BANCA SISTEMA

GROUP PROFILE

JUNE 2022



Among the top Italian specialty finance

Who we are

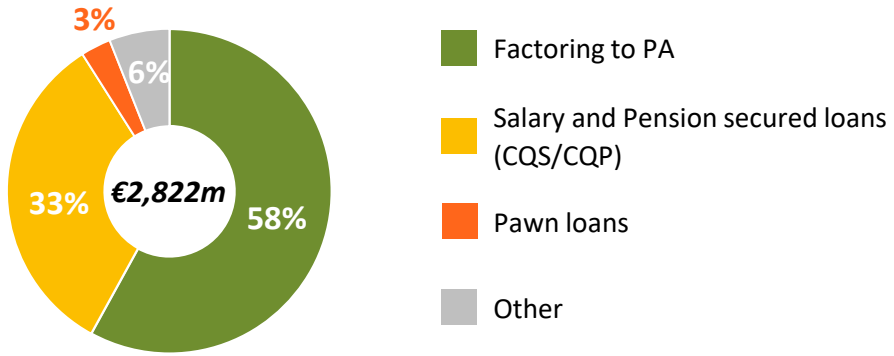
- Independent and diversified specialty finance player in Italy
- Established in 2011 (HQ in Milan), IPO in 2015
- Serving more than 400 corporates in **Factoring**, 50k customers in **CQ** and ~35k customers in **Pawn loans**
- Total funds: 63% Retail/ 37% Wholesale
- 275 workforce

Mission

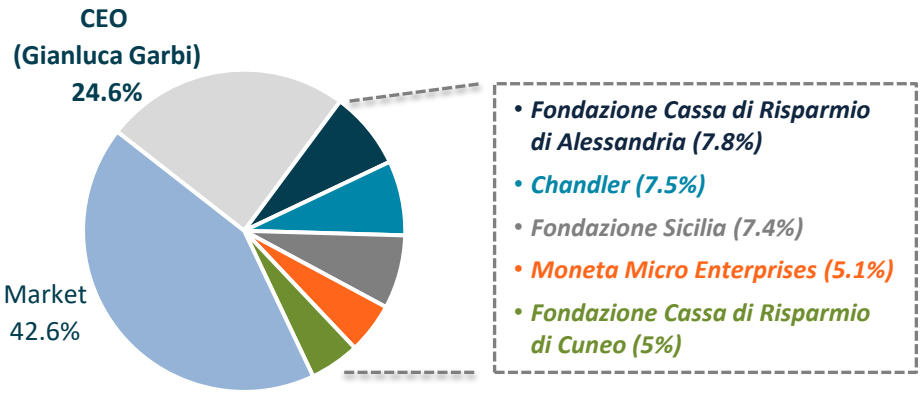
The Group's primary objectives include meeting the financial demands of corporate, by promoting efficiency and acting as a link between the public and private sectors, in addition to providing individuals access to an advanced, easy and readily-accessible banking world that is attentive to the needs of a country and growing businesses

Customer loans

(31.03.2022)



Shareholders



BANCA SISTEMA

Agenda



- **Banca Sistema Overview**



- **1Q22 Results**
- **Annexes**

BANCA SISTEMA

Factoring represents 58% of Customer loans

Business Model

What / How we do it

Banca Sistema purchases receivables, mainly without recourse (81% of the total turnover in 1Q22, of which 27% Tax receivables), from PA suppliers in Italy and Spain, but also Tax credits, receivables related to Football and Local transport subsidies

€983m 1Q22 Turnover, +26 y/y (first player in Italy in this segment of Factoring)

Origination: 1) **Direct** (78% of turnover) through a Sales Force of 22 dedicated resources, in 5 offices; 2) **Indirect** (22%), thanks to agreements with 20 commercial banks (for a total of >1,000 branches in Italy)

Strong analytical capabilities

Disciplined underwriting process supported by accelerated collections without relying on active LPI collection, up till 30 days before the ECD

Proprietary database of payment times of Public Administration obligors, supporting our underwriting capabilities and pricing models for individual invoices

Collection

The collection leverages on the strong relationships with PAs and is focused on the late payment interest ("LPI") when it is necessary, equal to 8%, that we get mainly after starting a legal action

Strong performance due to excellence in collection versus suppliers, generating high margins through accelerated recovery periods

Collection Department:

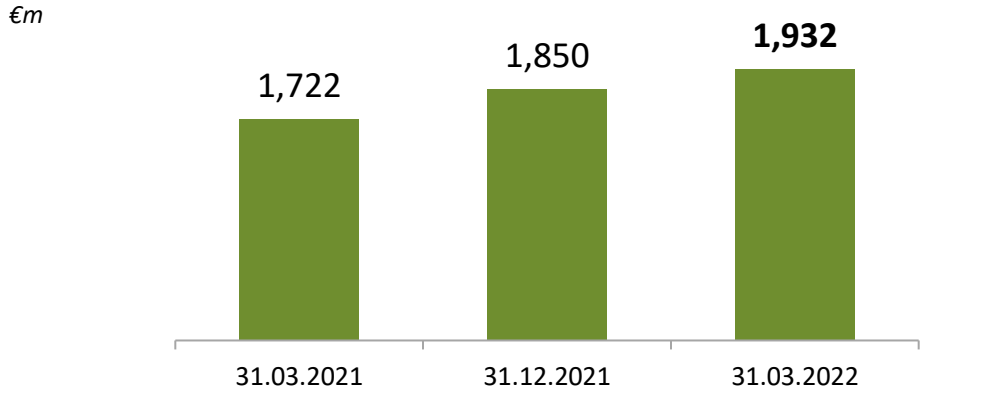
- Extrajudicial collection: 13 headcount and 11 external field collectors
- Judicial collection: 14 headcount and 24 Law firms

Low risk counterparty exposure

The majority of our credit exposure is towards the Italian Public Administration, 75% of the outstanding as at 31.03.2022, with low risk underlying credit exposure comparable to a Government Bond

Notes: Factoring outstanding management account; Assifact: market figures source.

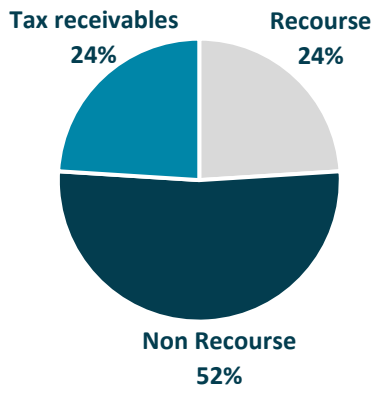
Factoring outstanding



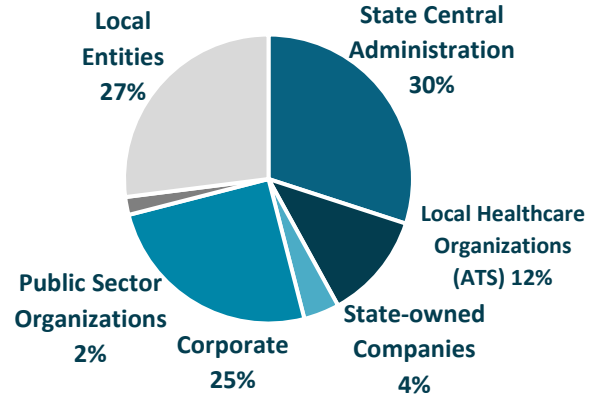
Total Factoring to PA in Italy was €8.6bn as at 31.12.2021 (€9.2bn as at 31.12.2020)

Outstanding breakdown (31.03.2022)

