



BANCA

S I S T E M A

1H 2021 RESULTS

30 July 2021

1H 2021 Results at a Glance

Commercial performance

- **Factoring Turnover** +15% y/y equal to €1,652m; -3% q/q factoring Outstanding
- **CQ outstanding** reached €959m, +8% y/y and +4% q/q
- **Pawn loans outstanding reached €83m**, +4% q/q
- **SMEs State guaranteed loans** outstanding equal to €134m (€74m as at 31.12.2020)

P&L

- **Net Interest Income** equal to €38.5m, **+15% y/y**
- **Lower funding cost y/y at 0.5%**
- **Total Income** equal to €50.3m, **+9% y/y**
- **Recurring cost of risk equal to 46bps**; LLPs up y/y due to one-off provisions on municipalities in conservatorship (€2.4m in 1Q21 and €1.4m in 2Q21)
- **Total operating costs y/y increase** is mainly due to the consolidation of the Pawn loans business unit purchased in 3Q20
- **Net income equal to €8.5m, stable y/y excluding non-recurring items** (€3.8m LLPs in 2021 and €1.1m gain for ProntoPegno stake sale in 2020)

Balance Sheet

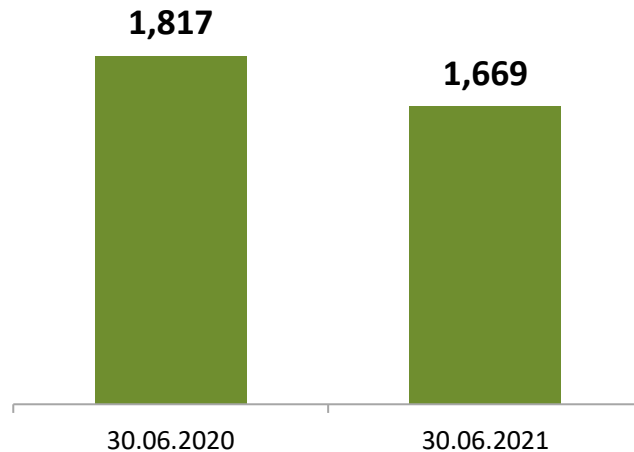
- **Wholesale funding down q/q** (36% of Total Funds): BCE funding stable at €737m
- **CET1 ratio at 12.2% and TC ratio at 15.5%**

Factoring commercial performance

Factoring outstanding

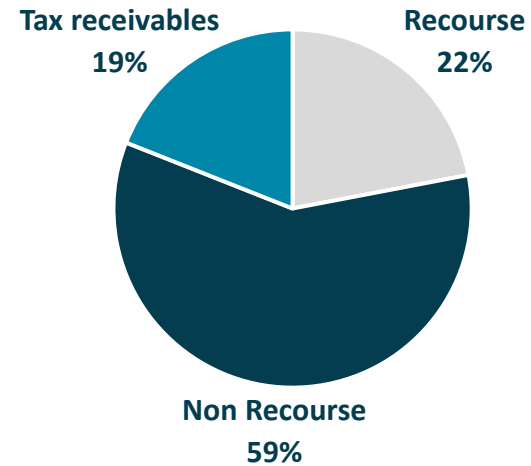
€m

-8%
y/y



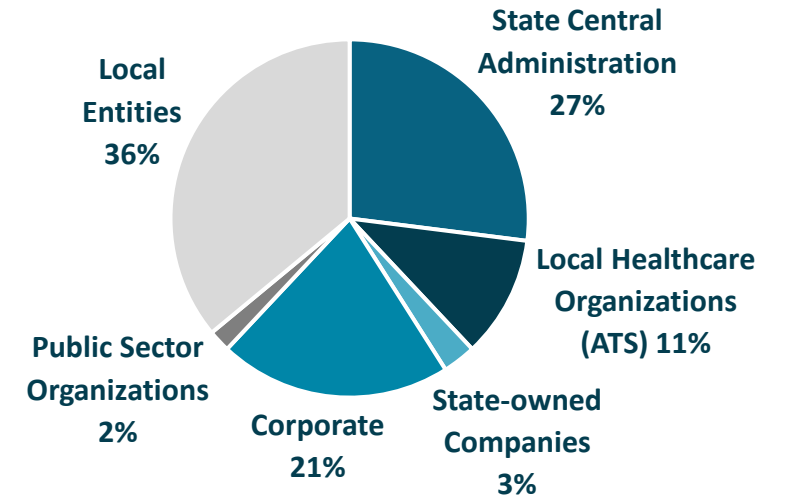
Outstanding breakdown (30.06.2021)

By Type of Product



By Obligor

PA accounts for 79%



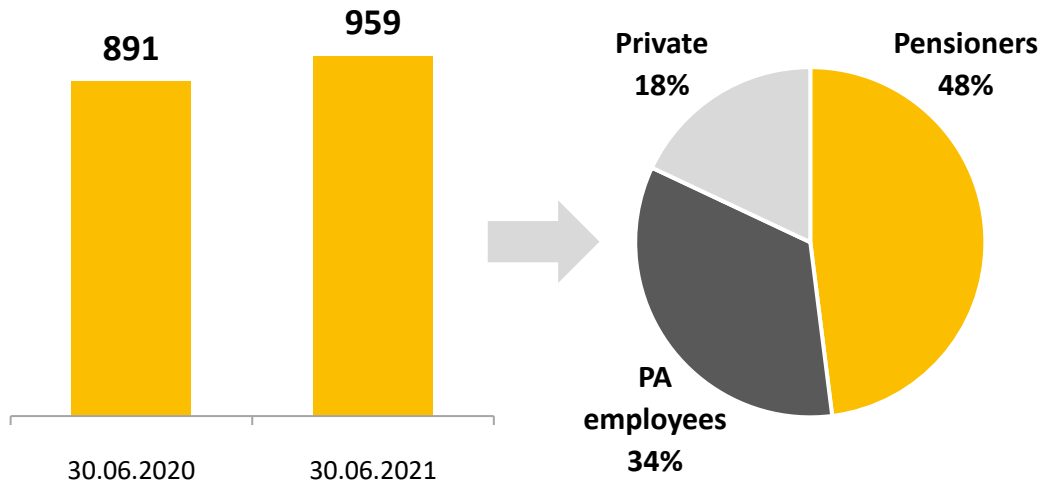
Note: Factoring outstanding management account. Factoring customer loans, item of the Balance Sheet (slide 4) differ from management account for the following elements: Recourse factoring non-financed portion; Provisions; LPI; deferred income.

