BANCA SISTEMA

GROUP PROFILE

JULY 2023



Among the top Italian specialty finance

Who we are

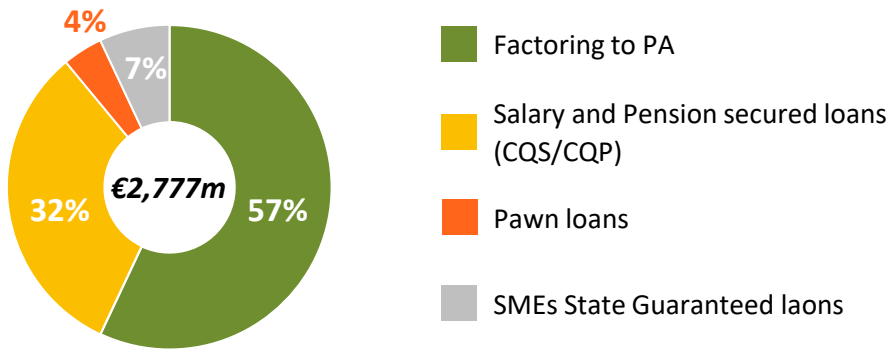
- Independent and diversified specialty finance player in Italy
- Established in 2011 (HQ in Milan), IPO in 2015
- Serving more than 400 corporates in **Factoring**, 50k customers in **CQ** and ~36k customers in **Pawn loans**
- Total funds: 50% Retail/ 50% Wholesale
- 291 workforce

Mission

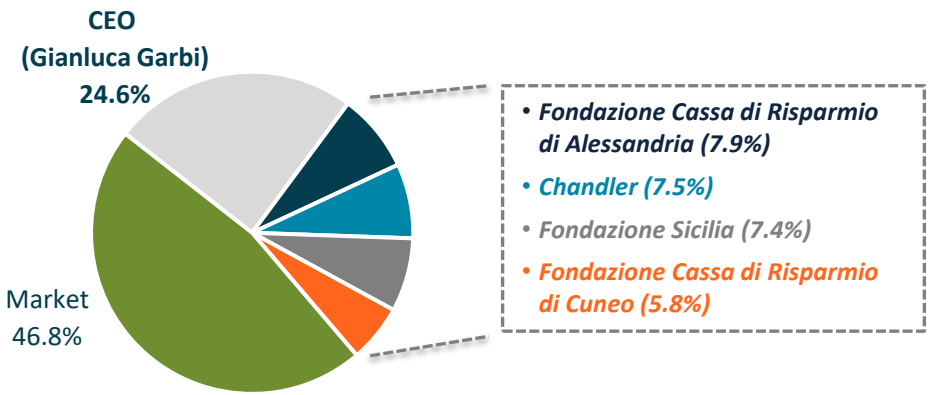
The Group's primary objectives include meeting the financial demands of corporate, by promoting efficiency and acting as a link between the public and private sectors, in addition to providing individuals access to an advanced, easy and readily-accessible banking world that is attentive to the needs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

Customer loans

(31.03.2023)



Shareholders



Note: Shareholders overview as at 15.06.2023, as a % of ordinary share capital and not voting capital stock.

BANCA SISTEMA

Agenda



- **Banca Sistema Overview**



- **1Q23 Results**
- **Annexes**

BANCA SISTEMA

Factoring represents 57% 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

€1,069m 1Q23 Turnover, +9% y/y

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

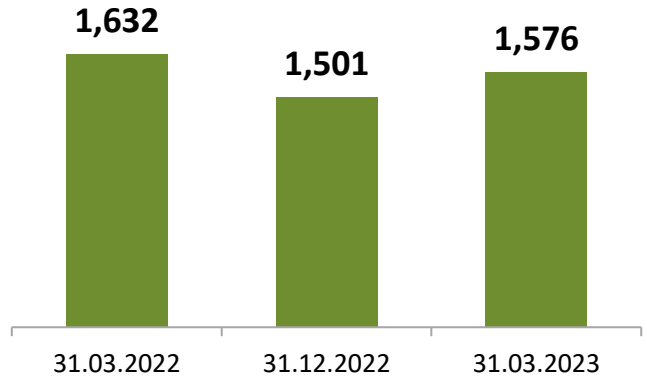
Low risk counterparty exposure

The majority of our credit exposure is towards the Italian Public Administration, 81% of the outstanding as at 31.03.2023, with low risk underlying credit exposure comparable to a Government Bond

Note: Assifact: market figures source.

Factoring outstanding

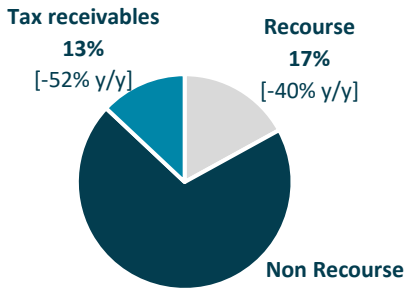
€m



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

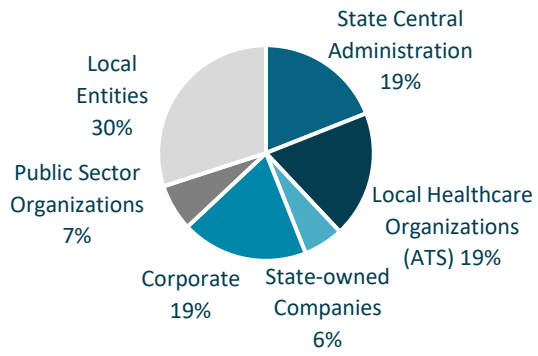
Outstanding breakdown (31.03.2023)

By Type of Product



By Obligor

PA accounts for 81%



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CQ represents 32% 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 in the past and today just through dedicated brokers/agents with "QuintoPuoi" brand (Direct channel), nowadays our main focus

1Q23 €37m Turnover (€47m 1Q22)

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

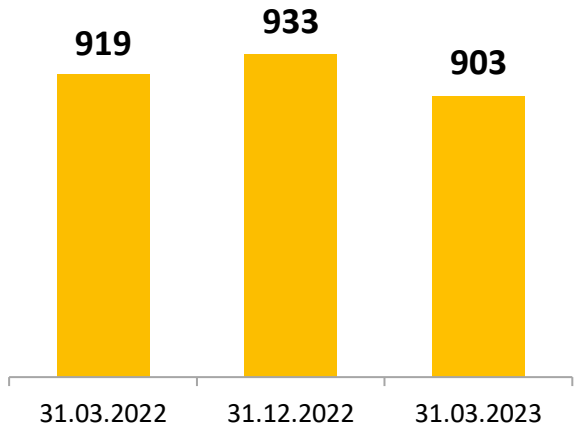
The insurance, mandatory by Law, covers the risk of death, job loss and inability for work

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

Note: Assofin, market figures source.

