

BANCA **SISTEMA**

9M 2024 RESULTS

November 8th, 2024

9M 2024 RESULTS AT A GLANCE

Commercial performance

- **Factoring** turnover +12% y/y, equal to €4,000m
- **CQ** new volumes +16% y/y, outstanding -10% y/y, equal to €747m
- **Pawn loans** outstanding +9% y/y, equal to €128m
- **SMEs State guaranteed loans** outstanding -6% y/y, equal to €233m

P&L

- **Adjusted Net Interest Income** +11% y/y, equal to €55.7m (-9% y/y in 1H24)
- **Funding cost equal to 3.6%** (up y/y but slightly down q/q)
- **Total Income** +19% y/y, equal to €85.0m (+11% y/y in 1H24)
- **Cost of risk** pretty stable y/y **at 20bps**
- **Total operating costs equal to €58.9m**, +18% y/y due to anticipation of DGS (2Q vs 4Q), +11% y/y net of systemic charges
- **Adjusted Pretax profit* equal to 26.2m**, +37% y/y (21m or +20% y/y on a stated basis)
- **Adjusted Net profit* equal to €15.8m**, +27% y/y (12.3m or +8% on a stated basis)

Balance Sheet

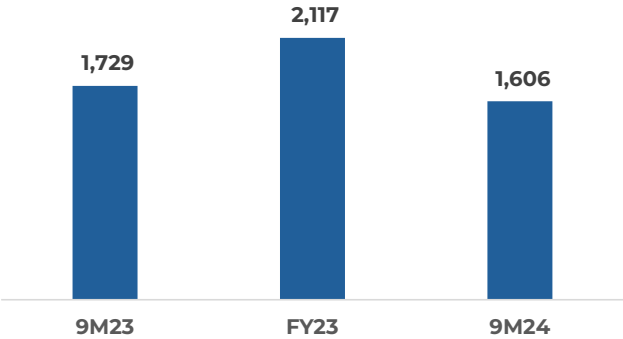
- **Retail funding component higher y/y and slightly lower q/q** (69% vs 66% in 9M23 and 72% in 1H24)
- **Total assets** +9% y/y, equal to ~€4.8bn
- **CET1 ratio phased-in at 12.9%** and **TC ratio at 15.9%**, **CET1 ratio and TC ratio fully phased at 12.7% and 15.7%** (+48bps y/y and +26bps y/y respectively)

* Adjusted for systemic charges (DGS and SRF) for a more correct y/y comparison as DGS provision has been brought forward from 4Q to 2Q)

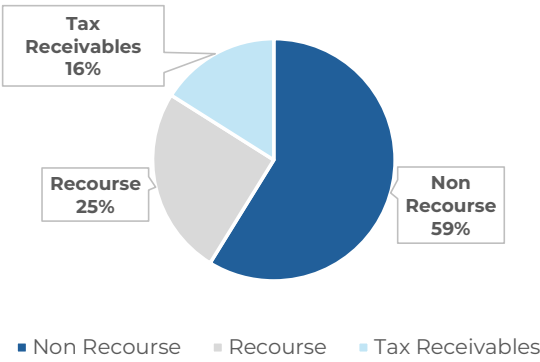
FACTORING COMMERCIAL PERFORMANCE

Outstanding breakdown (30.09.2024)² €1,777m

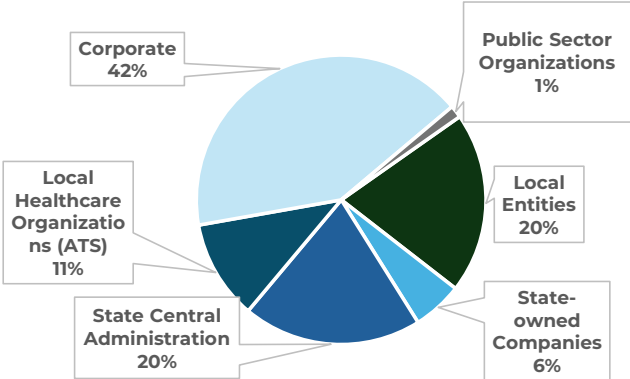
Factoring Loans Outstanding¹
€ m



By Type of Product
%



By Obligor (%)
PA accounts for 58%

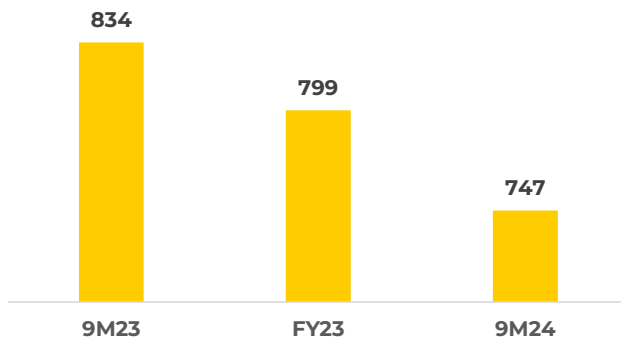


Note: (1) Figures exclude Superbonus tax credits, accounted for in other assets and amounting to €386million; (2) Factoring outstanding management account. Factoring customer loans, item of the Balance Sheet (slide 5) differ from management account for the following elements: Recourse factoring non-financed portion; Provisions; LPI; deferred income.

CQ AND PAWN LOANS COMMERCIAL PERFORMANCE

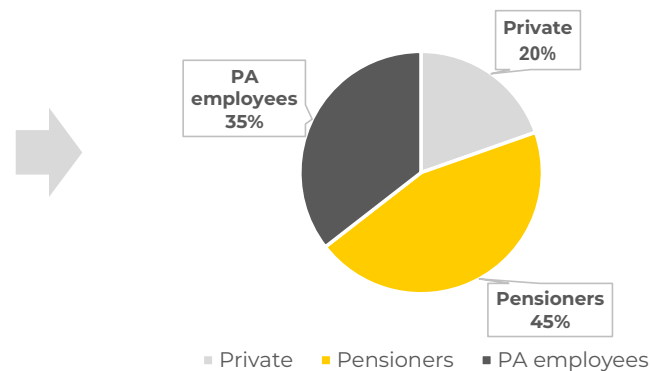
CQ Loans Outstanding

€ m



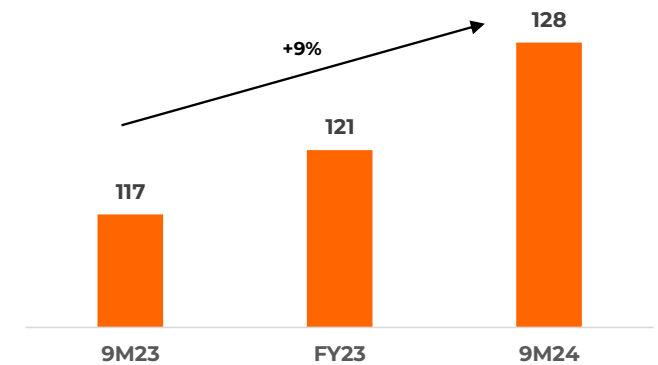
CQ Loans by Obligor

%



Pawn Loans Outstanding

€ m



- €153m turnover in 9M24 (€132m in 9M23)

