BANCA SISTEMA

GROUP PROFILE

MARCH 2023



Among the top Italian specialty finance

Who we are

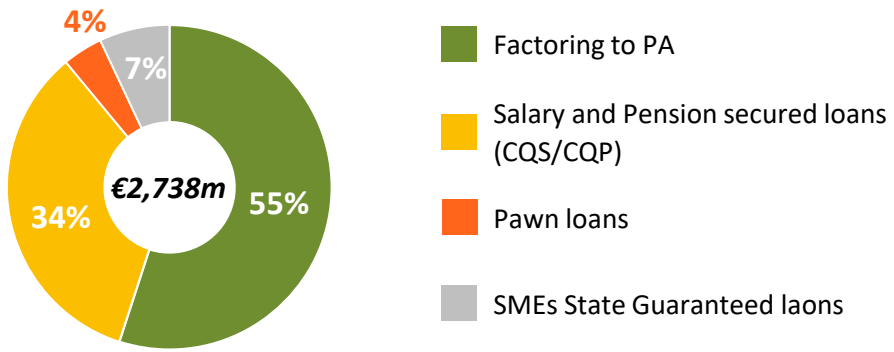
- Independent and diversified specialty finance player in Italy
- Established in 2011 (HQ in Milan), IPO in 2015
- Serving more than 400 corporates in **Factoring**, 50k customers in **CQ** and ~35k customers in **Pawn loans**
- Total funds: 55% Retail/ 45% Wholesale
- 290 workforce

Mission

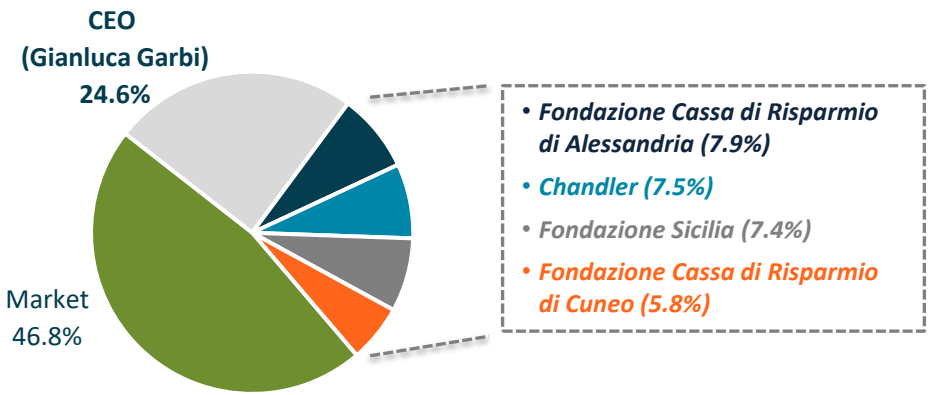
The Group's primary objectives include meeting the financial demands of corporate, by promoting efficiency and acting as a link between the public and private sectors, in addition to providing individuals access to an advanced, easy and readily-accessible banking world that is attentive to the needs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

Customer loans

(31.12.2022)



Shareholders



Note: Shareholders overview as at 23.02.2023.

BANCA SISTEMA

Agenda



- **Banca Sistema Overview**



- **FY22 Results**
- **Annexes**

BANCA SISTEMA

Factoring represents 55% of Customer loans

Business Model

What / How we do it

Banca Sistema purchases receivables, mainly without recourse, from PA suppliers in Italy and Spain, but also Tax credits, receivables related to Football and Local transport subsidies

€4,417m FY22 Turnover, +22 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

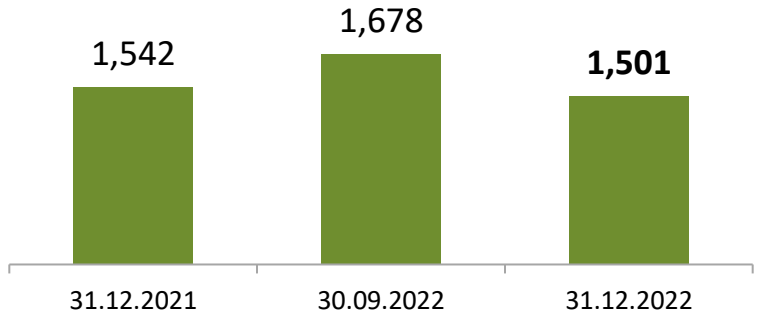
Low risk counterparty exposure

The majority of our credit exposure is towards the Italian Public Administration, 80% of the outstanding as at 31.12.2022, with low risk underlying credit exposure comparable to a Government Bond

Note: Assifact: market figures source.

Factoring outstanding

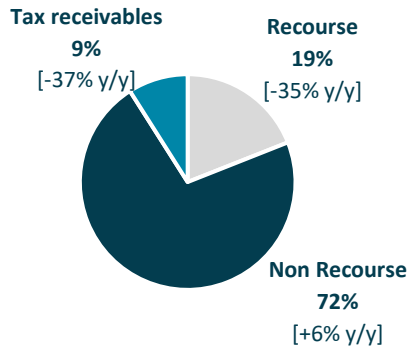
€m



Total Factoring to PA in Italy was €8.5bn as at 31.12.2022 (€8.6bn as at 31.12.2021)

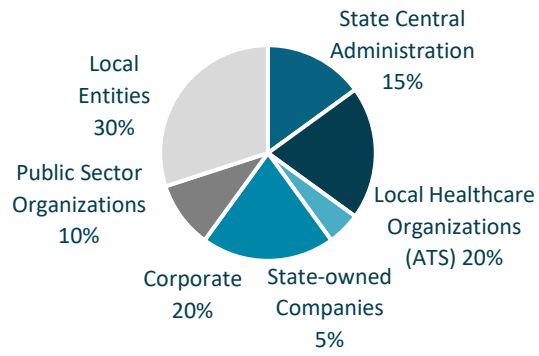
Outstanding breakdown (31.12.2022)

By Type of Product



By Obligor

PA accounts for 80%



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CQ represents 34% 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 – 35% of FY22 turnover) and through dedicated brokers/agents with "QuintoPuoi" brand (Direct channel), nowadays our main focus

FY22 €322m Turnover (€299m FY21), 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

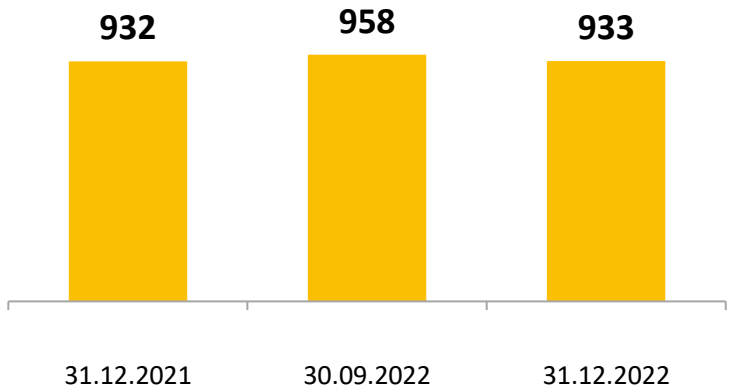
The insurance, mandatory by Law, covers the risk of death, job loss and inability for work

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

Note: Assofin, market figures source.