By Type of Product



By Obligor



CQ represents 33% of Customer loans

Business Model

What / How we do it

CQ is a personal loan ruled by the Italian civil law. The instalments are automatically deducted from the debtor's salary or pension up to 1/5 of the net amount based on an obligation between the employee (debtor) and the employer or pension scheme

BST buys CQ loans portfolios via agreements with 5 originators (Indirect channel – 10% of 1Q22 turnover) and also through dedicated brokers/agents with "QuintoPuoi" brand (Direct channel)

1Q22 €47m Turnover (€42m 1Q21). ~€110m ptf purchased in May 2022 (Indirect channel)

Back office and Collections resources are based in Bologna

Dedicated funding

A significant part of the assets are securitized and can be used in several way as collateral in transactions with banks and institutional counterparties

CQ loans are used to access ECB funding via Repo on securitized assets or directly via the Eurosystem collateral framework

Low risk asset

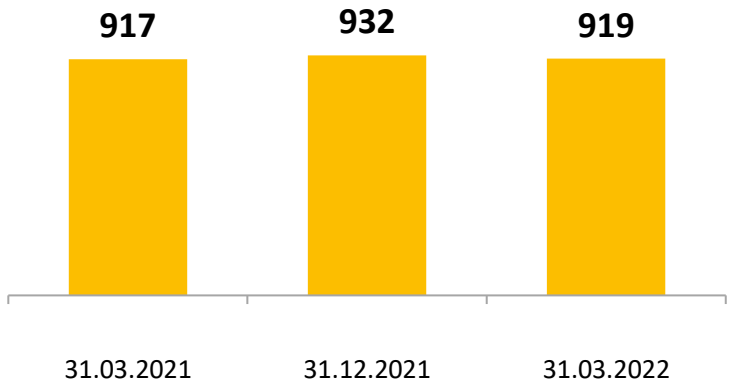
CQS/CQP typically incur very low PD and almost 0% LGD also thanks to the insurance

The insurance, mandatory by Law, covers the risk of death, job loss and inability for work

Additionally, CQS is partly collateralized by the "TFR" (Severance Fund)

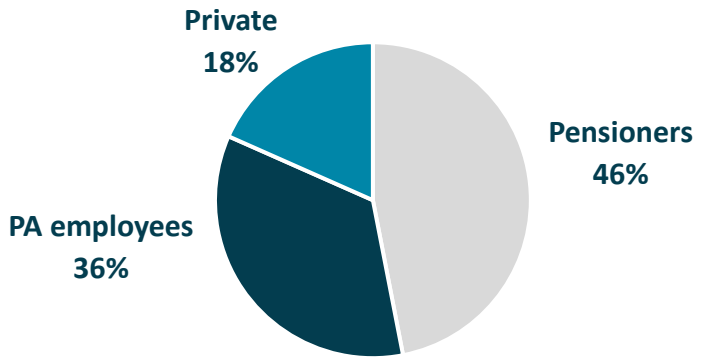
CQ loans outstanding

€m



CQ Market in Italy was as at 31.12.2021 €22.3bn (+5% y/y)

Outstanding breakdown by Type (31.03.2022)



Note: Assofin, market figures source.

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Pawn loans has an Income margin > 15%

Business Model

What / How we do it

- Secured loans backed mainly by gold, but also jewelry, diamonds and one watch brands
- Fast loan procedure
- Assets not redeemed (less than 5% of the overall portfolio on average), 30 days after the loan expires can be sold through a public auction
- Offered loan durations: 3/6/12 months (renewal till 3 years)
- **Total turnover in 1Q22 (including renewals): €44m (€154m in 2021)**
- **#11 auctions in 1Q22 (#78 in 2021)**

Operations

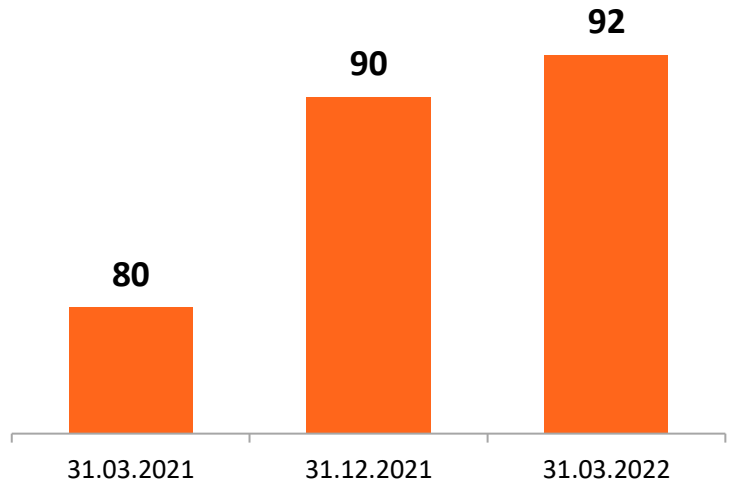
- First dedicated branch opened in Milan (02.2017)
- Other dedicated branches: Turin, Rome, Naples, Florence, Parma, Brescia, Palermo, Pisa, Rimini, Asti, Mestre and Civitavecchia
- Acquisition of small loan ptf (2018, 2019, 2020 and 2022)
- Dedicated company: prontaPEGNO
- **Acquisition of Intesa Sanpaolo business unit in 2020**
- Launch of **DigitalPegno**, an APP that allow customers to renew the loan virtually and people to make a bid on the auction

Key factors

- Fit with BST risk appetite
- High return and almost 0 credit risk
- Short term funding need
- Low RWA absorption

Pawn loans outstanding

€m



92% of Outstanding backed by GOLD

~65% Loan To Value

1Q22 Income margin 16.1%

~48% of the new Volume are renewed

BANCA SISTEMA

Agenda



- Banca Sistema Overview



- 1Q22 Results
- Annexes

BANCA
SISTEMA

1Q 2022 Results at a Glance

Commercial performance

- **Factoring** turnover +26% y/y equal to €983m
- **CQ** outstanding at €919m, stable y/y
- **Pawn loans** outstanding at €92m, +16% y/y
- **SMEs State guaranteed loans** outstanding equal to €179m, up y/y

P&L

- **Net Interest Income** equal to €20.7m, **+6% y/y**
- **Lower funding cost y/y at 0.2%**
- **Total Income** equal to €24.7m, -6% y/y and +4% excluding Govies' ptf trading revenues
- **Cost of risk equal to 33bps**
- **Total operating costs equal to €15.7m**, +2% y/y
- **Net income equal to €4.4m**

Balance Sheet

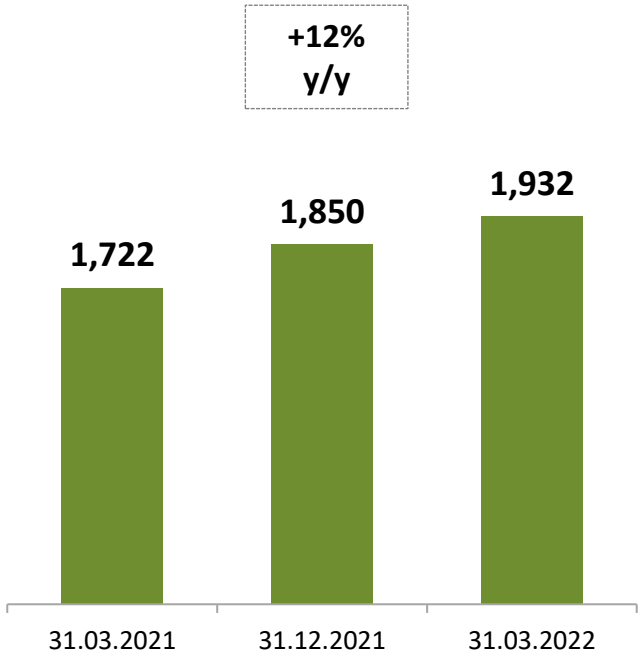
- **Wholesale funding up q/q** (37% of Total Funds): BCE funding stable q/q and down y/y
- Total assets equal to €4bn up q/q and **Leverage ratio** equal to 5.5%
- **CET1 ratio at 11.9%** and **TC ratio at 15.0%**

