
- FTSE Italia Finanza;
- FTSE Italia Small Cap.

Investor Relations

During 2019, the Bank, in addition to the information provided through press releases and earnings conference calls with the market, also met with analysts and institutional investors, the latter both collectively and

individually, for a total of around 175 investors (over 10% more than in 2018), also thanks to the participation in 18 events (16 events in 2018), including Conferences and Roadshows, in 8 European cities.



RISK MANAGEMENT AND SUPPORT CONTROL METHODS

With reference to the functioning of the “Risk Management System”, the Group has adopted a system based on four leading principles:

- suitable supervision by relevant bank bodies and departments;
- suitable policies and procedures to manage risks (both in terms of credit risk and the granting of loans);
- suitable methods and instruments to identify, monitor and manage risks, with suitable measuring techniques;
- thorough internal controls and independent audit.

The “Risk Management System” is monitored by the Risk Department, which ensures that capital adequacy and the degree of solvency with respect to its business are kept under constant control.

The Risk Department continuously analyses the Group's operations to fully identify the risks the Group is exposed to (risk map).

To reinforce its ability to manage corporate risks, the Group has set up a Risk and ALM Committee, whose mission is to help the Group define strategies, risk policies, and profitability and liquidity targets.

The Risk and ALM Committee continuously monitors relevant risks and any new or potential risks arising from changes in the working environment or Group forward-looking operations.

Pursuant to the eleventh amendment of Bank of Italy Circular no. 285/13, within the framework of the Internal Control System (Part I, Section IV, Chapter 3, Subsection II, Paragraph 5) the Parent entrusted the Internal Control and Risk Management Committee with the task of coordinating the second and third level Control Departments; to that end, the Committee allows the integration and interaction between these Departments, encouraging cooperation, reducing overlaps and supervising operations.

With reference to the risk management framework, the Group adopts an integrated reference framework both to identify its own risk appetite and for the internal

process of determining capital adequacy. This system is the Risk Appetite Framework (RAF), designed to make sure that the growth and development aims of the Group are compatible with capital and financial solidity. The RAF comprises monitoring and alert mechanisms and related processes to take action in order to promptly intervene in the event of discrepancies with defined targets. The framework is subject to annual review based on the strategic guidelines and regulatory changes.

The ICAAP (the Internal Capital Adequacy Assessment Process) allows the Group to conduct ongoing tests of its structure for determining risks and to update the related safeguards included in its RAF.

With regard to protecting against credit risk, along with the well-established second level controls and the periodic monitoring put in place by the Risk Department, a specific project has been implemented related to the introduction of the new definition of default, whose implementation date is 31 December 2020. This initiative will enable the determination of the qualitative and quantitative impact on the financial statements, and the identification and implementation of the necessary organisational, internal policy and applicable IT system changes.

Regarding the monitoring of credit risk, the Group, with the goal of attaining greater operating synergies, has launched the divisionalisation project which aims to maximise the value of each individual line of business, making it easily comparable with its respective specialist peers.

It should also be noted that, in accordance with the obligations imposed by the applicable regulations, each year the Group publishes its report (Pillar 3) on capital adequacy, risk exposure and the general characteristics of the systems for identifying, measuring and managing risks. The report is available on the website www.bancasistema.it in the Investor Relations section. In order to measure "Pillar 1 risks", the Group has adopted standard methods to calculate the capital

requirements for Prudential Regulatory purposes. In order to evaluate “Pillar 2 risks”, the Group adopts - where possible - the methods set out in the Regulatory framework or those established by trade associations.

If there are no such indications, standard market practices by operators working at a level of complexity and with operations comparable to those of the Group are assessed.

OTHER INFORMATION

Report on corporate governance and ownership structure

Pursuant to art. 123-bis, paragraph 3 of Legislative Decree no. 58 dated 24 February 1998, a “Report on corporate governance and ownership structure” has been drawn up; the document - published jointly

with the draft financial statements as at and for the year ended 31 December 2019 - is available in the “Governance” section of the Banca Sistema website (www.bancasistema.it).

Remuneration Report

Pursuant to section 84-quater, paragraph 1 of the Issuers’ Regulation implementing Legislative Decree No. 58 dated 24 February 1998, a “Remuneration Report” has been drawn up; the document - published

jointly with the draft consolidated financial statements as at and for the year ended 31 December 2019 - is available in the “Governance” section of the Banca Sistema website (www.bancasistema.it).

Research and Development Activities

No research and development activities were carried out in 2019.

Future activities and new initiatives

In line with the Bank's values and corporate culture and with the activities already in place in terms of sustainability, the Banca Sistema Group intends to pursue, on a voluntary basis, a structured approach for defining its positioning

on ESG issues, a sustainability reporting process aligned with industry best practices and leading international guidelines, as well as an action plan aimed at identifying ways of improving its sustainability profile.

RELATED PARTY TRANSACTIONS

Related party transactions including the relevant authorisation and disclosure procedures, are governed by the “Procedure governing related party transactions” approved by the Board of Directors and published on the internet site of the Parent, Banca Sistema S.p.A.

Transactions between Group companies and related parties were carried out in the interests of the Bank, including within the scope of ordinary operations; these transactions were carried out in accordance with market conditions and, in any event, based on mutual financial advantage and in compliance with all procedures.

ATYPICAL OR UNUSUAL TRANSACTIONS

During the year, the Group did not carry out any atypical or unusual transactions, as defined in Consob Communication no. 6064293 of 28 July 2006.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

With regard to the recent epidemic emergency caused by COVID-19, the Banca Sistema Group took immediate action to monitor the situation and adopt appropriate measures to protect the health of its employees, customers

and contacts. In this context, the Group ensured that all its offices and branches, including those of ProntoPegno, are fully operational. The increase in operating costs to ensure that employees can work remotely is not significant.

BUSINESS OUTLOOK AND MAIN RISKS AND UNCERTAINTIES

The 2019 financial year ended with continuing growth in volumes in the factoring sector and in terms of salary- and pension-backed loans. At the end of the year, the Group, as part of its diversification and growth strategy in the collateralised lending business, entered into a binding agreement to acquire the collateralised lending business of the Intesa Sanpaolo Group, thus strengthening its market position.

In 2020, the Group will continue to evaluate options for non-organic growth in its core business areas.

It is also envisaged that, during the year, activities will be launched for the development of the Group's new

business plan.

With regard to the COVID-19 epidemic emergency, the effect of the ongoing threat, which will have a negative impact on the country's economy and a foreseeable increase in public spending, particularly in the healthcare sector, is not currently expected to have a significant impact on the Group's activities in the short term, which by their nature are counter-cyclical. However, the situation will be continuously monitored, as indirect effects linked to a decrease in production by the transferor companies with which the Group works may be expected.

Milan, 11 March 2020

On behalf of the Board of Directors

The Chairperson

Luitgard Spögl



The CEO

Gianluca Garbi



CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of Euro)

Assets		31.12.2019	31.12.2018
10.	Cash and cash equivalents	652	289
30.	Financial assets measured at fair value through other comprehensive income	556,383	304,469
40.	Financial assets measured at amortised cost	3,112,387	2,786,692
	a) loans and receivables with banks	81,510	56,861
	b) loans and receivables with customers	3,030,877	2,729,831
70.	Equity investments	-	786
90.	Property and equipment	29,002	27,910
100.	Intangible assets	3,921	1,788
	of which:		
	- goodwill	3,920	1,786
110.	Tax assets	8,476	7,817
	a) current	1	-
	b) deferred	8,475	7,817
120.	Non-current assets held for sale and disposal groups	-	1,835
130.	Other assets	19,260	13,317
	Total assets	3,730,081	3,144,903

Liabilities and equity		31.12.2019	31.12.2018
10.	Financial liabilities measured at amortised cost	3,416,486	2,898,740
	a) due to banks	388,359	695,197
	b) due to customers	2,551,600	1,898,556
	c) securities issued	476,527	304,987
60.	Tax liabilities	16,433	15,676
	a) current	2,213	3,445
	b) deferred	14,220	12,231
80.	Other liabilities	94,662	65,638
90.	Post-employment benefits	3,051	2,402
100.	Provisions for risks and charges:	22,297	9,293
	a) commitments and guarantees issued	44	7
	c) other provisions for risks and charges	22,253	9,286
120.	Valuation reserves	267	(1,131)
150.	Reserves	98,617	78,452
160.	Share premium	39,100	39,184
170.	Share capital	9,651	9,651
180.	Treasury shares (-)	(234)	(199)
190.	Equity attributable to non-controlling interests (+/-)	32	30
200.	Profit for the year	29,719	27,167
	Total liabilities and equity	3,730,081	3,144,903

INCOME STATEMENT

(Amounts in thousands of Euro)

	31.12.2019	31.12.2018
10. Interest and similar income	110,336	99,710
of which: interest income calculated with the effective interest method	107,644	98,031
20. Interest and similar expense	(29,642)	(25,145)
30. Net interest income	80,694	74,565
40. Fee and commission income	22,490	17,625
50. Fee and commission expense	(6,422)	(2,370)
60. Net fee and commission income	16,068	15,255
70. Dividends and similar income	227	227
80. Net trading income (expense)	208	(129)
100. Gain from sales or repurchases of:	3,716	1,167
a) financial assets measured at amortised cost	1,106	-
b) financial assets measured at fair value through other comprehensive income	2,610	1,167
120. Total income	100,913	91,085
130. Net impairment losses on:	(9,055)	(6,814)
a) financial assets measured at amortised cost	(8,950)	(6,812)
b) financial assets measured at fair value through other comprehensive income	(105)	(2)
150. Net financial income	91,858	84,271
190. Administrative expenses:	(46,105)	(40,862)
a) personnel expense	(23,166)	(19,908)
b) other administrative expenses	(22,939)	(20,954)
200. Net accruals to provisions for risks and charges	(1,996)	(414)
a) commitments and guarantees issued	(36)	-
b) other net accruals	(1,960)	(414)
210. Net impairment losses on property and equipment	(1,499)	(529)
220. Net impairment losses on intangible assets	(133)	(3)
230. Other operating expense	(768)	(396)
240. Operating costs	(50,501)	(42,204)
250. Gains (losses) on equity investments	-	8
280. Gains (losses) on sales of investments	(8)	-
290. Pre-tax profit from continuing operations	41,349	42,075
300. Income taxes	(12,192)	(14,554)
310. Post-tax profit from continuing operations	29,157	27,521
320. Post-tax profit (loss) from discontinued operations	562	(354)
330. Profit for the year attributable to the owners of the parent	29,719	27,167
350. Profit for the year attributable to the owners of the parent	29,719	27,167

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in thousands of Euro)

	31.12.2019	31.12.2018
10. Profit for the year	29,719	27,167
Items, net of tax, that will not be reclassified subsequently to profit or loss	-	-
20. Equity instruments designated at fair value through other comprehensive income	-	-
30. Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
40. Hedging of equity instruments designated at fair value through other comprehensive income	-	-
50. Property and equipment	-	-
60. Intangible assets	-	-
70. Defined benefit plans	(32)	39
80. Non-current assets held for sale	-	-
90. Share of valuation reserves of equity-accounted investments:	-	-
Items, net of tax, that will be reclassified subsequently to profit or loss	-	-
100. Hedges of foreign investments	-	-
110. Exchange rate gains (losses)	-	-
120. Cash flow hedges	-	-
130. Hedging instruments (non-designated elements)	-	-
140. Financial assets (other than equity instruments) measured at fair value through other comprehensive income	1,430	(2,064)
150. Non-current assets held for sale	-	-
160. Share of valuation reserves of equity-accounted investments:	-	-
170. Total other comprehensive income (expense), net of income tax	1,398	(2,025)
180. Comprehensive income (Items 10+170)	31,117	25,142
190. Comprehensive income attributable to non-controlling interests	-	-
200. Comprehensive income attributable to the owners of the parent	31,117	25,142

STATEMENT OF CHANGES IN EQUITY AS AT 31.12.2019

Amounts in thousands of Euro

	Balance at 31.12.2018	Change in opening balances	Balance at 1.1.2019	Allocation of prior year profit		Changes during the year							Equity attributable to non-controlling interests at 31.12.2019				
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock Options		Changes in equity investments	Comprehensive income for 2019		
																Equity attributable to the owners of the parent at 31.12.2019	
Share capital:																	
a) ordinary shares	9,651	-	9,651	-	-	-	-	-	-	-	-	-	-	-	-	-	9,651
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	39,184	-	39,184	-	-	(84)	-	-	-	-	-	-	-	-	-	-	39,100
Reserves	78,452	-	78,452	20,170	-	(5)	-	-	-	-	-	-	-	-	-	-	98,617
a) income-related	78,792	-	78,792	20,170	-	(20)	-	-	-	-	-	-	-	-	-	-	98,942
b) other	(340)	-	(340)	-	-	15	-	-	-	-	-	-	-	-	-	-	(325)
Valuation reserves	(1,131)	-	(1,131)	-	-	-	-	-	-	-	-	-	-	-	1,398	-	267
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(199)	-	(199)	-	-	(35)	-	-	-	-	-	-	-	-	-	-	(234)
Profit for the year	27,167	-	27,167	(20,170)	(6,997)	-	-	-	-	-	-	-	-	29,719	-	-	29,719
Equity attributable to the owners of the parent	153,124	-	153,124	-	(6,997)	(124)	-	-	-	-	-	-	-	31,117	-	-	177,120
Equity attributable to non-controlling interests	30	-	30	-	-	2	-	-	-	-	-	-	-	-	-	-	32

STATEMENT OF CHANGES IN EQUITY AS AT 31.12.2018

Amounts in thousands of Euro

	Balance at 31.12.2017	Change in opening balances	Balance at 1.1.2018	Allocation of prior year profit		Changes during the year							Equity attributable to non-controlling interests at 31.12.2018				
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock Options		Changes in equity investments	Comprehensive income for 2018	Equity attributable to the owners of the parent at 31.12.2018	
																	Reserves
Share capital:																	
a) ordinary shares	9,651	-	9,651	-	-	-	-	-	-	-	-	-	-	-	-	-	9,651
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	39,268	-	39,268	-	-	(84)	-	-	-	-	-	-	-	-	-	-	39,184
Reserves	58,807	(224)	58,583	19,877	-	(8)	-	-	-	-	-	-	-	-	-	-	78,452
a) income-related	59,133	(224)	58,909	19,877	-	6	-	-	-	-	-	-	-	-	-	-	78,792
b) other	(326)	-	(326)	-	-	(14)	-	-	-	-	-	-	-	-	-	-	(340)
Valuation reserves	367	527	894	-	-	-	-	-	-	-	-	-	-	-	(2,025)	(1,131)	
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(149)	-	(149)	-	-	(50)	-	(149)	-	-	-	-	-	-	-	-	(199)
Profit for the year	26,793	-	26,793	(19,877)	(6,916)	-	-	-	-	-	-	-	-	-	27,167	27,167	-
Equity attributable to the owners of the parent	134,737	303	135,040	-	(6,916)	(142)	-	(149)	-	-	-	-	-	-	25,142	153,124	-
Equity attributable to non-controlling interests	30	-	30	-	-	-	-	-	-	-	-	-	-	-	-	-	30

STATEMENT OF CASH FLOWS (indirect method)

Amounts in thousands of Euro

	2019	2018
A. OPERATING ACTIVITIES		
1. Operations	49,577	55,204
▪ Profit for the year (+/-)	29,719	27,167
▪ Gains/losses on financial assets held for trading and other financial assets/liabilities measured at fair value through profit or loss (-/+)	-	-
▪ Gains/losses on hedging activities (-/+)	-	-
▪ Net impairment losses due to credit risk (+/-)	8,950	6,812
▪ Net impairment losses on property and equipment and intangible assets (+/-)	1,632	532
▪ Net accruals to provisions for risks and charges and other costs/income (+/-)	1,996	414
▪ Taxes, duties and tax assets not yet paid (+/-)	1,868	2,151
▪ Other adjustments (+/-)	5,412	18,128
2. Cash flows used for financial assets	(566,474)	(833,520)
▪ Financial assets held for trading	-	1,201
▪ Financial assets designated at fair value through profit or loss	-	-
▪ Other assets mandatorily measured at fair value through profit or loss	-	-
▪ Financial assets measured at fair value through other comprehensive income	(250,516)	(20,289)
▪ Financial assets measured at amortised cost	(313,636)	(815,661)
▪ Other assets	(2,322)	1,229
3. Cash flows generated by financial liabilities	527,062	791,354
▪ Financial liabilities measured at amortised cost	501,242	797,655
▪ Financial liabilities held for trading	-	-
▪ Financial liabilities designated at fair value through profit or loss	-	-
▪ Other liabilities	25,820	(6,301)
Net cash flows generated by operating activities	10,165	13,038
B. INVESTING ACTIVITIES		
1. Cash flows generated by	786	-
▪ Sales of equity investments	786	-
▪ Dividends from equity investments	-	-
▪ Sales of property and equipment	-	-
▪ Sales of intangible assets	-	-
▪ Sales of business units	-	-
2. Cash flows used in	(3,556)	(5,944)
▪ Purchases of equity investments	-	-
▪ Purchases of property and equipment	(2,591)	(1,777)
▪ Purchases of intangible assets	(965)	(4,167)
▪ Purchases of business units	-	-
Net cash flows used in investing activities	(2,770)	(5,944)
C. FINANCING ACTIVITIES		
▪ Repurchases of treasury shares	(35)	(50)
▪ Issues/repurchases of equity instruments	-	-
▪ Dividend and other distributions	(6,997)	(6,916)
Net cash flows used in financing activities	(7,032)	(6,966)
NET CASH FLOWS FOR THE YEAR	363	128

KEY:
(+) generated
(-) used

RECONCILIATION

Cash and cash equivalents at the beginning of the year	289	161
Total net cash flows for the year	363	128
Cash and cash equivalents: effect of change in exchange rates	-	-
Cash and cash equivalents at the end of the year	652	289

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A.1 - GENERAL PART

SECTION 1 - Statement of compliance with International Financial Reporting Standards

The consolidated financial statements of the Banca Sistema Group at 31 December 2019 were drawn up in accordance with International Financial Reporting Standards - called IFRS - issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission, as established by EU Regulation no. 1606 of 19 July 2002, adopted in Italy by art. 1 of Legislative Decree no. 38 of 28 February 2005 and considering the Bank of Italy Circular no. 262 of 22 December 2005 as subsequently updated, regarding the forms and rules for drafting the Financial Statements of banks.

The International Financial Reporting Standards are applied by referring to the "Framework for the Preparation and Presentation of Financial Statements" (Framework).

If there is no standard or interpretation that applies specifically to a transaction, other event or circumstance, the Board of Directors uses its judgement to develop and apply an accounting standard in order to provide disclosure that:

- is relevant to the economic decision-making needs of users;
- is reliable, in that the financial statements:
 - represent faithfully the financial position, financial performance and cash flows of the Bank;
 - reflect the economic substance of transactions, other events and conditions, and not merely the legal form;
 - are neutral, i.e. free from bias;
 - are prudent;
 - are complete in all material respects.

When exercising the aforementioned judgement, the Board of Directors of the Bank has made reference to and considered the applicability of the following sources, described in descending order of importance:

- the provisions and application guidelines contained in the Standards and Interpretations governing similar or related cases;
- the definitions, recognition criteria and measuring concepts for accounting for the assets, liabilities, revenue, and costs contained in the "Framework".

When expressing an opinion, the Board of Directors may also consider the most recent provisions issued by other bodies that rule on accounting standards that use a similar "Framework" in concept for developing accounting standards, other accounting literature and consolidated practices in the sector.

In accordance with art. 5 of Legislative Decree no. 38 of 28 February 2005, if, in exceptional cases, the application of a provision imposed by the IFRS were incompatible with the true and fair representation of the financial position or results of operations, the provision would not apply. The justifications for any exceptions and their influence on the presentation of the financial position and results of operations would be explained in the Notes to the financial statements.

Any profits resulting from the exception would be recognised in a non-distributable reserve if they did not correspond to the recovered amount in the financial statements. However, no exceptions to the IFRS were applied.

The financial statements were audited by BDO Italia S.p.A.

SECTION 2 - General basis of preparation

The financial statements are drawn up with clarity and give a true and fair view of the financial position, profit or loss, cash flows, and changes in equity and comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The financial statements are accompanied by the Directors' Report on the Bank's performance.

If the information required by the IFRS and provisions contained in Circular no. 262 of 22 December 2005

and/or the subsequent updates issued by the Bank of Italy are not sufficient to give a true and fair view that is relevant, reliable, comparable and understandable, the notes to the financial statements provide the additional information required.

The general principles that underlie the drafting of the financial statements are set out below:

- the measurements are made considering that the bank will continue as a going concern guaranteed by the financial support of the Shareholders;
- costs and income are accounted for on an accruals basis;
- to ensure the comparability of the data and information in the financial statements and the notes to the financial statements, the methods of presentation and classification are kept constant over time unless they are changed to present the data more appropriately;
- each material class of similar items is presented separately in the statement of financial position and income statement; items of a dissimilar nature or function are presented separately unless they are considered immaterial;
- items that have nil balances at year end or for the financial year or for the previous year are not indicated in the statement of financial position or the income statement;
- if an asset or liability comes under several items in the statement of financial position, the notes to the financial statements make reference to the other items under which it is recognised if it is necessary for a better understanding of the financial statements;
- the items are not offset against one another unless it is expressly requested or allowed by an IFRS or an interpretation or the provisions of the aforementioned Circular no. 262 of 22 December 2005 as amended by the Bank of Italy;
- the financial statements are drafted by favouring substance over form and in accordance with the principle of materiality and significance of the information;
- comparative data for the previous financial year are presented for each statement of financial position and income statement item; if the items are not comparable to those of the previous year, they are adapted and the

non-comparability and adjustment/or impossibility thereof are indicated and commented on in the notes to the financial statements;

- the layout recommended by the Bank of Italy was used with reference to the information reported in the notes to the financial statements; the tables included in this layout were not presented if they were not applicable to the Group's business.

Within the scope of drawing up the financial statements in accordance with the IFRS, bank management must make assessments, estimates and assumptions that influence the amounts of the assets, liabilities, costs and income recognised during the year.

The use of estimates is essential to preparing the financial statements. In particular, the most significant use of estimates and assumptions in the financial statements can be attributed to:

- the valuation of loans and receivables with customers: the acquisition of performing receivables from companies that supply goods and services represents the Bank's main activity. Estimating the value of these receivables is a complex activity with a high degree of uncertainty and subjectivity. Their value is estimated by using models that include numerous quantitative and qualitative elements. These include the historical data for collections, expected cash flows and the related expected recovery times, the existence of indicators of possible impairment, the valuation of any guarantees, and the impact of risks associated with the sectors in which the Bank's customers operate;
- the valuation of default interest pursuant to Legislative Decree no. 231 of 9 October 2002 on performing receivables acquired without recourse: estimating the expected recovery percentages of default interest is complex, with a high degree of uncertainty and subjectivity. Internally developed valuation models are used to determine these percentages, which take numerous qualitative and quantitative elements into consideration;
- the estimate related to the possible impairment losses on goodwill and equity investments recognised in the financial statements;

- the quantification and estimate made for recognising liabilities in the provision for risks and charges, the amount or timing of which are uncertain;
- the recoverability of deferred tax assets.

It should be noted that an estimate may be adjusted following a change in the circumstances upon which it was formed, or if there is new information or more experience. Any changes in estimates are applied prospectively and therefore will have an impact on the income statement for the year in which the change takes place.

Pursuant to the provisions of art. 5 of Legislative Decree no. 38 of 28 February 2005, the financial statements use the Euro as the currency for accounting purposes. The financial statements are expressed in thousands of Euro. Unless otherwise stated, the notes to the financial statements are expressed in thousands of Euro.

Application of the new IFRS 16

Starting on 1 January 2019, the right to use the leased asset will be recognised on the asset side of the statement of financial position, and the liability for future lease payments still to be paid to the lessor will be recognised on the liability side of the statement of financial position.

In addition, recognition in the income statement will

also differ under this new method, whereby for lease payments previously recognised under administrative expenses, under IFRS 16 the depreciation of the “right-of-use” asset and interest expense on the lease liability will be recognised.

The economic impact does not change over the lease term, but is instead allocated differently over time.

The Group has chosen to use the modified retrospective approach for the first-time adoption (FTA) of IFRS 16, which provides the option to recognise the cumulative effect of applying the Standard at the date of initial application and excludes the restatement of comparative data from the financial statements prepared upon first-time adoption of IFRS 16. Therefore, the figures of the financial statements for 2019 will not be comparable for the valuation of the rights of use and the corresponding lease liability.

The effects of first-time adoption (FTA) of IFRS 16

The adoption of IFRS 16 using the modified retrospective approach resulted in an increase in property and equipment due to the recognition of new rights of use at Group level (€ 1.9 million) and financial liabilities (payable to the lessor) for the same amount.

Consequently, from the first-time adoption of the standard, there has been no impact on equity following the decision to adopt the modified approach.

SECTION 3 - Scope and methods of consolidation

The consolidated financial statements include the Parent, Banca Sistema S.p.A., and the companies directly or indirectly controlled by or connected with it. The following statement shows the investments included within the scope of consolidation of the consolidated financial statements.

	Registered office	Type of Relationship (1)	Investment		
			Investing company	% held	% of votes available (2)
Companies					
Subject to full consolidation					
S.F. Trust Holdings Ltd	UK	1	Banca Sistema	100%	100%
Largo Augusto Servizi e Sviluppo S.r.l.	Italy	1	Banca Sistema	100%	100%
ProntoPegno S.p.A.	Italy	1	Banca Sistema	100%	100%

Key:

(1) Type of relationship.

1. = majority of voting rights at the ordinary Shareholders' Meeting

2. = a dominant influence in the ordinary Shareholders' Meeting

3. = agreements with other shareholders

4. = other forms of control

5. = unitary management as defined in Art. 26, paragraph 1 of 'Legislative Decree 87/92'

6. = unitary management as defined in Art. 26, paragraph 2 of 'Legislative Decree 87/92'

7. = joint control

(2) Available voting rights at the ordinary Shareholders' Meeting, with separate indication of effective and potential rights

The scope of consolidation also includes the following special purpose securitisation vehicles whose receivables are not subject to derecognition:

- Quinto Sistema Sec. 2017 S.r.l.
- Quinto Sistema Sec. 2019 S.r.l.
- Atlantis SPV S.r.l.

Changes in the scope of consolidation

Compared to the situation as at 31 December 2018, the scope of consolidation changed as a result of the following events:

- the equity investments in ADV Finance S.p.A. and ProCredit S.r.l. were excluded from the scope of consolidation after their sale.

Full consolidation method

The investments in subsidiaries are consolidated using the full consolidation method. The concept of control goes beyond owning a majority of the percentage of stakes in the share capital of the subsidiary and is defined as the power of determining the management and financial policies of said subsidiary to obtain benefits from its business.

Full consolidation provides for line-by-line aggregation of the statement of financial position and income statement aggregates from the accounts of the subsidiaries. To this end, the following adjustments were made:

- the carrying amount of the investments held by the Parent and the corresponding part of the equity are eliminated;
- the portion of equity and profit or loss for the year is shown in a specific caption.

The results of the above adjustments, if positive, are shown - after allocation to the assets or liabilities of the subsidiary - as goodwill in item "100 Intangible Assets" on the date of initial consolidation. The resulting differences, if negative, are recognised in the income statement. Intra-group balances and transactions, including income, costs and dividends, are entirely eliminated. The financial results of a subsidiary acquired during the financial year are included in the consolidated financial statements from the date of acquisition. At the same time, the financial results of a transferred subsidiary are included in the consolidated financial statements up to the date on which the subsidiary is transferred. The accounts used in the preparation of the consolidated financial statements are drafted on the same date. The consolidated financial statements were drafted using consistent accounting standards for similar transactions and events. If a subsidiary uses accounting standards

different from those adopted in the consolidated financial statements for similar transactions and events in similar circumstances, adjustments are made to the financial position for consolidation purposes. Detailed information with reference to art. 89 of Directive 2013/36/EU of the European Parliament and Council (CRD IV) is published at the link www.bancasistema.it/pillar3.

Consolidation at equity

Associates are consolidated at equity.

The equity method provides for the initial recognition of the investment at cost and subsequent adjustment based on the relevant share of the investee's equity.

The differences between the value of the equity investment and the equity of the relevant investee are included in the carrying amount of the investee.

In the valuation of the relevant share, any potential voting rights are not taken into consideration.

The relevant share of the annual results of the investee is shown in a specific item of the consolidated income statement.

If there is evidence that an equity investment may be impaired, the recoverable value of said equity investment is estimated by considering the present value of future cash flows that the investment could generate, including the final disposal value of the investment. Should the recoverable value prove lower than the carrying amount, the difference is recognised in the income statement.

SECTION 4 - Subsequent events

With regard to IAS 10, after 31 December 2019, the reporting date of the financial statements, and up to 11 March 2020, the date when the financial statements were presented to the Board of Directors, no events occurred that would require any adjustments to the figures in the financial statements.

SECTION 5 - Other aspects

With reference to the transparency rules on public funding introduced by article 1, paragraphs 125-129 of Italian Law no. 124/2017 and subsequently supplemented by the 'Sicurezza' Law Decree (no. 113/2018) and the 'Semplificazione' Law Decree (no. 135/2018), it

should be noted that there were issues regarding their interpretation and application. On the basis of the guidelines and interpretations formulated by Assonime in Circular no. 5 of 22 February 2019, amounts received by companies related to 'paid assignments' are to be excluded from this report. Moreover, the requirement that they be disclosed in the notes to the financial statements was understood to exclude the general measures available to all companies. Based on this interpretation, there is nothing to report. There are no significant aspects to note.

A.2 - INFORMATION ON THE MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Financial assets measured at fair value through profit or loss

Classification criteria

Financial assets other than those classified as Financial assets measured at fair value through other comprehensive income and Financial assets measured at amortised cost are classified in this category. In particular, this item includes:

- financial assets held for trading;
- equity instruments, except for the possibility of their being classified in the new category Financial assets measured at fair value through other comprehensive income, excluding the possibility of subsequent reclassification to profit or loss;
- financial assets mandatorily measured at fair value, and which have not met the requirements to be measured at amortised cost;
- financial assets that are not held under a Held to Collect (or "HTC") business model or as part of a mixed business model, whose aim is achieved by collecting the contractual cash flows of financial assets held in the Bank's portfolio or also through their sale, when this is an integral part of the strategy ("Held to Collect and Sell" business model);
- financial assets designated at fair value, i.e. financial assets that are defined as such upon initial recognition and when the conditions apply. For this type of

financial assets, upon recognition an entity may irrevocably recognise a financial asset as measured at fair value through profit or loss only if this eliminates or significantly reduces a measurement inconsistency;

- derivative instruments, which shall be recognised as financial assets held for trading if their fair value is positive and as liabilities if their fair value is negative. Positive and negative values may be offset only for transactions executed with the same counterparty if the holder currently holds the right to offset the amounts recognised in the books and it is decided to settle the offset positions on a net basis. Derivatives also include those embedded in complex financial contracts - where the host contract is a financial liability which has been recognised separately.

Except for the equity instruments which cannot be reclassified, financial assets may be reclassified to other categories of financial assets only if the entity changes its own business model for management of the financial assets. In such cases, which are expected to be absolutely infrequent, the financial assets may be reclassified from those measured at fair value through profit or loss to one of the other two categories established by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through other comprehensive income). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. In this case, the effective interest rate of the reclassified financial asset is determined based on its fair value at the reclassification date and that date is considered as the initial recognition date for the credit risk stage assignment for impairment purposes.

Recognition criteria

Initial recognition of financial assets occurs at the settlement date for debt instruments and equity instruments, at the disbursement date for loans and at the subscription date for derivative contracts.

On initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, without considering transaction costs or income directly attributable to the instrument.

Measurement and recognition criteria for income components

After initial recognition, the financial assets measured at fair value through profit or loss are recognised at fair value. The effects of the application of this measurement criterion are recognised in the income statement. For the determination of the fair value of financial instruments quoted on active markets, market quotations are used. If the market for a financial instrument is not active, standard practice estimation methods and measurement techniques are used which consider all the risk factors correlated to the instruments and that are based on market elements such as: measurement of quoted instruments with the same characteristics, calculation of discounted cash flows, option pricing models, recent comparable transactions, etc.. For equity and derivative instruments that have equity instruments as underlying assets, which are not quoted on an active market, the cost approach is used as the estimate of fair value only on a residual basis and in a small number of circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there are a wide range of possible measurements of fair value, in which cost represents the most significant estimate.

In particular, this item includes:

- debt instruments held for trading;
- equity instruments held for trading.

For more details on the methods of calculating the fair value please refer to the paragraph below "Criteria for determining the fair value of financial instruments".

Derecognition criteria

Financial assets are derecognised when the contractual rights on the cash flows deriving from the assets expire, or in the case of a transfer, when the same entails the substantial transfer of all risks and rewards related to the financial assets.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Classification criteria

This category includes the financial assets that meet both the following conditions:

- financial assets that are held under a business model whose aim is achieved both through the collection of contractual cash flows and through sale ("Held to Collect and Sell" business model);
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI Test" passed).

This item also includes equity instruments, not held for trading, for which the option was exercised upon initial recognition of their designation at fair value through other comprehensive income.

In particular, this item includes:

- debt instruments that can be attributed to a Held to Collect and Sell business model and that have passed the SPPI test;
- equity interests, that do not qualify as investments in subsidiaries, associates or joint ventures and are not held for trading, for which the option has been exercised of their designation at fair value through other comprehensive income.

Except for the equity instruments which cannot be reclassified, financial assets may be reclassified to other categories of financial assets only if the entity changes its own business model for management of the financial assets.

In such cases, which are expected to be absolutely infrequent, the financial assets may be reclassified from those measured at fair value through other comprehensive income to one of the other two categories established by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. In the event of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is allocated as an adjustment to the fair value of the financial asset at the reclassification date. In the event of reclassification to the fair value through profit or loss category, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from equity to profit (loss).

Recognition criteria

Initial recognition of the financial assets is at the date of disbursement, based on their fair value including the transaction costs/income directly attributable to the acquisition of the financial instrument. Costs/income having the previously mentioned characteristics that will be repaid by the debtor or that can be considered as standard internal administrative costs are excluded.

The initial fair value of a financial instrument is usually the cost incurred for its acquisition.

Measurement and recognition criteria for income components

Following initial recognition, financial assets are measured at their fair value with any gains or losses resulting from a change in the fair value compared to the amortised cost recognised in a specific equity reserve recognised in the statement of comprehensive income up until said financial asset is derecognised or an impairment loss is recognised.

For more details on the methods of calculating the fair value please refer to paragraph 17.3 below "Criteria for determining the fair value of financial instruments".

Equity instruments, for which the choice has been made to classify them in this category, are measured at fair value and the amounts recognised in other comprehensive income cannot be subsequently transferred to profit or loss, not even if they are sold (the so-called OCI exemption). The only component related to these equity instruments that is recognised through profit or loss is their dividends. Fair value is determined on the basis of the criteria already described for Financial assets measured at fair value through profit or loss.

For the equity instruments included in this category, which are not quoted on an active market, the cost approach is used as the estimate of fair value only on a residual basis and in a small number of circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there are a wide range of possible measurements of fair value, in which cost represents the most significant estimate.

Financial assets measured at fair value through other comprehensive income are subject to the verification

of the significant increase in credit risk (impairment) required by IFRS 9, with the consequent recognition through profit or loss of an impairment loss to cover the expected losses.

Derecognition criteria

Financial assets are derecognised when the contractual rights on the cash flows deriving from the assets expire, or in the case of a transfer, when the same entails the substantial transfer of all risks and rewards related to the financial assets.

Financial assets measured at amortised cost

Classification criteria

This category includes the financial assets that meet both the following conditions:

- the financial asset is held under a business model whose objective is achieved through the collection of expected contractual cash flows (Held to Collect business model);
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI Test" passed).

In particular, this item includes:

- loans and receivables with banks;
- loans and receivables with customers;
- debt instruments.

Except for the equity instruments which cannot be reclassified, financial assets may be reclassified to other categories of financial assets only if the entity changes its own business model for management of the financial assets. In such cases, which are expected to be absolutely infrequent, the financial assets may be reclassified from the amortised cost category to one of the other two categories established by IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. Gains and losses resulting from the

difference between the amortised cost of a financial asset and its fair value are recognised through profit or loss in the event of reclassification to Financial assets measured at fair value through profit or loss and under equity, in the specific valuation reserve, in the event of reclassification to Financial assets measured at fair value through other comprehensive income.

Recognition criteria

Initial recognition of a receivable is at the date of disbursement based on its fair value including the costs/income of the transaction directly attributable to the acquisition of the receivable.

Costs/income having the previously mentioned characteristics that will be repaid by the debtor or that can be considered as standard internal administrative costs are excluded.

The initial fair value of a financial instrument is usually equivalent to the amount granted or the cost incurred by the acquisition.

Measurement and recognition criteria for income components

Following initial recognition, loans and receivables with customers are stated at amortised cost, equal to the initial recognition amount reduced/increased by principal repayments, by impairment losses/gains and the amortisation - calculated on the basis of the effective interest rate - of the difference between the amount provided and that repayable at maturity, usually the cost/income directly attributed to the individual loan.

The effective interest rate is the rate that discounts future payments estimated for the expected duration of the loan, in order to obtain the exact carrying amount at the time of initial recognition, which includes both the directly attributable transaction costs/income and all of the fees paid or received between the parties. This accounting method, based on financial logic, enables the economic effect of costs/income to be spread over the expected residual life of the receivable.

The measurement criteria are strictly connected with the stage to which the receivable is assigned, where stage 1 contains performing loans, stage 2 consists of

under-performing loans, i.e. loans that have undergone a significant increase in credit risk ("significant deterioration") since the initial recognition of the instrument, and stage 3 consists of non-performing loans, i.e. the loans that show objective evidence of impairment. The impairment losses recognised through profit or loss for the performing loans classified in stage 1 are calculated by considering an expected loss at one year, while for the performing loans in stage 2 they are calculated by considering the expected losses over the entire residual contractual lifetime of the asset (Lifetime Expected Loss). The performing financial assets are measured according to probability of default (PD), loss given default (LGD) and exposure at default (EAD) parameters, derived from internal historic series. For impaired assets, the amount of the loss, to be recognised through profit or loss, is established based on individual measurement or determined according to uniform categories and, then, individually allocated to each position, and takes account of forward-looking information and possible alternative recovery scenarios. Impaired assets include financial instruments classified as bad exposures, unlikely-to-pay or past due/overdrawn by over ninety days according to the rules issued by the Bank of Italy, in line with the IFRS and EU Supervisory Regulations. The expected cash flows take into account the expected recovery times and the estimated realisable value of any guarantees. The original effective rate of each asset remains unchanged over time even if the relationship has been restructured with a variation of the contractual interest rate and even if the relationship, in practice, no longer bears contractual interest. If the reasons for impairment are no longer applicable following an event subsequent to the recognition of impairment, impairment gains are recognised in the income statement. The impairment gains may not in any case exceed the amortised cost that the financial instrument would have had in the absence of previous impairment losses. Impairment gains with time value effects are recognised in net interest income.

Derecognition criteria

Loans and receivables are derecognised from the financial statements when they are deemed totally unrecoverable or

if transferred, when this entails the substantial transfer of all loan-related risks and rewards.

Hedging transactions

At the reporting date, the Bank had not made any “Hedging transactions”.

Equity investments

Classification criteria

This category includes equity investments in subsidiaries, associates, and joint ventures by Banca Sistema.

Recognition criteria

Equity investments are recognised in the financial statements at purchase cost plus any related charges.

Measurement criteria

In the consolidated financial statements, equity investments in subsidiaries are consolidated using the full line-by-line method. Equity investments in associates and joint ventures are both measured at equity. At the end of each financial year or interim report date, an assessment is performed to determine if any objective evidence exists that an investment has been impaired. The recoverable value is then calculated taking into account the present value of the future cash flows that the investment will be able to generate, including the final disposal value of the investment. Any lower value, compared to the carrying amount, resulting from this calculation is charged to the income statement under “250 Gains (losses) on equity investments”. The item also includes any future impairment gains where the reasons for the previous impairment losses no longer apply.

Derecognition criteria

Equity investments are derecognised from the financial statements when the contractual rights to cash flows deriving from the investment are lost or when the investment is transferred, with the substantial transfer of all related risks and rewards. Gains and losses on the sale of equity investments are charged to the

income statement under the item “240 Gains (losses) on equity investments”; gains and losses on the sale of investments other than those measured at equity are charged to the income statement under the item “280 Gains (losses) on sales of investments”.

Property and equipment

Classification criteria

This item includes assets for permanent use, held to generate income, to be leased, or for administrative purposes, such as land, operating property, investment property, technical installations, furniture and fittings and equipment of any nature and works of art.

They also include leasehold improvements to third party assets if they can be separated from the assets in question. If the above costs do not display functional or usefulness-related autonomy, but future economic benefits are expected from them, they are recognised under “other assets” and are depreciated over the shorter period between that of expected usefulness of the improvements in question and the residual duration of the lease. Depreciation is recognised under “Other operating income (expense)”.

Property and equipment also include payments on account for the purchase and renovation of assets not yet part of the production process and therefore not yet subject to depreciation.

“Operating” property and equipment are represented by assets held for the provision of services or for administrative purposes, while property and equipment held for “investment purposes” are those held to collect lease instalments and/or held for capital appreciation.

The item also includes rights of use associated with leased assets and fees for use.

Recognition criteria

Property and equipment are initially recognised at cost, including all costs directly attributable to installation of the asset.

Extraordinary maintenance costs and costs for improvements leading to actual improvement of the asset, or an increase in the future benefits generated by

the asset, are attributed to the reference assets, and are depreciated based on their residual useful life.

Under IFRS 16, leases are accounted for in accordance with the right-of-use model, whereby, at the commencement date, the lessee incurs an obligation to make payments to the lessor for the right to use the underlying asset for the term of the lease. When the asset is made available for use by the lessee, the lessee recognises both the liability and the right-of-use asset.

Measurement criteria

Following initial recognition, “operating” property and equipment are recognised at cost, less accumulated depreciation, and any impairment losses, in line with the “cost model” illustrated in paragraph 30 of IAS 16. More specifically, property and equipment are systematically depreciated each year based on their estimated useful life, using the straight-line basis method apart from:

- land, regardless of whether this was purchased separately or was incorporated into the value of the building, which, insofar as it has an indefinite useful life, is not depreciated;
- works of art, which are not depreciated as their useful life cannot be estimated and their value typically appreciates over time;
- investment property which is recognised at fair value in accordance with IAS 40.

For assets acquired during the financial year, depreciation is calculated on a daily basis from the date of entry into use of the asset. For assets transferred and/or disposed of during the financial year, depreciation is calculated on a daily basis until the date of transfer and/or disposal.

At the end of each year, if there is any evidence that property or equipment that is not held for investment purposes may have suffered an impairment loss, a comparison is made between its carrying amount and its recoverable value, equal to the higher between the fair value, net of any costs to sell, and the related value in use of the asset, intended as the present value of future cash flows expected from the asset. Any impairment losses are recognised in the income statement under “net impairment losses on property and equipment”.

If the reasons that led to recognition of the impairment

loss cease to apply, an impairment gain is recognised that may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment losses.

For investment property, which comes within the scope of application of IAS 40, the measurement is made at the market value determined using independent surveys and the changes in fair value are recognised in the income statement under the item “fair value gains (losses) on property, equipment and intangible assets”.

The right-of-use asset, recognised in accordance with IFRS 16, is measured using the cost model under IAS 16 Property, plant and equipment. In this case, the asset is subsequently depreciated and tested for impairment if impairment indicators are present.

Derecognition criteria

Property and equipment is derecognised from the statement of financial position upon disposal thereof or when the asset is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Intangible assets

Classification criteria

This item includes non-monetary assets without physical substance that satisfy the following requirements:

- they can be identified;
- they can be monitored;
- they generate future economic benefits.

In the absence of one of the above characteristics, the expense of acquiring or generating the asset internally is recognised as a cost in the year in which it was incurred.

Intangible assets include software to be used over several years and other identifiable assets generated by legal or contractual rights.

Goodwill is also included under this item, representing the positive difference between the acquisition cost and fair value of the assets and liabilities acquired as part of a business combination. Specifically, an intangible asset is recognised as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the acquisition cost represents the future capacity

of the equity investment to generate profit (goodwill). If this difference proves negative (badwill), or if the goodwill offers no justification of the capacity to generate future profit from the assets and liabilities acquired, it is recognised directly in the income statement.

Measurement criteria

Intangible assets are systematically amortised from the time of their input into the production process.

With reference to goodwill, on an annual basis (or when impairment is detected), an assessment test is carried out on the adequacy of its carrying amount. For this purpose, the cash-generating unit to which the goodwill is attributed, is identified. The amount of any impairment is determined by the difference between the goodwill carrying amount and its recoverable value, if lower. This recoverable value is equal to the higher amount between the fair value of the cash-generating unit, net of any costs to sell, and its value in use. As stated above, any consequent impairment losses are recognised in the income statement.

Derecognition criteria

An intangible asset is derecognised from the statement of financial position at the time of its disposal and if there are no expected future economic benefits.

Non-current assets held for sale and disposal groups

Non-current assets or groups of assets for which a disposal process has been initiated and whose sale is considered highly probable are classified under "Non-current assets held for sale and disposal groups". These assets are measured at the lower of their carrying amount and their fair value, net of disposal costs, with the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9) for which IFRS 5 specifically requires that the measurement criteria of the relevant accounting standard be applied. Income and expenses (net of the tax effect) relating to groups of assets being disposed of or recognised as such during the year, are shown in the income statement as a separate item.

Financial liabilities measured at amortised cost

Classification criteria

This item includes Due to banks, Due to customers and Securities issued.

Recognition criteria

These financial liabilities are initially recognised when the deposits are received or when the debt instruments are issued. Initial recognition is based on the fair value of the liabilities, increased by the costs/income of the transaction directly attributable to the acquisition of the financial instrument.

Costs/income having the previously mentioned characteristics that will be repaid by the creditor or that can be considered as standard internal administrative costs are excluded.

The initial fair value of a financial liability is usually equivalent to the amount collected.

Measurement and recognition criteria for income components

After the initial recognition, the previously mentioned financial liabilities are measured at amortised cost with the effective interest rate method.

Derecognition criteria

The above financial liabilities are derecognised from the statement of financial position when they expire or when they are extinguished.

They are derecognised also in the event of repurchase, even temporary, of the previously-issued securities. Any difference between the carrying amount of the extinguished liability and the amount paid is recognised in the income statement, under "Gain (loss) from sales or repurchases of: financial liabilities". If the Group, subsequent to the repurchase, re-replaces its own securities on the market, said transaction is considered a new issue and the liability is recognised at the new placement price.

Financial liabilities held for trading

Classification and recognition criteria

In particular, this category of liabilities includes the liabilities originating from technical exposures deriving from security trading activities.

Financial instruments are recognised at the date of their subscription or issue at a value equal to their fair value, without including any transaction costs or income directly attributable to the instruments themselves.

Measurement and recognition criteria for income components

The financial instruments are measured at fair value with recognition of the measurement results in the income statement.

Derecognition criteria

Financial liabilities held for trading are derecognised when the contractual rights on the related cash flows expire or when the financial liability is sold with a substantial transfer of all risks and rewards related to the liabilities.

Financial liabilities designated at fair value through profit or loss

At the reporting date, the Bank did not hold any "Financial liabilities designated at fair value through profit or loss".

Current and deferred taxes

Income taxes, calculated in compliance with prevailing tax regulations, are recognised in the income statement on an accruals basis, in accordance with the recognition in the financial statements of the costs and income that generated them, apart from those referring to the items recognised directly in equity, where the recognition of the tax is made to equity in order to be consistent.

Income taxes are provided for on the basis of a prudential estimate of the current and deferred taxes. More specifically, deferred taxes are determined on the basis of the temporary differences between the carrying amount of assets and liabilities and their tax bases. Deferred tax assets are recognised in the financial statements to the extent that it is probable that they will be recovered based on the Group's ability to continue to generate positive

taxable income.

Deferred tax assets and liabilities are accounted for in the statement of financial position with open balances and without offsetting entries, recognising the former under "Tax assets" and the latter under "Tax liabilities".

With respect to current taxes, at the level of individual taxes, advances paid are offset against the relevant tax charge, indicating the net balance under "current tax assets" or "current tax liabilities" depending on whether it is positive or negative.

Provisions for risks and charges

In line with the requirements of IAS 37, provisions for risks and charges cover liabilities, the amount or timing of which is uncertain, related to current obligations (legal or implicit), owing to a past event for which it is likely that financial resources will be used to fulfil the obligation, on condition that an estimate of the amount required to fulfil said obligation can be made at the reporting date. Where the temporary deferral in sustaining the charge is significant, and therefore the extent of the discounting will be significant, provisions are discounted at current market rates.

The provisions are reviewed at the reporting date of the annual financial statements and the interim financial statements and adjusted to reflect the current best estimate. These are recognised under their own items in the income statement in accordance with a cost classification approach based on the "nature" of the cost. Provisions related to future charges for employed personnel relating to the bonus system appear under "*personnel expense*". The provisions that refer to risks and charges of a tax nature are reported as "*income taxes*", whereas the provisions connected to the risk of potential losses not directly chargeable to specific items in the income statement are recognised as "*net accruals to provisions for risks and charges*".

Other information

Post-employment benefits

According to the IFRIC, the post-employment benefits can be equated with a post-employment benefit of the "defined-benefit plan" type which, based on IAS 19, is

to be calculated via actuarial methods. Consequentially, the end of the year measurement of the item in question is made based on the accrued benefits method using the Projected Unit Credit Method.

This method calls for the projection of the future payments based on historical, statistical, and probabilistic analysis, as well as in virtue of the adoption of appropriate demographic fundamentals. It allows the post-employment benefits vested at a certain date to be calculated actuarially, distributing the expense for all the years of estimated remaining employment of the existing workers, and no longer as an expense to be paid if the company ceases its activity on the reporting date.

The actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of the obligation at year end, are recognised in equity. An independent actuary assesses the post-employment benefits in compliance with the method indicated above.

Repurchase agreements

“Repurchase agreements” that oblige the party selling the relevant assets (for example securities) to repurchase them in the future and the “securities lending” transactions where the guarantee is represented by cash, are considered equivalent to swap transactions and, therefore, the amounts received and disbursed appear in the financial statements as payables and receivables. In particular, the previously mentioned “repurchase agreements” and “securities lending” transactions are recognised in the financial statements as payables for the spot price received, while those for investments are recognised as receivables for the spot price paid. Such transactions do not result in changes in the securities portfolio. Consistently, the cost of funds and the income from the investments, consisting of accrued dividends on the securities and of the difference between the spot price and the forward price thereof, are recognised for the accrual period under interest in the income statement.

Criteria for determining the fair value of financial instruments

Fair value is defined as “the price that would be collected for the sale of an asset or also that would be paid for

the transfer of a liability in an orderly transaction between market participants”, at a specific measurement date, excluding forced transactions. Underlying the definition of fair value in fact is the presumption that the company is in operation, and that it has no intention or need to liquidate, significantly reduce the volume of its assets, or engage in a transaction at unfavourable terms.

In the case of financial instruments listed on active markets, the fair value is determined based on the deal pricing (official price or other equivalent price on the last stock market trading day of the financial year of reference) of the most advantageous market to which the Group has access. For this purpose, a financial instrument is considered to be listed on an active market if the quoted prices are readily and regularly available from a price list, trader, intermediary, industrial sector, agencies that determine prices, or regulatory authority and said prices represent actual market transactions that regularly take place in normal dealings.

In the absence of an active market, the fair value is determined using measurement techniques generally accepted in financial practice, aimed at establishing what price the financial instrument would have had, on the valuation date, in a free exchange between knowledgeable and willing parties. Such measurement techniques require, in the hierarchical order in which they are presented, the use:

1. of the most recent NAV (Net Asset Value) published by the management investment company for the harmonised funds (UCITS - Undertakings for Collective Investment in Transferable Securities), the Hedge Funds and the SICAVs;
2. of the recent transaction prices observable in the markets;
3. of the price indications deducible from infoproviders (e.g., Bloomberg, Reuters);
4. of the fair value obtained from measurement models (for example, Discounting Cash Flow Analysis, Option Pricing Models) that estimate all the possible factors that influence the fair value of a financial instrument (cost of money, credit exposure, liquidity risk, volatility, foreign exchange rates, prepayment rates, etc.) based on data observable in the market, also with regards to similar instruments on the measurement date. If

market data cannot be referenced for one or more risk factors, metrics internally determined on a historical-statistical basis are used. The measurement models are subject to periodic review to guarantee complete and constant reliability;

5. of the price indications provided by the counterparty issuer adjusted if necessary to take into account the counterparty and/or liquidity risk (for example, the price resolved on by the Board of Directors and/or the Shareholders for the shares of unlisted cooperative banks, the unit value communicated by the management investment company for the closed-end funds reserved to institutional investors or for other types of OEICs other than those cited in paragraph 1, the redemption value calculated in compliance with the issue regulation for the insurance contracts);
6. for the equity-linked instruments, where the measurement techniques pursuant to the previous paragraphs are not applicable: i) the value resulting from independent surveys if available; ii) the value corresponding to the portion of equity held resulting from the company's most recently approved financial statements; iii) the cost, adjusted if necessary to take into account significant reductions in value, where the fair value cannot be reliably determined.

Based on the foregoing considerations and in compliance with the IFRS, the Group classifies the measurements at fair value based on a hierarchy of levels that reflects the significance of the inputs used in the measurements. The following levels are noted:

- **Level 1** - prices (without adjustments) reported on an active market: the measurements of the financial instruments quoted on an active market based on quotations that can be understood from the market;
- **Level 2** - the measurement is not based on prices of the same financial instrument subject to measurement, but on prices or credit spreads obtained from the official prices of essentially similar instruments in terms of risk factors, by using a given calculation method (pricing model).

The use of this approach translates to the search for transactions present on active markets, relating to instruments that, in terms of risk factors, are comparable with the instrument subject to

measurement;

The calculation methods (pricing models) used in the comparable approach make it possible to reproduce the prices of financial instruments quoted on active markets (model calibration) without including discretionary parameters - i.e. parameters whose value cannot be obtained from the prices of financial instruments present on active markets or cannot be fixed at levels as such to replicate prices present on active markets - which may influence the final valuation price in a decisive manner;

- **Level 3** - inputs that are not based on observable market data: the measurements of financial instruments not quoted on an active market, based on measurement techniques that use significant inputs that are not observable on the market, involving the adoption of estimates and assumptions by management (prices supplied by the issuing counterparty, taken from independent surveys, prices corresponding to the fraction of the equity held in the company or obtained using measurement models that do not use market data to estimate significant factors that condition the fair value of the financial instrument). This level includes measurements of financial instruments at cost price.

Business combinations

A business combination involves the combination of separate companies or business activities in a single party who has to draft the financial statements. A business combination may give rise to an investment relationship between the parent (acquirer) and the subsidiary (acquiree). A combination may also provide for the acquisition of the net assets of another entity, including any goodwill, or the acquisition of another entity's capital (mergers and contributions). Based on the provisions of IFRS 3, business combinations must be accounted for by applying the purchase method, which comprises the following phases:

- identification of the acquirer;
- measurement of the cost of the business combination;
- allocation, at the acquisition date, of the cost of the business combination to the assets acquired and liabilities and contingent liabilities assumed.

More specifically, the cost of a business combination must

be determined as the total fair value, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, in exchange for control of the acquiree, and all costs directly attributable to the business combination.

The acquisition date is the date on which control of the acquiree is effectively obtained. When this is achieved through a single exchange transaction, the date of exchange coincides with the acquisition date.

If the business combination is carried out through several exchange transactions:

- the cost of the combination is the aggregate cost of the individual transactions;
- the date of exchange is the date of each exchange transaction (i.e. the date that each individual investment is recognised in the financial statements of the acquirer), whereas the acquisition date is the date on which control of the acquiree is obtained.

The cost of a business combination is allocated by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values at the acquisition date.

The acquiree's identifiable assets, liabilities and contingent

liabilities are recognised separately at the acquisition date only if they satisfy the following criteria at that date:

- in the case of an asset other than an intangible asset, it is probable that any associated future economic benefits will flow to the acquirer, and its fair value can be measured reliably;
- in the case of a liability other than a contingent liability, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and its fair value can be measured reliably;
- in the case of an intangible asset or a contingent liability, its fair value can be measured reliably.

The positive difference between the cost of the business combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities must be accounted for as goodwill.

After the initial recognition, the goodwill acquired in a business combination is measured at the relevant cost and is submitted to an impairment test at least once a year.

If the difference is negative, a new measurement is made.

This negative difference, if confirmed, is recognised immediately as income in the income statement.

A.3 - DISCLOSURE ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

A.3.1 Reclassified financial assets: change in business model, carrying amount and interest income

No financial instruments were transferred between portfolios.

A.3.2 Reclassified financial assets: change in business model, fair value and effects on comprehensive income

No financial assets were reclassified.

A.3.3 Reclassified financial assets: change in business model and effective interest rate

No financial assets held for trading were transferred.

A.4 - FAIR VALUE DISCLOSURE

QUALITATIVE DISCLOSURE

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

Please refer to the accounting policies.

A.4.2 Processes and sensitivity of measurements

The carrying amount of financial assets and liabilities due within one year has been assumed to be a reasonable approximation of fair value, while for those due beyond one year, the fair value is calculated taking into account both interest rate risk and credit risk.

A.4.3 Fair value hierarchy

The following fair value hierarchy was used in order to prepare the financial statements:

- Level 1 - Effective market quotes

The valuation is the market price of said financial instrument subject to valuation, obtained on the basis of quotes expressed by an active market.

- Level 2 - Comparable Approach
- Level 3 - Mark-to-Model Approach

A.4.4 Other Information

The item is not applicable for the Group.

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level.

<i>Financial assets/liabilities measured at fair value</i>	31.12.2019			31.12.2018		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	-	-	-	1.201	-	-
a) financial assets held for trading	-	-	-	-	-	-
b) financial assets designated at fair value through profit or loss	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value through profit or loss	-	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	551,383	-	5,000	299,469	-	5,000
3. Hedging derivatives	-	-	-	-	-	-
4. Property and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
TOTAL	551,383	-	5,000	299,469	-	5,000
1. Financial liabilities held for trading	-	-	-	-	-	-
2. Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis:
breakdown by fair value level

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2019				31.12.2018			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	3,112,388	435,177	-	2,677,211	2,786,692	435,482	-	2,351,210
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and disposal groups	-	-	-	-	1,835	-	-	1,835
TOTAL	3,112,388	435,177	-	2,677,211	2,788,527	435,482	-	2,353,045
1. Financial liabilities measured at amortised cost	3,416,485	-	-	3,416,485	2,898,740	-	-	2,898,740
2. Liabilities associated with disposal groups	-	-	-	-	-	-	-	-
TOTAL	3,416,485	-	-	3,416,485	2,898,740	-	-	2,898,740

Key:

CA = carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

A.5 DISCLOSURE CONCERNING “DAY ONE PROFIT/LOSS”

Nothing to report.

PART B - INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS - ITEM 10

1.1 Cash and cash equivalents: breakdown

	31.12.2019	31.12.2018
a. Cash	652	289
b. Demand deposits with Central Banks	-	-
TOTAL	652	289

SECTION 3 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - ITEM 30

	31.12.2019			31.12.2018		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	550,219	-	-	298,292	-	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt instruments	550,219	-	-	298,292	-	-
2. Equity instruments	1,164	-	5,000	1,177	-	5,000
3. Financing	-	-	-	-	-	-
Total	551,383	-	5,000	299,469	-	5,000

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

	31.12.2019	31.12.2018
1. Debt instruments	550,219	298,292
a. Central Banks	-	-
b. Public administrations	550,219	298,292
c. Banks	-	-
d. Other financial companies	-	-
of which: insurance companies	-	-
e. Non-financial companies	-	-
2. Equity instruments	6,164	6,177
a. Banks	5,000	5,000
b. Other issuers:	1,164	1,177
- other financial companies	-	-
of which: insurance companies	-	-
- non-financial companies	1,164	1,177
- other	-	-
4. Financing	-	-
a. Central Banks	-	-
b. Public administrations	-	-
c. Banks	-	-
d. Other financial companies	-	-
of which: insurance companies	-	-
e. Non-financial companies	-	-
f. Households	-	-
Total	556,383	304,469

3.3 Financial assets measured at fair value through other comprehensive income: gross amount and total impairment losses

	Gross amount				Total impairment losses			Overall partial write-offs (*)
	First stage	of which instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt instruments	550,373	-	-	-	154	-	-	-
Financing	-	-	-	-	-	-	-	-
Total at 31.12.2019	550,373	-	-	-	154	-	-	-
Total at 31.12.2018	298,341	-	-	-	49	-	-	-
of which: purchased or originated credit-impaired financial assets	X	X	-	-	X	-	-	-

SECTION 4 - FINANCIAL ASSETS MEASURED AT AMORTISED COST - ITEM 40

4.1 Financial assets measured at amortised cost: breakdown by product of the loans and receivables with banks

	31.12.2019						31.12.2018					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
	First and second stage	Third stage	of which: purchased or originated credit-impaired	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated credit-impaired	L1	L2	L3
A. Loans and receivables with Central Banks	19,966	-	-			19,966	12,460	-	-			12,460
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Minimum reserve	19,912	-	-	X	X	X	12,437	-	-	X	X	X
3. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	54	-	-	X	X	X	23	-	-	X	X	X
B. Loans and receivables with banks	61,544	-	-			61,544	44,401	-	-			44,401
1. Financing	61,544	-	-			61,544	44,401	-	-			44,401
1.1 Current accounts and demand deposits	53,011	-	-	X	X	X	24,213	-	-	X	X	X
1.2. Term deposits	-	-	-	X	X	X	19,996	-	-	X	X	X
1.3. Other financing:	8,533	-	-	X	X	X	192	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	8,533	-	-	X	X	X	192	-	-	X	X	X
2. Debt instruments	-	-	-				-	-	-			-
2.1 Structured instruments	-	-	-				-	-	-			-
2.2 Other debt instruments	-	-	-				-	-	-			-
Total	81,510	-	-			81,510	56,861	-	-			56,861

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

4.2 Financial assets measured at amortised cost: breakdown by product of the loans and receivables with customers

	31.12.2019						31.12.2018					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
	First and second stage	Third stage	of which: purchased or originated credit-impaired	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated credit-impaired	L1	L2	L3
1. Financing	2,387,301	208,399	27,527	-	-	2,595,700	2,098,425	195,995	25,776	-	-	2,294,420
1.1 Current accounts	30,106	56	-	X	X	X	23,248	70	-	X	X	X
1.2 Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
1.3 Loans	6,753	1,970	-	X	X	X	27,602	8,470	-	X	X	X
1.4 Credit cards, personal loans and salary- and pension-backed loans	796,368	6,012	-	X	X	X	636,134	291	-	X	X	X
1.5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
1.6 Factoring	963,352	188,869	27,527	X	X	X	974,942	176,942	25,776	X	X	X
1.7 Other financing	590,722	11,492	-	X	X	X	436,499	10,222	-	X	X	X
2. Debt instruments	435,177	-	-	435,177	-	-	435,411	-	-	435,411	-	-
2.1 Structured instruments	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt instruments	435,177	-	-	435,177	-	-	435,411	-	-	435,411	-	-
Total	2,822,478	208,399	27,527	435,177	-	2,595,700	2,533,836	195,995	25,776	435,411	-	2,294,420

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Financing mainly includes the loans and receivables of companies that supply goods and services mainly to the Public Administration (ASL - local health authorities - and Territorial Entities) and receivables related to the pension and salary-backed loans segment. Salary- and pension-backed loans grew thanks to new loans, which increased by 25% compared to the previous year.

Factoring receivables include default interest recognised on an accruals basis for € 49.9 million.

For classification purposes analyses are performed, some of which are complex, aimed at identifying positions which, subsequent to disbursement/acquisition, show evidence of possible impairment based on both internal information, associated with the performance of credit positions, and external information, associated with the

specific sector in question.

Measuring loans and receivables with customers is an activity with a high degree of uncertainty and subjectivity involving the use of measurement models that take into account numerous quantitative and qualitative elements. These include the historical data for collections, expected cash flows and the related expected recovery times, the existence of indicators of possible impairment, the valuation of any guarantees, and the impact of risks associated with the sectors in which the Bank's customers operate.

Securities are composed entirely of Italian government securities with an average duration of 14.5 months for an amount of € 435 million. The mark-to-market valuation of the securities at 31 December 2019 was a positive fair value of € 1.4 million.

4.3 Financial assets measured at amortised cost: breakdown by debtor/issuer of the loans and receivables with customers

	31.12.2019			31.12.2018		
	First and second stage	Third stage	of which: purchased or originated credit-impaired assets	First and second stage	Third stage	of which: purchased or originated credit-impaired assets
1. Debt instruments	435,177	-	-	435,411	-	-
a) Public administrations	435,177	-	-	435,411	-	-
b) Other financial companies	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Financing to:	2,387,301	208,399	27,527	2,098,425	195,995	25,776
a) Public administrations	1,281,129	142,646	27,527	1,068,192	139,952	25,776
b) Other financial companies	60,481	4	-	43,429	1	-
of which: insurance companies	9	3	-	4	1	-
c) Non-financial companies	210,459	56,872	-	306,520	52,484	-
d) Households	835,232	8,877	-	680,284	3,558	-
Total	2,822,478	208,399	27,527	2,533,836	195,995	25,776

4.4 Financial assets measured at amortised cost: gross amount and total impairment losses

	Gross amount				Total impairment losses			Overall partial write-offs (*)
	First stage	of which instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt instruments	435,299	-	-	-	122	-	-	-
Financing	2,350,269	1,248,699	124,252	245,618	5,045	667	37,217	-
Total at 31.12.2019	2,785,568	1,248,699	124,252	245,618	5,167	667	37,217	-
Total at 31.12.2018	2,490,590	1,086,780	106,473	225,164	5,785	580	29,169	-
of which: purchased or originated credit-impaired financial assets	X	X	24,888	2,857	X	91	128	-

SECTION 7 - EQUITY INVESTMENTS - ITEM 70

7.1 Equity investments: information on investment relationships

	Registered office	Interest %	% of votes available
A. Fully-controlled companies			
1. S.F. Trust Holdings Ltd	London	100%	100%
2. Largo Augusto Servizi e Sviluppo S.r.l.	Milan	100%	100%
3. ProntoPegno S.p.A.	Milan	100%	100%

7.3 Significant equity investments: accounting information

	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total income	Net interest income (expense)	Net impairment gains and losses on property and equipment/intangible assets	Pre-tax profit (loss) from continuing operations	Post-tax profit (loss) from continuing operations	Post-tax profit (loss) from discontinued operations	Profit (loss) for the year	Other comprehensive income (expense), net of income tax	Comprehensive income (expense)
A. Fully-controlled companies														
1. S.F. Trust Holdings Ltd	-	117	817	1,902	324	-	(73)	-	(258)	(267)	-	(267)	-	(267)
2. Largo Augusto Servizi e Sviluppo S.r.l.	-	-	27,945	13,507	228	1,352	(136)	(602)	65	62	-	62	-	62
3. ProntoPegno S.p.A.	499	12,869	701	8,502	1,008	613	301	(44)	(599)	(428)	-	(428)	-	(440)

7.5 Equity investments: changes

	31.12.2019	31.12.2018
A. Opening balance	786	1,190
B. Increases	-	1,785
B.1 Purchases	-	1,777
B.2 Impairment gains	-	-
B.3 Revaluations	-	-
B.4 Other increases	-	8
C. Decreases	786	2,189
C.1 Sales	786	-
C.2 Impairment losses	-	-
C.3 Write-offs	-	-
C.4 Other decreases	-	2,189
D. Closing balance	-	786
E. Total revaluations	-	-
F. Total impairment losses	-	-

The item Equity investments, with the sale of the non-controlling interests in ADV Finance S.p.A. and its subsidiary Procredit S.r.l. in the second quarter of 2019, is no longer recognised.

Also during the year, following the exercise of the put option by Banca Sistema, the shares were sold to Axactor Holding S.r.l. As a result, the item Non-current assets held for sale and disposal groups is no longer recognised.

SECTION 9 - PROPERTY AND EQUIPMENT - ITEM 90

9.1 Operating property and equipment: breakdown of the assets measured at cost

	31.12.2019	31.12.2018
1. Owned	27,373	27,910
a) land	8,416	8,416
b) buildings	18,211	18,785
c) furniture	329	246
d) electronic equipment	417	434
e) other	-	29
2. Under finance lease	1,629	-
a) land	-	-
b) buildings	905	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	724	-
TOTAL	29,002	27,910
of which: obtained from the enforcement of guarantees received	-	-

Property and equipment are recognised in the financial statements in accordance with the general acquisition cost criteria, including the related charges and any other expenses incurred to place the assets in conditions useful for the Bank, in addition to indirect costs for the portion reasonably attributable to assets that refer to the costs incurred, as at the end of the year.

Depreciation rates:

- Office furniture: 12%
- Furnishings: 15%
- Electronic machinery and miscellaneous equipment: 20%
- Assets less than Euro 516: 100%

9.6 Operating assets: changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balances	8,416	18,912	1,230	2,084	90	30,732
A.1 Total net impairment losses	-	127	984	1,650	61	2,822
A.2 Net opening balances	8,416	18,785	246	434	29	27,910
B. Increases	-	1,630	154	131	1,104	3,019
B.1 Purchases	-	280	154	95	468	997
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Impairment gains	-	-	-	-	-	-
B.4 Fair value gains recognised in	-	-	-	-	-	-
a. equity	-	-	-	-	-	-
b. conto economico	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Altre variazioni	-	-	-	36	-	36
B.8 Operazioni di aggregazione aziendale	-	56	-	-	-	56
B.9 First-time adoption of IFRS 16	-	1,294	-	-	636	1,930
C. Decreases	-	1,299	71	148	409	1,927
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	1,086	71	148	356	1,661
C.3 Impairment losses recognised in	-	-	-	-	-	-
a. equity	-	-	-	-	-	-
b. profit or loss	-	-	-	-	-	-
C.4 Fair value losses recognised in	-	-	-	-	-	-
a. equity	-	-	-	-	-	-
b. profit or loss	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a. investment property	-	-	-	-	-	-
b. non-current assets held for sale and disposal groups	-	-	-	-	-	-
C.7 Other decreases	-	165	-	-	53	218
C.8 Business combination transactions	-	48	-	-	-	48
D. Net closing balance	8,416	19,116	329	417	724	29,002
D.1 Total net impairment losses	-	1,426	1,055	1,798	470	4,749
D.2 Gross closing balance	8,416	20,542	1,384	2,215	1,194	33,751
E. Measurement at cost	8,416	19,116	329	417	724	29,002

SECTION 10 - INTANGIBLE ASSETS - ITEM 100

10.1 Intangible assets: breakdown by type of asset

	31.12.2019		31.12.2018	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	X	3,920	X	1,786
A.1.1 attributable to the owners of the Parent	X	3,920	X	1,786
A.1.2 attributable to non-controlling interests	X	-	X	-
A.2 Other intangible assets	1	-	2	-
A.2.1 Assets measured at cost:	1	-	2	-
a. Internally developed assets	-	-	-	-
b. Other	1	-	2	-
A.2.2 Assets measured at fair value:	-	-	-	-
a. Internally developed assets	-	-	-	-
b. Other	-	-	-	-
TOTAL	1	3,920	2	1,786

The other intangible assets are recognised at purchase cost including related costs, and are systematically amortised over a period of 5 years. The item mainly refers to software.

Goodwill includes

- the goodwill originating from the merger of the former subsidiary Solvi S.r.l. which took place in 2013 amounting to € 1,786 thousand;
- the goodwill generated by the acquisition of Atlantide S.p.A. on 3 April 2019 amounting to € 2,134 thousand.

The impairment test of the goodwill from the former subsidiary Solvi S.r.l. was conducted referring to the "Value in use" based on an estimate of expected cash

flows for the 2020-2024 period, conservatively assuming an estimated growth rate of 1.5% on an annual basis.

Subsequent to the merger, the former Solvi's assets were fully integrated with those of the Bank with the purpose of pursuing efficiencies both in terms of expected synergies with the other businesses and in terms of overall operating costs. Since the activities once performed by Solvi S.r.l. are now fully integrated and inseparable from the rest of Banca Sistema's operations, the Bank is not currently able to distinguish the expected cash flows of the merged entity from those of the Bank itself.

Therefore, in this specific case, the goodwill of € 1.8 million recognised in the financial statements is an asset that cannot be separated from the rest of the Bank.

The main parameters used for estimation purposes were as follows:

Risk Free Rate + country risk premium	1.95%
Equity Risk Premium	5.25%
Beta	0.90
Cost of equity	6.70%
Growth rate "g"	1.5%

The estimated value in use obtained based on the parameters used and the growth assumptions is considerably greater than equity as at 31 December 2019. Furthermore, considering that the value in use was determined via estimates and assumptions that may introduce elements of uncertainty, sensitivity analyses - as required by IFRS - were performed with the purpose of verifying the variations of the results previously obtained as a function of the basic assumptions and parameters. In particular, the quantitative exercise was completed by a stress test of the parameters related to the Bank's

growth rate and the discount rate of the expected cash flows (quantified in an isolated or simultaneous movement of 50 bps), that confirmed the absence of impairment indicators, confirming a value in use once again significantly greater than the carrying amount of goodwill in the financial statements.

Considering all the above, with no qualitative trigger events that suggest a need for impairment having been identified, the conditions necessary to recognise an impairment loss on goodwill in the financial statements at 31 December 2019 do not exist.

The goodwill generated by the acquisition of Atlantide S.p.A. originates from the following Purchase Price Allocation:

ATLANTIDE PRICE ALLOCATION

Spot purchase price	3,022
Estimated earn-out	1,301
Recognised equity investment price (A)	4,323
Atlantide equity at 31 March 2019 (B)	(2,189)
Residual value to be allocated (A+B)	2,134
Provisional allocation to goodwill	(2,134)

As illustrated in the table above, part of the goodwill is the result of an estimate of the earn-out value at € 1,301 thousand to be recognised in relation to the production volumes set out in the business plan prepared by Atlantide's management: in fact, the acquisition includes a deferred payment mechanism in

the form of an earn-out to be paid to the sellers, which will be determined based on target production volumes for 2021.

Since the goodwill in question was generated by an acquisition made during the year, the impairment test will be performed starting from next year.

10.2 Intangible assets: changes

	Goodwill	Other intangible assets: internally developed		Other intangible assets: Other		Total
		Fin	Indef	Fin	Indef	
A. Opening balance	1,786	-	-	3,104	-	4,890
A.1 Total net impairment losses	-	-	-	3,102	-	3,102
A.2 Net opening balances	1,786	-	-	2	-	1,788
B. Increases	2,134	-	-	-	-	2,134
B.1 Purchases	-	-	-	-	-	-
B.2 Increases in internally developed assets	-	-	-	-	-	-
B.3 Impairment gains	-	-	-	-	-	-
B.4 Fair value gains recognised in:	-	-	-	-	-	-
- equity	-	-	-	-	-	-
- profit or loss	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
B.7 Business combination transactions	2,134	-	-	-	-	-
C. Decreases	-	-	-	-	-	-
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	1	-	1
- Amortisation	-	-	-	1	-	1
- Impairment losses:	-	-	-	-	-	-
- equity	-	-	-	-	-	-
- profit or loss	-	-	-	-	-	-
C.3 Fair value losses recognised in:	-	-	-	-	-	-
- equity	-	-	-	-	-	-
- profit or loss	-	-	-	-	-	-
C.4 Transfers to disposal groups via di dismissione	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-	-
D. Net closing balance	3,920	-	-	1	-	3,921
D.1 Total net impairment losses	-	-	-	3,103	-	3,103
E. Gross closing balance	3,920	-	-	3,104	-	7,024
F. Measurement at cost	3,920	-	-	1	-	3,921

Key - Fin: finite useful life | Indef: indefinite useful life

SECTION 11 - TAX ASSETS AND TAX LIABILITIES - ITEM 110 OF ASSETS AND ITEM 60 OF LIABILITIES

Below is the breakdown of the current tax assets and current tax liabilities

	31.12.2019	31.12.2018
Current tax assets	10,995	9,086
IRES prepayments	8,249	6,781
IRAP prepayments	2,609	2,278
Other	137	27
Current tax liabilities	(13,208)	(12,531)
Provision for IRES	(9,658)	(9,321)
Provision for IRAP	(3,523)	(3,210)
Provision for substitute tax	(27)	-
Total	(2,213)	(3,445)

11.1 Deferred tax assets: breakdown

	31.12.2019
Deferred tax assets through profit or loss:	8,143
Impairment losses on loans	2,756
Non-recurring transactions	427
Other	4,960
Deferred tax assets through equity:	333
Non-recurring transactions	247
Other	86
Total	8,476

11.2 Deferred tax liabilities: breakdown

	31.12.2019
Deferred tax liabilities through profit or loss:	14,060
Uncollected default interest income	14,000
Other	60
Deferred tax liabilities through equity:	160
HTCS securities	160
Total	14,220

11.3 Changes in deferred tax assets (through profit or loss)

	31.12.2019	31.12.2018
1. Opening balance	6,907	6,313
2. Increases	2,068	1,923
2.1 Deferred tax assets recognised in the year	2,068	1,923
a. related to previous years	-	206
b. due to changes in accounting policies	-	-
c. impairment gains	-	-
d. other	2,068	1,717
e. business combination transactions	-	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	832	1,329
3.1 Deferred tax assets derecognised in the year	195	1,329
a. reversals	-	-
b. impairment due to non-recoverability	-	-
c. changes in accounting policies	-	-
d. other	195	1,329
3.2 Tax rate reductions	-	-
3.3 Other decreases	637	-
a. conversion into tax assets pursuant to Law 214/2011	-	-
b. other	637	-
4. Closing balance	8,143	6,907

11.4 Change in deferred tax assets pursuant to Law 214/2011

	31.12.2019	31.12.2018
1. Opening balance	3,376	3,429
2. Increases	53	-
3. Decreases	-	53
3.1 Reversals	-	-
3.2 Conversions into tax assets	-	-
a) arising on loss for the year	-	-
b) arising on tax losses	-	-
3.3 Other decreases	-	53
4. Closing balance	3,429	3,376

11.5 Changes in deferred tax liabilities (through profit or loss)

	31.12.2019	31.12.2018
1. Opening balance	12,222	9,829
2. Increases	2,049	5,802
2.1 Deferred tax liabilities recognised in the year	2,049	5,802
a. related to previous years	-	-
b. due to changes in accounting policies	-	-
c. other	2,049	5,802
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	211	3,409
3.1 Deferred tax liabilities derecognised in the year	68	3,409
a. reversals	-	-
b. due to changes in accounting policies	-	-
c. other	68	3,409
3.2 Tax rate reductions	-	-
3.3 Other decreases	143	-
4. Closing balance	14,060	12,222

11.6 Change in deferred tax assets (through equity)

	31.12.2019	31.12.2018
1. Opening balance	910	414
2. Increases	21	600
2.1 Deferred tax assets recognised in the year	21	600
a. related to previous years	-	-
b. due to changes in accounting policies i	-	-
c. other	21	600
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	598	104
3.1 Deferred tax assets derecognised in the year	598	104
a. reversals	-	-
b. impairment due to non-recoverability	-	-
c. due to changes in accounting policies	-	-
d. other	588	104
3.2 Tax rate reductions	-	-
3.3 Other decreases	10	-
4. Closing balance	333	910

11.7 Change in deferred tax liabilities (through equity)

	31.12.2019	31.12.2018
1. Opening balance	9	289
2. Increases	160	9
2.1 Deferred tax liabilities recognised in the year	160	9
a. related to previous years	-	-
b. due to changes in accounting policies	-	-
c. other	160	9
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	9	289
3.1 Deferred tax liabilities derecognised in the year	9	289
a. reversals	-	-
b. due to changes in accounting policies	-	-
c. other	9	289
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Closing balance	160	9

**SECTION 12 - NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS AND ASSOCIATED LIABILITIES -
ITEM 120 OF ASSETS AND ITEM 70 OF LIABILITIES**

12.1 Non-current assets held for sale and disposal groups: breakdown by type of asset

	31.12.2019	31.12.2018
A. Assets held for sale	-	-
A.1 Financial assets	-	-
A.2 Equity investments	-	1,835
A.3 Property and equipment	-	-
of which: obtained from the enforcement of guarantees received	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
TOTAL A	-	1,835
of which measured at cost	-	1,835
of which measured at fair value - level 1	-	-
of which measured at fair value - level 2	-	-
of which measured at fair value - level 3	-	1,835
B. Discontinued operations	-	-
B.1 Financial assets measured at fair value through profit or loss	-	-
- financial assets held for trading	-	-
- financial assets designated at fair value through profit or loss	-	-
- other financial assets mandatorily measured at fair value through profit or loss	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Property and equipment	-	-
of which: obtained from the enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
TOTAL B	-	-
of which measured at cost	-	-
of which measured at fair value - level 1	-	-
of which measured at fair value - level 2	-	-
of which measured at fair value - level 3	-	-
C. Liabilities associated with assets held for sale	-	-
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
TOTAL C	-	-
of which measured at cost	-	-
of which measured at fair value - level 1	-	-
of which measured at fair value - level 2	-	-
of which measured at fair value - level 3	-	-
D. Liabilities associated with discontinued operations	-	-
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value through profit or loss	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
TOTAL D	-	-
of which measured at cost	-	-
of which measured at fair value - level 1	-	-
of which measured at fair value - level 2	-	-
of which measured at fair value - level 3	-	-

SECTION 13 - OTHER ASSETS - ITEM 130

13.1 Other assets: breakdown

	31.12.2019	31.12.2018
Tax advances	7,584	7,523
Other	4,172	2,235
Work in progress	2,944	896
Trade receivables	2,335	616
Prepayments not related to a specific item	1,962	1,711
Leasehold improvements	187	256
Security deposits	76	80
Total	19,260	13,317

The item is mainly composed of tax advances relative to virtual stamp duties and withholding taxes on interest expense.

LIABILITIES

SECTION 1 - FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - ITEM 10

1.1 Financial liabilities measured at amortised cost: breakdown by product of due to banks

	31.12.2019			31.12.2018				
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to Central banks	358,250	X	X	X	412,850	X	X	X
2. Due to banks	30,109	X	X	X	282,347	X	X	X
2.1 Current accounts and demand deposits	20	X	X	X	53	X	X	X
2.2 Term deposits	30,089	X	X	X	282,294	X	X	X
2.3 Financing	-	X	X	X	-	X	X	X
2.3.1 Repurchase agreements	-	X	X	X	-	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	-				-			
2.6 Other payables	-	X	X	X	-	X	X	X
TOTAL	388,359			388,359	695,197			695,197

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

1.2 Financial liabilities measured at amortised cost: breakdown by product of due to customers

	31.12.2019			31.12.2018				
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	681,500	X	X	X	657,251	X	X	X
2. Term deposits	1,325,741	X	X	X	957,862	X	X	X
3. Financing	544,200	X	X	X	283,244	X	X	X
3.1 Repurchase agreements	457,070	X	X	X	179,819	X	X	X
3.2 Other	87,130	X	X	X	103,425	X	X	X
4. Commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease liabilities	-				-			
6. Other payables	159	X	X	X	199	X	X	X
TOTAL	2,551,600			2,551,600	1,898,556			1,898,556

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

1.3 Financial liabilities measured at amortised cost: breakdown by product of the securities issued

	31.12.2019			31.12.2018				
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities	-	-	-	-	-	-	-	
1. bonds	476,527	176,657	-	135,722	304,987	-	304,987	
1.1 structured	-	-	-	-	-	-	-	
1.2 other	476,527	176,657	-	135,722	304,987	-	304,987	
2. other securities	-	-	-	-	-	-	-	
1.1 structured	-	-	-	-	-	-	-	
1.2 other	-	-	-	-	-	-	-	
TOTAL	476,527	176,657	-	135,722	304,987	-	304,987	

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

1.4 Breakdown of subordinated loans/securities

	Issuer	Type of issue	Coupon	Maturity date	Nominal amount	IFRS amount
Tier 1 Capital	Banca Sistema S.p.A.	Tier 1 subordinated loans with mixed rate	Until 17 June 2023, fixed rate at 7%	Perpetual	8,000	8,016
			From 18 June 2023, 6-month Euribor +5% variable rate			
Tier 2 Capital	Banca Sistema S.p.A.	Subordinated ordinary loans (Tier 2)	6-month Euribor + 4.5%	30/03/2027	19,500	19,506
Tier 2 Capital	Banca Sistema S.p.A.	Subordinated ordinary loans (Tier 2)	Fixed rate at 7%	20/06/2029	18,000	18,041
TOTAL					45,500	45,563

SECTION 6 - TAX LIABILITIES - ITEM 60

The breakdown as well as the change in the deferred tax liabilities were illustrated in Part B Section 11 of assets in these notes to the financial statements.

SECTION 8 - OTHER LIABILITIES - ITEM 80

8.1 Other liabilities: breakdown

	31.12.2019	31.12.2018
Payments received in the reconciliation phase	54,893	37,777
Accrued expenses	10,820	5,993
Tax liabilities with the Tax Authority and other tax authorities	9,471	9,267
Work in progress	9,365	4,761
Trade payables	6,660	6,163
Finance lease liabilities	1,710	-
Due to employees	903	797
Pension repayments	699	654
Other	141	226
TOTAL	94,662	65,638

SECTION 9 - POST-EMPLOYMENT BENEFITS - ITEM 90

9.1 Post-employment benefits: changes

	31.12.2019	31.12.2018
A. Opening balance	2,402	2,172
B. Increases	1,057	460
B.1 Accruals	537	460
B.2 Other increases	302	-
B.3 Business combination transactions	218	-
C. Decreases	408	230
C.1 Payments	273	196
C.2 Other decreases	135	34
D. Closing balance	3,051	2,402
TOTAL	3,051	2,402

9.2 Other Information

The actuarial amount of post-employment benefits was calculated by an external actuary, who issued an appraisal.

The other decreases refer to the actuarial gain accounted for during the year. The payments made refer to post-employment benefits paid during the year.

The technical valuations were conducted on the basis of the assumptions described in the following table:

Annual discount rate	0.77%
Annual inflation rate	1.20%
Annual post-employment benefits increase rate	2.40%
Annual salary increase rate	1.00%

The discount rate used for determining the present value of the obligation was calculated, pursuant to IAS 19.83, from the Iboxx Corporate AA index with 10+ duration during the valuation month. To this end, a choice was made to select the yield with a duration comparable to the duration of the set of workers subject to valuation.

SECTION 10 - PROVISIONS FOR RISKS AND CHARGES - ITEM 100

10.1 Provisions for risks and charges: breakdown

	31.12.2019	31.12.2018
1. Provisions for credit risk related to commitments and financial guarantees issued	44	7
2. Provisions for other commitments and other guarantees issued	-	-
3. Internal pension funds	-	-
4. Other provisions for risks and charges	22,253	9,286
4.1 legal and tax disputes	4,481	3,029
4.2 personnel expense	7,726	6,211
4.3 other	10,046	46
TOTAL	22,297	9,293

10.2 Provisions for risks and charges: changes

	Provisions for other commitments and other guarantees issued	Pension funds	Other provisions or risks and charges	Total
A. Opening balance	7	-	9,286	9,293
B. Increases	37	-	15,505	15,542
B.1 Accruals	37	-	7,301	7,338
B.2 Discounting	-	-	-	-
B.3 Changes due to discount rate changes	-	-	-	-
B.4 Other increases	-	-	5,792	5,792
B.5 Business combination transactions	-	-	2,412	2,412
C. Decreases	-	-	2,538	2,538
C.1 Utilisations	-	-	2,057	2,057
C.2 Changes due to discount rate changes	-	-	-	-
C.3 Other decreases	-	-	481	481
D. Closing balance	44	-	22,253	22,297

The provision for risks and charges of € 22.3 million includes the provision for possible liabilities attributable to past acquisitions, the estimated portion of the bonus for the year, the deferred portion of the bonus accrued in previous years, and the estimate related to the non-compete agreement. The provision also includes an estimate of the charges relating to lawsuits with customers and the estimated charges for other lawsuits and legal disputes. Following the acquisition of Atlantide, the provision increased as a result of the estimated

earn-out to be paid to the sellers linked to the achievement of production volume targets for the next three years, and the provision for supplementary customer allowances. Also included is the provision to cover the estimated adverse effect of possible early repayments on CQS portfolios purchased from third-party intermediaries. The provisions for commitments and guarantees issued refer to provisions for credit risk related to commitments to disburse funds and financial guarantees issued.

10.3 Provisions for credit risk related to commitments and financial guarantees issued

	Provisions for credit risk related to commitments and financial guarantees issued			
	First stage	Second stage	Third stage	Total
Commitments to disburse funds	-	-	-	-
Financial guarantees issued	44	-	-	44
Total	44	-	-	44

10.5 Internal defined benefit pension funds

Nothing to report.

