



BANCA

S I S T E M A

1H 2023 RESULTS

28 July 2023

1H 2023 Results at a Glance

Commercial performance

- **Factoring** turnover +18% y/y equal to €2,477m
- **CQ** outstanding at €856m, slightly lower y/y
- **Pawn loans** outstanding at €113m, +15% y/y
- **SMEs State guaranteed loans** outstanding equal to €249m

P&L

- **Net Interest Income** equal to €35.8m, **down y/y**
- **Higher funding cost y/y at 2.4%**
- **Total Income** equal to €49.4m, -10% y/y
- **Lower Cost of risk y/y at 19bps**
- **Total operating costs equal to €35m, up y/y**
- **Net income equal to €7.5m**

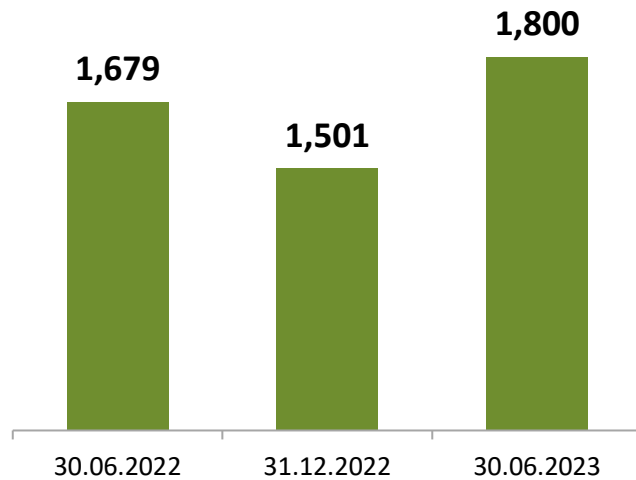
Balance Sheet

- **Wholesale funding component down q/q** (43% of Total Funds)
- Total assets equal to ~€4.6bn, up q/q
- **Potential sale of HTC Govies' ptf: €666m, with an unrealized profit of €5.4m at market closing on 27.7.2023**
- CET1 ratio at 11.9% and TC ratio at 15.0%, **ex. HTCS reserve respectively 13.3% and 16.5%**

Factoring commercial performance

Factoring - Customer loans

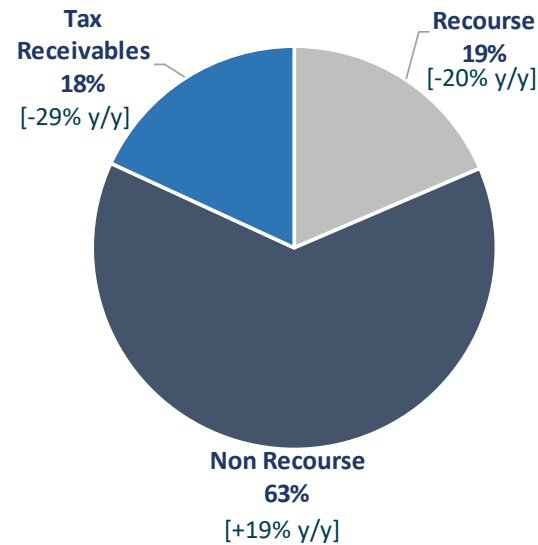
€m



Outstanding breakdown (30.06.2023)

