BANCA SISTEMA

GROUP PROFILE

NOVEMBER 2022



Among the top Italian specialty finance

Who we are

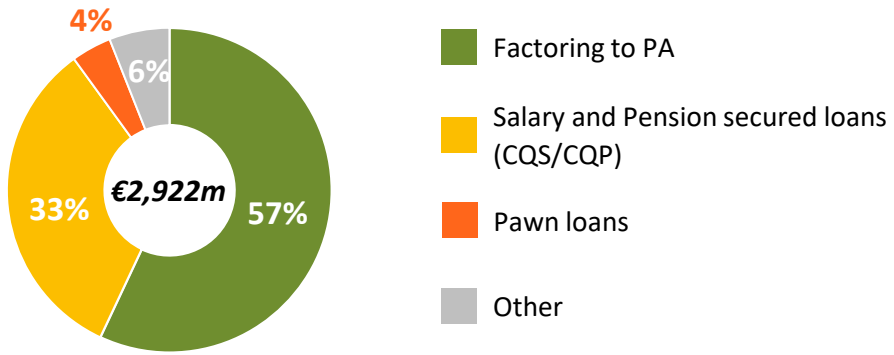
- Independent and diversified specialty finance player in Italy
- Established in 2011 (HQ in Milan), IPO in 2015
- Serving more than 400 corporates in **Factoring**, 50k customers in **CQ** and ~35k customers in **Pawn loans**
- Total funds: 55% Retail/ 45% Wholesale
- 283 workforce

Mission

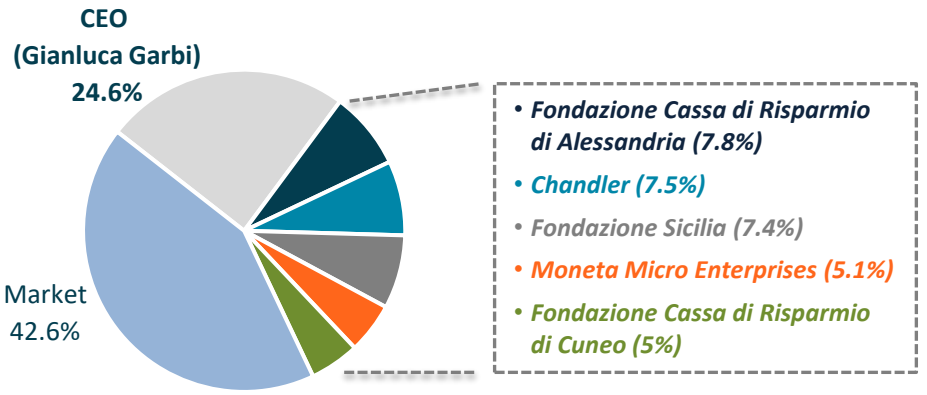
The Group's primary objectives include meeting the financial demands of corporate, by promoting efficiency and acting as a link between the public and private sectors, in addition to providing individuals access to an advanced, easy and readily-accessible banking world that is attentive to the needs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

Customer loans

(30.09.2022)



Shareholders



BANCA SISTEMA

Agenda



- **Banca Sistema Overview**



- **9M22 Results**
- **Annexes**

BANCA SISTEMA

Factoring represents 57% of Customer loans

Business Model

What / How we do it

Banca Sistema purchases receivables, mainly without recourse (82% of the total turnover in 9M22, of which 20% Tax receivables), from PA suppliers in Italy and Spain, but also Tax credits, receivables related to Football and Local transport subsidies

€3,152m 9M22 Turnover, +26 y/y

Origination: 1) **Direct** (88% of turnover) through a Sales Force of 23 dedicated resources, in 5 offices; 2) **Indirect** (12%), 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:

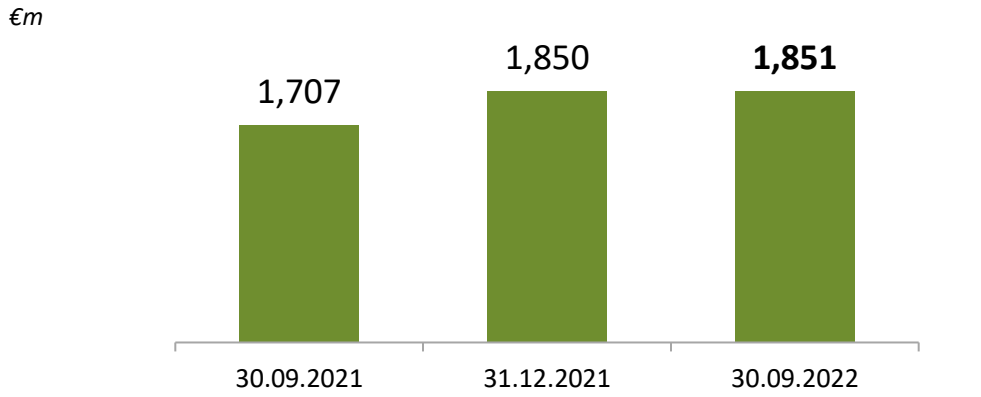
- Extrajudicial collection: 13 headcount and 11 external field collectors
- Judicial collection: 14 headcount and 24 Law firms

Low risk counterparty exposure

The majority of our credit exposure is towards the Italian Public Administration, 82% of the outstanding as at 30.09.2022, with low risk underlying credit exposure comparable to a Government Bond

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

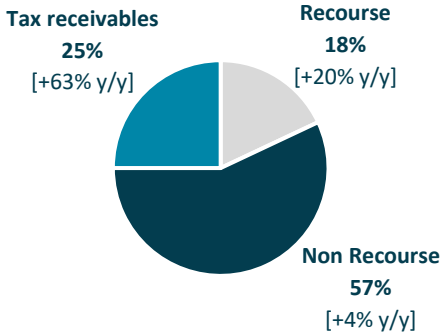
Factoring outstanding



Total Factoring to PA in Italy was €8.5bn as at 30.06.2022 (€8.6bn as at 31.12.2021)

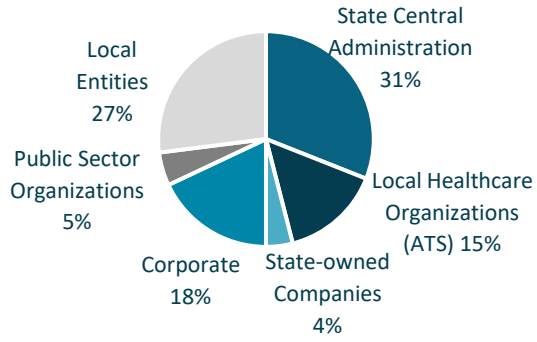
Outstanding breakdown (30.09.2022)

