BANCA SISTEMA

GROUP PROFILE

NOVEMBER 2023



Agenda



- **Banca Sistema Overview**



- **9M23 Results**
- **Annexes**

BANCA SISTEMA

Among the top Italian specialty finance

Who we are

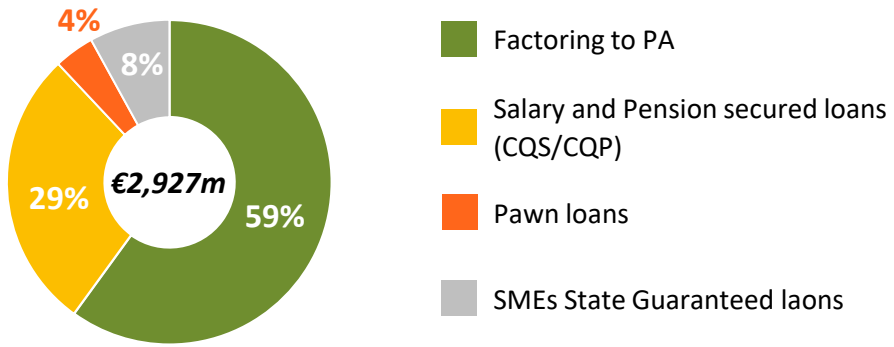
- Independent and diversified specialty finance player in Italy
- Established in 2011 (HQ in Milan), IPO in 2015
- Serving more than 400 corporates in **Factoring**, 50k customers in **CQ** and ~36k customers in **Pawn loans**
- Total funds: 66% Retail/ 34% Wholesale
- 295 workforce

Mission

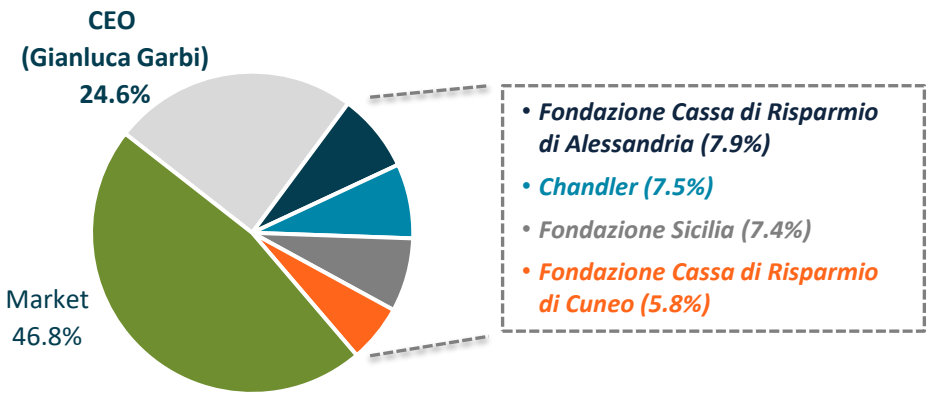
The Group's primary objectives include meeting the financial demands of corporate, by promoting efficiency and acting as a link between the public and private sectors, in addition to providing individuals access to an advanced, easy and readily-accessible banking world that is attentive to the needs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

Customer loans

(30.09.2023)



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 59% 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

€3,575m 9M23 Turnover, +13% 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 ca.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: 12 headcount and 11 external field collectors
- Judicial collection: 16 headcount and 24 Law firms

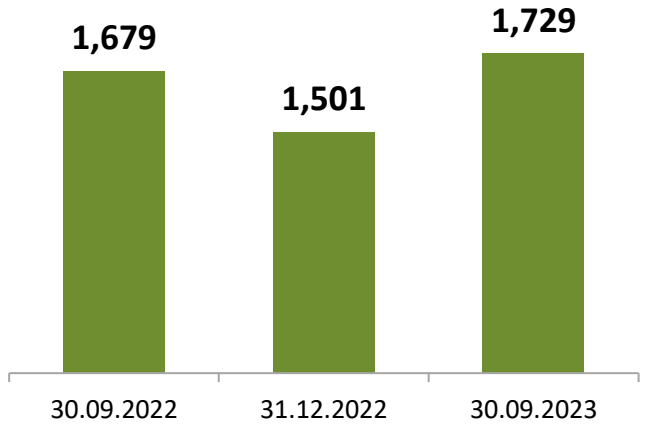
Low risk counterparty exposure

The majority of our credit exposure is towards the Italian Public Administration, 75% of the outstanding as at 30.09.2023 equal to **€1,729m**, with low risk underlying credit exposure comparable to a Government Bond

Note: Assifact: market figures source.

Factoring customer loans

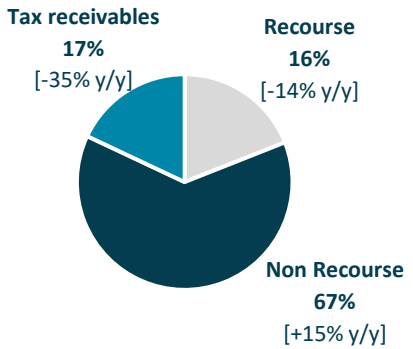
€m



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

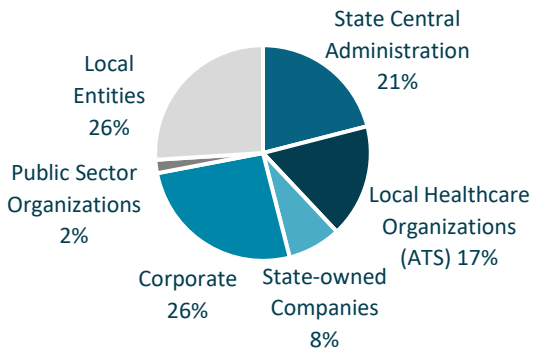
Outstanding breakdown (30.09.2023)

By Type of Product



By Obligor

PA accounts for 75%



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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

9M23 €131m 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

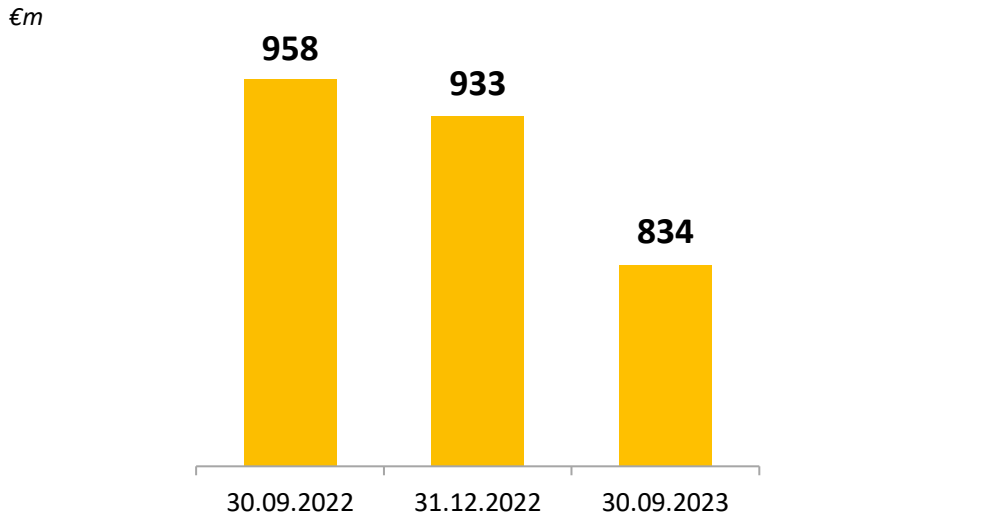
CQS/CQP typically incur very low PD and almost 0% LGD also thanks to the insurance

