BANCA SISTEMA SPECIALTY FINANCE

FY 2018 RESULTS

8 February 2019

FY 2018 Results at a Glance

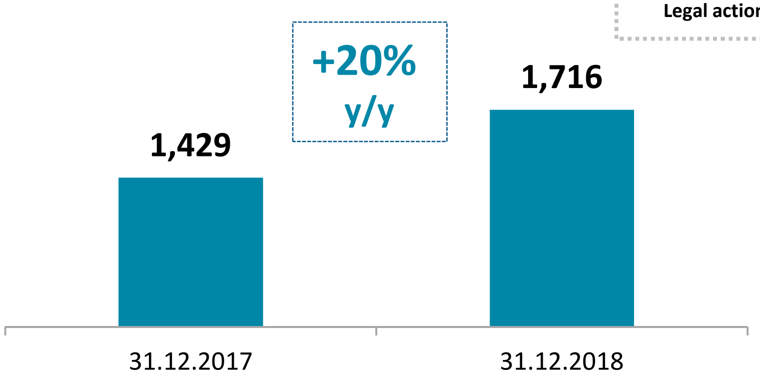
Commercial performance	• **Factoring Turnover +20% y/y** equal to €2.4bn • **Tax receivables represent 22%** of FY 2018 factoring outstanding • **CQS/CQP outstanding reached €652m**, +30% y/y
P&L	• **Growing Adjusted Interest Income margin during 2018** • **Net Interest Income** equal to €74.6m, **+6% y/y** • **Cost of funding stable y/y and q/q at 0.9%** • **Total Income** equal to €91.1m, **+10% y/y**, driven by higher core business growth • **Total operating costs** +11% y/y and **Cost of Risk** at 33bps stable y/y • **Net Income at €27.2m**, with a ROAE at 18.9%
Balance Sheet	• **Term deposits:** Strong growth since 3Q in particular from the foreign component • **LCR and NSFR above regulatory requirements** • **CET1 ratio at 11.0%, pro-forma with lower CQ RWA at 12.5%** • **Immaterial impact from our short term Govies' ptf** • **Dividend distribution of €0.087 per share**

Core business assets outstanding is growing

Factoring outstanding

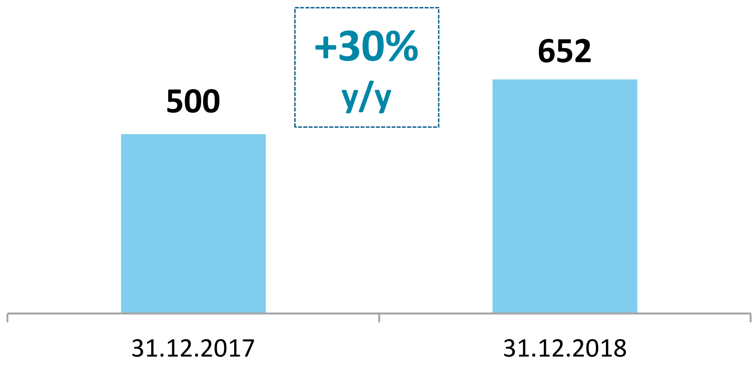
€m

Of which 22% under Legal action



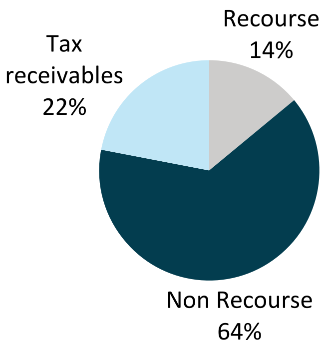
CQ Loans outstanding

€m



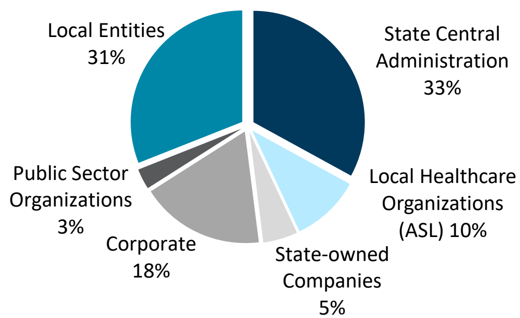
Outstanding breakdown (31.12.2018)