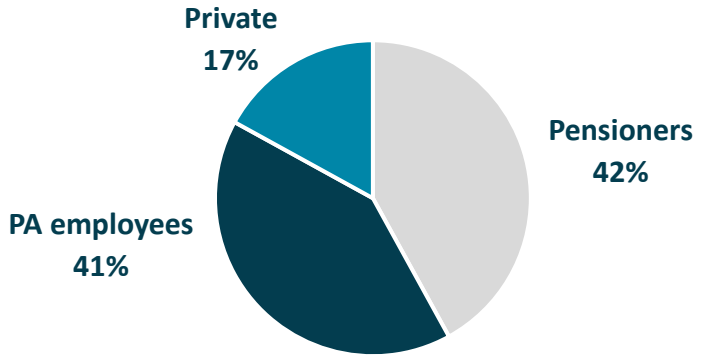
CQ loans outstanding

€m



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

Outstanding breakdown by Type (31.12.2022)



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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 FY22 (including renewals): €179m (€154m FY2021)**
- **#42 auctions in FY22, with > 95% of the offers through the APP, DigitalPegno**

Operations

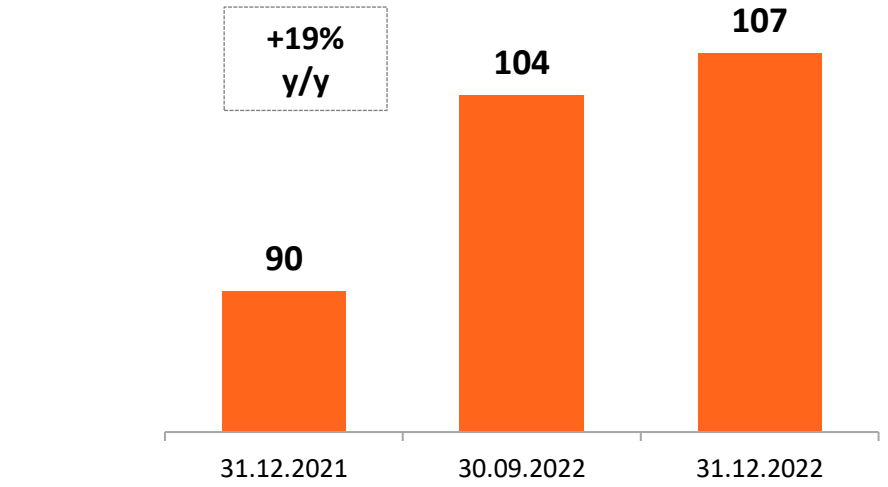
- First dedicated branch opened in Milan (02.2017)
- Other dedicated branches: Turin, Rome, Naples, Florence, Parma, Brescia, Palermo, Pisa, Rimini, Asti, Mestre, Livornio and Civitavecchia
- Acquisition of small loan ptf (2018, 2019, 2020 and 2022)
- Dedicated company: Kruso Kapital
- Acquisition of 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 low credit risk
- Short term funding need
- Low RWA absorption

Pawn loans outstanding

€m



89% of Outstanding backed by GOLD

~75% Loan To Value

FY22 Income margin 16.4%

36% of the new Volume are renewed

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Agenda



- Banca Sistema Overview



- FY22 Results
- Annexes

BANCA
SISTEMA

FY 2022 Results at a Glance

Commercial performance

- **Factoring** turnover +22% y/y equal to €4,417m
- **CQ** outstanding at €933m, stable y/y
- **Pawn loans** outstanding at €107m, +19% y/y
- **SMEs State guaranteed loans** outstanding equal to €197m, +23% y/y

P&L

- **Net Interest Income** equal to €85.4m, **+4% y/y**
- **Stable funding cost y/y at 0.4%**
- **Total Income** equal to €105.9m, -2% y/y
- **Lower Cost of risk y/y at 29bps**
- **Total operating costs equal to €64.2m**, +2% y/y, with a stable C/I
- **Net income equal to €22.0m**, corresponding to a **ROTE** equal **13.3%**

Balance Sheet

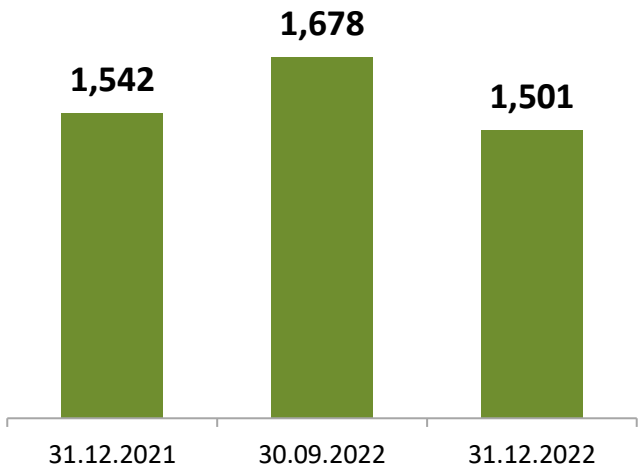
- **Wholesale funding component up q/q** (45% of Total Funds)
- Total assets equal to ~€4.4bn, up y/y and q/q
- **CET1 ratio at 12.6%** and **TC ratio at 15.9% [Transitional]**, up q/q

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Factoring commercial performance

Factoring - Customer loans

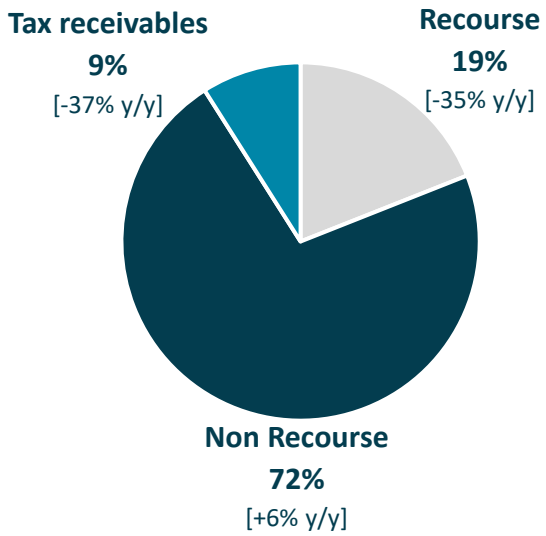
€m



Outstanding breakdown (31.12.2022)