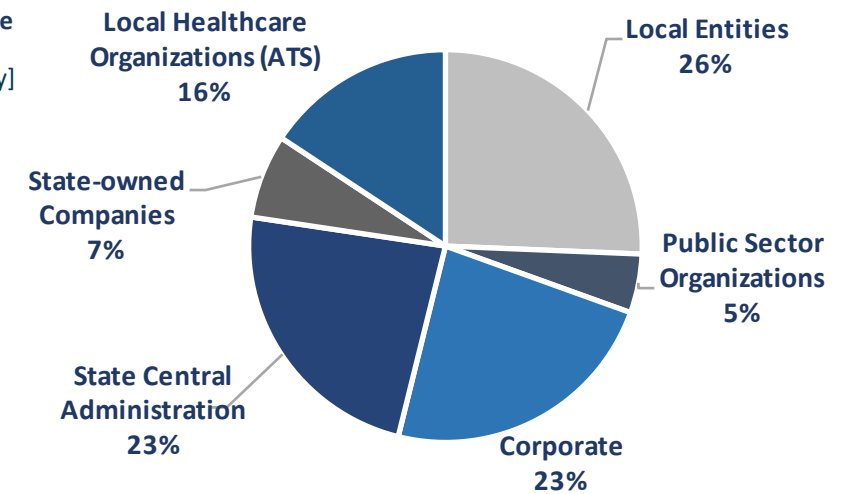
€1,937m

By Type of Product



By Obligor

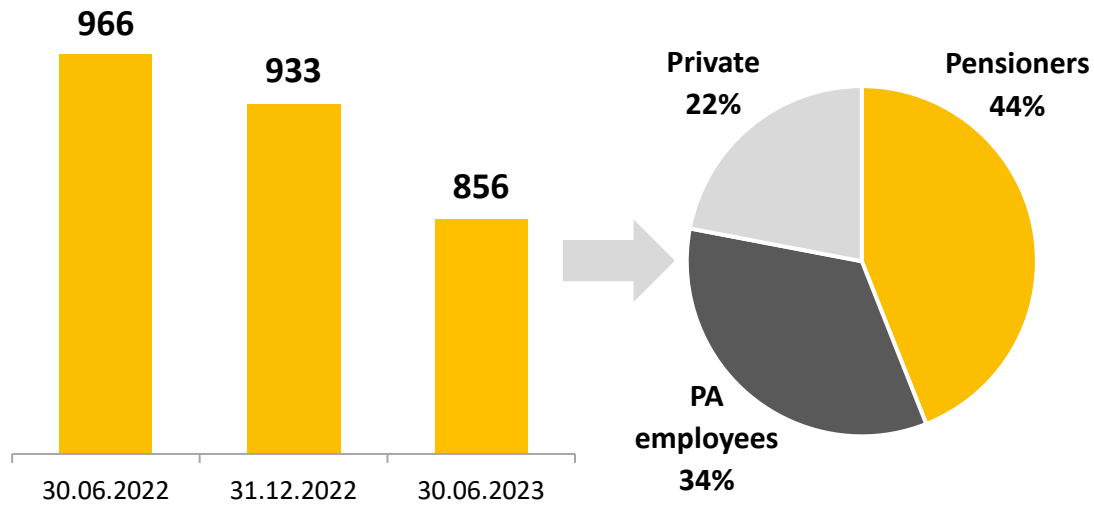
PA accounts for 77%



CQ and Pawn loans commercial performance

CQ loans outstanding

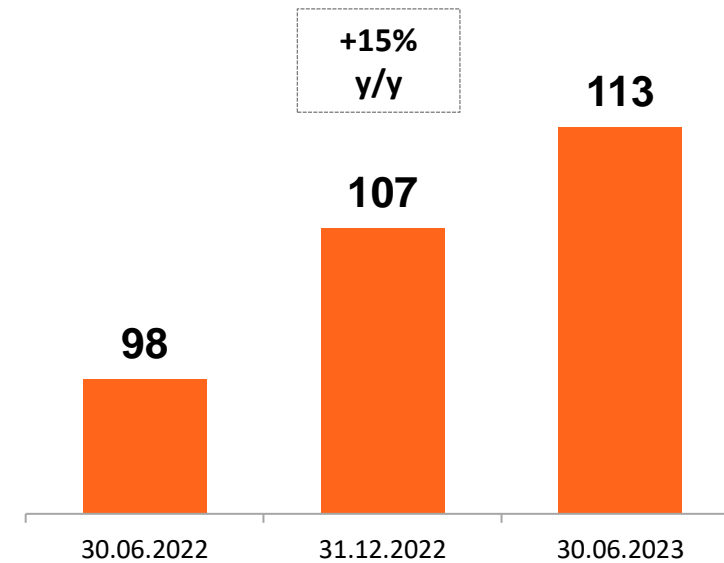
€m



- €77m turnover in 1H23 (€215m in 1H22)

Pawn Loans outstanding

€m



- ~66k contracts
- Total turnover in 1H23 (including renewals): €99m (€89m in 1H22)
- #25 auctions in 1H23, with > 95% of the offers through the APP, DigitalPegno

Figures in millions of Euro

	31.12.2022	31.03.2023	30.06.2023	Change in % 30.06.2023 vs 31.12.2022
ASSETS				
Cash and cash equivalents	127	53	171	35%
Financial assets at fair value through Other Comprehensive Income [Held to Collect and Sell]	558	563	563	1%
Loans at amortized cost	2,850	2,912	3,068	8%
<i>Factoring</i>	1,501	1,576	1,800	20%
<i>CQ</i>	933	903	856	-8%
<i>Pawn loans</i>	107	109	112	5%
<i>SMEs State Guaranteed loans</i>	197	190	249	26%
<i>Other⁽¹⁾</i>	112	135	51	-55%
Securities at amortized cost [Held to Collect]	681	686	651	-4%
Tangible and Intangible assets	78	77	77	-1%
<i>Goodwill</i>	34	34	34	0%
Equity investments	1	1	1	-2%
Other assets ⁽²⁾	103	100	109	6%
Total assets	4,397	4,391	4,640	5.5%
LIABILITIES AND EQUITY				
Due to banks	623	931	942	51%
<i>of which ECB exposure</i>	538	541	545	1%
Due to customers	3,056	2,829	3,017	-1%
<i>of which term deposits</i>	1,432	1,444	1,819	27%
<i>of which current accounts</i>	639	438	488	-24%
Debt securities issued	238	115	175	-27%
Other liabilities	224	253	246	10%
Shareholders Equity	256	263	260	2%
Total liabilities and equity	4,397	4,391	4,640	5.5%

Note: (1) The item include "Loans to banks" respectively as at 31.12.2022, 31.03.2023 and 30.06.2023 equal respectively to €35m, to €17m and to €1m. (2) Tax credits for 'superbonuses' €55m, €41.5m and €49.1m respectively as at 31.12.2022, 31.03.2023 and 30.06.2023.

1H23 – Balance Sheet

- **Govies' portfolio (€1,208.6m) slightly down q/q**, with an average duration of 15.3 months (18.4 months as at 31.12.2022), exclusively Italian Government bonds:
 - €557.3m 'Held to Collect and Sell', slightly up vs year-end, with an average duration of 19.8 months
 - €651.3m 'Held to Collect', slightly up q/q and vs year-end, with an average duration of 11.6 months
- **Loans at amortized cost up q/q (€3,068m):**
 - **Factoring receivables** at €1.8bn up q/q
 - **CQ loans down q/q**, following the sale of a ptf in June 2023 (€35m)
 - **Pawn Loans up** thanks to organic growth
- **Due to customers q/q increase** is driven by the increase of term deposits, that has more than compensated the decrease of Repos
- **Debt securities q/q increase** is driven by higher structured funding

- 1H23 Interest Income up 65% y/y (up q/q), with a higher contribution from factoring (+€18.2m y/y)

- Factoring represents 54% of Total Interest Income

- Higher contribution y/y by factoring, mainly due to higher factoring LPIs from legal action equal to €20.0m (€6.8m in 2022):

- of which accrual €16.4m (€3.0m in 2022), €4.2m from the update of the reference rate up from 8% to 10.5% (from 1.1.2023), following ECB rate increases (and 12% from 1.7.2023 to 31.12.2023) and €1.7m for the accrual of the “€40 per invoice” compensation claims

- of which “extra collection” €3.6m (€3.8m in 2022)

