



BANCA

S I S T E M A

1Q 2021 RESULTS

7 May 2021

1Q 2021 Results at a Glance

Commercial performance

- **Factoring Turnover** +12% y/y equal to €783m
- **CQ outstanding** reached €917m, +6% y/y
- **Pawn loans outstanding reached €80m**, from €13m as at 31.03.2020 before the acquisition of the business unit from ISP
- **SMEs State guaranteed loans** outstanding equal to €118m (€74m as at 31.12.2020)

P&L

- **Net Interest Income** equal to €19.3m, **+21% y/y**
- **Lower funding cost y/y at 0.5%**
- **Total Income** equal to €26.0m, **+18% y/y**
- **Recurring cost of risk equal to 37bps**; €4.1m LLPs up y/y due to a single position relating to a municipality in conservatorship
- **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 €4.5m, substantially stable compared to last year

Balance Sheet

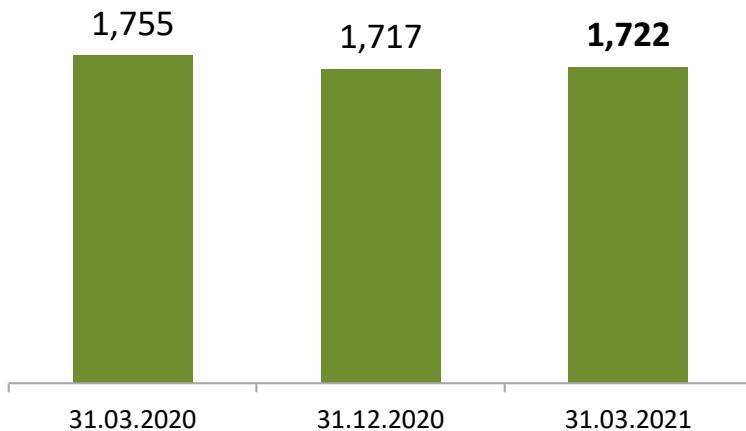
- **Wholesale funding slightly down q/q** (40% of Total Funds): BCE funding up q/q at €738m
- **CET1 ratio at 12.2% and TC ratio at 15.6%**

Factoring commercial performance

Factoring outstanding

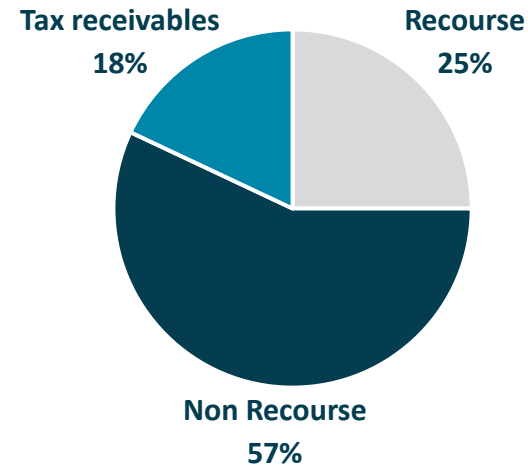
€m

-2%
y/y



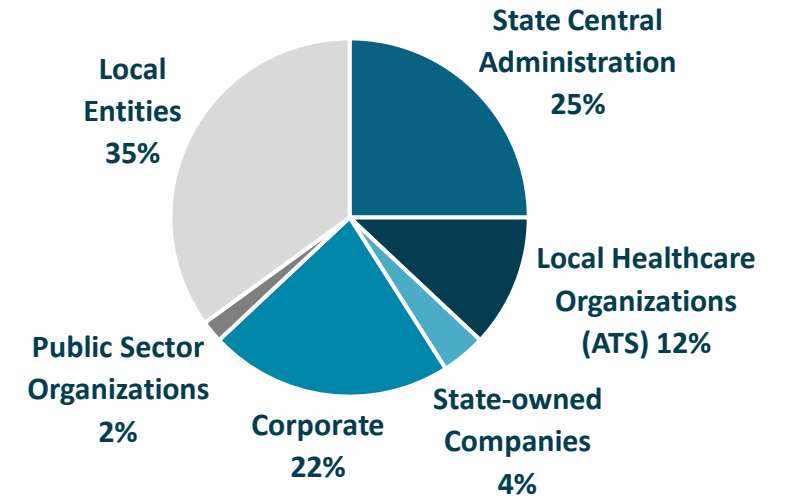
Outstanding breakdown (31.03.2021)