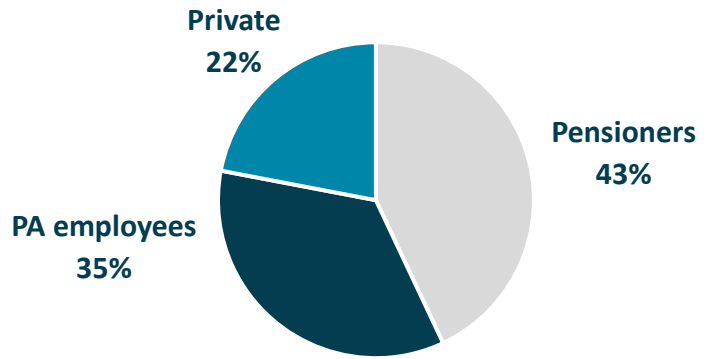
CQ loans outstanding

€m



CQ Market in Italy was as at 31.12.2022 €24.3bn (as at 31.12.2021 €22.3bn)

Outstanding breakdown by Type (31.03.2023)



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Pawn loans has an Income margin > 18%

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 1Q23 (including renewals): €50m (€44m 1Q22)**
- **#14 auctions in 1Q23, with > 95% of the offers through the APP, DigitalPegno**

Operations

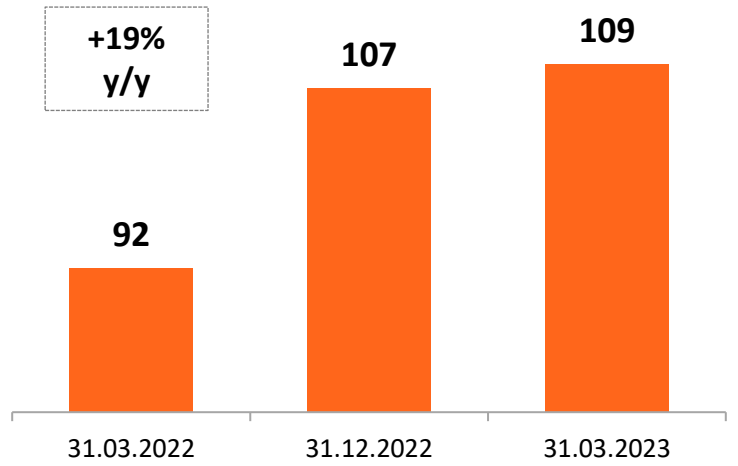
- First dedicated branch opened in Milan (02.2017)
- Other dedicated branches: Turin, Rome, Naples, Florence, Parma, Brescia, Palermo, Pisa, Rimini, Asti, Mestre, Livornio and Civitavecchia
- Acquisition of small loan ptf (2018, 2019, 2020 and 2022)
- Dedicated company: Kruso Kapital
- Acquisition of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



88% of Outstanding backed by GOLD

~76% Loan To Value

1Q23 Income margin 18.6%

~40% of the new Volume are renewed

BANCA SISTEMA

Agenda



- Banca Sistema Overview



- 1Q23 Results
- Annexes

BANCA
SISTEMA

1Q 2023 Results at a Glance

Commercial performance

- **Factoring** turnover +9% y/y equal to €1,069m
- **CQ** outstanding at €903m, slightly lower y/y
- **Pawn loans** outstanding at €109m, +19% y/y
- **SMEs State guaranteed loans** outstanding equal to €189m, +6% y/y

P&L

- **Net Interest Income** equal to €20.6m, **stable y/y**
- **Higher funding cost y/y at 2.0%**
- **Total Income** equal to €25.3m, +3% y/y
- **Lower Cost of risk y/y at 15bps**
- **Total operating costs equal to €18.4m**, up y/y
- **Net income equal to €3.7m**

Balance Sheet

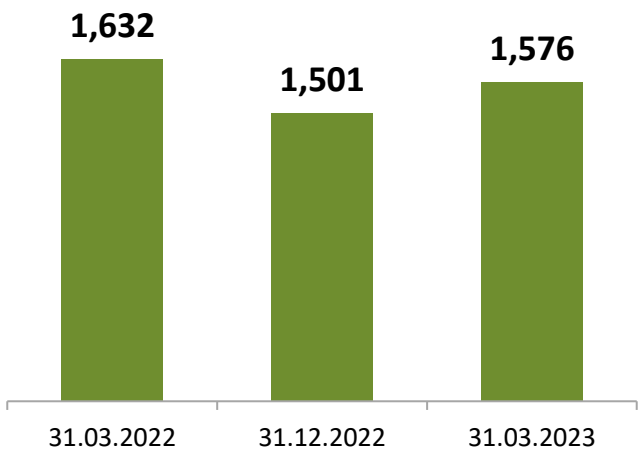
- **Wholesale funding component up q/q** (50% of Total Funds)
- Total assets equal to ~€4.4bn, stable q/q
- **CET1 ratio at 12.0%** and **TC ratio at 15.3% [Fully Loaded]**

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Factoring commercial performance

Factoring - Customer loans

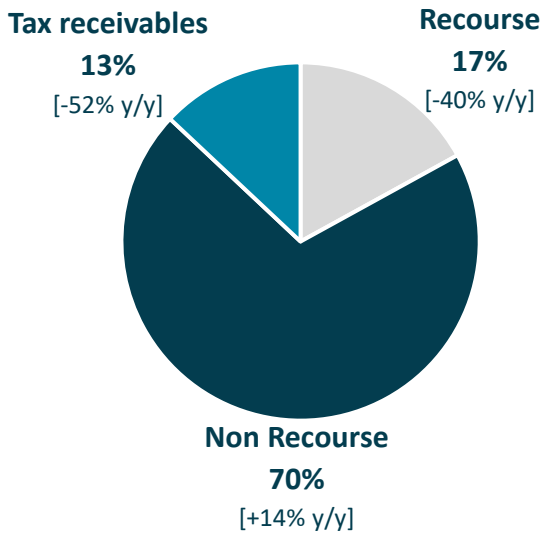
€m



Outstanding breakdown (31.03.2023)

