BANCA SISTEMA

GROUP PROFILE

OCTOBER 2022



Among the top Italian specialty finance

Who we are

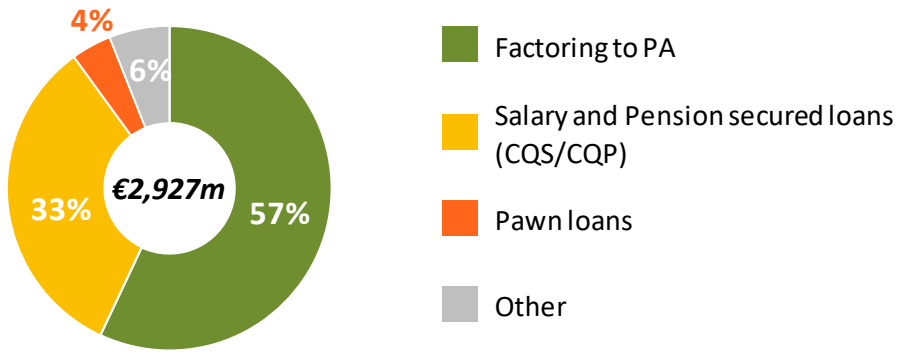
- Independent and diversified specialty finance player in Italy
- Established in 2011 (HQ in Milan), IPO in 2015
- Serving more than 400 corporates in **Factoring**, 50k customers in **CQ** and ~35k customers in **Pawn loans**
- Total funds: 66% Retail/ 34% Wholesale
- 280 workforce

Mission

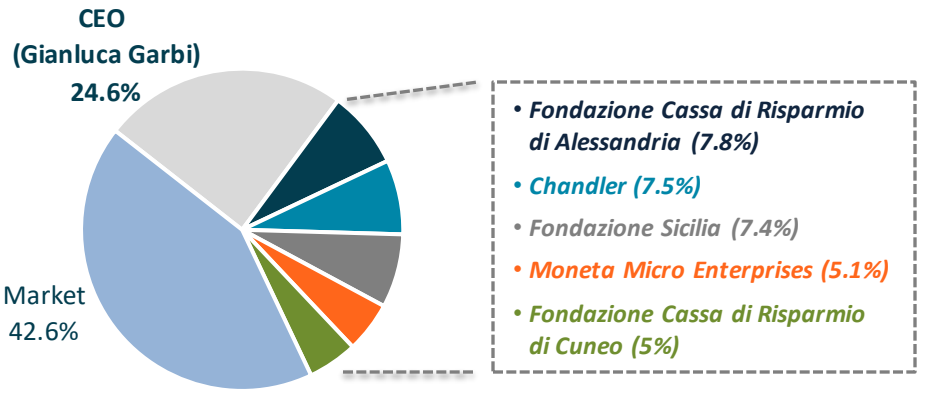
The Group's primary objectives include meeting the financial demands of corporate, by promoting efficiency and acting as a link between the public and private sectors, in addition to providing individuals access to an advanced, easy and readily-accessible banking world that is attentive to the needs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

Customer loans

(30.06.2022)



Shareholders



BANCA SISTEMA

Agenda



- **Banca Sistema Overview**



- **1H22 Results**
- **Annexes**

BANCA SISTEMA

Factoring represents 57% of Customer loans

Business Model

What / How we do it

Banca Sistema purchases receivables, mainly without recourse (77% of the total turnover in 1H22, of which 22% Tax receivables), from PA suppliers in Italy and Spain, but also Tax credits, receivables related to Football and Local transport subsidies

€2,096m 1H22 Turnover, +27 y/y (first player in Italy in this segment of Factoring)

Origination: 1) **Direct** (89% of turnover) through a Sales Force of 23 dedicated resources, in 5 offices; 2) **Indirect** (11%), thanks to agreements with 23 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

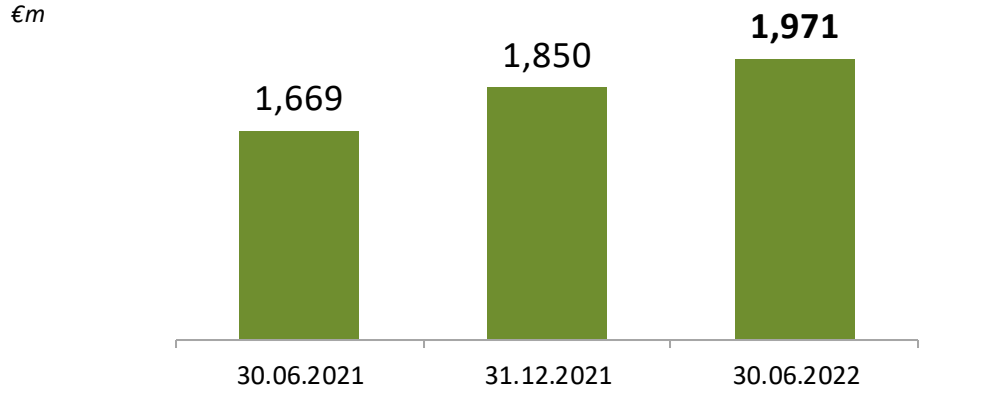
Collection Department:

- 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, 79% of the outstanding as at 30.06.2022, with low risk underlying credit exposure comparable to a Government Bond

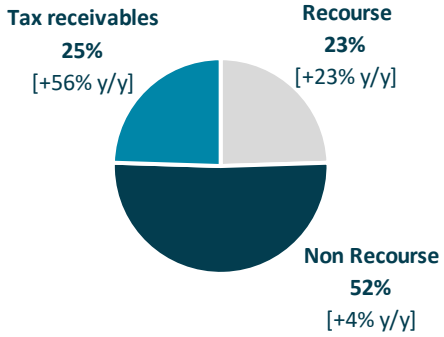
Factoring outstanding



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

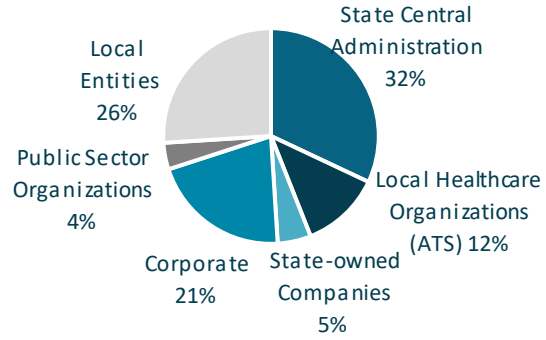
Outstanding breakdown (30.06.2022)

By Type of Product



By Obligor

PA accounts for 79%



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

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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 has purchased CQ loans portfolios via agreements with 5 originators and one-off transaction (Indirect channel – 52% of 1H22 turnover) and through dedicated brokers/agents with "QuintoPuoi" brand (Direct channel), nowadays our main focus

1H22 €215m Turnover (€136m 1H21), including ~€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

