BANCA SISTEMA

GROUP PROFILE

SEPTEMBER 2023



Agenda



- **Banca Sistema Overview**



- **1H23 Results**
- **Annexes**

BANCA SISTEMA

Among the top Italian specialty finance

Who we are

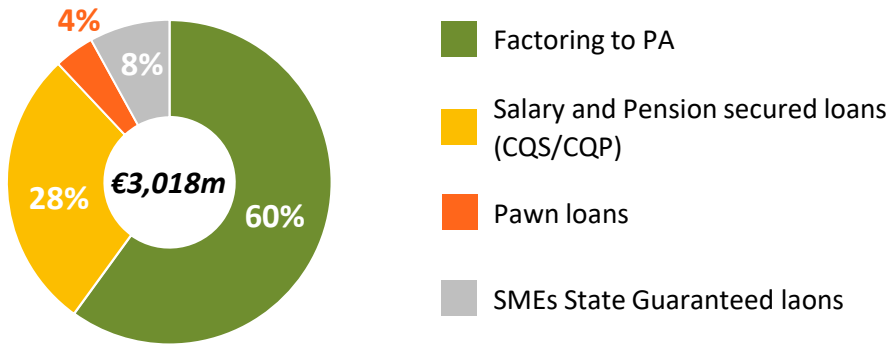
- Independent and diversified specialty finance player in Italy
- Established in 2011 (HQ in Milan), IPO in 2015
- Serving more than 400 corporates in **Factoring**, 50k customers in **CQ** and ~36k customers in **Pawn loans**
- Total funds: 57% Retail/ 43% Wholesale
- 297 workforce

Mission

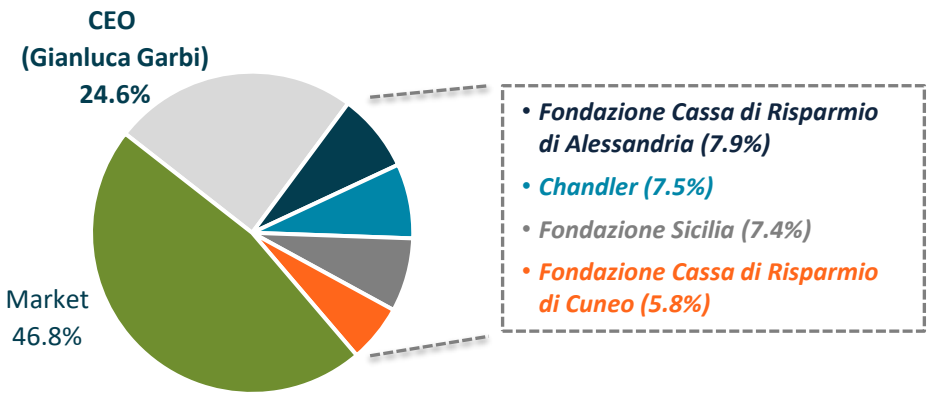
The Group's primary objectives include meeting the financial demands of corporate, by promoting efficiency and acting as a link between the public and private sectors, in addition to providing individuals access to an advanced, easy and readily-accessible banking world that is attentive to the needs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

Customer loans

(30.06.2023)



Shareholders



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

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Factoring represents 60% 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

€2,477m 1H23 Turnover, +18% 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 30 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 [ECB rate + 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:

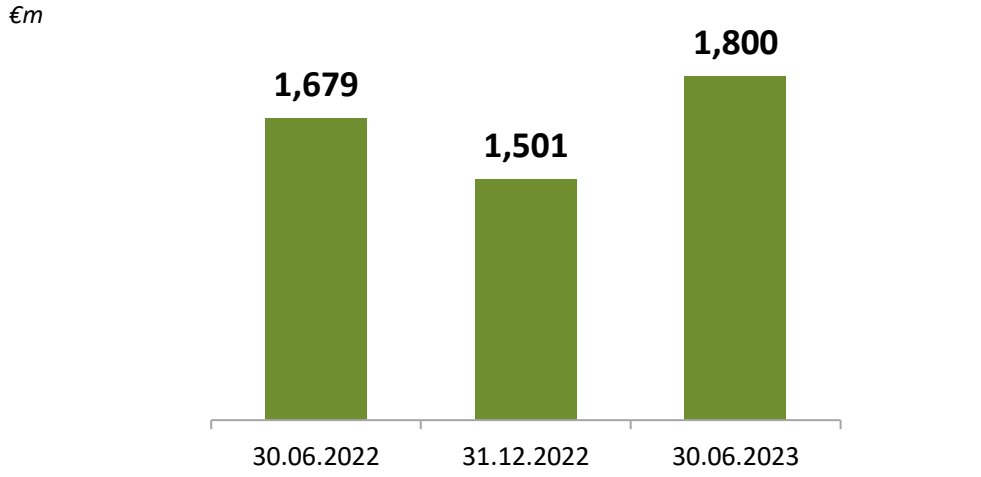
- Extrajudicial collection: 13 headcount and 11 external field collectors
- Judicial collection: 14 headcount and 24 Law firms

Low risk counterparty exposure

The majority of our credit exposure is towards the Italian Public Administration, 77% of the outstanding as at 30.06.2023 equal to **€1,973m**, with low risk underlying credit exposure comparable to a Government Bond

Note: Assifact: market figures source.

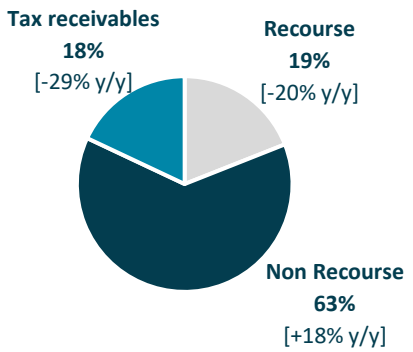
Factoring custormer loans



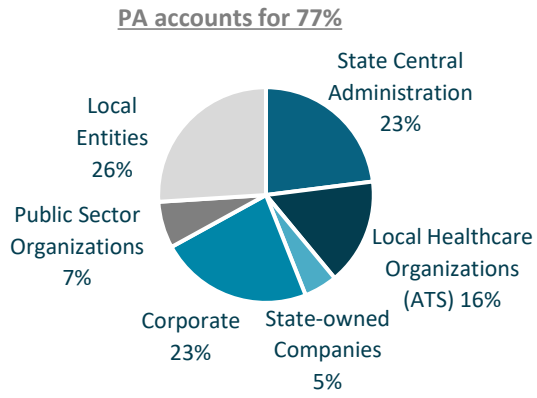
Total Factoring to PA in Italy was €8.5bn as at 31.12.2022 (€8.6bn as at 31.12.2021)

Outstanding breakdown (30.06.2023)

By Type of Product



By Obligor



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CQ represents 28% 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

1H23 €77m Turnover

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

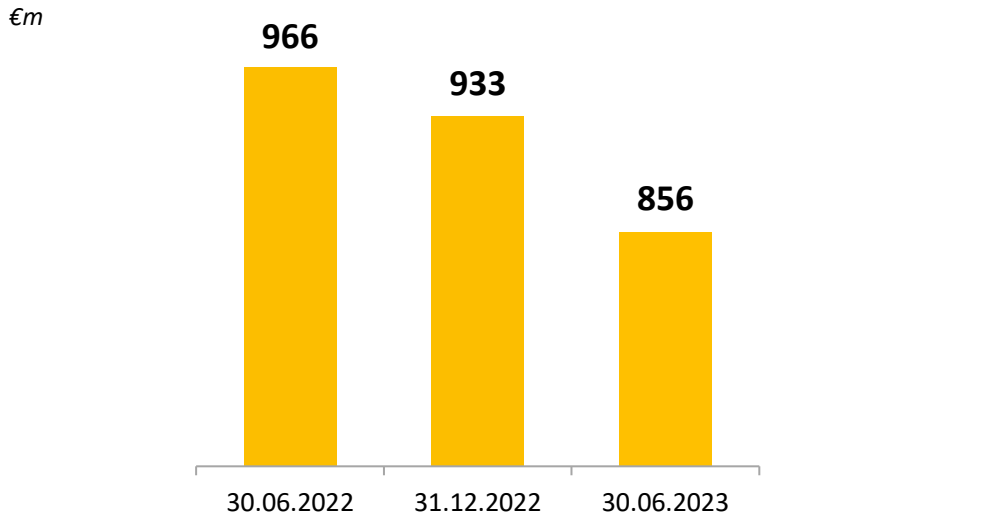
CQS/CQP typically incur very low PD and almost 0% LGD also thanks to the insurance