By Type of Product

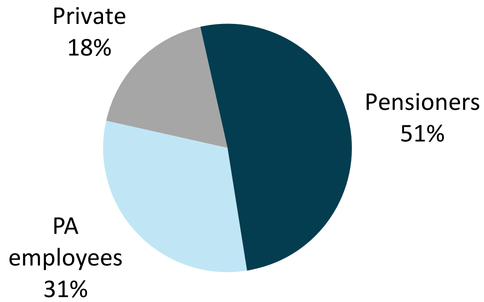


By Obligor

PA accounts for 82%



Outstanding breakdown by Type (31.12.2018)



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

Note: Factoring outstanding management account.

BANCA SISTEMA

FY 2018 – Balance Sheet

Figures in millions of Euro

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

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

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

BANCA SISTEMA

FY 2018 – Income Statement

Figures in millions of Euro

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

Tax rate increase due to lower deductions

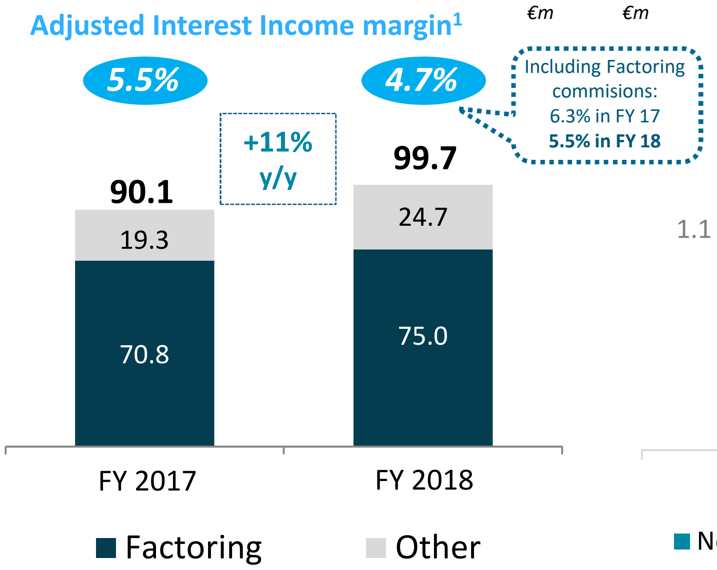
Note: Comparatives merely reflect the statutory data as at 31 June 2017 according to IAS 39, therefore they do not represent restated balances resulting from the retroactive adoption of the aforesaid accounting standard, and as such are not fully comparable.

BANCA SISTEMA

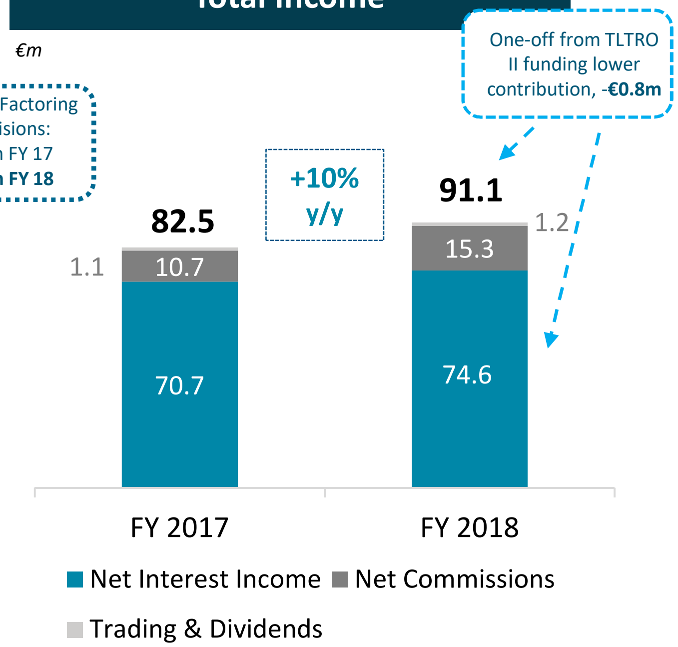
Total Income y/y and q/q supported by business growth