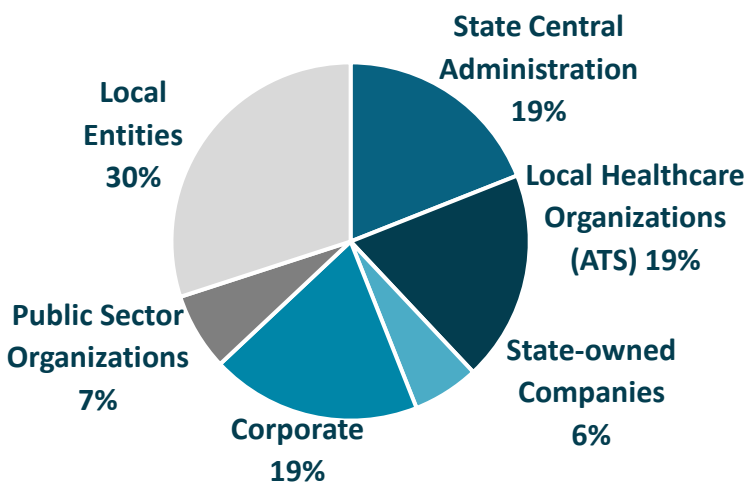
€1,651m

By Type of Product



By Obligor

PA accounts for 81%



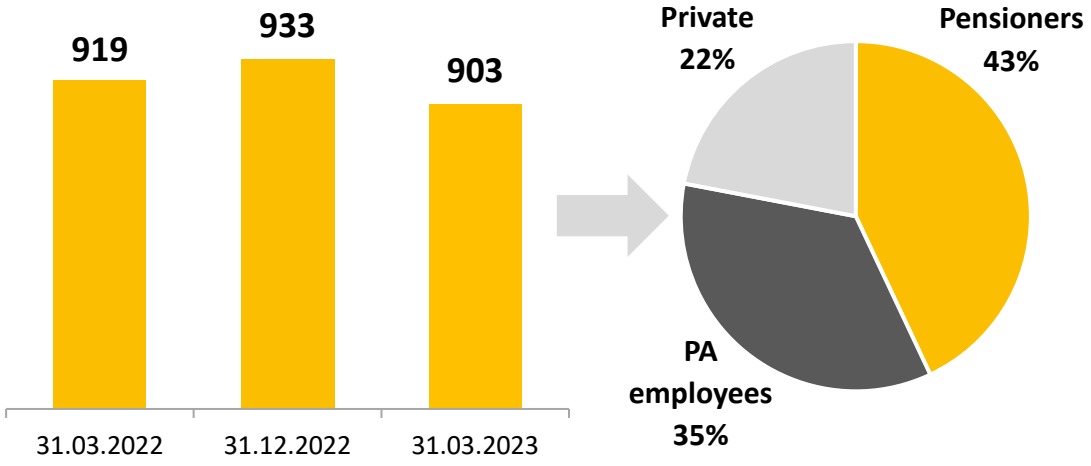
Note: Factoring outstanding management account. Factoring customer loans, item of the Balance Sheet (slide 5) differ from management account for the following elements: Recourse factoring non-financed portion; Provisions; LPI; deferred income.

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CQ and Pawn loans commercial performance

CQ loans outstanding

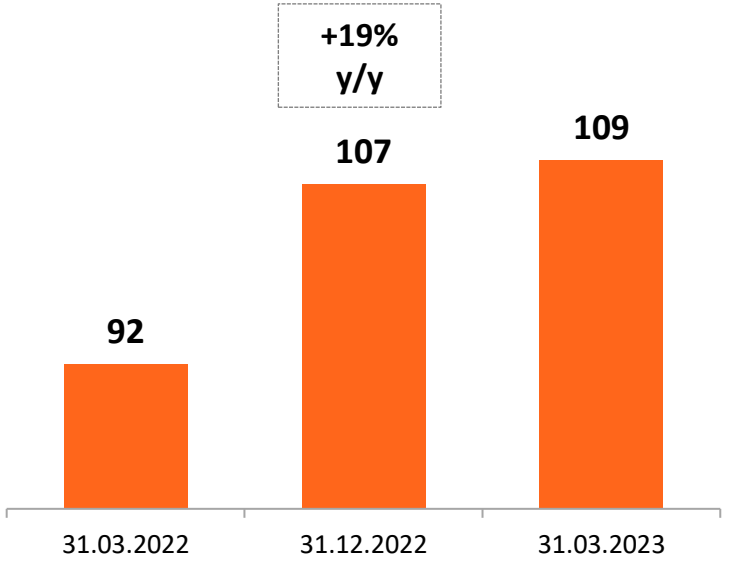
€m



- **€37m turnover in 1Q23 (€47m in 1Q23)**

Pawn Loans outstanding

€m



- **~64k contracts**
- **Total turnover in 1Q23 (including renewals): €50m (€44m in 1Q22)**
- **#14 auctions in 1Q23, with > 95% of the offers through the APP, DigitalPegno**

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Figures in millions of Euro

	31.12.2022	31.03.2023	Change in % 31.03.2023 vs 31.12.2022
ASSETS			
Cash and cash equivalents	127	53	-58%
Financial assets at fair value through Other Comprehensive Income **[Held to Collect and Sell]**	558	563	1%
Loans at amortized cost	**2,850**	**2,912**	**2%**
Factoring	***1,501***	***1,576***	***5%***
CQ	***933***	***903***	***-3%***
Pawn loans	***107***	***109***	***2%***
SMEs State Guaranteed loans	*197*	*190*	*-4%*
Other [(1)]	*112*	*135*	*20%*
Securities at amortized cost **[Held to Collect]**	681	*686*	*1%*
Tangible and Intangible assets	78	77	-1%
Goodwill	*34*	*34*	*0%*
Equity investments	1	1	-1%
Other assets [(2)]	103	100	-3%
Total assets	**4,397**	**4,391**	**-0.1%**
LIABILITIES AND EQUITY			
Due to banks	**623**	**931**	**49%**
of which ECB exposure	*538*	*541*	*1%*
Due to customers	**3,056**	**2,829**	**-7%**
of which term deposits	*1,432*	*1,444*	*1%*
of which current accounts	*639*	*438*	*-31%*
Debt securities issued	238	115	-52%
Other liabilities	224	253	13%
Shareholders Equity	**256**	**263**	**3%**
Total liabilities and equity	**4,397**	**4,391**	**-0.1%**

1Q23 – Balance Sheet

- **Govies' portfolio (€1,243m) slightly q/q**, with an average duration of 15.3 months (18.4 months as at 31.12.2022), exclusively Italian Governament bonds:
  - €563m 'Held to Collect and Sell', slightly up q/q, with an average duration of 22.7 months
  - €686m 'Held to Collect', +€5m up q/q, with an average duration of 9.4 months
- **Loans at amortized cost up q/q (€2,912m**):
  - **Factoring receivables** at €1.6bn slightly up q/q
  - **CQ loans slightly down q/q**, with the growing Direct origination not enrtirly compensating the maturities of the Indirect component
  - **Pawn Loans up** thanks to organic growth
- **Due to banks** q/q increase is mainly driven by Interbanking
- **Due to customers** q/q decrease is driven by the decrease Current accounts, in particular on the Corporate segment, partially compensated by higher Retail term deposits, in particular through online platforms and higher repos related to Govies' ptf
- **Debt securities** q/q decrease is driven by lower structured funding (with collateral tax receivables)

Note: (1) The item include "Loans to banks" respectively as at 31.12.2022 and 31.03.2023 equal respectively to €35m and to €17m. (2) Tax credits for 'superbonuses' €55m and €41.5m respectively as at 31.12.2022 and 31.03.2023.