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)

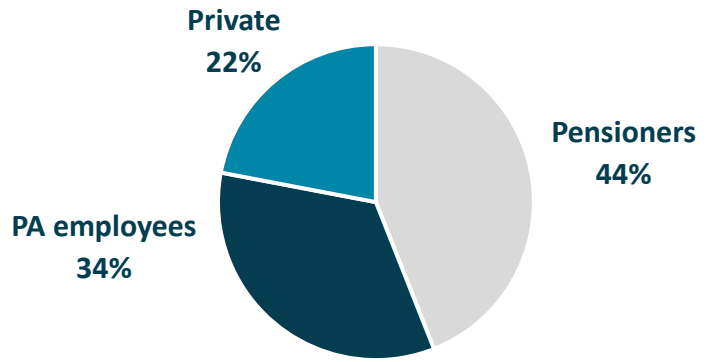
Note: Assofin, market figures source.

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 (30.09.2023)



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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 9M23 (including renewals): €132m (€273m in 9M22)**
- **#30 auctions in 9M23, with > 95% of the offers through the APP, DigitalPegno**

Operations

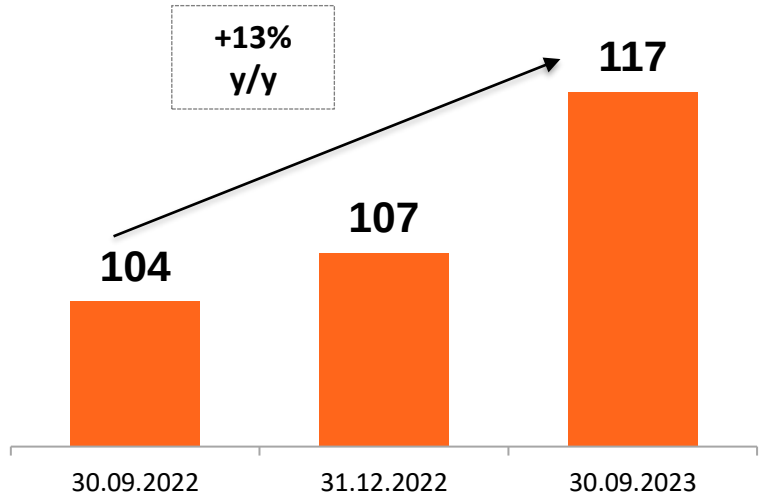
- First dedicated branch opened in Milan (02.2017)
- Other dedicated branches: Turin, Rome, Naples, Florence, Parma, Brescia, Palermo, Pisa, Rimini, Asti, Mestre, Livornio and Civitavecchia
- Acquisition of small loan ptf (2018, 2019, 2020 and 2022)
- Dedicated company: Kruso Kapital
- Acquisition of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



87% of Outstanding backed by GOLD

~78% Loan To Value

9M23 Income margin 19%

~40% of the new Volume are renewed

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Agenda



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- 9M23 Results
- Annexes

BANCA
SISTEMA

9M 2023 Results at a Glance

Commercial performance

- **Factoring** turnover +13% y/y equal to €3,575m
- **CQ** outstanding at €834m, -13% y/y
- **Pawn loans** outstanding at €117m, +13% y/y
- **SMEs State guaranteed loans** outstanding equal to €247m, +36% y/y

P&L

- **Net Interest Income** equal to €50.2m, **down y/y**
- **Funding cost increased to 2.7% from 2.4% in 2Q23 and 0.2% in 3Q22**
- **Total Income** equal to €71.3m, **-**11.9% y/y
- **Lower Cost of risk y/y at 18bps**
- **Total operating costs equal to €50.1m**, up y/y at a lower pace vs 1H23
- **Net income equal to €11.3m**

Balance Sheet

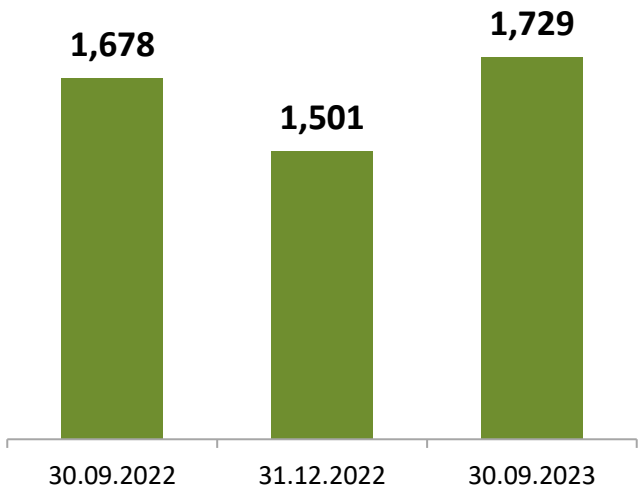
- **Wholesale funding component further down q/q** (34% of Total Funds)
- Total assets equal to ~€4.4bn, -5.2% q/q, flat YTD
- **Reduction of the HTC Govies'ptf by ~ 150m to €509m**
- CET1 ratio at 12.3% and TC ratio at 15.4%**, ex. HTCS reserve respectively 13.6% and 16.7%**

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Factoring commercial performance

Factoring – Loans Outstanding

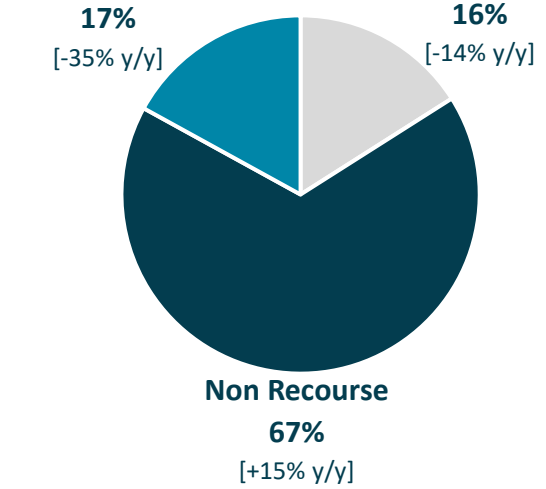
€m



Outstanding breakdown (30.09.2023)