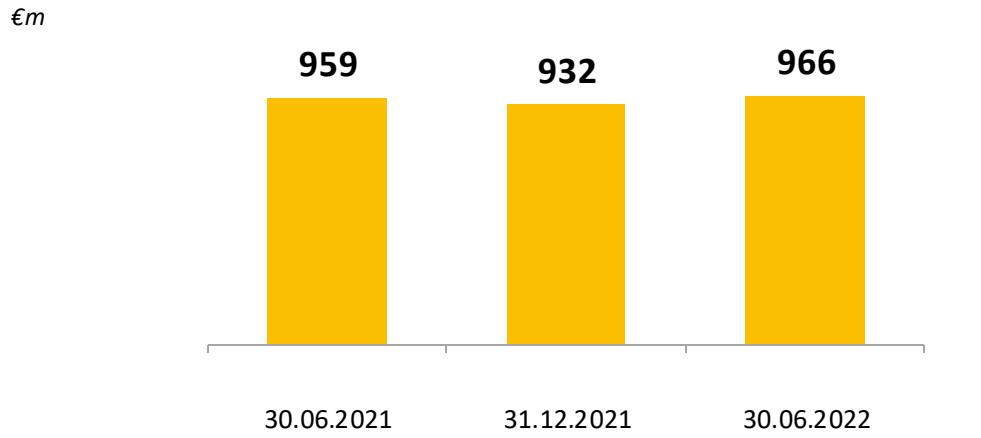
Low risk asset

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

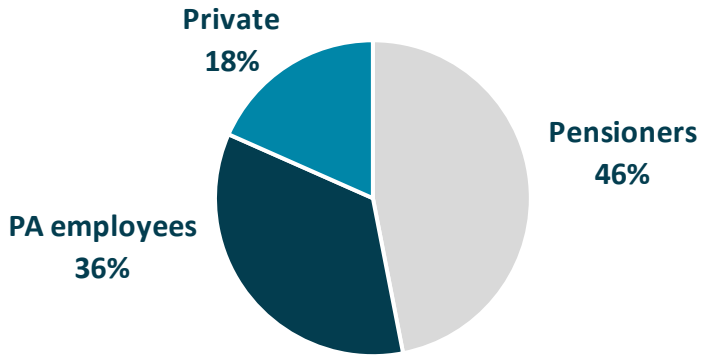
Additionally, CQS is partly collateralized by the "TFR" (Severance Fund)

CQ loans outstanding



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

Outstanding breakdown by Type (30.06.2022)



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 1H22 (including renewals): €87m (€154m FY2021)**
- **#23 auctions in 1H22 (#78 FY2021)**

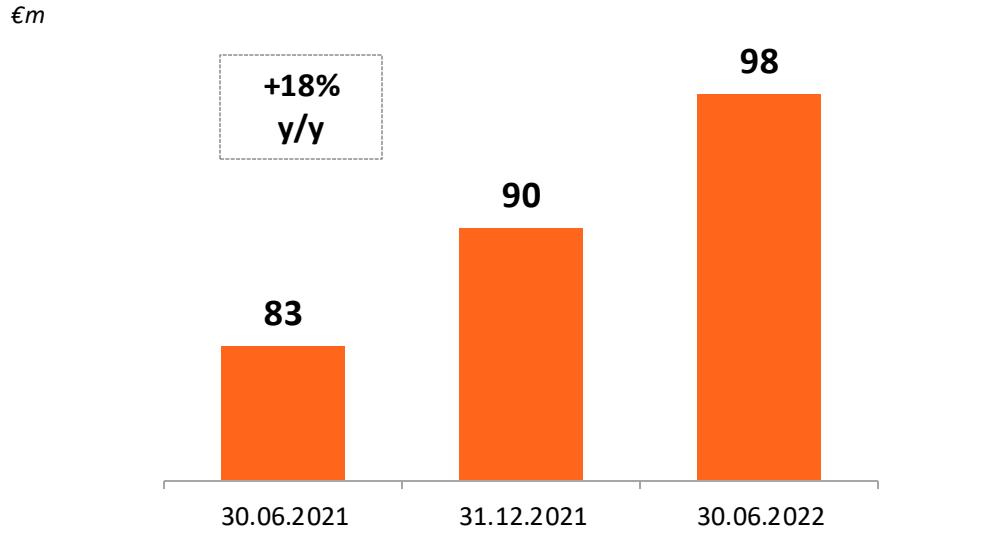
Operations

- 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



89% of Outstanding backed by GOLD

~78% Loan To Value

1H22 Income margin 15.9%

~50% of the new Volume are renewed

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Agenda



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1H 2022 Results at a Glance

Commercial performance

- **Factoring** turnover +27% y/y equal to €2,096m
- **CQ** outstanding at €966m, stable y/y
- **Pawn loans** outstanding at €98m, +18% y/y
- **SMEs State guaranteed loans** outstanding equal to €184m, up y/y

P&L

- **Net Interest Income** equal to €44.6m, **+16% y/y**
- **Lower funding cost y/y at 0.1%**
- **Total Income** equal to €54.8m, +9% y/y
- **Cost of risk equal to 36bps**
- **Total operating costs equal to €31.3m**, +3% y/y
- **Net income equal to €12.2m, +44% y/y**

Balance Sheet

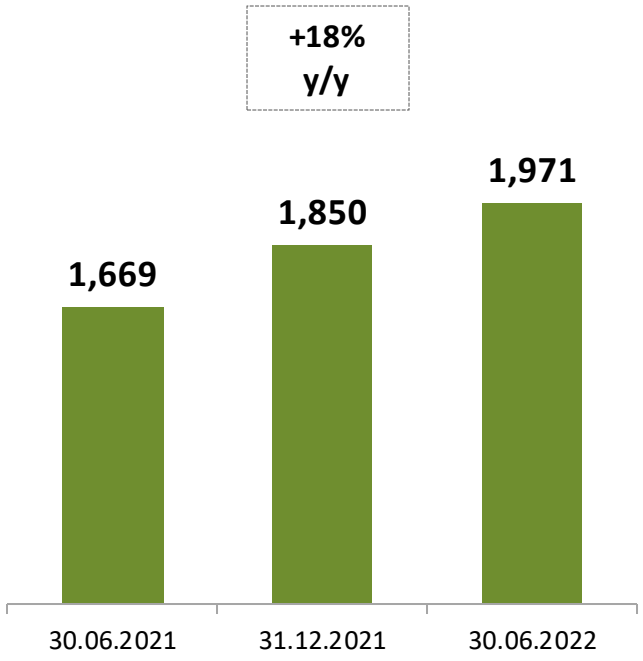
- **Wholesale funding down q/q** (34% of Total Funds) following lower Govies' portfolio
- Total assets equal to ~€4bn, down q/q
- **CET1 ratio at 13.0%** and **TC ratio at 16.4% [Transitional]**

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Factoring commercial performance

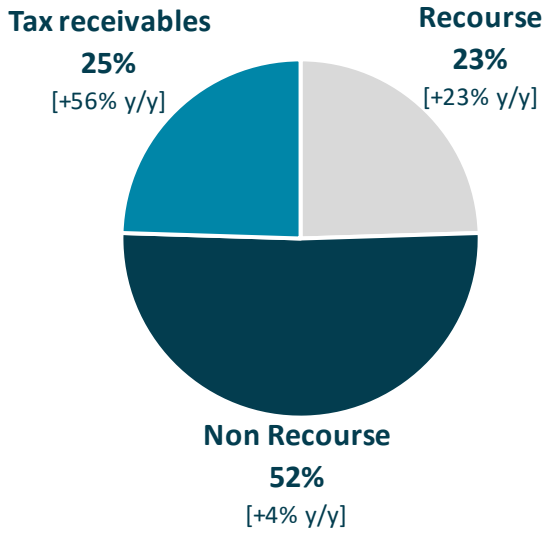
Factoring outstanding

€m



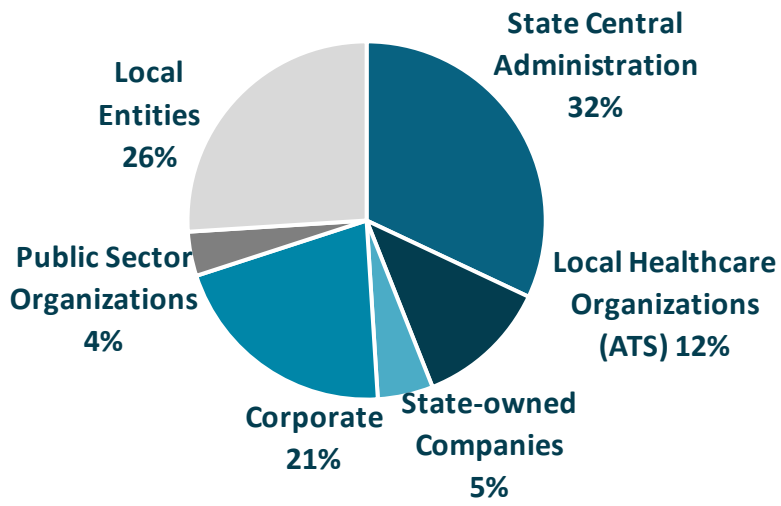
Outstanding breakdown (30.06.2022)