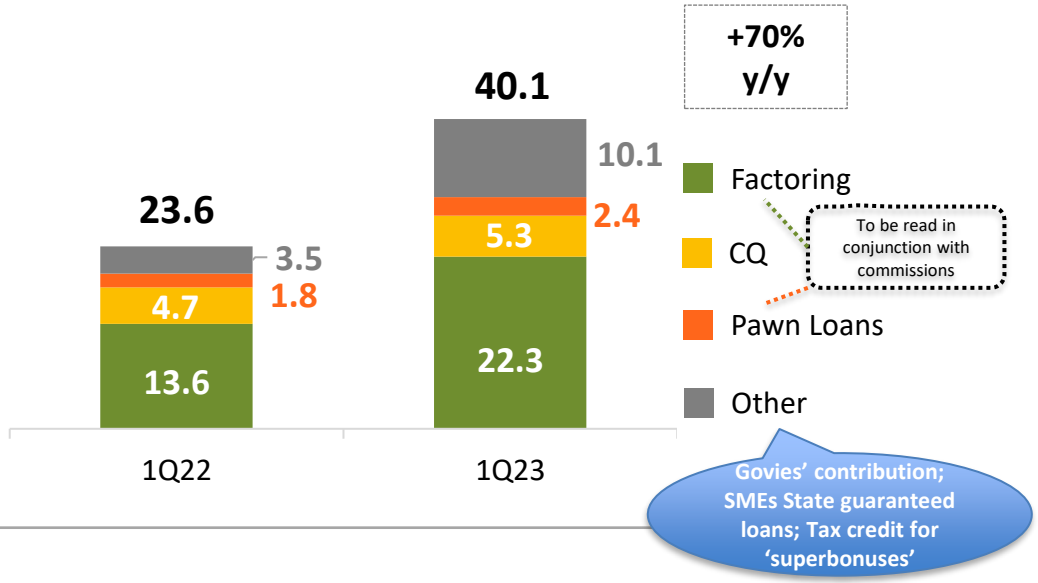
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Well diversified Interest income

- **1Q23 Interest Income up 70% y/y (up q/q), with a higher contribution from factoring (+€8.7m y/y)**
- Factoring represents 56% of Total Interest Income
- Higher contribution y/y by factoring, mainly due to higher **factoring LPIs from legal action** equal to €11.1m (€4.1m in 2022):
  - of which accrual €9.1m (€1.9m in 2022), €3.8m from the update of the reference rate up from 8% to 10.5% (from 1.1.2023), following ECB rate increases
  - of which "extra collection" €2.0m (€2.2m in 2022)
- €10.1m of "Other" interest income in 1Q23 include:
  - €5.8m from Govies' ptf (€0.6m in 1Q22)
  - €2.8m from SMEs State guaranteed loans (€1.5m in 1Q22)
- Increasing Pawn loans contribution +35% y/y
- **Total Adjusted Income margin up y/y and expected to grow further over the next quarters**

Total Interest Income

€m



Adjusted Income margin[1]

	1Q22		1Q23
Total[2]	3.9% €27.2m	4.6% FY22	5.0% €39.0m
Factoring	*4.4% €17.2m*		*5.4% €25.4m*
CQ	*2.1% €4.7m*		*2.3% €5.3m*
Pawn Loans	*16.1% €3.6m*		*18.6% €5.0m*

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 tax credit 'superbonuses' equal to €0.5m and €0.2m respectively in 1Q23 and 1Q22.

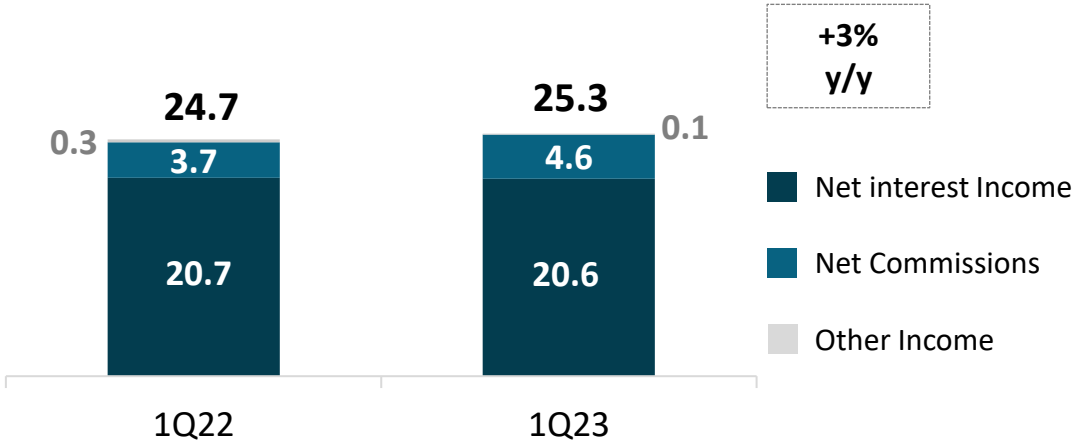
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Total Income slightly lower y/y

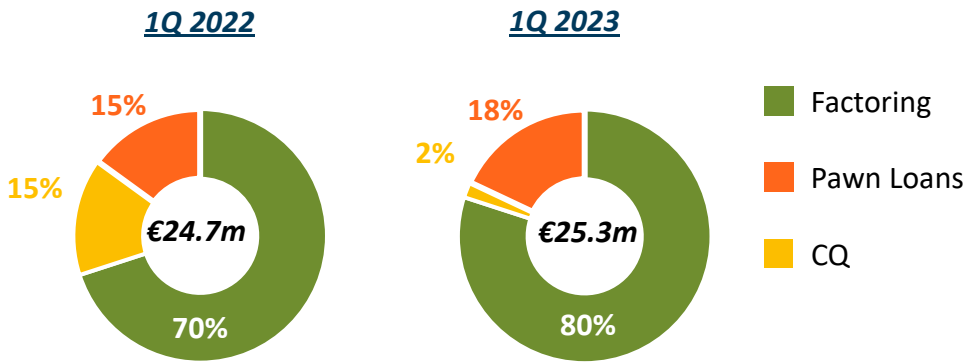
- **1Q23 Total Income up 3% y/y**, due to highet **Net commissions**
- NII stable y/y is driven by the increase in Interest Income, but also Interest Expenses. Total Cost of funding equal to 2% (0.4% FY 2022 and 1.1% in 4Q22)
- **Net Commissions up y/y** substantially due to higher contribution from Pawn loans
- **Other Income down y/y**, includes €0.2m gain from the sale of a factoring ptf in 1Q23 (€0.3m in 1Q22)
- CQ asset contribution, down y/y due to majority of the loan portfolio running at fixed rates set prior to the change of the ECB monetary policy

