



BANCA

S I S T E M A

9M 2022 RESULTS

11 November 2022

9M 2022 Results at a Glance

Commercial performance

- **Factoring** turnover +26% y/y equal to €3,152m
- **CQ** outstanding at €958m, stable y/y
- **Pawn loans** outstanding at €104m, +19% y/y
- **SMEs State guaranteed loans** outstanding equal to €181m, up y/y

P&L

- **Net Interest Income** equal to €65.4m, +15% y/y
- **Lower funding cost y/y at 0.2%**
- **Total Income** equal to €80.9m, +8% y/y
- **Cost of risk equal to 28bps**
- **Total operating costs equal to €47.7m**, +2% y/y excluding Net Provision for risk
- **Net income equal to €17.8m**, +21% y/y

Balance Sheet

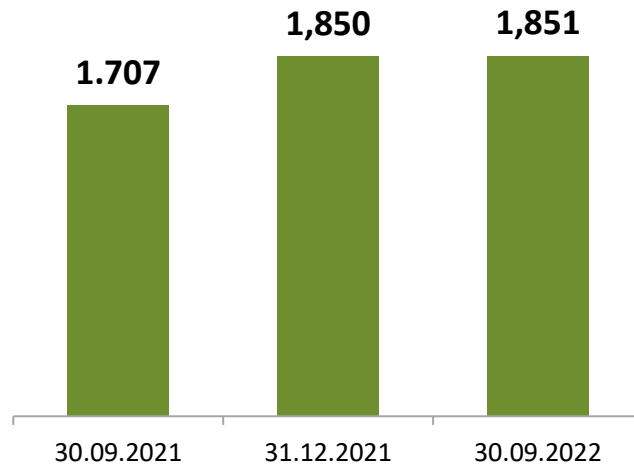
- **Wholesale funding up q/q** (45% of Total Funds) following higher Govies' portfolio
- Total assets equal to ~€4.2bn, up q/q
- **CET1 ratio at 12.1%** and **TC ratio at 15.4% [Transitional]**, down q/q mainly for higher negative HTCS reserve

Factoring commercial performance

Factoring outstanding

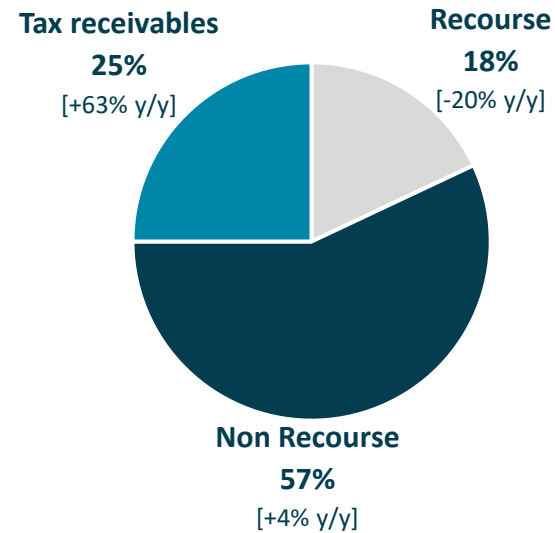
€m

+8%
y/y



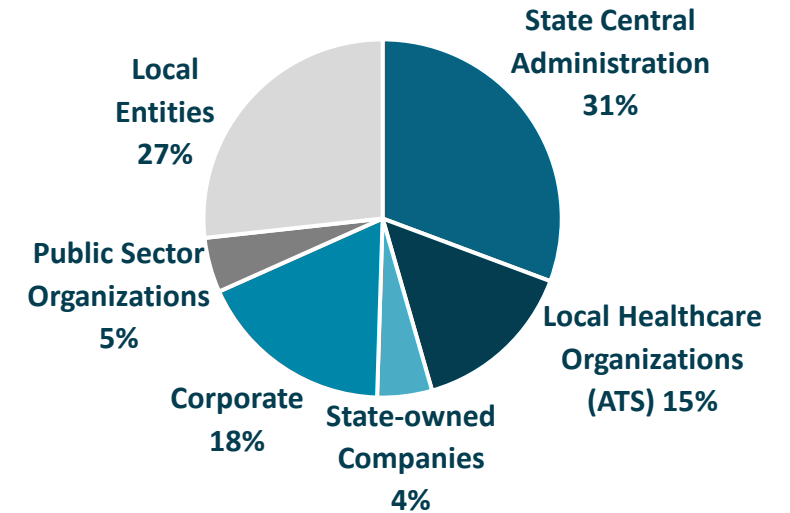
Outstanding breakdown (30.09.2022)

By Type of Product



By Obligor

PA accounts for 82%

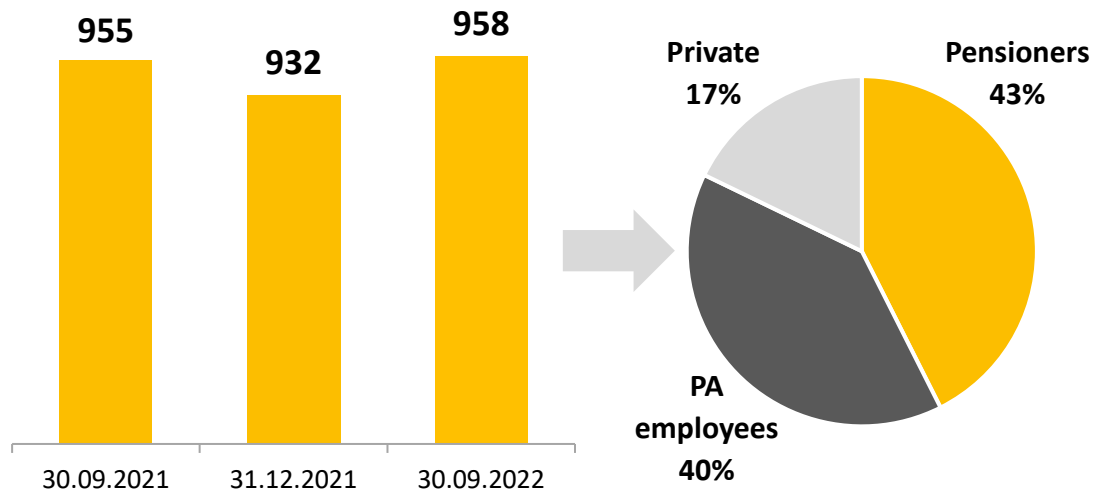


Note: Factoring outstanding management account. Factoring customer loans, item of the Balance Sheet (slide 5) differ from management account for the following elements: Recourse factoring non-financed portion; Provisions; LPI; deferred income.