By Type of Product



By Obligor

PA accounts for 78%

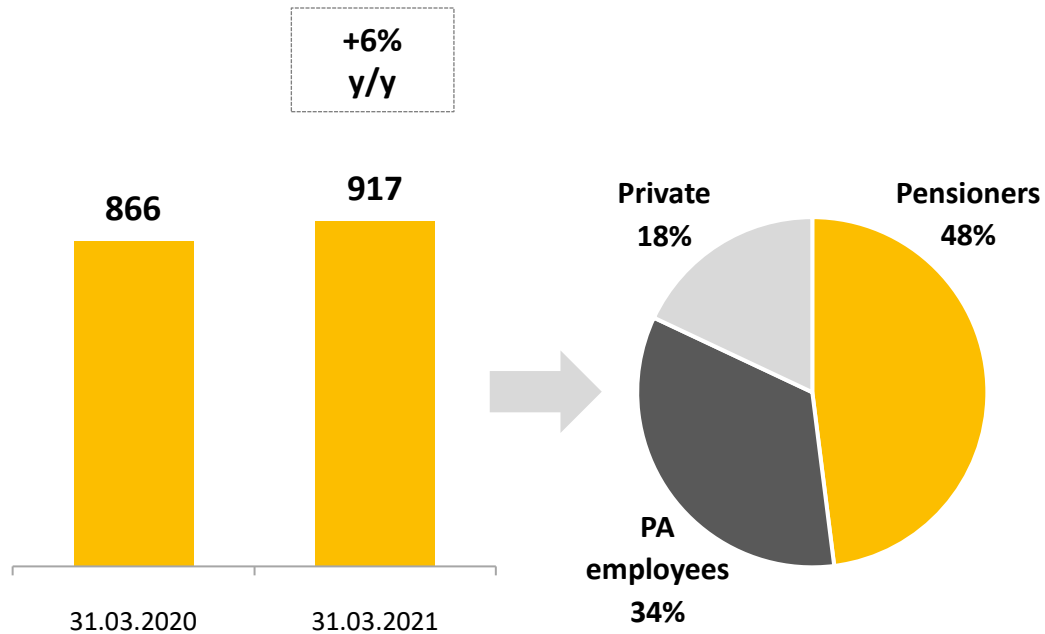


Note: Factoring outstanding management account. Factoring customer loans, item of the Balance Sheet (slide 4) differ from management account for the following elements: Recourse factoring non-financed portion; Provisions; LPI; deferred income.

CQ and Pawn loans commercial performance

CQ loans outstanding

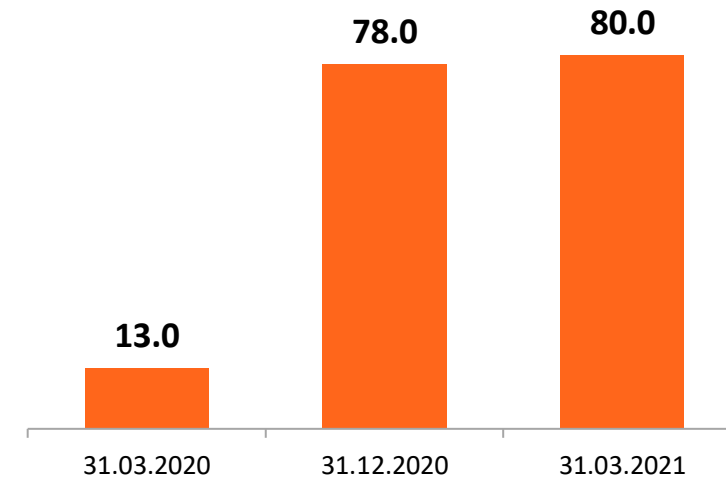
€m



- €42m turnover in 1Q 2021 (€86m in 1Q 2020)
- 29% direct origination through agents/brokers

Pawn Loans outstanding

€m



- ~50k contracts
- Total turnover in 1Q21 (including renewals): €37.3m
- #13 auctions in 1Q21, for a €1.3m cumulative turnover

Figures in millions of Euro

	31.12.2020	31.03.2021	Change in % 31.03.2021 vs 31.12.2020
ASSETS			
Financial assets at fair value through Other Comprehensive Income [Held to Collect and Sell]	431	473	10%
Loans at amortized cost	2,695	2,634	-2%
Factoring	1,482	1,415	-4%
CQ	934	917	-2%
Pawn loans	78	80	3%
SMEs State Guaranteed loans	74	118	59%
Other ⁽¹⁾	127	104	-18%
Securities at amortized cost [Held to Collect]	448	233	-48%
Tangible and Intangible assets	65	74	14%
Other assets	32	33	3%
Total assets	3,671	3,447	-6%
LIABILITIES AND EQUITY			
Due to banks	870	821	-6%
of which ECB exposure	690	738	7%
Due to customers	2,164	1,924	-11%
of which term deposits	1,217	1,166	-4%
of which current accounts	634	586	-7%
Debt securities issued	248	298	20%
Other liabilities	182	193	6%
Shareholders Equity	207	211	1%
Total liabilities and equity	3,671	3,447	-6%

Note: (1) The item include "Loans to banks" respectively as at 31.12.2020 and 31.03.2021 equal to €92.5m and to €79.1m

1Q 2021 – Balance Sheet

- **Govies' portfolio (€701m) down q/q**, with an average duration of 27.9 months, it includes €467m 'Held to Collect and Sell', up q/q, with an average duration of 25.2 months
- **Loans at amortized cost down q/q (€2,634m):**
 - **Factoring receivables** down 4% at €1.4bn (€1.5bn as at 31.12.2020)
 - **CQ loans down q/q** due to lower purchases than previous quarters
 - **Pawn Loans up q/q** thanks to organic growth
 - **Strong growth on SMEs State guaranteed loans**
- **Tangible assets up q/q** due to the acquisition of a building in Rome, as an office for all the Group's activities, including the new branch dedicated to Pawn loans
- **Due to banks q/q decrease** is driven by interbanking. ECB funding up at €738m (of which €540m TLTRO III up q/q vs €490m as at 31.12.2020)
- **Due to customers decrease q/q** is mainly driven by the decrease of Repo as a consequence of Govie's ptf reduction. Term deposits and current accounts are as well as down q/q
- **Debt securities increase q/q** is due to higher funding through ABS as collateral

- 1Q 2021 Interest Income is up 8% y/y due to higher contribution of Pawn loans and SMEs State guaranteed loans ptf

- Factoring represents 64% of Total Interest Income

- Stable contribution y/y by factoring, but higher LPIs from legal action equal to €6.6m (€3.4m 1Q 2020):

- of which accrual €2.3m (€1.2m in 1Q 2020)
- of which “extra collection” €4.3m (€2.2m in 1Q 2020)