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)

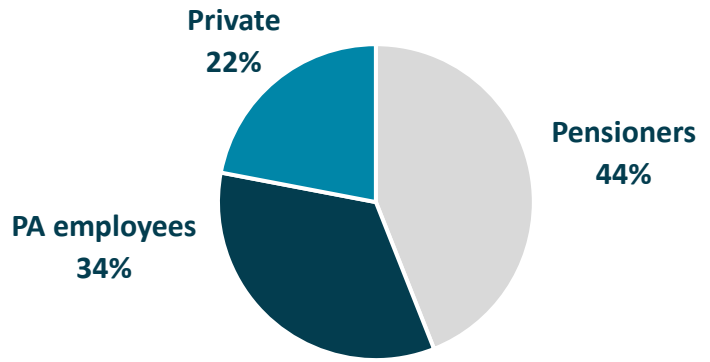
Note: Assofin, market figures source.

CQ customer loans



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

Outstanding breakdown by Type (30.06.2023)



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Pawn loans high Income margin

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 1H23 (including renewals): €99m (€89m 1H22)**
- **#25 auctions in 1H23, with > 95% of the offers through the APP, DigitalPegno**

Operations

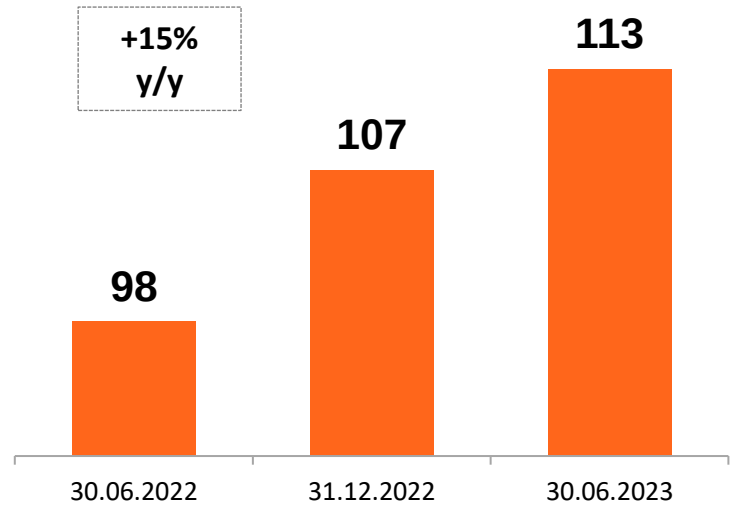
- First dedicated branch opened in Milan (02.2017)
- Other dedicated branches: Turin, Rome, Naples, Florence, Parma, Brescia, Palermo, Pisa, Rimini, Asti, Mestre, Livornio and Civitavecchia
- Acquisition of small loan ptf (2018, 2019, 2020 and 2022)
- Dedicated company: Kruso Kapital
- Acquisition of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

~78% Loan To Value

1H23 Income margin 19%

~40% of the new Volume are renewed

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Agenda



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1H 2023 Results at a Glance

Commercial performance

- **Factoring** turnover +18% y/y equal to €2,477m
- **CQ** outstanding at €856m, slightly lower y/y
- **Pawn loans** outstanding at €113m, +15% y/y
- **SMEs State guaranteed loans** outstanding equal to €249m

P&L

- **Net Interest Income** equal to €35.8m, **down y/y**
- **Higher funding cost y/y at 2.4%**
- **Total Income** equal to €49.4m, **-**10% y/y
- **Lower Cost of risk y/y at 19bps**
- **Total operating costs equal to €35m**, up y/y
- **Net income equal to €7.5m**

Balance Sheet

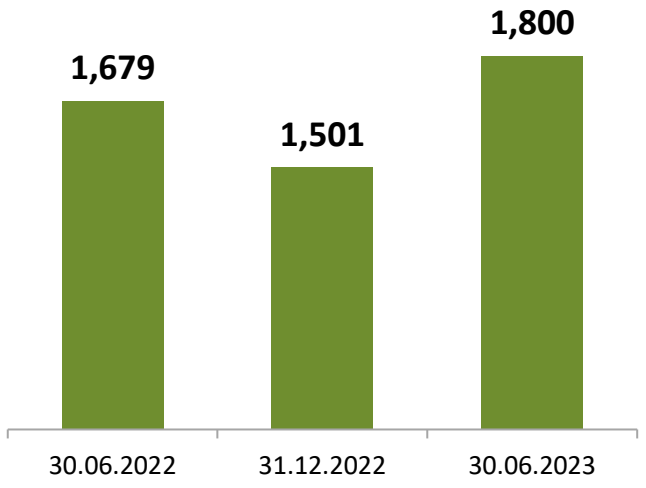
- **Wholesale funding component down q/q** (43% of Total Funds)
- Total assets equal to ~€4.6bn, up q/q
- **Potential sale of HTC Govies' ptf: €666m, with an unrealized profit of €5.4m at market closing on 27.7.2023**
- CET1 ratio at 11.9% and TC ratio at 15.0%**, ex. HTCS reserve respectively 13.3% and 16.5%**

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Factoring commercial performance

Factoring - Customer loans

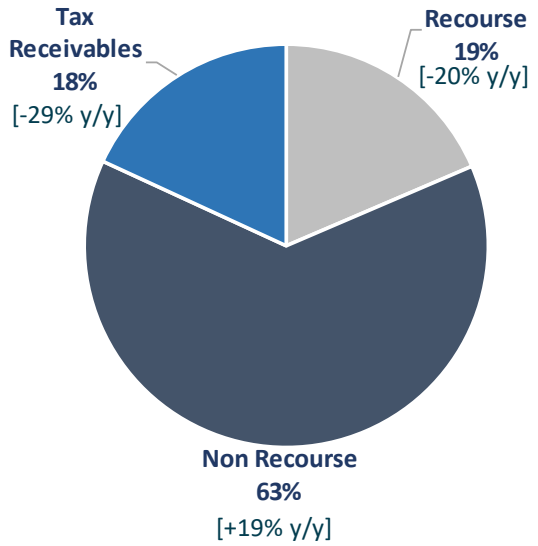
€m



Outstanding breakdown (30.06.2023)