CQ and Pawn loans commercial performance

CQ loans outstanding

€m

+8%
y/y

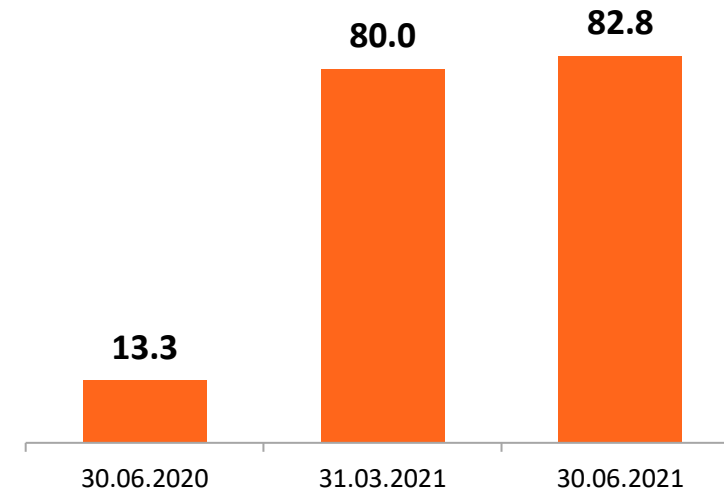


- €136m turnover in 1H 2021 (€147m in 1H 2020)
- 20% direct origination through agents/brokers

Pawn Loans outstanding

€m

+4%
q/q



- >50k contracts
- Total turnover in 1H21 (including renewals): €75.4m
- #45 auctions in 1H21, for a €2.5m cumulative turnover

Figures in millions of Euro

	31.12.2020	31.03.2021	30.06.2021	Change in % 30.06.2021 vs 31.12.2020
ASSETS				
Financial assets at fair value through Other Comprehensive Income [Held to Collect and Sell]	431	473	411	-5%
Loans at amortized cost	2,695	2,634	2,700	0.2%
Factoring	1,482	1,415	1,418	-4%
CQ	934	917	959	3%
Pawn loans	78	80	83	7%
SMEs State Guaranteed loans	74	118	134	80%
Other ⁽¹⁾	127	104	106	-17%
Securities at amortized cost [Held to Collect]	448	233	234	-48%
Tangible and Intangible assets	65	74	74	14%
Other assets	32	33	35	9%
Total assets	3,671	3,447	3,454	-6%
LIABILITIES AND EQUITY				
Due to banks	870	821	845	-3%
of which ECB exposure	690	738	737	7%
Due to customers	2,164	1,924	1,989	-8%
of which term deposits	1,217	1,166	1,171	-4%
of which current accounts	634	586	703	11%
Debt securities issued	240	290	189	-24%
Other liabilities	182	193	178	-2%
Shareholders Equity	215	219	253	18%
Total liabilities and equity	3,671	3,447	3,454	-6%

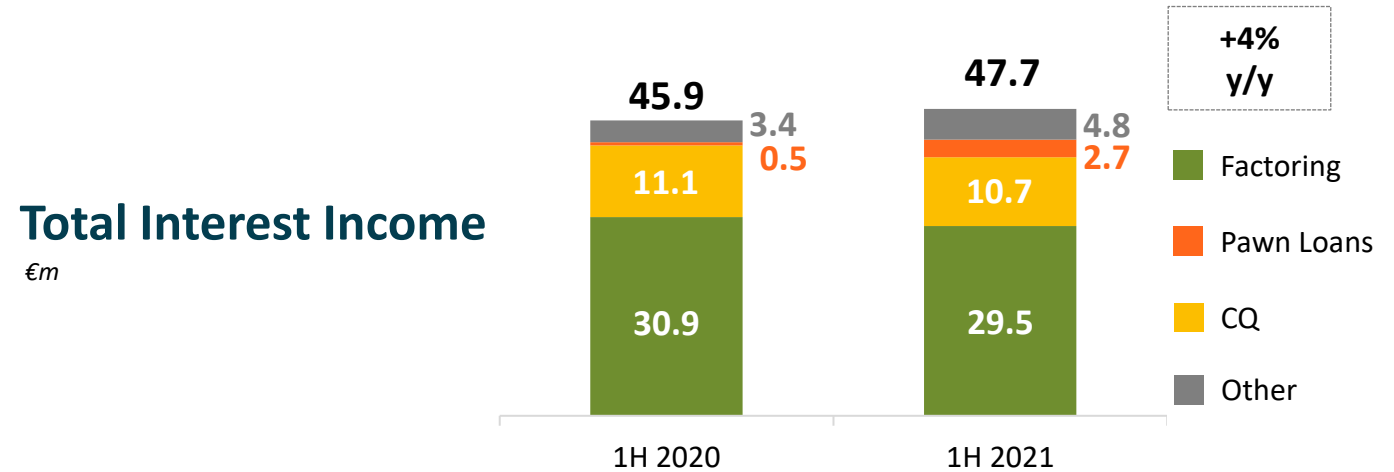
1H 2021 – Balance Sheet

- **Govies' portfolio (€639m) down q/q**, with an average duration of 30.4 months, it includes €406m 'Held to Collect and Sell', down q/q, with an average duration of 30.5 months
- **Loans at amortized cost down q/q (€2,700m):**
 - **Factoring receivables** down 4% at €1.4bn (€1.5bn as at 31.12.2020), stable q/q
 - **CQ loans up q/q**, with new loans substantially stable y/y, although higher pre-payment, as already registered during the last 3 quarters
 - **Pawn Loans up q/q** thanks to organic growth
 - Strong growth on SMEs State guaranteed loans up y/y and q/q
- **Due to banks** q/q increase is driven by interbanking. ECB funding stable at €737m (of which €540m TLTRO III stable q/q vs €490m as at 31.12.2020)
- **Due to customers increase q/q** is mainly driven by the increase of current account that has more than compensated the decrease of Repo as a consequence of Govie's ptf reduction
- **Debt securities** decrease q/q 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), not entirely compensated by higher funding through ABS as collateral
- **Shareholders Equity** since Q2 2021 includes all AT1 bonds²

Note: (1) The item include "Loans to banks" respectively as at 31.12.2020, 31.03.2021 and 30.06.2021 equal to €92.5m, to €79.1m and to €85.2m; 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 and 31 March 2021 were also restated.