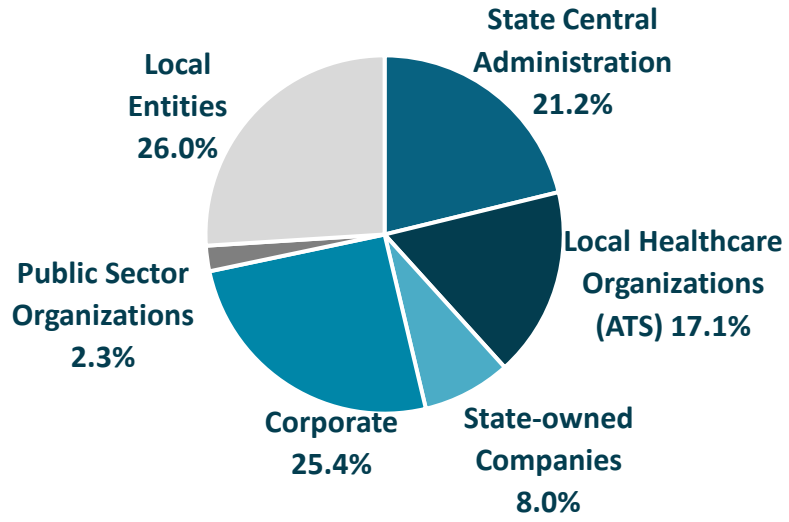
€1,796m

By Type of Product



By Obligor

PA accounts for 75%



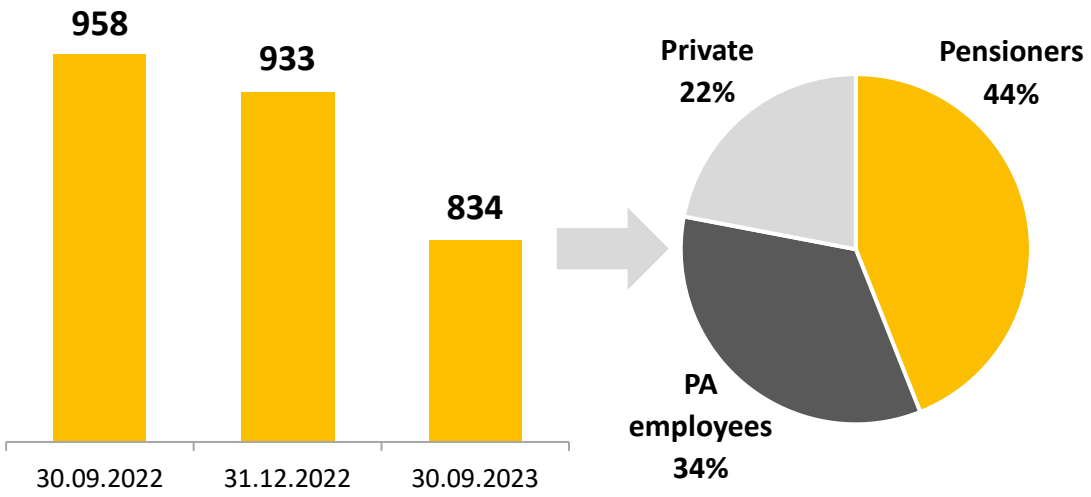
Note: Factoring outstanding management account. Factoring customer loans, item of the Balance Sheet (slide 5) differ from management account for the following elements: Recourse factoring non-financed portion; Provisions; LPI; deferred income.

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CQ and Pawn loans commercial performance

CQ loans outstanding

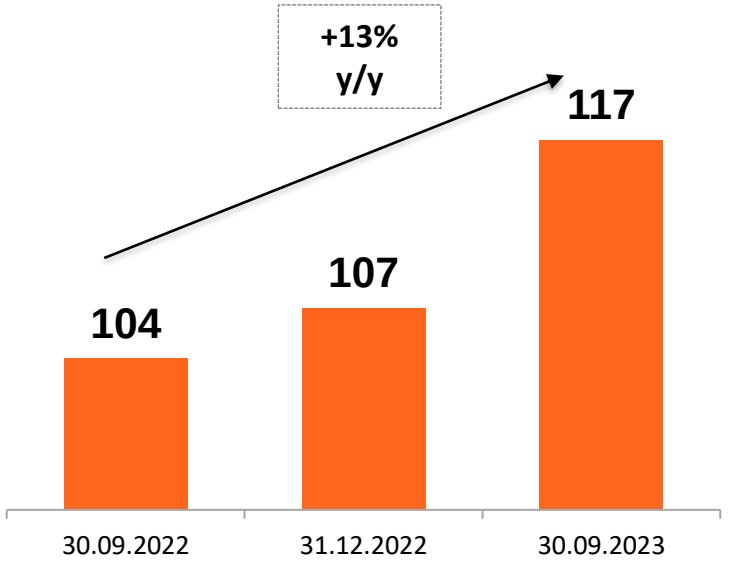
€m



- **€132m turnover in 9M23 (€273m in 9M22)**

Pawn Loans outstanding

€m



- **~68k contracts**
- **Total turnover in 9M23 (including renewals): €117.1m (€103.5m in 9M22)**
- **#30 auctions in 9M23, with >95% of the offers through the APP, DigitalPegno**

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Figures in millions of Euro

	31.12.2022	30.06.2023	30.09.2023	Change in % 30.09.2023 vs 31.12.2022
ASSETS				
Cash and cash equivalents	127	171	155	22%
Financial assets at fair value through Other Comprehensive Income **[Held to Collect and Sell]**	558	563	580	4%
Loans at amortized cost	**2,850**	**3,068**	**2,977**	**4%**
Factoring	***1,501***	***1,800***	***1,729***	***15%***
CQ	***933***	***856***	***834***	***-11%***
Pawn loans	***107***	***112***	***117***	***9%***
SMEs State Guaranteed loans	*197*	*249*	*247*	*25%*
Other [(1)]	*112*	*51*	*50*	*-55%*
Securities at amortized cost **[Held to Collect]**	681	*651*	*502*	*-26%*
Tangible and Intangible assets	78	75	76	-3%
Goodwill	*34*	*34*	*34*	*0%*
Equity investments	1	1	1	-2%
Other assets [(2)]	103	111	105	2%
Total assets	**4,397**	**4,640**	**4,396**	**0.0%**
LIABILITIES AND EQUITY				
Due to banks	**623**	**942**	**567**	**-9%**
of which ECB exposure	*538*	*545*	*550*	*2%*
Due to customers	**3,056**	**3,017**	**3,202**	**5%**
of which term deposits	*1,432*	*1,819*	*2,124*	*48%*
of which current accounts	*639*	*488*	*406*	*-36%*
Debt securities issued	238	175	130	-45%
Other liabilities	224	246	230	3%
Shareholders Equity	**256**	**260**	**267**	**4%**
Total liabilities and equity	**4,397**	**4,640**	**4,396**	**0.0%**

