BANCA SISTEMA

FY2020 RESULTS

10 February 2021

FY 2020 Results at a Glance

Commercial performance	• **Factoring Turnover** +2% y/y equal to €3,101m, +10% excluding Tax receivables • **Joint Venture with EBN Banco for factoring in Spain** • **CQS/CQP outstanding** reached €934m, +14% y/y • **Gold/Jewelry backed loans ("Gold/Jewelry") outstanding reached €78m**, from €13m as at 30.06.2020 following the acquisition of the business unit from ISP
P&L	• **Net Interest Income** equal to €74.3m, **-8% y/y** • **Lower funding cost y/y at 0.6%** • **Total Income** equal to €101.5m, **+1% y/y** • **Cost of risk equal to 42bps**; €11.0m LLPs up y/y in line with expectations • **Total operating costs y/y increase** is mainly due to a higher contribution to the SRF, and non-recurring costs for the acquisition in Gold/Jewelry business (€2.1m) • **Net income** equal to €25.8m, down y/y, **€26.1m adjusted for non-recurring items** • **RoTE 15.6% in 2020**
Balance Sheet	• **Wholesale funding down q/q** (41% of Total Funds): BCE funding stable q/q at €690m. **Retail funding** up q/q driven by higher term deposit • **CET1 ratio at 12.6% and TC ratio at 16.1%**

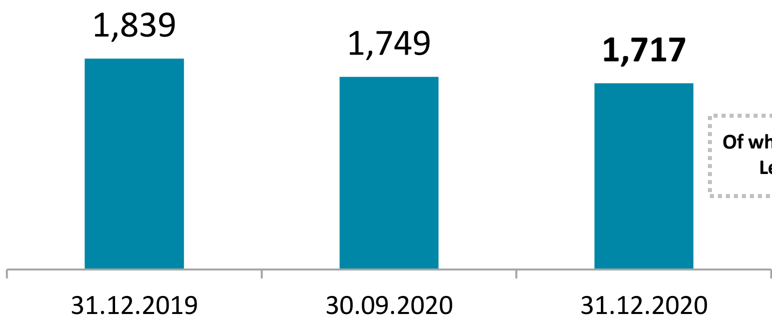
Note: Return on Tangible Equity (RoTE) is the ratio between the Group's Net Income for the period and the Group Shareholders' Equity excluding the amount posted under Intangible Assets.

Commercial performance

Factoring outstanding

€m

-7% y/y
-2% q/q

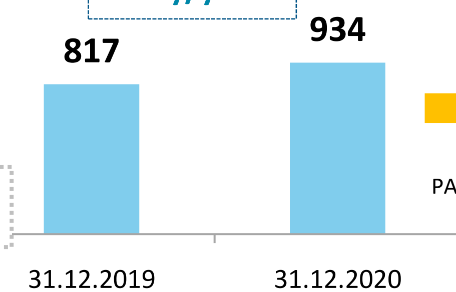


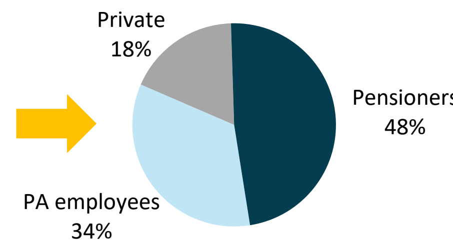
Of which 25% under Legal action

CQ loans outstanding

€m

+14% y/y

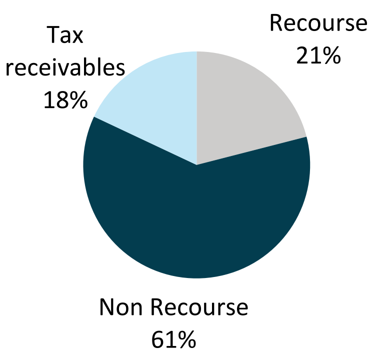




- €308m turnover in 2020 (€266m in 2019)
- €23m portfolio sold in 4Q20
- 12% direct origination through agents/brokers

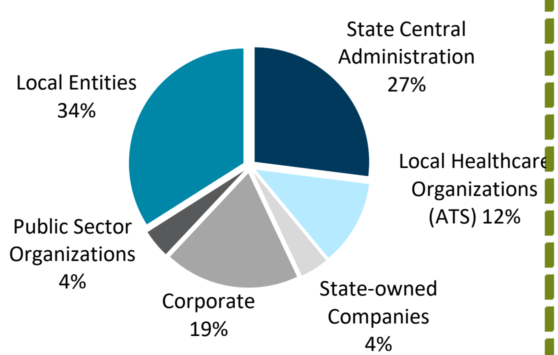
Outstanding breakdown (31.12.2020)

By Type of Product



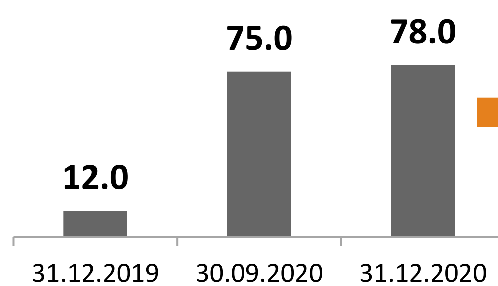
By Obligor

PA accounts for 83%



Gold/ jewelry backed loans outstanding

€m



Of which 54% split in three branches in two cities: Turin and Naples

- ~40k customers
- Total turnover in 2020 (including renewals): €69.5m
- #21 auctions in 4Q20, for a €2.7m cumulative turnover

