



BANCA

S I S T E M A

1H 2022 RESULTS

29 July 2022

1H 2022 Results at a Glance

Commercial performance

- **Factoring** turnover +27% y/y equal to €2,096m
- **CQ** outstanding at €966m, stable y/y
- **Pawn loans** outstanding at €98m, +18% y/y
- **SMEs State guaranteed loans** outstanding equal to €184m, up y/y

P&L

- **Net Interest Income** equal to €44.6m, +16% y/y
- **Lower funding cost y/y at 0.1%**
- **Total Income** equal to €54.8m, +9% y/y
- **Cost of risk equal to 36bps**
- **Total operating costs equal to €31.3m, +3% y/y**
- **Net income equal to €12.2m, +44% y/y**

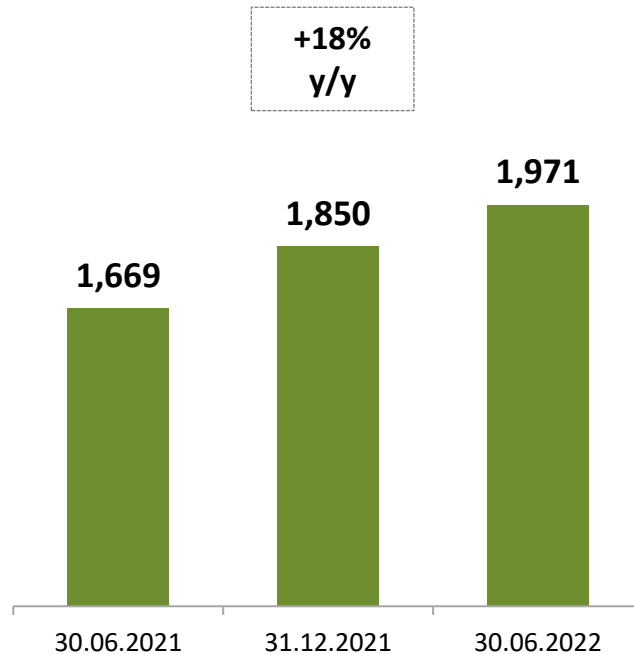
Balance Sheet

- **Wholesale funding down q/q** (34% of Total Funds) following lower Govies' portfolio
- Total assets equal to ~€4bn, down q/q
- **CET1 ratio at 13.0% and TC ratio at 16.4% [Transitional]**

Factoring commercial performance

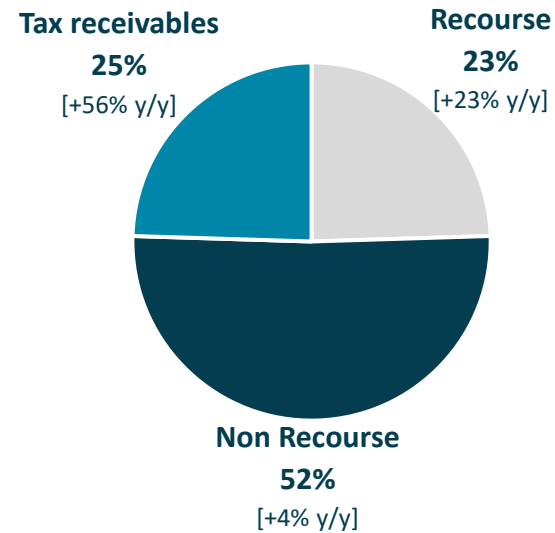
Factoring outstanding

€m



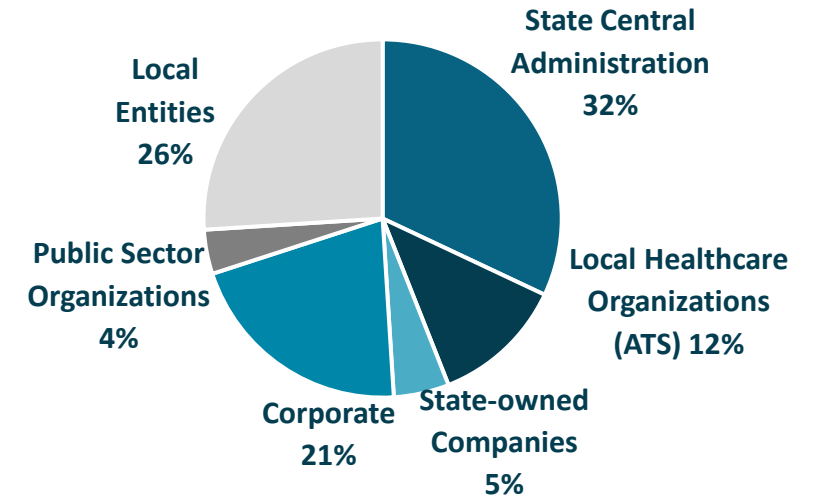
Outstanding breakdown (30.06.2022)

By Type of Product



By Obligor

PA accounts for 79%

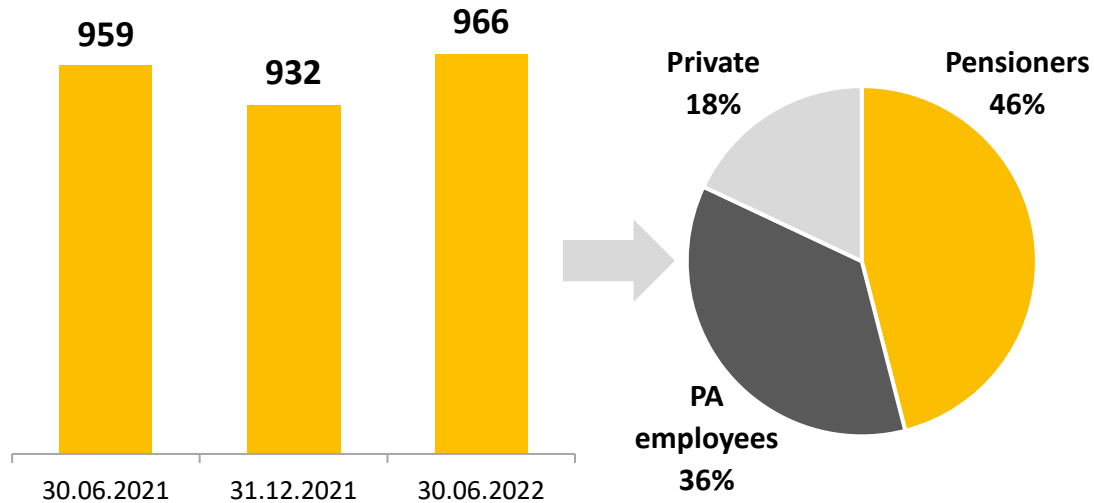


Note: Factoring outstanding management account. Factoring customer loans, item of the Balance Sheet (slide 5) differ from management account for the following elements: Recourse factoring non-financed portion; Provisions; LPI; deferred income.