CQ and Pawn loans commercial performance

CQ loans outstanding

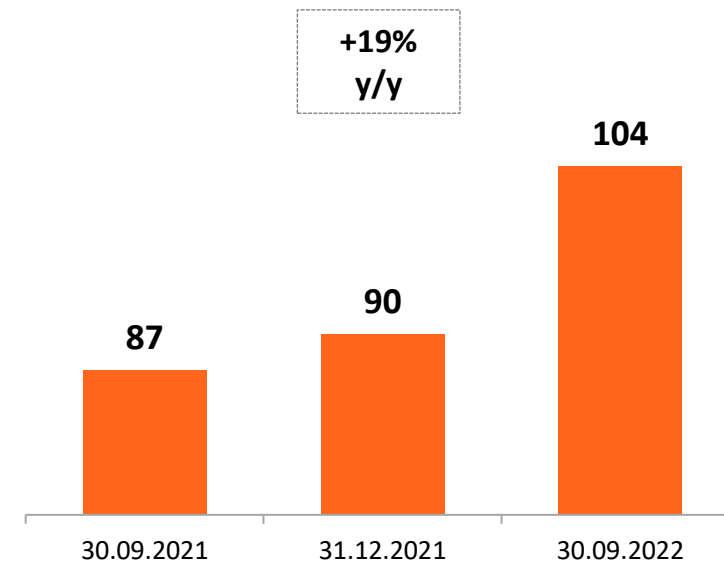
€m



- «QuintoPuoi» branding of three branches of agents/broker in different cities
- €273m turnover in 9M22 (€194m in 9M21)
 - €160m Direct origination through agents/brokers (€51m 9M21)
 - €113m 'Indirect' includes ~€110m from the purchase of a loans ptf from BancoBPM

Pawn Loans outstanding

€m



- ~61k contracts
- Total turnover in 9M22 (including renewals): €135m
- #27 auctions in 9M22, with almost 90% of the offers through the APP, DigitalPegno
- Opening of a branch in Athens
- New Name of the company dedicated to pawn loans: Kruso Kapital
- Acquisition of the auction house Art-Rite

Figures in millions of Euro

	31.12.2021	30.06.2022	30.09.2022	Change in % 30.09.2022 vs 31.12.2021
ASSETS				
Cash and cash equivalents	176	70	149	-15%
Financial assets at fair value through Other Comprehensive Income [Held to Collect and Sell]	451	573	557	24%
Loans at amortized cost	2,770	2,973	2,978	7%
Factoring	1,542	1,679	1,678	9%
CQ	932	966	958	3%
Pawn loans	90	98	104	15%
SMEs State Guaranteed loans	160	184	181	13%
Other ⁽¹⁾	46	47	56	23%
Securities at amortized cost [Held to Collect]	184	75	292	59%
Tangible and Intangible assets	74	76	76	2%
Other assets ⁽²⁾	54	90	98	81%
Total assets	3,709	3,857	4,150	12%
LIABILITIES AND EQUITY				
Due to banks	592	614	695	17%
of which ECB exposure	540	537	587	9%
Due to customers	2,472	2,467	2,706	9%
of which term deposits	1,387	1,636	1,477	6%
of which current accounts	775	561	520	-33%
Debt securities issued	193	323	301	56%
Other liabilities	186	196	196	5%
Shareholders Equity	266	256	252	-5%
Total liabilities and equity	3,709	3,857	4,150	12%

Note: (1) The item include "Loans to banks" respectively as at 30.09.2022, 30.06.2022 and 31.12.2021 equal respectively to €20m, to €24m and to €33m. (2) Tax credits for superbonuses €52m, €47m and €17m respectively as at 30.09.2022, 30.06.2022 and 31.12.2021

9M22 – Balance Sheet

- **Govies' portfolio (€845m) up q/q and y/y**, with an average duration of 24.5 months, exclusively Italian Government bonds:
 - €552m 'Held to Collect and Sell', slightly down q/q (€568m) and up y/y (€446m), with an average duration of 28.6 months (31.2 months as at 30.06.2022)
 - €292m 'Held to Collect', up q/q and y/y, with an average duration of 19.7 months
- **Loans at amortized cost flat q/q (€2,978m):**
 - **Factoring receivables** stable at ~€1.7bn, up 9% vs year-end
 - **CQ loans stable q/q**, with the growing Direct origination compensating the maturities of the Indirect component
 - **Pawn Loans up q/q** thanks to organic growth
- **Due to banks** q/q increase is mainly driven by short term ECB funding
- **Due to customers** q/q increase is driven by the increase of repos related to the growth of Govies' ptf, higher than the decrease of Term deposits and Current accounts
- **Debt securities** increase vs year-end is driven by the higher funding through ABS

Well diversified Interest income

- 9M22 Interest Income up 7% y/y (down q/q), with a higher contribution from Pawn loans and SMEs State guaranteed loans/Tax credit for 'superbonuses' (+€2.8m y/y)