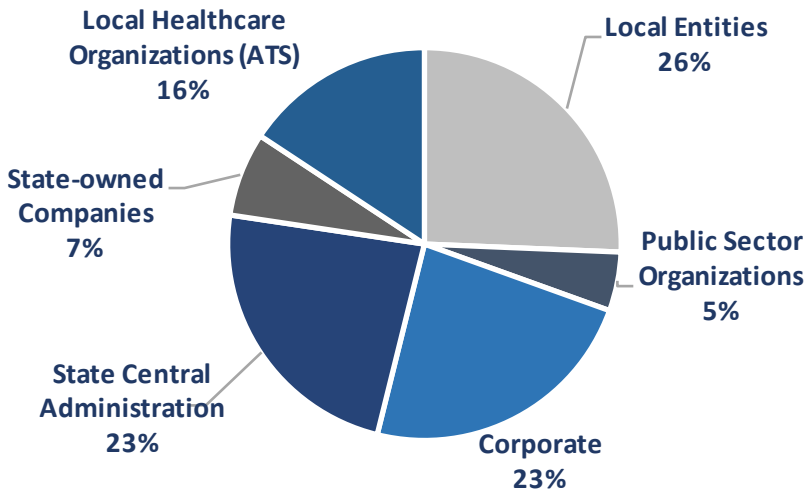
€1,937m

By Type of Product



By Obligor

PA accounts for 77%

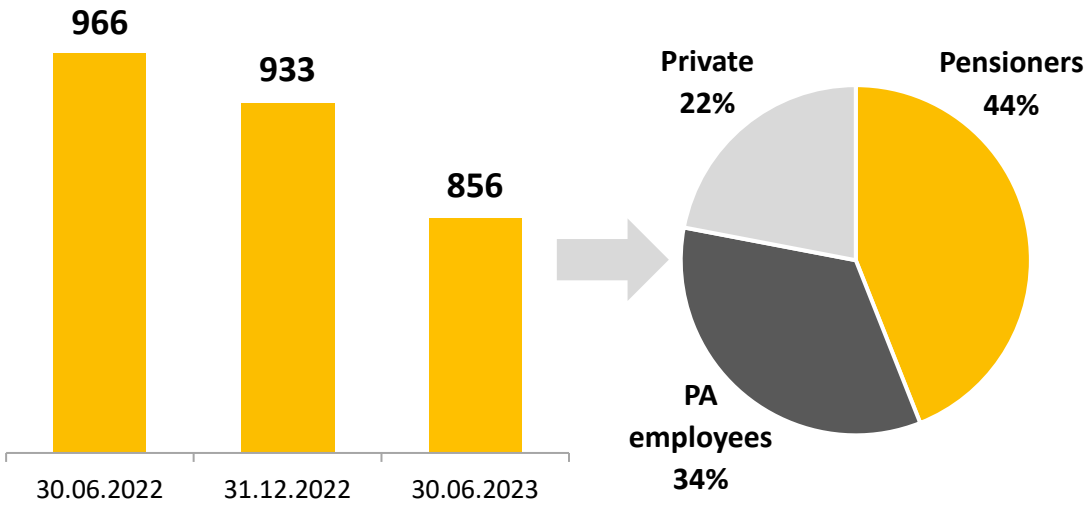


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CQ and Pawn loans commercial performance

CQ loans outstanding

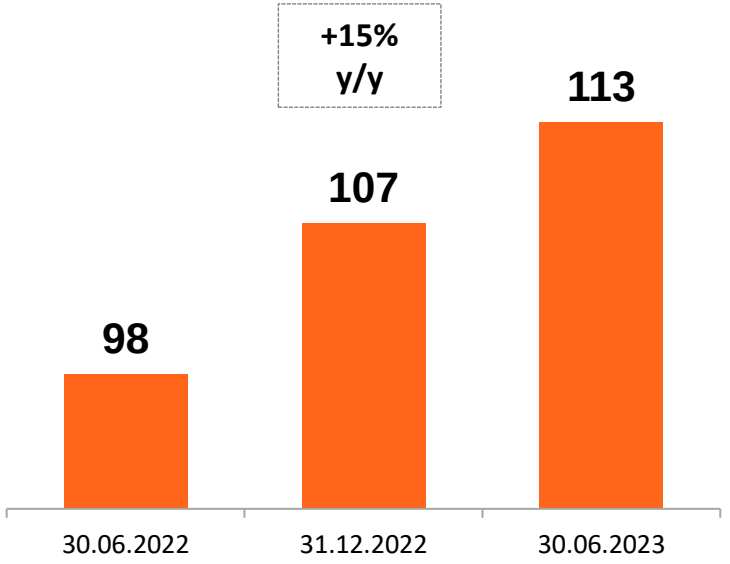
€m



- **€77m turnover in 1H23 (€215m in 1H22)**

Pawn Loans outstanding

€m



- **~66k contracts**
- **Total turnover in 1H23 (including renewals): €99m (€89m in 1H22)**
- **#25 auctions in 1H23, with > 95% of the offers through the APP, DigitalPegno**

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Figures in millions of Euro

	31.12.2022	31.03.2023	30.06.2023	Change in % 30.06.2023 vs 31.12.2022
ASSETS				
Cash and cash equivalents	127	53	171	35%
Financial assets at fair value through Other Comprehensive Income **[Held to Collect and Sell]**	558	563	563	1%
Loans at amortized cost	**2,850**	**2,912**	**3,068**	**8%**
Factoring	***1,501***	***1,576***	***1,800***	***20%***
CQ	***933***	***903***	***856***	***-8%***
Pawn loans	***107***	***109***	***112***	***5%***
SMEs State Guaranteed loans	*197*	*190*	*249*	*26%*
Other [1]	*112*	*135*	*51*	*-55%*
Securities at amortized cost **[Held to Collect]**	681	*686*	*651*	*-4%*
Tangible and Intangible assets	78	77	77	-1%
Goodwill	*34*	*34*	*34*	*0%*
Equity investments	1	1	1	-2%
Other assets [2]	103	100	109	6%
Total assets	**4,397**	**4,391**	**4,640**	**5.5%**
LIABILITIES AND EQUITY				
Due to banks	**623**	**931**	**942**	**51%**
of which ECB exposure	*538*	*541*	*545*	*1%*
Due to customers	**3,056**	**2,829**	**3,017**	**-1%**
of which term deposits	*1,432*	*1,444*	*1,819*	*27%*
of which current accounts	*639*	*438*	*488*	*-24%*
Debt securities issued	238	115	175	-27%
Other liabilities	224	253	246	10%
Shareholders Equity	**256**	**263**	**260**	**2%**
Total liabilities and equity	**4,397**	**4,391**	**4,640**	**5.5%**

1H23 – Balance Sheet

- **Govies' portfolio (€1,208.6m) slightly down q/q**, with an average duration of 15.3 months (18.4 months as at 31.12.2022), exclusively Italian Governament bonds:
  - €557.3m 'Held to Collect and Sell', slightly up vs year-end, with an average duration of 19.8 months
  - €651.3m 'Held to Collect', slightly up q/q and vs year-end, with an average duration of 11.6 months
- **Loans at amortized cost up q/q (€3,068m**):
  - **Factoring receivables** at €1.8bn up q/q
  - **CQ loans down q/q**, following the sale of a ptf in June 2023 (€35m)
  - **Pawn Loans up** thanks to organic growth
- **Due to customers** q/q increase is driven by the increase of term deposits, that has more than compensated the decrease of Repos
- **Debt securities** q/q increase is driven by higher structured funding

Note: (1) The item include "Loans to banks" respectively as at 31.12.2022, 31.03.2023 and 30.06.2023 equal respectively to €35m, to €17m and to €1m. (2) Tax credits for 'superbonuses' €55m, €41.5m and €49.1m respectively as at 31.12.2022, 31.03.2023 and 30.06.2023.