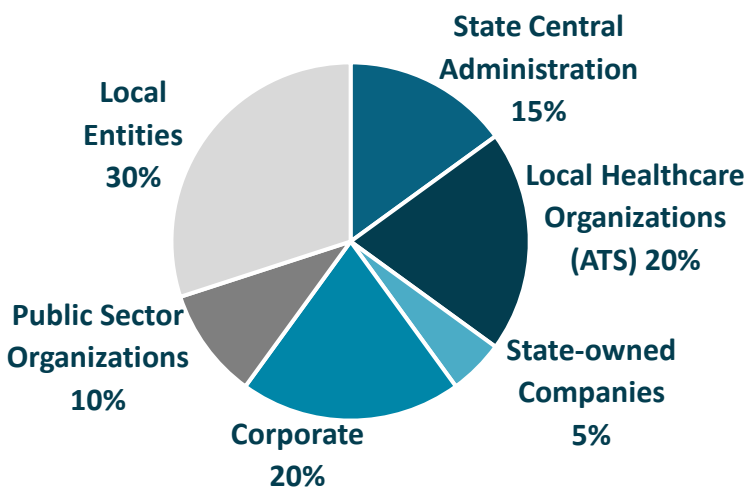
€1,650m

By Type of Product



By Obligor

PA accounts for 80%



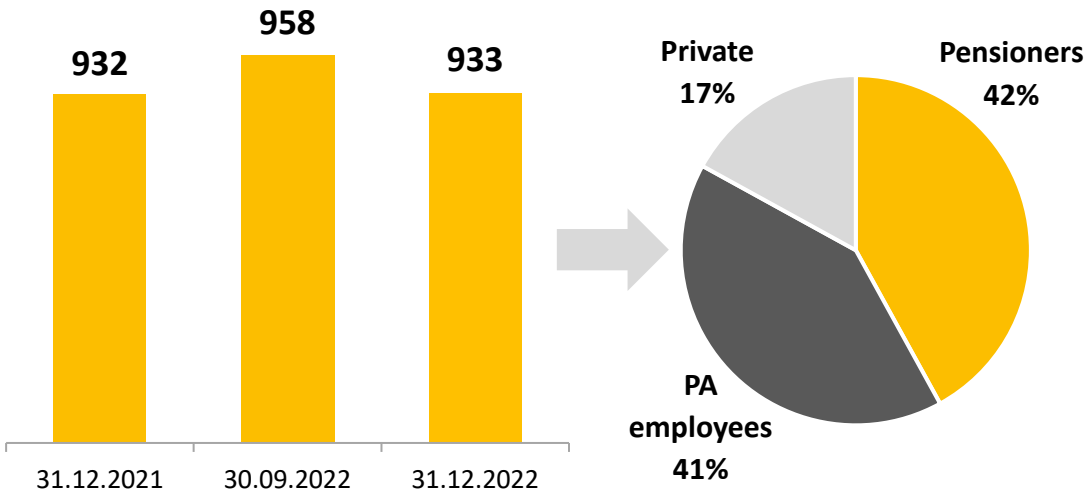
Note: Factoring outstanding management account. Factoring customer loans, item of the Balance Sheet (slide 5) differ from management account for the following elements: Recourse factoring non-financed portion; Provisions; LPI; deferred income.

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CQ and Pawn loans commercial performance

CQ loans outstanding

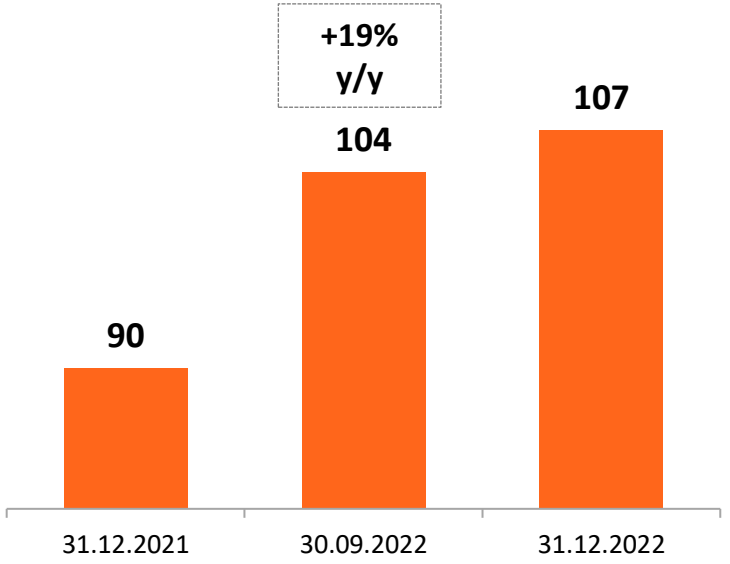
€m



- **€322m turnover in FY22 (€299m in FY21)**
  - ***€209m Direct origination through agents/brokers (€85m FY21)***
  - ***€113m 'Indirect' includes ~€110m from the purchase of a loans ptf from BancoBPM***

Pawn Loans outstanding

€m



- **~62k contracts**
- **Total turnover in 2022 (including renewals): €179m**
- **#42 auctions in 2022, with > 95% of the offers through the APP, DigitalPegno**

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FY22 – Balance Sheet

Figures in millions of Euro

	31.12.2021	30.09.2022	31.12.2022	Change in % 31.12.2022 vs 31.12.2021
ASSETS				
Cash and cash equivalents	176	149	127	-28%
Financial assets at fair value through Other Comprehensive Income **[Held to Collect and Sell]**	451	557	558	24%
Loans at amortized cost	**2,770**	**2,978**	**2,850**	**3%**
Factoring	***1,542***	***1,678***	***1,501***	***-3%***
CQ	***932***	***958***	***933***	***nm***
Pawn loans	***90***	***104***	***107***	***19%***
SMEs State Guaranteed loans	*160*	*181*	*197*	*23%*
Other [1]	*46*	*56*	*112*	*143%*
Securities at amortized cost **[Held to Collect]**	*184*	292	*681*	*270%*
Tangible and Intangible assets	74	76	78	5%
Other assets [2]	54	98	103	91%
Total assets	**3,709**	**4,150**	**4,397**	**19%**
LIABILITIES AND EQUITY				
Due to banks	**592**	**695**	**623**	**5%**
of which ECB exposure	*540*	*587*	*538*	*nm*
Due to customers	**2,472**	**2,706**	**3,056**	**24%**
of which term deposits	*1,387*	*1,477*	*1,432*	*3%*
of which current accounts	*775*	*520*	*639*	*-18%*
Debt securities issued	193	301	238	23%
Other liabilities	186	196	224	20%
Shareholders Equity	**266**	**252**	**256**	**-4%**
Total liabilities and equity	**3,709**	**4,150**	**4,397**	**19%**

- **Govies' portfolio (€1,234m) up q/q and y/y**, with an average duration of 18.4 months, exclusively Italian Governament bonds:
  - €553m 'Held to Collect and Sell', flat q/q (€552m) and up y/y (€446m), with an average duration of 25.6 months
  - €681m 'Held to Collect', up q/q and y/y, with an average duration of 12.4 months
- **Loans at amortized cost down q/q (€2,850m)**:
  - **Factoring receivables** at €1.5bn
  - **CQ loans slightly down q/q and stable y/y**, with the growing Direct origination compensating the maturities of the Indirect component
  - **Pawn Loans up** thanks to organic growth
- **Due to banks** q/q decrease 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 and higher Current accounts
- **Debt securities** q/q decrease is driven by lower structured funding

Note: (1) The item include "Loans to banks" respectively as at 31.12.2022, 30.09.2022 and 31.12.2021 equal respectively to €35m, to €20m and to €33m. (2) Tax credits for 'superbonuses' €55m, €52m and €17m respectively as at 31.12.2022, 30.09.2022 and 31.12.2021.

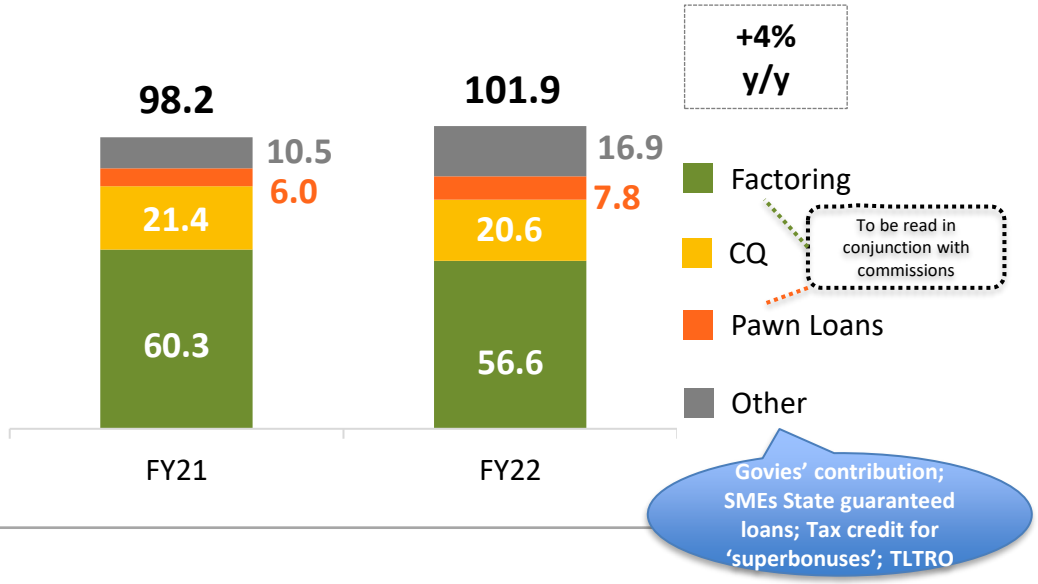
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Well diversified Interest income