By Type of Product



By Obligor

PA accounts for 79%



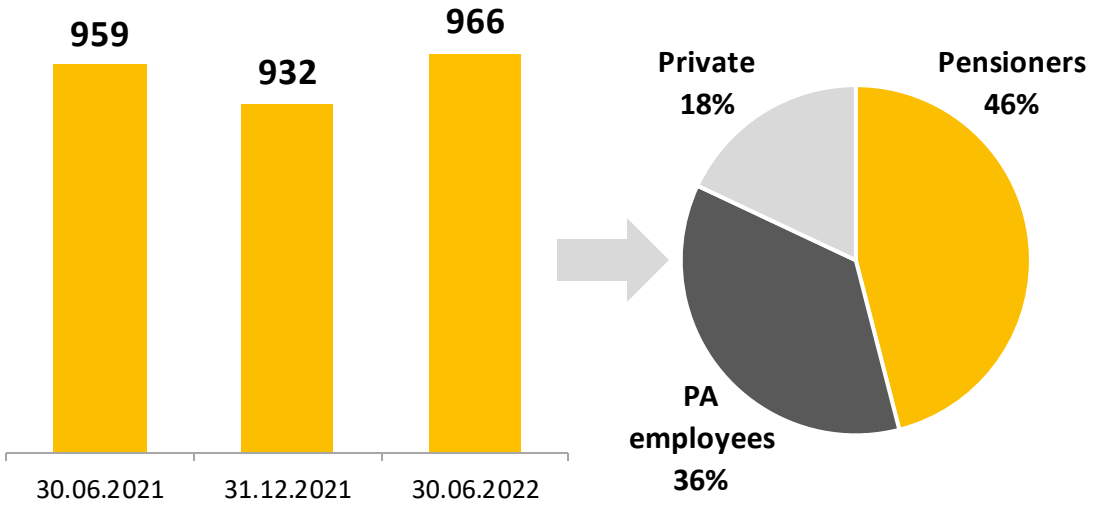
Note: Factoring outstanding management account. Factoring customer loans, item of the Balance Sheet (slide 5) differ from management account for the following elements: Recourse factoring non-financed portion; Provisions; LPI; deferred income.

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CQ and Pawn loans commercial performance

CQ loans outstanding

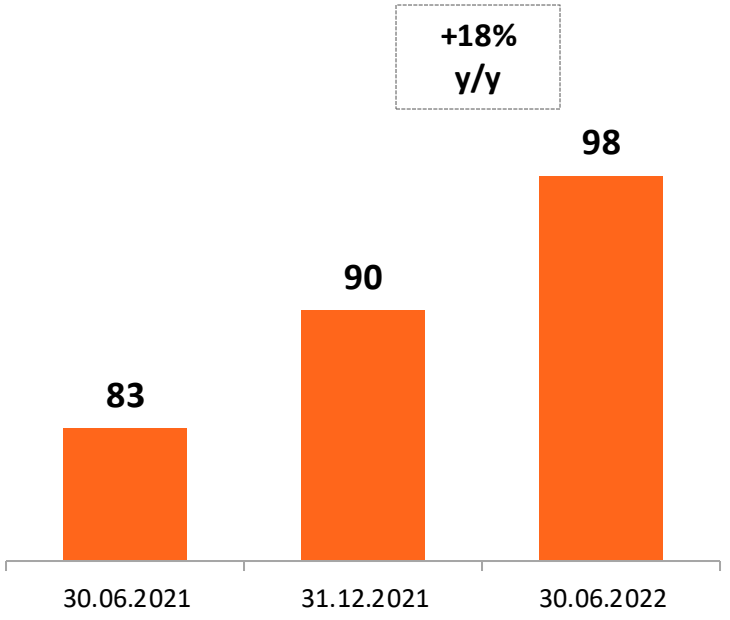
€m



- **€215m turnover in 1H22 (€136m in 1H21)**
- **€104m direct origination through agents/brokers (€27m 1H21)**

Pawn Loans outstanding

€m



- **~60k contracts**
- **Total turnover in 1H22 (including renewals): €87m**
- **#23 auctions in 1H22**

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Figures in millions of Euro

	31.12.2021	31.03.2022	30.06.2022	Change in % 30.06.2022 vs 31.12.2021
ASSETS				
Cash and cash equivalents	176	220	70	-60%
Financial assets at fair value through Other Comprehensive Income **[Held to Collect and Sell]**	451	586	573	27%
Loans at amortized cost	**2,770**	**2,890**	**2,973**	**7%**
Factoring	***1,542***	***1,632***	***1,679***	***9%***
CQ	***932***	***919***	***966***	***4%***
Pawn loans	***90***	***92***	***98***	***9%***
SMEs State Guaranteed loans	*160*	*179*	*184*	*15%*
Other [(1)]	*46*	*68*	*47*	*2%*
Securities at amortized cost **[Held to Collect]**	*184*	185	*75*	-59%
Tangible and Intangible assets	74	74	76	3%
Other assets	54	60	90	67%
Total assets	**3,709**	**4,015**	**3,857**	**4%**
LIABILITIES AND EQUITY				
Due to banks	**592**	**601**	**614**	**4%**
of which ECB exposure	*540*	*539*	*537*	*-1%*
Due to customers	**2,472**	**2,802**	**2,467**	**0%**
of which term deposits	*1,387*	*1,384*	*1,636*	*18%*
of which current accounts	*775*	*794*	*561*	*-28%*
Debt securities issued	193	175	323	67%
Other liabilities	186	173	196	5%
Shareholders Equity	**266**	**264**	**256**	**-4%**
Total liabilities and equity	**3,709**	**4,015**	**3,857**	**4%**

Note: (1) The item include "Loans to banks" respectively as at 30.06.2022, 31.03.2022 and 31.12.2021 equal respectively to €24m, to €29m and to €33m.