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

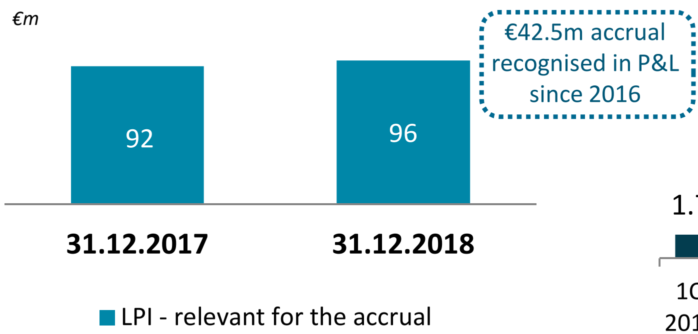
Total Interest Income



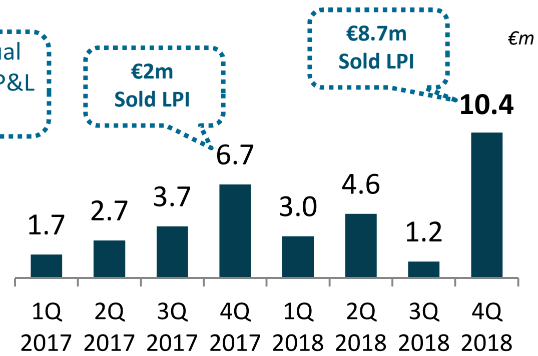
Total Income



LPI Stock – Assets in legal action



Total collected cashed-in LPI



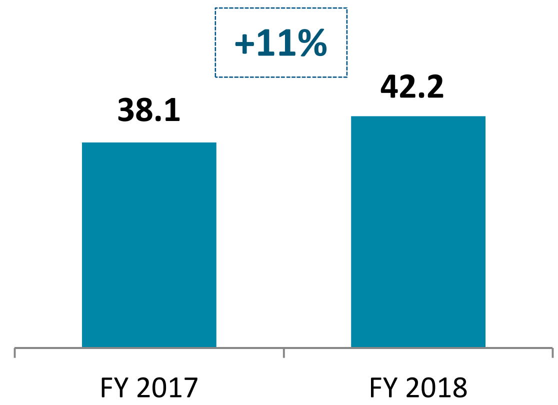
Note: (1) Calculated as [Period Interest Income] / [Average end of period net customer loans] - excluding the contribution from securities portfolio, credit due from banks and Repo (Balance Sheet and Financial Statement figures).

BANCA SISTEMA

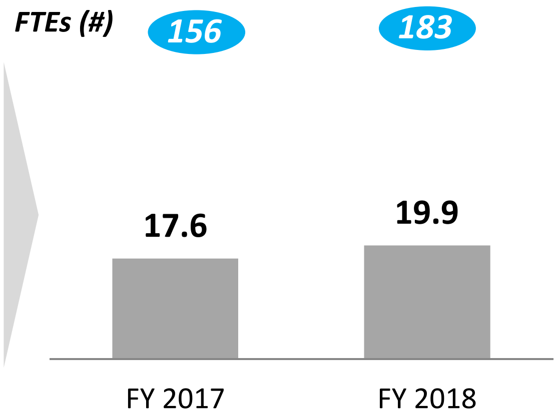
Operating costs up y/y for business growth