- **FY22 Interest Income up 4% y/y (up q/q), with a higher contribution from Pawn loans and SMEs State guaranteed loans and Tax credit for 'superbonuses' (+€4.3m y/y)**
- Factoring represents 56% of Total Interest Income
- Lower overall contribution y/y by factoring, mainly due to lower **factoring LPIs from legal action** equal to €15.2m (€21.5m in 2021):
  - of which accrual €9.1m (€11.4m in 2021)
  - of which "extra collection" €6.1m (€10.1m in 2021)
- From 1.1.2023 the accrual of factoring LPI is no more based on a rate of 8.0% but 10.5%
- Lower factoring LPIs contribution partially compensated by a good contribution from tax receivables
- Increasing Pawn loans contribution, +31% y/y
- **Total Adjusted Income margin lower y/y, but up vs 9M22 (4%). <u>Factoring Income margin up in 2H22 vs 1H22</u> and 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]

	FY21	9M22	FY22
Total[2]	4.4% €117.0m		4.2% €116.5m
Factoring	*4.9% €74.8m*	4.3%	*4.6% €70.8m*
CQ	*2.7% €25.1m*		*2.2% €20.6m*
Pawn Loans	*15.3% €12.7m*		*16.4% €16.2m*

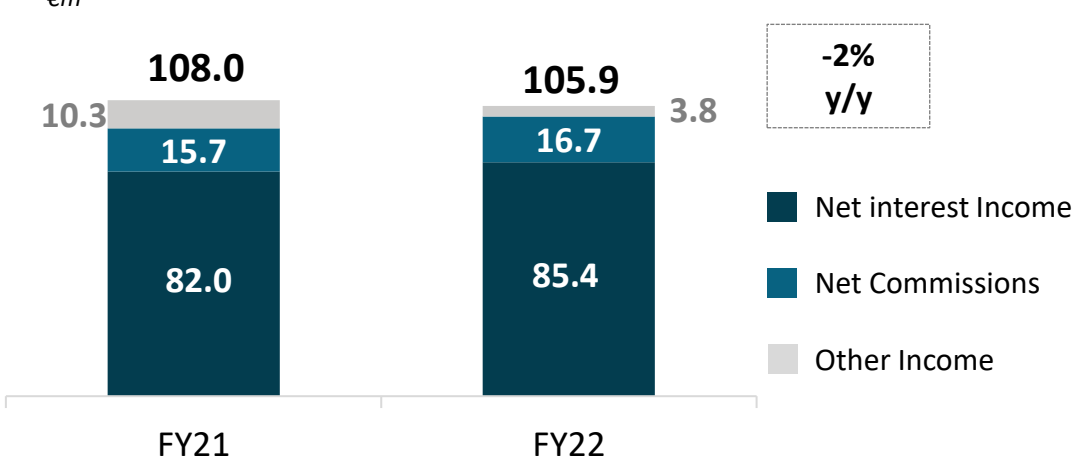
Note: (1) Calculated as [Period Interest Income + Commission Income + Gain for asset disposals] / [Average net customer loans at the end of the period] - excluding the contribution from securities portfolio, PPA, credit due from banks and Repo (Balance Sheet and Financial Statement figures); (2) It include the contribution of the SMEs State guaranteed loans and tax credit 'superbonuses' equal to €8.9m and €4.6m respectively in FY22 and FY21 and also positive contribution from TLTRO funding.

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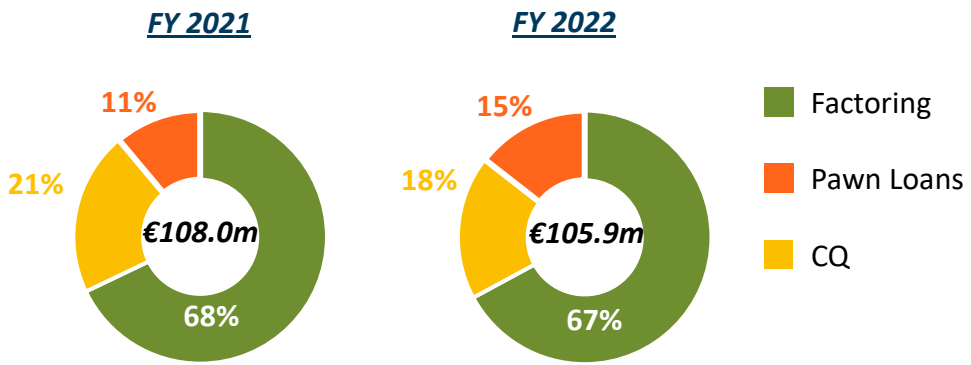
Total Income slightly lower y/y

- **FY22 Total Income down 2% y/y**, due to the lower **Other Income**
- NII +4% increase y/y is driven by the increase in Interest Income. Total Cost of funding, equal to 0.4% (0.4% in 2021) is flat y/y (although higher in 2H22 vs 1H22)
- **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 down y/y**, includes €2.2m gain from the sale of a factoring ptf in 2022 (€1.9m in 2021) and €1.5m gain from the sale of a CQ loans ptf in 2022 (€3.7m in 2021)
- Lower contribution of the **Govies' portfolio, €5.6m** (€6.5m in 2021) of which €5.8m to the NII (€1.9m in 2021) and trading loss to Other Income (€4.6m in 2021)

Total Income



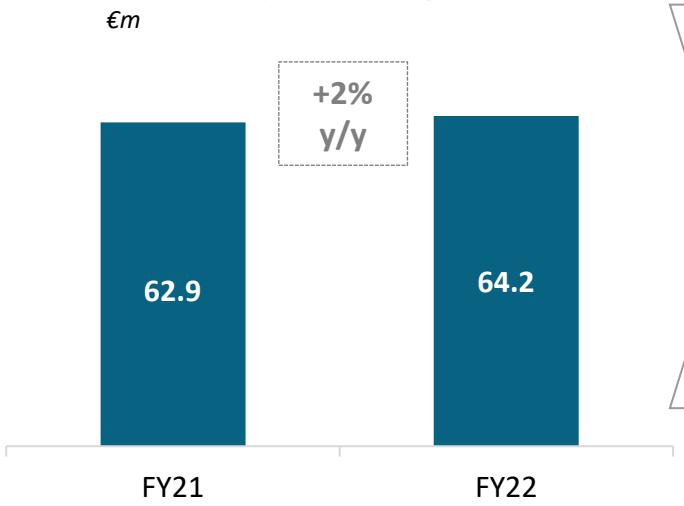
Total Income by Division



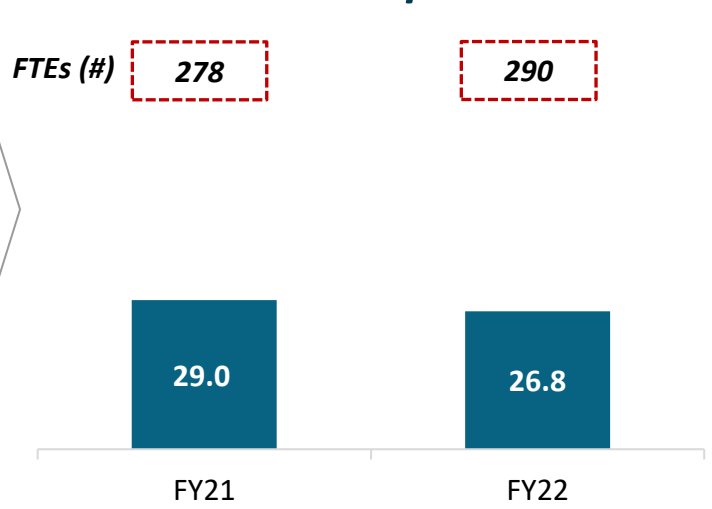
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Cost base consolidating