Interest income growth mainly driven by Pawn loans

- 1H 2021 Interest Income is up 4% y/y due to higher contribution of Pawn loans and SMEs State guaranteed loans ptf
- Factoring represents 62% of Total Interest Income
- Stable contribution y/y by factoring, but **higher LPs from legal action** equal to €12.0m (€9.9m 1H 2020):
 - of which accrual €5.9m (€3.7m in 1H 2020)
 - of which “extra collection” €6.1m (€6.2m in 1H 2020)
- LPI contribution has partially compensated lower contribution from tax receivables
- CQ contribution for €5.5m in 2Q 2021 is slightly higher q/q
- Pawn loans contribution slightly up q/q
- **Total Adjusted Income margin stable y/y, but slightly lower q/q due to factoring, while CQ and Pawn loans Income margin stable q/q respectively at 2.3% and 15.2%**



	1H20	1H21
Total	4.3% €54.2m	4.3% €55.6m
Factoring	5.1% €42.1m	5.2% €37.0m
CQ	2.6% €11.1m	2.3% €10.7m
Pawn Loans	13.9% FY20	15.2% €5.9m

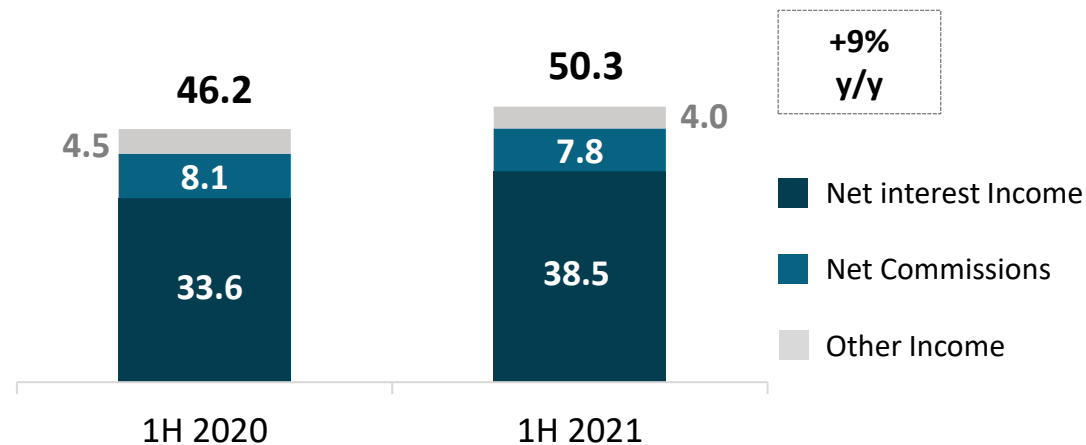
Note: (1) Calculated as [Period Interest Income + Commission Income] / [Average net customer loans at the end of the period] - excluding the contribution from securities portfolio, PPA, credit due from banks and Repo (Balance Sheet and Financial Statement figures).

Total Income up y/y

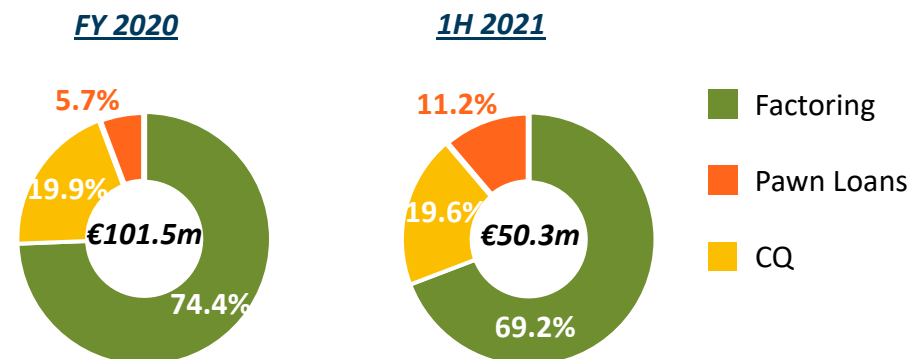
- **1H 2021 Total Income up +9% y/y**, thanks to the increase of **Net Interest Income**
- **NII 15% y/y increase is driven by Interest Income +4% y/y and Interest Expenses -25% y/y**. Total Cost of funding is lower, equal to 0.5% (0.6% in 1H 2020), in both component Retail and Wholesale
- **Net Commissions down y/y** due to lower factoring contribution not fully compensated by higher contribution from Pawn loans
- **Other Income** includes €1.0m gain from the sale of a factoring ptf in 1H 2021 (€1.6 in 1H 2020)
- Lower contribution of the **Govies' portfolio, €3.6m** (€4.9m in 1H 2020) of which €0.8m to the NII (€2.3 in 1H 2020) and €2.8m to Other Income (€2.6m in 1H 2020)