By Type of Product



By Obligor

PA accounts for 82%



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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 originators and one-off transaction (Indirect channel – 42% of 9M22 turnover) and through dedicated brokers/agents with "QuintoPuoi" brand (Direct channel), nowadays our main focus

9M22 €273m Turnover (€194m 9M21), 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

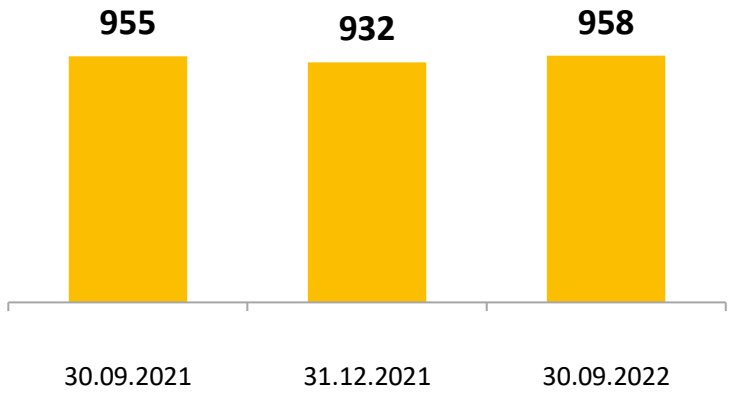
The insurance, mandatory by Law, covers the risk of death, job loss and inability for work

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

Note: Assofin, market figures source.

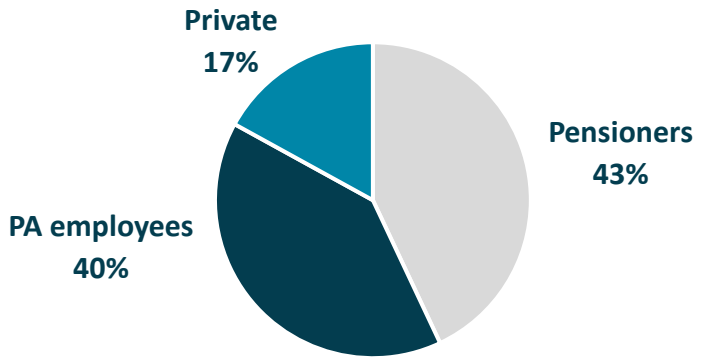
CQ loans outstanding

€m



CQ Market in Italy was as at 30.09.2022 €23.9bn (as at 31.12.2021 €22.3bn)

Outstanding breakdown by Type (30.09.2022)



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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 9M22 (including renewals): €135m (€154m FY2021)**
- **#27 auctions in 9M22, with almost 90% of the offers through the APP, DigitalPegno**

Operations

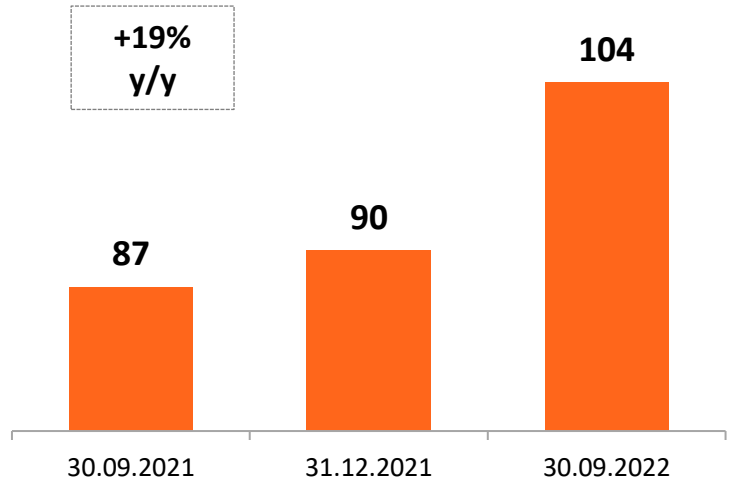
- First dedicated branch opened in Milan (02.2017)
- Other dedicated branches: Turin, Rome, Naples, Florence, Parma, Brescia, Palermo, Pisa, Rimini, Asti, Mestre and Civitavecchia
- Acquisition of small loan ptf (2018, 2019, 2020 and 2022)
- Dedicated company: Kruso Kapital
- Acquisition of Intesa Sanpaolo business unit in 2020
- **Opening of a branch in Athens**
- **Acquisition of the auction house Art-Rite**

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



89% of Outstanding backed by GOLD

~82% Loan To Value

9M22 Income margin 15.9%

53% of the new Volume are renewed

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Agenda



- Banca Sistema Overview



- 9M22 Results
- Annexes

BANCA
SISTEMA

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

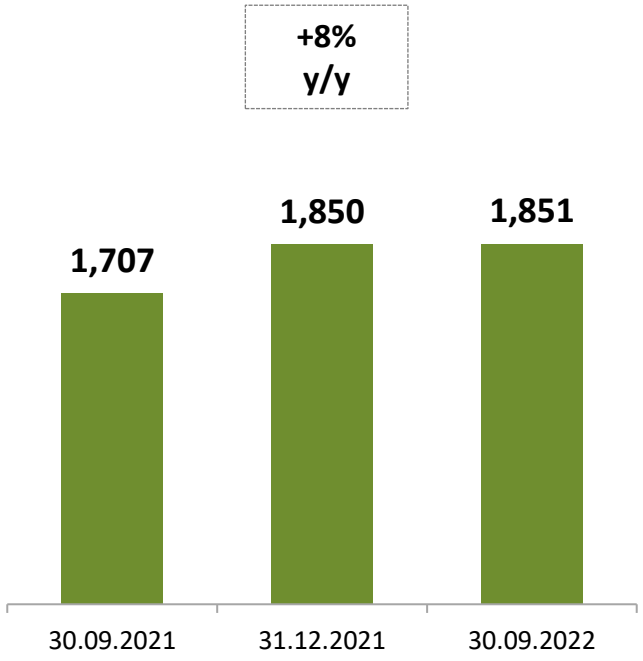
- **Wholesale funding up q/q** (45% of Total Funds) following higher Govies' portfolio
- Total assets equal to ~€4.2bn, up q/q
- **CET1 ratio at 12.1%** and **TC ratio at 15.4% [Transitional]**, down q/q mainly for higher negative HTCS reserve

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Factoring commercial performance