CQ and Pawn loans commercial performance

CQ loans outstanding

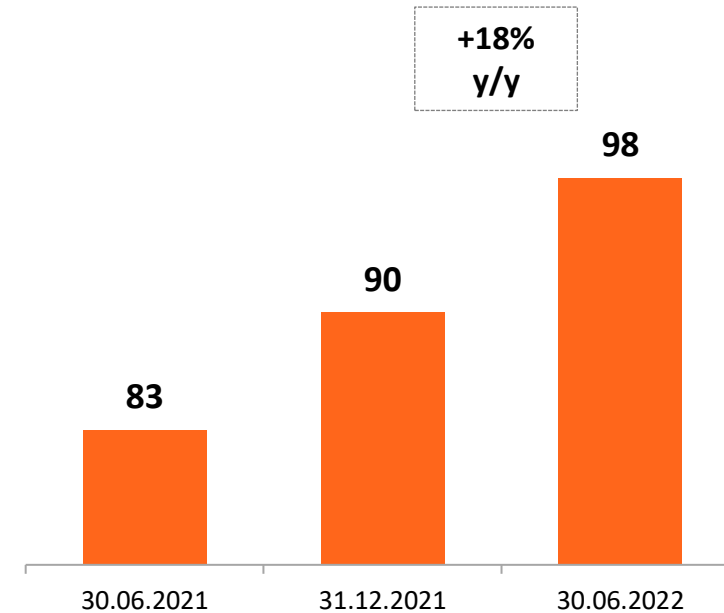
€m



- €215m turnover in 1H22 (€136m in 1H21)
- €104m direct origination through agents/brokers (€27m 1H21)

Pawn Loans outstanding

€m



- ~60k contracts
- Total turnover in 1H22 (including renewals): €87m
- #23 auctions in 1H22

Figures in millions of Euro

	31.12.2021	31.03.2022	30.06.2022	Change in % 30.06.2022 vs 31.12.2021
ASSETS				
Cash and cash equivalents	176	220	70	-60%
Financial assets at fair value through Other Comprehensive Income [Held to Collect and Sell]	451	586	573	27%
Loans at amortized cost	2,770	2,890	2,973	7%
<i>Factoring</i>	<i>1,542</i>	<i>1,632</i>	<i>1,679</i>	<i>9%</i>
<i>CQ</i>	<i>932</i>	<i>919</i>	<i>966</i>	<i>4%</i>
<i>Pawn loans</i>	<i>90</i>	<i>92</i>	<i>98</i>	<i>9%</i>
<i>SMEs State Guaranteed loans</i>	<i>160</i>	<i>179</i>	<i>184</i>	<i>15%</i>
<i>Other⁽¹⁾</i>	<i>46</i>	<i>68</i>	<i>47</i>	<i>2%</i>
Securities at amortized cost [Held to Collect]	184	185	75	-59%
Tangible and Intangible assets	74	74	76	3%
Other assets	54	60	90	67%
Total assets	3,709	4,015	3,857	4%
LIABILITIES AND EQUITY				
Due to banks	592	601	614	4%
<i>of which ECB exposure</i>	<i>540</i>	<i>539</i>	<i>537</i>	<i>-1%</i>
Due to customers	2,472	2,802	2,467	0%
<i>of which term deposits</i>	<i>1,387</i>	<i>1,384</i>	<i>1,636</i>	<i>18%</i>
<i>of which current accounts</i>	<i>775</i>	<i>794</i>	<i>561</i>	<i>-28%</i>
Debt securities issued	193	175	323	67%
Other liabilities	186	173	196	5%
Shareholders Equity	266	264	256	-4%
Total liabilities and equity	3,709	4,015	3,857	4%

1H22 – Balance Sheet

- **Govies’ portfolio (€643m) down q/q**, with an average duration of 33.5 months, it includes €568m ‘Held to Collect and Sell’, slightly down q/q, with an average duration of 31.2 months
- **Loans at amortized cost up q/q (€2,973m):**
 - **Factoring receivables** above €1.7bn, up 9% vs year-end
 - **CQ loans up q/q**, thanks to a robust Direct origination and the purchase of a loans ptf from BancoBPM, that have more than compensated the sale of ptf of around €70m
 - **Pawn Loans up q/q** thanks to organic growth
 - Strong growth on SMEs State guaranteed loans up q/q
- **Due to banks** q/q slight increase is driven by interbanking, with ECB funding stable
- **Due to customers** q/q decrease is substantially driven by the decrease of repos related to the Govies’ ptf dynamic in the same period. Term deposits up q/q have compensated Current accounts’ decrease
- **Debt securities** q/q increase is driven by the higher funding through ABS/Credit as collateral
- **Shareholders Equity** includes all AT1 bonds

Note: (1) The item include “Loans to banks” respectively as at 30.06.2022, 31.03.2022 and 31.12.2021 equal respectively to €24m, to €29m and to €33m.