9M23 – Balance Sheet

- **Govies' portfolio (nominal value equal to €1,109m) slightly down q/q**, with an average duration of 14,4 months (15,3 months as at 30.06.2023), exclusively Italian Government bonds:
  - €600m 'Held to Collect and Sell', slightly up q/q, with an average duration of 18 months
  - €509m 'Held to Collect', down q/q, with an average duration of 10,9 months
- **Loans at amortized cost down q/q (€2,977m)**:
  - **Factoring receivables** at €1,729m down q/q
  - **CQ loans** at €834m down q/q
  - **Pawn Loans up** thanks to organic growth
- **Due to customers** q/q increase (+5%) is driven by the increase of term deposits, that more than compensated the decrease of Repos and 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, 30.06.2023 and 30.09.2023 equal respectively to €35m, to €1m and to €20m. (2) Tax credits for 'superbonuses' €55m, €49.1m and €49.9m respectively as at 31.12.2022, 30.06.2023 and 30.09.2023.

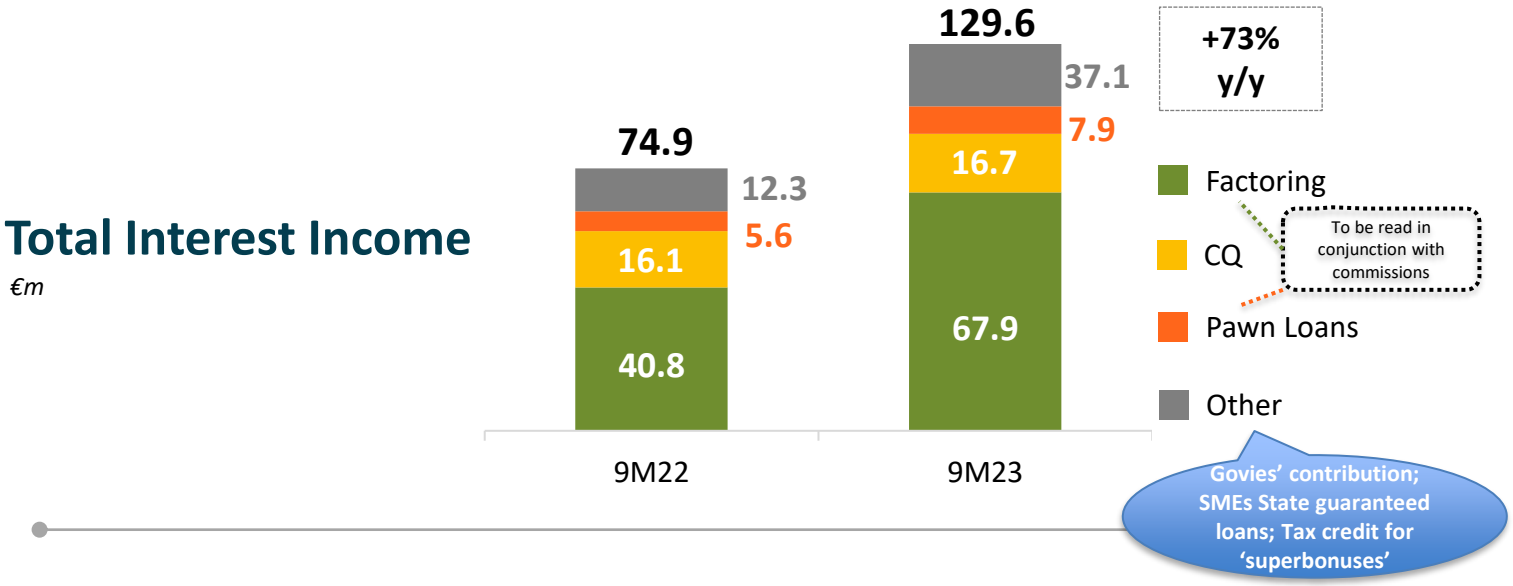
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Well diversified Interest income

- **9M23 Interest Income up 73% y/y (up q/q), with a higher contribution from factoring (+€27m y/y)**
- Higher contribution y/y by **factoring**, mainly due to higher **factoring LPIs from legal action** equal to €26.7m (€11.3m in 2022):
  - of which accrual €21.8m (€7.4m in 2022), deriving, among the others, from €4.2m for 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 to 31.12.2023) and €1.9m from the accrual of the "€40 per invoice" compensation claims
  - of which "extra collection" €4.9m (€3.9m in 2022)
- Increasing **Pawn loans** contribution (+43% y/y)
- Slight increase from **CQ** business (+3.7% y/y)
- €37.1m of "Other" interest income in 9M23 include:
  - €20.4m from Govies' ptf (€2.0m in 9M22)
  - €10.8m from SMEs State guaranteed loans (€4.8m in 9M22)
- **Total Adjusted Income margin up y/y and expected to grow further over the next quarters**

Total Interest Income

€m



Adjusted Income margin[1]

	9M22		9M23
Total[2]	4.0% €85.5m		5.7% €125.8m
Factoring	*4.3% €51.8m*	4.6% FY22	*6.3% €78.5m*
CQ	*2.3% €16.1m*		*2.8% €18.4m*
Pawn Loans	*15.9% €11.5m*		*19.2% €16.1m*

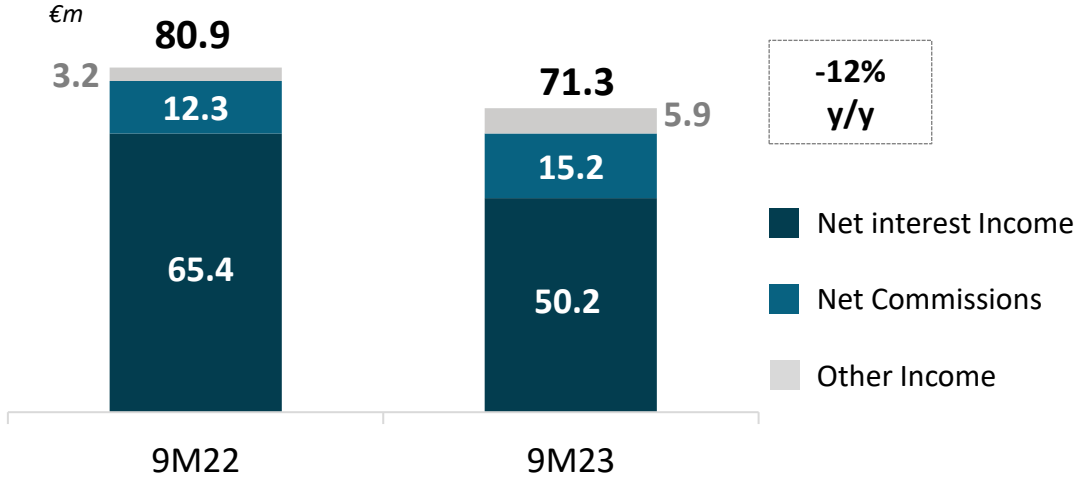
Note: (1) Calculated as [Period Interest Income + Commission Income + Gain for asset disposals] / [Average net customer loans at the end of the period] - excluding the contribution from securities portfolio, PPA, credit due from banks and Repo (Balance Sheet and Financial Statement figures); (2) It include the contribution of tax credit 'superbonuses' equal to €2.0m and €1.1m respectively in 9M23 and 9M22.