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

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FY 2020 – Balance Sheet

Figures in millions of Euro

	31.12.2019	30.09.2020	31.12.2020	Change in % 31.12.2020 vs 31.12.2019
ASSETS				
Financial assets at fair value through Other Comprehensive Income **[Held to Collect and Sell]**	556	549	431	-22%
Loans at amortized cost	**2,677**	**2,793**	**2,694**	**0.6%**
Factoring	***1,715***	***1,589***	***1,482***	***-14%***
CQ	***817***	***931***	***934***	***14%***
Gold/Jewelry backed loans	***12***	***75***	***78***	***nm***
SMEs State Guaranteed loans	*12*	*54*	*74*	*nm*
Other	*121*	*144*	*129*	*7%*
Securities at amortized cost **[Held to Collect]**	435	448	448	3%
Tangible and Intangible assets	33	66	65	97%
Goodwill	*4*	*34*	*32*	*nm*
Equity investments	-	-	1	nm
Other assets	29	32	32	10%
Total assets	**3,730**	**3,888**	**3,671**	**-2%**
LIABILITIES AND EQUITY				
Due to banks	**388**	**839**	**870**	**nm**
of which ECB exposure	*358*	*690*	*690*	*93%*
Due to customers	**2,552**	**2,226**	**2,163**	**-15%**
of which term deposits	*1,326*	*1,131*	*1,217*	*-8%*
of which current accounts	*682*	*689*	*634*	*-7%*
Debt securities issued	477	424	248	-48%
Other liabilities	136	199	183	35%
Shareholders Equity	177	200	207	17%
Total liabilities and equity	**3,730**	**3,888**	**3,671**	**-2%**

- **Govies' portfolio (€873m) down q/q**, with an average duration of 13.0 months, it includes €425m 'Held to Collect and Sell', with an average duration of 14.8 months
- **Loans at amortized cost down q/q (€2,689m**) and up vs. 2019 year-end:
  - **Factoring receivables** down 14% at €1.5bn (€1.7bn as at 31.12.2019)
  - **CQ loans stable q/q** due to the sale of €23m ptf and up vs 2019 year-end
  - **Gold/Jewelry up** y/y following the acquisition of the business unit
- **Goodwill** increase is driven by the acquisition of the Gold/Jewelry business unit, slightly down q/q as a consequence of the final allocation of the purchase price (PPA)
- **Due to banks** q/q increase is driven by interbanking. ECB funding stable at €690m (of which €491m TLTRO III)
- **Due to customers decrease q/q** is mainly driven by the decrease of Repo as a consequence of Govie's ptf reduction that has more than compensated q/q increase of term deposits, in particular the foreign component
- **Debt securities** decrease q/q is due to repayment of the Senior bond (€175m)

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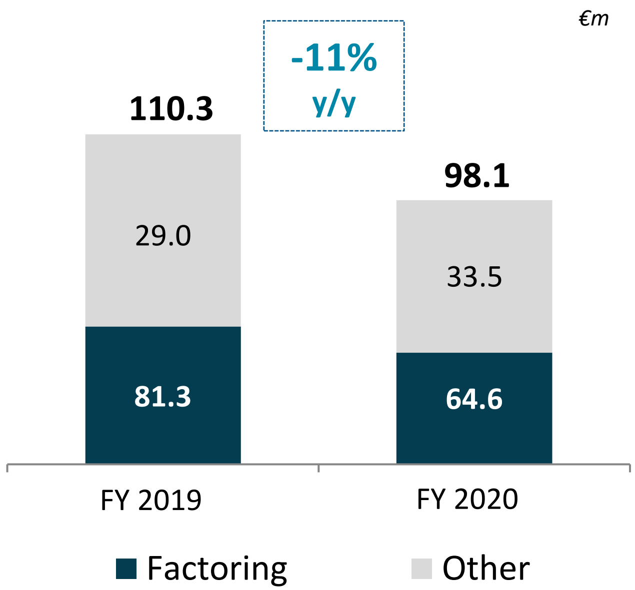
Interest income mainly driven by factoring revenues

- **FY 2020 Interest Income is down 11% y/y, drop is driven mainly by lower contribution of Factoring in the last 3 quarters of the year**
- Factoring represents 66% of Total Interest Income (74% in 2019)
- Lower contribution y/y by **factoring LPIs from legal action** (33% of the factoring Interest Income; 36% in 2019), in FY 2020 equal to €21.6m (€29.0m FY 2019):
  - of which €1.0m related to the change of accrual rates, following the update of the collection rates (€5.1m in 2019)
  - of which accrual €9.0m (€12.0m in 2019)
  - of which "extra collection" €11.6m (€11.9m in 2019)
- Factoring lower contribution to the Interest Income is also driven by lower contribution of tax receivables
- **Other – Interest Income includes**:
  - CQ contribution for €22.4m (€23.0m in 2019)
  - Gold/Jewelry contribution for €3.1m (€0.7m in 2019)
- **Adjusted Income margin down y/y, driven by factoring and also CQ**