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Factoring commercial performance

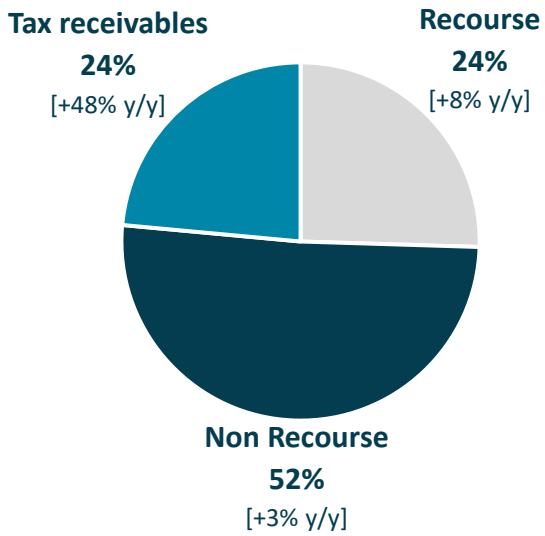
Factoring outstanding

€m



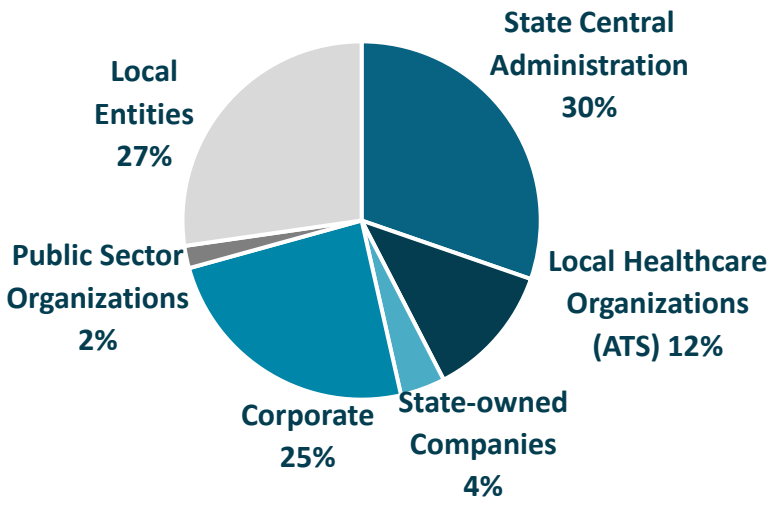
Outstanding breakdown (31.03.2022)

By Type of Product



By Obligor

PA accounts for 75%



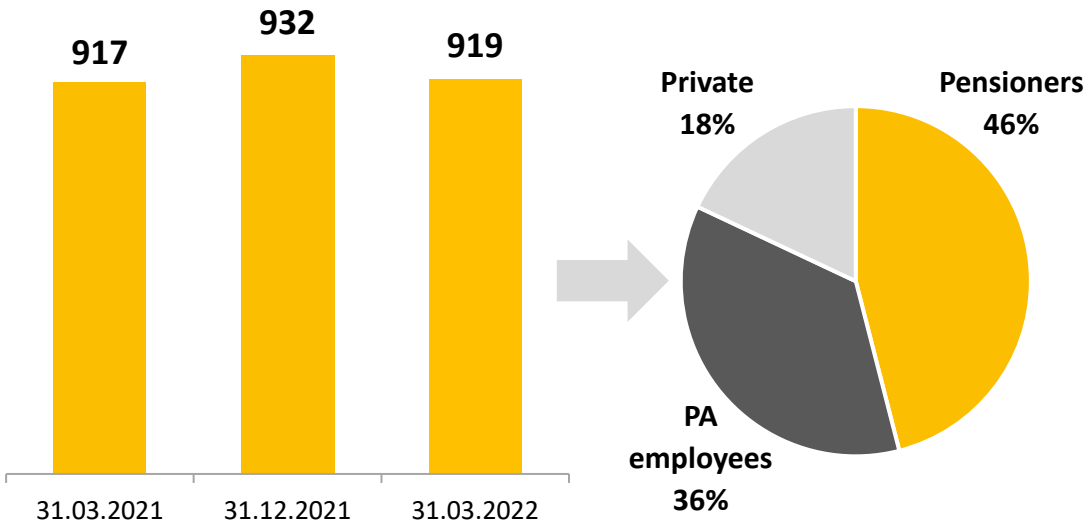
Note: Factoring outstanding management account. Factoring customer loans, item of the Balance Sheet (slide 5) differ from management account for the following elements: Recourse factoring non-financed portion; Provisions; LPI; deferred income.

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CQ and Pawn loans commercial performance

CQ loans outstanding

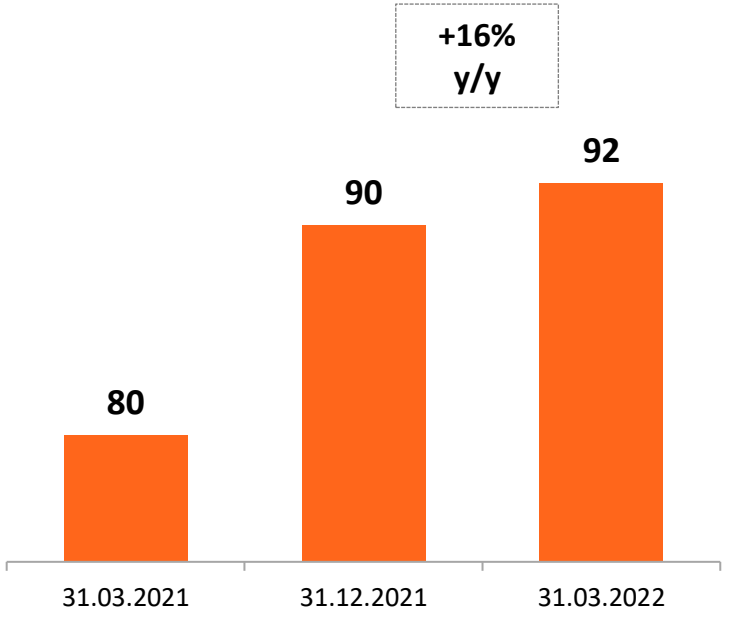
€m



- **€47m turnover in 1Q22 (€42m in 1Q21)**
- **~90% direct origination through agents/brokers (>3x 1Q21)**

Pawn Loans outstanding

€m



- **>55k contracts**
- **Total turnover in 1Q22 (including renewals): €44m**
- **#11 auctions in 1Q22**

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Figures in millions of Euro

	31.12.2021	31.03.2022	Change in % 31.03.2022 vs 31.12.2021
ASSETS			
Cash and cash equivalents	176	220	25%
Financial assets at fair value through Other Comprehensive Income **[Held to Collect and Sell]**	451	586	30%
Loans at amortized cost	**2,770**	**2,890**	**4%**
Factoring	***1,542***	***1,632***	***6%***
CQ	***932***	***919***	***-1%***
Pawn loans	***90***	***92***	***3%***
SMEs State Guaranteed loans	*160*	*179*	*12%*
Other [(1)]	*46*	*68*	*48%*
Securities at amortized cost **[Held to Collect]**	*184*	*185*	nm
Tangible and Intangible assets	74	74	nm
Other assets	54	60	12%
Total assets	**3,709**	**4,015**	**8%**
LIABILITIES AND EQUITY			
Due to banks	**592**	**601**	**2%**
of which ECB exposure	*540*	*539*	*0%*
Due to customers	**2,472**	**2,802**	**13%**
of which term deposits	*1,387*	*1,384*	*nm*
of which current accounts	*775*	*794*	*2%*
Debt securities issued	193	175	-10%
Other liabilities	186	173	-7%
Shareholders Equity	**266**	**264**	**-1%**
Total liabilities and equity	**3,709**	**4,015**	**8%**

Note: (1) The item include "Loans to banks" respectively as at 31.03.2022 and 31.12.2021 equal to €29.4m and to €33.4m.