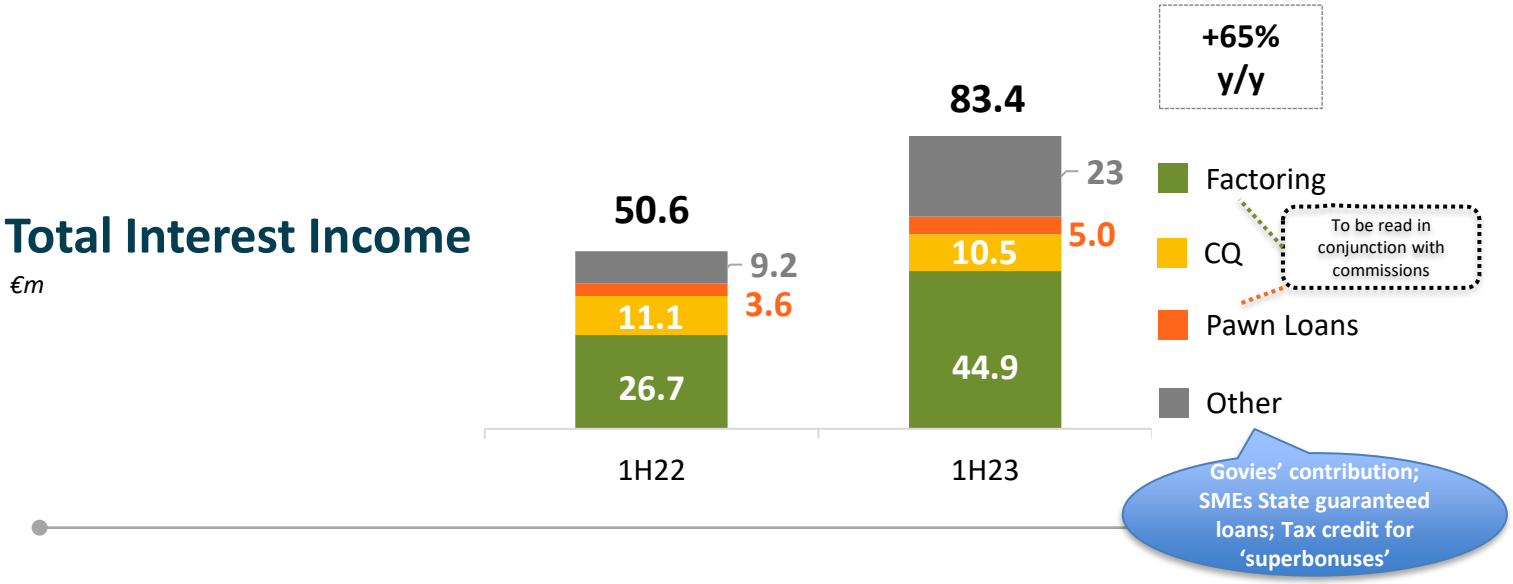
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Well diversified Interest income

- **1H23 Interest Income up 65% y/y (up q/q), with a higher contribution from factoring (+€18.2m y/y)**
- Factoring represents 54% of Total Interest Income
- Higher contribution y/y by factoring, mainly due to higher **factoring LPIs from legal action** equal to €20.0m (€6.8m in 2022):
  - of which accrual €16.4m (€3.0m in 2022), €4.2m from the update of the reference rate up from 8% to 10.5% (from 1.1.2023), following ECB rate increases (and 12% from 1.7.2023 to31.12.2023) and €1.7m for the accrual of the "€40 per invoice" compensation claims
  - of which "extra collection" €3.6m (€3.8m in 2022)
- €23m of "Other" interest income in 1H23 include:
  - €13.2m from Govies' ptf (€1.3m in 1H22)
  - €6.2m from SMEs State guaranteed loans (€3.1m in 1H22)
- Increasing Pawn loans contribution +39% 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]

	1H22		1H23
Total[2]	4.0% €56.3m		5.4% €81.5m
Factoring	*4.3% €34.2m*	4.6% FY22	*5.9% €52.1m*
CQ	*2.3% €11m*		*2.6% €11.6m*
Pawn Loans	*15.9% €7.4m*		*19.0% €10.3m*

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 €1.2m and €0.6m respectively in 1H23 and 1H22.

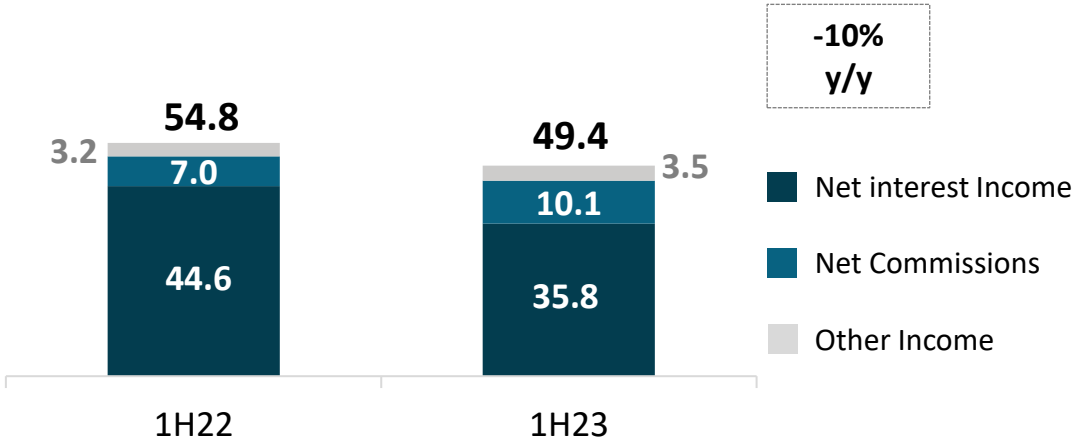
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Total Income lower y/y

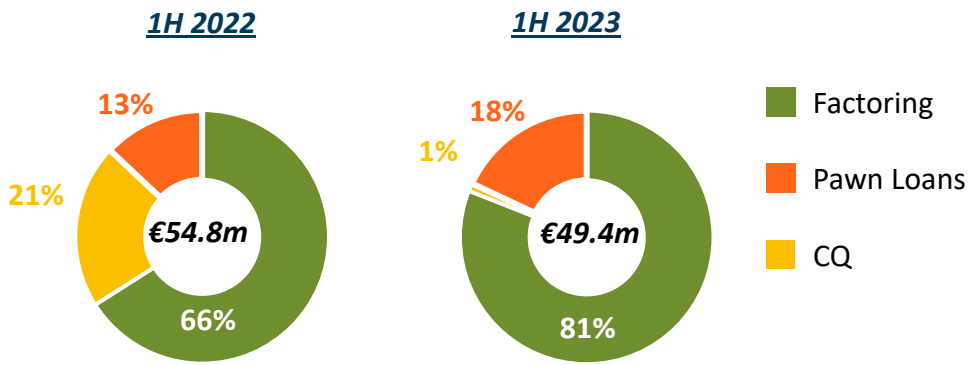
- **1H23 Total Income down 10% y/y**, due to lower **Net Interest Margin**
- NII decrease y/y is driven by higher Interest Expenses (+€41.6m y/y), following an increase of the funding cost equal to 2.4% in 1H23, 1Q23 2.0% and 2Q23 2.9% (0.4% FY 2022)
- **Net Commissions up y/y (+45%)** due to Pawn loan business and impact on CQ commission expenses in 2Q22
- **Other Income down y/y**, includes €0.9m gain from the sale of a factoring ptf in 1H23 (€1.3m in 1H22) and €1.1m gain from the sale of a CQ ptf in 2Q23 (€1.5m in 1H22)
- CQ asset contribution, negative 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