- ~76k contracts (+11% y/y)
- Total turnover in 9M24 (including renewals): €166m (+28% y/y)
- #39 auctions in 9M24, with > 95% of the offers through the APP, KrusoK Aste

9M24 – BALANCE SHEET

Figures in millions of Euro

**BANCA
SISTEMA**

	31.12.2023	30.06.2024	30.09.2024	Change in % 30.09.2024 vs 31.12.2023
ASSETS				
Cash and cash equivalents	250	269	110	-56%
Financial assets at fair value through Other Comprehensive Income [Held to Collect and Sell]	576	1,100	1,269	>100%
Loans at amortized cost	3,335	2,805	2,806	-16%
Factoring	2,117	1,634	1,606	-24%
CQ	799	761	747	-6%
Pawn loans	121	124	128	6%
SMEs State Guaranteed loans	286	253	233	-79%
Other ⁽¹⁾	12	33	92	>100%
Securities at amortized cost [Held to Collect]	61	61	72	18%
Tangible and Intangible assets	76	76	76	-1%
Goodwill	34	34	34	0%
Equity investments	1	1	1	-3%
Other assets ⁽²⁾	272	428	444	63%
Total assets	4,572	4,740	4,778	4.5%
LIABILITIES AND EQUITY				
Due to banks	644	361	320	-50%
of which ECB exposure	556	317	278	-50%
Due to customers	3,233	3,702	3,797	17%
of which term deposits	2,402	2,705	2,574	7%
of which current accounts	705	265	288	-59%
Debt securities issued	165	109	94	-43%
Other liabilities	253	287	271	7%
Shareholders Equity	277	281	295	7%
Total liabilities and equity	4,572	4,740	4,778	4.5%

Note: (1) The item include "Loans to banks" respectively as at 31.12.2023, 30.06.2024 and 30.09.2024 equal respectively to €0.9m, €0.8m and €21.9m. (2) Tax credits for 'superbonuses' €217m and €351m and €386m respectively as at 31.12.2023, 30.06.2024 and 30.09.2024.

- **Govies' portfolio increased ytd and q/q (nominal value €1311m vs €647m as of YE23 and €1162m as of 1H24)** with an average duration of 5.6 months (15 months as at 31.12.2023), exclusively Italian Government bonds:
 - €1250m 'Held to Collect and Sell', +€98m q/q and +€614m ytd, with an average duration of 4 months
 - €61m 'Held to Collect', flat q/q, with an average duration of 35 months
- **Loans at amortized cost** €2,806m, (-6% y/y, -16% ytd):
 - **Factoring receivables** at €1.6bn, -7% y/y, -24% ytd due to higher collections and some disposals.
 - **CQ loans** -10% y/y or -6% ytd, due to maturities, repayments and portfolio disposals only partially compensated by higher new loans originated through the Direct channel
 - **Pawn Loans** +9% y/y or +6% ytd
- **Due to banks** -43% y/y or -50% ytd, mainly due to TLTRO reimbursement (€262m outstanding as of 9M24)
- **Due to customers** +19% y/y or +17% ytd, driven by term deposits ("Conto Deposito") for +€450m y/y which more than offset Current Accounts decrease (-€118m y/y) while REPOs went up (+€391m y/y and +€209m q/q);
- **Debt securities** -28% y/y or -43% ytd, driven by lower structured funding with both factoring and CQ receivables collateral

TOTAL GROSS INCOME AND ADJUSTED INCOME MARGIN EVOLUTION

9M24 Total gross income up +39% y/y, with a higher contribution from **factoring (€ 124.2m or +€43.7m y/y)**, **pawn loans (€20.6m or +4.6m y/y)**, **SMEs State guaranteed loans (€15.4m or +4.7m y/y)** and **decreasing trend in CQ (€14.3m or -4.1m y/y)**

Higher revenues y/y from factoring, mainly due to:

a) higher **commercial loans & Superbonus** contribution

b) higher **factoring LPIs from legal action** equal to €25.9m (€26.7m in 9M23):

- of which accrual €14.6m (€21.8m in 9M23)
- of which “extra collection” €11.3m (€4.9m in 9M23)

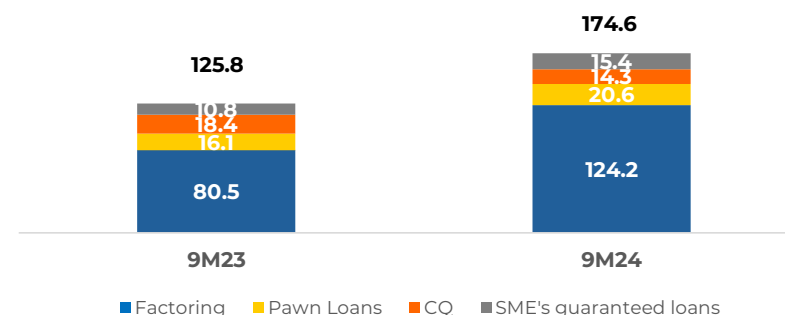
c) higher **factoring extra judicial LPI** equal to €6.7m (€3.1m in 9M23)

Factoring gross income and adjusted income margin include **€24.8m** revenues from **Superbonus** of which €23.0m from Trading Superbonus

Adjusted income margin shows a pronounced **improvement y/y** in factoring and pawn loans divisions