1Q22 – Balance Sheet

- **Govies' portfolio (€765m) up q/q**, with an average duration of 32.8 months, it includes €581m 'Held to Collect and Sell', up q/q (€446m as at 31.12.2021), with an average duration of 34.6 months
- **Loans at amortized cost up q/q (€2,890m**):
  - **Factoring receivables** above €1.6bn, up 6% q/q
  - **CQ loans slightly down q/q**, down q/q. At the beginning of May 2022 has been finalised the purchase of a loans ptf from BancoBPM for ~€110m
  - **Pawn Loans up q/q** thanks to organic growth
  - Strong growth on SMEs State guaranteed loans up q/q
- **Due to banks** q/q slight increase is driven by interbanking, with ECB funding stable
- **Due to customers increase q/q** is substantially driven by the increase of repos related to the Govies' ptf growth in the same period. Current accounts are slightly up q/q
- **Debt securities** q/q decrease is driven by the lower funding through ABS as collateral
- **Shareholders Equity** since Q2 2021 includes all AT1 bonds

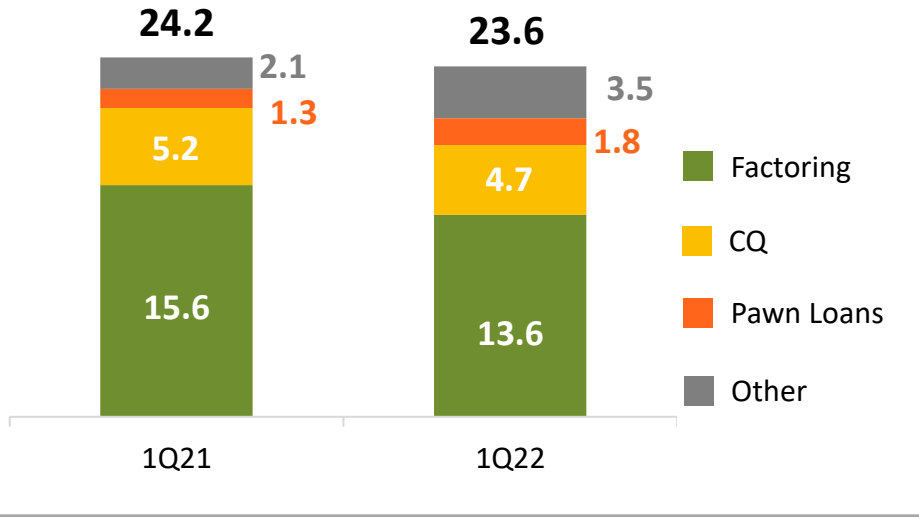
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Well diversified Interest income

- **1Q22 Interest Income lower y/y, with a higher contribution from Pawn loans and SMEs State guaranteed loans contribution (+€0.7m y/y)**
- Factoring represents 58% of Total Interest Income (64% in 1Q21)
- Lower overall contribution y/y by factoring, mainly due to lower **factoring LPIs from legal action** equal to €4.1m (€6.6m in 1Q21):
  - of which accrual €1.9m (€2.3m in 1Q21)
  - of which "extra collection" €2.2m (€4.3m in 1Q21)
- Pawn loans contribution in line with expectations
- **Total Adjusted Income margin lower y/y, with factoring margin down y/y mainly due to lower weight on overall revenues of LPIs and to a lesser extent to higher weight on revenues of tax receivables**

Total Interest Income

€m



Adjusted Income margin[1]

	1Q21		1Q22
Total[2]	4.5% €28.1m	4.9% FY21	3.9% €27.1m
Factoring	*5.4% €19.3m*		*4.3% €17.1m*
CQ	*2.3% €5.2m*		*2.1% €4.7m*
Pawn Loans	*15.2% €2.8m*		*16.1% €3.6m*

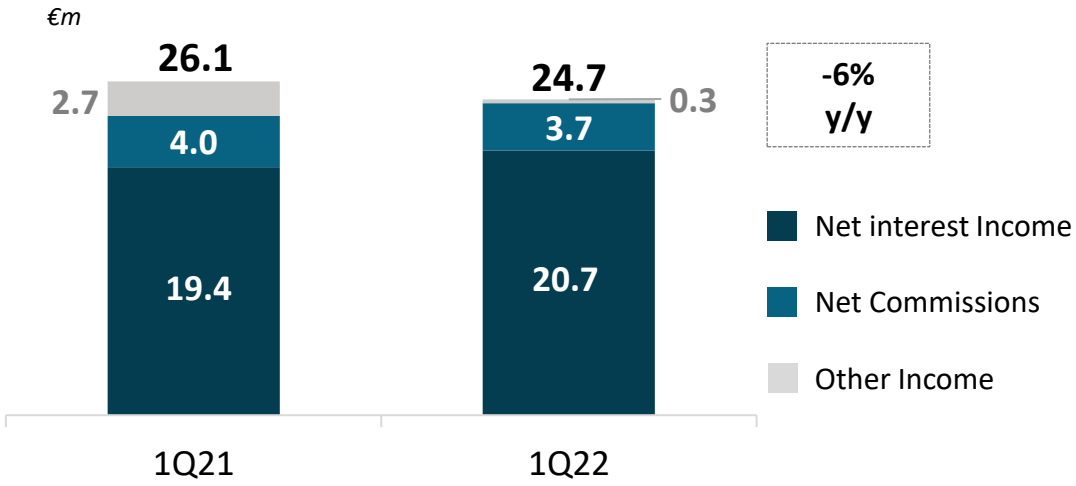
Note: (1) Calculated as [Period Interest Income + Commission Income + Gain for asset disposals] / [Average net customer loans at the end of the period] - excluding the contribution from securities portfolio, PPA, credit due from banks and Repo (Balance Sheet and Financial Statement figures); (2) It include the contribution of the SMEs State guaranteed loans equal to €1.5m and €0.8m respectively in 1Q22 and 1Q21.