1H22 – Balance Sheet

- **Govies' portfolio (€643m) down q/q**, with an average duration of 33.5 months, it includes €568m 'Held to Collect and Sell', slightly down q/q, with an average duration of 31.2 months
- **Loans at amortized cost up q/q (€2,973m)**:
  - **Factoring receivables** above €1.7bn, up 9% vs year-end
  - **CQ loans up q/q**, thanks to a robust Direct origination and the purchase of a loans ptf from BancoBPM, that have more than compensated the sale of ptf of around €70m
  - **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** q/q decrease is substantially driven by the decrease of repos related to the Govies' ptf dynamic in the same period. Term deposits up q/q have compensated Current accounts' decrease
- **Debt securities** q/q increase is driven by the higher funding through ABS/Credit as collateral
- **Shareholders Equity** includes all AT1 bonds

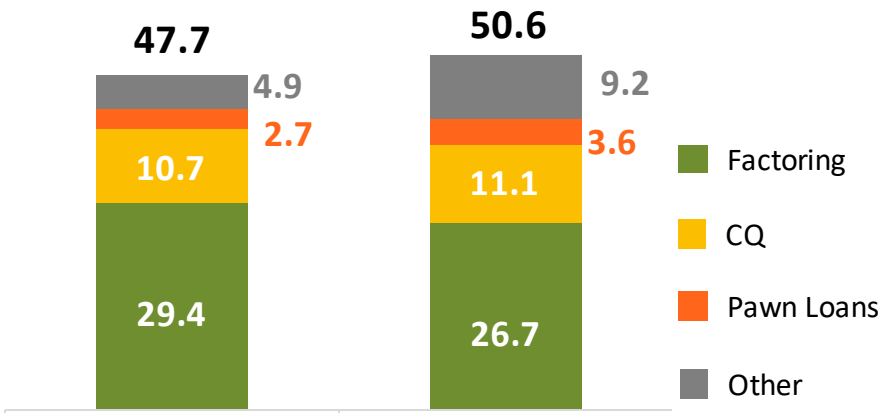
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Well diversified Interest income

- **1H22 Interest Income up y/y, with a higher contribution from Pawn loans and SMEs State guaranteed loans (+€1.2m y/y)**
- Factoring represents 53% of Total Interest Income (62% in 1H21)
- Lower overall contribution y/y by factoring, mainly due to lower **factoring LPIs from legal action** equal to €6.8m (€12.0m in 1H21):
  - of which accrual €3.0m (€5.9m in 1H21)
  - of which "extra collection" €3.8m (€6.1m in 1H21)
- Lower factoring LPIs contribution partially compensated by a good contribution from tax receivables
- Increasing Pawn loans contribution, in line with expectations
- **Total Adjusted Income margin lower y/y, but slightly up q/q. 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]

	1H21		1H22
Total[2]	4.3% €55.6m		4.0% €56.3m
Factoring	*5.1% €37.0m*	4.9% FY21	*4.2% €34.1m*
CQ	*2.3% €10.7m*		*2.3% €11.0m*
Pawn Loans	*15.2% €5.9m*		*15.9% €7.4m*

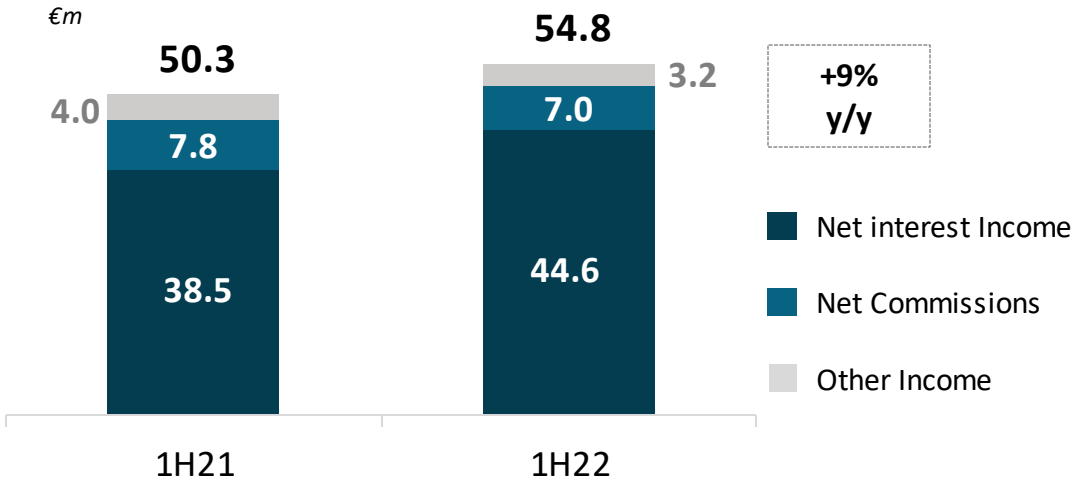
Note: (1) Calculated as [Period Interest Income + Commission Income + Gain for asset disposals] / [Average net customer loans at the end of the period] - excluding the contribution from securities portfolio, PPA, credit due from banks and Repo (Balance Sheet and Financial Statement figures); (2) It include the contribution of the SMEs State guaranteed loans equal to €3.1m and €1.8m respectively in 1H22 and 1H21.

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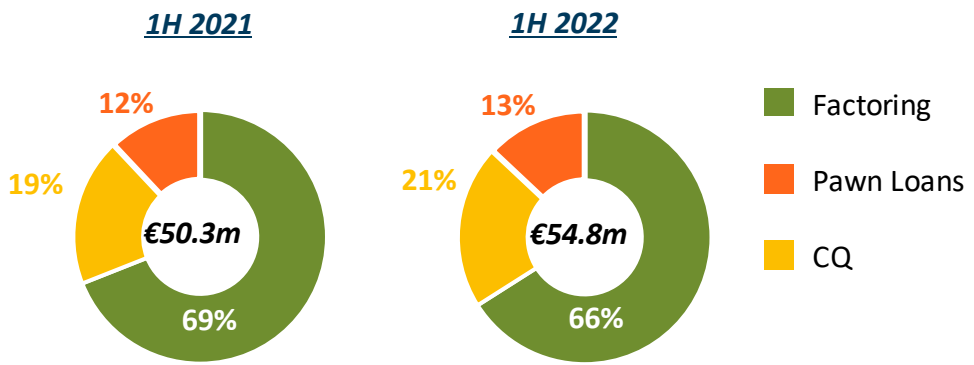
Total Income up 9% y/y

- **1H22 Total Income up 9% y/y**, although the decrease of **Other Income and Net Commissions**
- NII increase is mainly driven by the increase in Interest Income (on the previous slide) and the decrease in Interest Expenses. Total Cost of funding, equal to 0.1% (0.5% in 1H21), 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 €1.3m gain from the sale of a factoring ptf in 1H22 (€1.0m in 2021) and €1.5m gain from the sale of a CQ loans ptf in 2Q22
- Lower contribution of the **Govies' portfolio, €3.1m** (€3.6m in 2021) of which €3.0m to the NII (€1.1m in 2021) and €0.1m trading revenues to Other Income (€2.8m in 2021)