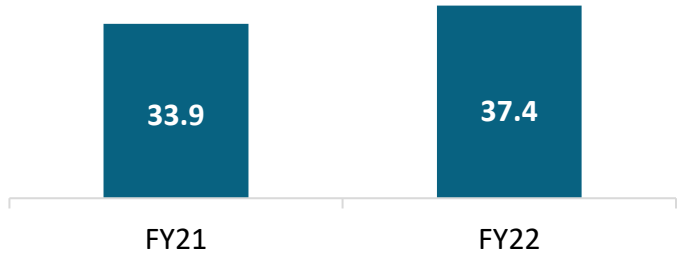
Total Operating Costs



Personnel Expenses

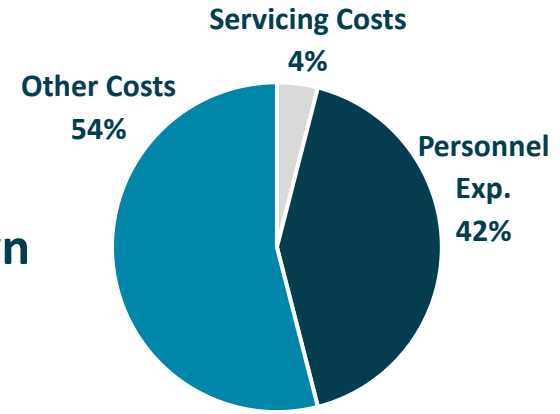


Administrative Expenses, Net Provisions for risk, Other and D&A



- Personnel Expenses stable y/y adjusted by extraordinary items (equal to €2.4m in 2022), among others €1m higher-than-expected release of the bonus relative to 2021
- All other expenses are €3.5m up y/y, of which €2.8m from Net Provision for risk

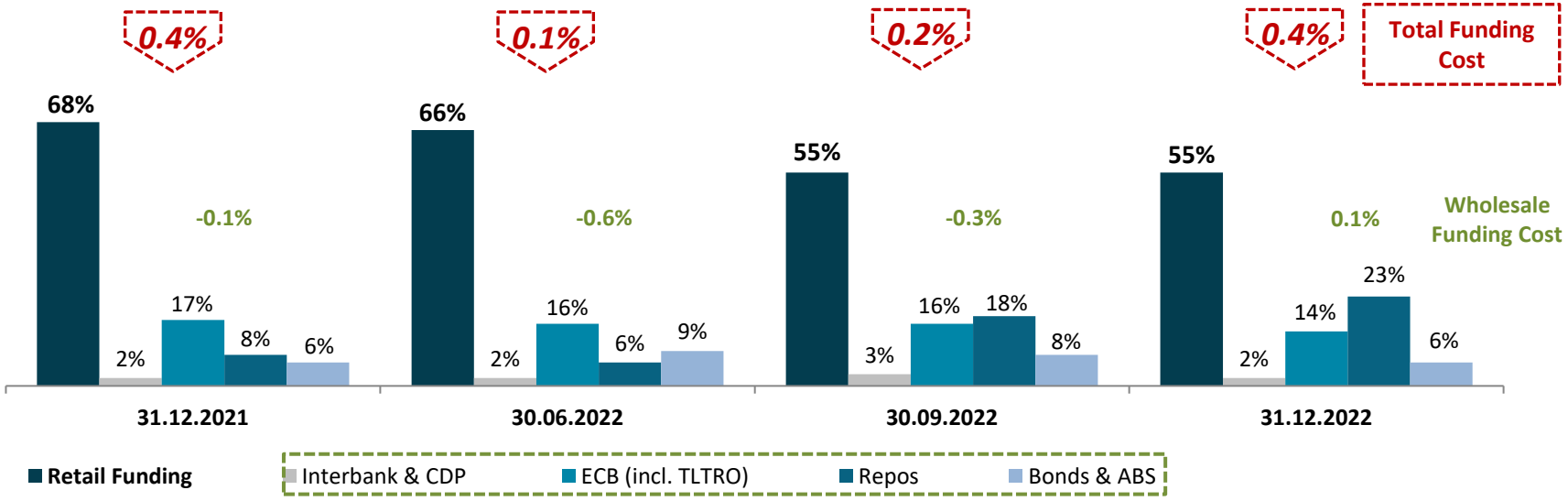
Total Operating Costs Breakdown



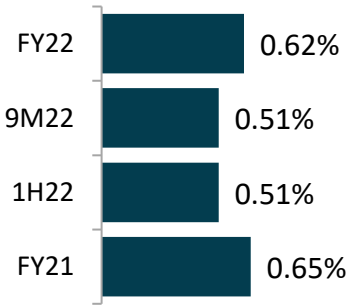
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Stable funding cost y/y