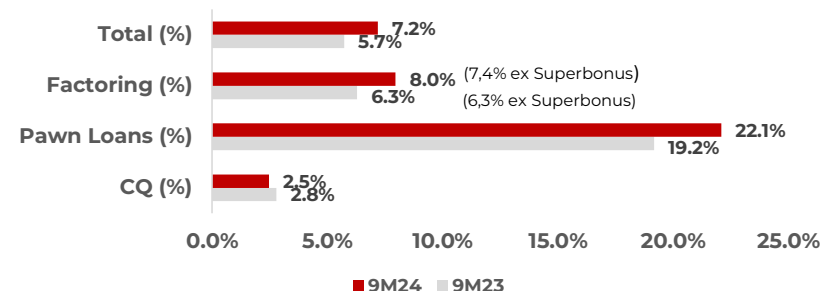
Total Gross Income¹

€ m



Adjusted Income Margin²

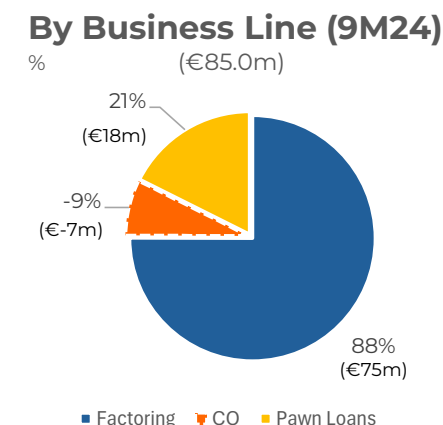
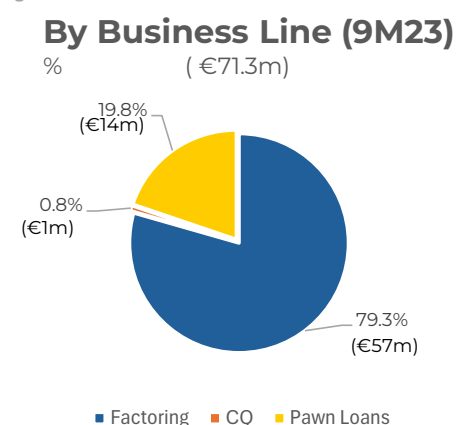
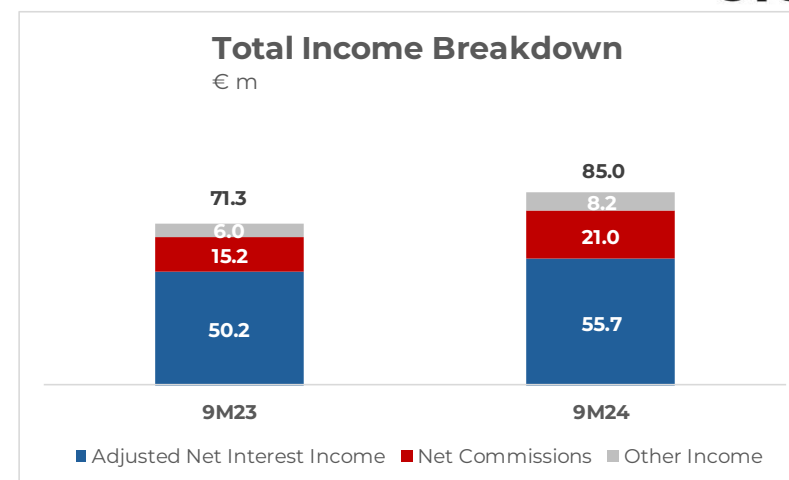
%



Note: (1) Total gross income calculated as Period Interest Income + Commission Income + Gain for asset disposals + trading Superbonus - excluding the contribution from securities portfolio, PPA, credit due from banks and Repo (Balance Sheet and Financial Statement figures); (2) Calculated as [Period Interest Income + Commission Income + Gain for asset disposals + trading Superbonus] / [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);

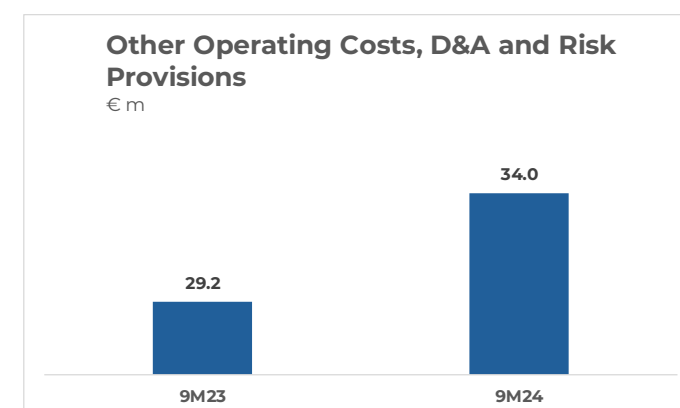
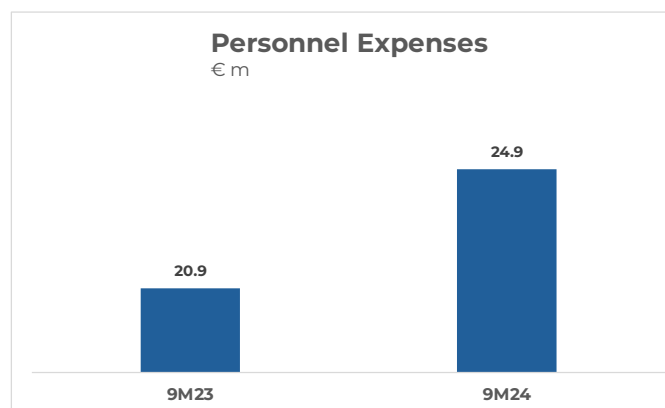
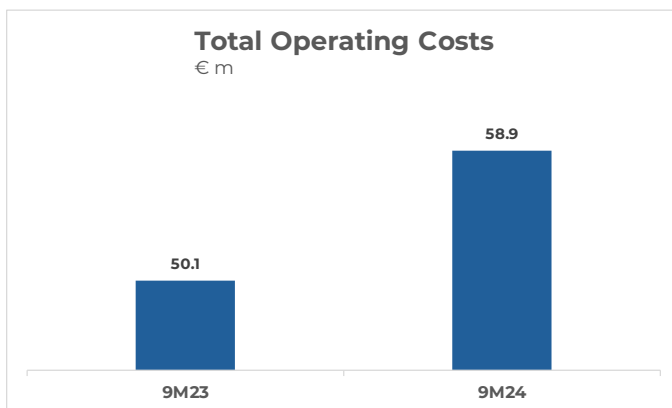
TOTAL INCOME BREAKDOWN

- **9M24 Total Income up 19% y/y**, thanks to positive **contribution from factoring** and **pawn loans** despite higher cost of funding and lower contribution from CQ business
- **Adj NII** (NII + trading on Superbonus) increased by 11% y/y thanks to factoring + Superbonus (+54% y/y) and Pawn loans (+28% y/y) which more than offset negative contribution from CQ, lower income from financial portfolio and higher interest expenses (cost of funding equal to 3.6%, +91bps y/y but -4bps q/q for the first time since 1H22).
- **Fees up +39% y/y** thanks to strong performance in **factoring** commission-based products and **pawn broking business**
- **Other Income increased y/y** and includes ca. €3.4m gain from govies portfolio (€2.8m in 9M23) and €4.6mn gain from the sale of factoring and CQ ptf (€3.0m in 9M23)
- **CQ contribution** was negative y/y still due to the backbook's low yields, expected to improve in the coming quarters due to lower weight of legacy portfolio
- **Contribution to total net revenues** by factoring division increased to 88% (79% in 9M23) while CQ contribution was negative in 9M24

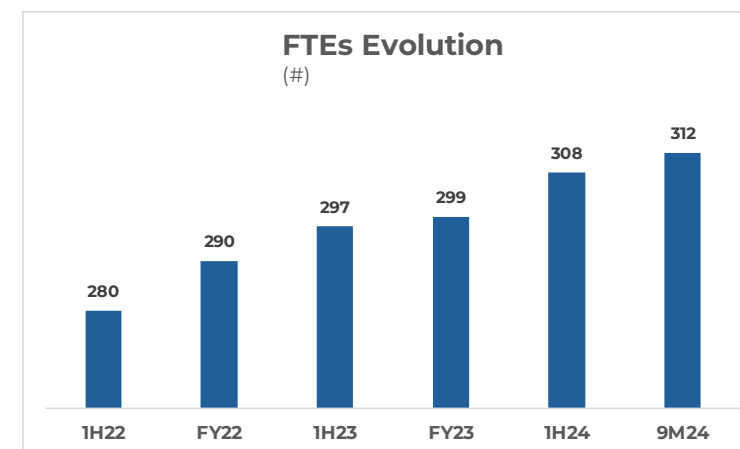


1. Adjusted Net Interest Income = Net interest Income + Trading on Superbonus
2. CQ total income in 9M24 was negative and equivalent to -9% of total income