Total Income



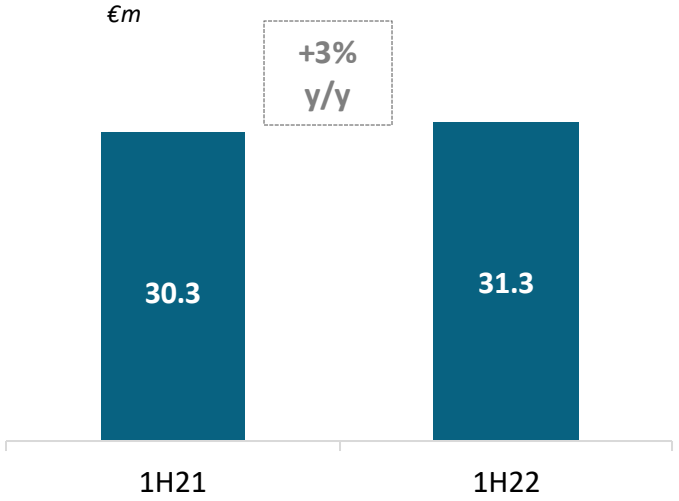
Total Income by Division



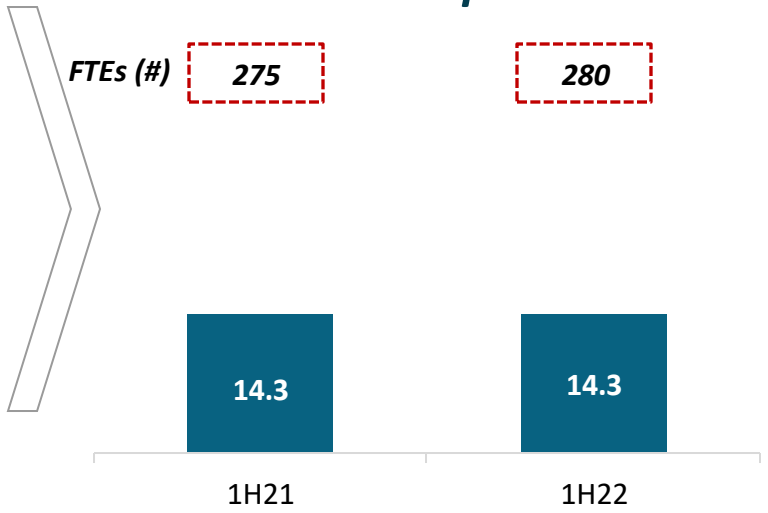
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Cost base consolidating

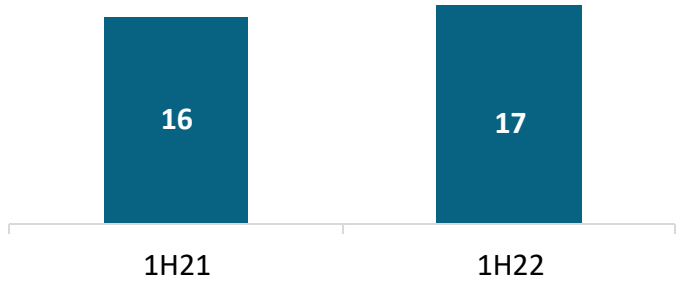
Total Operating Costs



Personnel Expenses

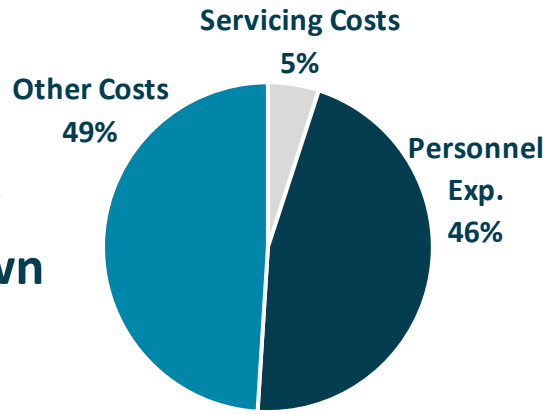


Administrative Expenses, Net Provisions for risk, Other and D&A



- Personnel Expenses stable y/y due to higher-than-expected release of the bonus relative to 2021 (-€1m in 1H22)
- All other expenses trend in line with expectations, with lower contribution to the Single Resolution Fund (-€0.4m y/y)

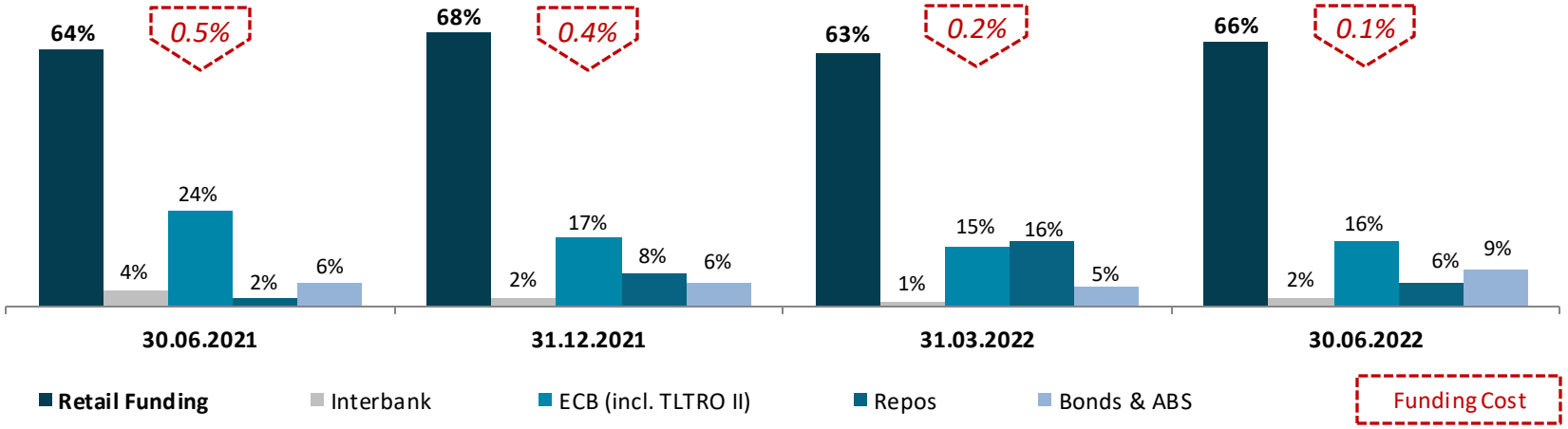
Total Operating Costs Breakdown



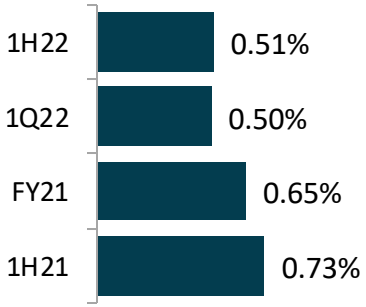
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Lower funding cost y/y

