



**BANCA**

**S I S T E M A**

**FY 2021 RESULTS**

10 February 2022

# FY 2021 Results at a Glance

## Commercial performance

- **Factoring Turnover** +16% y/y equal to €3,611m; +8% q/q factoring Outstanding
- **CQ outstanding** at €932m, stable y/y (+4.6% excluding the sales of assets); slightly lower q/q
- **Pawn loans outstanding** reached €90m, +16% y/y and up q/q
- **SMEs State guaranteed loans** outstanding equal to €160m up y/y (€74m in 2020)

## P&L

- **Net Interest Income** equal to €82.0m, **+10% y/y**
- **Lower funding cost y/y at 0.4%**
- **Total Income** equal to €108.0m, **+6% y/y**
- **Cost of risk equal to 40bps**, 42bps in 2020
- **Total operating costs equal to €62.9m**
- **Net income equal to €23.3m**, corresponding to a **RoTE** equal to **13.1%**

## Balance Sheet

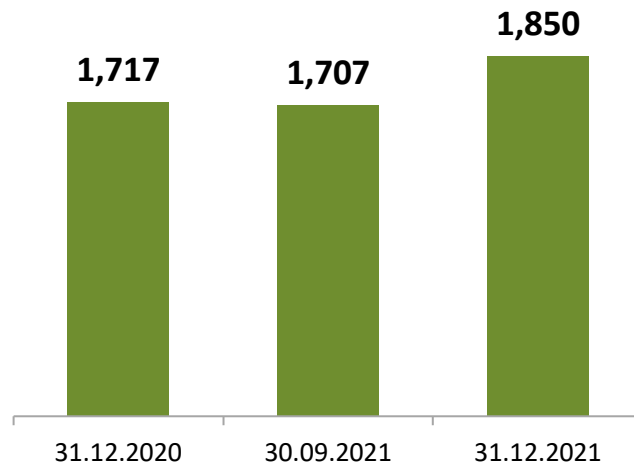
- **Wholesale funding down q/q** (32% of Total Funds): BCE funding at €540m stable q/q and down y/y
- Total assets equal to €3.7bn almost stable y/y and **Leverage ratio** equal to 6.0% (4.7% in 2020)
- **CET1 ratio at 11.6%** and **TC ratio at 14.6%**

# Factoring commercial performance

## Factoring outstanding

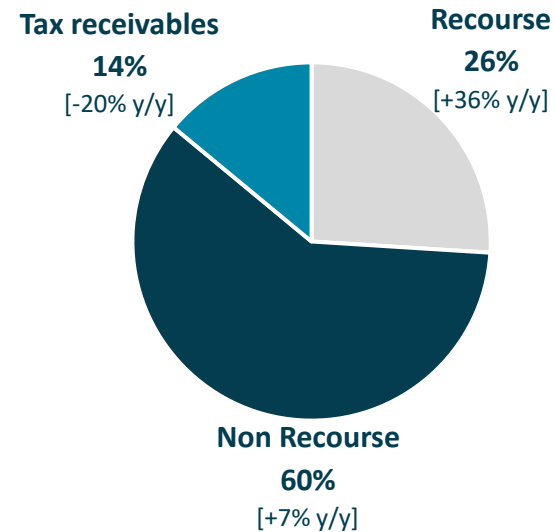
€m

+8%  
y/y



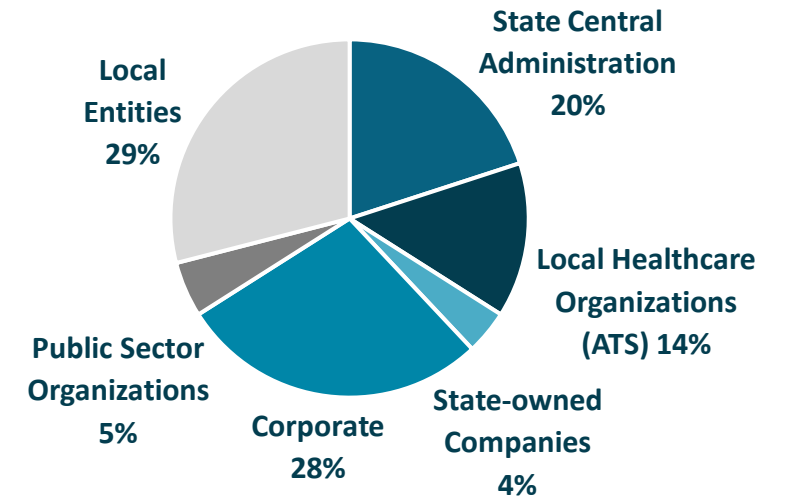
## Outstanding breakdown (31.12.2021)

### By Type of Product



### By Obligor

PA accounts for 72%

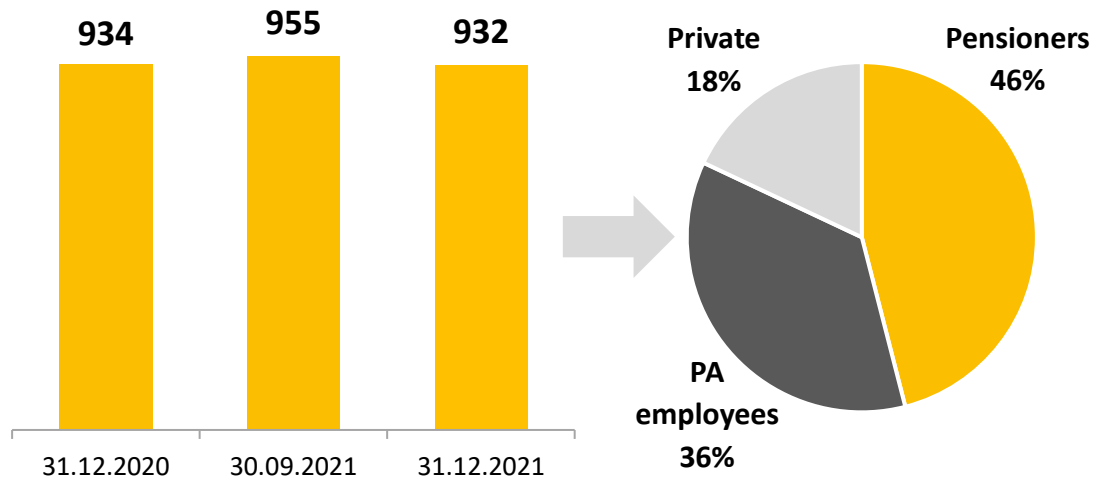


Note: Factoring outstanding management account. Factoring customer loans, item of the Balance Sheet (slide 4) differ from management account for the following elements: Recourse factoring non-financed portion; Provisions; LPI; deferred income.