Well diversified Interest income

- 1H22 Interest Income up y/y, with a higher contribution from Pawn loans and SMEs State guaranteed loans (+€1.2m y/y)

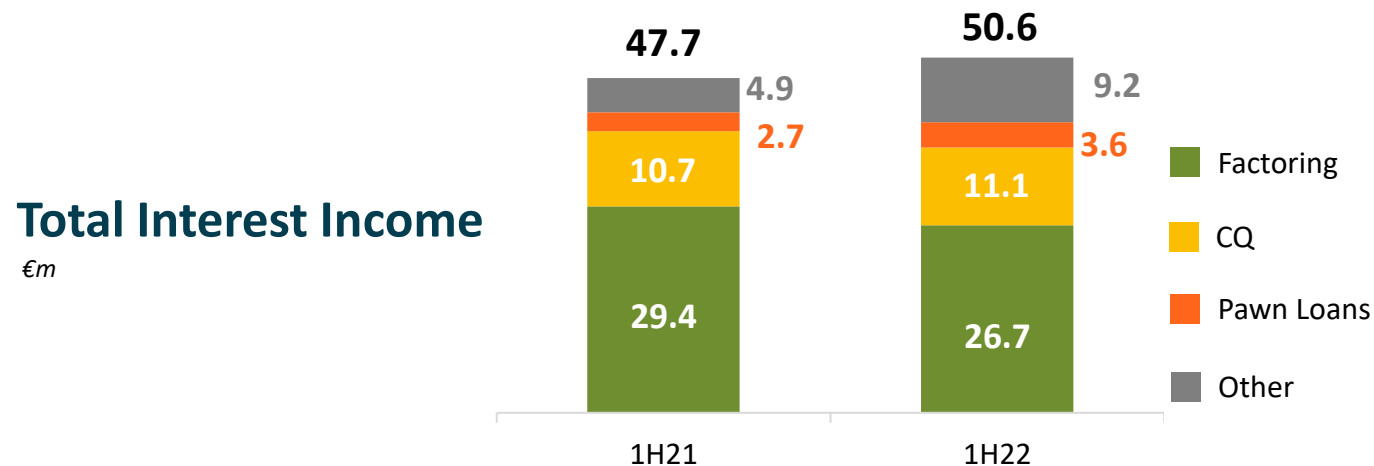
- Factoring represents 53% of Total Interest Income (62% in 1H21)

- Lower overall contribution y/y by factoring, mainly due to lower factoring LPIs from legal action equal to €6.8m (€12.0m in 1H21):
 - of which accrual €3.0m (€5.9m in 1H21)
 - of which “extra collection” €3.8m (€6.1m in 1H21)

- Lower factoring LPIs contribution partially compensated by a good contribution from tax receivables

- Increasing Pawn loans contribution, in line with expectations

- Total Adjusted Income margin lower y/y, but slightly up q/q. Factoring margin down y/y mainly due to lower weight on overall revenues of LPIs and to a lesser extent to higher weight on revenues of tax receivables

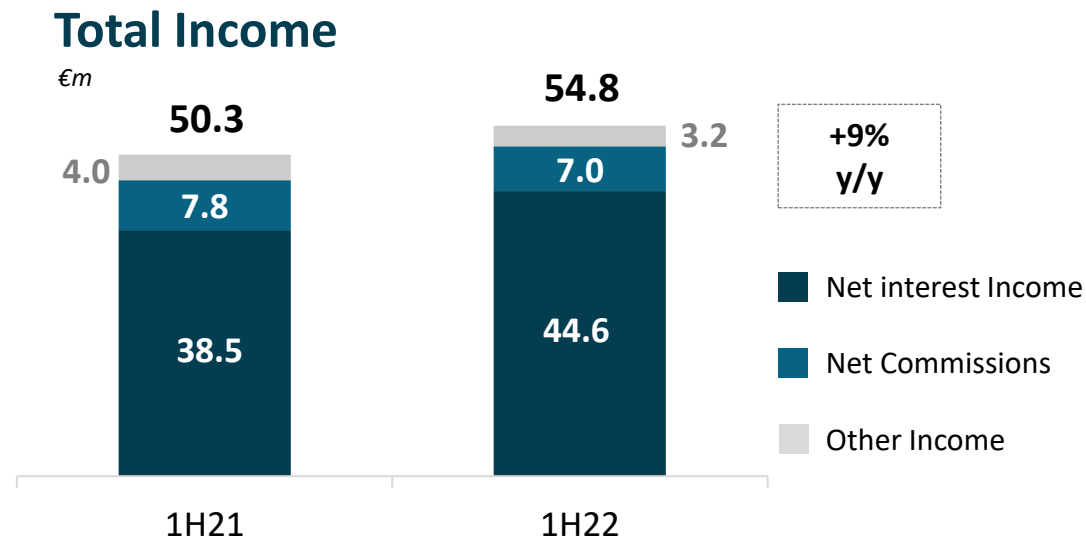


	1H21	1H22
Total²	4.3% €55.6m	4.0% €56.3m
Factoring	5.1% €37.0m	4.9% FY21 €34.1m
CQ	2.3% €10.7m	2.3% €11.0m
Pawn Loans	15.2% €5.9m	15.9% €7.4m

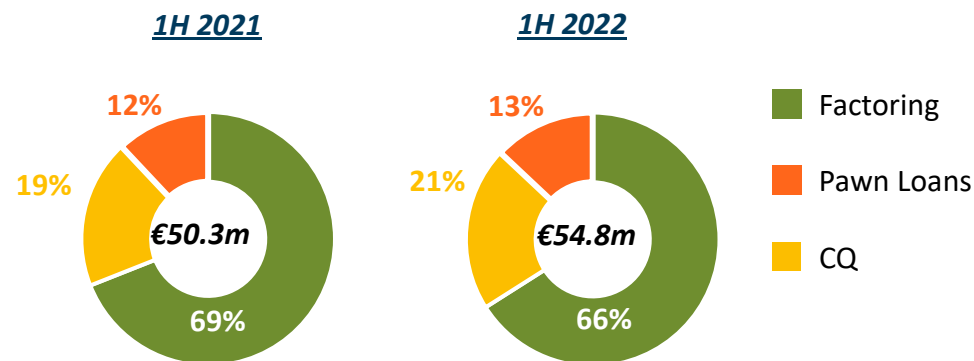
Note: (1) Calculated as [Period Interest Income + Commission Income + Gain for asset disposals] / [Average net customer loans at the end of the period] - excluding the contribution from securities portfolio, PPA, credit due from banks and Repo (Balance Sheet and Financial Statement figures); (2) It include the contribution of the SMEs State guaranteed loans equal to €3.1m and €1.8m respectively in 1H22 and 1H21.