Total Income

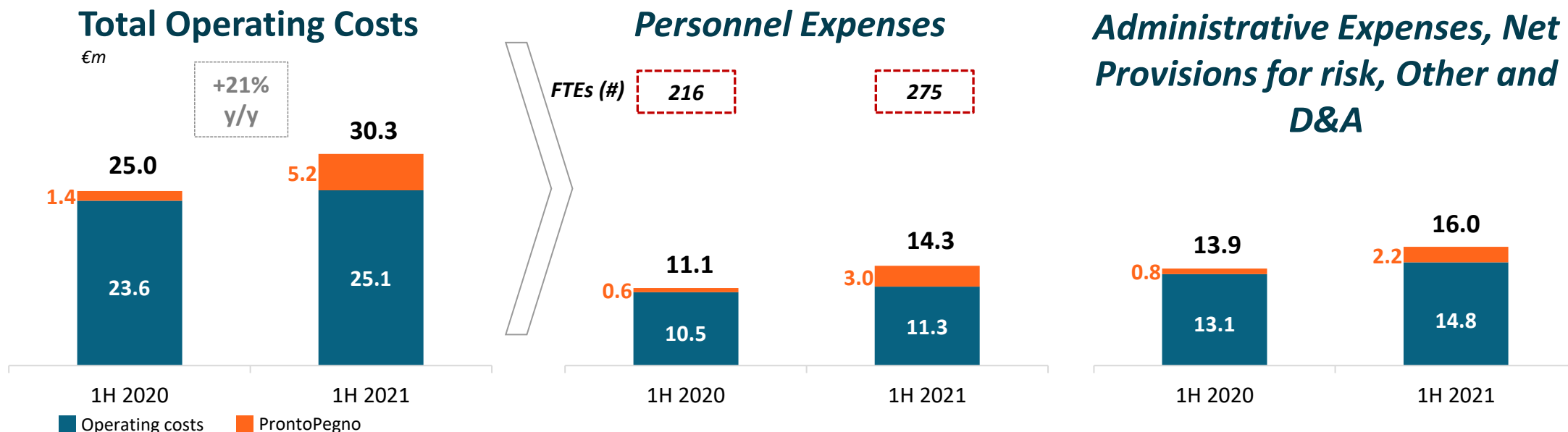
€m



Total Income by Division

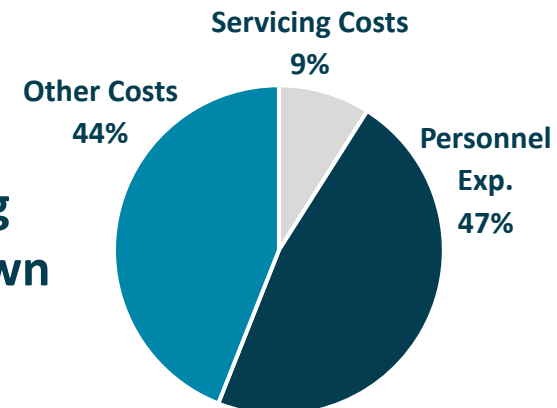


Costs up mainly due to the consolidation of Pawn loans business unit



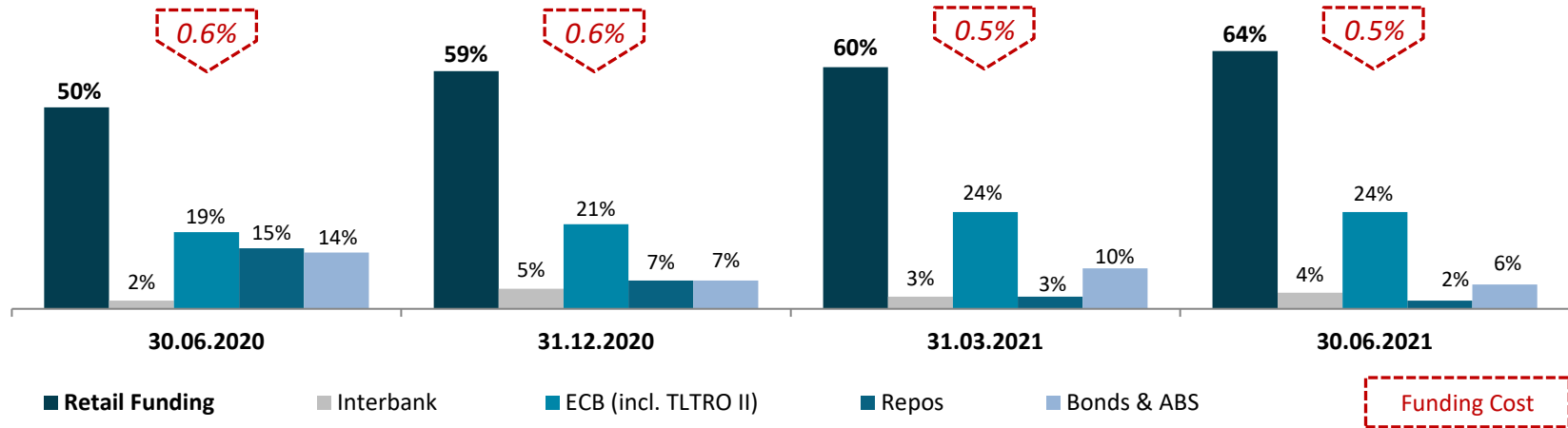
- Personnel Expenses are up y/y mainly due to higher FTEs following the acquisition of Pawn loans business unit
- Administrative expenses increase y/y is due to consolidation of the business unit. In 1H 2021, Servicing costs are up y/y and also the advisory expenses
- D&A equal to €1.4m in 1H 2021 (€0.8m in 1H 2020) are up y/y mainly due the consolidation of the Pawn loans business unit, in particular the rent of the branches