Operating Costs

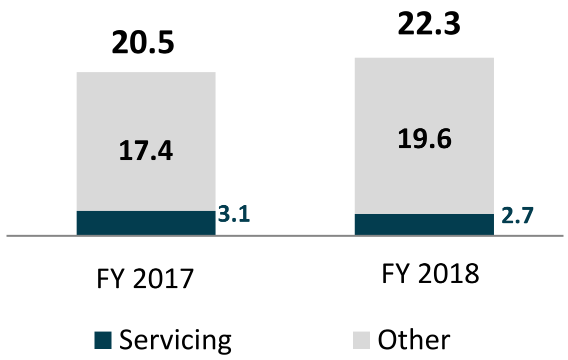
€m



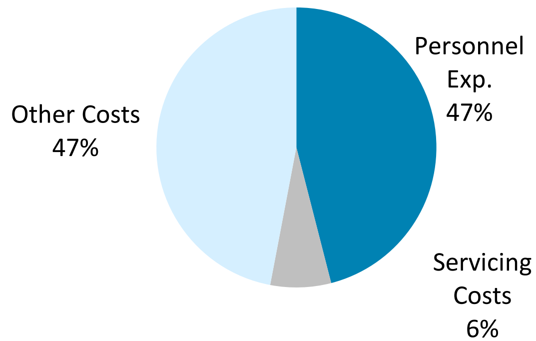
Personnel Expenses



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



Operating Costs Breakdown

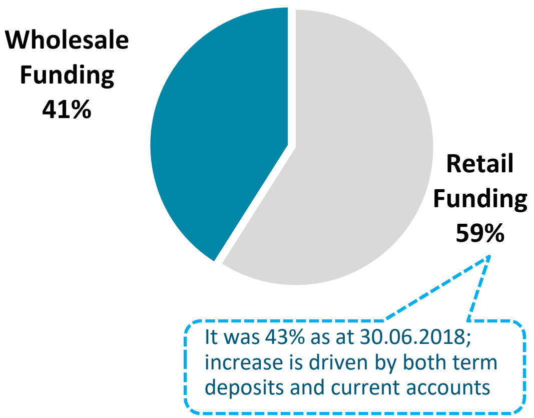


- Personnel Expenses increase due to FTEs increase
- Other costs, excluding Servicing costs, are higher y/y for:
  - Rating on CQ securitisation
  - Expenses for the branch openings
  - Higher contribution y/y to Interbank Deposit Protection Fund (FITD) and Resolution Fund
- Cost Income stable y/y at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