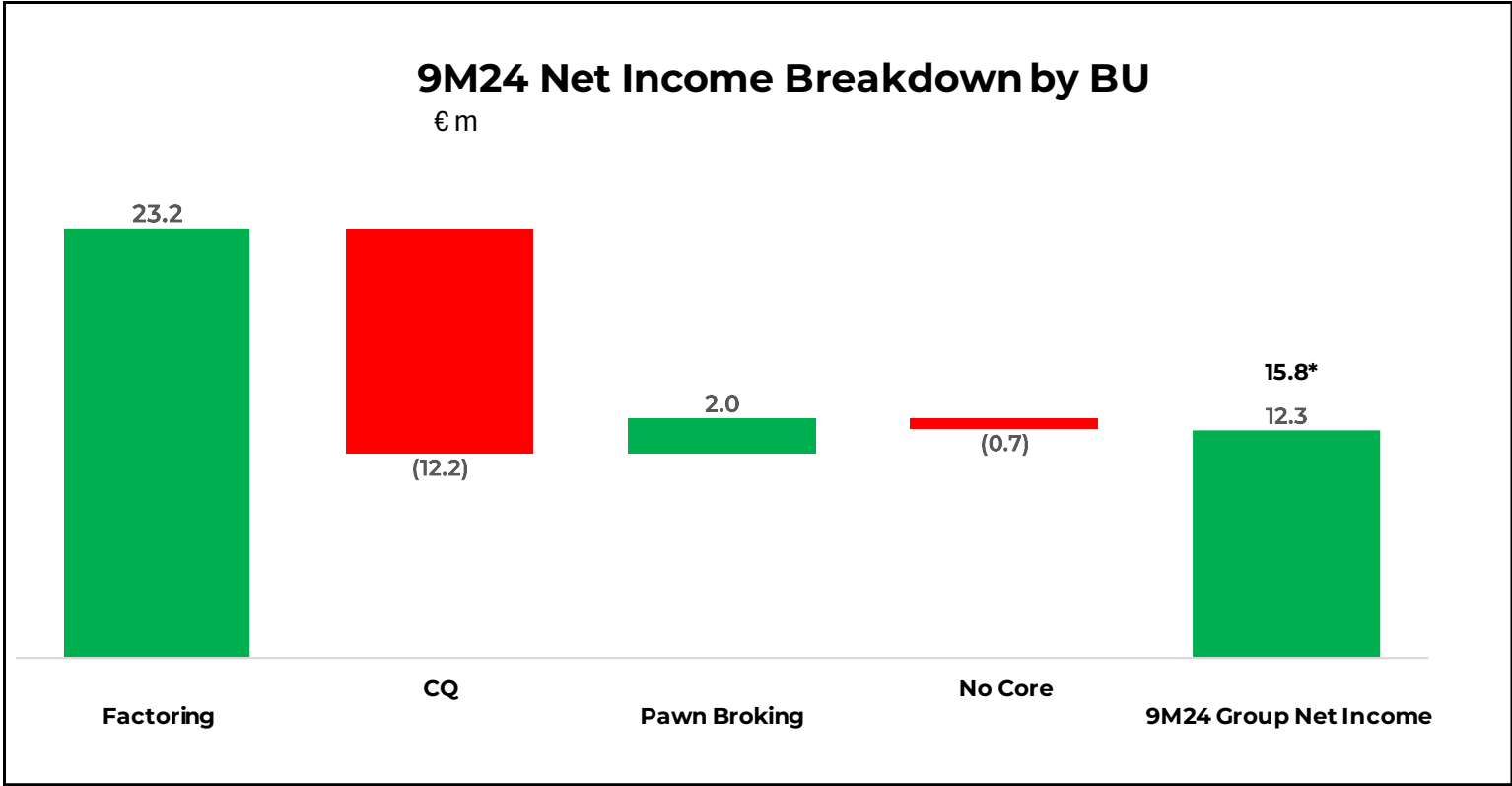
COST BASE CONSOLIDATING



- **Total costs increased by +18% y/y** due to higher personnel and administrative costs but also DGS provision (€5,1m in 9M24 vs zero in 9M23 as the annual contribution has been anticipated to 2Q vs usual 4Q) which more than compensated the cancellation of SRF provision from 2024 onwards (€1,6m in 9M23). **Net of systemic charges total costs grew by +11% y/y.**
- **Personnel Expenses up** (+19% y/y) due to higher FTEs (from 295 to 312), the impact of the national labour contract renewal and higher bonus pool.
- **Administrative costs decreased by -2% y/y** and **include** also some **one-off costs** (i.e. new 3Y Industrial plan, Kruso kapital IPO completion and acquisition in Portugal) and some credit- related costs (i.e. origination and collection) and insurance costs on credits (i.e. factoring to private sector)



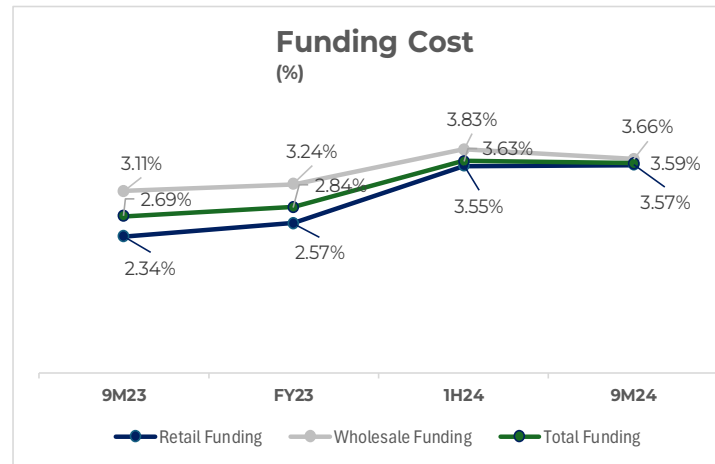
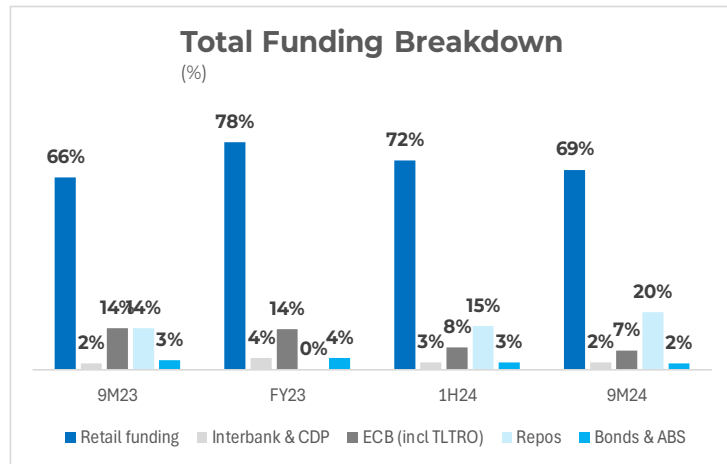
NET INCOME EVOLUTION BY BUSINESS UNITS