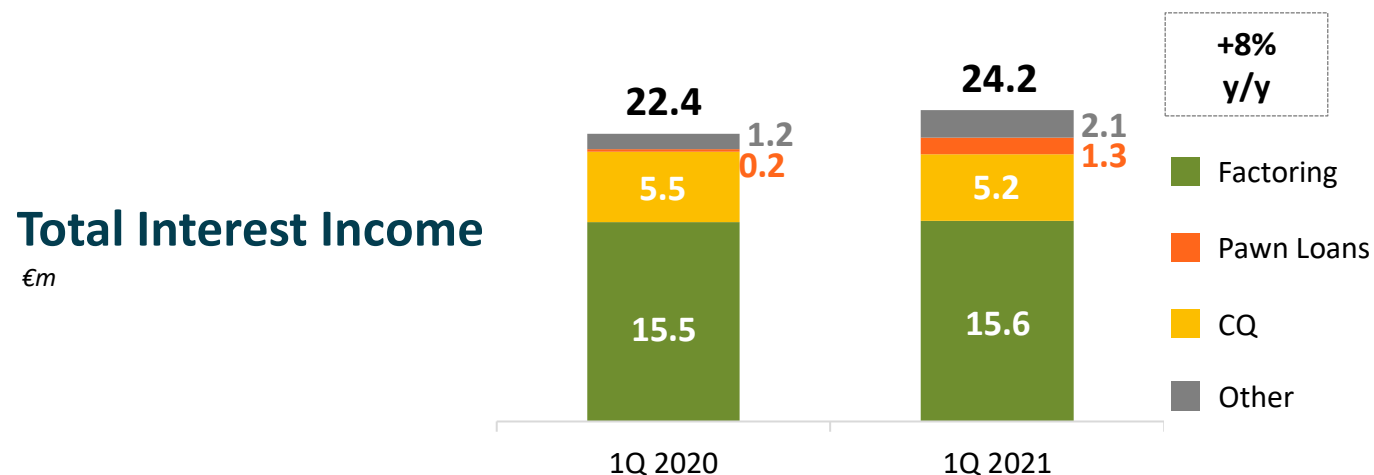
- LPI contribution has compensated lower contribution from tax receivables

- CQ contribution for €5.2m (€5.5m in 1Q 2020)

- Pawn loans contribution for €1.3m (€0.2m in 1Q 2020)

- Total Adjusted Income margin stable q/q and vs FY 2020, with a different mix, lower CQ margin and higher Pawn loans margin

Interest income growth mainly driven by Pawn loans



	1Q20	1Q21
Total	4.4% €27.7m	4.5% €28.2m
Factoring	5.3% €21.7m	5.4% €19.3m
CQ	2.8% €5.5m	2.3% €5.2m
Pawn Loans	13.9% FY20	15.2% €2.9m

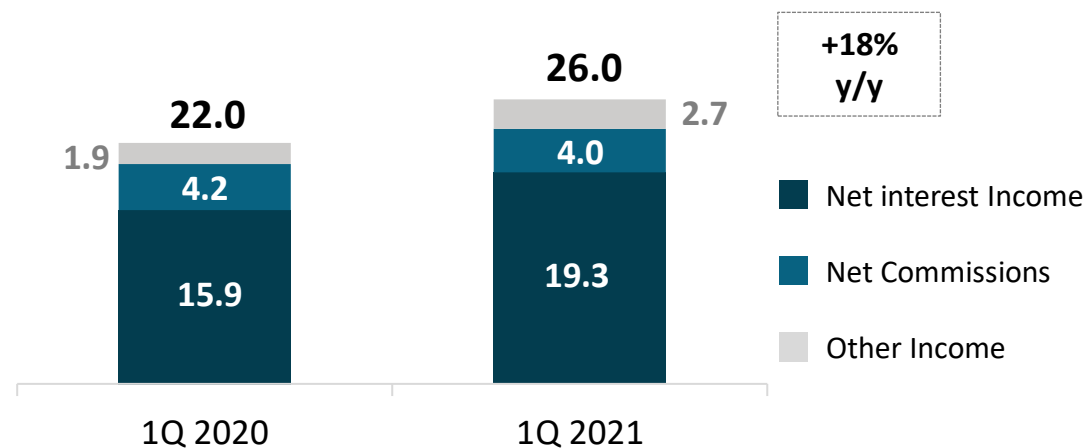
Note: (1) Calculated as [Period Interest Income + Commission Income] / [Average net customer loans at the end of the period] - excluding the contribution from securities portfolio, PPA, credit due from banks and Repo (Balance Sheet and Financial Statement figures).

Total Income up y/y

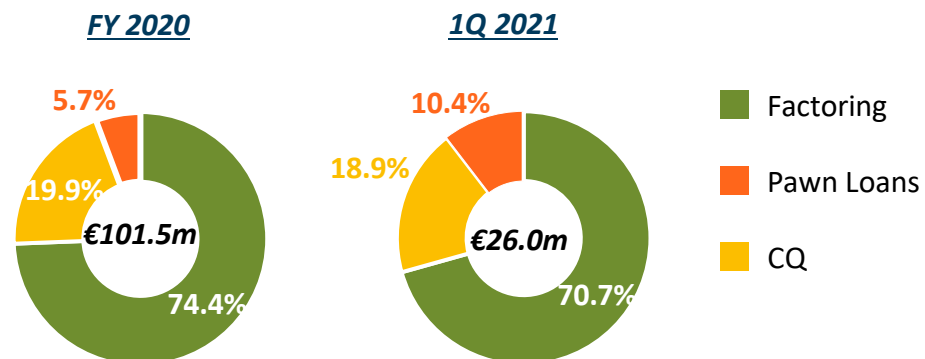
- **1Q 2021 Total Income up +18% y/y**, thanks to the contribution of **Net Interest Income**
- **NII 21% y/y increase is driven by Interest Income +8% y/y and Interest Expenses -23% y/y**. Total Cost of funding is lower, equal to 0.5% (0.7% in 1Q 2020), in both component Retail and Wholesale
- **Net Commissions down y/y** due to lower factoring contribution not fully compensated by higher contribution from Pawn loans
- **Other Income** includes €0.3m gain from the sale of a factoring ptf in 1Q 2021 (€1.3 in 1Q 2020, excluding 1Q 2020 average quarterly gain was €0.4m)
- Higher contribution of the **Govies' portfolio, €2.9m** (€1.5m in 1Q 2020) of which €0.5m to the NII (€0.9 in 1Q 2020) and €2.4m to Other Income (€0.6m in 1Q 2020)