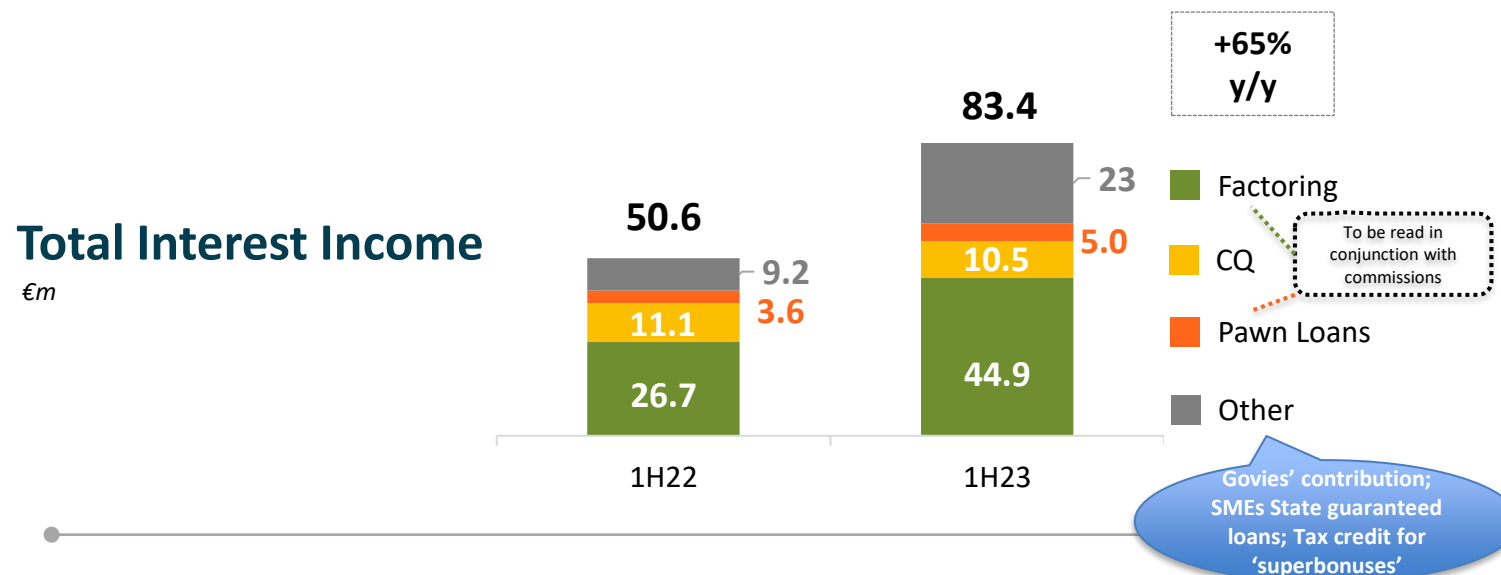
- €23m of “Other” interest income in 1H23 include:

- €13.2m from Govies’ ptf (€1.3m in 1H22)
- €6.2m from SMEs State guaranteed loans (€3.1m in 1H22)

- Increasing Pawn loans contribution +39% y/y

- Total Adjusted Income margin up y/y and expected to grow further over the next quarters

Well diversified Interest income



	1H22	1H23
Total²	4.0% €56.3m	5.4% €81.5m
Factoring	4.3% €34.2m	5.9% €52.1m
CQ	2.3% €11m	2.6% €11.6m
Pawn Loans	15.9% €7.4m	19.0% €10.3m

Adjusted Income margin¹

4.6% FY22

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 tax credit 'superbonuses' equal to €1.2m and €0.6m respectively in 1H23 and 1H22.

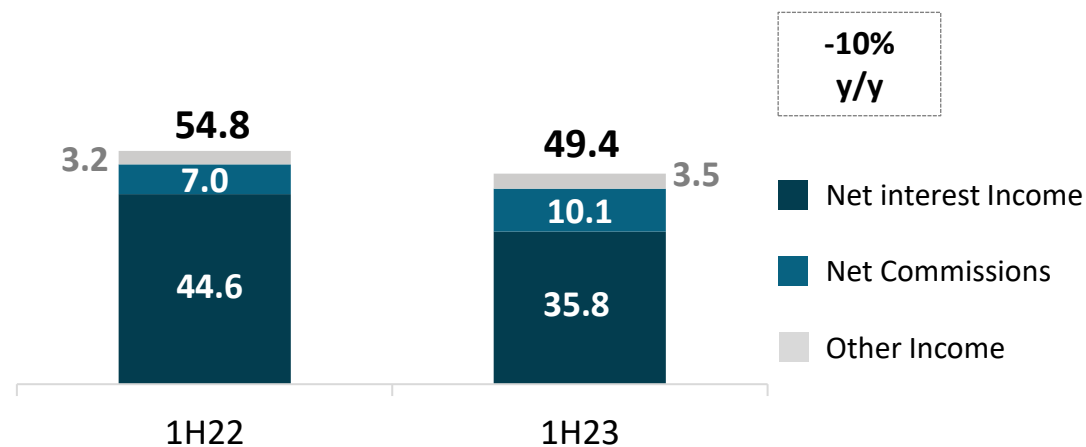
Total Income lower y/y

- **1H23 Total Income down 10% y/y**, due to lower **Net Interest Margin**
- NII decrease y/y is driven by higher Interest Expenses (+€41.6m y/y), following an increase of the funding cost equal to 2.4% in 1H23, 1Q23 2.0% and 2Q23 2.9% (0.4% FY 2022)
- **Net Commissions up y/y (+45%)** due to Pawn loan business and impact on CQ commission expenses in 2Q22
- **Other Income down y/y**, includes €0.9m gain from the sale of a factoring ptf in 1H23 (€1.3m in 1H22) and €1.1m gain from the sale of a CQ ptf in 2Q23 (€1.5m in 1H22)
- CQ asset contribution, negative due to majority of the loan portfolio running at fixed rates set prior to the change of the ECB monetary policy