Total Operating Costs Breakdown

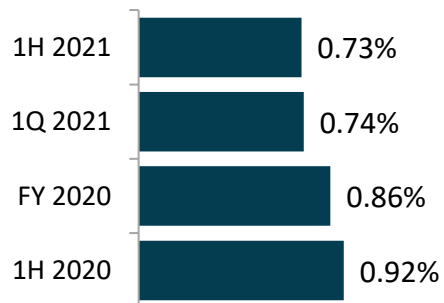


Lower funding cost y/y

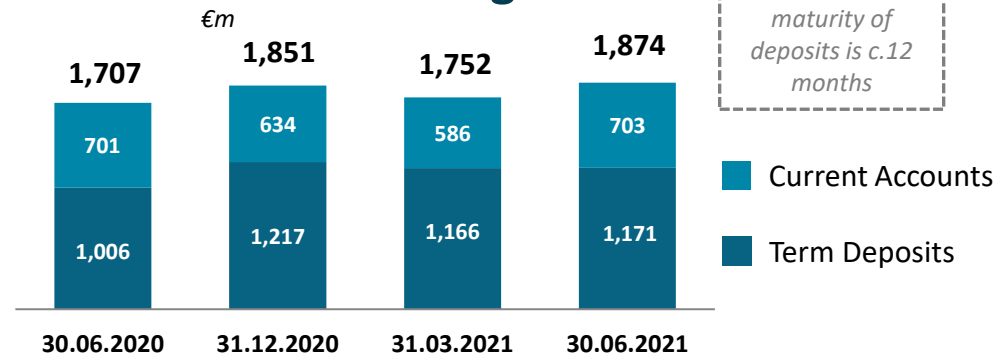
Total Funding breakdown



Retail Funding Cost



Retail Funding

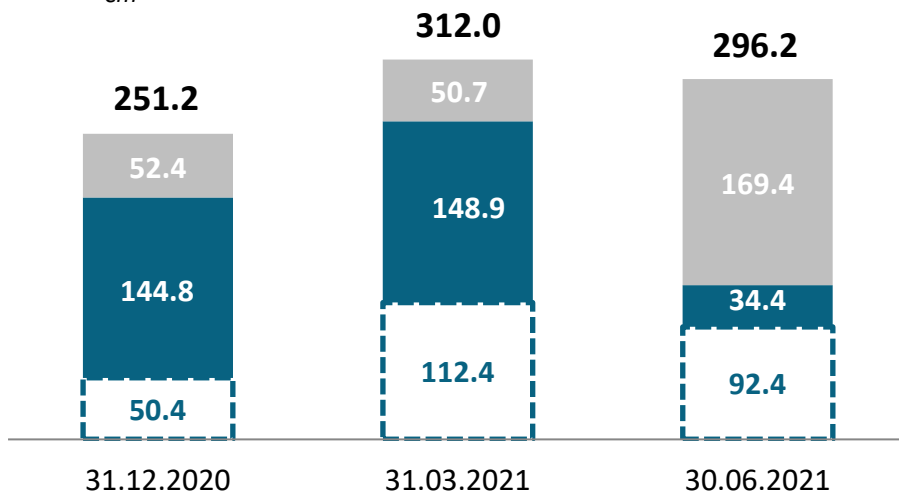


- Cost of funding lower y/y
- Wholesale component decrease q/q is due to:
 - the maturity of the €90m senior bond (private placement)
 - the replacement of the T2 bonds (€37.5m) with AT1 bond for an equivalent amount
 - the Repos reduction (directly related to Govie's ptf reduction)
- ECB funding, equal to €737m, of which €540m TLTRO III, is stable q/q
- ABS funding slight increase q/q (with CQ ABS as collateral)
- Retail Funding up q/q, due to the increase of Corporate current accounts

Asset Quality driven by factoring business

Gross Non Performing Exposures

€m



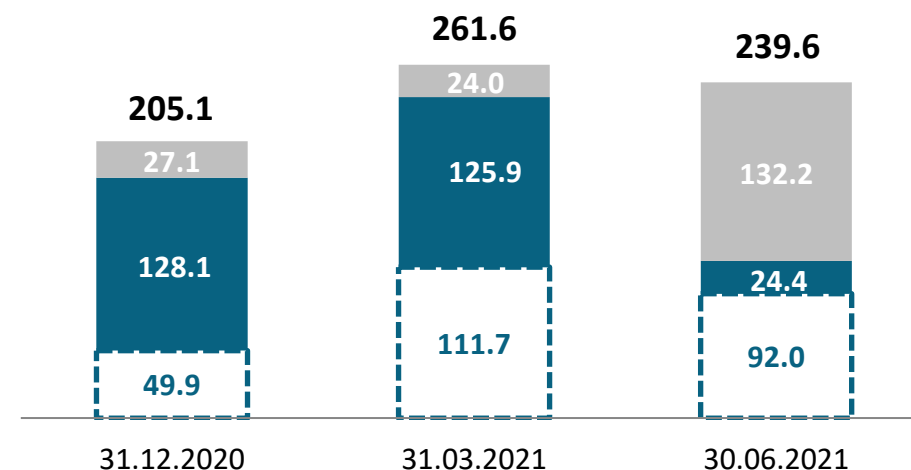
PA exposure deriving from ordinary business