Total Funding breakdown

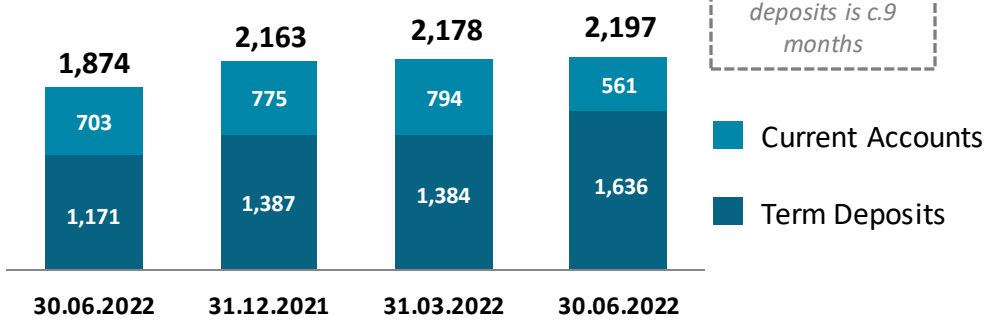


Retail Funding Cost



Retail Funding

€m



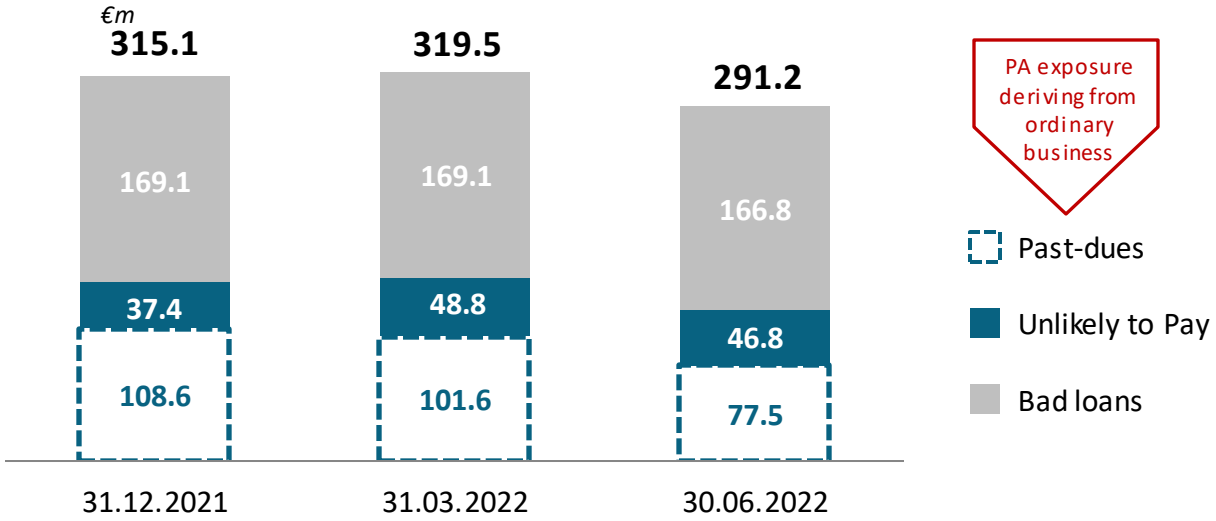
Average residual maturity of deposits is c.9 months

- Cost of funding lower y/y and q/q
- Wholesale component decrease q/q is due to lower Repos related to Govies' ptf decrease, partially compensated by higher collateralized funding (CQ ABS and Tax receivables ABS)
- Retail Funding up q/q, due to term deposits increase, at a stable 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

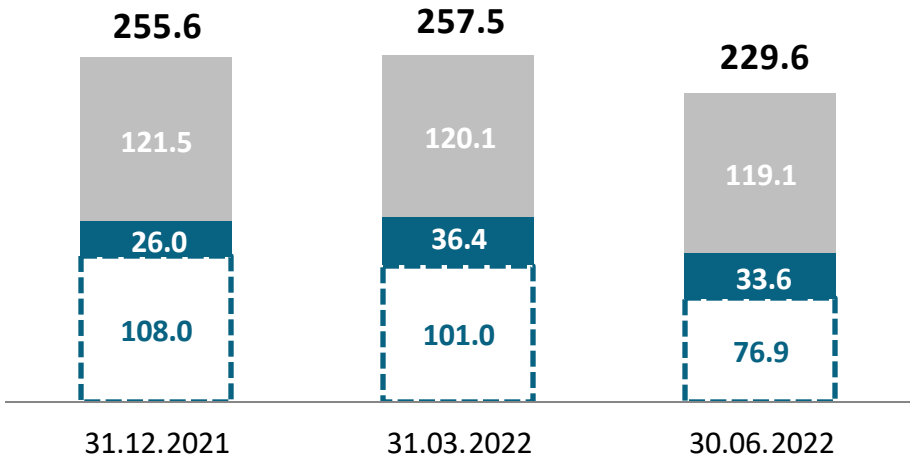
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Asset Quality driven by factoring business

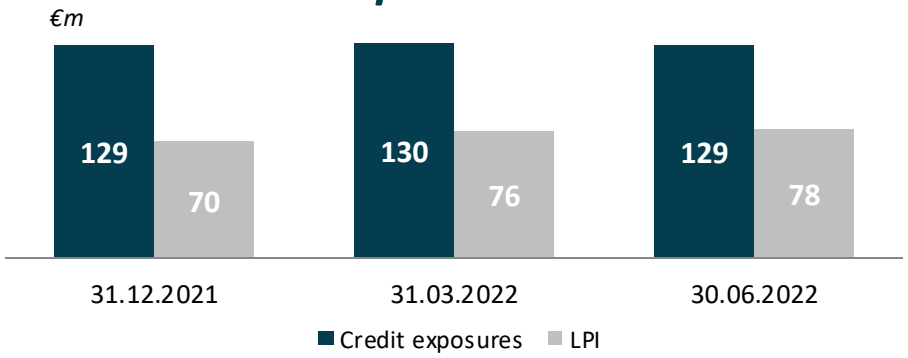
Gross Non Performing Exposures



Net Non Performing Exposures



Exposure to Municipality in Conservatorship & related LPI stock



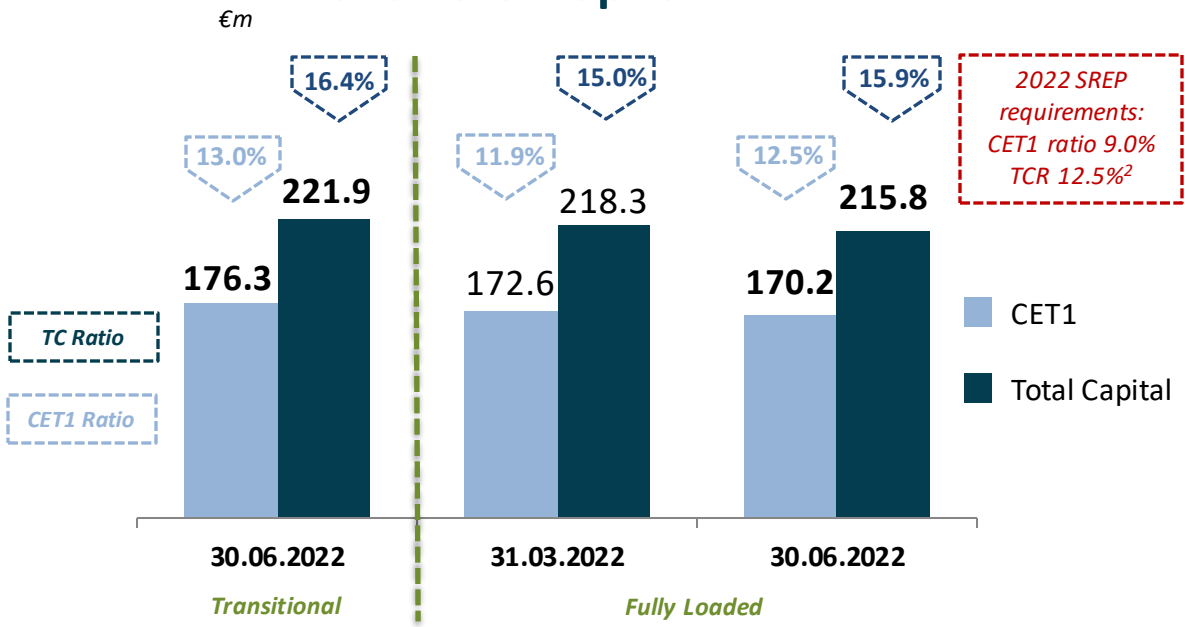
- Gross Non Performing Exposures down q/q mainly due to Past-dues decrease
- 1H22 Cost of credit risk stands at 36bps lower y/y