Total Income

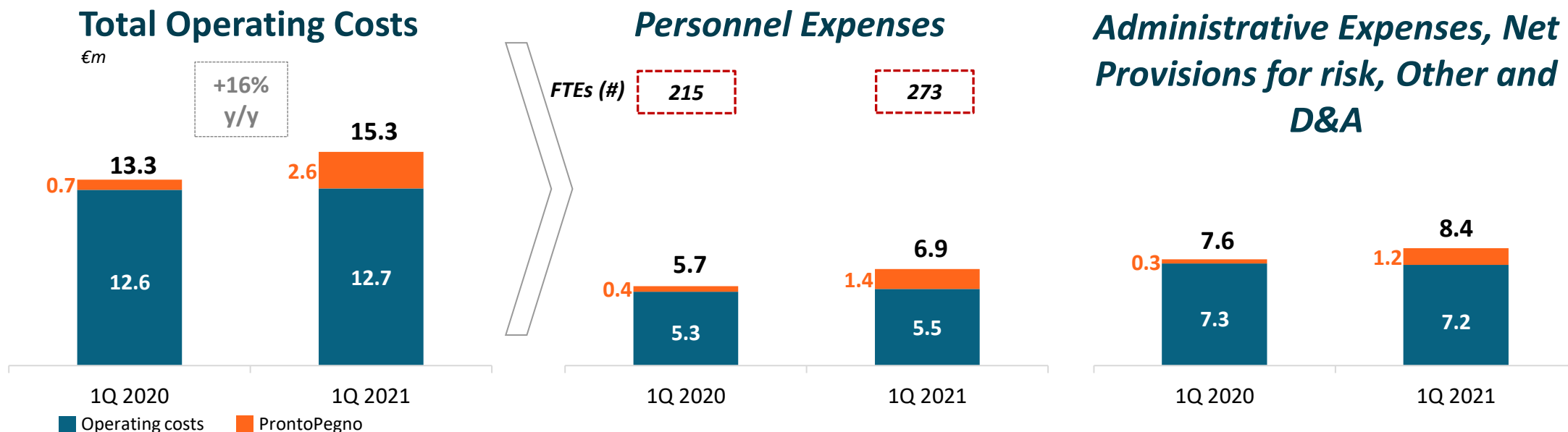
€m



Total Income by Division

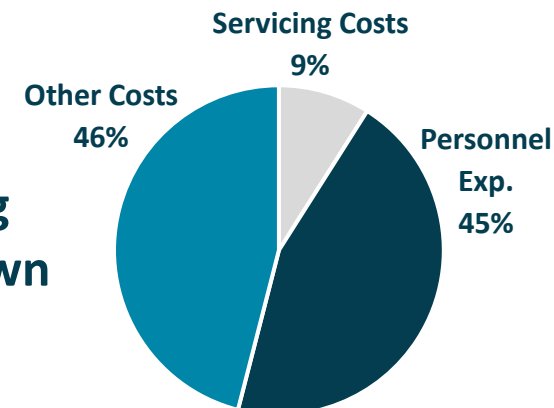


Costs up due to the consolidation of Pawn loans business unit



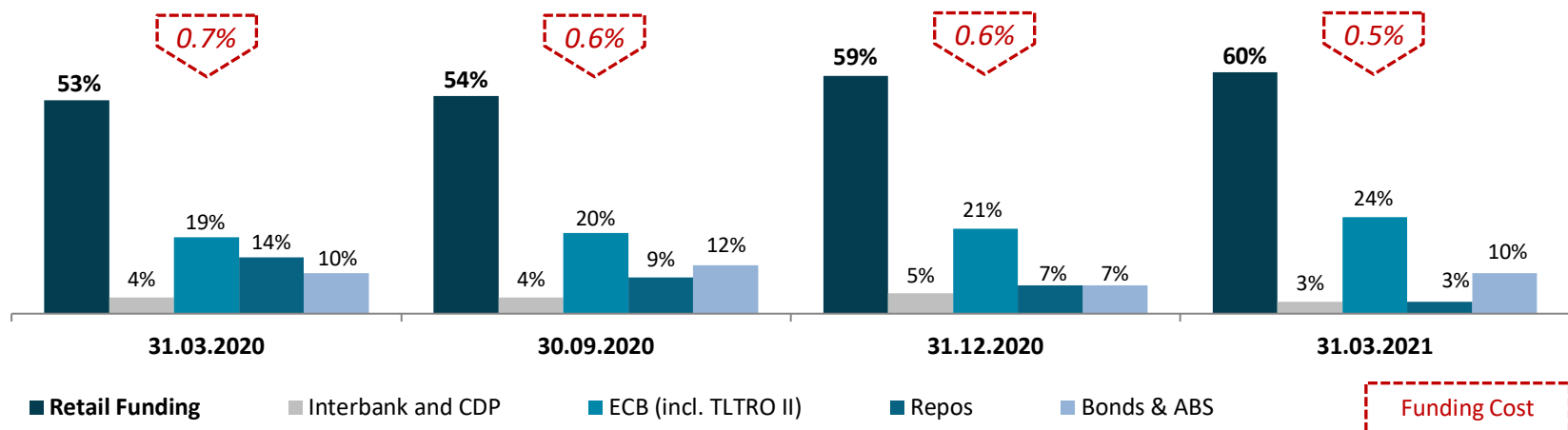
- Personnel Expenses are up y/y mainly due to higher FTEs following the acquisition of Pawn loans business unit
- Administrative expenses increase y/y is due to the consolidation of the business unit. In 1Q 2021, Servicing costs are up y/y and also the contribution to the Single Resolution Fund (SRF) for +€0.2m y/y
- D&A equal to €0.7m in 1Q 2021 (€0.4m in 1Q 2020) are up y/y mainly due the consolidation of the Pawn loans business unit, in particular the rent of the 6 branches