□ Past-dues

■ Unlikely to Pay

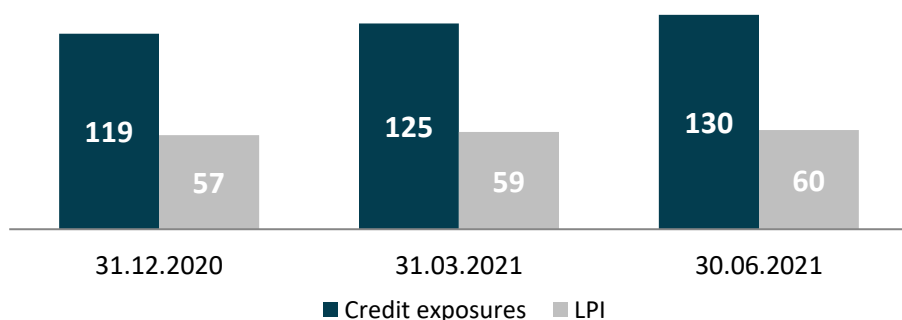
■ Bad loans

Net Non Performing Exposures



Exposure to Municipality in Conservatorship & related LPI stock

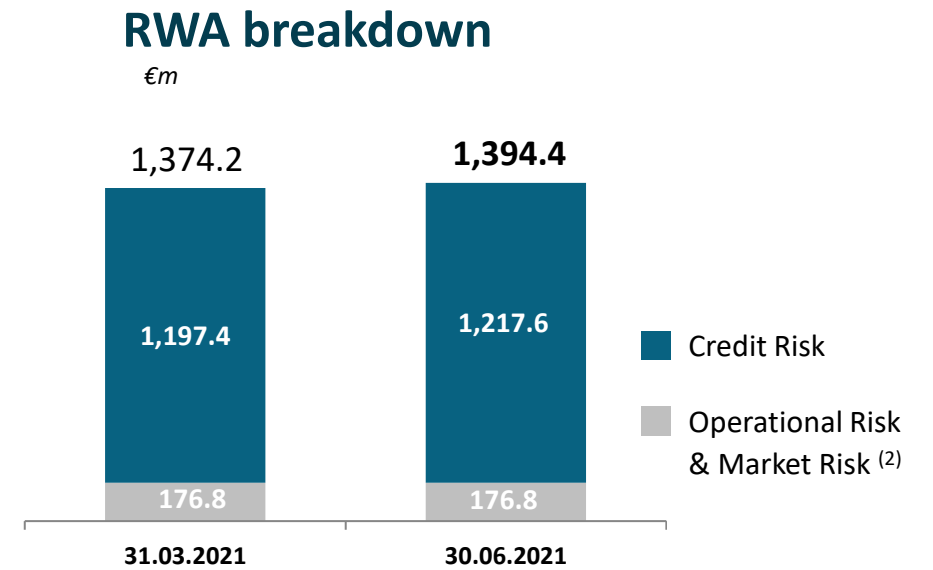
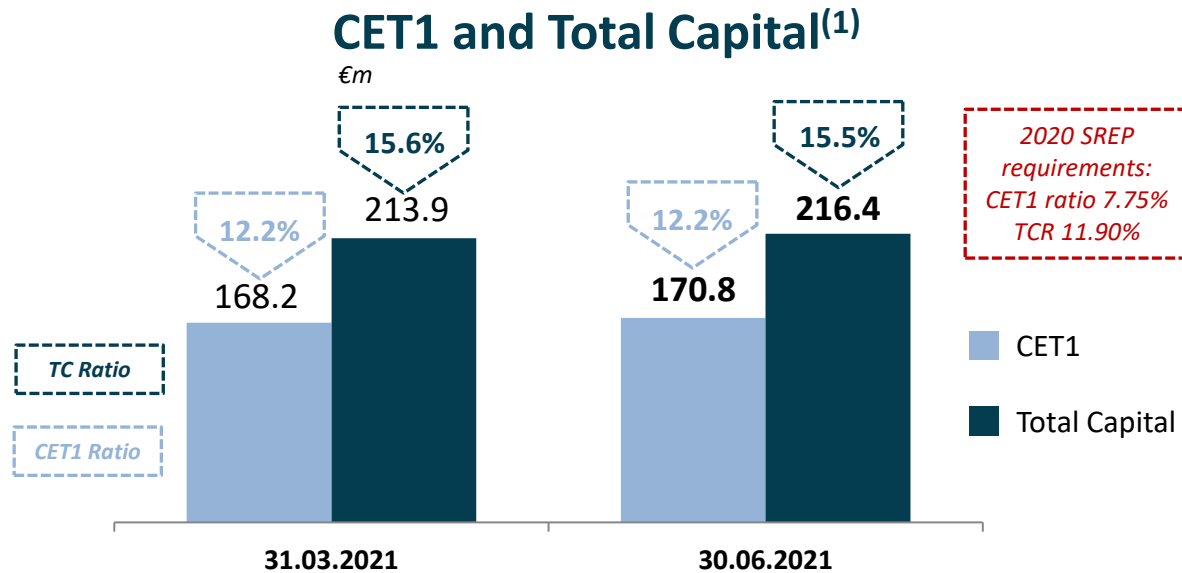
€m



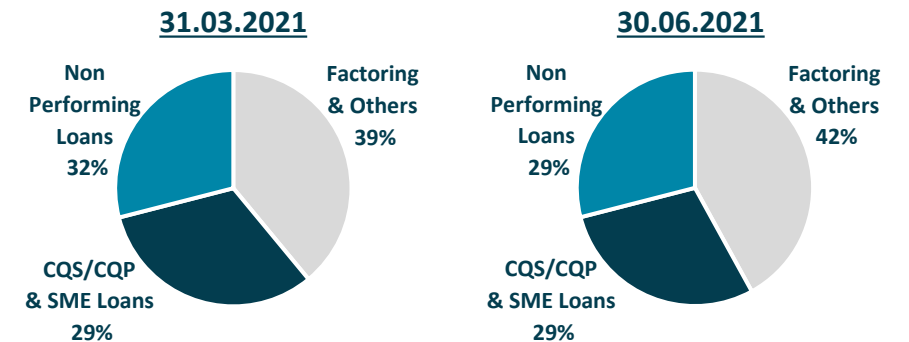
- Gross Non Performing Exposures down q/q due to Past-dues decrease (relating to factoring)
- Credit exposures vs municipality in conservatorship have been all classified as Bad loans, the new classification does not correspond to a deterioration of creditworthiness
- Gross NPE ratio decreases to 11.1% compared to 11.9% as at 31.03.2021, reached for the growth in Past-due as a consequence of the application of the “New DoD” in 1Q (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 1H 2021, equal to €7.8m, are up y/y (€5.1m in 1H 2020) due to €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
- 1H 2021 Cost of credit risk, considering the above-mentioned provisions as non recurring, stands at 46bps

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

Regulatory Capital well above minimum requirements



RWA – Credit Risk



On 25.6.2021 It have been early redeemed the only two subordinated Tier 2 bonds outstanding and simultaneously issued a subordinated Additional Tier 1 (AT1) bond for the same amount. As consequence, TIER 1 ratio is today the same of the TCR, equal to 15.5%.