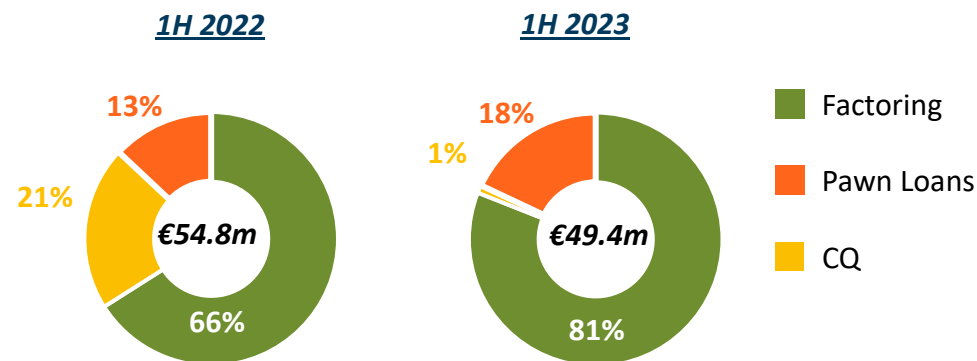


Total Income

€m



Total Income by Division

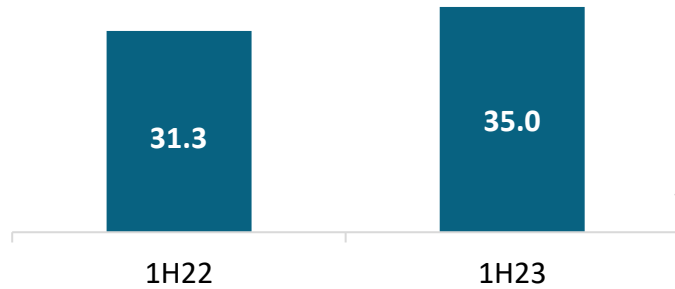


Cost base consolidating

Total Operating Costs

€m

+12%
y/y

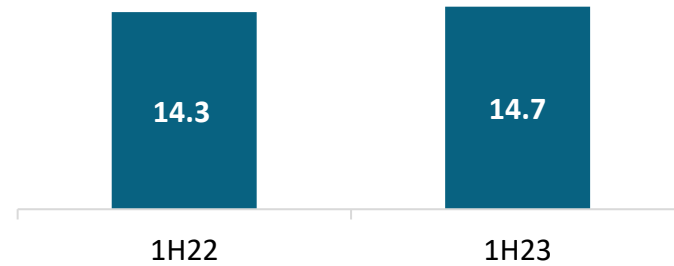


Personnel Expenses

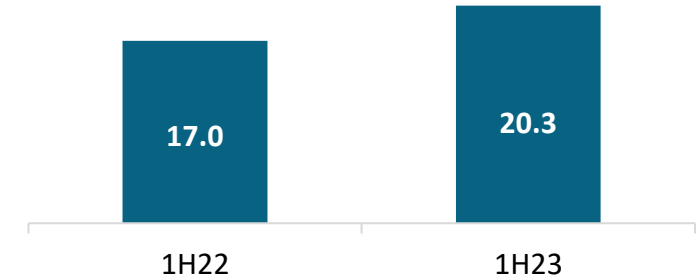
FTEs (#)

280

297

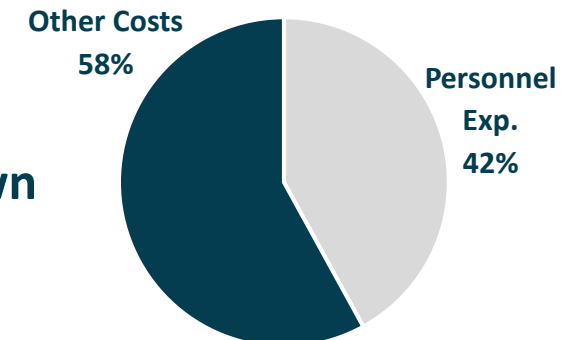


Administrative Expenses, Net Provisions for risk, Other and D&A



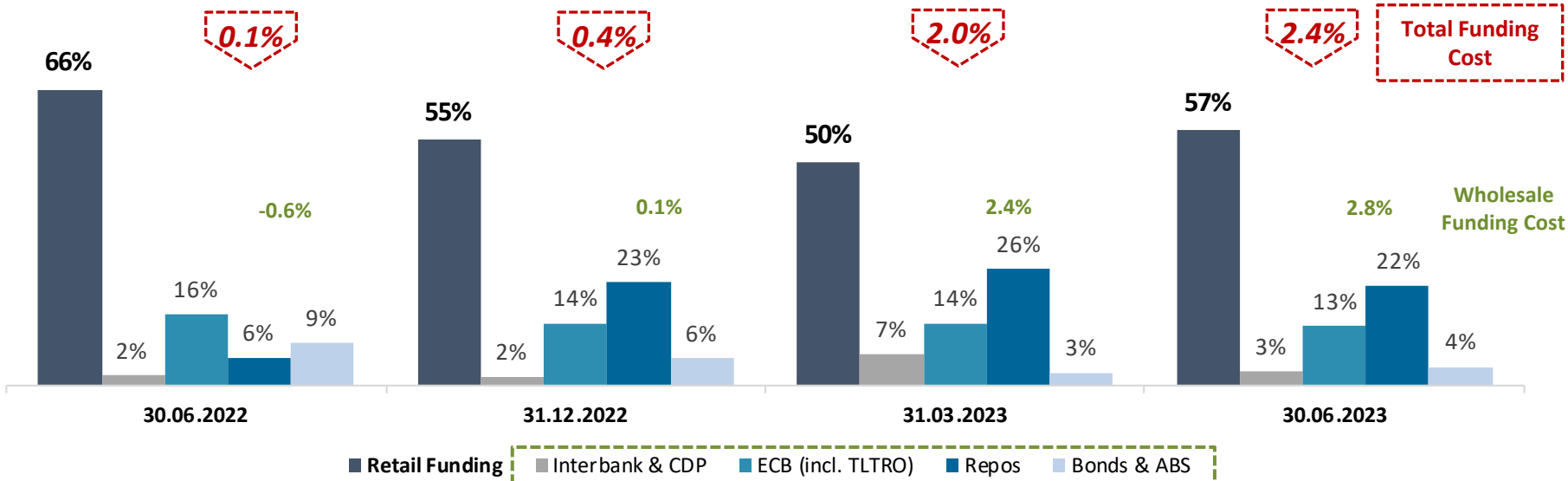
- Personnel Expenses up y/y (in 1H22, €1.0m higher-than-expected release of the bonus relative to 2021)
- All other expenses are up y/y, mainly due to +€3.2m y/y from Net Provision for risk and higher IT expenses, consolidation of the subsidiarie Art-Rite and PP Greece, Legal costs and marketing