Total Funding breakdown

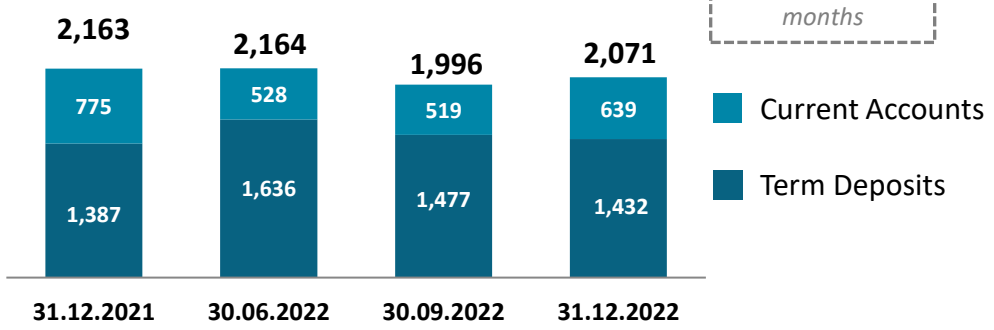


Retail Funding Cost



Retail Funding

€m



Average residual maturity of deposits is c.12 months

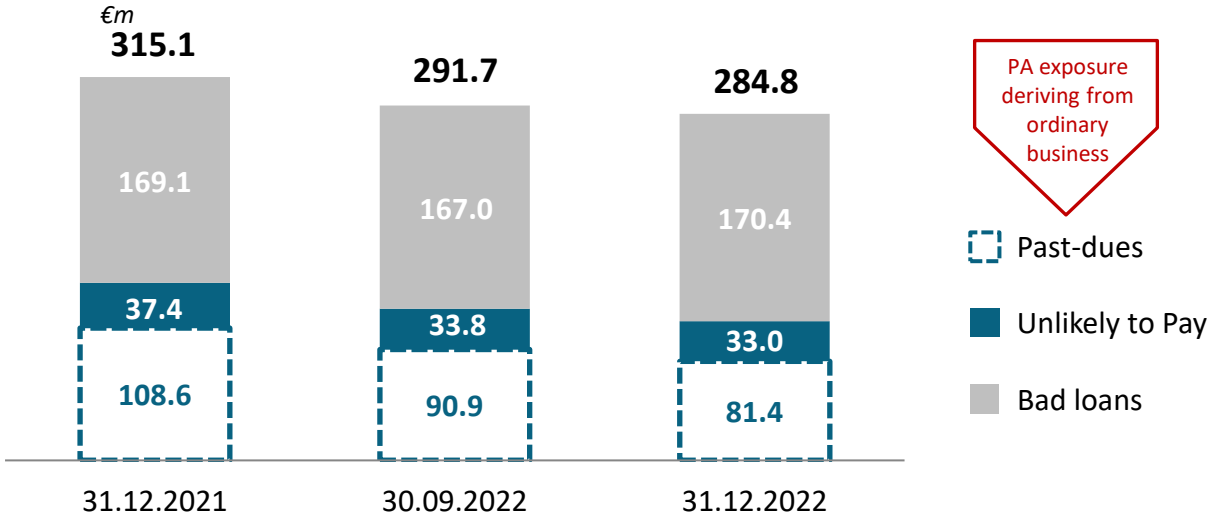
- Cost of funding stable y/y and slightly up q/q
- Wholesale component q/q change is due mainly to higher Repos related to Govies' ptf increase, more than compensated a slight decrease of the collateralized funding (CQ ABS and Tax receivables ABS)
- Wholesale funding cost is expected to increase in the next quarters, in line with the growth of market interest rates
- Retail Funding q/q change is driven by current accounts growth
- In October-December 2022, we have increased the interest rates offered on Retail term deposits, both in Italy and abroad (online platforms/agreements) and on current accounts

Note: CDP stands for Cassa Depositi e Prestiti SpA.

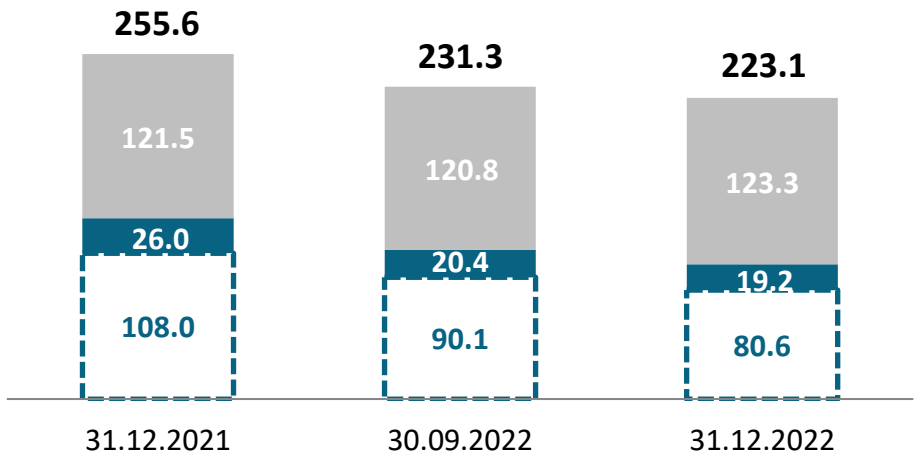
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Asset Quality driven by factoring business

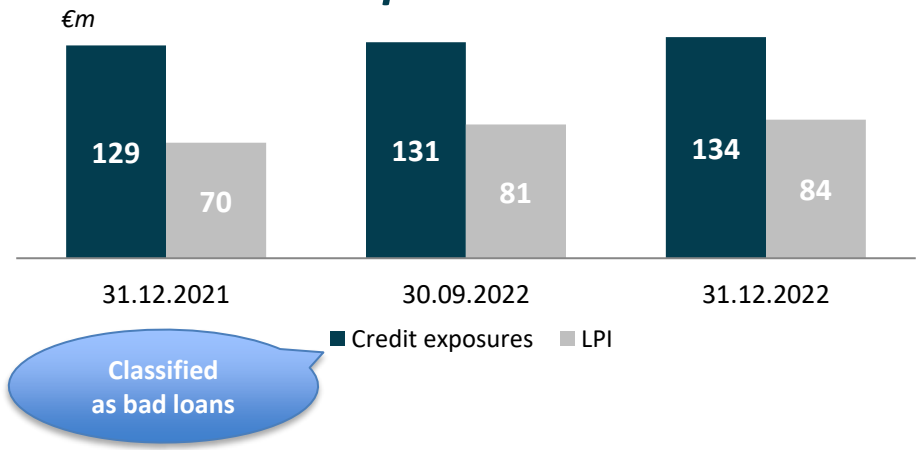
Gross Non Performing Exposures



Net Non Performing Exposures



Exposure to Municipality in Conservatorship & related LPI stock

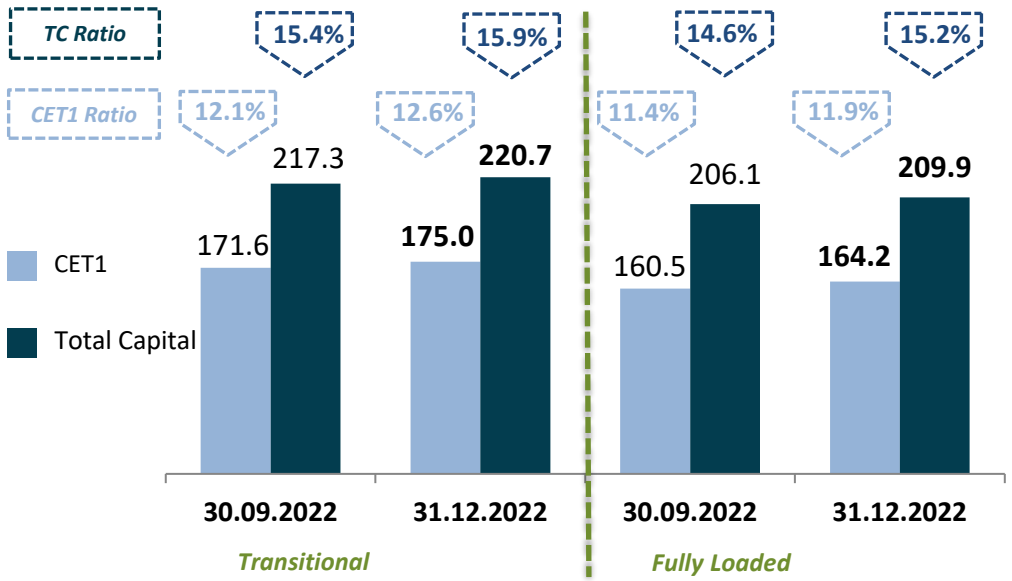


- Gross Non Performing Exposures down q/q and y/y
- Past-dues decrease q/q and y/y, due to factoring ordinary delay has more than compensated bad loan q/q and y/y increase
- FY2022 Cost of credit risk stands at 29bps (40bps in 2021)

BANCA SISTEMA

Regulatory Capital above minimum requirements

CET1 and Total Capital(1)

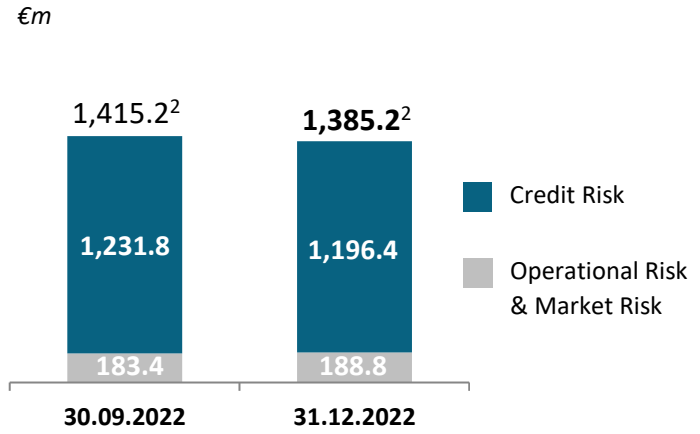


Fully Loaded - CET1 and Total Capital as at 31.12.2022 include -€24.7m 'Held to Collect and Sell' reserve from Govies' ptf, -€1.2m prudential filter on NPEs ("Calendar provisioning") and -€0.6m of own shares