10.6 Provisions for risks and charges - other provisions

	31.12.2019	31.12.2018
Legal and tax disputes	4,481	3,029
Personnel expense	7,726	6,211
Other	10,046	46
TOTAL	22,253	9,286

“Personnel expense” includes:

- the provisions made for variable remuneration to be paid to employees in subsequent years, for which the due date and/or amount are uncertain;
- an estimate of labour-related disputes;
- the amount resulting from the actuarial valuation of the non-compete agreement under IAS 19, as described below.

The calculation method can be summarised in the following steps:

- projection for each employee in service at the valuation date of the NCA that has already been accrued, and the future NCA portions that will be accrued up to an

uncertain payment date;

- determination for each employee of the NCA payments that the Group will have to make should the employee leave due to dismissal or retirement;
- discounting, at the valuation date, of each probable payment.

In particular, the annual discount rate used for determining the present value of the obligation was calculated, pursuant to IAS 19.83, from the Iboxx Corporate AA index with 10+ duration during the valuation month. To this end, a choice was made to select the yield with a duration comparable to the duration of the set of workers subject to valuation.

SECTION 13 - EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT - ITEMS 120, 130, 140, 150, 160, 170 AND 180

13.1 "Share capital" and "Treasury shares": breakdown

The share capital of Banca Sistema is composed of 80,421,052 ordinary shares with a nominal amount of € 0.12 for a total paid-in share capital of € 9,651 thousand. All outstanding shares have regular dividend entitlement from 1 January. Based on evidence from

the Shareholders' Register and more recent information available, as at 2 July 2015 the shareholders with stakes of more than 5%, the threshold above which Italian law (art. 120 of the Consolidated Law on Finance) requires disclosure to the investee and Consob, were as follows:

SHAREHOLDERS	% HELD
SGBS S.r.l.	23.10%
Garbifin S.r.l.	0.51%
Fondazione Sicilia	7.40%
Fondazione Cassa di Risparmio di Alessandria	7.91%
<i>Market</i>	<i>61.08%</i>

At 31 December 2019, after the launch in 2019 of a plan for the repurchase of treasury shares designed to create a stock of securities to be used for the incentive plan for the Group's key personnel, the Bank held 168,669 shares (equal to 0.21% of the share capital).

The breakdown of equity attributable to the owners of the parent is shown below:

	31.12.2019	31.12.2018
1. Share capital	9,651	9,651
2. Share premium	39,100	39,184
3. Reserves	98,617	78,452
4. (Treasury shares)	(234)	(199)
5. Valuation reserves	267	(1,131)
6. Equity attributable to non-controlling interests	32	30
7. Profit for the year	29,719	27,167
TOTAL	177,152	153,154

For changes in reserves, please refer to the statement of changes in equity.

13.2 Share capital - Parent's number of shares: changes

	Ordinary	Other
A. Opening balance	80,421,052	-
- fully paid-in	80,421,052	-
- not fully paid-in	-	-
A.1 Treasury shares (-)	104,661	-
A.2 Outstanding shares: opening balance	80,316,391	-
B. Increases	174,240	-
B.1 New issues	174,240	-
against consideration:	-	-
- business combination transactions	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
bond issues:	174,240	-
- to employees	29,822	-
- to directors	144,418	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other increases	-	-
C. Decreases	238,248	-
C.1 Cancellation	-	-
C.2 Repurchase of treasury shares	238,248	-
C.3 Disposal of equity investments	-	-
C.4 Other decreases	-	-
D. Outstanding shares: closing balance	80,252,383	-
D.1 Treasury shares (+)	168,669	-
D.2 Closing balance	80,421,052	-
- fully paid-in	80,421,052	-
- not fully paid-in	-	-

13.4 Income-related reserves: other information

In compliance with art. 2427(7 bis) of the Italian Civil Code, below is the detail of the equity items revealing the origin and possibility of use and distributability.

	Amount as at 31.12.2019	Possible use	Available portion
A. Share capital:	9,651	-	-
B. Equity-related reserves	-	-	-
Share premium reserve	39,100	A,B,C	-
Reserve to provide for losses	-	-	-
C. Income-related reserves:	-	-	-
Legal reserve	1,930	B	-
Valuation reserve	267	-	-
Negative goodwill	1,774	A,B,C	-
Retained earnings	95,775	A,B,C	-
Reserve for treasury shares	200	-	-
Reserve for future capital increase	-	-	-
D. Other reserves	(1,062)	-	-
E. Treasury shares	(234)	-	-
TOTAL	147,401	-	-
Profit for the year	29,719	-	-
TOTAL EQUITY	177,120	-	-
Undistributable portion	-	-	-
Distributable portion	-	-	-

Key:

A: for share capital increase

B: to cover losses

C: for distribution to shareholders

SECTION 14 - EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS - ITEM 190

14.1 Breakdown of item 210 "Equity attributable to non-controlling interests"

	31.12.2019	31.12.2018
Other investments	32	30
TOTAL	32	30

This is the equity of the three special-purpose vehicles, Quinto Sistema S.r.l. 2017, Quinto Sistema S.r.l. 2019, and Atlantis S.r.l..

OTHER INFORMATION

1. Commitments and financial guarantees issued

	Nominal amount of commitments and financial guarantees issued			31.12.2019	31.12.2018
	First stage	Second stage	Third stage		
Commitments to disburse funds	217,236	7,057	22,196	246,489	285,910
a) Central Banks	-	-	-	-	-
b) Public administrations	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial companies	121,035	-	-	121,035	176,660
e) Non-financial companies	91,119	7,057	22,196	120,372	106,899
f) Households	5,082	-	-	5,082	2,351
Financial guarantees issued	3,118	-	-	3,118	2,446
a) Central Banks	-	-	-	-	-
b) Public administrations	-	-	-	-	-
c) Banks	2,446	-	-	2,446	2,446
d) Other financial companies	-	-	-	-	-
e) Non-financial companies	627	-	-	627	-
f) Households	45	-	-	45	-

The item “financial guarantees issued - banks” includes the commitments taken on with the interbank guarantee systems; the item “Irrevocable commitments to disburse funds” is related to the equivalent value of the securities to receive for transactions to be settled.

2. Other commitments and other guarantees issued

	Nominal amount	
	31.12.2019	31.12.2018
Other guarantees issued	-	970
of which: impaired exposures	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	900
f) Households	-	70
Other commitments	-	-
of which: impaired exposures	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-

3. Assets pledged as collateral for liabilities and commitments

	31.12.2019	31.12.2018
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	192,101	91,989
3. Financial assets measured at amortised cost	469,875	258,235
4. Property and equipment	-	-
of which: Property and equipment included among inventories	-	-

6. Management and trading on behalf of third parties

	Amount
1. Execution of orders on behalf of customers	-
a) purchases	-
1. settled	-
2. unsettled	-
b) sales	-
1. settled	-
2. unsettled	-
2. Individual asset management	-
3. Securities custody and administration	1,597,241
a) third-party securities held as part of depositary bank services (excluding asset management)	-
1. securities issued by the reporting entity	-
2. other securities	-
b) third-party securities on deposit (excluding asset management): other	45,702
1. securities issued by the reporting entity	4,062
2. other securities	41,640
c) third-party securities deposited with third parties	45,702
d) securities owned by the bank deposited with third parties	1,505,837
4. Other transactions	-

PART C - INFORMATION ON THE INCOME STATEMENT

SECTION 1 - INTEREST - ITEMS 10 AND 20

1.1. Interest and similar income: breakdown

	Debt instruments	Financing	Other transactions	2019	2018
1. Financial assets measured at fair value through profit or loss:	-	-		-	-
1.1 Financial assets held for trading	-	-		-	-
1.2 Financial assets designated at fair value through profit or loss	-	-		-	-
1.3 Other financial assets mandatorily measured at fair value through profit or loss	-	-		-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	X	-	-
3. Financial assets measured at amortised cost:	750	106,896		107,646	98,031
3.1 Loans and receivables with banks	-	146	X	146	51
3.2 Loans and receivables with customers	750	106,750	X	107,500	97,980
4. Hedging derivatives	X	X		-	-
5. Other assets	X	X		-	-
6. Financial liabilities	X	X	X	2,690	1,679
TOTAL	750	106,896		110,336	99,710
of which: interest income on impaired financial assets	-	-		-	-
of which: interest income on finance leases	-	-		-	-

The total contribution of the factoring portfolio was € 81 million (equal to 74% of the entire loans and receivables portfolio), which is up 8.0% on the previous year thanks to the tax receivables portfolio which was able to benefit from earlier than expected collections on significant positions; when considering the commission component associated with the factoring business, the contribution increased by 9.5% over 31 December 2018. The component linked to default interest from legal action at 31 December 2019 was € 29.0 million (€ 28.4 million in 2018):

- of which € 5.1 million resulting from the updated recovery estimates (€ 7.8 million at 31 December 2018);
- of which € 12.0 million that results from maintaining the recovery estimates (€ 10.3 million at 31 December 2018) which is in line with the previous year thanks to the activation of a loans and receivables portfolio for a significant amount;
- of which € 11.9 million (€ 10.3 million at 31 December 2018) coming from net collections during the year, i.e. the difference between the amount collected during the year, equal to € 21.6 million (€ 19.2 million in 2018) and that recognised on an accruals basis in previous years. This item includes gross collections of € 7.0 million (€ 4.0 million net contribution to the income statement) from transfers to third parties at the end of the first and second half

of the year (€ 6.1 million net contribution to the income statement in 2018), and default interest of € 1.6 million from portfolios of the former Publica Funding special-purpose vehicle.

The amount of the stock of default interest from legal actions accrued at 31 December 2019, relevant for the allocation model, was € 107.1 million (€ 96 million at the end of 2018) while the loans and receivables recognised in the financial statements amounted to € 49.9 million.

During the year, factoring portfolios were sold that

generated a total profit of € 1.1 million recognised in the item Gain from sales or repurchases of financial assets/liabilities.

The positive impact on income was also driven by growth in interest on the salary- and pension-backed portfolios, which rose from € 19.6 million to € 23 million, an increase of 17.6% over the previous year.

The item "Other" mainly includes income arising from the financing activity of the securities portfolio in repurchase agreements at negative rates, which accounts for € 2.7 million, and interest on collateralised loans of € 664 thousand.

1.3 Interest and similar expense: breakdown

	Liabilities	Securities	Other transactions	2019	2018
1. Financial liabilities measured at amortised cost	21,586	7,930		29,516	24,101
1.1 Due to Central banks	-	X	X	-	786
1.2 Due to banks	579	X	X	579	1,751
1.3 Due to customers	21,007	X	X	21,007	14,572
1.4 Securities issued	X	7,930	X	7,930	6,992
2. Financial liabilities held for trading	-	-		-	-
3. Financial liabilities designated at fair value through profit or loss	-	-		-	-
4. Other liabilities and provisions	X	X		-	-
5. Hedging derivatives	X	X		-	-
6. Financial assets	X	X	X	126	1,044
TOTAL	21,586	7,930		29,642	25,145
of which: interest expense related to lease liabilities	21			21	-

SECTION 2 - NET FEE AND COMMISSION INCOME - ITEMS 40 AND 50

2.1 Fee and commission income: breakdown

	2019	2018
a. guarantees issued	13	18
b. credit derivatives	-	-
c. management, brokerage and consultancy services:	124	165
1. trading in financial instruments	-	-
2. foreign currency transactions	-	-
3. asset management	10	7
4. securities custody and administration	2	1
5. depositary services	-	-
6. placement of securities	72	97
7. order collection and transmission	40	60
8. consultancy services	-	-
8.1. on investments	-	-
8.2. on financial structure	-	-
9. distribution of third party services	-	-
9.1. asset management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. insurance products	-	-
9.3. other products	-	-
d. collection and payment services	63	100
e. services for securitisations	-	-
f. services for factoring	18,409	15,772
g. tax collection services	-	-
h. management of multilateral trading facilities	-	-
i. keeping and management of current accounts	91	48
j. other services	3,790	1,522
TOTAL	22,490	17,625

Net fee and commission income of € 16.1 million increased by 5.3% due to the greater commissions from factoring. These should be considered together with interest income, since it makes no difference from a management point of view whether profit is recognised in the commissions and fees item or in interest in the without recourse factoring business. Commissions on collection activities, related to the service of reconciliation of third-party invoices collected from Public Administration are in line with the previous year. Other fee and commission income includes commissions and fees from collection

and payment services, the keeping and management of current accounts, and fees related to the collateral-backed loan business, amounting to € 456 thousand.

Fee and commission income - off-premises refers to the commissions on the new salary- and pension-backed loan (CQ) origination business of € 1.9 million, which should be considered together with the item Fees - off-premises, which are composed of the commissions paid to financial advisers for the off-premises placement of the salary- and pension-backed loan product, including the year-end bonuses payable to them.

2.2 Fee and commission expense: breakdown

	2019	2018
a. guarantees received	-	1
b. credit derivatives	-	-
c. management and brokerage services:	4,719	712
1. trading in financial instruments	70	61
2. foreign currency transactions	-	-
3. asset management	-	-
3.1 own portfolio	-	-
3.2 third party portfolios	-	-
4. securities custody and administration	-	-
5. placement of financial instruments	-	-
6. off-premises distribution of securities, products and services	4,649	651
d. collection and payment services	222	162
e. other services	1,481	1,495
TOTAL	6,422	2,370

SECTION 3 - DIVIDENDS AND SIMILAR INCOME - ITEM 70

3.1 Dividends and similar income: breakdown

	2019		2018	
	dividends	similar income	dividends	similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily measured at fair value through profit or loss	-	-	-	-
C. Financial assets measured at fair value through other comprehensive income	227	-	227	-
D. Equity investments	-	-	-	-
TOTAL	227	-	227	-

SECTION 4 - NET TRADING INCOME - ITEM 80

4.1 Net trading income: breakdown

	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Net trading income (expense) [(A+B) - (C+D)]
1. Financial assets held for trading	-	220	-	(5)	215
1.1 Debt instruments	-	220	-	(5)	215
1.2 Equity instruments	-	-	-	-	-
1.3 OEIC units	-	-	-	-	-
1.4 Financing	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt instruments	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
Financial assets and liabilities: exchange rate losses	X	X	X	X	(7)
3. Derivatives	-	-	-	-	-
3.1 Financial derivatives:	-	-	-	-	-
On debt instruments and interest rates	-	-	-	-	-
On equity instruments and equity indexes	-	-	-	-	-
On currencies and gold	X	X	X	X	-
Other	-	-	-	-	-
3.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected to the fair value option	X	X	X	X	-
TOTAL	-	220	-	(5)	208

SECTION 6 - GAIN FROM SALES OR REPURCHASES - ITEM 100

6.1 Gain from sales or repurchases: breakdown

	2019			2018		
	Gain	Loss	Net gain	Gain	Loss	Net gain
A. Financial assets	-	-	-	-	-	-
1. Financial assets measured at amortised cost:	1,106	-	1,106	-	-	-
1.1 Loans and receivables with banks	-	-	-	-	-	-
1.2 Loans and receivables with customers	1,106	-	1,106	-	-	-
2. Financial assets measured at fair value through other comprehensive income	4,140	(1,530)	2,610	1,545	(378)	1,167
2.1 Debt instruments	4,140	(1,530)	2,610	1,545	(378)	1,167
2.2 Financing	-	-	-	-	-	-
TOTAL ASSETS (A)	5,246	(1,530)	3,716	1,545	(378)	1,167
B. Financial liabilities measured at amortised cost	-	-	-	-	-	-
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
TOTAL LIABILITIES (B)	-	-	-	-	-	-

SECTION 8 - NET IMPAIRMENT LOSSES/GAINS DUE TO CREDIT RISK - ITEM 130

8.1 Net impairment losses due to credit risk related to financial assets measured at amortised cost: breakdown

	Impairment losses (1)			Impairment gains (2)		2019	2018
	First and second stage	Third stage write-offs	Other	First and second stage	Third stage		
A. Loans and receivables with banks	25	-	-	(8)	-	17	-
- financing	25	-	-	(8)	-	17	-
- debt instruments	-	-	-	-	-	-	-
of which: purchased or originated credit-impaired loans and receivables	-	-	-	-	-	-	-
B. Loans and receivables with customers:	1,440	-	7,930	(388)	(49)	8,933	6,812
- financing	1,389	-	7,930	(388)	(49)	8,882	6,755
- debt instruments	51	-	-	-	-	51	57
of which: purchased or originated credit-impaired loans and receivables	-	-	-	-	-	-	-
Total	1,465	-	7,930	(396)	(49)	8,950	6,812

8.2 Net impairment losses due to credit risk related to financial assets measured at fair value through other comprehensive income: breakdown

	Impairment losses (1)			Impairment gains (2)		2019	2018
	First and second stage	Third stage write-off	Other	First and second stage	Third stage		
A. Debt instruments	105	-	-	-	-	105	2
B. Financing	-	-	-	-	-	-	-
- To customers	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-
Of which: purchased or originated credit-impaired financial assets	-	-	-	-	-	-	-
Total	105	-	-	-	-	105	2

SECTION 12 - ADMINISTRATIVE EXPENSES - ITEM 190

12.1 Personnel expense: breakdown

	2019	2018
1) Employees	21,563	18,507
a) wages and salaries	11,926	11,214
b) social security charges	3,142	2,776
c) post-employment benefits	-	-
d) pension costs	-	-
e) accrual for post-employment benefits	884	676
f) accrual for pension and similar provisions:	884	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external supplementary pension funds:	339	307
- defined contribution plans	339	307
- defined benefit plans	-	-
h) costs of share-based payment plans	-	-
i) other employee benefits	5,272	3,534
2) Other personnel	458	413
3) Directors and statutory auditors	1,145	988
4) Retired personnel	-	-
TOTAL	23,166	19,908

12.2 Average number of employees by category

Employees

a) Senior managers:	24
b) Managers:	45
c) Remaining employees:	140

12.5 Other administrative expenses: breakdown

Other administrative expenses (€,'000)	2019	2018
IT expenses	5,614	4,372
Consultancy	4,300	3,823
Resolution Fund	1,146	942
Servicing and collection activities	2,992	2,736
Indirect taxes and duties	2,355	2,171
Rent and related fees	950	2,054
Expense reimbursement and entertainment	840	770
Car hire and related fees	644	858
Insurance	487	394
Advertising	502	568
Membership fees	310	265
Expenses related to management of the SPVs	450	536
Audit fees	368	314
Infoprovider expenses	638	255
Other	430	385
Telephone and postage expenses	190	179
Maintenance of movables and real properties	174	235
Stationery and printing	61	97
Merger-related costs	488	-
TOTAL	22,939	20,954

Administrative expenses include costs related to the merger of Atlantide into the Bank amounting to € 488 thousand (total merger-related costs amounted to € 571 thousand, including the cost recognised under reduction in value due to amortisation).

The rise in IT expenses is linked to the increase in services provided by the outsourcer due to the increase in Group operations as well as to IT updates on new products.

The amount of the items Rent and Car hire for the first half of 2019 was impacted by the application of the new IFRS 16. In 2019, these items include only property management costs and utility costs, and, unlike in 2018,

does not include lease payments, the cost of which, in 2019, is mainly reflected in the item depreciation of the “right-of-use” asset.

The increase in consulting expenses is mainly due to the costs incurred for legal expenses related to pending lawsuits and enforceable injunctions.

The increase in indirect taxes and duties is mainly due to the increase in contributions paid for the enforceable injunctions deposited with public administration.

The contribution to the Resolution Fund represents the required amount of ex-ante contributions for 2019 and includes the payment of the additional contribution of € 0.3 million required in June.

SECTION 13 - NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES - ITEM 200

13.2 Net accruals for other commitments and other guarantees issued: breakdown

	2019	2018
Net accruals for other commitments and other guarantees	(36)	-
TOTAL	(36)	-

13.3 Net accruals to other provisions for risks and charges: breakdown

	2019	2018
Provisions for risks and charges - other provisions and risks	(1,960)	(414)
Release of provisions for risks and charges	-	-
TOTAL	(1,960)	(414)

SECTION 14 - NET IMPAIRMENT LOSSES ON PROPERTY AND EQUIPMENT - ITEM 210

14.1 Net impairment losses on property and equipment: breakdown

	Depreciation (a)	Impairment losses (b)	Impairment gains (c)	Carrying amount (a + b - c)
A. Property and equipment				
1. Operating assets	1,499	-	-	1,499
▪ Owned	823	-	-	823
▪ Right-of-use assets acquired under a lease	676	-	-	676
2. Investment property	-	-	-	-
▪ Owned	-	-	-	-
▪ Right-of-use assets acquired under a lease	-	-	-	-
TOTAL	1,499	-	-	1,499

SECTION 15 - NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS - ITEM 220

15.1 Net impairment losses on intangible assets: breakdown

	Amortisation (a)	Impairment losses (b)	Impairment gains (c)	Carrying amount (a + b - c)
A. Intangible assets				
A.1 Owned	133	-	-	133
▪ Developed internally	-	-	-	-
▪ Other	133	-	-	133
A.2 Right-of-use assets acquired under a lease	-	-	-	-
TOTAL	133	-	-	133

SECTION 16 - OTHER OPERATING INCOME AND EXPENSE - ITEM 230

16.1 Other operating expense: breakdown

	2019	2018
Amortisation of leasehold improvements	42	80
Other operating expense	2,071	742
TOTAL	2,113	822

16.2 Other operating income: breakdown

	2019	2018
Recoveries of expenses on current accounts and deposits for sundry taxes	333	265
Recoveries of sundry expenses	106	11
Other income	906	150
TOTAL	1,345	426

“Recoveries of expenses on current accounts and deposits for sundry taxes” include the amounts recovered from customers for the substitute tax on medium and long-term loans and for the stamp duty on current account and security statements of account.

SECTION 17 - GAINS ON EQUITY INVESTMENTS - ITEM 250

17.1 Gains on equity investments: breakdown

	2019	2018
A. Income	-	13
1. Revaluations	-	-
2. Gains on sale	-	-
3. Impairment gains	-	-
4. Other income	-	13
B. Expense	-	5
1. Impairment	-	-
2. Impairment losses	-	-
3. Losses on sale	-	-
4. Other expense	-	5
Net gain	-	8

SECTION 20 - GAINS ON SALES OF INVESTMENTS - ITEM 280

20.1 Gains on sales of investments: breakdown

	2019	2018
A. Property	-	-
- Gains on sale	-	-
- Losses on sale	-	-
B. Other assets	-	-
- Gains on sale	13	-
- Losses on sale	(5)	-
Net gain	8	-

SECTION 21 - INCOME TAXES - ITEM 300

21.1 Income taxes: breakdown

	2019	2018
1. Current taxes (-)	(12,442)	(12,531)
2. Changes in current taxes of previous years (+/-)	852	(223)
3. Decrease in current taxes for the year (+)	-	-
3.bis Decrease in current taxes for the year due to tax assets pursuant to Law no. 214/2011 (+)	-	-
4. Changes in deferred tax assets (+/-)	1,236	593
5. Changes in deferred tax liabilities (+/-)	(1,838)	(2,393)
6. Tax expense for the year (-) (-1+/-2+3+3.bis+/-4+/-5)	(12,192)	(14,554)

21.2 Reconciliation between theoretical and effective tax expense

IRES (CORPORATE INCOME TAX)	Taxable income	IRES (corporate income tax)	%
Theoretical IRES expense	42,131	(11,587)	27.50%
Permanent increases	1,982	(545)	1.29%
Temporary increases	8,976	(2,468)	5.86%
Permanent decreases	(11,912)	3,276	-7.77%
Temporary decreases	(7,451)	2,049	-4.86%
Effective IRES expense	33,726	(9,275)	22.01%
IRAP (REGIONAL BUSINESS TAX)	Taxable income	IRAP (regional business tax)	%
Theoretical IRAP expense	42,131	(2,346)	5.57%
Permanent increases	59,585	(3,319)	7.88%
Temporary increases	4,592	(256)	0.61%
Permanent decreases	(49,840)	2,776	-6.59%
Temporary decreases	-	-	0.00%
Effective IRAP expense	56,468	(3,145)	7.47%
▪ Other tax expense	-	-	-
Total effective IRES and IRAP expense	90,194	(12,420)	29.48%

SECTION 22 - POST-TAX PROFIT (LOSS) FROM DISCONTINUED OPERATIONS - ITEM 320

22.1 Post-tax profit (loss) from discontinued operations: breakdown

	2019	2018
Gains (losses) on sales	565	(354)
Taxes and duties	(3)	-
Profit (loss)	562	(354)

22.2 Breakdown of income taxes from discontinued operations

	2019	2018
1. Current taxes (-)	(3)	-
2. Changes in deferred tax assets (+/-)	-	-
3. Changes in deferred tax liabilities (-/+)	-	-
4. Income taxes for the year (-1+/-2+/-3)	(3)	-

SECTION 24 - OTHER INFORMATION

Nothing to report.

SECTION 25 - EARNINGS PER SHARE

Earnings per share (EPS)	2019	2018
Profit for the year (thousands of Euro)	29,956	28,071
Average number of outstanding shares	80,279,993	80,345,506
Basic earnings per share (basic EPS) (in Euro)	0,373	0,349
Diluted earnings per share (diluted EPS) (in Euro)	0,373	0,349

EPS is calculated by dividing the profit attributable to holders of ordinary shares of Banca Sistema (numerator) by the weighted average number of ordinary shares (denominator) outstanding during the year.

PART D - OTHER COMPREHENSIVE INCOME

Breakdown of comprehensive income

	2019	2018
10. Profit for the year	29,719	27,167
Items, net of tax, that will not be reclassified subsequently to profit or loss	-	-
20. Equity instruments designated at fair value through other comprehensive income:	-	-
a) fair value gains (losses)	-	-
b) transfers to other equity items	-	-
30. Financial liabilities designated at fair value through profit or loss (changes in own credit rating):	-	-
a) fair value gains (losses)	-	-
b) transfers to other equity items	-	-
40. Hedging of equity instruments designated at fair value through other comprehensive income:	-	-
a) fair value gains (losses) - hedged item	-	-
b) fair value gains (losses) - hedging instrument	-	-
50. Property and equipment	-	-
60. Intangible assets	-	-
70. Defined benefit plans	(32)	39
80. Non-current assets held for sale	-	-
90. Share of valuation reserves of equity-accounted investments	-	-
100. Income taxes on items that will not be reclassified subsequently to profit or loss	-	-
Items, net of tax, that will be reclassified subsequently to profit or loss	-	-
110. Hedges of foreign investments:	-	-
a) fair value gains (losses)	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
120. Exchange rate gains (losses):	-	-
a) fair value gains (losses)	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
130. Cash flow hedges:	-	-
a) fair value gains (losses)	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
of which: net position gains (losses)	-	-
140. Hedging instruments (non-designated elements):	-	-
a) fair value gains (losses)	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-

	2019	2018
150. Financial assets (other than equity instruments) measured at fair value through other comprehensive income:	1,430	(2,064)
a) fair value gains (losses)	325	(1,001)
b) reclassification to profit or loss	-	-
- impairment losses due to credit risk	104	49
- gains/losses on sales	1,001	(585)
c) other changes	-	(527)
160. Non-current assets held for sale and disposal groups:	-	-
a) fair value gains (losses)	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
170. Share of valuation reserves of equity-accounted investments:	-	-
a) fair value gains (losses)	-	-
b) reclassification to profit or loss	-	-
- impairment losses	-	-
- gains/losses on sales	-	-
c) other changes	-	-
180. Income taxes on items that will be reclassified subsequently to profit or loss	-	-
190. Total other comprehensive income (expense)	1,398	(2,025)
200. Comprehensive income (10+190)	31,117	25,142
210. Comprehensive income attributable to non-controlling interests	-	-
220. Comprehensive income attributable to the owners of the parent	31,117	25,142

PART E - INFORMATION CONCERNING RISKS AND RELATED HEDGING POLICIES

SECTION 1 - CONSOLIDATION RISKS

QUANTITATIVE DISCLOSURE

A. CREDIT QUALITY

A.1 Impaired and unimpaired loans: carrying amounts, impairment losses, performance and business breakdown

A.1.1 Breakdown of financial assets by portfolio and by credit quality (carrying amounts)

	Bad exposures	Unlikely to pay	Impaired past due exposures	Other impaired exposures	Unimpaired exposures	Total
1. Financial assets measured at amortised cost	30,544	123,306	54,549	709,093	2,194,896	3,112,388
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	550,219	550,219
3. Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value through profit or loss	-	-	-	-	-	-
5. AFinancial assets held for sale	-	-	-	-	-	-
Total at 31.12.2019	30,544	123,306	54,549	709,093	2,745,115	3,662,607
Total at 31.12.2018	39,017	77,912	79,066	265,500	2,623,491	3,084,986

A.1.2 Breakdown of financial assets by portfolio and by credit quality (gross amount and carrying amount)

	Impaired			Unimpaired			Total impairment losses (carrying amount)
	Gross amount	Total impairment losses	Carrying amount	Overall partial write-offs	Gross amount	Total impairment losses	
1. Financial assets measured at amortised cost							3,112,388
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	550,373	154	550,219
3. Financial assets designated at fair value through profit or loss	-	-	-	-	X	X	-
4. Other financial assets mandatorily measured at fair value through profit or loss	-	-	-	-	X	X	-
5. Financial assets held for sale	-	-	-	-	-	-	-
Total at 31.12.2019	245,616	37,217	208,399	-	3,460,195	5,988	3,454,208
Total at 31.12.2018	225,163	29,169	195,994	-	2,895,407	6,415	2,888,992
							3,662,607
							3,084,986

Disclosure of structured entities (other than securitisation companies)

B.1. Consolidated structured entities

At 31 December 2019 there were no such cases.

B.2. Unconsolidated structured entities

At 31 December 2019 there were no such cases.

B.2.1. Prudentially consolidated structured entities

At 31 December 2019 there were no such cases.

B.2.2. Other structured entities

At 31 December 2019 there were no such cases

SECTION 2 - PRUDENTIAL CONSOLIDATION RISKS

1.1 Credit risk

QUALITATIVE DISCLOSURE

1. General aspects

In order to manage the significant risks to which it is or could be exposed, the Banca Sistema Group has set up a risk management system that reflects the characteristics, size and complexity of its operations.

In particular, this system hinges on four core principles:

- suitable supervision by relevant bank bodies and departments;
- satisfactory risk management policies and procedures;
- suitable methods and instruments to identify, monitor and manage risks, with suitable measuring techniques; thorough internal controls and independent reviews.

In order to reinforce its ability to manage corporate risks, the Bank established the Risk and ALM Committee - a committee independent of the Board of Directors, which supports the CEO in defining strategies, risk policies and profitability targets.

The Risk Committee continuously monitors the relevant risks and any new or potential risks arising from changes in the working environment or forward-looking operations. With reference to the new regulation in matters of the

operation of the internal control system, in accordance with the principle of collaboration between the control functions, the Internal Control and Risk Management Committee (a Board committee) was assigned the role of coordinating all the control functions.

The methods used to measure, assess and aggregate risks are approved by the Board of Directors, based on proposals from the Risk Department, subject to approval by the Risk Committee. In order to measure "Pillar 1 risks", the Group has adopted standard methods to calculate the capital requirements for Prudential Regulatory purposes. In order to evaluate non-measurable "Pillar 2 risks", the Group adopts - where possible - the methods stipulated under Supervisory regulations or those established by trade associations. If there are no such indications, standard market practices by operators working at a level of complexity and with operations comparable to those of the Bank are assessed.

With reference to the new provisions in matters of regulatory supervision (15th update of circular no. 263 - New regulations for the prudential supervision of banks), a series of obligations on risk management and control, including the Risk Appetite Framework (RAF) and the regulatory instructions defined by the Basel Committee were introduced. The Bank has tied the strategic objectives to the RAF. The key ratios and the respective levels were assessed and any revisions needed were made while defining the bank's annual objectives.

In particular, the RAF was designed with key objectives to verify that over time, the business grows and develops observing capital strength and liquidity obligations, implementing monitoring and alert mechanisms and related series of actions that allow prompt intervention in case of significant discrepancies.

The structure of the RAF is based on specific indicators so-called Key Risk Indicators (KRI) which measure the Group's solvency in the following areas:

- Share capital;
- Liquidity;
- Quality of the loans and receivables portfolio;
- Profitability;
- Other specific risks the Group is exposed to.

Target levels, consistent with the plan's defined values, the

level I thresholds, defined as “warning” thresholds, that trigger discussion at Risk Committee level and subsequent communication to the Board of Directors and the level II thresholds, that require direct discussion in the Board of Director's meeting to determine the actions to be taken are associated with the various key indicators.

The level I and II thresholds are defined with scenarios of potential stress with respect to the plan's objectives and on dimensions having a clear impact for the Group.

Starting from 1 January 2014, the Group used an integrated reference framework both to identify its own risk appetite and for the internal process entailing the determination of the capital adequacy (Internal Capital Adequacy Assessment Process - ICAAP).

As concerns this matter, the Bank fulfils the public disclosure requirements with the issuing of Circular no. 285 of 17 December 2013 “Prudential supervisory provisions for banks” in which the Bank of Italy transposed Directive 2013/36/EU (CRD IV) of 26 June 2013. This regulation, together with that contained in Regulation (EU) no. 575/2013 (the so-called “CRR”) incorporates the standards defined by the Basel Committee on Banking Supervision (the so-called “Basel III”).

The prudential supervisory provisions provide for the banks the possibility to determine the weighting coefficients for the calculation of the capital requirement with respect to credit exposure within the standardised approach based on the creditworthiness ratings issued by External Credit Assessment Institutions (ECAI) of the Bank of Italy.

As at 31 December 2019, the Group uses the appraisal issued by the ECAI “DBRS”, for the exposures to Central Authorities, and Public Sector Institutions and Entities, whereas, as concerns the valuations related to the regulatory business segment, it uses the agency “Fitch Ratings Ltd”.

The identification of a reference ECAI does not represent in any way, in subject matter or in purposes, an assessment on the merit of the opinions made by the ECAI or a support of the methodologies used, for which the External Credit Assessment Institutions remain solely responsible.

The assessments issued by the rating agencies do not exhaust the creditworthiness assessment process that the Group performs with regard to its customers; rather they

represent a further contribution to define the information framework regarding the credit quality of the customer.

The satisfactory appraisal of the borrower's creditworthiness, with regards to capital and income, and of the correct remuneration of the risk, are made based on documentation acquired by the Group; the information acquired from the Bank of Italy Central Credit Register and from other infoproviders, both when decisions are made and during the subsequent monitoring, complete the informational framework.

For Banca Sistema, credit risk is one of the Group's main components of overall exposure; the loans and receivables portfolio predominantly consists of National Institutions of the Public Administration, such as local health authorities/ Hospitals, Territorial entities (Regions, Provinces and Municipalities) and Ministries that, by definition, entail a very limited default risk.

The main components of Banca Sistema Group's operations that generate credit risk are:

- Factoring activities (with and without recourse);
- Loans to SMEs (with guarantee from the National Guarantee Fund - FNG);
- Acquisition without recourse of salary-/pension-backed loans;
- Collateralised Lending (mainly secured by gold).

2. Credit Risk Management Policies

2.1 Organisational aspects

The Group's organisational model provides that the preliminary credit assessment procedure be performed carefully in accordance with the decision-making powers reserved to the decision-making bodies.

In order to maintain high credit quality in its loan portfolio, the Bank, as the Parent, deemed it expedient to concentrate all phases related to the assumption and control of risk upon its internal structures, thus obtaining, through the specialisation of resources and the segregation of duties at each decision-making level, a degree of standardisation in the granting of credit and robust monitoring of the individual positions.

In light of the above, the Bank's Underwriting Department, which reports to the Central Credit Department, performs the analyses for the granting of credit. The Department

performs assessments focused on the separate analysis and extension of credit to counterparties (assignor, debtor) and on managing the related financial transactions. This takes place in all normal phases of the credit process, summarised as follows:

- “analysis and assessment”: the gathering of quantitative and qualitative information from the counterparties under examination and within the system allows an opinion of the party’s reliability to be obtained and is helpful in quantifying the proposed line of credit;
- “deliberation and formalisation”: once the proposal has been deliberated upon, the contractual documentation to be signed by the counterparty is prepared;
- “monitoring the relationship”: the continuous control of the counterparties benefiting from the credit allows any anomalies to be identified and consequentially prompt intervention.

Credit risk is mainly generated as a direct result of the definitive acquisition of credit from the customer company versus the insolvency of the assigned debtor. In particular, the credit risk generated by the factoring portfolio essentially consists of public entities.

With regard to each credit acquired, Banca Sistema performs, via the Out-of-Court Collection and Legal Collection Departments, both of which report to the Central Credit Department, activities described further on in order to verify the credit status, and whether or not there are any impediments to the payment of the invoices to be assigned, and the date scheduled for the payment thereof. Specifically, the structure endeavours:

- to verify that each credit is certain, liquid and collectable, i.e. there are no disputes or complaints and that there is no further request for clarification or information with regard to said credit and should there be any, that said requests are promptly satisfied;
- to verify that the debtor has received and recognised in its system the related deed of assignment, i.e. it is aware that the credit has been assigned to Banca Sistema;
- to verify that the debtor, where provided for by the assignment agreement and by the purchase offer, has formalised its acceptance of the assignment of the

related credit or has not rejected it in accordance with law;

- to verify that the debtor has received all the documentation required to proceed with the payment (copy of invoice, orders, bills, transportation documents, etc.) and that it has recognised the corresponding debt in its system (existence of the credit);
- to verify c/o the local and/or regional institutions: the existence of specific allocations, available cash;
- to verify the payment status of the credits via meetings c/o the Public Administrations and/or debtor agencies, telephone contacts, emails, etc. in order to facilitate the ascertainment and the removal of any obstacles that could delay and/or impede payment.

With regard to the SME Loans product, beginning in February 2017, it was decided to exit this segment of the market as well as the run-off of prior exposures in the portfolio. On this basis, credit risk is associated with the inability of the two counterparties involved in the loan to honour their financial commitments, i.e.:

- the debtor (SME);
- the Guarantee Fund (the Government of Italy).

The type of loan follows the usual operating process concerning the preliminary assessment, the disbursement and the monitoring of the credit.

In particular, two separate due-diligence procedures are performed on this type of loan (one by the Bank and the other by Mediocredito Centrale, so-called MCC) on the borrower of funds.

The debtor's insolvency risk is mitigated by direct (i.e. that referring to an individual exposure), explicit, unconditional and irrevocable guarantee by the Guarantee Fund, the sole Manager of which is MCC.

As regards, instead, the acquisition of salary-/pension-backed loan portfolios, the credit risk is associated with the inability of the three counterparties involved in the loan process to honour their financial commitments, i.e.:

- the employer (ATC);
- the financial assigning company ;
- the insurance company.

The insolvency risk of the employer (ATC) / debtor is generated in the following cases:

- default of employer (e.g.: bankruptcy);

- the debtor losing his job (e.g.: resignation/ dismissal of the debtor) or reduction of remuneration (e.g.: redundancy fund);
- death of the debtor.

The risks described above are mitigated by the mandatory subscription of life and employment insurance policies.

In detail:

- the employment risk policy fully covers any insolvency deriving from the reduction of the debtor's remuneration whereas, in case of default by the employer or debtor's loss of job, the coverage is limited to the portion of the residual debt in excess of the post-employment benefits accrued;
- the life risk policy provides that the insurance company will intervene to cover the portion of the residual debt expiring subsequent to death; any instalments previously not settled remain instead incumbent upon by the heirs.

The Bank is subject to the insolvency risk of the insurance company in the event that a claim is made upon a loan.

In order to mitigate this risk, the Bank requires that the outstanding loans and receivables portfolio be insured by several insurance companies observing the following terms:

- an individual company with no rating or with rating lower than Investment Grade may insure a maximum of 30% of the cases;
- an individual company of Investment Grade may insure a maximum of 40% of the cases.

The employer insolvency risk is generated in the event that a case is retroceded back to the employee, which must therefore, repay the credit to the Bank. The Framework Agreement initialled with the employer provides for the possibility of returning the credit in the cases of fraud on the part of the employer/debtor or in any case, of non-observance, on the part of the employer, of the criteria underwritten in the Framework Agreement.

Following the acquisition of Atlantide which was then merged on xxxx, the Group also began working in the direct origination of salary- and pension-backed loans which, at the end of 2019, was rather limited when compared to the indirect origination business.

As concerns the financial instruments held on its own

account, the Bank performs security purchase transactions regarding Italian government debt, which are allocated based on the investment strategy, to the HTC, HTCS and HTS portfolios.

With reference to the aforementioned transactions the Bank identified and selected specific IT applications to manage and monitor the treasury limits on the securities portfolio and to set up the second level controls.

The Treasury Department, operating within the limits allowed by the Board of Directors, conducts said transactions.

2.2 Management, measurement and control systems

The Group sets effective Credit Risk Management as a strategic objective via instruments and processes integrated to ensure a correct credit management in all phases (processing, disbursement, monitoring and management, intervening on loans with credit quality problems).

By involving the various central structures of Banca Sistema and through the specialisation of the resources and the segregation of duties at each decision-making level, it seeks to guarantee a high degree of efficiency and standardisation in overseeing credit risk and monitoring the individual positions.

With specific reference to the monitoring of credit activities, the Bank, via the collection meetings, assesses and inspects the loans and receivables portfolio based upon the guidelines defined within the "collection policy". The framework related to the above credit risk ex-post monitoring sets the objective of promptly identifying any anomalies and/or discontinuities and evaluating the persistence of risk profiles, in-line with the strategic indications provided.

The purchase activities of government securities classified among HTCS financial assets (formerly classified as available-for-sale) continued during 2019 in relation to the credit risk associated with the bond securities portfolios. Said financial assets, which in virtue of their classification fall within the perimeter of the "banking book" although outside of the bank's traditional investment activity, are sources of credit risk. This risk consists in the issuer's inability to redeem, upon maturity, all or part of the bonds subscribed.

The securities held by Banca Sistema consist exclusively of Italian government securities, with an average duration of less than two years for the overall portfolio.

Furthermore, the formation of a portfolio of highly liquid assets is also expedient for anticipating the trend of the prudential regulations in relation to the governance and management of liquidity risk.

As concerns counterparty risk, Banca Sistema's operations call for extremely prudent reverse repurchase and repurchase agreements being that Italian government securities are the predominant underlying instrument and the Compensation and Guarantee Fund is the predominant counterparty.

2.3 Methods of measuring expected losses

The general approach defined by IFRS 9 for estimating impairment is based on a process aimed at giving evidence of the deterioration of a financial instrument's credit quality from the date of initial recognition to the reporting date. The regulatory guidance on assigning loans and receivables to the various stages under the Standard ("staging" or "stage allocation") calls for the identification of significant changes in credit risk based on the changes in a counterparty's creditworthiness since initial recognition, the expected life of the financial asset and other forward-looking information that may affect credit risk.

Consistently with the provisions of IFRS 9, performing loans are therefore divided into two categories:

- Stage 1: this bucket contains assets that do not show signs of significant deterioration in credit quality. For this stage the expected one-year credit loss is calculated on a collective basis;
- Stage 2: this bucket contains assets that show signs of significant deterioration in credit quality from the date of initial recognition to the reporting date. The expected loss for this bucket must be calculated on a lifetime basis, i.e. over the entire duration of the instrument, on a collective basis.

2.4 Credit Risk mitigation techniques

It should be noted that, at the reporting date, the Bank did not implement any hedging of the loans and receivables portfolio.

As concerns credit and counterparty risk on the securities portfolio and on the repurchase agreements, risk mitigation is pursued by a careful management of the operational autonomy, establishing limits in terms of both responsibility and consistency and composition of the portfolio by type of securities.

3. Impaired loans

The Banca Sistema Group defined its credit quality policy based on the provisions in the Bank of Italy Circular no. 272 (Accounts matrix), the main definitions of which are provided on the following pages.

The Supervisory Provisions for Banks assign to intermediaries specific obligations concerning the monitoring and classification of loans: "The obligations of the operating units in the monitoring phase of the loan granted must be deducible from the internal regulation. In particular, the terms and methods of action must be set in the event of anomalies. The criteria for measurement, management and classification of irregular loans, as well as the related responsible units, must be set through a resolution by the Board of Directors in which the methods for connecting these criteria with those required for the supervisory reports are indicated. The Board of Directors must be regularly informed on the performance of the irregular loans and the related recovery procedures".

According to the definitions in the above-mentioned Bank of Italy Circular, "impaired" financial assets are defined as those that lie within the "bad exposures", "unlikely to pay" or "past due and/or overdrawn exposures" categories. Exposures whose anomalous situation is attributable to factors related to "country risk" are not included in "impaired" financial assets.

In particular, the following definitions apply:

Bad exposures

On- and off-statement of financial position exposures (loans, securities, derivatives, etc.) owed by a party in state of insolvency (even if not judicially ascertained) or in broadly similar situations, regardless of any loss forecast formulated by the Group (cf. art. 5 bankruptcy law). The definition therefore applies regardless of the existence of any collateral or personal guarantee provided

as protection against the exposures.

This class also includes:

- the exposure to local institutions (municipalities and provinces) in state of financial difficulty for the portion subject to the applicable liquidation procedure;
- receivables acquired from third parties in which the main debtors are non-performing, regardless of the portfolio's accounting allocation.

Unlikely to pay

The classification in this category is first and foremost based on the Bank's judgement regarding the unlikelihood that, without having to resort to actions such as enforcing the guarantees, the debtor will completely (with regard to principal and/or interest) fulfil its credit obligations. This assessment is made independently of whether any sums (or instalments) are past due and not paid. It is therefore unnecessary to wait for explicit symptoms of irregularity (non-repayment) if there are elements that entail a situation of default risk on the part of the debtor (e.g. a crisis in the industrial sector in which the debtor operates). The set of on- and off-statement of financial position exposures to the same debtor in the above conditions is named "unlikely to pay", unless the conditions for classifying the debtor under bad exposures exist. The exposures to retail parties may be classified in the unlikely to pay category at the level of the individual transaction, provided that the Bank has assessed that the conditions for classifying the set of exposures to the same debtor in that category do not exist.

Past due and/or overdrawn exposures

These are understood to be the on-statement of financial position exposures at carrying amount and off-statement of financial position exposures (loans, securities, derivatives, etc.), other than those classified as bad exposures, unlikely to pay, that, on the reference date of the report, are past due or have been overdrawn by more than 90 days.

In order to verify the continuity of the past due exposure in connection with factoring transactions, the following should be noted:

- for "with recourse" transactions, a past due exposure, other than one associated with the assignment of

future receivables, becomes such only if both of the following conditions exist:

- the amount of the advance is equal to, or greater than the total amount of receivables that are coming due;
 - at least one invoice has not been honoured (past due) by more than 90 days and the set of the past due invoices (including those by less than 90 days) exceeds 5% of the total receivables;
- for "without recourse" transactions, reference must be made to the invoice that is furthest past due for each assigned debtor.

In the calculation of the capital requirement for the credit and counterparty risk, Banca Sistema uses the standardised approach. This envisages that the exposures that lie within the portfolios related to "Central Authorities and Central Banks", "Territorial entities", and "Public sector institutions" and "Businesses", must apply the notion of past due and/or overdrawn exposures at the level of the debtor party.

The regulation requires that the debtor's total exposure be considered past due and/or overdrawn, on the reference date of the report, any time the 5% materiality level is exceeded.

Forborne exposures

Forborne exposures are defined as exposures that fall into the category "Non-performing exposures with forbearance measures" and "Forborne performing exposures" as defined by the Implementing Technical Standards (ITS).

A forbearance measure represents a concession towards a debtor which faces or is about to face difficulties in fulfilling its financial obligations ("financial difficulties"); a "concession" indicates one of the following actions:

- an amendment of the previous terms and conditions of a contract which the debtor is considered unable to fulfil due to its financial difficulties, that would not have been granted if the debtor was not in financial difficulty;
- a total or partial refinancing of a problem loan that would not have been granted if the debtor was not in financial difficulty.

Art. 172 of the EBA ITS sets some situations which, if

occurring, lead in any case to the presence of forbearance measures, i.e. when:

- a modified contract was classified as non-performing or would in the absence of modification be classified as non-performing;
- the modification made to a contract involves a total or partial cancellation by write-offs of the debt;
- the institution approves the use of embedded forbearance clauses for a debtor who is under non-performing status or who would be considered as non-performing without the use of these clauses;
- simultaneously with or close in time to the concession of additional debt by the institution, the debtor made payments of principal or interest on another contract with the institution that was non-performing or would in the absence of refinancing be classified as non-performing.

According to these criteria, forbearance is presumed to have taken place when:

- the modified contract was totally or partially past-due by more than 30 days (without being non-performing) at least once during the three months prior to its modification or would be more than 30 days past-due, totally or partially, without modification;
- simultaneously with or close in time to the concession of additional debt by the institution, the debtor made payments of principal or interest on another contract with the institution that was totally or partially 30 days past due (without being non-performing) at least once during the three months prior to its modification or would be more than 30 days past-due, totally or partially, without modification;
- the institution approves the use of embedded forbearance clauses for 30 days past-due debtors or debtors who would be 30 days past-due without the exercise of these clauses.

3.1 Management strategies and policies

The current regulatory framework requires impaired financial assets to be classified according to their criticality. More specifically, there are three categories: “bad exposures”, “unlikely to pay” and “past due and/or overdrawn exposures”.

- Bad exposures: exposures owed by a party in state of insolvency (even if not judicially ascertained) or in broadly similar situations, regardless of the loss forecasts formulated by the institution.
- Unlikely to pay: exposures for which the institution considers it unlikely that the debtor will fully meet its obligations without having to resort to actions such as the enforcement of guarantees, regardless of whether there are any past due and/or overdrawn amounts.
- Past due and/or overdrawn exposures: exposures, other than those classified as bad exposures or unlikely to pay, which have been continuously past due and/or overdrawn for more than 90 days.

Forborne exposures, which refer to exposures that are subject to renegotiation and/or refinancing due to the customer's financial difficulties (whether evident or developing), are also classified. These exposures may constitute a subset of non-performing loans (non-performing exposures with forbearance measures) and performing loans (forborne performing exposures). The management of these exposures, in compliance with the regulatory provisions regarding timing and classification methods, is supported by specific work processes and IT tools.

The Group has a policy that establishes criteria and methods for recognising impairment losses by standardising the rules that, depending on the type of non-performing loan and its original technical form, define the methods and processes used to determine expected losses. The management of non-performing exposures is assigned to a specific organisational unit, the Central Credit Department, which is responsible for identifying strategies for maximising collection on individual positions and establishing the impairment losses to be recognised for those positions through a formalised process.

The expected loss reflects a number of elements derived from various internal and external assessments of the financial condition of the main debtor and any guarantors. Expected losses are continuously monitored and compared to the changes in each position. The Risk Department oversees the collection of non-performing loans.

In order to maximise collections, the relevant departments identify the best strategy for managing non-performing

exposures, which, based on the subjective characteristics of the individual counterparty/exposure and internal policies, may include amending the contractual terms (forbearance), establishing the methods for loan collection, or assigning the credit to third parties (either for individual exposures or for a group of positions with similar characteristics).

3.2 Write-offs

Non-performing exposures for which collection is not possible (whether in full or in part) are written off from the accounting records in compliance with the policies in force at the time and subject to approval by the Group's Board of Directors.

3.3 Purchased or originated credit-impaired financial assets

In accordance with "IFRS 9 - Financial Instruments", in some cases a financial asset is considered impaired at initial recognition because the credit risk is very high, and in the case of a purchase, it is acquired at a significant discount (compared to the original disbursement value). If the financial assets in question, based on the application of the classification drivers (i.e. SPPI test and business model), are classified among assets measured at amortised cost or at fair value through other comprehensive income, they are classified as "Purchased or Originated Credit-Impaired" (in short "POCI") and are subject to specific treatment. More specifically, impairment losses equal to the lifetime expected credit loss (ECL) are recognised

from the date of initial recognition over the asset's entire life. In light of the above, POCI financial assets are initially recognised in stage 3, although they may be subsequently reclassified to performing loans, in which case an expected loss equal to the lifetime ECL (stage 2) will continue to be recognised. A POCI financial asset is therefore classified as such in the expected credit loss (ECL) reporting and calculation processes.

4. Financial assets subject to commercial renegotiation and forbore exposures

In the event the debtor is experiencing financial difficulties, the contractual terms of the exposures may be amended in favour of the debtor in order to make repayment financially sustainable. Depending on the subjective characteristics of the exposure and the reasons behind the debtor's financial difficulties, the amendments may be short term (temporary suspension of the payment of the principal of a loan or extension of a maturity) or long term (extension of the duration of a loan, adjustment of the interest rate) and result in the exposure (both performing and non-performing) being classified as "forborne". "Forborne" exposures are subject to specific provisions for classification in accordance with EBA ITS 2013-35, as transposed in the Group's credit policies. If the forbearance measures are applied to performing exposures, these are included in the group of stage 2 exposures. All exposures classified as "forborne" are included in specific monitoring processes by the relevant departments.

QUANTITATIVE DISCLOSURE

A. Credit quality

A.1 Impaired and unimpaired loans: carrying amounts, impairment losses, performance and business breakdown

A.1.1 Prudential consolidation - Breakdown of financial assets by past due range (carrying amounts)

	First stage			Second stage			Third stage		
	From 1 day to 30 days	From more than 30 days to 90 days	More than 90 days	From 1 day to 30 days	From more than 30 days to 90 days	More than 90 days	From 1 day to 30 days	From more than 30 days to 90 days	More than 90 days
1. Financial assets measured at amortised cost	29,272	24,744	647,530	999	463	6,753	1,218	3,652	155,153
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Total at 31.12.2019	29,272	24,744	647,530	999	463	6,753	1,218	3,652	155,153
Total at 31.12.2018	27,148	24,474	202,713	1,047	3,672	6,900	295	10,975	126,523

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: changes in impaired positions and accruals to provisions

	Total impairment losses												Overall accruals to provisions on commitments to disburse funds and financial guarantees issued			Total		
	Assets included in the first stage				Assets included in the second stage				Assets included in the third stage				Of which: purchased or originated credit-impaired financial assets	First stage	Second stage		Third stage	
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income						Financial assets held for sale
Opening total impairment losses	5,836	49	-	-	5,885	580	580	-	-	580	29,116	29,116	-	286	-	-	-	35,581
Increases in purchased or originated financial assets	0	-	-	-	-	50	50	-	-	50	26	26	-	76	-	-	-	76
Derecognition other than write-offs	1,171	-	-	-	1,170	56	56	-	-	56	310	310	-	31	-	-	-	1,537
Net impairment losses/gains due to credit risk (+/-)	502	105	-	-	606	93	93	-	-	93	8,385	8,385	-	(119)	44	-	-	9,085
Contract amendments without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing total impairment losses	5,167	154	-	-	5,321	667	667	-	-	667	37,217	37,217	-	212	44	-	-	43,205
Recoveries from collection on financial assets that have been written off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.1.3 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: transfers between different credit risk stages (gross amount and nominal amount)

	Gross amount / Nominal amount					
	Transfers between the first and second stage		Transfers between the second and third stage		Transfers between the first and third stage	
	From the first to the second stage	From the second to the first stage	From the second to the third stage	From the third to the second stage	From the first to the third stage	From the third to the first stage
1. 1. Financial assets measured at amortised cost	48,951	9,242	25,418	3,947	65,066	41,774
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees issued	16	1,315	6,186	109	8,017	1,400
TOTAL AT 31.12.2019	48,967	10,557	31,604	4,056	73,083	43,174
TOTAL AT 31.12.2018	108,953	1,106	4,398	2,813	172,206	5,909

**A.1.4 Prudential consolidation - On- and off-statement of financial position loans and receivables with banks:
gross amounts and carrying amounts**

	Gross amount		Total impairment losses and accruals to provisions	Carrying amount	Overall partial write-offs
	Impaired	Unimpaired			
A. ON-STATEMENT OF FINANCIAL POSITION LOANS AND RECEIVABLES			-	-	-
a) Bad exposures of which: forborne exposures		X X	- -	- -	- -
b) Unlikely to pay of which: forborne exposures		X X	- -	- -	- -
c) Impaired past due exposures of which: forborne exposures		X X	- -	- -	- -
d) Unimpaired past due exposures of which: forborne exposures	X X		-		-
e) Other unimpaired exposures of which: forborne exposures	X X	81,536	26	81,510	-
TOTAL A		81,536	26	81,510	-
B. OFF-STATEMENT OF FINANCIAL POSITION LOANS AND RECEIVABLES			-	-	-
a) Impaired		X	-	-	-
b) Unimpaired	X	2,446	-	2,446	-
TOTAL B		2,446	-	2,446	-
TOTAL A+B		83,982	26	83,956	-

A.1.5 Prudential consolidation - On- and off-statement of financial position loans and receivables with customers: gross amounts and carrying amounts

	Gross amount		Total impairment losses and accruals to provisions	Carrying amount	Overall partial write-offs
	Impaired	Unimpaired			
A. ON-STATEMENT OF FINANCIAL POSITION LOANS AND RECEIVABLES					-
a) Bad exposures of which: forborne exposures	50,622	X X	20,078	30,544	- -
b) Unlikely to pay of which: forborne exposures	139,348 1,294	X X	16,042 259	123,306 1,035	- -
c) Impaired past due exposures of which: forborne exposures	55,646 763	X X	1,097 176	54,549 587	- -
d) Unimpaired past due exposures of which: forborne exposures	X X	710,677	1,584	709,093	-
e) Other unimpaired exposures of which: forborne exposures	X X	2,668,982	4,377	2,663,605	-
TOTAL A	245,616	3,379,659	43,178	3,581,097	-
B. OFF-STATEMENT OF FINANCIAL POSITION LOANS AND RECEIVABLES					-
a) Impaired	22,196	X		22,196	-
b) Unimpaired	X	213,447	44	213,404	-
TOTAL B	22,196	213,447	44	235,600	-
TOTAL A+B	267,812	3,593,106	43,222	3,816,697	-

A.1.6 Prudential consolidation - On-statement of financial position loans and receivables with banks: gross impaired positions

No positions to report.

A.1.6bis Prudential consolidation - On-statement of financial position loans and receivables with banks: breakdown of gross forborne exposures by credit quality

No positions to report.

A.1.7 Prudential consolidation - On-statement of financial position loans and receivables with customers: gross impaired positions

	Bad exposures	Unlikely to pay	Impaired past due exposures
A. Opening gross balance	57,468	87,188	80,508
- of which: positions transferred but not derecognised	-	-	-
B. Increases	16,814	91,084	146,047
B.1 transfers from performing loans	32	49,231	83,357
B.2 transfers from purchased or originated credit-impaired financial assets	1,734	491	166
B.3 transfers from other categories of impaired loans	6,512	11,519	2,649
B.4 contract amendments without derecognition	-	-	-
B.5 other increases	8,536	29,843	59,875
C. Decreases	23,659	38,924	170,908
C.1 transfers to performing loans	7,487	527	82,034
C.2 write-offs	105	-	-
C.3 collections	13,673	32,436	75,080
C.4 gains on sales	-	-	-
C.5 losses on sales	-	-	-
C.6 transfers to other categories of impaired loans	2,394	5,961	13,793
C.7 contract amendments without derecognition	-	-	-
C.8 other decreases	-	-	-
D. Closing gross balance	50,623	139,348	55,647
- of which: positions transferred but not derecognised	-	-	-

**A.1.7bis Prudential consolidation - On-statement of financial position loans and receivables with customers:
breakdown of gross forborne exposures by credit quality**

	Non-performing exposures with forbearance measures	Other forborne exposures
A. Opening gross balance	1,434	
- of which: positions transferred but not derecognised		
B. Increases	3,210	1,153
B.1 transfers from performing exposures without forbearance measures		
B.2 transfers from forborne performing exposures	763	X
B.3 transfers from non-performing exposures with forbearance measures	X	
B.4 transfers from non-performing exposures without forbearance measures	1,294	
B.5 other increases	1,153	1,153
C. Decreases	2,587	1,153
C.1 transfers to performing exposures without forbearance measures	X	
C.2 transfers to forborne performing exposures		X
C.3 transfers to non-performing exposures with forbearance measures	X	763
C.4 write-offs		
C.5 collections	2,587	391
C.6 gains on sales		
C.7 losses on sales		
C.8 other decreases		
D. Closing gross balance	2,057	
- of which: positions transferred but not derecognised		

**A.1.8 Prudential consolidation - On-statement of financial position non-performing loans and receivables with banks:
changes in impaired positions**

No positions to report.

A.1.9 Prudential consolidation - On-statement of financial position non-performing loans and receivables with customers: changes in impaired positions

	BAD EXPOSURES		UNLIKELY TO PAY		IMPAIRED PAST DUE EXPOSURES	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening total impairment losses	18,451		9,277		1,442	15
- of which: positions transferred but not derecognised	-		-		-	
B. Increases	3,658		8,262		1,024	176
B.1 impairment losses on purchased or originated credit-impaired financial assets	14	X	3	X	10	X
B.2 other impairment losses	3,297		8,104		720	176
B.3 losses on sales	-		-		-	
B.4 transfers from other categories of impaired loans	274		35		218	
B.5 contract amendments without derecognition	-	X	-	X	-	X
B.6 other increases	73		120		76	
C. Decreases	2,032		1,496		1,369	15
C.1 impairment gains	1,429		1,032		876	
C.2 impairment gains due to collections	55		176		79	
C.3 gains on sales	-		-		-	
C.4 write-offs	-		-		-	
C.5 transfers to other categories of impaired loans	209		272		51	15
C.6 contract amendments without derecognition	-	X	-	X	-	X
C.7 other decreases	339		16		363	
D. Closing total impairment losses	20,077		16,043		1,097	176
- of which: positions transferred but not derecognised	-		-		-	

A.2 Classification of the exposures based on external and internal rating

A.2.1 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees issued by external rating class (gross amounts)

The risk categories for the external rating indicated in this table refer to the creditworthiness classes of the debtors/ guarantors pursuant to prudential requirements (cf. Circular no. 285 of 2013 “Supervisory Provisions for Banks” and subsequent updates).

The Bank uses the standardised approach in accordance with the risk mapping of the rating agencies:

- “DBRS Ratings Limited”, for exposures to: central authorities and central banks; supervised brokers; public sector institutions; territorial entities.

	External rating class						Without rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	1	-	443,826	-	-	-	2,711,612	3,155,438
- First stage	1	-	443,826	-	-	-	2,341,743	2,785,569
- Second stage	-	-	-	-	-	-	124,253	124,253
- Third stage	-	-	-	-	-	-	245,616	245,616
B. Financial assets measured at fair value through other comprehensive income	-	-	550,373	-	-	-	-	550,373
- First stage	-	-	550,373	-	-	-	-	550,373
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
Total (A+B)	1	-	994,199	-	-	-	2,711,612	3,705,811
of which: purchased or originated credit-impaired financial assets	-	-	-	-	-	-	27,746	27,746
C. Commitments to disburse funds and financial guarantees issued	-	-	-	-	-	-	249,608	249,608
- First stage	-	-	-	-	-	-	220,355	220,355
- Second stage	-	-	-	-	-	-	7,057	7,057
- Third stage	-	-	-	-	-	-	22,196	22,196
Total C	-	-	-	-	-	-	249,607	249,607
Total (A + B + C)	1	-	994,199	-	-	-	2,961,220	3,955,419

of which long-term rating

Creditworthiness class	Risk weighting factors				ECAI
	Central authorities and central banks	Supervised brokers, public sector institutions and territorial entities	Multilateral development banks	Companies and other parties	DBRS Ratings Limited
1	0%	20%	20%	20%	from AAA to AAL
2	20%	50%	50%	50%	from AH to AL
3	50%	100%	50%	100%	from BBBH to BBBL
4	100%	100%	100%	100%	from BBH to BBL
5	100%	100%	100%	150%	from BH to BL
6	150%	150%	150%	150%	CCC

of which short-term rating (for exposures to companies)

Creditworthiness class	Risk weighting factors	ECAI
		DBRS Ratings Limited
1	20%	R-1 (high), R-1 (middle), R-1 (low)
2	50%	R-1 (high), R-2 (middle), R-2 (low)
3	100%	R-3
4	150%	R-4, R-5
5	150%	
6	150%	

“Fitch Ratings”, for exposures to companies and other parties.

of which long-term rating

Creditworthiness class	Risk weighting factors				ECAI
	Central authorities and central banks	Supervised brokers, public sector institutions and territorial entities	Multilateral development banks	Companies and other parties	Fitch Ratings
1	0%	20%	20%	20%	from AAA to AA-
2	20%	50%	50%	50%	from A+ to A-
3	50%	100%	50%	100%	from BBB+ to BBB-
4	100%	100%	100%	100%	from BB+ to BB-
5	100%	100%	100%	150%	from B+ to B-
6	150%	150%	150%	150%	CCC+ and lower

of which short-term rating (for exposures to companies)

Creditworthiness class	Risk weighting factors	ECAI
		Fitch Ratings
1	20%	F1+, F1
2	50%	F2
3	100%	F3
from 4 to 6	150%	less than F3

A.3 Breakdown of guaranteed credit exposures by type of guarantee

A.3.1 Prudential consolidation - Guaranteed on- and off-statement of financial position loans and receivables with banks

No positions to report.

A.3.2 Prudential consolidation - Guaranteed on- and off-statement of financial position loans and receivables with customers

	Gross amount	Carrying amount	Collateral (1)				CLN	Personal guarantees (2)						Total (1)+(2)
			Mortgaged estate	Properties under finance lease	Securities	Other collateral		Credit derivatives		Endorsement credits				
								Other financial companies	Other	Public administrations	Banks	Other financial companies	Other	
1. Guaranteed on-statement of financial position loans:	879,799	874,209	-	-	17,590	812,949	-	-	-	8,381	-	21,986	12,760	873,666
1.1 fully guaranteed	873,432	869,255	-	-	17,590	812,949	-	-	-	4,893	-	21,986	11,837	869,255
- of which impaired	18,485	16,013	-	-	-	6,012	-	-	-	1,776	-	107	8,118	16,013
1.2 partially guaranteed	6,367	4,954	-	-	-	-	-	-	-	3,488	-	-	923	4,411
- of which impaired	2,550	1,241	-	-	-	-	-	-	-	1,099	-	-	123	1,222
2. Guaranteed off-statement of financial position loans:	24,102	24,059	-	-	906	37	-	-	-	-	-	13,552	9,535	24,030
2.1 fully guaranteed	23,967	23,924	-	-	906	37	-	-	-	-	-	13,552	9,430	23,925
- of which impaired	1,905	1,905	-	-	-	-	-	-	-	-	-	-	1,905	1,905
2.2 partially guaranteed	135	135	-	-	-	-	-	-	-	-	-	-	105	105
- of which impaired	135	135	-	-	-	-	-	-	-	-	-	-	105	105

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURES

B.1 Prudential consolidation - Breakdown by business segment of on- and off-statement of financial position loans and receivables with customers

	Public administrations		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment
A. On-statement of financial position loans and receivables										
A.1. Bad exposures	17,573	1,493	-	-	-	-	12,816	17,988	155	597
- of which: forborne exposures										
A.2 Unlikely to pay	90,470	4,751	-	-	-	-	30,475	10,216	2,361	1,075
- of which: forborne exposures							1,035	259		
A.3 Impaired past due exposures	34,604	502	4	-	3	-	13,581	539	6,360	57
- of which: forborne exposures							587	176		
A.4 Unimpaired exposures	2,242,908	3,157	72,341	57	9	-	210,459	1,137	847,988	1,609
- of which: forborne exposures										
TOTAL (A)	2,385,555	9,903	72,345	57	12	-	267,331	29,880	856,864	3,338
B. Off-statement of financial position loans and receivables										
B.1 Impaired exposures	-	-	-	-	-	-	22,196	-	-	-
B.2 Unimpaired exposures	-	-	121,035	-	-	-	98,760	43	5,127	-
TOTAL (B)	-	-	121,035	-	-	-	120,956	43	5,127	-
TOTAL (A+B) at 31.12.2019	2,385,555	9,903	193,380	57	12	-	388,287	29,923	861,991	3,338
TOTAL (A+B) at 31.12.2018	1,957,131	8,567	148,013	55	5	-	453,170	24,434	686,261	2,527

B.2 Prudential consolidation - Breakdown by geographical segment of on- and off-statement of financial position loans and receivables with customers

Esposizioni/Aree geografiche	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net amount	Total impairment losses	Net amount	Total impairment losses	Net amount	Total impairment losses	Net amount	Total impairment losses	Net amount	Total impairment losses
A. On-statement of financial position loans and receivables										
A.1 Bad exposures	30,544	20,078	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	123,306	16,042	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures	54,549	1,097	-	-	-	-	-	-	-	-
A.4 Unimpaired exposures	3,317,643	5,759	53,915	198	1,094	4	-	-	46	-
Total (A)	3,526,042	42,975	53,915	198	1,094	4	-	-	46	-
B. Off-statement of financial position loans and receivables										
B.1 Impaired exposures	22,196	-	-	-	-	-	-	-	-	-
B.2 Unimpaired exposures	210,220	44	3,184	-	-	-	-	-	-	-
Total (B)	232,416	44	3,184	-	-	-	-	-	-	-
Total (A+B) at 31.12.2019	3,758,458	43,020	57,099	198	1,094	4	-	-	46	-
Total (A+B) at 31.12.2018	3,213,690	35,421	34,402	108	5,011	19	5,044	34	400	1

B.3 Prudential consolidation - Breakdown by geographical segment of on- and off-statement of financial position loans and receivables with banks

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net amount	Total impairment losses	Net amount	Total impairment losses	Net amount	Total impairment losses	Net amount	Total impairment losses	Net amount	Total impairment losses
A. On-statement of financial position loans and receivables	-	-	-	-	-	-	-	-	-	-
A.1 Bad exposures	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Unimpaired exposures	81,393	26	117	-	-	-	-	-	-	-
Total (A)	81,393	26	117	-	-	-	-	-	-	-
B. Off-statement of financial position loans and receivables	-	-	-	-	-	-	-	-	-	-
B.1 Esposizioni deteriorate	-	-	-	-	-	-	-	-	-	-
B.2 Esposizioni non deteriorate	2,446	-	-	-	-	-	-	-	-	-
Total (B)	2,446	-	-	-	-	-	-	-	-	-
Total A+B at 31.12.2019	83,839	26	117	-	-	-	-	-	-	-
Total A+B at 31.12.2018	38,027	159	-	-	-	-	-	-	-	-

B.4 Large exposures

As at 31 December 2019, the large exposures of the Parent are as follows:

- Amount (carrying amount): 2,291,599 (in thousands)
- Amount (weighted amount): 187,666 (in thousands)
- Number: 19 (in units)

D. TRANSFERS

A. Financial assets transferred and not derecognised

QUALITATIVE DISCLOSURE

The financial assets transferred and not derecognised refer to Italian government securities used for repurchase agreements. Said financial assets are classified in the financial statements among the available-for-sale financial assets, while the repurchase agreement loan is predominantly presented in due to customers. As a last resort the financial assets transferred and not derecognised comprise trade receivables used for loan transactions in the ECB (Abaco).

QUANTITATIVE DISCLOSURE

D.1. Prudential consolidation - Financial assets transferred and recognised in full, and associated financial liabilities: carrying amount

	Financial assets transferred and recognised in full				Associated financial liabilities		
	Carrying amount	of which: subject to securitisation transactions	of which: subject to a sales contract with repurchase agreement	of which impaired	Carrying amount	of which: subject to securitisation transactions	of which: subject to a sales contract with repurchase agreement
A. Financial assets held for trading	-	-	-	X	-	-	-
1. Debt instruments	-	-	-	X	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Financing	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value through profit or loss	-	-	-	-	-	-	-
1. Debt instruments	-	-	-	X	-	-	-
2. Equity instruments	-	-	-	-	-	-	-
3. Financing	-	-	-	-	-	-	-
C. Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-
1. Debt instruments	-	-	-	-	-	-	-
2. Financing	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	192,101	-	192,101	-	191,983	-	191,983
1. Debt instruments	192,101	-	192,101	-	191,983	-	191,983
2. Equity instruments	-	-	-	X	-	-	-
3. Financing	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	-	-	-	-	-	-	-
1. Debt instruments	-	-	-	-	-	-	-
2. Financing	-	-	-	-	-	-	-
Total at 31.12.2019	192,101	-	192,101	-	191,983	-	191,983
Total at 31.12.2018	-	-	-	-	-	-	-

E. PRUDENTIAL CONSOLIDATION - MODELS FOR THE MEASUREMENT OF CREDIT RISK

1.2 Market risks

The Group did not conduct trading activity on financial instruments. At 31 December 2019 asset positions, except for shares, included in the regulatory trading portfolio that may generate market risk are not recognised. The existing limit system defines a careful and balanced management of the operational autonomy, establishing limits in terms of portfolio amounts and composition by type of security.

1.2.1 Interest rate risk and price risk - regulatory trading portfolio

QUALITATIVE DISCLOSURE

A. General aspects

The trading risk changed only following the trading of the only shares held in the portfolio; due to the size of the investment the price risk is limited.

B. Management procedures and methods of measuring the interest rate risk and the price risk

QUANTITATIVE DISCLOSURE

1. Regulatory trading portfolio: breakdown by residual term (by repricing date) of on-statement of financial position financial assets and liabilities and financial derivatives

	on demand	up to 3 months	from more than 3 months up to 6 months	from more than 6 months up to 1 year	from more than 1 year up to 5 years	from more than 5 years up to 10 years	more than 10 years	open term
1. Assets	-	-	-	-	-	-	-	-
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	6	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	6	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	6	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	6	-	-	-	-	-	-

1.2.2 Interest rate risk and price risk - Banking Book

QUALITATIVE DISCLOSURE

A. General aspects, management procedures and methods of measuring the interest rate risk and the price risk

Interest rate risk is defined as the risk that the financial assets/liabilities increase/decrease because of movements contrary to the interest rate curve. The Bank identified the sources that generate interest rate risk with reference to the credit processes and to the Bank's funding.

The exposure to interest rate risk on the banking book is calculated as provided for by current regulations, via the simplified regulatory approach (Cf. Circular no. 285/2013, Part One, Title III, Chapter 1, Schedule C); by using this method the Bank is able to monitor the impact of unexpected changes in market conditions on equity, thus identifying the related mitigation measures to be implemented.

In greater detail, the process of estimating the exposure to interest rate risk of the banking book provided by the simplified method is organised in the following phases:

- Determination of material currencies. "Material currencies" are considered those that represent a portion of total assets, or also of the banking book liabilities, greater than 5%. For the purposes of the methodology for calculating exposure to interest rate risk, the positions denominated in "material currencies" are considered individually, while the positions in "non-material currencies" are aggregated for the equivalent amount in Euro;
- Classification of the assets and liabilities in time buckets. 14 time buckets are defined. The fixed-rate assets and liabilities are classified based on their residual maturity, while those at floating rates based on the interest rate renegotiation date. Specific classification rules are prescribed for specific assets and liabilities. With particular reference to the deposit and savings product "Si conto! Deposito", the Bank proceeded with the bucketisation that takes into account the implied redemption option.
- Weighting the net exposures of each bucket. The

asset and liability positions are offset within each bucket, obtaining a net position. The net position by bucket is multiplied by the corresponding weighting factor obtained as the product between a hypothetical change of the rates and an approximation of the modified duration for the individual bucket;

- Sum of the weighted net exposures of the various buckets. The weighted exposures calculated for each bucket (sensitivity) are summed together. The net weighted exposure thus obtained approximates the change of the present value of the items, denominated in a certain currency, in the event of the assumed rate shock;
- Aggregation in the various currencies. The absolute values of the exposures regarding the individual "material currencies" and the aggregate of the "non-material currencies" are summed together, obtaining an amount that represents the change of the economic value of the Bank based on the assumed rate trends.

With reference to the Bank's financial assets, the main sources that generate interest rate risk are loans and receivables with customers and the bond securities portfolio. As concerns the financial liabilities, relevant instead are the customer deposits and savings activities via current accounts, the deposit account, and funding on the interbank market.

Given the foregoing submissions, it should be noted that:

- the interest rates applied to the factoring customers are at a fixed rate and can also be modified unilaterally by the Bank (in compliance with regulations in force and existing contracts);
- the average financial term of the bond securities portfolio is less than one year;
- the salary/pension-backed loan portfolio that contains fixed rate contracts is that with the longest duration, however on the reporting date this portfolio was small and it was not deemed necessary to enter into interest rate hedge transactions on said maturities;
- the REPO deposits c/o the Central Bank are of short duration (the maximum maturity is equal to 3 months);
- the customers' deposits on the deposit account

product are at a fixed rate for the entire duration of the constraint, which can be unilaterally renegotiated by the Bank (in compliance with regulations in force and existing contracts);

- the REPO and reverse REPO agreements are

generally of short duration, without prejudice to different funding needs.

The Bank continuously monitors the main assets and liabilities subject to interest rate risk; furthermore, no hedging instruments were used as at the reporting date.

QUANTITATIVE DISCLOSURE

1. Banking book: Breakdown by residual term (by repricing date) of financial assets and liabilities

	on demand	up to 3 months	from more than 3 months up to 6 months	from more than 6 months up to 1 year	from more than 1 year up to 5 years	from more than 5 years up to 10 years	more than 10 years	Open term
1. Assets	1,367,233	141,622	51,979	435,414	1,330,219	336,133	6	-
1.1 Debt instruments	-	-	13,042	150,219	822,136	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	13,402	150,219	822,136	-	-	-
1.2 Financing to banks	61,510	19,947	53	-	-	-	-	-
1.3 Financing to customers	1,305,723	121,675	38,884	285,195	508,083	336,133	6	-
- current accounts	18,405	-	-	-	-	2	-	-
- other financing	1,287,318	121,675	38,884	285,195	508,083	336,131	6	-
- with early repayment option	136,044	43,171	38,419	285,046	508,083	309,305	6	-
- other	1,151,274	78,504	465	149	-	26,826	-	-
2. Liabilities	701,066	1,172,493	171,329	572,774	578,304	55,741	23	-
2.1 Due to customers	700,957	872,987	163,313	397,350	379,434	37,536	23	-
- current accounts	697,887	436,674	159,879	388,703	299,675	24,401	23	-
- other payables	3,070	436,313	3,434	8,647	79,759	13,135	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	3,070	436,313	3,434	8,647	79,759	13,135	-	-
2.2 Due to banks	109	280,000	-	-	108,250	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	109	280,000	-	-	108,250	-	-	-
2.3 Debt instruments	-	19,506	8,016	175,424	90,620	18,205	-	-
- with early repayment option	-	19,506	-	175,424	90,620	18,205	-	-
- other	-	-	8,016	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	4,136	905	1,040	507	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	4,136	905	1,040	507	-	-	-
- Options	-	4,136	905	1,040	507	-	-	-
+ long positions	-	842	905	1,040	507	-	-	-
+ short positions	-	3,294	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

1.2.3 Currency risk

QUALITATIVE DISCLOSURE

A. General aspects, management processes and methods of measuring the currency risk

All items are in Euro, except for the security in the HTCS portfolio. The currency risk is limited due to the size of the investment.

QUANTITATIVE DISCLOSURE

1. Breakdown of assets, liabilities and derivatives by currency of denomination

	CURRENCIES					
	US DOLLARS	UK POUNDS	YEN	CANADIAN DOLLARS	SWISS FRANCS	OTHER CURRENCIES
A. Financial assets	-	-	-	-	-	1,164
A.1 Debt instruments	-	-	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	1,164
A.3 Financing to banks	-	-	-	-	-	-
A.4 Financing to customers	-	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	-	-	-	-	-	-
C. Financial liabilities	-	-	-	-	-	-
C.1 Due to banks	-	-	-	-	-	-
C.2 Due to customers	-	-	-	-	-	-
C.3 Debt instruments	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives	-	-	-	-	6	-
- Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other derivatives	-	-	-	-	6	-
+ long positions	-	-	-	-	6	-
+ short positions	-	-	-	-	-	-
Total assets	-	-	-	-	6	1,164
Total liabilities	-	-	-	-	-	-
Difference (+/-)	-	-	-	-	6	1,164

The amount refers to the Axactor shares held by the Bank partly in the Held to Collect and Sell (HTCS) portfolio. They are listed securities traded in Norwegian krone.

1.3 Derivatives and hedging policies

1.3.1 Derivatives held for trading

A. Financial derivatives

At 31 December 2019 no amount was recognised for this item.

B. Credit derivatives

At 31 December 2019 no amount was recognised for this item.

1.3.2 Hedge Accounting

The Bank did not perform any such transactions in 2019.

1.3.3 Other disclosure of derivatives (held for trading and hedging)

At 31 December 2019 there were no such cases.

1.4 Liquidity risk

QUALITATIVE DISCLOSURE

A. General aspects, management processes and methods of measuring the liquidity risk

Liquidity risk is represented by the possibility that the Group is unable to maintain its payment commitments due to the inability to procure funds or to the inability to sell assets on the market to manage the financial imbalance. It is also represented by the inability to procure adequate new financial resources, in terms of amount and cost, with respect to operational need/advisability, that forces the Group to slow or stop the development of activity, or to incur excessive funding costs to deal with its commitments, with significant negative impacts on the profitability of its activity.

The financial sources are represented by capital, funding from customers, the funds procured on the domestic and international interbank market as well from the Eurosystem. To monitor the effects of the intervention strategies and to limit the liquidity risk, the Group identified a specific section dedicated to monitoring the liquidity risk in the

Risk Appetite Framework (RAF).

Furthermore, in order to promptly detect and manage any difficulties in procuring the funds necessary to conduct its activity, every year, Banca Sistema, consistent with the prudential supervisory provisions, updates its liquidity policy and Contingency Funding Plan, i.e. the set of specific intervention strategies in case of liquidity stress, establishing procedures to procure funds in the event of an emergency.

This set of strategies is of fundamental importance to attenuate liquidity risk.

The aforesaid policy defines, in terms of liquidity risk, the objectives, the processes and the intervention strategies in case of liquidity stress, the organisational structures responsible for implementing the interventions, the risk indicators, the relevant calculation method and warning thresholds, and procedures to procure the funding sources that can be used in case of emergency.

In 2019, the Bank continued to pursue a particularly prudent financial policy aimed at funding stability. This approach allowed a balanced distribution between inflows from retail customer and corporate and institutional counterparties.

To date, the financial resources available are satisfactory for the current and forward-looking volumes of activity. The Bank is continuously active ensuring a coherent business development, always in line with the composition of its financial resources.

In particular, Banca Sistema, prudentially, has constantly maintained a high quantity of securities and readily liquid assets to cover all of the deposits and savings products oriented towards the retail segment.

Moreover, the Bank uses as source of funding the ABS securities of the securitisation transactions, whose SPVs were established solely for funding purposes. As these transactions are self-securitisations, the receivables assigned to the SPV remain entirely recognised in the Bank's financial statements.

Details of the ABS securities of the existing self-securitisations are provided below.

At 31 December 2019, the characteristics of the securities of the Quinto Sistema Sec. 2017 transaction were as follows.

Quinto Sistema Sec. 2017	ISIN	Amount outstanding at 31.12.2019	Rating (DBRS/Moody's)	Interest Rate	Maturity
Class A (senior)	IT0005246811	343,953,684.41	A-high / Aa3	0.40%	2034
Class B1 (mezzanine)	IT0005246837	42,745,256.29	A-low / Ba1	0.50%	2034
Class B2 (sub-mezzanine)	IT0005246845	53,327,792.99	n.a.	0.50%	2034
Class C (junior)	IT0005246852	2,137,262.81	n.a.	0.50%	2034
		442,163,996.49			

The transaction is held entirely by Banca Sistema, which uses the senior securities in bilateral ECB and repo transactions under the GMRA framework, and the class B1 security in repo transactions under the GMRA framework.

At 31 December 2019, the characteristics of the securities of the Quinto Sistema Sec. 2019 transaction were as follows.

Quinto Sistema Sec. 2019	ISIN	Amount outstanding at 31.12.2019	Rating (DBRS/Moody's)	Interest Rate	Maturity
Class A (senior)	IT0005382996	173,600,000.00	Not Rated	1M Euribor +0.65%	2038
Class B (mezzanine)	IT0005383002	21,800,000	Not Rated	0.50%	2038
Class C (junior)	IT0005383010	30,000,000.00	Not Rated	0.50%	2038
		225,400,000			

The senior security is held by a third party for funding purposes.

At 31 December 2019, the characteristics of the securities of the Atlantis SPV transaction were as follows, and 100% of the securities were subscribed and held by Banca Sistema.

Atlantis SPV	ISIN	Amount outstanding at 31.12.2019	Rating	Interest Rate	Maturity
Class A Notes (Senior)	IT0005218802	100.00	n.a.	1.00%	2028
Class B Notes (junior)	IT0005218810	15,320,804.43	n.a.	5.00%	2028
		32,822,470.53			

QUANTITATIVE DISCLOSURE

1. Breakdown of financial assets and liabilities by remaining contractual term

	on demand	from more than 1 day up to 7 days	from more than 7 days up to 15 days	from more than 15 days up to 1 month	from more than 1 month up to 3 months	from more than 3 months up to 6 months	from more than 6 months up to 1 year	from more than 1 year up to 5 years	over 5 years	Open term
A. Assets	1,325,838	6,291	1,227	23,433	53,243	69,4667	464,766	1,319,805	300,507	19,912
A.1 Government securities	-	-	-	-	-	13,285	150,320	821,759	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	1,325,838	6,291	1,227	23,433	53,243	56,182	314,446	498,046	300,507	19,912
- banks	61,214	-	-	35	-	55	-	-	-	19,912
- customers	1,264,624	6,291	1,227	23,398	53,243	56,127	314,446	498,046	300,507	-
B. Liabilities	693,664	704,759	65,112	120,033	263,997	165,790	580,628	577,684	247,979	-
B.1 Deposits and current accounts	690,594	19,743	64,458	119,902	263,084	160,522	391,686	299,675	24,424	-
- banks	108	-	8,000	7,000	15,000	-	-	-	-	-
- customers	690,486	19,743	56,458	112,902	248,084	160,522	391,686	299,675	24,424	-
B.2 Debt instruments	-	-	-	-	401	1,830	180,293	90,000	210,420	-
B.3 Other liabilities	3,070	685,016	654	131	512	3,438	8,649	188,009	13,135	-
C. Off-statement of financial position transactions	91,129	6	-	-	209	60	-	657	-	-
C.1 Financial derivatives with exchange of principal	-	6	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	6	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	88,656	-	-	-	209	60	-	56	-	-
- long positions	44,165	-	-	-	209	60	-	56	-	-
- short positions	44,491	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	2,473	-	-	-	-	-	-	601	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

With reference to the financial assets subject to “self-securitisation”, at the end of 2019, Banca Sistema has three securitisation transactions in place.

1.5 Operational risks

QUALITATIVE DISCLOSURE

Operational risk is the risk of loss arising from inadequate or non-functioning internal processes, human resources or systems, or from external events. This type of risk includes - among other things - the ensuing losses from fraud, human errors, business disruption, unavailability of systems, breach of contract, and natural catastrophes. Operational risk, therefore, refers to other types of events that, under present conditions, would not be individually relevant if not analysed jointly and quantified for the entire risk category.

A. General aspects, management processes and methods of measuring operational risk

In order to calculate the internal capital generated by the operational risk, the Group adopts the Basic Indicator Approach, which provides for the application of a regulatory coefficient (equal to 15%) to the three-year average of the relevant indicator defined in Article 316 of Regulation (EU) no. 575/2013 of 26 June 2013. The above-said indicator is given by the sum (with sign) of the following elements:

- interest and similar income;
- interest and similar expense;
- income on shares, quotas and other variable/fixed yield securities;
- income for commissions/fees;
- expense for commissions/fees;
- profit (loss) from financial transactions;
- other operating income.

Consistent with that provided for by the relevant legislation, the indicator is calculated gross of provisions and operating costs; also excluded from computation are:

- profits and losses on the sale of securities not included in the trading portfolio;
- income deriving from non-recurring or irregular items;
- income deriving from insurance.

As of 2014, the Bank measured the operational risk events via a qualitative performance indicator (IROR - Internal Risk Operational Ratio) defined within the

operational risk management and control process (ORF - Operational Risk Framework). This calculation method allows a score to be defined between 1 and 5, inclusive (where 1 indicates a low risk level and 5 indicates a high risk level) for each event that generates an operational risk.

The Bank assesses and measures the level of the identified risk by also considering the controls and the mitigating actions implemented. This method requires a first assessment of the possible associated risks in terms of probability and impact (so-called "Gross risk level") and a subsequent analysis of the existing controls (qualitative assessment on the effectiveness and efficiency of the controls) which could reduce the gross risk, on the basis of which specific risk levels (the so-called "Residual risk") are determined. Finally, the residual risks are mapped on a predefined scoring grid, useful for the subsequent calculation of IROR via appropriate aggregation of the scores defined for the individual operational procedure.

Moreover, the Bank assesses the operational risk associated with the introduction of new products, activities, processes and relevant systems mitigating the onset of the operational risk via a preliminary evaluation of the risk profile.