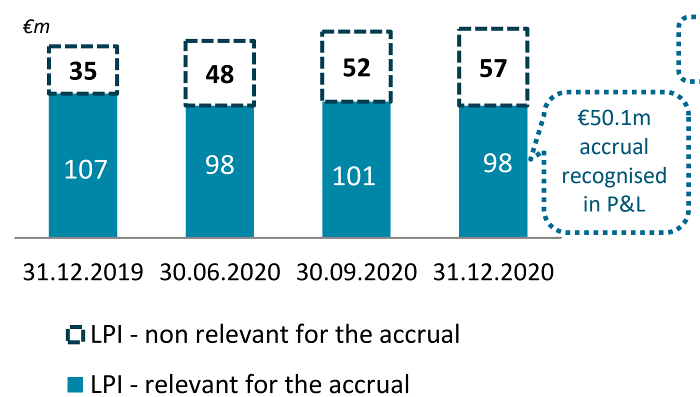
Total Interest Income



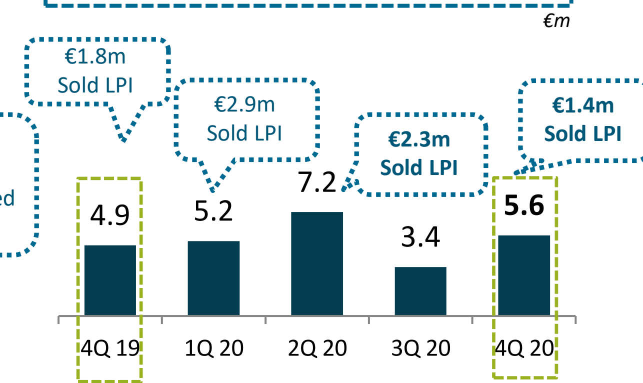
Adjusted Income margin[1]

	FY19	FY20
Total	5.2% €124.7m	4.5% €113.9m
Factoring	*6.1% €99.8m*	*5.3% €84.7m*
CQ	*3.1% €23.0m*	*2.7% €22.4m*
'Gold/ Jewelry'		*13.9% €6.1m* (Including gains following the auction, classified among costs: **14.4%**)

Due LPI Stock – Assets in legal action



Total collected cashed-in LPI

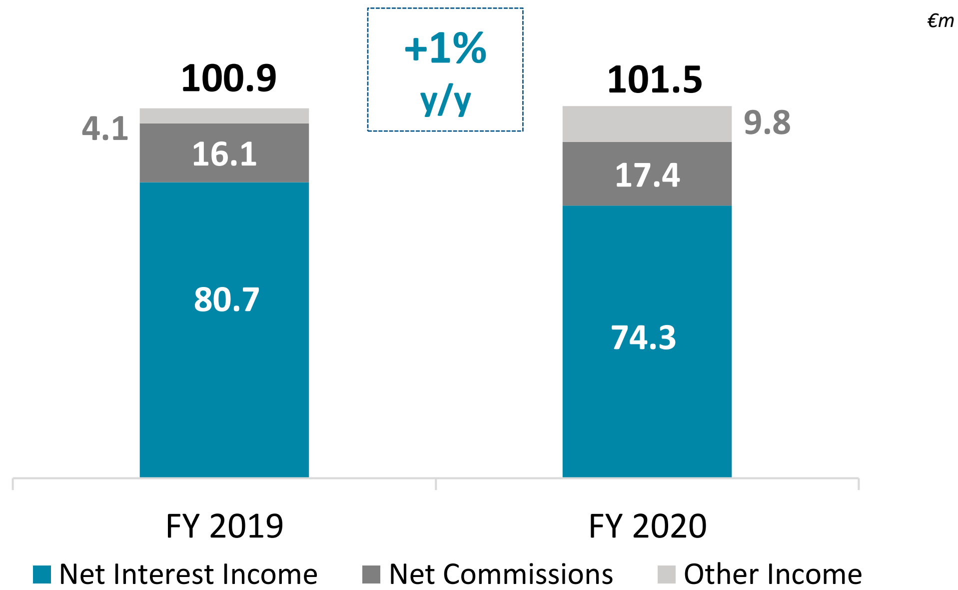


Note: (1) Calculated as [Period Interest Income + Commission Income] / [Average end of period net customer loans] - excluding the contribution from securities portfolio, PPA, credit due from banks and Repo (Balance Sheet and Financial Statement figures).

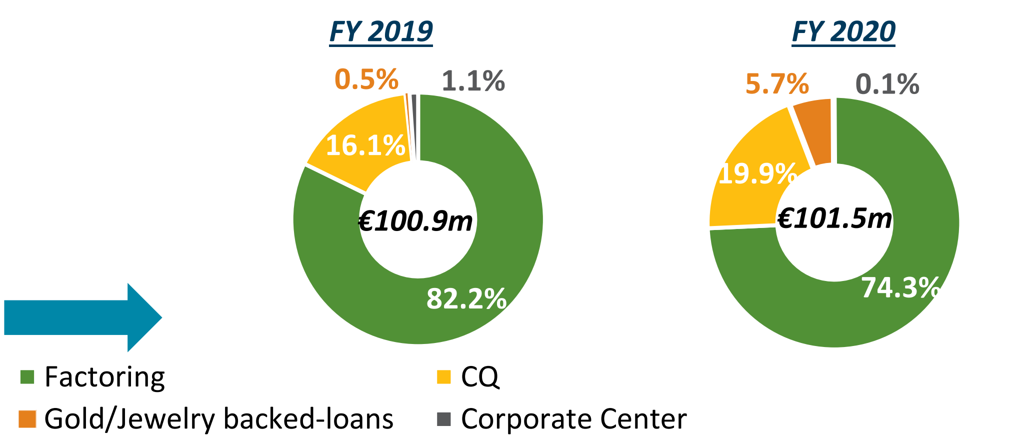
Total Income roughly stable y/y

- **FY 2020 Total Income roughly stable with +1% y/y**, thanks to the contribution of **Other Income** (Treasury activity and Sale of factoring/CQ ptf) and **Net Commissions**
- **NII 8% y/y decrease is driven by Interest Income decrease, while Interest Expenses are down -20% y/y**. Total Cost of funding (0.8% in 2019) is lower y/y, equal to 0.6%, thanks to a good balance between diversification of the funding sources and duration
- **Net Commissions up y/y.** Since Q2 2019, commission income and expenses include CQ component from direct origination
- **Other Income** includes €2.5m gain from the sale of a factoring ptf in 2020 (€0.4 in 4Q 20) and €1.4m gain from the sale of a CQ ptf in 4Q 20
- Higher contribution of the **Govies' portfolio, €10.1m** (€6.9m in 2019) of which €4.5m to the NII (€2.8 in 2019) and €5.7m to Other Income (€4.2m in 2019)
- Further diversification of revenues reached in 2020