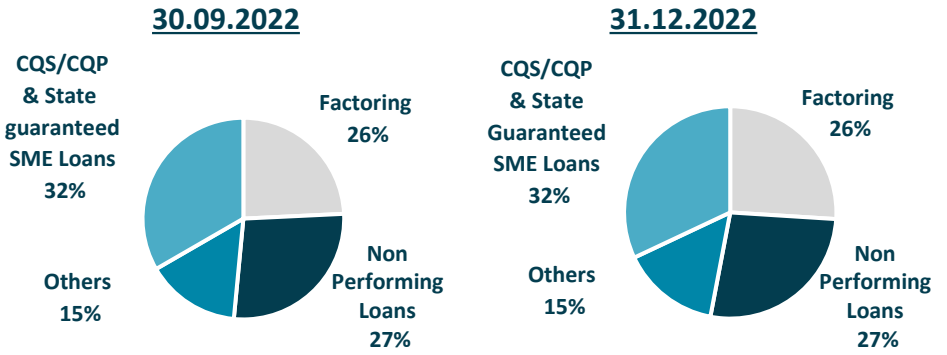
Q/q credit RWA decrease is driven by factoring business (mainly by lower exposures to Corporates and lower Past-dues)

2022 SREP requirements:
- *CET1 ratio 9.0%*
- *TCR 12.5%*

RWA breakdown



RWA – Credit Risk



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.

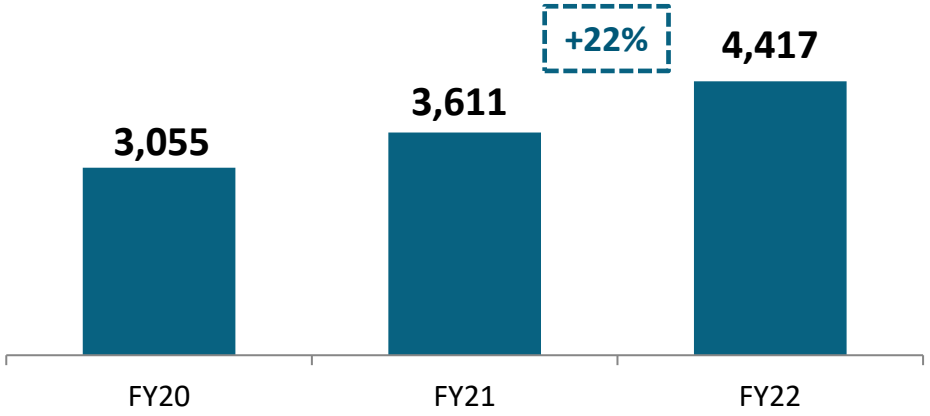
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Annexes

Factoring Turnover

Factoring Turnover

€m

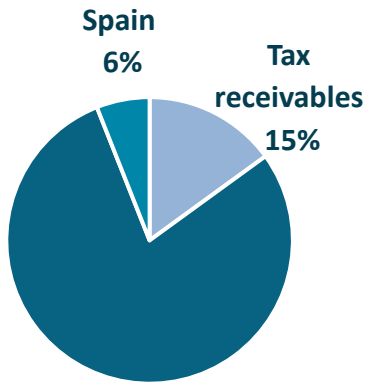


+12% y/y ex. Tax Receivables

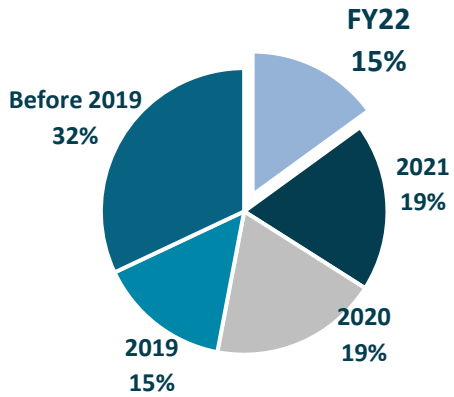
Turnover generated by agreements with Italian Retail banks: 12% in 2022