The Bank places strong emphasis on possible ICT risks. The Information and Communication Technology (ICT) risk is the risk of incurring financial, reputational and market losses in relation to the use of information and communication technology. In the supplemented representation of the business risks, this type of risk is considered, in accordance with the specific aspects, among operational, reputational and strategic risks.

The Bank monitors the ICT risks based on the continuous information flows between the departments concerned defined in its IT security policies.

In order to conduct consistent and complete analyses with respect to the activities performed by the Bank's other control departments, the results of the compliance risks audits conducted by the Compliance and Anti-Money Laundering Department were shared internally with the Risk Management and Compliance Department, the Internal Control and Risk Management Committee, as well as with the CEO. The Internal Audit Department

also monitors the Bank's operations and processes to ensure they are properly carried out and assesses the overall effectiveness and efficiency of the internal control system put in place to oversee activities that are exposed to risks.

Finally, as an additional protection against operational risk, the Bank has:

- insurance coverage on the operational risks deriving from actions of third parties or caused to third parties. In order to select the insurance coverage, the

Bank initiated specific assessment activities, with the support of a primary market broker, to identify the best offers in terms of price/conditions proposed by several insurance undertakings;

- appropriate contractual riders to cover damages caused by infrastructure and service suppliers;
- a business continuity plan;
- the assessment of each operational procedure in effect, in order to define the controls implemented to protect against risk activities.

PART F - INFORMATION ON EQUITY

SECTION 1 - EQUITY

A. QUALITATIVE DISCLOSURE

The objectives pursued in the Group's equity management are inspired by the prudential supervisory provisions, and are oriented towards maintaining adequate levels of capitalisation to take on risks typical to credit positions.

The income allocation policy aims to strengthen the Group's capital with special emphasis on common equity, to the prudent distribution of the operating results, and to guaranteeing a correct balance of the financial position.

B. QUANTITATIVE DISCLOSURE

B.1 Equity: breakdown by business type

	31.12.2019	31.12.2018
1 Share capital	9,651	9,651
2 Share premium	39,100	39,184
3 Reserves	98,617	78,452
4 Equity instruments		
5 (Treasury shares)	(234)	(199)
6 Valuation reserves	267	(1,131)
- Equity instruments designated at fair value through other comprehensive income	154	19
- Hedging of equity instruments designated at fair value through other comprehensive income		
- Financial assets (other than equity instruments) measured at fair value through other comprehensive income	324	(972)
- Property and equipment		
- Intangible assets		
- Hedges of foreign investments		
- Cash flow hedges		
- Hedging instruments (non-designated elements)		
- Exchange rate gains (losses)		
- Non-current assets held for sale and disposal groups		
- Financial liabilities designated at fair value through profit or loss (changes in own credit rating)		
- Net actuarial gains (losses) on defined benefit pension plans	(211)	(178)
- Shares of valuation reserves of equity-accounted investees		
- Special revaluation laws		
7 Group profit (loss) for the year (+/-)	29,719	27,167
Total	177,120	153,124

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: breakdown

	TOTAL AT 31.12.2019		TOTAL AT 31.12.2018	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt instruments	467	-	-	972
2. Equity instruments	11	-	19	-
3. Financing	-	-	-	-
Total	478	-	19	972

B.3 Valuation reserves for financial assets measured at fair value through other comprehensive income: changes

	Debt instruments	Equity instruments	Financing
1. Opening balance	(972)	19	-
2. Increases	2,098	64	-
2.1 Fair value gains	-	54	-
2.2 Impairment losses due to credit risk	105	X	-
2.3 Reclassifications of negative reserves to profit or loss on sale	1,525	X	-
2.4 Transfers to other equity items (equity instruments)	-	-	-
2.5 Other increases	468	10	-
3. Decreases	659	72	-
3.1 Fair value losses	-	68	-
3.2 Impairment gains due to credit risk	-	-	-
3.3 Reclassifications of positive reserves to profit or loss: on sale	-	X	-
3.4 Transfers to other equity items (equity instruments)	-	-	-
3.5 Other decreases	659	4	-
4. Closing balance	467	11	-

B.4 Valuation reserves related to defined benefit plans: changes

A. Opening balance	(179)
B. Increases	12
B.1 Actuarial gains	12
B.2 Other increases	-
C. Decreases	44
C.1 Actuarial losses	-
C.2 Other decreases	44
D. Closing balance	(211)
Total	(211)

SECTION 2 - OWN FUNDS AND CAPITAL RATIOS

2.1 Own funds

A. QUALITATIVE DISCLOSURE

Own funds, risk-weighted assets and solvency ratios as at 31 December 2019 were determined based on the new regulation, harmonised for Banks, contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, that transpose in the European Union the standards defined by the Basel Committee on Banking Supervision (the so-called Basel 3 framework),

and based upon Bank of Italy Circulars no. 285 and no. 286 (enacted in 2013), and the update of Circular no. 154. The Banca Sistema Group has not availed itself of the option provided for by Article 473 bis of Regulation (EU) 575/2013 (CRR), which concerns the transitional measures aimed at mitigating the impact of the introduction of IFRS 9.

Reconciliation of Group equity and Own Funds

	31.12.2019
Group equity	177,120
Equity attributable to non-controlling interests	32
Equity attributable to the owners of the parent	177,152
Dividends distributed and other foreseeable expenses	(7,479)
Equity assuming dividends are distributed to shareholders	169,673
Regulatory adjustments	(4,554)
- Commitment to repurchase treasury shares	(45)
- Deduction of intangible assets	(3,921)
- Prudential filter for Prudent Valuation (1)	(556)
- Filter for equity attributable to non-controlling interests	(32)
Common Equity Tier 1 (CET1)	165,119
Security issued by Banca Sistema	8,000
Additional Tier 1 Capital	8,000
Securities issued by Banca Sistema (2)	37,500
Tier 2 Capital	37,500
Total Own Funds	210,619

(1) Regulatory filter for additional valuation adjustments (AVA) to the prudential valuation under the provisions of Regulation 2016/101.

(2) Included in the item "Financial liabilities at amortised cost".

A. QUANTITATIVE DISCLOSURE

	31.12.2019
A. Common Equity Tier 1 (CET1) before application of prudential filters	169,596
of which CET 1 instruments covered by transitional measures	-
B. CET1 prudential filters (+/-)	-
C. CET1 including items to be deducted and the effects of the transitional regime (A+/-B)	169,596
D. Items to be deducted from CET1	4,477
E. Transitional regime - Impact on CET (+/-)	-
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	165,119
G. Additional Tier 1 (AT1) including items to be deducted and the effects of the transitional regime	8,000
of which AT1 instruments covered by transitional measures	-
H. Items to be deducted from AT1	-
I. Transitional regime - Impact on AT1 (+/-)	-
L. Total Additional Tier 1 (AT1) (G-H+/-I)	8,000
M. Tier 2 (T2) including items to be deducted and the effects of the transitional regime	37,500
of which T2 instruments covered by transitional measures	-
N. Items to be deducted from T2	-
O. Transitional regime - Impact on T2 (+/-)	-
P Total Tier 2 (T2) (M-N+/-O)	37,500
Q. Total Own Funds (F+L+P)	210,619

2.2 Capital adequacy

A. QUALITATIVE DISCLOSURE

Total own funds were € 211 million at 31 December 2019 and included the profit for the year, net of dividends estimated on the profit for the year which were equal to a pay-out of 25% of the Parent's profit. The increase was due to the combined effect of the profit for 2019, the merger of Atlantide (which generated goodwill of € 2.1 million, classified on the Statement of financial position under intangible assets)

and the issue, in the second quarter and third quarter of 2019, of a TIER 2 subordinated loan for a total of € 18 million (in conjunction with the repayment of another Lower TIER 2 subordinated loan of € 12 million, which can no longer be fully included as a capital). The increase in capital ratios compared to 31 December 2018 is attributable to higher profits and lower capital absorption from loans.

B. QUANTITATIVE DISCLOSURE

	UNWEIGHTED AMOUNTS		WEIGHTED AMOUNTS/ REQUIREMENTS	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
A. EXPOSURES	-	-	-	-
A.1 Credit and counterparty risk	4,453,157	3,577,376	1,236,603	1,160,521
1. Standardised approach	4,453,157	3,577,376	1,236,603	1,160,521
2. Internal ratings based approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. CAPITAL REQUIREMENTS			-	-
B.1 Credit and counterparty risk			98,928	92,842
B.2 Credit assessment adjustment risk			3	-
B.3 Settlement risk			-	-
B.4 Market risk			-	-
1. Standard approach			-	-
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			13,540	12,522
1. Basic indicator approach			13,540	12,522
2. Standardised approach			-	-
3. Advanced measurement approach			-	-
B.6 Other calculation elements			-	-
B.7 Total prudential requirements			112,471	105,364
C. EXPOSURES AND CAPITAL RATIOS			1,405,890	1,317,043
C.1 Risk-weighted assets			1,405,890	1,317,043
C.2 CET1 capital/risk-weighted assets (CET1 Capital Ratio)			11.7%	11.0%
C.3 Tier 1 capital/risk-weighted assets (Tier 1 Capital Ratio)			12.3%	11.6%
C.4 Total Own Funds/risk-weighted assets (Total Capital Ratio)			15.0%	13.7%

PART G - BUSINESS COMBINATIONS

Section 1 - Transactions performed in the year

On 3 April 2019 the acquisition of 100% of Atlantide S.p.A., a company subsequently merged into the Bank on 30 June 2019, was completed.

Key information concerning this transaction is summarised below:

	TRANSACTION DATE (1)	TRANSACTION COST	% HELD	TOTAL INCOME (2)	GROUP NET PROFIT (2)
Atlantide S.p.A.	3 April 2019	3,022	100%	100,926	29,118

(1) Date on which control was acquired and from which the financial results of Atlantide are included

(2) The amounts, in accordance with IFRS 3, are determined assuming that the combination was carried out at the beginning of the year

Section 2 - Transactions performed after the end of the year

No transactions to report.

PART H - RELATED PARTY TRANSACTIONS

Related party transactions including the relevant authorisation and disclosure procedures, are governed by the "Procedure governing related party transactions" approved by the Board of Directors and published on the internet site of Banca Sistema S.p.A.

Transactions between Group companies and related parties were carried out in the interests of the Bank, including within the scope of ordinary operations; these transactions were carried out in accordance with market conditions and, in any event, on the basis of mutual financial advantage and in compliance with all procedures.

With respect to transactions with parties who exercise management and control functions in accordance with article 136 of the Consolidated Law on Banking, it should

be noted that they, where applicable, have been included in the Board of Directors' resolutions and received approval from the Board of Statutory Auditors, subject to compliance with the obligations provided under the Italian Civil Code with respect to matters relating to the conflict of interest of directors.

Pursuant to IAS 24, the related parties of Banca Sistema include:

- shareholders with significant influence;
- companies belonging to the banking Group;
- companies subject to significant influence;
- key management personnel;
- the close relatives of key management personnel and the companies controlled by (or connected with) such personnel or their close relatives.

DISCLOSURE ON THE REMUNERATION OF KEY MANAGEMENT PERSONNEL

The following data show the remuneration of key management personnel, as per IAS 24 and Bank of Italy Circular no. 262 of 22 December 2005 as subsequently updated, which requires the inclusion of the members of the Board of Statutory Auditors.

In thousands of Euro	BOARD OF DIRECTORS	BOARD OF STATUTORY AUDITORS	OTHER MANAGERS	2019
Remuneration to Board of Directors and Board of Statutory Auditors	1,700	82	-	1,782
Short-term benefits for employees	-	-	1,401	1,401
Post-employment benefits	68	-	105	173
Other long-term benefits	300	-	37	337
Termination benefits	-	-	248	248
Share-based payments	220	-	45	265
Total	2,288	82	1,836	4,206

DISCLOSURE ON RELATED PARTY TRANSACTIONS

The following table shows the assets, liabilities, guarantees and commitments as at 31 December 2019, differentiated by type of related party with an indication of the impact on each individual caption.

In thousands of Euro	SUBSIDIARIES	DIRECTORS, BOARD OF STATUTORY AUDITORS AND KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	% OF CAPTION
Loans and receivables with customers	22,696	6	-	0.7%
Due to customers	-	1,449	7,473	0.3%
Other liabilities	693	-	-	0.7%

The following table indicates the costs and income for 2019, differentiated by type of related party.

In thousands of Euro	SUBSIDIARIES	DIRECTORS, BOARD OF STATUTORY AUDITORS AND KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	% OF CAPTION
Interest income	1,119	1	-	1.0%
Interest expense	1	20	44	0.2%
Other administrative expenses	427	-	-	1.9%

The following tables set forth the details of each related party:

	AMOUNT (Thousands of Euro)	PERCENTAGE (%)
ASSETS	22,696	0.61%
Loans and receivables with customers		
ProntoPegno S.p.A.	7,359	0.20%
Largo Augusto Servizi e Sviluppo S.r.l.	13,507	0.36%
Speciality Finance Trust Holdings Ltd	1,830	0.05%
LIABILITIES	5,070	0.14%
Due to customers		
Shareholders - SGBS	755	0.03%
Shareholders - Fondazione CR Alessandria	2,512	0.10%
Shareholders - Fondazione Sicilia	1,110	0.04%
Other liabilities		
Speciality Finance Trust Holdings Ltd	255	0.01%
ProntoPegno S.p.A.	83	0.09%
Largo Augusto Servizi e Sviluppo S.r.l.	355	0.38%

	AMOUNT (Thousands of Euro)	PERCENTAGE (%)
INCOME	1,119	1.01%
Interest income		
Speciality Finance Trust Holdings Ltd	328	0.30%
ProntoPegno S.p.A.	99	0.09%
Largo Augusto Servizi e Sviluppo S.r.l.	692	0.63%
COSTS	447	0.85%
Interest expense		
Shareholders - SGBS	4	0.02%
Shareholders - Fondazione Sicilia	10	0.03%
Shareholders - Fondazione CR Alessandria	5	0.02%
ProntoPegno S.p.A.	1	0.00%
Other administrative expenses		
ProntoPegno S.p.A.	427	1.86%

PART I - SHARE-BASED PAYMENT PLANS

The Banca Sistema Group's 2017-2019 Stock Grant Plan prepared in accordance with article 114-bis of Legislative Decree no. 58/98 and article 84-bis of regulation no. 11971/99 approved by Consob on 14 May 1999 as amended, approved by the Board of Directors on 28 March 2017 and published on the Bank's website, establishes the means and rules for granting, assigning and the availability of the Bank's ordinary shares to key management personnel and other persons who fall under the category of "key personnel" who are granted a bonus for which - in accordance with the rules set out in the Remuneration Policies Document applicable for each year in question (the "Policy") - the deferral and subordination mechanisms upon achieving specific corporate and individual performance targets are defined.

In 2019, the variable component of remuneration will be paid as follows upon approval of the financial statements:

- for amounts less than € 30,000, the full amount is paid up-front, in cash;
- for amounts greater than € 30,000 and up to € 435,000, 70% of the variable remuneration shall

be paid up-front (50% in cash and 50% in shares of the Bank), and the remaining 30% (50% in cash and 50% in shares of the Bank) shall be deferred and paid at the end of the three-year deferral period;

- for amounts greater than € 435,000, 60% of the variable remuneration shall be paid up-front (50% in cash and 50% in shares of the Bank) and the remaining 40% (24% in cash and 76% in shares of the Bank) shall be deferred and paid at the end of the three-year deferral period.

The aforesaid limits and parameters are established by the Bank, even though, in accordance with the principles of proportionality set out in Paragraph 7 of Circular 285, Title IV, Chapter 2 - General provisions, governing medium-sized banks, more flexible, less complex terms and proportions may be established in regard to the deferral and balancing of shares and cash.

Please see Annex 3 "Bonus Payment Regulation", and insofar as it applies, the Information Document published in the 'Governance' section of the website www.bancasistema.it, regarding the calculation of the Bank shares to be assigned and the applicable provisions.

Disclosure of the fees paid to the independent auditors

Pursuant to the provisions of Art. 149 duodecies of the Consob Issuers' Regulations, the information regarding the fees paid to the independent auditors BDO Italia S.p.A. and to the companies included in the same network is reported below for the following services:

- Audit services that include:
 - The audit of the annual accounts, for the purpose of expressing an opinion thereon.
 - The audit of the interim accounts.
 - Certification services that include tasks whereby the auditor evaluates a specific element, the determination of which is performed by another

party who is responsible thereof, through appropriate criteria, in order to express a conclusion that provides the recipient party with a degree of confidence concerning said specific element.

- Tax advisory services.
- Other services.

The fees presented in the table, pertaining to 2019, are those contracted, including any index-linking (but do not include out-of-pocket expenses, any supervisory contribution and VAT).

They do not include, in accordance with the cited provision, the fees paid to any secondary auditors or to parties of the respective networks.

Type of services	Entity providing the service	Addressee	Remuneration
Audit of the separate and consolidated financial statements and interim reports	BDO Italia S.p.A.	Banca Sistema S.p.A.	180
Other certifications	BDO Italia S.p.A.	Banca Sistema S.p.A.	15
Audit of the separate financial statements	BDO Italia S.p.A.	Largo Augusto Servizi e Sviluppo S.r.l	13
Audit of the separate financial statements	BDO Italia S.p.A.	Quinto Sistema SEC. 2017	22
Audit of the separate financial statements	BDO Italia S.p.A.	ProntoPegno S.p.A.	20

PART L - SEGMENT REPORTING

For the purposes of segment reporting as per IFRS 8, the income statement is broken down by segment as follows.

Breakdown by segment: income statement for 2019

<i>Amounts in thousands of Euro</i>	2019			Consolidated total
	Factoring	Banking	Corporate	
Net interest income	62,055	16,161	2,478	80,694
Net fee and commission income (expense)	18,463	887	(3,282)	16,068
Other costs/income	1,106	-	3,045	4,151
Total income	81,624	17,048	2,241	100,913
Net impairment losses on loans and receivables	(7,926)	(950)	(179)	(9,055)
Net financial income	73,698	16,098	2,063	91,858

Breakdown by segment: income statement for 2018

<i>Amounts in thousands of Euro</i>	2018			Consolidated total
	Factoring	Banking	Corporate	
Net interest income	59,136	15,313	116	74,565
Net fee and commission income (expense)	15,713	726	(1,184)	15,255
Other costs/income	-	-	1,265	1,265
Total income	74,849	16,039	197	91,085
Net impairment losses on loans and receivables	(4,857)	(1,880)	(77)	(6,814)
Net financial income	69,992	14,159	120	84,271

Breakdown by segment: statement of financial position data as at 31 December 2019

<i>Amounts in thousands of Euro</i>	31.12.2019			
	Factoring	Banking	Corporate	Consolidated total
Financial assets (HTS and HTCS)	-	-	556,383	556,383
Loans and receivables with banks	-	-	81,510	81,510
Loans and receivables with customers	1,714,661	842,150	474,066	3,030,877
Due to banks	-	-	388,359	388,359
Due to customers	83,783	-	2,467,817	2,551,600

Breakdown by segment: statement of financial position data as at 31 December 2018

<i>Amounts in thousands of Euro</i>	31.12.2018			
	Factoring	Banking	Corporate	Consolidated total
Financial assets (HTS and HTCS)	-	-	304,469	304,469
Loans and receivables with banks	-	-	56,861	56,861
Loans and receivables with customers	1,566,613	687,208	476,010	2,729,831
Due to banks	-	-	695,197	695,197
Due to customers	87,397	-	1,811,159	1,898,556

The Factoring division includes the business segment related to the origination of trade and tax receivables with and without recourse. In addition, the division includes the business segment related to the management and recovery of receivables on behalf of third parties.

The Banking segment includes the business segment related to the purchase of salary- and pension-backed loans (CQS/CQP) portfolios, collateralised loans, run-off portfolios related to guaranteed loans to small and medium-sized enterprises, and costs/income from assets

under administration and the placement of third-party products.

The Corporate segment includes activities related to the management of the Group's financial resources and costs/income in support of the business activities. Moreover, this segment includes all the consolidation entries, as well as all the interbank eliminations.

The secondary disclosure by geographical segment has been omitted as immaterial, since the customers are mainly concentrated in the domestic market.

PART M - LEASE DISCLOSURE

SECTION 1 - LESSEE

QUALITATIVE DISCLOSURES

The Group has contracts that fall within the scope of IFRS 16 attributable to the following categories:

- Property used for business and personal purposes;
- Cars.

At 31 December 2019, there were 48 leases, 8 of which were property leases for a total right of use value of € 1 million, while 40 were for cars, for a total right of use value of € 0.7 million.

Property leases, which refer to lease payments for buildings used for business purposes such as offices and for personal use, have terms exceeding 12 months and typically have renewal and termination options that may

be exercised by the lessor and the lessee as provided for by law.

Contracts referring to other leases are long-term leases for cars which are generally used exclusively by the employees to whom they are assigned. These contracts have a maximum term of 4 years with monthly lease payments, no renewal option, and no option to purchase the asset.

Contracts with a term of less than 12 months or those for which the replacement value of the individual leased asset is low, i.e. less than € 20 thousand, are excluded from the application of the standard.

QUANTITATIVE DISCLOSURES

The following table provides a summary of the Statement of Financial Position items relating to leases; for further information, please refer to Part B of the notes to the financial statements:

Type of contract	Right of use	Lease liabilities
Property lease payments	975,375	983,713
Long-term car lease	725,393	729,399
Total	1,700,768	1,713,112

The following table provides a summary of the Income Statement items relating to leases; for further information, please refer to Part B of the notes to the financial statements:

Type of contract	Interest expense	Net impairment losses on property and equipment
Property lease payments	13,493	363,738
Long-term car lease	8,191	354,591
Total	21,684	718,329

SECTION 2 - LESSOR

QUALITATIVE DISCLOSURES

At the reporting date, the Group does not engage in leases as a lessor.

STATEMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS
IN ACCORDANCE WITH ARTICLE 81-TER OF CONSOB REGULATION NO.
11971 OF 14 MAY 1999 AS AMENDED AND SUPPLEMENTED

1. The undersigned, Gianluca Garbi, in his capacity as CEO, and Alexander Muz, in his capacity as Manager in charge of financial reporting of Banca Sistema S.p.A., hereby state, having taken into account the provisions of Art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
 - the suitability as regards the characteristics of the bank and
 - the effective application of the administrative and accounting procedures for the drafting of the consolidated financial statements as at and for the year ended 31 December 2019.
2. The suitability and effective application of the administrative and accounting procedures for the drafting of the consolidated financial statements at 31 December 2019 was verified based on internally defined methods, in accordance with the provisions of the reference standards for the internal control system generally accepted on an international level.
3. Moreover, the undersigned hereby state that:
 - 3.1 the consolidated financial statements:
 - a) were drafted in accordance with the applicable international accounting standards endorsed by the European Union, pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
 - b) match the accounting books and records;
 - c) are suitable for providing a true and fair view of the financial position, results of operations and cashflows of the issuer.
 - 3.2 The Directors' report includes a reliable analysis of business performance and results, as well as of the position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Milan, 11 March 2020

Gianluca Garbi

Chief Executive Officer



Alexander Muz

Manager in charge of financial reporting



INDEPENDENT AUDITORS'
REPORT



Banca Sistema S.p.A.

Independent auditor's report pursuant
to article 14 of Legislative Decree n. 39,
dated January 27 2010 and article 10 of
EU Regulation n. 537/2014

Consolidated financial statements as at
December 31, 2019

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

Independent auditor's Report

pursuant to article 14 of Legislative Decree n. 39, dated January 27 2010
and article 10 of EU Regulation n. 537/2014

To the shareholders of
Banca Sistema S.p.A.

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Banca Sistema Group (the Group), which comprise the consolidated balance sheet as at December 31, 2019, the profit and loss account, the statement of other comprehensive income, the statement of changes in net equity, the cash flow statement for the year then ended, and notes and comments to the financial statements.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree NO. 38/05 as well as article 43 of Legislative Decree NO. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Banca Sistema S.p.A. (the Company) in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters

Audit responses

CLASSIFICATION AND MEASUREMENT OF LOANS AND RECEIVABLES WITH CUSTOMERS BOOKED UNDER THE FINANCIAL ASSETS MEASURED AT AMORTISED COST

Notes: Part A) Accounting policies - paragraph A.2, "Information on the main items of the consolidated financial statements": "Financial assets measured at amortised cost"; Part B) Information on the statement of financial position, Assets - Section 4 "Financial assets measured at amortised cost"; Part C) Information on the income statement - Section 8.1 "Net impairment losses due to credit risk related to financial assets measured at amortised cost: breakdown"; Part E) Information concerning risk and related hedging policies

Loans and receivables with customers, which are booked under the financial assets measured at amortised cost as of December 31, 2019, are equal to Euro 3,031 million and represent the 81% of the Group's total assets.

The acquisition by the Company of non-impaired loans claimed by companies supplying goods and services, mainly towards the public administration (the "factoring credits") and origination of credits relating to the sector of the transfers of salary or pension backed loans (the "CQS/CQP credits") represents the Company's main activities.

Factoring credits and CQS/CQP credits as of December 31, 2019, are equal to, respectively, Euro 1,715 million and Euro 817 million.

For classification purposes, the directors of the Company carry out analyses, sometimes complex, aimed at identifying the positions which, after the disbursement and / or acquisition, show evidence of a possible loss of value, considering both internal information related to the trend credit positions, and external information related to the sector of reference or to the overall exposure of such debtors to the banking system.

The evaluation of loans and receivables with customers is a complex estimation activity, characterized by a high degree of uncertainty and subjectivity, in which the Company's directors use evaluation models that take into consideration numerous quantitative and qualitative elements such as, among others, historical data relating to collections, expected cash flows and related recovery times, the existence of indicators of possible impairment, the assessment of any guarantee, the impact of macroeconomic variables, future scenarios and risks of the sectors in which the Group customers operate.

Our main audit procedures carried out in response to the key audit matter relating to the classification and evaluation of loans and receivables with customers, concerned the following activities:

- analysis of the procedures and processes related to the item and verification of the effectiveness of controls to monitor these procedures and processes;
- analysis of the adequacy of the IT environment related to IT applications that are relevant to the process of evaluating loans to banks and customers;
- procedures for reconciling data between management systems and information reported in the financial statements;
- comparative analysis procedures and analysis of the results with the management involved;
- analysis of the criteria and methods for the evaluation of credits (analytical and collective) and verification on a sample basis of the reasonableness of the assumptions and of the components used for the assessment and the relative results;
- examination on a sample basis of the classification and valuation in the financial statements in accordance with the IFRS adopted by the European Union and the provisions issued pursuant to Article 43 of Legislative Decree 136/2015;
- examination of the disclosures provided in the notes.

For these reasons, we have considered the classification and evaluation of loans and receivables with customers booked under financial assets valued at amortized cost, a significant key matter in the context of the auditing activity.

DETECTION OF DEFAULT INTEREST PURSUANT TO LEGISLATIVE DECREE NO. 231 OF 9 OCTOBER 2002 ON PERFORMING RECEIVABLES ACQUIRED WITHOUT RECOURSE.

Notes: Part A) Accounting policies - paragraph A.2., “Information on the main items of the consolidated financial statements”; Part C) Information on the income statement - Section 1 “interest - item 10 and 20”; Part E) Information concerning risk and related hedging policies

The Company’s directors account for accrued default interest pursuant to legislative decree no. 231 of 9 october 2002 on performing receivables acquired without recourse.

Default interest recognized on an accrual basis in the year ended on 31 December 2019 amount to Euro 17,1 million and represent the 15% of the Group’s interest and similar income.

The default interest deemed recoverable by the directors of the Company is estimated by using models based on the analysis of the time series concerning the recovery percentages and actual collection times observed internally.

These analyses are periodically updated following the progressive consolidation of the time series.

The aforementioned estimate, characterized by a high degree of uncertainty and subjectivity, feeds analysis models that take into account numerous quantitative and qualitative elements such as, among others, the historical data relating to collections, expected cash flows, the relative times collection costs and the impact of the risks associated with the geographical areas in which the Bank’s customers operate.

For these reasons, we have considered the detection of default interest pursuant to legislative decree no. 231 of 9 october 2002 on performing receivables acquired without recourse a significant key matter in the context of the auditing activity.

The main audit procedures carried out in response to the key audit matter relating to the detection of default interest pursuant to legislative decree no. 231 of 9 october 2002 on performing receivables acquired without recourse, also carried out with the support of our experts, concerned the following activities:

- understanding of the business processes and the related IT environment of the Company with reference to the estimation of default interest;
- examination of the configuration and implementation of the controls and performance of procedures to evaluate the operational effectiveness of controls which are considered relevant, with particular reference to the estimation of default interest;
- analysis of the models used to estimate default interest and examination of the reasonableness of the main assumptions contained in them, with the support of our experts;
- analysis of the adequacy of the information provided in the explanatory notes.

Other Matter

The consolidated financial statements of Banca Sistema S.p.A. for the year ended on December 31, 2018, were audited by another auditor, who expressed an unmodified opinion on those statements on March 27, 2019.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree NO. 38/05 and article 43 of Legislative Decree NO. 136/15 and, within the terms provide by the law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the holding Banca Sistema S.p.A. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also have:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, as properly identified in accordance with ISA Italia, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have also provided those charged with governance with a statement that we have complied with relevant ethical and independence requirements applicable in Italy, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described those matters in the auditor's report.

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

We were initially engaged by the shareholders meeting of Banca Sistema S.p.A. on April 18, 2019 to perform the audit of the separate and the consolidated financial statements of each fiscal year starting from December 31, 2019 to December 31, 2027.

We declare that we did not provide prohibited non audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the company in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n.537/2014, submitted to those charged with governance.

Report on other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/10 and of article 123-bis of Legislative Decree n. 58/98.

The directors of Banca Sistema S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of Banca Sistema S.p.A. as at December 31, 2019, including their consistency with the consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph. 4, of Legislative Decree n. 58/98, with the consolidated financial statements of Banca Sistema S.p.A. as at December 31, 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the consolidated financial statements of Banca Sistema Group as at December 31, 2019 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, March 30, 2020

BDO Italia S.p.A.
(signed in the original)
Rosanna Vicari
Partner

Banca SISTEMA Group

**SEPARATE FINANCIAL
STATEMENTS AT
31 DECEMBER 2019**

BANCA
S I S T E M A

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DIRECTORS' REPORT
AT 31 DECEMBER 2019

Introduction to the Directors' Report of Banca Sistema

S.p.A.

This Directors' Report provides commentary on the Parent's performance and the related figures and results. For other information required by the applicable legal and regulatory provisions, please see the Directors' Report in the Banca Sistema Group's consolidated financial statements as regards the following:

- composition of management bodies
- composition of the internal committees
- significant events during the year
- the macroeconomic scenario

- factoring
- salary- and pension-backed loans
- funding activities
- composition and organisational structure of the Group
- capital and shares
- risk management and support control methods
- significant events after the reporting date
- business outlook and main risks and uncertainties.

With respect to the notes to the separate financial statements, the sections where reference is made to the consolidated financial statements are provided below:

REFERRING SECTION OF THE SEPARATE FINANCIAL STATEMENTS	SECTION OF THE CONSOLIDATED FINANCIAL STATEMENTS TO WHICH REFERENCE IS MADE
Part B Section 9 - Intangible assets - Item 90 Narrative section	Part B Section 10 - Intangible assets - Item 100 Narrative section
Part E Section 1 - Credit risk Qualitative disclosure	Part E Section 2 - Prudential consolidation risks, 1.1 Credit risk Qualitative disclosure
Part E Section 2 - Market risk 2.1 Interest rate risk and price risk - regulatory trading portfolio Qualitative disclosure	Part E 1.2 Market risk 1.2.1 Interest rate risk and price risk - regulatory trading portfolio Qualitative disclosure
Part E Section 2 - Market risk 2.2 Interest rate risk and price risk - Banking Book Qualitative disclosure	Part E 1.2 Market risk 1.2.2 Interest rate risk and price risk - Banking Book Qualitative disclosure
Part E Section 2 - Market risk 2.3 Currency risk Qualitative disclosure	Part E 1.2 Market risk 1.2.3 Currency risk Qualitative disclosure
Part E Section 4 - Liquidity risk Qualitative disclosure	Part E 1.4 Liquidity risk Qualitative disclosure
Part E Section 5 - Operational risks Qualitative disclosure	Part E 1.4 Operational risks Qualitative disclosure

FINANCIAL HIGHLIGHTS AT 31 DECEMBER 2019

Statement of financial position data (€,000)

	31 Dec 2019	31 Dec 2018	
Total Assets	3,736,555	3,150,153	18.6%
Securities Portfolio	991,560	739,880	34.0%
Loans - Factoring	1,714,661	1,566,613	9.5%
Loans - Salary-backed loans and SME	829,227	679,589	22.0%
Funding - Banks and REPOs	845,428	875,016	-3.4%
Funding - Term Deposits	1,325,794	958,193	38.4%
Funding - Current Accounts	682,289	660,582	3.3%

Income statement data (€,000)

Net interest income	80,552	74,746	7.8%
Net fee and commission income	15,841	15,257	3.8%
Total Income	100,551	91,272	10.2%
Personnel Expenses	(22,316)	(19,811)	12.6%
Other administrative expenses	(22,512)	(20,710)	8.7%
Profit for the year	29,956	28,071	6.7%

Performance Indicators

Cost/Income	49.1%	45.8%
ROAE	17.9%	21.5%

HUMAN RESOURCES

As at 31 December 2019, the Bank had staff of 199, broken down by category as follows:

FTES	31.12.2019	31.12.2018
Senior managers	23	20
Middle managers (QD3 and QD4)	40	41
Other personnel	136	121
Total	199	182

Over the course of the year the Bank realigned the organisational structure based on market changes and performance in order to support the achievement of its strategic objectives. In particular, with the aim of entering the primary CQS/CQP market and in keeping with the operational objectives set out in the 2018-2020 Business Plan, the Bank merged the Bologna-based company Atlantide S.p.A. thereby also expanding the number of offices operating in Italy. The merger resulted in 24 employees being acquired, including 2 senior managers, 4 managers and 18 from the Professional Areas.

During the year, as part of an increasingly focused business specialisation strategy, the Bank sold the collateralised lending business unit to the newly formed company ProntoPegno S.p.A. This transaction involved a total of 14 permanent employees, including 9 managers, 1 senior manager and 4 from the Professional Areas.

During the year, a total 32 new resources joined the Group, mainly in the CQ Operations and Commercial Factoring Departments, in the Departments that oversee the credit and collection process, in Compliance and Anti-Money Laundering, in Corporate Affairs and in Marketing (23 replaced the same number of people

who had left or were long-term absent and 9 to improve professional and managerial expertise).

During the same period 24 employees left the Bank (including 7 following the expiry of their term contract), of which 2 were senior managers and 5 were managers. During the year, various professional training courses were organised covering regulatory topics affecting the Bank, both with internal and external instructors. More specifically, training was provided on Privacy, Transparency, Legislative Decree 231 and Anti-Money Laundering, Mifid 2, Related Party Transactions, the New Bankruptcy Law and Market Abuse. Specific training courses and coaching programmes were also developed and launched focusing on managerial and professional topics mainly for the Commercial Department and new managers, as well as language training, for a total of 309 days and 835 participants. Some of these programmes will continue during 2020 in order to complete the continuing professional development of the remaining employees.

The average age of Group employees is 43 for men and 39 for women. The breakdown by gender remains essentially stable compared to 2018 with women accounting for 48% of the total.

INCOME STATEMENT RESULTS

INCOME STATEMENT (€,'000)	2019	2018	€ Change	% Change
Net interest income	80,552	74,746	5,806	7.8%
Net fee and commission income	15,841	15,257	584	3.8%
Dividends and similar income	227	227	-	0.0%
Net trading income (expense)	215	(125)	340	<100%
Gain from sales or repurchases of financial assets/liabilities	3,716	1,167	2,549	>100%
Total income	100,551	91,272	9,279	10.2%
Net impairment losses on loans and receivables	(9,053)	(6,814)	(2,239)	32.9%
Net financial income	91,498	84,458	7,040	8.3%
Personnel expense	(22,316)	(19,811)	(2,505)	12.6%
Other administrative expenses	(22,512)	(20,710)	(1,802)	8.7%
Net accruals to provisions for risks and charges	(1,996)	(414)	(1,582)	>100%
Net impairment losses on property and equipment/intangible assets	(1,748)	(404)	(1,344)	>100%
Other operating expense	(795)	(419)	(376)	88.6%
Operating costs	(49,367)	(41,758)	(7,609)	18.2%
Pre-tax profit from continuing operations	42,131	42,700	(569)	-1.3%
Income taxes for the year	(12,351)	(14,629)	2,278	-15.6%
Post-tax profit for the year	29,780	28,071	1,709	6.1%
Post-tax profit (loss) from discontinued operations	176	-	176	n.a.
Profit for the year	29,956	28,071	1,885	6.7%

Profit for the year was € 30.0 million, an increase of 6.7% on the previous year, thanks to the growth in total income generated mainly by the factoring sector, and to a large extent by the salary- and pension-backed loans sector and the securities portfolio, which offset higher impairment losses on loans and receivables and the natural increase in operating costs.

The profit for 2019 includes, beginning in the second quarter of 2019, the revenue and costs of Atlantide as a result of the acquisition of the company becoming effective on 3 April 2019: merger-related costs of € 571 thousand and a negative contribution to gross profit for the nine months included in the accounts were quantified, offset to

a large extent by the use of the company's previous losses, which generate a benefit of € 1.5 million on profit for the year.

In the third quarter of 2019, the expected rates of recovery of default interest on factoring and the related collection times used for the estimate as at 30 September 2019 were updated in the light of the progressive consolidation of the historical data series; the adjustment of these estimates led to the recognition of higher total interest income of € 5.1 million at 31 December 2019 (€ 7.8 million in 2018). The profit for 2019 includes the consolidated profit from the sale of the remaining 10% of Axactor Italia to the parent Axactor AB.

NET INTEREST INCOME (€,'000)	2019	2018	€ Change	% Change
Interest and similar income				
Loans and receivables portfolios	105,437	96,870	8,567	8.8%
Securities portfolio	750	258	492	>100%
Other	4,057	2,762	1,295	46.5%
Total interest income	110,244	99,890	10,354	10.4%
Interest and similar expense				
Due to banks	(578)	(2,537)	1,959	-77.3%
Due to customers	(21,056)	(14,571)	(6,485)	44.5%
Securities issued	(7,930)	(6,992)	(938)	13.4%
Financial assets	(128)	(1,144)	916	-87.7%
Total interest expense	(29,692)	(25,144)	(4,548)	18.1%
Net interest income	80,552	74,746	5,806	7.8%

Net interest income increased by 7.8% from the previous year, due to the contribution from the loans and receivables portfolio which more than offset the increase in interest expense as a result of higher average lending.

The total contribution of the factoring portfolio was € 81 million (equal to 74% of the entire loans and receivables portfolio), which is up 8.4% on the previous year thanks to the tax receivables portfolio which was able to benefit from earlier than expected collections; when considering the commission component associated with the factoring business, the contribution increased by 9.9% over 31 December 2018. The component linked to default interest from legal action at 31 December 2019 was € 28.9 million (€ 28.4 million in 2018):

- of which € 5.1 million resulting from the updated recovery estimates (€ 7.8 million at 31 December 2018);
- of which € 12.0 million that results from maintaining the recovery estimates (€ 10.3 million at 31 December 2018) which is in line with the previous year thanks to the activation of a loans and receivables portfolio for a significant amount;
- of which € 11.8 million (€ 10.3 million at 31 December 2018) coming from net collections during the year, i.e. the difference between the amount collected during the year, equal to € 21.6 million (€ 19.2 million in 2018) and that recognised on an accruals basis in previous years. This item includes collections from sales made to

third parties at the end of the first and second half of the year.

The amount of the stock of default interest from legal actions accrued at 31 December 2019, relevant for the allocation model, was € 107.1 million (€ 96 million at the end of 2018) while the loans and receivables recognised in the financial statements amounted to € 49.9 million.

During the year, factoring portfolios were sold that generated a total profit of € 1.1 million recognised in the item Gain from sales or repurchases of financial assets/liabilities.

The positive impact on income was also driven by growth in interest on the salary- and pension-backed portfolios, which rose from € 19.6 million to € 23 million, an increase of 17.6% over the previous year.

The item "Other" mainly includes income arising from the financing activity of the securities portfolio in repurchase agreements at negative rates, which accounts for € 2.7 million.

The increase in the cost of funding compared to the previous year is closely related to the increase in average lending. In particular, interest on term deposits from customers increased as a direct result of the increase in the underlying stock.

The cost of funding from banks for 2018 included € 0.8 million resulting from the reversal of the positive rate component of the TLTRO II recognised in 2017, which the Bank was unable to use.

NET FEE AND COMMISSION INCOME (€,000)	2019	2018	€ Change	% Change
Fee and commission income				
Collection activities	1,247	1,127	120	10.6%
Factoring activities	18,409	15,772	2,637	16.7%
Fee and commission income - off-premises	1,859	-	1,859	n.a.
Other	745	726	19	2.6%
Total fee and commission income	22,260	17,625	4,635	26.3%
Fee and commission expense				
Placement	(3,925)	(1,837)	(2,088)	>100%
Fees - off-premises	(1,936)	-	(1,936)	n.a.
Other	(558)	(531)	(27)	5.1%
Total fee and commission expense	(6,419)	(2,368)	(4,051)	>100%
Net fee and commission income	15,841	15,257	584	3.8%

Net fee and commission income of € 15.8 million increased by 3.8% due to the greater commissions from factoring. These should be considered together with interest income, since it makes no difference from a management point of view whether profit is recognised in the commissions and fees item or in interest in the without recourse factoring business.

Commissions on collection activities, related to the service of reconciliation of third-party invoices collected from Public Administration are in line with the previous year. Other fee and commission income includes commissions and fees from collection and payment services, the keeping and management of current accounts, and fees related to the collateral-backed loan business, amounting to € 456 thousand. Fee and commission income - off-premises refers to the commissions on the new salary- and pension-

backed loan (CQ) origination business of € 1.9 million, which should be considered together with the item Fees - off-premises, which are composed of the commissions paid to financial advisers for the off-premises placement of the salary- and pension-backed loan product, including the year-end bonuses payable to them.

The increase in placement fees and commissions paid to third parties is attributable to higher returns to third party intermediaries for the placement of the SI Conto! Deposito product, following the higher volumes placed under the passporting regime. This item also includes the origination costs of factoring receivables, which remained in line with those reported the previous year. Other commission expense includes commissions for trading third-party securities and for interbank collections and payment services.

GAIN FROM SALES OR REPURCHASES (€,000)	2019	2018	€ Change	% Change
Gains from HTCS portfolio debt instruments	2,610	1,167	1,443	>100%
Gains from receivables	1,106	-	1,106	n.a.
Total	3,716	1,167	2,549	>100%

The item Gain from sales or repurchases mainly includes gains generated by the proprietary HTCS portfolio which increased by € 1.4 million over the previous year; the securities portfolio also generated gains of € 0.2 million from the trading portfolio which is included in the item Trading income. Gains from receivables of € 1.1 million derive, as

described above, from the sale of factoring portfolios. Impairment losses on loans and receivables recognised at 31 December 2019 increased over the previous years to € 9.2 million. Impairment losses are attributable to slight impairment of some factoring loans and bring the loss rate to 0.36% (0.33% at 31 December 2018).

PERSONNEL EXPENSE (€,000)	2019	2018	€ Change	% Change
Wages and salaries	(20,883)	(18,529)	(2,354)	12.7%
Social security contributions and other costs	(335)	(307)	(28)	9.1%
Directors' and statutory auditors' remuneration	(1,098)	(975)	(123)	12.6%
Total	(22,316)	(19,811)	(2,505)	12.6%

The increase in personnel expense is mainly due to the increase in the average number of employees from 174 to 187. This increase was influenced by the 21 new employees of the recently acquired company, Atlantide, who joined the Bank's personnel in the

second quarter of the year. This item also includes an additional cost component of € 0.8 million for estimated redundancy charges, the cost of non-compete agreements and the variable component of wages and salaries.

OTHER ADMINISTRATIVE EXPENSES (€,000)	2019	2018	€ Change	% Change
IT expenses	(5,552)	(4,372)	(1,180)	27.0%
Consultancy	(4,156)	(3,696)	(460)	12.4%
Resolution Fund	(1,146)	(942)	(204)	21.7%
Servicing and collection activities	(2,992)	(2,736)	(256)	9.4%
Indirect taxes and duties	(2,108)	(2,010)	(98)	4.9%
Rent and related fees	(1,029)	(2,195)	1,166	-53.1%
Expense reimbursement and entertainment	(825)	(726)	(99)	13.6%
Car hire and related fees	(635)	(858)	223	-26.0%
Insurance	(486)	(385)	(101)	26.2%
Advertising	(502)	(568)	66	-11.6%
Membership fees	(304)	(265)	(39)	14.7%
Expenses related to management of the SPVs	(530)	(535)	5	-0.9%
Audit fees	(329)	(295)	(34)	11.5%
Infoprovder expenses	(638)	(255)	(383)	150.2%
Other	(375)	(366)	(9)	2.5%
Telephone and postage expenses	(187)	(175)	(12)	6.9%
Maintenance of movables and real properties	(170)	(235)	65	-27.7%
Stationery and printing	(60)	(96)	36	-37.5%
Merger-related costs	(488)	-	(488)	n.a.
Total	(22,512)	(20,710)	(1,802)	8.7%

Administrative expenses include costs related to the merger of Atlantide into the Bank amounting to € 488 thousand (total merger-related costs amounted to € 571 thousand, including the cost recognised under reduction in value due to amortisation).

The rise in IT expenses is linked to the increase in services provided by the outsourcer due to the increase in Group operations as well as to IT updates on new products.

The amount of the items Rent and Car hire for the first half of 2019 was impacted by the application of the new IFRS 16. In 2019, these items include only property management costs and utility costs, and, unlike in 2018, does not include lease payments, the cost of which, in 2019, is mainly reflected in the item depreciation of the "right-of-use" asset.

The increase in consulting expenses is mainly due to the costs incurred for legal expenses related to pending lawsuits and enforceable injunctions.

The increase in indirect taxes and duties is mainly due

to the increase in contributions paid for the enforceable injunctions deposited with public administration.

The contribution to the Resolution Fund represents the required amount of ex-ante contributions for 2019 and includes the payment of the additional contribution of € 0.3 million required in June.

The increase in impairment losses on property and equipment/intangible assets is the result of higher provisions for property used for business purposes, as well as the depreciation of the "right-of-use" asset following the application of IFRS 16. This item includes € 82 thousand in merger-related costs attributable to the accelerated amortisation of software belonging to Atlantide that is no longer being used.

The increase in accruals to provisions for risks is mainly attributable to the measurement of contingent liabilities for ongoing lawsuits, and the assessment and quantification of possible future risks.

Other operating income and expense was adversely

affected by the increased contribution from the Bank to the Interbank Deposit Protection Fund (FITD), which amounted to € 1.4 million in 2019 (€ 0.6 million in 2018), due to the higher amount of customer deposits.

The item Post-tax profit (loss) from discontinued operations is composed of the profit realised on the put option exercised for the sale of the 10% equity investment in Axactor Italy S.p.A.

The tax rate improved significantly due to full utilisation

of the losses that Atlantide had accumulated up to the date of its acquisition and subsequent merger with the Bank, which resulted in a benefit of € 1.5 million. In addition to this benefit, the Group benefited from the reintroduction by the legislator of "ACE" (Aid to Economic Growth), which is aimed at strengthening the capital structure of companies, a measure that was introduced in 2011, abolished by the previous 2019 Budget Law and then reintroduced with the 2020 Budget Law.

THE MAIN STATEMENT OF FINANCIAL POSITION AGGREGATES

The comments on the main aggregates on the asset side of the statement of financial position are shown below.

ASSETS (€,000)	31.12.2019	31.12.2018	€ Change	% Change
Cash and cash equivalents	154	288	(134)	-46.5%
Financial assets measured at fair value through other comprehensive income	556,383	304,469	251,914	82.7%
Financial assets measured at amortised cost	3,123,738	2,801,813	321,925	11.5%
a) loans and receivables with banks	81,002	56,694	24,308	42.9%
b1) loans and receivables with customers - loans	2,607,559	2,309,708	297,851	12.9%
b2) loans and receivables with customers - debt instruments	435,177	435,411	(234)	-0.1%
Equity investments	20,000	19,278	722	3.7%
Property and equipment	6,061	710	5,351	>100%
Intangible assets	3,921	1,788	2,133	>100%
Tax assets	8,099	7,626	473	6.2%
Non-current assets held for sale and disposal groups	-	2,221	(2,221)	-100.0%
Other assets	18,198	11,960	6,238	52.2%
Total assets	3,736,554	3,150,153	586,401	18.6%

The year ended 31 December 2019 closed with total assets up 18.6% (at € 3.7 billion) on the end of 2018, due to the effect of the increase in the portfolios of loans and receivables with customers and the securities portfolio.

The securities portfolio relating to Financial assets measured at fair value through other comprehensive income (“HTCS” or “Held to collect and Sell”) of the Bank was increased and continues to be mainly comprised of Italian government bonds with an average duration of about 20.1 months (the average remaining duration at

the end of 2018 was 13.5 months). This is consistent with the Group investment policy. The HTCS portfolio amounted to € 550 million at 31 December 2019 (€ 300 million at 31 December 2018). The associated valuation reserve was positive at the end of the year, amounting to € 154 thousand before the tax effect. In addition to government securities, the HTCS portfolio also includes 200 shares of the Bank of Italy, amounting to € 5 million, and the Axactor Norway shares, which at 31 December 2019 had a positive net fair value reserve, resulting in a year-end amount of € 1.2 million.

**LOANS AND RECEIVABLES
WITH CUSTOMERS (€,'000)**

	31.12.2019	31.12.2018	€ Change	% Change
Factoring	1,714,661	1,566,613	148,048	9.5%
Salary-/pension-backed loans (CQS/CQP)	817,229	652,040	165,189	25.3%
Collateralised loans	-	6,428	(6,428)	-100.0%
Loans to SMEs	11,998	27,549	(15,551)	-56.4%
Current accounts	41,829	38,473	3,356	8.7%
Compensation and Guarantee Fund	20,676	17,413	3,263	18.7%
Other loans and receivables	1,166	1,192	(26)	-2.2%
Total loans	2,607,559	2,309,708	297,851	12.9%
Securities	435,177	435,411	(234)	-0.1%
Total loans and receivables with customers	3,042,736	2,745,119	297,617	10.8%

The item loans and receivables with customers under Financial assets measured at amortised cost (hereinafter HTC, or “Held to Collect”), is composed of loan receivables with customers and, beginning in 2018, the “held-to-maturity securities” portfolios.

Outstanding loans for factoring receivables compared to Total loans, therefore excluding the amounts of the securities portfolio, were in line with the end of 2018 at 66%. Their absolute value grew as a result of volumes generated over the year which were up by 27% on the previous year to € 3,055 million (€ 2,406 million at 31 December 2018).

Salary- and pension-backed loans grew thanks to new loans, which increased by 25% compared to the previous year (the new volumes acquired in 2019 amounted to € 266 million), while government-backed loans to SMEs fell, which is in line with the strategic decision to discontinue this line of business.

Securities are composed entirely of Italian government securities with an average duration of 14.5 months for an amount of € 435 million. The mark-to-market valuation of the securities at 31 December 2019 was a positive fair value of € 1.4 million.

The following table shows the quality of receivables in the Loans and receivables with customers item, excluding the securities positions.

STATUS	31.12.2018	31.03.2019	30.06.2019	30.09.2019	31.12.2019
Bad exposures	57,467	55,877	54,124	57,319	50,622
Unlikely to pay	87,189	98,206	113,462	122,738	139,349
Past due	80,507	76,183	68,733	59,674	55,647
Non-performing	225,163	230,266	236,319	239,731	245,618
Performing	2,119,998	2,320,728	2,443,616	2,387,358	2,404,841
Stage 2	106,473	119,559	114,250	123,782	124,252
Stage 1	2,013,525	2,201,169	2,329,366	2,263,576	2,280,589
Total loans and receivables with customers	2,345,161	2,550,994	2,679,935	2,627,089	2,650,459
Individual impairment losses	29,169	32,220	33,662	34,746	37,217
Bad exposures	18,451	18,944	19,602	20,394	20,078
Unlikely to pay	9,277	11,672	12,665	13,588	16,042
Past due	1,441	1,604	1,395	764	1,097
Collective impairment losses	6,284	6,299	6,791	7,303	5,684
Stage 2	579	680	585	806	667
Stage 1	5,705	5,619	6,206	6,497	5,017
Total impairment losses	35,453	38,519	40,453	42,049	42,901
Net exposure	2,309,708	2,512,475	2,639,482	2,585,040	2,607,558

The ratio of gross non-performing loans to the total portfolio went from 9.7% at 31 December 2018 to 9.3% at the end of December 2019. The increase in the absolute value of non-performing loans compared to 31 December 2018 is mainly due to new factoring positions with local authorities in financial difficulty and private-sector assignors. The amount of past due loans and local authorities in financial difficulty is attributed to factoring receivables without recourse from Public Administration and is considered normal for the sector and does not represent an issue in terms of credit quality and probability of collection.

Net bad exposures remained at moderate levels and amounted to 1.2% of total loans and receivables with customers, while the coverage ratio of non-performing

loans was equal to 15.2%.

The item Equity investments, with the sale of the non-controlling interests in ADV Finance S.p.A. and its subsidiary Procredit S.r.l. in the second quarter of 2019, is no longer recognised.

Also during the year, following the exercise of the put option by Banca Sistema, the shares were sold to Axactor Holding S.r.l. As a result, the item Non-current assets held for sale and disposal groups is no longer recognised. Property and equipment includes the right of use for the property located in Milan which is also being used as Banca Sistema's new offices.

Intangible assets increased following the recognition of the goodwill generated by the acquisition of Atlantide S.p.A. on 3 April 2019.

A hypothetical allocation of the purchase price for Atlantide is provided below:

ATLANTIDE PROVISIONAL PRICE ALLOCATION

Spot purchase price	3,022,124
Estimated earn-out	1,300,773
Recognised equity investment price (A)	4,322,897
Atlantide equity at 31 March 2019 (B)	(2,188,958)
Residual value to be allocated (A+B)	2,133,939
Provisional allocation to goodwill	(2,133,939)

As mentioned above, part of the goodwill is the result of an estimate of the earn-out value at € 1,301 thousand to be recognised in relation to the production volumes set out in the business plan prepared by Atlantide's management: in fact, the acquisition includes a deferred

payment mechanism in the form of an earn-out to be paid to the sellers, which will be determined based on target production volumes for 2021. Other assets totalling € 14.7 million mainly include amounts being processed after the end of the year and advance tax payments.

Comments on the main aggregates on the liability side of the statement of financial position are shown below.

LIABILITIES AND EQUITY (€,'000)

	31.12.2019	31.12.2018	€ Change	% Change
Financial liabilities measured at amortised cost	3,416,940	2,902,240	514,700	17.7%
a) due to banks	388,358	695,197	(306,839)	-44.1%
b) due to customers	2,716,975	1,902,056	814,919	42.8%
c) securities issued	311,607	304,987	6,620	2.2%
Tax liabilities	16,433	15,676	757	4.8%
Other liabilities	98,810	65,234	33,576	51.5%
Post-employment benefits	2,955	2,402	553	23.0%
Provisions for risks and charges	21,791	9,221	12,570	>100%
Valuation reserves	279	(1,131)	1,410	<100%
Reserves	139,973	118,988	20,985	17.6%
Share capital	9,651	9,651	-	0.0%
Treasury shares (-)	(234)	(199)	(35)	17.6%
Profit for the year	29,956	28,071	1,885	6.7%
Total liabilities and equity	3,736,555	3,150,153	586,401	18.6%

Wholesale funding, which represents about 37% (41% at 31 December 2018) of the total, decreased in relative terms from the end of 2018 following the increase in

funding through deposit accounts. The contribution of bond funding to total wholesale funding was 56.4% (34.2% at the end of 2018).

DUE TO BANKS (€,'000)	31.12.2019	31.12.2018	€ Change	% Change
Due to Central banks	358,250	412,850	(54,600)	-13.2%
Due to banks	30,108	282,347	(252,239)	-89.3%
<i>Current accounts and demand deposits</i>	<i>30,108</i>	<i>53</i>	<i>30,055</i>	<i>>100%</i>
<i>Term deposits</i>	<i>-</i>	<i>282,294</i>	<i>(282,294)</i>	<i>-100.0%</i>
Total	388,358	695,197	(306,839)	-44.1%

The total of the sub-item "Due to banks" decreased by 44% compared to 31 December 2018 due to the decrease in interbank funding; refinancing with the ECB is backed primarily by ABS from the salary- and pension-backed loans (CQS/CQP) securitisation. The Bank has been granted

access to the new TLTRO III programme for an amount of up to € 295 million, of which € 108 million is currently being used. The availability period has been set at 3 years from the date the company takes part in the auction (the last auction is in March 2021), while the rate is set at 0%.

DUE TO CUSTOMERS (€,'000)	31.12.2019	31.12.2018	€ Change	% Change
Term deposits	1,325,794	958,193	367,601	38.4%
Financing (repurchase agreements)	457,070	179,819	277,251	>100%
Current accounts	682,289	660,582	21,707	3.3%
Due to assignors	83,783	87,397	(3,614)	-4.1%
Other payables	168,039	16,065	151,974	>100%
Total	2,716,975	1,902,056	814,919	42.8%

The item Due to customers increased compared to the end of the year, mainly due to an increase in funding from repurchase agreements and from term deposits. The year-end amount of term deposits increased by 38.4% compared to the end of 2018, reflecting net positive

deposits (net of interest accrued) of € 368 million; gross deposits from the beginning of the year were € 1,190 million, against withdrawals totalling € 822 million. Due to assignors includes payables related to receivables acquired but not financed.

SECURITIES ISSUED (€,000)	31.12.2019	31.12.2018	€ Change	% Change
Bond - AT1	8,016	8,017	(1)	0.0%
Bond - Tier II	37,547	31,570	5,977	18.9%
Bonds - other	266,044	265,400	644	0.2%
Total	311,607	304,987	6,620	2.2%

The nominal amount of securities issued at 31 December 2019 is broken down as follows:

- Tier 1 subordinated loan of € 8 million, with no maturity (perpetual basis) and a fixed coupon until 18 December 2022 at 7% issued on 18 December 2012;
- Tier 2 subordinated loan of € 19.5 million, 2017-2027 with a variable coupon equal to 6-month Euribor + 4.5%;
- Tier 2 subordinated loan of € 18 million, 2019-2029 with a fixed coupon of 7%;
- Senior bonds (market placement) of € 175 million, 2017-2020 with a fixed coupon of 1.75%;
- Senior bonds (private placement) of € 90 million, 2018-2021 with a fixed coupon of 2%.

The provision for risks and charges of € 22.3 million includes the provision for possible liabilities attributable to past acquisitions, the estimated portion of the

bonus for the year, the deferred portion of the bonus accrued in previous years, and the estimate related to the non-compete agreement. The provision also includes an estimate of the charges relating to lawsuits with customers and the estimated charges for other lawsuits and legal disputes. Following the acquisition of Atlantide, the provision increased as a result of the estimated earn-out to be paid to the sellers linked to the achievement of production volume targets for the next three years, and the provision for supplementary customer allowances. Also included is the provision to cover the estimated adverse effect of possible early repayments on CQS portfolios purchased from third-party intermediaries. Other liabilities mainly include payments received after the end of the year from the assigned debtors and which were still being allocated and items being processed during the days following year-end, as well as trade payables and tax liabilities.

CAPITAL ADEQUACY

Provisional information concerning the regulatory capital and capital adequacy of Banca Sistema is shown below.

OWN FUNDS (€,'000) AND CAPITAL RATIOS	31.12.2019	31.12.2018
Common Equity Tier 1 (CET1)	165,119	144,293
ADDITIONAL TIER 1	8,000	8,000
Tier 1 capital (T1)	173,119	152,293
TIER2	37,500	28,799
Total Own Funds (TC)	210,619	181,092
Total risk-weighted assets	1,405,890	1,317,043
of which, credit risk	1,236,603	1,160,521
of which, operational risk	169,252	156,522
of which, CVA	35	-
Ratio - CET1	11.7%	11.0%
Ratio - T1	12.3%	11.6%
Ratio - TCR	15.0%	13.7%
<i>Pro-forma CET1 (CRR II amendment) (*)</i>	<i>13.9%</i>	<i>12.5%</i>
<i>Pro-forma T1 (CRR II amendment) (*)</i>	<i>14.6%</i>	<i>13.2%</i>
<i>Pro-forma TCR (CRR II amendment) (*)</i>	<i>17.8%</i>	<i>15.7%</i>

(*) = estimate of the impact on the capital ratios resulting from the application of the reduction in the weighting of the CQS/CQP assets set out in Regulation 876/2019 that will be applied as of 28 June 2021.

Total own funds were € 211 million at 31 December 2019 and included the profit for the year, net of dividends estimated on the profit for the year which were equal to a pay-out of 25% of the Parent's profit. The increase was due to the combined effect of the profit for 2019, the merger of Atlantide (which generated goodwill of € 2.1 million, classified on the Statement of financial position under intangible assets) and the issue, in the second quarter and third quarter of 2019, of a TIER 2 subordinated loan for a total of € 18 million (in conjunction with the repayment of another Lower TIER 2 subordinated loan of € 12 million, which can no longer be fully included as a capital). The increase in capital ratios compared to 31 December 2018 is attributable to higher profits and lower capital absorption from loans.

With notice received on 9 March 2020, the Bank of Italy issued its final decision regarding the consolidated capitalisation requirements to be observed from the first reporting date for own funds after the date of receipt of the decision, following the outcome of the Supervisory Review and Evaluation Process (SREP). The Group's consolidated capitalisation requirements, according to the transitory criteria, are as follows:

- CET1 ratio of 7.75%;
- TIER1 ratio of 9.55%;
- Total Capital Ratio of 11.90%.

The additional ratio for the CET1 ratio is unchanged from that expected for 2019, while the T1 ratio and the Total Capital Ratio, the OCR, were increased by 5 basis points. The SREP decision does not include any quantitative liquidity requirements.

OTHER INFORMATION

Report on corporate governance and ownership structure

Pursuant to art. 123-bis, paragraph 3 of Legislative Decree no. 58 dated 24 February 1998, a "Report on corporate governance and ownership structure" has been drawn up; the document - published jointly

with the draft financial statements as at and for the year ended 31 December 2019 - is available in the "Governance" section of the Banca Sistema website (www.bancasistema.it).

Remuneration Report

Pursuant to section 84-quater, paragraph 1 of the Issuers' Regulation implementing Legislative Decree No. 58 dated 24 February 1998, a "Remuneration Report" has been drawn up; the document - published

jointly with the draft financial statements as at and for the year ended 31 December 2019 - is available in the "Governance" section of the Banca Sistema website (www.bancasistema.it).

Research and Development Activities

No research and development activities were carried out in 2019.

RELATED PARTY TRANSACTIONS

Related party transactions including the relevant authorisation and disclosure procedures, are governed by the "Procedure governing related party transactions" approved by the Board of Directors and published on the internet site of Banca Sistema S.p.A. Transactions between

Group companies and related parties were carried out in the interests of the Bank, including within the scope of ordinary operations; these transactions were carried out in accordance with market conditions and, in any event, based on mutual financial advantage and in compliance with all procedures.

ATYPICAL OR UNUSUAL TRANSACTIONS

During the year, the Bank did not carry out any atypical or unusual transactions, as defined in Consob Communication no. 6064293 of 28 July 2006.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Reference should be made to the corresponding section of the Directors' Report in the Banca Sistema Group's consolidated financial statements, and specifically to

the events relating to the parent Banca Sistema S.p.A., which is deemed to be fully reported here.

BUSINESS OUTLOOK AND MAIN RISKS AND UNCERTAINTIES

Reference should be made to the corresponding section of the Directors' Report in the Banca Sistema Group's consolidated financial statements, which is deemed to be fully reported here.

PROPOSED ALLOCATION OF PROFIT FOR THE YEAR

Dear Shareholders,

The separate financial statements as at and for the year ended 31 December 2019, which we submit for your approval, show a profit for the year of € 29,955,723.45. We recommend allocating the profit for the year as follows:

- a dividend of € 7,479,157.84;
 - the remainder of € 22,476,565.61 to retained earnings.
- An allocation to the Legal Reserve was not made since the limits set out in Article 2430 of the Italian Civil Code were reached.

Milan, 11 March 2020

On behalf of the Board of Directors

The Chairperson

Luitgard Spögler



The CEO

Gianluca Garbi



SEPARATE FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

Assets		(Amounts in Euros)	
		31.12.2019	31.12.2018
10.	Cash and cash equivalents	153,601	288,431
30.	Financial assets measured at fair value through other comprehensive income	556,383,266	304,469,478
40.	Financial assets measured at amortised cost	3,123,737,882	2,801,812,681
	<i>a) loans and receivables with banks</i>	81,002,261	56,694,080
	<i>b) loans and receivables with customers</i>	3,042,735,621	2,745,118,601
70.	Equity investments	20,000,000	19,278,011
80.	Property and equipment	6,061,393	709,928
90.	Intangible assets	3,920,808	1,788,397
	<i>of which:</i>		
	<i>goodwill</i>	3,919,700	1,785,760
100.	Tax assets	8,099,379	7,626,222
	<i>a) current</i>	-	-
	<i>b) deferred</i>	8,099,379	7,626,222
110.	Non-current assets held for sale and disposal groups	-	2,220,930
120.	Other assets	18,197,732	11,959,252
	Total Assets	3,736,554,061	3,150,153,330

Liabilities and equity		31.12.2019	31.12.2018
10.	Financial liabilities measured at amortised cost	3,416,939,923	2,902,239,596
	<i>a) due to banks</i>	388,357,667	695,196,627
	<i>b) due to customers</i>	2,716,975,290	1,902,056,238
	<i>c) securities issued</i>	311,606,966	304,986,731
60.	Tax liabilities	16,433,038	15,676,925
	<i>a) current</i>	2,213,198	3,445,454
	<i>b) deferred</i>	14,219,840	12,231,471
80.	Other liabilities	98,810,084	65,235,054
90.	Post-employment benefits	2,955,435	2,402,013
100.	Provisions for risks and charges:	21,791,092	9,221,203
	<i>a) commitments and guarantees issued</i>	43,590	7,326
	<i>c) other provisions for risks and charges</i>	21,747,502	9,213,877
110.	Valuation reserves	278,968	(1,131,458)
140.	Reserves	100,872,736	79,803,766
150.	Share premium	39,100,168	39,184,038
160.	Share capital	9,650,526	9,650,526
170.	Treasury shares (-)	(233,632)	(198,893)
180.	Profit for the year	29,955,723	28,070,560
	Total liabilities and equity	3,736,554,061	3,150,153,330

INCOME STATEMENT

		(Amounts in Euros)	
		2019	2018
10.	Interest and similar income	110,243,896	99,889,812
	of which: interest income calculated with the effective interest method	107,552,012	98,210,888
20.	Interest and similar expense	(29,691,485)	(25,144,185)
30.	Net interest income	80,552,411	74,745,627
40.	Fee and commission income	22,260,029	17,625,263
50.	Fee and commission expense	(6,418,953)	(2,367,900)
60.	Net fee and commission income	15,841,076	15,257,363
70.	Dividends and similar income	226,667	226,667
80.	Net trading income (expense)	214,846	(124,809)
100.	Gain from sales or repurchases of:	3,716,224	1,167,196
	<i>a) financial assets measured at amortised cost</i>	<i>1,105,860</i>	<i>-</i>
	<i>b) financial assets measured at fair value through other comprehensive income</i>	<i>2,610,364</i>	<i>1,167,196</i>
120.	Total income	100,551,224	91,272,044
130.	Net impairment losses on:	(9,053,279)	(6,814,326)
	<i>a) financial assets measured at amortised cost</i>	<i>(8,948,421)</i>	<i>(6,812,268)</i>
	<i>b) financial assets measured at fair value through other comprehensive income</i>	<i>(104,858)</i>	<i>(2,058)</i>
150.	Net financial income	91,497,945	84,457,718
160.	Administrative expenses	(44,827,766)	(40,521,280)
	<i>a) personnel expense</i>	<i>(22,315,805)</i>	<i>(19,811,309)</i>
	<i>b) other administrative expenses</i>	<i>(22,511,961)</i>	<i>(20,709,971)</i>
170.	Net accruals to provisions for risks and charges	(1,996,083)	(414,040)
	<i>a) commitments and guarantees issued</i>	<i>(36,264)</i>	<i>-</i>
	<i>b) other net accruals</i>	<i>(1,959,819)</i>	<i>(414,040)</i>
180.	Net impairment losses on property and equipment	(1,640,515)	(400,881)
190.	Net impairment losses on intangible assets	(107,062)	(3,250)
200.	Other operating expense	(795,556)	(418,294)
210.	Operating costs	(49,366,982)	(41,757,745)
260.	Pre-tax profit from continuing operations	42,130,963	42,699,973
270.	Income taxes	(12,350,772)	(14,629,413)
280.	Post-tax profit from continuing operations	29,780,191	28,070,560
290.	Post-tax profit (loss) from discontinued operations	175,532	-
300.	Profit for the year	29,955,723	28,070,560

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in Euros)

		2019	2018
10.	Profit for the year	29,955,723	28,070,560
	Items, net of tax, that will not be reclassified subsequently to profit or loss	-	-
20.	Equity instruments designated at fair value through other comprehensive income	-	-
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
40.	Hedging of equity instruments designated at fair value through other comprehensive income	-	-
50.	Property and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(19,660)	39,019
80.	Non-current assets held for sale and disposal groups	-	-
90.	Share of valuation reserves of equity-accounted investments:	-	-
	Items, net of tax, that will be reclassified subsequently to profit or loss	-	-
100.	Hedges of foreign investments	-	-
110.	Exchange rate gains (losses)	-	-
120.	Cash flow hedges	-	-
130.	Hedging instruments (non-designated elements)	-	-
140.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income	1,430,086	(2,064,140)
150.	Non-current assets held for sale and disposal groups	-	-
160.	Share of valuation reserves of equity-accounted investments:	-	-
170.	Total other comprehensive income (expense), net of income tax	1,410,426	(2,025,121)
180.	Comprehensive income (Items 10+170)	31,366,149	26,045,439

STATEMENT OF CHANGES IN EQUITY AS AT 31.12.2019

(Amounts in Euros)

	Balance at 31.12.2018	Change in opening balances	Balance at 1.1.2019	Allocation of prior year profit		Changes in reserves	Changes during the year						Equity at 31.12.2019		
				Allocation of prior year profit			Transactions on equity								
				Reserves	Dividends and other allocations		Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock Options		Comprehensive income for 2019	
Share capital:															
a) ordinary shares	9,650,526	-	9,650,526	-	-	-	-	-	-	-	-	-	-	-	9,650,526
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	39,184,038	-	39,184,038	-	-	(83,870)	-	-	-	-	-	-	-	-	39,100,168
Reserves	79,803,766	-	79,803,766	21,073,928	-	(4,958)	-	-	-	-	-	-	-	-	100,872,736
a) income-related	80,628,056	-	80,628,056	21,073,928	-	(20,165)	-	-	-	-	-	-	-	-	101,681,819
b) other	(824,290)	-	(824,290)	-	-	15,207	-	-	-	-	-	-	-	-	(809,083)
Valuation reserves	(1,131,458)	-	(1,131,458)	-	-	-	-	-	-	-	-	-	1,410,426	-	278,968
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(198,893)	-	(198,893)	-	-	(34,739)	-	-	-	-	-	-	-	-	(233,632)
Profit for the year	28,070,560	-	28,070,560	(21,073,928)	(6,996,632)	-	-	-	-	-	-	-	29,955,723	-	29,955,723
Equity	155,378,539	-	155,378,539	-	(6,996,632)	(123,567)	-	-	-	-	-	-	31,366,149	-	179,624,489

STATEMENT OF CHANGES IN EQUITY AS AT 31.12.2018

(Amounts in Euros)

	Balance at 31.12.2017	Change in opening balances	Balance at 1.1.2018	Allocation of prior year profit		Changes in reserves	Changes during the year						Equity at 31.12.2018			
				Reserves	Dividends and other allocations		Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock Options		Comprehensive income for 2018		
															Transactions on equity	
Share capital:																
a) ordinary shares	9,650,526	-	9,650,526	-	-	-	-	-	-	-	-	-	-	-	-	9,650,526
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	39,267,909	-	39,267,909	-	-	(83,871)	-	-	-	-	-	-	-	-	-	39,184,038
Reserves	59,391,440	(223,650)	59,167,790	20,644,223	-	(8,247)	20,644,223	-	-	-	-	-	-	-	-	79,803,766
a) income-related	60,201,614	(223,650)	59,977,964	20,644,223	-	5,869	20,644,223	-	-	-	-	-	-	-	-	80,628,056
b) other	(810,174)	-	(810,174)	-	-	(14,116)	-	-	-	-	-	-	-	-	-	(824,290)
Valuation reserves	366,663	527,000	893,663	-	-	-	-	-	-	-	-	-	(2,025,121)	-	-	(1,131,458)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(149,428)	-	(149,428)	-	-	(49,465)	-	(149,428)	-	-	-	-	-	-	-	(198,893)
Profit for the year	27,560,433	-	27,560,433	(20,644,223)	(6,916,210)	-	(20,644,223)	-	-	-	-	-	28,070,560	-	-	28,070,560
Equity	136,087,543	303,350	136,390,893	-	(6,916,210)	(141,583)	-	(149,428)	-	-	-	-	26,045,439	-	-	155,378,539

STATEMENT OF CASH FLOWS (indirect method)

(Amounts in Euros)

	Amount	
	2019	2018
A. OPERATING ACTIVITIES		
1. Operations	49,939,249	84,218,785
▪ Profit for the year (+/-)	29,955,723	28,070,560
▪ Gains/losses on financial assets held for trading and other financial assets/liabilities measured at fair value through profit or loss (-/+)	-	-
▪ Gains/losses on hedging activities (-/+)	-	-
▪ Net impairment losses due to credit risk (+/-)	8,948,421	6,812,268
▪ Net impairment losses on property and equipment and intangible assets (+/-)	1,747,577	404,131
▪ Net accruals to provisions for risks and charges and other costs/income (+/-)	1,996,083	414,040
▪ Taxes, duties and tax assets not yet paid (+)	1,492,987	5,570,030
▪ Other adjustments (+/-)	5,798,458	42,947,756
2. Cash flows used for financial assets	(562,424,429)	(864,298,946)
▪ Financial assets held for trading	-	1,201,206
▪ Financial assets designated at fair value through profit or loss	-	-
▪ Other assets mandatorily measured at fair value through profit or loss	-	-
▪ Financial assets measured at fair value through other comprehensive income	(250,503,362)	(20,923,805)
▪ Financial assets measured at amortised cost	(309,864,973)	(845,337,933)
▪ Other assets	(2,056,094)	761,586
3. Cash flows generated by financial liabilities	528,034,390	792,749,735
▪ Financial liabilities measured at amortised cost	498,196,976	801,154,448
▪ Financial liabilities held for trading	-	-
▪ Financial liabilities designated at fair value through profit or loss	-	-
▪ Other liabilities	29,837,414	(8,404,713)
Net cash flows generated by operating activities	15,549,210	12,669,574
B. INVESTING ACTIVITIES		
1. Cash flows generated by	-	101,877
▪ Sales of equity investments	-	-
▪ Dividends from equity investments	-	-
▪ Sales of property and equipment	-	103,708
▪ Sales of intangible assets	-	-
▪ Sales of business units	-	(1,831)
2. Cash flows used in	(8,652,669)	(5,678,242)
▪ Purchases of equity investments	(721,989)	(5,277,361)
▪ Purchases of property and equipment	(6,991,980)	(400,881)
▪ Purchases of intangible assets	(938,700)	-
▪ Purchases of business units	-	-
Net cash flows used in investing activities	(8,652,669)	(5,576,365)
C. FINANCING ACTIVITIES		
▪ Repurchases of treasury shares	(34,739)	(49,465)
▪ Issues/repurchases of equity instruments	-	-
▪ Dividend and other distributions	(6,996,632)	(6,916,210)
Net cash flows used in financing activities	(7,031,371)	(6,965,675)
NET CASH FLOWS FOR THE YEAR	(134,830)	127,534

KEY:

(+) generated

(-) used

RECONCILIATION

Cash and cash equivalents at the beginning of the year	288,431	160,897
Total net cash flows for the year	(134,830)	127,534
Cash and cash equivalents: effect of change in exchange rates	-	-
Cash and cash equivalents at the end of the year	153,601	288,431

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

A.1 - GENERAL PART

SECTION 1 - Statement of compliance with International Financial Reporting Standards

The separate financial statements of Banca Sistema S.p.A. at 31 December 2019 were drawn up in accordance with International Financial Reporting Standards - called IFRS - issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission, as established by EU Regulation no. 1606 of 19 July 2002, adopted in Italy by art. 1 of Legislative Decree no. 38 of 28 February 2005 and considering the Bank of Italy Circular no. 262 of 22 December 2005 as subsequently updated, regarding the forms and rules for drafting the Financial Statements of banks.

The International Financial Reporting Standards are applied by referring to the "Framework for the Preparation and Presentation of Financial Statements" (Framework).

If there is no standard or interpretation that applies specifically to a transaction, other event or circumstance, the Board of Directors uses its judgement to develop and apply an accounting standard in order to provide disclosure that:

- is relevant to the economic decision-making needs of users;
- is reliable, in that the financial statements:
 - represent faithfully the financial position, financial performance and cash flows of the Bank;
 - reflect the economic substance of transactions, other events and conditions, and not merely the legal form;
 - are neutral, i.e. free from bias;
 - are prudent;
 - are complete in all material respects.

When exercising the aforementioned judgement, the Board of Directors of the Bank has made reference to and considered the applicability of the following sources,

described in descending order of importance:

- the provisions and application guidelines contained in the Standards and Interpretations governing similar or related cases;
- the definitions, recognition criteria and measuring concepts for accounting for the assets, liabilities, revenue, and costs contained in the "Framework".

When expressing an opinion, the Board of Directors may also consider the most recent provisions issued by other bodies that rule on accounting standards that use a similar "Framework" in concept for developing accounting standards, other accounting literature and consolidated practices in the sector.

In accordance with art. 5 of Legislative Decree no. 38 of 28 February 2005, if, in exceptional cases, the application of a provision imposed by the IFRS were incompatible with the true and fair representation of the financial position or results of operations, the provision would not apply. The justifications for any exceptions and their influence on the presentation of the financial position and results of operations would be explained in the Notes to the financial statements.

Any profits resulting from the exception would be recognised in a non-distributable reserve if they did not correspond to the recovered amount in the financial statements. However, no exceptions to the IFRS were applied.

The financial statements were audited by BDO Italia S.p.A.

SECTION 2 - General basis of preparation

The financial statements are drawn up with clarity and give a true and fair view of the financial position, profit or loss, cash flows, and changes in equity and comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The financial statements are accompanied by the

Directors' Report on the Bank's performance.

If the information required by the IFRS and provisions contained in Circular no. 262 of 22 December 2005 and/or the subsequent updates issued by the Bank of Italy are not sufficient to give a true and fair view that is relevant, reliable, comparable and understandable, the notes to the financial statements provide the additional information required.

The general principles that underlie the drafting of the financial statements are set out below:

- the measurements are made considering that the bank will continue as a going concern guaranteed by the financial support of the Shareholders;
- costs and income are accounted for on an accruals basis;
- to ensure the comparability of the data and information in the financial statements and the notes to the financial statements, the methods of presentation and classification are kept constant over time unless they are changed to present the data more appropriately;
- each material class of similar items is presented separately in the statement of financial position and income statement; items of a dissimilar nature or function are presented separately unless they are considered immaterial;
- items that have nil balances at year end or for the financial year or for the previous year are not indicated in the statement of financial position or the income statement;
- if an asset or liability comes under several items in the statement of financial position, the notes to the financial statements make reference to the other items under which it is recognised if it is necessary for a better understanding of the financial statements;
- the items are not offset against one another unless it is expressly requested or allowed by an IFRS or an interpretation or the provisions of the aforementioned Circular no. 262 of 22 December 2005 as amended by the Bank of Italy;
- the financial statements are drafted by favouring substance over form and in accordance with the principle of materiality and significance of the information;

- comparative data for the previous financial year are presented for each statement of financial position and income statement item; if the items are not comparable to those of the previous year, they are adapted and the non-comparability and adjustment/or impossibility thereof are indicated and commented on in the notes to the financial statements;
- the layout recommended by the Bank of Italy was used with reference to the information reported in the notes to the financial statements; the tables included in this layout were not presented if they were not applicable to the Group's business.

Within the scope of drawing up the financial statements in accordance with the IFRS, bank management must make assessments, estimates and assumptions that influence the amounts of the assets, liabilities, costs and income recognised during the year.

The use of estimates is essential to preparing the financial statements. In particular, the most significant use of estimates and assumptions in the financial statements can be attributed to:

- the valuation of loans and receivables with customers: the acquisition of performing receivables from companies that supply goods and services represents the Bank's main activity. Estimating the value of these receivables is a complex activity with a high degree of uncertainty and subjectivity. Their value is estimated by using models that include numerous quantitative and qualitative elements. These include the historical data for collections, expected cash flows and the related expected recovery times, the existence of indicators of possible impairment, the valuation of any guarantees, and the impact of risks associated with the sectors in which the Bank's customers operate;
- the valuation of default interest pursuant to Legislative Decree no. 231 of 9 October 2002 on performing receivables acquired without recourse: estimating the expected recovery percentages of default interest is complex, with a high degree of uncertainty and subjectivity. Internally developed valuation models are used to determine these percentages, which take numerous qualitative and

- quantitative elements into consideration;
- the estimate related to the possible impairment losses on goodwill and equity investments recognised in the financial statements;
 - the quantification and estimate made for recognising liabilities in the provision for risks and charges, the amount or timing of which are uncertain;
 - the recoverability of deferred tax assets.

It should be noted that an estimate may be adjusted following a change in the circumstances upon which it was formed, or if there is new information or more experience. Any changes in estimates are applied prospectively and therefore will have an impact on the income statement for the year in which the change takes place.

Pursuant to the provisions of art. 5 of Legislative Decree no. 38 of 28 February 2005, the financial statements use the Euro as the currency for accounting purposes. The financial statements are expressed in Euro. Unless otherwise stated, the notes to the financial statements are expressed in thousands of Euro.

Application of the new IFRS 16

Starting on 1 January 2019, the right to use the leased asset will be recognised on the asset side of the statement of financial position, and the liability for future lease payments still to be paid to the lessor will be recognised on the liability side of the statement of financial position.

In addition, recognition in the income statement will also differ under this new method, whereby for lease payments previously recognised under administrative expenses, under IFRS 16 the depreciation of the “right-of-use” asset and interest expense on the lease liability will be recognised.

The economic impact does not change over the lease term, but is instead allocated differently over time.

The Group has chosen to use the modified retrospective approach for the first-time adoption (FTA) of IFRS 16, which provides the option to recognise the cumulative effect of applying the Standard at the date of initial

application and excludes the restatement of comparative data from the financial statements prepared upon first-time adoption of IFRS 16. Therefore, the figures of the financial statements for 2019 will not be comparable for the valuation of the rights of use and the corresponding lease liability.

The effects of first-time adoption (FTA) of IFRS 16

The adoption of IFRS 16 using the modified retrospective approach resulted in an increase in property and equipment due to the recognition of new rights of use of € 1.9 million and financial liabilities (payable to the lessor) for the same amount.

Consequently, from the first-time adoption of the standard, there has been no impact on equity following the decision to adopt the modified approach.

SECTION 3 - Subsequent events

With regard to IAS 10, after 31 December 2019, the reporting date of the separate financial statements, and up to 11 March 2020, the date when the separate financial statements were presented to the Board of Directors, no events occurred that would require any adjustments to the figures in the separate financial statements.

SECTION 4 - Other aspects

With reference to the transparency rules on public funding introduced by article 1, paragraphs 125-129 of Italian Law no. 124/2017 and subsequently supplemented by the ‘Sicurezza’ Law Decree (no. 113/2018) and the ‘Semplificazione’ Law Decree (no. 135/2018), it should be noted that there were issues regarding their interpretation and application. On the basis of the guidelines and interpretations formulated by Assonime in Circular no. 5 of 22 February 2019, amounts received by companies related to ‘paid assignments’ are to be excluded from this report. Moreover, the requirement that they be disclosed in the notes to the financial statements was understood to exclude the general measures available to all companies. Based on this interpretation, there is nothing to report.

There are no significant aspects to note.

A.2 - INFORMATION ON THE MAIN ITEMS OF THE SEPARATE FINANCIAL STATEMENTS

Financial assets measured at fair value through profit or loss

Classification criteria

Financial assets other than those classified as Financial assets measured at fair value through other comprehensive income and Financial assets measured at amortised cost are classified in this category. In particular, this item includes:

- financial assets held for trading;
- equity instruments, except for the possibility of their being classified in the new category Financial assets measured at fair value through other comprehensive income, excluding the possibility of subsequent reclassification to profit or loss;
- financial assets mandatorily measured at fair value, and which have not met the requirements to be measured at amortised cost;
- financial assets that are not held under a Held to Collect (or “HTC”) business model or as part of a mixed business model, whose aim is achieved by collecting the contractual cash flows of financial assets held in the Bank’s portfolio or also through their sale, when this is an integral part of the strategy (“Held to Collect and Sell” business model);
- financial assets designated at fair value, i.e. financial assets that are defined as such upon initial recognition and when the conditions apply. For this type of financial assets, upon recognition an entity may irrevocably recognise a financial asset as measured at fair value through profit or loss only if this eliminates or significantly reduces a measurement inconsistency;
- derivative instruments, which shall be recognised as financial assets held for trading if their fair value is positive and as liabilities if their fair value is negative. Positive and negative values may be offset only for transactions executed with the same counterparty if the holder currently holds the right to offset the amounts recognised in the books and it is decided to

settle the offset positions on a net basis. Derivatives also include those embedded in complex financial contracts - where the host contract is a financial liability which has been recognised separately.

Except for the equity instruments which cannot be reclassified, financial assets may be reclassified to other categories of financial assets only if the entity changes its own business model for management of the financial assets. In such cases, which are expected to be absolutely infrequent, the financial assets may be reclassified from those measured at fair value through profit or loss to one of the other two categories established by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through other comprehensive income). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. In this case, the effective interest rate of the reclassified financial asset is determined based on its fair value at the reclassification date and that date is considered as the initial recognition date for the credit risk stage assignment for impairment purposes.

Recognition criteria

Initial recognition of financial assets occurs at the settlement date for debt instruments and equity instruments, at the disbursement date for loans and at the subscription date for derivative contracts.

On initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, without considering transaction costs or income directly attributable to the instrument.

Measurement and recognition criteria for income components

After initial recognition, the financial assets measured at fair value through profit or loss are recognised at fair value. The effects of the application of this measurement criterion are recognised in the income statement. For the determination of the fair value of financial instruments quoted on active markets, market quotations are used. If the market for a financial instrument is not active, standard practice estimation methods and measurement

techniques are used which consider all the risk factors correlated to the instruments and that are based on market elements such as: measurement of quoted instruments with the same characteristics, calculation of discounted cash flows, option pricing models, recent comparable transactions, etc.. For equity and derivative instruments that have equity instruments as underlying assets, which are not quoted on an active market, the cost approach is used as the estimate of fair value only on a residual basis and in a small number of circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there are a wide range of possible measurements of fair value, in which cost represents the most significant estimate.

In particular, this item includes:

- debt instruments held for trading;
- equity instruments held for trading.

For more details on the methods of calculating the fair value please refer to the paragraph below "Criteria for determining the fair value of financial instruments".

Derecognition criteria

Financial assets are derecognised when the contractual rights on the cash flows deriving from the assets expire, or in the case of a transfer, when the same entails the substantial transfer of all risks and rewards related to the financial assets.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Classification criteria

This category includes the financial assets that meet both the following conditions:

- financial assets that are held under a business model whose aim is achieved both through the collection of contractual cash flows and through sale ("Held to Collect and Sell" business model);
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI Test" passed).

This item also includes equity instruments, not held for trading, for which the option was exercised upon initial

recognition of their designation at fair value through other comprehensive income.

In particular, this item includes:

- debt instruments that can be attributed to a Held to Collect and Sell business model and that have passed the SPPI test;
- equity interests, that do not qualify as investments in subsidiaries, associates or joint ventures and are not held for trading, for which the option has been exercised of their designation at fair value through other comprehensive income.

Except for the equity instruments which cannot be reclassified, financial assets may be reclassified to other categories of financial assets only if the entity changes its own business model for management of the financial assets. In such cases, which are expected to be absolutely infrequent, the financial assets may be reclassified from those measured at fair value through other comprehensive income to one of the other two categories established by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. In the event of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is allocated as an adjustment to the fair value of the financial asset at the reclassification date. In the event of reclassification to the fair value through profit or loss category, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from equity to profit (loss).