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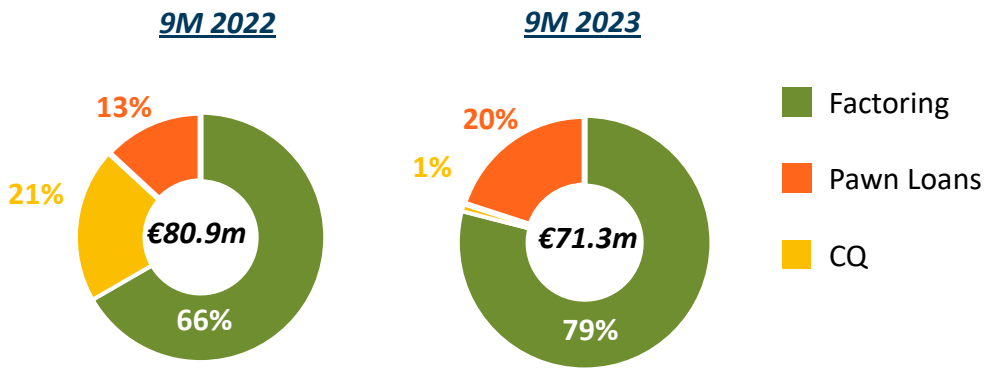
Total Income lower y/y

- **9M23 Total Income down 12% y/y**, due to lower **Net Interest Margin** (-23% y/y) partially compensated by higher fees (+24% y/y) and positive contribution from financial portfolio disposal
- **NII decrease y/y** is driven by higher Interest Expenses (+€70m y/y), following an increase of the funding cost which was equal to 2.7% in 9M23, 2.4% in 1H23 and 2% in 1Q23 (0.2% in 9M22)
- **Net Commissions up y/y (+24%)** due to Pawn loan business and impact on CQ commission expenses in 2Q22 (change in rappel calculation based on amortised cost)
- **Other Income up y/y**, thanks to higher gains on Treasury portfolio while gains from sale of CQ and factory ptf were pretty similar y/y
- **Negative CQ asset contribution**, due to majority of the loan portfolio running at fixed rates set prior to the change of the ECB monetary policy

Total Income



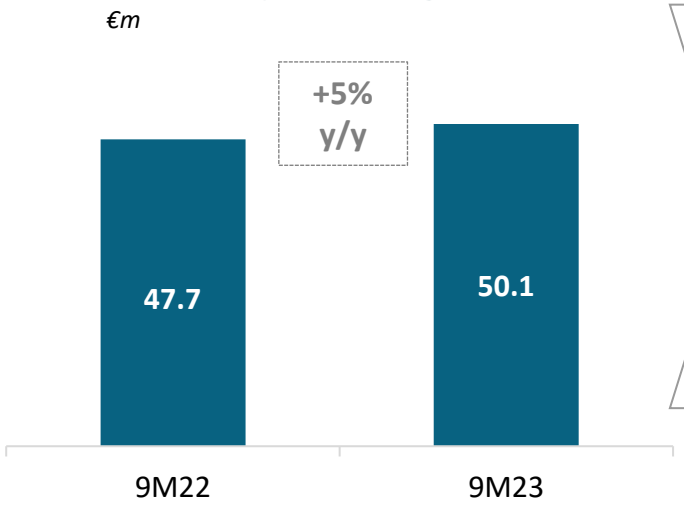
Total Income by Division



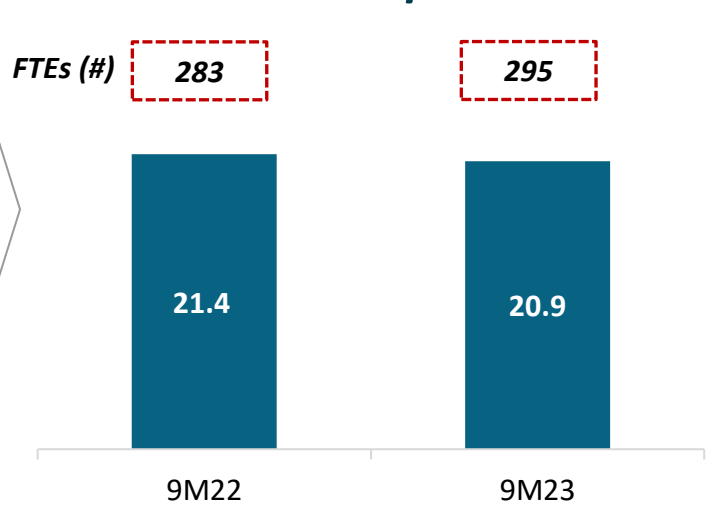
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Cost Base Growing at a Lower Pace

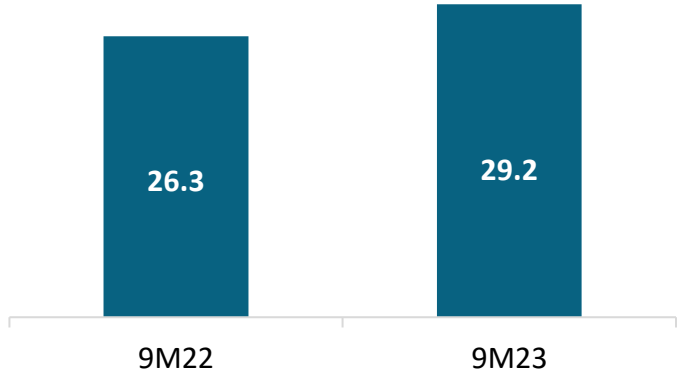
Total Operating Costs



Personnel Expenses

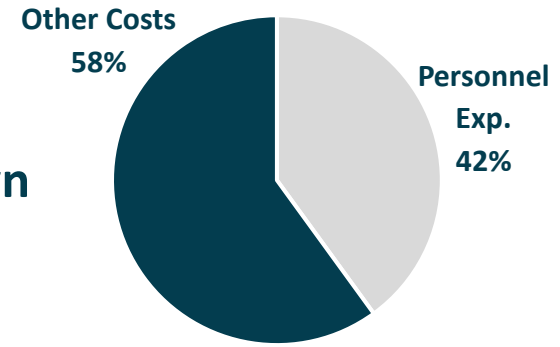


Administrative Expenses, Net Provisions for risk, Other and D&A



- Personnel expenses -2.7% y/y (mainly due to lower accrual of variable compensation)
- All other expenses are up by +11.5% y/y, mainly due to higher IT, credit related (i.e. origination, collections) and legal costs