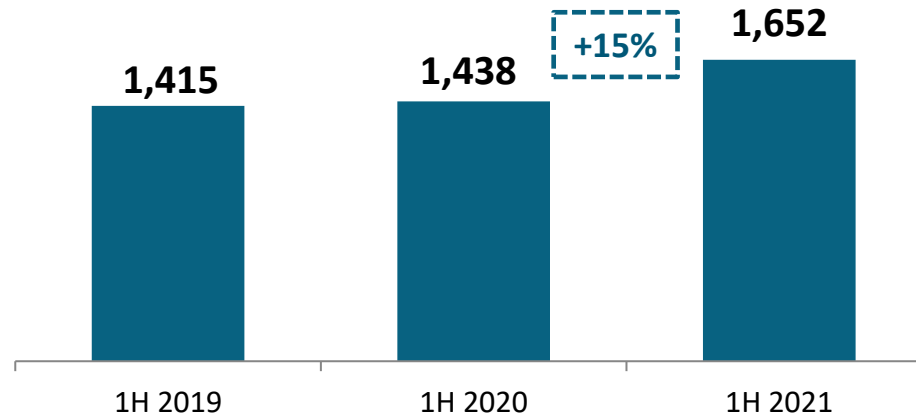
Note: (1) CET1, Tier1 and Total Capital, following CRR directive, are based on an expected dividend pay-out of ~25% of the Banca Sistema Holding Net Income; (2) RWA – Market Risk €53k as at 31.03.2021 and as at 30.06.2021.

Annexes

Factoring Turnover

Factoring Turnover

€m

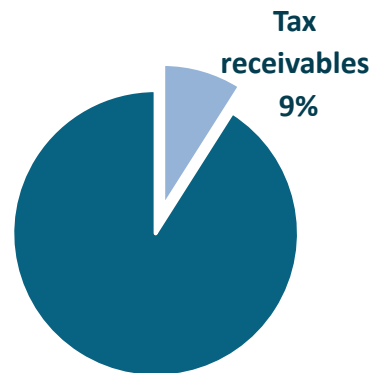


+23% y/y ex. Tax Receivables

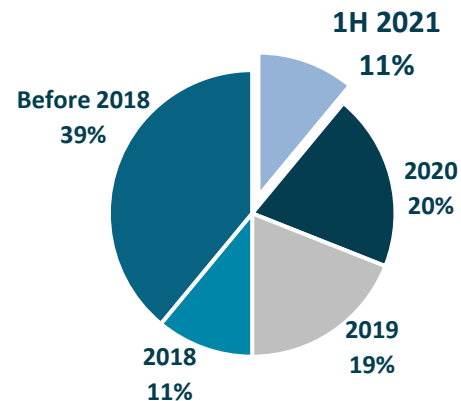
Turnover generated by agreements with Italian Retail banks: 24% in 1H 2021