Total Operating Costs Breakdown



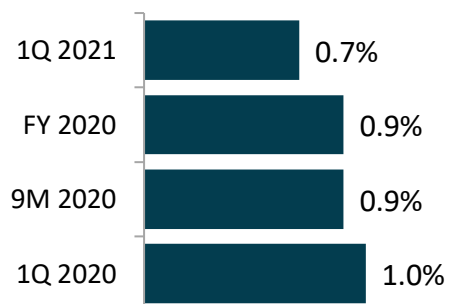
Lower funding cost y/y

Total Funding breakdown

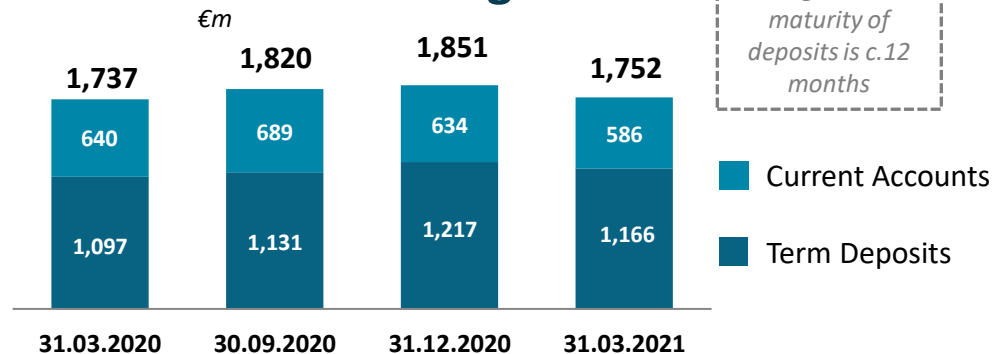


- Cost of funding lower y/y and q/q
- Wholesale component decrease q/q is due to the reduction of the Govie's ptf (directly related to the Repos reduction) and lower funding from banks. ECB funding, equal to €738m, of which €540m TLTRO III, is up q/q by €50m

Retail Funding Cost



Retail Funding



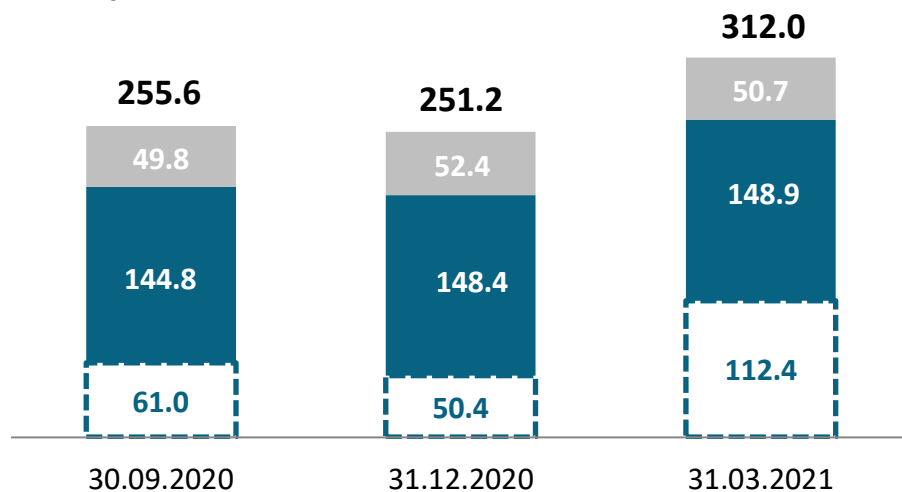
- ABS funding increase q/q leveraging on the CQ ABS as collateral
- Retail Funding down q/q, due to the reduction of the interest rates offered to customers, since February 2021, for both term deposits and current account

Notes: 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

€m



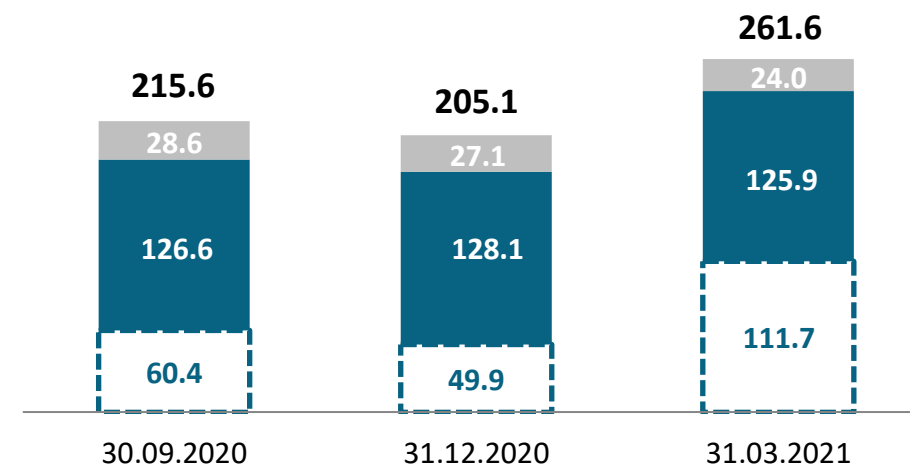
PA exposure deriving from ordinary business