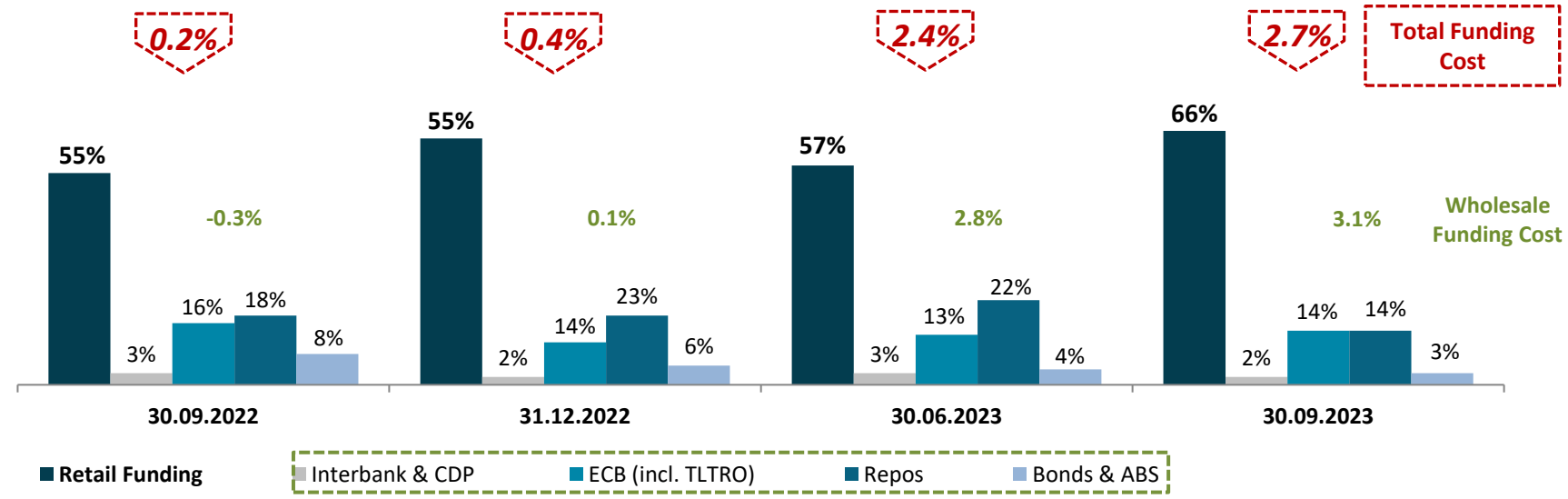
Total Operating Costs Breakdown



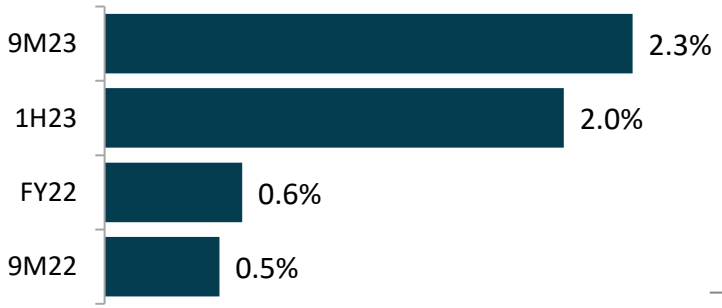
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Higher funding cost y/y

Total Funding breakdown

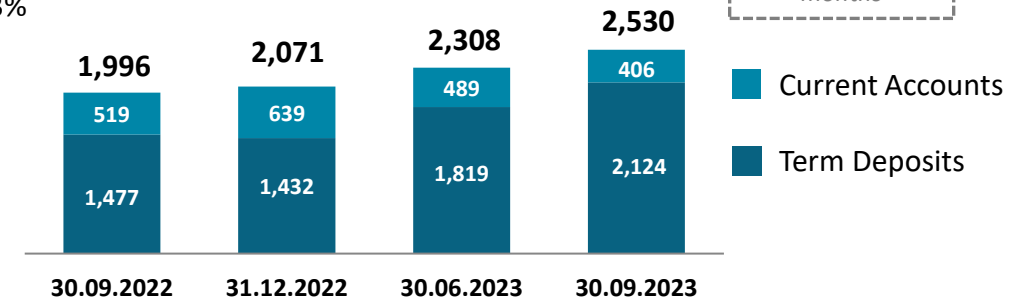


Retail Funding Cost



Retail Funding

€m



Average residual maturity of deposits is c.14 months

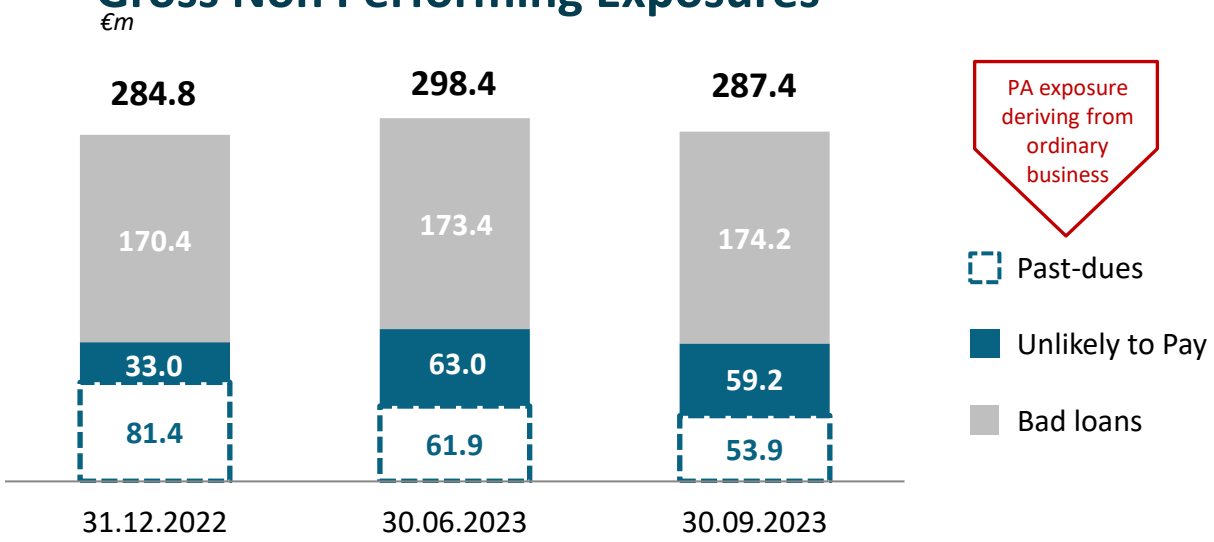
- Cost of funding up y/y and q/q and still expected to increase in the coming quarters but the bank has confirmed a further more comfortable position in terms of liquidity thanks to extra funding done in the last 2 quarters (LCR well above minimum regulatory threshold)
- Retail funding increase quarter by quarter was due to the positive inflows of term deposits; residual maturity of deposits increased from c.12 months to c.14 months
- Current accounts decrease q/q was driven by commercial actions to reduce exposure to more expensive funding linked to corporates
- Wholesale component decrease q/q is due mainly to much lower Interbanking exposure and lower Repos related to Govies' ptf slight decrease