Total Income



Total Income by Business Line



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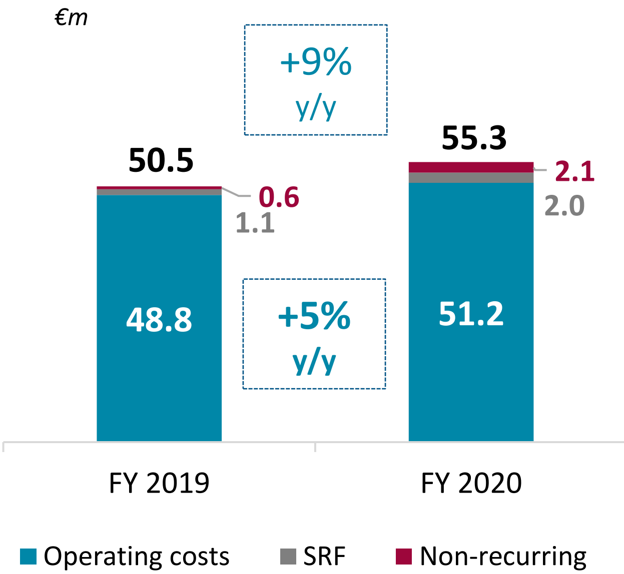
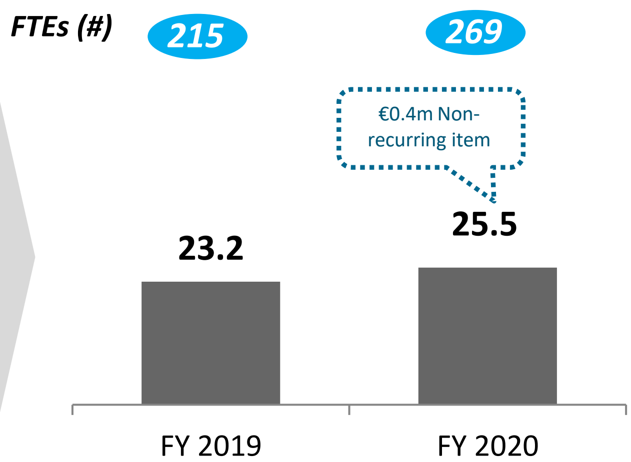
Costs up due to higher SRF and non-recurring items

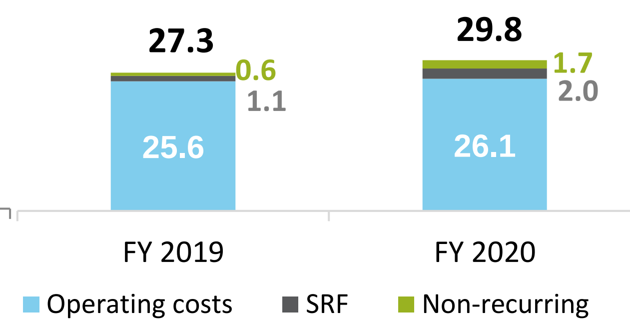
Total Operating Costs



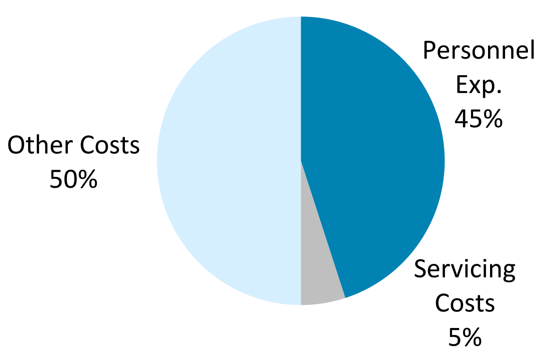
Personnel Expenses



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



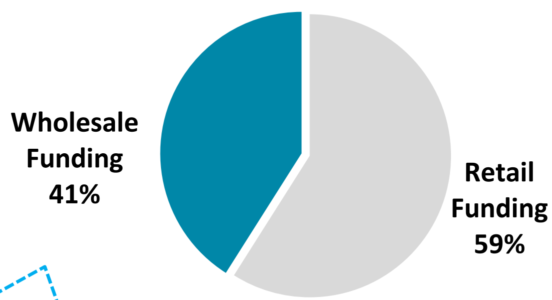
Total Operating Costs Breakdown



- Personnel Expenses are up y/y mainly due to higher FTEs following the acquisition of Gold/Jewelry business unit
- Overall non-recurring expenses related to the acquisition of the business unit equal to €2.1m
- Atlantide quarterly contribution to the cost base since Q2 2019 is around €0.6m per quarter. In 9M 2019, we have registered €0.6m non-recurring integration costs for Atlantide merger
- Other expenses item has been impacted by the contribution to the Single Resolution Fund (SRF) for +€0.9m y/y