# CQ and Pawn loans commercial performance

## CQ loans outstanding

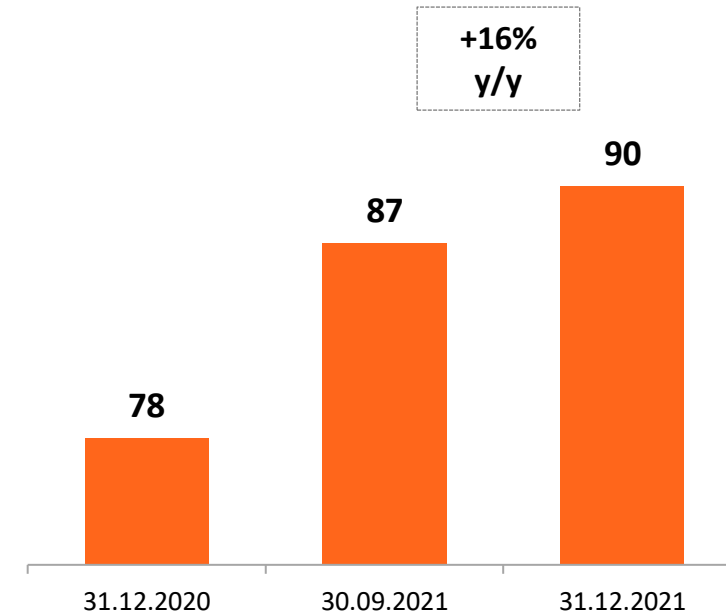
€m



- €299m turnover in 2021 (€308m in 2020)
- 29% direct origination through agents/brokers (>2x 2020)
- ~€70m ptf sold in 4Q21 (€23m in 4Q20)

## Pawn Loans outstanding

€m



- ~55k contracts
- Total turnover in 2021 (including renewals): €154m
- #78 auctions in 2021, for a €4.8m cumulative turnover

Figures in millions of Euro

	31.12.2020	30.09.2021	31.12.2021	Change in % 31.12.2021 vs 31.12.2020
<b>ASSETS</b>				
Cash and cash equivalents	69	65	176	nm
Financial assets at fair value through Other Comprehensive Income [Held to Collect and Sell]	431	454	451	5%
<b>Loans at amortized cost</b>	<b>2,628</b>	<b>2,665</b>	<b>2,770</b>	<b>5%</b>
<b>Factoring</b>	<b>1,482</b>	<b>1,443</b>	<b>1,542</b>	<b>4%</b>
<b>CQ</b>	<b>934</b>	<b>955</b>	<b>932</b>	<b>nm</b>
<b>Pawn loans</b>	<b>78</b>	<b>87</b>	<b>90</b>	<b>16%</b>
SMEs State Guaranteed loans	74	131	160	116%
Other <sup>(1)</sup>	60	49	46	-23%
Securities at amortized cost [Held to Collect]	448	184	184	-59%
Tangible and Intangible assets	66	74	74	12%
Other assets	29	34	54	86%
<b>Total assets</b>	<b>3,671</b>	<b>3,476</b>	<b>3,709</b>	<b>1%</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Due to banks</b>	<b>870</b>	<b>592</b>	<b>592</b>	<b>-32%</b>
of which ECB exposure	690	537	540	-22%
<b>Due to customers</b>	<b>2,164</b>	<b>2,275</b>	<b>2,472</b>	<b>14%</b>
of which term deposits	1,217	1,256	1,387	14%
of which current accounts	634	741	775	22%
Debt securities issued <sup>(2)</sup>	240	169	193	-20%
Other liabilities	182	179	186	2%
<b>Shareholders Equity</b>	<b>215</b>	<b>261</b>	<b>266</b>	<b>23%</b>
<b>Total liabilities and equity</b>	<b>3,671</b>	<b>3,476</b>	<b>3,709</b>	<b>1%</b>

## FY 2021 – Balance Sheet

- **Govies' portfolio (€630m) almost stable q/q but bown y/y**, with an average duration of 31.3 months, it includes €446m 'Held to Collect and Sell', down y/y, with an average duration of 31.4 months
- **Loans at amortized cost up q/q and y/y (€2,770m):**
  - **Factoring receivables** above €1.5bn, up 4% y/y and up q/q
  - **CQ loans substantially stable y/y**, down q/q, although the sale of a ~€70m ptf in 4Q21
  - **Pawn Loans up every quarter since 2020 year-end** thanks to organic growth
  - **Strong growth on SMEs State guaranteed loans up y/y**
- **Tang. assets up y/y** due to the acquisition of a building in Rome
- **Due to banks y/y decrease** is driven mainly by ECB funding
- **Due to customers increase y/y** is substantially driven by the increase of term deposits and current accounts. Q/q also term deposits and current accounts have registered a positive trend
- **Debt securities decrease y/y**, although higher funding through ABS as collateral, is due to the maturity of a bond (private placement), the reclassification of the AT1 bond (€8m) in Shareholders Equity and the repayment of T2 bonds (substituted with a new AT1 bond; €37.5m). Q/q increase is driven by higher funding through ABS.
- **Shareholders Equity since Q2 2021** includes all AT1 bonds<sup>2</sup>

Note: (1) The item include "Loans to banks" respectively as at 31.12.2020, 30.09.2021 and 31.12.2021 equal to €25.6m, to €27.4m and to €33.4m; 2) For the sake of a better comparison, following the reclassification of the AT1 bond (amounting to €8 million) in Shareholders Equity (item 140 "Equity instruments" of the Balance Sheet), previously classified in Debt securities, the Balance Sheet as at 31 December 2020 was also restated.

- **FY 2021 Interest Income stable y/y, with a higher contribution from Pawn loans and SMEs State guaranteed loans contribution (+€3.5m y/y)**

- Factoring represents 61% of Total Interest Income (66% in 2020)

- Lower overall contribution y/y by factoring, although higher in 4Q21 vs 4Q20 and vs 3Q21. Stable **factoring LPIs from legal action** equal to €21.5m (€21.6m in 2020):

- of which accrual €11.4m (€10.0m in 2020)
- of which “extra collection” €10.1m (€11.6m in 2020)