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

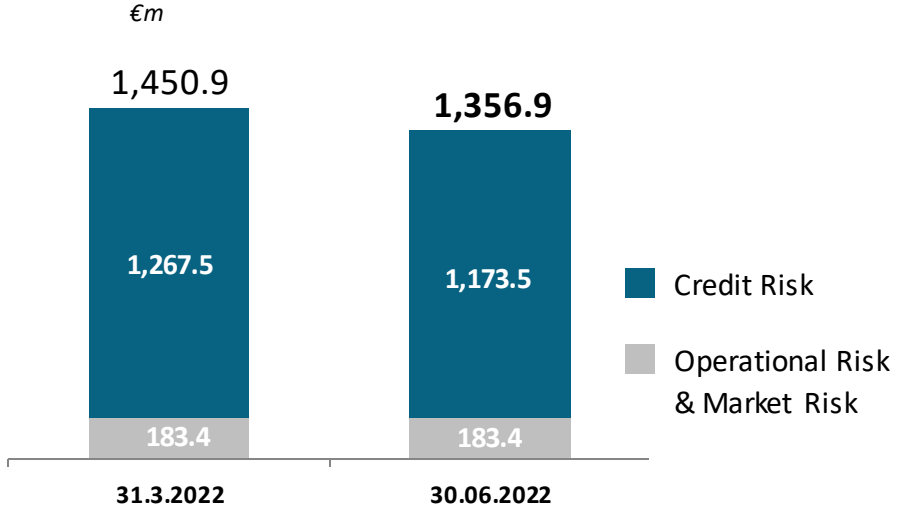
BANCA SISTEMA

Regulatory Capital well above minimum requirements

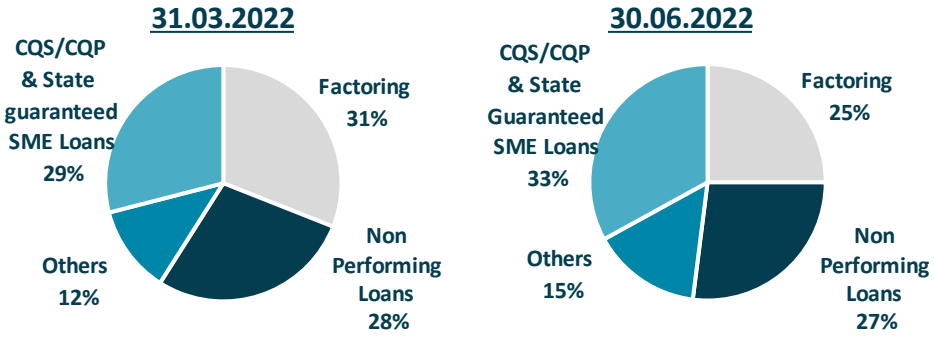
CET1 and Total Capital(1)



RWA breakdown



RWA – Credit Risk



CET1 and Total Capital as at 30.06.2022 include -€15m 'Held to Collect and Sell' reserve from Govies' ptf [Fully Loaded], -€2m prudential filter on NPEs ("Calendar provisioning") and -€0.6m of own shares
Q/q credit RWA decrease is driven by factoring business (mainly by lower exposures to Corporates and lower Past-dues)

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.

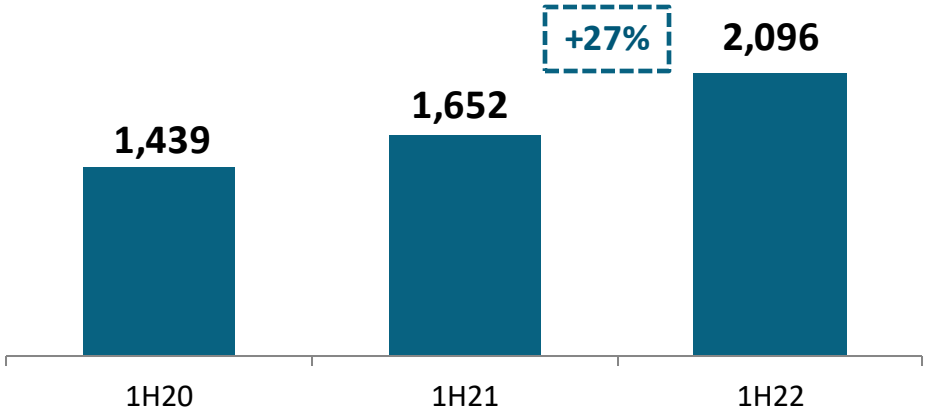
BANCA SISTEMA

Annexes

Factoring Turnover

Factoring Turnover

€m

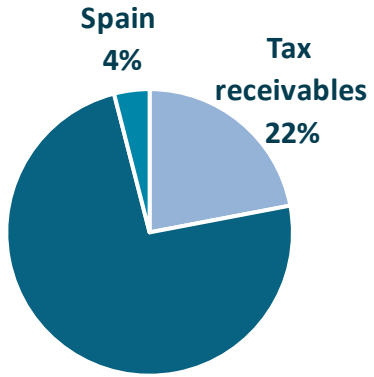


+6% y/y ex. Tax Receivables

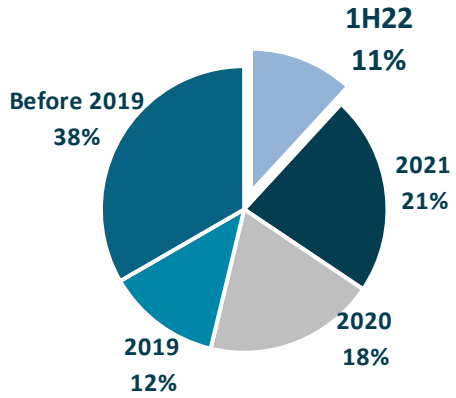
Turnover generated by agreements with Italian Retail banks: 11% in 1H22