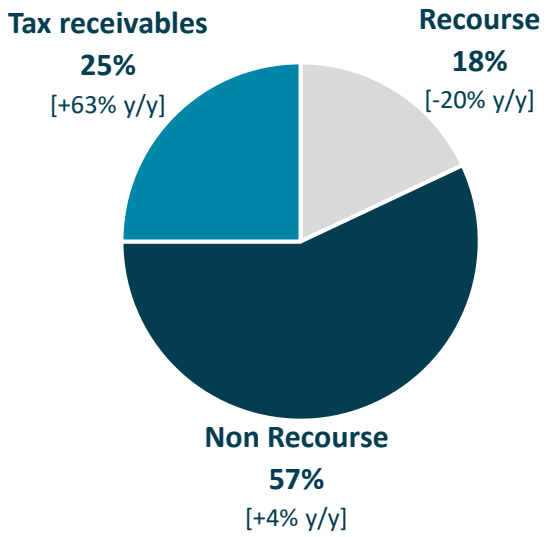
Factoring outstanding

€m



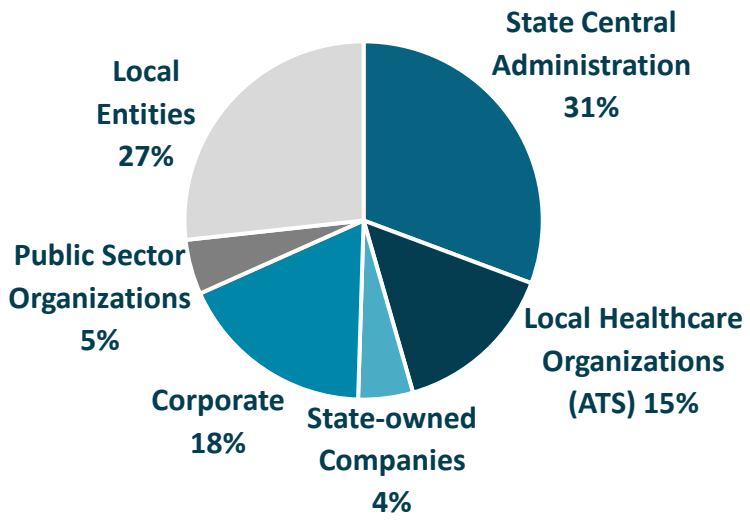
Outstanding breakdown (30.09.2022)

By Type of Product



By Obligor

PA accounts for 82%



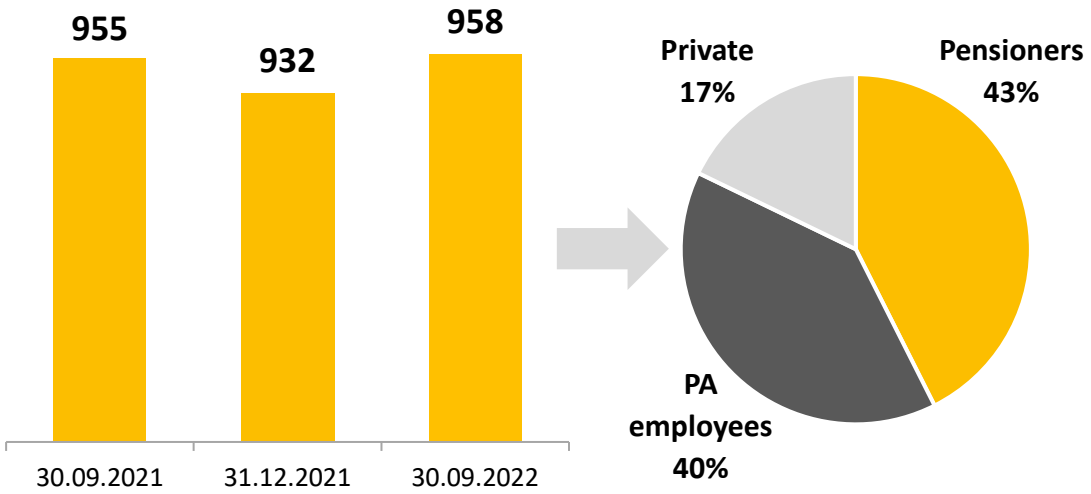
Note: Factoring outstanding management account. Factoring customer loans, item of the Balance Sheet (slide 5) differ from management account for the following elements: Recourse factoring non-financed portion; Provisions; LPI; deferred income.

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CQ and Pawn loans commercial performance

CQ loans outstanding

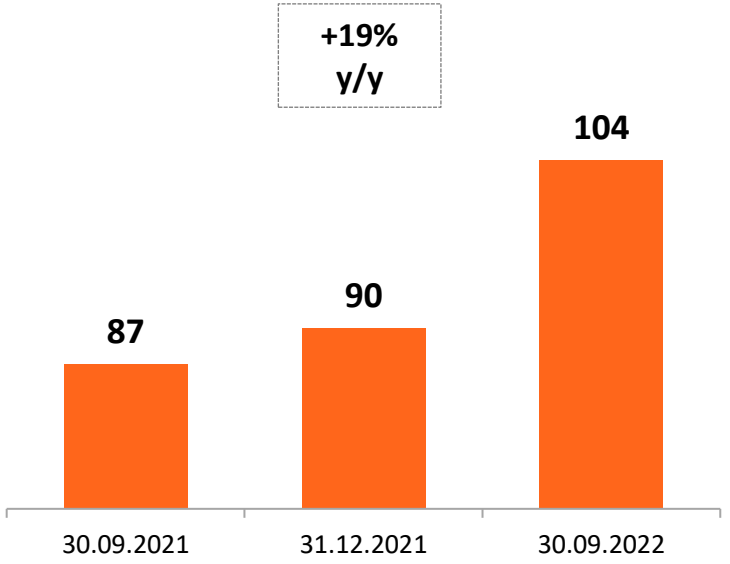
€m



- «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

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9M22 – Balance Sheet

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%**

- **Govies' portfolio (€845m) up q/q and y/y**, with an average duration of 24.5 months, exclusively Italian Governament 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

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

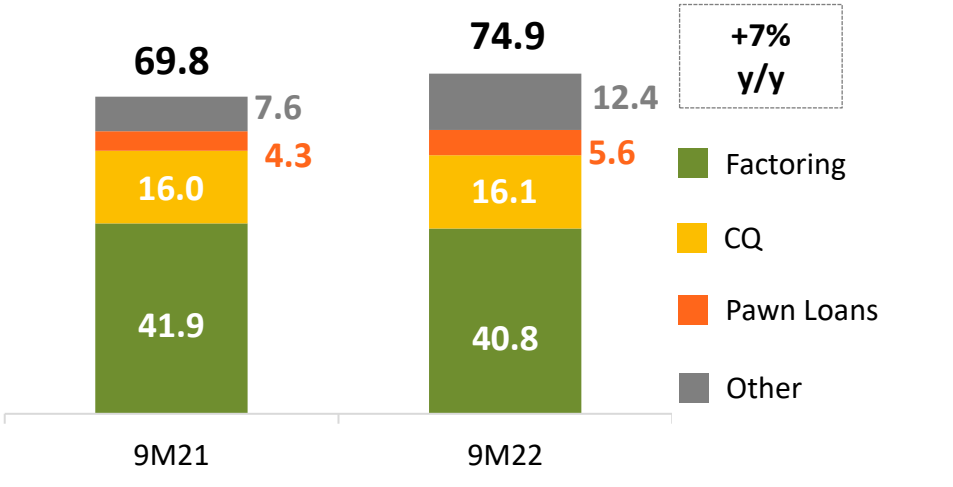
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Well diversified Interest income