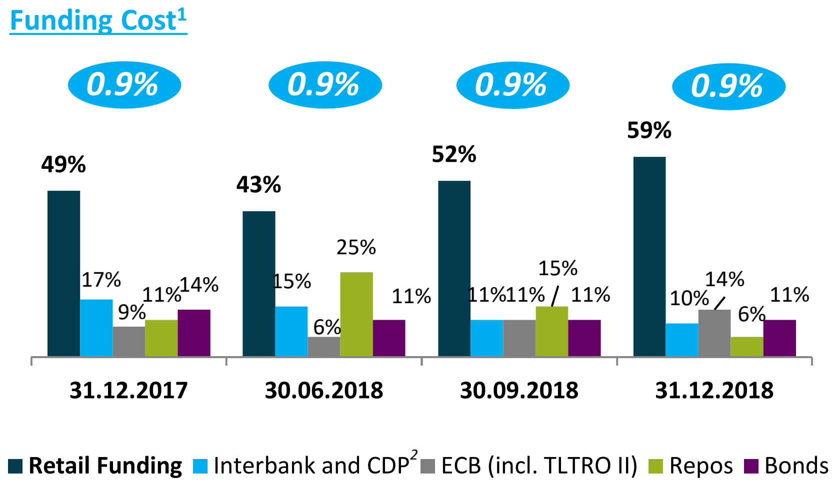
BANCA SISTEMA

Stable funding cost during 2018

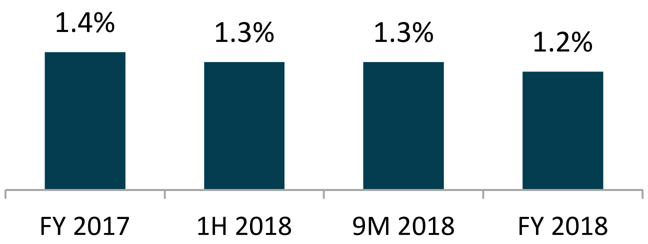
Total Funding breakdown



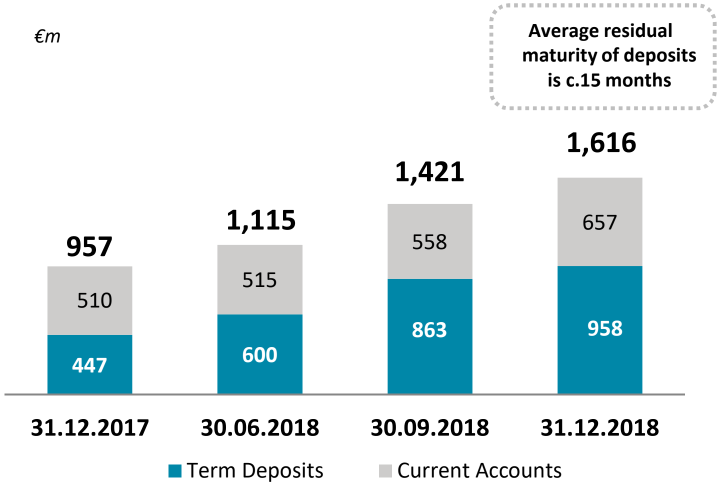
Total Funding breakdown



Retail Funding Cost



Retail Funding

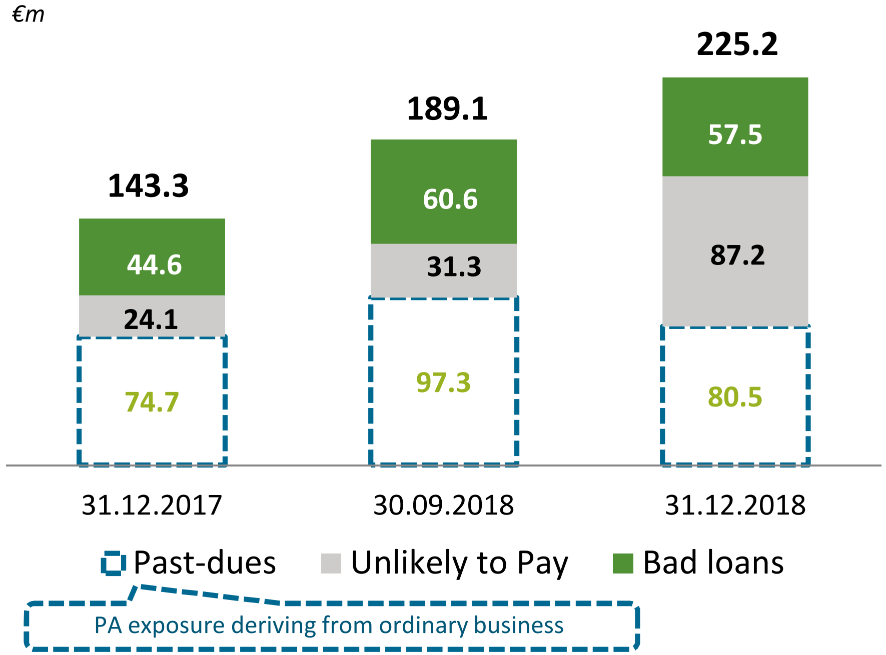


- Cost of funding stable y/y and q/q including the €0.8m one-off, deriving from TLTRO II (€123m) cost increase from -40bps to 0bps
- Term Deposits stock, is up y/y, and it is expected to grow further in 2019
- Foreign component of term deposits accounts, as at 31.12.2018, 39% of total stock and is growing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