Recognition criteria

Initial recognition of the financial assets is at the date of disbursement, based on their fair value including the transaction costs/income directly attributable to the acquisition of the financial instrument. Costs/income having the previously mentioned characteristics that will be repaid by the debtor or that can be considered as standard internal administrative costs are excluded.

The initial fair value of a financial instrument is usually the cost incurred for its acquisition.

Measurement and recognition criteria for income components

Following initial recognition, financial assets are measured at their fair value with any gains or losses resulting from a change in the fair value compared to the amortised cost recognised in a specific equity reserve recognised in the statement of comprehensive income up until said financial asset is derecognised or an impairment loss is recognised.

For more details on the methods of calculating the fair value please refer to paragraph 17.3 below "Criteria for determining the fair value of financial instruments".

Equity instruments, for which the choice has been made to classify them in this category, are measured at fair value and the amounts recognised in other comprehensive income cannot be subsequently transferred to profit or loss, not even if they are sold (the so-called OCI exemption). The only component related to these equity instruments that is recognised through profit or loss is their dividends. Fair value is determined on the basis of the criteria already described for Financial assets measured at fair value through profit or loss.

For the equity instruments included in this category, which are not quoted on an active market, the cost approach is used as the estimate of fair value only on a residual basis and in a small number of circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there are a wide range of possible measurements of fair value, in which cost represents the most significant estimate.

Financial assets measured at fair value through other comprehensive income are subject to the verification of the significant increase in credit risk (impairment) required by IFRS 9, with the consequent recognition through profit or loss of an impairment loss to cover the expected losses.

Derecognition criteria

Financial assets are derecognised when the contractual rights on the cash flows deriving from the assets expire, or in the case of a transfer, when the same entails the substantial transfer of all risks and rewards related to the financial assets.

Financial assets measured at amortised cost

Classification criteria

This category includes the financial assets that meet both the following conditions:

- the financial asset is held under a business model whose objective is achieved through the collection of expected contractual cash flows (Held to Collect business model);
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI Test" passed).

In particular, this item includes:

- loans and receivables with banks;
- loans and receivables with customers;
- debt instruments.

Except for the equity instruments which cannot be reclassified, financial assets may be reclassified to other categories of financial assets only if the entity changes its own business model for management of the financial assets. In such cases, which are expected to be absolutely infrequent, the financial assets may be reclassified from the amortised cost category to one of the other two categories established by IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. Gains and losses resulting from the difference between the amortised cost of a financial asset and its fair value are recognised through profit or loss in the event of reclassification to Financial assets measured at fair value through profit or loss and under equity, in the specific valuation reserve, in the event of reclassification to Financial assets measured at fair value through other comprehensive income.

Recognition criteria

Initial recognition of a receivable is at the date of disbursement based on its fair value including the costs/income of the transaction directly attributable to the

acquisition of the receivable.

Costs/income having the previously mentioned characteristics that will be repaid by the debtor or that can be considered as standard internal administrative costs are excluded.

The initial fair value of a financial instrument is usually equivalent to the amount granted or the cost incurred by the acquisition.

Measurement and recognition criteria for income components

Following initial recognition, loans and receivables with customers are stated at amortised cost, equal to the initial recognition amount reduced/increased by principal repayments, by impairment losses/gains and the amortisation - calculated on the basis of the effective interest rate - of the difference between the amount provided and that repayable at maturity, usually the cost/income directly attributed to the individual loan.

The effective interest rate is the rate that discounts future payments estimated for the expected duration of the loan, in order to obtain the exact carrying amount at the time of initial recognition, which includes both the directly attributable transaction costs/income and all of the fees paid or received between the parties. This accounting method, based on financial logic, enables the economic effect of costs/income to be spread over the expected residual life of the receivable.

The measurement criteria are strictly connected with the stage to which the receivable is assigned, where stage 1 contains performing loans, stage 2 consists of under-performing loans, i.e. loans that have undergone a significant increase in credit risk ("significant deterioration") since the initial recognition of the instrument, and stage 3 consists of non-performing loans, i.e. the loans that show objective evidence of impairment. The impairment losses recognised through profit or loss for the performing loans classified in stage 1 are calculated by considering an expected loss at one year, while for the performing loans in stage 2 they are calculated by considering the expected losses over the entire residual contractual lifetime of the asset (Lifetime Expected Loss). The performing financial assets are measured

according to probability of default (PD), loss given default (LGD) and exposure at default (EAD) parameters, derived from internal historic series. For impaired assets, the amount of the loss, to be recognised through profit or loss, is established based on individual measurement or determined according to uniform categories and, then, individually allocated to each position, and takes account of forward-looking information and possible alternative recovery scenarios. Impaired assets include financial instruments classified as bad exposures, unlikely-to-pay or past due/overdrawn by over ninety days according to the rules issued by the Bank of Italy, in line with the IFRS and EU Supervisory Regulations. The expected cash flows take into account the expected recovery times and the estimated realisable value of any guarantees. The original effective rate of each asset remains unchanged over time even if the relationship has been restructured with a variation of the contractual interest rate and even if the relationship, in practice, no longer bears contractual interest. If the reasons for impairment are no longer applicable following an event subsequent to the recognition of impairment, impairment gains are recognised in the income statement. The impairment gains may not in any case exceed the amortised cost that the financial instrument would have had in the absence of previous impairment losses. Impairment gains with time value effects are recognised in net interest income.

Derecognition criteria

Loans and receivables are derecognised from the financial statements when they are deemed totally unrecoverable or if transferred, when this entails the substantial transfer of all loan-related risks and rewards.

Hedging transactions

At the reporting date, the Bank had not made any "Hedging transactions".

Equity investments

Classification criteria

This category includes equity investments in subsidiaries, associates, and joint ventures by Banca Sistema.

Recognition criteria

Equity investments are recognised in the financial statements at purchase cost plus any related charges.

Measurement criteria

If there is evidence that an equity investment may be impaired, the recoverable value of said equity investment is estimated by considering the present value of future cash flows that the investment could generate, including the final disposal value of the investment and/ or other measurement elements. The amount of any impairment, calculated based on the difference between the carrying amount of the investment and its recoverable value is recognised in the income statement under “Gains (losses) on equity investments”. If the reasons for impairment are removed following an event occurring after recognition of the impairment, impairment gains are recognised in the income statement under the same item as above to the extent of the previous impairment loss.

Derecognition criteria

Equity investments are derecognised from the financial statements when the contractual rights to cash flows deriving from the investment are lost or when the investment is transferred, with the substantial transfer of all related risks and rewards. Gains and losses on the sale of equity investments are charged to the income statement under the item “220 Gains (losses) on equity investments”; gains and losses on the sale of investments other than those measured at equity are charged to the income statement under the item “250 Gains (losses) on sales of investments”.

Property and equipment

Classification criteria

This item includes assets for permanent use, held to generate income, to be leased, or for administrative purposes, such as land, operating property, investment property, technical installations, furniture and fittings and equipment of any nature and works of art.

They also include leasehold improvements to third

party assets if they can be separated from the assets in question. If the above costs do not display functional or usefulness-related autonomy, but future economic benefits are expected from them, they are recognised under “other assets” and are depreciated over the shorter period between that of expected usefulness of the improvements in question and the residual duration of the lease. Depreciation is recognised under “Other operating income (expense)”.

Property and equipment also include payments on account for the purchase and renovation of assets not yet part of the production process and therefore not yet subject to depreciation.

“Operating” property and equipment are represented by assets held for the provision of services or for administrative purposes, while property and equipment held for “investment purposes” are those held to collect lease instalments and/or held for capital appreciation.

The item also includes rights of use associated with leased assets and fees for use.

Recognition criteria

Property and equipment are initially recognised at cost, including all costs directly attributable to installation of the asset.

Extraordinary maintenance costs and costs for improvements leading to actual improvement of the asset, or an increase in the future benefits generated by the asset, are attributed to the reference assets, and are depreciated based on their residual useful life.

Under IFRS 16, leases are accounted for in accordance with the right-of-use model, whereby, at the commencement date, the lessee incurs an obligation to make payments to the lessor for the right to use the underlying asset for the term of the lease. When the asset is made available for use by the lessee, the lessee recognises both the liability and the right-of-use asset.

Measurement criteria

Following initial recognition, “operating” property and equipment are recognised at cost, less accumulated depreciation, and any impairment losses, in line with the

“cost model” illustrated in paragraph 30 of IAS 16. More specifically, property and equipment are systematically depreciated each year based on their estimated useful life, using the straight-line basis method apart from:

- land, regardless of whether this was purchased separately or was incorporated into the value of the building, which, insofar as it has an indefinite useful life, is not depreciated;
- works of art, which are not depreciated as their useful life cannot be estimated and their value typically appreciates over time;
- investment property which is recognised at fair value in accordance with IAS 40.

For assets acquired during the financial year, depreciation is calculated on a daily basis from the date of entry into use of the asset. For assets transferred and/or disposed of during the financial year, depreciation is calculated on a daily basis until the date of transfer and/or disposal.

At the end of each year, if there is any evidence that property or equipment that is not held for investment purposes may have suffered an impairment loss, a comparison is made between its carrying amount and its recoverable value, equal to the higher between the fair value, net of any costs to sell, and the related value in use of the asset, intended as the present value of future cash flows expected from the asset. Any impairment losses are recognised in the income statement under “net impairment losses on property and equipment”.

If the reasons that led to recognition of the impairment loss cease to apply, an impairment gain is recognised that may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment losses.

For investment property, which comes within the scope of application of IAS 40, the measurement is made at the market value determined using independent surveys and the changes in fair value are recognised in the income statement under the item “fair value gains (losses) on property, equipment and intangible assets”.

The right-of-use asset, recognised in accordance with IFRS 16, is measured using the cost model under IAS 16 Property, plant and equipment. In this case, the asset is subsequently depreciated and tested for impairment if impairment indicators are present.

Derecognition criteria

Property and equipment is derecognised from the statement of financial position upon disposal thereof or when the asset is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Intangible assets

Classification criteria

This item includes non-monetary assets without physical substance that satisfy the following requirements:

- they can be identified;
- they can be monitored;
- they generate future economic benefits.

In the absence of one of the above characteristics, the expense of acquiring or generating the asset internally is recognised as a cost in the year in which it was incurred.

Intangible assets include software to be used over several years and other identifiable assets generated by legal or contractual rights.

Goodwill is also included under this item, representing the positive difference between the acquisition cost and fair value of the assets and liabilities acquired as part of a business combination. Specifically, an intangible asset is recognised as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the acquisition cost represents the future capacity of the equity investment to generate profit (goodwill). If this difference proves negative (badwill), or if the goodwill offers no justification of the capacity to generate future profit from the assets and liabilities acquired, it is recognised directly in the income statement.

Measurement criteria

Intangible assets are systematically amortised from the time of their input into the production process.

With reference to goodwill, on an annual basis (or when impairment is detected), an assessment test is carried out on the adequacy of its carrying amount. For this purpose, the cash-generating unit to which the goodwill is attributed, is identified. The amount of any impairment is determined by the difference between the goodwill carrying amount and its recoverable value, if lower. This recoverable value is equal to the higher amount between the fair value of

the cash-generating unit, net of any costs to sell, and its value in use. As stated above, any consequent impairment losses are recognised in the income statement.

Derecognition criteria

An intangible asset is derecognised from the statement of financial position at the time of its disposal and if there are no expected future economic benefits.

Non-current assets held for sale and disposal groups

Non-current assets or groups of assets for which a disposal process has been initiated and whose sale is considered highly probable are classified under "Non-current assets held for sale and disposal groups". These assets are measured at the lower of their carrying amount and their fair value, net of disposal costs, with the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9) for which IFRS 5 specifically requires that the measurement criteria of the relevant accounting standard be applied. Income and expenses (net of the tax effect) relating to groups of assets being disposed of or recognised as such during the year, are shown in the income statement as a separate item.

Financial liabilities measured at amortised cost

Classification criteria

This item includes Due to banks, Due to customers and Securities issued.

Recognition criteria

These financial liabilities are initially recognised when the deposits are received or when the debt instruments are issued. Initial recognition is based on the fair value of the liabilities, increased by the costs/income of the transaction directly attributable to the acquisition of the financial instrument.

Costs/income having the previously mentioned characteristics that will be repaid by the creditor or that can be considered as standard internal administrative costs are excluded.

The initial fair value of a financial liability is usually equivalent to the amount collected.

Measurement and recognition criteria for income components

After the initial recognition, the previously mentioned financial liabilities are measured at amortised cost with the effective interest rate method.

Derecognition criteria

The above financial liabilities are derecognised from the statement of financial position when they expire or when they are extinguished. They are derecognised also in the event of repurchase, even temporary, of the previously-issued securities. Any difference between the carrying amount of the extinguished liability and the amount paid is recognised in the income statement, under "Gain (loss) from sales or repurchases of: financial liabilities". If the Group, subsequent to the repurchase, re-replaces its own securities on the market, said transaction is considered a new issue and the liability is recognised at the new placement price.

Financial liabilities held for trading

Classification and recognition criteria

In particular, this category of liabilities includes the liabilities originating from technical exposures deriving from security trading activities.

Financial instruments are recognised at the date of their subscription or issue at a value equal to their fair value, without including any transaction costs or income directly attributable to the instruments themselves.

Measurement and recognition criteria for income components

The financial instruments are measured at fair value with recognition of the measurement results in the income statement.

Derecognition criteria

Financial liabilities held for trading are derecognised when the contractual rights on the related cash flows expire

or when the financial liability is sold with a substantial transfer of all risks and rewards related to the liabilities.

Financial liabilities designated at fair value through profit or loss

At the reporting date, the Bank did not hold any “Financial liabilities designated at fair value through profit or loss”.

Current and deferred taxes

Income taxes, calculated in compliance with prevailing tax regulations, are recognised in the income statement on an accruals basis, in accordance with the recognition in the financial statements of the costs and income that generated them, apart from those referring to the items recognised directly in equity, where the recognition of the tax is made to equity in order to be consistent.

Income taxes are provided for on the basis of a prudential estimate of the current and deferred taxes. More specifically, deferred taxes are determined on the basis of the temporary differences between the carrying amount of assets and liabilities and their tax bases. Deferred tax assets are recognised in the financial statements to the extent that it is probable that they will be recovered based on the Group’s ability to continue to generate positive taxable income.

Deferred tax assets and liabilities are accounted for in the statement of financial position with open balances and without offsetting entries, recognising the former under “Tax assets” and the latter under “Tax liabilities”.

With respect to current taxes, at the level of individual taxes, advances paid are offset against the relevant tax charge, indicating the net balance under “current tax assets” or “current tax liabilities” depending on whether it is positive or negative.

Provisions for risks and charges

In line with the requirements of IAS 37, provisions for risks and charges cover liabilities, the amount or timing of which is uncertain, related to current obligations (legal or implicit), owing to a past event for which it is likely that financial resources will be used to fulfil the obligation, on condition that an estimate of the amount required to fulfil said obligation can be made at the reporting date. Where

the temporary deferral in sustaining the charge is significant, and therefore the extent of the discounting will be significant, provisions are discounted at current market rates.

The provisions are reviewed at the reporting date of the annual financial statements and the interim financial statements and adjusted to reflect the current best estimate. These are recognised under their own items in the income statement in accordance with a cost classification approach based on the “nature” of the cost. Provisions related to future charges for employed personnel relating to the bonus system appear under “personnel expense”. The provisions that refer to risks and charges of a tax nature are reported as “income taxes”, whereas the provisions connected to the risk of potential losses not directly chargeable to specific items in the income statement are recognised as “net accruals to provisions for risks and charges”.

Other information

Post-employment benefits

According to the IFRIC, the post-employment benefits can be equated with a post-employment benefit of the “defined-benefit plan” type which, based on IAS 19, is to be calculated via actuarial methods. Consequentially, the end of the year measurement of the item in question is made based on the accrued benefits method using the Projected Unit Credit Method.

This method calls for the projection of the future payments based on historical, statistical, and probabilistic analysis, as well as in virtue of the adoption of appropriate demographic fundamentals. It allows the post-employment benefits vested at a certain date to be calculated actuarially, distributing the expense for all the years of estimated remaining employment of the existing workers, and no longer as an expense to be paid if the company ceases its activity on the reporting date.

The actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of the obligation at year end, are recognised in equity. An independent actuary assesses the post-employment benefits in compliance with the method indicated above.

Repurchase agreements

“Repurchase agreements” that oblige the party selling the relevant assets (for example securities) to repurchase them in the future and the “securities lending” transactions where the guarantee is represented by cash, are considered equivalent to swap transactions and, therefore, the amounts received and disbursed appear in the financial statements as payables and receivables. In particular, the previously mentioned “repurchase agreements” and “securities lending” transactions are recognised in the financial statements as payables for the spot price received, while those for investments are recognised as receivables for the spot price paid. Such transactions do not result in changes in the securities portfolio. Consistently, the cost of funds and the income from the investments, consisting of accrued dividends on the securities and of the difference between the spot price and the forward price thereof, are recognised for the accrual period under interest in the income statement.

Criteria for determining the fair value of financial instruments

Fair value is defined as “the price that would be collected for the sale of an asset or also that would be paid for the transfer of a liability in an orderly transaction between market participants”, at a specific measurement date, excluding forced transactions. Underlying the definition of fair value in fact is the presumption that the company is in operation, and that it has no intention or need to liquidate, significantly reduce the volume of its assets, or engage in a transaction at unfavourable terms.

In the case of financial instruments listed on active markets, the fair value is determined based on the deal pricing (official price or other equivalent price on the last stock market trading day of the financial year of reference) of the most advantageous market to which the Group has access. For this purpose, a financial instrument is considered to be listed on an active market if the quoted prices are readily and regularly available from a price list, trader, intermediary, industrial sector, agencies that determine prices, or regulatory authority and said prices represent actual market transactions that regularly take place in normal dealings.

In the absence of an active market, the fair value is

determined using measurement techniques generally accepted in financial practice, aimed at establishing what price the financial instrument would have had, on the valuation date, in a free exchange between knowledgeable and willing parties. Such measurement techniques require, in the hierarchical order in which they are presented, the use:

1. of the most recent NAV (Net Asset Value) published by the management investment company for the harmonised funds (UCITS - Undertakings for Collective Investment in Transferable Securities), the Hedge Funds and the SICAVs;
2. of the recent transaction prices observable in the markets;
3. of the price indications deducible from infoproviders (e.g., Bloomberg, Reuters);
4. of the fair value obtained from measurement models (for example, Discounting Cash Flow Analysis, Option Pricing Models) that estimate all the possible factors that influence the fair value of a financial instrument (cost of money, credit exposure, liquidity risk, volatility, foreign exchange rates, prepayment rates, etc.) based on data observable in the market, also with regards to similar instruments on the measurement date. If market data cannot be referenced for one or more risk factors, metrics internally determined on a historical-statistical basis are used. The measurement models are subject to periodic review to guarantee complete and constant reliability;
5. of the price indications provided by the counterparty issuer adjusted if necessary to take into account the counterparty and/or liquidity risk (for example, the price resolved on by the Board of Directors and/or the Shareholders for the shares of unlisted cooperative banks, the unit value communicated by the management investment company for the closed-end funds reserved to institutional investors or for other types of OEICs other than those cited in paragraph 1, the redemption value calculated in compliance with the issue regulation for the insurance contracts);
6. for the equity-linked instruments, where the measurement techniques pursuant to the previous paragraphs are not applicable: i) the value resulting

from independent surveys if available; ii) the value corresponding to the portion of equity held resulting from the company's most recently approved financial statements; iii) the cost, adjusted if necessary to take into account significant reductions in value, where the fair value cannot be reliably determined.

Based on the foregoing considerations and in compliance with the IFRS, the Group classifies the measurements at fair value based on a hierarchy of levels that reflects the significance of the inputs used in the measurements. The following levels are noted:

- **Level 1** - prices (without adjustments) reported on an active market: the measurements of the financial instruments quoted on an active market based on quotations that can be understood from the market;
- **Level 2** - the measurement is not based on prices of the same financial instrument subject to measurement, but on prices or credit spreads obtained from the official prices of essentially similar instruments in terms of risk factors, by using a given calculation method (pricing model).

The use of this approach translates to the search for transactions present on active markets, relating to instruments that, in terms of risk factors, are comparable with the instrument subject to measurement.

The calculation methods (pricing models) used in the comparable approach make it possible to reproduce the prices of financial instruments quoted on active markets (model calibration) without including discretionary parameters - i.e. parameters whose value cannot be obtained from the prices of financial instruments present on active markets or cannot be fixed at levels as such to replicate prices present on active markets - which may influence the final valuation price in a decisive manner.

- **Level 3** - inputs that are not based on observable market data: the measurements of financial instruments not quoted on an active market, based on measurement techniques that use significant inputs that are not observable on the market, involving the adoption of estimates and assumptions by management (prices supplied by the issuing counterparty, taken from

independent surveys, prices corresponding to the fraction of the equity held in the company or obtained using measurement models that do not use market data to estimate significant factors that condition the fair value of the financial instrument). This level includes measurements of financial instruments at cost price.

Business combinations

A business combination involves the combination of separate companies or business activities in a single party who has to draft the financial statements. A business combination may give rise to an investment relationship between the parent (acquirer) and the subsidiary (acquiree). A combination may also provide for the acquisition of the net assets of another entity, including any goodwill, or the acquisition of another entity's capital (mergers and contributions). Based on the provisions of IFRS 3, business combinations must be accounted for by applying the purchase method, which comprises the following phases:

- identification of the acquirer;
- measurement of the cost of the business combination;
- allocation, at the acquisition date, of the cost of the business combination to the assets acquired and liabilities and contingent liabilities assumed.

More specifically, the cost of a business combination must be determined as the total fair value, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, in exchange for control of the acquiree, and all costs directly attributable to the business combination.

The acquisition date is the date on which control of the acquiree is effectively obtained. When this is achieved through a single exchange transaction, the date of exchange coincides with the acquisition date.

If the business combination is carried out through several exchange transactions:

- the cost of the combination is the aggregate cost of the individual transactions
- the date of exchange is the date of each exchange transaction (i.e. the date that each individual investment is recognised in the financial statements of the acquirer), whereas the acquisition date is the date

on which control of the acquiree is obtained

The cost of a business combination is allocated by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values at the acquisition date.

The acquiree's identifiable assets, liabilities and contingent liabilities are recognised separately at the acquisition date only if they satisfy the following criteria at that date:

- in the case of an asset other than an intangible asset, it is probable that any associated future economic benefits will flow to the acquirer, and its fair value can be measured reliably;
- in the case of a liability other than a contingent liability, it is probable that an outflow of resources embodying

economic benefits will be required to settle the obligation, and its fair value can be measured reliably;

- in the case of an intangible asset or a contingent liability, its fair value can be measured reliably.

The positive difference between the cost of the business combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities must be accounted for as goodwill.

After the initial recognition, the goodwill acquired in a business combination is measured at the relevant cost and is submitted to an impairment test at least once a year.

If the difference is negative, a new measurement is made.

This negative difference, if confirmed, is recognised immediately as income in the income statement.

A.3 - DISCLOSURE ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

A.3.1 Reclassified financial assets: change in business model, carrying amount and interest income

No financial instruments were transferred between portfolios.

A.3.2 Reclassified financial assets: change in business model, fair value and effects on comprehensive income

No financial assets were reclassified.

A.3.3 Reclassified financial assets: change in business model and effective interest rate

No financial assets held for trading were transferred.

A.4 - FAIR VALUE DISCLOSURE

QUALITATIVE DISCLOSURE

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

Please refer to the accounting policies.

A.4.2 Processes and sensitivity of measurements

The carrying amount of financial assets and liabilities due within one year has been assumed to be a reasonable approximation of fair value, while for those due beyond one year, the fair value is calculated taking into account both interest rate risk and credit risk.

A.4.3 Fair value hierarchy

The following fair value hierarchy was used in order to prepare the financial statements:

- Level 1- Effective market quotes

The valuation is the market price of said financial instrument subject to valuation, obtained on the basis of quotes expressed by an active market.

- Level 2 - Comparable Approach
- Level 3 - Mark-to-Model Approach

A.4.4 Other Information

The item is not applicable for the Bank.

QUANTITATIVE DISCLOSURE

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level.

	31.12.2019			31.12.2018		
	L1	L2	L3	L1	L2	L3
<i>Financial assets/liabilities measured at fair value</i>						
1. Financial assets measured at fair value through profit or loss	-	-	-	-	-	-
a) financial assets held for trading	-	-	-	-	-	-
b) financial assets designated at fair value through profit or loss	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value through profit or loss	-	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	551,383	-	5,000	299,469	-	5,000
3. Hedging derivatives	-	-	-	-	-	-
4. Property and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
TOTAL	551,383	-	5,000	299,469	-	5,000
1. Financial liabilities held for trading	-	-	-	-	-	-
2. Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

Key:

L1 = Level 1
L2 = Level 2
L3 = Level 3

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis:

breakdown by fair value level

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2019				31.12.2018			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	3,123,738	435,177	-	2,688,561	2,801,813	435,482	-	2,366,331
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and disposal groups	-	-	-	-	2,221	-	-	2,221
TOTAL	3,123,738	435,177	-	2,688,561	2,804,034	435,482	-	2,368,552
1. Financial liabilities measured at amortised cost	3,416,940	-	-	3,416,940	2,902,240	-	-	2,902,240
2. Liabilities associated with disposal groups	-	-	-	-	-	-	-	-
TOTAL	3,416,940	-	-	3,416,940	2,902,240	-	-	2,902,240

Key:

CA = carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

A.5 Disclosure concerning “day one profit/loss”

Nothing to report.

PART B - INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS - ITEM 10

1.1 Cash and cash equivalents: breakdown

	31.12.2019	31.12.2018
a. Cash	154	288
b. Demand deposits with Central Banks	-	-
TOTAL	154	288

SECTION 3 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - ITEM 30

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by product

	31.12.2019			31.12.2018		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	550,219	-	-	298,292	-	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt instruments	550,219	-	-	298,292	-	-
2. Equity instruments	1,164	-	5,000	1,177	-	5,000
3. Financing	-	-	-	-	-	-
Total	551,383	-	5,000	299,469	-	5,000

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

	31.12.2019	31.12.2018
1. Debt instruments	550,219	298,292
a. Central Banks	-	-
b. Public administrations	550,219	298,292
c. Banks	-	-
d. Other financial companies	-	-
of which: insurance companies	-	-
e. Non-financial companies	-	-
2. Equity instruments	6,164	6,177
a. Banks	5,000	5,000
b. Other issuers:	1,164	1,177
- other financial companies	-	-
of which: insurance companies	-	-
- non-financial companies	1,164	1,177
- other	-	-
4. Financing	-	-
a. Central Banks	-	-
b. Public administrations	-	-
c. Banks	-	-
d. Other financial companies	-	-
of which: insurance companies	-	-
e. Non-financial companies	-	-
f. Households	-	-
Total	556,383	304,469

3.3 Financial assets measured at fair value through other comprehensive income: gross amount and total impairment losses

	Gross amount				Total impairment losses			Overall partial write-offs (*)
	First stage	of which instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt instruments	550,373	-	-	-	154	-	-	-
Financing	-	-	-	-	-	-	-	-
Total at 31.12.2019	550,373	-	-	-	154	-	-	-
Total at 31.12.2018	298,341	-	-	-	49	-	-	-
of which: purchased or originated credit-impaired financial assets	X	X	-	-	X	-	-	-

SECTION 4 - FINANCIAL ASSETS MEASURED AT AMORTISED COST - ITEM 40

4.1 Financial assets measured at amortised cost: breakdown by product of the loans and receivables with banks

	31.12.2019						31.12.2018					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
	First and second stage	Third stage	of which: purchased or originated credit-impaired	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated credit-impaired	L1	L2	L3
A. Loans and receivables with Central Banks	19,966	-	-	-	-	19,966	12,460	-	-	-	-	12,460
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Minimum reserve	19,912	-	-	X	X	X	12,437	-	-	X	X	X
3. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	54	-	-	X	X	X	23	-	-	X	X	X
B. Loans and receivables with banks	61,036	-	-	-	-	61,036	44,234	-	-	-	-	44,234
1. Financing	61,036	-	-	-	-	61,036	44,234	-	-	-	-	44,234
1.1 Current accounts and demand deposits	52,503	-	-	X	X	X	24,046	-	-	X	X	X
1.2. Term deposits	-	-	-	X	X	X	19,996	-	-	X	X	X
1.3. Other financing:	8,533	-	-	X	X	X	192	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	8,533	-	-	X	X	X	192	-	-	X	X	X
2. Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured instruments	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
Total	81,002	-	-	-	-	81,002	56,694	-	-	-	-	56,694

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

4.2 Financial assets measured at amortised cost: breakdown by product of the loans and receivables with customers

	31.12.2019						31.12.2018					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
	First and second stage	Third stage	of which: purchased or originated credit-impaired	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated credit-impaired	L1	L2	L3
1. Financing	2,399,160	208,399	27,527	-	-	2,632,328	2,113,713	195,995	25,776	-	-	2,309,708
1.1 Current accounts	41,966	56	-	X	X	X	38,536	70	-	X	X	X
1.2 Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
1.3 Loans	6,753	1,970	-	X	X	X	27,602	8,470	-	X	X	X
1.4 Credit cards, personal loans and salary- and pension-backed loans	796,367	6,012	-	X	X	X	636,134	291	-	X	X	X
1.5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
1.6 Factoring	963,352	188,869	27,527	X	X	X	974,942	176,942	25,776	X	X	X
1.7 Other financing	590,722	11,492	-	X	X	X	436,499	10,222	-	X	X	X
2. Debt instruments	435,177	-	-	436,634	-	-	435,411	-	-	435,411	-	-
2.1 Structured instruments	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt instruments	435,177	-	-	436,634	-	-	435,411	-	-	435,411	-	-
Total	2,834,337	208,399	27,527	436,634	-	2,632,328	2,549,124	195,995	25,776	435,411	-	2,309,708

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Financing mainly includes the loans and receivables of companies that supply goods and services mainly to the Public Administration (ASL – local health authorities – and Territorial Entities) and receivables related to the pension and salary-backed loans segment.

Factoring receivables include default interest recognised on an accruals basis for € 49.9 million.

For classification purposes analyses are performed, some of which are complex, aimed at identifying positions which, subsequent to disbursement/acquisition, show evidence of possible impairment based on both internal information, associated with the performance of credit positions, and external information, associated with the specific sector in question.

Measuring loans and receivables with customers is an activity with a high degree of uncertainty and subjectivity involving the use of measurement models that take into account numerous quantitative and qualitative elements. These include the historical data for collections, expected cash flows and the related expected recovery times, the existence of indicators of possible impairment, the valuation of any guarantees, and the impact of risks associated with the sectors in which the Bank's customers operate.

Securities are composed entirely of Italian government securities with an average duration of 14.5 months for an amount of € 435 million. The mark-to-market valuation of the securities at 31 December 2019 was a positive fair value of € 1.4 million.

4.3 Financial assets measured at amortised cost: breakdown by debtor/issuer of the loans and receivables with customers

	31.12.2019			31.12.2018		
	First and second stage	Third stage	of which: purchased or originated credit-impaired assets	First and second stage	Third stage	of which: purchased or originated credit-impaired assets
1. Debt instruments	435,177	-	-	435,411	-	-
a) Public administrations	435,177	-	-	435,411	-	-
b) Other financial companies	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Financing to:	2,399,160	208,399	27,527	2,113,713	195,995	25,776
a) Public administrations	1,281,129	142,646	27,527	1,083,480	139,952	25,776
b) Other financial companies	72,341	4	-	43,429	1	-
of which: insurance companies	9	3	-	4	1	-
c) Non-financial companies	210,459	56,872	-	306,520	52,484	-
d) Households	835,231	8,877	-	680,284	3,558	-
Total	2,834,337	208,399	27,527	2,549,124	195,995	25,776

4.4 Financial assets measured at amortised cost: gross amount and total impairment losses

	Gross amount				Total impairment losses			Overall partial write-offs (*)
	First stage	of which instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt instruments	435,299	-	-	-	122	-	-	-
Financing	2,361,618	1,248,699	124,252	245,618	5,043	667	37,217	-
Total at 31.12.2019	2,796,917	1,248,699	124,252	245,618	5,165	667	37,217	-
Total at 31.12.2018	2,505,711	1,086,780	106,473	225,164	5,785	580	29,169	-
of which: purchased or originated credit-impaired financial assets	X	X	24,888	2,857	X	91	128	-

SECTION 7 - EQUITY INVESTMENTS - ITEM 70

7.1 Equity investments: information on investment relationships

	Registered office	Interest %	% of votes available
A. Fully-controlled companies			
1. S.F. Trust Holdings Ltd	London	100%	100%
2. Largo Augusto Servizi e Sviluppo S.r.l.	Milan	100%	100%
3. ProntoPegno S.p.A.	Milan	100%	100%

7.3 Significant equity investments: accounting information

	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total income	Net interest income	Net impairment gains and losses on property and equipment/intangible assets	Pre-tax profit (loss) from continuing operations	Post-tax profit (loss) from continuing operations	Post-tax profit (loss) from discontinued operations	Profit (loss) for the year	Other comprehensive income (expense), net of income tax	Comprehensive income (expense)
A. Fully-controlled companies														
1. S.F. Trust Holdings Ltd	-	117	817	1,902	324	-	(73)	-	(258)	(267)	-	(267)	-	(267)
2. Largo Augusto Servizi e Sviluppo S.r.l.	-	-	27,945	13,507	228	1,352	(136)	(602)	65	62	-	62	-	62
3. ProntoPegno S.p.A.	499	12,869	701	8,502	1,008	613	301	(44)	(599)	(428)	-	(428)	-	(440)

7.5 Equity investments: changes

	31.12.2019	31.12.2018
A. Opening balance	19,278	16,222
B. Increases	1,500	5,277
B.1 Purchases	-	5,277
B.2 Impairment gains	-	-
B.3 Revaluations	-	-
B.4 Other increases	1,500	-
C. Decreases	778	2,221
C.1 Sales	778	-
C.2 Impairment losses	-	-
C.3 Write-offs	-	-
C.4 Other decreases	-	2,221
D. Closing balance	20,000	19,278
E. Total revaluations	-	-
F. Total impairment losses	-	-

The increase of € 1.5 million relates to the transfer of the Bank's collateralised lending business unit to its subsidiary ProntoPegno. The decreases in the item

Equity investments are linked to the sale of the non-controlling interests in ADV Finance S.p.A. and its subsidiary Procredit S.r.l. in the second quarter of 2019.

SECTION 8 - PROPERTY AND EQUIPMENT - ITEM 80

8.1 Operating property and equipment: breakdown of property and equipment

	31.12.2019	31.12.2018
1 Owned	356	710
a) land	-	-
b) buildings	-	-
c) furniture	172	260
d) electronic equipment	184	421
e) other	-	29
2 Under finance lease	5,705	-
a) land	-	-
b) buildings	5,018	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	687	-
Total	6,061	710
of which: obtained from the enforcement of guarantees received	-	-

Property and equipment are recognised in the financial statements in accordance with the general acquisition cost criteria, including the related charges and any other expenses incurred to place the assets in conditions useful for the Bank, in addition to indirect costs for the portion reasonably attributable to assets that refer to the costs incurred, as at the end of the year.

Depreciation rates:

- Office furniture: 12%
- Furnishings: 15%
- Electronic machinery and miscellaneous equipment: 20%
- Assets less than Euro 516: 100%

The item “Under finance lease” includes the right of use relating to rents, of which the most significant amount refers to the property owned by the subsidiary Largo Augusto Servizi e Sviluppo S.r.l. (LASS) located in Milan, and the item “Other” includes the right of use relating to leased company cars.

8.6 Operating assets: changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balances	-	-	1,213	1,975	90	3,278
A.1 Total net impairment losses	-	-	953	1,554	61	2,568
A.2 Net opening balances	-	-	260	421	29	710
B. Increases	-	6,321	30	142	1,086	7,579
B.1 Purchases	-	4,971	30	93	450	5,544
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Impairment gains	-	-	-	-	-	-
B.4 Fair value gains recognised in	-	-	-	-	-	-
a. equity	-	-	-	-	-	-
b. profit or loss	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other increases	-	-	-	49	-	49
B.8 Business combination transactions	-	56	-	-	-	56
B.9 First-time adoption of IFRS 16	-	1,294	-	-	636	1,930
C. Decreases	-	1,303	118	379	428	2,228
C.1 Sales	-	223	54	251	32	560
C.2 Depreciation	-	1,032	49	128	343	1,552
C.3 Impairment losses recognised in	-	-	-	-	-	-
a. equity	-	-	-	-	-	-
b. profit or loss	-	-	-	-	-	-
C.4 Fair value losses recognised in	-	-	-	-	-	-
a. equity	-	-	-	-	-	-
b. profit or loss	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a. investment property	-	-	-	-	-	-
b. non-current assets held for sale and disposal groups	-	-	-	-	-	-
C.7 Other decreases	-	-	15	-	53	68
B.8 Business combination transactions	-	48	-	-	-	48
D. Net closing balance	-	5,018	172	184	687	6,061
D.1 Total net impairment losses	-	1,303	1,071	1,933	489	4,796
D.2 Gross closing balance	-	6,321	1,243	2,117	1,176	10,857
E. Measurement at cost	-	5,018	172	184	687	6,061

SECTION 9 - INTANGIBLE ASSETS - ITEM 90

9.1 Intangible assets: breakdown by type of asset

	31.12.2019		31.12.2018	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	-	3,920	-	1,786
A.2 Other intangible assets	1	-	2	-
A.2.1 Internally developed assets	1	-	2	-
a. Internally developed assets	-	-	-	-
b. Other	1	-	2	-
A.2.2 Assets measured at fair value:	-	-	-	-
a. Internally developed assets	-	-	-	-
b. Other	-	-	-	-
TOTAL	1	3,920	2	1,786

The other intangible assets are recognised at purchase cost including related costs, and are systematically amortised over a period of 5 years. The item mainly refers to software.

With respect to information related to goodwill,

reference should be made to Part B - Information on the statement of financial position, Section 10 - Intangible assets - Item 100 of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

9.2 Intangible assets: changes

	Goodwill	Other intangible assets: internally developed		Other intangible assets: Other		Total
		Fin	Indef	Fin	Indef	
A. Opening balance	1,786	-	-	3,104	-	4,890
A.1 Total net impairment losses	-	-	-	3,102	-	3,102
A.2 Net opening balances	1,786	-	-	2	-	1,788
B. Increases	2,134	-	-	-	-	2,134
B.1 Purchases	-	-	-	-	-	-
B.2 Increases in internally developed assets	-	-	-	-	-	-
B.3 Impairment gains	-	-	-	-	-	-
B.4 Fair value gains recognised in:	-	-	-	-	-	-
- equity	-	-	-	-	-	-
- profit or loss	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
B.7 Business combination transactions	2,134	-	-	-	-	-
C. Decreases	-	-	-	-	-	-
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	1	-	1
- Amortisation	-	-	-	1	-	1
- Impairment losses:	-	-	-	-	-	-
+ equity	-	-	-	-	-	-
+ profit or loss	-	-	-	-	-	-
C.3 Fair value losses recognised in:	-	-	-	-	-	-
- equity	-	-	-	-	-	-
- profit or loss	-	-	-	-	-	-
C.4 Transfers to disposal groups	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-	-
D. Net closing balance	3,920	-	-	1	-	3,921
D.1 Total net impairment losses	-	-	-	3,103	-	3,103
E. Gross closing balance	3,920	-	-	3,104	-	7,024
F. Measurement at cost	3,920	-	-	1	-	3,921

Key - Fin: finite useful life | Indef: indefinite useful life

SECTION 10 - TAX ASSETS AND TAX LIABILITIES - ITEM 100 OF ASSETS AND ITEM 60 OF LIABILITIES

Below is the breakdown of the current tax assets and current tax liabilities

	31.12.2019	31.12.2018
Current tax assets	10,995	9,086
IRES prepayments	8,249	6,781
IRAP prepayments	2,609	2,278
Other	137	27
Current tax liabilities	(13,208)	(12,531)
Provision for IRES	(9,658)	(9,321)
Provision for IRAP	(3,523)	(3,210)
Provision for substitute tax	(27)	-
Total	(2,213)	(3,445)

10.1 Deferred tax assets: breakdown

	31.12.2019	31.12.2018
Deferred tax assets through profit or loss:	7,771	6,716
Impairment losses on loans	2,756	2,756
Non-recurring transactions	427	533
Other	4,588	3,427
Deferred tax assets through equity:	328	910
Non-recurring transactions	247	311
HTCS securities	-	504
Other	81	95
Total	8,099	7,626

10.2 Deferred tax liabilities: breakdown

	31.12.2019	31.12.2018
Deferred tax liabilities through profit or loss:	14,060	12,222
Uncollected default interest income	14,000	12,094
Other	60	128
Deferred tax liabilities through equity:	160	9
HTCS securities	160	9
Total	14,220	12,231

10.3 Changes in deferred tax assets (through profit or loss)

	31.12.2019	31.12.2018
1. Opening balance	6,716	6,198
2. Increases	1,852	1,847
2.1 Deferred tax assets recognised in the year	1,852	1,847
a. related to previous years	-	206
b. due to changes in accounting policies	-	-
c. impairment gains	-	-
d. other	1,852	1,641
e. business combination transactions	-	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	797	1,329
3.1 Deferred tax assets derecognised in the year o	160	1,329
a. reversals	-	-
b. impairment due to non-recoverability	-	-
c. changes in accounting policies	-	-
d. other	160	1,329
3.2 Tax rate reductions	-	-
3.3 Other decreases	637	-
a. conversion into tax assets pursuant to Law 214/2011	-	-
b. other	637	-
4. Closing balance	7,771	6,716

10.3 bis Change in deferred tax assets pursuant to Law 214/2011

	31.12.2019	31.12.2018
1. Opening balance	3,376	3,429
2. Increases	53	-
3. Decreases	-	53
3.1 Reversals	-	-
3.2 Conversions into tax assets	-	-
a) arising on loss for the year	-	-
b) arising on tax losses	-	-
3.3 Other decreases	-	53
4. Closing balance	3,429	3,376

10.4 Changes in deferred tax liabilities (through profit or loss)

	31.12.2019	31.12.2018
1. Opening balance	12,222	9,829
2. Increases	2,049	5,802
2.1 Deferred tax liabilities recognised in the year	2,049	5,802
a. related to previous years	-	-
b. due to changes in accounting policies	-	-
c. other	2,049	5,802
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	211	3,409
3.1 Deferred tax liabilities derecognised in the year	68	3,409
a. reversals	-	-
b. due to changes in accounting policies	-	-
c. other	68	3,409
3.2 Tax rate reductions	-	-
3.3 Other decreases	143	-
4. Closing balance	14,060	12,222

10.5 Change in deferred tax assets (through equity)

	31.12.2019	31.12.2018
1. Opening balance	910	414
2. Increases	16	600
2.1 Deferred tax assets recognised in the year	16	600
a. related to previous years	-	-
b. due to changes in accounting policies	-	-
c. other	16	600
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	598	104
3.1 Deferred tax assets derecognised in the year	598	104
a. reversals	-	-
b. impairment due to non-recoverability	-	-
c. due to changes in accounting policies	-	-
d. other	588	104
3.2 Tax rate reductions	-	-
3.3 Other decreases	10	-
4. Closing balance	328	910

10.6 Change in deferred tax liabilities (through equity)

	31.12.2019	31.12.2018
1. Opening balance	9	289
2. Increases	160	9
2.1 Deferred tax liabilities recognised in the year	160	9
a. related to previous years	-	-
b. due to changes in accounting policies	-	-
c. other	160	9
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	9	289
3.1 Deferred tax liabilities derecognised in the year	9	289
a. reversals	-	-
b. due to changes in accounting policies	-	-
c. other	9	289
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Closing balance	160	9

**SECTION 11 - NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS AND ASSOCIATED LIABILITIES -
ITEM 110 OF ASSETS AND ITEM 70 OF LIABILITIES**

11.1 Non-current assets held for sale and disposal groups: breakdown by type of asset

	31.12.2019	31.12.2018
A. Assets held for sale	-	-
A.1 Financial assets	-	-
A.2 Equity investments	-	2,221
A.3 Property and equipment	-	-
of which: obtained from the enforcement of guarantees received	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	-	2,221
of which measured at cost	-	2,221
of which measured at fair value - level 1	-	-
of which measured at fair value - level 2	-	-
of which measured at fair value - level 3	-	2,221
B. Discontinued operations	-	-
B.1 Financial assets measured at fair value through profit or loss	-	-
- financial assets held for trading	-	-
- financial assets designated at fair value through profit or loss	-	-
- other financial assets mandatorily measured at fair value through profit or loss	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Property and equipment	-	-
of which: obtained from the enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total B	-	-
of which measured at cost	-	-
of which measured at fair value - level 1	-	-
of which measured at fair value - level 2	-	-
of which measured at fair value - level 3	-	-
C. Liabilities associated with assets held for sale	-	-
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	-	-
of which measured at cost	-	-
of which measured at fair value - level 1	-	-
of which measured at fair value - level 2	-	-
of which measured at fair value - level 3	-	-
D. Liabilities associated with discontinued operations	-	-
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value through profit or loss	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total D	-	-
of which measured at cost	-	-
of which measured at fair value - level 1	-	-
of which measured at fair value - level 2	-	-
of which measured at fair value - level 3	-	-

SECTION 12 - OTHER ASSETS - ITEM 120

12.1 Other assets: breakdown

	31.12.2019	31.12.2018
Tax advances	7,175	6,939
Other	3,531	1,587
Work in progress	2,970	951
Trade receivables	2,446	610
Prepayments not related to a specific item	1,952	1,711
Leasehold improvements	70	113
Security deposits	54	48
Total	18,198	11,959

The item is mainly composed of tax advances relative to virtual stamp duties and withholding taxes on interest expense.

LIABILITIES

SECTION 1 - FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - ITEM 10

1.1 Financial liabilities measured at amortised cost: breakdown by product of due to banks

	31.12.2019				31.12.2018			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to Central banks	358,250	X	X	X	412,850	X	X	X
2. Due to banks	30,108	X	X	X	282,347	X	X	X
2.1 Current accounts and demand deposits	19	X	X	X	53	X	X	X
2.2 Term deposits	30,089	X	X	X	282,294	X	X	X
2.3 Financing	-	X	X	X	-	X	X	X
2.3.1 Repurchase agreements	-	X	X	X	-	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	-	X	X	X	-	X	X	X
2.6 Other payables	-	X	X	X	-	X	X	X
TOTAL	388,358			388,358	695,197			695,197

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

1.2 Financial liabilities measured at amortised cost: breakdown by product of due to customers

	31.12.2019				31.12.2018			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	682,214	X	X	X	660,751	X	X	X
2. Term deposits	1,325,742	X	X	X	957,862	X	X	X
3. Financing	543,941	X	X	X	283,244	X	X	X
3.1 Repurchase agreements	457,070	X	X	X	179,819	X	X	X
3.2 Other	86,871	X	X	X	103,425	X	X	X
4. Commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease liabilities	-	X	X	X	-	X	X	X
6. Other payables	165,078	X	X	X	199	X	X	X
TOTAL	2,716,975			2,716,987	1,902,056			1,902,056

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

1.3 Financial liabilities measured at amortised cost: breakdown by product of the securities issued

	31.12.2019				31.12.2018			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	311,607	177,657	-	135,722	304,987	-	-	304,987
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	311,607	177,657	-	135,722	304,987	-	-	304,987
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
TOTAL	311,607	177,657	-	135,722	304,987	-	-	304,987

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

1.4 Breakdown of subordinated loans/securities

	Issuer	Type of issue	Coupon	Maturity date	Nominal amount	IFRS amount
Tier 1 Capital	Banca Sistema S.p.A.	Tier 1 subordinated loans with mixed rate	Until 17 June 2023, fixed rate at 7%	Perpetual	8,000	8,016
			From 18 June 2023, 6-month Euribor +5% variable rate			
Tier 2 Capital	Banca Sistema S.p.A.	Subordinated ordinary loans (Tier 2)	6-month Euribor + 4.5%	30/03/2027	19,500	19,506
Tier 2 Capital	Banca Sistema S.p.A.	Subordinated ordinary loans (Tier 2)	Fixed rate at 7%	20/06/2029	18,000	18,041
TOTAL					45,500	45,563

SECTION 6 - TAX LIABILITIES - ITEM 60

The breakdown as well as the change in the deferred tax liabilities were illustrated in Part B Section 10 of assets in these notes to the financial statements.

SECTION 8 - OTHER LIABILITIES - ITEM 80

8.1 Other liabilities: breakdown

	31.12.2019	31.12.2018
Payments received in the reconciliation phase	54,893	37,959
Accrued expenses	10,714	6,043
Tax liabilities with the Tax Authority and other tax authorities	9,458	9,121
Work in progress	9,180	4,760
Trade payables	6,485	5,767
Finance lease liabilities	5,736	-
Due to employees	838	797
Pension repayments	699	654
Due to group companies	697	92
Other	110	42
TOTAL	98,810	65,235

SECTION 9 - POST-EMPLOYMENT BENEFITS - ITEM 90

9.1 Post-employment benefits: changes

	31.12.2019	31.12.2018
A. Opening balance	2,402	2,172
B. Increases	911	460
B.1 Accruals	513	460
B.2 Other increases	180	-
B.3 Business combination transactions	218	-
C. Decreases	358	230
C.1 Payments	222	196
C.2 Other decreases	136	34
D. Closing balance	2,955	2,402
TOTAL	2,955	2,402

9.2 Other Information

The actuarial amount of post-employment benefits was calculated by an external actuary, who issued an appraisal.

The other decreases refer to the actuarial gain accounted for during the year. The payments made refer to post-employment benefits paid during the year.

The technical valuations were conducted on the basis of the assumptions described in the following table:

Annual discount rate	0.77%
Annual inflation rate	1.20%
Annual post-employment benefits increase rate	2.40%
Annual salary increase rate	1.00%

The discount rate used for determining the present value of the obligation was calculated, pursuant to IAS 19.83, from the Iboxx Corporate AA index with 10+ duration during the valuation month. To this end, a choice was made to select the yield with a duration comparable to the duration of the set of workers subject to valuation.

SECTION 10 - PROVISIONS FOR RISKS AND CHARGES - ITEM 100

10.1 Provisions for risks and charges: breakdown

	31.12.2019	31.12.2018
1. Provisions for credit risk related to commitments and financial guarantees issued	44	7
2. Fondi su altri impegni e altre garanzie rilasciate	-	-
3. Internal pension funds	-	-
4. Other provisions for risks and charges	21,747	9,214
4.1 legal and tax disputes	4,481	3,029
4.2 personnel expense	7,220	6,139
4.3 other	10,046	46
TOTAL	21,791	9,221

10.2 Provisions for risks and charges: changes

	Provisions for other commitments and other guarantees issued	Pension funds	Other provisions for risks and charges	Total
A. Opening balance	7	-	9,214	9,221
B. Increases	37	-	15,047	15,084
B.1 Accruals	37	-	6,843	6,880
B.2 Discounting	-	-	-	-
B.3 Changes due to discount rate changes	-	-	-	-
B.4 Other increases	-	-	5,792	5,792
B.5 Business combination transactions	-	-	2,412	2,412
C. Decreases	-	-	2,514	2,514
C.1 Utilisations	-	-	1,985	1,985
C.2 Changes due to discount rate changes	-	-	-	-
C.3 Other decreases	-	-	529	529
D. Closing balance	44	-	21,747	21,791

The provision for risks and charges of € 22.3 million includes the provision for possible liabilities attributable to past acquisitions, the estimated portion of the bonus for the year, the deferred portion of the bonus accrued in previous years, and the estimate related to the non-compete agreement. The provision also includes an estimate of the charges relating to lawsuits with customers and the estimated charges for other lawsuits and legal disputes. Following the acquisition of Atlantide, the provision increased as a result of the

estimated earn-out to be paid to the sellers linked to the achievement of production volume targets for the next three years, and the provision for supplementary customer allowances. Also included is the provision to cover the estimated adverse effect of possible early repayments on CQS portfolios purchased from third-party intermediaries.

The provisions for commitments and guarantees issued refer to provisions for credit risk related to commitments to disburse funds and financial guarantees issued.

10.3 Provisions for credit risk related to commitments and financial guarantees issued

	Provisions for credit risk related to commitments and financial guarantees issued			
	First stage	Second stage	Third stage	Total
1. Commitments to disburse funds	-	-	-	-
2. Financial guarantees issued	44	-	-	44
Total	44	-	-	44

10.5 Internal defined benefit pension funds

Nothing to report.

10.6 Provisions for risks and charges - other provisions

	31.12.2019	31.12.2018
Legal and tax disputes	4,481	3,029
Personnel expense	7,220	6,139
Other	10,046	46
TOTAL	21,747	9,214

“Personnel expense” includes:

- the provisions made for variable remuneration to be paid to employees in subsequent years, for which the due date and/or amount are uncertain;
- an estimate of labour-related disputes;
- the amount resulting from the actuarial valuation of the non-compete agreement under IAS 19, as described below.

The calculation method can be summarised in the following steps:

- projection for each employee in service at the valuation date of the NCA that has already been accrued, and the future NCA portions that will be accrued up to an

uncertain payment date;

- determination for each employee of the NCA payments that the Bank will have to make should the employee leave due to dismissal or retirement;
- discounting, at the valuation date, of each probable payment.

In particular, the annual discount rate used for determining the present value of the obligation was calculated, pursuant to IAS 19.83, from the Iboxx Corporate AA index with 10+ duration during the valuation month. To this end, a choice was made to select the yield with a duration comparable to the duration of the set of workers subject to valuation.

SECTION 12 - BANK EQUITY - ITEMS 110, 130, 140, 150, 160, 170 AND 180

12.1 "Share capital" and "Treasury shares": breakdown

The share capital of Banca Sistema is composed of 80,421,052 ordinary shares with a nominal amount of € 0.12 for a total paid-in share capital of € 9,651 thousand. All outstanding shares have regular dividend entitlement from 1 January. Based on evidence from the Shareholders'

Register and more recent information available, as at 2 July 2015 the shareholders with stakes of more than 5%, the threshold above which Italian law (art. 120 of the Consolidated Law on Finance) requires disclosure to the investee and Consob, were as follows:

SHAREHOLDERS	% HELD
SGBS S.r.l.	23.10%
Garbifin S.r.l.	0.51%
Fondazione Sicilia	7.40%
Fondazione Cassa di Risparmio di Alessandria	7.91%
<i>Market</i>	<i>61.08%</i>

At 31 December 2019, after the launch in 2019 of a plan for the repurchase of treasury shares designed to create a stock of securities to be used for the incentive plan for the Group's key personnel, the Bank held 168,669 shares (equal to 0.21% of the share capital).

The breakdown of the bank's equity is shown below:

	31.12.2019	31.12.2018
1. Share capital	9,651	9,651
2. Share premium	39,100	39,184
3. Reserves	100,873	79,804
4. (Treasury shares)	(234)	(199)
5. Valuation reserves	279	(1,131)
6. Equity instruments	-	-
7. Profit for the year	29,956	28,071
TOTAL	179,625	155,380

For changes in reserves, please refer to the statement of changes in equity.

12.2 Share capital - Number of shares: changes

	Ordinary	Other
A. Opening balance	80,421,052	-
- fully paid-in	80,421,052	-
- not fully paid-in	-	-
A.1 Treasury shares (-)	104,661	-
A.2 Outstanding shares: opening balance	80,316,391	-
B. Increases	174,240	-
B.1 New issues	174,240	-
- against consideration:	-	-
- business combination transactions	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- bond issues:	174,240	-
- to employees	29,822	-
- to directors	144,418	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other increases	-	-
C. Decreases	238,248	-
C.1 Cancellation	-	-
C.2 Repurchase of treasury shares	238,248	-
C.3 Disposal of equity investments	-	-
C.4 Other decreases	-	-
D. Outstanding shares: closing balance	80,252,383	-
D.1 Treasury shares (+)	168,669	-
D.2 Closing balance	80,421,052	-
- fully paid-in	80,421,052	-
- not fully paid-in	-	-

12.4 Income-related reserves: other information

In compliance with art. 2427(7 bis) of the Italian Civil Code, below is the detail of the equity items revealing the origin and possibility of use and distributability.

	Amount as at 31.12.2019	Possible use	Available portion
A. Share capital	9,651	-	-
B. Equity-related reserves	-	-	-
Share premium reserve	39,100	A,B,C	-
Reserve to provide for losses	-	-	-
C. Income-related reserves:	-	-	-
Legal reserve	1,930	B	-
Valuation reserve	279	-	-
Negative goodwill	1,774	A,B,C	-
Retained earnings	98,031	A,B,C	-
Reserve for treasury shares	200	-	-
Reserve for future capital increase	-	-	-
D. Other reserves	(1,062)	-	-
E. Treasury shares	(234)	-	-
TOTAL	149,669	-	-
Profit for the year	29,956	-	-
TOTAL EQUITY	179,625	-	-
Undistributable portion	-	-	-
Distributable portion	-	-	-

Key:

A: for share capital increase

B: to cover losses

C: for distribution to shareholders

OTHER INFORMATION

1. Commitments and financial guarantees issued (other than those designated at fair value)

	Nominal amount of commitments and financial guarantees issued			31.12.2019	31.12.2018
	First stage	Second stage	Third stage		
Commitments to disburse funds	217,236	7,057	22,196	246,489	285,910
a) Central Banks	-	-	-	-	-
b) Public administrations	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial companies	121,035	-	-	121,035	176,660
e) Non-financial companies	91,119	7,057	22,196	120,372	106,899
f) Households	5,082	-	-	5,082	2,351
Financial guarantees issued	3,118	-	-	3,118	2,446
a) Central Banks	-	-	-	-	-
b) Public administrations	-	-	-	-	-
c) Banks	2,446	-	-	2,446	2,446
d) Other financial companies	-	-	-	-	-
e) Non-financial companies	627	-	-	627	-
f) Households	45	-	-	45	-

The item “financial guarantees issued - banks” includes the commitments taken on with the interbank guarantee systems; the item “Irrevocable commitments to disburse funds” is related to the equivalent value of the securities to receive for transactions to be settled.

2. Other commitments and other guarantees issued

	Nominal amount	
	31.12.2019	31.12.2018
Other guarantees issued	-	970
of which: impaired	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	900
f) Households	-	70
Other commitments	-	-
of which: impaired	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-

3. Assets pledged as collateral for liabilities and commitments

	31.12.2019	31.12.2018
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	192,101	91,989
3. Financial assets measured at amortised cost	469,875	258,235
4. Property and equipment	-	-
of which: Property and equipment included among inventories	-	-

5. Management and trading on behalf of third parties

	Amount
1. Execution of orders on behalf of customers	-
a) purchases	-
1. settled	-
2. unsettled	-
b) sales	-
1. settled	-
2. unsettled	-
2. Individual asset management	-
3. Securities custody and administration	1,597,241
a) third-party securities held as part of depositary bank services (excluding asset management)	-
1. securities issued by the reporting entity	-
2. other securities	-
b) third-party securities on deposit (excluding asset management): other	45,702
1. securities issued by the reporting entity	4,062
2. other securities	41,640
c) third-party securities deposited with third parties	45,702
d) securities owned by the bank deposited with third parties	1,505,837
4. Other transactions	-

PART C - INFORMATION ON THE INCOME STATEMENT

SECTION 1 - INTEREST - ITEMS 10 AND 20

1.1. Interest and similar income: breakdown

	Debt instruments	Financing	Other transactions	2019	2018
1. Financial assets measured at fair value through profit or loss:	-	-	-	-	-
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated at fair value through profit or loss	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value through profit or loss	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	X	-	-
3. Financial assets measured at amortised cost:	750	106,802	-	107,552	98,211
3.1 Loans and receivables with banks	-	146	X	146	51
3.2 Loans and receivables with customers	750	106,656	X	107,406	98,160
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	-	-	-
6. Financial liabilities	X	X	X	2,692	1,679
TOTAL	750	106,802	-	110,244	99,890
of which: interest income on impaired assets	-	-	-	-	-
of which: interest income on finance leases	-	-	-	-	-

The total contribution of the factoring portfolio was € 81 million (equal to 74% of the entire loans and receivables portfolio), which is up 8.0% on the previous year thanks to the tax receivables portfolio which was able to benefit from earlier than expected collections; when considering the commission component associated with the factoring business, the contribution increased by 9.5% over 31 December 2018. The component linked to default interest from legal action at 31 December 2019 was € 29 million (€ 28.4 million in 2018):

- of which € 5.1 million resulting from the updated recovery estimates (€ 7.8 million at 31 December 2018);
- of which € 12.0 million that results from maintaining the recovery estimates (€ 10.3 million at 31 December

2018) which is in line with the previous year thanks to the activation of a loans and receivables portfolio for a significant amount;

- of which € 11.9 million (€ 10.3 million at 31 December 2018) coming from net collections during the year, i.e. the difference between the amount collected during the year, equal to € 21.6 million (€ 19.2 million in 2018) and that recognised on an accruals basis in previous years. This item includes collections from sales made to third parties at the end of the first and second half of the year.

The other significant element of this item is attributable to the interest on the salary- and pension-backed portfolios, which rose from € 19.6 million to € 23 million, an increase of 17.6% over the previous year.

1.3 Interest and similar expense: breakdown

	Liabilities	Securities	Other transactions	2019	2018
1. Financial liabilities measured at amortised cost	21,634	7,930	-	29,564	24,100
1.1 Due to Central banks		X	-	-	786
1.2 Due to banks	578	X	-	578	1,750
1.3 Due to customers	21,056	X	-	21,056	14,572
1.4 Securities issued	X	7,930	-	7,930	6,992
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value through profit or loss	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	-
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	127	1,044
TOTAL	21,634	7,930	-	29,691	25,144
of which: interest expense related to lease liabilities	69	-	-	69	-

SECTION 2 - NET FEE AND COMMISSION INCOME - ITEMS 40 AND 50

2.1 Fee and commission income: breakdown

	2019	2018
a. guarantees issued	13	18
b. credit derivatives	-	-
c. management, brokerage and consultancy services:	124	165
1. trading in financial instruments	-	-
2. foreign currency transactions	-	-
3. individual asset management	10	7
4. securities custody and administration	2	1
5. depositary services	-	-
6. placement of securities	72	97
7. order collection and transmission	40	60
8. consultancy services	-	-
8.1. on investments	-	-
8.2. on financial structure	-	-
9. distribution of third party services	-	-
9.1. asset management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. insurance products	-	-
9.3. other products	-	-
d. collection and payment services	62	100
e. services for securitisations	-	-
f. services for factoring	18,409	15,772
g. tax collection services	-	-
h. management of multilateral trading facilities	-	-
i. keeping and management of current accounts	91	48
j. other services	3,561	1,522
TOTAL	22,260	17,625

2.2 Fee and commission income: distribution channels of products and services

	2019	2018
A) at its branches:	82	104
1. asset management	10	7
2. placement of securities	72	97
3. third-party services and products	-	-
B) off-premises:	-	-
1. asset management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-
c) other distribution channels:	-	-
1. asset management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-

2.3 Fee and commission expense: breakdown

	2019	2018
a. guarantees received	-	1
b. credit derivatives	-	-
c. management and brokerage services:	4,719	712
1. trading in financial instruments	70	61
2. foreign currency transactions	-	-
3. asset management	-	-
3.1 own portfolio	-	-
3.2 third party portfolios	-	-
4. securities custody and administration	-	-
5. placement of financial instruments	-	-
6. off-premises distribution of securities, products and services	4,649	651
d. collection and payment services	222	162
e. other services	1,478	1,493
TOTAL	6,419	2,368

SECTION 3 - DIVIDENDS AND SIMILAR INCOME - ITEM 70

3.1 Dividends and similar income: breakdown

	2019		2018	
	dividends	similar income	dividends	similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily measured at fair value through profit or loss	-	-	-	-
C. Financial assets measured at fair value through other comprehensive income	227	-	227	-
D. Equity investments	-	-	-	-
TOTAL	227	-	227	-

SECTION 4 - NET TRADING INCOME - ITEM 80

4.1 Net trading income: breakdown

	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Net trading income [(A+B) - (C+D)]
1. Financial assets held for trading	-	220	-	(5)	215
1.1 Debt instruments	-	220	-	(5)	215
1.2 Equity instruments	-	-	-	-	-
1.3 OEIC units	-	-	-	-	-
1.4 Financing	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt instruments	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange rate gains (losses)	X	X	X	X	-
4. Derivatives	-	-	-	-	-
4.1 Financial derivatives:	-	-	-	-	-
- On debt instruments and interest rates	-	-	-	-	-
- On equity instruments and equity indexes	-	-	-	-	-
- On currencies and gold	X	X	X	X	-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected to the fair value option	X	X	X	X	-
TOTAL	-	220	-	(5)	215

SECTION 6 - GAIN FROM SALES OR REPURCHASES - ITEM 100

6.1 Gain from sales or repurchases: breakdown

	2019			2018		
	Gain	Loss	Net gain	Gain	Loss	Net gain
A. Financial assets	-	-	-	-	-	-
1. Financial assets measured at amortised cost:	1,106	-	1,106	-	-	-
1.1 Loans and receivables with banks	-	-	-	-	-	-
1.2 Loans and receivables with customers	1,106	-	1,106	-	-	-
2. Financial assets measured at fair value through other comprehensive income	4,140	(1,530)	2,610	1,545	(378)	1,167
2.1 Debt instruments	4,140	(1,530)	2,610	1,545	(378)	1,167
2.2 Financing	-	-	-	-	-	-
TOTAL ASSETS (A)	5,246	(1,530)	3,716	1,545	(378)	1,167
B. Financial liabilities measured at amortised cost	-	-	-	-	-	-
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
TOTAL LIABILITIES (B)	-	-	-	-	-	-

SECTION 8 - NET IMPAIRMENT LOSSES DUE TO CREDIT RISK - ITEM 130

8.1 Net impairment losses due to credit risk related to financial assets measured at amortised cost: breakdown

	Impairment losses (1)			Impairment gains (2)		2019	2018
	First and second stage	Third stage		First and second stage	Third stage		
		write-offs	Other				
A. Loans and receivables with banks	25	-	-	(8)	-	17	-
- Financing	25	-	-	(8)	-	17	-
- Debt instruments	-	-	-	-	-	-	-
of which: purchased or originated credit-impaired loans and receivables	-	-	-	-	-	-	-
B. Loans and receivables with customers:	1,438	-	7,930	(388)	(49)	8,931	6,812
- Financing	1,388	-	7,930	(388)	(49)	8,881	6,755
- Debt instruments	50	-	-	-	-	50	57
of which: purchased or originated credit-impaired loans and receivables	-	-	-	-	-	-	-
Total	1,463	-	7,930	(396)	(49)	8,948	6,812

8.2 Net impairment losses due to credit risk related to financial assets measured at fair value through other comprehensive income: breakdown

	Impairment losses (1)			Impairment gains (2)		2019	2018
	First and second stage	Third stage		First and second stage	Third stage		
		write-offs	other				
A. Debt instruments	105	-	-	-	-	105	2
B. Financing	-	-	-	-	-	-	-
- To customers	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-
of which: purchased or originated credit-impaired financial assets	-	-	-	-	-	-	-
Total	105	-	-	-	-	105	2

SECTION 10 - ADMINISTRATIVE EXPENSES - ITEM 160

10.1 Personnel expense: breakdown

	2019	2018
1) Employees	20,251	18,206
a) wages and salaries	11,280	10,957
b) social security charges	2,968	2,741
c) post-employment benefits	-	-
d) pension costs	-	-
e) accrual for post-employment benefits	857	676
f) accrual for pension and similar provisions:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external supplementary pension funds:	335	307
- defined contribution plans	335	307
- defined benefit plans	-	-
h) costs of share-based payment plans	-	-
i) other employee benefits	4,811	3,525
2) Other personnel	458	413
3) Directors and statutory auditors	1,098	975
4) Retired personnel	-	-
5) Recovery of costs for employees of the Bank seconded to other entities	-	-
6) Reimbursement of costs for employees of other entities seconded to the Bank	509	217
TOTAL	22,316	19,811

10.2 Average number of employees by category

Employees

a) Senior managers:	23
b) Managers:	40
c) Remaining employees:	124

10.5 Other administrative expenses: breakdown

	2019	2018
IT expenses	5,552	4,372
Consultancy	4,156	3,696
Resolution Fund	1,146	942
Servicing and collection activities	2,992	2,736
Indirect taxes and duties	2,108	2,010
Rent and related fees	1,029	2,195
Expense reimbursement and entertainment	825	726
Car hire and related fees	635	858
Insurance	486	385
Advertising	502	568
Membership fees	304	265
Expenses related to management of the SPVs	530	535
Audit fees	329	295
Infoprovider expenses	638	255
Other	375	366
Telephone and postage expenses	187	175
Maintenance of movables and real properties	170	235
Stationery and printing	60	96
Merger-related costs	488	-
TOTAL	22,512	20,710

Administrative expenses include costs related to the merger of Atlantide into the Bank amounting to € 488 thousand (total merger-related costs amounted to € 571 thousand, including the cost recognised under reduction in value due to amortisation).

The rise in IT expenses is linked to the increase in services provided by the outsourcer due to the increase in Group operations as well as to IT updates on new products.

The amount of the items Rent and Car hire for the first half of 2019 was impacted by the application of the new IFRS 16. In 2019, these items include only property management costs and utility costs, and, unlike in 2018,

does not include lease payments, the cost of which, in 2019, is mainly reflected in the item depreciation of the “right-of-use” asset.

The increase in consulting expenses is mainly due to the costs incurred for legal expenses related to pending lawsuits and enforceable injunctions.

The increase in indirect taxes and duties is mainly due to the increase in contributions paid for the enforceable injunctions deposited with public administration.

The contribution to the Resolution Fund represents the required amount of ex-ante contributions for 2019 and includes the payment of the additional contribution of € 0.3 million required in June.

SECTION 11 - NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES - ITEM 170

11.2 Net accruals for other commitments and other guarantees issued: breakdown

	2019	2018
Net accruals for other commitments and other guarantees	(36)	-
TOTAL	(36)	-

11.3 Net accruals to other provisions for risks and charges: breakdown

	2019	2018
Provisions for risks and charges - other provisions and risks	(1,960)	(414)
Release of provisions for risks and charges	-	-
TOTAL	(1,960)	(414)

SECTION 12 - NET IMPAIRMENT LOSSES ON PROPERTY AND EQUIPMENT - ITEM 180

12.1 Net impairment losses on property and equipment: breakdown

	Depreciation (a)	Impairment losses (b)	Impairment gains (c)	Carrying amount (a + b - c)
A. Property and equipment	-			-
1. Operating assets	1,641	-	-	1,641
- Owned	220	-	-	220
- Right-of-use assets acquired under a lease	1,421	-	-	1,421
2. Investment property	-	-	-	-
- Owned	-	-	-	-
- Right-of-use assets acquired under a lease	-	-	-	-
3. Inventories	-	-	-	-
TOTAL	1,641	-	-	1,641

SECTION 13 - NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS - ITEM 190

13.1 Net impairment losses on intangible assets: breakdown

	Amortisation (a)	Impairment losses (b)	Impairment gains (c)	Carrying amount (a + b - c)
A. Intangible assets				
A.1 Owned	107	-	-	107
▪ Developed internally	-	-	-	-
▪ Other	107	-	-	107
A.2 Acquired under finance lease	-	-	-	-
TOTAL	107	-	-	107

SECTION 14 - OTHER OPERATING INCOME (EXPENSE) - ITEM 200

14.1 Other operating expense: breakdown

	2019	2018
Amortisation of leasehold improvements	42	80
Other operating expense	1,857	735
TOTAL	1,899	815

14.2 Other operating income: breakdown

	2019	2018
Recoveries of expenses on current accounts and deposits for sundry taxes	333	265
Recoveries of sundry expenses	155	11
Other income	615	121
TOTAL	1,103	397

“Recoveries of expenses on current accounts and deposits for sundry taxes” include the amounts recovered from customers for the substitute tax on medium and long-term loans and for the stamp duty on current account and security statements of account.

SECTION 19 - INCOME TAXES - ITEM 270

19.1 Income taxes: breakdown

	2019	2018
1. Current taxes (-)	(12,420)	(12,531)
2. Changes in current taxes of previous years (+/-)	852	(223)
3. Decrease in current taxes for the year (+)	-	-
3.bis Decrease in current taxes for the year due to tax assets pursuant to Law no. 214/2011 (+)	-	-
4. Changes in deferred tax assets (+/-)	1,055	518
5. Changes in deferred tax liabilities (+/-)	(1,838)	(2,393)
6. Tax expense for the year (-) (-1+/-2+3+/-4+/-5)	(12,351)	(14,629)

19.2 Reconciliation between theoretical and effective tax expense

IRES (CORPORATE INCOME TAX)	Taxable income	IRES (corporate income tax)	%
Theoretical IRES expense	42,131	(11,587)	27.50%
<i>Permanent increases</i>	1,982	(545)	1.29%
<i>Temporary increases</i>	8,976	(2,468)	5.86%
<i>Permanent decreases</i>	(11,912)	3,276	-7.77%
<i>Temporary decreases</i>	(7,451)	2,049	-4.86%
Effective IRES expense	33,726	(9,275)	22.01%
IRAP (REGIONAL BUSINESS TAX)	Taxable income	IRAP (regional business tax)	%
Theoretical IRAP expense	42,131	(2,346)	5.57%
<i>Permanent increases</i>	59,585	(3,319)	7.88%
<i>Temporary increases</i>	4,592	(256)	0.61%
<i>Permanent decreases</i>	(49,840)	2,776	-6.59%
<i>Temporary decreases</i>	-	-	0.00%
Effective IRAP expense	56,468	(3,145)	7.47%
▪ Other tax expense	-	-	-
Total effective IRES and IRAP expense	90,194	(12,420)	29.48%

SECTION 20 - POST-TAX (LOSS) PROFIT FROM DISCONTINUED OPERATIONS - ITEM 290

20.1 Post-tax profit (loss) from discontinued operations: breakdown

	2019	2018
Gains (losses) on sales	179	-
Taxes and duties	(3)	-
Profit (loss)	176	-

20.2 Breakdown of income taxes from discontinued operations

	2019	2018
1. Current taxes (-)	(3)	-
2. Changes in deferred tax assets (+/-)	-	-
3. Changes in deferred tax liabilities (-/+)	-	-
4. Income taxes for the year (-1+/-2+/-3)	(3)	-

SECTION 21 - OTHER INFORMATION

Nothing to report.

SECTION 22 - EARNINGS PER SHARE

Earnings per share (EPS)	2019
Profit for the year (thousands of Euro)	29,956
Average number of outstanding shares	80,279,993
Basic earnings per share (in Euro)	0.373
Diluted earnings per share (in Euro)	0.373

EPS is calculated by dividing the profit attributable to holders of ordinary shares of Banca Sistema (numerator) by the weighted average number of ordinary shares (denominator) outstanding during the year.

PART D - OTHER COMPREHENSIVE INCOME

Breakdown of comprehensive income

	2019	2018
10. Profit for the year	29,956	28,070
Items, net of tax, that will not be reclassified subsequently to profit or loss	-	-
20. Equity instruments designated at fair value through other comprehensive income:	-	-
a) fair value gains (losses)	-	-
b) transfers to other equity items	-	-
30. Financial liabilities designated at fair value through profit or loss (changes in own credit rating):	-	-
a) fair value gains (losses)	-	-
b) transfers to other equity items	-	-
40. Hedging of equity instruments designated at fair value through other comprehensive income:	-	-
a) fair value gains (losses) - hedged item	-	-
b) fair value gains (losses) - hedging instrument	-	-
50. Property and equipment	-	-
60. Intangible assets	-	-
70. Defined benefit plans	(20)	39
80. Non-current assets held for sale	-	-
90. Share of valuation reserves of equity-accounted investments:	-	-
100. Income taxes on items that will not be reclassified subsequently to profit or loss	-	-
Items, net of tax, that will be reclassified subsequently to profit or loss	-	-
110. Hedges of foreign investments:	-	-
a) fair value gains (losses)	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
120. Exchange rate gains (losses):	-	-
a) fair value gains (losses)	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
130. Cash flow hedges:	-	-
a) fair value gains (losses)	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
of which: net position gains (losses)	-	-
140. Hedging instruments (non-designated elements):	-	-
a) fair value gains (losses)	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-

	2019	2018
150. Financial assets (other than equity instruments) measured at fair value through other comprehensive income:		
a) fair value gains (losses)	1,430	(2,064)
b) reclassification to profit or loss	-	-
- impairment losses due to credit risk	104	49
- gains/losses on sales	1,001	(585)
c) other changes	-	(527)
160. Non-current assets held for sale and disposal groups:		-
a) fair value gains (losses)	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
170. Share of valuation reserves of equity-accounted investments:	-	-
a) fair value gains (losses)	-	-
b) reclassification to profit or loss		
- impairment losses	-	-
- gains/losses on sales	-	-
c) other changes	-	-
180. Income taxes on items that will be reclassified subsequently to profit or loss	-	-
190. Total other comprehensive income (expense)	1,410	(2,025)
200. Comprehensive income (10+190)	31,366	26,045

SECTION 1 - CREDIT RISK

QUALITATIVE DISCLOSURE

1. General aspects

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

2. Credit Risk Management Policies

2.1 Organisational aspects

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

2.2 Management, measurement and control systems

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

2.3 Methods of measuring expected losses

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

2.4 Credit Risk mitigation techniques

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

3. Impaired loans

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

3.1 Management strategies and policies

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

3.2 Write-offs

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

3.3 Purchased or originated credit-impaired financial assets

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

4. Financial assets subject to commercial renegotiation and forbore exposures

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

QUANTITATIVE DISCLOSURE

A. Credit quality

A.1 Impaired and unimpaired loans: carrying amounts, impairment losses, performance and business breakdown

A.1.1 Breakdown of financial assets by portfolio and by credit quality (carrying amounts)

	Bad exposures	Unlikely to pay	Impaired past due exposures	Unimpaired past due exposures	Other unimpaired exposures	Total
1. Financial assets measured at amortised cost	30,544	123,306	54,549	709,093	2,206,246	3,123,738
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	550,219	550,219
3. Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value through profit or loss	-	-	-	-	-	-
5. Financial assets held for sale	-	-	-	-	-	-
Total at 31.12.2019	30,544	123,306	54,549	709,093	2,756,465	3,673,957
Total at 31.12.2018	39,017	77,912	79,066	265,500	2,638,610	3,100,105

The financial assets measured at fair value through other comprehensive income do not include the shares of the Bank of Italy and Axactor.

A.1.2 Breakdown of financial assets by portfolio and by credit quality (gross amount and carrying amount)

	Impaired			Unimpaired			overall partial write-offs (*)	
	Gross amount	Total impairment losses	Carrying amount	overall partial write-offs (*)	Gross amount	Total impairment losses		Carrying amount
1. Financial assets measured at amortised cost	245,616	37,217	208,399	-	2,921,171	5,832	2,915,339	3,123,738
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	550,373	154	550,219	550,219
3. Financial assets designated at fair value through profit or loss	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value through profit or loss	-	-	-	-	X	X	-	-
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total at 31.12.2019	245,616	37,217	208,399	-	3,471,544	5,986	3,465,558	3,673,957
Total at 31.12.2018	225,163	29,169	195,994	-	2,910,526	6,415	2,904,111	3,100,105

A.1.3 Breakdown of financial assets by past due range (carrying amounts)

	First stage			Second stage			Third stage		
	From 1 day to 30 days	From more than 30 days to 90 days	More than 90 days	From 1 day to 30 days	From more than 30 days to 90 days	More than 90 days	From 1 day to 30 days	From more than 30 days to 90 days	More than 90 days
1. Financial assets measured at amortised cost	29,272	24,744	647,530	999	464	6,753	1,218	3,652	155,153
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Total at 31.12.2019	29,272	24,744	647,530	999	464	6,753	1,218	3,652	155,153
Total at 31.12.2018	27,148	24,474	202,713	1,047	3,672	6,900	295	10,975	126,523

A.1.4 Financial assets, commitments to disburse funds and financial guarantees issued: changes in impaired positions and accruals to provisions

	Total impairment losses												Overall accruals to provisions on commitments to disburse funds and financial guarantees issued			Total			
	Assets included in the first stage				Assets included in the second stage				Assets included in the third stage				First stage	Second stage	Third stage				
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income					Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses
Opening total impairment losses	5,836	49	-	-	5,885	580	-	-	580	29,116	-	-	29,116	-	-	286	-	-	35,581
Increases in purchased or originated financial assets	-	-	-	-	-	50	-	-	50	26	-	-	26	-	-	76	-	-	76
Derecognition other than write-offs	1,171	-	-	-	1,171	56	-	-	56	310	-	-	310	-	-	31	-	-	1,537
Net impairment losses/gains due to credit risk (+/-)	500	105	-	-	605	93	-	-	93	8,385	-	-	8,385	-	-	(119)	44	-	9,083
Contract amendments without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing total impairment losses	5,165	154	-	-	5,318	667	-	-	667	37,217	-	-	37,217	-	-	212	44	-	43,203
Recoveries from collection on financial assets that have been written off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.1.5 Financial assets, commitments to disburse funds and financial guarantees issued: transfers between different credit risk stages (gross amount and nominal amount)

	Gross amount / Nominal amount					
	Transfers between the first and second stage		Transfers between the second and third stage		Transfers between the first and third stage	
	From the first to the second stage	From the second to the first stage	From the second to the third stage	From the third to the second stage	From the first to the third stage	From the third to the first stage
1. Financial assets measured at amortised cost	48,951	9,242	25,418	3,947	65,066	41,774
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale						
4. Commitments to disburse funds and financial guarantees issued	16	1,315	6,186	109	8,017	1,400
Total at 31.12.2019	48,967	10,557	31,604	4,056	73,083	43,174
Total at 31.12.2018	108,953	1,106	4,398	2,813	172,206	5,909

A.1.6 On- and off-statement of financial position loans and receivables with banks: gross amounts and carrying amounts

	Gross amount		Total impairment losses and accruals to provisions	Carrying amount	Overall partial write-offs*
	Impaired	Unimpaired			
A. ON-STATEMENT OF FINANCIAL POSITION LOANS AND RECEIVABLES	-	-	-	-	-
a) Bad exposures	-	X	-	-	-
of which: forbore exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
of which: forbore exposures	-	X	-	-	-
c) Impaired past due exposures	-	X	-	-	-
of which: forbore exposures	-	X	-	-	-
d) Unimpaired past due exposures	X	-	-	-	-
of which: forbore exposures	X	-	-	-	-
e) Other unimpaired exposures	X	81,028	26	81,002	-
of which: forbore exposures	X				
TOTAL A	-	81,028	26	81,002	-
B. OFF-STATEMENT OF FINANCIAL POSITION LOANS AND RECEIVABLES	-	-	-	-	-
a) Impaired	-	X	-	-	-
b) Unimpaired	X	2,446	-	2,446	-
TOTAL B	-	2,446	-	2,446	-
TOTAL A+B	-	83,474	26	83,448	-

A.1.7 On- and off-statement of financial position loans and receivables with customers: gross amounts and carrying amounts

	Gross amount		Total impairment losses and accruals to provisions	Carrying amount	Overall partial write-offs*
	Impaired	Unimpaired			
A. ON-STATEMENT OF FINANCIAL POSITION					
LOANS AND RECEIVABLES					
a) Bad exposures	50,622	X	20,078	30,544	-
of which: forborne exposures		X			-
b) Unlikely to pay	139,348	X	16,042	123,306	-
of which: forborne exposures	1,294	X	259	1,035	-
c) Impaired past due exposures	55,646	X	1,097	54,549	-
of which: forborne exposures	763	X	176	587	-
d) Unimpaired past due exposures	X	710,677	1,584	709,093	-
of which: forborne exposures	X				
e) Other unimpaired exposures	X	2,679,839	4,376	2,675,463	-
of which: forborne exposures	X				
TOTAL A	245,616	3,390,516	43,177	3,592,955	-
B. OFF-STATEMENT OF FINANCIAL POSITION					
LOANS AND RECEIVABLES					
a) Impaired	22,196	X		22,196	-
b) Unimpaired	X	224,965	44	224,922	-
TOTAL B	22,196	224,965	44	247,118	-
TOTAL A+B	267,812	3,615,481	43,221	3,840,073	-

A.1.9 On-statement of financial position loans and receivables with customers: gross impaired positions

	Bad exposures	Unlikely to pay	Impaired past due exposures
A. Opening gross balance	57,468	87,188	80,508
- of which: positions transferred but not derecognised	-	-	-
B. Increases	16,814	91,084	146,047
B.1 transfers from performing loans	32	49,231	83,357
B.2 transfers from purchased or originated credit-impaired financial assets	1,734	491	166
B.3 transfers from other categories of impaired loans	6,512	11,519	2,649
B.4 contract amendments without derecognition	-	-	-
B.5 other increases	8,536	29,843	59,875
C. Decreases	23,659	38,924	170,908
C.1 transfers to performing loans	7,487	527	82,034
C.2 write-offs	105	-	-
C.3 collections	13,673	32,436	75,080
C.4 gains on sales	-	-	-
C.5 losses on sales	-	-	-
C.6 transfers to other categories of impaired loans	2,394	5,961	13,793
C.7 contract amendments without derecognition	-	-	-
C.8 other decreases	-	-	-
D. Closing gross balance	50,623	139,348	55,647
- of which: positions transferred but not derecognised	-	-	-

A.1.9bis On-statement of financial position loans and receivables with customers: breakdown of gross forborne exposures by credit quality

	Non-performing exposures with forbearance measures	Other forborne exposures
A. Opening gross balance	1,434	-
- of which: positions transferred but not derecognised	-	-
B. Increases	3,210	1,153
B.1 transfers from performing exposures without forbearance measures	-	-
B.2 transfers from forborne performing exposures	763	X
B.3 transfers from non-performing exposures with forbearance measures	X	-
B.4 transfers from non-performing exposures without forbearance measures	1,294	-
B.5 other increases	1,153	1,153
C. Decreases	2,587	1,153
C.1 transfers to performing exposures without forbearance measures	X	-
C.2 transfers to forborne performing exposures	-	X
C.3 transfers to non-performing exposures with forbearance measures	X	763
C.4 write-offs	-	-
C.5 collections	2,587	391
C.6 gains on sales	-	-
C.7 losses on sales	-	-
C.8 other decreases	-	-
D. Closing gross balance	2,057	-
- of which: positions transferred but not derecognised	-	-

A.1.11 On-statement of financial position non-performing loans and receivables with customers: changes in impaired positions

	BAD EXPOSURES		UNLIKELY TO PAY		IMPAIRED PAST DUE EXPOSURES	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening total impairment losses	18,451		9,277		1,442	15
- of which: positions transferred but not derecognised	-		-		-	
B. Increases	3,658		8,262	259	1,024	176
B.1 impairment losses on purchased or originated credit-impaired financial assets	14	X	3	X	10	X
B.2 other impairment losses	3,297		8,104	259	720	176
B.3 losses on sales	-		-		-	
B.4 transfers from other categories of impaired loans	274		35		218	
B.5 contract amendments without derecognition	-	X	-	X	-	X
B.6 other increases	73		120		76	
C. Decreases	2,032		1,496		1,369	15
C.1 impairment gains	1,429		1,032		876	
C.2 impairment gains due to collections	55		176		79	
C.3 gains on sales	-		-		-	
C.4 write-offs	-		-		-	
C.5 transfers to other categories of impaired loans	209		272		51	15
C.6 contract amendments without derecognition	-	X	-	X	-	X
C.7 other decreases	339		16		363	
D. Closing total impairment losses	20,077		16,043	259	1,097	176
- of which: positions transferred but not derecognised	-		-		-	

A.2 CLASSIFICATION OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED BASED ON EXTERNAL AND INTERNAL RATING

A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees issued by external rating class (gross amounts)

The risk categories for the external rating indicated in this table refer to the creditworthiness classes of the debtors/ guarantors pursuant to prudential requirements (cf. Circular no. 285 of 2013 “Supervisory Provisions for Banks” and subsequent updates).

The Bank uses the standardised approach in accordance with the risk mapping of the rating agencies:

- “DBRS Ratings Limited”, for exposures to: central authorities and central banks; supervised brokers; public sector institutions; territorial entities.