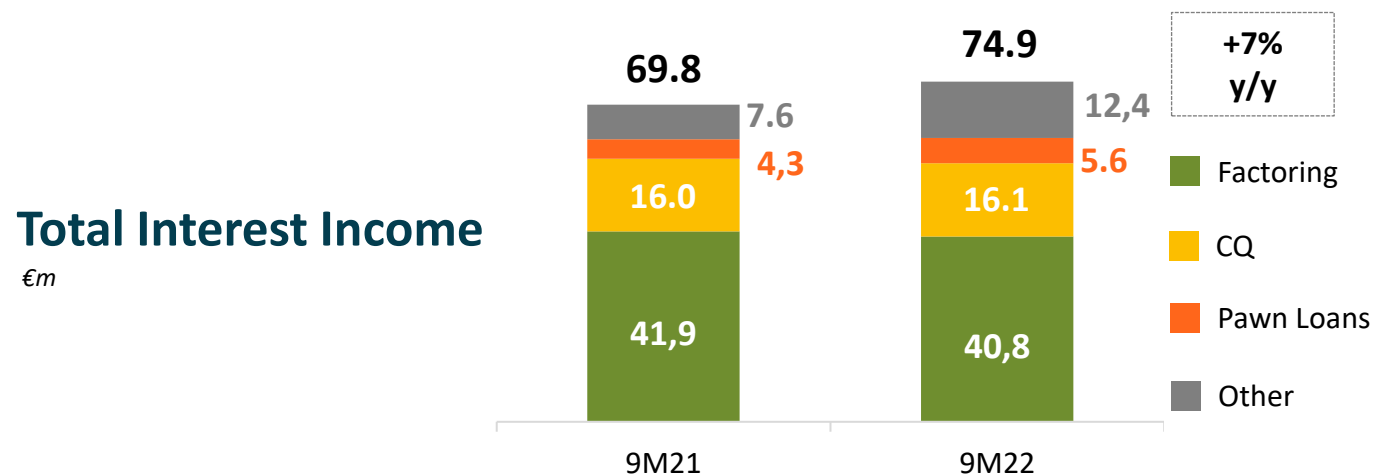
- Factoring represents 55% of Total Interest Income (60% in 9M21)

- Lower overall contribution y/y by factoring, mainly due to lower factoring LPIs from legal action equal to €11.3m (€16.3m in 9M21):
 - of which accrual €7.4m (€9.1m in 9M21)
 - of which "extra collection" €3.9m (€6.5m in 9M21)

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

- Increasing Pawn loans contribution, +29% y/y and up q/q

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



	9M21	9M22
Total²	4.2% €81.0m	4.0% €85.4m
Factoring	4.8% €52.7m	4.9% €51.8m FY21
CQ	2.3% €16.0m	2.3% €16.1m
Pawn Loans	15.0% €9.1m	15.9% €11.5m

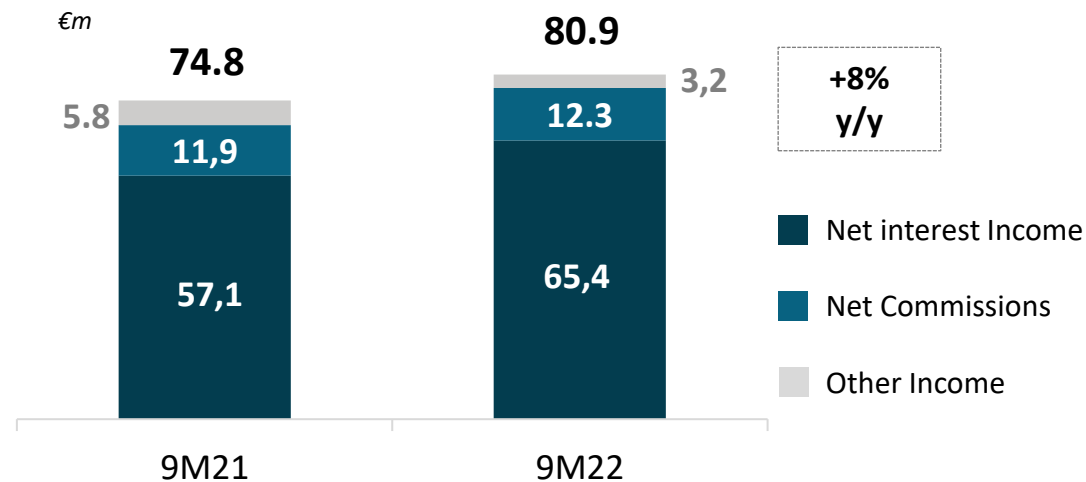
Note: (1) Calculated as [Period Interest Income + Commission Income + Gain for asset disposals] / [Average net customer loans at the end of the period] - excluding the contribution from securities portfolio, PPA, credit due from banks and Repo (Balance Sheet and Financial Statement figures); (2) It include the contribution of the SMEs State guaranteed loans equal to €6.0m and €3.2m respectively in 9M22 and 9M21 and also positive contribution from TLTRO funding.

Total Income up 8% y/y

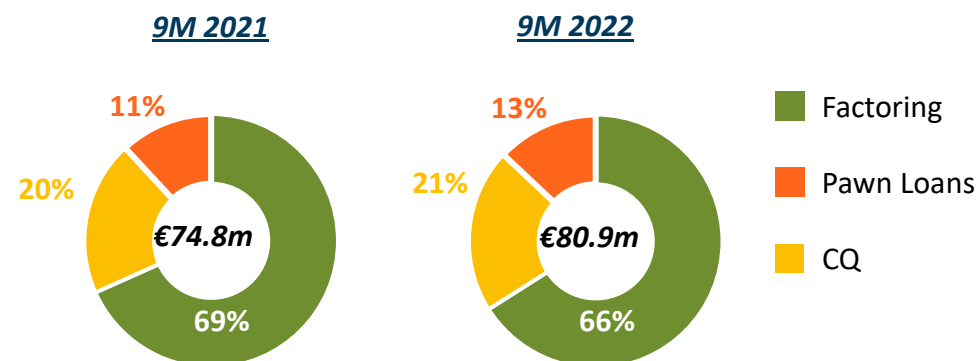
- **9M22 Total Income up 8% y/y** (down q/q), although the decrease of **Other Income**
- **NII +15% increase y/y** (down q/q) is driven by the increase in Interest Income and the decrease in Interest Expenses. Total Cost of funding, equal to 0.2% (0.4% in 9M21), is lower in both component Retail and Wholesale (although higher q/q)
- **Net Commissions up y/y** substantially due to higher contribution from Pawn loans (and lower CQ net fees in 3Q22 due to different accounting of Agents' reward)
- **Other Income** includes €1.7m gain from the sale of a factoring ptf in 9M22 (€1.5m in 2021) and €1.5m gain from the sale of a CQ loans ptf in 2Q22
- Lower contribution of the **Govies' portfolio, €3.6m** (€5.7m in 2021) of which €3.8m to the NII (€1.5m in 2021) and -€0.2m trading loss to Other Income (€4.2m in 2021)