□ Past-dues

■ Unlikely to Pay

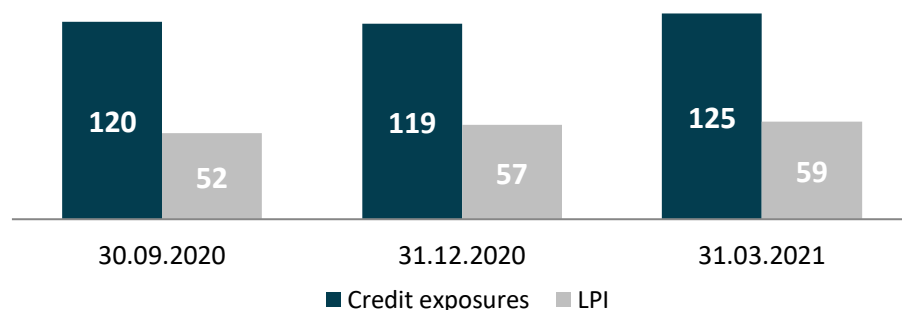
■ Bad loans

Net Non Performing Exposures



Exposure to Municipality in Conservatorship & related LPI stock

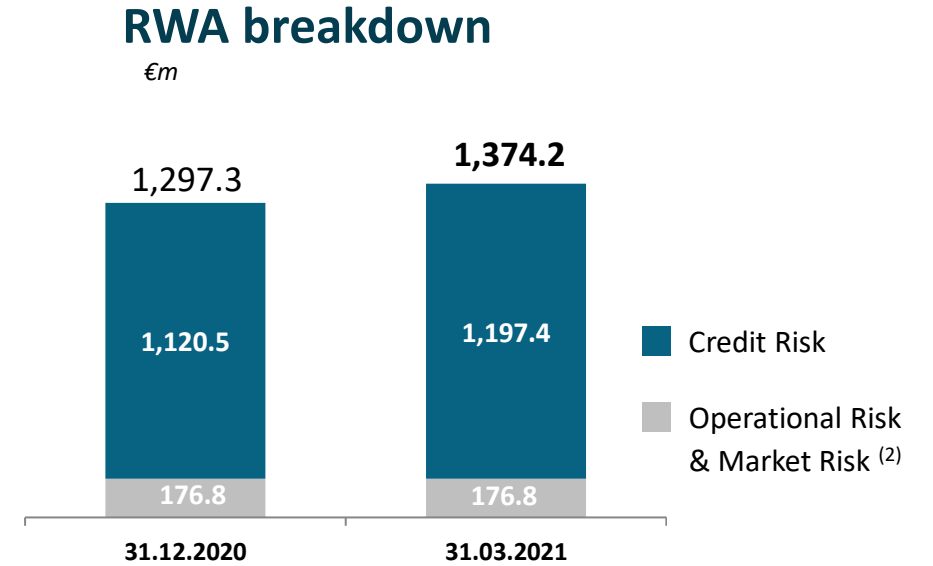
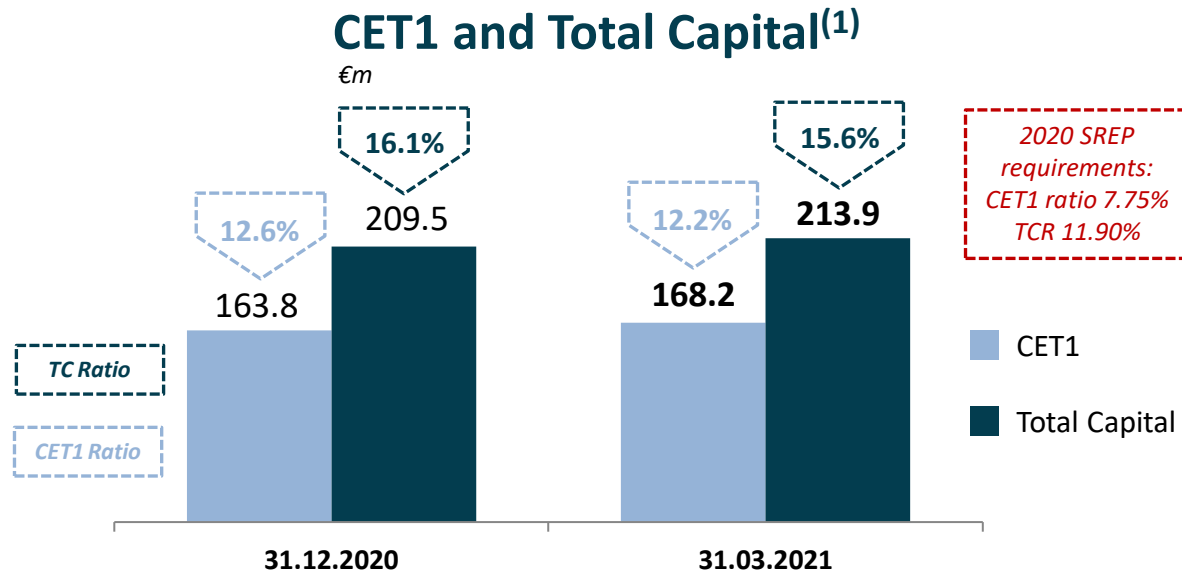
€m



- Gross Non Performing Exposures up q/q due to Past-dues increase (relating to factoring) driven by the introduction from 1.01.2021 of the new definition of default
- Credit exposures vs municipality in conservatorship are classified as Bad loans or UtP
- Gross NPE ratio increases to 11.9% compared to 9.5% as at 31.12.2020, following the growth in Past-due, which, given to the nature of the factoring business with the PA, is not a harbinger of a deterioration of either the borrowers creditworthiness or the probability of recovery
- LLPs in 1Q 2021, equal to €4.1m, are up y/y (€1.9m in 1Q 2020) due to €2.4m provisions related to invoices part of conservatorship procedure of a municipality. This provision is a consequence of the one-off decision to accept a transaction on some invoices within the conservatorship scope. The provision will be, however, to a large extent compensated by the collection of the LPIs included in the transaction, currently off-balance sheet
- 1Q 2021 Cost of credit risk, considering the above-mentioned provisions as non recurring, stands at 37bps

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

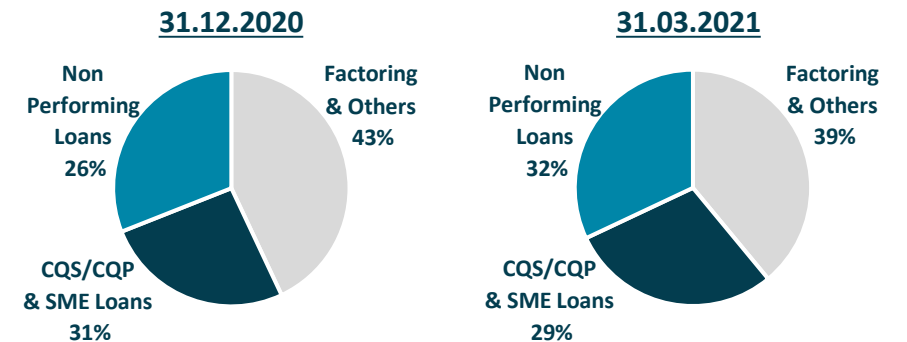
Regulatory Capital well above minimum requirements



RWA q/q increase is driven by the increase of Past-dues.