	External rating class						Without rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	1	-	443,826	-	-	-	2,722,961	3,166,787
- First stage	1	-	443,826	-	-	-	2,353,092	2,796,918
- Second stage	-	-	-	-	-	-	124,253	124,253
- Third stage	-	-	-	-	-	-	245,616	245,616
B. Financial assets measured at fair value through other comprehensive income	-	-	550,373	-	-	-	-	550,373
- First stage	-	-	550,373	-	-	-	-	550,373
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
Total (A+B)	1	-	994,199	-	-	-	2,722,961	3,717,160
of which: purchased or originated credit-impaired financial assets	-	-	-	-	-	-	27,746	27,746
C. Commitments to disburse funds and financial guarantees issued	-	-	-	-	-	-	249,608	249,608
- First stage	-	-	-	-	-	-	220,355	220,355
- Second stage	-	-	-	-	-	-	7,057	7,057
- Third stage	-	-	-	-	-	-	22,196	22,196
Total C	-	-	-	-	-	-	249,607	249,607
Total (A + B + C)	1	-	994,199	-	-	-	2,972,569	3,966,768

of which long-term rating

Creditworthiness class	Risk weighting factors				ECAI
	Central authorities and central banks	Supervised brokers, public sector institutions and territorial entities	Multilateral development banks	Companies and other parties	DBRS Ratings Limited
1	0%	20%	20%	20%	from AAA to AAL
2	20%	50%	50%	50%	from AH to AL
3	50%	100%	50%	100%	from BBBH to BBBL
4	100%	100%	100%	100%	from BBH to BBL
5	100%	100%	100%	150%	from BH to BL
6	150%	150%	150%	150%	CCC

of which short-term rating (for exposures to companies)

Creditworthiness class	Risk weighting factors	ECAI
		DBRS Ratings Limited
1	20%	R-1 (high), R-1 (middle), R-1 (low)
2	50%	R-1 (high), R-2 (middle), R-2 (low)
3	100%	R-3
4	150%	R-4, R-5
5	150%	
6	150%	

“Fitch Ratings”, for exposures to companies and other parties.

of which long-term rating

Creditworthiness class	Risk weighting factors				ECAI
	Central authorities and central banks	Supervised brokers, public sector institutions and territorial entities	Multilateral development banks	Companies and other parties	Fitch Ratings
1	0%	20%	20%	20%	from AAA to AA-
2	20%	50%	50%	50%	from A+ to A-
3	50%	100%	50%	100%	from BBB+ to BBB-
4	100%	100%	100%	100%	from BB+ to BB-
5	100%	100%	100%	150%	from B+ to B-
6	150%	150%	150%	150%	CCC+ and lower

of which short-term rating (for exposures to companies)

Creditworthiness class	Risk weighting factors	ECAI
		Fitch Ratings
1	20%	F1+, F1
2	50%	F2
3	100%	F3
da 4 a 6	150%	less than F3

A.3 Breakdown of guaranteed credit exposures by type of guarantee

A.3.2 Guaranteed on- and off-statement of financial position loans and receivables with customers

	Gross amount	Carrying amount	Collateral (1)				CLN	Personal guarantees (2)						Total (1)+(2)	
			Mortgaged estate	Properties under finance lease	Securities	Other collateral		Credit derivatives			Endorsement credits				
								Other financial companies	Banks	Other	Public administrations	Banks	Other financial companies		Other
1. Guaranteed on-statement of financial position loans:	868,060	862,472	-	-	17,590	801,215	-	-	-	-	8,381	-	21,986	12,760	861,932
1.1 fully guaranteed	861,696	857,521	-	-	17,590	801,215	-	-	-	4,893	-	21,986	11,837	857,521	
- of which impaired	18,485	16,013	-	-	-	6,012	-	-	-	1,776	-	107	8,118	16,013	
1.2 partially guaranteed	6,364	4,951	-	-	-	-	-	-	-	3,488	-	-	923	4,411	
- of which impaired	2,550	1,241	-	-	-	-	-	-	-	1,099	-	-	123	1,222	
2. Guaranteed off-statement of financial position loans:	24,102	24,059	-	-	906	37	-	-	-	-	-	13,552	9,535	24,030	
2.1 fully guaranteed	23,967	23,924	-	-	906	37	-	-	-	-	-	13,552	9,430	23,925	
- of which impaired	1,905	1,905	-	-	-	-	-	-	-	-	-	-	1,905	1,905	
2.2 partially guaranteed	135	135	-	-	-	-	-	-	-	-	-	-	105	105	
- of which impaired	135	135	-	-	-	-	-	-	-	-	-	-	105	105	

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURES

B.1 Breakdown by business segment of on- and off-statement of financial position loans and receivables with customers

	Public administrations		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment
A. On-statement of financial position loans and receivables	-	-	-	-	-	-	-	-	-	-
A.1. Bad exposures	17,573	1,493	-	-	-	-	12,816	17,988	155	597
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	105,447	4,770	-	-	-	-	30,475	10,216	2,361	1,075
- of which: forborne exposures	-	-	-	-	-	-	1,035	259	-	-
A.3 Impaired past due exposures	34,604	502	4	-	3	-	13,581	539	6,360	57
- of which: forborne exposures	-	-	-	-	-	-	587	176	-	-
A.4 Unimpaired exposures	2,251,547	3,138	72,341	57	9	-	210,459	1,137	835,231	1,609
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
TOTAL (A)	2,409,171	9,903	72,345	57	12	-	267,331	29,880	844,107	3,338
B. Off-statement of financial position loans and receivables	-	-	-	-	-	-	-	-	-	-
B.1 Impaired exposures	-	-	-	-	-	-	22,196	-	-	-
B.2 Unimpaired exposures	-	-	121,035	-	-	-	98,760	43	5,127	-
Total (B)	-	-	121,035	-	-	-	120,956	43	5,127	-
Total (A+B) at 31.12.2019	2,409,171	9,903	193,380	57	12	-	388,287	29,923	849,234	3,338
Total (A+B) at 31.12.2018	1,957,131	8,567	155,159	55	5	-	466,797	24,434	686,261	2,527

B.2 Breakdown by geographical segment of on- and off-statement of financial position loans and receivables with customers

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment
A. On-statement of financial position loans and receivables	-	-	-	-	-	-	-	-	-	-
A.1 Bad exposures	30,544	20,078	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	138,283	16,061	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures	54,549	1,097	-	-	-	-	-	-	-	-
A.4 Unimpaired exposures	3,312,676	5,739	55,763	198	1,094	4	-	-	46	-
Total (A)	3,536,052	42,975	55,763	198	1,094	4	-	-	46	-
B. Off-statement of financial position loans and receivables	-	-	-	-	-	-	-	-	-	-
B.1 Impaired exposures	22,196	-	-	-	-	-	-	-	-	-
B.2 Unimpaired exposures	221,738	44	3,184	-	-	-	-	-	-	-
Total (B)	243,934	44	3,184	-	-	-	-	-	-	-
Total (A+B) at 31.12.2019	3,779,986	43,019	58,947	198	1,094	4	-	-	46	-
Total (A+B) at 31.12.2018	3,220,836	35,421	34,062	108	5,011	19	5,044	34	400	1

B.3 Breakdown by geographical segment of on- and off-statement of financial position loans and receivables with banks

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses
A. On-statement of financial position loans and receivables										
A.1 Bad exposures	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Unimpaired exposures	81,002	26	-	-	-	-	-	-	-	-
Total (A)	81,002	26	-	-	-	-	-	-	-	-
B. Off-statement of financial position loans and receivables										
B.1 Impaired exposures	-	-	-	-	-	-	-	-	-	-
B.2 Unimpaired exposures	2,446	-	-	-	-	-	-	-	-	-
Total (B)	2,446	-	-	-	-	-	-	-	-	-
Total (A+B) at 31.12.2019	83,448	9	-	-	-	-	-	-	-	-
Total (A+B) at 31.12.2018	59,140	9	-	-	-	-	-	-	-	-

B.4 Large exposures

As at 31 December 2019, the Bank's large exposures are as follows:

- Carrying amount € 2,305,241 (in thousands)
- Weighted value € 187,666 (in thousands)
- No. of positions 20.

E. TRANSFERS

A. Financial assets transferred and not derecognised

QUALITATIVE DISCLOSURE

The financial assets transferred and not derecognised refer predominantly to Italian government securities used for repurchase agreements. Said financial assets are classified in the financial statements among the available-for-sale financial assets, while the repurchase agreement loan is predominantly presented in due to customers. As a last resort the financial assets transferred and not derecognised comprise trade receivables used for loan transactions in the ECB (Abaco).

QUANTITATIVE DISCLOSURE

E.1 Financial assets transferred and recognised in full, and associated financial liabilities: carrying amount

	Financial assets transferred and recognised in full				Associated financial liabilities		
	Carrying amount	of which: subject to securitisation transactions	of which: subject to a sales contract with repurchase agreement	of which impaired	Carrying amount	of which: subject to securitisation transactions	of which: subject to a sales contract with repurchase agreement
A. Financial assets held for trading	-	-	-	X	-	-	-
1. Debt instruments	-	-	-	X	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Financing	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value through profit or loss	-	-	-	-	-	-	-
1. Debt instruments	-	-	-	-	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Financing	-	-	-	-	-	-	-
C. Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-
1. Debt instruments	-	-	-	-	-	-	-
2. Financing	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	192,101	-	192,101	-	191,983	-	191,983
1. Debt instruments	192,101	-	192,101	-	191,983	-	191,983
2. Equity instruments	-	-	-	X	-	-	-
3. Financing	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	-	-	-	-	-	-	-
1. Debt instruments	-	-	-	-	-	-	-
2. Financing	-	-	-	-	-	-	-
Total at 31.12.2019	192,101	-	192,101	-	191,983	-	191,983
Total at 31.12.2018	-	-	-	-	-	-	-

F. MODELS FOR THE MEASUREMENT OF CREDIT RISK

SECTION 2 - MARKET RISK

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

2.1- Interest rate risk and price risk - regulatory trading portfolio

QUALITATIVE DISCLOSURE

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca

Sistema Group, which is deemed to be fully reported here.

2.2 Interest rate risk and price risk - Banking Book

QUALITATIVE DISCLOSURE

A. General aspects, management procedures and methods of measuring the interest rate risk and the price risk

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

QUANTITATIVE DISCLOSURE

1. Banking book: Breakdown by residual term (by repricing date) of financial assets and liabilities

Currency of denomination: Euro

	on demand	up to 3 months	from more than 3 months up to 6 months	from more than 6 months up to 1 year	from more than 1 year up to 5 years	from more than 5 years up to 10 years	more than 10 years	Open term
1. Assets	1,387,769	137,739	46,687	435,403	1,330,219	336,133	6	-
1.1 Debt instruments	-	-	13,042	150,219	822,136	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	13,402	150,219	822,136	-	-	-
1.2 Financing to banks	61,002	19,947	53	-	-	-	-	-
1.3 Financing to customers	1,326,767	117,792	33,592	285,184	508,083	336,133	6	-
- current accounts	42,021	-	-	-	-	2	-	-
- other financing	1,284,746	117,792	33,592	285,184	508,083	336,131	6	-
- with early repayment option	133,472	39,288	33,127	285,035	508,083	309,305	6	-
- other	1,151,274	78,504	465	149	-	26,826	-	-
2. Liabilities	701,520	1,172,493	171,329	572,774	578,304	220,496	23	-
2.1 Due to customers	701,412	872,987	163,313	397,350	379,434	202,456	23	-
- current accounts	698,601	436,674	159,879	388,703	299,675	24,401	23	-
- other payables	2,811	436,313	3,434	8,647	79,759	178,055	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	2,811	436,313	3,434	8,647	79,759	178,055	-	-
2.2 Due to banks	108	280,000	-	-	108,250	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	108	280,000	-	-	108,250	-	-	-
2.3 Debt instruments	-	19,506	8,016	175,424	90,620	18,040	-	-
- with early repayment option	-	19,506	-	175,424	90,620	18,040	-	-
- other	-	-	8,016	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	4,136	905	1,040	507	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	4,136	905	1,040	507	-	-	-
- Options	-	4,136	905	1,040	507	-	-	-
+ long positions	-	842	905	1,040	507	-	-	-
+ short positions	-	3,294	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2.3 Currency risk

QUALITATIVE DISCLOSURE

A. General aspects, management processes and methods of measuring the currency risk

All items are in Euro, except for the security in the HTCS portfolio. The currency risk is limited due to the size of the investment.

QUANTITATIVE DISCLOSURE

1. Breakdown of assets, liabilities and derivatives by currency of denomination

	CURRENCIES					
	US DOLLARS	UK POUNDS	YEN	CANADIAN DOLLARS	SWISS FRANCS	OTHER CURRENCIES
A. Financial assets	-	-	-	-	-	1,164
A.1 Debt instruments	-	-	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	1,164
A.3 Financing to banks	-	-	-	-	-	-
A.4 Financing to customers	-	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	-	-	-	-	-	-
C. Financial liabilities	-	-	-	-	-	-
C.1 Due to banks	-	-	-	-	-	-
C.2 Due to customers	-	-	-	-	-	-
C.3 Debt instruments	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives	-	-	-	-	6	-
- Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other derivatives	-	-	-	-	6	-
+ long positions	-	-	-	-	6	-
+ short positions	-	-	-	-	-	-
Total assets	-	-	-	-	6	1,164
Total liabilities	-	-	-	-	-	-
Difference (+/-)	-	-	-	-	6	1,164

The amount refers to the Axactor shares held by the Bank partly in the Held to Collect and Sell (HTCS) portfolio. They are listed securities traded in Norwegian krone.

SECTION 3 - DERIVATIVES AND HEDGING POLICIES

3.1 Derivatives held for trading

A. Financial derivatives

At 31 December 2019 no amount was recognised for this item.

B. Credit derivatives

At 31 December 2019 no amount was recognised for this item.

3.2 Hedge Accounting

The Bank did not perform any such transactions in 2019.

3.3 Other disclosure of derivatives (held for trading and hedging)

At 31 December 2019 there were no such cases.

SECTION 4 - LIQUIDITY RISK

QUALITATIVE DISCLOSURE

A. General aspects, management processes and methods of measuring the liquidity risk

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

QUANTITATIVE DISCLOSURE

1. Breakdown of financial assets and liabilities by remaining contractual term

	on demand	from more than 1 day up to 7 days	from more than 7 days up to 15 days	from more than 15 days up to 1 month	from more than 1 month up to 3 months	from more than 3 months up to 6 months	from more than 6 months up to 1 year	from more than 1 year up to 5 years	over 5 years	Open term
A. Assets	1,347,486	6,080	833	22,689	50,708	64,173	464,756	1,319,805	300,507	19,912
A.1 Government securities	-	-	-	-	-	13,285	150,320	821,759	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	1,347,486	6,080	833	22,689	50,708	50,888	314,436	498,046	300,507	19,912
- banks	61,020	-	-	35	-	55	-	-	-	19,912
- customers	1,286,466	6,080	833	22,654	50,708	50,833	314,436	498,046	300,507	-
B. Liabilities	693,405	704,759	65,112	120,033	263,997	165,790	580,628	577,684	247,979	-
B.1 Deposits and current accounts	690,594	19,743	64,458	119,902	263,084	160,522	391,686	299,675	24,424	-
- banks	108	-	8,000	7,000	15,000	-	-	-	-	-
- customers	690,486	19,743	56,458	112,902	248,084	160,522	391,686	299,675	24,424	-
B.2 Debt instruments	-	-	-	-	401	1,830	180,293	90,000	45,500	-
B.3 Other liabilities	2,811	685,016	654	131	512	3,438	8,649	188,009	178,055	-
C. Off-statement of financial position transactions	91,129	6	-	-	209	60	-	657	-	-
C.1 Financial derivatives with exchange of principal	-	6	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	6	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	88,656	-	-	-	209	60	-	56	-	-
- long positions	44,166	-	-	-	209	60	-	56	-	-
- short positions	44,490	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	2,473	-	-	-	-	-	-	601	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

SECTION 5 - OPERATIONAL RISKS

QUALITATIVE DISCLOSURE

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

A. General aspects, management processes and methods of measuring operational risk

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

PART F - INFORMATION ON EQUITY

SECTION 1 - BANK EQUITY

A. QUALITATIVE DISCLOSURE

The objectives pursued in the Bank's equity management are inspired by the prudential supervisory provisions and are oriented towards maintaining adequate levels of capitalisation to take on risks typical to credit positions.

The income allocation policy aims to strengthen the Bank's capital with special emphasis on common equity, to the prudent distribution of the operating results, and to guaranteeing a correct balance of the financial position.

B. QUANTITATIVE DISCLOSURE

B.1 Bank equity: breakdown

	31.12.2019	31.12.2018
1 Share capital	9,651	9,651
2 Share premium	39,100	39,184
3 Reserves	100,873	79,803
- income-related	100,868	79,794
a) legal	1,930	1,930
b) established under the Articles of Association	-	-
c) treasury shares	200	200
d) other	98,738	77,664
- other	5	9
3.bis Interim dividends (-)	-	-
4 Equity instruments	-	-
5 (Treasury shares)	(234)	(199)
6 Valuation reserves	279	(1,131)
- Equity instruments designated at fair value through other comprehensive income	154	19
- Hedging of equity instruments designated at fair value through other comprehensive income	-	-
- Financial assets (other than equity instruments) measured at fair value through other comprehensive income	324	(972)
- Property and equipment	-	-
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash flow hedges	-	-
- Hedging instruments (non-designated elements)	-	-
- Exchange rate gains (losses)	-	-
- Non-current assets held for sale and disposal groups	-	-
- Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
- Net actuarial losses on defined benefit pension plans	(199)	(178)
- Shares of valuation reserves of equity-accounted investees	-	-
- Special revaluation laws	-	-
7 Profit for the year	29,956	28,071
Total	179,625	155,379

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: breakdown

	TOTAL AT 31.12.2019		TOTAL AT 31.12.2018	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt instruments	467	-	-	972
2. Equity instruments	11	-	19	-
3. Financing	-	-	-	-
Total	478	-	19	972

B.3 Valuation reserves for financial assets measured at fair value through other comprehensive income: changes

	Debt instruments	Equity instruments	Financing
1. Opening balance	(972)	19	-
2. Increases	2,098	64	-
2.1 Fair value gains	-	54	-
2.2 Impairment losses due to credit risk	105	X	-
2.3 Reclassifications of negative reserves to profit or loss on sale	1,525	X	-
2.4 Transfers to other equity items (equity instruments)	-		-
2.5 Other increases	468	10	-
3. Decreases	659	72	-
3.1 Fair value losses	-	68	-
3.2 Impairment gains due to credit risk	-		-
3.3 Reclassifications of positive reserves to profit or loss: on sale	-	X	
3.4 Transfers to other equity items (equity instruments)	-		-
3.5 Other decreases	659	4	-
4. Closing balance	467	11	-

B.4 Valuation reserves related to defined benefit plans: changes

A. Opening balance	(179)
B. Increases	7
B.1 Actuarial gains	7
B.2 Other increases	-
C. Decreases	27
C.1 Actuarial losses	-
C.2 Other decreases	27
D. Closing balance	(199)
Total	(199)

SECTION 2 - OWN FUNDS AND CAPITAL RATIOS

2.1 Own funds

A. QUALITATIVE DISCLOSURE

Own funds, risk-weighted assets and solvency ratios as at 31 December 2019 were determined based on the new regulation, harmonised for Banks, contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, that transpose in the European Union the standards defined by the Basel Committee on Banking Supervision (the so-called Basel 3 framework),

and based upon Bank of Italy Circulars no. 285 and no. 286 (enacted in 2013), and the update of Circular no. 154. The Banca Sistema Group has not availed itself of the option provided for by Article 473 bis of Regulation (EU) 575/2013 (CRR), which concerns the transitional measures aimed at mitigating the impact of the introduction of IFRS 9.

Reconciliation of Group equity and Own Funds

	31.12.2019
Equity of the parent	179,624
Dividends distributed and other foreseeable expenses	(7,479)
Equity assuming dividends are distributed to shareholders	172,145
Regulatory adjustments	(4,522)
- Commitment to repurchase treasury shares	(45)
- Deduction of intangible assets	(3,921)
- Prudential filter for Prudent Valuation (1)	(556)
- Filter for equity attributable to non-controlling interests	-
Common Equity Tier 1 (CET1)	167,623
Security issued by Banca Sistema	8,000
Additional Tier 1 Capital	8,000
Securities issued by Banca Sistema (2)	37,500
Tier 2 Capital	37,500
Total Own Funds	213,123

(1) Regulatory filter for additional valuation adjustments (AVA) to the prudential valuation under the provisions of Regulation 2016/101.

(2) Included in the item "Financial liabilities at amortised cost"

A. QUANTITATIVE DISCLOSURE

	31.12.2019
A. Common Equity Tier 1 (CET1) before application of prudential filters	172,100
of which CET 1 instruments covered by transitional measures	-
B. CET1 prudential filters (+/-)	-
C. CET1 including items to be deducted and the effects of the transitional regime (A+/-B)	172,100
D. Items to be deducted from CET1	4,477
E. Transitional regime - Impact on CET (+/-)	-
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	167,623
G. Additional Tier 1 (AT1) including items to be deducted and the effects of the transitional regime	8,000
of which AT1 instruments covered by transitional measures	-
H. Items to be deducted from AT1	-
I. Transitional regime - Impact on AT1 (+/-)	-
L. Total Additional Tier 1 (AT1) (G-H+/-I)	8,000
M. Tier 2 (T2) including items to be deducted and the effects of the transitional regime	37,500
of which T2 instruments covered by transitional measures	-
N. Items to be deducted from T2	-
O. Transitional regime - Impact on T2 (+/-)	-
P Total Tier 2 (T2) (M-N+/-O)	37,500
Q. Total Own Funds (F+L+P)	213,123

2.2 Capital adequacy

A. QUALITATIVE DISCLOSURE

The Own funds totalled € 213 million, against risk-weighted assets of € 1,400 million, derived almost exclusively from credit risk.

As at 31 December 2019, Banca Sistema had a CET1 capital ratio equal to 12.0%, a Tier 1 capital ratio equal to 12.6% and a Total capital ratio of 15.2%.

B. QUANTITATIVE DISCLOSURE

	UNWEIGHTED AMOUNTS		WEIGHTED AMOUNTS/ REQUIREMENTS	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
A. EXPOSURES	-	-	-	-
A.1 Credit and counterparty risk	4,410,113	3,577,376	1,231,519	1,160,521
1. Standardised approach	4,410,113	3,577,376	1,231,519	1,160,521
2. Internal ratings based approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. CAPITAL REQUIREMENTS			-	-
B.1 Credit and counterparty risk			98,522	92,842
B.2 Credit assessment adjustment risk			3	-
B.3 Settlement risk			-	-
B.4 Market risk			-	-
1. Standard approach			-	-
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			13,508	12,522
1. Basic indicator approach			13,508	12,522
2. Standardised approach			-	-
3. Advanced measurement approach			-	-
B.6 Other calculation elements			-	-
B.7 Total prudential requirements			112,030	105,364
C. EXPOSURES AND CAPITAL RATIOS			1,400,404	1,317,043
C.1 Risk-weighted assets			1,400,404	1,317,043
C.2 CET1 capital/risk-weighted assets (CET1 Capital Ratio)			12.0%	11.0%
C.3 Tier 1 capital/risk-weighted assets (Tier 1 Capital Ratio)			12.5%	11.6%
C.4 Total Own Funds/risk-weighted assets (Total Capital Ratio)			15.2%	13.7%

PART G - BUSINESS COMBINATIONS

Section 1 - Transactions performed in the year

On 3 April 2019 the acquisition of 100% of Atlantide S.p.A., a company subsequently merged into the Bank on 30 June 2019, was completed.

Key information concerning this transaction is summarised below:

	TRANSACTION DATE (1)	TRANSACTION COST	% HELD	TOTAL INCOME (2)	GROUP NET PROFIT (2)
Atlantide S.p.A.	3 April 2019	3,022	100%	100,564	29,355

(1) Date on which control was acquired and from which the financial results of Atlantide are included

(2) The amounts, in accordance with IFRS 3, are determined assuming that the combination was carried out at the beginning of the year

Section 2 - Transactions performed after the end of the year

No transactions to report.

Section 3 - Retrospective adjustments

No transactions to report.

PART H - RELATED PARTY TRANSACTIONS

Related party transactions including the relevant authorisation and disclosure procedures, are governed by the "Procedure governing related party transactions" approved by the Board of Directors and published on the internet site of Banca Sistema S.p.A.

Transactions between Group companies and related parties were carried out in the interests of the Bank, including within the scope of ordinary operations; these transactions were carried out in accordance with market conditions and, in any event, on the basis of mutual financial advantage and in compliance with all procedures.

With respect to transactions with parties who exercise management and control functions in accordance with article 136 of the Consolidated Law on Banking, it should

be noted that they, where applicable, have been included in the Board of Directors' resolutions and received approval from the Board of Statutory Auditors, subject to compliance with the obligations provided under the Italian Civil Code with respect to matters relating to the conflict of interest of directors.

Pursuant to IAS 24, the related parties of Banca Sistema include:

- shareholders with significant influence;
- companies belonging to the banking Group;
- companies subject to significant influence;
- key management personnel;
- the close relatives of key management personnel and the companies controlled by (or connected with) such personnel or their close relatives.

DISCLOSURE ON THE REMUNERATION OF KEY MANAGEMENT PERSONNEL

The following data show the remuneration of key management personnel, as per IAS 24 and Bank of Italy Circular no. 262 of 22 December 2005 as subsequently updated, which requires the inclusion of the members of the Board of Statutory Auditors.

In thousands of Euro	BOARD OF DIRECTORS	BOARD OF STATUTORY AUDITORS	OTHER MANAGERS	2019
Remuneration to Board of Directors and Board of Statutory Auditors	1,700	82	-	1,782
Short-term benefits for employees	-	-	1,401	1,401
Post-employment benefits	68	-	105	173
Other long-term benefits	300	-	37	337
Termination benefits	-	-	248	248
Share-based payments	220	-	45	265
Total	2,288	82	1,836	4,206

DISCLOSURE ON RELATED PARTY TRANSACTIONS

The following table shows the assets, liabilities, guarantees and commitments as at 31 December 2019, differentiated by type of related party with an indication of the impact on each individual caption.

In thousands of Euro	SUBSIDIARIES	DIRECTORS, BOARD OF STATUTORY AUDITORS AND KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	% OF CAPTION
Loans and receivables with customers	22,696	6	-	0.7%
Due to customers	-	1,449	7,473	0.3%
Other liabilities	693	-	-	0.7%

The following table indicates the costs and income for 2019, differentiated by type of related party.

In thousands of Euro	SUBSIDIARIES	DIRECTORS, BOARD OF STATUTORY AUDITORS AND KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	% OF CAPTION
Interest income	1,119	1	-	1.0%
Interest expense	1	20	44	0.2%
Other administrative expenses	427	-	-	1.9%

The following tables set forth the details of each related party:

	AMOUNT (Thousands of Euro)	PERCENTAGE (%)
ASSETS	22,696	0.61%
Loans and receivables with customers		
ProntoPegno S.p.A.	7,359	0.20%
Largo Augusto Servizi e Sviluppo S.r.l.	13,507	0.36%
Speciality Finance Trust Holdings Ltd	1,830	0.05%
LIABILITIES	5,070	0.14%
Due to customers		
Shareholders - SGBS	755	0.03%
Shareholders - Fondazione CR Alessandria	2,512	0.10%
Shareholders - Fondazione Sicilia	1,110	0,04%
Other liabilities		
Speciality Finance Trust Holdings Ltd	255	0.01%
ProntoPegno S.p.A.	83	0.09%
Largo Augusto Servizi e Sviluppo S.r.l.	355	0.38%

	AMOUNT (Thousands of Euro)	PERCENTAGE (%)
INCOME	1,119	1.01%
Interest income		
Speciality Finance Trust Holdings Ltd	328	0.30%
ProntoPegno S.p.A.	99	0.09%
Largo Augusto Servizi e Sviluppo S.r.l.	692	0.63%
COSTS	447	0.85%
Interest expense		
Shareholders - SGBS	4	0.02%
Shareholders - Fondazione Sicilia	10	0.03%
Shareholders - Fondazione CR Alessandria	5	0.02%
ProntoPegno S.p.A.	1	0.00%
Other administrative expenses		
ProntoPegno S.p.A.	427	1.86%

PART I - SHARE-BASED PAYMENT PLANS

QUALITATIVE DISCLOSURE

The Banca Sistema Group's 2017-2019 Stock Grant Plan prepared in accordance with article 114-bis of Legislative Decree no. 58/98 and article 84-bis of regulation no. 11971/99 approved by Consob on 14 May 1999 as amended, approved by the Board of Directors on 28 March 2017 and published on the Bank's website, establishes the means and rules for granting, assigning and the availability of the Bank's ordinary shares to key management personnel and other persons who fall under the category of "key personnel" who are granted a bonus for which - in accordance with the rules set out in the Remuneration Policies Document applicable for each year in question (the "Policy") - the deferral and subordination mechanisms upon achieving specific corporate and individual performance targets are defined.

In 2019, the variable component of remuneration will be paid as follows upon approval of the financial statements:

- for amounts less than € 30,000, the full amount is paid up-front, in cash;
- for amounts greater than € 30,000 and up to € 435,000, 70% of the variable remuneration shall

be paid up-front (50% in cash and 50% in shares of the Bank), and the remaining 30% (50% in cash and 50% in shares of the Bank) shall be deferred and paid at the end of the three-year deferral period;

- for amounts greater than € 435,000, 60% of the variable remuneration shall be paid up-front (50% in cash and 50% in shares of the Bank) and the remaining 40% (24% in cash and 76% in shares of the Bank) shall be deferred and paid at the end of the three-year deferral period.

The aforesaid limits and parameters are established by the Bank, even though, in accordance with the principles of proportionality set out in Paragraph 7 of Circular 285, Title IV, Chapter 2 - General provisions, governing medium-sized banks, more flexible, less complex terms and proportions may be established in regard to the deferral and balancing of shares and cash.

Please see Annex 3 "Bonus Payment Regulation", and insofar as it applies, the Information Document published in the 'Governance' section of the website www.bancasistema.it, regarding the calculation of the Bank shares to be assigned and the applicable provisions.

Disclosure of the fees paid to the independent auditors

Pursuant to the provisions of Art. 149 duodecies of the Consob Issuers' Regulations, the information regarding the fees paid to the independent auditors BDO Italia S.p.A. and to the companies included in the same network is reported below for the following services:

- Audit services that include:
 - The audit of the annual accounts, for the purpose of expressing an opinion thereon;
 - The audit of the interim accounts;
 - Certification services that include tasks whereby the auditor evaluates a specific element, the determination of which is performed by another party who is

responsible thereof, through appropriate criteria, in order to express a conclusion that provides the recipient party with a degree of confidence concerning said specific element;

- Tax advisory services;
- Other services.

The fees presented in the table, pertaining to 2019, are those contracted, including any index-linking (but do not include out-of-pocket expenses, any supervisory contribution and VAT).

They do not include, in accordance with the cited provision, the fees paid to any secondary auditors or to parties of the respective networks.

Type of services	Entity providing the service	Addressee	Remuneration
Audit of the separate financial statements and interim reports	BDO Italia S.p.A.	Banca Sistema S.p.A.	180
Other certifications	BDO Italia S.p.A.	Banca Sistema S.p.A.	15

PART L - SEGMENT REPORTING

For the purposes of segment reporting as per IFRS 8, the income statement is broken down by segment as follows.

Breakdown by segment: income statement for 2019

<i>Amounts in thousands of Euro</i>	2019			
	Factoring	Banking	Corporate	Consolidated total
Net interest income	62,055	15,847	2,792	80,694
Net fee and commission income (expense)	18,463	657	(3,052)	16,068
Other costs/income	1,106	-	3,045	4,151
Total income	81,624	16,504	2,785	100,913
Net impairment losses on loans and receivables	11,643	(293)	(20,405)	(9,055)
Net financial income (expense)	93,266	16,211	(17,619)	91,858

Breakdown by segment: income statement for 2018

<i>Amounts in thousands of Euro</i>	2018			
	Factoring	Banking	Corporate	Consolidated total
Net interest income	59,136	14,992	618	74,746
Net fee and commission income (expense)	15,713	726	(1,182)	15,257
Other costs/income	-	-	1,269	1,269
Total income	74,849	15,718	705	91,272
Net impairment losses on loans and receivables	(4,857)	(1,880)	(77)	(6,814)
Net financial income	69,992	13,838	628	84,458

Breakdown by segment: statement of financial position data as at 31 December 2019

<i>Amounts in thousands of Euro</i>	31.12.2019			
	Factoring	Banking	Corporate	Consolidated total
Financial assets (HTS and HTCS)	-	-	556,383	556,383
Loans and receivables with banks	-	-	81,510	81,510
Loans and receivables with customers	1,714,661	842,150	474,066	3,030,877
Due to banks	-	-	388,359	388,359
Due to customers	83,783	-	2,467,817	2,551,600

Breakdown by segment: statement of financial position data as at 31 December 2018

<i>Amounts in thousands of Euro</i>	31.12.2018			
	Factoring	Banking	Corporate	Consolidated total
Financial assets (HTS and HTCS)	-	-	304,469	304,469
Loans and receivables with banks	-	-	56,694	56,694
Loans and receivables with customers	1,566,613	687,209	491,297	2,745,119
Due to banks	-	-	695,197	695,197
Due to customers	87,397	-	1,814,659	1,902,056

The Factoring division includes the business segment related to the origination of trade and tax receivables with and without recourse. In addition, the division includes the business segment related to the management and recovery of receivables on behalf of third parties.

The Banking segment includes the business segment related to the purchase of salary- and pension-backed loans (CQS/CQP) portfolios, collateralised loans, run-off portfolios related to guaranteed loans to small and medium-sized enterprises, and costs/income from assets

under administration and the placement of third-party products.

The Corporate segment includes activities related to the management of the Group's financial resources and costs/income in support of the business activities. Moreover, this segment includes all the consolidation entries, as well as all the interbank eliminations.

The secondary disclosure by geographical segment has been omitted as immaterial, since the customers are mainly concentrated in the domestic market.

PART M - LEASE DISCLOSURE

SECTION 1 - LESSEE

QUALITATIVE DISCLOSURES

The Bank has contracts that fall within the scope of IFRS 16 attributable to the following categories:

- Property used for business and personal purposes;
- Cars.

At 31 December 2019, there were 44 leases, 7 of which were property leases for a total right of use value of € 5 million, while 37 were for cars, for a total right of use value of € 0.7 million.

Property leases, which refer to lease payments for buildings used for business purposes such as offices and for personal use, have terms exceeding 12 months and typically have

renewal and termination options that may be exercised by the lessor and the lessee as provided for by law.

Contracts referring to other leases are long-term leases for cars which are generally used exclusively by the employees to whom they are assigned. These contracts have a maximum term of 4 years with monthly lease payments, no renewal option, and no option to purchase the asset.

Contracts with a term of less than 12 months or those for which the replacement value of the individual leased asset is low, i.e. less than € 20 thousand, are excluded from the application of the standard.

QUANTITATIVE DISCLOSURES

The following table provides a summary of the Statement of Financial Position items relating to leases; for further information, please refer to Part B of the notes to the financial statements:

Type of contract	Right of use (*)	Lease liabilities
Property lease payments	5,018,381	5,044,796
Long-term car lease	687,181	690,736
Total	5,705,562	5,735,532

(*) This is the right of use value net of accumulated depreciation.

The following table provides a summary of the Income Statement items relating to leases; for further information, please refer to Part B of the notes to the financial statements:

Type of contract	Interest expense	Net impairment losses on property and equipment
Property lease payments	61,771	1,106,439
Long-term car lease	7,435	350,437
Total	69,206	1,456,876

SECTION 2 - LESSOR

QUALITATIVE DISCLOSURES

At the reporting date, the Bank does not engage in leases as a lessor.

STATEMENTS ON THE SEPARATE FINANCIAL STATEMENTS
IN ACCORDANCE WITH ARTICLE 81-TER OF CONSOB REGULATION NO.
11971 OF 14 MAY 1999 AS AMENDED AND SUPPLEMENTED

1. The undersigned, Gianluca Garbi, in his capacity as CEO, and Alexander Muz, in his capacity as Manager in charge of financial reporting of Banca Sistema S.p.A., hereby state, having taken into account the provisions of Art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
 - the suitability as regards the characteristics of the bank and
 - the effective application of the administrative and accounting procedures for the drafting of the separate financial statements as at and for the year ended 31 December 2019.
2. The suitability and effective application of the administrative and accounting procedures for the drafting of the separate financial statements at 31 December 2019 was verified based on internally defined methods, in accordance with the provisions of the reference standards for the internal control system generally accepted on an international level.
3. Moreover, the undersigned hereby state that:
 - 3.1 the separate financial statements:
 - a) were drafted in accordance with the applicable international accounting standards endorsed by the European Union, pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
 - b) match the accounting books and records;
 - c) are suitable for providing a true and fair view of the financial position, results of operations and cash flows of the issuer.
 - 3.2 The Directors' report includes a reliable analysis of business performance and results, as well as of the position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Milan, 11 March 2020

Gianluca Garbi

Chief Executive Officer



Alexander Muz

Manager in charge of financial reporting



BOARD OF STATUTORY
AUDITORS' REPORT

BANCA SISTEMA S.P.A.

* * *

BOARD OF STATUTORY AUDITORS' REPORT
TO THE SHAREHOLDERS' MEETING CALLED TO APPROVE
THE FINANCIAL STATEMENTS AT 31 DECEMBER 2019
IN ACCORDANCE WITH ARTICLE 153 OF LEGISLATIVE DECREE 58/1998 and
ARTICLE 2429 OF THE ITALIAN CIVIL CODE

Part One: introduction

Dear Shareholders of Banca Sistema S.p.A. (“**Bank**”),

pursuant to Article 153 of Legislative Decree 58/1998 and Article 2429 of the Italian Civil Code, we give you this report on our supervisory activities during the calendar year (and, for the sake of completeness, on the most significant events occurring after the end of the year), and also make proposals concerning the financial statements and their approval.

This report has been approved by the whole board and by the legal deadline pursuant to law.

As required by law and the Articles of Association, we monitored compliance with the law, regulations, and Articles of Association during 2019, whose compliance we confirm. We also monitored the application of proper management methods, the adequacy and functioning of the organisational, management and accounting structure, and the other acts and aspects as envisaged by law.

We have examined the draft separate financial statements of Banca Sistema S.p.A. at 31 December 2019 (the “**Financial Statements**”), comprised of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Financial Statements, and

accompanied by the Directors' Report and complementary financial statements, showing profit for the year of € 29,955,723.45.

After approving the draft financial statements on 11 March 2019, the Board of Directors sent us the reporting package by the statutory deadline.

Between the meeting dedicated to drafting the previous report on the financial statements and today, the current Board of Statutory Auditors held 15 meetings (including the meeting concerning the preparation of this report), and participated in all the meetings of the Board of Directors and the Internal Control and Risk Management Committee, as confirmed by the documents provided to you in the package prepared for this Shareholders' Meeting.

We shall provide you with detailed information in this report about all of our activities.

Part Two: monitoring legal compliance and compliance with the Articles of Association

In this part we report on the activities performed by the Board of Statutory Auditors pursuant to Article 2403 of the Italian Civil Code.

During the year, the Board of Statutory Auditors monitored compliance with the law, the memorandum of association and compliance with the principles of proper management. These activities adhere to the principles of conduct of the Board of Statutory Auditors of listed companies recommended by the National Board of Business Experts and Accountants.

In addition to the meetings referred to above, the Board of Statutory Auditors participated in all meetings held in 2019 by the corporate bodies in compliance with the Articles of Association, the law and regulatory provisions that govern their proceedings. Therefore, we can reasonably assure that the adopted resolutions complied with the law and the Articles of Association, were not manifestly imprudent, reckless or potentially in conflict of interest or counter to the resolutions approved by the Shareholders' Meeting or of a nature that could compromise the solidity of the company assets.

In the course of performing its own duties at meetings, the Board of Statutory Auditors met periodically with the heads of the principal internal departments of the Company (risk, compliance, legal affairs, corporate affairs, internal control system and audit, underwriting). It examined the documents submitted to it and performed its own analyses and assessments, as summarised in its own minutes. These did not reveal anything that could cast doubt on

compliance with the law, the Articles of Association, and principles of proper management. It analysed the most important operating, financial and equity transactions, verifying their compliance with the law and the memorandum of association, finding that they were not manifestly imprudent or reckless and/or in potential conflict of interest and/or in conflict with the resolutions passed by the Shareholders' Meeting and/or prejudicial to the operating, asset and liability, and financial performance of the Bank. It participated in working groups on specific matters and held special meetings on particularly significant issues. The Board of Statutory Auditors has approved all examined transactions as being consistent with the corporate interest.

The Board of Statutory Auditors acknowledges that the key information concerning the Bank's transactions with related parties has been provided during the Board of Directors meetings and in the Financial Statements. In this regard, the Board of Statutory Auditors deems it appropriate to call the shareholders' attention to the interpretation of the paragraphs in the Directors' Report and Notes to the Financial Statements where those events are described.

Among the significant events that occurred in 2019, we note:

- on 5 February 2019, following the exercise of the put option by Banca Sistema, the shares of Axactor Italy S.p.A. were sold to Axactor Holding S.r.l., with registered office in Cuneo, for a total price of € 2,399,413.36, equal to approximately 8.42% of the share capital;
- on 22 February 2019, the shareholders of Banca Sistema, Società di Gestione delle Partecipazioni in Banca Sistema S.r.l., Fondazione Sicilia and Fondazione Cassa di Risparmio di Alessandria, together with SGBS, agreed to amend the shareholders' agreement they signed on 29 June 2018, which became effective on 2 July 2018 and will expire on 1 July 2020;
- on 1 March 2019, the report was issued on the inspections carried out by the Bank of Italy, which were completed on 14 December 2018. The purpose of the inspections was to verify compliance with anti-money laundering legislation and the effectiveness of the organisational structures in reporting the AOER correctly and preventing the risks associated with violations of usury regulations. The inspections concluded with an assessment that was “partially favourable considering the adequacy of controls on the risks of money laundering, terrorist financing and usury, although there is room for improvement in a situation of growth in operating volumes and number of customers”.

- on 13 March 2019, the Bank received authorisation from the Bank of Italy to acquire and subsequently merge Atlantide S.p.A., a financial intermediary pursuant to article 106 of the Consolidated Law on Banking, which is active in the granting of salary- and pension-backed personal loans. The acquisition was completed on 3 April 2019. Subsequently, on 18 June 2019, the merger of Atlantide S.p.A. into Banca Sistema S.p.A. was finalised and became effective on 30 June 2019.
- on 13 May 2019, the Bank sold its entire 19.90% equity investment in the share capital of ADV Finance S.p.A. to Top Partecipazioni S.r.l. for a price of € 619,806, together with its entire 19.90% equity investment in the quota capital of Procredit S.r.l. to ADV Finance S.p.A. for a price of € 158,205.
- on 23 May 2019, the Bank issued a Tier II subordinated bond. The € 6 million bond, placed with an institutional investor (private placement), has a 10-year maturity with a fixed coupon of 7% and an early redemption option following a regulatory event;
- on 26 June 2019, the Bank of Italy issued authorisation to ProntoPegno S.p.A., a wholly-owned subsidiary of the Bank, to engage in the activities referred to in art. 106 of the Consolidated Law on Banking;
- on 23 July 2019, the deed of transfer of Banca Sistema's "Collateralised Lending" business unit to the subsidiary ProntoPegno S.p.A. was signed for a value of € 4.66 million. The transfer took effect on 1 August 2019;
- on 30 August 2019, upon authorisation from the Bank of Italy, Banca Sistema initiated a treasury share purchasing programme, which ended on 12 September 2019, having reached the maximum limit of € 300,000;
- on 17 September 2019, the Bank initiated the third securitisation of the CQS portfolio (Salary- and Pension-Backed Loans), with the issue of three classes of partly-paid asset-backed securities (ABS) by Quinto Sistema Sec. 2019, a special purpose vehicle set up pursuant to Law 130/99. The securities issued had an initial value of approximately € 152 million, which can be increased through the partly-paid mechanism up to a maximum of € 780 million.
- on 27 September 2019, the Bank completed the placement of the second tranche of the subordinated Tier II bond issue (2019-2029) equal to € 12 million. The first tranche was issued in May with the simultaneous early redemption of the subordinated lower tier 2 loan (2012-2022), in accordance with the authorisation issued by the Bank of Italy on 16 August 2019. The new bond was completely subscribed by an institutional investor (private placement);

- on 18 November 2019, the Bank entered into a binding agreement to acquire the collateralised lending business unit of the Intesa Sanpaolo Group for a price of € 34 million;

The Board of Statutory Auditors also carried out the following activities during the year:

- The exchanges of correspondence with supervisory authorities concerning the clarifications requested as part of its ordinary control activities;
- The periodic exchanges of information with the independent auditors;
- The meeting with the Supervisory Body for the exchange of information;
- The meeting with the independent directors;
- The approval of the Remuneration Policies Document;
- The analysis and monitoring of business activities in accordance with the Risk Appetite Framework;
- The meeting with the management and control bodies of the banking group companies;
- The verification of anti-money laundering compliance and procedures.

With regard to “significant events during the year”, reference is made to the Directors’ Report.

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The Board of Statutory Auditors has issued the following opinions pursuant to law:

- The reasoned proposal for the award of the engagement for the legal auditing of the accounts pursuant to Article 13, paragraph 1, of Legislative Decree no. 39 of 27 January 2010;
- The opinions for the approval of non-audit services, requested by the Independent Auditors.

On 17 April 2019, the Board of Statutory Auditors issued its Observations on the Bank’s Restructuring Plan, as well as the report prepared by the Internal Audit Department on the controls carried out on the major outsourced departments, any deficiencies found and the consequent corrective measures adopted.

Finally, pursuant to Article 2408 of the Italian Civil Code, we declare that in 2019, no complaint from Shareholders or any other complaints were received, no wrongdoing or other significantly negative acts or omissions were reported by the Independent Auditors or others, that required reporting to the Bank of Italy.

Significant events after the reporting date.

The significant events that occurred after the reporting date included the outbreak in February 2020 of the COVID-19 epidemic emergency, which had a significant impact on Italy and is spreading both in Europe and the rest of the world.

Banca Sistema took immediate action to adopt appropriate measures to protect the health of its employees, customers and stakeholders, and guaranteed the functioning of all its offices and branches and the full operation of all its businesses, also by means of smart-working solutions.

With regard to the COVID-19 epidemic emergency, having assessed the effects of the ongoing threat, which will have a negative impact on the country's economy and a foreseeable increase in public spending, particularly in the healthcare sector, the Bank – as reported by the directors in the financial statements – does not currently expect there to be a significant impact on the Group's activities in the short term, which by their nature are counter-cyclical. The situation, which will not have any effects on business continuity, will be continuously monitored to verify the indirect effects linked to a decrease in production by the transferor companies with which the Group works.

Part Three: supervision of the financial statements

In this section we report on our control activities related to the preparation and drafting of the separate financial statements of Banca Sistema S.p.A. for the year ended 31 December 2019.

The Financial Statements have been drafted in accordance with the International Financial Reporting Standards (IAS/IFRS), as endorsed by the European Commission and transposed in Italy by Legislative Decree 38 of 28 February 2005, while also considering the instructions issued by the Bank of Italy with Circular 262 of 22 December 2005, as amended.

Pursuant to Legislative Decree 39/2010, the person or entity responsible for the statutory audit of the accounts must give an opinion on the financial statements as to whether they comply with the laws and regulations governing their preparation and whether they give a true and fair view of the capital and financial position, the cash flows and the profit and loss for the year. In this regard, BDO Italia S.p.A. ("BDO"), from the time it took over from the previous independent auditors, exchanged material information with the Board of Statutory Auditors pursuant to the

regulations in force and issued its own audit report on the financial statements at 31 December 2019 today. The report does not contain any objections or censures.

Therefore, the Board of Statutory Auditors assumes that the financial data correspond to the data resulting from the internal accounts, which are regularly kept in compliance with the principles set out in current regulations.

That said, the Board of Statutory Auditors has monitored activities to ensure that the general process of preparing and drafting the financial statements complies with current laws and regulations.

The Statement of Financial Position contained in the financial statements submitted for approval to the Shareholders' Meeting is summarised as follows (in thousands of Euro):

Assets	3,736,554
Liabilities.....	3,556,695
Share capital and reserves	149,903
Profit for the year	29,956

The Income Statement shows the following, summary values (in Euros):

Total income.....	100,551,224
Net impairment losses on loans and receivables	(9,053,279)
Operating costs (administrative expenses and other income/expenses) ..	(49,366,982)
Net impairment losses on property and equipment/intangible assets	(1,747,577)
Net accruals to provisions for risks and charges	(1,996,083)
Pre-tax profit from continuing operations	42,130,963
Income taxes.....	(12,370,772)
Post-tax profit from discontinued operations	175,532
Profit for the year	29,955,723

Part Four: relations with the independent auditors

Material information was exchanged during the year with representatives of the Independent Auditors so that they could perform their duties during the periodic meetings held pursuant to the regulations in force. These did not reveal any critical and/or significant problems.

In compliance with Article 6, paragraph 2), letter a) of European Regulation 537/2014 and paragraph 17 of international auditing standard (ISA Italia) no. 260, BDO has certified that, during the period between 1 January 2019 and today, it found no situations compromising the independence of the Independent Auditors or causes for incompatibility.

Likewise, BDO has informed the Board of Statutory Auditors that the legal audit carried out as at 31 December 2019 has not revealed significant shortcomings in the internal control system related to the financial reporting process that need to be brought to the attention of the Board of Statutory Auditors.

Part five: Acceptance of the Code of Conduct

The Bank adheres to the Code of Conduct of the Corporate Governance Committee for listed companies. Information about certain essential elements is provided as follows.

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Internal Control Committee

Banca Sistema S.p.A. has its own Internal Control and Risk Management Committee, whose current members were appointed by the BoD on 24 May 2018. Mr. Franco Pozzi was nominated and appointed to head the Internal Control Committee. The Committee and the head of the Internal Control Committee meet periodically.

Other Committees

The Appointments Committee, the Remuneration Committee, and the Ethics Committee have been established.

Board of Directors

- The BoD supervises general operating performance, dedicating special attention to situations exhibiting conflicts of interest, giving special consideration to the

information received from the CEO and the Internal Control and Risk Management Committee, by periodically comparing the results achieved with those planned.

- The BoD examines and approves transactions having a significant economic, asset and liability, and financial impact, especially in regard to related party transactions.
- The composition of the Board of Directors includes seven independent directors.
- The Chairperson of the Board of Directors meets the independence requirement pursuant to art. 147-ter, paragraph 4, and art. 148, paragraph 3 of Legislative Decree no. 58 of 24 February 1998, but does not meet the provisions of art. 3, application criteria 3.c.1.b and 3.c.2 of the Code of Conduct issued by Borsa Italiana.
- The CEO makes periodic reports to the BoD on his activities in the course of exercising his delegated authority.
- The CEO provides adequate information about the related party transactions whose examination is not reserved to the BoD.

The number of BoD, Internal Control Committee, and all Board committee meetings, and the attendance by the members of the Board of Statutory Auditors are shown in the document “Report on Corporate Governance”.

Part Six: disclosure pursuant to Consob Communication no. 1025564 / 2001

This section presents the information required under Consob Communication no. 1025564 of 6 April 2001, as amended. In certain cases, that information has already been reported in other paragraphs of this Report.

- The Company did not execute any atypical or unusual transactions with:
 - Group companies;
 - Related parties;
 - Third parties.

See also page 42 of the Financial Statements for more information in this regard.

- Significant transactions affecting the financial position, and assets and liabilities of the Bank were executed, and they have been illustrated in the financial statements.
- Ordinary / recurring transactions were executed with related parties, as described (with reference to them for reading) on page 42 and pages 168-170 of the Financial Statements. In this regard, we inform you that they have always been appropriate and in the Bank’s interest.

- The directors have explicitly stated the company's interest in execution of the transactions in their report on operations.
- The organisational structure of the Bank was revised during 2019. The actions approved by the BoD and subsequently implemented to improve the organisational structure have been illustrated.
- The orders issued by the company to its subsidiaries pursuant to Article 114, paragraph 2 of the Consolidated Law on Finance are considered adequate.
- The Board of Statutory Auditors has exchanged the required information with the corporate bodies of the subsidiaries L.A.S.S. s.r.l. and ProntoPegno S.p.A., with no significant issues having arisen.
- The organisational structure has been found to be adequate in regard to the matters under the responsibility of the Board of Statutory Auditors.
- The internal control system has been found adequate, just as has been the administrative and accounting system. This is deemed to give a reliable and fair presentation of operating events.
- Please refer to "Part Two" of this Report for other assessments, observations and comments.
- No omissions, wrongdoing or irregularities have been found during supervisory activity.
- It is not considered necessary to make proposals to the shareholders' meeting in regard to the financial statements and their approval, aside from those approved by the Board of Directors and transcribed in the "summary and conclusions".
- The Board of Statutory Auditors has not had to exercise its powers to call the shareholders' meeting or the BoD.
- Pursuant to paragraph 2, sub-paragraph 2 of the Consob Communication, the following details are noted:
 - the transactions indicated in paragraph 2, sub-paragraph 2, in paragraph 2, sub-paragraph 2.1, and in paragraph 2, sub-paragraph 2.2 of Consob Communication no. 1025564 of 6 April 2001. No atypical and/or unusual transactions were executed, including intercompany transactions or related party transactions. Consequently, no additional description needs to be given in this regard;

- the transactions indicated in paragraph 2, sub-paragraph 2.3 of the Consob Communication: as previously mentioned, reference is made to the reading of pages 42, 168, 169 and 170 of the Financial Statements.

Summary and conclusions

Dear Shareholders of Banca Sistema S.p.A.,

On the basis of the foregoing report and given what has been brought to the attention of the Board of Statutory Auditors, and what has been confirmed by its periodic controls, it is believed that no reasons exist not to approve the draft financial statements of Banca Sistema at 31 December 2019, as drafted and proposed to you by the Board of Directors, and consequently approve the distribution of dividends.

Likewise, the Board of Statutory Auditors has taken note of and brings to your attention the contents of the report of the Independent Auditors BDO Italia, issued pursuant to Articles 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EU) no. 537 of 16 April 2014, which shows that the financial statements have been clearly written and give a true and fair view of the operating result, assets and liabilities, financial position and cash flows of the Bank, the “additional report” prepared in accordance with Article 11 of Regulation (EU) no. 537/2014, and the result of the exchanges of information with the Independent Auditors, who have confirmed their own independence, have not found material errors, believe that the books are properly kept, and confirm that there are no material aspects requiring a report to the governance bodies.

Consequently, and notwithstanding all the references to the individual paragraphs of the Financial Statements previously made in this Report, the Board of Statutory Auditors reports that the proposal of the Board of Directors of Banca Sistema S.p.A. regarding the allocation of the profit for the year is as follows:

“Dear Shareholders,

The financial statements as at and for the year ended 31 December 2019, which we submit for your approval, show a profit for the year of €29,955,723.45.

We recommend allocating the profit for the year as follows:

- a dividend of €7,479,157.84;
- the remainder of €22,476,565.61 to retained earnings.

An allocation to the Legal Reserve was not made since the limits set out in Article 2430 of the Italian Civil Code were reached.

Please note that on 27 March 2020 the Bank of Italy, having accepted the request made by the European Central Bank (ECB), extended the ECB's Recommendation to significant banks to include less significant banks under its direct supervision. The aim of the Recommendation is to allocate profits to strengthening own funds, and to ensure that the financial system is in the best position to absorb the losses that will arise from the COVID-19 health emergency and to continue supporting the economy. This Recommendation reinforces the decision to allow intermediaries to operate temporarily below the level of the Target Component, assigned following the SREP (Pillar 2 Guidance - P2G) process, as well as the Capital Conservation Buffer (CCB) and the Liquidity Coverage Ratio (LCR). The Bank of Italy has therefore recommended the following to all the banks and banking groups under its supervision, at least until 1 October 2020:

1. to not pay dividends, including the distribution of reserves, and make no irrevocable commitments to pay dividends for the financial years 2019 and 2020;
2. to refrain from share buy-backs aimed at remunerating shareholders.

In this regard, the Board of Statutory Auditors notes that Banca Sistema has always adopted a prudent dividend distribution policy, which has had beneficial effects in terms of equity capital, also with respect to the capital ratios. The distribution proposal, made by the Board of Directors on 11 March 2020 and, therefore, prior to the Bank of Italy's recommendation, maintains the prudential approach adopted over time, with a distribution equal to 25% of the profits achieved.

In light of the above, the Board of Statutory Auditors invites the Shareholders' Meeting to approve the financial statements as at 31 December 2019 as prepared by the Board of Directors and to take due account of the Bank of Italy's recommendation for the purposes of the resolution regarding the allocation of the profit for the year.

Milan, 30 March 2020

Board of Statutory Auditors

Massimo Conigliaro

Chairperson

(signed on the original)

Lucia Abati

Standing Auditor

(signed on the original)

Biagio Verde

Standing Auditor

(signed on the original)

INDEPENDENT AUDITORS'
REPORT



Banca Sistema S.p.A.

Independent auditor's report pursuant
to article 14 of Legislative Decree n. 39,
dated January 27 2010 and article 10 of
EU Regulation n. 537/2014

Financial statements as at
December 31, 2019

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

Independent auditor's Report

pursuant to article 14 of Legislative Decree n. 39, dated January 27 2010 and article 10 of EU Regulation n. 537/2014

To the shareholders of Banca Sistema S.p.A.

Report on the financial statements

Opinion

We have audited the financial statements of Banca Sistema S.p.A. (the Company), which comprise the balance sheet as at December 31, 2019, the profit and loss account, the statement of other comprehensive income, statement of changes in net equity, the cash flow statement for the year then ended and notes and comments to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree NO. 38/05 as well and article 43 of Legislative Decree NO. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters**Audit responses**

CLASSIFICATION AND MEASUREMENT OF LOANS AND RECEIVABLES WITH CUSTOMERS BOOKED UNDER THE FINANCIAL ASSETS MEASURED AT AMORTISED COST

Notes: Part A) Accounting policies - paragraph A.2, "Information on the main items of the separate financial statements": "Financial assets measured at amortised cost"; Part B) Information on the statement of financial position, Assets - Section 4 "Financial assets measured at amortised cost"; Part C) Information on the income statement - Section 8.1 "Net impairment losses due to credit risk related to financial assets measured at amortised cost: breakdown"; Part E) Information concerning risk and related hedging policies - Section 1 "Credit risk"

Loans and receivables with customers, which are booked under the financial assets measured at amortised cost as of December 31, 2019, are equal to Euro 3,043 million and represent the 81% of the Bank's total assets.

The acquisition by the Bank of non-impaired loans claimed by companies supplying goods and services, mainly towards the public administration (the "factoring credits") and origination of credits relating to the sector of the transfers of salary or pension backed loans (the "CQS/CQP credits") represent the Bank's main activities.

Factoring credits and CQS/CQP credits as of December 31, 2019, are equal to, respectively, Euro 1,715 million and Euro 817 million.

For classification purposes, the directors of the Bank carry out analyses, sometimes complex, aimed at identifying the positions which, after the disbursement and / or acquisition, show evidence of a possible loss of value, considering both internal information related to the trend credit positions, and external information related to the sector of reference or to the overall exposure of such debtors to the banking system.

The evaluation of loans and receivables with customers is a complex estimation activity, characterized by a high degree of uncertainty and subjectivity, in which the Bank's directors use evaluation models that take into consideration numerous quantitative and qualitative elements such as, among others, historical data relating to collections, expected cash flows and related recovery times, the existence of indicators of possible impairment, the assessment of any guarantee, the impact of macroeconomic variables,

Our main audit procedures carried out in response to the key audit matter relating to the classification and evaluation of loans and receivables with customers, concerned the following activities:

- analysis of the procedures and processes related to the item and verification of the effectiveness of controls to monitor these procedures and processes;
- analysis of the adequacy of the IT environment related to IT applications that are relevant to the process of evaluating loans to banks and customers;
- procedures for reconciling data between management systems and information reported in the financial statements;
- comparative analysis procedures and analysis of the results with the management involved;
- analysis of the criteria and methods for the evaluation of credits (analytical and collective) and verification on a sample basis of the reasonableness of the assumptions and of the components used for the assessment and the relative results;
- examination on a sample basis of the classification and valuation in the financial statements in accordance with the IFRS adopted by the European Union and the provisions issued pursuant to Article 43 of Legislative Decree 136/2015;
- examination of the disclosures provided in the notes.

future scenarios and risks of the sectors in which the Bank's customers operate.

For these reasons, we have considered the classification and evaluation of loans and receivables with customers booked under financial assets valued at amortized cost, a significant key matter in the context of the auditing activity.

DETECTION OF DEFAULT INTEREST PURSUANT TO LEGISLATIVE DECREE NO. 231 OF 9 OCTOBER 2002 ON PERFORMING RECEIVABLES ACQUIRED WITHOUT RECOURSE.

Notes: Part A) Accounting policies - paragraph A.2., "Information on the main items of the separate financial statements"; Part C) Information on the income statement - Section 1 "interest - item 10 and 20"; Part E) Information concerning risk and related hedging policies - Section 1 "Credit risk"

The Bank's directors account for accrued default interest pursuant to legislative decree no. 231 of 9 october 2002 on performing receivables acquired without recourse.

Default interest recognized on an accrual basis in the year ended on 31 December 2019 amount to Euro 17,1 million and represent the 16% of the Bank's interest and similar income.

The default interest deemed recoverable by the directors of the Bank is estimated by using models based on the analysis of the time series concerning the recovery percentages and actual collection times observed internally.

These analyses are periodically updated following the progressive consolidation of the time series.

The aforementioned estimate, characterized by a high degree of uncertainty and subjectivity, feeds analysis models that take into account numerous quantitative and qualitative elements such as, among others, the historical data relating to collections, expected cash flows, the relative times collection costs and the impact of the risks associated with the geographical areas in which the Bank's customers operate.

For these reasons, we have considered the detection of default interest pursuant to legislative decree no. 231 of 9 october 2002 on performing receivables acquired without recourse a significant key matter in the context of the auditing activity.

The main audit procedures carried out in response to the key audit matter relating to the detection of default interest pursuant to legislative decree no. 231 of 9 october 2002 on performing receivables acquired without recourse, also carried out with the support of our experts, concerned the following activities:

- understanding of the business processes and the related IT environment of the Bank with reference to the estimation of default interest;
- examination of the configuration and implementation of the controls and performance of procedures to evaluate the operational effectiveness of controls which are considered relevant, with particular reference to the estimation of default interest;
- analysis of the models used to estimate default interest and examination of the reasonableness of the main assumptions contained in them, with the support of our experts;
- analysis of the adequacy of the information provided in the explanatory notes.

Other Matter

The separate financial statements of Banca Sistema S.p.A. for the year ended on December 31, 2018, were audited by another auditor, who expressed an unmodified opinion on those statements on March 27, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree NO. 38/05, as well as the regulation issued to implement article 9 of Legislative Decree NO. 38/05 and article 43 of Legislative Decree NO. 136/15 and, within the terms provided by the law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also have:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the

disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, as properly identified in accordance with ISA Italia, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have also provided those charged with governance with a statement that we have complied with relevant ethical and independence requirements applicable in Italy, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described those matters in the auditor's report.

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

We were initially engaged by the shareholders meeting of Banca Sistema S.p.A. on April 18, 2019 to perform the audit of the separate and the consolidated financial statements of each fiscal year starting from December 31, 2019 to December 31, 2027.

We declare that we did not provide prohibited non audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n.537/2014, submitted to those charged with governance.

Report on other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/10 and of article 123-bis of Legislative Decree n. 58/98.

The directors of Banca Sistema S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of Banca Sistema S.p.A. as at December 31, 2019, including their consistency with the financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph. 4, of Legislative Decree n. 58/98, with the financial statements of Banca Sistema S.p.A. as at December 31, 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the financial statements of Banca Sistema S.p.A. as at December 31, 2019 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, March 30, 2020

BDO Italia S.p.A.

(signed in the original)
Rosanna Vicari
Partner

FINANCIAL
ANNUAL STATEMENTS
AND REPORTS FOR
2019

BANCA
SISTEMA
CONTEMPORARY BANK

ALLEGATO "H" AL	
N. 27228	DI REP.
N. 27806	DI RACC.

**Relazione sulla politica in materia di
remunerazione e sui compensi corrisposti**

Prima Sezione
(art. 123-ter, c. 3, D. Lgs. 24/2/1998, n. 58)

**Documento sulle Politiche di Remunerazione del
Gruppo Banca Sistema S.p.A. Anno 2020**

cm

**Documento approvato dal Consiglio di Amministrazione
del 11 marzo 2020**

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1. PREMESSA

La presente Prima Sezione (di seguito, il "Documento sulle Politiche di Remunerazione" o le "Politiche") della "Relazione sulla politica in materia di remunerazione e sui compensi corrisposti", di cui all'art. 123-ter del D. Lgs. 24 febbraio 1998, n. 58 (di seguito "TUF"), è redatta in conformità, oltre che alla citata disposizione del TUF, alla Parte Prima, Titolo IV, Capitolo 2, della Circolare della Banca d'Italia del 17 dicembre 2013, n. 285 come successivamente modificata ed integrata in materia di "Politiche e prassi di remunerazione e incentivazione" (di seguito, la "Circolare 285"), alle disposizioni del Codice di Autodisciplina delle società quotate, adottato dal Comitato per la *corporate governance* nel marzo 2006, promosso da Borsa Italiana S.p.A. come da ultimo modificato (di seguito, il "Codice di Autodisciplina") e agli orientamenti dell'*European Banking Authority* ("EBA") su sane politiche di remunerazione (di seguito, gli "Orientamenti" e, congiuntamente, le "Disposizioni").

Vengono inoltre in rilievo le Disposizioni in materia di "Trasparenza delle operazioni e dei servizi bancari e finanziari – Correttezza delle relazioni tra intermediari e clienti" che stabiliscono principi specifici con riferimento alle politiche e alle prassi di remunerazione del personale e dei terzi addetti alla rete di vendita.

Le Disposizioni sono, inoltre, tengono in considerazione anche i *Regulatory Technical Standards* in materia emanati dalla Commissione Europea, su proposta dell'EBA.

Le Disposizioni hanno dato anche attuazione alla Direttiva 2013/36/UE (di seguito, "CRD 4"), relativamente alle previsioni in materia di politiche e prassi di remunerazione e incentivazione nelle banche e nei gruppi bancari, e tengono conto degli indirizzi e dei criteri concordati in sede internazionale, tra cui quelli dell'EBA e del *Financial Stability Board* (di seguito, "FSB").

In particolare, le Disposizioni recano principi e criteri specifici a cui le banche devono attenersi al fine di:

- garantire la corretta elaborazione e attuazione dei sistemi di remunerazione;
- gestire efficacemente i possibili conflitti di interesse;
- assicurare che il sistema di remunerazione tenga opportunamente conto dei rischi, attuali e prospettici, del grado di patrimonializzazione e dei livelli di liquidità di ciascun intermediario;
- accrescere il grado di trasparenza verso il mercato;
- consentire il rafforzamento dell'azione di controllo da parte delle Autorità di vigilanza.

L'obiettivo delle Disposizioni è quello di pervenire - nell'interesse di tutti gli *stakeholder* - a un sistema di remunerazione in linea con i valori, le strategie e gli obiettivi aziendali di lungo periodo, collegati con i risultati aziendali opportunamente corretti per tener conto dei rischi, coerentemente con i livelli di capitale e di liquidità necessari a fronteggiare le attività intraprese e, in ogni caso, evitare incentivi distorti che possano indurre a violazioni normative o ad un'eccessiva assunzione di rischi per le banche e il sistema finanziario nel suo complesso. Ulteriormente, le stesse sono volte ad assicurare il rispetto dei principi di diligenza, trasparenza e correttezza nelle relazioni con la clientela, al contenimento dei rischi legali e reputazionali, a tutelare e fidelizzare la clientela.

Secondo quanto previsto dalle Disposizioni, la capogruppo di un gruppo bancario elabora il documento sulle politiche di remunerazione dell'intero gruppo, tenendo conto delle caratteristiche di ciascuna componente, ne assicura la complessiva coerenza, fornisce gli indirizzi necessari alla sua attuazione e ne verifica la corretta applicazione da parte di tutte le società del gruppo anche per tenere conto – come dettagliato nell'allegato 2) "Indicatori di Performance", dei diversi livelli di raggiungimento degli obiettivi e dei conseguenti impatti sul profilo di rischio e sui target attesi di capitale, liquidità e redditività di Gruppo.

Il presente documento, redatto da Banca Sistema S.p.A. (di seguito, "Banca Sistema" o la "Capogruppo" o la "Banca"), ha pertanto valenza per l'intero Gruppo Banca Sistema (di seguito, il "Gruppo").

BANCA

SISTEMA

Le società del Gruppo sono in ogni caso responsabili del rispetto delle Disposizioni e in generale della normativa applicabile in materia di politiche di remunerazione, nonché delle istruzioni impartite dalla Capogruppo.

Ai sensi della Parte Prima, Titolo IV, Capitolo 2, Sezione I, paragrafo 7, della Circolare 285, in applicazione del criterio di proporzionalità, ogni banca dà attuazione alla normativa in materia di remunerazioni con modalità appropriate alle caratteristiche, dimensioni, rischiosità e complessità dell'attività svolta.

In particolare, ai fini della Circolare 285, le banche sono suddivise nelle tre seguenti categorie:

- *"banche di maggiori dimensioni o complessità operative"*: le banche considerate significative ai sensi dell'art. 6 (4) del Regolamento (UE) n. 1024/2013 (di seguito, "RMVU")⁽¹⁾;
- *"banche intermedie"*: le banche con attivo bilancio compreso tra 4 e 30 miliardi di Euro e le banche che fanno parte di un gruppo bancario con attivo di bilancio consolidato comprese tra 4 e 30 miliardi di Euro, che non siano considerate significative ai sensi dell'art. 6 (4) dell'RMVU;
- *"banche di minori dimensioni o complessità operativa"*: le banche con attivo di bilancio pari o inferiore a 4 miliardi di Euro, che non siano considerate significative ai sensi dell'art. 6 (4) dell'RMV.

Banca Sistema, pur avendo un totale attivo inferiore a 4 miliardi di Euro sia a livello individuale, sia a livello consolidato, potrebbe essere considerata come rientrante nella definizione di banche "minori". Tuttavia, in ragione del suo *status* di società quotata e degli orientamenti EBA, si è ritenuto applicare la disciplina riferibile alle banche "intermedie", Circolare 285, Titolo IV, Capitolo 2.

2. MISSION DEL GRUPPO BANCA SISTEMA E OBIETTIVI DELLE POLITICHE DI REMUNERAZIONE

Banca Sistema ha adottato un modello di *business* con la *mission* di diventare un operatore *leader* indipendente nel campo "*specialty finance*", basato su una strategia orientata a una costante crescita, che fa leva sulle competenze ed esperienze delle proprie risorse e sul rispetto e la tutela delle relazioni con la clientela, il cui soddisfacimento rappresenta un obiettivo primario.

Tenuto conto della *mission* sopra enunciata, delle Disposizioni e degli Orientamenti, la strategia retributiva del Gruppo persegue le seguenti finalità:

- orientare i comportamenti degli amministratori esecutivi, dei dipendenti verso le priorità e gli obiettivi della Banca e del Gruppo, sostenendo la creazione di valore nel medio e lungo periodo;
- attrarre e mantenere personale altamente qualificato anche attraverso la competitività retributiva esterna;
- motivare il personale, riconoscendone il merito e valorizzandone lo sviluppo professionale;
- sviluppare e migliorare la qualità dei servizi per i clienti, evitando la commercializzazione di prodotti non adeguati alle esigenze e alle caratteristiche del singolo cliente;
- assicurare la sana e prudente gestione della Banca e del suo profilo di rischio, contenendo i rischi legali e reputazionali;
- salvaguardare l'equità retributiva assicurando il giusto riconoscimento al contributo fornito dai singoli, e alle responsabilità attribuite;

⁽¹⁾ Ai sensi dell'art. 6 (4) del RMVU, "un ente creditizio o società di partecipazione finanziaria o società di partecipazione finanziaria mista non sono considerati meno significativi, tranne se giustificato da particolari circostanze da specificare nella metodologia, qualora soddisfino una qualsiasi delle seguenti condizioni:

- i) il valore totale delle attività supera i 30 miliardi di EUR;
- ii) il rapporto tra le attività totali e il PIL dello Stato membro partecipante in cui sono stabiliti supera il 20%, a meno che il valore totale delle attività sia inferiore a 5 miliardi di EUR;
- iii) in seguito alla notifica dell'autorità nazionale competente secondo cui tale ente riveste un'importanza significativa con riguardo all'economia nazionale, la BCE decide di confermare tale significatività sulla scorta di una sua valutazione approfondita, compreso lo stato patrimoniale, dell'ente creditizio in questione".

- assicurare comportamenti coerenti con il codice etico del Gruppo (di seguito, il "Codice Etico"), i regolamenti interni del Gruppo e le vigenti disposizioni legislative e regolamentari applicabili a Banca Sistema e al Gruppo.

La strategia retributiva del Gruppo tiene altresì conto del RAF (*Risk Appetite Framework*) adottato dalla Banca, nel quale sono presenti specifici indicatori di *performance* che tengono conto della propensione al rischio. Inoltre, la strategia retributiva del Gruppo tiene conto del costo e del livello del capitale e della liquidità necessaria a fronteggiare le attività intraprese ed è strutturata in modo da evitare il prodursi di incentivi in conflitto di interesse con la Banca in un'ottica di lungo periodo.

La Banca non prevede forme di remunerazione e incentivazione del proprio personale in qualunque forma (es., pagamenti o altri benefici) tramite veicoli, strumenti o modalità comunque elusive delle Disposizioni, con riguardo anche alle eventuali succursali e filiazioni estere (ovunque insediate). La remunerazione è pertanto riconosciuta esclusivamente, in via diretta, da parte della Banca.

La Banca richiede al proprio personale, attraverso specifiche pattuizioni individuali, di non avvalersi, anche tramite terzi, di strategie di copertura personale o di assicurazioni sulla retribuzione o su altri aspetti che possano alterare o inficiare gli effetti di allineamento al rischio insiti nei meccanismi retributivi.

Per assicurare il rispetto di quanto precede le funzioni aziendali di controllo (Direzione Audit) o la Direzione Capitale Umano conducono verifiche a campione sui depositi di custodia e amministrazione titoli aperti presso la Banca del "personale più rilevante" (come definito al successivo paragrafo 4). La Banca richiede, in ogni caso, al "personale più rilevante", attraverso le specifiche pattuizioni individuali sopra citate, di comunicare l'esistenza o l'accensione di conti di custodia e amministrazione presso altri intermediari. Tali pattuizioni sono predisposte dalla Direzione Capitale Umano e accettate espressamente da ciascun appartenente alla categoria del "personale più rilevante". La mancata, espressa accettazione delle specifiche pattuizioni esclude il singolo Dipendente dalle previsioni e dai benefici delle presenti Politiche.

Al fine di evitare eventuali aggiramenti delle Politiche, la Banca, nell'attuazione e definizione delle stesse, tiene opportunamente conto delle operazioni effettuate direttamente o indirettamente dal personale su base autonoma sulle Azioni, ovvero sugli strumenti finanziari che abbiano come sottostante le Azioni della Banca, tra cui:

- le operazioni su derivati che abbiano come sottostante le Azioni o, in generale, la parte differita della remunerazione variabile;
- le operazioni di prestito titoli che abbiano ad oggetto le Azioni.

In ogni caso, la Banca richiede al "personale più rilevante" di comunicare le operazioni e gli investimenti finanziari effettuati che rientrano tra le tipologie sopra individuate e ne tiene conto al fine di calibrare le Politiche, con particolare riguardo ai meccanismi di allineamento ai rischi e alla situazione patrimoniale e reddituale della Banca (ad es., durata del periodo di differimento, sistemi di *malus* e *claw-back*, ecc.).

3. ITER DI FORMAZIONE DELLE POLITICHE DI REMUNERAZIONE

La formazione delle Politiche avviene secondo l'*iter* di seguito descritto, nell'osservanza delle previsioni contenute nelle Disposizioni e di quanto disposto, in coerenza con le Disposizioni stesse, dallo Statuto di Banca Sistema.

Il processo di formazione delle Politiche prevede il coinvolgimento dei seguenti organi/funzioni aziendali della Banca, in forza delle competenze e responsabilità di seguito indicate:

Il Consiglio di Amministrazione (o il "Consiglio") elabora, approva e sottopone all'Assemblea dei Soci le Politiche della Banca e le riesamina, con periodicità almeno annuale, ed è responsabile della loro corretta attuazione; esso approva, inoltre, gli esiti dell'eventuale procedimento di esclusione del "personale più

rilevante" di cui al Paragrafo 4 e all'Allegato 1 delle Politiche e ne rivede periodicamente i criteri. Il Consiglio di Amministrazione assicura che le Politiche di Remunerazione siano adeguatamente documentate e accessibili all'interno della struttura aziendale e che siano note al personale le conseguenze di eventuali violazioni delle previsioni contenute nelle presenti Politiche; definisce il piano di incentivazione rivolto ai soggetti rientranti nella categoria del "personale più rilevante" (cfr. successivo paragrafo 4 e Allegato 1), nonché a tutti gli altri dipendenti del Gruppo; assicura, inoltre, che le Politiche della Banca siano adeguatamente attuate e allineate al quadro complessivo del governo societario, alla cultura di impresa, alla propensione al rischio, nonché ai processi di *governance* correlati.

Il Consiglio assicura che il riconoscimento, l'erogazione, e la maturazione della remunerazione variabile, non pregiudichino il mantenimento di una solida base di capitale.

Il Consiglio assicura che il riconoscimento, l'erogazione, e la maturazione della remunerazione variabile, ivi compresa l'applicazione di meccanismi di *malus* e di *claw-back*, non pregiudichino, nell'ambito della politica di remunerazione del Gruppo, il mantenimento di una solida base di capitale.

Il Consiglio di Amministrazione approva, nel rispetto dei principi stabiliti nelle presenti Politiche e in attuazione alla disciplina di cui alle Disposizioni in materia di "Trasparenza delle operazioni e dei servizi bancari e finanziari", i criteri di remunerazione del personale che offre prodotti ai clienti, interagendo con questi ultimi, del personale a cui tali soggetti rispondono in via gerarchica e degli intermediari del credito, nonché del personale preposto alla valutazione del merito creditizio e del personale preposto alla trattazione dei reclami.

Inoltre, il Consiglio sottopone all'Assemblea dei Soci un'informativa chiara e completa sulle Politiche da adottare la quale mira a far comprendere: le ragioni, le finalità e le modalità di attuazione delle Politiche; il controllo svolto sulle medesime; le caratteristiche relative alla struttura dei compensi; la loro coerenza rispetto agli indirizzi e agli obiettivi definiti; la conformità alla normativa applicabile; le principali informazioni sul processo di identificazione del "personale più rilevante" e sui relativi esiti, ivi comprese quelle relative alle eventuali esclusioni (cfr. successivo paragrafo 4 e Allegato 1); le eventuali modificazioni rispetto ai sistemi e ai processi già approvati; l'evoluzione delle dinamiche retributive, anche rispetto al *trend* del settore. L'informativa contiene almeno le informazioni contenute nel paragrafo 5 delle Politiche.

Nello svolgimento dei propri compiti, il Consiglio di Amministrazione si avvale dell'ausilio e del contributo delle seguenti funzioni aziendali:

- la **Direzione Capitale Umano** coordina il processo di definizione delle Politiche e contribuisce alla sua elaborazione, fornendo le necessarie informazioni anche con riferimento alla struttura ed ai livelli di remunerazione nonché ai sistemi di incentivazione. In particolare, la Direzione Capitale Umano fornisce il proprio supporto alla Funzione *Compliance*, assicurando, tra l'altro, la coerenza tra le Politiche e le procedure di gestione delle risorse umane e i sistemi di remunerazione e incentivazione della Banca;
- la **Direzione Rischi** è coinvolta nell'individuazione degli eventi potenziali che possono influire sull'attività aziendale, analizzando gli impatti di tali eventi nell'ambito dei limiti di rischio ritenuti accettabili e monitorando periodicamente gli impatti dell'attuazione delle Politiche sui profili di rischio del Gruppo. La Direzione Rischi è invitata alle riunioni del Comitato per la Remunerazione dedicate alla elaborazione, implementazione e controllo delle Politiche; in particolare, essa contribuisce ad assicurare la coerenza con il quadro di riferimento per la determinazione della propensione al rischio e con le politiche di governo e di gestione dei rischi definite all'interno del RAF anche attraverso la definizione degli indicatori di rischio da utilizzare per i meccanismi di correzione (*ex ante* ed *ex post*), e si esprime sulla corretta attivazione di questi ultimi. La Direzione Rischi, congiuntamente alla Funzione *Compliance*, fornisce un effettivo contributo, secondo i rispettivi ruoli, alla definizione del "*bonus pool*" (come *infra* definito), degli indicatori di risultato e delle remunerazioni riconosciute, rappresentando i possibili rilievi in ordine all'impatto sul comportamento del personale e/o sulla rischiosità delle attività intraprese;

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- la **Funzione Compliance** procede alla verifica *ex ante* della conformità delle Politiche ed effettua, con cadenza annuale, una valutazione di conformità delle Politiche al quadro normativo di riferimento e alla normativa interna, ivi incluso il Codice Etico del Gruppo, in modo da considerare anche gli aspetti legali e reputazionali insiti soprattutto nelle relazioni con la clientela. La Funzione *Compliance* porta a conoscenza del Consiglio di Amministrazione eventuali rilievi con un'apposita relazione affinché tale organo ne tenga conto in sede di approvazione e esame della Politiche;
- la **Direzione Internal Audit** verifica, tra l'altro, con frequenza almeno annuale, la rispondenza delle prassi di remunerazione alle politiche approvate e alla vigente normativa;
- la **Direzione Centrale Finanza** verifica la coerenza delle Politiche con gli obiettivi di medio lungo termine e le strategie della Banca, al fine di assicurare la sostenibilità finanziaria nel medio-lungo termine;
- il **Dirigente Preposto alla redazione dei documenti contabili e societari** (di seguito, il "**Dirigente Preposto**") verifica la corrispondenza e la coerenza delle Politiche con i documenti contabili e societari e, in particolare, la loro correttezza con le singole poste del bilancio approvato. Il Dirigente Preposto, congiuntamente con il Direttore Rischi, valuta e certifica il livello di conseguimento delle condizioni e dei criteri di accesso aziendali e il livello di conseguimento degli obiettivi assegnati.

Il **Comitato per la Remunerazione**, supporta il Consiglio di Amministrazione nell'esame delle Politiche da sottoporre all'Assemblea dei Soci, anche avvalendosi delle funzioni aziendali sopra menzionate, svolgendo le seguenti attività:

- ha compiti di proposta sui compensi dei soggetti rientranti nella categoria del "personale più rilevante", nonché degli altri dipendenti;
- ha compiti consultivi in materia di determinazione dei criteri per la remunerazione del "personale più rilevante";
- si esprime, anche avvalendosi delle informazioni ricevute dalle funzioni aziendali competenti, sugli esiti del processo di identificazione del "personale più rilevante", ivi comprese le eventuali esclusioni, ai sensi del paragrafo 4 e dell'Allegato 1 delle Politiche;
- vigila direttamente sulla corretta applicazione delle regole relative alla remunerazione dei responsabili delle funzioni aziendali di controllo, in stretto raccordo con il Collegio Sindacale;
- cura la preparazione della documentazione da sottoporre all'organo con funzione di supervisione strategica per le relative decisioni;
- collabora con gli altri comitati interni al Consiglio di Amministrazione, in particolare con il Comitato Controlli Interni e Gestione dei Rischi;
- assicura il coinvolgimento delle funzioni aziendali competenti nel processo di elaborazione e controllo delle Politiche;
- si esprime, anche avvalendosi delle informazioni ricevute dalle funzioni aziendali competenti, sul raggiungimento degli obiettivi di performance cui sono legati i piani di incentivazione e sull'accertamento delle altre condizioni poste per l'erogazione dei compensi;
- verifica la necessità di una correzione *ex post* della remunerazione variabile (*malus* e *claw-back*) formulando opportune proposte al Consiglio di Amministrazione;
- fornisce adeguato riscontro sull'attività svolta agli organi aziendali, compresa l'Assemblea dei Soci, verificando l'adeguatezza delle informazioni da fornire agli azionisti sulle Politiche, in particolare per quanto concerne eventuali proposte di superamento del rapporto 1:1 tra componente fissa e variabile della remunerazione;

- propone al Consiglio di Amministrazione il coinvolgimento di consulenti esterni esperti in materia di Politiche di Remunerazione e Incentivazione.
- verifica se la politica di remunerazione in essere sia ancora aggiornata e, se necessario, presenta proposte di modifica.

Per svolgere in modo efficace e responsabile i propri compiti, il Comitato per la Remunerazione ha accesso a tutti i dati e a tutte le informazioni concernenti il processo decisionale dell'Organo amministrativo riguardo l'elaborazione, l'attuazione, il controllo e il riesame delle Politiche. Il Comitato dispone, altresì, di adeguate risorse e ha accesso incondizionato a tutte le informazioni e ai dati provenienti dalle funzioni di controllo; interagisce con le predette funzioni di controllo e con le altre funzioni aziendali pertinenti (es. Direzione Capitale Umano, Legale, Finanza), le cui risorse possono essere chiamate a partecipare alle riunioni del Comitato.

Il Comitato Controllo Interno e Gestione del Rischi contribuisce alla definizione e alla corretta applicazione delle Politiche di Remunerazione attraverso l'accertamento che gli incentivi sottesi al sistema di remunerazione e incentivazione della Società siano coerenti con il RAF, ferme restando le competenze del Comitato per le Remunerazioni e verificando, in assenza dell'Amministratore Incaricato del SCIGR, che la remunerazione del Responsabile della Funzione di Internal Audit sia definita coerentemente con le politiche aziendali.

L'Assemblea dei Soci approva:

- le Politiche a favore dei dipendenti e del "personale più rilevante" del Gruppo;
- i piani di remunerazione basati su strumenti finanziari (ad es. *stock option*, *stock grant*);
- i criteri di determinazione dell'eventuale compenso da accordare in caso di conclusione anticipata del rapporto di lavoro o di cessazione anticipata dalla carica, ivi compresi i limiti fissati a detto compenso in termini di annualità della remunerazione fissa e l'ammontare massimo che deriva dalla loro applicazione (c.d. *golden parachute*)⁽²⁾.

In sede di approvazione delle Politiche, l'Assemblea dei Soci delibera altresì, sull'eventuale proposta di fissare un limite al rapporto tra la componente variabile e quella fissa della remunerazione individuale superiore a 1:1, ma non eccedente il limite massimo di 2:1⁽³⁾.

Con riferimento all'esercizio corrente, solo con riferimento all'Amministratore Delegato è previsto un limite massimo di 2:1 al rapporto tra la componente variabile e quella fissa della remunerazione. Per il restante personale è previsto quindi il limite generale di 1:1, fatto salvo quanto specificato nel seguito con riferimento ad alcune categorie specifiche di personale (cfr. Capitolo 7.3).

La possibilità di fissare un limite al rapporto tra la componente variabile e quella fissa della remunerazione individuale superiore a 1:1, ma non eccedente il limite massimo di 2:1 è attribuita anche alle società del Gruppo. A tal riguardo, si segnala che in quanto Gruppo, l'assemblea competente a deliberare sulla proposta di fissare un limite superiore a 1:1 è quella della società del Gruppo in cui opera il personale a cui la decisione si riferisce. Banca Sistema può esprimere voto favorevole sulla proposta di aumento del limite sottoposta all'approvazione dell'assemblea di una società del Gruppo.

A tal riguardo, l'Assemblea dei Soci è informata sul fatto che nel limite al rapporto variabile/fisso ricadono anche gli importi eventualmente da riconoscere sotto forma di benefici pensionistici discrezionali o in vista o in

² Attualmente la Banca non ha stipulato alcun accordo che prevede l'assegnazione di importi in caso di conclusione anticipata del rapporto di lavoro o di cessazione anticipata dalla carica.

³ La delibera è assunta con l'astensione del personale che sia al tempo azionista della Banca qualora la deliberazione abbia ad oggetto l'approvazione di un aumento del limite che riguarda la propria remunerazione.

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occasione della conclusione anticipata del rapporto di lavoro o cessazione anticipata dalla carica (c.d. *golden parachutes*).

Il Collegio Sindacale svolge un ruolo consultivo e vigila sulla corretta applicazione delle regole relative alla remunerazione sulla base della normativa e della regolamentazione vigente al momento della verifica.

Le funzioni aziendali di controllo di Banca Sistema e quelle delle società del Gruppo collaborano e si scambiano tutte le informazioni rilevanti.

Le Politiche sono soggette, con cadenza almeno annuale, ad un riesame: l'attività di riesame e i relativi piani correttivi proposti, approvati e attuati, vengono documentati attraverso relazioni scritte o processi verbali delle relative riunioni.

4. PROCESSO DI IDENTIFICAZIONE ED ESCLUSIONE DEL PERSONALE PIÙ RILEVANTE

Il processo di identificazione del "personale più rilevante" (ossia dei soggetti la cui attività professionale ha o può avere un impatto sostanziale sul profilo di rischio del Gruppo) tiene conto di quanto previsto dal Regolamento Delegato (UE) n. 604/2014 ("*Regulatory Technical Standards*" o "*RTS*"), nonché degli ulteriori criteri individuati dalla Banca ed illustrati nell'allegato 1.