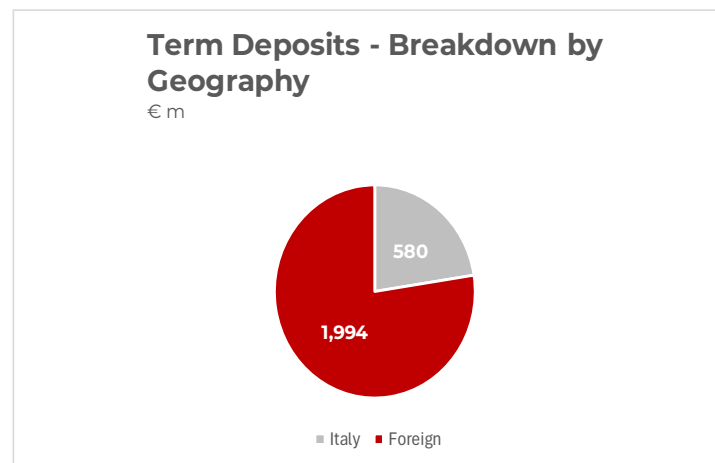
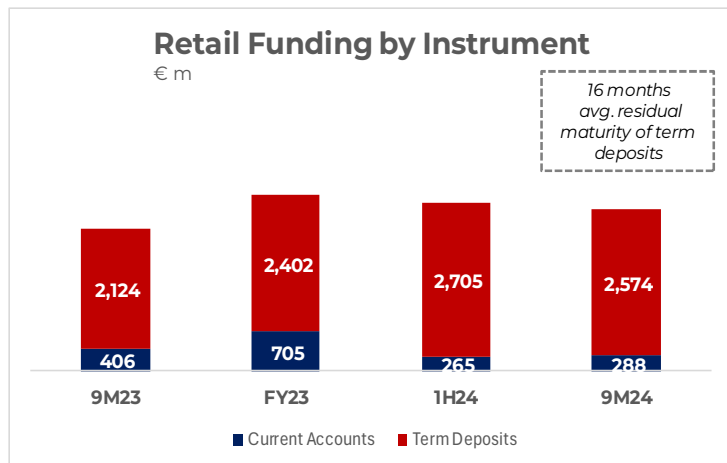
* Net profit adjusted for systemic charges (DGS and SRF) for a more adequate like for like comparison as DGS provision has been brought forward from 4Q to 2Q

- **Factoring:** the division confirmed the excellent results registered in 2023 posting in 9M24 €23,2m net income (€17,7m in 9M23) or +31% y/y thanks to turnover growth and positive repricing.
- **CQ:** higher cost of funding negatively impacted the division due to the legacy portfolio having a low yield. Net loss in 9M24 equal to €12,2m (€7,3m in 9M23), trend expected to improve in the coming quarters as long as legacy portfolio will expiry.
- **Pawn Broking:** the division kept growing and posted a +63% growth in net income (€2m in 9M24 vis a vis €1,2m in 9M23) thanks to the increase of the outstanding and the positive trend in margins thanks to solid repricing.
- **9M24 Net income** was **negatively impacted by DGS provision** (-€5,1m) booked in 2Q24 instead of 4Q in previous years. This change in accounting (DGS will expiry in 2025) will free up resources in 4Q24 which we expect to show a higher positive seasonality vis a vis previous years.

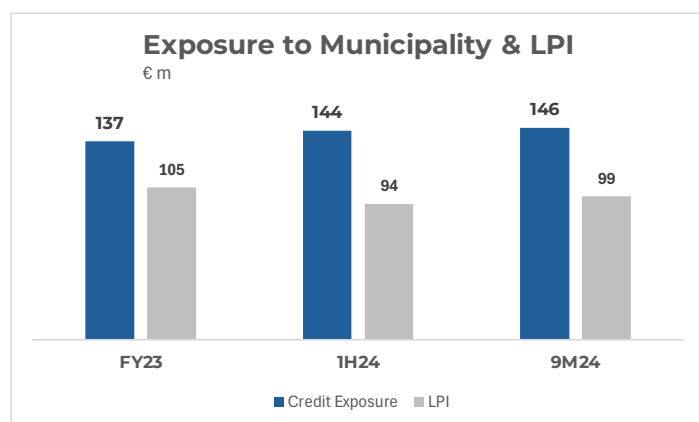
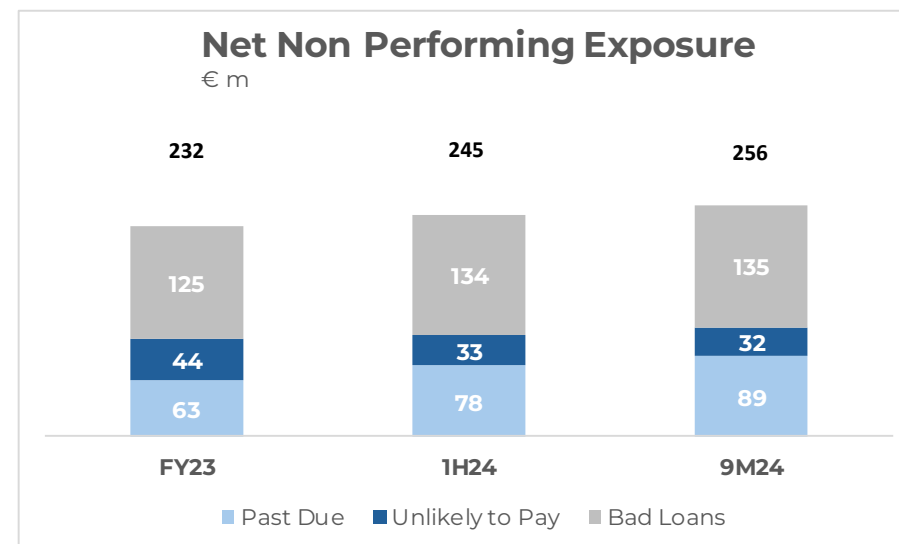
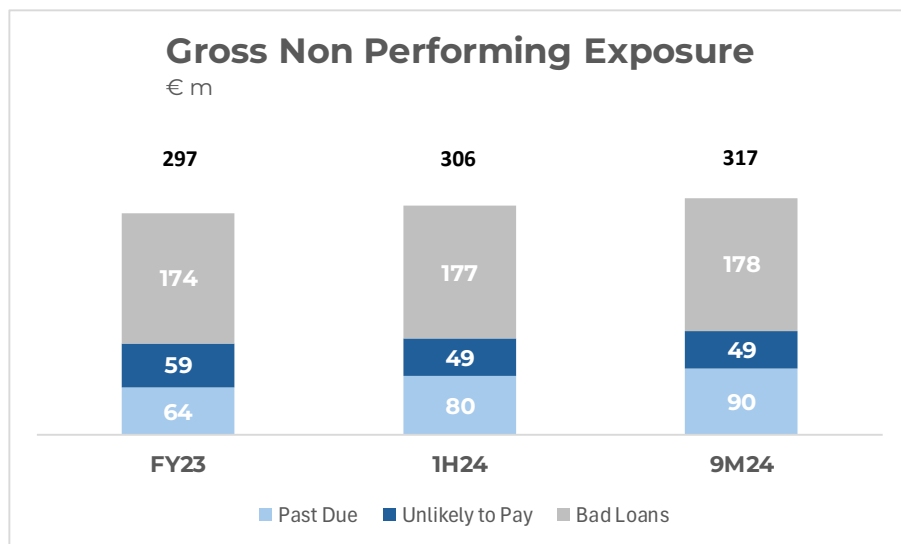
FUNDING COST UP Y/Y BUT DOWN Q/Q