Total Income up 9% y/y

- **1H22 Total Income up 9% y/y**, although the decrease of **Other Income and Net Commissions**
- NII increase is mainly driven by the increase in Interest Income (on the previous slide) and the decrease in Interest Expenses. Total Cost of funding, equal to 0.1% (0.5% in 1H21), is lower in both component Retail and Wholesale
- **Net Commissions down y/y** due to higher CQ fees to agents and lower factoring contribution, partially compensated by higher contribution from Pawn loans
- **Other Income** includes €1.3m gain from the sale of a factoring ptf in 1H22 (€1.0m in 2021) and €1.5m gain from the sale of a CQ loans ptf in 2Q22
- Lower contribution of the **Govies' portfolio, €3.1m** (€3.6m in 2021) of which €3.0m to the NII (€1.1m in 2021) and €0.1m trading revenues to Other Income (€2.8m in 2021)



Total Income by Division

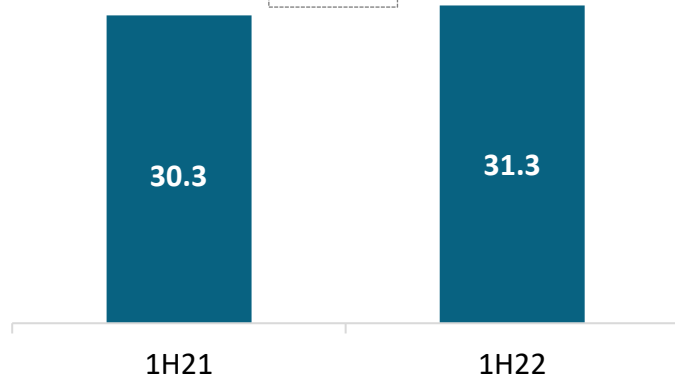


Cost base consolidating

Total Operating Costs

€m

+3%
y/y

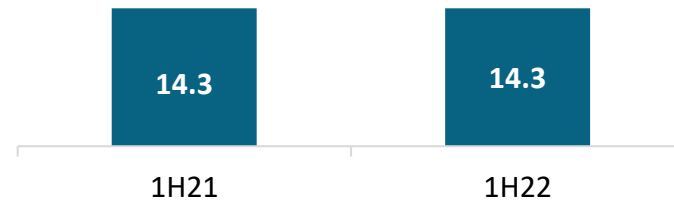


Personnel Expenses

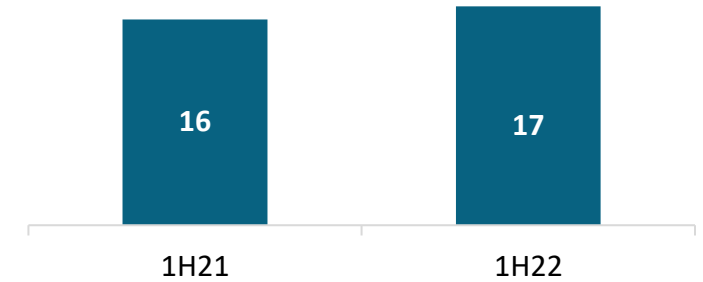
FTEs (#)

275

280

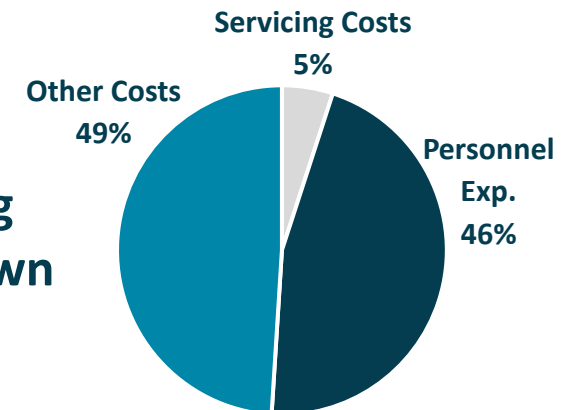


Administrative Expenses, Net Provisions for risk, Other and D&A



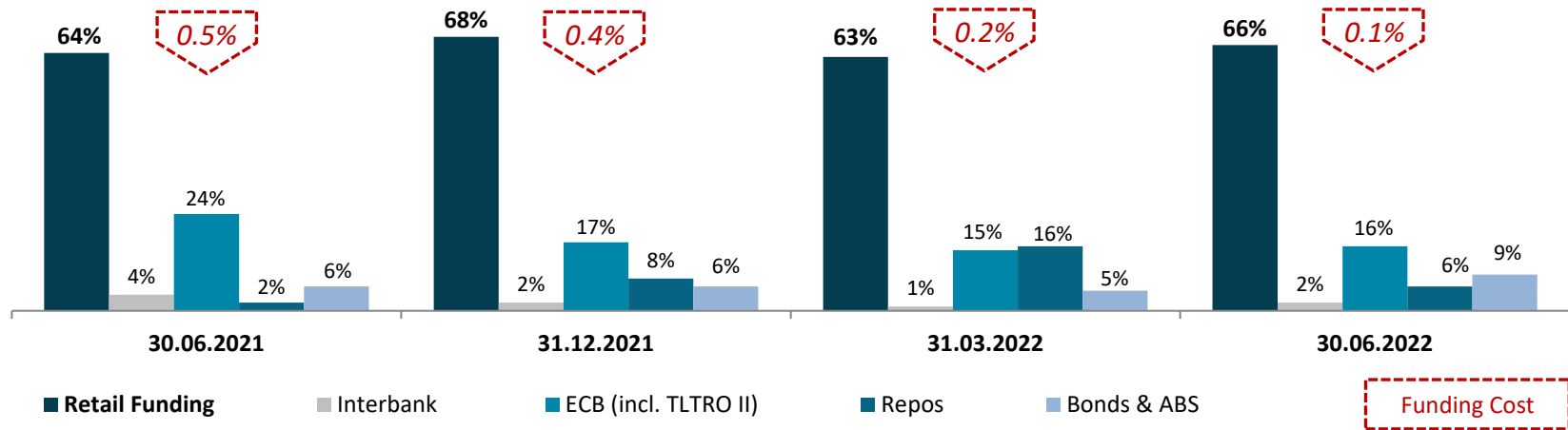
- Personnel Expenses stable y/y due to higher-than-expected release of the bonus relative to 2021 (-€1m in 1H22)
- All other expenses trend in line with expectations, with lower contribution to the Single Resolution Fund (-€0.4m y/y)