La valutazione, tesa ad individuare il "personale più rilevante", viene effettuata con cadenza almeno annuale dal Consiglio di Amministrazione della Banca e, comunque, in ogni occasione di modifica della struttura organizzativa sulla base di un articolato processo che prevede il coinvolgimento del Comitato per la Remunerazione e delle funzioni di controllo interno come meglio descritto nell'Allegato 1. Questo processo consente di graduare l'applicazione dell'intera disciplina in funzione dell'effettiva capacità delle singole figure aziendali di incidere sul profilo di rischio della Banca.

Per il "personale più rilevante" sono previste regole più stringenti nella strutturazione della remunerazione, affinché si realizzi una piena rispondenza tra la remunerazione e l'andamento economico-finanziario, sia in chiave attuale che prospettica, secondo fattori che tengano conto dei rischi assunti e della sostenibilità nel tempo dei risultati aziendali.

In conformità a quanto previsto dalle Disposizioni, la Banca, a seguito del processo di identificazione può ritenere, sulla base del processo di esclusione che alcune persone così individuate possano non essere considerate come "personale più rilevante" (cfr. Allegato 1).

5. OBBLIGHI DI INFORMATIVA

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- informazioni relative al processo decisionale seguito per definire le Politiche;
- informazioni sul collegamento tra remunerazione e *performance*;
- le caratteristiche di maggior rilievo del sistema di remunerazione, tra cui le informazioni sui criteri utilizzati per la valutazione delle *performance* e l'aggiustamento per il rischio, le politiche di differimento e i criteri di attribuzione;
- i rapporti tra la componente fissa e variabile della remunerazione;
- informazioni sui criteri di valutazione delle *performance* in virtù dei quali sono concesse opzioni, azioni o altre componenti variabili della remunerazione;

- le informazioni sulla remunerazione complessiva del Presidente del Consiglio di Amministrazione e dell'Amministratore Delegato.

La Banca pubblica altresì sul proprio sito web le informazioni circa le modalità di attuazione delle Disposizioni, unitamente alle altre informazioni in materia di governo societario previste dal Titolo IV, Sezione VII, Capitolo 1, paragrafo 1 della Circolare 285.

Le informazioni sulle Politiche saranno riportate nella Sezione I della Relazione sulla remunerazione ai sensi dell'art. 123-ter del TUF, che sarà messa a disposizione del pubblico con le modalità e nei tempi indicati dalla normativa applicabile.

6. LA STRUTTURA DELLA REMUNERAZIONE DEL GRUPPO

6.1 Principi generali

Ai sensi della Parte I, Titolo IV, Cap. 2, Sez. I, Par. 3, della Circolare 285:

- i) per remunerazione si intende: *"ogni forma di pagamento o beneficio, incluse eventuali componenti accessorie (c.d. allowances) corrisposto, direttamente o indirettamente, in contanti, strumenti finanziari o servizi o beni in natura (fringe benefits), in cambio delle prestazioni di lavoro o dei servizi professionali resi dal personale alla banca o ad altre società del gruppo bancario o ai terzi addetti alla rete di vendita. Possono non rilevare i pagamenti o i benefici marginali, accordati al personale su base non discrezionale, che rientrano in una politica generale della banca e che non producono effetti sul piano degli incentivi all'assunzione o al controllo dei rischi"*;
- ii) per remunerazione fissa si intende: *"la remunerazione che ha natura stabile e irrevocabile, determinata e corrisposta sulla base di criteri prestabiliti e non discrezionali – quali, in particolare, i livelli di esperienza professionale e di responsabilità – che non creano incentivi all'assunzione di rischi e non dipendono dalle performance della banca"*;
- iii) per remunerazione variabile si intende: *"(i) la remunerazione il cui riconoscimento o la cui erogazione possono modificarsi in relazione alla performance, comunque misurata (obiettivi di reddito, volumi, etc.), o ad altri parametri (es. periodo di permanenza), esclusi il trattamento di fine rapporto stabilito dalla normativa generale in tema di rapporti di lavoro e l'indennità di mancato preavviso, quando il loro ammontare è determinato secondo quanto stabilito dalla legge e nei limiti da essa previsti; (ii) i benefici pensionistici discrezionali e gli importi pattuiti tra la banca e il personale in vista o in occasione della conclusione anticipata del rapporto di lavoro o per la cessazione anticipata dalla carica, indipendentemente dal titolo, dalla qualificazione giuridica e dalla motivazione economica per i quali sono riconosciuti. Tra questi importi sono inclusi quelli riconosciuti a titolo di patto di non concorrenza o nell'ambito di un accordo per la composizione di una controversia attuale o potenziale, qualunque sia la sede in cui esso viene raggiunto; (iii) i carried interest, come qualificati dalle disposizioni in materia di politiche e prassi di remunerazione e incentivazione per il settore del risparmio gestito, di attuazione delle direttive 2009/65/CE (c.d. UCITS) e 2011/61/UE (c.d. AIFMD); (iv) ogni altra forma di remunerazione che non sia univocamente qualificabile come remunerazione fissa"*.

Alla luce delle suddette definizioni, la remunerazione del personale del Gruppo è formata da una componente fissa, prevista per tutto il personale, da una componente "benefit" e da una componente variabile, prevista per i soggetti rientranti nella categoria del "personale più rilevante" (ferme restando le eccezioni indicate nel presente Documento sulle Politiche di Remunerazione), che può essere eventualmente accordata anche al restante personale della Banca secondo le linee guida e i principi mutuati dalle presenti Politiche e nel rispetto della normativa vigente.

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Il rapporto tra la componente fissa e quella variabile è opportunamente bilanciato, puntualmente determinato e attentamente valutato in relazione alle caratteristiche di Banca Sistema e delle diverse categorie di personale, in specie di quello rientrante tra il "personale più rilevante" (per ulteriori informazioni sul rapporto tra la componente fissa e variabile si rinvia al paragrafo 6.5 delle Politiche).

Per quanto riguarda gli intermediari del credito di cui la Banca, eventualmente, si avvale per la distribuzione dei propri prodotti, si rimanda a quanto specificamente previsto nel seguito (cfr. Capitolo 7.4).

La remunerazione del personale del Gruppo è formata dalle componenti di seguito descritte.

6.2 Componente fissa

La componente fissa della remunerazione:

- è prevista per tutto il personale;
- è determinata tenendo conto delle competenze tecniche, professionali e manageriali del personale e sulla responsabilità a ciascuno attribuita ed è costantemente monitorata e annualmente riesaminata per verificarne l'equità, interna ed esterna, rispetto al contesto di mercato, anche con l'ausilio di valutazioni elaborate da consulenti indipendenti scelti dalla Capogruppo; la Banca applica (i) il CCNL per i Quadri Direttivi e per il Personale delle Aree Professionali dipendenti dalle Imprese Creditizie, Finanziarie e Strumentali e (ii) il CCNL per i Dirigenti dipendenti dalle Imprese Creditizie, Finanziarie e Strumentali;
- è improntata sulla base del criterio della sostenibilità e in modo sufficiente a consentire alla parte variabile di contrarsi sensibilmente - e, in casi estremi, anche azzerarsi - in relazione ai risultati effettivamente conseguiti.

6.3 Benefits

Gli organi sociali e i dipendenti godono di alcuni benefit non monetari - la cui definizione e assegnazione avviene in funzione di piani, policy e regolamenti aziendali che prevedono il rispetto di parametri di sostenibilità collegati all'andamento generale dei risultati generali nel medio e lungo termine della Banca e in particolare attribuibili a condizione che sia raggiunto annualmente un utile lordo consolidato di Gruppo positivo - con diverso peso in funzione del ruolo aziendale e del servizio e i cui principali sono la polizza sanitaria, l'autovettura aziendale e il Piano di *Flexible Benefits*.

La previsione di attribuzione per il 2020 è sintetizzabile nei seguenti termini:

- polizza sanitaria per tutto il personale dipendente e per i membri del Consiglio d'Amministrazione della Banca;
- autovettura aziendale per i dirigenti e il personale con ruoli commerciali o di *business development*;
- Piano di *Flexible Benefits* per tutto il Personale.

Banca Sistema ha introdotto un Piano di Flexible Benefit la cui finalità è quella di supportare i Dipendenti e le loro famiglie nelle attività di cura dei membri della famiglia, sociali e culturali, nel trasporto pubblico, nello sviluppo formativo e nelle spese scolastiche dei propri figli secondo i limiti e alle condizioni stabilite dallo specifico Regolamento in materia e in applicazione della normativa fiscale vigente.

6.4 Componente variabile

La componente variabile della remunerazione (di seguito anche il "Bonus"):

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- è riconosciuta ai soggetti rientranti nella categoria del "personale più rilevante" al raggiungimento di obiettivi predeterminati (fermo restando quanto indicato nel Documento sulle Politiche di Remunerazione);
- può essere riconosciuta anche al personale diverso dal "personale più rilevante";
- è parametrata ad indicatori di *performance* misurata al netto dei rischi e coerenti con le misure utilizzate a fini gestionali dalla Funzione di Risk Management (cd. *ex ante risk adjustment*);
- è condizionata al raggiungimento degli obiettivi sia aziendali, sia individuali indicati nell'Allegato 2 al presente Documento sulle Politiche di Remunerazione;
- è composta:
 - per il "personale più rilevante", da una parte in denaro ("Cash") e da una parte in azioni della Banca (le "Azioni") (cfr. successivo par. 6.4.2 e Allegato 3);
 - per il personale non rientrante nella categoria del "personale più rilevante", esclusivamente da denaro (cfr. successivo par. 6.4.3).

Al fine di assicurare la sostenibilità finanziaria del Bonus, nonché di garantire un livello di patrimonializzazione della Banca adeguato, l'ammontare complessivo dei Bonus riconosciuti ed effettivamente erogati ai dipendenti e al "personale più rilevante" non può eccedere l'ammontare del Bonus Pool come definito ai sensi del paragrafo 6.4.1. Esigenze di rafforzamento patrimoniale conducono ad una contrazione del bonus pool come di seguito descritto e/o all'applicazione di meccanismi di correzione *ex post*.

La componente variabile è sottoposta, attraverso specifiche pattuizioni, a meccanismi di correzione *ex post* (*malus*, di cui al punto 6.4.2.3 e *claw back* di cui al punto 6.4.2.4, che seguono) idonei, tra l'altro, a riflettere i livelli di performance e patrimoniali al netto dei rischi effettivamente assunti o conseguiti. Ai sensi di tali previsioni, la Società, fatto salvo il diritto al risarcimento dell'eventuale maggior danno, in seguito all'erogazione del Bonus maturato e nel rispetto dei termini di prescrizione previsti dalle disposizioni di legge, può richiedere la restituzione del Bonus erogato, indipendentemente dal fatto che il rapporto con il beneficiario sia ancora in essere o sia cessato.

6.4.1 Il Bonus Pool

L'ammontare complessivo della componente variabile da erogarsi al personale della Banca ("Bonus Pool") si basa su risultati effettivi e duraturi e tiene conto anche di obiettivi quantitativi e qualitativi finanziari e non finanziari, ivi inclusi quelli fissati dal piano industriale approvato dal Consiglio di Amministrazione e declinati nei *budget* annuali nonché dal RAF. Il Bonus Pool, sia quello riconosciuto, sia quello effettivamente erogato, è sostenibile rispetto alla situazione finanziaria della Banca e non limita la sua capacità di mantenere o raggiungere un livello di patrimonializzazione adeguato ai rischi assunti. Le eventuali esigenze di rafforzamento patrimoniale possono condurre ad una contrazione del Bonus Pool e/o all'applicazione di meccanismi di correzione *ex post*.

In particolare, la distribuzione del Bonus Pool è condizionata al raggiungimento di un utile lordo positivo, intendendosi per tale l'utile lordo consolidato positivo di Gruppo dell'esercizio (eventualmente rettificato per garantirne la confrontabilità con gli esercizi precedenti) così come presentato al Consiglio di Amministrazione della Banca nella Relazione sulla Gestione, ("Utile Lordo").

Inoltre, i parametri relativi alla *performance* aziendale che condizionano la distribuzione della componente variabile nell'ambito del Bonus Pool sono indicati di seguito:

- **CONDIZIONE DI DISTRIBUZIONE** – la distribuzione del Bonus Pool è subordinata al raggiungimento di un Utile Lordo Consolidato positivo di Gruppo;

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- **CONDIZIONE DI ACCESSO** - per il 2020 il raggiungimento dei criteri di accesso (*Key Risk Indicator*, di seguito, KRI) previsti nel RAF dell'anno di riferimento: soglia di primo livello del **Common Equity Tier 1 - CET1** e del **Liquidity Coverage Ratio - LCR**.

In caso di mancato raggiungimento della soglia di primo livello indicata nel RAF anche di uno solo dei predetti 2 KRI, la Banca non distribuisce alcun Bonus.

Il raggiungimento della *performance* aziendale è verificato dal Consiglio di Amministrazione previo parere del Comitato per la Remunerazione, sulla base delle procedure descritte nelle Politiche.

Il Bonus Pool è determinato in misura fissa nell'ambito del processo di definizione del *budget* annuale della Banca (in ogni caso non superiore al 10% percentuale dell'utile lordo) ed è approvato ogni anno dal Consiglio di Amministrazione della Banca, insieme all'approvazione del *budget* dell'esercizio, su proposta dell'Amministratore Delegato, sentito il Direttore Centrale Finanza, il Dirigente Preposto, il Direttore Rischio, il Responsabile Compliance. La proposta dell'Amministratore Delegato è valutata dal Comitato per la Remunerazione che formula il proprio parere al Consiglio di Amministrazione.

La quantificazione del Bonus Pool è, peraltro, soggetta a meccanismi di correzione che possono condurre ad una riduzione, anche significativa, o all'azzeramento della remunerazione variabile stessa, soprattutto in caso di risultati significativamente inferiori a quelli stabiliti o negativi o quando la Banca non è in grado di mantenere o ripristinare una solida base di capitale. In particolare, il Bonus Pool è soggetto a un fattore di correzione *ex post* in funzione del livello del Return on *Risk Adjusted Capital* (Rorac) previsto nel RAF dell'anno precedente e in particolare:

- nel caso il Rorac realizzato nell'anno superi il target, così come identificato nel RAF, il *Bonus Pool* è erogabile in misura pari al 150% (gli indicatori Rorac, CET1 e LCR non potranno, per effetto di tale maggiore importo, scendere sotto il target);
- nel caso il Rorac realizzato nell'anno superi la soglia di primo livello, così come identificato nel RAF, il *Bonus Pool* è erogabile in misura pari al 100%;
- nel caso il Rorac realizzato si collochi tra la soglia di primo e di secondo livello, il *Bonus Pool* è erogabile nella misura dell'80%;
- nel caso il Rorac realizzato risulti inferiore alla soglia di secondo livello, come previsto dal RAF, il Consiglio di Amministrazione della Banca delibererà la mancata distribuzione dei Bonus.

In caso di riduzione del *Bonus Pool* secondo i criteri precedentemente espressi, i Bonus individuali, come calcolati sulla base della performance individuale come definita nell'allegato 2 – Indicatori di *Performance*, saranno ridotti in proporzione a tutti i beneficiari.

6.4.2 Regole applicabili al Bonus dei membri del personale ricompreso nella categoria del "personale più rilevante"

Come indicato nelle Premesse del presente documento, Banca Sistema, avendo un totale attivo inferiore a 4 miliardi di euro sia a livello individuale, sia a livello consolidato, potrebbe essere considerata come rientrante nella definizione di banche "minori" ma ha tuttavia ritenuto, in ragione del suo *status* di società quotata e degli orientamenti EBA, di applicare la disciplina riferibile alle banche "intermedie", Circolare 285, Titolo IV, Capitolo 2.

In quanto banca intermedia pertanto, in coerenza con il criterio di proporzionalità, applica le disposizioni relative al personale più rilevante, con percentuali e periodi di differimento e *retention* che possono ridursi fino ad alta metà di quelli indicati nella normativa ma ponderando un criterio di allineamento prudenziale anche in relazione alle previsioni del Codice di Autodisciplina per il differimento più lungo per membri del Consiglio di

Amministrazione e dirigenti con responsabilità strategica che vengono quindi estese a tutto il Personale Più Rilevante.

La Banca inoltre indica nel 25% della remunerazione complessiva media degli "high earners" italiani, come risultante dal più recente rapporto pubblicato dall'EBA nel 2019 e relativo all'elaborazione dei dati alla fine del 2017, il livello di remunerazione variabile particolarmente elevato ⁽⁴⁾.

La remunerazione variabile per il "personale più rilevante" relativa all'anno 2020 sarà corrisposta a seguito dell'approvazione del bilancio d'esercizio come segue:

- per importi inferiori o pari a Euro 30.000 la remunerazione variabile sarà corrisposta interamente upfront e in cash, subordinatamente alle previste approvazioni del Consiglio di Amministrazione e dell'Assemblea dei Soci previste dalle presenti Politiche;
- per importi superiori a Euro 30.000 e fino a Euro 425.000 la remunerazione variabile sarà corrisposta per l'70% *up-front* (di cui il 50% Cash e il 50% in Azioni della Banca) e per il restante 30% (di cui il 50% Cash e il 50% in Azioni della Banca) sarà differita e sarà corrisposta alla fine del periodo di differimento di tre anni;
- per importi superiori a Euro 425.000 la remunerazione variabile sarà corrisposta per il 60% *up-front* (di cui il 50% Cash e il 50% in Azioni della Banca) e per il restante 40% (di cui il 24% Cash e il 76% in Azioni della Banca) sarà differito e sarà corrisposto alla fine del periodo di differimento tre anni.

Tali limiti e parametri sono definiti dalla Banca ancorché, in applicazione dei criteri di proporzionalità di cui Par. 7 della Circolare 285, Titolo IV, Capitolo 2 – Disposizioni di carattere generale, previsti per le banche intermedie, sia possibile definire termini e quote di differimento e bilanciamento tra strumenti azionari e *cash* di minor complessità e rigore.

Ai fini del calcolo delle azioni della Banca da attribuire e della disciplina inerente all'assegnazione, si rinvia all'Allegato 3 "Regolamento per l'erogazione del Bonus" e, per quanto applicabili, al Documento Informativo pubblicato sul sito internet www.bancasistema.it alla sezione *Governance*.

6.4.2.1 Differimento

L'arco temporale complessivo del differimento è 3 anni (tre), in quanto una parte differita dei Bonus sarà erogata nel corso del triennio 2021/2023 secondo quanto previsto dall'allegato 3 delle Politiche ed è definito adottando un criterio di allineamento prudenziale anche in relazione alle previsioni del Codice di Autodisciplina per il differimento più lungo per membri del Consiglio di Amministrazione e dirigenti con responsabilità strategica.

6.4.2.2 Retention

Il periodo di *retention* (divieto di compiere atti dispositivi) delle Azioni attribuite viene fissato - in via prudenziale e adottando i più stringenti criteri già citati in relazione alle previsioni del Codice di Autodisciplina per membri del Consiglio di Amministrazione e dirigenti con responsabilità strategica - in 12 mesi sia per le Azioni corrisposte *up-front* sia per le Azioni corrisposte in via differita.

⁴ Ai sensi del Titolo IV, Capitolo 2, Sezione III, Paragrafo 2, n. 4 "Per importo di remunerazione variabile particolarmente elevato si intende il minore tra: i) il 25 per cento della remunerazione complessiva media degli "high earners" italiani, come risultante dal più recente rapporto pubblicato dall'EBA; ii) 10 volte la remunerazione complessiva media dei dipendenti della banca. Le banche indicano nelle proprie politiche di remunerazione il livello di remunerazione variabile che per esse rappresenta un importo particolarmente elevato e ne assicurano l'aggiornamento con cadenza almeno triennale". Dall'esame del Rapporto EBA sui dati a fine 2017 l'importo di cui al precedente punto i) è quantificato in 425.000€.

6.4.2.3 Malus

Al fine di consentire l'adozione di idonei meccanismi di correzione *ex post*, la Banca potrà, durante il periodo di differimento della remunerazione variabile, sia per la parte Cash sia per quella da erogare in Azioni, applicare una riduzione o l'azzeramento dell'importo della parte differita per tener conto della *performance* dell'intero triennio, al netto dei rischi effettivamente assunti o conseguiti, e/o dell'andamento della situazione patrimoniale e di liquidità della Banca ovvero per tener conto di nuove situazioni inattese / eventi straordinari (es. nuovi rischi, perdite inattese) ovvero di comportamenti individuali. Ai fini dell'applicazione dei malus, la Banca considera anche l'eventuale adozione di comportamenti, da parte del personale della Banca o degli intermediari del credito, che abbiano determinato o concorso a determinare un danno significativo per i clienti ovvero una violazione della disciplina contenuta nel Titolo Vi del Testo Unico Bancario o delle relative disposizioni di attuazione.

L'entità della riduzione (ovvero l'azzeramento) della parte differita della remunerazione variabile è deliberata dal Consiglio di Amministrazione della Banca, su proposta del Comitato per la Remunerazione. Le valutazioni formulate sono adeguatamente tracciate nel verbale di delibera.

Il meccanismo del *malus* trova applicazione, in particolare, nel caso in cui nel triennio di differimento la Banca non abbia conseguito, per ciascun esercizio del periodo di differimento le condizioni descritte nell'allegato 2 "Indicatori di Performance" delle presenti Politiche, punto 1. "Criteri di distribuzione e Accesso" e in particolare la **Condizione di Distribuzione** (la distribuzione del Bonus sarà subordinato al raggiungimento di un Utile Lordo Consolidato positivo di Gruppo) e la **Condizione di Accesso** (raggiungimento dei criteri di accesso almeno alla soglia di primo livello indicata nel RAF dell'anno di riferimento dei Key Risk Indicator, di peso eguale tra loro: Common Equity Tier 1 - CET1 e Liquidity Coverage Ratio – LCR) oltre al superamento della soglia di secondo livello del Rorac).

L'entità della riduzione (ovvero l'azzeramento) della parte differita della remunerazione variabile può essere applicato nelle stesse ipotesi nelle fattispecie previste per il *claw back* di cui al punto 6.4.2.4 che segue ed inoltre nei casi di esigenze di rafforzamento patrimoniale della Banca emerse prima della data di maturazione delle quote di remunerazione variabile differite o per il recupero delle somme già erogate.

I procedimenti disciplinari eventualmente comminati nel corso del periodo di differimento saranno considerati ai fini delle valutazioni sui comportamenti individuali di cui al primo capoverso del presente paragrafo, in particolare quelli che implicano un impatto sui rischi effettivamente assunti o conseguiti o a comportamenti come di seguito descritti:

- comportamenti non conformi a disposizioni di legge, regolamentari o statutarie o a eventuali codici etici o di condotta applicabili alla banca, da cui sia derivata una perdita significativa per la banca o per la clientela;
- ulteriori comportamenti non conformi a disposizioni di legge, regolamentari o statutarie o a eventuali codici etici o di condotta applicabili alla banca, nei casi da questa eventualmente previsti;
- violazioni degli obblighi imposti ai sensi dell'articolo 26 o, quando il soggetto è parte interessata, dell'articolo 53, commi 4 e ss., del TUB o degli obblighi in materia di remunerazione e incentivazione;
- comportamenti fraudolenti o di colpa grave a danno della banca.

6.4.2.4 Claw Back

Sono soggetti a *claw back* (obbligo di restituzione degli incentivi pagati o mancato pagamento degli incentivi riconosciuti) gli incentivi riconosciuti e/o pagati ai componenti del personale che abbiano determinato o concorso a determinare:

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- comportamenti non conformi a disposizioni di legge, regolamentari o statutarie applicabili alla Banca o al Codice Etico adottato, nei casi da questa eventualmente previsti da cui sia derivata una perdita significativa per la Banca o per la clientela;
- ulteriori comportamenti non conformi a disposizioni di legge, regolamentari o statutarie applicabili alla Banca o al Codice Etico adottato, nei casi da questa eventualmente previsti;
- violazioni degli obblighi imposti ai sensi dell'articolo 26 o, quando il soggetto è parte interessata, dell'articolo 53, co. 4 e ss. del TUB o degli obblighi in materia di remunerazione e incentivazione;
- comportamenti fraudolenti o di colpa grave a danno della Banca;
- comportamenti che abbiano determinato o concorso a determinare un danno significativo per i clienti.

Il periodo di applicazione delle clausole di *claw back* per il "personale più rilevante" è di durata pari a 5 anni e tale periodo decorre dal pagamento della singola quota (up-front o differita) di remunerazione variabile.

6.4.2.5 Regole particolari applicabili alla parte differita del Bonus

Di seguito si riportano i termini e le condizioni che regolano i rapporti tra la Banca ed i beneficiari dei Bonus al ricorrere di determinati eventi.

Licenziamento, dimissioni, risoluzione consensuale

Nell'ipotesi di cessazione del rapporto di lavoro del beneficiario con la Banca, a seguito di recesso esercitato per qualsivoglia motivo da parte della Banca medesima ovvero di dimissioni (diverse da quelle di pensionamento e invalidità), viene meno il diritto del dipendente interessato di ottenere la parte differita della remunerazione variabile maturata alla data di cessazione del rapporto di lavoro, fatta salva diversa e motivata delibera del Consiglio di Amministrazione della Banca, su proposta del Comitato per la Remunerazione.

Durante il periodo di preavviso, che sia o meno lavorato, la parte variabile della remunerazione non potrà essere erogata.

In caso di risoluzione consensuale del rapporto di lavoro, il beneficiario ha diritto a ottenere la remunerazione variabile maturata, calcolata sulla base di un criterio "*pro-rata temporis*" tenendo conto del raggiungimento degli obiettivi di *performance* aziendali e individuali previamente determinati. La corresponsione dell'importo all'interessato è approvata dal Consiglio di Amministrazione, previo parere del Comitato per la Remunerazione.

Pensionamento, invalidità

Qualora il beneficiario acceda ad un trattamento pensionistico di vecchiaia, anzianità o invalidità permanente che comporti la cessazione del rapporto di lavoro, troveranno applicazione le regole previste nel caso di risoluzione consensuale del rapporto.

Morte

In caso di morte del beneficiario, gli eredi, dall'apertura della successione, hanno diritto a richiedere il Bonus (già maturato e non distribuito) spettante al beneficiario stesso nei termini di prescrizione del diritto.

6.4.3 Regole applicabili al Bonus dei membri del personale non ricompreso nella categoria del "personale più rilevante"

La componente variabile della remunerazione dei membri del personale non ricompreso nella categoria del "personale più rilevante", che deve essere determinata ed erogata entro i limiti del Bonus Pool secondo i criteri di cui al precedente Paragrafo 6.4.1., sarà corrisposta integralmente *up-front* in Cash.

Ai fini dell'attribuzione del Bonus la Banca consegna, dopo l'approvazione del bilancio d'esercizio, un'apposita comunicazione scritta ai beneficiari con la quale indica, tra l'altro, l'importo corrisposto.

Il Bonus erogato ai membri del personale non ricompreso nella categoria del "personale più rilevante" rimane soggetto ai medesimi meccanismi di *claw-back* di cui al precedente Paragrafo 6.4.2.4. previsto per il Bonus del "personale più rilevante".

6.5 Rapporto tra la componente fissa e componente variabile

Il rapporto tra la componente fissa e variabile della remunerazione è puntualmente determinato e attentamente valutato in relazione alle caratteristiche della Banca e delle diverse categorie del personale.

Di regola, la componente variabile della remunerazione non può superare il 100% della componente fissa (rapporto di 1:1). Tuttavia, come consentito dalla normativa applicabile e dallo Statuto della Banca, il Consiglio di Amministrazione può proporre all'Assemblea dei Soci, per uno o più membri del "personale più rilevante" ovvero per categorie omogenee di personale, una remunerazione variabile superiore al 100% ma, comunque, non eccedente il 200% di quella fissa (rapporto 2:1); questo però in casi eccezionali e con una chiara indicazione delle ragioni sottostanti a tale superamento, nonché delle implicazioni, anche prospettiche, sulla capacità della Banca di continuare a rispettare tutte le regole prudenziali.

La proposta all'Assemblea dei Soci in tale senso da parte del Consiglio di Amministrazione dovrà indicare almeno: le funzioni a cui appartengono i soggetti interessati dalla decisione con indicazione, per ciascuna funzione, del loro numero; le ragioni sottostanti alla proposta di aumento, le implicazioni, anche prospettiche, sulla capacità della Banca di continuare a rispettare tutte le regole prudenziali.

Il Consiglio trasmette alla Banca d'Italia:

- almeno 60 giorni prima della data in cui è fissata la decisione assembleare, la proposta che intende sottoporre all'Assemblea dei soci, munita delle relative indicazioni e di evidenze atte a dimostrare che il limite più elevato o i limiti più elevati, per il "personale più rilevante" o per alcune categorie di esso, non pregiudicano il rispetto della normativa prudenziale e, in particolare, di quella riguardante i requisiti in materia di fondi propri;
- senza ritardo, e comunque entro 30 giorni dalla data in cui l'Assemblea dei Soci ha assunto la delibera di aumento del limite, la decisione dell'assemblea, con indicazione del limite o dei limiti approvati per ciascuna categoria di personale interessata.

Se l'Assemblea dei Soci approva l'aumento del limite, non è necessario negli anni successivi sottoporre all'Assemblea dei Soci una nuova delibera, a condizione che non siano cambiati i presupposti sulla base dei quali l'aumento è stato deliberato, il personale a cui esso si riferisce e la misura stessa del limite. In ogni caso, nella politica di remunerazione è data adeguata informativa sull'aumento del limite precedentemente approvato e sulle motivazioni per cui esso non è sottoposto a nuova delibera assembleare. L'Assemblea dei Soci può comunque deliberare, in qualsiasi momento, sulla riduzione del limite superiore a 1:1, con le maggioranze previste per l'assemblea ordinaria; entro cinque giorni dalla decisione assembleare, la Banca informa la Banca d'Italia della deliberazione assunta.

Fermo restando le deroghe disposte dalla normativa vigente, concorrono ai fini del calcolo del limite al rapporto variabile/fisso:

- le remunerazioni legate alla permanenza del personale (cd. *retention bonus*);
- i piani di incentivazione a lungo termine (c.d. *long term incentive plans*);
- i benefici pensionistici discrezionali;
- le pattuizioni stipulate in vista o in occasione della conclusione anticipata del rapporto (cd. *golden parachute*) con le eccezioni previste al successivo paragrafo 6.6.

Nessuno di questi strumenti di remunerazione è attualmente definito e assegnato.

6.6 Golden Parachute

L'ammontare dei compensi pattuiti in vista o in occasione della conclusione anticipata del rapporto di lavoro o cessazione anticipata dalla carica (cc.dd. *golden parachute*) è stabilito tenendo conto della durata del rapporto di lavoro, nel rispetto delle leggi applicabili, nonché dei seguenti principi:

- salvaguardia del grado di patrimonializzazione della Banca;
- "no reward for failure";
- irrepremissibilità dei comportamenti individuali;
- allineamento con le *best practices* internazionali e nazionali;
- collegamento con il ruolo e i rischi assunti dalla persona a cui si riferiscono, in coerenza con i principi delle Politiche.

I *golden parachute* sono considerati remunerazione variabile e concorrono ai fini del calcolo del limite di 2:1 applicabile al rapporto tra la componente fissa e variabile della remunerazione di cui al precedente paragrafo 6.5, ad eccezione:

- degli importi corrisposti in base a un patto di non concorrenza, per la quota che, per ciascun anno di durata del patto, non eccede l'ultima annualità di remunerazione fissa;
- degli importi corrisposti nell'ambito di un accordo tra la Banca e il personale, in qualunque sede raggiunto, per la composizione di una controversia attuale o potenziale, se calcolati sulla base di una formula predefinita: a questi fini la Banca indica quale base di calcolo dell'entità di questi importi la sommatoria del costo del preavviso e il numero massimo di mensilità definite dal Contratto Nazionale di Lavoro di riferimento, in relazione alla risoluzione ingiustificata del rapporto di lavoro, incrementato al massimo del 15%;
- degli incentivi agli esodi, connessi anche con operazioni straordinarie (es. fusioni) o processi di ristrutturazione aziendale, e riconosciuti al personale non rilevante, purché rispettino congiuntamente le seguenti condizioni: i) rispondono esclusivamente a logiche di contenimento dei costi aziendali e razionalizzazione della compagine del personale; ii) favoriscono l'adesione a misure di sostegno previste, dalla legge o dalla contrattazione collettiva, per la generalità dei dipendenti; iii) non producono effetti distorsivi ex ante sui comportamenti del personale; iv) prevedono meccanismi di *claw back*, che coprono almeno i casi di comportamenti fraudolenti o di colpa grave a danno della Banca.

I *golden parachute* sono soggetti ai meccanismi di correzione *ex-post* (*malus e claw back*) e, ove erogati in favore del "personale più rilevante", sono soggetti al bilanciamento tra Cash e Azioni e sottoposti alle condizioni di differimento e *retention*.

Si segnala che la Banca non ha stipulato alcun accordo che prevede l'assegnazione di importi in caso di conclusione anticipata del rapporto di lavoro o di cessazione anticipata dalla carica.

6.6 Tutela dei dati personali

Il Beneficiario autorizza espressamente la Società, per il tramite dei propri rappresentanti, nonché tutti i soggetti coinvolti nella gestione e nell'amministrazione delle Politiche ad utilizzare i suoi dati personali in conformità al D. Lgs. 30 giugno 2003, n. 196 nonché al Regolamento EU 679/2016 in materia di protezione dei dati personali e dalle ulteriori disposizioni di legge in materia per le finalità delle Politiche di Remunerazione.

Si precisa tuttavia che ogni informazione relativa all'applicazione delle Politiche di Remunerazione, ai rapporti tra la Società e i singoli Beneficiari è di natura strettamente confidenziale e non può essere divulgata o trasferita a terzi, salvi gli obblighi di legge.

7. STRUTTURA DELLA REMUNERAZIONE DI ALCUNE PARTICOLARI CATEGORIE

7.1 La remunerazione dei membri del Consiglio di Amministrazione

La remunerazione dei membri del Consiglio di Amministrazione è determinata dall'Assemblea dei Soci e consiste in un importo annuale fisso per ciascun Amministratore. L'ammontare di tale remunerazione è differenziato tra Presidente del Consiglio di Amministrazione, Amministratore Delegato e Amministratori sulla base della delibera assunta dal Consiglio di Amministrazione.

Ad eccezione del Presidente del Consiglio di Amministrazione e dell'Amministratore Delegato, ciascun membro del Consiglio di Amministrazione percepisce un emolumento annuale fisso aggiuntivo in relazione alla partecipazione a ciascun Comitato interno, unitamente al rimborso delle spese, debitamente documentate, sostenute in ragione degli incarichi assunti. Inoltre, ciascun membro del Consiglio di Amministrazione percepisce un gettone di presenza per ciascuna seduta del Consiglio di Amministrazione cui partecipa di persona.

L'ammontare del compenso del Presidente del Consiglio di Amministrazione, in coerenza con il ruolo attribuito, è determinato *ex ante* in misura comunque non superiore alla remunerazione fissa percepita dall'Amministratore Delegato.

L'Amministratore Delegato riceve un compenso determinato dal Consiglio di Amministrazione; inoltre, in qualità di Direttore Generale, e quindi di dipendente della Banca, riceve una remunerazione annua lorda, sempre determinata dal Consiglio di Amministrazione oltre al complesso delle previsioni di benefit previste per i Dirigenti della Banca come precisato al par. 6.4.

La componente variabile della remunerazione eventualmente attribuita all'Amministratore Delegato è soggetta, oltre che alle regole dettate in tema di Bonus Pool, alle previsioni di cui al Paragrafo 6.4 e agli Allegati 2 e 3.

Per i Consiglieri non esecutivi non sono previsti meccanismi di incentivazione. Ove stabiliti, essi rappresenterebbero una parte non significativa della remunerazione. In tale ipotesi, gli strumenti finanziari utilizzati per il pagamento della componente variabile sono soggetti a *retention* sino al termine o alla scadenza del mandato. Ai fini di completezza si segnala che i rinnovi non costituiscono un'ipotesi di scadenza del mandato.

Le remunerazioni dei dipendenti che dovessero ricoprire cariche consiliari in società partecipate e/o collegate sono incluse nella remunerazione percepita dagli stessi come dipendenti del Gruppo.

7.1.1 Patto di non concorrenza tra la Banca e l'Amministratore Delegato

Banca Sistema ha stipulato con l'Amministratore Delegato un patto di non concorrenza ai sensi e per gli effetti di quanto previsto dall'art. 2125 del Codice Civile, il cui ammontare è computato ai fini del limite al rapporto della componente fissa e variabile (cfr. paragrafo 6.5). Il corrispettivo per l'impegno di non concorrenza assunto è concordato per ognuno dei tre anni successivi alla cessazione del rapporto nella misura del 25% della retribuzione annua lorda percepita nell'ultimo anno di prestato servizio e dei *flexible benefit* eventualmente goduti e che pertanto, in applicazione delle regole previste, non rientra nel calcolo del rapporto 1:1 tra remunerazione variabile e fissa.

Il corrispettivo è differito in quanto erogato entro la fine del mese antecedente all'ultimo mese di vigenza dell'obbligo di non concorrenza (vale a dire alla fine dei tre anni di limitazione della concorrenza) calcolato a partire dalla cessazione del rapporto di lavoro. La violazione del predetto obbligo comporterà per l'Amministratore Delegato l'obbligo di immediata restituzione di un importo equivalente al costo complessivo sostenuto da Banca Sistema per la corresponsione del corrispettivo per l'obbligo di non concorrenza nonché, ai sensi degli articoli 1382 e seguenti del Codice Civile, l'obbligo di immediata corresponsione dell'importo netto equivalente al 35% della retribuzione lorda annuale relativa all'ultimo anno di prestato servizio comprensiva dei *flexible benefit*, a titolo di penale convenzionale. Peraltro, a fronte della violazione degli ulteriori obblighi assunti nel patto (di informazione, di riservatezza, del divieto di storno di dipendenti) il medesimo, ai sensi degli articoli 1382 e seguenti del Codice Civile, dovrà corrispondere alla Banca, per ciascuna violazione, a titolo di penale contrattuale, l'importo netto equivalente al 20% della retribuzione lorda annuale relativa all'ultimo anno di mandato, comprensiva dei *flexible benefit*.

7.2 La remunerazione dei membri del Collegio Sindacale

La remunerazione dei membri del Collegio Sindacale è esclusivamente fissa ed è determinata dall'Assemblea dei Soci all'atto della nomina e per l'intero periodo di durata del loro ufficio.

7.3 La remunerazione dei membri delle Funzioni Aziendali di controllo, della Direzione Capitale Umano e del Dirigente Preposto

Per gli appartenenti alle Funzioni Aziendali di Controllo, della Direzione Capitale Umano e del Dirigente Preposto la componente variabile è contenuta e l'attribuzione del Bonus dipende dal raggiungimento di obiettivi coerenti con i compiti assegnati alle funzioni medesime e in particolare con obiettivi di sostenibilità aziendale (es. contenimento dei costi, rafforzamento del capitale, ecc.), a condizione che ciò non sia fonte di possibili conflitti di interesse, non collegati in alcun modo ai risultati economici della Banca e indipendenti dai risultati conseguiti dalle aree soggette al loro controllo.

Per il Personale più rilevante delle Funzioni di Controllo, della Direzione Capitale Umano e del Dirigente Preposto i compensi fissi sono adeguati alle significative responsabilità e all'impegno connesso con il ruolo svolto.

La parte variabile della remunerazione del personale più rilevante delle funzioni aziendali di controllo non può superare il limite di 1/3 (un terzo) della parte fissa.

In Banca rientrano tra le funzioni di controllo la Direzione Internal Audit, la Direzione Rischi e la Direzione Compliance e Antiriciclaggio.

7.4 La remunerazione degli intermediari del credito

Per la distribuzione dei propri prodotti creditizi, Banca Sistema si avvale anche del contributo di soggetti specializzati che costituiscono parte integrante delle strutture commerciali della Banca (cd. Intermediari del credito).

I principi che regolano la remunerazione degli intermediari del credito sono stabiliti in appositi contratti (mandati, convenzioni, ecc) sottoscritti paritamente con ciascun soggetto e si fondano sulla sana e prudente gestione della Banca e sulla tutela degli interessi della clientela.

La remunerazione degli intermediari del credito si articola nelle seguenti componenti:

- Componente "ricorrente", la parte della remunerazione diversa da quella "non ricorrente", che rappresenta l'elemento più stabile e ordinario della remunerazione;
- Componente "non ricorrente", la parte della remunerazione che ha una valenza incentivante.

La componente "non ricorrente" è equiparata alla remunerazione variabile del personale; la componente "ricorrente" è, invece, equiparata alla remunerazione fissa.

Salvo quanto previsto per il personale più rilevante, la remunerazione totale del singolo intermediario del credito può essere interamente "ricorrente". Quando essa si compone anche della componente "non ricorrente", i criteri di determinazione sono definiti contrattualmente, nel rispetto delle regole stabilite nell'apposito regolamento aziendale, e sono soggetti a meccanismi di correzione ex post, in modo similare a quanto previsto per il personale della Banca. Il riconoscimento della componente non ricorrente è condizionato al rispetto dei criteri attuativi, definiti tempo per tempo dal Consiglio di Amministrazione.

Il riconoscimento della componente non ricorrente, ove previsto dagli accordi stipulati con gli specifici intermediari, è legato a fattori quali, a titolo esemplificativo, l'incremento dei volumi erogati, il superamento di determinati benchmark sui prodotti, il lancio di nuovi prodotti. In ogni caso, tale componente non deve determinare incentivi, per l'intermediario del credito, al perseguimento di interessi propri o della Banca a danno di quelli della clientela, secondo quanto previsto dalle Disposizioni in materia di "Trasparenza delle operazioni e dei servizi bancari e finanziari".

Sia la componente "ricorrente" che "non ricorrente" possono essere soggette a meccanismi di riduzione parziale o totale e o restituzione in caso di accertamento di comportamenti dolosi o di colpa grave e ad altri comportamenti come evidenziati dai reclami pervenuti dalla clientela (numerosità, natura, gestione e risoluzione).

Le regole di questo paragrafo non si applicano nei confronti degli intermediari del credito, non qualificati come personale più rilevante, che siano iscritti all'albo da meno di 3 anni e non abbiano precedentemente intrattenuto rapporti di lavoro con banche o intermediari finanziari non bancari.

Per i soggetti identificati come personale più rilevante, ai sensi di quanto previsto dall'Allegato 1, la remunerazione si compone sempre di una parte "ricorrente" e di una "non ricorrente". Alla parte "non ricorrente" della remunerazione si applicano le norme più stringenti previste per il personale più rilevante, indicate nel paragrafo 6.4.2.

Con

ALLEGATO 1

IL PROCESSO DI IDENTIFICAZIONE E DI ESCLUSIONE DEL PERSONALE PIÙ RILEVANTE

1. Il processo di identificazione del "personale più rilevante"

Il Processo di identificazione del "personale più rilevante" di cui al paragrafo 4 delle Politiche è effettuato dalla Banca con cadenza annuale e con il coinvolgimento dei diversi organi sociali. Questo processo consente di graduare l'applicazione dell'intera disciplina in funzione dell'effettiva capacità delle singole figure aziendali di incidere sul profilo di rischio della Banca e del Gruppo.

La Direzione Capitale Umano coordina il processo di identificazione ed esclusione del "personale più rilevante" avvalendosi del supporto delle funzioni aziendali di controllo della Banca e ne presenta le risultanze ai Comitati endo-consiliari, così come individuati dal paragrafo 3 delle Politiche.

In particolare, la Direzione Capitale Umano, tenuto conto dei criteri stabiliti dagli RTS, raccoglie tutte le informazioni necessarie, anche relative al personale delle società del Gruppo, per svolgere le analisi di merito.

In tale ambito, ai fini della determinazione del personale più rilevante, sono considerati anche gli agenti in attività finanziaria e gli altri intermediari del credito di cui eventualmente la Banca si avvale per la distribuzione dei propri prodotti. La valutazione della rilevanza di tali soggetti si fonda sia su criteri economici / quantitativi, sia sull'eventuale attribuzione di specifici ruoli di coordinamento e controllo ad alcuni di questi soggetti ("area manager", "divisional manager", ecc.).

La Direzione Capitale Umano predispone quindi l'elenco dei soggetti che potrebbero essere classificati all'interno della categoria del "personale più rilevante" ("Elenco"), munita delle valutazioni sintetiche dei criteri sopra citati, del numero dei soggetti identificati per la prima volta, dei ruoli e delle responsabilità di tale personale, del confronto con l'esito delle precedenti valutazioni relative all'anno precedente, che viene trasmessa tempestivamente alla Direzione Rischi, alla Funzione Compliance, alla Direzione Internal Audit e, congiuntamente con le loro eventuali osservazioni, al Comitato per la Remunerazione al fine di raccogliere eventuali proposte di modifica.

Al processo di identificazione del "personale più rilevante" condotto dalla Banca partecipano attivamente le società del Gruppo fornendo le informazioni necessarie e attenendosi alle indicazioni ricevute.

Una volta ricevuti i contributi delle funzioni aziendali di controllo, nonché del Comitato per la Remunerazione, gli stessi vengono elaborati e formalizzati dalla Direzione Capitale Umano in un unico documento, che contiene la proposta di Elenco. La proposta è quindi trasmessa dal Comitato per la Remunerazione all'attenzione del Consiglio di Amministrazione per le opportune valutazioni e deliberazioni.

Il Consiglio di Amministrazione della Banca:

- approva l'Elenco, lo riesamina periodicamente ed approva eventuali deroghe;
- partecipa al processo e lo controlla su base continuativa.

A tal proposito, si evidenzia che all'interno della categoria del "personale più rilevante" sono ricompresi i dirigenti con responsabilità strategica, ossia quei soggetti che hanno il potere e la responsabilità, direttamente o indirettamente, della pianificazione, della direzione e del controllo delle attività della Banca. Tra i dirigenti con responsabilità strategica sono compresi gli amministratori (esecutivi e non esecutivi) della stessa.

Sulla base dei criteri quantitativi e qualitativi previsti dagli RTS, dai criteri ulteriori sopra descritti, nonché della disamina dei diversi livelli di rischio inerenti alle diverse attività nel Gruppo, per l'anno 2020 sono state identificate n. 37 posizioni, riepilogate per categoria:

A. Amministratori con incarichi esecutivi

- Amministratori con incarichi esecutivi nella Capogruppo (1 posizione)⁽⁶⁾;

B. Amministratori non esecutivi

- Amministratori senza incarichi esecutivi nella Capogruppo (8 posizioni);
- Amministratori senza incarichi esecutivi nelle Società Controllate (1 posizione)

C. Responsabili delle principali funzioni aziendali (13 posizioni complessivamente)

- Divisione Factoring
- Divisione CQ (n. 2)
- Direzione Generale Pegno
- Direzione Crediti – Divisione Factoring
- Direzione Commerciale – Divisione Factoring
- Direzione Commerciale – Divisione CQ (n. 2)
- Direzione Finanza
- Direzione Banking Services
- Direzione Legale
- Direzione Corporate Strategy
- Rapporti Istituzionali

D. Responsabili e personale di livello più elevato delle Funzioni di Controllo, della Direzione Capitale Umano e Dirigente Preposto (5 posizioni);

- Direzione Internal Audit
- Direzione Rischi
- Direzione Compliance e Antiriciclaggio
- Dirigente Preposto
- Direzione Capitale Umano

E. Altri "risk takers" (9 posizioni)

- Tesoreria – Direzione Finanza
- Investor Relations – Direzione Finanza
- Chief of Staff
- Istruttoria ed Erogazione – Direzione Crediti della Divisione Factoring

⁽⁶⁾ L'Amministratore Delegato riveste anche il ruolo di Direttore Generale.

- Collection – Direzione Crediti della Divisione Factoring
- ICT / Organizzazione – Direzione Banking Services
- Pricing & Structuring – Direzione Finanza
- International Business – Pronto Pegno S.p.A.

2. L'esclusione del personale più rilevante

A seguito del procedimento sopra illustrato, effettuato tenendo quindi in considerazione i criteri quantitativi dell'RTS ⁽⁹⁾, il Consiglio di Amministrazione, su proposta del Comitato per la Remunerazione, può ritenere che alcune persone individuate possano non essere considerate come "personale più rilevante".

In tale ipotesi, a seguito della deliberazione del Consiglio di Amministrazione, assunta anche in ragione degli approfondimenti effettuati dalla Direzione Capitale Umano con il supporto della Direzione Rischi, della Funzione Compliance, della Direzione Internal Audit e del Comitato per la Remunerazione, si procede alla trasmissione alla Banca d'Italia tempestivamente, e in ogni caso entro sei mesi dalla chiusura dell'esercizio precedente, della notifica ovvero dell'istanza di autorizzazione ai sensi e per gli effetti della Circolare 285 par. 6.1 "Procedimento per l'esclusione del Personale Più Rilevante".

Con riferimento all'esercizio 2020, la Banca non ha ritenuto di applicare il procedimento di esclusione per nessun membro del personale identificato nella categoria del "personale più rilevante", che resta pertanto come sopra indicata.

⁹ Il paragrafo 1, dell'articolo 4 dell'RTS prevede che: "Fatti salvi i paragrafi da 2 a 5, si considera che un membro del personale ha un impatto sostanziale sul profilo di rischio dell'ente se è soddisfatto uno qualsiasi dei seguenti criteri quantitativi: a) gli è stata attribuita una remunerazione complessiva pari o superiore a 500 000 EUR nel precedente esercizio finanziario; b) rientra nello 0,3% del personale, arrotondato all'unità più vicina, cui è stata attribuita la remunerazione complessiva più elevata nel precedente esercizio finanziario; c) gli è stata attribuita nel precedente esercizio finanziario una remunerazione complessiva che è pari o superiore alla remunerazione complessiva più bassa attribuita ad un membro dell'alta dirigenza o ad un membro del personale che soddisfa uno dei criteri di cui all'articolo 3, punti 1), 5), 6), 8), 11), 12), 13) o 14)".

ALLEGATO 2

INDICATORI DI PERFORMANCE

Il presente Allegato descrive gli indicatori di *performance* aziendali e individuali a cui è legata l'erogazione della remunerazione variabile ("**Bonus**") una volta definito il Bonus Pool in conformità con il Documento sulle Politiche di Remunerazione della Banca.

Gli indicatori sono utilizzati dalla Banca per la valutazione delle *performance* e per la conseguente determinazione dei Bonus individuali. Con riferimento al "personale più rilevante", gli indicatori sono utilizzati anche come meccanismi di correzione ex post (c.d. malus) per la valutazione delle *performance* durante il periodo di differimento e, in particolare, al fine di stabilire se il beneficiario avrà il diritto di ricevere il Bonus inizialmente riconosciuto alla fine di detto periodo. Come precisato nelle Politiche, l'applicazione dei meccanismi di malus potrebbe condurre ad una riduzione, anche significativa, o all'azzeramento del Bonus, soprattutto in caso di risultati aziendali o individuali significativamente inferiori agli obiettivi prestabiliti.

Il totale della remunerazione variabile risultante dagli incentivi individuali non potrà in ogni modo superare l'ammontare del Bonus Pool. Nel caso risultasse maggiore, gli incentivi individuali verranno ridotti *pro-quota* in modo da eliminare la parte eccedente il Bonus Pool.

1. Criteri di Distribuzione e Accesso

I parametri relativi alla *performance* aziendale - che condizionano la distribuzione della componente variabile nell'ambito del Bonus Pool sono indicati di seguito:

CONDIZIONE DI DISTRIBUZIONE – il raggiungimento di un Utile Lordo Consolidato positivo è la condizione da raggiungere per la distribuzione del Bonus Pool.

CONDIZIONE DI ACCESSO - per il triennio 2020/2022 raggiungimento dei criteri di accesso (*Key Risk Indicator*, di seguito, KRI) previsti nel RAF dell'anno di riferimento, di peso eguale tra loro: soglia di primo livello del Common Equity Tier 1 - CET1 e del Liquidity Coverage Ratio - LCR.

In caso di mancato raggiungimento della soglia di primo livello indicata nel RAF anche di uno solo dei predetti 2 KRI, la Banca non eroga alcun Bonus.

Il raggiungimento della *performance* aziendale è verificato dal Consiglio di Amministrazione previo parere del Comitato per la Remunerazione, sulla base delle procedure descritte nelle Politiche.



2. Obiettivi assegnabili

Verificate assolute positivamente le condizioni di distribuzione e di accesso, la definizione dei bonus verrà calcolata sulla base dei risultati effettivamente conseguiti per ciascun obiettivo assegnato nella scheda bonus del personale più rilevante per l'esercizio considerato.

A ciascun destinatario del sistema di incentivazione vengono infatti assegnati ad inizio anno degli specifici obiettivi di "Business" legati alla propria Direzione e/o Business Line / Divisione in modo quantitativo e qualitativo.

Annualmente, viene attuato il processo di valutazione delle *performance*: ciascun dipendente della Banca accede alla sua sezione personale del portale risorse umane dedicato a Banca Sistema e condivide con il proprio responsabile gli obiettivi quantitativi e qualitativi dell'anno.

A ciascun obiettivo, quantitativo o qualitativo, viene assegnato un peso ponderato in termini percentuali che segnala la rilevanza dello stesso, una descrizione precisa degli standard di prestazione ossia dei modi, tempi e contenuti che ne consentono di misurare la verifica puntuale dei risultati raggiunti.

A titolo esemplificativo si riportano alcuni dei parametri utilizzati a seconda dei ruoli ricoperti per ciascuna delle diverse categorie di obiettivi legati alla performance della Banca, della propria Direzione e/o Business Line/Divisione e della propria attività manageriale e professionale.

2.1. Obiettivi legati alla Performance del Gruppo

Gli obiettivi definiti per la valutazione della performance del Gruppo sono collegati ai seguenti parametri:

- **Redditività del Gruppo** (individuato in uno dei seguenti parametri alternativi tra loro: come utile lordo consolidato di Gruppo, ROE / RORAC, Cost/Income, Profilo di rischio / RWA Density, costo del rischio, ecc.) con un peso complessivo ponderato di non meno del 30% del punteggio complessivo degli obiettivi;
- **Crescita del Gruppo** (individuato in uno dei seguenti parametri alternativi tra loro: crescita del margine intermediazione rispetto al budget, quote mercato, ecc.) con un peso complessivo ponderato di non meno del 30% del punteggio complessivo degli obiettivi;
- **Crescita del valore del Gruppo** (individuato in uno dei seguenti parametri alternativi tra loro: crescita del valore dell'azione della Banca, realizzazione del piano industriale o di specifici progetti aziendali / operazioni straordinarie, sviluppo del capitale umano, soddisfazione ed "engagement" dei dipendenti, ecc.)

2.2. Obiettivi specifici legati alla performance della propria struttura di Business di appartenenza (Direzione, Business Line / Divisione, Società Controllata ("scheda obiettivi" del tool):

Raggiungimento degli obiettivi di budget di Direzione, Business Line / Divisione, Società Controllata: sono gli obiettivi maggiormente descrivibili in termini quantitativi, legati prevalentemente ai volumi di vendite, di erogazione creditizia, di contenimento / riduzione dei costi, di profittabilità e patrimonializzazione complessiva, di valutazione dei rischi dei singoli business, ecc. in particolare dove esiste un parametro quantitativo o qualitativo misurabile o per cui sono descrivibili precisi standard di prestazione (es.: volume di vendita effettuato rispetto al budget, risparmio annuo di cost funding rispetto al budget, contenimento dei costi di consulenza, riduzione ore straordinario, riduzione costi di manutenzione e gestione, ecc.).

Gestione e riduzione dei rischi: indicatori di patrimonio e liquidità divisionali o di business, costo dei rischi, Profilo di rischio / RWA Density sempre a livello di divisione / business e Società Controllata, progetti e interventi a riduzione dei rischi, NPE ratio, ecc.,

Generazione di valore: sono obiettivi che misurano il valore aggiunto di un nuovo prodotto o un nuovo servizio, della corretta esecuzione di un processo aziendale o del suo ridisegno, della crescita e valorizzazione delle risorse tecniche e umane del Gruppo (es.: contributo delle iniziative di marketing al raggiungimento del target factoring, ricavi da nuovi prodotti, gestione puntuale dei reclami, crescita professionale dei collaboratori).

Gestione Operativa: si tratta di obiettivi che contribuiscono all'aumento della soddisfazione del cliente, interno o esterno e che agevolano l'efficacia della gestione operativa interna (es.: tempestività nella segnalazione di manovre correttive rispetto al budget, numero pratiche prezzate/headcount, rispetto tempistiche chiusura delle Open Issue rilevate dalle funzioni di Controllo, corretta e tempestiva esecuzione dei processi gestionali delle risorse umane assegnate).

BANCA

S I S T E M A

Aumento dell'efficienza: Obiettivi legati alla comparazione con le stesse attività svolte negli anni precedenti avendo riguardo al **miglioramento incrementale della performance complessiva del Gruppo** (es. riduzione della percentuale di errori operativi, aumento del valore pubblicitario equivalente, rispetto tempistiche di esecuzione dei progetti, riduzione dei tempi di esecuzione dei processi aziendali, ecc.).

Gestione delle risorse umane e tecniche assegnate: si tratta di obiettivi legati alla **migliore gestione delle risorse umane** ad esempio: la creazione di un costruttivo clima di lavoro, la valorizzazione dei talenti e la migliore allocazione e sviluppo delle competenze professionali, la diffusione e capitalizzazione della conoscenza aziendale, l'efficace e consapevole utilizzo degli strumenti e dei processi aziendali anche con l'obiettivo di minimizzarne i costi.

2.3. Obiettivi legati all'attività manageriale e professionale individuale


Gli obiettivi qualitativi assegnati in via individuale attraverso la "scheda performance" del tool, si riferiscono alla contribuzione ai risultati economici, rapporti con la clientela (interna e esterna), competenze organizzative e gestionali, qualità personali, a loro volta suddivisi in 2 competenze specifiche ciascuno che li descrivono in dettaglio e che sono inseriti nella scheda "performance" nel sopracitato sito web.

Sono previsti 4 livelli di giudizio:

- a) oltre il livello richiesto;
- b) adeguato al ruolo;
- c) margini di miglioramento per il ruolo ricoperto;
- d) significative carenze rispetto al ruolo.

La valutazione di tali obiettivi determina la valutazione sintetica delle prestazioni che ciascun Manager effettua annualmente per ciascuno dei collaboratori assegnati e che inserisce nell'apposito spazio del tool. Tale valutazione sintetica, fondata sul raggiungimento degli obiettivi individuali e di business come descritti in precedenza viene anche integrata dalla valutazione di:

- osservanza ed il rispetto dei "valori" che la Banca pone alla base della sua attività, ai sensi della normativa applicabile e del Codice Etico del Gruppo;
- correttezza nelle relazioni con la clientela e la sua fidelizzazione;
- capacità e competenza professionale;
- costante dedizione al lavoro, disponibilità nei confronti dei colleghi e capacità di lavorare in team;
- capacità di trovare soluzioni concrete e possibilmente innovative avendo sempre come obiettivo una sana e prudente gestione della Banca e del suo valore in un'ottica di lungo periodo;
- propensione ad assumersi la responsabilità delle decisioni e tempestività nell'azione per il perseguimento degli obiettivi individuali;
- capacità di ottimizzare l'impiego delle risorse e di coinvolgere e motivare i collaboratori, promuovendone la crescita anche tramite l'attento utilizzo dello strumento della delega;
- contenimento dei rischi legali e reputazionali.



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3. Performance dell'Amministratore Delegato/Direttore Generale

Per quanto attiene l'Amministratore Delegato/Direttore Generale, il Bonus sarà subordinato al raggiungimento delle performance della Banca (criteri di distribuzione e criteri di accesso) sopra descritte.

Raggiunti tali obiettivi e criteri aziendali, l'erogazione del bonus sarà subordinata alla valutazione del raggiungimento di obiettivi collegati ai seguenti parametri, alternativi tra loro e appositamente ponderati in termini percentuali nell'ambito del complesso degli obiettivi, di cui vengono dati alcuni esempi:

- **Redditività del Gruppo** (individuata con uno dei seguenti parametri anche alternativi tra loro: utile lordo consolidato di Gruppo, ROE / RORAC, Cost / Income, ecc.) con un peso complessivo ponderato di non meno del 30% del punteggio complessivo degli obiettivi;
- **Crescita del Gruppo** (individuata con uno dei seguenti parametri anche alternativi tra loro: crescita del margine intermediazione rispetto al budget, quote mercato, ecc.) con un peso complessivo ponderato di non meno del 30% del punteggio complessivo degli obiettivi;
- **Crescita del valore del Gruppo** (individuata con uno dei seguenti parametri anche alternativi tra loro: crescita del valore dell'azione della Banca, indicatori connessi alla crescita sostenibile e del profilo di rischio, grado di realizzazione del piano industriale o di specifici progetti aziendali / operazioni straordinarie, sviluppo del capitale umano e del livello di soddisfazione ed ingaggio dei dipendenti, indicatori connessi alla sostenibilità aziendale, ecc.)

Ai fini dell'erogazione del Bonus dell'Amministratore Delegato, la Banca richiede il raggiungimento della soglia target dei criteri di correzione (Key Risk Indicator, di seguito, KRI) previsti nel RAF dell'anno di riferimento:

- **Common Equity Tier 1 ratio (CET1)**
- **Liquidity Coverage Ratio (LCR)**

In caso di mancato raggiungimento della soglia target indicata nel RAF approvato dal Consiglio di Amministrazione della Banca, anche di uno solo dei 2 KRI, e purché sia osservata la soglia di primo livello, la componente variabile complessiva della remunerazione riconosciuta all'Amministratore Delegato/Direttore Generale, non potrà superare l'80% della componente fissa della remunerazione.

Gli obiettivi assegnati all'Amministratore Delegato / Direttore Generale sono valutati secondo le seguenti soglie:

- per **threshold** si intende il raggiungimento di almeno il 80% dei target di redditività, crescita aziendale e crescita del valore del Gruppo;
- per **over performance** si intende il raggiungimento di oltre il 120% degli obiettivi di redditività, crescita aziendale e crescita del valore del Gruppo.

In particolare, il Bonus sarà quantificato, su complesso del raggiungimento degli obiettivi assegnati e con l'applicazione di calcolo lineare tra un intervallo e l'altro al fine di assicurare l'adeguata valorizzazione dei risultati raggiunti, come segue:

- *threshold* = 50% della Retribuzione Annuale Lorda,
- *target* = 100% della Retribuzione Annuale Lorda,
- *overperformance* = 200% della Retribuzione Annuale Lorda.

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Il Consiglio di Amministrazione della Banca valuterà il livello di raggiungimento degli obiettivi dell'Amministratore Delegato dopo l'approvazione del bilancio di ciascun anno di riferimento.

4. Obiettivi per gli altri appartenenti alla categoria del "personale più rilevante"


Gli obiettivi assegnati ai Dipendenti identificati come appartenenti alla categoria del **personale più rilevante** sono costituiti da:

- Obiettivi legati alla Performance del Gruppo nella misura non inferiore al 30% del complesso della scheda obiettivi,
- Obiettivi di "Business" legati alla performance propria Direzione, Business Line / Divisione, Società Controllata, non meno di due obiettivi, con un peso ponderato complessivo indicativo non inferiore al 30% del complesso della scheda obiettivi,
- Obiettivi Individuali legati alla propria attività manageriale e professionale – non meno di due obiettivi e con un peso ponderato complessivo indicativo non inferiore al 20% del complesso della scheda obiettivi.

Questi obiettivi, con i parametri e i pesi sopra indicati, sono definiti dall'Amministratore Delegato / Direttore Generale per i suoi riporti Diretti i quali potranno declinarli ai loro riporti facenti parte del personale più rilevante.

Gli obiettivi legati alla Performance della Banca sono identici per tutti i diretti riporti dell'Amministratore Delegato. Gli obiettivi legati alla performance propria Direzione e/o Business Line / Divisione sono parimenti definiti dall'Amministratore Delegato / Direttore Generale e sono assegnati a tutti gli appartenenti alla categoria del personale più rilevante della specifica Direzione / Business Line / Divisione.

Per le Società Controllate, nell'ambito dei processi di Gruppo riferiti alla definizione e approvazione del budget, gli obiettivi per il Personale Più Rilevante della specifica *Legal Entity* sono definiti dal Consiglio di Amministrazione della Controllata stessa nell'ambito delle linee guida previste dal Documento sulle Politiche di Remunerazione tempo per tempo approvato dalla Capogruppo.

I **responsabili delle Funzioni di controllo** partecipano al sistema di incentivazione variabile descritto nelle presenti Politiche con meccanismi di incentivazione coerenti con i compiti assegnati e indipendenti dai risultati conseguiti dalle aree soggette a controllo; sono esclusi pertanto bonus collegati ai risultati economici. Gli obiettivi individuali assegnati al Responsabile di Internal Audit e i risultati raggiunti sono sottoposti al Comitato per il Controllo Interno e di Gestione del Rischio. 

Per il **Dirigente Preposto e il Responsabile delle Risorse Umane** l'attribuzione della parte variabile è subordinata ad obiettivi di sostenibilità aziendale (es. contenimento dei costi; rafforzamento del capitale) e sempre verificando che ciò non sia fonte di possibili conflitti di interesse.

Per tutti i destinatari, gli obiettivi sono descritti, assegnati e valutati attraverso la "scheda obiettivi" del tool citato. Per gli obiettivi qualitativi, se non direttamente misurabili, dovranno essere indicati preventivamente gli standard di prestazione e i processi seguiti per giudicare il loro livello di raggiungimento.

Lo scostamento dal target è definito per ogni singolo obiettivo di direzione e individuale.

Il Consiglio di Amministrazione della Banca valuterà il livello dei bonus conseguiti dal personale più rilevante sulla base del raggiungimento complessivo degli obiettivi della Banca dopo l'approvazione del bilancio di ciascun anno di riferimento del Regolamento.

5. Obiettivi per il restante personale

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Per il restante personale – in applicazione delle norme del contratto di lavoro nazionale di categoria e in coerenza con i principi e strumenti descritti nelle Politiche – possono essere attribuiti obiettivi di "Business" legati alla performance propria Direzione e/o Business Line / Divisione / Società Controllata (non meno di uno con un peso ponderato indicativo del 20%) e obiettivi Individuali legati alla propria attività manageriale e professionale – (non meno di due) assegnati e rendicontati con la scheda "obiettivi" del tool, oltre agli obiettivi individuali di competenza (scheda "performance" del tool).

ALLEGATO 3**Regolamento per l'applicazione dei meccanismi di differimento del bonus****Premessa**

Il presente documento (il "Regolamento") stabilisce la disciplina di dettaglio per l'assegnazione e l'attribuzione al "personale più rilevante" del Gruppo della componente variabile della remunerazione (di seguito, il "Bonus") che, in applicazione delle regole definite dalle presenti Politiche, è soggetta ai meccanismi di differimento e riconoscimento in strumenti finanziari / azioni della Banca, in coerenza con le regole specifiche definite dalle presenti Politiche.

1. Definizioni

I termini e le espressioni di seguito elencati, riportati con lettera iniziale maiuscola (e le loro variazioni grammaticali), hanno il significato di seguito indicato per ciascuno di essi, essendo inteso che i termini e le espressioni definite al maschile includeranno anche eventuali espressioni al femminile e che i termini e le espressioni definite al singolare si intenderanno definite anche al plurale.

Azioni	Azioni ordinarie con godimento regolare di Banca Sistema del valore nominale pari ad Euro 0,12 ciascuna.
Assegnazione	Il riconoscimento dell'entità teorica del Bonus relativo all'esercizio 2020 a prescindere dall'effettivo momento in cui l'importo viene attribuito. È formalizzato con la consegna della lettera di assegnazione.
Attribuzione	L'effettiva attribuzione - previa verifica del conseguimento degli obiettivi di <i>performance</i> (aziendali, di business line / Direzione e individuali) di cui alle politiche di remunerazione per ciascun Ciclo di riferimento - del Cash e delle Azioni che ciascun Beneficiario riceverà per ogni Ciclo, in base alla deliberazione del Consiglio di Amministrazione al termine del periodo di riferimento.
Banca Sistema o Banca	Banca Sistema S.p.A., con sede legale in Milano, Largo Augusto 1/A, angolo via Verziere 13, 20122 iscritta presso il Registro delle Imprese di Milano al n. 12870770158.
Beneficiari	I membri del personale più rilevante – PPR.
Bonus Pool	Ammontare massimo che può essere complessivamente erogato dalla Banca come remunerazione variabile ai membri di tutte le categorie di personale, determinato dal Consiglio di Amministrazione della Banca.
Bonus	Componente variabile della remunerazione, relativa all'esercizio 2020 come prevista dalle Politiche, composta da una parte in Cash e da una parte in Azioni.
Cessione	Qualsiasi tipo di trasferimento, incluso, a titolo esemplificativo ma non esaustivo, trasferimento a seguito di vendita, donazione, costituzione di pegno, creazione di usufrutto, conferimento, permuta, dazione in pagamento, vendita forzata, ovvero a seguito di qualsiasi altro atto di disposizione (gratuito o oneroso) che, direttamente o indirettamente, causi il trasferimento a terzi della proprietà

	delle azioni ordinarie di Banca Sistema o di qualsiasi altro diritto alle stesse concesso.
Ciclo	Ciascun esercizio sociale in cui viene differita l'erogazione della componente variabile della remunerazione come prevista dalle Politiche 2020: <ul style="list-style-type: none"> - 1° Ciclo: 01/01/2021 - 31/12/2021 (il 1° Ciclo si conclude con l'approvazione del bilancio consolidato 2021); - 2° Ciclo: 01/01/2022 - 31/12/2022 (il 2° Ciclo si conclude con l'approvazione del bilancio consolidato 2022); - 3° Ciclo: 01/01/2023 - 31/12/2023 (il 3° Ciclo si conclude con l'approvazione del bilancio consolidato 2023).
Circolare 285	Le Disposizioni di vigilanza per le banche adottate con la Circolare n. 285 del 17 dicembre 2013 e successivi aggiornamenti.
Codice di Autodisciplina	Il Codice di Autodisciplina delle società quotate, adottato dal Comitato per la <i>corporate governance</i> nel marzo 2006, promosso da Borsa Italiana S.p.A. come da ultimo modificato.
Comitato per la Remunerazione o "CR"	Il Comitato istituito da Banca Sistema in attuazione delle raccomandazioni contenute nel Codice di Autodisciplina e nella Circolare n. 285.
Consiglio di Amministrazione	Il Consiglio di Amministrazione di Banca Sistema.
Documento sulle Politiche di Remunerazione o le Politiche	Il Documento sulle politiche di remunerazione del Gruppo Banca Sistema S.p.A. approvato dal Consiglio di Amministrazione relativo all'esercizio 2020.
Gruppo Banca Sistema o Gruppo	Banca Sistema e le società attualmente, o che dovessero in futuro divenire, direttamente o indirettamente, controllate da Banca Sistema ai sensi dell'articolo 2359 del Codice Civile e dell'articolo 93 del Testo Unico della Finanza.
Invalità Permanente	Qualsiasi infermità, comprovata da adeguata documentazione medica, che privi il Beneficiario in modo permanente dell'idoneità lavorativa e che comporti la cessazione del rapporto di lavoro.
Lettera di Assegnazione	L'apposita lettera con la quale viene comunicata l'Assegnazione del Bonus al Beneficiario e che indica, tra l'altro, l'entità teorica del Bonus, le condizioni e le modalità di erogazione dello stesso.
Lettera di Attribuzione	Apposita lettera mediante la quale Banca Sistema comunica al Beneficiario: <ul style="list-style-type: none"> (i) l'importo effettivo del Bonus erogato in Cash (tramite bonifico su conto intestato al Beneficiario); (ii) il numero effettivo delle Azioni attribuite (mediante

	deposito in un conto amministrato vincolato); (iii) il Periodo di Differimento; (iv) il Periodo di <i>Retention</i> applicabile alle Azioni attribuite.
Personale più rilevante o "PPR"	Le risorse specificamente indicate nelle Politiche.
Periodo di Retention	Periodo in cui il Beneficiario si impegna a non effettuare operazioni di Cessione aventi ad oggetto le Azioni attribuite.
Prezzo delle Azioni	Il prezzo delle Azioni determinato sulla base della media aritmetica dei prezzi ufficiali registrati dal titolo Banca Sistema sul MTA - Segmento STAR negli ultimi tre mesi antecedenti la data in cui il Consiglio di Amministrazione delibera l'Attribuzione gratuita delle Azioni

2. Oggetto e finalità del Regolamento

Il Regolamento ha ad oggetto le regole di dettaglio relative all'Assegnazione e alla successiva Attribuzione ai Beneficiari del Bonus differito previsto dalle Politiche (sia in Cash sia in Azioni), subordinatamente al raggiungimento degli obiettivi di *performance* aziendali ed individuali così come descritto e misurato dalle Politiche di riferimento per ciascun Ciclo.

Attraverso l'implementazione del Regolamento, Banca Sistema, oltre all'assolvimento degli obblighi normativi, intende promuovere e perseguire i seguenti obiettivi:

- legare la remunerazione dei soggetti individuati come Beneficiari all'effettivo rendimento della Società ed alla creazione di nuovo valore per il Gruppo Banca Sistema, come anche auspicato nell'ambito del Codice di autodisciplina della Società Quotate;
- orientare i dipendenti appartenenti alla categoria del personale più rilevante verso la creazione di valore e strategie per il perseguimento di risultati di medio-lungo termine;
- allineare gli interessi dei Beneficiari a quelli degli azionisti ed investitori;
- introdurre politiche di *retention* volte a fidelizzare i Beneficiari ed incentivare la loro permanenza nella Società ovvero nel Gruppo Banca Sistema;
- motivare e fidelizzare il *management* attuale della Società, nonché sviluppare le capacità della Società di attrarre potenziali nuovi manager, in linea con le pratiche di mercato del settore bancario.

3. Assegnazione e Attribuzione del Bonus

L'Assegnazione del Bonus è subordinata all'assolvimento delle condizioni di distribuzione ed accesso al bonus già descritte nelle Politiche ed è condizionata al raggiungimento di determinati obiettivi di *performance*, sia aziendali, sia individuali, come specificati nelle Politiche di riferimento per ciascun Ciclo.

Il Beneficiario, al momento dell'Assegnazione e/o dell'Attribuzione del Bonus, deve soddisfare i seguenti requisiti:

- essere titolare di una carica o di un rapporto di lavoro dipendente a tempo indeterminato non in aspettativa;
- non aver comunicato le proprie dimissioni;
- non essere destinatario di una comunicazione di licenziamento;
- non aver concordato la risoluzione consensuale del rapporto di lavoro.

Ai fini della struttura della componente variabile e della determinazione dell'ammontare del Bonus da erogare, si rinvia alle Politiche.

Le modalità di assegnazione dei Bonus sono comunicate con la Lettera di Assegnazione, mentre l'effettiva attribuzione dei medesimi avviene a mezzo Lettera di Attribuzione da comunicarsi entro 60 giorni dall'approvazione del bilancio consolidato di esercizio del Gruppo.

Le Azioni attribuite sulla base delle regole previste dalle presenti Politiche hanno regolare godimento e conseguentemente il Beneficiario, salvo quanto di seguito specificato, diverrà titolare di tutti i diritti amministrativi e patrimoniali alle stesse connessi dal momento dell'intestazione a suo nome.

A discrezione del Consiglio di Amministrazione, le Azioni oggetto di Attribuzione potranno essere quelle eventualmente acquistate e/o già detenute da Banca Sistema.

Per quanto concerne il calcolo del numero delle Azioni da attribuirsi a ciascun Beneficiario, si rinvia al Documento Informativo consultabile sul sito internet della Banca (www.bancasistema.it) alla sezione *Governance*.

Una volta verificato il raggiungimento degli obiettivi di performance previsti per ciascun ciclo, il Consiglio di Amministrazione calcolerà l'effettivo numero di Azioni da attribuire a ciascun Beneficiario alla fine di ciascun Ciclo facendo riferimento al Prezzo delle Azioni.

La quota del Bonus in Azioni sarà attribuita al Beneficiario tramite un intermediario autorizzato dalla Banca e mediante un conto di deposito titoli (vincolato durante il Periodo di Retention) aperto dal Beneficiario presso la Banca, secondo le modalità e le caratteristiche che saranno indicate al Beneficiario dalla Banca. Le spese relative a tali operazioni sono a carico della Banca. Entro l'ultimo giorno del mese in cui avviene l'Attribuzione del Bonus in Azioni il Beneficiario dovrà provvedere a corrispondere alla Banca l'importo minimo sufficiente a coprire eventuali imposizioni fiscali e/o contributive dallo stesso dovute con ritenuta alla fonte. In mancanza di pagamento da parte del Beneficiario, la Banca potrà trattenere tale importo dalle somme dalla stessa dovute al Beneficiario a qualunque titolo, ivi compreso quelle retributive. Le spese relative al trasferimento o vendita delle Azioni dopo l'Attribuzione del Bonus in Azioni sono a carico del Beneficiario.

Resta inteso che in caso di cessione individuale del rapporto di lavoro dalla Banca ad un'altra società del Gruppo e/o in caso di cessazione con contestuale instaurazione di un nuovo rapporto di lavoro nell'ambito del Gruppo, il Beneficiario conserverà, *mutatis mutandis*, i diritti attribuiti dal presente Regolamento.

4. Periodo di Differimento e di Retention

In linea con quanto previsto dalla Circolare 285 e dagli orientamenti EBA, il Regolamento a servizio delle Politiche prevede un Periodo di Differimento e un periodo di Retention variabile in base all'entità del Bonus assegnato.

Ferme restando le previsioni in materia di Periodo di Differimento e di Retention dei Bonus, l'erogazione del Bonus sarà regolata secondo le previsioni del paragrafo 6.4.2 delle Politiche "*Regole applicabili al Bonus dei membri del personale ricompreso nella categoria del "personale più rilevante"*".

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I dividendi e gli interessi che matureranno nel corso del Periodo di Differimento sulle Azioni non potranno essere corrisposti ai Beneficiari né durante detto Periodo né al termine di esso.

Il Periodo di Retention delle Azioni assegnate decorre dal momento dell'Attribuzione e viene fissato in 12 mesi sia per le Azioni attribuite *up-front* sia per le Azioni attribuite dopo il Periodo di Differimento.

Le Azioni sono soggette al Periodo di Retention anche in caso di cessazione del rapporto di lavoro, tranne che nei casi di morte o invalidità permanente del Beneficiario, casi in cui viene meno il Periodo di Retention.

Le Azioni soggette al Periodo di Retention rimangono in deposito vincolato presso la Banca per tutto il Periodo di Retention.

Sul suddetto deposito vincolato saranno accreditati i dividendi e gli interessi che matureranno durante il Periodo di Retention. I relativi importi saranno liberati unitamente alle Azioni al termine del Periodo di Retention.

La Banca si riserva di subordinare la detenzione delle Azioni ad altre modalità necessarie al fine di ottimizzare le conseguenze contributive, fiscali o finanziarie per la Società derivanti dalle Politiche alla luce della normativa di volta in volta applicabile.

Decorso il corrispondente Periodo di Retention le Azioni potranno essere liberalmente negoziabili.

5. Limitazione al trasferimento del diritto di ricevere gratuitamente le Azioni

Il diritto a ricevere le Azioni è personale, nominativo, intrasferibile e non negoziabile (fatta salva la trasmissione ai successori *mortis causa*). Qualsiasi cessione tentata o effettuata sarà invalida e in ogni caso inefficace nei confronti della Società.

6. Disposizioni generali

6.1 Gestione ed amministrazione degli strumenti finanziari

Il Consiglio di Amministrazione approva il presente documento, fatte salve le competenze dell'Assemblea dei Soci della Banca in materia di piani azionari o assimilabili. Ogni deliberazione del Consiglio di Amministrazione in merito all'interpretazione ed all'applicazione del Regolamento sarà definitiva e vincolante per i soggetti interessati.

Il Consiglio di Amministrazione della Banca è l'organo responsabile dell'amministrazione degli strumenti finanziari attribuiti ed assegnati in virtù del presente Regolamento, ne ha tutti i poteri operativi di gestione, anche delegabili.

6.2 Costi, regime fiscale e contributivo

Saranno a carico del Beneficiario le imposte ed i contributi eventualmente dovuti a fronte:

- dell'attribuzione delle Azioni,
- del possesso delle Azioni,
- della cessione delle Azioni.

Banca Sistema opererà quale sostituto d'imposta in tutti i casi previsti dalla legge operando le ritenute fiscali e contributive in ossequio alla normativa vigente. Il Beneficiario si obbliga a fornire a Banca Sistema sia

durante il rapporto lavorativo, sia successivamente alla cessazione dello stesso tutte le informazioni necessarie al corretto adempimento degli obblighi di sostituzione d'imposta, incluse quelle eventualmente richieste da Banca Sistema.

6.3 Rapporti di lavoro

La partecipazione del Beneficiario è volontaria e non costituisce, né fa sorgere in capo al Beneficiario, alcun vincolo in termini di stabilità del rapporto di lavoro ovvero alcun diritto o aspettativa di qualsivoglia natura, anche futura, ivi incluse aspettative di natura "economica", avente causa e ad ogni modo connessa – direttamente o indirettamente - a qualsivoglia rapporto intercorrente tra il Beneficiario e la Banca.

Ogni beneficio che dovesse derivare dal Regolamento ha carattere straordinario e non potrà ad alcun titolo incidere sugli istituti retributivi diretti ed indiretti disciplinati dagli accordi collettivi e dalla legge e non potrà pertanto avere alcun effetto sul calcolo degli stessi.

6.4 Modifiche

Fermo restando la competenza dell'Assemblea prevista dalle Disposizioni e dalle Politiche, il Consiglio di Amministrazione potrà in qualunque momento apportare al presente Regolamento le modifiche ritenute opportune, anche al fine di renderlo conforme alla normativa di volta in volta applicabile.

Al Consiglio di Amministrazione sarà attribuito ogni potere necessario e/o opportuno per dare completa ed integrale attuazione alle regole previste dal presente documento, e fermo il rispetto delle disposizioni normative e regolamentari applicabili e, in particolare, della Circolare 285.

Il Consiglio di Amministrazione comunicherà al Beneficiario ciascuna modifica entro 10 giorni lavorativi dall'approvazione della modifica stessa.

6.5 Comunicazioni

Fatte salve specifiche disposizioni del presente allegato, tutte le comunicazioni tra Banca Sistema ed il Beneficiario relative al presente Regolamento dovranno essere effettuate per iscritto a mezzo lettera raccomandata A.R. ovvero raccomandata a mani con firma del destinatario per ricevimento, e si intenderanno validamente effettuate alla data di ricevimento da parte del destinatario. Tali comunicazioni dovranno essere inviate:

- per quanto riguarda Banca Sistema, all'indirizzo della sede legale;
- per quanto riguarda il Beneficiario, all'indirizzo risultante a Banca Sistema ai fini del rapporto di lavoro ovvero della carica ricoperta.

Agli indirizzi suindicati andranno anche consegnati tutti i documenti di cui è prevista la consegna nel presente Allegato.

6.6 Tutela dei dati personali

Il Beneficiario autorizza espressamente la Società, per il tramite dei propri rappresentanti, nonché tutti i soggetti coinvolti nella gestione e nell'amministrazione del Piano ad utilizzare i suoi dati personali in conformità al Regolamento EU 679/2016 in materia di protezione dei dati personali e dalle ulteriori disposizioni di legge in materia per le finalità previste dal presente documento.

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Si precisa tuttavia che ogni informazione relativa al presente allegato, i rapporti tra la Società e i singoli Beneficiari è di natura strettamente confidenziale e non può essere divulgata o trasferita a terzi, salvi gli obblighi di legge.

6.7 Accettazione

La sottoscrizione del documento denominato "Accettazione delle Politiche di Remunerazione e delle specifiche Palluizioni" comporta la piena accettazione di tutte le disposizioni, condizioni e termini ivi fissati e disciplinati.

6.8 Eventi particolari

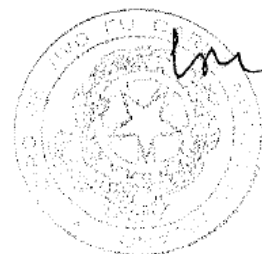
Per la disciplina dei casi di licenziamento, dimissioni, risoluzione consensuale, pensionamento, invalidità e, morte si rinvia alle previsioni delle Politiche.

6.9 Legge applicabile

Il Regolamento è regolato dalla legge italiana e dovrà essere interpretato in base alla stessa.

6.10 Foro competente

Ogni controversia derivante o comunque relativa al presente documento sarà devoluta alla competenza esclusiva del Foro di Milano.



Relazione sulla politica in materia di remunerazione e sui compensi corrisposti

(art. 123-ter D. Lgs. 24/2/1998, n. 58)

**Relazione sulla Remunerazione del Gruppo Banca Sistema S.p.A. 2020
e resoconto sull'applicazione delle Politiche nell'esercizio 2019**

redatta ai sensi dell'art. 123-ter del D.lgs. 24 febbraio 1998, n. 58 e s.m.i. (il "TUF"), dell'art. 84-*quater* del regolamento adottato dalla CONSOB con deliberazione n. 11971/1999 e s.m.i. (il "Regolamento Emittenti"), nonché in conformità alla Circolare n. 285 della Banca d'Italia del 17 dicembre 2013 e s.m.i. e al Codice di Autodisciplina delle società quotate

Approvata dal Consiglio di amministrazione del 11 marzo 2020 e sottoposta a delibera al punto [6] all'ordine del giorno dell'Assemblea dei Soci, parte ordinaria, convocata per il giorno 23 aprile 2020



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SEZIONE II – POLITICA DI REMUNERAZIONE E INCENTIVAZIONE DEL PERSONALE

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1. Premessa - Contesto Normativo

La presente relazione sulle remunerazioni (la "Relazione") predisposta da Banca Sistema S.p.A. (la "Banca" o la "Società"), include:

- nella Sezione I, una descrizione della politica generale sulle remunerazioni per l'esercizio 2020 dei componenti dell'organo di amministrazione (gli "Amministratori"), del Direttore Generale e dei dirigenti con responsabilità strategiche (i "Dirigenti Strategici") della Società, del "personale più rilevante", oltre che degli altri ruoli rilevanti per il raggiungimento degli obiettivi aziendali (la "Politica di Remunerazione" o la "Politica") e una illustrazione delle procedure utilizzate per l'adozione e l'attuazione di tale Politica;
- nella Sezione II, un resoconto sulle remunerazioni erogate a qualsiasi titolo ed in qualsiasi forma per l'esercizio sociale chiuso al 31 dicembre 2019 (l'"Esercizio" o l'"Esercizio 2019") in favore dei citati soggetti, suddivisi nominativamente e/o in forma aggregata, conformemente a quanto previsto dalla Politica di Remunerazione approvata dall'assemblea degli azionisti per l'esercizio 2019

Nella Relazione sono, inoltre, indicate le eventuali partecipazioni detenute dai componenti del Consiglio di Amministrazione (o il "Consiglio"), del Collegio Sindacale e dagli altri Dirigenti con responsabilità strategica, nonché le sintesi inerenti le verifiche effettuate dal Comitato per la Remunerazione (o il "Comitato") e dalla Direzione *Compliance* in ordine alla conformità della Politica al contesto normativo vigente.

La Relazione è stata redatta ai fini dell'informativa al pubblico ai sensi delle vigenti normative in materia e, in particolare, ai sensi dell'art. 123-ter del TUF, dell'art. 84-quater del Regolamento Emittenti, nonché della disciplina del settore bancario e dell'art. 6 del Codice di Autodisciplina delle società quotate, adottato dal Comitato per la *corporate governance*, promosso da Borsa Italiana S.p.A. (il "Codice di Autodisciplina").

Nella presente Relazione vengono incluse le informazioni ulteriori, in forma aggregata, sui c.d. "risk taker" non ricomprese nell'ambito del citato art. 123-ter del TUF.

La Relazione, pertanto, illustra la Politica di Remunerazione del Gruppo Banca Sistema (il "Gruppo"), redatta in conformità alla Parte Prima, Titolo IV, Capitolo 2, della Circolare della Banca d'Italia del 17 dicembre 2013, n. 285 come successivamente modificata e integrata in materia di "Politiche e prassi di remunerazione e incentivazione" (la "Circolare 285"), in attuazione della Direttiva 2013/36/UE – CRD 4) e agli orientamenti dell'*European Banking Authority* ("EBA") su sane politiche di remunerazione (di seguito, gli "Orientamenti" e, congiuntamente, le "Disposizioni"). La Politica tiene altresì conto degli *standard* tecnici e regolamentari concordati in sede internazionale, tra cui quelli dell'EBA, del *Financial Stability Board* ("FSB"), nonché della disciplina regolante la materia delle operazioni con le Parti correlate.