Lower funding cost y/y

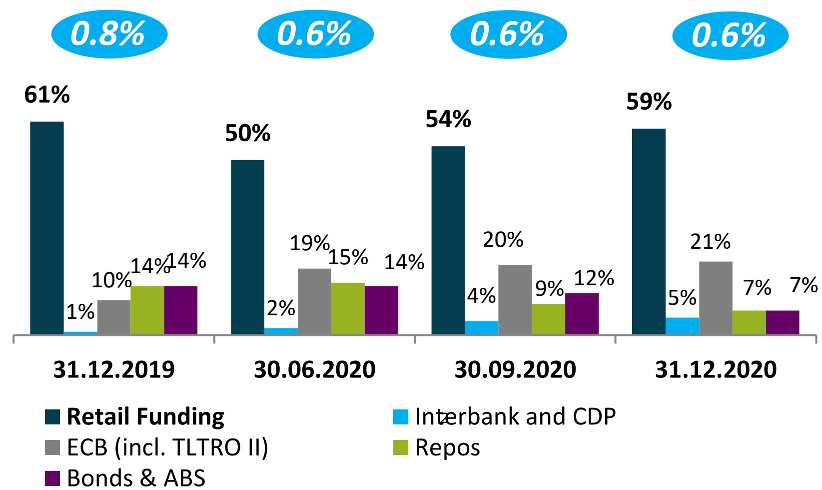
Total Funding breakdown



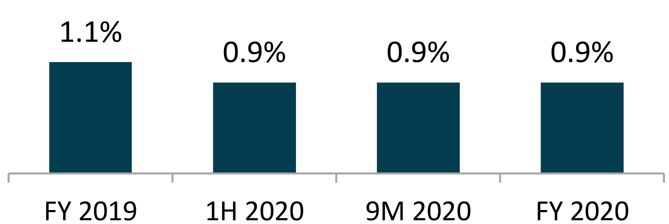
This component includes Repos related to Govies's ptf

Total Funding breakdown

Funding Cost



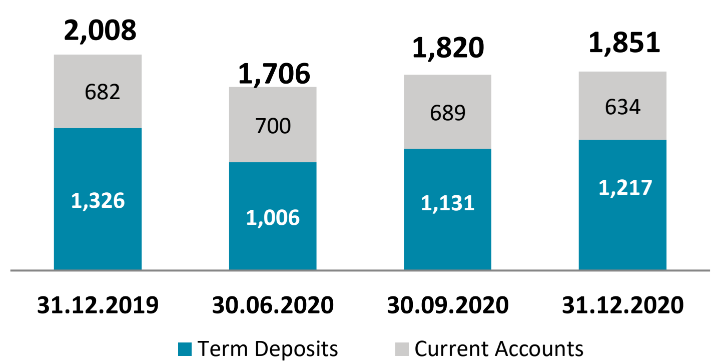
Retail Funding Cost



Retail Funding

€m

Average residual maturity of deposits is c.11 months



- Cost of funding lower y/y and stable q/q
- Wholesale component decrease q/q lower is due to the reduction of the Govie's ptf and the redemption of the senior bond. ECB funding equal to €690m, of which €491m TLTRO III (max TLTRO III allowance €491m), is stable q/q
- Retail Funding up q/q, due to Term Deposits stock
- Interbanking slightly up q/q
- No replacement in 4Q 2020 of the €175m Wholesale Senior bond repaid in October

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

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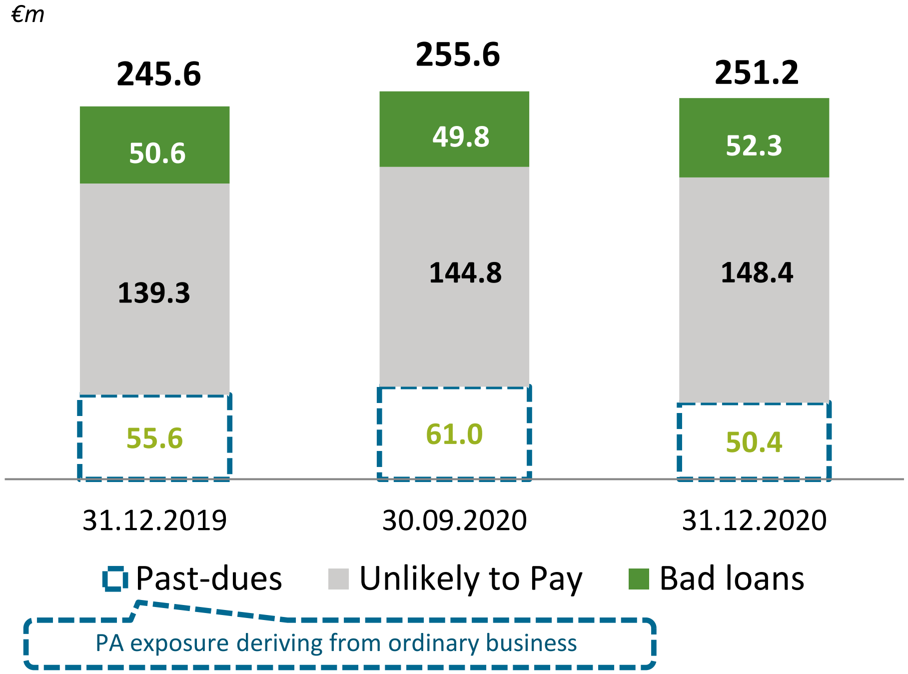
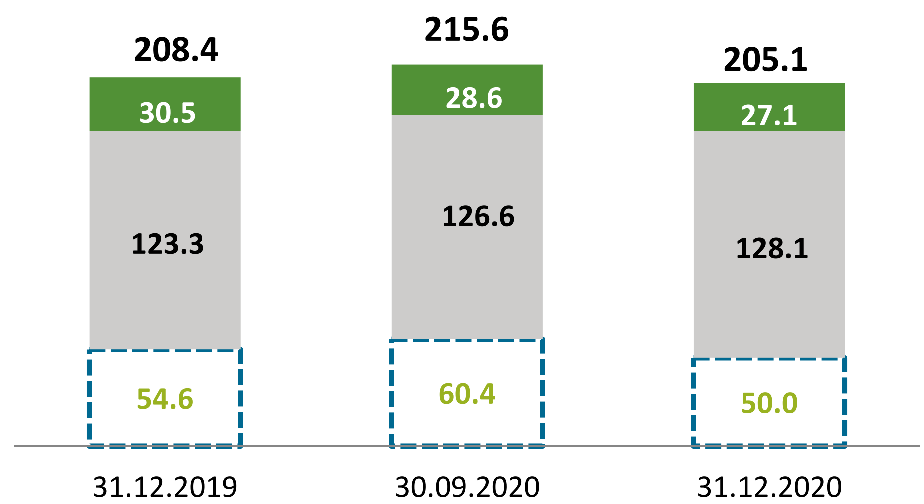
Asset Quality driven by factoring business