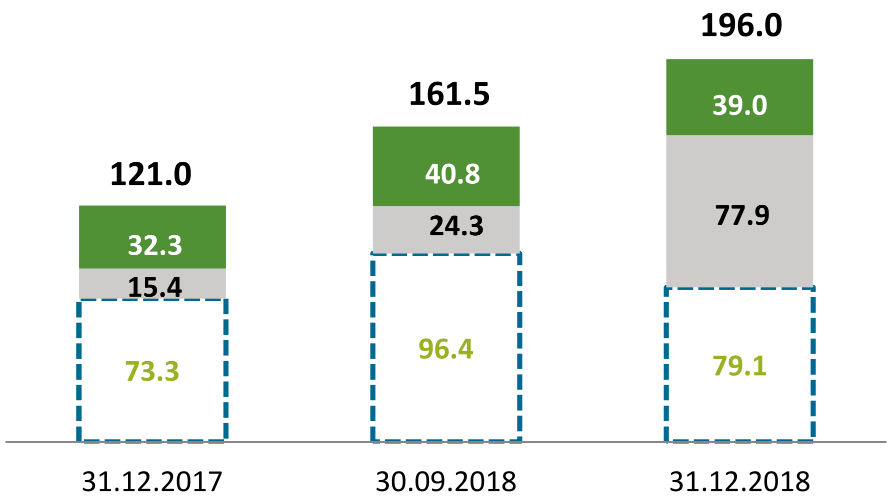
Notes: (1) 2018 funding cost figures do not benefit from -40bps ECB TLTRO II funding, while FY 2017 does for a total amount of €0.8m;
(2) CDP stands for Cassa Depositi e Prestiti (in particular is referring to a credit line).

Asset Quality driven by factoring business

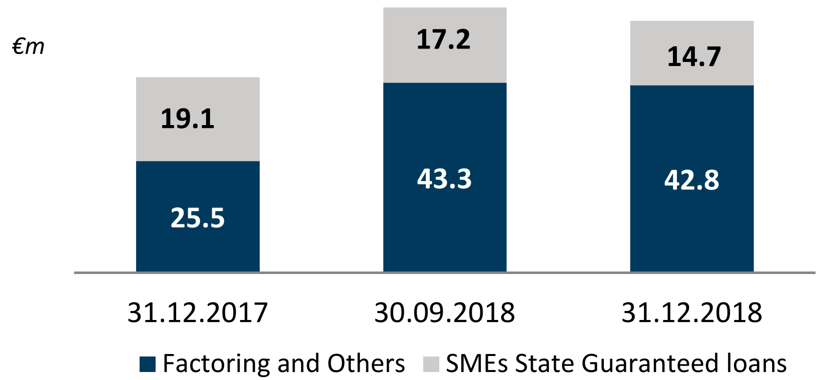
Gross Non Performing Exposures



Net Non Performing Exposures



Gross Bad loans breakdown



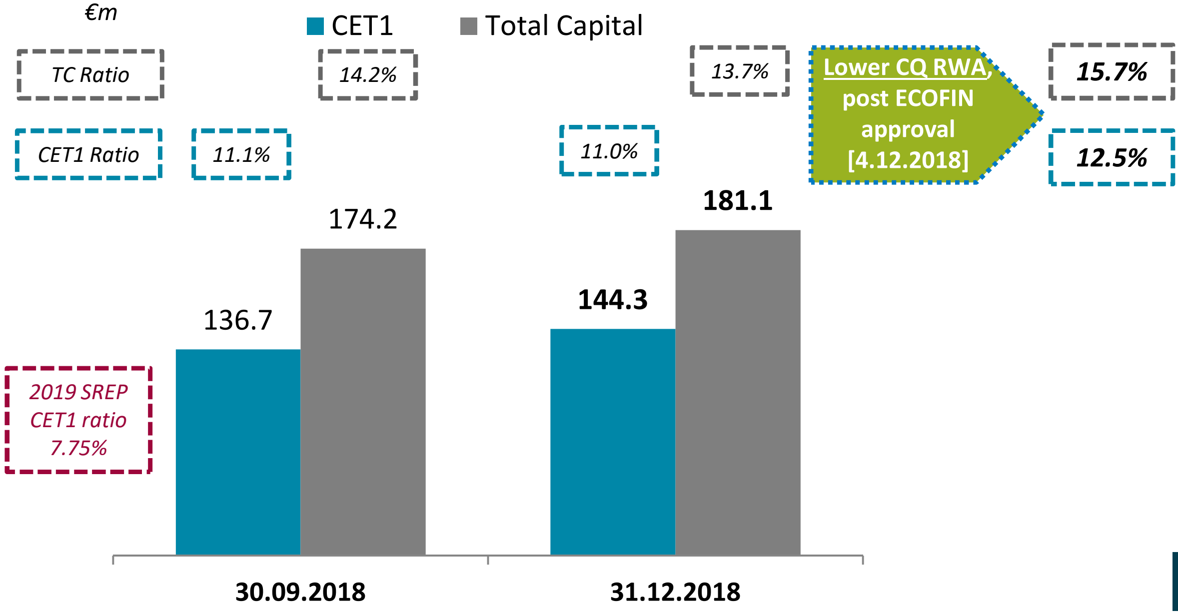
- Net Bad Loans represents 1.7% of total loans stable y/y
- Unlikely to Pay increase q/q is due to factoring to PA
- Past-dues is mainly attributed to factoring receivables without recourse from the Public Administration and is considered normal for the sector and does not represent an issue in terms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