Total Income

€m



Total Income by Division

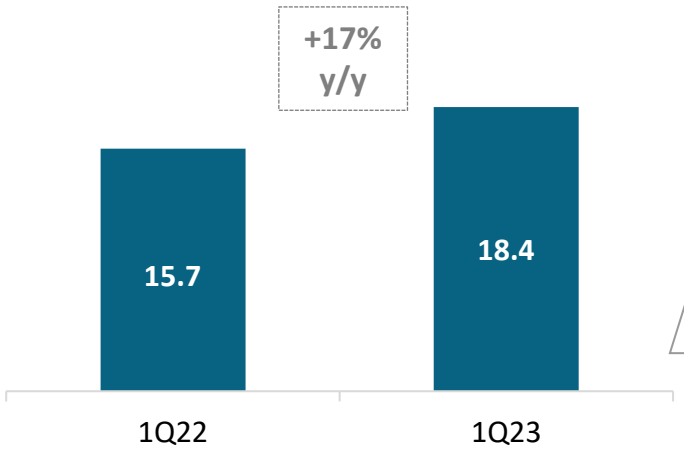


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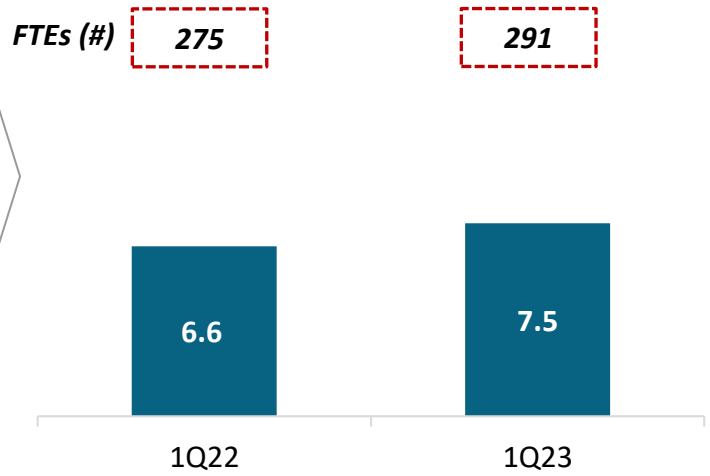
Cost base consolidating

Total Operating Costs

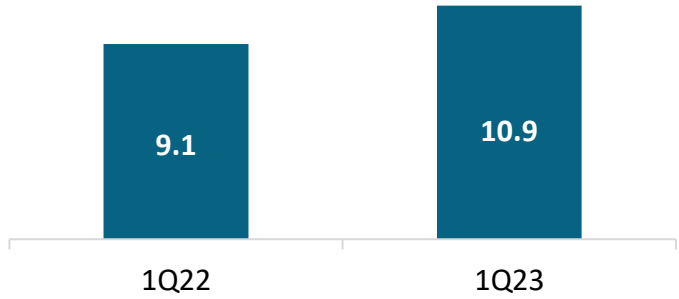
€m



Personnel Expenses

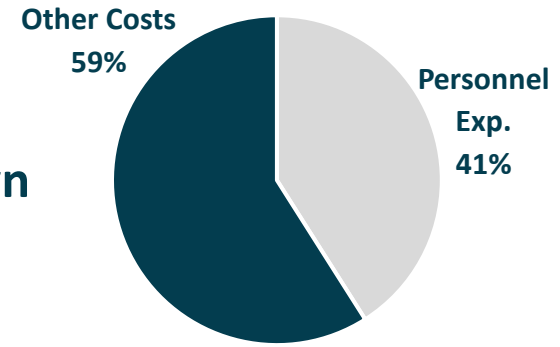


Administrative Expenses, Net Provisions for risk, Other and D&A



- Personnel Expenses up y/y (in 1Q22, €0.7m higher-than-expected release of the bonus relative to 2021)
- All other expenses are up y/y, mainly due to +€1m y/y from Net Provision for risk and higher IT expenses, consolidation of the subsidiarie Art-Rite and PP Greece, Legal costs and marketing

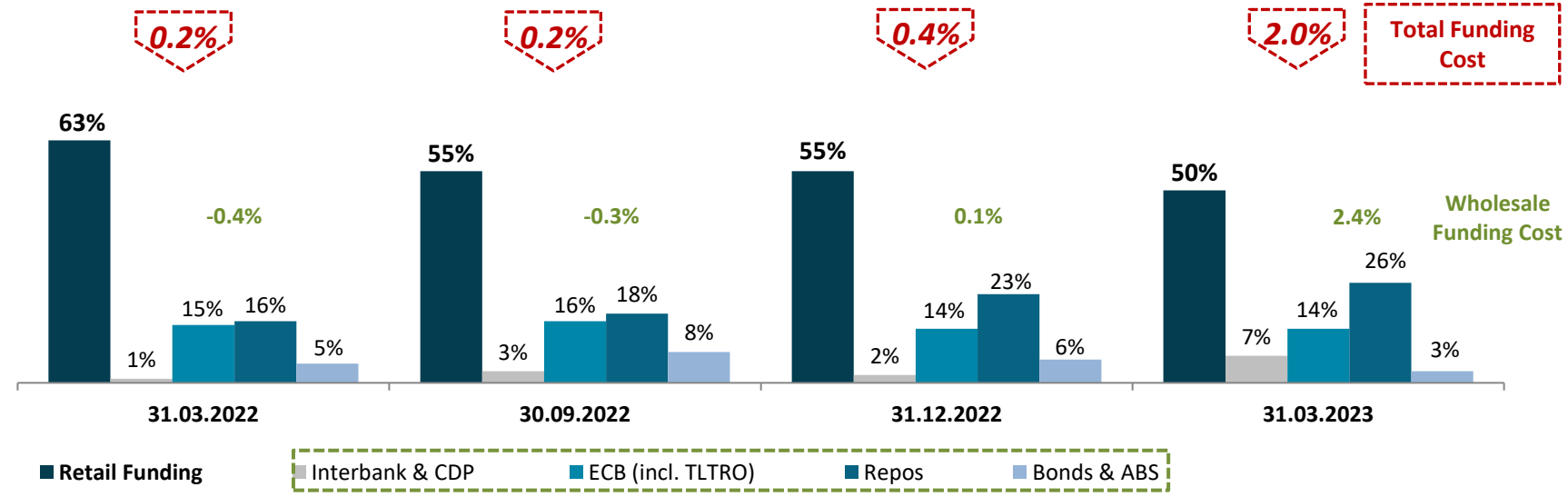
Total Operating Costs Breakdown



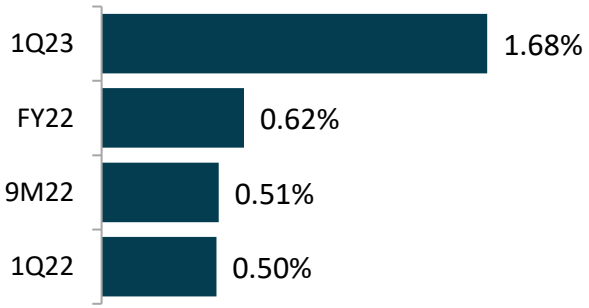
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Higher funding cost y/y