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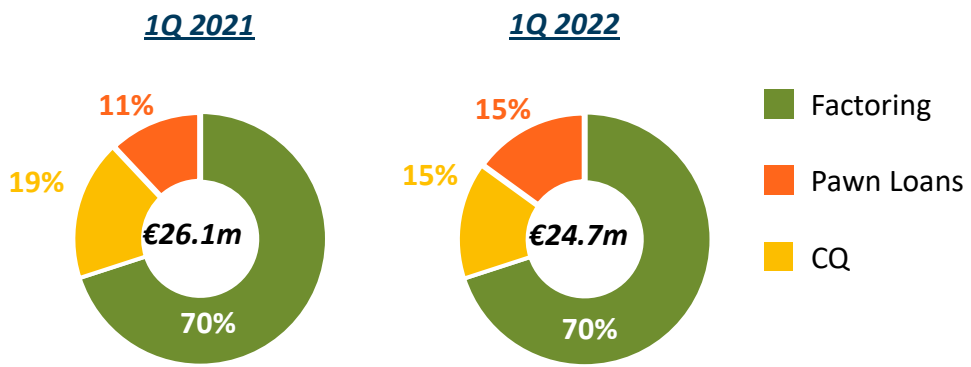
Total Income up 4% y/y excluding Govies' ptf trading revenues

- **1Q22 Total Income down 6% y/y**, mainly due to the decrease of **Other Income**. Total Cost of funding, equal to 0.2% (0.5% in 1Q21), is lower in both component Retail and Wholesale.
- **Net Commissions down y/y** due to higher CQ fees to agents and lower factoring contribution, partially compensated by higher contribution from Pawn loans
- **Other Income** includes €0.3m gain from the sale of a factoring ptf in 2022 (€0.3m in 2021)
- Lower contribution of the **Govies' portfolio, €1.0m** (€2.8m in 2021) of which €1.0m to the NII (€0.4m in 2021) and almost 0 trading revenues to Other Income

Total Income



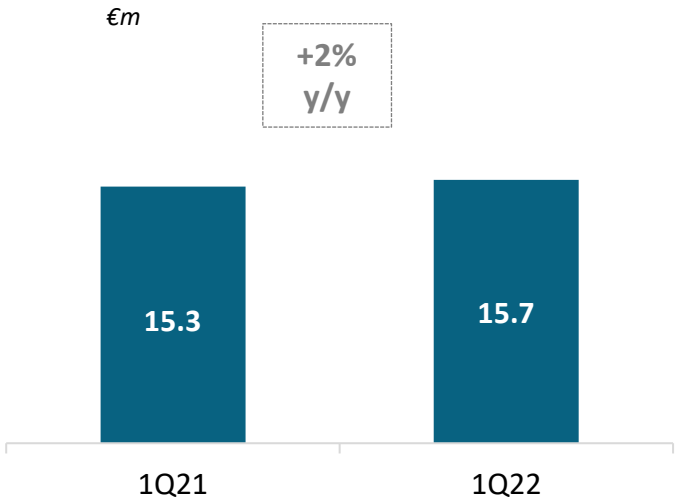
Total Income by Division



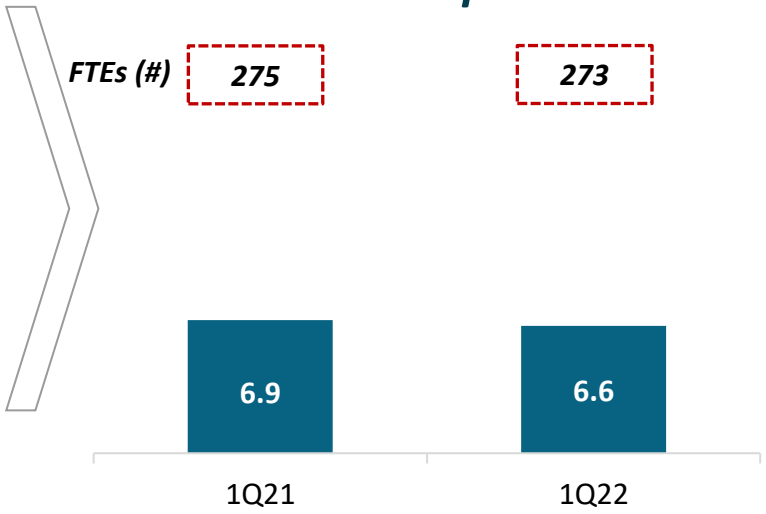
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Cost base consolidating

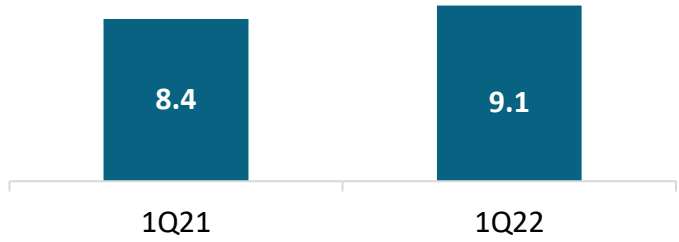
Total Operating Costs



Personnel Expenses

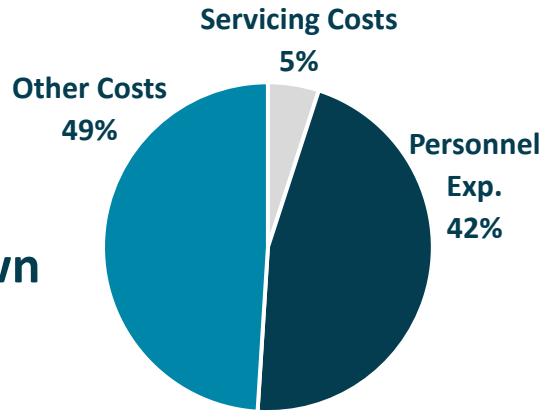


Administrative Expenses, Net Provisions for risk, Other and D&A



- Personnel Expenses down y/y due to lower-than-expected bonus for 2021 (-€0.7m in 1Q22)
- All other expenses trend in line with expectations, although higher contribution to the Single Resolution Fund (+€0.2m y/y)

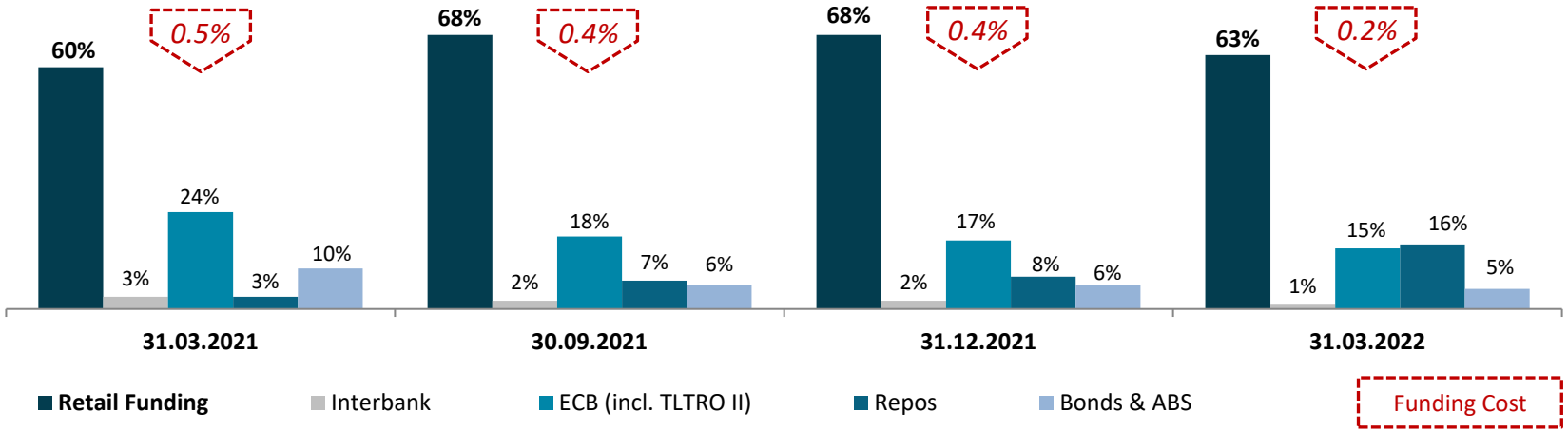
Total Operating Costs Breakdown



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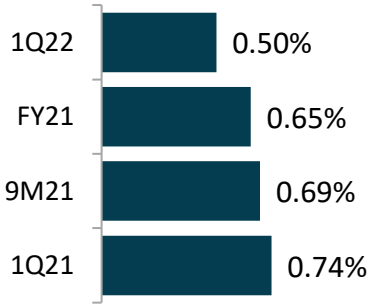
Lower funding cost y/y