Total Income



Total Income by Division

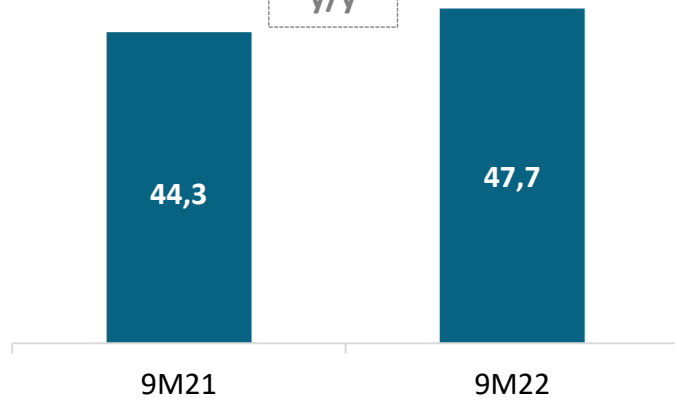


Cost base consolidating

Total Operating Costs

€m

+8%
y/y

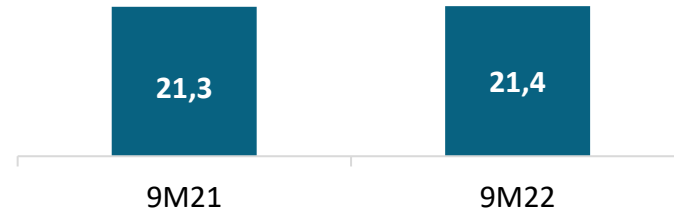


Personnel Expenses

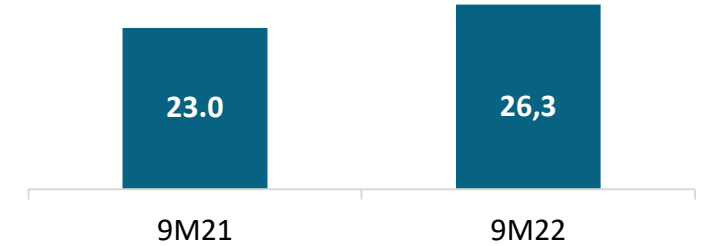
FTEs (#)

278

283

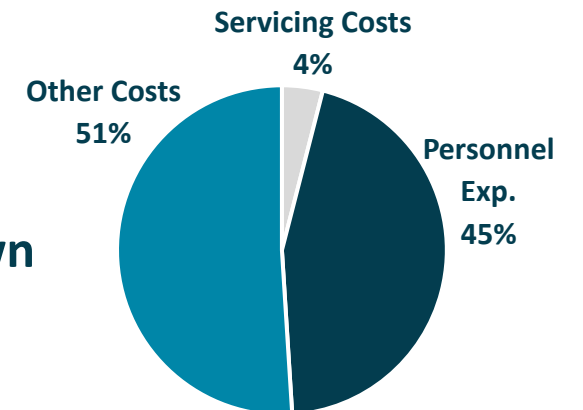


Administrative Expenses, Net Provisions for risk, Other and D&A



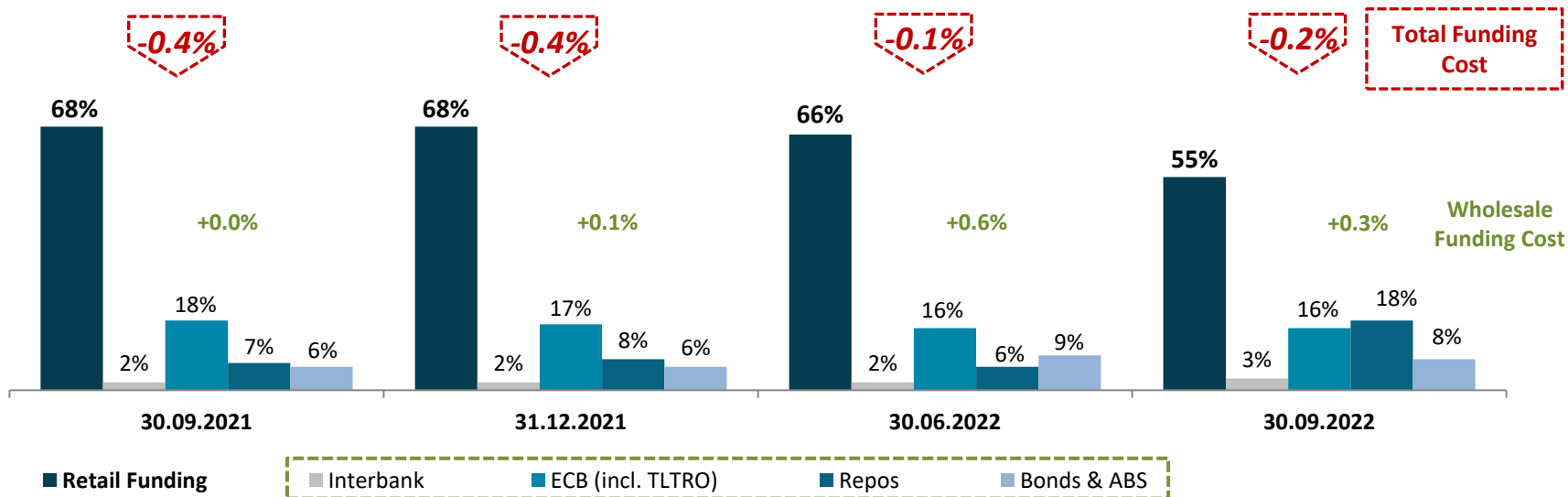
- Personnel Expenses stable y/y due to higher-than-expected release of the bonus relative to 2021 (-€1m in 1H22)
- All other expenses are €3.3m up y/y, of which €2.3m from Net Provision for risk, €0.2m from Administrative expenses and €0.2m from D&A