Ratios as at 31.12.2020 and 31.3.2021 do not include the dividends on the profits for the years 2019 and 2020 approved by the Shareholders' Meetings but not distributed. In line with the past, Regulatory capital as at 31.03.2021 does not include 25% of the profit recorded in the period.

RWA – Credit Risk



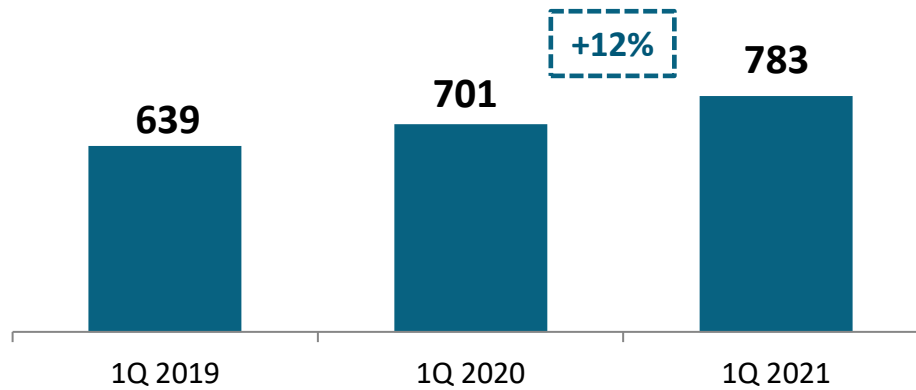
Note: (1) CET1, Tier1 and Total Capital, following CRR directive, are based on an expected dividend pay-out of ~25% of the Banca Sistema Holding Net Income; (2) RWA – Market Risk ~0 as at 31.12.2020 and as at 31.03.2021.

Annexes

Factoring Turnover

Factoring Turnover

€m

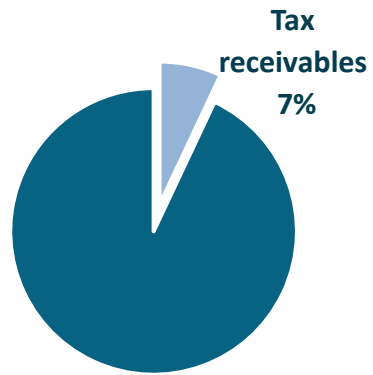


+21% y/y ex. Tax Receivables

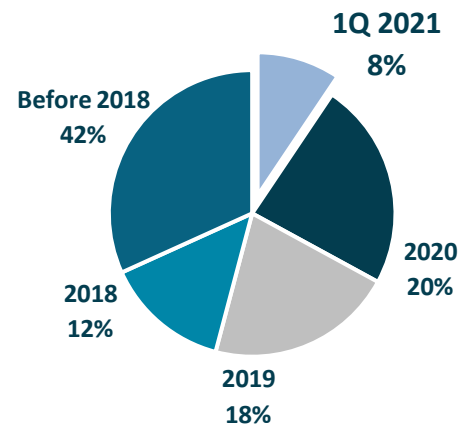
Turnover generated by agreements with Italian Retail banks: 22% in 1Q 2021