- **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**

Total Interest Income

€m



Adjusted Income margin[1]

	9M21		9M22
Total[2]	4.2% €81.0m		4.0% €85.4m
Factoring	*4.8% €52.7m*	4.9% FY21	*4.3% €51.8m*
CQ	*2.3% €16.0m*		*2.3% €16.1m*
Pawn Loans	*15.0% €9.1m*		*15.9% €11.5m*

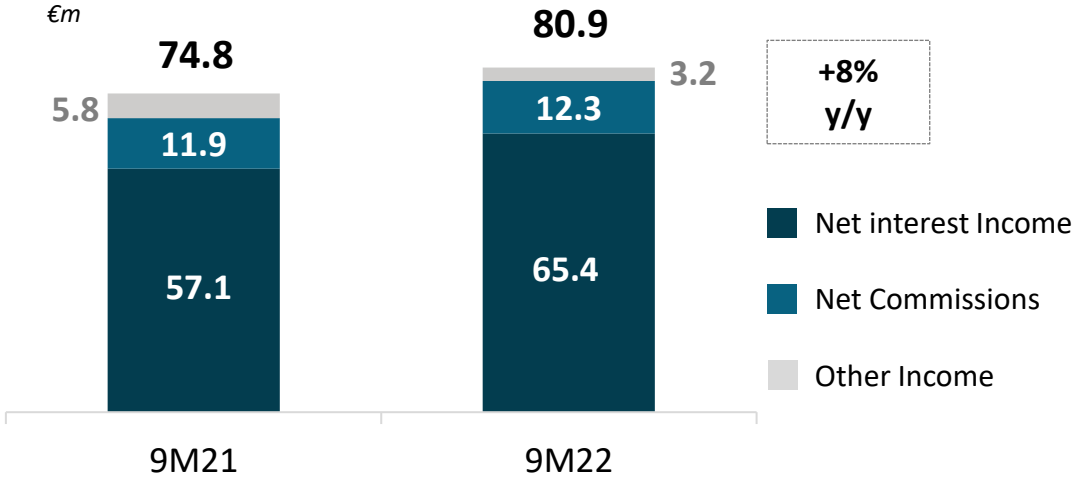
Note: (1) Calculated as [Period Interest Income + Commission Income + Gain for asset disposals] / [Average net customer loans at the end of the period] - excluding the contribution from securities portfolio, PPA, credit due from banks and Repo (Balance Sheet and Financial Statement figures); (2) It include 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.

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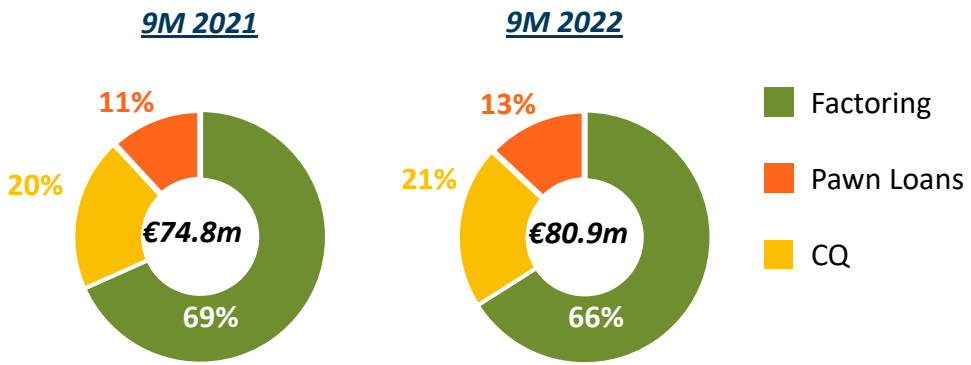
Total Income up 8% y/y

- **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



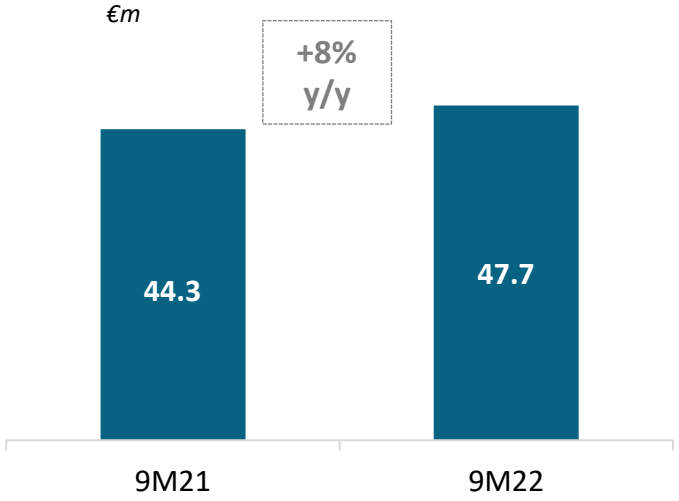
Total Income by Division



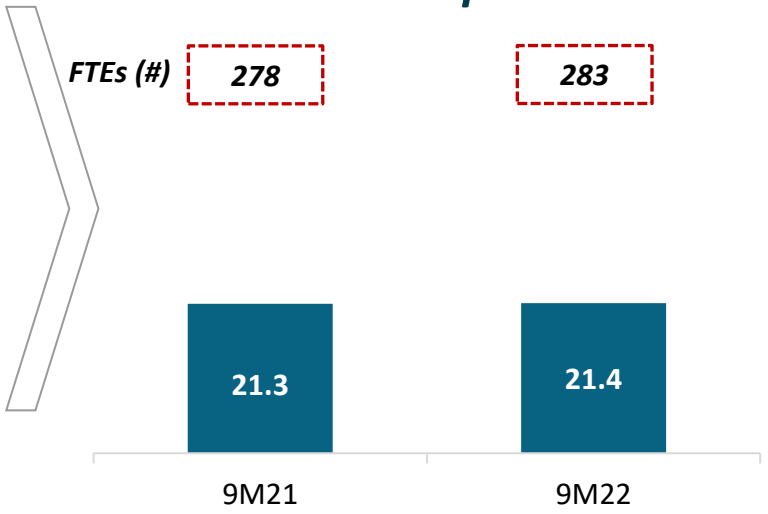
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Cost base consolidating