Note: CDP stands for Cassa Depositi e Prestiti SpA.

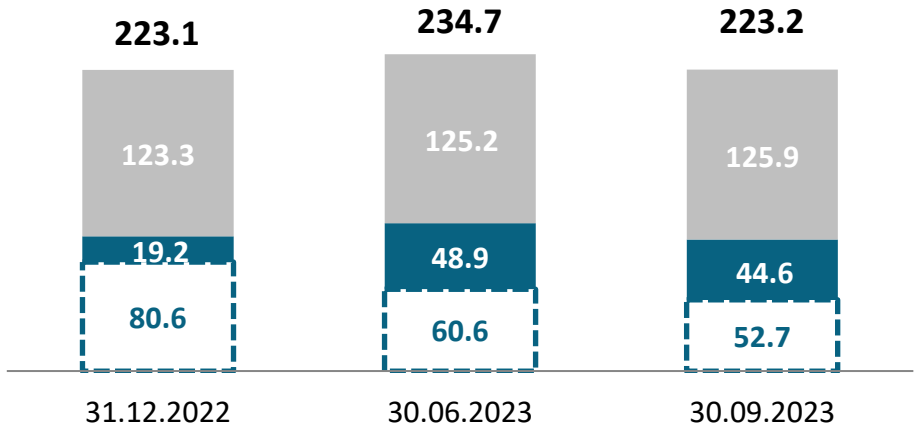
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Asset Quality driven by factoring business

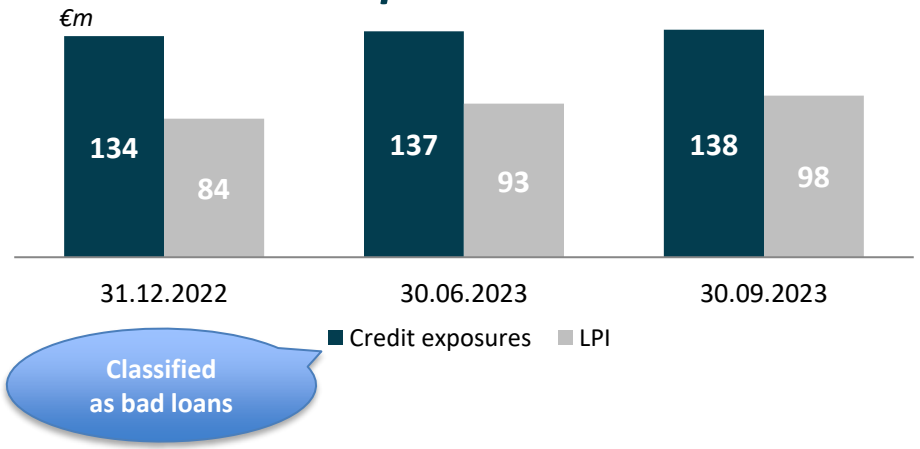
Gross Non Performing Exposures



Net Non Performing Exposures



Exposure to Municipality in Conservatorship & related LPI stock

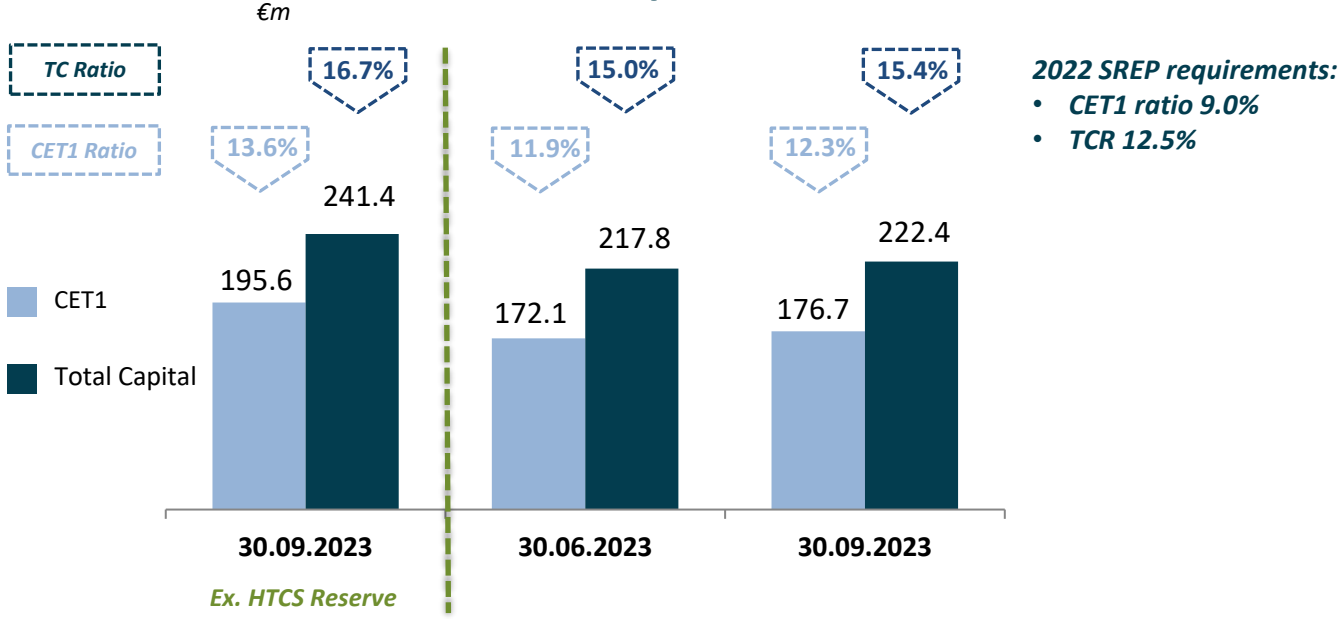


- Cost of credit risk stands at 18bps in 9M23 (28bps in 9M22)
- Gross and Net Non Performing Exposures down q/q mainly due to lower UtP and Past due loans
- UtP decrease was due to partial repayment of single position, Past due amounts are linked to non recourse factoring portfolio towards PA and represents physiological fact of the sector, which continues not to represent particular critical issues in terms credit quality and probability of recovery
- **NPE's coverage ratio increased by +100bps q/q to 22.3%** (from 21.3% in 2Q23) or equivalent to **32.7% net of Municipality in conservatorship** (**NPL's coverage** at **91.1% net of Municipality in conservatorship**)