Total Funding breakdown



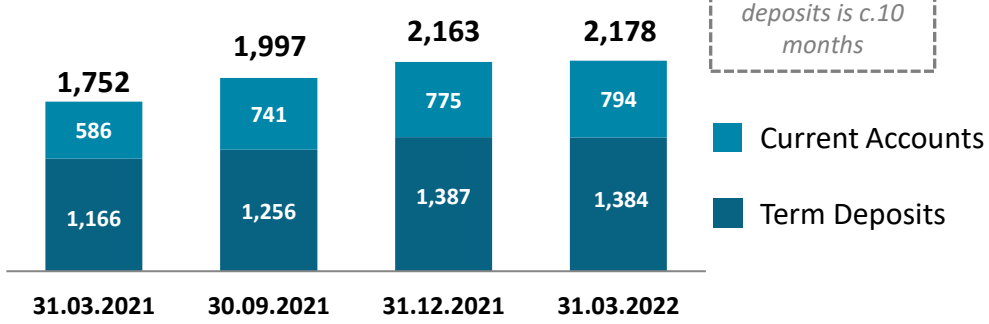
- Cost of funding lower y/y and q/q
- Wholesale component increase q/q is due to higher Repos related to Govies' ptf growth. Higher Repos impacted positively overall funding cost
- Retail Funding down q/q, due to term deposits at a lower cost
- Since 2Q21 all senior bonds have been redeemed and following the classification of AT1 bond as equity instrument, "Bond & ABS" segment includes just ABS funding, slightly lower q/q

Retail Funding Cost



Retail Funding

€m

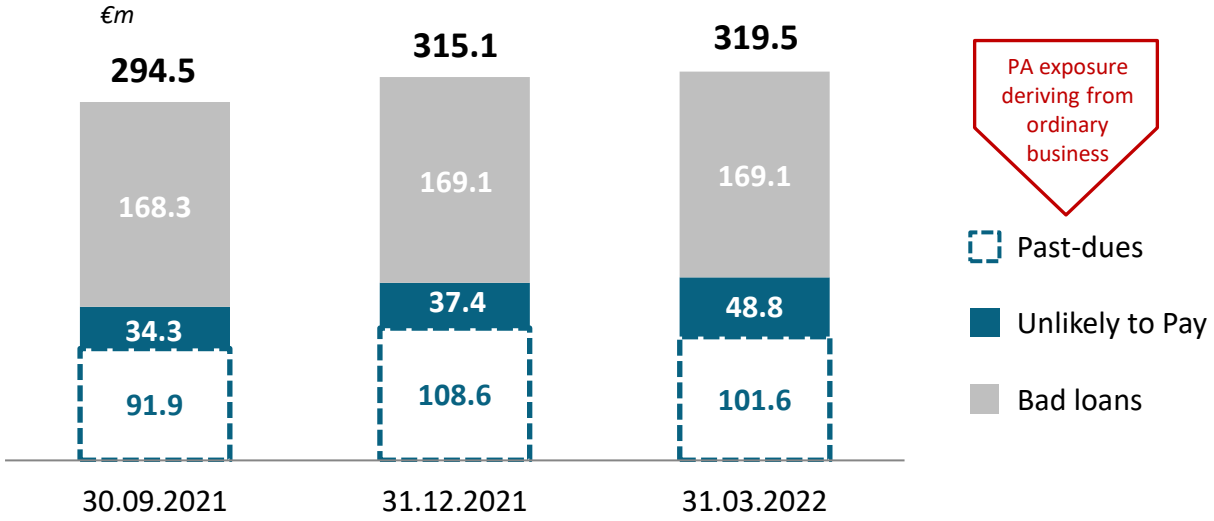


Average residual maturity of deposits is c.10 months

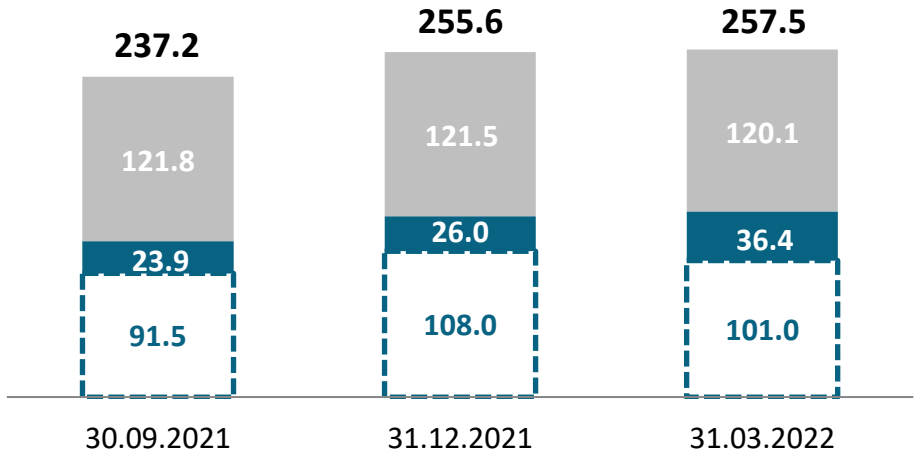
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Asset Quality driven by factoring business