Total Operating Costs Breakdown

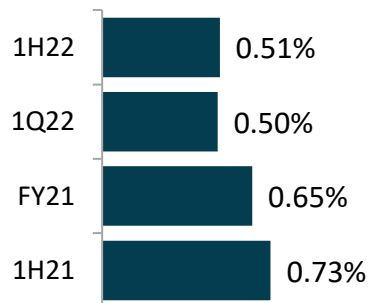


Lower funding cost y/y

Total Funding breakdown

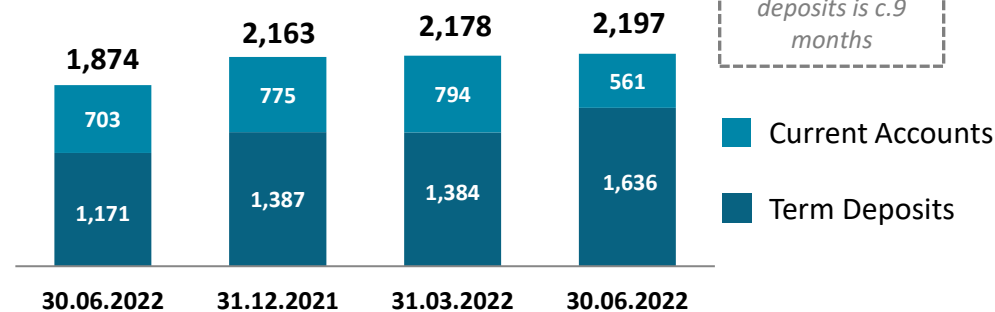


Retail Funding Cost



Retail Funding

€m

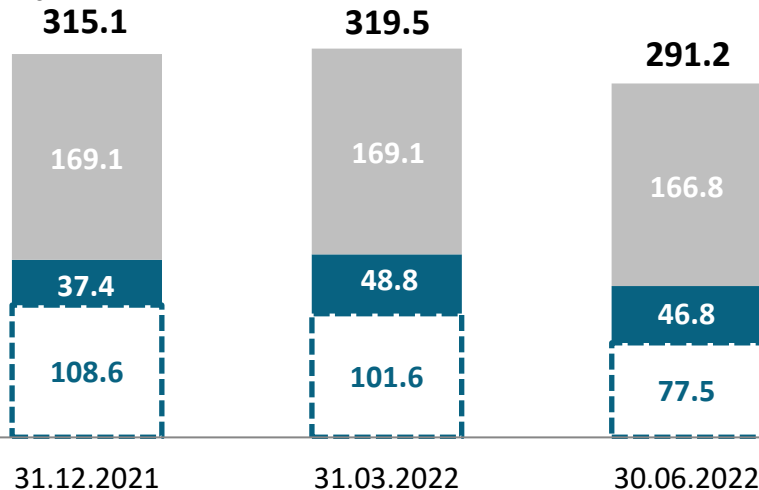


- Cost of funding lower y/y and q/q
- Wholesale component decrease q/q is due to lower Repos related to Govies' ptf decrease, partially compensated by higher collateralized funding (CQ ABS and Tax receivables ABS)
- Retail Funding up q/q, due to term deposits increase, at a stable cost
- Since 2Q21 all 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



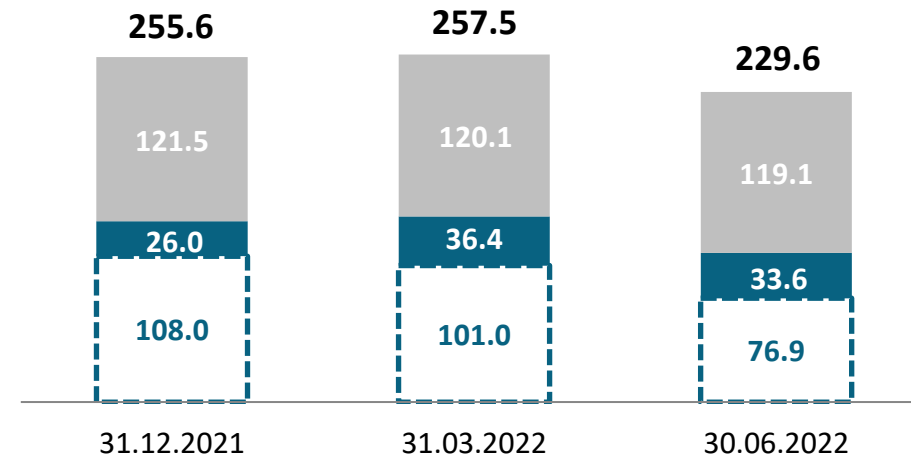
PA exposure deriving from ordinary business