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

BANCA SISTEMA

Regulatory Capital well above minimun requirements

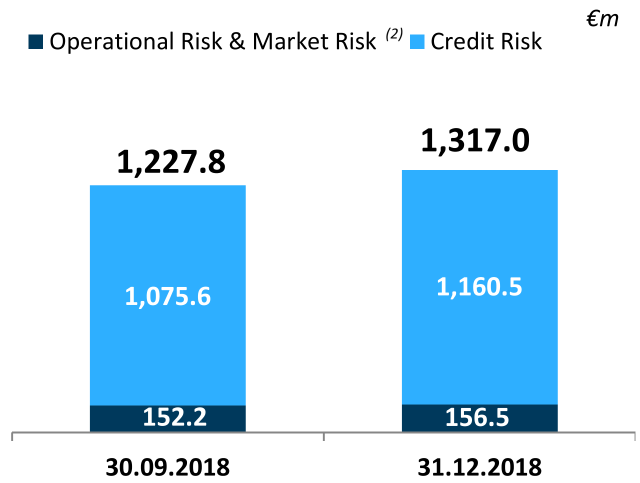
CET1 and Total Capital[1]



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

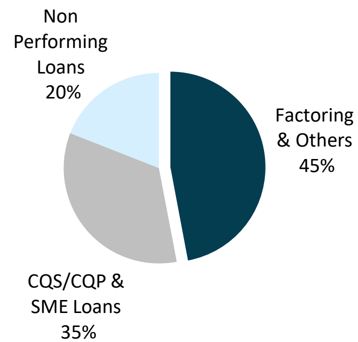
Impact of 'Held to Collect and Sell' reserve from Govies' ptf on FY 2018 CET1 ratio: -7bps (-24bps as at 30.09.2018)

RWA breakdown

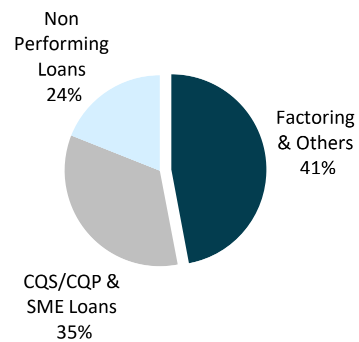


RWA – Credit Risk

30.09.2018



31.12.2018



Note: (1) CET1 and Total Capital, following CRR directive, are based on an expected dividend pay-out of ~25% of the Banca Sistema Holding Net Income; (2) RWA – Market Risk c. €8.7m as at 30.09.2018 and almost 0 as at 31.12.2018.