Total Operating Costs Breakdown

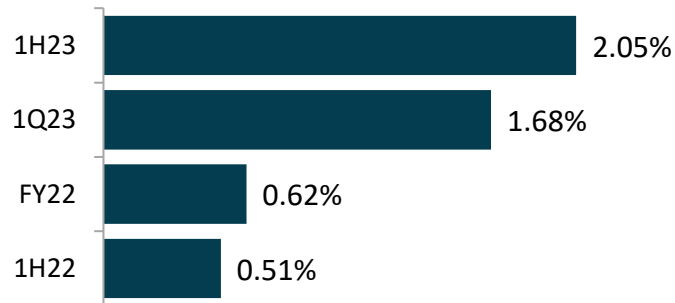


Higher funding cost y/y

Total Funding breakdown

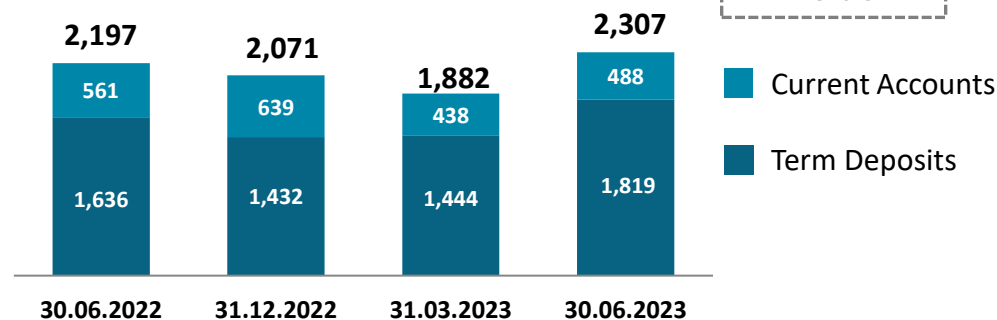


Retail Funding Cost



Retail Funding

€m



Average residual maturity of deposits is c.15 months

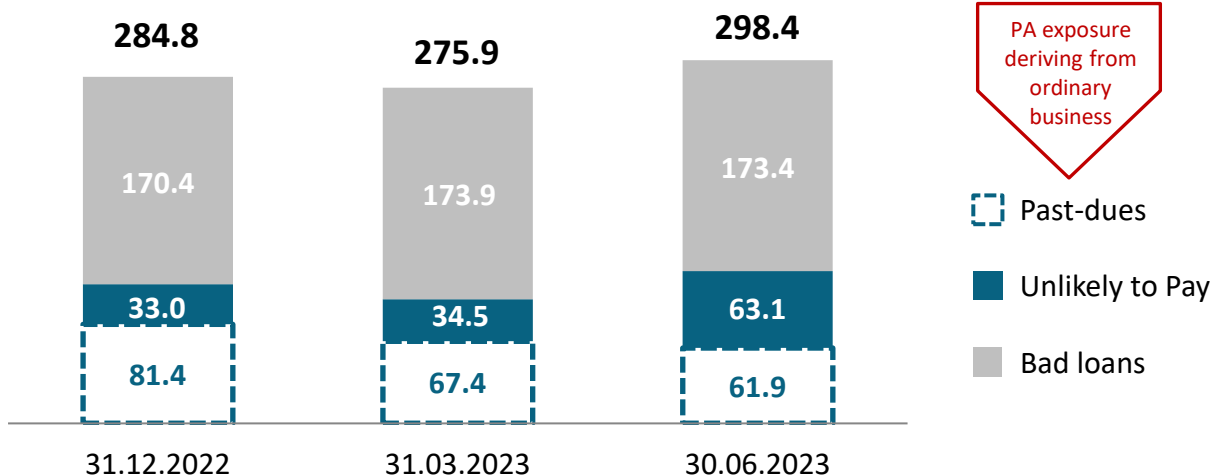
- Cost of funding up y/y and q/q
- Wholesale component q/q change is due mainly to lower Interbanking, not totally compensated by higher collateralized funding (Tax receivables ABS)
- Wholesale funding cost is expected to increase also next two quarters, in line with the rise in market interest rates
- Retail Funding q/q change is driven by the strong growth of term deposits in particular through on line platform, that allow to build a funding base more stable and with a longer residual maturity (from 12 months to 15 months), but unfortunately with a higher cost
- Average funding cost in 2Q23 is 2.8% (vs 2.4% in 1H23), consequently we expect a further increase in the next 2 quarters of the funding cost for the entire period

Note: CDP stands for Cassa Depositi e Prestiti SpA.

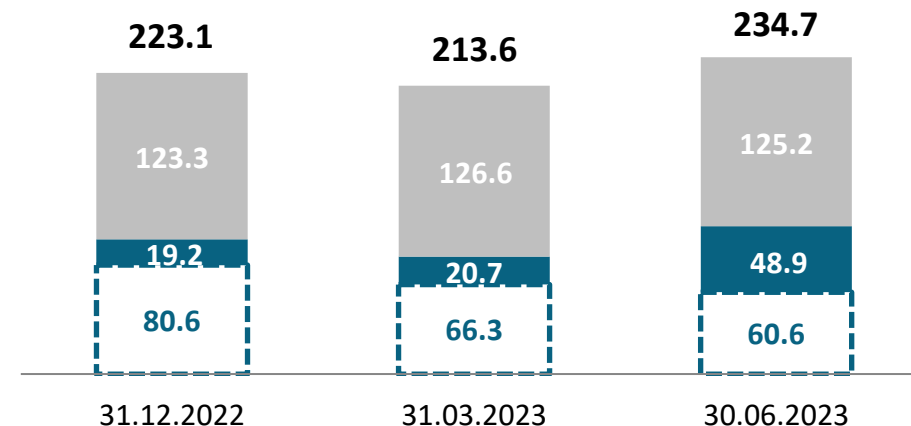
Asset Quality driven by factoring business