- **Retail Funding** represents **69% of total funding as of 9M24**
- **Retail funding was slightly down q/q while grew by +12% y/y thanks to positive evolution of term deposits (+21% y/y) which more than compensated the -29% y/y decrease in current accounts.**
- **Net inflows in term deposits from abroad (+161m YTD) while Italy registered few outflows (-€15m YTD); the overall decrease of retail funding YTD (-8.3%) was driven by current accounts decrease from corporates linked to some big tickets transaction closed in 1H24.**
- **€278m TLTRO reimbursed in 9M24** (€262m outstanding as of 9M24 to be reimbursed by YE)
- **Cost of funding up y/y and for the first time since 1H22 slight down q/q** confirming the expected stabilization in 2024. The spread between retail and wholesale funding has further narrowed q/q from 28bps to 10bps).

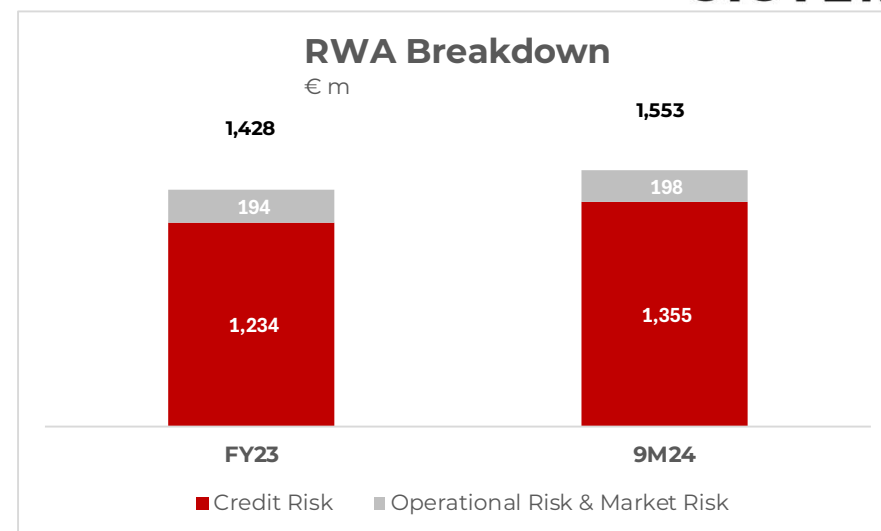
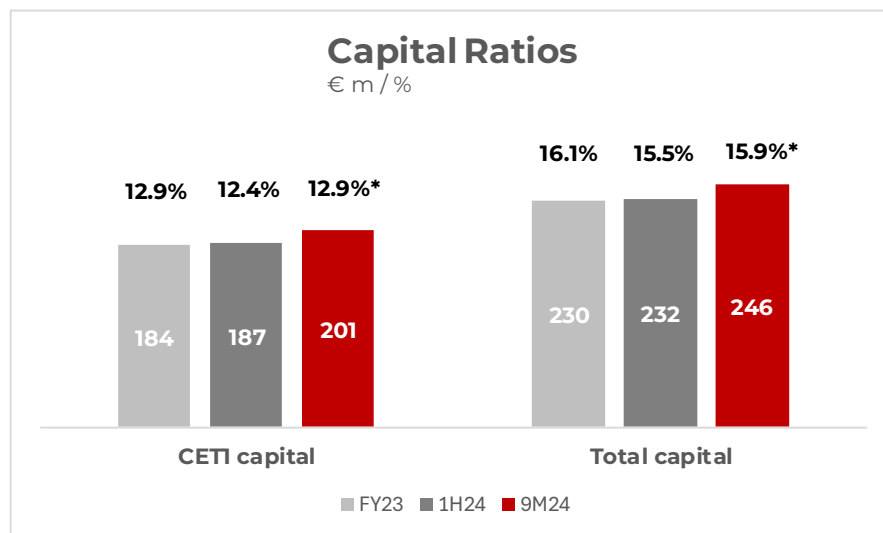


ASSET QUALITY: BAD LOANS FLAT, UTPs DOWN, PAST DUE UP

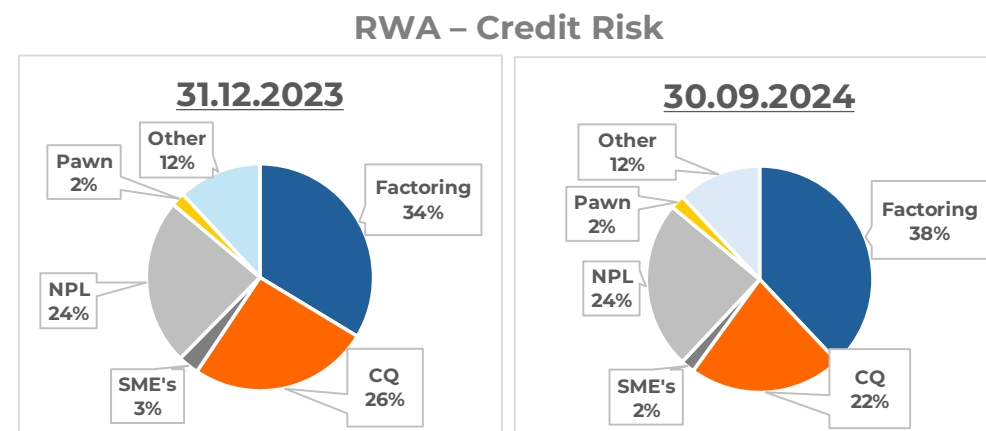


- Gross Non Performing Exposures increased by +6.7% ytd or +3.6% q/q
- Gross bad loans were pretty flat ytd and q/q, positive trend for UTPs (-16,5% ytd and flat q/q), past due increased both ytd and q/q (+40% and +13% respectively)
- Cost of credit risk stands at 20bps (17bps in FY23)
- Exposure to Municipality in Conservatorship slightly up ytd, LPI slightly down ytd.