Total Funding breakdown

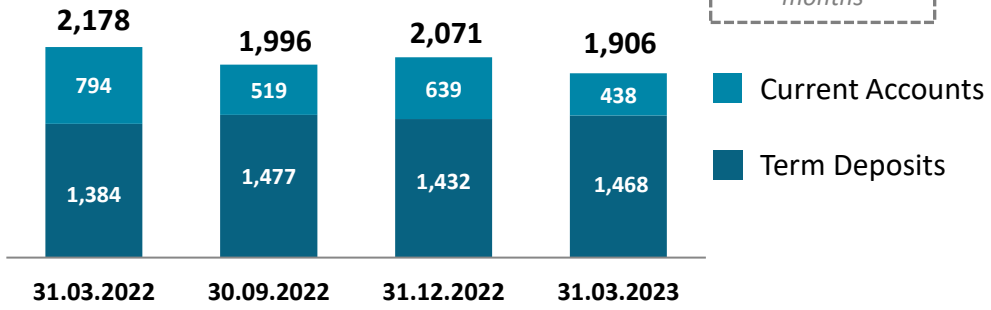


Retail Funding Cost



Retail Funding

€m



Average residual maturity of deposits is c.12 months

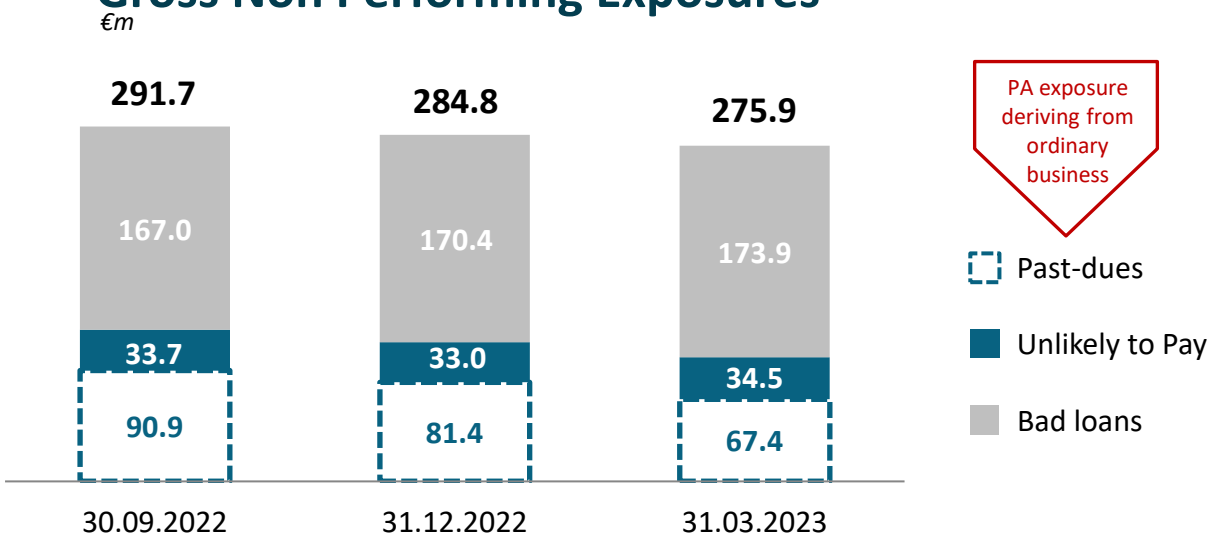
- Cost of funding up y/y and q/q
- Wholesale component q/q change is due mainly to higher Interbanking and Repos related to Govies' ptf slight increase, more than compensated a decrease of the collateralized funding (Tax receivables ABS)
- Wholesale funding cost is expected to increase also next two quarters, in line with the rise in market interest rates
- Retail Funding q/q change is driven by current accounts decrease from corporates
- We have raised the interest rates offered on Retail term deposits, both in Italy and abroad (online platforms/agreements)
- Within Retail funding our focus is to decrease the weight of funding from corporates and to replace it with term deposits from individuals

Note: CDP stands for Cassa Depositi e Prestiti SpA.

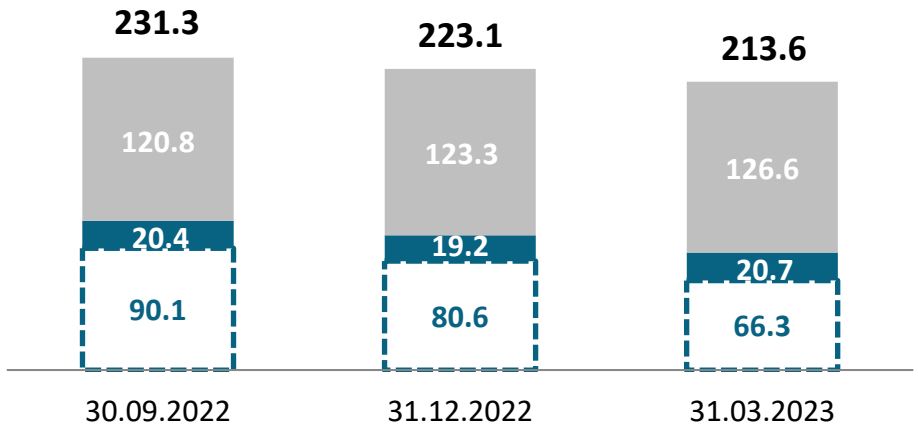
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Asset Quality driven by factoring business