1H 2021 Factoring Turnover breakdown

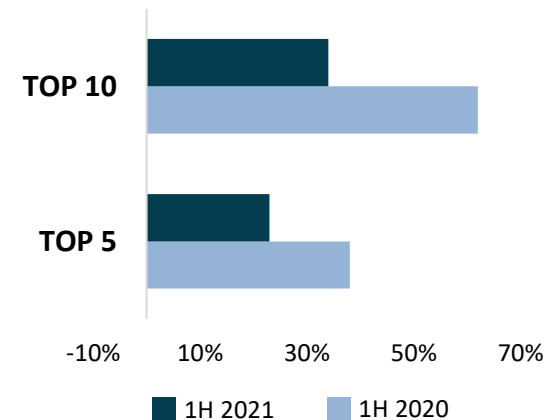
By Type



By Year of Customer's Acquisition



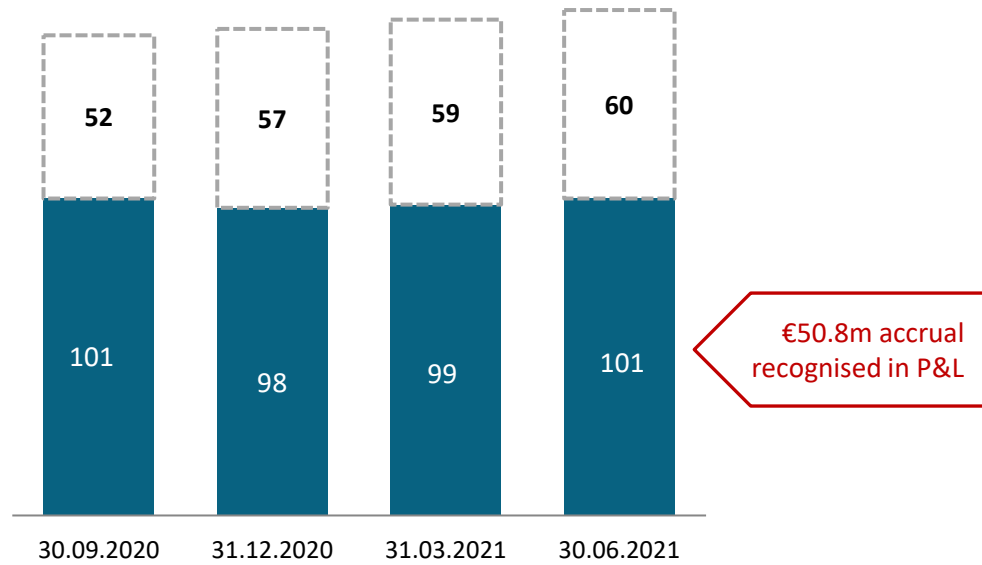
Customer Concentration



Late Payment Interest

Due LPI Stock – Assets in legal action

€m

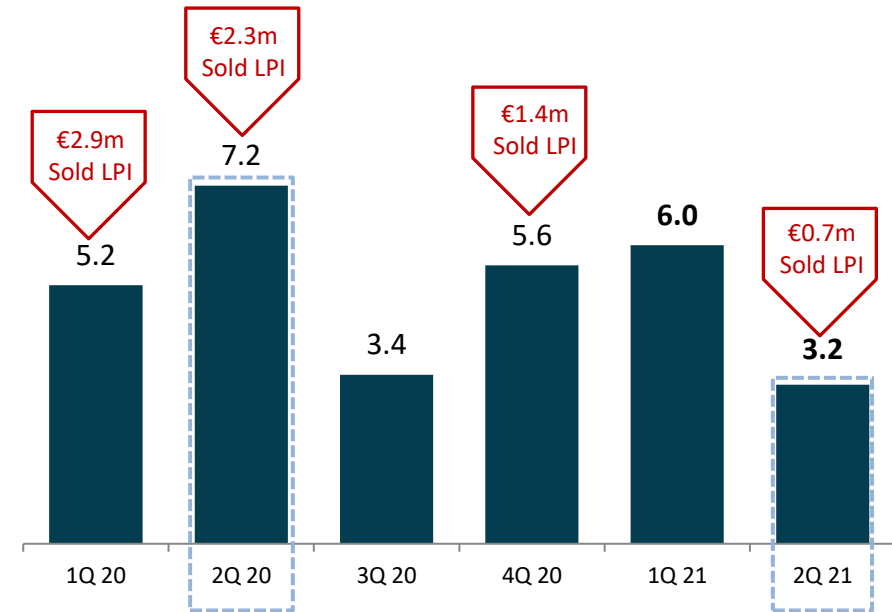


□ LPI – non relevant for the accrual

■ LPI – relevant for the accrual

Total collected cashed-in LPI

€m



1H 2021 – Income Statement

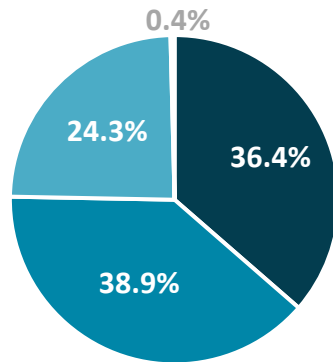
Figures in millions of Euro

	1H 2020	1Q 2020	2Q 2020	1H 2021	1Q 2021	2Q 2021	1H 21 vs 1H 20 change in %
Interest income	45.9	22.4	23.5	47.7	24.2	23.5	4%
Interest expenses	(12.3)	(6.3)	(6.0)	(9.2)	(4.8)	(4.4)	-25%
Net interest income	33.6	16.1	17.5	38.5	19.4	19.1	15%
Commission income	11.7	6.0	5.7	11.9	5.9	6.0	2%
Commission expenses	(3.6)	(1.8)	(1.8)	(4.1)	(1.9)	(2.2)	14%
Net commission	8.1	4.2	3.9	7.8	4.0	3.8	-3%
Dividends and similar income	0.2	-	0.2	0.2		0.2	nm
Net income from trading	0.1	-	0.1	0.02		0.02	nm
Net income from disposal/repurchase assets:	4.2	1.9	2.3	3.7	2.7	1.0	-11%
a) measured at amortised cost	1.9	1.3	0.6	1.4	0.8	0.6	-29%
b) measured at fair value through other comprehensive income	2.3	0.3	2.0	2.3	1.9	0.4	4%
c) financial liabilities	0.02	0.3	(0.28)	-	-	-	nm
Total income	46.2	22.2	24.0	50.3	26.1	24.3	9%
Net impairment losses on loans	(5.1)	(1.9)	(3.2)	(7.8)	(4.1)	(3.7)	55%
Net operating income	41.1	20.2	20.9	42.5	22.0	20.5	3%
Personnel expenses	(11.1)	(5.7)	(5.4)	(14.3)	(6.9)	(7.4)	29%
Other expenses	(13.9)	(7.6)	(6.3)	(16.0)	(8.4)	(7.5)	15%
Operating expenses	(25.0)	(13.3)	(11.7)	(30.3)	(15.3)	(14.9)	16%
Profits from equity investments			-	0.02	0.01	0.01	nm
Profits from investments disposal	1.1		1.1	-	-	-	nm
Pre-tax profit from continuing operations	17.2	6.9	10.3	12.2	6.7	5.6	-29%
Taxes on income for the period/year from continuing operations	(5.0)	(2.3)	(2.7)	(3.6)	(2.1)	(1.5)	-7%
Profit after tax from discontinued operations	-	-	-	-			
Profit (loss) for the year/period	12.2	4.7	7.5	8.6	4.6	4.0	-30%
Minority interests	0.1	-	0.1	(0.09)	0.03	(0.06)	nm
Profit (loss) for the year/period attributable to the shareholders of the Parent	12.3	4.7	7.6	8.5	4.6	3.9	-31%

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", the Income Statement as at 31 March 2021 (on Net Income equal to €91k) and 2020 (€94k), the Income Statement as at 30 June 2020 (€187k) were also restated.

Asset Quality

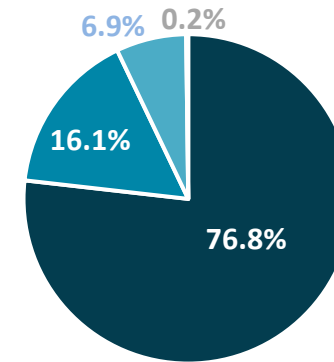
Gross Bad loans



31.03.2021

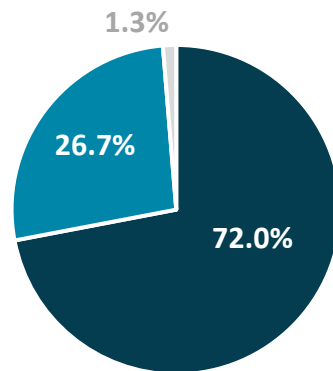
- Conservatorships (factoring)
- Factoring
- SME State Guarantee Loans
- Other

Loans granted before 2020

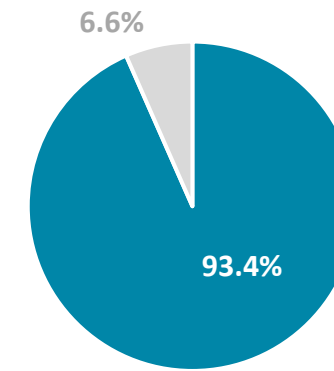


30.06.2021

Gross Unlikely to Pay



31.03.2021



30.06.2021

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