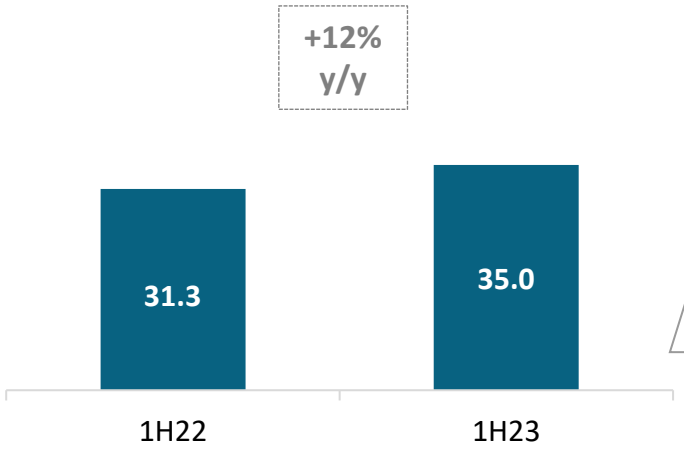


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Cost base consolidating

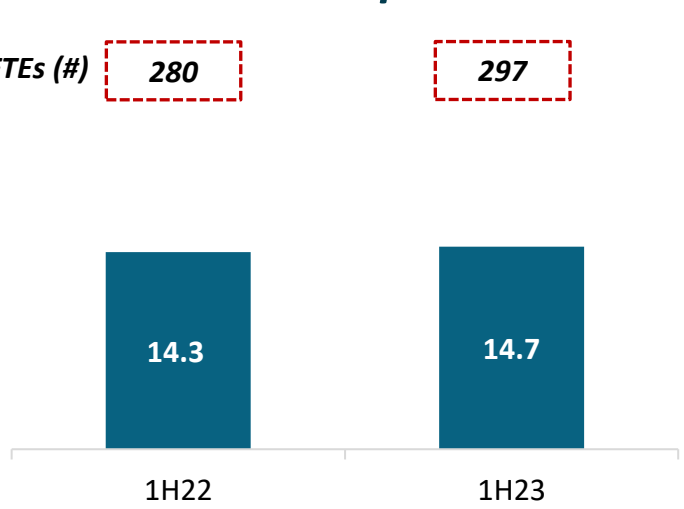
Total Operating Costs

€m

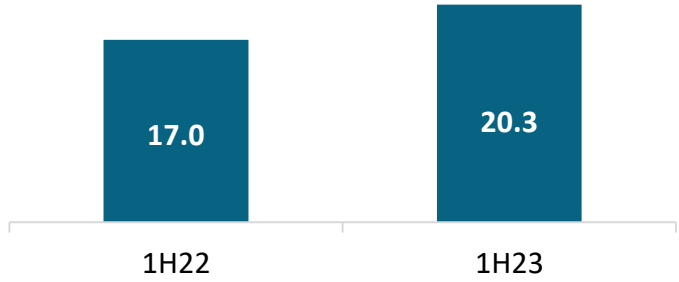


Personnel Expenses

FTEs (#) *280* *297*

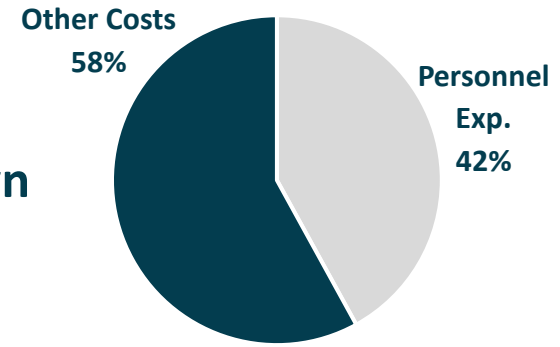


Administrative Expenses, Net Provisions for risk, Other and D&A



- Personnel Expenses up y/y (in 1H22, €1.0m higher-than-expected release of the bonus relative to 2021)
- All other expenses are up y/y, mainly due to +€3.2m y/y from Net Provision for risk and higher IT expenses, consolidation of the subsidiarie Art-Rite and PP Greece, Legal costs and marketing

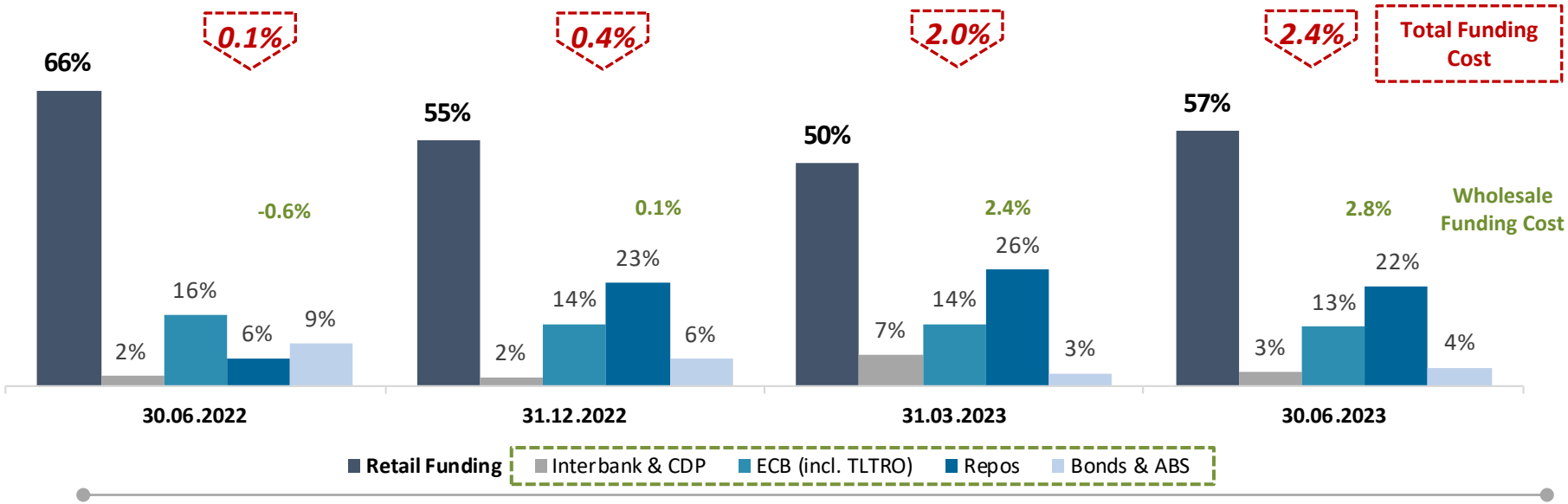
Total Operating Costs Breakdown



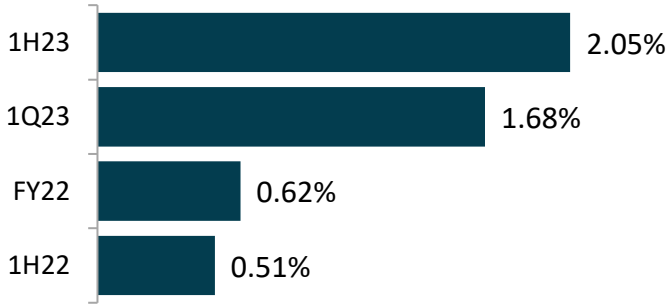
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Higher funding cost y/y