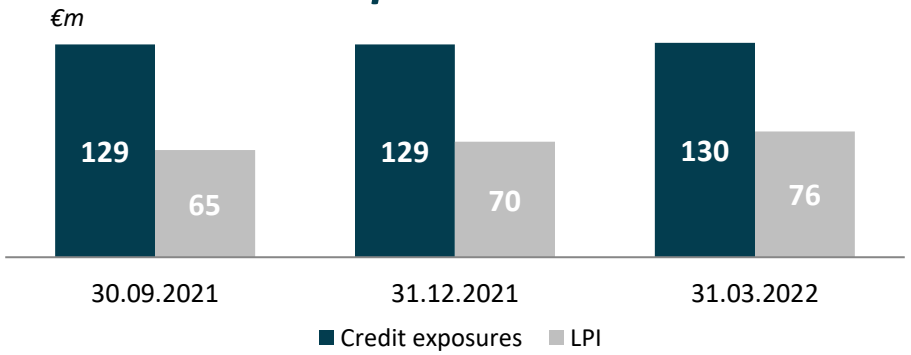
Gross Non Performing Exposures



Net Non Performing Exposures



Exposure to Municipality in Conservatorship & related LPI stock

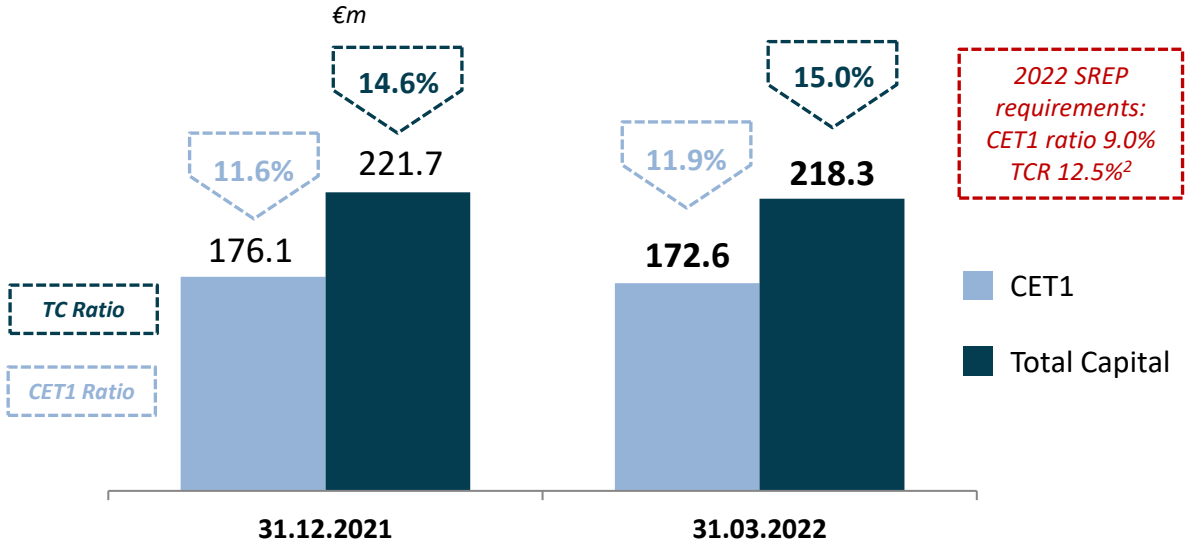


- Gross Non Performing Exposures slightly up q/q due UtP increase, partially compensated by Past-dues decrease
- UtP increase q/q is driven by a factoring/SMEs guaranteed position
- 1Q22 Cost of credit risk stands at 33bps lower y/y

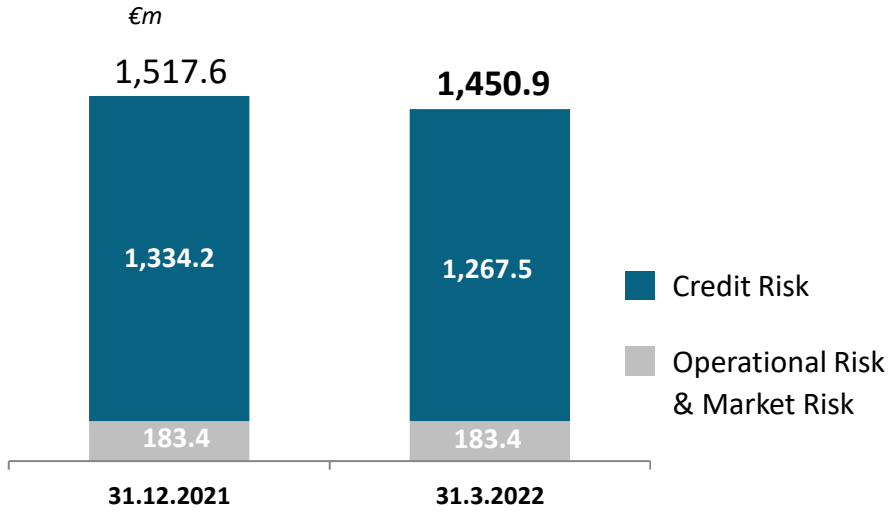
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Regulatory Capital well above minimum requirements

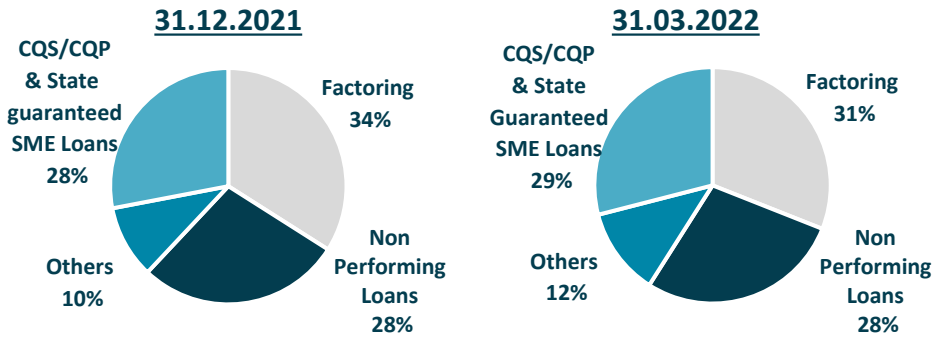
CET1 and Total Capital(1)



RWA breakdown



RWA – Credit Risk



CET1 and Total Capital as at 31.03.2022 include -€6.9m 'Held to Collect and Sell' reserve from Govies' ptf, -€2m prudential filter on NPEs ("Calendar provisioning") and -€1.4m of own shares not yet transferred to managers as a component of their variable salary

Q/q credit RWA decrease is driven by factoring business and within factoring, mainly by exposures to Corporates

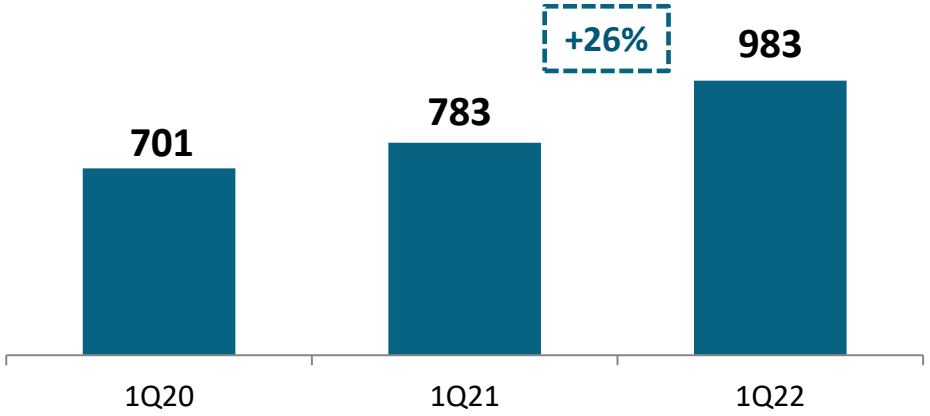
Note: (1) CET1, Tier1 and Total Capital, following CRR directive, are based on an expected dividend pay-out of ~25% of the Banca Sistema Holding Net Income; 2) From 30.06.2022.

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Factoring Turnover

Factoring Turnover

€m

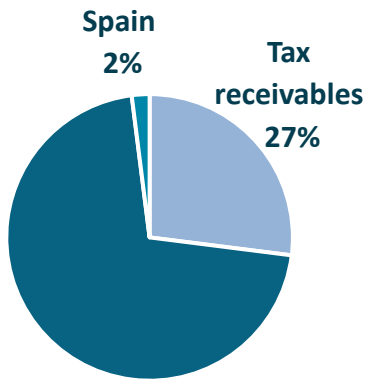


+13% y/y ex. Tax Receivables

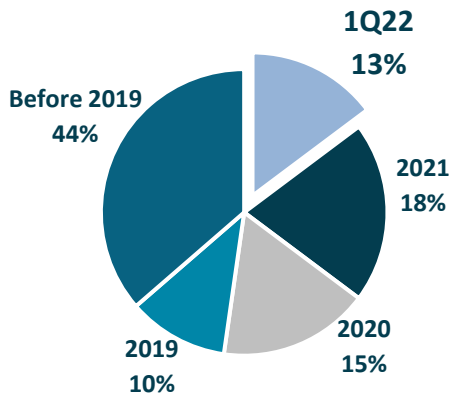
Turnover generated by agreements with Italian Retail banks: 22% in 1Q22