REGULATORY CAPITAL WELL ABOVE MINIMUM REQUIREMENTS



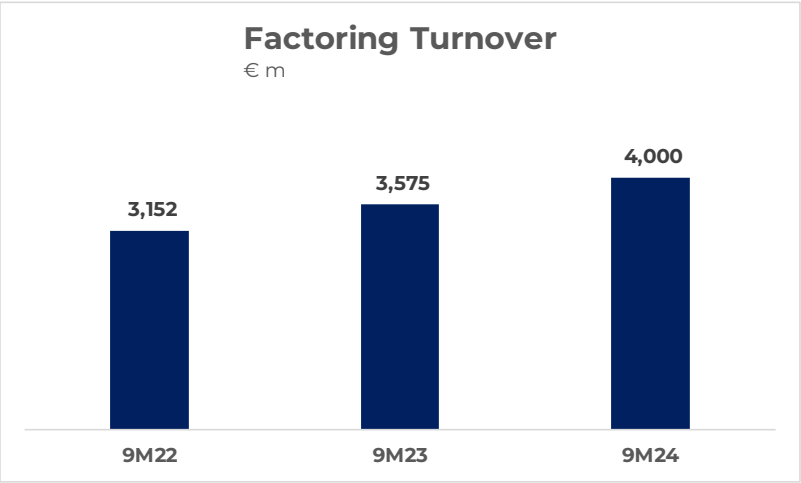
- **CETI* and Total Capital*** as at 30.09.2024 were equal to **12.91%** and **15.86%** respectively.
- The **improvement** of the **ratios q/q** was due to **profits** and the **reduction** in **HTCS reserve** (from -€10.45m to -€4.0m).
- **RWA increased** by €53m **q/q** to **1,553m** due to higher receivables related to the private sector and slightly higher NPEs.
- **Capital buffers at ca. 300/350bps (2024 SREP: CETI ratio 9.4% / TCR 12.9%)**



Note: *Ratios as of 9M24 are calculated applying the prudential filter reintroduced by article 468 CRR which neutralizes securities MTM in the HTCS category. The filter applied to capital ratios as of 9M24 increases CETI/TI/TCR by +17bps

ANNEXES

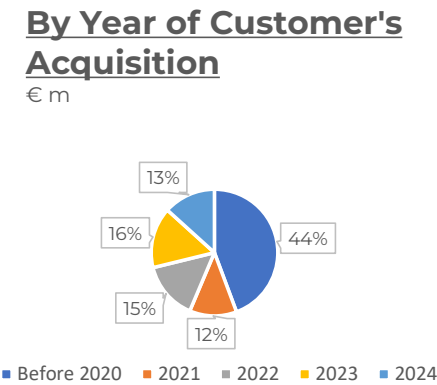
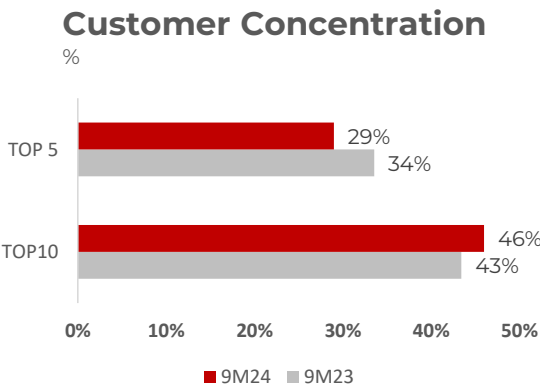
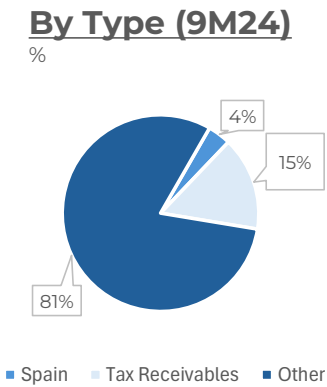
FACTORING: BREAKDOWN BY TYPE AND CUSTOMERS