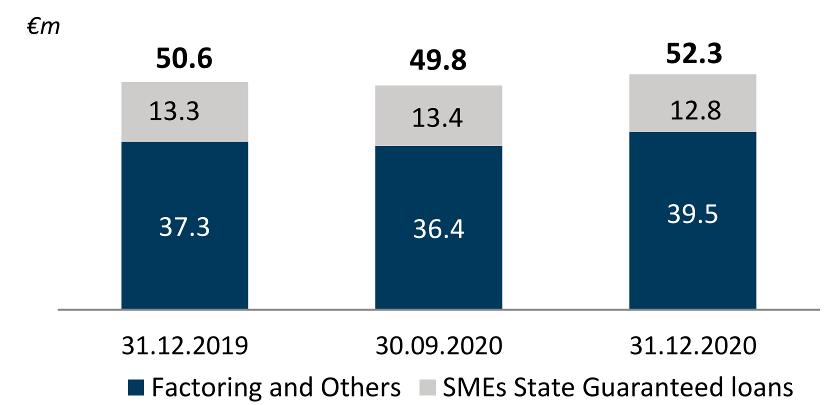
Gross Non Performing Exposures



Net Non Performing Exposures



Gross Bad loans breakdown

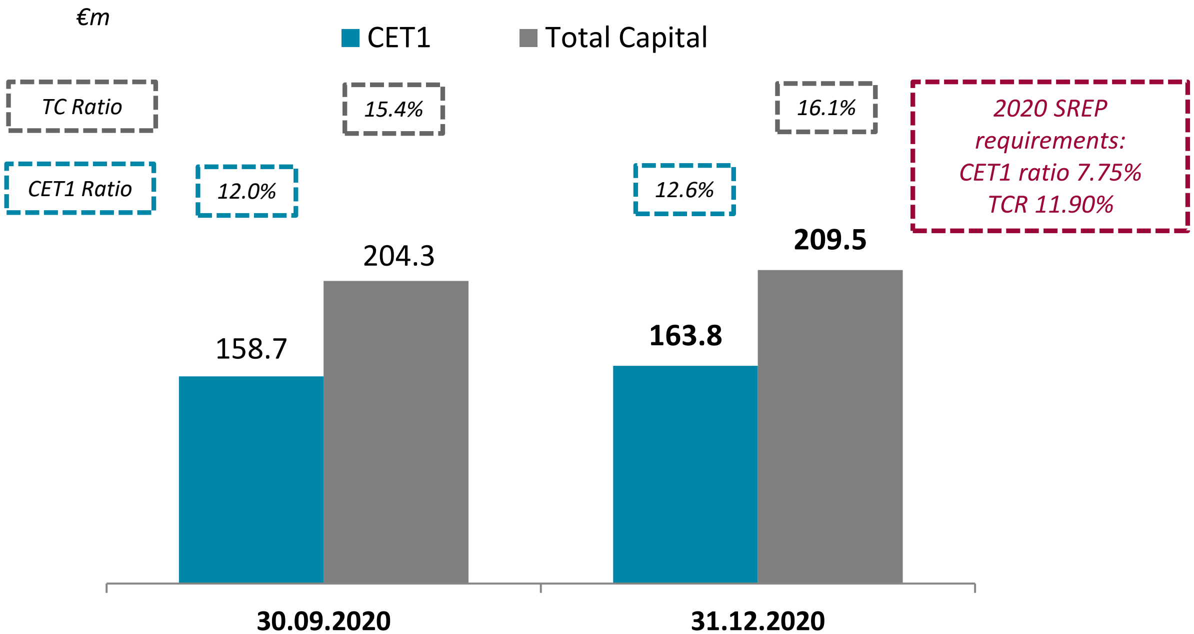


- Gross Non Performing Exposures down q/q mainly due to Past-dues trend
- Net Bad Loans represents 1% of total loans stable q/q
- Past-dues decrease is due to factoring to PA exposures
- FY 20 Cost of credit risk at 42bps (36bps FY 2019). Part of the LLPs in 2Q and 3Q 2020 are consequence of the update of the models for the provision on the performing loans, due to the worsening of the macroeconomic context caused by the ongoing health emergency (Covid-19)