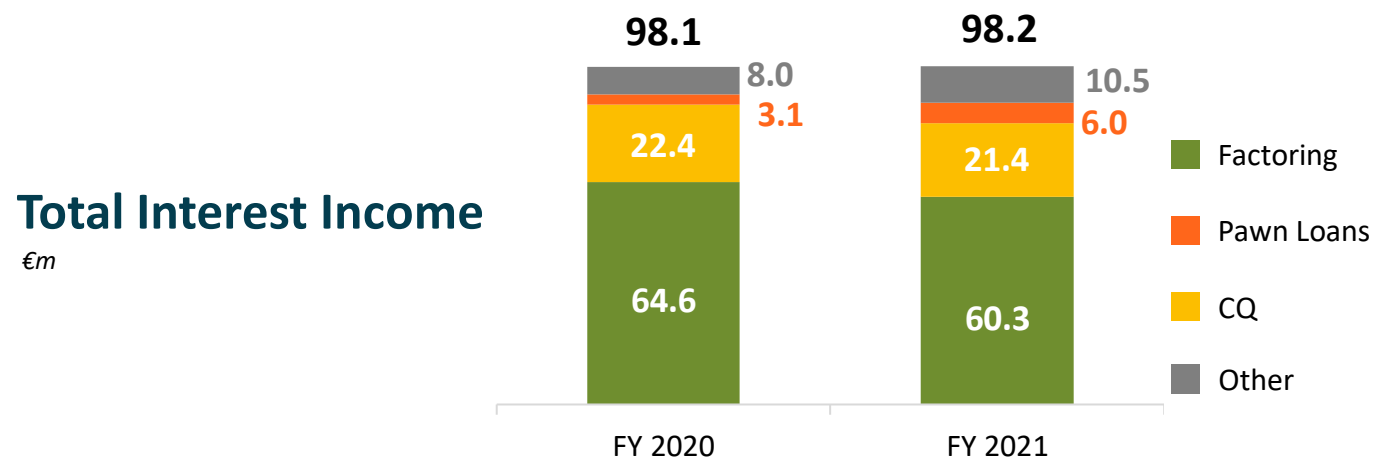
- Factoring contribution has been mainly influenced by the lower contribution from tax receivables

- CQ contribution influenced by prepayment effect

- Pawn loans contribution in line with outstanding quarterly growth

- **Total Adjusted Income margin slightly lower y/y, with factoring margin down (for both interest and commission income) and CQ margin stable (better in 4Q21, thanks to the sale of a loans ptf)**

## Well diversified Interest income



	FY20	FY21
<b>Adjusted Income margin<sup>1</sup></b>		
<b>Total<sup>2</sup></b>	<b>4.5%</b> €115.3m	<b>4.4%</b> €117.0m
<b>Factoring</b>	<b>5.3%</b> €84.7m	<b>4.9%</b> €74.8m
<b>CQ</b>	<b>2.7%</b> €23.9m	<b>2.7%</b> €25.1m
<b>Pawn Loans</b>	<b>13.9%</b> €5.8m	<b>15.3%</b> €12.7m

Note: (1) Calculated as [Period Interest Income + Commission Income + Gain for asset disposals] / [Average net customer loans at the end of the period] - excluding the contribution from securities portfolio, PPA, credit due from banks and Repo (Balance Sheet and Financial Statement figures); (2) It include the contribution of the SMEs State guaranteed loans equal to €4.5m and €1m respectively in 2021 and 2020.

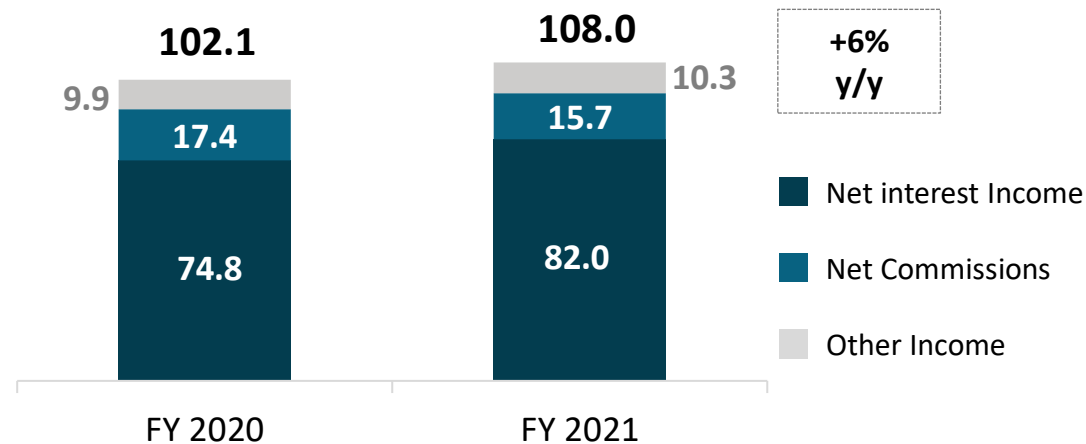
# Total Income up y/y

- **FY 2021 Total Income up +6% y/y**, thanks to the increase of **Net Interest Income, driven by Interest Expenses -30% y/y**. Total Cost of funding, equal to 0.4% (0.6% in 2020), is lower in both component Retail and Wholesale.
- **Net Commissions down y/y** due to lower factoring contribution partially compensated by higher contribution from Pawn loans
- **Other Income** includes €1.9m gain from the sale of a factoring ptf in 2021 (€2.5 in 2020) and €3.7m gain from the sale of a CQ loans ptf in 4Q21 (€1.4m in 4Q20)
- Lower contribution of the **Govies' portfolio, €6.4m** (€10.1m in 2020) of which €1.9m to the NII (€4.5 in 2020) and €4.6m to Other Income (€5.7m in 2020)