Gross Non Performing Exposures

€m

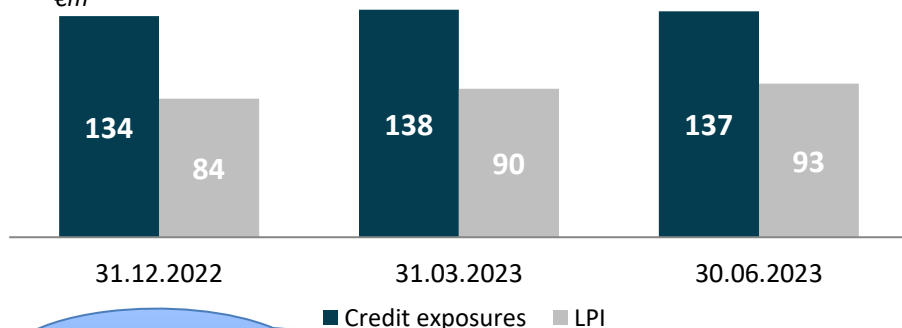


Net Non Performing Exposures



Exposure to Municipality in Conservatorship & related LPI stock

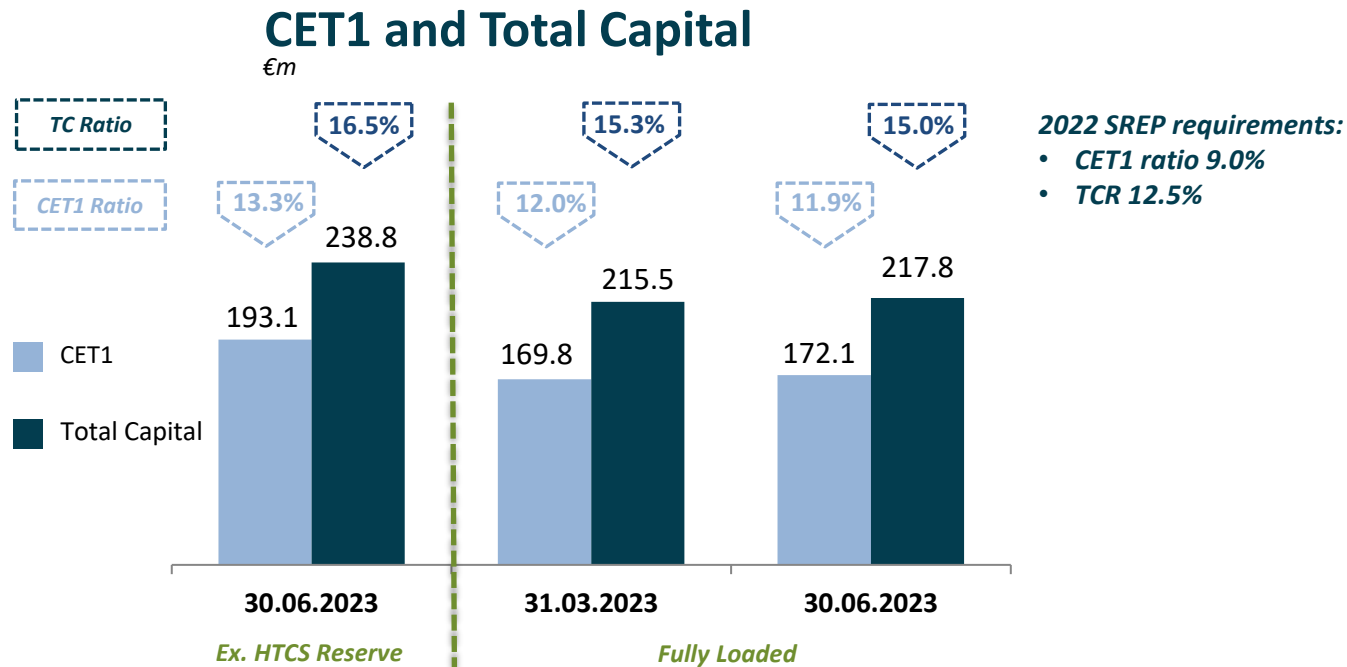
€m



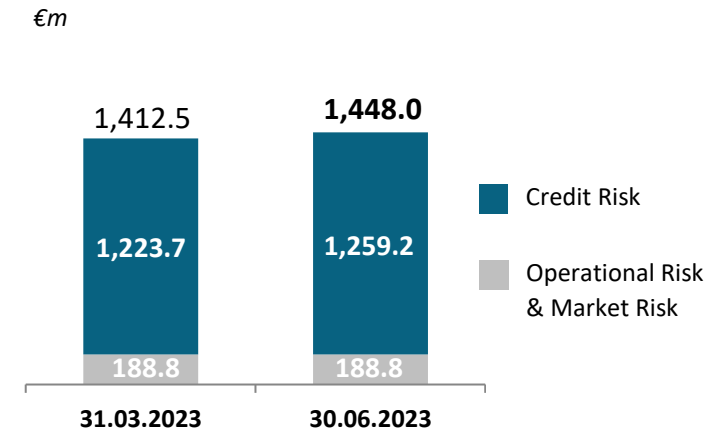
Classified as bad loans

- Gross Non Performing Exposures up q/q
- Past-dues decrease q/q, due to factoring ordinary delay, has not compensated UtP q/q increase
- Cost of credit risk stands at 19bps (29bps in 2022)

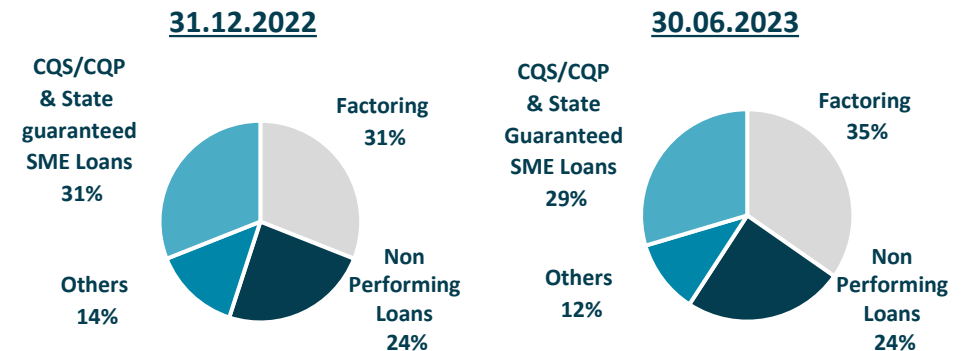
Regulatory Capital above minimum requirements



RWA breakdown



RWA – Credit Risk



Among the various changes that are part of a package of reforms to Basel III regulations, the neutralization of all or part of the "HTCS reserve" on Govies' ptf was approved at a European Trilogue meeting. This change will come into effect with publication in the Official Journal predictably by the end of 2023. Assuming a full neutralization of the "HTCS reserve" on government securities as at 30.6.2023, capital ratios would stand as above

Fully Loaded - CET1 and Total Capital as at 30.06.2023 include -€21.3m 'Held to Collect and Sell' reserve from Govies' ptf