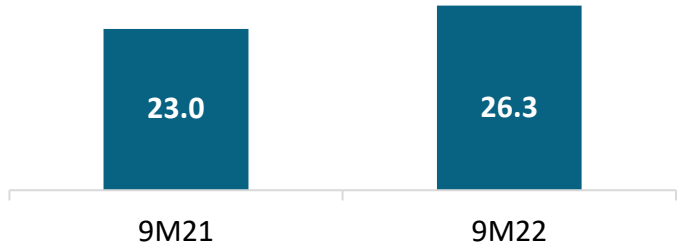
Total Operating Costs



Personnel Expenses

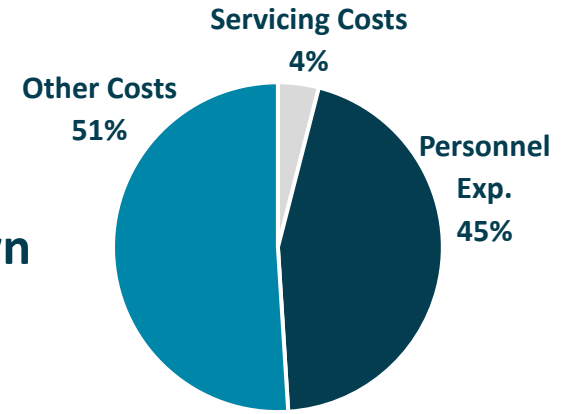


Administrative Expenses, Net Provisions for risk, Other and D&A



- Personnel Expenses stable y/y due to higher-than-expected release of the bonus relative to 2021 (-€1m in 1H22)
- All other expenses 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

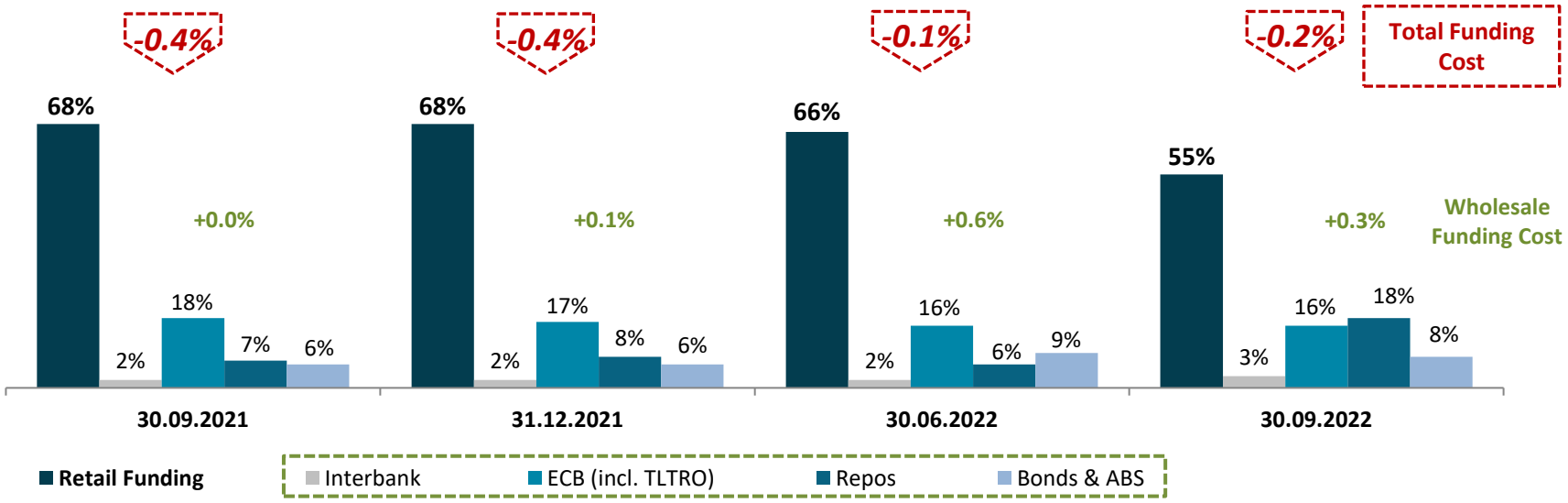
Total Operating Costs Breakdown



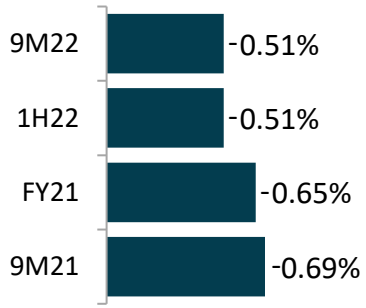
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Lower funding cost y/y