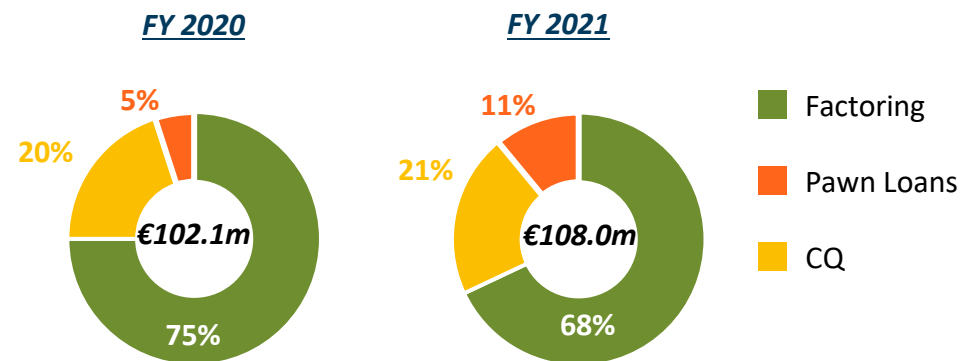


## Total Income

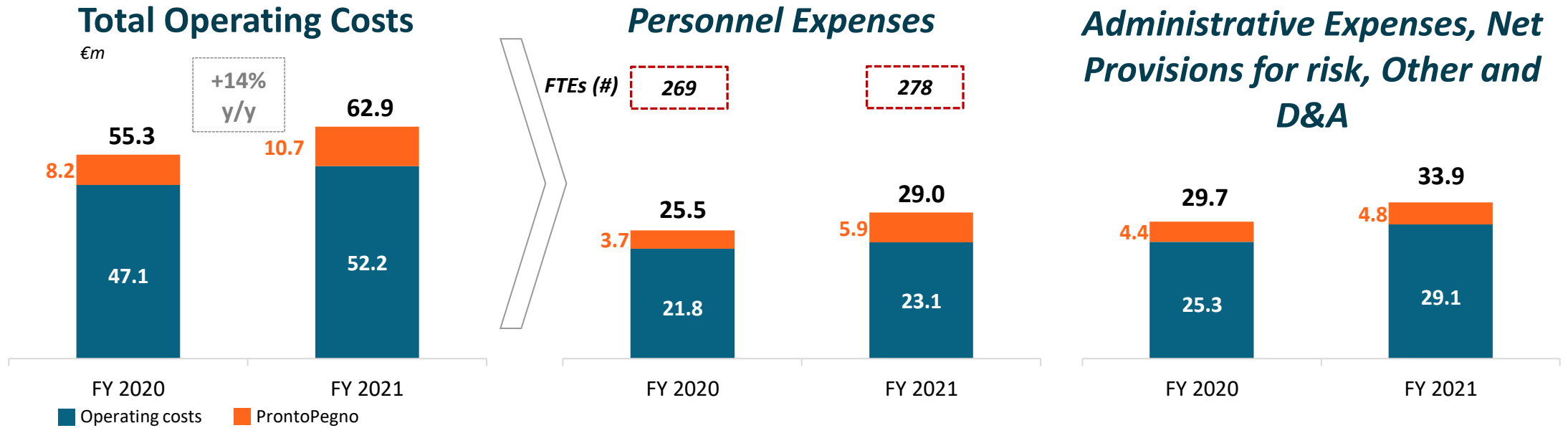
€m



## Total Income by Division

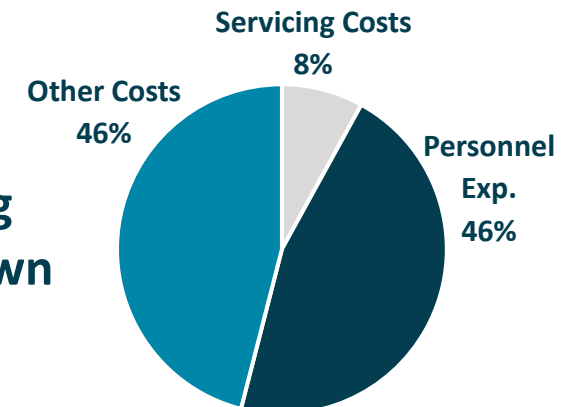


# Cost base consolidating



- Personnel Expenses are up y/y mainly due to higher FTEs following the consolidation of Pawn loans business unit from 3Q20 and update of salaries
- All other expenses increase y/y is mainly due to Servicing costs, the contribution to the Single Resolution Fund (SRF), expenses related to the building purchased in 2021 and initiatives to further develop the business

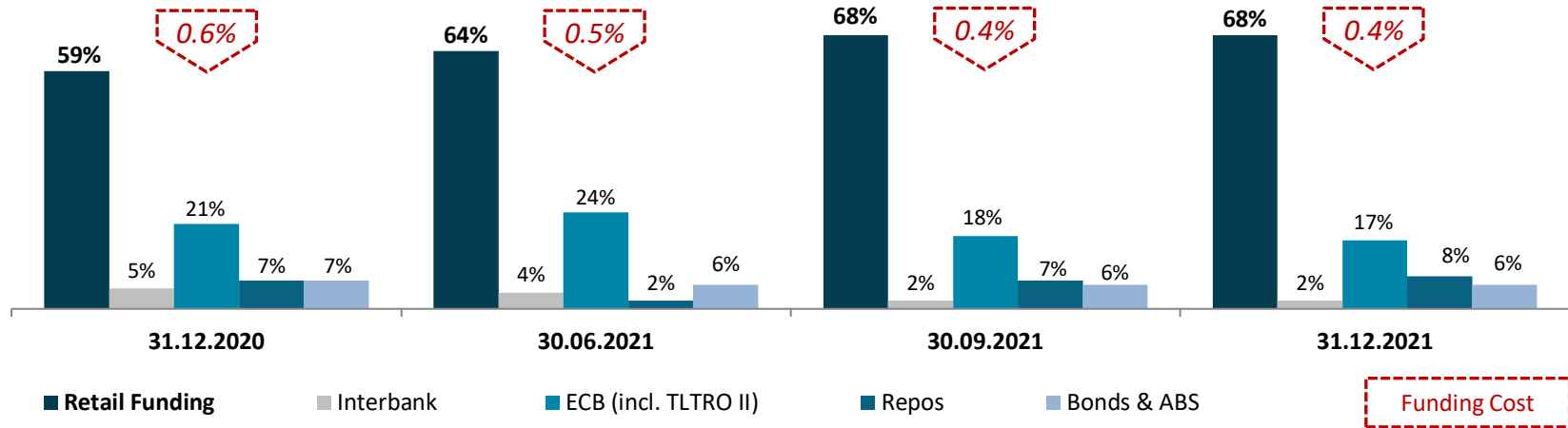
## Total Operating Costs Breakdown





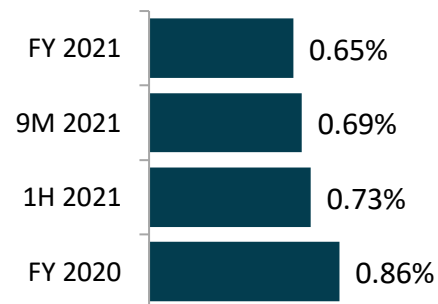
# Lower funding cost y/y

## Total Funding breakdown



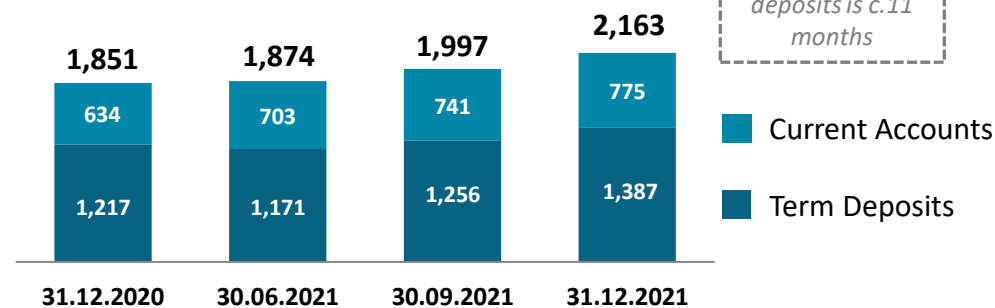
- Cost of funding lower y/y
- Retail Funding up q/q and y/y, due to the increase of Corporate current accounts and term deposits, with a lower cost
- Wholesale component slight increase q/q in absolute term (stable in %) is due to:
  - higher ABS funding (with CQ ABS as collateral)
  - higher Repos