□ Past-dues

■ Unlikely to Pay

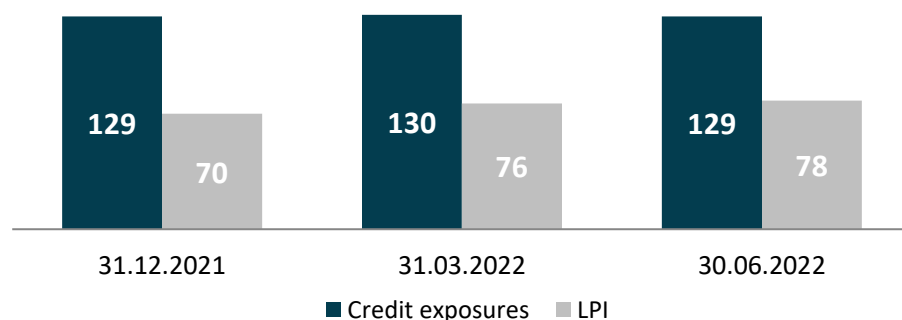
■ Bad loans

Net Non Performing Exposures



Exposure to Municipality in Conservatorship & related LPI stock

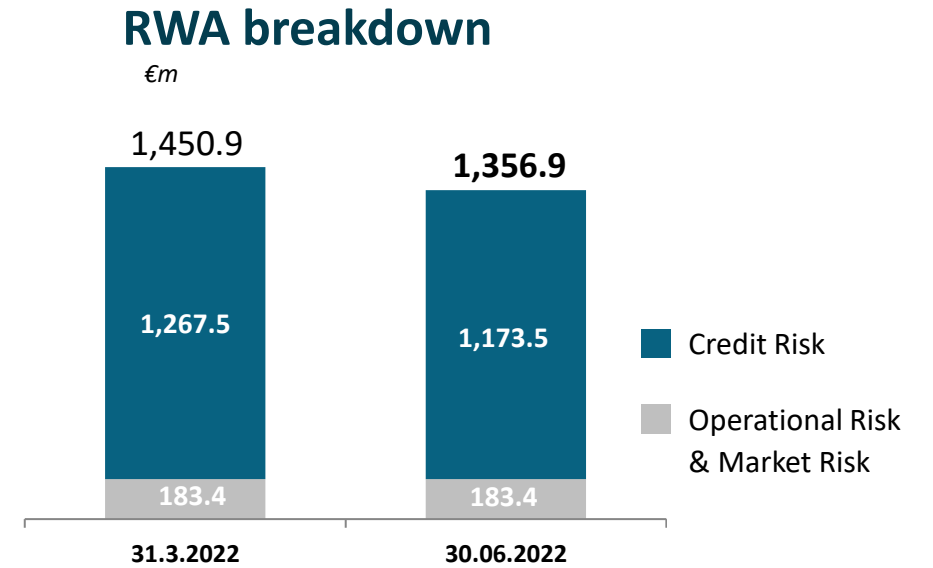
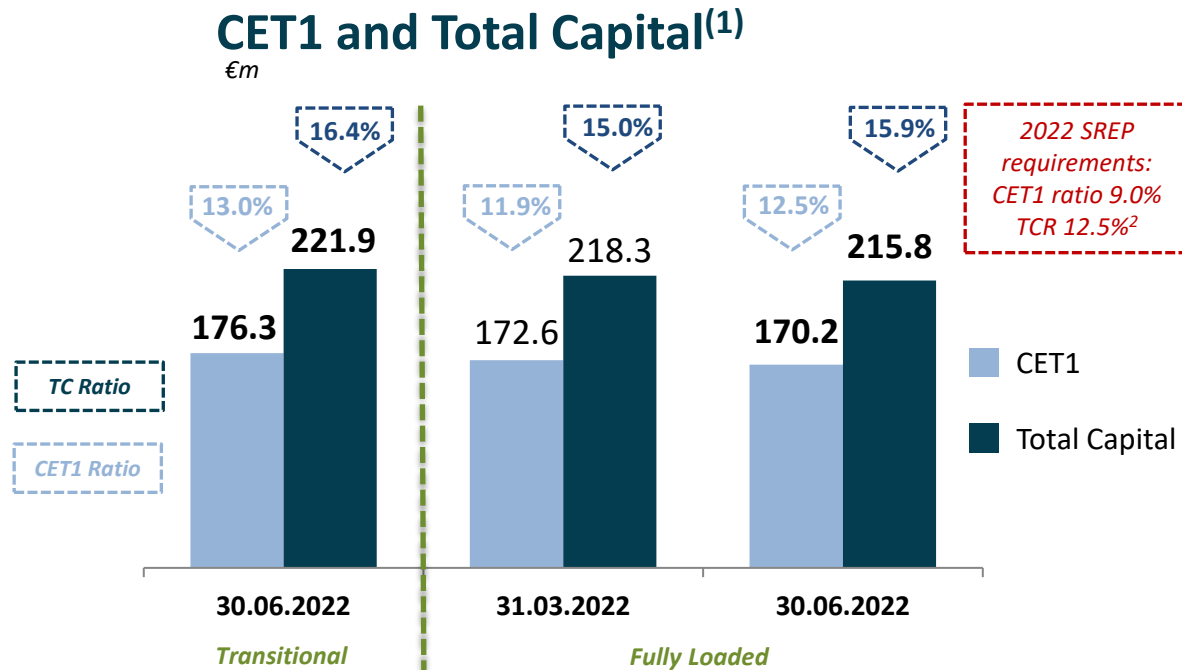
€m



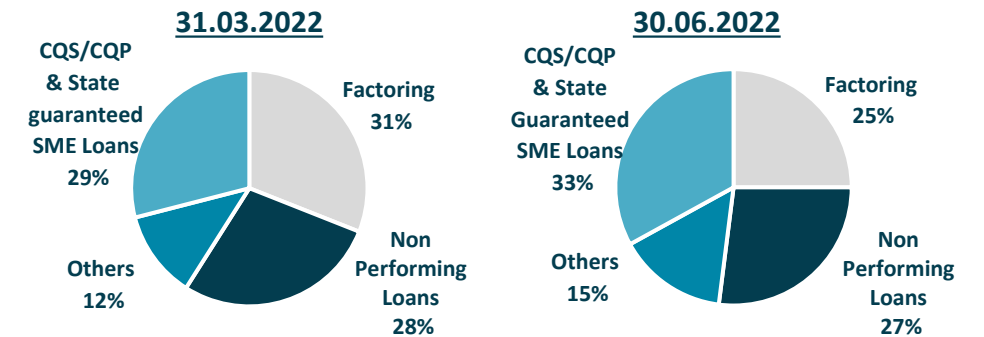
- Gross Non Performing Exposures down q/q mainly due to Past-dues decrease
- 1H22 Cost of credit risk stands at 36bps lower y/y