Total Funding breakdown

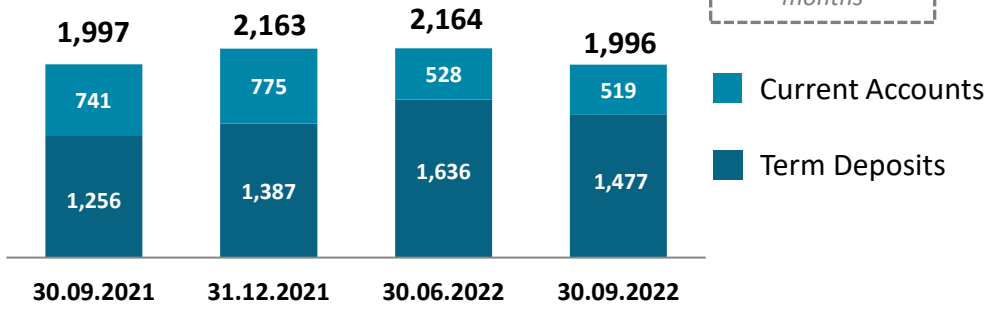


Retail Funding Cost



Retail Funding

€m



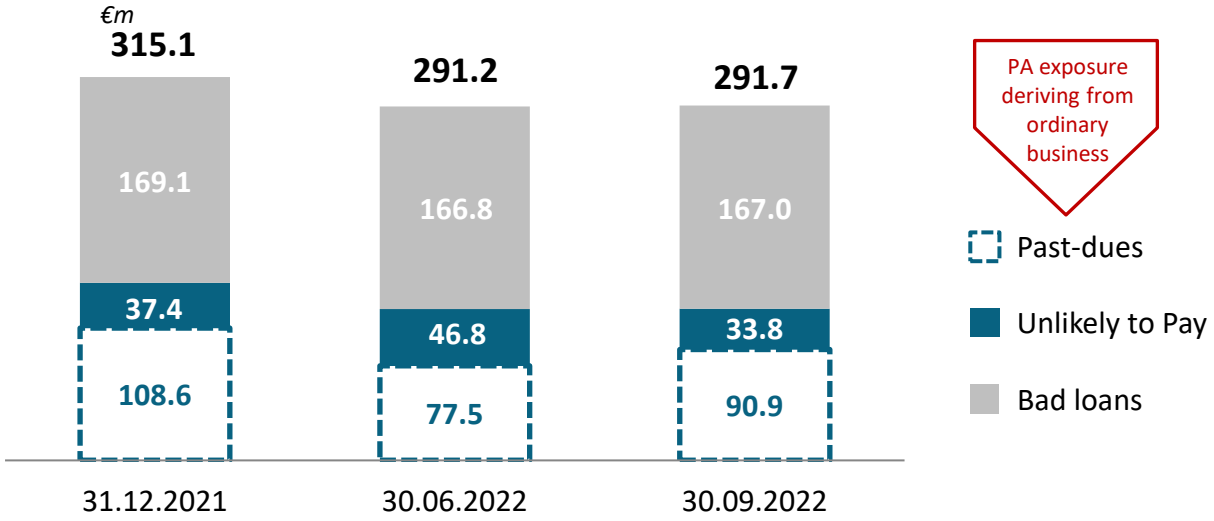
Average residual maturity of deposits is c.13 months

- 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 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)

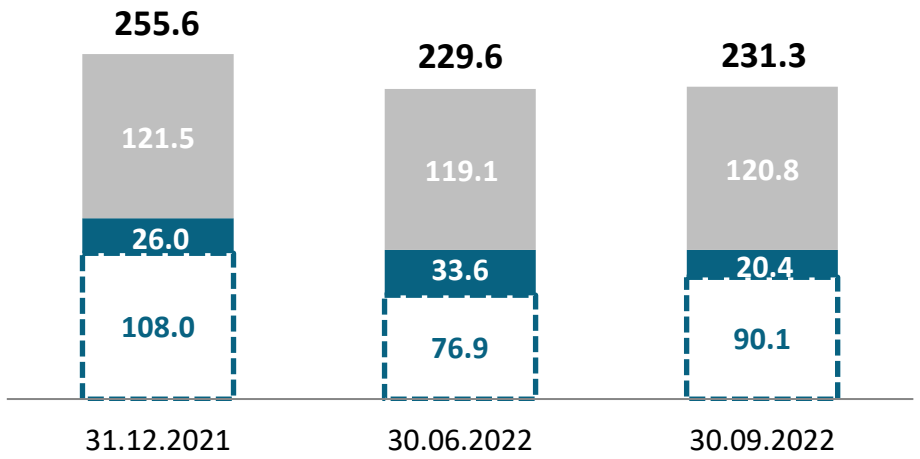
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Asset Quality driven by factoring business