## Retail Funding Cost



## Retail Funding

€m

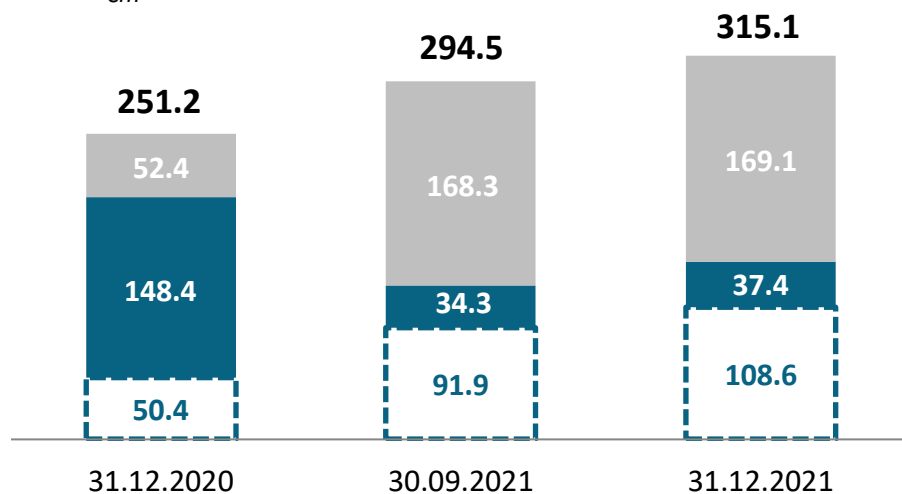


- Since 2Q21 all senior bonds have been redeemed and following the classification of AT1 bond as equity instrument, "Bond & ABS" segment includes just ABS funding