Total Funding breakdown



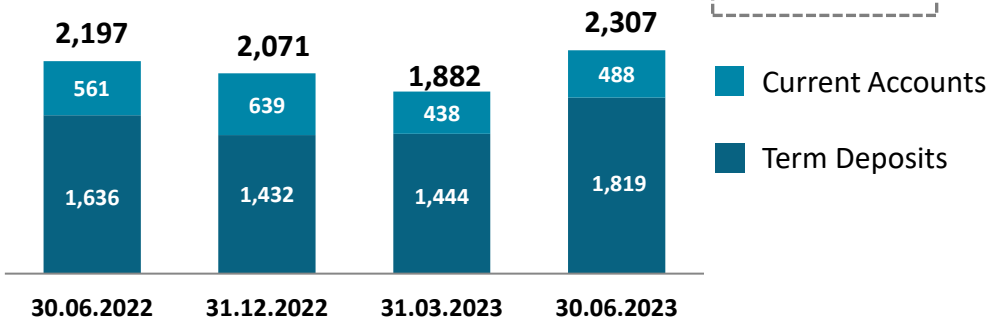
Retail Funding Cost



Retail Funding

€m

Average residual maturity of deposits is c.15 months



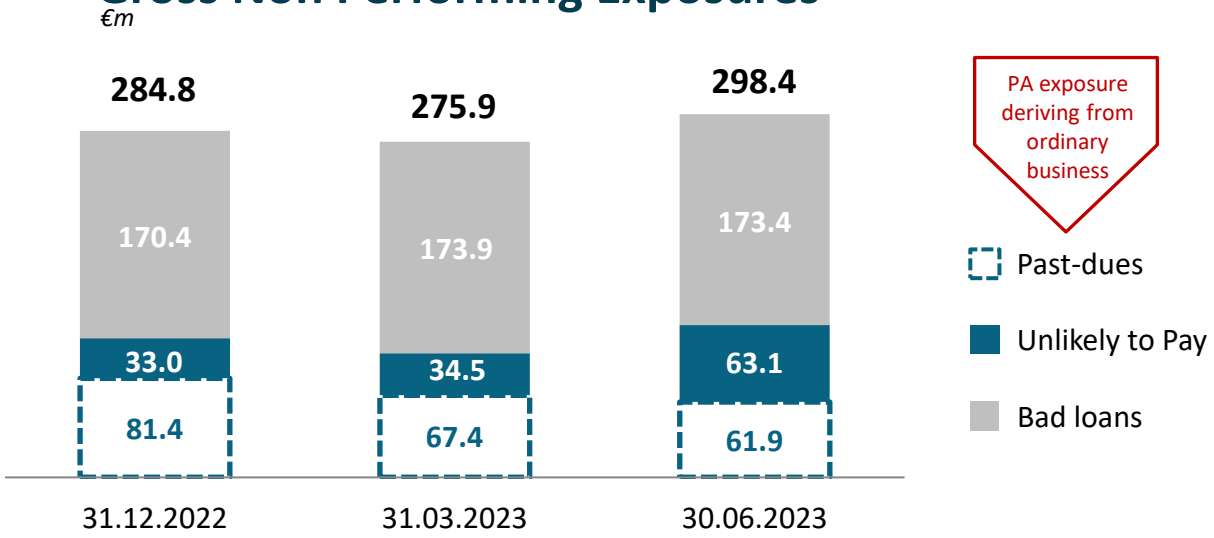
Note: CDP stands for Cassa Depositi e Prestiti SpA.

- Cost of funding up y/y and q/q
- Wholesale component q/q change is due mainly to lower Interbanking, not totally compensated by higher 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 the strong growth of term deposits in particular through on line platform, that allow to build a funding base more stable and with a longer residual maturity (from 12 months to 15 months), but unfortunately with a higher cost
- Average funding cost in 2Q23 is 2.8% (vs 2.4% in 1H23), consequently we expect a further increase in the next 2 quarters of the funding cost for the entire period

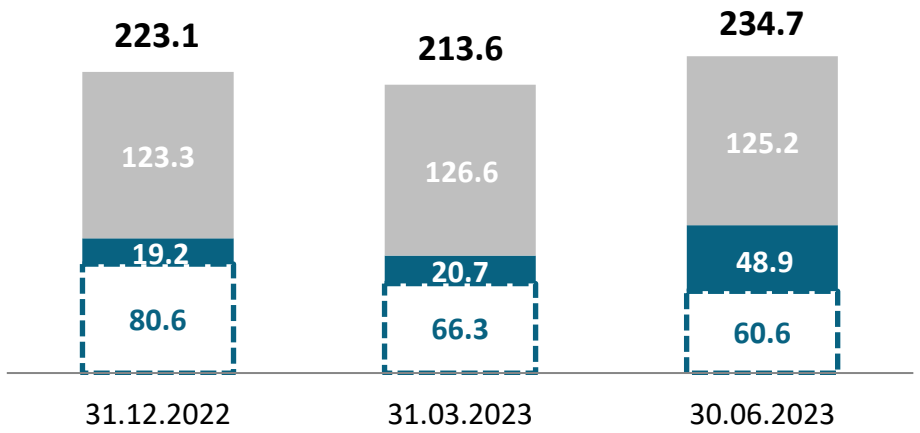
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Asset Quality driven by factoring business

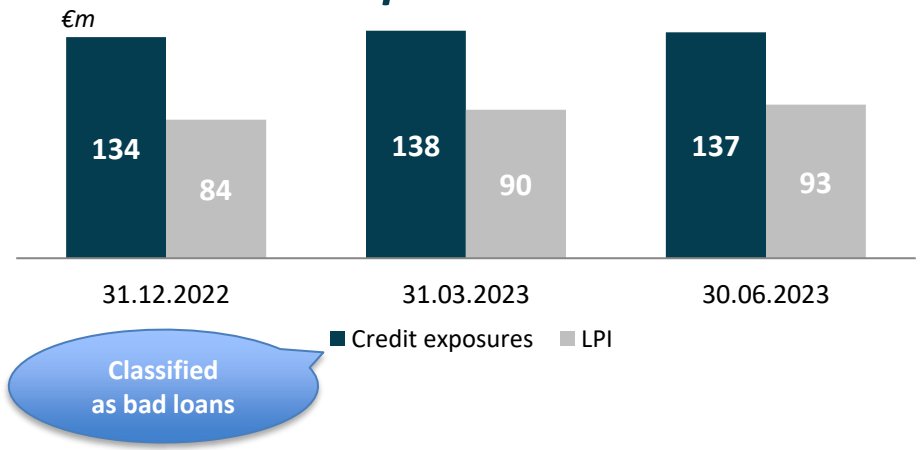
Gross Non Performing Exposures



Net Non Performing Exposures



Exposure to Municipality in Conservatorship & related LPI stock

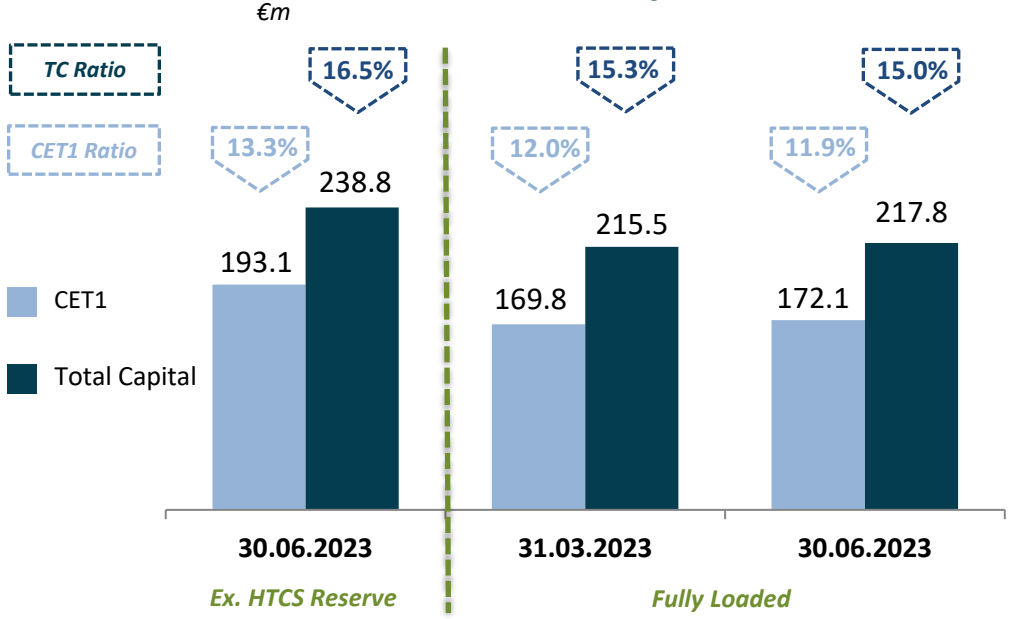


- Gross Non Performing Exposures up q/q
- Past-dues decrease q/q, due to factoring ordinary delay, has not compensated UtP q/q increase
- Cost of credit risk stands at 19bps (29bps in 2022)

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Regulatory Capital above minimum requirements