FY22 Factoring Turnover breakdown

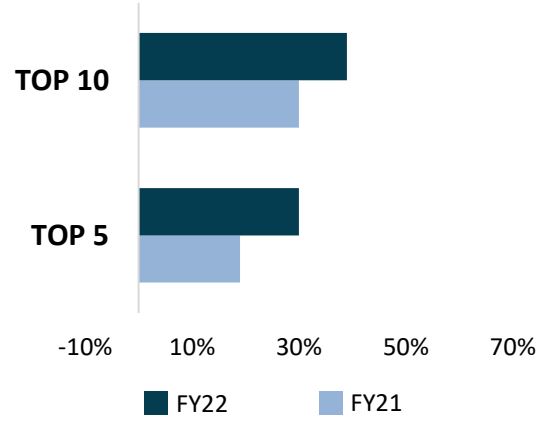
By Type



By Year of Customer's Acquisition



Customer Concentration

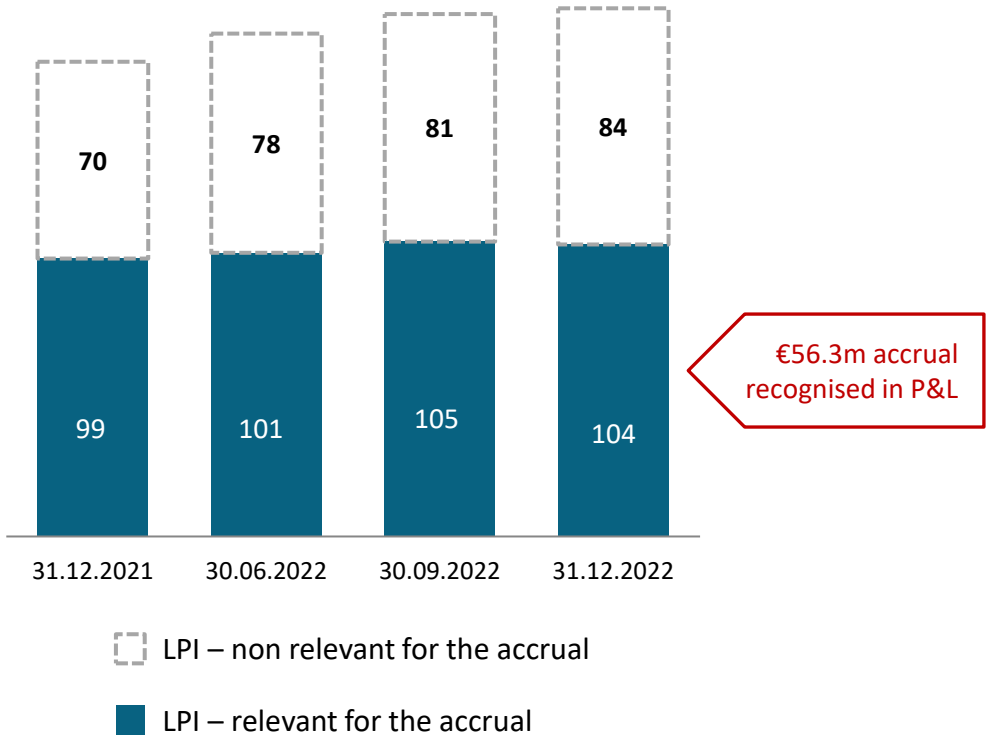


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Late Payment Interest

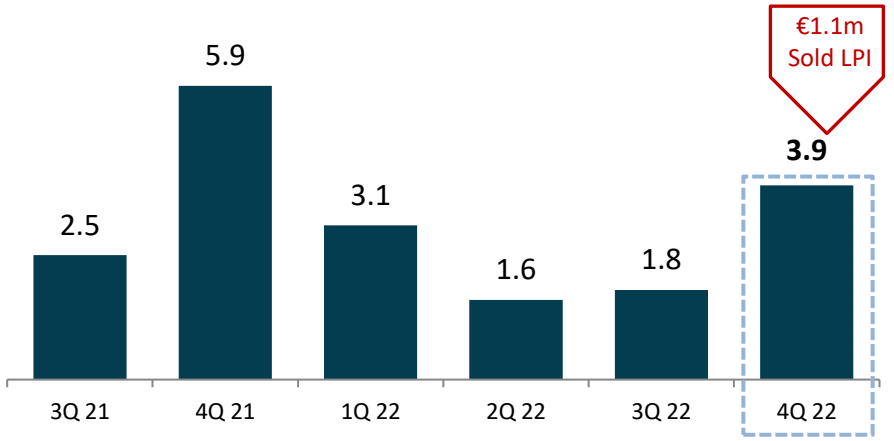
Due LPI Stock – Assets in legal action

€m



Total collected cashed-in LPI(1)

€m



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

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FY 2022 – Income Statement

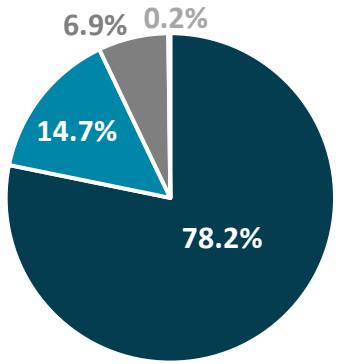
Figures in millions of Euro

	FY 2021	1Q 2021	2Q 2021	3Q 2021	4Q 2021	FY 2022	1Q 2022	2Q 2022	3Q 2021	4Q 2022	FY 22 vs FY 21 change in %
Interest income	98.2	24.2	23.5	22.1	28.4	101.9	23.6	27.0	24.3	27.1	4%
Interest expenses	(16.2)	(4.8)	(4.4)	(3.5)	(3.5)	(16.5)	(2.9)	(3.0)	(3.5)	(7.1)	2%
Net interest income	**82.0**	**19.4**	**19.1**	**18.5**	**24.9**	**85.4**	**20.7**	**24.0**	**20.8**	**20.0**	4%
Commission income	25.6	5.9	6.0	6.5	7.2	31.6	7.5	8.2	8.1	7.7	23%
Commission expenses	(9.9)	(1.9)	(2.2)	(2.4)	(3.5)	(14.9)	(3.8)	(5.0)	(2.8)	(3.3)	50%
Net commission	**15.7**	**4.0**	**3.8**	**4.1**	**3.7**	**16.7**	**3.7**	**3.3**	**5.3**	**4.4**	**7%**
Dividends and similar income	0.2	-	0.2	-	-	0.2	-	0.2	-	-	nm
Net income from trading	0.02	-	0.02	-	-	(1.5)	-	(1.2)	(0.3)	(0.01)	nm
Net income from disposal/repurchase assets:	10.1	2.7	1.0	1.9	4.5	5.1	0.3	3.8	0.4	0.6	-50%
a) measured at amortised cost	6.0	0.8	0.6	0.5	4.2	4.0	0.3	2.7	0.4	0.6	-33%
b) measured at fair value through other comprehensive income	4.1	1.9	0.5	1.4	0.3	1.1	-	1.1	0.0	-	-73%
Total income	**108.0**	**26.1**	**24.2**	**24.5**	**33.2**	**105.9**	**24.7**	**30.1**	**26.2**	**25.0**	**-2%**
Net impairment losses on loans	(10.6)	(4.1)	(3.7)	(1.0)	(1.8)	(8.5)	(2.3)	(2.7)	(1.2)	(2.2)	-20%
Net operating income	**97.3**	**22.0**	**20.5**	**23.5**	**31.4**	**97.4**	**22.4**	**27.3**	**25.0**	**22.8**	**0.1%**
Personnel expenses	(29.0)	(6.9)	(7.4)	(7.0)	(7.7)	(26.8)	(6.6)	(7.7)	(7.1)	(5.4)	-7%
Other expenses	(33.9)	(8.4)	(7.6)	(7.0)	(10.9)	(38.1)	(9.1)	(7.9)	(9.2)	(11.8)	12%
Operating expenses	**(62.9)**	**(15.3)**	**(15.0)**	**(14.0)**	**(18.6)**	**(64.9)**	**(15.7)**	**(15.7)**	**(16.3)**	**(17.2)**	**3%**
Profits from equity investments	0.0	0.01	0.01	(0.02)	0.0	0.7	(0.04)	(0.02)	(0.01)	0.7	nm
Pre-tax profit from continuing operations	**34.5**	**6.7**	**5.5**	**9.4**	**12.8**	**33.2**	**6.7**	**11.6**	**8.6**	**6.2**	**-4%**
Taxes on income for the period/year from continuing operations	(10.9)	(2.1)	(1.5)	(3.1)	(4.2)	(10.7)	(2.1)	(3.7)	(2.9)	(1.9)	-2%
Profit after tax from discontinued operations	(0.02)	-	-	-	(0.02)	(0.02)	(0.02)	-	-	0.0	15%
Profit (loss) for the year/period	**23.5**	**4.6**	**4.0**	**6.4**	**8.6**	**22.5**	**4.5**	**7.9**	**5.8**	**4.3**	**-4%**
Minority interests	(0.3)	0.03	(0.1)	(0.1)	(0.1)	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	68%
Profit (loss) for the year/period attributable to the shareholders of the Parent	**23.3**	**4.6**	**3.9**	**6.3**	**8.5**	**22.0**	**4.4**	**7.8**	**5.7**	**4.2**	**-5%**

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Asset Quality

Gross Bad loans



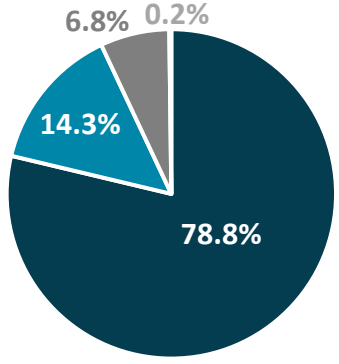
30.09.2022

Conservatorships (factoring)

Factoring

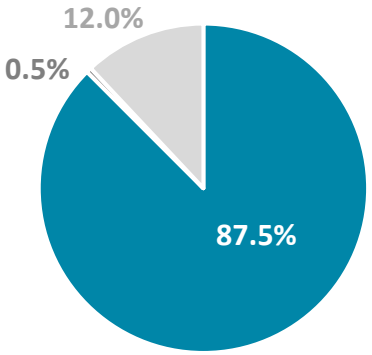
SME State Guarantee Loans

Other

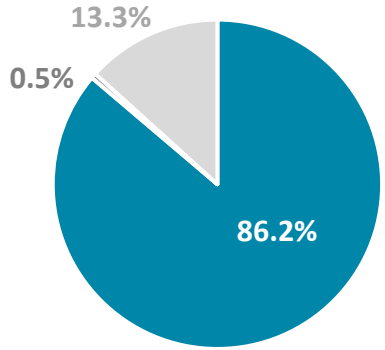


31.12.2022

Gross Unlikely to Pay



30.09.2022



31.12.2022

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