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

Regulatory Capital well above minimum requirements



RWA – Credit Risk



CET1 and Total Capital as at 30.06.2022 include -€15m 'Held to Collect and Sell' reserve from Govies' ptf [Fully Loaded], -€2m prudential filter on NPEs ("Calendar provisioning") and -€0.6m of own shares Q/q credit RWA decrease is driven by factoring business (mainly by lower exposures to Corporates and lower Past-dues)

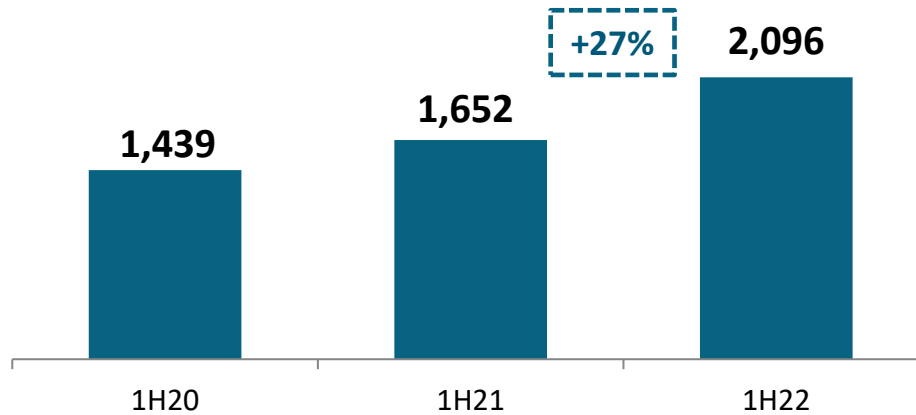
Note: (1) CET1, Tier1 and Total Capital, following CRR directive, are based on an expected dividend pay-out of ~25% of the Banca Sistema Holding Net Income; 2) From 30.06.2022.

Annexes

Factoring Turnover

Factoring Turnover

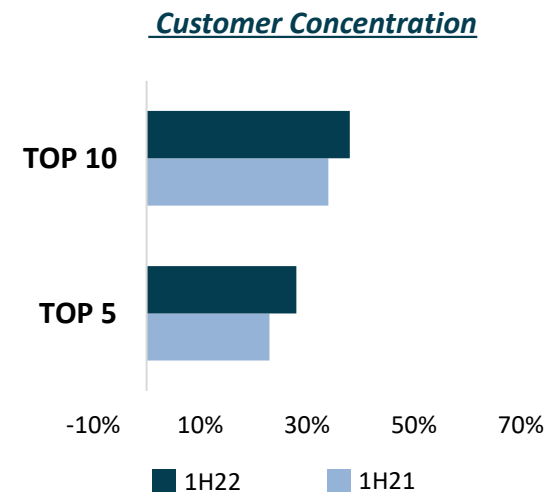
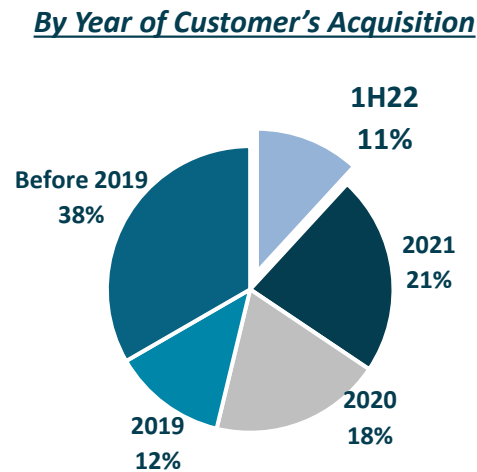
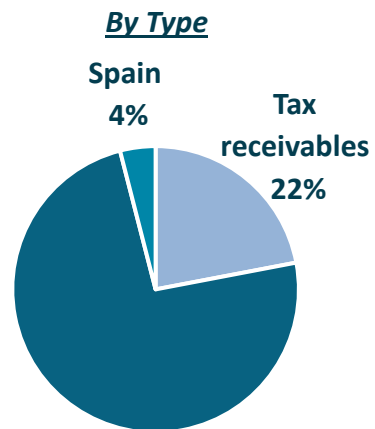
€m