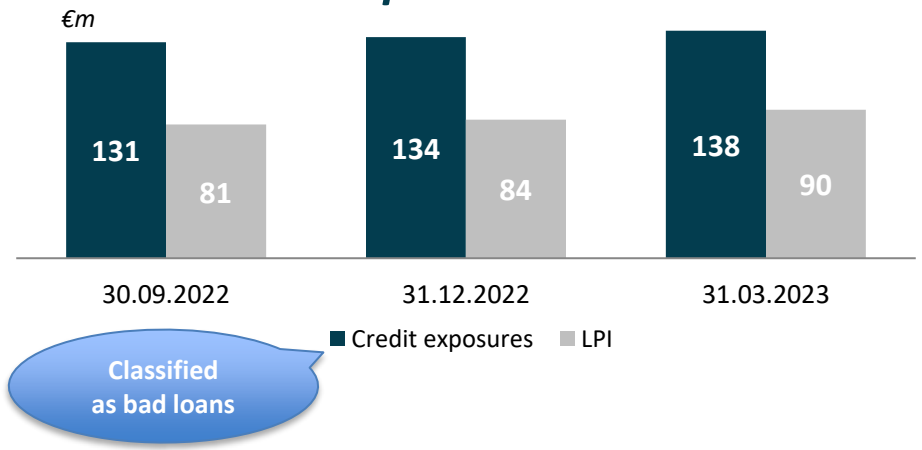
Gross Non Performing Exposures



Net Non Performing Exposures



Exposure to Municipality in Conservatorship & related LPI stock

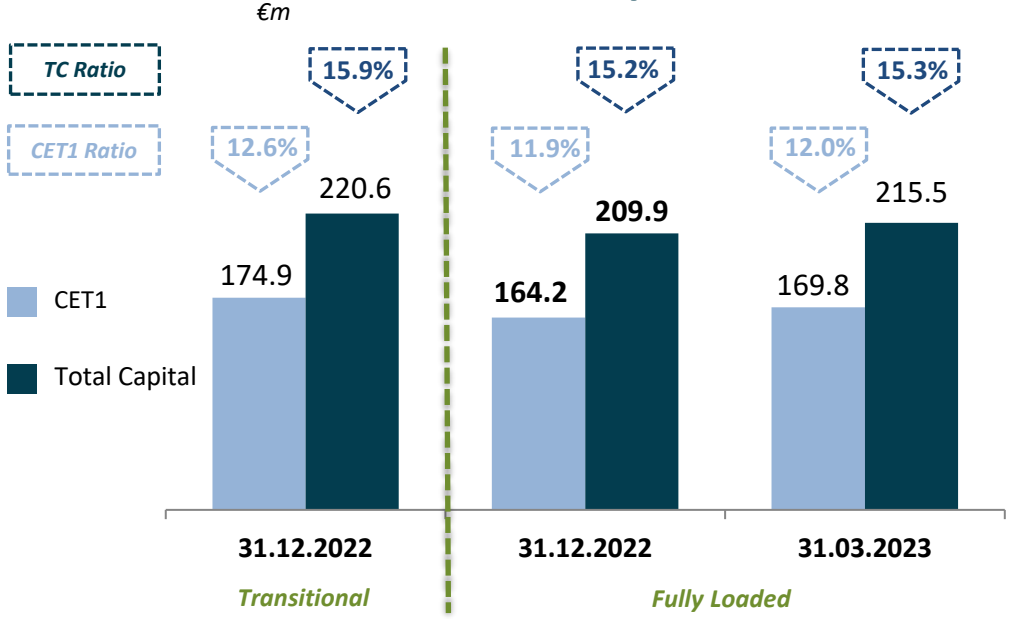


- Gross Non Performing Exposures down q/q
- Past-dues decrease q/q, due to factoring ordinary delay, has more than compensated bad loan slight q/q increase
- Cost of credit risk stands at 15bps (29bps in 2022)

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Regulatory Capital above minimum requirements

CET1 and Total Capital(1)

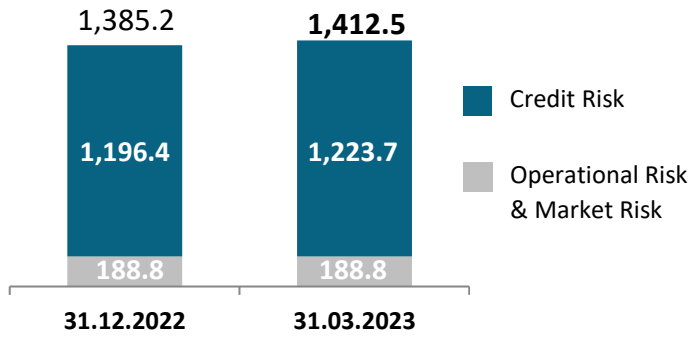


Fully Loaded - CET1 and Total Capital as at 31.03.2023 include -€21.4m 'Held to Collect and Sell' reserve from Govies' ptf

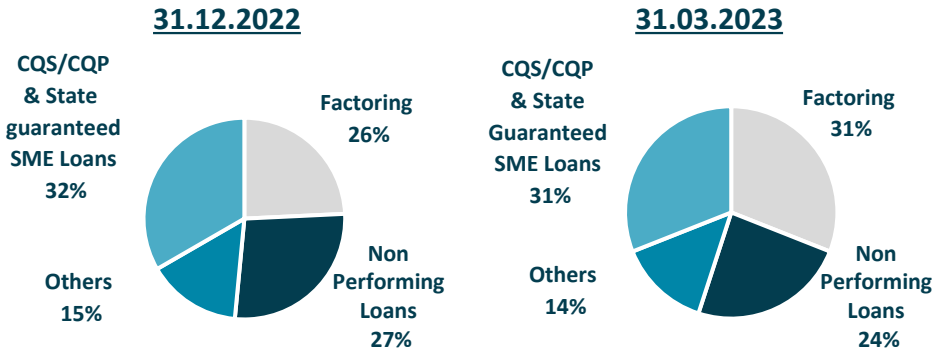
Q/q credit RWA increase is driven by factoring business (mainly by higher exposures to Corporates)

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

RWA breakdown



RWA – Credit Risk



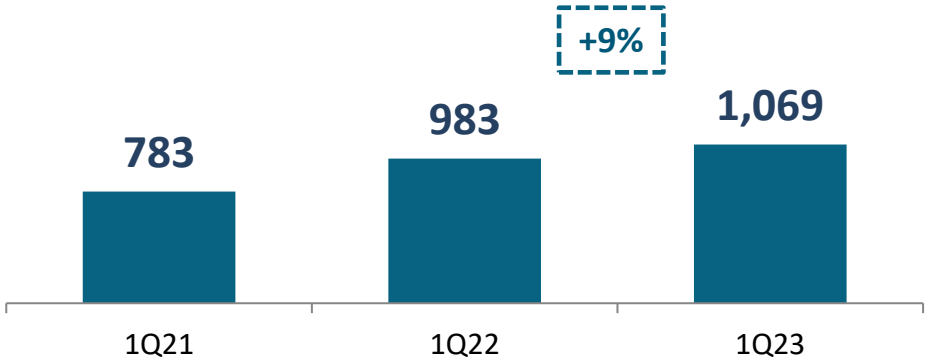
Note: (1) Transitional CET1 and Total Capital, following CRR directive (including art.468).

Annexes

Factoring Turnover

Factoring Turnover

€m

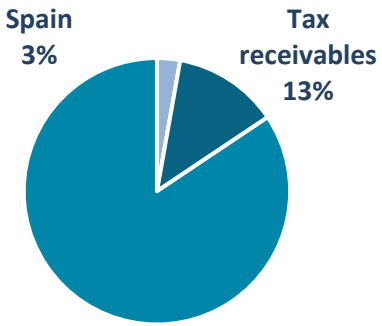


+32% y/y ex. Tax Receivables

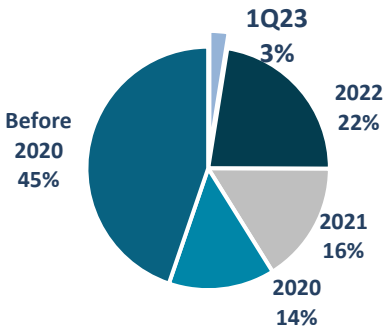
Turnover generated by agreements with Italian Retail banks: 11% in 1Q2023