La Politica e la Relazione sono state esaminate ed approvate dal Comitato per la Remunerazione in data 10 marzo 2020 e approvate dal Consiglio di Amministrazione della Società in data 11 marzo 2020.

La Sezione I della Relazione è soggetta a deliberazione non vincolante dell'Assemblea degli Azionisti (o l'"Assemblea") in sede ordinaria convocata per il 23 aprile 2020 per l'approvazione, *inter alia*, del bilancio di esercizio chiuso al 31 dicembre 2019.

La Relazione è messa a disposizione del pubblico, presso la sede sociale e sul sito internet della Società www.bancasistema.it, Sezione Investor Relations/Governance/Assemblea degli Azionisti, nei termini di legge.

Il Consiglio di Amministrazione ha, inoltre, adottato un regolamento che disciplina le modalità di assegnazione e attribuzione delle azioni della Banca ai sensi della Politica per la remunerazione 2020, di cui

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è parte integrante. Per maggiori informazioni si rinvia al documento informativo pubblicato sul sito internet della Banca (www.bancasistema.it).

2. Classificazione della Banca

Ai sensi della Parte I, Titolo IV, Capitolo 2, Sezione I, Paragrafo 7, della Circolare 285, in applicazione del criterio di proporzionalità, ogni banca dà attuazione alla normativa in materia di remunerazioni con modalità appropriate alle caratteristiche, dimensioni, rischiosità e complessità dell'attività svolta.

In particolare, la Circolare 285 suddivide le banche nelle tre seguenti categorie:

- "banche di maggiori dimensioni o complessità operative": le banche considerate significative ai sensi dell'art. 6 (4) del Regolamento (UE) n. 1024/2013 (di seguito, "RMVU") (1);
- "banche intermedie": le banche con attivo bilancio compreso tra 4 e 30 miliardi di Euro e le banche che fanno parte di un gruppo bancario con attivo di bilancio consolidato comprese tra 4 e 30 miliardi di Euro, che non siano considerate significative ai sensi dell'art. 6 (4) dell'RMVU;
- "banche di minori dimensioni o complessità operativa": le banche con attivo di bilancio pari o inferiore a 4 miliardi di Euro, che non siano considerate significative ai sensi dell'art. 6 (4) dell'RMV.

Banca Sistema, pur avendo un totale attivo inferiore a 4 miliardi di euro sia a livello individuale, sia a livello consolidato, potrebbe essere considerata come rientrante nella definizione di banche "minori". Tuttavia, in ragione dello status di società quotata e degli orientamenti EBA, si è ritenuto applicare la disciplina riferibile alle banche "intermedie".

(1) Ai sensi dell'art. 6 (4) del RMVU, "un ente creditizio o società di partecipazione finanziaria o società di partecipazione finanziaria mista non sono considerati meno significativi, tranne se giustificato da particolari circostanze da specificare nella metodologia, qualora soddisfino una qualsiasi delle seguenti condizioni:

- i) il valore totale delle attività supera i 30 miliardi di EUR;
- ii) il rapporto tra le attività totali e il PIL dello Stato membro partecipante in cui sono stabiliti supera il 20%, a meno che il valore totale delle attività sia inferiore a 5 miliardi di EUR;
- iii) in seguito alla notifica dell'autorità nazionale competente secondo cui tale ente riveste un'importanza significativa con riguardo all'economia nazionale, la BCE decida di confermare tale significatività sulla scorta di una sua valutazione approfondita, compresa lo stato patrimoniale, dell'ente creditizio in questione".

SEZIONE I – POLITICA DI REMUNERAZIONE E INCENTIVAZIONE DEL PERSONALE 2020

A. Organi e soggetti coinvolti nella predisposizione e approvazione della politica di remunerazione nonché responsabili della sua corretta attuazione

La definizione della Politica di Remunerazione è il risultato di un processo che vede coinvolti i seguenti organi/funzioni aziendali della Banca, in forza delle competenze e con le responsabilità di seguito indicate. Il **Consiglio di Amministrazione** elabora, approva e sottopone all'Assemblea e riesamina, con periodicità almeno annuale, la Politica della Banca ed è responsabile della sua corretta attuazione; esso approva, inoltre, gli esiti dell'eventuale procedimento di esclusione del "personale più rilevante" e ne rivede periodicamente i relativi criteri.

Il Consiglio definisce, inoltre, il piano di incentivazione rivolto ai soggetti rientranti nella categoria del "personale più rilevante", nonché a tutti gli altri dipendenti del Gruppo e assicura che la Politica della Banca sia adeguatamente attuata e allineata al quadro complessivo del governo societario, alla cultura di impresa, alla propensione al rischio, nonché ai processi di *governance* correlati. Il Consiglio assicura che il riconoscimento, l'erogazione, e la maturazione della remunerazione variabile, ivi compresa l'applicazione di meccanismi di *malus* e di *claw-back*, non pregiudichino, nell'ambito della politica di remunerazione del Gruppo, il mantenimento di una solida base di capitale.

Nello svolgimento dei propri compiti, il Consiglio si avvale dell'ausilio delle seguenti funzioni aziendali.

La **Direzione Capitale Umano** coordina il processo di definizione delle Politiche 2020 e contribuisce alla sua elaborazione fornendo le necessarie informazioni anche con riferimento alla struttura ed ai livelli di remunerazione nonché ai sistemi di incentivazione. In particolare, la Direzione Capitale Umano fornisce il proprio supporto alla Direzione *Compliance*, assicurando, tra l'altro, la coerenza tra la Politica e le procedure di gestione delle risorse umane e i sistemi di remunerazione e incentivazione della Banca.

La **Direzione Rischi** è coinvolta nell'individuazione degli eventi potenziali che possono influire sull'attività aziendale, analizzando gli impatti di tali eventi nell'ambito dei limiti di rischio ritenuti accettabili e monitorando periodicamente gli impatti dell'attuazione delle politiche di remunerazione sui profili di rischio del Gruppo. La Direzione Rischi contribuisce ad assicurare la coerenza con il quadro di riferimento per la determinazione della propensione al rischio e con le politiche di governo e di gestione dei rischi definite all'interno del *Risk Appetite Framework* ("RAF") anche attraverso la definizione degli indicatori di rischio da utilizzare per i meccanismi di correzione (*ex ante* ed *ex post*), e si esprime sulla corretta attivazione di questi ultimi. La Direzione Rischi, congiuntamente alla Direzione *Compliance*, fornisce un effettivo contributo, secondo i rispettivi ruoli, alla definizione del "*bonus pool*", degli indicatori di risultato e delle remunerazioni riconosciute, rappresentando i possibili rilievi in ordine all'impatto sul comportamento del personale e/o sulla rischiosità delle attività intraprese.

La **Direzione Compliance e Antiriciclaggio**, che procede alla verifica *ex ante* della conformità della Politica ed effettua, con cadenza annuale, una valutazione di conformità della Politica al quadro normativo di riferimento e alla normativa interna, ivi incluso il Codice Etico del Gruppo, in modo da considerare gli aspetti legali e reputazionali insiti soprattutto nelle relazioni con la clientela. La Direzione *Compliance* porta a conoscenza del Consiglio di Amministrazione eventuali rilievi con un'apposita relazione affinché tale organo ne tenga conto in sede di approvazione, riesame e controllo sulla Politica.

La **Direzione Internal Audit** effettua un esame indipendente delle prassi di remunerazione e incentivazione del personale in conformità alle Disposizioni, agli Orientamenti, al fine di verificarne, con frequenza almeno annuale, gli effetti sul profilo di rischio della Banca.

La **Direzione Finanza** verifica la coerenza con gli obiettivi di medio lungo termine e le strategie della Banca, al fine di assicurare la sostenibilità finanziaria con orientamento al medio-lungo termine.

Il **Dirigente Preposto alla redazione dei documenti contabili e societari ("Dirigente Preposto")** verifica la corrispondenza e la coerenza della Politica con i documenti contabili e societari e, in particolare, la loro correttezza rispetto al bilancio approvato. Il Dirigente Preposto, congiuntamente con il Direttore Rischi, valuta e certifica il livello di conseguimento delle condizioni e dei criteri di accesso aziendali e il livello di conseguimento degli obiettivi assegnati.

Il **Comitato per la Remunerazione**, come meglio descritto nel paragrafo B) che segue, ha, nell'ambito delle proprie competenze, funzioni consultive e propositive nei confronti del Consiglio di Amministrazione. In particolare, il Comitato svolge un ruolo propositivo e istruttorio nei confronti del Consiglio di Amministrazione, in merito alla definizione della Politica.

L'**Assemblea** approva:

- la Politica a favore dei dipendenti e del "personale più rilevante" del Gruppo;
- i piani di remunerazione basati su strumenti finanziari (ad es. *stock option*, *stock grant*);
- i criteri di determinazione dell'eventuale compenso da accordare in caso di conclusione anticipata del rapporto di lavoro o di cessazione anticipata dalla carica, ivi compresi i limiti fissati a detto compenso in termini di annualità della remunerazione fissa e l'ammontare massimo che deriva dalla loro applicazione (c.d. *golden parachute*).

In sede di approvazione della Politica, l'Assemblea delibera sull'eventuale proposta di fissare un limite al rapporto tra la componente variabile e quella fissa della remunerazione individuale per l'Amministratore Delegato e Direttore Generale superiore a 1:1, ma, comunque, non eccedente il limite massimo di 2:1.

La possibilità di fissare un limite al rapporto tra la componente variabile e quella fissa della remunerazione individuale superiore a 1:1, ma non eccedente il limite massimo di 2:1 è attribuita anche alle società del Gruppo. A tal riguardo, si segnala che in quanto Gruppo, l'assemblea competente a deliberare sulla proposta di fissare un limite superiore a 1:1 è quella della società del Gruppo in cui opera il personale a cui la decisione si riferisce. Banca Sistema può esprimere voto favorevole sulla proposta di aumento del limite sottoposta all'approvazione dell'assemblea di una società del Gruppo.

A tal riguardo, l'Assemblea è informata sul fatto che nel limite ai rapporto variabile/fisso ricadono anche gli importi eventualmente da riconoscere sotto forma di benefici pensionistici discrezionali o in vista o in occasione della conclusione anticipata del rapporto di lavoro o cessazione anticipata dalla carica (c.d. *golden parachutes*).

Il **Collegio Sindacale** svolge un ruolo consultivo e vigila sulla corretta applicazione delle regole relative alla remunerazione sulla base della normativa e della regolamentazione vigente al momento della verifica.

Il **Comitato per il Controllo Interno e Gestione dei Rischi** verifica la coerenza del piano incentivi rispetto al *Risk Appetite Framework* del Gruppo.

La Politica è soggetta, con cadenza almeno annuale, ad un riesame da parte del Comitato per la Remunerazione con il contributo delle funzioni aziendali competenti: l'attività di riesame e i relativi piani correttivi proposti, approvati ed attuati, vengono documentati attraverso relazioni scritte o processi verbali delle relative riunioni.



B. Intervento del Comitato per la Remunerazione, composizione, competenze e modalità di funzionamento di tale comitato

Il Comitato per la Remunerazione è composto da tre consiglieri non esecutivi, di cui due in possesso dei requisiti di indipendenza previsti dalle applicabili disposizioni di legge e regolamentari, nonché dallo Statuto della Banca.

Almeno due membri del Comitato devono possedere una adeguata conoscenza ed esperienza in materia finanziaria o di politiche retributive, fermo restando l'adozione da parte della Banca di piani di formazione adeguati ad assicurare che tutti i componenti del Comitato svolgano con consapevolezza il loro ruolo. Con delibera del 24 maggio 2018, il Consiglio di Amministrazione ha nominato quali membri del Comitato gli Amministratori Giovanni Antonino Puglisi (Amministratore non esecutivo) in funzione di Presidente, Francesco Galletti (Amministratore indipendente) e Marco Giovannini (Amministratore indipendente).

Il Comitato per la Remunerazione supporta il Consiglio di Amministrazione nell'esame della Politica da sottoporre all'Assemblea, anche avvalendosi delle funzioni aziendali menzionate nel paragrafo A.) che precede, svolgendo le seguenti attività:

- ha compiti di proposta sui compensi dei soggetti rientranti nella categoria del "personale più rilevante", nonché degli altri dipendenti;
- ha compiti consultivi in materia di determinazione dei criteri per la remunerazione del "personale più rilevante";
- si esprime, anche avvalendosi delle informazioni ricevute dalle funzioni aziendali competenti, sugli esiti del processo di identificazione del "personale più rilevante", ivi comprese le eventuali esclusioni;
- vigila direttamente sulla corretta applicazione delle regole relative alla remunerazione dei responsabili delle funzioni aziendali di controllo, in stretto raccordo con il Collegio Sindacale;
- cura la preparazione della documentazione da sottoporre all'organo con funzione di supervisione strategica per le relative decisioni;
- collabora con gli altri comitati interni al Consiglio di Amministrazione, in particolare con il Comitato Controlli Interni e Gestione dei Rischi;
- assicura il coinvolgimento delle funzioni aziendali competenti nel processo di elaborazione e controllo della Politica;
- si esprime, anche avvalendosi delle informazioni ricevute dalle funzioni aziendali competenti, sul raggiungimento degli obiettivi di performance cui sono legati i piani di incentivazione e sull'accertamento delle altre condizioni poste per l'erogazione dei compensi;
- verifica la necessità di una correzione *ex post* della remunerazione variabile (*malus* e *claw-back*) formulando opportune proposte al Consiglio di Amministrazione;
- fornisce adeguato riscontro sull'attività svolta agli organi aziendali, compresa l'Assemblea dei Soci, verificando l'adeguatezza delle informazioni da fornire agli azionisti sulla Politica, in particolare per quanto concerne eventuali proposte di superamento del rapporto 1:1 tra componente fissa e variabile della remunerazione;

- propone al Consiglio di Amministrazione il coinvolgimento di consulenti esterni esperti in materia di politiche di remunerazione e incentivazione.
- verifica se la politica di remunerazione in essere sia ancora aggiornata e, se necessario, presenta proposte di modifica.

Per svolgere in modo efficace e responsabile i propri compiti, il Comitato per la Remunerazione ha accesso a tutti i dati e a tutte le informazioni concernenti il processo decisionale dell'Organo amministrativo riguardo l'elaborazione, l'attuazione, il controllo e il riesame della Politica. Il Comitato dispone, altresì, di adeguate risorse e ha accesso incondizionato a tutte le informazioni e ai dati provenienti dalle funzioni di controllo; interagisce con le predette funzioni di controllo e con le altre funzioni aziendali pertinenti (es. Direzione Capitale Umano, Legale, Finanza) le cui risorse possono essere chiamate a partecipare alle riunioni del Comitato.

Il Comitato si riunisce con la frequenza necessaria per lo svolgimento delle proprie funzioni e ogni volta che il Presidente del Comitato lo ritenga opportuno, ovvero nelle ipotesi puntualmente disciplinate dal regolamento del Comitato come da ultimo adottato in data 25 gennaio 2019.

Alle riunioni del Comitato sono invitati a partecipare:

- il Presidente del Collegio Sindacale o altro sindaco da lui designato, con la possibilità di partecipazione di altri Sindaci;
- il Responsabile della Direzione Rischi per assicurare che i sistemi di incentivazione siano adeguatamente corretti per tener conto di tutti i rischi assunti dalla Banca, secondo metodologie coerenti con quelle che la Banca adotta per la gestione dei rischi;
- il Responsabile Capitale Umano.

Alle riunioni del Comitato partecipa di diritto il Presidente del Consiglio di Amministrazione senza possibilità di voto e può partecipare, su invito del Presidente del Comitato medesimo, l'Amministratore Delegato.

Il Presidente del Comitato può di volta in volta invitare alle riunioni del Comitato altri soggetti la cui presenza sia ritenuta di ausilio al migliore svolgimento delle funzioni del Comitato stesso.

Nessun Amministratore deve prendere parte alle riunioni del Comitato in cui vengono formulate le proposte al Consiglio di Amministrazione relative alla propria remunerazione.

La Banca mette a disposizione del Comitato le risorse finanziarie adeguate all'adempimento dei propri compiti e a garantirne l'indipendenza operativa, attraverso un budget annuale adeguato, commisurato ai compiti e alle responsabilità del Comitato. Il *budget* annuale del Comitato è determinato dal Consiglio di Amministrazione, su proposta del Presidente del Comitato.

Per ulteriori informazioni si rinvia alla Relazione Annuale sul Governo societario e gli Assetti proprietari pubblicata sul sito internet della Banca (www.bancasistema.it) nella sezione *Governance*.

C. Esperti indipendenti

Il Comitato per la Remunerazione nel corso dell'Esercizio si è avvalso del supporto di consulenti della Società specializzati nel settore, con i quali ha approfondito le attività da essi svolte sugli argomenti di competenza, acquisendo il necessario supporto documentale per le proprie valutazioni.



D. Finalità perseguite con la politica delle remunerazioni, i principi che ne sono alla base e gli eventuali cambiamenti della politica delle remunerazioni rispetto all'esercizio finanziario precedente

La Politica del Gruppo persegue le seguenti finalità:

- orientare i comportamenti degli amministratori esecutivi, dei dipendenti verso le priorità e gli obiettivi della Banca e del Gruppo, sostenendo la creazione di valore nel medio e lungo periodo;
- attrarre e mantenere personale altamente qualificato anche attraverso la competitività retributiva esterna;
- motivare il personale, riconoscendone il merito e valorizzandone lo sviluppo professionale;
- sviluppare e migliorare la qualità dei servizi per i clienti;
- assicurare la sana e prudente gestione della Banca e del suo profilo di rischio;
- salvaguardare l'equità retributiva assicurando il giusto riconoscimento al contributo fornito dai singoli, e alle responsabilità attribuite;
- assicurare comportamenti coerenti con il codice etico del Gruppo (di seguito, il "Codice Etico"), i regolamenti interni del Gruppo e le vigenti disposizioni legislative e regolamentari applicabili a Banca Sistema e al Gruppo.

La strategia retributiva del Gruppo tiene altresì conto del RAF (*Risk Appetite Framework*) adottato dalla Banca, nel quale sono presenti specifici indicatori di *performance* che tengono conto della propensione al rischio. Inoltre, la strategia retributiva del Gruppo tiene conto del costo e del livello del capitale e della liquidità necessaria a fronteggiare le attività intraprese ed è strutturata in modo da evitare il prodursi di incentivi in conflitto di interesse con la Banca in un'ottica di lungo periodo.

La remunerazione del personale del Gruppo è formata da una componente fissa, prevista per tutto il personale, da una componente di "benefit" e da una componente variabile, prevista per i soggetti rientranti nella categoria del "personale più rilevante", che può essere eventualmente accordata anche al personale meno rilevante della Banca secondo le linee guida e i principi mutuati dalla Politica e nel rispetto della normativa vigente.

Il rapporto tra la componente fissa e quella variabile è opportunamente bilanciato, puntualmente determinato e attentamente valutato in relazione alle caratteristiche di Banca Sistema e delle diverse categorie di personale, in specie di quello rientrante tra il "personale più rilevante".

Le principali modifiche rispetto alla politica per la remunerazione adottata per l'esercizio 2019 riguardano l'adeguamento alle Disposizioni in materia di "Trasparenza delle operazioni e dei servizi bancari e finanziari – Correttezza delle relazioni tra intermediari e clienti" che stabiliscono principi specifici con riferimento alle politiche e alle prassi di remunerazione del personale e dei terzi addetti alla rete di vendita, alla previsione dei principi relativi alla remunerazione di specifiche categorie e in particolare degli Intermediari del credito.

E. Descrizione delle politiche in materia di componenti fisse e variabili della remunerazione, con particolare riguardo all'Indicazione del relativo peso nell'ambito della retribuzione complessiva e distinguendo tra componenti variabili di breve e di medio-lungo periodo

La remunerazione del personale del Gruppo è formata da una componente fissa, prevista per tutto il personale, da una componente di "benefit" (cfr. paragrafo F. che segue) e da una componente variabile,

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prevista per i soggetti rientranti nella categoria del "personale più rilevante", che può essere eventualmente accordata anche al personale meno rilevante della Banca.

In particolare, la componente fissa della remunerazione:

- è prevista per tutto il personale;
- è determinata tenendo conto delle competenze tecniche, professionali e manageriali del personale e sulla responsabilità a ciascuno attribuita ed è costantemente monitorata e annualmente riesaminata per verificarne l'equità, interna ed esterna rispetto al contesto di mercato, anche con l'ausilio di valutazioni elaborate da consulenti indipendenti scelti dalla Capogruppo; la Banca applica (i) il CCNL per i Quadri Direttivi e per il Personale delle Aree Professionali dipendenti dalle Imprese Creditizie, Finanziarie e Strumentali e (ii) il CCNL per i Dirigenti dipendenti dalle Imprese Creditizie, Finanziarie e Strumentali;
- è improntata sulla base del criterio della sostenibilità e in modo sufficiente a consentire alla parte variabile di contrarsi sensibilmente - e, in casi estremi, anche azzerarsi - in relazione ai risultati effettivamente conseguiti.

La componente variabile della remunerazione (di seguito anche il "Bonus"):

- è riconosciuta ai soggetti rientranti nella categoria del "personale più rilevante" al raggiungimento di obiettivi predeterminati (fermo restando quanto indicato nella Politica);
- può essere riconosciuta anche al personale diverso dal "personale più rilevante";
- è parametrata ad indicatori di *performance* misurata al netto dei rischi e coerenti con le misure utilizzate a fini gestionali dalla Direzione Rischi (cd. *ex ante risk adjustment*);
- è condizionata al raggiungimento degli obiettivi di Gruppo, di Divisione di Business / Direzione / Società Controllata, e individuali indicati nell'Allegato 2 alla Politica;
- è composta.
 - per il "personale più rilevante", da una parte in denaro ("Cash") e da una parte in azioni della Banca (le "Azioni");
 - per il personale non rientrante nella categoria del "personale più rilevante", esclusivamente da denaro.

Al fine di assicurare la sostenibilità finanziaria del Bonus, nonché di garantire un livello di patrimonializzazione della Società adeguato, l'ammontare complessivo dei Bonus riconosciuti ed effettivamente erogati ai dipendenti e al "personale più rilevante" non può eccedere l'ammontare del *bonus pool*, determinato ogni anno dal Consiglio di Amministrazione della Banca, insieme all'approvazione del *budget* dell'esercizio, su proposta dell'Amministratore Delegato, sentito il Direttore Finanza, il Dirigente Preposto, il Direttore Rischio, il Direttore *Compliance*. La proposta dell'Amministratore Delegato è valutata dal Comitato per la Remunerazione che formula il proprio parere al Consiglio di Amministrazione. Esigenze di rafforzamento patrimoniale conducono ad una contrazione del *bonus pool* e/o all'applicazione di meccanismi di correzione *ex-post*.

Il rapporto tra la componente fissa e variabile della remunerazione è determinato e attentamente valutato in relazione alle caratteristiche della Banca e delle diverse categorie del personale.

Di regola, la componente variabile della remunerazione non può superare il 100% della componente fissa (rapporto di 1:1). Tuttavia, come consentito dalla normativa applicabile e dallo Statuto della Banca, il Consiglio di Amministrazione può proporre all'Assemblea dei Soci, per uno o più membri del "personale più



rilevante" ovvero per categorie omogenee di personale, una remunerazione variabile superiore al 100% ma, comunque, non eccedente il 200% di quella fissa (rapporto 2:1); questo però in casi eccezionali e con una chiara indicazione delle ragioni sottostanti a tale superamento, nonché delle implicazioni, anche prospettiche, sulla capacità della Banca di continuare a rispettare tutte le regole prudenziali.

Fermo restando le deroghe disposte dalla normativa vigente, concorrono ai fini del calcolo del limite al rapporto variabile/fisso:

- le remunerazioni legate alla permanenza del personale (cd. *Retention bonus*);
- i piani di incentivazione a lungo termine (c.d. *long term incentive plans*);
- i benefici pensionistici discrezionali;
- le pattuizioni stipulate in vista o in occasione della conclusione anticipata del rapporto (cd. *golden parachute*).

La remunerazione dei membri del Consiglio di Amministrazione è determinata dall'Assemblea dei Soci e consiste in un importo annuale fisso per ciascun Amministratore. L'ammontare di tale remunerazione è differenziato tra Presidente del Consiglio di Amministrazione, Amministratore Delegato e Amministratori. L'Amministratore Delegato può percepire una remunerazione variabile il cui ammontare non può superare il limite massimo di 2:1.

La remunerazione dei membri del Collegio Sindacale è esclusivamente fissa ed è determinata dall'Assemblea dei Soci all'atto della nomina e per l'intero periodo di durata del loro ufficio.

Per gli appartenenti alle Funzioni Aziendali di Controllo, della Direzione Capitale Umano e del Dirigente Preposto la componente variabile è contenuta e l'attribuzione del Bonus dipende dal raggiungimento di obiettivi coerenti con i compiti assegnati alle funzioni medesime e in particolare con obiettivi di sostenibilità aziendale (es. contenimento dei costi, rafforzamento del capitale, ecc.), a condizione che ciò non sia fonte di possibili conflitti di interesse, non collegati in alcun modo ai risultati economici della Banca e indipendenti dai risultati conseguiti dalle aree soggette al loro controllo.

Per il Personale più rilevante delle Funzioni di Controllo, della Direzione Capitale Umano e del Dirigente Preposto i compensi fissi sono adeguati alle significative responsabilità e all'impegno connesso con il ruolo svolto.

La parte variabile della remunerazione del personale più rilevante delle funzioni aziendali di controllo non può superare il limite di 1/3 (un terzo) della parte fissa.

In Banca rientrano tra le funzioni di controllo la Direzione Internal Audit, la Direzione Rischi e la Direzione Compliance e Antiriciclaggio.

F. Politica in materia di benefici non monetari

I membri degli organi sociali e i dipendenti godono di alcuni benefit non monetari – la cui definizione e assegnazione avviene in funzione di piani, policy e regolamenti aziendali che prevedono il rispetto di parametri di sostenibilità collegati all'andamento generale dei risultati generali nel medio e lungo termine della Banca e in particolare attribuibili a condizione che sia raggiunto annualmente un utile lordo consolidato di Gruppo positivo - con diverso peso in funzione del ruolo aziendale e del servizio e i cui principali sono la polizza sanitaria, l'autoveettura aziendale e il piano di *Flexible Benefits*.

La previsione di attribuzione per il 2020 è sintetizzabile nei seguenti termini:

- polizza sanitaria per tutto il personale dipendente e per i membri del Consiglio d'Amministrazione della Banca;
- autovettura aziendale per i dirigenti e il personale con ruoli commerciali o di *business development*;
- piano di *Flexible Benefits* per tutto il personale.

Banca Sistema ha introdotto un piano di *Flexible Benefit* la cui finalità è quella di supportare i dipendenti e le loro famiglie nelle attività di cura dei membri della famiglia, sociali e culturali, nel trasporto pubblico, nello sviluppo formativo e nelle spese scolastiche dei propri figli e nel sostegno all'acquisto della casa secondo i limiti e alle condizioni stabilite dallo specifico regolamento in materia e in applicazione della normativa fiscale vigente.

G. Descrizione degli obiettivi di performance delle componenti variabili

La componente variabile della remunerazione è condizionata al raggiungimento degli obiettivi di Gruppo, di Divisione di Business / Direzione / Società Controllata, e individuali che sono utilizzati dalla Banca per la valutazione delle *performance* e per la conseguente determinazione dei Bonus individuali. Con riferimento al "personale più rilevante", sono previsti indicatori per il calcolo dei meccanismi di correzione ex post (c.d. *malus*) per la valutazione delle performance durante il periodo di differimento e, in particolare, al fine di stabilire se il beneficiario avrà il diritto di ricevere il Bonus inizialmente riconosciuto alla fine di detto periodo.

A. Criteri di distribuzione e accesso

I parametri relativi alla *performance* aziendale - che condizionano la distribuzione della componente variabile nell'ambito del Bonus Pool sono indicati di seguito:

CONDIZIONE DI DISTRIBUZIONE – il raggiungimento di un Utile Lordo Consolidato positivo di Gruppo è la condizione da raggiungere per la distribuzione del *Bonus Pool*.

CONDIZIONE DI ACCESSO - per il triennio 2020/2022 raggiungimento dei criteri di accesso (*Key Risk Indicator*, di seguito, KRI) previsti nel RAF dell'anno di riferimento, di peso eguale tra loro: **Common Equity Tier 1 - CET1 e Liquidity Coverage Ratio - LCR**.

La quantificazione del Bonus Pool è, peraltro, soggetta a meccanismi di correzione che possono condurre ad una riduzione, anche significativa, o all'azzeramento della remunerazione variabile stessa, soprattutto in caso di risultati significativamente inferiori a quelli stabiliti o negativi o quando la Banca non è in grado di mantenere o ripristinare una solida base di capitale. In particolare, il Bonus Pool è soggetto a un fattore di correzione ex post in funzione del livello del Return on Risk Adjusted Capital (Rorac) previsto nel RAF dell'anno precedente e in particolare:

- nel caso il Rorac realizzato nell'anno superi il target, così come identificato nel RAF, il Bonus Pool è erogabile in misura pari al 150% (gli indicatori Rorac, CET1 e LCR non potranno, per effetto di tale maggiore importo, scendere sotto il target);
- nel caso il Rorac realizzato nell'anno superi la soglia di primo livello, così come identificato nel RAF, il Bonus Pool è erogabile in misura pari al 100%;
- nel caso il Rorac realizzato si collochi tra la soglia di primo e di secondo livello, il Bonus Pool è erogabile nella misura dell'80%;



- nel caso il Rorac realizzato risulti inferiore alla soglia di secondo livello, come previsto dal RAF, il Consiglio di Amministrazione della Banca delibererà la mancata distribuzione dei Bonus.

In caso di riduzione del Bonus Pool secondo i criteri precedentemente espressi, i Bonus individuali, come calcolati sulla base della performance individuale come definita nell'allegato 2 – Indicatori di Performance, saranno ridotti in proporzione a tutti i beneficiari.

In caso di mancato raggiungimento della soglia di primo livello indicata nel RAF anche di uno solo dei predetti 2 KRI, la Banca non eroga alcun Bonus.

B. Obiettivi assegnabili

1. Obiettivi legati alla Performance del Gruppo

Gli obiettivi definiti per la valutazione della *performance* del Gruppo sono collegati ai seguenti parametri:

- Redditività del Gruppo** (individuato in uno dei seguenti parametri alternativi tra loro: come utile lordo consolidato di Gruppo, ROE / RORAC, Cost/Income, Profito di rischio / RWA Density, costo del rischio, ecc.) con un peso complessivo ponderato di non meno del 30% del punteggio complessivo degli obiettivi;
- Crescita del Gruppo** (individuato in uno dei seguenti parametri alternativi tra loro: crescita del margine intermediazione rispetto al budget, quote mercato, ecc.) con un peso complessivo ponderato di non meno del 30% del punteggio complessivo degli obiettivi;
- Crescita del valore del Gruppo** (individuato in uno dei seguenti parametri alternativi tra loro: crescita del valore dell'azione della Banca, realizzazione del piano industriale o di specifici progetti aziendali / operazioni straordinarie, sviluppo del capitale umano, soddisfazione ed "engagement" dei dipendenti, ecc.).

2. Obiettivi specifici legati alla performance della propria struttura di Business di appartenenza (Direzione, Business Line / Divisione, Società Controllata)

Gli obiettivi di business legati alla *performance* della propria Direzione e/o Business Line / Divisione / Società Controllata, sono i seguenti:

- Raggiungimento degli obiettivi di budget di Direzione / Business Line / Divisione / Società Controllata, legati prevalentemente ai volumi di vendite, di erogazione creditizia, di contenimento / riduzione dei costi, di profittabilità e patrimonializzazione complessiva, di valutazione dei costi dei singoli business;
- Gestione o riduzione dei rischi: indicatori di patrimonio e liquidità divisionali o di business, costo dei rischi, Profilo di rischio / RWA Density sempre a livello di divisione / business e Società Controllata, progetti e interventi a riduzione dei rischi, NPE ratio, ecc.;
- Generazione di valore, ossia il valore aggiunto di un nuovo prodotto o un nuovo servizio, della corretta esecuzione di un processo aziendale o del suo ridisegno, della crescita e valorizzazione delle risorse tecniche e umane del Gruppo;
- Gestione Operativa: gli obiettivi relativi all'aumento della soddisfazione del cliente, interno o esterno e che agevolano l'efficacia della gestione operativa interna;

- Aumento dell'efficienza: obiettivi legati alla comparazione con le stesse attività svolte negli anni precedenti avendo riguardo al miglioramento incrementale della *performance* complessiva del Gruppo.
- Gestione delle risorse umane e tecniche assegnate: si tratta di obiettivi legati alla creazione di un costruttivo clima di lavoro, alla valorizzazione dei talenti e alla migliore allocazione e sviluppo delle competenze professionali, alla diffusione e capitalizzazione della conoscenza aziendale, all'efficace e consapevole utilizzo degli strumenti e dei processi aziendali anche con l'obiettivo di minimizzarne i costi.

Per le Società Controllate, nell'ambito dei processi di Gruppo riferiti alla definizione e approvazione del budget, gli obiettivi per il Personale Più Rilevante della specifica *Legal Entity* sono definiti dal Consiglio di Amministrazione della Controllata stessa nell'ambito delle linee guida previste dal Documento sulle Politiche di Remunerazione tempo per tempo approvato dalla Capogruppo.

3. Obiettivi legati all'attività manageriale e professionale individuale

Gli obiettivi qualitativi assegnati in via individuale si riferiscono alla contribuzione ai risultati economici, rapporti con la clientela (interna e esterna), competenze organizzative e gestionali, qualità personali.

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Gli obiettivi per l'Amministratore Delegato/Direttore Generale

Per quanto attiene l'Amministratore Delegato/Direttore Generale, il Bonus sarà subordinato al raggiungimento della *performance* della Banca (criteri di distribuzione e criteri di accesso) sopra descritti.

Raggiunti tali obiettivi e criteri aziendali, l'erogazione del Bonus sarà subordinata alla valutazione del raggiungimento di obiettivi collegati ai seguenti parametri, alternativi tra loro e appositamente ponderati in termini percentuali nell'ambito del complesso degli obiettivi, di cui vengono dati alcuni esempi:

- **Redditività del Gruppo** (individuata con uno dei seguenti parametri anche alternativi tra loro: utile lordo consolidato di Gruppo, ROE / RORAC, Cost / Income, ecc.) con un peso complessivo ponderato di non meno del 30% del punteggio complessivo degli obiettivi;
- **Crescita del Gruppo** (individuata con uno dei seguenti parametri anche alternativi tra loro: crescita del margine intermediazione rispetto al budget, quote mercato, ecc.) con un peso complessivo ponderato di non meno del 30% del punteggio complessivo degli obiettivi;
- **Crescita del valore del Gruppo** (individuata con uno dei seguenti parametri anche alternativi tra loro: crescita del valore dell'azione della Banca, indicatori connessi alla crescita sostenibile e del profilo di rischio, grado di realizzazione del piano industriale o di specifici progetti aziendali / operazioni straordinarie, sviluppo del capitale umano e del livello di soddisfazione ed ingaggio dei dipendenti, indicatori connessi alla sostenibilità aziendale, ecc.).

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Obiettivi per gli altri appartenenti alla categoria del "personale più rilevante"

Gli obiettivi assegnati ai Dipendenti identificati come appartenenti alla categoria del personale più rilevante sono costituiti da:

- Obiettivi legati alla Performance del Gruppo nella misura non inferiore al 30% del complesso della scheda obiettivi,
- Obiettivi di "Business" legati alla performance propria Direzione e/o Business Line / Divisione / Società Controllata, non meno di due e con un peso ponderato complessivo indicativo non inferiore al 30% del complesso della scheda obiettivi,
- Obiettivi Individuali legati alla propria attività manageriale e professionale – non meno di due e con un peso ponderato complessivo indicativo del 40% del complesso della scheda obiettivi.

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Obiettivi per il restante personale

Per il restante personale – in applicazione delle norme del contratto di lavoro nazionale di categoria e in coerenza con i principi e strumenti descritti nelle Politiche – possono essere attribuiti obiettivi di "Business" legati alla *performance* propria Direzione e/o Business Line / Divisione / Società Controllata (non meno di uno con un peso ponderato indicativo del 20%) e di obiettivi individuali legati alla propria attività manageriale e professionale – (non meno di due) assegnati e rendicontati con la scheda "obiettivi" del *tool*, oltre agli obiettivi individuali di competenza (scheda "*performance*" del *tool*).

H. Criteri utilizzati per la valutazione degli obiettivi di performance alla base dell'assegnazione di azioni, opzioni, altri strumenti finanziari o altre componenti variabili della remunerazione

Per quanto riguarda la componente variabile della remunerazione, la valutazione in merito al raggiungimento degli obiettivi aziendali ed individuali individuati dalla Politica, la determinazione della componente variabile della remunerazione erogabile e la successiva comunicazione al soggetto interessato è effettuata da parte del Consiglio di Amministrazione successivamente all'approvazione del bilancio di ciascun anno di riferimento.

Il raggiungimento delle *performance* aziendali ed individuali è verificato dal Consiglio di Amministrazione, previo parere del Comitato per la Remunerazione, sulla base delle procedure descritte nella Politica, con il supporto delle competenti funzioni aziendali.

Una volta verificato il raggiungimento degli obiettivi di *performance* previsti, il Consiglio di Amministrazione calcola l'ammontare complessivo della componente variabile da erogare, ivi incluso l'eventuale effettivo numero di azioni da attribuire a ciascun beneficiario dandone comunicazione scritta a quest'ultimo.

I. Informazioni volte ad evidenziare la coerenza della politica delle remunerazioni con il perseguimento degli interessi a lungo termine della società e con la politica di gestione del rischio, ove formalizzata

La Politica adottata dalla Società è stata definita tenendo conto dello specifico contesto in cui essa opera e dei rischi correlati alle attività della stessa, avuto comunque riguardo alle Disposizioni e alle migliori pratiche seguite da società operanti nel medesimo settore.

La Politica è stata predisposta al fine di incentivare il personale a perseguire gli interessi di lungo termine della Società stessa, attraverso, tra l'altro:

- la previsione di un adeguato bilanciamento tra la componente fissa e la componente variabile della remunerazione ed il collegamento di quest'ultima a criteri di *performance* aziendali ed individuali predeterminati e misurabili,
- l'attribuzione dilazionata della componente variabile assegnata;
- la previsione di meccanismi di correzione *ex post* (i.e., *malus* e *claw-back*);
- la previsione del divieto di compiere atti dispositivi (c.d. *retention*) della componente variabile attribuita mediante azioni della Società.

La Politica non induce in alcun modo i destinatari ad assumere rischi in misura eccedente rispetto al grado di propensione al rischio previsto dalle strategie aziendali in materia.

J. Termini di maturazione dei diritti (c.d. *vesting period*), eventuali sistemi di pagamento differito, con indicazione dei periodi di differimento e dei criteri utilizzati per la determinazione di tali periodi e, se previsti, meccanismi di correzione *ex post*

La remunerazione variabile per il "personale più rilevante" relativa all'anno 2020 sarà corrisposta a seguito dell'approvazione del bilancio d'esercizio della Società come segue:

- per importi inferiori o pari a Euro 30.000 la remunerazione variabile sarà corrisposta interamente *upfront* e in *cash*, subordinatamente alle previste approvazioni del Consiglio di Amministrazione e dell'Assemblea dei Soci previste dalle Politiche;
- per importi superiori a Euro 30.000 e fino al limite di Euro 425.000 la remunerazione variabile sarà corrisposta per il 70% *up-front* (di cui il 50% Cash e il 50% in Azioni della Banca) e per il restante 30% (di cui il 50% Cash e il 50% in Azioni della Banca) sarà differita e sarà corrisposta alla fine del periodo di differimento di tre anni;
- per importi superiori al limite di Euro 425.000 la remunerazione variabile sarà corrisposta per il 60% *up-front* (di cui il 50% Cash e il 50% in Azioni della Banca) e per il restante 40% (di cui il 24% Cash e il 76% in Azioni della Banca) sarà differito e sarà corrisposto alla fine del periodo di differimento tre anni.

L'arco temporale complessivo del differimento è 3 anni (tre), in quanto una parte differita dei Bonus sarà erogata nel corso del triennio 2021/2023 secondo quanto previsto dall'allegato 3 delle Politiche ed è definito adottando un criterio di allineamento prudenziale anche in relazione alle previsioni del Codice di Autodisciplina per il differimento più lungo per membri del Consiglio di Amministrazione e dirigenti con responsabilità strategica.

Al fine di consentire l'adozione di idonei meccanismi di correzione *ex post*, la Banca potrà, durante il periodo di differimento della remunerazione variabile, sia per la parte Cash sia per quella da erogare in Azioni, applicare una riduzione o l'aumento dell'importo della parte differita per tener conto della *performance* dell'intero triennio, al netto dei rischi effettivamente assunti o conseguiti, e/o dell'andamento della situazione patrimoniale e di liquidità della Banca ovvero per tener conto di nuove situazioni inattese / eventi straordinari (es. nuovi rischi, perdite inattese) ovvero di comportamenti individuali.

Il meccanismo del *malus* trova applicazione, in particolare, nel caso in cui nel triennio di differimento la Banca non abbia conseguito, per ciascun esercizio del periodo di differimento le condizioni descritte nell'allegato 2 "Indicatori di Performance" delle Politiche, punto 1. "Criteri di distribuzione e Accesso" e in particolare la **Condizione di Distribuzione** (la distribuzione del Bonus sarà subordinato al raggiungimento di un Utile Lordo Consolidato positivo di Gruppo) e la **Condizione di Accesso** (raggiungimento dei criteri di accesso almeno alla soglia di primo livello indicata nel RAF dell'anno di riferimento dei *Key Risk Indicator*, di peso eguale tra loro: Common Equity Tier 1 - CET1 e Liquidity Coverage Ratio – LCR) oltre al superamento della soglia di secondo livello del Rorac.

L'entità della riduzione (ovvero l'azzeramento) della parte differita della remunerazione variabile può essere applicato nelle stesse ipotesi nelle fattispecie previste per il *claw back* ed inoltre nei casi di esigenze di rafforzamento patrimoniale della Banca emerse prima della data di maturazione delle quote di remunerazione variabile differite o per il recupero delle somme già erogate.

I procedimenti disciplinari eventualmente comminati nel corso del periodo di differimento saranno considerati ai fini delle valutazioni sui comportamenti individuali di cui al primo capoverso del presente paragrafo, in particolare quelli che implicano un impatto sui rischi effettivamente assunti o conseguiti o a comportamenti come di seguito descritti:

- comportamenti non conformi a disposizioni di legge, regolamentari o statutarie o a eventuali codici etici o di condotta applicabili alla Banca, da cui sia derivata una perdita significativa per la Banca o per la clientela;
- ulteriori comportamenti non conformi a disposizioni di legge, regolamentari o statutarie o a eventuali codici etici o di condotta applicabili alla banca, nei casi da questa eventualmente previsti;
- violazioni degli obblighi imposti ai sensi dell'articolo 26 o, quando il soggetto è parte interessata, dell'articolo 53, commi 4 e ss., del TUB o degli obblighi in materia di remunerazione e incentivazione;
- comportamenti fraudolenti o di colpa grave a danno della Banca.

Ai fini dell'applicazione dei *malus*, la Banca considera anche l'eventuale adozione di comportamenti, da parte del personale della Banca o degli intermediari del credito, che abbiano determinato o concorso a determinare un danno significativo per i clienti ovvero una violazione della disciplina contenuta nel Titolo VI del Testo Unico Bancario o delle relative disposizioni di attuazione.

Inoltre, sono soggetti a *claw back* (obbligo di restituzione degli incentivi pagati o mancato pagamento degli incentivi riconosciuti) gli incentivi riconosciuti e/o pagati ai componenti del personale che abbiano determinato o concorso a determinare:

- comportamenti non conformi a disposizioni di legge, regolamentari o statutarie applicabili alla Banca o al Codice Etico adottato, nei casi da questa eventualmente previsti da cui sia derivata una perdita significativa per la Banca o per la clientela;
- ulteriori comportamenti non conformi a disposizioni di legge, regolamentari o statutarie applicabili alla Banca o al Codice Etico adottato, nei casi da questa eventualmente previsti;
- violazioni degli obblighi imposti ai sensi dell'articolo 26 o, quando il soggetto è parte interessata, dell'articolo 53, co. 4 e ss. del TUB o degli obblighi in materia di remunerazione e incentivazione;

- comportamenti fraudolenti o di colpa grave a danno della Banca.
- comportamenti che abbiano determinato o concorso a determinare un danno significativo per i clienti.

Il periodo di applicazione delle clausole di *claw back* per il "personale più rilevante" è di durata pari a 5 anni e tale periodo decorre dal pagamento della singola quota (*up-front* o differita) di remunerazione variabile.

K. Informazioni sulla eventuale previsione di clausole per il mantenimento in portafoglio degli strumenti finanziari dopo la loro acquisizione, con indicazione del periodi di mantenimento e dei criteri utilizzati per la determinazione di tali periodi

Fermo restando quanto indicato nel paragrafo che precede, la Politica prevede un periodo di *retention* (ossia il divieto di compiere atti dispositivi) delle Azioni attribuite, fissato in 12 mesi sia per le Azioni corrisposte *up-front* sia per le Azioni corrisposte in via differita.

L. La politica relativa ai trattamenti previsti in caso di cessazione dalla carica o di risoluzione del rapporto di lavoro, specificando quali circostanze determinino l'insorgere del diritto e l'eventuale collegamento tra tali trattamenti e le performance della società

La Banca non stipula con gli Amministratori e Dirigenti con responsabilità strategica accordi che regolino *ex ante* gli aspetti economici relativi all'eventuale risoluzione anticipata del rapporto ad iniziativa della Società o del singolo, ad eccezione del patto di non concorrenza stipulato con l'Amministratore Delegato, il cui ammontare è computato ai fini del limite al rapporto della componente fissa e variabile. Il corrispettivo per l'impegno di non concorrenza assunto è concordato per ognuno dei tre anni successivi alla cessazione del rapporto nella misura del 25% della retribuzione annua lorda percepita nell'ultimo anno di prestatato servizio e dei *flexible benefit* eventualmente goduti e che pertanto, in applicazione delle regole previste, non rientrano nel calcolo del rapporto 1:1 tra remunerazione variabile e fissa.

Il corrispettivo è differito, in quanto erogato entro la fine del mese antecedente all'ultimo mese di vigenza dell'obbligo di non concorrenza (vale a dire alla fine dei tre anni di limitazione della concorrenza) calcolato a partire dalla cessazione del rapporto di lavoro. La violazione del predetto obbligo comporterà per l'Amministratore Delegato l'obbligo di immediata restituzione di un importo equivalente al costo complessivo sostenuto da Banca Sistema per la corresponsione del corrispettivo per l'obbligo di non concorrenza nonché, ai sensi degli articoli 1382 e seguenti del Codice Civile, l'obbligo di immediata corresponsione dell'importo netto equivalente al 35% della retribuzione lorda annuale relativa all'ultimo anno di prestatato servizio comprensiva dei *flexible benefit*, a titolo di penale convenzionale. Peraltro, a fronte della violazione degli ulteriori obblighi assunti nel patto (di informazione, di riservatezza, del divieto di storno di dipendenti) il medesimo, ai sensi degli articoli 1382 e seguenti del Codice Civile, dovrà corrispondere alla Banca, per ciascuna violazione, a titolo di penale contrattuale, l'importo netto equivalente al 20% della retribuzione lorda annuale relativa all'ultimo anno di mandato, comprensiva dei *flexible benefit*.

Inoltre, l'ammontare dei compensi eventualmente pattuiti in vista o in occasione della conclusione anticipata del rapporto di lavoro o cessazione anticipata dalla carica (cc.dd. *golden parachute*) è stabilito tenendo conto della durata del rapporto di lavoro, nel rispetto delle leggi applicabili, nonché dei seguenti principi:

- salvaguardia del grado di patrimonializzazione della Banca;
- "no reward for failure";
- irreprensibilità dei comportamenti individuali;



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- allineamento con le *best practices* internazionali e nazionali;
- collegamento con il ruolo e i rischi assunti dalla persona a cui si riferiscono, in coerenza con i principi della Politica.

I *golden parachute* sono considerati remunerazione variabile e concorrono ai fini del calcolo del limite di 2:1 applicabile al rapporto tra la componente fissa e variabile della remunerazione, ad eccezione:

- (i) degli importi corrisposti in base a un patto di non concorrenza, per la quota che, per ciascun anno di durata del patto, non eccede l'ultima annualità di remunerazione fissa;
- (ii) degli importi corrisposti nell'ambito di un accordo tra la Banca e il personale, in qualunque sede raggiunto, per la composizione di una controversia attuale o potenziale, se calcolati sulla base di una formula predefinita; a questi fini la Banca indica quale base di calcolo dell'entità di questi importi la sommatoria del costo del preavviso e il numero massimo di mensilità definite dal Contratto Nazionale di Lavoro di riferimento, in relazione alla risoluzione ingiustificata del rapporto di lavoro, incrementato al massimo del 15%;
- (iii) degli incentivi agli esodi, connessi anche con operazioni straordinarie (es. fusioni) o processi di ristrutturazione aziendale, e riconosciuti al personale non rilevante, purché rispettino congiuntamente le seguenti condizioni: i) rispondono esclusivamente a logiche di contenimento dei costi aziendali e razionalizzazione della compagine del personale; ii) favoriscono l'adesione a misure di sostegno previste, dalla legge o dalla contrattazione collettiva, per la generalità dei dipendenti; iii) non producono effetti distorsivi ex ante sui comportamenti del personale; iv) prevedono meccanismi di *claw back*, che coprono almeno i casi di comportamenti fraudolenti o di colpa grave a danno della Banca.

I *golden parachute* sono soggetti ai meccanismi di correzione *ex-post* (*malus* e *claw back*) e, ove erogati in favore del "personale più rilevante", sono soggetti al bilanciamento tra Cash e Azioni e sottoposti alle condizioni di differimento e *retention*.

Si segnala che la Banca non ha stipulato alcun accordo che prevede l'assegnazione di importi in caso di conclusione anticipata del rapporto di lavoro o di cessazione anticipata dalla carica.

M. Informazioni sulla presenza di eventuali coperture assicurative, ovvero previdenziali o pensionistiche, diverse da quelle obbligatorie

La Società ha attualmente in essere per la categoria dirigenti una copertura assistenziale e previdenziale integrativa nella misura e nelle forme previste dal CCNL Dirigenti Terziario, in luogo di quelle previste dal CCNL Dirigenti Credito con conseguente iscrizione al fondo previdenziale Mario Negri, al fondo Assistenza Sanitaria Dirigenti Aziende Commerciali Mario Besusso (Fasdac) e al fondo previdenziale Associazione Antonio Pastore.

N. Politica retributiva eventualmente seguita con riferimento: (i) agli amministratori indipendenti, (ii) all'attività di partecipazione a comitati e (iii) allo svolgimento di particolari incarichi (presidente, vice-presidente, etc.)

La remunerazione dei membri del Consiglio di Amministrazione è determinata dall'Assemblea dei Soci e consiste in un importo annuale fisso per ciascun Amministratore. L'ammontare di tale remunerazione è

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differenziato tra Presidente del Consiglio di Amministrazione, Amministratore Delegato e Amministratori sulla base della delibera assunta dal Consiglio di Amministrazione.

Ad eccezione del Presidente del Consiglio di Amministrazione e dell'Amministratore Delegato, ciascun membro del Consiglio di Amministrazione percepisce un emolumento annuale fisso aggiuntivo in relazione alla partecipazione a ciascun Comitato interno, unitamente al rimborso delle spese, debitamente documentate, sostenute in ragione degli incarichi assunti. Inoltre, ciascun membro del Consiglio di Amministrazione percepisce un gettone di presenza per ciascuna seduta del Consiglio di Amministrazione cui partecipa di persona.

L'ammontare del compenso del Presidente del Consiglio di Amministrazione, in coerenza con il ruolo attribuito, è determinato *ex ante* in misura comunque non superiore alla remunerazione fissa percepita dall'Amministratore Delegato.

L'Amministratore Delegato riceve un compenso determinato dal Consiglio di Amministrazione; inoltre, in qualità di Direttore Generale, e quindi di dipendente della Banca, riceve una remunerazione annua lorda, sempre determinata dal Consiglio di Amministrazione oltre al complesso delle previsioni di benefit previste per i Dirigenti della Banca come previsto dalla Politica.

Per i Consiglieri non esecutivi non sono previsti meccanismi di incentivazione. Ove stabiliti, essi rappresenterebbero una parte non significativa della remunerazione. In tale ipotesi, gli strumenti finanziari utilizzati per il pagamento della componente variabile sono soggetti a retention sino al termine o alla scadenza del mandato. Ai fini di completezza si segnala che i rinnovi non costituiscono un'ipotesi di scadenza del mandato.

Le remunerazioni dei dipendenti che dovessero ricoprire cariche consiliari in società partecipate e/o collegate sono incluse nella remunerazione percepita dagli stessi come dipendenti del Gruppo.

O. Se la politica retributiva è stata definita utilizzando le politiche di altre società come riferimento, e in caso positivo i criteri utilizzati per la scelta di tali società

Banca Sistema non ha utilizzato come riferimento politiche retributive di altre società.



SEZIONE II – POLITICA DI REMUNERAZIONE E INCENTIVAZIONE DEL PERSONALE 2019

1. Considerazioni Generali

Si forniscono di seguito informazioni in ordine all'attuazione della politica per la remunerazione relativa all'esercizio 2019 (di seguito anche "Politica 2019") illustrando analiticamente i compensi corrisposti nell'esercizio di riferimento, a qualsiasi titolo e in qualsiasi forma dalla Banca e da sue controllate o collegate, segnalando componenti dei compensi riferibili ad attività svolte in esercizi precedenti a quello in riferimento ed i compensi da corrispondere in uno o più esercizi successivi a fronte dell'attività svolta nell'esercizio in riferimento.

Secondo quanto verificato dal Comitato per la Remunerazione in occasione della valutazione periodica prevista dal Codice di Autodisciplina, l'attribuzione dei compensi di cui all'esame analitico che segue è risultata coerente con la Politica sulla Remunerazione 2019, approvata dal Consiglio di Amministrazione in data 8 febbraio 2018 e secondo quanto stabilito dalle delibere assembleari in data 23 aprile 2018.

2. Informazioni sulla remunerazione per ruolo e funzioni

Nell'anno 2019 è stata corrisposta la componente fissa del trattamento economico ad amministratori e dipendenti secondo quanto previsto dalle Politiche di Remunerazione 2019 e nel rispetto del Contratto Collettivo del Lavoro applicato. Nell'esercizio 2019 è stata assegnata la componente variabile relativa all'applicazione delle Politiche per l'esercizio 2018 pari a euro a euro 1.296.200 per il personale rilevante e complessivamente di euro 1.774.200, oltre agli oneri previsti.

Banca Sistema non prevede benefici pensionistici discrezionali e pattuizioni su compensi in caso di conclusione anticipata del rapporto di lavoro o di cessazione anticipata della carica.

Consiglio di Amministrazione e Collegio Sindacale

Per quanto riguarda i membri del Consiglio di Amministrazione ed i sindaci, si forniscono le seguenti informazioni sulle voci che compongono la remunerazione e che vengono successivamente sintetizzate nella Tabella 1.

Il compenso percepito – per l'esercizio 2019 – dagli attuali membri del Consiglio di Amministrazione è stato determinato sulla base della delibera assembleare del 23 aprile 2018, che ha stabilito un compenso annuo per ciascun Amministratore pari a Euro 30.000,00 (trentamila) oltre a un gettone di presenza per la partecipazione di persona – e non in audio/video conferenza – alle riunioni del Consiglio di Amministrazione nella misura di Euro 500,00 (cinquecento) per ogni Amministratore, fatta eccezione per il Presidente, al quale è riconosciuto un gettone presenza pari a Euro 1.500,00 (millecinquecento).

Il compenso per la partecipazione ai Comitati è illustrato nella tabella 1, "Compensi per partecipazione ai comitati" e viene erogato, per ciascun membro, come segue:

- Comitato per il Controllo Interno e Gestione Rischi e Parti Correlate: Euro 15.000;
- Comitato per la Remunerazione: Euro 5.000;
- Comitato per le Nomine: Euro 5.000;
- Comitato Etico; Euro 5.000;
- Organismo di Vigilanza 231: Euro 15.000.

Al 31 dicembre 2019 gli Amministratori nominati dall'Assemblea dei Soci del 23 aprile 2018, hanno percepito complessivi euro 765.377,00.

Il compenso dei componenti il **Collegio Sindacale** è stato stabilito dall'Assemblea dei Soci del 27 aprile 2017 nella misura di Euro 40.000 per il Presidente e Euro 24.000 per i Sindaci Effettivi.

Presidente e Amministratore Delegato

Il 23 aprile 2018, con la nomina del nuovo Consiglio di Amministrazione, la remunerazione del Presidente del Consiglio di Amministrazione è stata fissata in Euro 150.000 comprensivi del compenso di Euro 30.000 quale Amministratore nonché delle partecipazioni ai Comitati. Al Presidente del Consiglio di Amministrazione è stato altresì attribuito dalla citata Assemblea del 23 aprile 2018, un gettone di presenza per la partecipazione di persona – e non in audio/video conferenza – alle riunioni del solo Consiglio di Amministrazione nella misura di Euro 1.500,00. L'Amministratore Delegato, che ricopre anche la carica di Direttore Generale – per l'esercizio 2019 – ha ricevuto un compenso complessivo di Euro 265.000,00 comprensivo della sua partecipazione ai comitati ed in qualità di Direttore Generale della Banca una RAL di Euro 585.000,00.

I compensi stabiliti per il Presidente del Consiglio di Amministrazione, per gli Amministratori, per i componenti dei comitati interni e per i membri del Collegio Sindacale corrispondono a quanto liquidato nel corso dell'esercizio 2019 per l'attività svolta, senza alcun meccanismo di incentivazione, ad eccezione dell'Amministratore Delegato, come evidenziato dalla Tabella 1.

Banca Sistema ha stipulato con l'Amministratore Delegato un patto di non concorrenza ai sensi e per gli effetti di quanto previsto dall'art. 2125 del Codice Civile.

Personale più rilevante

La remunerazione del personale più rilevante si compone di una retribuzione annua onnicomprensiva (RAL) erogata durante l'anno 2019 nel rispetto dei Contratti Collettivi del Lavoro applicati e da una parte variabile come definito dalle Politiche di Remunerazione 2019.

La parte fissa della remunerazione è stata erogata secondo le consuete modalità contrattuali (mensilmente). La parte variabile è soggetta al processo di verifica e di valutazione come descritto nelle Politiche di Remunerazione 2019.

Come specificato nella Sezione I della presente Relazione, sono stati, inoltre, sottoscritti dalla Banca patti di non concorrenza con tutti i dirigenti aziendali, con gli appartenenti alle funzioni commerciali e con dipendenti che occupano posizioni chiave.

3. Tabelle

Si allegano le tabelle, redatte ai sensi dell'Allegato 3°, Schema 7 *bis* e *ter* del Regolamento Emittenti e, precisamente:

Tabella 1 Schema 7 *bis* – Compensi corrisposti ai componenti degli organi di amministrazione e di controllo, ai direttori generali e agli altri dirigenti con responsabilità strategiche;

Si allegano inoltre le seguenti tabelle redatte ai sensi delle disposizioni di Banca d'Italia e dell'articolo 450 CRR:

- Tabella 4 (ex art 450 CRR – comma 1 g) – Informazioni quantitative aggregate sulle remunerazioni ripartite per area di business;

- Tabella 5 (ex art 450 CRF – comma 1 h) – Informazioni quantitative aggregate sulle remunerazioni, ripartite per area alta dirigenza e membri del personale le cui azioni hanno un impatto significativo sul profilo di rischio dell'ente

Non vi sono persone che, con riferimento all'esercizio al 31 dicembre 2019, hanno ricevuto remunerazioni fisse pari o superiori a 1 milione di Euro.

Direzione Internal Audit

La Direzione di Internal Audit ha effettuato le opportune attività di controllo per valutare il procedimento inerente all'identificazione, alla valutazione e all'assegnazione della componente variabile maturata sulla base delle Politiche 2019, che sarà erogata a conclusione dell'iter deliberativo previsto e secondo le modalità stabilite dalle stesse. Le considerazioni delle suddette verifiche sono riportate in un'apposita relazione presentata dal responsabile della funzione di revisione interna all'Assemblea degli Azionisti.

La parte variabile delle remunerazioni delle funzioni di controllo interno, ivi inclusa la Direzione Risorse Umane e il Dirigente Preposto, non ha superato il limite di 1/3 della RAL e i meccanismi di incentivazione previsti sono indipendenti dai risultati economici della Banca e dalle aree soggette al loro controllo.

Assemblea dei Soci

L'Assemblea dei Soci ha approvato il 18 aprile 2019 la Relazione sulla Remunerazione del Gruppo Banca Sistema S.p.A. 2019 e il resoconto sull'applicazione delle Politiche nell'esercizio 2018 redatta ai sensi dell'art. 123-ter del D.lgs. 24 febbraio 1998, n. 58 e s.m.i. (il "TUF"), dell'art. 84-quater del regolamento adottato dalla CONSOB con deliberazione n. 11971/1999 e s.m.i. (il "Regolamento Emittenti"), nonché in conformità alla Circolare 285 della Banca d'Italia del 17 dicembre 2013 e s.m.i. e al Codice di Autodisciplina delle società quotate

Direzione Compliance e Antiriciclaggio

La Direzione Compliance e Antiriciclaggio ha verificato la conformità delle Politiche 2019 alle Disposizioni e alle norme di vigilanza applicabili nella Banca.

Direzione Rischi

La Direzione Rischi ha verificato il rispetto dei parametri di rischio previsti dal Documento sulle Politiche di Remunerazione 2018 e applicate nel corso dell'esercizio 2019 per la determinazione degli incentivi al personale più rilevante.

Direzione Centrale Finanza

Ha verificato la coerenza degli obiettivi di medio lungo termine e le strategie della Banca, al fine di assicurare la sostenibilità finanziaria con orientamento al medio-lungo termine.

Dirigente Preposto alla redazione dei documenti contabili e societari

Ha verificato la corrispondenza dei parametri di bilancio e di budget utilizzati per la quantificazione del bonus pool e la corretta contabilizzazione dell'importo calcolato.

Il Comitato per la Remunerazione

L'attuale Comitato per la Remunerazione è composto da tre consiglieri non esecutivi di cui due indipendenti. Il Comitato è attualmente composto dal:

- Giovanni Antonino Puglisi (Presidente del Comitato, Amministratore non esecutivo)
- Francesco Galletti (Amministratore indipendente, non esecutivo).
- Marco Giovannini (Amministratore indipendente, non esecutivo)

Nel corso dell'esercizio 2019 il **Comitato per la Remunerazione** si è riunito 8 volte e le riunioni hanno avuto una durata media di circa un'ora. Durante le predette riunioni il Comitato:

- ha analizzato il posizionamento della Banca in termini di benefit concessi ai Dipendenti appartenenti alla categoria del personale più rilevante e non,
- ha elaborato e discusso il documento sulle Politiche di Remunerazione del Gruppo Banca Sistema S.p.A. per l'anno 2019 alla luce della nuova Circolare n. 285, curando la scelta del consulente esterno, anche in ottica di comparazione con le best practice di settore per la definizione degli obiettivi e dei parametri di misurazione delle performances e del calcolo dei bonus e per la semplificazione dei contenuti e delle modalità di comunicazione;
- ha condotto il processo di auto-rilevazione ed identificazione del personale più rilevante per il 2019 e ne ha proposto gli esiti;
- ha esaminato la nuova versione della Policy "Facilitazioni Creditizie ai Dipendenti" con le nuove previsioni relativamente al prodotto mutui ipotecari volto ad agevolare i dipendenti nella gestione delle loro necessità abitative.

Nel corso delle n. 3 riunioni tenutesi nei primi mesi del 2020:

- ha esaminato la Relazione sulla Remunerazione 2020 e il resoconto delle Politiche 2019 ai sensi dell'art. 123-ter D. Lgs. 58/1998, la Relazione illustrativa del Consiglio di Amministrazione sui punti 5 e 6) all'ordine del giorno dell'assemblea del 23 aprile 2020 (parte ordinaria);
- ha elaborato e discusso il documento sulle Politiche di Remunerazione del Gruppo Banca Sistema S.p.A. per l'anno 2020, anche per adeguarlo alle Disposizioni in materia di "Trasparenza delle operazioni e dei servizi bancari e finanziari – Correttezza delle relazioni tra intermediari e clienti" che stabiliscono principi specifici con riferimento alle politiche e alle prassi di remunerazione del personale e dei terzi addetti alla rete di vendita, alla previsione dei principi relativi alla remunerazione di specifiche categorie e in particolare degli Intermediari del credito.
- a seguito dell'approvazione, da parte del Consiglio di Amministrazione, del progetto di bilancio al 31 dicembre 2019, ha valutato il raggiungimento degli obiettivi di *performance* previsti dal sistema di remunerazione variabile della Banca, ha fornito il relativo parere al Consiglio d'Amministrazione ai fini dell'approvazione ed erogazione della componente variabile 2019;



- ha esaminato e preso atto del processo di auto rilevazione e identificazione annuale del personale più rilevante ai sensi del Regolamento (UE) n. 604/2014 ("*Regulatory Technical Standards*" o "RTS");
- ha esaminato e preso atto dell'insieme degli interventi retributivi per i Dirigenti e il personale più rilevante proposti dall'Amministratore Delegato per il 2020;
- ha valutato, anche con il supporto di un consulente esterno indipendente, il posizionamento retributivo di alcuni ruoli chiave come rivenienti dalla nuova struttura organizzativa divisionale della Banca;
- ha esaminato e proposto alcune modifiche al Regolamento del Piano di Flexible Benefit 2019 - 2021 della Banca contenente alcune integrazioni rese necessarie dalla nuova struttura organizzativa divisionale efficace dal 1° febbraio 2020.

In sede assembleare il Comitato riferisce in merito alla eventuale proposta di innalzamento a 2:1 del rapporto variabile fisso della remunerazione, alla autovalutazione finalizzata all'identificazione del personale più rilevante, al raggiungimento degli obiettivi di *performance* cui sono legati i piani di incentivazione. Il Comitato per la Remunerazione ha funzioni consultive, istruttorie e propositive di supporto al Consiglio di Amministrazione previste dalla Circolare 285 della Banca d'Italia e dal Codice di Autodisciplina, ed è dotato di adeguati poteri e mezzi per l'esercizio dei compiti attribuiti.

TABELLA 1 - COMPENSI CORRISPOSTI AI COMPONENTI DEGLI ORGANI DI AMMINISTRAZIONE E DI CONTROLLO, AI DIRETTORI GENERALI E AGLI ALTRI DIRIGENTI CON RESPONSABILITA' STRATEGICHE

(A)	(B)	(C)	(D)	(1)				(2)		(3)		(4)	(5)	(6)	(7)	(8)
				compensi fissi				compensi variabili non equity		compensi variabili non equity						
Cognome e nome	carica ricoperta	periodo per cui è stata ricoperta la carica	scadenza della carica	Compen si fissi	cariche ex 2389 comma 3 Cod. Civ.	getto di di prese nza	rimbor si e spese for te	retribuzio ni fisse da lavoro dipend.	Compen si per la partecip azione a comitati	Bonus e altri incentivi	partecipa zione agli utili					
GARBI GIANLUCA	AMMINISTRATORE DELEGATO	Da 01/01/2019	Approvazione Bilancio 31/12/2020	265				589		269,7		50		1.173,7		
LUITGARD SPOGLER	PRESIDENTE CDA	Da 01/01/2019	Approvazione Bilancio 31/12/2020	150		22,5								172,5		
GIOVANNI ANTONINO PUGLISI	CONSIGLIERE	Da 01/01/2019	Approvazione Bilancio 31/12/2020	30		6			10					46		
DANIELE PITTATORE	CONSIGLIERE	Da 01/01/2019	Approvazione Bilancio 31/12/2020	30		6			30					66		
CARLOTTA DE FRANCESCO	CONSIGLIERE	Da 01/01/2019	Approvazione Bilancio 31/12/2020	30		5			20					55		
LAURA CIAMBELLOTTI	CONSIGLIERE	Da 01/01/2019	Approvazione Bilancio 31/12/2020	30		6			15					51		
FEDERICO FERRO LUZZI	CONSIGLIERE	Da 01/01/2019	Approvazione Bilancio 31/12/2020	30		6,5			25					61,5		
FRANCESCO GALIETTI	CONSIGLIERE	Da 01/01/2019	Approvazione Bilancio 31/12/2020	30		7			5					42		
MARCO GIOVANNINI	CONSIGLIERE	Da 01/01/2019	Approvazione Bilancio 31/12/2020	30		4			10					44		
MASSIMO CONIGLIARO	PRESIDENTE COLLEGIO SINDACALE	Da 01/01/2019	Approvazione Bilancio 31/12/2019	40					15					55		

TABELLA 4 - ALLEGATO Art. 450 CRR, lettera h) INFORMAZIONI QUANTITATIVE AGGREGATE SULLE REMUNERAZIONI, RIPARTITE TRA LE VARIE CATEGORIE DEL "PERSONALE PIU' RILEVANTE"

- i) gli importi della remunerazione per l'esercizio, suddivisi in remunerazione fissa e variabile e il numero dei beneficiari;
- ii) gli importi e le forme della componente variabile della remunerazione, suddivisa in contanti, azioni, strumenti collegati alle azioni e altre tipologie;
- iii) gli importi delle remunerazioni differite esistenti, suddivisi in quote attribuite o non attribuite;
- iv) gli importi delle remunerazioni differite rimosse durante l'esercizio, pagate e ridotti mediante concessioni delle performance;
- v) i nuovi pagamenti per trattamenti di fine rapporto effettuati durante l'esercizio e il numero dei relativi beneficiari;
- vi) gli importi dei pagamenti per trattamenti di fine rapporto rimosse durante l'esercizio, il numero dei relativi beneficiari e l'importo più elevato riconosciuto per persona.

società	categoria	1) retribuzione		ii) importi a forme componente variabile		iii) rem. differite		iv) rimosse		v) trattamenti		vi) fr.			
		fissa	variabile liquidato 2018 (%)	variabile da erogare 2019 (%)	azioni (%)	collegi al Bd	altre tipologie	attribuite (%)	non attribuite (%)	reconoscute	pagate	di fine	n. beneficiari	n. beneficiari	importo più elevato
A) KEY MANAGERS SALTA DIREZIONE	1	85.408,15	297,2667	2.173.252,77	26,39036	260,0000	428.899,10	375.400,00							
B) DIREZIONE RESPONSABILI DELLE PRINCIPALI LINEE DI BUSINESS OPERATIVE E NON OPERATIVE, CON RIFERIMENTO DIRETTO ALL'AMMINISTRAZIONE GENERALE O AL COMPLESSIVO GENERALE	8	1.587.066,87	315,8333	2.703.112,26	45,00656	255,0000	277.500,00	90.000,00							
C) DIRIGENTI E QUADRI DIRETTIVI DI LIVELLO PIU' ELEVATO RESPONSABILI DELLE FUNZIONI DI CONTROLLO	5	853.172,0	84,8333	514.816,23	25,00000		47.500,00								
D) ALTRE RISK TANKERS	8	1.483.102,98	198,1333	2.288.349,51	47,25016		23.500,00								
E) PRINCIPALI MANAGER OPERANTI NELL'AMBITO DELLE RETI DI DISTRIBUZIONE DELLA BANCA	3	453.533,33	48,5000	483.019,33	68,25016	48,25016	50.000,00	34.000,00							
BANCA SISTEMA SPA	26	4.902.757,38	63,47016	5.523.112,04	81,27016	45,55016	69.380,00	202.900,00							

(*) variabile liquidata 2018: bonus 2018 up front+ quota bonus differita 2015 + quota bonus differita 2016
 per A) KEY MANAGERS: 266.726,67= 212.150,000 bonus 2018 up front+ 38.666,67 bonus 2015 parte differita + 18.900 bonus 2016 parte differita
 (*)2) variabile da erogare 2019 up front da attribuire post Assemblée dei Soci del 20/04/2019 + parte differita del bonus 2016 erogabile nel 2020
 per A) KEY MANAGERS: 301.200,00= 292.300,00 bonus 2019 up front + 18.900 parte differita del bonus 2016 erogabile nel 2020
 (*)3) azioni: valore azioni da erogare nel 2020
 per A) KEY MANAGERS: 250.400,00= 282.300,00 bonus 2019 up front + 8.100 parte differita del bonus 2016 erogabile nel 2020
 (*)4) attribuite: bonus 2017 parte differita erogabile nel 2020+ bonus 2018 parte differita erogabile negli anni 2022
 per A) KEY MANAGERS: 408.880,00= 126.000,00 restante parte differita bonus 2017 erogabile 2021+ 282.880,00 restante parte differita bonus 2018 erogabile 2022
 (*)5) non attribuite: bonus 2019 parte differita agli anni 2023
 per A) KEY MANAGERS: 375.400,00= restante parte differita bonus 2015 erogabile 2023

TABELLA 5 - ALLEGATO Art. 450 CRR, lettera g)
INFORMAZIONI QUANTITATIVE AGGREGATE SULLE REMUNERAZIONI, RIPARTITE PER LINEE DI ATTIVITA' RELATIVE AL "PERSONALE PIU' RILEVANTE

Società	Linee di attività	n. beneficiari	retribuzione fissa	retribuzione variabile 2019	Note
BANCA SISTEMA	Factoring	3	435.519,13	46.500,00	
BANCA SISTEMA	Banking	2	328.597,96	37.833,33	
BANCA SISTEMA	Finance	2	390.200,15	37.133,33	
BANCA SISTEMA	Funzioni Controllo Interno	4	684.772,63	52.500,00	
	Altre	14	2.199.676,41	175.733,33	La linea di attività "Altre" è composta dal personale più rilevante delle aree: Operations, Legale, Collection, Tesoreria, Underwriting e Strategy.
	TOTALI	25	4.038.766,28	349.699,99	

SCHEMA N. 7-TER Schema relativo alle informazioni sulle partecipazioni dei componenti degli organi di amministrazione e di controllo, dei direttori generali e degli altri dirigenti con responsabilità strategiche

TABELLA 1 Partecipazioni dei componenti degli organi di amministrazione e di controllo e dei direttori generali

COGNOME E NOME	CARICA	SOCIETA' PARTECIPATA	NUMERO DI AZIONI POSSEDUTE ALLA FINE DELL'ESERCIZIO PRECEDENTE	NUMERO AZIONI ACQUISTATE	NUMERO AZIONI VENDUTE	NUMERO DI AZIONI POSSEDUTE ALLA FINE DELL'ESERCIZIO IN CORSO
Gianluca Garbi	Amministratore Delegato e Direttore Generale	BANCA SISTEMA SpA	19.110.483	254.418	94000	19.280.901

TABELLA 2: Partecipazioni degli altri dirigenti con responsabilità strategica

NUMERO DIRIGENTI CON RESPONSABILITA' STRATEGICA	SOCIETA' PARTECIPATA	NUMERO DI AZIONI POSSEDUTE ALLA FINE DELL'ESERCIZIO PRECEDENTE	NUMERO AZIONI ACQUISTATE	NUMERO AZIONI VENDUTE	NUMERO DI AZIONI POSSEDUTE ALLA FINE DELL'ESERCIZIO IN CORSO
8 (*)	BANCA SISTEMA SpA	85.546	80.822	9.200	157.168

(*) numero dirigenti con responsabilità strategica nel corso del 2019

BANCA SISTEMA

PARERE DELLA DIREZIONE COMPLIANCE E ANTIRICICLAGGIO IN MERITO ALLE POLITICHE DI REMUNERAZIONE DEL GRUPPO BANCA SISTEMA S.p.A. PER L'ESERCIZIO 2020

La scrivente Direzione Compliance e Antiriciclaggio, (di seguito la "Direzione") è chiamata a esprimere il proprio parere sulle politiche di remunerazione del Gruppo Banca Sistema S.p.A. (il "Gruppo") per l'esercizio 2020 (di seguito le "Politiche 2020").

Secondo quanto previsto dalle disposizioni in materia di politiche e prassi di remunerazione e incentivazione di cui alla Parte I, Titolo IV, Capitolo 2, Sezione II, paragrafo 3 della Circolare di Banca d'Italia n. 285 del 17 dicembre 2013 (di seguito le "Disposizioni"), la Direzione è chiamata a verificare "che il sistema premiante aziendale sia coerente con gli obiettivi di rispetto delle norme, dello statuto nonché di eventuali codici etici o altri standard di condotta applicabili alla banca, in modo che siano opportunamente contenuti i rischi legali e reputazionali insiti soprattutto nelle relazioni con la clientela".

Premesso che la scrivente Direzione:

- o ha verificato la conformità delle Politiche 2019 con il Codice Etico, approvato dal Consiglio di Amministrazione di Banca Sistema S.p.A. (di seguito la "Banca") del 31 luglio 2013 e aggiornato in data 8 febbraio 2017, nonché con la normativa esterna applicabile, con particolare riferimento al Codice di Autodisciplina per le Società Quotate nonché alle disposizioni in materia previste dal D.Lgs. 58/98 (Testo Unico della Finanza), dal D.Lgs. 385/93 (Testo Unico Bancario) e successivi aggiornamenti e provvedimenti attuativi emanati dalla Consob, tenendo anche in considerazione gli orientamenti dell'European Banking Authority (di seguito gli "Orientamenti EBA") su sane politiche di remunerazione;
- o ha avuto dei confronti con il Direttore Capitale Umano, che ha coordinato il processo di definizione delle politiche di remunerazione e si è avvalso del supporto di consulenti specializzati nel settore e, nello specifico, della società di consulenza Parente&Partners S.r.l., la quale ha supportato la Banca nel garantire il rispetto della normativa in materia;
- o ha verificato che le Politiche 2020 prevedono, ai fini dell'applicazione della normativa in materia di remunerazione, la classificazione della Banca come operatore di livello intermedio, così come indicato nelle premesse delle Politiche 2020. Difatti la Banca, pur avendo un totale attivo inferiore a 4 miliardi di euro sia a livello individuale, sia a livello consolidato, potrebbe essere considerata come rientrante nella definizione di banche "minori". Tuttavia, in ragione dello status di società quotata e degli Orientamenti EBA, ha ritenuto di applicare la disciplina riferibile alle banche "intermedie";
- o ha verificato che la remunerazione del personale del Gruppo è formata da una componente fissa, prevista per tutto il personale, da una componente di "benefit" e da una componente



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variabile, prevista per i soggetti rientranti nella categoria del "personale più rilevante", che può essere eventualmente accordata anche al personale meno rilevante del Gruppo secondo le linee guida e i principi mutuati dalle Politiche 2020 e nel rispetto della normativa vigente;

- ha verificato inoltre che il rapporto tra la componente fissa e quella variabile è opportunamente bilanciato, puntualmente determinato e attentamente valutato in relazione alle caratteristiche del Gruppo e delle diverse categorie di personale, in specie di quello rientrante tra il "personale più rilevante";
- ha tenuto conto delle Disposizioni di Banca d'Italia in materia di "Trasparenza delle operazioni e dei servizi bancari e finanziari" (di seguito le "Disposizioni di Trasparenza") per quanto concerne le politiche e le prassi di remunerazione del personale e dei terzi e ha verificato che sono stati recepiti, nelle Politiche 2020, i principi base e i criteri generali richiesti dalle Disposizioni di Trasparenza;
- ha preso atto che è in corso di redazione e verrà sottoposto al Consiglio di Amministrazione un documento attuativo delle Politiche 2020 contenente previsioni più di dettaglio sui criteri di remunerazione del personale che offre prodotti ai clienti, interagendo con questi ultimi, del personale cui tali soggetti rispondono in via gerarchica, degli intermediari del credito, del personale preposto alla valutazione del merito creditizio nonché del personale preposto alla trattazione dei reclami;
- ha tenuto conto, da ultimo, delle precisazioni sulle politiche relative alla remunerazione variabile contenute nella "Raccomandazione della Banca d'Italia sulla distribuzione di dividendi da parte delle banche italiane meno significative durante la pandemia da COVID-19" al fine di verificare che nelle Politiche 2020 sia stato adottato un approccio prudente e lungimirante nello stabilire le politiche di remunerazione.

Considerato tutto quanto sopra,

è ragionevole ritenere che le Politiche 2020 siano coerenti con gli obiettivi di rispetto delle norme, dello statuto nonché del codice etico della Banca.

Milano, 20 aprile 2020

DIREZIONE COMPLIANCE E ANTIRICICLAGGIO



Relazione della funzione Internal Audit in merito alla corretta applicazione delle Politiche di Remunerazione 2019

All'attenzione dell'Assemblea degli Azionisti di Banca Sistema S.p.A.

La presente relazione riporta gli esiti delle valutazioni della funzione Internal Audit (di seguito "Funzione") in merito alle verifiche di competenza relative alla rispondenza delle prassi remunerative adottate dal Gruppo Banca Sistema S.p.A. (o "Banca") rispetto al "Documento sulle Politiche di Remunerazione 2019" (di seguito "Politiche 2019") e alla normativa applicabile¹.

Le verifiche sono state condotte nell'ambito di un *framework*² di controlli standard ritenuto idoneo a fornire la richiesta *assurance* agli azionisti e, in ultima istanza, alle disposizioni di vigilanza.

Il processo di predisposizione delle Politiche 2019 è stato coordinato dalla Direzione Capitale Umano della Banca, al fine di garantire il rispetto della normativa in materia e un allineamento con i principali *competitor* mediante un'analisi di mercato condotta da una società di consulenza.

Le Politiche 2019 sono state preventivamente condivise dal Comitato per la Remunerazione e dal Consiglio di Amministrazione della Banca, per poi essere formalmente approvate dall'Assemblea degli Azionisti nella riunione del 18 aprile 2019, in conformità alle previsioni statutarie (art. 9.2) e alla Circolare di Banca d'Italia n. 285/2013³, così come attestato in tale sede anche dalla funzione Compliance e Antiriciclaggio⁴ della Banca.

La Direzione Rischio della Banca ha collaborato nella determinazione delle metriche di calcolo delle performance aziendali, validando i risultati e la loro coerenza con quanto previsto dal *Risk Appetite Framework* (RAF).

Alla luce delle verifiche effettuate dalla scrivente Funzione sull'applicazione delle Politiche 2019 si evidenzia quanto segue:

- Il Comitato per la Remunerazione e il Consiglio di Amministrazione hanno valutato, ciascuno per le rispettive competenze, l'allocatione degli incentivi 2019, verificando il raggiungimento dei seguenti "gate di accesso" al sistema incentivante delle Politiche 2019:
 - i) conseguimento di un utile lordo positivo;

¹ Le disposizioni in materia di politiche e prassi di remunerazione e incentivazione di cui alla Parte I, Titolo IV, Capitolo 2, Sezione II, Paragrafo 3 della Circolare Banca d'Italia n. 285 del 17 dicembre 2013, stabiliscono che: "La funzione di revisione interna (*internal audit*) verifica, tra l'altro, con frequenza almeno annuale, la rispondenza delle prassi di remunerazione alle politiche approvate e alla presente normativa".

² Cfr. *Position Paper* dell'Associazione Italiana Internal Audit (AIIA) sulle "Disposizioni in materia di politiche e prassi di remunerazione e incentivazione nelle banche e nei gruppi bancari".

³ Con il 7° aggiornamento del 18 novembre 2014 della Circolare 285 è stato inserito nella Parte I, Titolo IV, il nuovo Capitolo 2 "Politiche e prassi di remunerazione e incentivazione", recependo i principi della Direttiva 2013/36/UE (c.d. "CRD IV") e gli indirizzi e i criteri concordati in sede internazionale, tra cui quelli dell'*European Banking Authority* (EBA) e del *Financial Stability Board* (FSB).

⁴ Si rimanda al "Parere della Funzione Compliance e Antiriciclaggio in merito alle politiche di remunerazione del Gruppo Banca Sistema S.p.A. per l'esercizio 2019" presentato alla riunione assembleare del 18 aprile 2019.

ii) raggiungimento delle soglie di primo livello indicate nel RAF dei principali indicatori di rischio (KRI) di Common Equity Tier 1 (CET 1) e di Liquidity Coverage Ratio (LCR).

Con riferimento al punto ii) è stato inoltre verificato, per entrambi gli indicatori, il superamento delle soglie di primo livello previste dal RAF e, di conseguenza, si è potuto procedere alla distribuzione della componente variabile. Inoltre, per effetto del risultato rendicontato del RORAC pari al 26,40%, superiore alla soglia target stabilita al 23,40%, si è applicato all'importo del *bonus pool* stanziato a budget 2019 il fattore moltiplicativo del 150% previsto nelle Politiche 2019, portandolo da Euro 2 milioni a Euro 3 milioni.

- Il Direttore Capitale Umano è intervenuto alle riunioni del Comitato per la Remunerazione e del Consiglio di Amministrazione della Banca, tenutesi tra febbraio e marzo 2020, per esporre in dettaglio l'applicazione delle Politiche 2019, evidenziando l'effettivo raggiungimento degli indicatori per la determinazione del *bonus pool* distribuibile per l'esercizio (stime dei criteri di accesso e fattori di correzione) e degli obiettivi dell'Amministratore Delegato/Direttore Generale. Per quest'ultimo, la determinazione della componente variabile riferita all'esercizio 2019 si è basata su un calcolo di interpolazione lineare, anziché a "scaglioni", definendo in modo puntuale la quota di remunerazione variabile da riconoscere in base ai livelli di performance effettivamente conseguiti per ciascun obiettivo assegnato. Tale metodologia è stata ritenuta più equa in quanto assicura un'adeguata valorizzazione dei risultati raggiunti ed è stata adottata nelle Politiche di Remunerazione 2020.
- L'entità della componente variabile della remunerazione per l'esercizio 2019 per tutti i beneficiari è stata determinata rispettando il rapporto 1:1, ad eccezione di quella dell'Amministratore Delegato/Direttore Generale, che ha superato di circa il 4% la remunerazione fissa, limite consentito dalle Politiche 2019. Sono stati inoltre applicati i criteri di differimento previsti dalle Politiche 2019 per gli importi superiori a € 30mila. Si conferma infine che per tutti i membri delle funzioni di controllo interno⁵ la componente variabile non ha superato il limite di 1/3 delle rispettive remunerazioni fisse.
- Ad aprile 2019 sono state liquidate le quote differite dei bonus collegati al sistema di incentivazione relativi agli esercizi 2015 e 2016, in base al raggiungimento degli obiettivi di performance riferiti all'esercizio 2018. Le politiche di remunerazione 2015 prevedevano una parte differita (40% dei bonus superiori a € 10mila) da corrispondersi pro-rata nei 3 anni successivi a partire da quello in cui è stata pagata la parte *up-front* (2016). Si precisa che le quote differite liquidate ad aprile 2019 sono state interamente liquidate ai beneficiari, senza l'intervento dei meccanismi di correzione. La quota differita cash dell'esercizio 2016 riferita alle performance 2018, il cui unico "Beneficiario A" è l'Amministratore Delegato/Direttore

⁵ Le Politiche 2019 individuano come funzioni di controllo interno le funzioni Risk Management, Compliance/Antiriciclaggio, Internal Audit, Risorse Umane e il Dirigente Preposto.

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Generale, è stata anch'essa totalmente liquidata, oltre ad avergli assegnato le azioni differite spettanti riferite allo stesso esercizio.

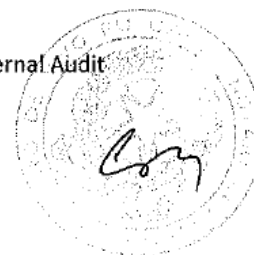
- La componente variabile relativa al 2019 sarà erogata a conclusione dell'iter deliberativo previsto per l'approvazione del bilancio d'esercizio 2019 da parte dell'Assemblea degli Azionisti convocata il 23 aprile 2020 e, di conseguenza, non è stato possibile verificare l'effettiva liquidazione⁶ degli importi deliberati prima dell'emissione della presente relazione.
- I compensi del Presidente del Consiglio di Amministrazione, degli Amministratori e dei membri del Collegio Sindacale per l'attività svolta sono coerenti con quanto deliberato dall'Assemblea del 23 aprile 2018 e senza alcun meccanismo di incentivazione, ad eccezione dell'Amministratore Delegato che, come già evidenziato, ricopre anche il ruolo di Direttore Generale.