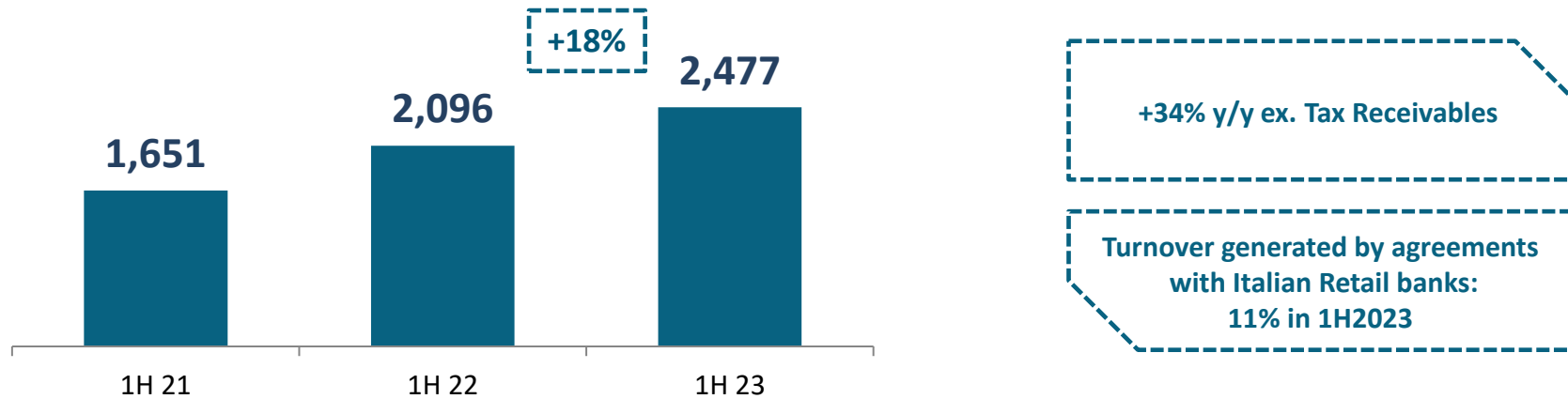
Q/q credit RWA increase is driven by factoring business (mainly by higher exposures to Corporates)

Annexes

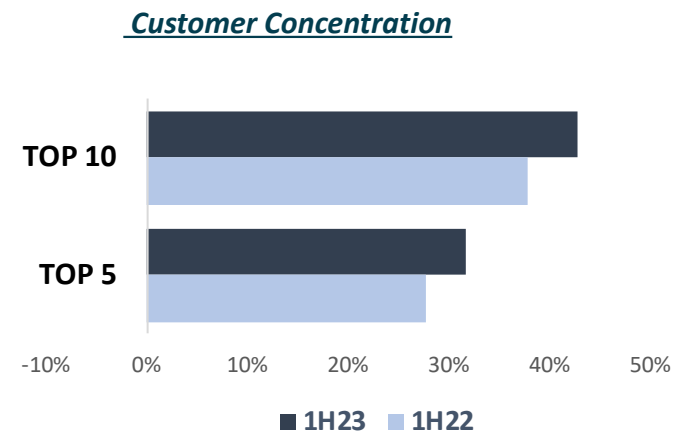
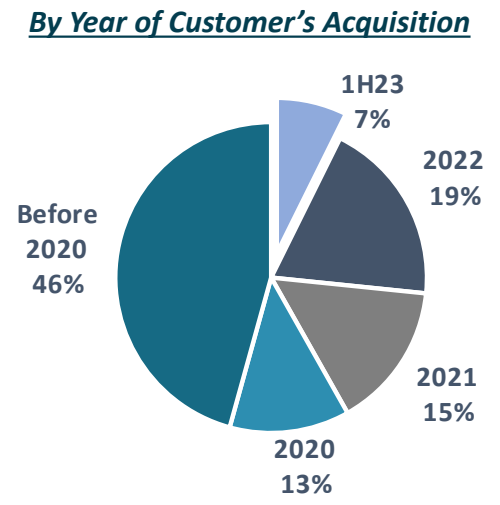
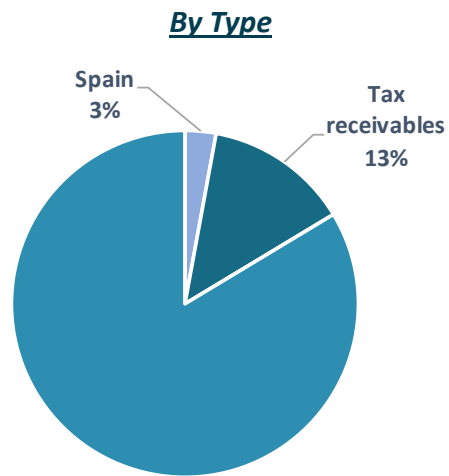
Factoring Turnover