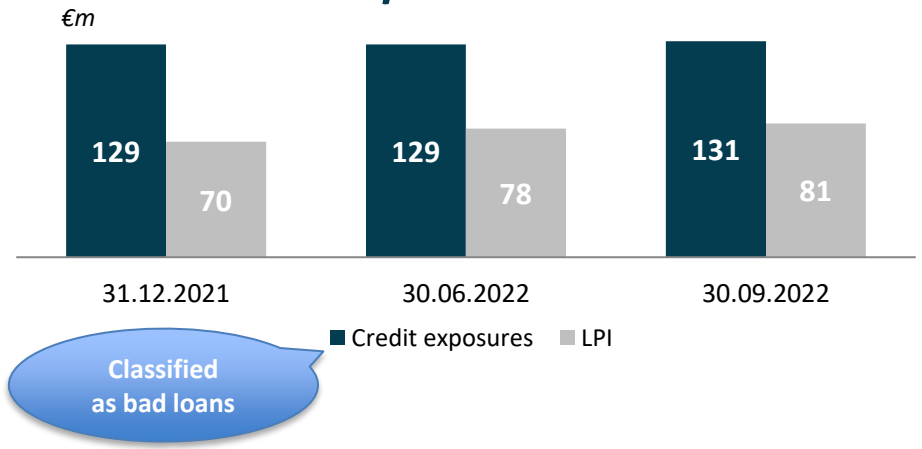
Gross Non Performing Exposures



Net Non Performing Exposures



Exposure to Municipality in Conservatorship & related LPI stock

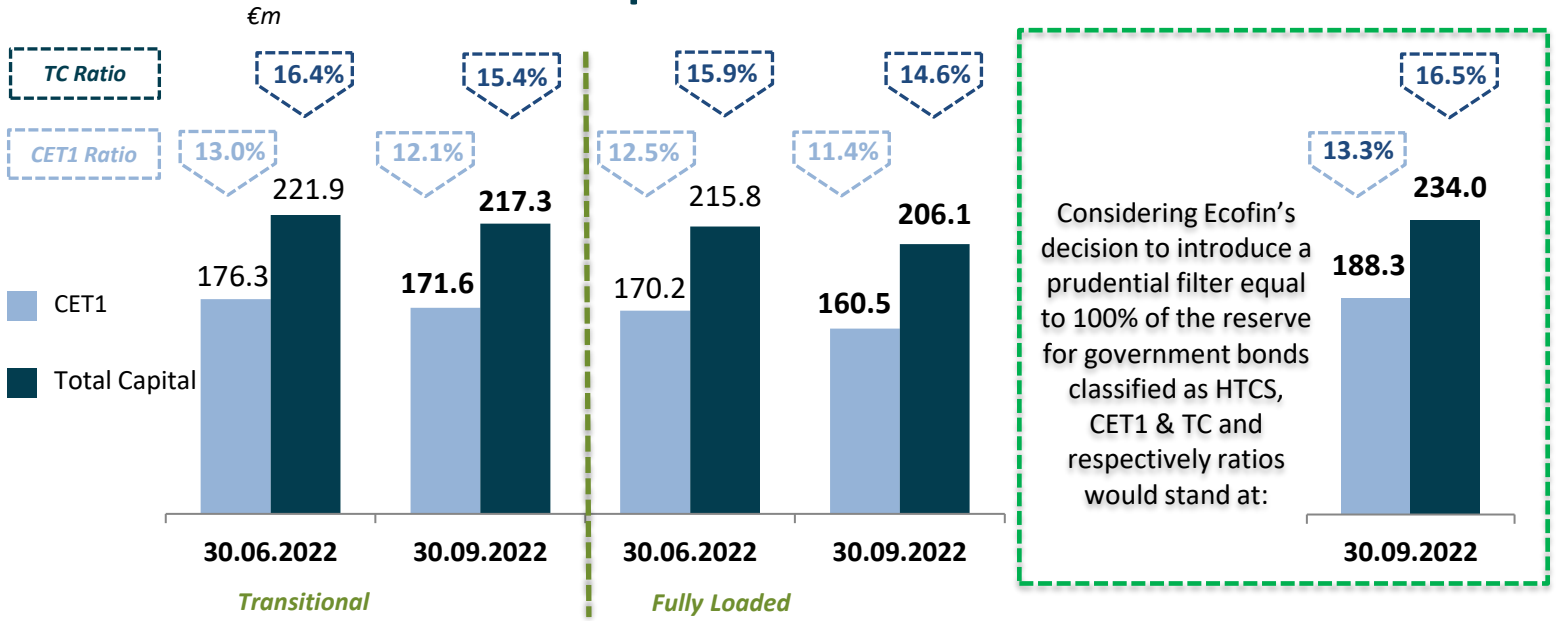


- Gross Non Performing Exposures stable q/q
- Past-dues increase q/q, due to factoring ordinary delay, has been totally compensated by lower UtP, down q/q , due to two corporate exposures
- 9M22 Cost of credit risk stands at 28bps (36bps in 1H22)

BANCA SISTEMA

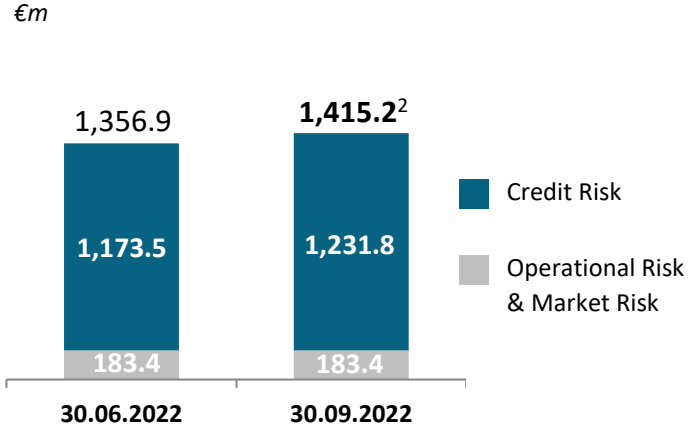
Regulatory Capital above minimum requirements

CET1 and Total Capital(1)

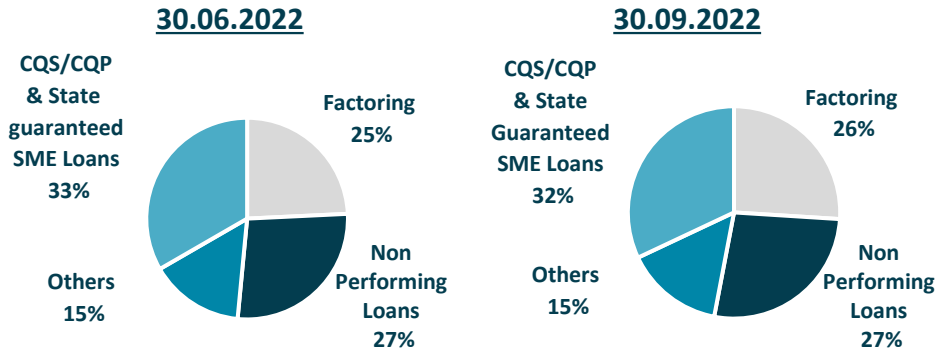


Considering Ecofin's decision to introduce a prudential filter equal to 100% of the reserve for government bonds classified as HTCS, CET1 & TC and respectively ratios would stand at:

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.

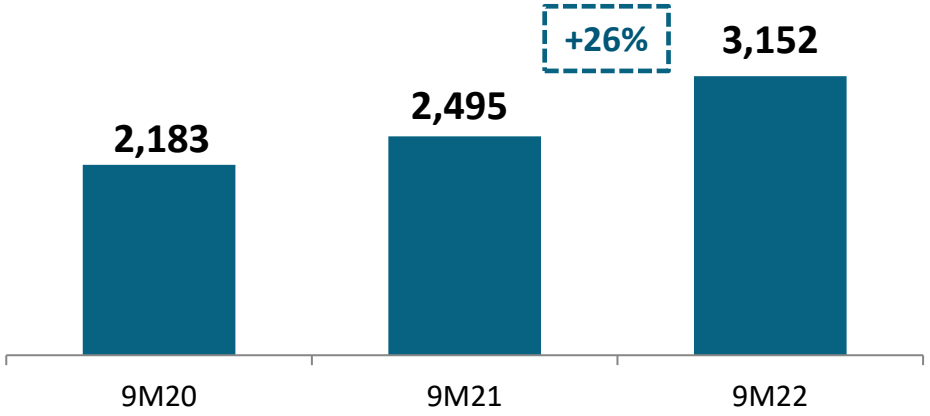
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Annexes

Factoring Turnover

Factoring Turnover

€m

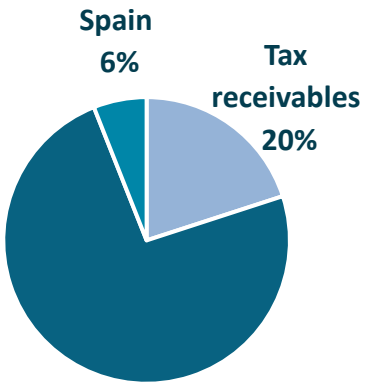


+10% y/y ex. Tax Receivables

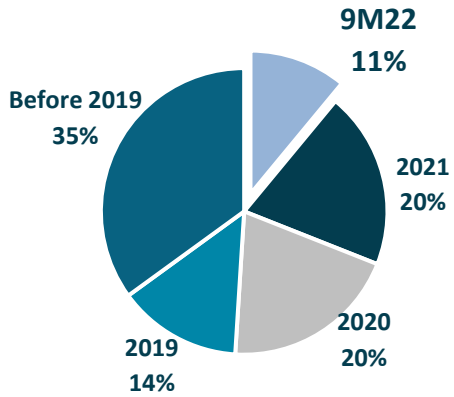
Turnover generated by agreements with Italian Retail banks: 12% in 9M22