# Asset Quality driven by factoring business

## Gross Non Performing Exposures

€m



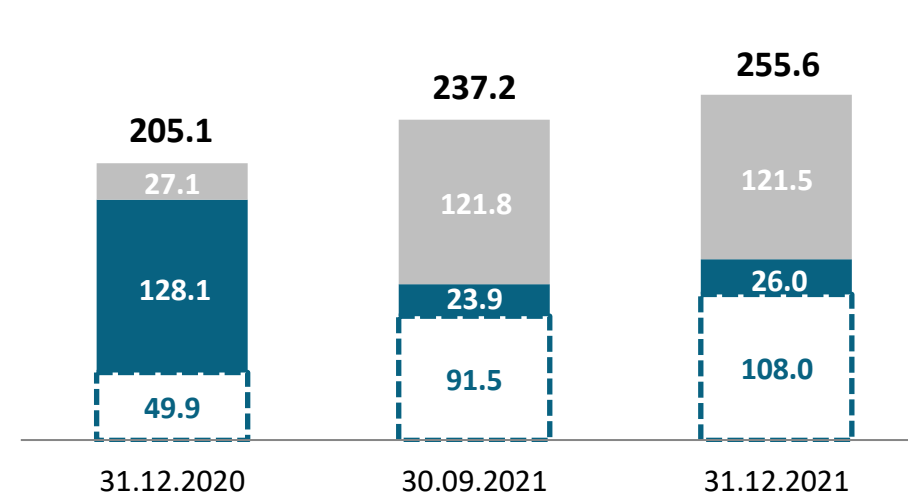
## Net Non Performing Exposures

PA exposure deriving from ordinary business

□ Past-dues

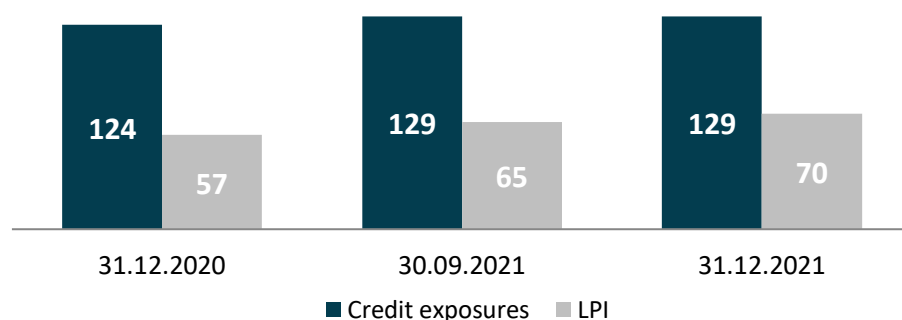
■ Unlikely to Pay

■ Bad loans



## Exposure to Municipality in Conservatorship & related LPI stock

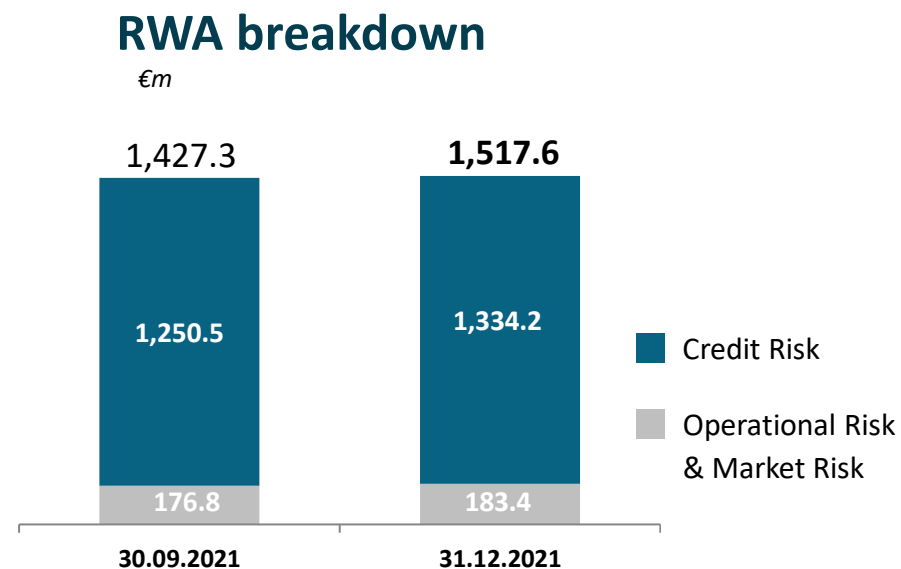
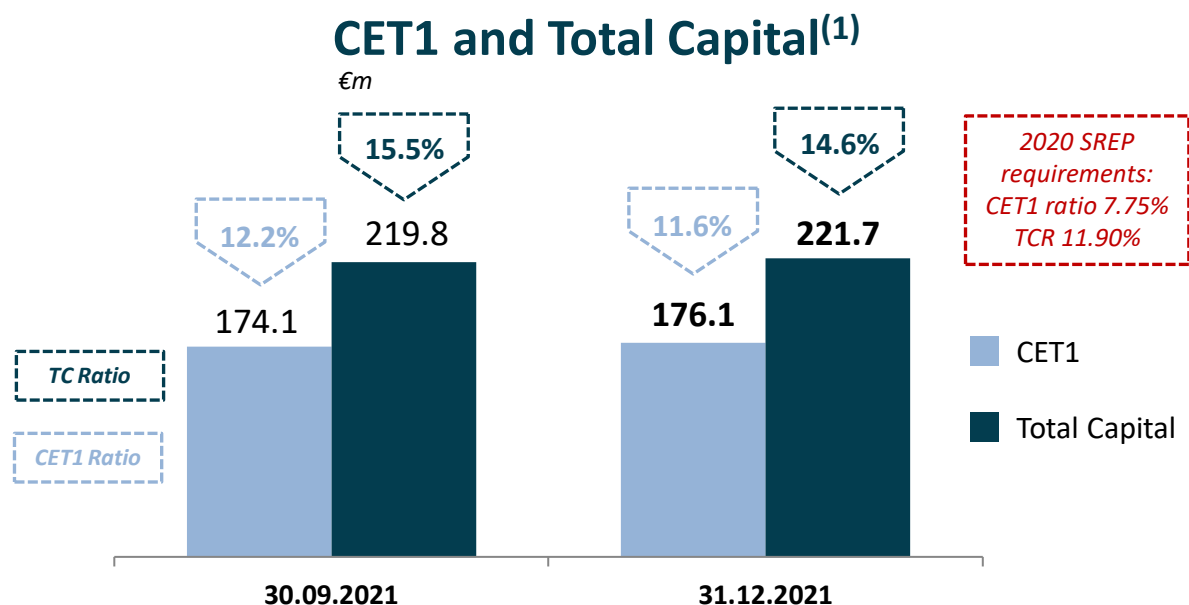
€m



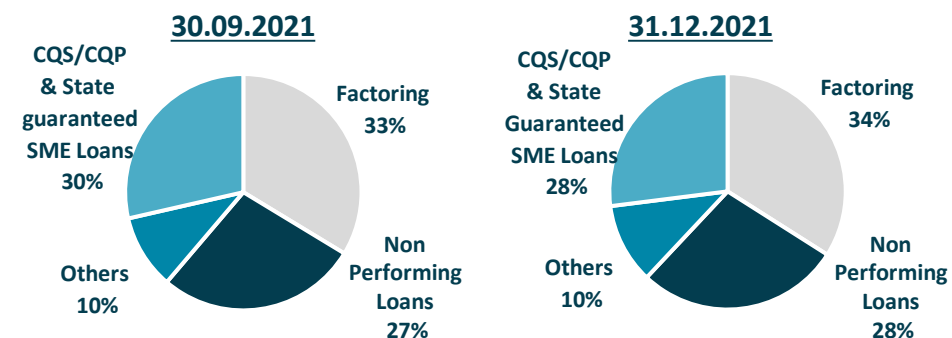
- Gross Non Performing Exposures up q/q mainly due to Past-dues increase
- Credit exposures vs municipality in conservatorship, since 2Q 2021, have been all classified as Bad loans, the new classification does not correspond to a deterioration of creditworthiness
- Gross NPE ratio increases to 11.2% compared to 9.5% as at 31.12.2020 (10.9% as at 30.09.2021), reached for the growth in Past-due as a consequence of the application of the “New DoD” in 1Q 2021 (given to the nature of the factoring business with the PA, the change was not a harbinger of a deterioration of either the borrowers creditworthiness or the probability of recovery)
- LLPs in 2021, equal to €10.6m, are down y/y (€11.0m in 2020) and influenced by €2.4m, already registered in 1Q21, provisions related to invoices part of conservatorship procedure of a municipality and €1.4m provisions in 2Q21 following the lengthening of the estimated collection times of positions in conservatorship. The provisions will be, however, compensated by the collection of higher LPIs, currently off-balance sheet
- 2021 Cost of credit risk stands at 40bps

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

# Regulatory Capital well above minimum requirements



## RWA – Credit Risk



On 25.6.2021 the two subordinated Tier 2 bonds outstanding were redeemed and was simultaneously issued a subordinated Additional Tier 1 (AT1) bond for the same amount (€37.5m). Interest of the overall €45.5m AT1 bonds outstanding are deducted from CET1

CET1 and Total Capital as at 31.12.2021 include -€2.4m 'Held to Collect and Sell' reserve from Govies' ptf and -€1.9m prudential filter on NPEs ("Calendar provisioning")

Q/q credit RWA increase is driven by factoring business and within factoring, mainly by exposures to Corporates and to a lesser extent to higher Past-dues

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.