Factoring Turnover

€m



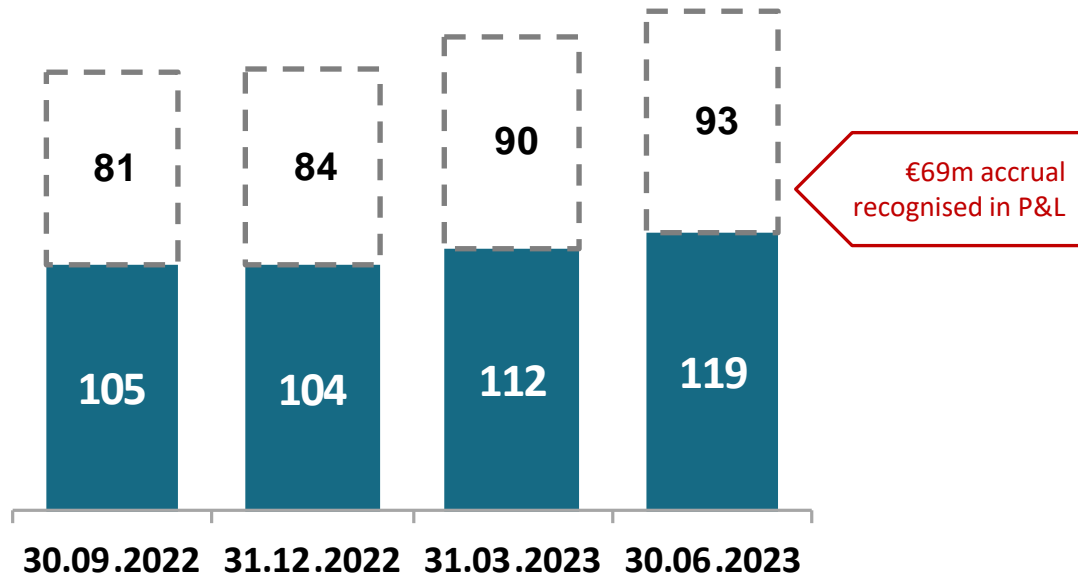
1H23 Factoring Turnover breakdown



Late Payment Interest

Due LPI Stock – Assets in legal action

€m

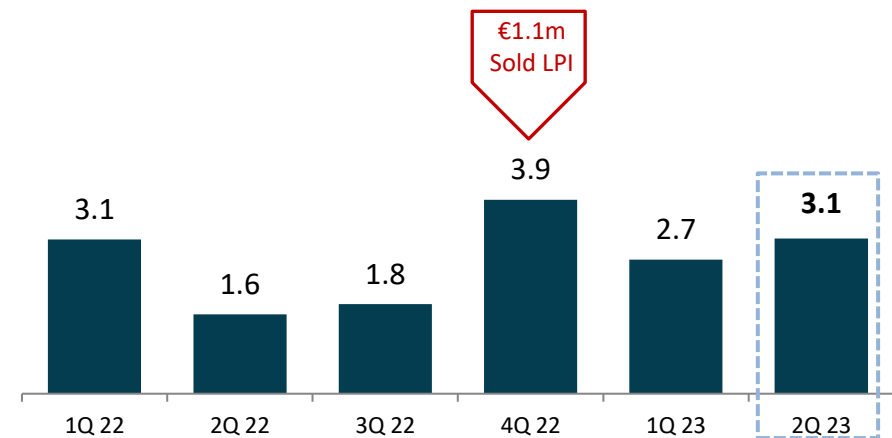


▬ LPI - non relevant for the accrual

■ LPI - relevant for the accrual

Total collected cashed-in LPI⁽¹⁾

€m



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

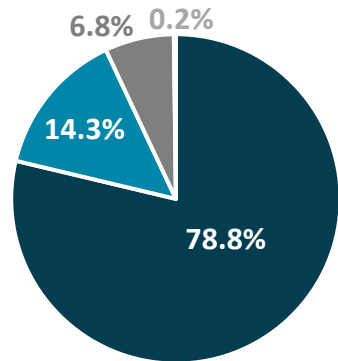
1H23 – Income Statement

Figures in millions of Euro

	1H 2022	1Q 2022	2Q 2022	1H 2023	1Q 2023	2Q 2023	1H 23 vs 1H 22 change in %
Interest income	50.6	23.6	27.0	83.4	40.1	43.3	65%
Interest expenses	(5.9)	(2.9)	(3.0)	(47.5)	(19.5)	(28.0)	nm
Net interest income	44.6	20.7	24.0	35.8	20.6	15.2	-20%
Commission income	15.7	7.5	8.2	16.9	7.7	9.2	7%
Commission expenses	(8.8)	(3.8)	(5.0)	(6.8)	(3.1)	(3.7)	-23%
Net commission	7.0	3.7	3.3	10.1	4.6	5.5	45%
Dividends and similar income	0.2	-	0.2	0.2	-	0.2	nm
Net income from trading	(1.2)	-	(1.2)	(0.0)	(0.3)	0.3	-97%
Net income from disposal/repurchase assets:	4.1	0.3	3.8	3.3	0.3	3.0	-20%
a) measured at amortised cost	3.1	0.3	2.7	2.7	0.2	2.5	-10%
b) measured at fair value through other comprehensive income	1.1	-	1.1	0.5	0.1	0.4	-50%
Total income	54.8	24.7	30.1	49.4	25.2	24.2	-10%
Net impairment losses on loans	(5.1)	(2.3)	(2.7)	(2.8)	(1.0)	(1.8)	-44%
Net operating income	49.7	22.4	27.3	46.6	24.2	22.4	-6.3%
Personnel expenses	(14.3)	(6.6)	(7.7)	(14.7)	(7.5)	(7.2)	3%
Other expenses	(17.0)	(9.1)	(7.9)	(20.2)	(10.9)	(9.3)	19%
Operating expenses	(31.3)	(15.7)	(15.7)	(35.0)	(18.4)	(16.6)	12%
Profits from equity investments	(0.1)	(0.04)	(0.02)	(0.0)	(0.01)	(0.01)	-69%
Pre-tax profit from continuing operations	18.3	6.7	11.6	11.6	5.8	5.8	-37%
Taxes on income for the period/year from continuing operations	(5.9)	(2.1)	(3.7)	(3.9)	(2.0)	(1.9)	-33%
Profit after tax from discontinued operations	(0.0)	(0.0)	0.0	-	-	-	nm
Profit (loss) for the year/period	12.5	4.5	7.9	7.7	3.8	3.9	-38%
Minority interests	(0.2)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	-4%
Profit (loss) for the year/period attributable to the shareholders of the Parent	12.2	4.4	7.8	7.5	3.7	3.7	-39%

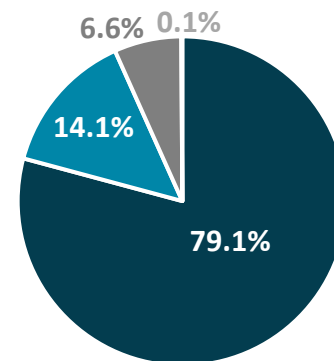
Asset Quality

Gross Bad loans

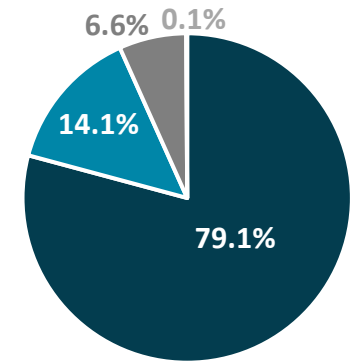


31.12.2022

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

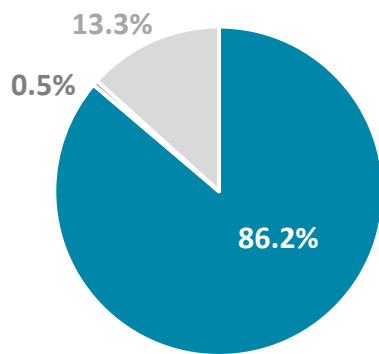


31.03.2023

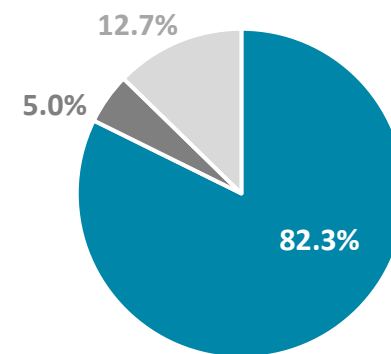


30.06.2023

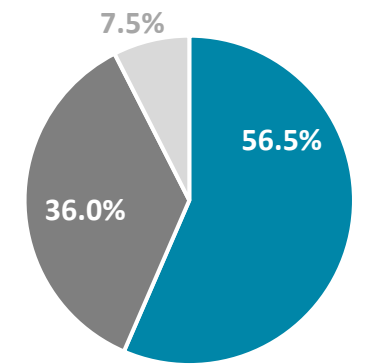
Gross Unlikely to Pay



31.12.2022



31.03.2023



30.06.2023

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