+6% y/y ex. Tax Receivables

Turnover generated by agreements with Italian Retail banks: 11% in 1H22

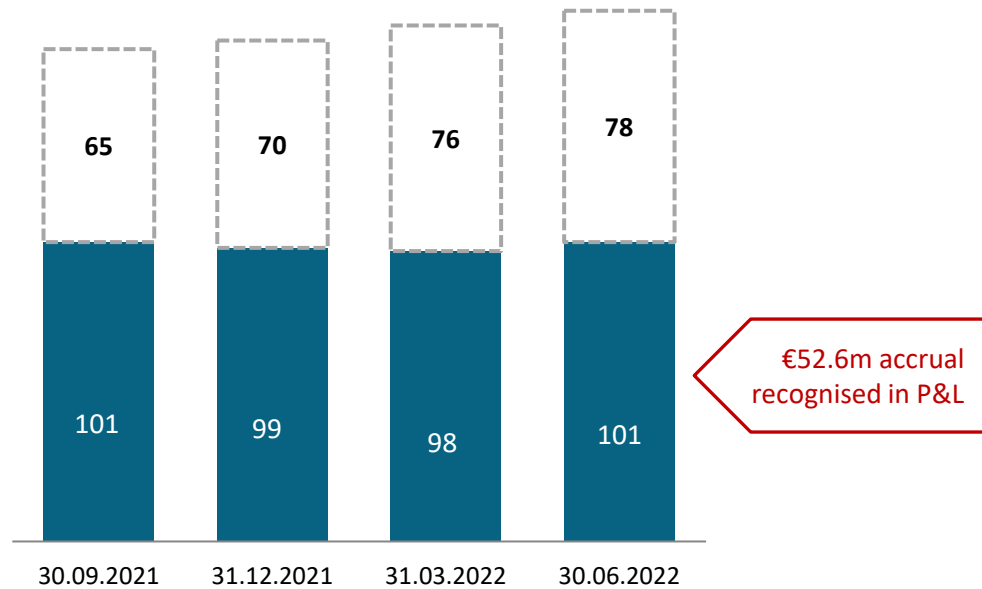
1H22 Factoring Turnover breakdown



Late Payment Interest

Due LPI Stock – Assets in legal action

€m

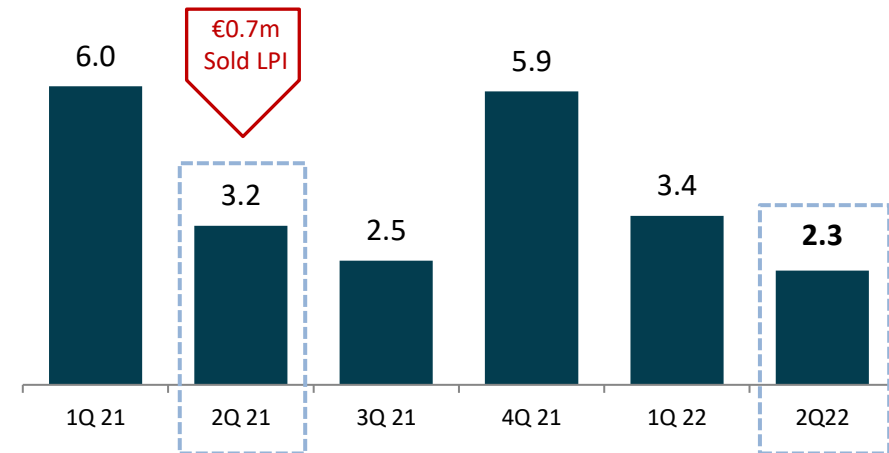


☐ LPI – non relevant for the accrual

■ LPI – relevant for the accrual

Total collected cashed-in LPI

€m



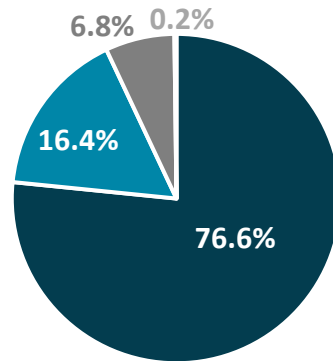
1H 2022 – Income Statement

Figures in millions of Euro

	1H 2021	1Q 2021	2Q 2021	1H 2022	1Q 2022	2Q 2022	1H 22 vs 1H 21 change in %
Interest income	47.7	24.2	23.5	50.6	23.6	27.0	6%
Interest expenses	(9.2)	(4.8)	(4.4)	(5.9)	(2.9)	(3.0)	-36%
Net interest income	38.5	19.4	19.1	44.6	20.7	24.0	16%
Commission income	11.9	5.9	6.0	15.7	7.5	8.2	32%
Commission expenses	(4.1)	(1.9)	(2.2)	(8.8)	(3.8)	(5.0)	nm
Net commission	7.8	4.0	3.8	7.0	3.7	3.3	-11%
Dividends and similar income	0.2	-	0.2	0.2	-	0.2	0.00%
Net income from trading	0.02	-	0.02	(1.20)	-	(1.20)	nm
Net income from disposal/repurchase assets:	3.7	2.7	1.0	4.1	0.3	3.8	11%
a) measured at amortised cost	1.4	0.8	0.6	3.1	0.3	2.7	nm
b) measured at fair value through other comprehensive income	2.4	1.9	0.5	1.1	-	1.1	-54%
Total income	50.3	26.1	24.2	54.8	24.7	30.1	9%
Net impairment losses on loans	(7.8)	(4.1)	(3.7)	(5.1)	(2.3)	(2.7)	-35%
Net operating income	42.5	22.0	20.5	49.7	22.4	27.3	17%
Personnel expenses	(14.3)	(6.9)	(7.4)	(14.3)	(6.6)	(7.7)	nm
Other expenses	(16.0)	(8.4)	(7.6)	(17.0)	(9.1)	(7.9)	6%
Operating expenses	(30.3)	(15.3)	(15.0)	(31.3)	(15.7)	(15.7)	3%
Profits from equity investments	0.0	0.0	0.0	(0.05)	(0.04)	(0.02)	nm
Pre-tax profit from continuing operations	12.2	6.7	5.5	18.3	6.7	11.6	50%
Taxes on income for the period/year from continuing operations	(3.6)	(2.1)	(1.5)	(5.9)	(2.1)	(3.7)	61%
Profit (loss) for the year/period	8.6	4.6	4.0	12.5	4.5	7.9	45%
Minority interests	(0.1)	0.0	(0.1)	(0.25)	(0.14)	(0.11)	nm
Profit (loss) for the year/period attributable to the shareholders of the Parent	8.5	4.6	3.9	12.2	4.4	7.8	44%

Asset Quality

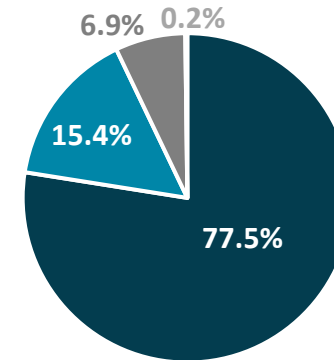
Gross Bad loans



31.03.2022

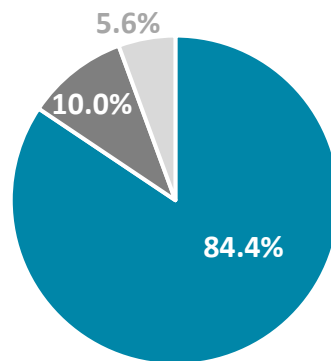
- Conservatorships (factoring)
- Factoring
- SME State Guarantee Loans
- Other

Loans granted before 2020

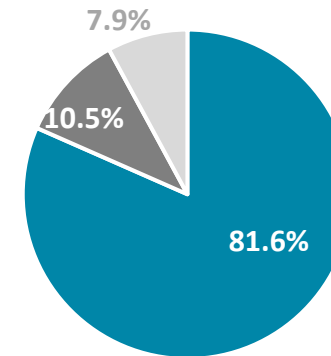


30.06.2022

Gross Unlikely to Pay



31.03.2022



30.06.2022

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