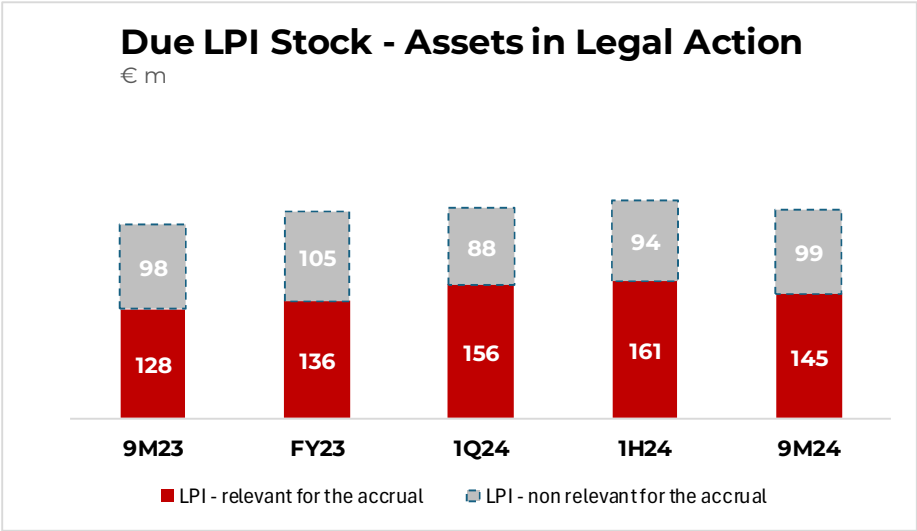
+12% y/y or +2% ex. Trading Ecobonus

Turnover generated by agreements with Italian Retail banks: 9% in 9M2024

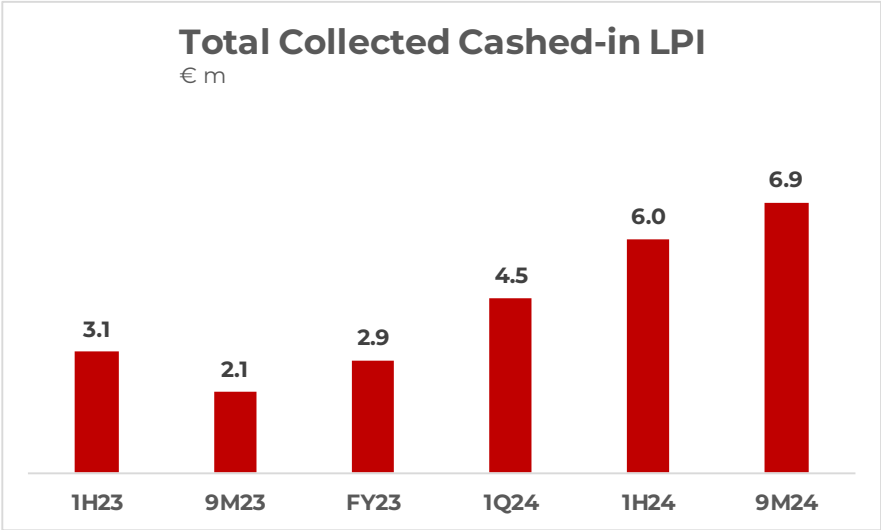
9M24 Factoring Turnover breakdown



LATE PAYMENT INTEREST



€84.6m accrual
booked through
P&L



9M24 – INCOME STATEMENT

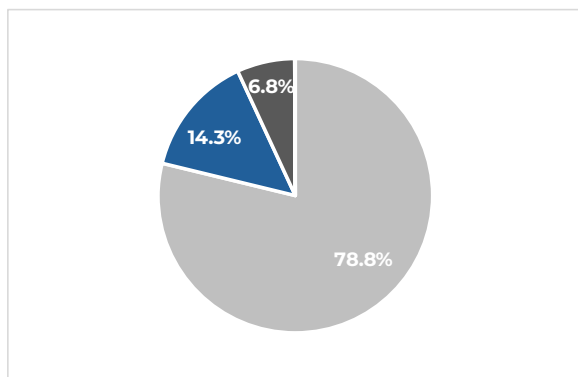
Figures in millions of Euro

**BANCA
SISTEMA**

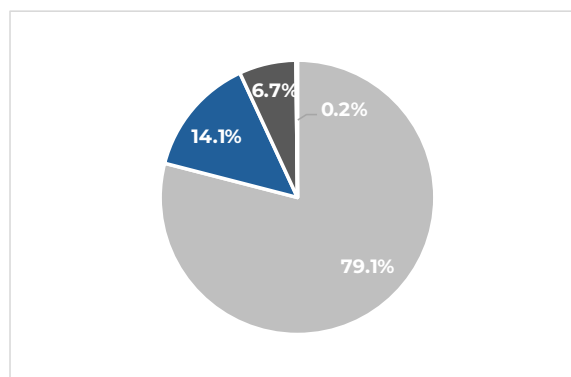
	9M 2023	1Q 2023	2Q 2023	3Q 2023	9M 2024	1Q 2024	2Q 2024	3Q 2024	9M 24 vs 9M 23 change in %
Interest income	129.6	40.1	43.3	46.2	143.6	48.2	47.6	47.8	11%
Interest expenses	(79.4)	(19.5)	(28.0)	(31.9)	(110.9)	(36.4)	(38.4)	(36.2)	40%
Net interest income	50.2	20.6	15.2	14.3	32.6	11.8	9.2	11.6	-35%
Commission income	26.9	7.7	9.2	10.0	36.4	14.0	12.7	9.7	36%
Commission expenses	(11.7)	(3.1)	(3.7)	(4.9)	(15.4)	(5.4)	(5.4)	(4.6)	31%
Net commission	15.2	4.6	5.5	5.1	21.0	8.6	7.3	5.1	39%
Dividends and similar income	0.2	-	0.2	-	0.2	0.0	0.2	0.0	0%
Net income from trading	(0.1)	(0.3)	0.2	(0.1)	23.9	4.8	7.6	11.5	<100%
Net income from disposal/repurchase assets:	5.9	0.3	3.0	2.6	7.1	1.6	3.6	2.0	21%
<i>a) measured at amortised cost</i>	5.1	0.2	2.5	2.3	4.6	0.9	2.8	0.9	-9%
<i>b) measured at fair value through other comprehensive income</i>	0.8	0.1	0.4	0.3	2.5	0.7	0.7	1.1	>100%
Total income	71.3	25.3	24.1	21.9	85.0	26.8	28.0	30.2	19%
Net impairment losses on loans	(3.6)	(1.0)	(1.8)	(0.8)	-4.9	-1.4	-2.5	-1.1	36%
Net operating income	67.7	24.3	22.3	21.1	80.0	25.4	25.5	29.1	18%
Personnel expenses	(20.9)	(7.5)	(7.2)	(6.1)	(24.9)	(8.1)	(8.3)	(8.5)	19%
Other expenses	(29.2)	(10.9)	(9.3)	(9.0)	(34.1)	(10.4)	(13.5)	(10.1)	17%
Operating expenses	-50.1	-18.4	-16.6	-15.1	-58.9	-18.5	-21.8	-18.6	18%
Pre-tax profit from continuing operations	17.6	5.9	5.7	6.0	21.1	6.9	3.7	10.5	20%
Taxes on income for the period/year from continuing operations	(5.7)	(2.1)	(1.8)	(1.8)	(7.9)	(2.6)	(1.4)	(3.9)	39%
Profit (loss) for the year/period	11.9	3.8	3.9	4.2	13.2	4.3	2.3	6.6	11%
Minority interests	(0.6)	(0.1)	(0.1)	(0.3)	(0.8)	(0.2)	(0.3)	(0.3)	43%
Profit (loss) for the year/period attributable to the shareholders of the Parent	11.3	3.7	3.8	3.9	12.3	4.1	1.9	6.4	9%

ASSET QUALITY: BREAKDOWN BY LOANS

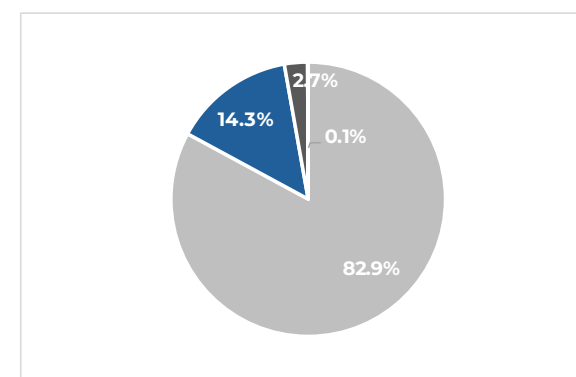
Gross Bad loans



31.12.2022

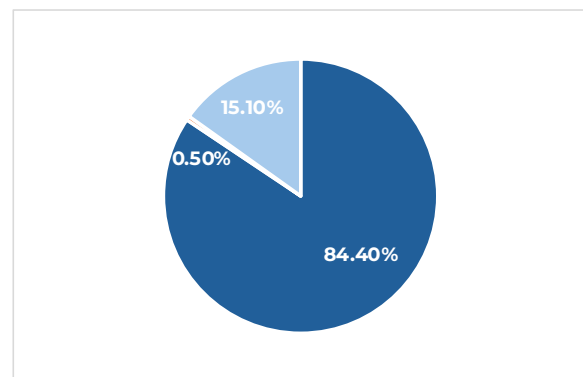


31.12.2023

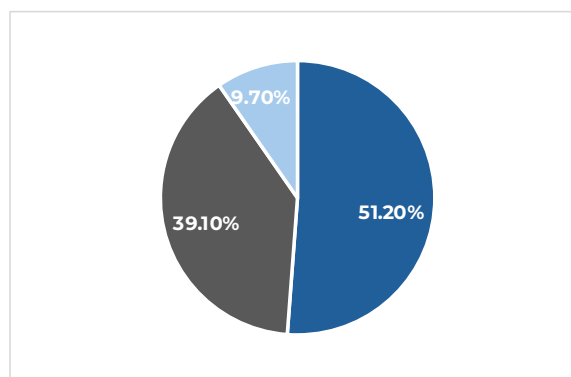


30.09.2024

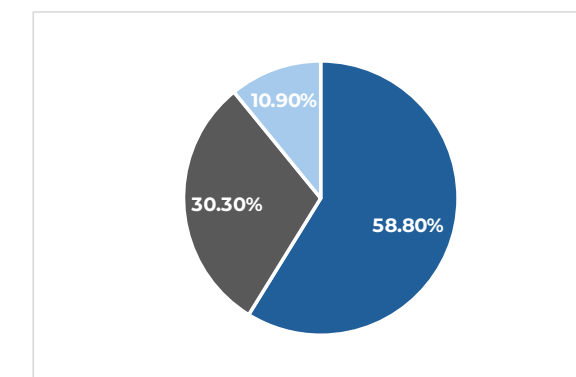
Gross Unlikely to Pay



31.12.2022



31.12.2023



30.09.2024

■ Conservatorships (factoring) ■ Factoring ■ SME's ■ Other

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