1Q23 Factoring Turnover breakdown

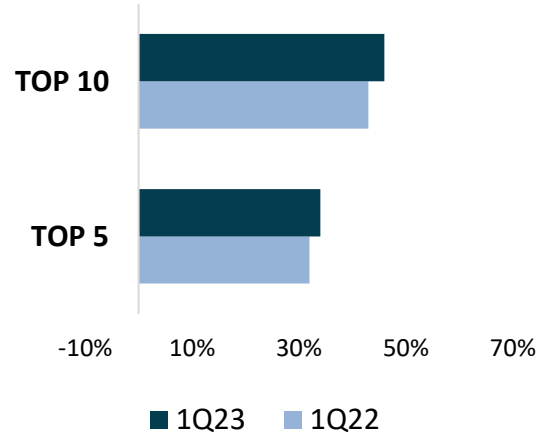
By Type



By Year of Customer's Acquisition



Customer Concentration

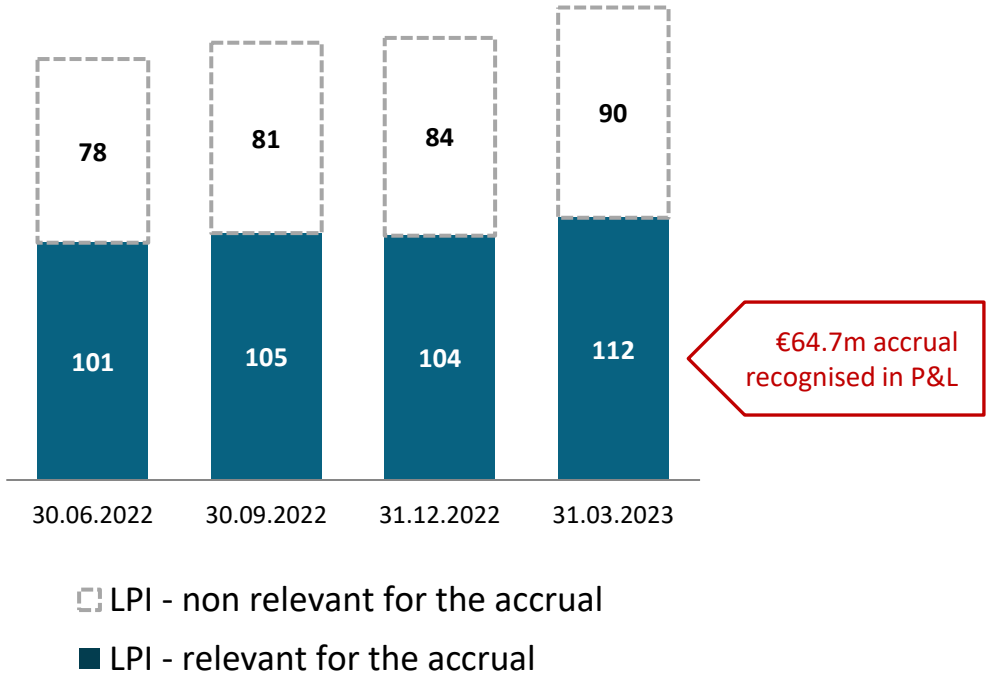


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Late Payment Interest

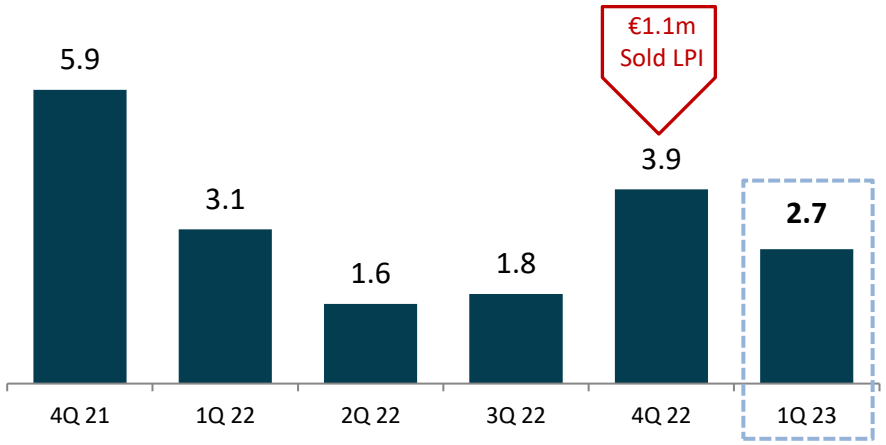
Due LPI Stock – Assets in legal action

€m



Total collected cashed-in LPI(1)

€m



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

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1Q23 – Income Statement

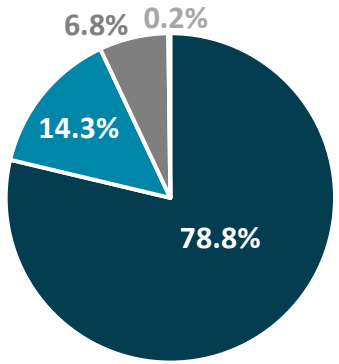
Figures in millions of Euro

	1Q 2022	4Q 2022	1Q 2023	1Q 23 vs 1Q 22 change in %
Interest income	23.6	27.1	40.1	70%
Interest expenses	(2.9)	(7.1)	(19.5)	nm
Net interest income	**20.7**	**20.0**	**20.6**	0%
Commission income	7.5	7.7	7.7	2%
Commission expenses	(3.8)	(3.3)	(3.1)	-19%
Net commission	**3.7**	**4.4**	**4.6**	**25%**
Net income from trading	-	(0.0)	(0.3)	nm
Net income from disposal/repurchase assets:	0.3	0.6	0.3	-9%
a) measured at amortised cost	0.3	0.6	0.2	-37%
b) measured at fair value through other comprehensive income	-	-	0.1	nm
Total income	**24.7**	**25.0**	**25.2**	**2%**
Net impairment losses on loans	(2.3)	(2.2)	(1.0)	-57%
Net operating income	**22.4**	**22.8**	**24.2**	**8.1%**
Personnel expenses	(6.6)	(5.4)	(7.5)	14%
Other expenses	(9.1)	(11.8)	(10.9)	20%
Operating expenses	**(15.7)**	**(17.2)**	**(18.4)**	**18%**
Profits from equity investments	(0.0)	0.7	(0.01)	-72%
Pre-tax profit from continuing operations	**6.7**	**6.2**	**5.8**	**-13%**
Taxes on income for the period/year from continuing operations	(2.1)	(1.9)	(2.0)	-7%
Profit after tax from discontinued operations	(0.0)	0.0	-	-100%
Profit (loss) for the year/period	**4.5**	**4.3**	**3.8**	**-16%**
Minority interests	(0.1)	(0.1)	(0.1)	-29%
Profit (loss) for the year/period attributable to the shareholders of the Parent	**4.4**	**4.2**	**3.7**	**-16%**

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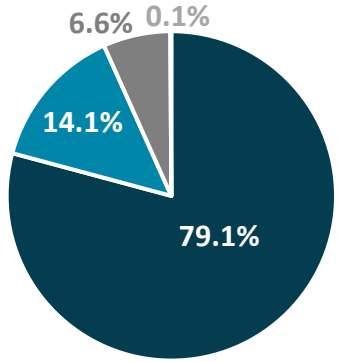
Asset Quality

Gross Bad loans



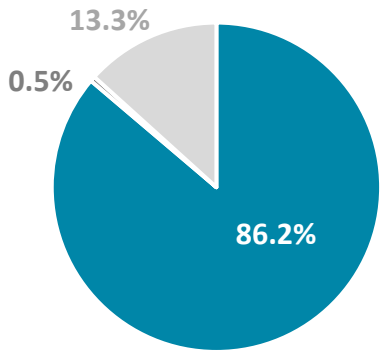
31.12.2022

- Conservatorships (factoring)
- Factoring
- SME State Guarantee Loans
- Other

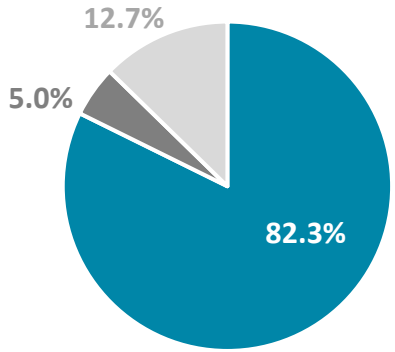


31.03.2023

Gross Unlikely to Pay



31.12.2022



31.03.2023

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