9M22 Factoring Turnover breakdown

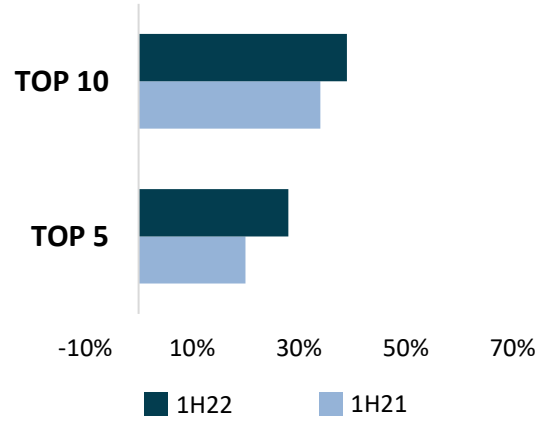
By Type



By Year of Customer's Acquisition



Customer Concentration

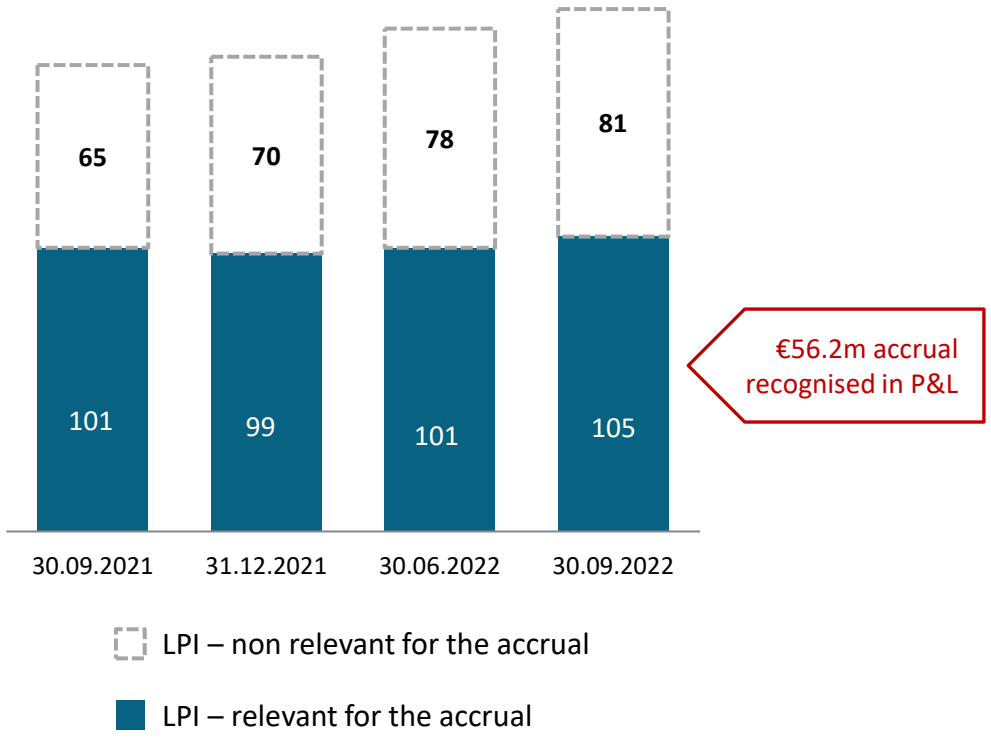


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Late Payment Interest

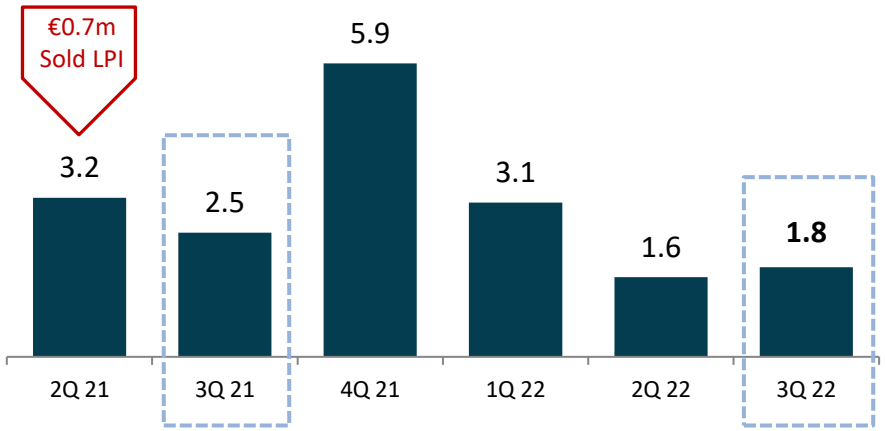
Due LPI Stock – Assets in legal action

€m



Total collected cashed-in LPI(1)

€m



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

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9M 2022 – Income Statement

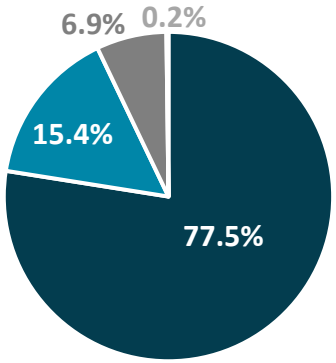
Figures in millions of Euro

	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%**

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Asset Quality

Gross Bad loans



30.06.2022

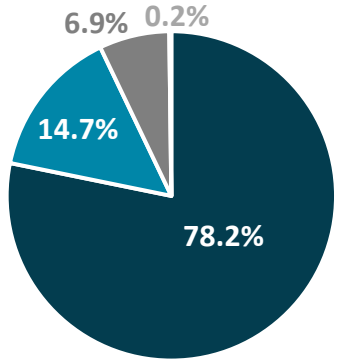
Conservatorships (factoring)

Factoring

SME State Guarantee Loans

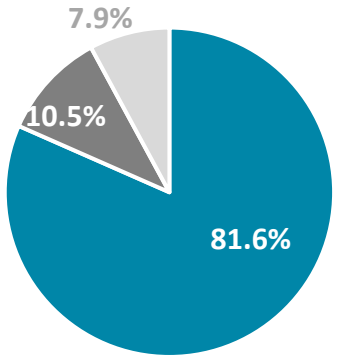
Other

Loans granted before 2020

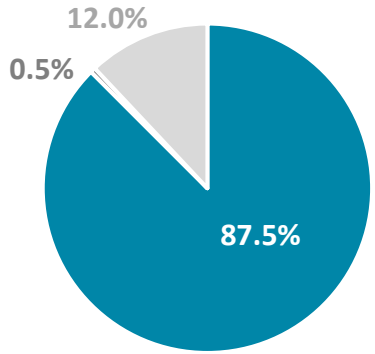


30.09.2022

Gross Unlikely to Pay



30.06.2022



30.09.2022

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