Total Operating Costs Breakdown



Lower funding cost y/y

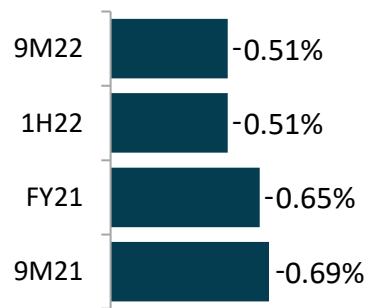
Total Funding breakdown



- Cost of funding lower y/y and slightly up q/q
- Wholesale component increase q/q is due mainly to higher Repos related to Govies' ptf increase, ECB short term funding (on top of TLTRO stable q/q) and higher Interbanking more than compensated a slight decrease of the collateralized funding (CQ ABS and Tax receivables ABS)

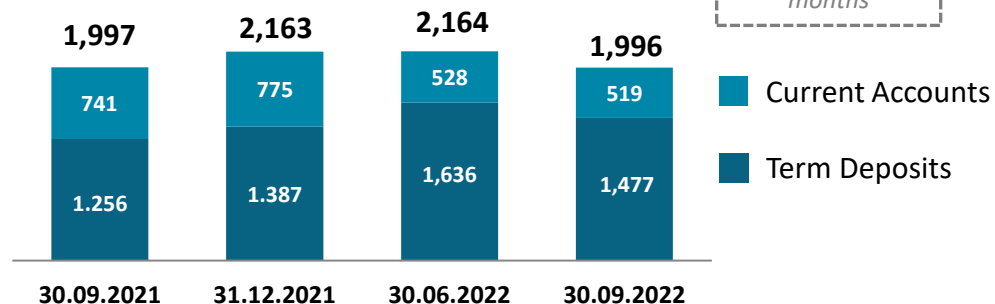
- Wholesale funding cost is expected to increase in the next quarters, in line with the growth of market interest rates

Retail Funding Cost



Retail Funding

€m



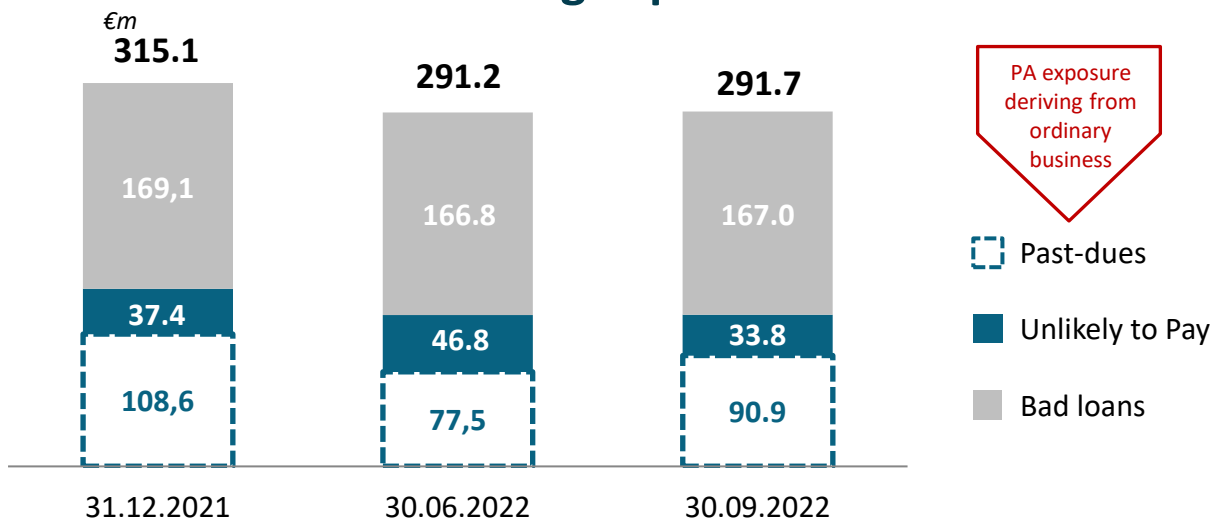
Average residual maturity of deposits is c.13 months

- Retail Funding down q/q, both on term deposits and current accounts, due to corporate withdrawals

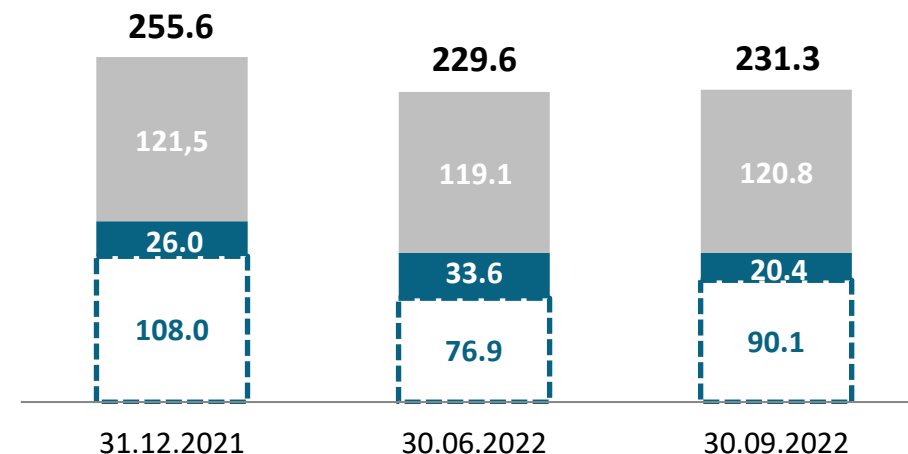
- In October 2022, we have increased the interest rates offered on Retail term deposits, both in Italy and abroad (online platforms/agreements)