1Q22 Factoring Turnover breakdown

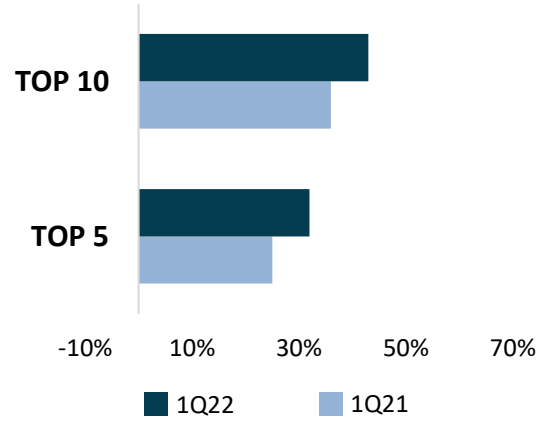
By Type



By Year of Customer's Acquisition



Customer Concentration

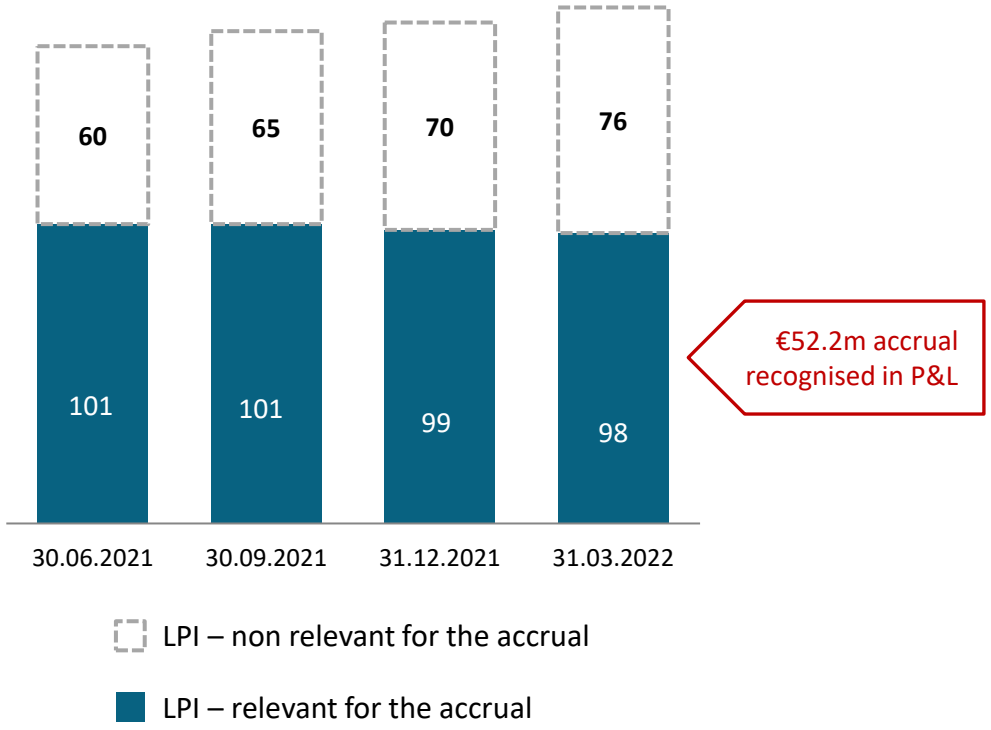


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Late Payment Interest

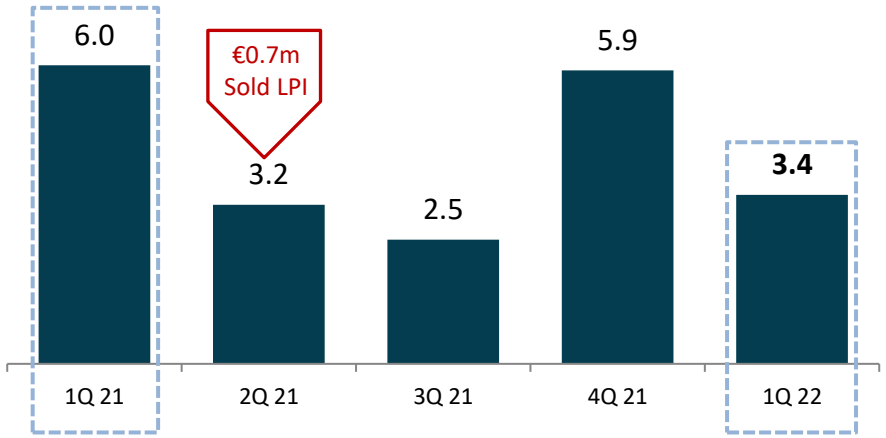
Due LPI Stock – Assets in legal action

€m



Total collected cashed-in LPI

€m



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1Q 2022 – Income Statement

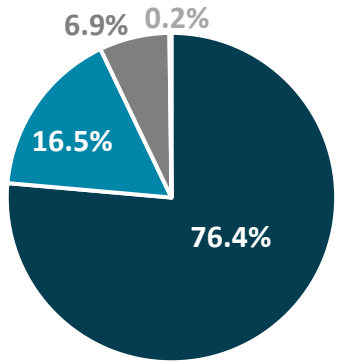
Figures in millions of Euro

	1Q 2021	1Q 2022	1Q 22 vs 1Q 21 change in %
Interest income	24.2	23.6	-2%
Interest expenses	(4.8)	(2.9)	-39%
Net interest income	**19.4**	**20.7**	7%
Commission income	5.9	7.5	28%
Commission expenses	(1.9)	(3.8)	nm
Net commission	**4.0**	**3.7**	**-8%**
Net income from disposal/repurchase assets:	2.7	0.3	-88%
a) measured at amortised cost	0.8	0.3	-61%
b) measured at fair value through other comprehensive income	1.9		nm
Total income	**26.1**	**24.7**	**-5%**
Net impairment losses on loans	(4.1)	(2.3)	-44%
Net operating income	**22.0**	**22.4**	**2%**
Personnel expenses	(6.9)	(6.6)	-5%
Other expenses	(8.4)	(9.1)	8%
Operating expenses	**(15.3)**	**(15.7)**	**2%**
Profits from equity investments	0.01	(0.04)	nm
Pre-tax profit from continuing operations	**6.7**	**6.7**	**0%**
Taxes on income for the period/year from continuing operations	(2.1)	(2.1)	2%
Profit (loss) for the year/period	**4.6**	**4.5**	**-2%**
Minority interests	0.03	(0.14)	nm
Profit (loss) for the year/period attributable to the shareholders of the Parent	**4.6**	**4.4**	**-5%**

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Asset Quality

Gross Bad loans



31.12.2021

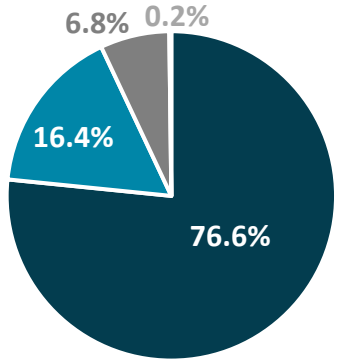
Conservatorships (factoring)

Factoring

SME State Guarantee Loans

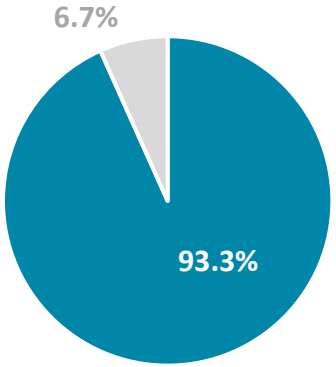
Other

Loans granted before 2020

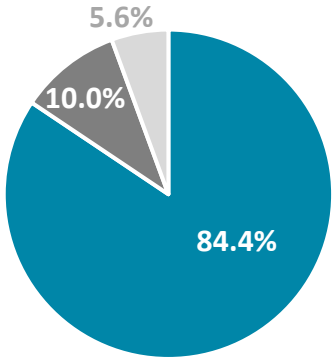


31.03.2022

Gross Unlikely to Pay



31.12.2021



31.03.2022

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