1Q 2021 Factoring Turnover breakdown

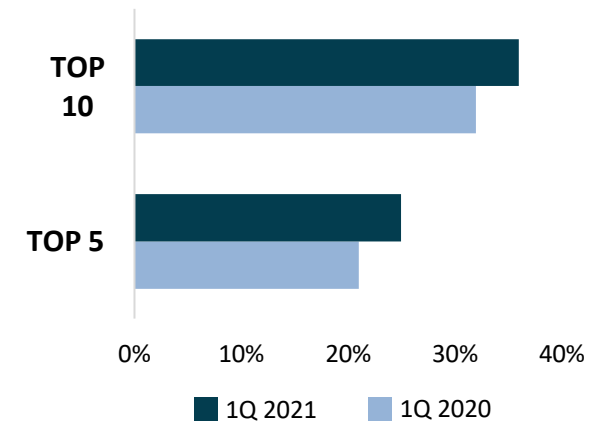
By Type



By Year of Customer's Acquisition



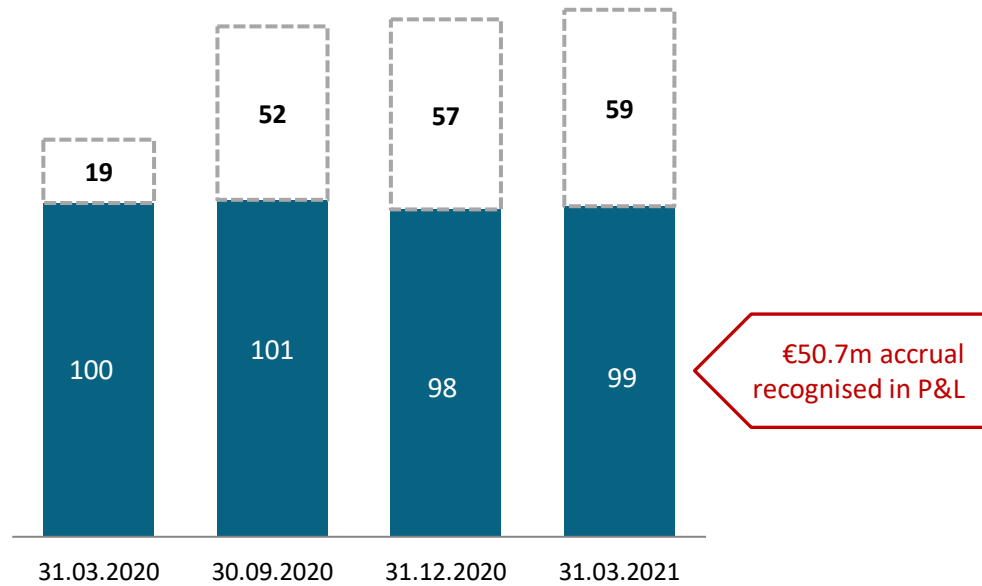
Customer Concentration



Late Payment Interest

Due LPI Stock – Assets in legal action

€m

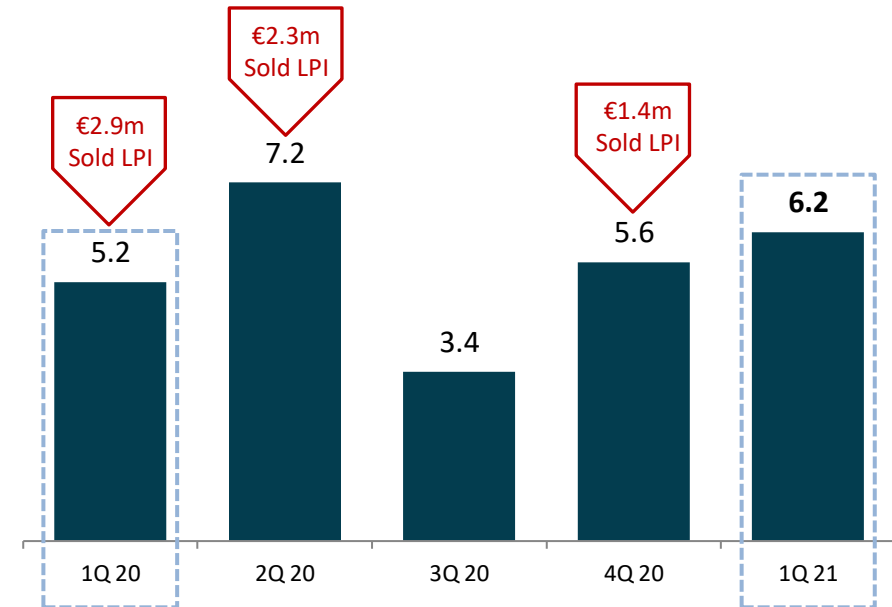


□ LPI – non relevant for the accrual

■ LPI – relevant for the accrual

Total collected cashed-in LPI

€m



1Q 2021 – Income Statement

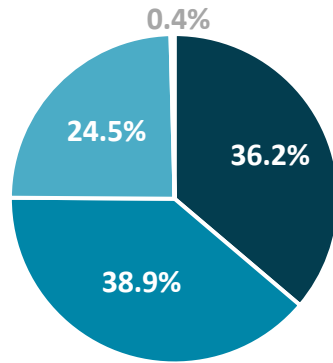
Figures in millions of Euro

	1Q 2020	1Q 2021	1Q 21 vs 1Q 20 change in %
Interest income	22.4	24.2	8%
Interest expenses	(6.4)	(5.0)	23%
Net interest income	15.9	19.3	21%
Commission income	6.0	5.9	-2%
Commission expenses	(1.8)	(1.9)	6%
Net commission	4.2	4.0	-4%
Net income from disposal/repurchase assets:	1.9	2.7	42%
a) measured at amortised cost	1.3	0.8	-38%
b) measured at fair value through other comprehensive income	0.3	1.9	nm
c) financial liabilities	0.3	-	nm
Total income	22.0	26.0	18%
Net impairment losses on loans	(1.9)	(4.1)	nm
Net operating income	20.1	21.9	9%
Personnel expenses	(5.7)	(6.9)	21%
Other expenses	(7.6)	(8.4)	11%
Operating expenses	(13.3)	(15.3)	16%
Pre-tax profit from continuing operations	6.8	6.5	-4%
Taxes on income for the period/year from continuing operations	(2.2)	(2.1)	-7%
Profit (loss) for the year/period	4.6	4.5	-2%
Minority interests	-	0.03	nm
Profit (loss) for the year/period attributable to the shareholders of the Parent	4.6	4.5	-3%

Note: The item Interest income includes the negative component, registered by the subsidiary ProntoPegno SpA, of the PPA relating to the year 2021 equal to €125k (of which the residual value is €21k).

Asset Quality

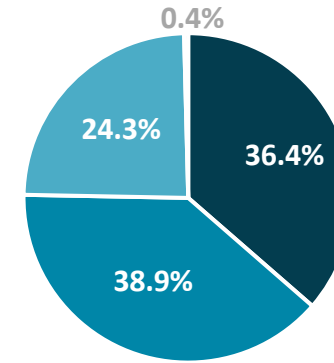
Gross Bad loans



31.12.2020

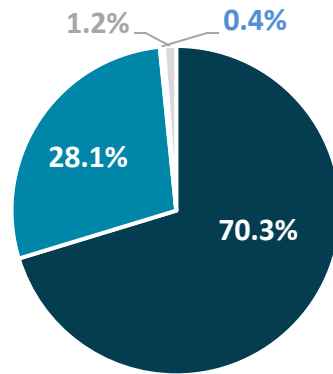
- Conservatorships (factoring)
- Factoring
- SME State Guarantee Loans
- Other

Loans granted before 2020

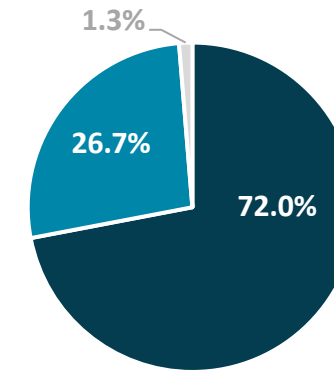


31.03.2021

Gross Unlikely to Pay



31.12.2020



31.03.2021

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