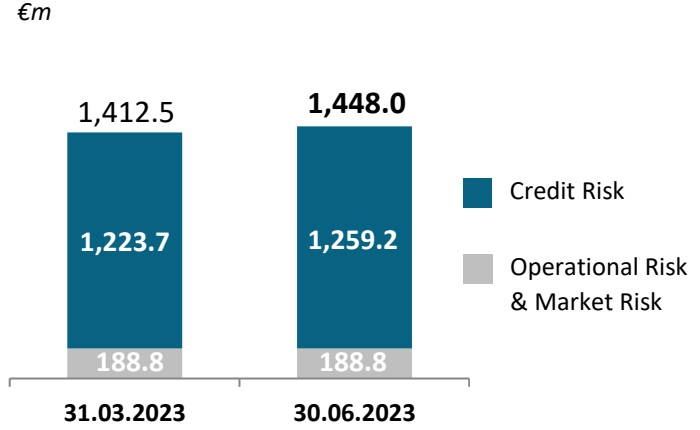
CET1 and Total Capital



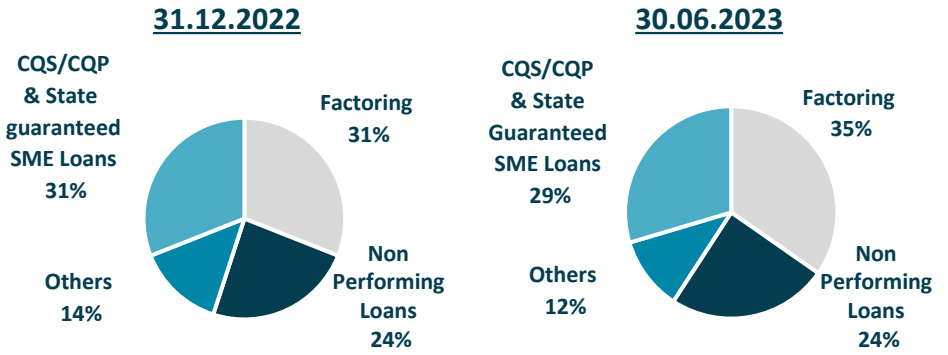
2022 SREP requirements:

- ***CET1 ratio 9.0%***
- ***TCR 12.5%***

RWA breakdown



RWA – Credit Risk



Among the various changes that are part of a package of reforms to Basel III regulations, the neutralization of all or part of the "HTCS reserve" on Govies' ptf was approved at a European Trilogue meeting. This change will come into effect with publication in the Official Journal predictably by the end of 2023. Assuming a full neutralization of the "HTCS reserve" on government securities as at 30.6.2023, capital ratios would stand as above

Fully Loaded - CET1 and Total Capital as at 30.06.2023 include -€21.3m '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)

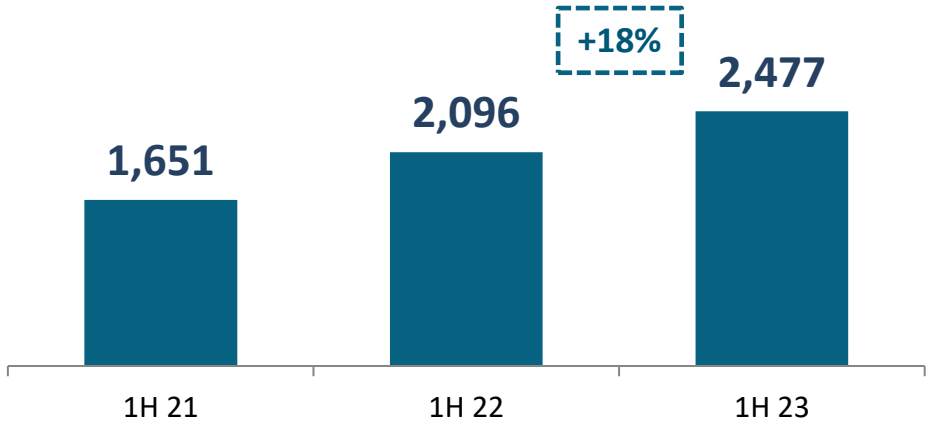
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Annexes

Factoring Turnover

Factoring Turnover

€m

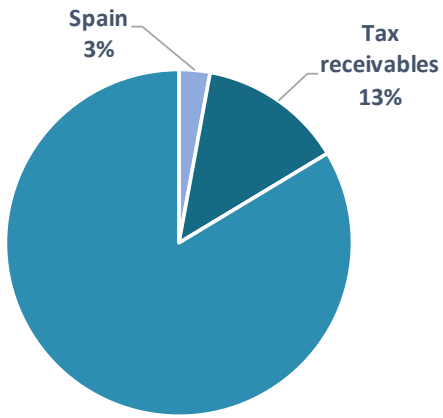


+34% y/y ex. Tax Receivables

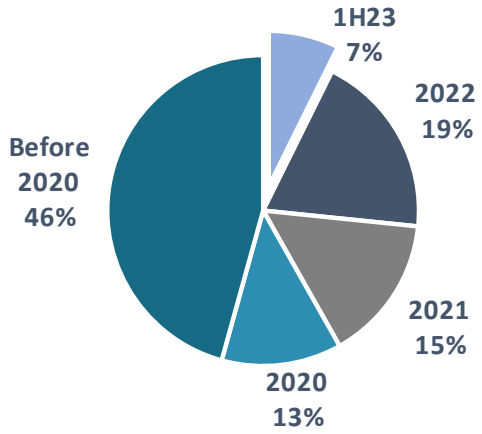
Turnover generated by agreements with Italian Retail banks: 11% in 1H2023