Asset Quality driven by factoring business

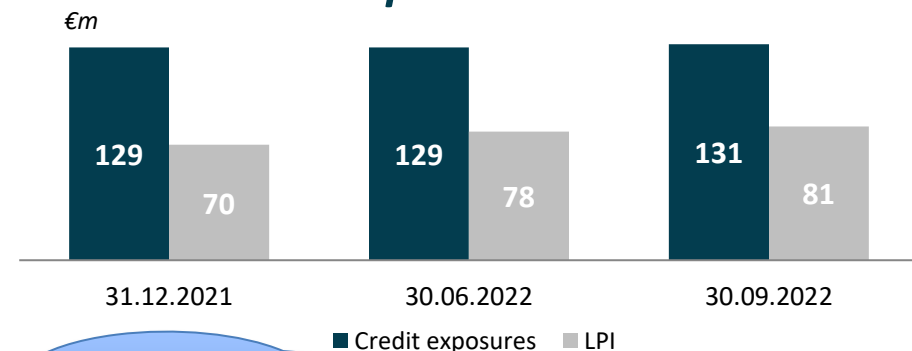
Gross Non Performing Exposures



Net Non Performing Exposures



Exposure to Municipality in Conservatorship & related LPI stock

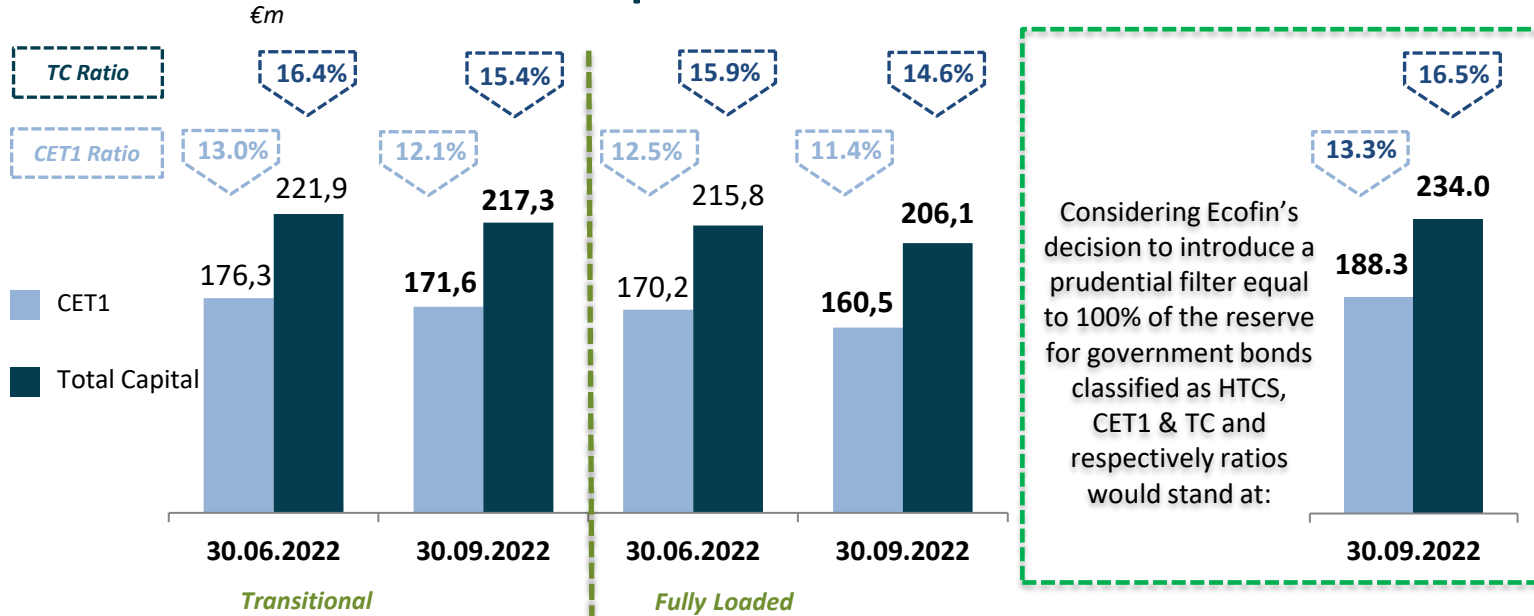


Classified as bad loans

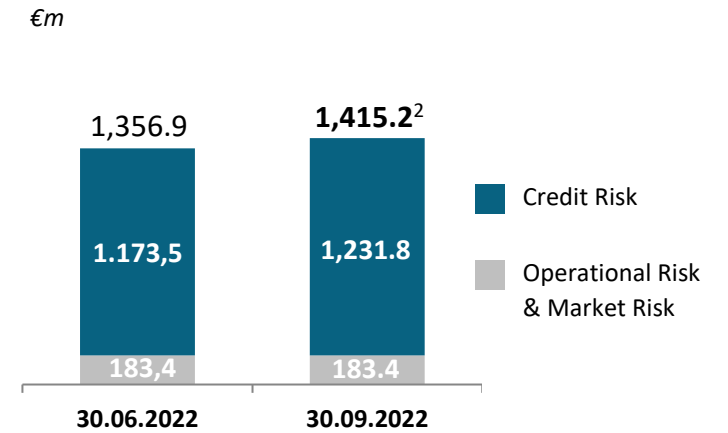
- Gross Non Performing Exposures stable q/q
- Past-dues increase q/q, due to factoring ordinary delay, has been totally compensated by lower UtP, down q/q, due to two corporate exposures
- 9M22 Cost of credit risk stands at 28bps (36bps in 1H22)

Regulatory Capital above minimum requirements

CET1 and Total Capital⁽¹⁾



RWA breakdown



RWA – Credit Risk

Fully Loaded - CET1 and Total Capital as at 30.09.2022 include -€25.6m 'Held to Collect and Sell' reserve from Govies' ptf, -€1m prudential filter on NPEs ("Calendar provisioning") and -€0.6m of own shares

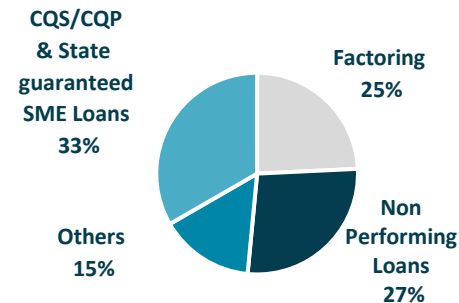
Q/q credit RWA increase is driven by factoring business (mainly by higher exposures to Corporates and higher Past-dues)

2022 SREP requirements:

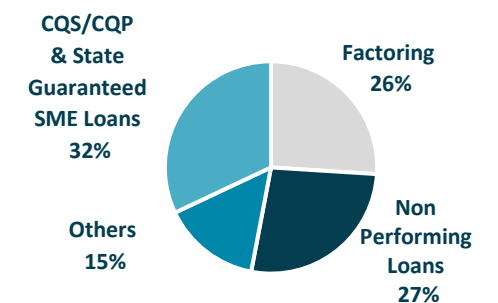
- CET1 ratio 9.0%
- TCR 12.5%

Note: (1) Transitional CET1 and Total Capital, following CRR directive (including art.468).(2) Fully Loaded Credit Risk RWA are €2.5m lower than ones for Transitional.