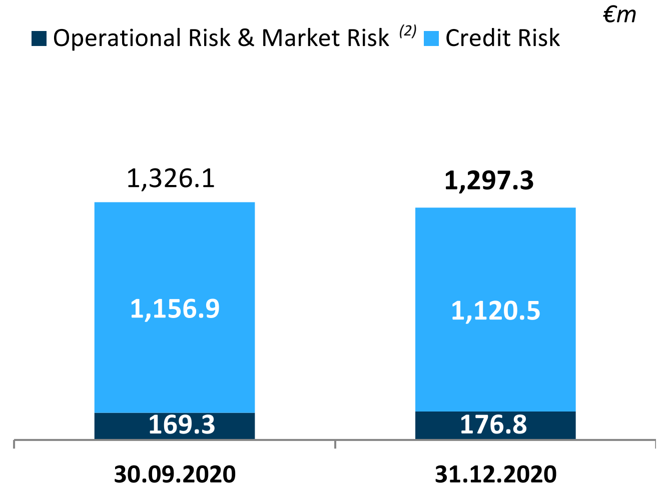
Note: NPE analysis is referring exclusively to the former Balance Sheet item, "Customer loans", that based on new scheme, following the introduction of IFRS 9, is part of the Balance Sheet item "Loan at amortized cost".

Regulatory Capital well above minimum requirements

CET1 and Total Capital[1]



RWA breakdown



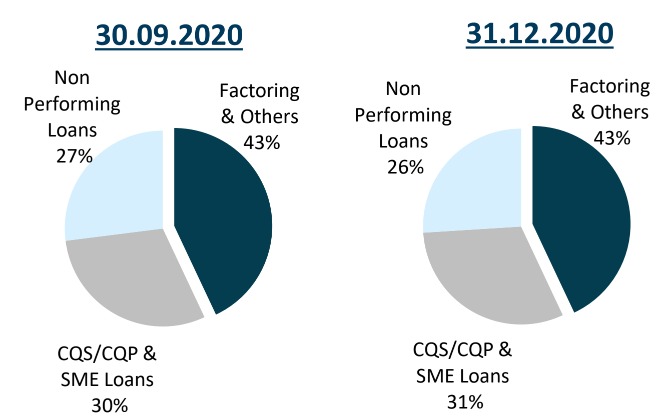
FY20 Net income

In continuity with the past, in line with approved quarterly reports, and taking into account current and future Covid-19 related impacts on capital strength and on the business growth outlook, the Board of Directors confirmed that it will propose to Shareholders at the General Meeting to retain 75% of the Parent company net income (corresponding to euro 25,745,540.65). Upon discussing with the Bank of Italy, the Board of Directors will prepare its proposal to be submitted to Shareholders for the part of the retained net income.

2019 Dividend

In today's meeting the Board of Directors has determined to convene the General Shareholders Meeting on 25 March 2021 to resolve on the 2019 dividend payment for the financial year ended on 31 December 2019, as, during the General Meeting held on 27 November 2020, the Shareholders had decided to postpone the decision to a new meeting to be called by the Board of Directors by 31 March 2021 at the latest. In the same meeting, the Board of Directors has also resolved to promptly engage in a dialogue with the Bank of Italy.

RWA – Credit Risk



Note: (1) CET1, Tier1 and Total Capital, following CRR directive, are based on an expected dividend pay-out of ~25% of the Banca Sistema Holding Net Income; (2) RWA – Market Risk ~0 as at 31.12.2019 and 30.06.2020.

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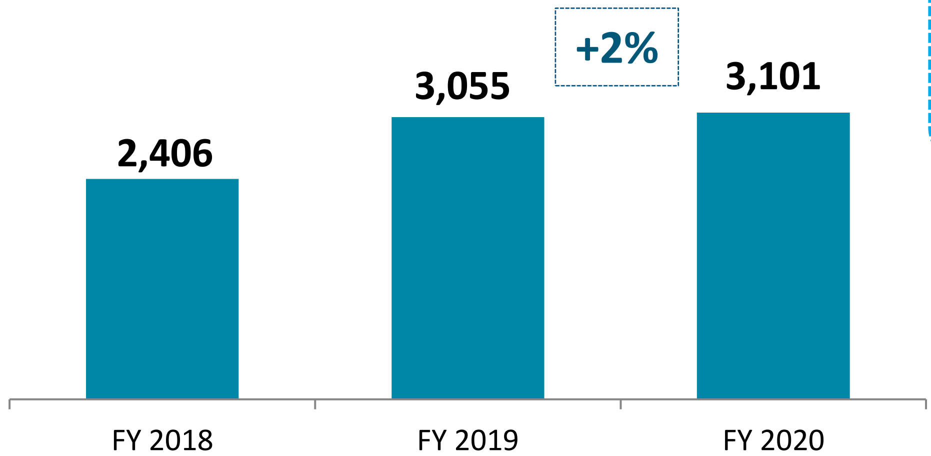
Annexes

Factoring Turnover

Factoring Turnover

€m

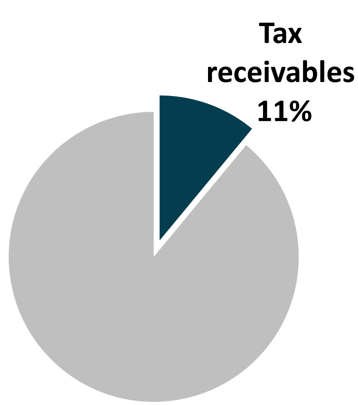


+10% y/y ex. Tax Receivables

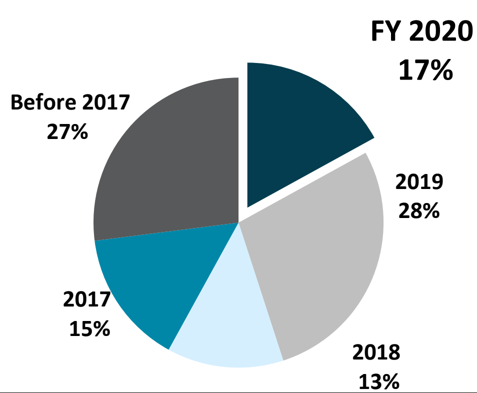
Turnover generated by agreements with Italian Retail banks: 26% in 2020