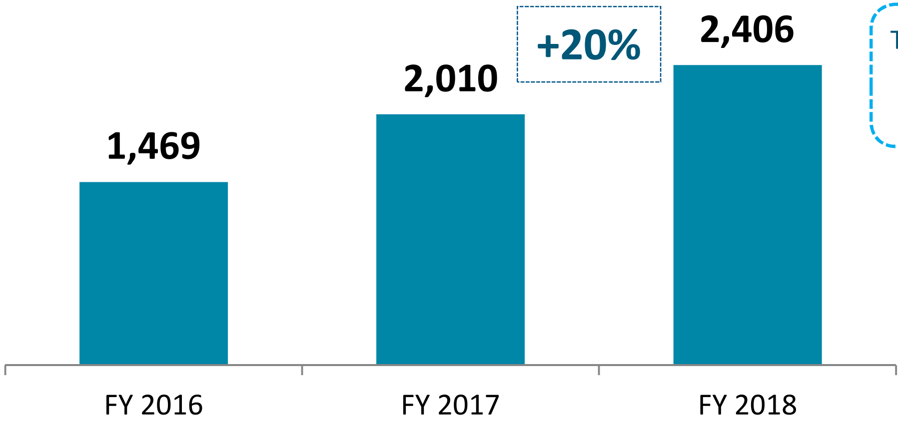
BANCA SISTEMA

Annexes

Factoring Turnover

Factoring Turnover

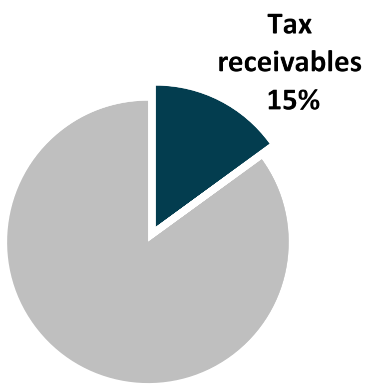
€m



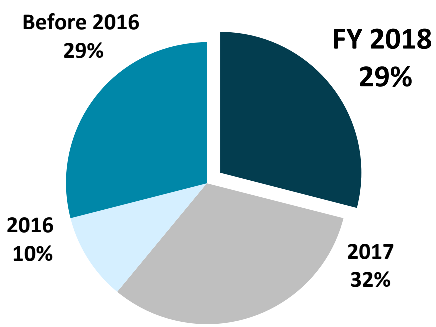
Turnover generated by agreements with Italian Retail banks: 28% in FY 2018 (29% FY 2017)

FY 2018 Factoring Turnover breakdown

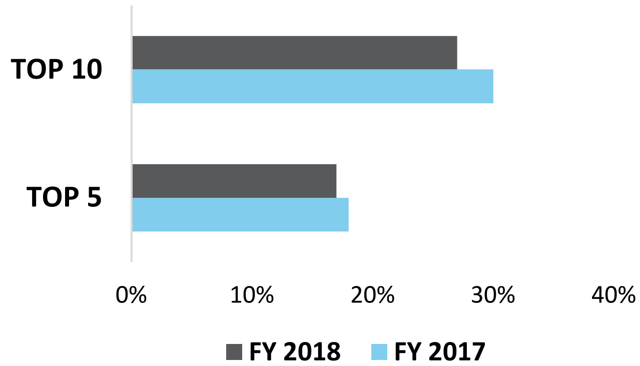
By Type



By Year of Customer's Acquisition



Customer Concentration



BANCA SISTEMA

Disclaimer

The distribution of this presentation in other jurisdictions may be restricted by law or regulation. Accordingly, persons who come into possession of this document should inform themselves of, and observe, these restrictions. To the fullest extent permitted by applicable law, the companies involved in the proposed business combination disclaim any responsibility or liability for the violation of such restrictions by any person.

<u>This presentation does not constitute or form part of, and should not be construed as, any offer or invitation to subscribe for, underwrite or otherwise acquire, any securities of Banca Sistema or any member of its group, nor should it or any part of it form the basis of, or be relied on in connection with, any contract to purchase or subscribe for any securities in Banca Sistema or any member of its group, or any commitment whatsoever.</u>

The information contained in this presentation is for background purposes only and is subject to amendment, revision and updating. Certain statements in this presentation are forward-looking statements under the US federal securities laws about Banca Sistema. Forward-looking statements are statements that are not historical facts. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements are generally identified by the words “expects”, “anticipates”, “believes”, “intends”, “estimates” and similar expressions. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions which could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements.

Banca Sistema do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as of the date of this presentation.

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