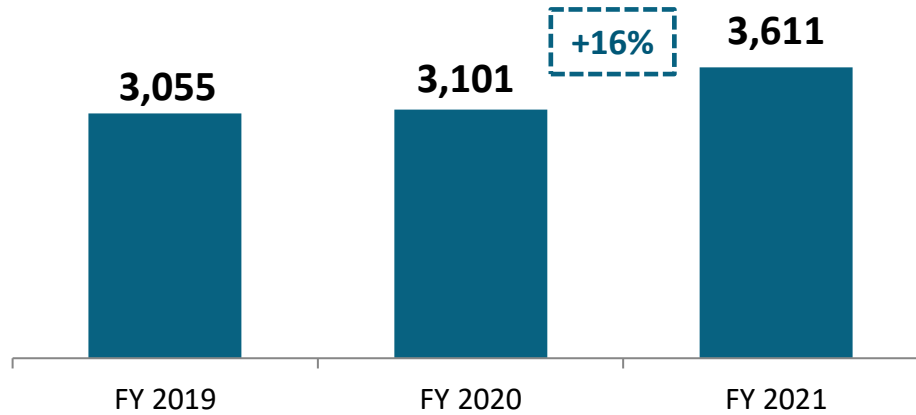
## Annexes

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# Factoring Turnover

## Factoring Turnover

€m

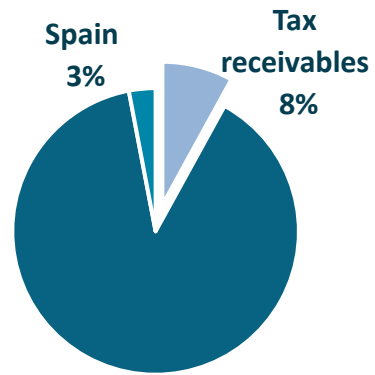


-11% y/y ex. Tax Receivables

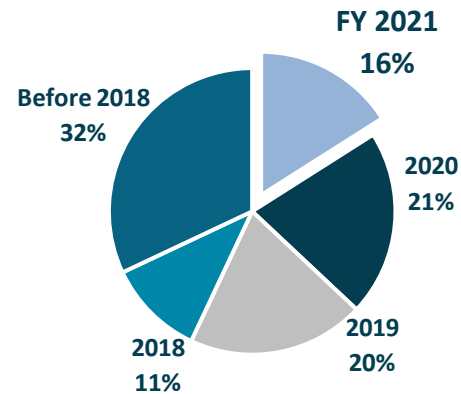
Turnover generated by agreements with Italian Retail banks: 21% in FY 2021