1H23 Factoring Turnover breakdown

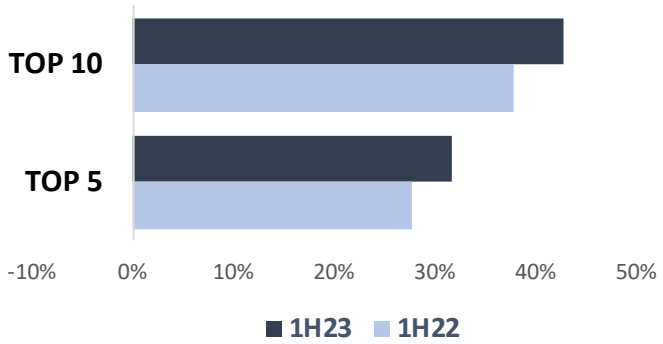
By Type



By Year of Customer's Acquisition



Customer Concentration

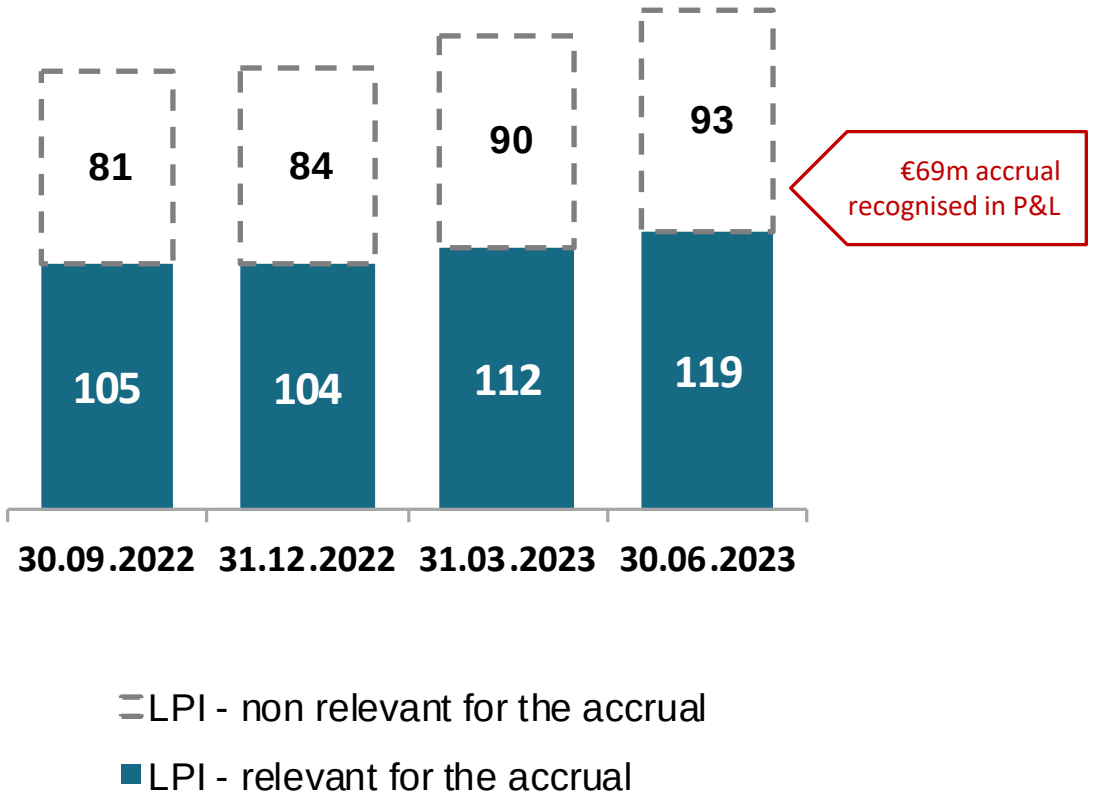


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Late Payment Interest

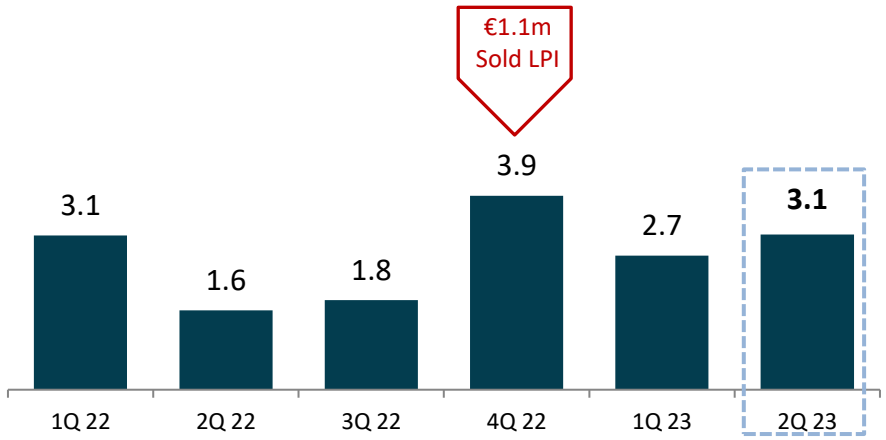
Due LPI Stock – Assets in legal action

€m



Total collected cashed-in LPI(1)

€m



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

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1H23 – Income Statement

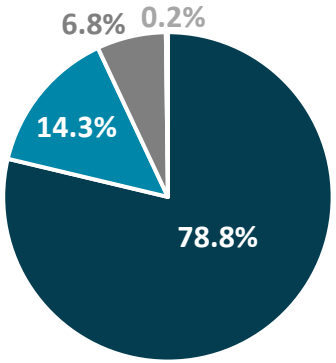
Figures in millions of Euro

	1H 2022	1Q 2022	2Q 2022	1H 2023	1Q 2023	2Q 2023	1H 23 vs 1H 22 change in %
Interest income	50.6	23.6	27.0	83.4	40.1	43.3	65%
Interest expenses	(5.9)	(2.9)	(3.0)	(47.5)	(19.5)	(28.0)	nm
Net interest income	**44.6**	**20.7**	**24.0**	**35.8**	**20.6**	**15.2**	-20%
Commission income	15.7	7.5	8.2	16.9	7.7	9.2	7%
Commission expenses	(8.8)	(3.8)	(5.0)	(6.8)	(3.1)	(3.7)	-23%
Net commission	**7.0**	**3.7**	**3.3**	**10.1**	**4.6**	**5.5**	**45%**
Dividends and similar income	0.2	-	0.2	0.2	-	0.2	nm
Net income from trading	(1.2)	-	(1.2)	(0.0)	(0.3)	0.3	-97%
Net income from disposal/repurchase assets:	4.1	0.3	3.8	3.3	0.3	3.0	-20%
a) measured at amortised cost	3.1	0.3	2.7	2.7	0.2	2.5	-10%
b) measured at fair value through other comprehensive income	1.1	-	1.1	0.5	0.1	0.4	-50%
Total income	**54.8**	**24.7**	**30.1**	**49.4**	**25.2**	**24.2**	**-10%**
Net impairment losses on loans	(5.1)	(2.3)	(2.7)	(2.8)	(1.0)	(1.8)	-44%
Net operating income	**49.7**	**22.4**	**27.3**	**46.6**	**24.2**	**22.4**	**-6.3%**
Personnel expenses	(14.3)	(6.6)	(7.7)	(14.7)	(7.5)	(7.2)	3%
Other expenses	(17.0)	(9.1)	(7.9)	(20.2)	(10.9)	(9.3)	19%
Operating expenses	**(31.3)**	**(15.7)**	**(15.7)**	**(35.0)**	**(18.4)**	**(16.6)**	**12%**
Profits from equity investments	(0.1)	(0.04)	(0.02)	(0.0)	(0.01)	(0.01)	-69%
Pre-tax profit from continuing operations	**18.3**	**6.7**	**11.6**	**11.6**	**5.8**	**5.8**	**-37%**
Taxes on income for the period/year from continuing operations	(5.9)	(2.1)	(3.7)	(3.9)	(2.0)	(1.9)	-33%
Profit after tax from discontinued operations	(0.0)	(0.0)	0.0	-	-	-	nm
Profit (loss) for the year/period	**12.5**	**4.5**	**7.9**	**7.7**	**3.8**	**3.9**	**-38%**
Minority interests	(0.2)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	-4%
Profit (loss) for the year/period attributable to the shareholders of the Parent	**12.2**	**4.4**	**7.8**	**7.5**	**3.7**	**3.7**	**-39%**

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Asset Quality

Gross Bad loans



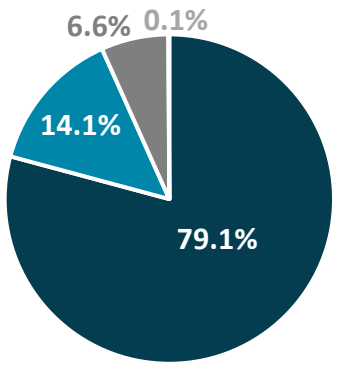
31.12.2022

Conservatorships (factoring)

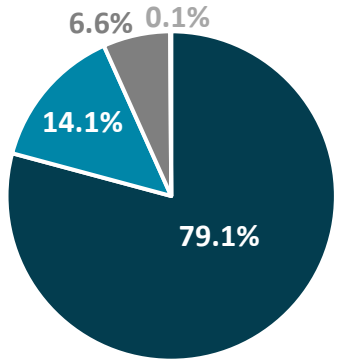
Factoring

SME State Guarantee Loans

Other

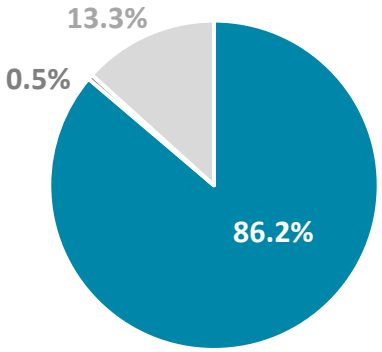


31.03.2023

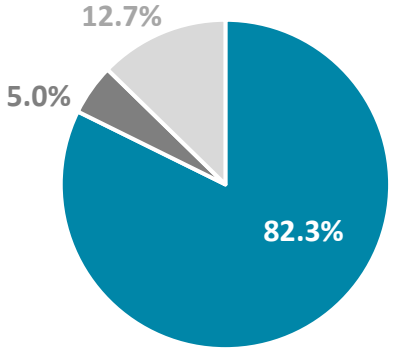


30.06.2023

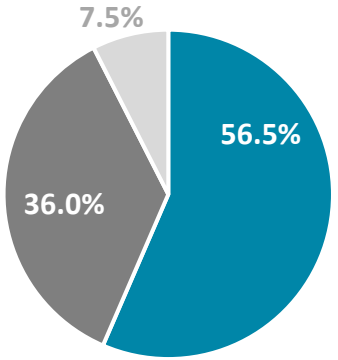
Gross Unlikely to Pay



31.12.2022



31.03.2023



30.06.2023

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