30.06.2022



30.09.2022

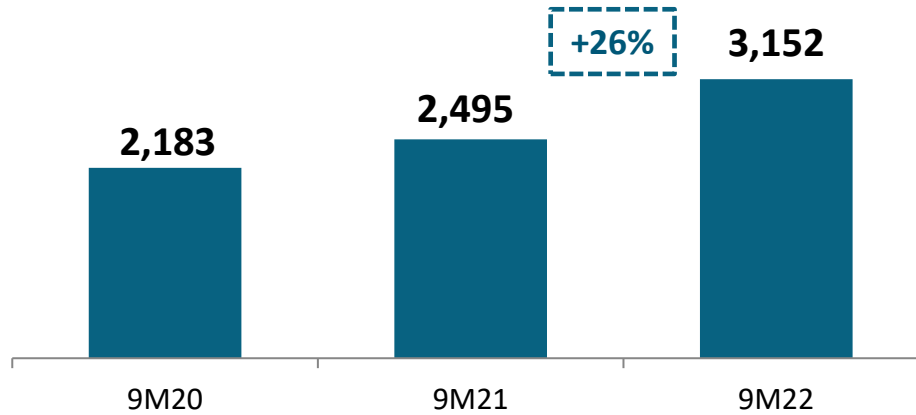


Annexes

Factoring Turnover

Factoring Turnover

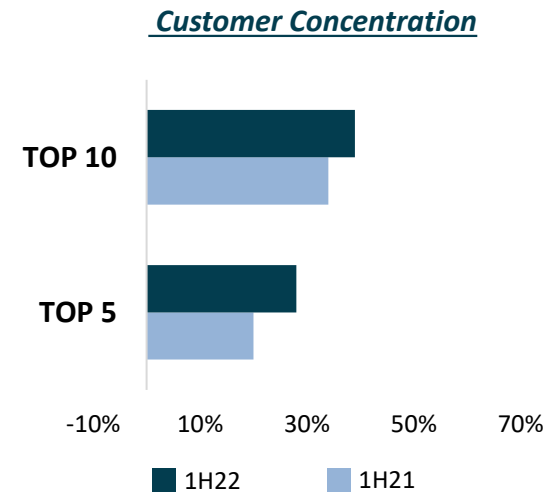
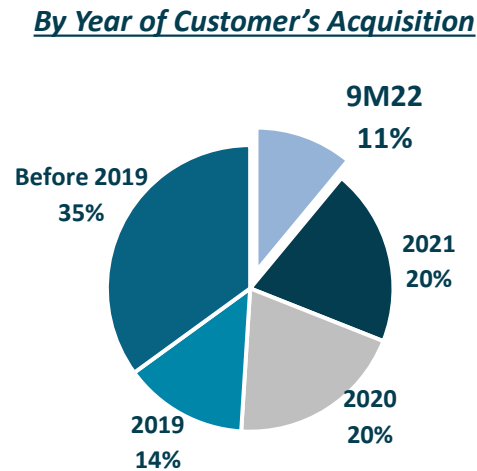
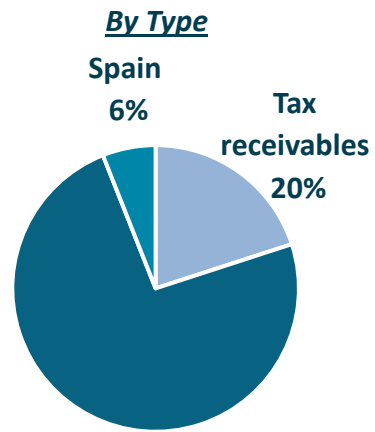
€m