1H22 Factoring Turnover breakdown

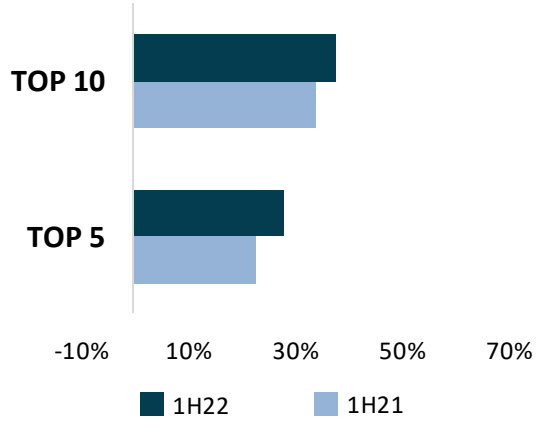
By Type



By Year of Customer's Acquisition



Customer Concentration

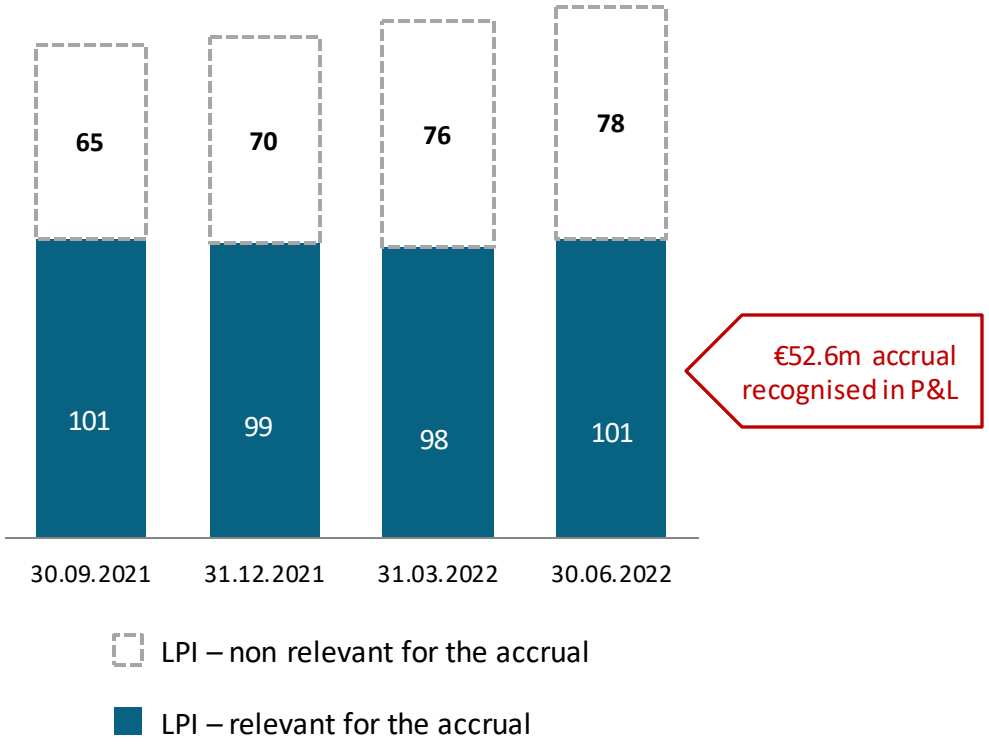


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Late Payment Interest

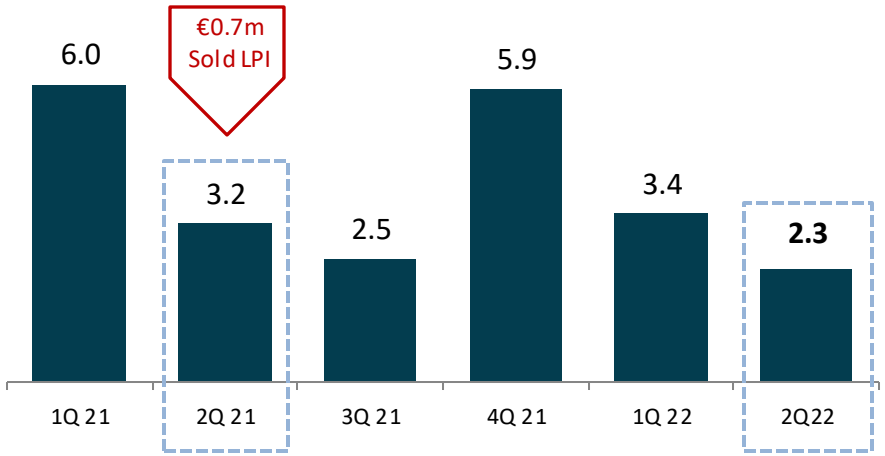
Due LPI Stock – Assets in legal action

€m



Total collected cashed-in LPI

€m



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1H 2022 – Income Statement

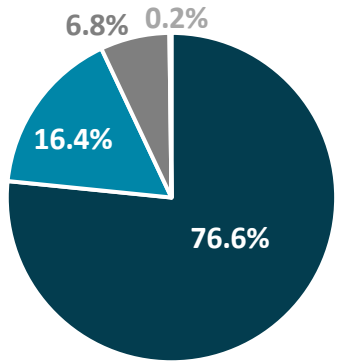
Figures in millions of Euro

	1H 2021	1Q 2021	2Q 2021	1H 2022	1Q 2022	2Q 2022	1H 22 vs 1H 21 change in %
Interest income	47.7	24.2	23.5	50.6	23.6	27.0	6%
Interest expenses	(9.2)	(4.8)	(4.4)	(5.9)	(2.9)	(3.0)	-36%
Net interest income	**38.5**	**19.4**	**19.1**	**44.6**	**20.7**	**24.0**	16%
Commission income	11.9	5.9	6.0	15.7	7.5	8.2	32%
Commission expenses	(4.1)	(1.9)	(2.2)	(8.8)	(3.8)	(5.0)	nm
Net commission	**7.8**	**4.0**	**3.8**	**7.0**	**3.7**	**3.3**	**-11%**
Dividends and similar income	0.2	-	0.2	0.2	-	0.2	0.00%
Net income from trading	0.02	-	0.02	(1.20)	-	(1.20)	nm
Net income from disposal/repurchase assets:	3.7	2.7	1.0	4.1	0.3	3.8	11%
a) measured at amortised cost	1.4	0.8	0.6	3.1	0.3	2.7	nm
b) measured at fair value through other comprehensive income	2.4	1.9	0.5	1.1	-	1.1	-54%
Total income	**50.3**	**26.1**	**24.2**	**54.8**	**24.7**	**30.1**	**9%**
Net impairment losses on loans	(7.8)	(4.1)	(3.7)	(5.1)	(2.3)	(2.7)	-35%
Net operating income	**42.5**	**22.0**	**20.5**	**49.7**	**22.4**	**27.3**	**17%**
Personnel expenses	(14.3)	(6.9)	(7.4)	(14.3)	(6.6)	(7.7)	nm
Other expenses	(16.0)	(8.4)	(7.6)	(17.0)	(9.1)	(7.9)	6%
Operating expenses	**(30.3)**	**(15.3)**	**(15.0)**	**(31.3)**	**(15.7)**	**(15.7)**	**3%**
Profits from equity investments	0.0	0.0	0.0	(0.05)	(0.04)	(0.02)	nm
Pre-tax profit from continuing operations	**12.2**	**6.7**	**5.5**	**18.3**	**6.7**	**11.6**	**50%**
Taxes on income for the period/year from continuing operations	(3.6)	(2.1)	(1.5)	(5.9)	(2.1)	(3.7)	61%
Profit (loss) for the year/period	**8.6**	**4.6**	**4.0**	**12.5**	**4.5**	**7.9**	**45%**
Minority interests	(0.1)	0.0	(0.1)	(0.25)	(0.14)	(0.11)	nm
Profit (loss) for the year/period attributable to the shareholders of the Parent	**8.5**	**4.6**	**3.9**	**12.2**	**4.4**	**7.8**	**44%**

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Asset Quality

Gross Bad loans



31.03.2022

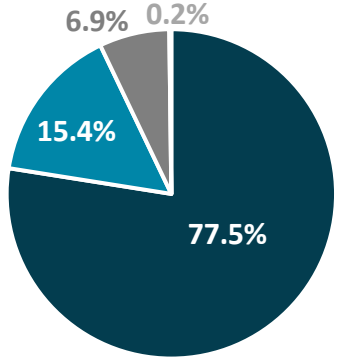
Conservatorships (factoring)

Factoring

SME State Guarantee Loans

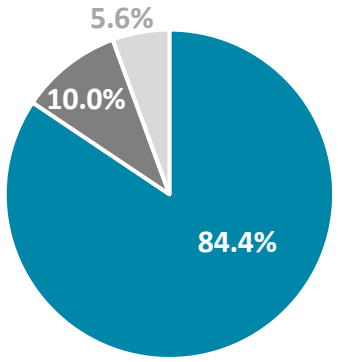
Other

Loans granted before 2020

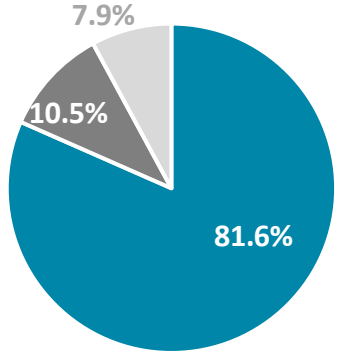


30.06.2022

Gross Unlikely to Pay



31.03.2022



30.06.2022

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