FY 2020 Factoring Turnover breakdown

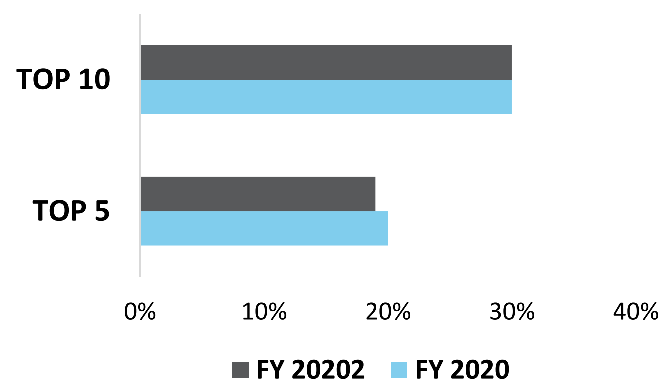
By Type



By Year of Customer's Acquisition



Customer Concentration



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FY 2020 – Income Statement

Figures in millions of Euro

	FY 2019	1Q 2019	2Q 2019	3Q 2019	4Q 2019	FY 2020	1Q 2020	2Q 2020	3Q 2020	4Q 2020	FY 20 vs FY 19 change in %
Interest income	110.3	21.6	27.0	31.7	30.0	98.1	22.4	23.5	25.7	26.5	-11%
Interest expenses	(29.6)	(7.0)	(7.1)	(7.8)	(7.7)	(23.8)	(6.4)	(6.1)	(6.3)	(5.0)	-20%
Net interest income	**80.7**	**14.7**	**19.8**	**23.9**	**22.3**	**74.3**	**15.9**	**17.4**	**19.5**	**21.5**	**-8%**
Commission income	22.5	5.1	5.9	6.0	5.5	24.3	6.0	5.7	5.6	7.0	8%
Commission expenses	(6.4)	(1.1)	(1.7)	(1.7)	(1.9)	(6.9)	(1.8)	(1.8)	(1.7)	(1.6)	7%
Net commission	**16.1**	**4.0**	**4.2**	**4.3**	**3.6**	**17.4**	**4.2**	**3.9**	**3.8**	**5.5**	**8%**
Dividends and similar income	0.2	-	0.2	-	0.0	0.2	-	0.2	-	0.0	nm
Net income from trading	0.2	0.3	(0.1)	-	0.0	0.0	-	0.1	(0.0)	(0.0)	-82%
Net income from disposal/repurchase assets:	3.7	0.4	0.6	0.7	2.0	9.5	1.9	2.3	2.9	2.4	nm
a) measured at amortised cost	1.1	-	-	-	1.1	4.2	1.3	0.6	0.6	1.7	nm
b) measured at fair value through other comprehensive income	2.6	0.4	0.6	0.7	0.9	5.3	0.6	1.7	2.3	0.7	nm
Total income	**100.9**	**19.3**	**24.8**	**29.0**	**27.8**	**101.5**	**22.0**	**23.9**	**26.2**	**29.4**	**1%**
Net impairment losses on loans	(9.1)	(2.6)	(2.2)	(1.6)	(2.7)	(11.0)	(1.9)	(3.2)	(2.1)	(3.8)	21%
Net operating income	**91.9**	**16.7**	**22.6**	**27.3**	**25.3**	**90.5**	**20.1**	**20.7**	**24.1**	**25.6**	**-1%**
Personnel expenses	(23.2)	(4.9)	(5.6)	(5.2)	(7.5)	(25.5)	(5.7)	(5.4)	(6.1)	(8.3)	10%
Other expenses	(27.3)	(5.9)	(7.2)	(6.4)	(7.8)	(29.8)	(7.6)	(6.3)	(7.4)	(8.5)	9%
Operating expenses	**(50.5)**	**(10.8)**	**(12.8)**	**(11.6)**	**(15.3)**	**(55.3)**	**(13.3)**	**(11.7)**	**(13.5)**	**(16.8)**	**9%**
Profits from investments disposal	-	-	-	-	-	1.1		1.1	-	(0.0)	nm
Pre-tax profit from continuing operations	**41.4**	**5.9**	**9.9**	**15.6**	**10.0**	**36.3**	**6.8**	**10.1**	**10.6**	**8.8**	**-12%**
Taxes on income for the period/year from continuing operations	(12.2)	(2.0)	(3.2)	(5.3)	(1.7)	(11.0)	(2.2)	(2.7)	(3.4)	(2.7)	-10%
Profit after tax from discontinued operations	0.6	0.6	-	-	(0.0)	-	-	-	-	-	nm
Profit (loss) for the year/period	**29.7**	**4.5**	**6.7**	**10.2**	**8.3**	**25.3**	**4.6**	**7.4**	**7.2**	**6.1**	**-15%**
Minority interests	-	-	-	-	-	0.5	-	0.1	0.2	0.2	nm
Profit (loss) for the year/period attributable to the shareholders of the Parent	**29.7**	**4.5**	**6.7**	**10.2**	**8.3**	**25.8**	**4.6**	**7.5**	**7.4**	**6.3**	**-13%**

Note: The item Interest income includes the negative component, registered by the subsidiary ProntoPegno SpA, of the PPA relating to the year 2020 equal to €0.3 million.

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