+10% y/y ex. Tax Receivables

Turnover generated by agreements with Italian Retail banks: 12% in 9M22

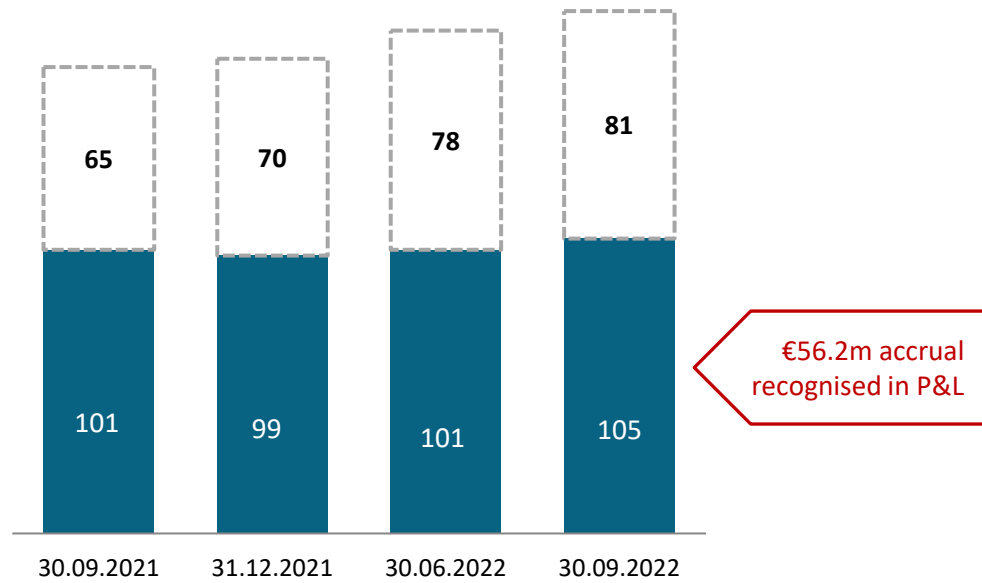
9M22 Factoring Turnover breakdown



Late Payment Interest

Due LPI Stock – Assets in legal action

€m

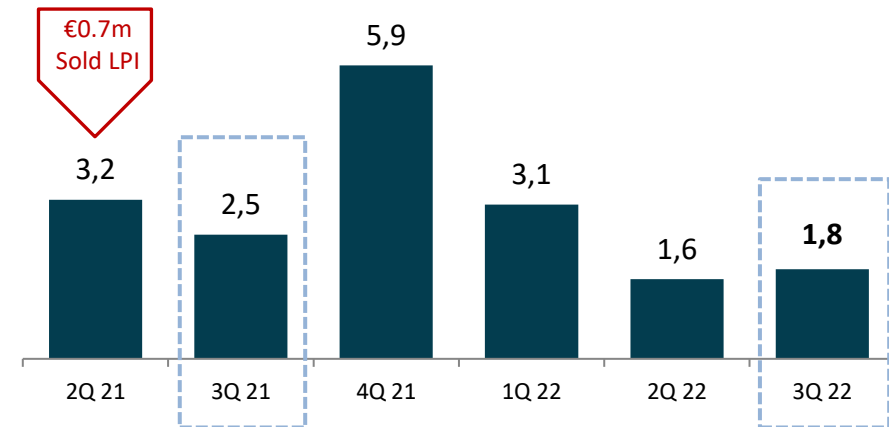


□ LPI – non relevant for the accrual

■ LPI – relevant for the accrual

Total collected cashed-in LPI⁽¹⁾

€m



Note: (1) 1Q22 and 2Q22 figures have been recasted.

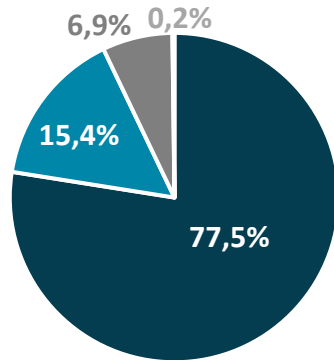
9M 2022 – Income Statement

Figures in millions of Euro

	9M 2021	1Q 2021	2Q 2021	3Q 2021	9M 2022	1Q 2022	2Q 2022	3Q 2021	9M 22 vs 9M 21 change in %
Interest income	69.8	24.2	23.5	22.1	74.9	23.6	27.0	24.3	7%
Interest expenses	(12.8)	(4.8)	(4.4)	(3.5)	(9.4)	(2.9)	(3.0)	(3.5)	-26%
Net interest income	57.0	19.4	19.1	18.5	65.4	20.7	24.0	20.8	15%
Commission income	18.4	5.9	6.0	6.5	23.9	7.5	8.2	8.1	30%
Commission expenses	(6.5)	(1.9)	(2.2)	(2.4)	(11.6)	(3.8)	(5.0)	(2.8)	79%
Net commission	11.9	4.0	3.8	4.1	12.3	3.7	3.3	5.3	3%
Dividends and similar income	0.2	-	0.2	-	0.2	-	0.2	-	nm
Net income from trading	0.02	-	0.02	-	(1.5)	-	(1.20)	(0.3)	nm
Net income from disposal/repurchase assets:	5.6	2.7	1.0	1.9	4.5	0.3	3.8	0.4	-19%
a) measured at amortised cost	1.8	0.8	0.6	0.5	3.4	0.3	2.7	0.4	88%
b) measured at fair value through other comprehensive income	3.8	1.9	0.5	1.4	1.1	-	1.1	0.0	-71%
Total income	74.8	26.1	24.2	24.5	80.9	24.7	30.1	26.2	8%
Net impairment losses on loans	(8.8)	(4.1)	(3.7)	(1.0)	(6.3)	(2.3)	(2.7)	(1.2)	-29%
Net operating income	66.0	22.0	20.5	23.5	74.7	22.4	27.3	25.0	13%
Personnel expenses	(21.3)	(6.9)	(7.4)	(7.0)	(21.4)	(6.6)	(7.7)	(7.1)	1%
Other expenses	(23.0)	(8.4)	(7.6)	(7.0)	(26.2)	(9.1)	(7.9)	(9.2)	14%
Operating expenses	(44.3)	(15.3)	(15.0)	(14.0)	(47.7)	(15.7)	(15.7)	(16.3)	8%
Profits from equity investments	(0.0)	0.0	0.0	(0.0)	(0.06)	(0.04)	(0.02)	(0.01)	nm
Pre-tax profit from continuing operations	21.7	6.7	5.5	9.4	26.9	6.7	11.6	8.6	24%
Taxes on income for the period/year from continuing operations	(6.7)	(2.1)	(1.5)	(3.1)	(8.7)	(2.1)	(3.7)	(2.9)	30%
Profit (loss) for the year/period	15.0	4.6	4.0	6.4	18.2	4.5	7.9	5.8	22%
Minority interests	(0.2)	0.0	(0.1)	(0.1)	(0.4)	(0.14)	(0.11)	(0.1)	nm
Profit (loss) for the year/period attributable to the shareholders of the Parent	14.8	4.6	3.9	6.3	17.9	4.4	7.8	5.7	21%

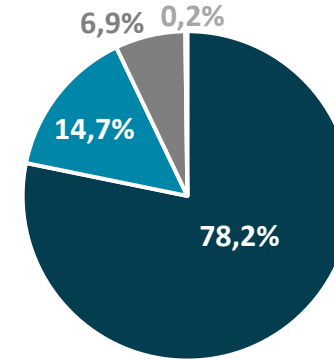
Asset Quality

Gross Bad loans



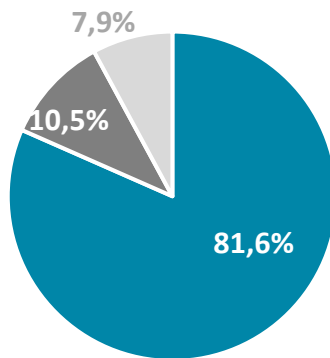
30.06.2022

- Conservatorships (factoring)
- Factoring Loans granted before 2020
- SME State Guarantee Loans
- Other

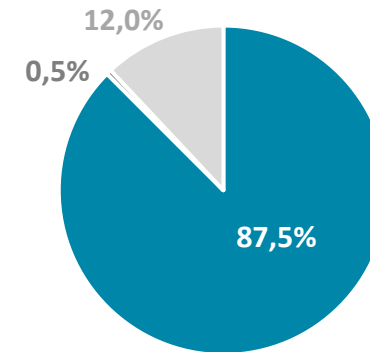


30.09.2022

Gross Unlikely to Pay



30.06.2022



30.09.2022

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