Dagli accertamenti effettuati sono emersi inoltre i seguenti aspetti che si riportano all'attenzione degli Azionisti:

- 1) A partire dall'esercizio 2015 la Banca ha sottoscritto dei patti di non concorrenza con tutti i dirigenti e con alcuni dipendenti che occupano posizioni chiave o commerciali, ai sensi e per gli effetti di quanto previsto dall'art. 2125 del Codice Civile. Gli importi sono stati determinati in proporzione alla remunerazione fissa dei beneficiari e sono stati erogati degli anticipi nel triennio 2015-2017. A marzo 2017 il suddetto patto è stato rivisto e formalizzato in sede protetta per allinearli ai più recenti orientamenti giurisprudenziali in materia che, tra gli altri, non prevedono l'erogazione degli anticipi. Pertanto, la Banca si è allineata a questa interpretazione e dal 2018 non ha erogato ulteriori anticipi in costanza di rapporto. Nel bilancio d'esercizio gli accantonamenti per il patto di non concorrenza sono iscritti in un apposito fondo e determinati in base a una valutazione attuariale in conformità al principio contabile internazionale IAS 19.
- 2) Le verifiche svolte dalla scrivente Funzione si sono basate sulle bozze dei verbali del Comitato per la Remunerazione e del Consiglio di Amministrazione, relativi a riunioni tenutesi tra febbraio e marzo 2020, non ancora formalmente approvati e trascritti sui rispettivi libri sociali.
- 3) Anche per l'esercizio 2020 si riconferma la possibilità per il solo Amministratore Delegato/Direttore Generale di innalzare il limite del rapporto 1:1 tra la componente variabile e quella fissa della remunerazione, al limite massimo del 2:1.

Milano, 20 aprile 2020

Il Responsabile della funzione Internal Audit
di Banca Sistema S.p.A.



⁶ La liquidazione della parte "cash" del bonus 2019 sarà effettuata con il cedolino paga del mese di aprile 2020.

				TOTALE AZIONI	80.421.052	100,00%	SCHEDA 7																					
				AZIONI PROPRIE	168.669	0,21%	PUNTO 7 ALL'ODG																					
				TOTALE AZIONI CON DIRITTO AL VOTO	80.252.383	99,79%	80.252.383	100,00%	75				azioni Favorevoli		41		azioni Contrari		34		azioni Astenuti		0		azioni NV		0	
PRESENZA IN PROPRIO O IN PROPRIO	PER DELEGA	N° depo	n. prese	NOMINATIVO AZIONISTA	NUMERO AZIONI	QUORUM % sul capitale	NUMERO AZIONI CON DIRITTO DI	QUORUM % su totale con	41 F	34 C	0 A	0 NV	su totale azioni	49,61%	su totale azioni	6,19%	su totale azioni	0,00%	su totale azioni	0,00%	su totale azioni	0,00%	su totale azioni	0,00%	su totale azioni	0,00%	su totale azioni	0,00%
				TOTALE	44.868.976	55,79%	44.868.976	55,91%	Totali presenze				39.893.088	88,91%	4.975.888	11,09%	0		0,00%		0		0,00%		0		0,00%	
	SISMONDI	1	1	Società di Gestione partecipazioni Banca	18.578.900	23,10%	18.578.900	41,41%	1				18.578.900	23,15%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	FONDAZIONE CASSA DI RISPARMIO DI	6.361.731	7,91%	6.361.731	7,93%	1				6.361.731	14,18%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	Fondazione Sicilia	5.950.104	7,40%	5.950.104	7,41%	1				5.950.104	13,26%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	CQ FINANCE SRL	1.183.670	1,47%	1.183.670	1,47%	1				1.183.670	2,64%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	MALLO GIACOMO	244.730	0,30%	244.730	0,30%	1				244.730	0,55%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	CAGNETTA VALENTINO	169.438	0,21%	169.438	0,21%	1				169.438	0,38%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	CAVAZZUTI MARCELLO	101.017	0,13%	101.017	0,13%	1				101.017	0,23%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	BALLARINI RITA	100.000	0,12%	100.000	0,12%	1				100.000	0,22%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	BENNATI ILARIA	50.000	0,06%	50.000	0,06%	1				50.000	0,11%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	Trupia Andrea	47.950	0,06%	47.950	0,06%	1				47.950	0,11%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	ZANZONI ISABELLA	30.000	0,04%	30.000	0,04%	1				30.000	0,07%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	MUZ ALEX	25.000	0,03%	25.000	0,03%	1				25.000	0,06%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	RECH IVANO	20.000	0,02%	20.000	0,02%	1				20.000	0,04%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	MINARDI MAURO	20.000	0,02%	20.000	0,02%	1				20.000	0,04%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	MAZZOLA MARIO	10.000	0,01%	10.000	0,01%	1				10.000	0,02%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	MURILLO MERILA	8.000	0,01%	8.000	0,01%	1				8.000	0,02%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	FIORIO NICOLO' CARLO	6.431	0,01%	6.431	0,01%	1				6.431	0,01%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	PAGANI CLAUDIO ANTONIO	5.000	0,01%	5.000	0,01%	1				5.000	0,01%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	RIPAMONTI VITTORIO	3.000	0,00%	3.000	0,00%	1				3.000	0,01%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	BANCI LADERCHI UMBERTO	2.000	0,00%	2.000	0,00%	1				2.000	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	DI PIERRO CARLO	1.250	0,00%	1.250	0,00%	1				1.250	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	Gentile Giuseppe	1.000	0,00%	1.000	0,00%	1				1.000	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	Girello Anna	1	1	Garbifin SRL	435.453	0,54%	435.453	0,54%	1				435.453	0,97%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	Girello Anna	1	1	Garbi Gianluca	426.087	0,53%	426.087	0,53%	1				426.087	0,95%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
presente		1	1	Girello Anna	10.461	0,01%	10.461	0,01%	1				10.461	0,02%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	CUMIN GIORGIO	107.112	0,13%	107.112	0,13%	1				107.112	0,24%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	CITY CLUB	1.907.888	2,37%	1.907.888	2,38%	1				1.907.888	4,25%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
presente		1	1	SALA MARCO	4.000	0,00%	4.000	0,00%	1				4.000	0,01%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
	Chiara			TOTALE FONDI					13	34			4.082.866	9,10%	4.975.888	11,09%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	MAGALLANES MICROCAPS FI	1.740.305	2,16%	1.740.305	2,17%					0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	DFA INTERNATIONAL SMALL CAP VALUE	826.876	1,03%	826.876	1,03%					0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	MISSOURI LOCAL GOVERNMENT EMPLOYEES RE	665.559	0,83%	665.559	0,83%					0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	METIS EQUITY TRUST	494.924	0,62%	494.924	0,62%					0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	FLORIDA RETIREMENT SYSTEM	481.924	0,60%	481.924	0,60%					0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	POLAR CAPITAL FUNDS PLC	425.000	0,53%	425.000	0,53%					0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	CLEARBRIDGE INTERNATIONAL SMALL CAP FUN	401.520	0,50%	401.520	0,50%					0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	Allianz azioni italia	400.000	0,50%	400.000	0,50%					0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	SOUTH CAROLINA RETIREMENT SYSTEM	313.132	0,39%	313.132	0,39%					0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	PACIFIC SELECT FUND INTERNATIONAL SMALL-C	300.000	0,37%	300.000	0,37%					0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	WISDOMTREE EUROPE SMALLCAP DIVIDEND FU	292.236	0,36%	292.236	0,36%					0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	STATE TEACHERS RETIREMENT SYSTEM OF OHIO	290.306	0,36%	290.306	0,36%					0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	MUF LYXOR FTSE ITALIA MID CAP	251.270	0,31%	251.270	0,31%					0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	MAN NUMERIC MULTI STRATEGY MARKET	239.200	0,30%	239.200	0,30%					0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	BOEING COMPANY EMPLOYEES RETIREMENT	208.436	0,26%	208.436	0,26%					0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	THE BOEING COMPANY EMPLOYEE SAVINGS PL	196.803	0,24%	196.803	0,25%					0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	THE ARROWSTREET COMMON CONTRACTUAL F	184.562	0,23%	184.562	0,23%					0	0,00%	0	0,0												

				TOTALE AZIONI	80.421.052	100,00%	SCHEDA 9													
				AZIONI PROPRIE	168.669	0,21%	PUNTO 9 ALL'ODG													
				TOTALE AZIONI CON DIRITTO AL VOTO	80.252.383	99,79%	80.252.383	100,00%	75				azioni Favorevoli	29	azioni Contrari	46	azioni Astenuti	0	azioni NV	0
PRESENZA IN PROPRIO O IN PROPRIO	PER DELEGA	N° depo	n. prese	NOMINATIVO AZIONISTA	NUMERO AZIONI	QUORUM % sul capitale	NUMERO AZIONI CON DIRITTO DI	QUORUM % su totale con	29 F	46 C	0 A	0 NV	su totale azioni	46,69%	su totale azioni	9,10%	su totale azioni	0,00%	su totale azioni	0,00%
		75	5	TOTALE	44.868.976	55,79%	44.868.976	55,91%	Totali presenze				37.550.527	83,69%	7.318.449	16,31%	0	0,00%	0	0,00%
	SISMONDI	1	1	Società di Gestione partecipazioni Banca	18.578.900	23,10%	18.578.900	41,41%	1				18.578.900	23,15%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	FONDAZIONE CASSA DI RISPARMIO DI	6.361.731	7,91%	6.361.731	7,93%	1				6.361.731	14,18%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	Fondazione Sicilia	5.950.104	7,40%	5.950.104	7,41%	1				5.950.104	13,26%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	CQ FINANCE SRL	1.183.670	1,47%	1.183.670	1,47%	1				1.183.670	2,64%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	MALLO GIACOMO	244.730	0,30%	244.730	0,30%	1				244.730	0,55%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	CAGNETTA VALENTINO	169.438	0,21%	169.438	0,21%	1				169.438	0,38%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	CAVAZZUTI MARCELLO	101.017	0,13%	101.017	0,13%	1				101.017	0,23%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	BALLARINI RITA	100.000	0,12%	100.000	0,12%	1				100.000	0,22%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	BENNATI ILARIA	50.000	0,06%	50.000	0,06%	1				50.000	0,11%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	Trupia Andrea	47.950	0,06%	47.950	0,06%	1				47.950	0,11%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	ZANZONI ISABELLA	30.000	0,04%	30.000	0,04%	1				30.000	0,07%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	MUZ ALEX	25.000	0,03%	25.000	0,03%	1				25.000	0,06%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	RECH IVANO	20.000	0,02%	20.000	0,02%	1				20.000	0,04%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	MINARDI MAURO	20.000	0,02%	20.000	0,02%	1				20.000	0,04%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	MAZZOLA MARIO	10.000	0,01%	10.000	0,01%	1				10.000	0,02%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	MURILLO MERILA	8.000	0,01%	8.000	0,01%	1				8.000	0,02%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	FIORIO NICOLO' CARLO	6.431	0,01%	6.431	0,01%	1				6.431	0,01%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	PAGANI CLAUDIO ANTONIO	5.000	0,01%	5.000	0,01%	1				5.000	0,01%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	RIPAMONTI VITTORIO	3.000	0,00%	3.000	0,00%	1				3.000	0,01%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	BANCI LADERCHI UMBERTO	2.000	0,00%	2.000	0,00%	1				2.000	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	DI PIERRO CARLO	1.250	0,00%	1.250	0,00%	1				1.250	0,00%	0	0,00%	0	0,00%	0	0,00%
	SISMONDI	1	1	Gentile Giuseppe	1.000	0,00%	1.000	0,00%	1				1.000	0,00%	0	0,00%	0	0,00%	0	0,00%
	Girello Anna	1	1	Garbifin SRL	435.453	0,54%	435.453	0,54%	1				435.453	0,97%	0	0,00%	0	0,00%	0	0,00%
	Girello Anna	1	1	Garbi Gianluca	426.087	0,53%	426.087	0,53%	1				426.087	0,95%	0	0,00%	0	0,00%	0	0,00%
presente		1	1	Girello Anna	10.461	0,01%	10.461	0,01%	1				10.461	0,02%	0	0,00%	0	0,00%	0	0,00%
		1	1	CUMIN GIORGIO	107.112	0,13%	107.112	0,13%	1				107.112	0,24%	0	0,00%	0	0,00%	0	0,00%
		1	1	CITY CLUB	1.907.888	2,37%	1.907.888	2,38%	1				1.907.888	4,25%	0	0,00%	0	0,00%	0	0,00%
presente		1	1	SALA MARCO	4.000	0,00%	4.000	0,00%	1				4.000	0,01%	0	0,00%	0	0,00%	0	0,00%
	Chiara	1	1	TOTALE FONDI					1	46			1.740.305	3,88%	7.318.449	16,31%	0	0,00%	0	0,00%
		1	1	MAGALLANES MICROCAPS FI	1.740.305	2,16%	1.740.305	2,17%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	DFA INTERNATIONAL SMALL CAP VALUE	826.876	1,03%	826.876	1,03%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	MISSOURI LOCAL GOVERNMENT EMPLOYEES RE	665.559	0,83%	665.559	0,83%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	METIS EQUITY TRUST	494.924	0,62%	494.924	0,62%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	FLORIDA RETIREMENT SYSTEM	481.924	0,60%	481.924	0,60%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	POLAR CAPITAL FUNDS PLC	425.000	0,53%	425.000	0,53%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	CLEARBRIDGE INTERNATIONAL SMALL CAP FUN	401.520	0,50%	401.520	0,50%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	Allianz azioni italia	400.000	0,50%	400.000	0,50%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	SOUTH CAROLINA RETIREMENT SYSTEM	313.132	0,39%	313.132	0,39%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	PACIFIC SELECT FUND INTERNATIONAL SMALL-C	300.000	0,37%	300.000	0,37%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	WISDOMTREE EUROPE SMALLCAP DIVIDEND FU	292.236	0,36%	292.236	0,36%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	STATE TEACHERS RETIREMENT SYSTEM OF OHIO	290.306	0,36%	290.306	0,36%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	MUF LYXOR FTSE ITALIA MID CAP	251.270	0,31%	251.270	0,31%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	MAN NUMERIC MULTI STRATEGY MARKET	239.200	0,30%	239.200	0,30%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	BOEING COMPANY EMPLOYEES RETIREMENT	208.436	0,26%	208.436	0,26%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	THE BOEING COMPANY EMPLOYEE SAVINGS PL	196.803	0,24%	196.803	0,25%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	THE ARROWSTREET COMMON CONTRACTUAL F	184.562	0,23%	184.562	0,23%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	MAN NUMERIC INT SMALL CAP	170.508	0,21%	170.508	0,21%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	RWSF CIT ACWI	166.095	0,21%	166.095	0,21%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	CPA COP PSERS	125.000	0,16%	125.000	0,16%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	ARROWSTREET (CANADA) GLOBAL WORLD SMA	105.287	0,13%	105.287	0,13%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	MERCER GE INTERNATIONAL EQUITY FUND	95.626	0,12%	95.626	0,12%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	SBC MASTER PENSION TRUST	80.317	0,10%	80.317	0,10%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	M1RF ARROWSTREET FOREIGNNL	70.069	0,09%	70.069	0,09%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	GRANDEUR PEAK GLOBAL CONTRARIA	59.271	0,07%	59.271	0,07%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	KP INTERNATIONAL EQUITY FUND	59.150	0,07%	59.150	0,07%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	PF INTERNATIONAL SMALL CAP FUND	54.623	0,07%	54.623	0,07%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	MAN FUND XII	54.293	0,07%	54.293	0,07%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	LAZARD/WILMINGTON COLLECTIVE TRUST	47.716	0,06%	47.716	0,06%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	ARROWSTREET (CANADA) INTERNATIONAL DEV	38.791	0,05%	38.791	0,05%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	ENTERGY CORP.RETIREMENT PLANS MASTER TR	30.023	0,04%	30.023	0,04%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	JOHN HANCOCK FUNDS II INTERNATIONAL SMA	23.962	0,03%	23.962	0,03%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	ISHARES VII PLC	22.476	0,03%	22.476	0,03%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	OREGON PUBLIC EMPLOYEES RETIREMENT SYST	22.385	0,03%	22.385	0,03%					0	0,00%	0	0,00%	0	0,00%	0	0,00%
		1	1	WILSHIRE MUTUAL FUNDS INC - WILSHIR	19.754	0,02%	19.754	0,02%												



BANCA SISTEMA S.P.A. ARTICLES OF ASSOCIATION

APRIL 2020

SECTION I

NAME, REGISTERED OFFICE, DURATION AND CORPORATE PURPOSE

Article 1: name

1.1 A joint-stock company is incorporated with the name of:

"BANCA SISTEMA S.p.A."

1.2 The company name for international operations can also be translated into the languages of the countries in which the company is operating.

1.3 The holding of shares in the capital of this company and the acceptance of positions and tasks governed by these Articles of Association implies the acceptance of the rules contained herein even if already in force on the date these shares were acquired or the positions and tasks were assumed.

Article 2: registered office

2.1 The company has its registered office in Milan.

2.2 The Board of Directors can establish subsidiaries, management and operating offices, branches, agencies, factories or local manufacturing and management units, howsoever called in Italy and abroad.

2.3 The address for service of the shareholders for all relationships with the company shall for all purposes be deemed to be the one shown in the shareholders' register where it is shown following a statement made by the shareholder at the time of becoming a shareholder. Failing any indication of the shareholder's address for service in the shareholders' register, reference shall be made in the case of natural persons to their home address and for persons other than natural persons to the registered address.

Article 3: duration

The duration of the company is set until 31 December 2100 and may be extended pursuant to law.

Article 4: corporate purpose

4.1 The corporate purpose is the collection of savings and the granting of credit in its various forms in Italy and abroad. Therefore, the company may carry out any operation and banking and financial service that is conducive or related thereto. Consequently, the company may also carry out any other conducive or related activity and/or operation that is necessary

or useful to achieving the corporate purpose and generally perform any other activity that is reserved or allowed by law to companies authorised to carry out banking activity.

4.2 The company in its capacity as parent of the BANCA SISTEMA banking group, pursuant to article 61 paragraph 4 of Legislative Decree no. 385 of 1 September 1993, issues, in the exercising of the management and coordination activity, provisions to the members of the Group to execute instructions given by the Bank of Italy in the interest of the Group's stability.

4.3 The company may issue bonds of any nature. Finally, it may also acquire equity investments in Italy and abroad.

SECTION II

SHARE CAPITAL, WITHDRAWAL AND CIRCULATION OF SHARES

Article 5: share capital

5.1 The share capital amounts to € 9,650,526.24 (nine million six hundred and fifty thousand five hundred and twenty-six and twenty-four cents), subdivided into 80,421,052 (eighty million four hundred and twenty-one thousand fifty-two) shares having a nominal amount of € 0.12 (twelve cents) each.

On 28 April 2016 the company's extraordinary Shareholders' Meeting resolved, pursuant to article 2349 of the Italian Civil Code, to authorise a free share capital increase, in tranches, to service the 2016 Stock Grant Plan (the "2016 Plan"), which was approved by the company's ordinary Shareholders' Meeting on the same date and the Stock Grant Plans which may be approved by the Shareholders' Meeting in the future in relation to the years 2017, 2018 and 2019 ("2017-2019 Plans"). The free share capital increase is for a maximum nominal amount of € 49,920 (forty-nine thousand nine hundred and twenty), corresponding to a maximum of 416,000 (four hundred and sixteen thousand) ordinary shares of the company having a nominal amount of € 0.12 (twelve cents) each, and shall be completed by 30 June 2023, it being understood that the share capital shall be deemed to have increased by the amount equivalent to the subscriptions received and that the individual subscriptions, even partial, shall be effective immediately with simultaneous assignment of the shares and the associated shareholder rights.

The free share capital increase shall be funded using a restricted Reserve dedicated to the share capital increase to service the 2016 Plan and the 2017-2019 Plans. Such reserve shall amount to € 1,600,000 (one million six hundred thousand), as per the resolution adopted by the ordinary Shareholders' Meeting on 28 April 2016.

The shares underlying the free share capital increase shall give regular dividend entitlement and be issued in several tranches in accordance with the terms and conditions set out in the Regulation of the 2016 Plan and 2017-2019 Plans.

The Board of Directors is granted the powers necessary to increase the share capital - including the authority to sub-delegate such powers to its individual members - and specifically the power

to assign and issue the new shares to service the 2016 Plan and the 2017-2019 Plans, in accordance with the terms and conditions therein, and the power to make the relevant amendments to this article in order to adjust, over time, the value of the company's share capital.

At the date of completion of the foregoing increase, under the terms and conditions set out in the 2016 Plan and in the 2017-2019 Plans, the share capital shall be deemed to have increased by the amount corresponding to the shares issued.

5.2 The shares are issued in dematerialised form, are registered in the shareholder's name and are indivisible. The case of joint ownership is governed pursuant to the law.

5.3 Each share carries a voting right, save as provided for in paragraph 7 et seq. of this article.

5.4 The shares confer equal rights on their holders. The extraordinary Shareholders' Meeting can resolve to issue special categories of shares, establishing the form, means of transfer and the rights due to the holders of these shares, and also to individually assign to the employees of the company or of subsidiaries an amount corresponding to the profits granted to employees, pursuant to the provisions of art. 2349 paragraph 1 of the Italian Civil Code, in compliance with applicable regulations on remuneration and consistently with the company's remuneration and incentive policies.

5.5 With regard to contributions by shareholders or third parties other than contributions to the share capital, the extraordinary Shareholders' Meeting may resolve to issue financial instruments pursuant to article 2346 paragraph 6 of the Italian Civil Code, which consist of holding certificates providing the rights indicated in the issue resolution and which must be reported in these Articles of Association. These holding certificates may be transferable in accordance with the provisions of the issue resolution and with what may be stipulated in these Articles of Association.

The financial instruments under this article 5.5 may also be individually assigned to employees of the company or of subsidiaries pursuant to the provisions of article 2349 paragraph 2 of the Italian Civil Code, in compliance with applicable regulations on remuneration and consistently with the company's remuneration and incentive policies.

5.6 In the event of any paid increase in share capital, the option right due to shareholders may be excluded, within the limits of ten per cent of the existing share capital, provided that the issue price of the new shares corresponds to the market value of outstanding shares and that this is confirmed by an appropriate report of the company tasked with performing the audit.

5.7. In departure from paragraph 3 of this article, each share carries two voting rights if the following conditions are both satisfied: (a) the share has been held by the same shareholder, by reason of a right of entitlement to exercise the voting right (full ownership with voting rights attached or bare ownership with voting rights attached or usufruct with voting rights attached), for a continuous period of at least twenty-four months; (b) the satisfaction of the condition under point (a) above has been evidenced by continuous entry, for a period of at least twenty-four months, in the special list created pursuant to this article ("Special List") and by receipt of an appropriate communication from the intermediary on whose accounts the shares are registered pursuant to laws in force, confirming the ownership of the shares, as at the end date of the

continuous period of twenty-four months.

5.8 The acquisition of the benefit of increase in voting rights shall be effective as of the first to occur of the following dates: (i) the fifth trading day in the calendar month following that in which the shareholder meets the eligibility conditions set out in the Articles of Association to benefit from the increase in voting rights, or (ii) the so-called record date of the Shareholders' Meeting, determined in accordance with laws in force, after the date on which the shareholder meets the eligibility conditions set out in the Articles of Association to benefit from the increase in voting rights.

5.9 The company shall create and retain at the registered office a Special List, meeting the form and content requirements set out in the applicable provisions of law, in which any shareholder wishing to benefit from the increased voting rights shall be entered. To be entered in the Special List, the shareholders so entitled pursuant to this article shall submit a specific application together with a communication confirming the ownership of the shares - even referring solely to the portion of the shares for which the shareholders are requesting the increased voting rights - to be issued by the intermediary on whose accounts the shares are registered pursuant to laws in force. In the case of shareholders other than natural persons, the application should specify whether the entity is subject to direct or indirect control by third parties, as well as the details of the controlling company, if any.

5.10 The Special List is updated by the Company by the fifth trading day from the end of each calendar month and, in any event, by the record date provided for in current regulations governing the right to attend and vote at Shareholders' Meetings.

5.11 The Special List is subject to the rules governing the shareholders' register, insofar as applicable, including those applicable to the publication of information and the shareholders' right of inspection. The Special List shall also be subject to any other regulations that may be published by the Board of Directors on the company's website.

5.12. Save as provided for in paragraph 17 below, the company shall remove a shareholder from the Special List - with resulting automatic loss of entitlement to the increased voting rights - in the following cases: (i) full or partial waiver on part of the shareholder concerned; (ii) on receipt of a communication from the shareholder or from the intermediary, attesting the loss of the requirements to be eligible for the increase in voting rights or the loss of the right of entitlement to exercise the voting right and/or the associated voting rights; or (iii) as a matter of course, if the company becomes aware of circumstances that entail loss of the requirements to be eligible for the increased voting rights or loss of the right of entitlement to exercise the voting right and/or associated voting rights.

5.13 The benefit of the increased voting rights is lost: (a) in the case of transfer of the share, for valuable consideration or not, with "transfer" to be interpreted also as pledge, usufruct or other lien on the share where this results in the loss of the shareholder's right to vote. If only a portion of the shares with increased voting rights are transferred, for valuable consideration or not, the transferor shall maintain the increased voting rights for the remaining shares not transferred; (b) in the case of direct or indirect transfer of controlling interests in companies or entities that hold

shares with increased voting rights exceeding the threshold under article 120, paragraph 2 of Legislative Decree No. 58 of 24 February 1998.

5.14 Increased voting rights already accrued or, where not accrued, the period of ownership required to accrue the increased voting rights, shall be maintained in the case of: (a) succession, in the event of death, in favour of the heir and/or legatee; (b) merger or demerger of the owner of the shares, in favour of the company resulting from the merger or the beneficiary of the demerger; (c) transfer from one portfolio to another of the UCIs managed by the same entity; (d) pledge, usufruct or other lien, where the right to vote is retained by the pledger or bare owner; (e) transfer between companies belonging to the same group (i.e. subsidiaries, parents or companies subject to the same control).

5.15 The increase in voting rights is extended to shares (“New Shares”): (i) resulting from a free share capital increase pursuant to art. 2442 of the Italian Civil Code, to be allotted to the owner with reference to those shares for which the increase in voting rights has already accrued (“Original Shares”); (ii) to be allotted in exchange for the Original Shares in the case of merger or demerger, where provided for in the related project and in accordance with the provisions therein; (iii) subscribed by the owner of the Original Shares in exercising the option right on such shares as part of a share capital increase by way of new contributions.

5.16 In the cases set out in paragraph 15 above, the New Shares shall acquire the increased voting rights in the case of: (i) New Shares to be allotted to the owner with reference to those shares for which the increased voting rights have already accrued, effective as of the date of entry in the Special List, without the need to wait until an additional continuous holding period has elapsed; (ii) New Shares to be allotted to the owner with reference to those shares for which the increased voting rights have yet to accrue (but are accruing), effective as of the date of completion of the holding period, calculated from the date of initial entry in the Special List.

5.17 Shareholders entitled to the increase in voting rights may irrevocably waive their entitlement to the increased voting rights - wholly or in part - at any time by communicating this in writing to the company, it being understood that the increase in voting rights may be re-acquired for those same shares by way of re-entry in the Special List and completion of a new continuous holding period of not less than twenty-four months.

5.18 The increase in voting rights is also considered in the calculation of the quorums required for meetings and resolutions to be deemed valid linked to percentages of the share capital. The increase does not however affect rights, other than voting rights, which are due by reason of ownership of specific percentages of the share capital.

5.19 The concept of control referred to in this article shall be construed in accordance with the meaning given in the provisions of law governing listed issuers.

Article 6: withdrawal

Shareholders have the right to withdraw under the mandatory cases laid down by law. The right of withdrawal in the cases under art. 2437, paragraph two of the Italian Civil Code is expressly

excluded.

The terms and conditions of withdrawal are governed by art. 2437 bis of the Italian Civil Code.

Article 7: circulation of shares

The company's ordinary shares are freely transferable under current applicable regulations.

SECTION III

CORPORATE BODIES

Article 8: Shareholders' Meeting

8.1 The Shareholders' Meeting, duly constituted, represents all shareholders and its resolutions passed in compliance with the law and these Articles of Association are binding upon all shareholders, even if they are absent, abstaining or dissenting. The Shareholders' Meeting convenes in ordinary and extraordinary session in accordance with the law and these Articles of Association.

The manner in which the Shareholders' Meeting operates is laid down by appropriate regulations approved by resolution of the ordinary Shareholders' Meeting.

8.2 The ordinary Shareholders' Meeting is called at least once a year within 120 (one hundred and twenty) days from the closure of the financial year.

Moreover, the Shareholders' Meeting is called by the management body whenever it deems it necessary and appropriate and in the cases provided by law or, following written notification to the Chairperson of the Board of Directors, by the Board of Statutory Auditors or at least two of its members in accordance with applicable legal provisions. The Shareholders' Meeting is also legally convened by the Board of Directors when a request is made to do so by shareholders representing at least one twentieth of the share capital and where the request indicates the issues to be covered. The Shareholders' Meeting may not be called at the request of shareholders for issues on which the Meeting legally resolves at the proposal of the Directors, or for issues based on a project or report prepared by the Directors.

Finally, the Shareholders' Meeting is convened in other cases provided by law and these Articles of Association.

8.3 The Shareholders' Meeting is convened in the town where the company has its registered office or elsewhere provided this is in Italy, other members States of the European Union, Switzerland or in the United States of America.

8.4 The Shareholders' Meeting is convened according to the terms and conditions set forth by law and by the regulatory provisions applicable from time to time.

The notice of call must indicate the date, time, place of the meeting and the list of matters to be

discussed and other information and particulars as may be required by applicable law and regulations currently in force.

The Shareholders' Meeting is convened on single call, and is subject to the meeting quorum and the decision quorum established by law and these Articles of Association in such circumstances, unless the notice of call specifies any dates for subsequent meetings, including a third call.

Pursuant to the provisions of art. 126-bis of Legislative Decree no. 58 of 24 February 1998, the shareholders who, individually or jointly, represent at least one fortieth of the share capital, or a different smaller percentage of the share capital provided for by the regulations in force at the time, may, within a period of 10 (ten) days from the publication of the notice of call of the Shareholders' Meeting, unless a different period is provided under the law, request that the list of items on the agenda be supplemented, thereby indicating any further items, or present proposals for resolutions on items already on the agenda, within the limits and according to the methods provided for by the applicable laws and regulations. Whoever holds voting rights may individually submit resolution proposals to be debated at the Shareholders' Meeting.

After the agenda has been completed or subsequent proposals have been submitted to be discussed on the agenda, following the request for the agenda to be completed or proposals to be submitted as stated in the previous paragraph, notice is given, in the prescribed manner for the publication of the notice of call, at least 15 (fifteen) days prior to the one fixed for the Shareholders' Meeting to be held, unless a different period is stipulated by law. The additional proposed resolutions on matters already on the agenda are made available to the public within the terms and in the manner set forth by the law.

Additional proposals may not be made in regard to issues on which the Shareholders' Meeting legally resolves at the request of Directors or on the basis of a project or report prepared by them, other than in those cases indicated under art. 125-ter, paragraph 1, of Legislative Decree no. 58 of 24 February 1998.

8.5 Where the formalities set out under the previous paragraphs or any other formality required by law are not followed, the Shareholders' Meeting shall be deemed to be regularly convened and may validly resolve on any issue, unless this is opposed by a shareholder who is not sufficiently informed, when the entire share capital is represented and the majority of members of the Board of Directors and Board of Statutory Auditors are in attendance. Under these circumstances, timely notice should be given of the resolutions passed to members of the Board of Directors and Board of Statutory Auditors who are not in attendance.

8.6 The right to attend the Shareholders' Meeting and exercise voting rights is certified by a notice to the Company, sent by the intermediary authorised under the provisions of law and regulations, in accordance with its accounting records, in favour of the party entitled to vote. This notice is formulated on the basis of evidence from the accounts specified in art. 83-quater, paragraph 3, of Legislative Decree no. 58 of 24 February 1998, relating to the end of the accounting day of the seventh trading day prior to the date set for the Shareholders' Meeting. To this end, reference is made to the date of the single or of the first call of the Shareholders' Meeting, provided that the dates of any subsequent calls are included in the single notice of call

of the Meeting; otherwise, reference is made to the date of each call.

8.7 The persons entitled to attend and vote at the Shareholders' Meeting may be represented by another person or entity, including a non-shareholder, by means of a written proxy, within the limits and according to the methods stipulated by the law and applicable regulations. The proxy may be notified electronically via certified e-mail or using the special section of the Company website and other methods of notification as may be provided for in the notice of call, in accordance with applicable laws and regulations.

The company has the option to appoint a person for each Meeting to whom the shareholders may give a proxy with voting instructions for all or some of the proposals on the agenda in the manner provided by the law and applicable statutory regulations. The proxy is not effective with regard to proposals for which voting instructions have not been given.

8.8 Postal voting is also allowed.

Postal voting is exercised in the manner specified in the notice of call, in accordance with the applicable statutory provisions, using any means of communication (including fax and e-mail) proving receipt of such.

8.9 The Shareholders' Meeting may also be held with participants in multiple locations, either in the vicinity or at a distance, attending by means of audio and video connection (audio-only connection is allowed solely when the participants are easily recognisable by the Chairperson of the Shareholders' Meeting), provided that the collegial method and the principles of good faith and equal treatment of shareholders are observed. In this case, it is required that:

- a) the Chairperson of the Shareholders' Meeting is able to unequivocally ascertain the identity and right to attend of the participants, conduct the meeting and note and declare the results of the voting procedure;
- b) at the place where the video/audio conference is held, an attendance sheet should be kept giving the names of those attending the meeting at this place; this attendance sheet shall be attached to the minutes of the meeting;
- c) the person taking the minutes is able to adequately follow the events of the meeting;
- d) the participants are able to simultaneously take part in the discussions and vote on the items on the agenda in real time;
- e) where the Shareholders' Meeting is not held in plenary session, the notice of call shall indicate the locations where the video/audio conference is held and where the participants can attend. The meeting shall be deemed to have been held at the location where the Chairperson and the secretary or notary taking the minutes are in attendance.

The means of telecommunications shall be recorded in the minutes.

8.10 The Shareholders' Meeting is chaired by the Chairperson of the Board of Directors or, in the event of him/her being absent or incapacitated, by the Deputy Chairperson, if appointed, or any other person designated by the Board of Directors; otherwise, the Meeting appoints as Chairperson one of the participants by simple majority of the capital represented.

The Chairperson of the Shareholders' Meeting is assisted by a secretary designated by the Meeting, by simple majority of the capital represented and possibly by one or more tellers, including non-shareholders; where prescribed by law or where deemed appropriate by the management body, the functions of secretary are attributed to a notary designated by the latter.

The Chairperson of the Shareholders' Meeting is responsible for ensuring that the Meeting is properly convened, ascertaining the right of shareholders to take part and vote, noting the legitimacy of the proxies, guiding and managing the discussion and proceedings of the Meeting, establishing the method of voting and also ascertaining and declaring the related results. In this he/she may be assisted by appropriate appointees.

The Meeting sessions are run and governed by law, these Articles of Association and the Rules governing Shareholders' Meetings.

Article 9: convening, powers and resolutions of the Shareholders' Meeting

9.1 The ordinary and extraordinary Shareholders' Meeting is validly convened on single call, unless the notice of call states, apart from the initial one, the dates of other subsequent calls, including a possible third call pursuant to the provisions of the previous article 8.4, subsection three, of these Articles of Association, with the meeting quorum and the decision quorum established by law and these Articles of Association. The provisions of articles 10 and 17 of these Articles of Association shall apply with regard to the appointment of the Board of Directors and Board of Statutory Auditors.

9.2 The ordinary and extraordinary Shareholders' Meeting shall resolve on the issues attributed to it by law and these Articles of Association.

In particular, the ordinary Shareholders' Meeting approves the following, in addition to establishing the remuneration of the bodies it appoints: (i) the remuneration and incentive policies in favour of the members of the Board of Directors, the Board of Statutory Auditors and the remaining personnel; (ii) any remuneration plans based on financial instruments (for example stock options); (iii) the criteria for determining the fee to be paid in the case of early termination of the employment contract or early termination of office, including the limits set for this fee in terms of annual payments of fixed remuneration and the maximum amount deriving from their application.

The ordinary Shareholders' Meeting, at the time of approving remuneration and incentive policies, also resolves on any proposal to set a limit on the ratio between the variable and fixed remuneration of personnel at more than 100% (ratio of 1:1), but not exceeding the maximum limit of 200% (ratio of 2:1). In this case, the shareholders' resolution is based on a proposal of the Board of Directors, indicating at least: (i) the departments to which those persons affected by the decision belong, specifying for each department their number and those who are identified as "key personnel"; (ii) the reasons underlying the proposed increase; (iii) the implications, even in a forward-looking perspective, on the company's ability to continue to comply with all applicable prudential rules. The proposal of the Board of Directors is approved by the ordinary Shareholders'

Meeting when: (i) the Meeting is constituted with at least half of the share capital and the decision is passed by the favourable vote of at least 2/3 of the share capital represented at the Meeting; or (ii) the decision is passed by the favourable vote of at least 3/4 of the share capital represented at the Meeting, regardless of the share capital with which the Meeting is constituted.

9.3 The Shareholder's Meeting shall be provided with adequate information on the remuneration and incentive policies adopted by the company, and their implementation, as required by the laws and regulations from time to time applicable.

9.4 The Directors may not vote in resolutions regarding their responsibilities.

9.5 The resolutions of the Shareholders' Meeting are minuted and signed by the Chairperson and the secretary or notary.

Article 10: Board of Directors

10.1 The company is managed by a Board of Directors appointed by the Shareholders' Meeting and composed of a minimum of 7 and a maximum of 11 ~~9~~ members who:

- a) bring to the company the specific skills they possess;
- b) are aware of the tasks and responsibilities of their role and are in possession of the requirements set forth by law and regulations in force at the time;
- c) act and resolve with full knowledge of the facts and autonomously in pursuit of the aim of creating value for shareholders;
- d) only accept the position when they believe they are able to dedicate the time needed to diligently carry out their tasks, also being mindful of the number of positions of director or statutory auditor they have in other companies or bodies;
- e) keep the information acquired as a result of the office held as confidential.

10.1-bis In accordance with the need to ensure an adequate degree of diversification in the composition of the Board, in terms of skills, experience, age, international profile and gender, at least one third at least two fifths of the members of the Board of Directors must be of the least represented gender, with rounding up to the nearest whole number in the case of a fractional number.

10.2 Current laws and the provisions of these Articles of Association apply to the appointment, dismissal and replacement of members of the Board of Directors.

The Members of the Board of Directors are elected using the list system in which a minimum of three and maximum of eleven ~~nine~~ candidates must be listed in sequential order. The candidate at sequential number "1" of each list shall also be the candidate appointed as Chairperson of the Board of Directors.

Any shareholder, as well as shareholders belonging to the same group, parties to a shareholders'

agreement pursuant to article 122 of Legislative Decree no. 58 dated 24 February 1998, the entity controlling it, the entity by which it is controlled and the entity subject to joint control pursuant to article 93 of Legislative Decree no. 58 dated 24 February 1998, may not present or be involved in the presentation, either by proxy or trust company, of more than one list and may not vote on lists other than the one presented. Participating, either directly or indirectly, in the indication of applicants present in more than one list shall imply that these lists shall be deemed to have not been submitted.

For the purposes of the preceding subsection ~~paragraph~~, entities, even those without a corporate status, which exercise direct or indirect control pursuant to article 93 of Legislative Decree no. 58 of 24 February 1998 over the shareholder in question and all the companies controlled directly or indirectly by those entities are deemed to belong to the same group.

Each candidate may appear in one list, under pain of ineligibility.

Only those shareholders with voting rights who, separately or together with other shareholders, are holders of shares representing at least the percentage of share capital established by the applicable legislation in force at the time, are entitled to submit lists. The percent interest required to submit lists of candidates for the appointment of the Board of Directors is specified in the notice of call of the Shareholders' Meeting called to resolve on the appointment of said body.

The lists must be filed at the company's registered office and at the management company at least 25 (twenty-five) days prior to the date planned for the Shareholders' Meeting called to resolve on the appointment of the management body and be made available to the public at the registered office, at the management company, on the Company's website and with the other means stipulated under applicable legal and regulatory provisions at least 21 (twenty-one) days prior to the date set for the Shareholders' Meeting on single or first call. The lists indicate which directors are in possession of the requirements of independence stipulated by law and these Articles of Association. Each list must contain at least three candidates, of whom at least two are in possession of the requirements of independence established by law and the Articles of Association. Moreover, each list must include candidates of different genders, including for individual independent candidates, according to what is stated in the Shareholders' Meeting notice of call, so as to enable the Board of Directors to be formed pursuant to the provisions of the Articles of Association regarding gender equality.

The holding of the minimum share necessary to submit lists under this paragraph is determined having regard to the shares which are registered to the shareholder on the day in which these lists are filed at the company's registered office. In order to prove ownership of the number of shares required to submit lists, shareholders putting forward lists have to submit or send to the registered office a copy of the appropriate certificate issued by a legally authorised intermediary proving ownership of the number of shares required for the submission of the list issued at least twenty-one days before the Shareholders' Meeting called to approve the appointment of the members of the Board of Directors. Each list submitted must include: a) information regarding the shareholders who have presented the list and the percentage of shares held; b) the

declarations in which each candidate accepts the nomination (in the case of candidates positioned at sequential number “1” on each list, they also accept the nomination for the position of Chairperson of the Board of Directors) and declare, under their own responsibility that there are no causes of ineligibility or incompatibility, and that the requirements of professionalism and integrity and any other requirement stipulated under current laws and these Articles of Association for undertaking the position are met; c) declarations of independence issued pursuant to the applicable provisions of laws, regulations and these Articles of Association; as well as d) the CV of each candidate, containing extensive information of the individual’s personal and professional characteristics, indicating the management and control positions covered.

Any list that does not meet the above requirements shall be deemed not to have been filed.

Each shareholder has the right to vote for one list. Where a vote is made for several lists, the vote shall be deemed as not having been cast for any of them.

The election of the Board of Directors shall take place as follows:

- a) all directors to be appointed, less one, are drawn from the list that obtains the majority of votes (majority list), in the sequential order in which they are listed on that same list, and pursuant to art. 10.3 in compliance with the minimum number of directors in possession of the independence requirements under art. 10.3 below; the candidate positioned at sequential number “1” is appointed Chairperson of the company’s Board of Directors;
- b) the last member of the Board of Directors is drawn from the minority list that receives the highest number of votes after the list referred to in subparagraph a), which is not connected in any way, even indirectly, with that list and/or with the shareholders who submitted or voted for the majority list, on the basis of the sequential order of that list. That member must be in possession of the independence requirements pursuant to art. 10.3 below.

To this end, however, lists that do not obtain a percentage of votes equal to at least half of that required for the submission of lists, referred to in subsection six of this paragraph, shall not be taken into account.

10.3 The directors must meet the requirements of professionalism and integrity and any other requirement under the regulations in force and these Articles of Association. In addition, a number of directors not less than that required by the regulations in force, with rounding up to the nearest whole in the case of a fractional number, must meet the independence requirements established in regulations in force from time to time, as well as the Code of Conduct to which the company adheres.

The loss of the requirements for the position will entail dismissal. However, the loss of the above independence requirements in relation to a director, notwithstanding the obligation to immediately notify the Board of Directors, shall not lead to dismissal if the requirements are still met by the remaining minimum number of directors pursuant to regulations in force and these Articles of Association.

If the candidates elected in the manner described above do not ensure the appointment of a number of directors who meet the independence requirements provided for above equal to the

minimum number established by law and these Articles of Association in relation to the total number of directors, the non-independent candidate elected last in sequential order in the majority list, will be replaced by the first independent candidate in sequential order not elected from the same list, or, failing that, by the first independent candidate in sequential order not elected from the minority list. This replacement procedure will be followed until the number of independent directors to be appointed is reached.

Without prejudice to compliance with the minimum number of directors in possession of the independence requirements as stipulated above, where the candidates elected in the manner indicated above in the composition of the Board of Directors do not ensure compliance with the provisions of the Articles of Association in relation to gender equality, the candidate of the most represented gender elected last in sequential order in the majority list, shall be replaced by the first candidate of the least represented gender in sequential order not elected from the same list, or, failing this, by the first candidate of the least represented gender in sequential order not elected from the minority list. This replacement procedure will be carried out until the Board of Directors is compliant with the provisions of the Articles of Association in respect of gender equality.

In the event of there being only one list that is presented and allowed, all the candidates on this list shall be elected, but ensuring the nomination of directors in possession of the independence requirements at least in the overall number required under current laws and these Articles of Association, and also in compliance with the provisions of the Articles of Association on gender equality. Where no list is submitted or allowed, the Shareholders' Meeting shall resolve according to the legal majority without following the procedure referred to above. This is notwithstanding, however, different and other provisions provided under mandatory and statutory laws. In any event, there shall be compliance with the minimum number of independent directors and with the provisions of the Articles of Association on gender equality. For the appointment of directors who for whatever reason are not nominated pursuant to the procedures given above, the Shareholders' Meeting shall resolve by legal majority voting so as to ensure that the composition of the Board of Directors is compliant with the law and these Articles of Association, and also complies with the provisions of the Articles of Association in respect of gender equality.

10.4 The members of the management body shall remain in office for three financial years (their office shall end on the date of the Shareholders' Meeting called to approve the financial statements for the last year of their office) or for any shorter period which may be established by the Shareholders' Meeting at the time of appointment. Directors may be re-elected.

Where during the financial year one or more directors become unavailable, provided that the majority remains composed of directors appointed by the Shareholders' Meeting, the Board of Directors may replace such unavailable directors through a resolution approved by the Board of Statutory Auditors as follows:

a) the Board of Directors shall arrange replacement from among candidates in the same list as the one to which the unavailable director belonged, and the Shareholders' Meeting, pursuant to paragraph 1 of article 2386 of the Italian Civil Code, shall resolve by legal majority voting in

compliance with the same criterion;

b) where the list does not contain previously non-elected candidates or candidates with the necessary requirements, or else when for any reason it is not possible to comply with the provisions under letter a), the Board of Directors shall proceed with replacement as subsequently approved by the Shareholders' Meeting, pursuant to paragraph 1 of article 2386 of the Italian Civil Code, with legal majority voting without list voting.

In any case, the Board of Directors and the Shareholders' Meeting, pursuant to paragraph 1 of article 2386 of the Italian Civil Code, shall appoint the directors so as to ensure the presence of directors in possession of the requirements of independence under paragraph 10.3 at least in the overall minimum number required by current laws and these Articles of Association, and to ensure compliance with the provisions of the Articles of Association in respect of gender equality.

Pursuant to article 2386, paragraph 1 of the Italian Civil Code, directors appointed as above shall remain in office until the next Shareholders' Meeting and those appointed by the Shareholders' Meeting shall remain in office for the term in which the directors they replaced would have remained in office.

10.5 If the majority of the members of the management body appointed by Shareholders' Meeting resolution ceases to hold office, the entire management body shall cease from the time when the new body is appointed. The directors remaining in office shall urgently convene the Shareholders' Meeting for an entirely new body to be appointed, and they may in the meantime perform acts of ordinary management.

10.6 The Chairperson of the Board of Directors is appointed by the Shareholders' Meeting as established in article 10.2 subsection 11, letter a) of these Articles of Association. Where no lists are presented and allowed, the Chairperson of the Board of Directors is appointed by the Shareholders' Meeting pursuant to the legal majority and procedures.

10.7 The Board of Directors appoints from among its members a CEO in accordance with the provisions of article 12.2, letter h). The Board of Directors has the option to assign the position of general manager to this same CEO. The position of general manager can be assigned exclusively to the CEO.

The Board of Directors has the option to appoint a Deputy Chairperson, in accordance with the provisions of art. 12.2 letter g), who shall have the power, in the case of the absence or incapacity of the Chairperson, to chair the Shareholders' Meeting and the Board of Directors' meetings.

10.8 The Board of Directors may also delegate its own powers to an Executive Committee.

10.9 The Board of Directors also appoints a Secretary in the person of a director, senior manager or middle manager of the company or a substitute, or an external consultant.

10.10 The Board of Directors is subject to a regular process of self-assessment, based on the criteria and means set out in the regulations that are applicable at the time.

Article 11: Board of Directors' meetings

11.1 The Board of Directors meets, at the company's registered office or elsewhere, provided this is in Italy, a member State of the European Union or in Switzerland, whenever the Chairperson deems it necessary or when a request to do so is made by at least a third of its members or by the Board of Statutory Auditors or else individually by a Statutory Auditor.

11.2 The Board of Directors is convened by the Chairperson by means of a notice to be sent at least five days before the meeting to each of its members and to the standing auditors, except in urgent cases. The notice may be drafted on any medium (hard or soft copy) and may be sent using any means of communication (including fax and e-mail) appropriate to guarantee proof of receipt thereof.

11.3 The Board of Directors is validly constituted and able to resolve where, even if these formalities have not been carried out (notwithstanding the right of each participant to object to the discussion of the issues about which they do not feel sufficiently informed), all the members of the Board itself and all the members of the Board of Statutory Auditors are in attendance.

11.4 The meetings of the Board of Directors, at the initiative of the Chairperson or CEO, can be attended by managers of the company, or any other person that the Board of Directors wishes to invite to support its work on specific topics. The secretary, or his or her substitute, takes the minutes of each meeting, which must be signed by the person chairing the meeting and by the secretary.

11.5 The meetings of the Board of Directors may also be held with participants in multiple locations, either in the vicinity or at a distance, attending by means of audio and video or audio-only connection, provided that the collegial method and the principles of good faith and equal treatment of directors are observed. In this case, it is required that:

- a) the Chairperson is able to unequivocally ascertain the identity and right to attend of the participants, conduct the meeting and note and declare the results of the voting procedure;
- b) the person taking the minutes is able to adequately follow the events of the meeting;
- c) the participants are able to exchange documentation and also take part in the discussions and vote on the agenda items in real time;
- d) where the meeting is not in plenary session, the notice of call establishes the audio-video conferencing procedures. In any event, at the discretion of the Chairperson, the notice of call may indicate the audio/video-connected locations where the participants must gather to attend the meeting.

11.6 The Board of Directors meeting shall be deemed to be held at the location where the Chairperson and the secretary or notary taking the minutes are in attendance.

The meetings of the Board of Directors are chaired by the Chairperson or, in the case of absence or incapacity, by the Deputy Chairperson or, in the case of absence or incapacity, by the most senior director in terms of service or, subordinately, age.

11.7 The resolutions of the Board of Directors are passed by absolute majority voting of the participants, except for the resolutions indicated in the last subsection of article 12.2 below.

Article 12: Board of Directors' powers

12.1 The management body performs all the operations necessary for the attainment of the corporate purpose and has full powers of company management and the power to carry out all the actions deemed necessary or appropriate for attaining the corporate purposes and business management with the diligence required by the nature of the task.

12.2 Resolutions regarding the following matters are reserved for the Board of Directors and may not be delegated, in addition to those, not included in the list below, established by law and regulatory provisions which may be in force at the time, or by other provisions of the Articles of Association:

- a) the determination of the general guidelines relating to the company's development, strategic operations, business and financial plans, as well as the assessment of the overall operating performance;
- b) the approval of the company structure and corporate governance, thereby guaranteeing a clear separation of tasks and functions as well as the prevention of conflicts of interest;
- c) the approval of the accounting and reporting systems;
- d) the supervision of the public disclosure and communication process;
- e) the adoption of measures aimed at ensuring an efficient dialogue with the management function and with the heads of the main corporate departments, as well as gradual control of the choices and decisions these make;
- f) the risk management policies, as well as, after the Board of Statutory Auditors has expressed its opinion, the assessment of the functionality, effectiveness, efficiency of the internal control system and adequacy of the organisational, management and accounting structure;
- g) any appointment of Deputy Chairpersons and their dismissal, if appointed;
- h) the appointment and dismissal of the CEO. Any appointment or dismissal of the General Manager, if appointed, who shall necessarily also be the CEO;
- i) the acquisition and sale of strategic equity investments;
- j) the approval and modification of the main internal regulations;
- k) the establishment, modification and removal of board committees;
- l) the appointment, replacement and dismissal, after listening to the view of the Board of Statutory Auditors, of the heads of the Internal Audit, Risk Management and Compliance Departments and of the manager in charge of financial reporting;
- m) the determination of the criteria for the coordination and management of the Group companies;
- n) the sale and acquisition of treasury shares, in accordance with the resolution of authorisation by the Shareholders' Meeting and following authorisation from the Supervisory Authority;
- o) the issue of convertible bonds for a maximum overall amount of € 20,000,000 within the

maximum period permitted by law;

p) the establishment, closure and transfer of general offices or representative offices or subsidiaries;

q) the drafting of the remuneration and incentive policies of the company and Group, as well as the definition of the remuneration and incentive systems for the following persons at least: (i) executive board members; (ii) general manager, where appointed; (iii) managers of the main lines of business, company departments or geographic areas; (iv) those who report directly to the bodies with corporate functions of strategic supervision, management and control;

r) the remuneration of the CEO (and of the general manager, where appointed) and of any other director responsible for specific tasks, in compliance with the applicable regulations governing remuneration, and with the company's remuneration and incentive policies;

s) the approval of the annual budget;

t) the assignment, modification and removal of the powers delegated to the Executive Committee and to the CEO;

u) the adoption of the company's development policies which are necessary in order to determine the long-term business plans and the budget for the period;

w) the resolutions on the items delegated to the Executive Committee and to the CEO beyond the limits laid down for them;

x) the delegation of powers to other directors and the power to modify, add and exclude these delegated powers;

y) the execution of instructions issued by the Bank of Italy.

12.3 The following powers are also assigned to the Board of Directors:

a) merger pursuant to the cases provided under articles 2505 and 2505-bis of the Italian Civil Code, and de-merger in the cases in which these rules apply;

b) the reduction of the capital in the event of the withdrawal of one or more shareholders;

c) the adjustment of the Articles of Association to legal provisions.

12.4 For the performance of certain categories of acts or individual businesses, the Board of Directors may delegate individual directors, and determine the content, limits and methods of exercise, where applicable, of such delegated powers.

In any event, the appointment of the person delegated to vote for the company at the shareholders' meetings of subsidiaries, and the provision of related instructions, must always be resolved by the Board of Directors.

Article 13: Executive Committee

13.1 The Board of Directors may appoint an Executive Committee from amongst its members and

determine the term of office, powers, attributions and methods of functioning of such committee.

13.2 The Executive Committee is composed of three directors. In any event, at least one third of the members of the Executive Committee must be of the least represented gender. The CEO is a member of the Executive Committee. The Chairperson may not be a member of the Executive Committee, but may participate in its meetings, without the right to vote.

13.3 The Executive Committee shall remain in office for the period determined on each occasion by the Board of Directors, which determines its powers and attributions, and may revoke all or some of its members. The term of office of the Executive Committee may not exceed that of the directors who make up the committee.

13.4 The Executive Committee is chaired by the CEO. Where he or she is absent or unavailable, the CEO's functions, including the power to propose the resolutions to be adopted, are incumbent upon the most senior member in terms of age.

13.5 The meetings of the Executive Committee may be attended by managers of the company, or any other person that the Executive Committee wishes to invite to support its work on specific issues, on the invitation of the CEO.

13.6 The role of the secretary of the Executive Committee shall be fulfilled by the person nominated for this purpose at the suggestion of the person chairing the meeting.

13.7 The Executive Committee, which shall meet at least once a month, is convened by the CEO by means of a notice of call to be sent at least two days prior to the meeting to each member and to the standing auditors. The notice may be drafted on any medium (hard or soft copy) and may be sent using any means of communication (including fax and e-mail) appropriate to guarantee proof of receipt thereof.

13.8 In order for the resolutions of the Executive Committee to be valid it is necessary that at least two directors vote in favour.

13.9 The resolutions passed by the Executive Committee are minuted and signed by the Chairperson and the secretary of the meeting.

13.10 The meetings of the Executive Committee may be held using appropriate audio-visual conferencing systems, with the same rules and procedures as stipulated for the meetings of the Board of Directors.

Article 14: CEO

14.1 The CEO manages the company's activities within the limits of the powers conferred upon him or her and in compliance with the general management guidelines determined by the Board of Directors.

14.2 The CEO, within the limits of the powers conferred upon him or her by the Board of Directors, may delegate decision-making powers in respect of lending and ordinary

management to managers, office managers, middle managers, branch managers and other company employees, within set limits that shall be commensurate with their functions and level.

Article 15: other board committees

The Board of Directors shall establish its own internal committees with consulting and advisory functions, determining their duties and powers, also in compliance with applicable regulations and codes of conduct for the management companies of the regulated markets in which the company's shares may be traded.

Article 16: Chairperson of the Board of Directors and delegated bodies

16.1 The Chairperson of the Board of Directors:

- Ensures the smooth functioning of the Board, promotes internal dialogue and ensures the balance of power, in accordance with the tasks relating to the organisation of the Board's proceedings and the flow of information that are assigned under the Italian Civil Code;
- Promotes the effective functioning of the corporate governance system, ensuring a balance between the powers of the CEO and the other executive directors, and acts as an interlocutor with the control body and internal committees;
- Ensures that the process of self-assessment is carried out effectively and that the company draws up and implements induction programmes and training plans for the members of the relevant bodies and, where required, succession plans for the top executive positions;
- Organises and coordinates the activities of the Board of Directors and ensures that priority is afforded to issues of strategic importance, ensures that these are allowed as much time as is necessary, ensures the effectiveness of the Board discussions and ensures that the resolutions reached by the Board are the result of a proper debate between executive and non-executive directors and the conscious and reasoned contribution of all its members;
- Ensures that adequate advance information is provided to all directors on the agenda of the Board of Directors;
- Convenes meetings of the Board of Directors and establishes its agenda, taking into account any requests or issues listed by shareholders, directors or internal committees, verifying the validity of its constitution and ascertaining the identity and right to attend of the participants and the voting results;
- Supervises implementation of the resolutions of the corporate bodies and the general performance of the company;
- May participate, without voting rights, in meetings of the Executive Committee;
- Diligently and promptly performs any other activity he or she is assigned under the provisions of law or regulations in force.

16.2 The delegated bodies, such as the CEO and/or the Executive Committee, report, at least quarterly, to the Board of Directors and the Board of Statutory Auditors on the general operating performance and its outlook, as well as on the most important economic and financial transactions carried out by the company and its subsidiaries; in particular, they report on transactions in which they have an interest, either directly or on behalf of third parties.

In any case, the Board of Directors has the power to control and take over delegated operations, as well as the authority to revoke such delegation, it being understood that the delegated bodies are nevertheless required to report to the Board of Directors and the Board of Statutory Auditors at least on a quarterly basis.

16.3 The members of the management body are entitled to be reimbursed for expenses incurred as a result of their office, including travel and transfer expenses, and to a fee determined by the Shareholders' Meeting at the time of appointment.

The remuneration of directors serving as Chairperson, Deputy Chairperson (if appointed), CEO, or Board members who are entrusted with special tasks and members of the Executive Committee is established by the Board of Directors, upon the advice of the Board of Statutory Auditors, as well as upon the proposal of any internal committee established for this purpose, in compliance with the remuneration and incentive policies determined by the Shareholders' Meeting.

The Shareholders' Meeting may determine an overall amount for the remuneration of all directors, including those vested with special tasks, and of the general manager, if appointed pursuant to article 10.7 of these Articles of Association.

16.4 The corporate responsibility actions provided under article 2393-bis of the Italian Civil Code may be exercised by shareholders representing at least 1/40 (a fortieth) of the share capital.

Article 17: Board of Statutory Auditors

17.1 The Shareholders' Meeting appoints three standing auditors and two alternate auditors who remain in office for three financial years, may be re-elected and end their term of office on the date of the Shareholders' Meeting called to approve the financial statements for the third financial year of their term of office.

In accordance with the need to ensure an adequate degree of diversification in composition in terms of skills, experience, age, international profile and gender, at least one of the standing auditors and one of the alternate auditors (or any higher number prescribed by regulations in force from time to time) from the Board of Statutory Auditors must be of the least represented gender.

The Statutory Auditors cease to hold office upon expiry of their term when a new Board of Statutory Auditors is established. The law and the provisions of these Articles of Association apply in respect of the appointment, dismissal and replacement of the Statutory Auditors.

17.2 The Statutory Auditors must meet the requirements of professionalism, integrity and

independence prescribed under the regulations in force from time to time, including those set forth in Decree by the Ministry of Justice no. 162 dated 30 March 2000, as well as those envisaged by the Code of Conduct to which the company has adhered. Pursuant to the provisions of article 1, paragraph 2, letters b) and c) of that Decree, issues concerning the financial, credit and insurance sectors shall be considered to be strictly relating to the company's business. The Statutory Auditors may hold offices as members of management and control bodies in other companies within the limits laid down by the applicable provisions.

17.3 Furthermore, in addition to those grounds provided for by law, being tied to the company by an ongoing independent contracting or employment relationship, or any relationship involving the direct or indirect supply of goods and/or services, being a member of a management body of another bank or company whose business is in competition with that of the company, or being tied to such other bank or company by an ongoing independent contracting or employment relationship, are all grounds for dismissal or ineligibility.

17.4 The Statutory Auditors may not hold offices other than those of control at other companies belonging to the Group or to the financial conglomerate, or at companies in which the company, including indirectly, holds a strategic interest.

17.5 In order to ensure that non-controlling shareholders may elect a standing auditor and an alternate auditor, the appointment of the Board of Statutory Auditors is based on lists presented by shareholders in which the candidates are listed in sequential order. The list is comprised of two sections: one for candidates for the position of standing auditor, the other for candidates for the post of alternate auditor.

Lists which have a number of candidates equal to or greater than three must also include candidates of a different gender, as specified in the Shareholders' Meeting notice of call, so as to allow the Board of Statutory Auditors to be set up in accordance with the provisions of the Articles of Association regarding gender equality.

Only those shareholders with voting rights who, separately or together with other shareholders, are holders of shares representing at least the percentage of share capital established by Consob (National Regulatory Body for Italian Companies and the Stock Exchange) are entitled to submit lists.

The percent interest required to submit lists of candidates for the appointment of the Board of Statutory Auditors is specified in the notice of call of the Shareholders' Meeting called to resolve on the appointment of said body.

The holding of this minimum share necessary to submit lists is determined having regard to the shares which are registered to the shareholder on the day in which these lists are filed at the company's registered office. In order to prove the ownership of the number of shares required to submit lists, the shareholders who present or are involved in submitting lists, must submit or deliver to the registered office a copy of the appropriate certificate issued by an authorised intermediary pursuant to law, issued within the period laid down for the publication of the lists. Each shareholder, including shareholders belonging to the same group, parties to a shareholders' agreement pursuant to article 122 of Legislative Decree no. 58 dated 24 February 1998, the entity

controlling it, subsidiaries and companies subject to joint control pursuant to article 93 of Legislative Decree no. 58 dated 24 February 1998, may not submit or be involved in the submission of, either by proxy or trust company, more than one list and may not vote for different lists, and each candidate can only appear in one list under penalty of being declared ineligible. For the purposes of the preceding paragraph, entities, even those without a corporate status, which exercise direct or indirect control pursuant to article 93 of Legislative Decree no. 58 of 24 February 1998 over the shareholder in question and all the companies controlled directly or indirectly by those entities are deemed to belong to the same group.

In the event of any breach of these provisions, no regard shall be had, for the purposes of the application of this article, of the position of the shareholder in question in relation to none of the lists.

Without prejudice to the incompatibilities provided by law, candidates acting as statutory auditors in another 5 (five) issuers, or in violation of any limits on concurrent positions established by applicable provisions of laws or regulations, and persons who do not meet the personal integrity and professionalism requirements established by applicable provisions of laws or regulations, cannot be included in the lists. Outgoing statutory auditors may be re-elected. The lists must be filed at the company's registered office at least 25 (twenty-five) days prior to the date for the Shareholders' Meeting called to resolve on the appointment of the control body and made available to the public at the registered office, on the company's website and with the other means stipulated under applicable legal and regulatory provisions at least 21 days prior to the Shareholders' Meeting. This shall be mentioned in the notice of call. In case only one list has been submitted within this period of 25 (twenty-five) days, or in case there are only lists presented by related shareholders pursuant to current laws and regulations, lists may be submitted up to the third day subsequent to this date, unless a different term is stipulated under the applicable laws and regulations. In this case, the shareholders who - individually or jointly - are owners of shares representing half of the capital threshold previously identified shall be entitled to submit lists.

The following must be filed, along with each list, by the deadlines indicated above: i) information concerning the identity of the shareholders who presented the list and the total percent interest held by those shareholders; ii) declarations whereby individual candidates accept their candidacy and attest, under their own responsibility, that there are no grounds for them to be considered ineligible or disqualified, including with reference to the limit on concurrent positions, and the satisfaction of the requirements established by laws, regulations and the Articles of Association for the respective positions; iii) a declaration by shareholders other than the shareholders who, individually or jointly, hold a controlling or relative majority interest, attesting to the absence of relationships of association, as defined in applicable laws and regulations, with such shareholders; and iv) the CV of each candidate, containing thorough information about each candidate's personal and professional characteristics, as well as an indication of management and control positions filled at other companies.

Any list that does not meet the above requirements shall be deemed not to have been filed.

Statutory Auditors are elected as follows:

- a) two standing Statutory Auditors and one alternate Statutory Auditor are drawn from the list that obtained the greatest number of votes at the Shareholders' Meeting, on the basis of the sequential numbering with which they are listed in the sections of the list;
- b) the remaining standing Statutory Auditor and the other alternate Statutory Auditor are drawn from the second list that obtained the greatest number of votes at the Shareholders' Meeting and is not associated, directly or indirectly, with the list indicated in point a) above and/or with the shareholders who submitted or voted for the majority list, according to the sequential numbering with which they are listed in the sections of the list;
- c) in the event of a tie between lists, the list submitted by the shareholders with the greatest equity interest, or, subordinately, by the greatest number of shareholders, will prevail;
- d) where the Board of Statutory Auditors thus constituted does not ensure compliance with the provisions of the Articles of Association in respect of gender equality, the last candidate elected from the majority list shall be replaced by the first candidate not elected from the same list belonging to the least represented gender or, failing this, by the first candidate not elected from the successive lists. Where this is not possible, the standing member of the least represented gender is appointed by the Shareholders' Meeting with legal majority, to replace the last candidate from the majority list;
- e) where a single list or no list is presented and admitted, all the candidates for the positions indicated in the list or, respectively, those voted by the Shareholders' Meeting shall be elected standing and alternate Statutory Auditors, provided that these achieve the relative majority of votes expressed at the Meeting. All this is subject to compliance with the provisions of the Articles of Association in respect of gender equality.

The chair of the Board of Statutory Auditors is assumed by the first candidate on the second list (where submitted and admitted) that obtained the greatest number of votes.

When the requirements set forth by the law and the Articles of Association are not met anymore, the Statutory Auditor shall be removed from office.

Where a Statutory Auditor is replaced, the alternate Statutory Auditor belonging to the same list shall take over. If the replacement does not allow compliance with the provisions of the Articles of Association on gender equality, the Shareholders' Meeting shall be convened as soon as possible in order to ensure compliance with these provisions.

When the Shareholders' Meeting is to appoint the standing and/or alternate Statutory Auditors needed to make up the Board of Statutory Auditors, it shall proceed as follows: when it is to replace the Statutory Auditors elected in the majority list, the appointment comes about on the basis of legal majority voting without any constraints connected with the lists; when, on the other hand, Statutory Auditors elected from the minority list are to be replaced, the Shareholders' Meeting replaces them by legal majority voting, choosing from the candidates indicated in the list to which the Statutory Auditor to be replaced belonged, or in the minority list which won the second highest number of votes. Where the application of these procedures does not, for any

reason, allow the replacement of the Statutory Auditors designated by non-controlling shareholders, the Shareholders' Meeting shall proceed on the basis of legal majority voting. However, when ascertaining the results of this latter vote, the votes from shareholders who, according to the communication given pursuant to current provisions, hold, including indirectly or even jointly with other shareholders parties to a relevant shareholders' agreement pursuant to article 122 of Legislative Decree no. 58 dated 24 February 1998, the majority of votes to be exercised at the Shareholders' Meeting, as well as shareholders who control, are controlled or are subject to joint control by the latter, shall not be calculated. The newly-appointed Statutory Auditors will cease together with those in post. All this is subject to compliance with the provisions of the Articles of Association in respect of gender equality.

The ordinary Shareholders' Meeting sets the annual remuneration due to each Statutory Auditor pursuant to the regulations currently in force. Statutory Auditors shall also be reimbursed, on a lump-sum basis, for the expenses incurred in their work.

17.6 Statutory Auditors shall not be paid any fee based on the financial instruments and linked to the financial management results.

17.7 The Board of Statutory Auditors, in performing all the functions demanded of it in compliance with the laws and regulations in force, monitors:

- a) compliance with the laws, regulations and Articles of Association;
- b) compliance with the principles of proper management;
- c) the suitability of the organisational, management and accounting structure adopted by the company and its actual operations;
- d) the suitability and operation of the internal control system with specific regard to risk control;
- e) the other actions and facts set forth by the laws and regulations.

The Board of Statutory Auditors checks and investigates causes and remedies for management irregularities, performance anomalies, gaps in the organisational and accounting structure, and pays particular attention to compliance with the regulations concerning conflicts of interest.

17.8 In particular, the Board of Statutory Auditors ascertains that there is adequate coordination between all the departments and structures involved in the internal control system, including the Independent Auditors tasked with the statutory audit of the accounts, by promoting, where appropriate, adequate corrective measures.

17.9 For the purposes of article 17.8 above: a) the Heads of the Internal Audit, Risk Management and Compliance Departments send their respective reports to the Board of Statutory Auditors; b) the Board of Statutory Auditors and the Independent Auditors constantly exchange data and relevant information in order to complete the related tasks.

17.10 The Board of Statutory Auditors periodically checks its own adequacy in terms of powers, functioning and composition, taking account of the size, complexity and activities carried out by the company.

17.11 Statutory Auditors can call upon, in carrying out the necessary checks and investigations, the structures and departments responsible for internal control, and also carry out, at any time, including individually, inspections and audits.

17.12 The Board of Statutory Auditors may ask the directors and all the internal control departments for news about the progress of business operations and about specific business operations, including with reference to subsidiaries. It may exchange information with the corresponding bodies of the subsidiaries in relation to the systems of management and control and on the general progress of business operations.

17.13 In order to correctly carry out its duties, and in particular in order to meet its obligation to promptly report to the Bank of Italy any facts or acts it becomes aware of that may constitute a management irregularity or a breach of the provisions of law governing the banking business, and, more generally, where provided, to report to other Supervisory Authorities in relation to management irregularities or breaches of laws and regulations, the Board of Statutory Auditors is vested with the broadest powers set forth by legal and statutory provisions.

17.14 The Board of Statutory Auditors, which must meet at least every ninety days, is convened by the Chairperson of the Board of Statutory Auditors by means of a notice to be sent at least eight days before the meeting to each Statutory Auditor and, in the event of an emergency, at least three days in advance. The notice may be drafted on any medium (hard or soft copy) and may be sent using any means of communication (including fax and e-mail).

The Board of Statutory Auditors is also validly constituted and able to resolve where, even if these formalities have not been carried out, all its members are in attendance.

17.15 The meetings of the Board of Statutory Auditors may also be held with participants in multiple locations, either in the vicinity or at a distance, attending by means of audio and video or audio-only connection, provided that the collegial method and the principles of good faith and equal treatment of participants are observed. In this case, it is required that:

- a) the Chairperson is able to unequivocally ascertain the identity and right to attend of the participants, conduct the meeting and note and declare the results of the voting procedure;
- b) the person taking the minutes is able to adequately follow the events of the meeting;
- c) the participants are able to exchange documentation and also take part in the discussions and vote on the agenda items in real time.

17.16 The Board of Statutory Auditors is subject to a regular process of self-assessment, based on the criteria and means set out in the regulations that are applicable at the time.

SECTION IV

STATUTORY AUDIT

Article 18: statutory audit

The statutory audit is performed by independent auditors, to be appointed by the Shareholders' Meeting pursuant to art. 2409-bis et seq. of the Italian Civil Code and Legislative Decree no. 39 dated 27 January 2010.

SECTION V

LEGAL REPRESENTATION AND COMPANY SIGNATURE

Article 19: legal representation and company signature

19.1 Representation of the company vis-à-vis third parties and in legal proceedings and the company signature, with all related powers, are incumbent upon the Chairperson of the Board of Directors and on the CEO, within the limits of the powers granted. These have the power to represent the company in legal proceedings before any judicial or administrative authority, and grant powers of attorney in relation to such legal proceedings, including general powers of attorney.

19.2 Where the Chairperson of the Board of Directors and the CEO are absent or incapacitated, the company is represented by the most senior Board member in terms of age.

19.3 The Board of Directors, the Executive Committee and the CEO may, within the limits of their powers, for individual acts or categories of acts, delegate powers of representation, with the related power to sign on behalf of the company, to employees but also to external persons, normally jointly or, for those categories of operations determined by them, also individually.

SECTION VI

FINANCIAL STATEMENTS AND ALLOCATION OF PROFITS

Article 20: financial statements

The financial years shall close on 31 December of each year. At the end of each financial year the Board of Directors draws up the financial statements in accordance with applicable regulations.

Article 21: allocation of profits

21.1 The net profits shown in the financial statements shall be allocated as follows:

- a) 5% to legal reserve until this reaches a fifth of the share capital;
- b) the remainder shall be allocated as resolved by the Shareholders' Meeting called to approve the financial statements in which such net profits are reported.

The Shareholders' Meeting, at the proposal of the Board of Directors, may attribute shareholders the power to request that the dividend be settled, in whole or in part, in cash or shares, having the same characteristics as the shares outstanding on the date of allotment.

Where this power is granted, the Shareholders' Meeting, at the proposal of the Board of Directors, determines how the shares shall be calculated and allotted and establishes how the dividend shall be settled in the event that the shareholders do not exercise this option.

The Shareholders' Meeting, at the proposal of the Board of Directors, may allocate a portion of the net profit for the year to initiatives of a social, charity and cultural nature, as deemed fit by the Board of Directors.

The company may decide to distribute interim dividends in the cases, with the procedures and within the limits permitted under current regulations.

21.2 Dividends not collected and unclaimed for a set period of time shall be returned to the company and allocated to extraordinary reserve.

Article 22: Accounting and corporate documents

22.1 The Board of Directors, after hearing the mandatory but not binding opinion of the Board of Statutory Auditors, and with the ordinary majority provided in these Articles of Association, appoints the Manager in charge of financial reporting pursuant to art. 154-bis of Legislative Decree no. 58 of 24 February 1998, and possibly establishes a given period for the task to be completed, selecting him/her from among the company's managers with proven experience in accounting and financial matters, granting adequate powers and means to perform the tasks assigned pursuant to law. This same Board of Directors shall also have the power to revoke the Manager in charge of financial reporting. The remuneration of the Manager in charge of financial reporting is set by the Board of Directors.

The Board of Directors may, after hearing the mandatory but not binding opinion of the Board of Statutory Auditors, and with the ordinary majority provided in these Articles of Association, revoke the appointment of the Manager in charge of financial reporting at any time and designate another person for such position.

Article 23: Related-party transactions

23.1 The company's competent bodies approve related-party transactions in accordance with current legal and statutory provisions, and with the provisions of the Articles of Association and own procedures adopted in this regard.

23.2 The internal procedures adopted by the company in relation to related-party transactions might stipulate that the Board of Directors approve significant transactions, notwithstanding the contrary advice from the independent directors, provided that the execution of these transactions is authorised by the Shareholders' Meeting, pursuant to art. 2364, paragraph 1, number 5) of the Italian Civil Code.

In the cases referred to in the previous subsection or where a proposed resolution to be submitted to the Shareholders' Meeting in relation to a significant transaction is approved despite the contrary advice from the independent directors, the Shareholders' Meeting shall resolve with the majority stipulated by law, provided that, where the unrelated shareholders present at the Meeting represent at least 10% of the share capital with voting rights, such legal majority shall be attained with the vote in favour by the majority of unrelated shareholders voting at the Meeting.

23.3 The internal procedures adopted by the company in relation to related-party transactions may envisage the exclusion from their scope of application of urgent transactions, also incumbent upon the Shareholders' Meeting, within the limits of applicable legal and regulatory provisions.

SECTION VII

GENERAL PROVISIONS

Article 24: general provisions

For anything not provided in these Articles of Association, the laws and regulations in force at the time shall be observed.

Article 25: transitional provisions with regard to the amendments approved by the extraordinary Shareholders' Meeting on 23 April 2020

25.1 The amendments to these Articles of Association, as approved by the extraordinary Shareholders' Meeting on 23 April 2020, shall be effective as of the date of approval subsequent to the fulfilment of the authorisation and publication requirements established by law, save as provided by art. 25.2 below.

25.2 The amendments to art. 10 of these Articles of Association, as approved by the extraordinary Shareholders' Meeting on 23 April 2020, shall be effective as of the date of publication of the notice of call to the Shareholders' Meeting called to resolve on the first renewal of the Board of Directors after the date of that resolution.

25.3 The version of art. 10-bis transcribed below shall apply on a transitional basis up to the date of entry into force of art. 25.2 above.

Article 10-bis: Board of Directors

10.1 The company is managed by a Board of Directors appointed by the Shareholders' Meeting and composed of 9 members who:

- a) bring to the company the specific skills they possess;
- b) are aware of the tasks and responsibilities of their role and are in possession of the requirements set forth by law and regulations in force at the time;
- c) act and resolve with full knowledge of the facts and autonomously in pursuit of the aim of creating value for shareholders;
- d) only accept the position when they believe they are able to dedicate the time needed to diligently carry out their tasks, also being mindful of the number of positions of director or statutory auditor they have in other companies or bodies;
- e) keep the information acquired as a result of the office held as confidential.

10.2 Current laws and the provisions of these Articles of Association apply to the appointment, dismissal and replacement of members of the Board of Directors.

In order to appoint or co-opt directors, the Board of Directors initially identifies the qualitative and quantitative composition deemed optimal in relation to the aims to be pursued, by identifying and justifying the theoretical profile of the candidates considered appropriate to these ends. The results of this analysis must be shown in the notice of call of the Shareholders' Meeting convened to appoint directors so that shareholders, in choosing candidates, can take into account the professional skills required. This is notwithstanding the possibility for shareholders to make their own assessments on the optimal composition of the Board of Directors and to bring forward candidates commensurate with these, explaining any differences with regard to the analysis carried out by the Board. Subsequently, the Board of Directors checks the consistency of the qualitative and quantitative composition deemed optimal with the one actually resulting from the appointments process.

The Members of the Board of Directors are elected using the list system in which a minimum of three and maximum of nine candidates must be listed in sequential order. The candidate at sequential number "1" of each list shall also be the candidate appointed as Chairperson of the Board of Directors.

Any shareholder, as well as shareholders belonging to the same group, parties to a shareholders' agreement pursuant to article 122 of Legislative Decree no. 58 dated 24 February 1998, the entity controlling it, the entity by which it is controlled and the entity subject to joint control pursuant to article 93 of Legislative Decree no. 58 dated 24 February 1998, may not present or be involved in the presentation, either by proxy or trust company, of more than one list and may not vote on lists other than the one presented. Participating, either directly or indirectly, in the indication of applicants present in more than one list shall imply that these lists shall be deemed to have not been submitted.

For the purposes of the preceding paragraph, entities, even those without a corporate status, which exercise direct or indirect control pursuant to article 93 of Legislative Decree no. 58 of 24

February 1998 over the shareholder in question and all the companies controlled directly or indirectly by those entities are deemed to belong to the same group.

Each candidate may appear in one list, under pain of ineligibility. Only those shareholders who, together or separately, are holders of shares representing at least 2.5% (two point five per cent) - or any other lower percentage established by the legislation currently in force - of the capital giving right to vote on Shareholders' Meeting resolutions that relate to the appointment of members of the management body, are entitled to submit lists.

The lists must be filed at the company's registered office and at the management company at least 25 (twenty- five) days prior to the date planned for the Shareholders' Meeting called to resolve on the appointment of the management body and be made available to the public at the registered office, at the management company, on the Company's website and with the other means stipulated under applicable legal and regulatory provisions at least 21 (twenty-one) days prior to the date set for the Shareholders' Meeting on first call. The lists indicate which directors are in possession of the requirements of independence stipulated by law and these Articles of Association. Each list must contain at least three candidates, of whom at least two are in possession of the requirements of independence established by law and the Articles of Association. Moreover, each list must include candidates of different genders, including for individual independent candidates, in accordance with the Shareholders' Meeting notice of call, so as to enable the Board of Directors to be composed pursuant to current regulations regarding gender equality.

The holding of the minimum share necessary to submit lists under this paragraph is determined having regard to the shares which are registered to the shareholder on the day in which these lists are filed at the company's registered office. In order to prove ownership of the number of shares required to submit lists, shareholders putting forward lists have to submit or send to the registered office a copy of the appropriate certificate issued by a legally authorised intermediary proving ownership of the number of shares required for the submission of the list issued at least twenty-one days before the Shareholders' Meeting called to approve the appointment of the members of the Board of Directors. Each list submitted must include: a) information regarding the shareholders who have presented the list and the percentage of shares held; b) the declarations in which each candidate accepts the nomination (in the case of candidates positioned at sequential number "1" on each list, they also accept the nomination for the position of Chairperson of the Board of Directors) and declare, under their own responsibility that there are no causes of ineligibility or incompatibility, and that the requirements of professionalism and integrity and any other requirement stipulated under current laws and these Articles of Association for undertaking the position are met; c) declarations of independence issued pursuant to the applicable provisions of laws, regulations and these Articles of Association; as well as d) the CV of each candidate, containing extensive information of the individual's personal and professional characteristics, indicating for which theoretical profile he/she is suitable and the management and control positions covered.

Any list that does not meet the above requirements shall be deemed not to have been filed. Each shareholder has the right to vote for one list. Where a vote is made for several lists, the vote shall be deemed as not having been cast for any of them.

The election of the Board of Directors shall take place as follows:

- a) from the list that obtains the majority of votes (majority list) a number of directors equal to six are elected, of which at least one is in possession of the independence requirements pursuant to art. 10.3; candidates are elected on the basis of the sequential order shown by the list; the candidate positioned at sequential number "1" is appointed Chairperson of the company's Board of Directors;
- b) two directors, of which at least one in possession of the independence requirements pursuant to art. 10.3, will be taken from the list, if any, that receives the highest number of votes after the list referred to in subparagraph a), which is not connected in any way, even indirectly, with that list and/or with the shareholders who submitted or voted for the majority list; candidates in the sequential order shown by the list are elected within those limits;
- c) a director in possession of the independence requirements pursuant to art. 10.3 will be taken from the list, if any, which receives the highest number of votes after the list in b), which is not connected in any way, even indirectly, with previous lists and/or the shareholders who submitted or voted for the previous lists; the first candidate in the sequential order of the list who meets the independence requirements pursuant to art. 10.3 is elected. In the event that only two lists have been submitted and allowed, the remaining independent director will be chosen from the list referred to in point b).

To this end, however, lists that do not obtain a percentage of votes equal to at least half of that required for the submission of lists, referred to in subsection six of this paragraph, shall not be taken into account.

10.3 The directors must meet the requirements of professionalism and integrity and any other requirement under the regulations in force and these Articles of Association. In addition, at least three directors, and in any event a number of directors not less than that required by the regulations in force, must meet the independence requirements of art. 148, paragraph 3, of Legislative Decree no. 58 dated 24 February 1998, as well as those envisaged in the Code of Conduct to which the company adheres. The loss of the requirements for the position will entail dismissal. However, the loss of the above independence requirements in relation to a director, notwithstanding the obligation to immediately notify the Board of Directors, shall not lead to dismissal if the requirements are still met by the remaining minimum number of directors pursuant to regulations in force and these Articles of Association.

If the candidates elected in the manner described above do not ensure the appointment of a number of directors who meet the independence requirements provided for above equal to the minimum number established by law and these Articles of Association in relation to the total number of directors, the non-independent candidate elected last in sequential order in the list that received the highest number of votes referred to in letter a) of paragraph 10.2, subsection 11, will be replaced by the first independent candidate in sequential order not elected from the

same list, or, failing that, by the first independent candidate in sequential order not elected from the other lists, according to the number of votes obtained by each. This replacement procedure will be followed until the number of independent directors to be appointed is reached.

Without prejudice to compliance with the minimum number of directors in possession of the independence requirements as stipulated above, where the candidates elected in the manner indicated above in the composition of the Board of Directors do not ensure compliance with the regulations in force in relation to gender equality, the candidate of the most represented gender elected last in sequential order in the list that received the highest number of votes pursuant to letter a) of paragraph 10.2, subsection 11, shall be replaced by the first candidate of the least represented gender in sequential order not elected from the same list, or, failing this, by the first candidate of the least represented gender in sequential order not elected from the other lists, according to the number of votes obtained by each. This replacement procedure will be carried out until the Board of Directors is compliant with the current regulations in respect of gender equality.

In the event of there being only one list that is presented and allowed, all the candidates on this list shall be elected, but ensuring the nomination of directors in possession of the independence requirements at least in the overall number required under current laws and these Articles of Association, and also in compliance with current laws on gender equality. Where no list is submitted or allowed, the Shareholders' Meeting shall resolve according to the legal majority without following the procedure referred to above. This is notwithstanding, however, different and other provisions provided under mandatory and statutory laws. In any event, there shall be compliance with the minimum number of independent directors and the current laws on gender equality. For the appointment of directors who for whatever reason are not nominated pursuant to the procedures given above, the Shareholders' Meeting shall resolve by legal majority voting so as to ensure that the composition of the Board of Directors is compliant with the law and these Articles of Association, and also complies with current laws in respect of gender equality.

10.4 The members of the management body shall remain in office for three financial years (their office shall end on the date of the Shareholders' Meeting called to approve the financial statements for the last year of their office) or for any shorter period which may be established by the Shareholders' Meeting at the time of appointment. Directors may be re-elected.

Where during the financial year one or more directors become unavailable, provided that the majority remains composed of directors appointed by the Shareholders' Meeting, the Board of Directors may replace such unavailable directors through a resolution approved by the Board of Statutory Auditors as follows:

- a) the Board of Directors shall arrange replacement from among candidates in the same list as the one to which the unavailable director belonged, and the Shareholders' Meeting, pursuant to paragraph 1 of article 2386 of the Italian Civil Code, shall resolve by legal majority voting in compliance with the same criterion;
- b) where the list does not contain previously non-elected candidates or candidates with the

necessary requirements, or else when for any reason it is not possible to comply with the provisions under letter a), the Board of Directors shall proceed with replacement as subsequently approved by the Shareholders' Meeting, pursuant to paragraph 1 of article 2386 of the Italian Civil Code, with legal majority voting without list voting.

In any case, the Board of Directors and the Shareholders' Meeting, pursuant to paragraph 1 of article 2386 of the Italian Civil Code, shall appoint the directors so as to ensure the presence of directors in possession of the requirements of independence under paragraph 10.3 at least in the overall minimum number required by current laws and these Articles of Association, and to ensure compliance with current laws in respect of gender equality.

Pursuant to article 2386, paragraph 1 of the Italian Civil Code, directors appointed as above shall remain in office until the next Shareholders' Meeting and those appointed by the Shareholders' Meeting shall remain in office for the term in which the directors they replaced would have remained in office.

10.5 If the majority of the members of the management body appointed by Shareholders' Meeting resolution ceases to hold office, the entire management body shall cease from the time when the new body is appointed. The directors remaining in office shall urgently convene the Shareholders' Meeting for an entirely new body to be appointed, and they may in the meantime perform acts of ordinary management.

10.6 The Chairperson of the Board of Directors is appointed by the Shareholders' Meeting as established in article 10.2 subsection 11, letter a) of these Articles of Association. Where no lists are presented and allowed, the Chairperson of the Board of Directors is appointed by the Shareholders' Meeting pursuant to the legal majority and procedures.

10.7 The Board of Directors appoints from among its members a CEO in accordance with the provisions of article 12.2, letter h). The Board of Directors has the option to assign the position of general manager to this same CEO. The position of general manager can be assigned exclusively to the CEO.

The Board of Directors has the option to appoint a Deputy Chairperson, in accordance with the provisions of art. 12.2 letter g), who shall have the power, in the case of the absence or incapacity of the Chairperson, to chair the Shareholders' Meeting and the Board of Directors' meetings.

10.8 The Board of Directors may also delegate its own powers to an Executive Committee.

10.9 The non-executive members of the Board of Directors bring their own specific skills to the Board discussions and contribute to the making of decisions. They are called upon to perform an important communicative function and to monitor the choices made by the executive members. The non-executive members shall acquire, also with the support of internal committees, information on the management and organisation of the company from management, the Internal Audit Department and other control departments. The non-executive members must in any case be actively involved in the tasks entrusted to them, also as far as time availability is concerned and take part in the processes of appointing and dismissing the

heads of internal control and risk management departments. They diligently and promptly perform any other activity incumbent upon them pursuant to legal and regulatory provisions in force at the time.

10.10 The Board of Directors also appoints a Secretary in the person of a director, senior manager or middle manager of the company or a substitute, or an external consultant.

10.11 The Board of Directors is subject to a regular process of self-assessment, based on the criteria and means set out in the regulations that are applicable at the time.

Copia conforme all'originale.
Milano, 12 maggio 2020

bsm