## FY 2021 Factoring Turnover breakdown

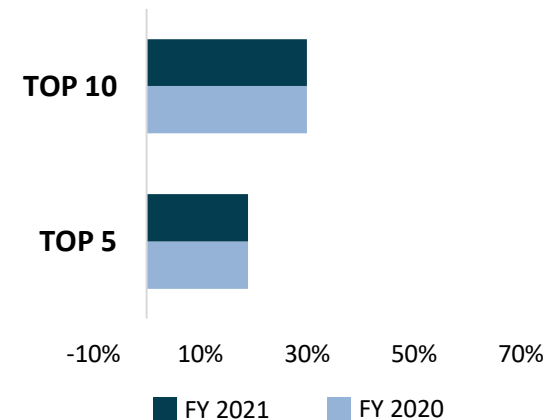
By Type



By Year of Customer's Acquisition



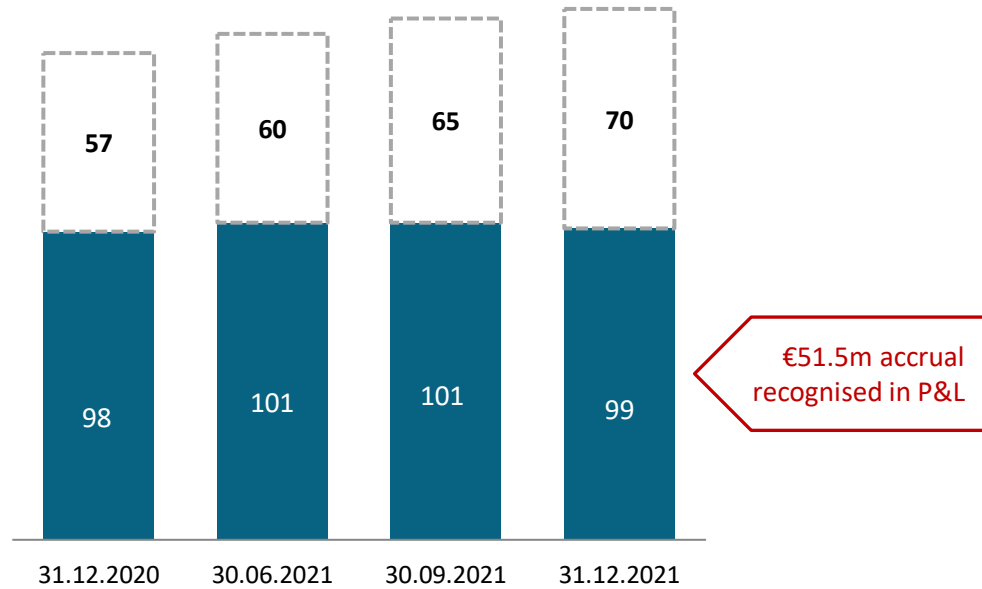
Customer Concentration



# Late Payment Interest

## Due LPI Stock – Assets in legal action

€m

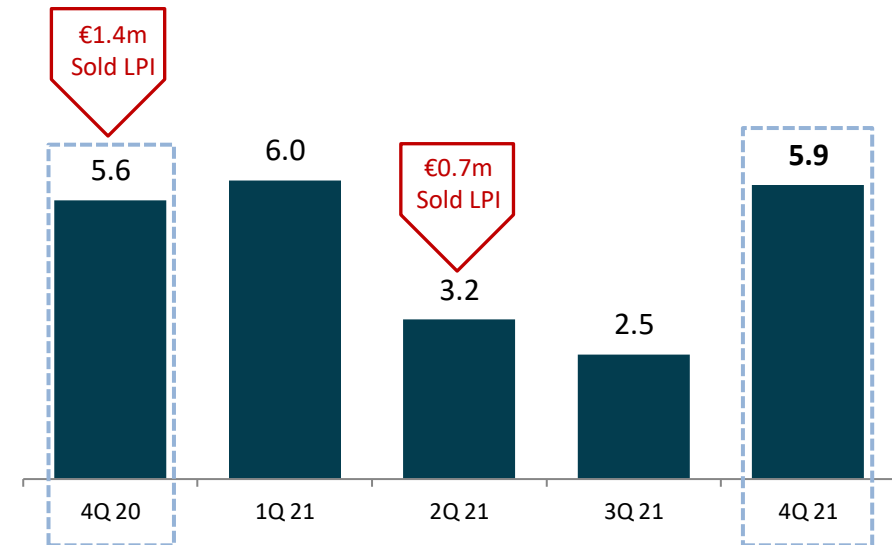


□ LPI – non relevant for the accrual

■ LPI – relevant for the accrual

## Total collected cashed-in LPI

€m



# FY 2021 – Income Statement

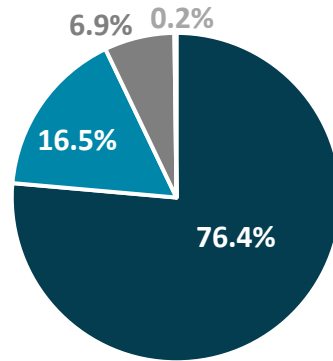
Figures in millions of Euro

	FY 2020	1Q 2020	2Q 2020	3Q 2020	4Q 2020	FY 2021	1Q 2021	2Q 2021	3Q 2021	4Q 2021	FY 21 vs FY 20 change in %
Interest income	98.1	22.4	23.5	25.7	26.5	98.2	24.2	23.5	22.1	28.4	nm
Interest expenses	(23.2)	(6.3)	(6.0)	(6.1)	(4.8)	(16.2)	(4.8)	(4.4)	(3.6)	(3.4)	-30%
<b>Net interest income</b>	<b>74.8</b>	<b>16.1</b>	<b>17.5</b>	<b>19.6</b>	<b>21.6</b>	<b>82.0</b>	<b>19.4</b>	<b>19.1</b>	<b>18.5</b>	<b>25.0</b>	<b>10%</b>
Commission income	24.3	6.0	5.7	5.5	7.1	25.6	5.9	6.0	6.5	7.2	5%
Commission expenses	(6.9)	(1.8)	(1.8)	(1.7)	(1.6)	(9.9)	(1.9)	(2.2)	(2.3)	(3.5)	43%
<b>Net commission</b>	<b>17.4</b>	<b>4.2</b>	<b>3.9</b>	<b>3.8</b>	<b>5.5</b>	<b>15.7</b>	<b>4.0</b>	<b>3.8</b>	<b>4.1</b>	<b>3.8</b>	<b>-10%</b>
Dividends and similar income	0.2	-	0.2	-	-	0.2	-	0.2	-	-	nm
Net income from trading	0.04	-	0.06	(0.02)	0.00	0.02	-	0.02	-	-	-50%
Net income from disposal/repurchase assets:	9.5	1.9	2.3	2.9	2.4	10.1	2.7	1.0	1.9	4.6	6%
a) measured at amortised cost	4.2	1.3	0.6	0.6	1.7	6.0	0.8	0.6	0.4	4.2	43%
b) measured at fair value through other comprehensive income	5.3	0.3	2.0	2.3	0.7	4.1	1.9	0.4	1.5	0.4	-23%
c) financial liabilities	0.0	0.30	(0.3)	(0.00)	0.00	-	-	-	-	-	nm
<b>Total income</b>	<b>102.1</b>	<b>22.2</b>	<b>24.0</b>	<b>26.3</b>	<b>29.6</b>	<b>108.0</b>	<b>26.1</b>	<b>24.3</b>	<b>24.4</b>	<b>33.2</b>	<b>6%</b>
Net impairment losses on loans	(11.0)	(1.9)	(3.2)	(2.1)	(3.8)	(10.6)	(4.1)	(3.7)	(1.0)	(1.8)	-3%
<b>Net operating income</b>	<b>91.1</b>	<b>20.2</b>	<b>20.9</b>	<b>24.2</b>	<b>25.8</b>	<b>97.3</b>	<b>22.0</b>	<b>20.5</b>	<b>23.5</b>	<b>31.3</b>	<b>7%</b>
Personnel expenses	(25.5)	(5.7)	(5.4)	(6.1)	(8.3)	(29.0)	(6.9)	(7.4)	(7.0)	(7.7)	14%
Other expenses	(29.7)	(7.6)	(6.3)	(7.4)	(8.4)	(33.8)	(8.4)	(7.5)	(7.1)	(10.8)	14%
<b>Operating expenses</b>	<b>(55.3)</b>	<b>(13.3)</b>	<b>(11.7)</b>	<b>(13.5)</b>	<b>(16.8)</b>	<b>(62.9)</b>	<b>(15.3)</b>	<b>(14.9)</b>	<b>(14.1)</b>	<b>(18.6)</b>	<b>14%</b>
Profits from equity investments	-	-	-	-	-	-	0.01	0.01	(0.02)	-	nm
Profits from investments disposal	1.100	-	1.100	-	-	-	-	-	-	-	-100%
<b>Pre-tax profit from continuing operations</b>	<b>36.9</b>	<b>6.9</b>	<b>10.3</b>	<b>10.7</b>	<b>9.0</b>	<b>34.5</b>	<b>6.7</b>	<b>5.6</b>	<b>9.4</b>	<b>12.8</b>	<b>-7%</b>
Taxes on income for the period/year from continuing operations	(11.2)	(2.3)	(2.7)	(3.4)	(2.8)	(10.9)	(2.1)	(1.5)	(3.1)	(4.2)	-3%
Profit after tax from discontinued operations	-	-	-	-	-	(0.0)	-	-	-	(0.0)	nm
<b>Profit (loss) for the year/period</b>	<b>25.7</b>	<b>4.7</b>	<b>7.5</b>	<b>7.3</b>	<b>6.2</b>	<b>23.5</b>	<b>4.6</b>	<b>4.0</b>	<b>6.4</b>	<b>8.5</b>	<b>-9%</b>
Minority interests	0.5	-	0.1	0.2	0.2	(0.30)	0.03	(0.06)	(0.2)	(0.1)	nm
<b>Profit (loss) for the year/period attributable to the shareholders of the Parent</b>	<b>26.2</b>	<b>4.7</b>	<b>7.6</b>	<b>7.5</b>	<b>6.4</b>	<b>23.3</b>	<b>4.6</b>	<b>3.9</b>	<b>6.3</b>	<b>8.5</b>	<b>-11%</b>

Note: For the sake of a better comparison, following the reclassification of the AT1 bond (amounting to 8 million) under item 140 "Equity instruments" of the Balance Sheet, previously classified under item 10 "Financial liabilities measured at amortized cost, c) Debt securities", quarterly and FY Income Statement have also been restated.

# Asset Quality

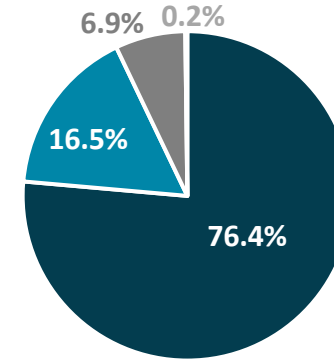
## Gross Bad loans



30.09.2021

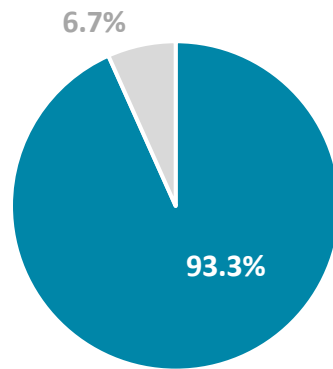
- Conservatorships (factoring)
- Factoring
- SME State Guarantee Loans
- Other

Loans granted before 2020

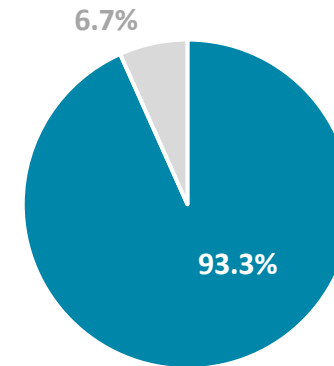


31.12.2021

## Gross Unlikely to Pay



30.09.2021



31.12.2021



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