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Regulatory Capital above minimum requirements

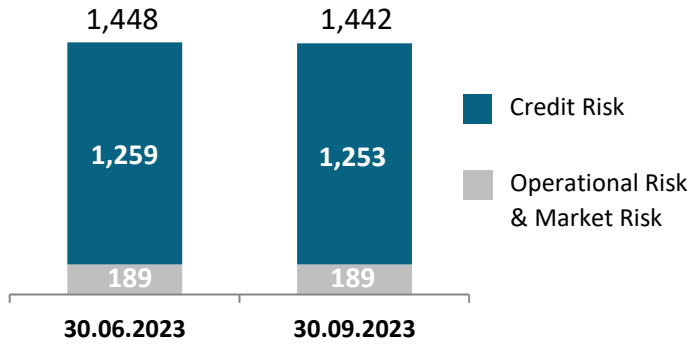
CET1 and Total Capital



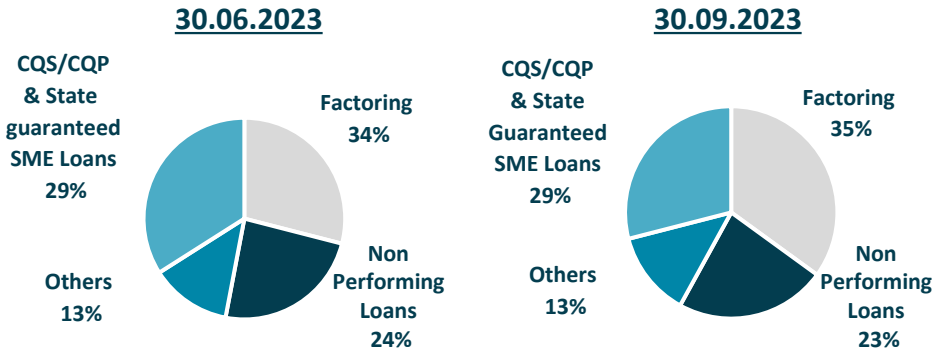
2022 SREP requirements:

- ***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. Assuming a full neutralization of the "HTCS reserve" on government securities as at 30.9.2023, capital ratios would stand as above

Fully Loaded - CET1 and Total Capital as at 30.09.2023 include -€19.1m 'Held to Collect and Sell' reserve from Govies' ptf

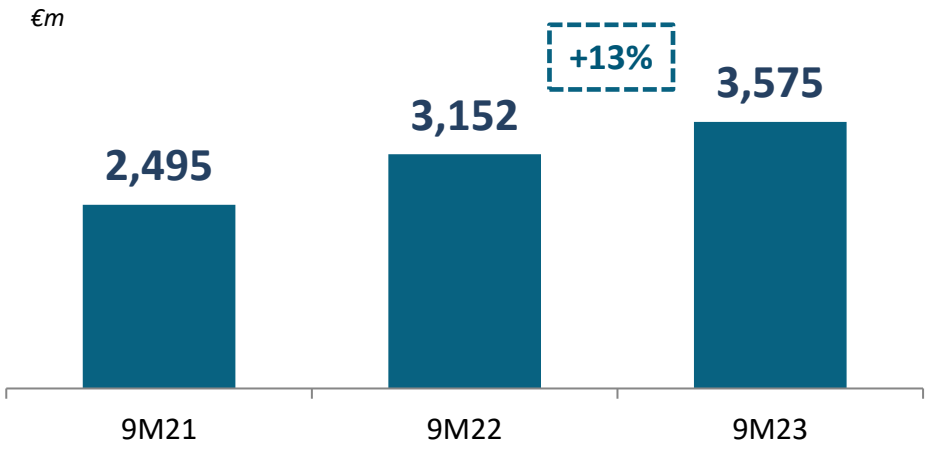
Q/Q credit RWA slight improvement is driven by factoring business (mainly by lower exposure to local entities and State Central Administration while exposures to Corporates pretty stable) and slightly lower CQ loans

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Annexes

Factoring Turnover

Factoring Turnover

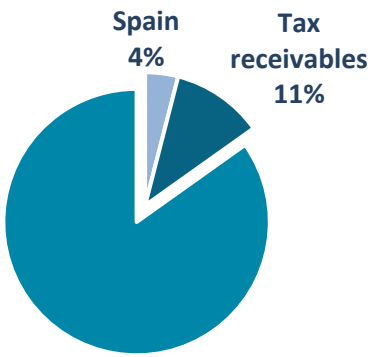


+26% y/y ex. Tax Receivables

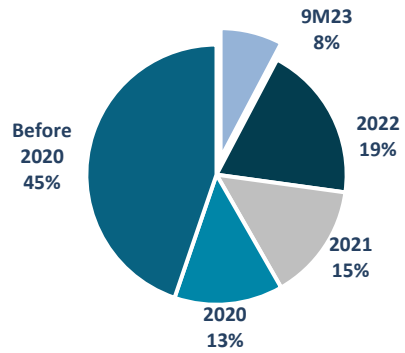
Turnover generated by agreements with Italian Retail banks: 12% in 9M2023

9M23 Factoring Turnover breakdown

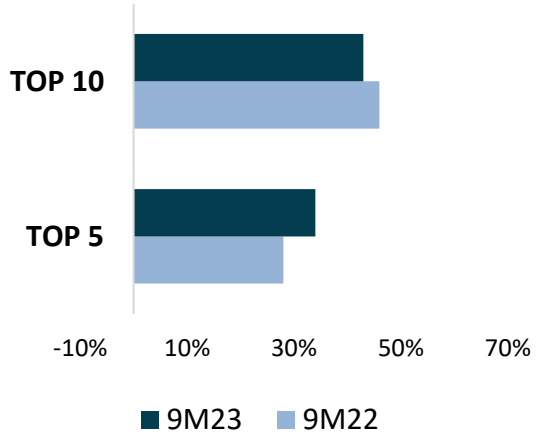
By Type



By Year of Customer's Acquisition



Customer Concentration

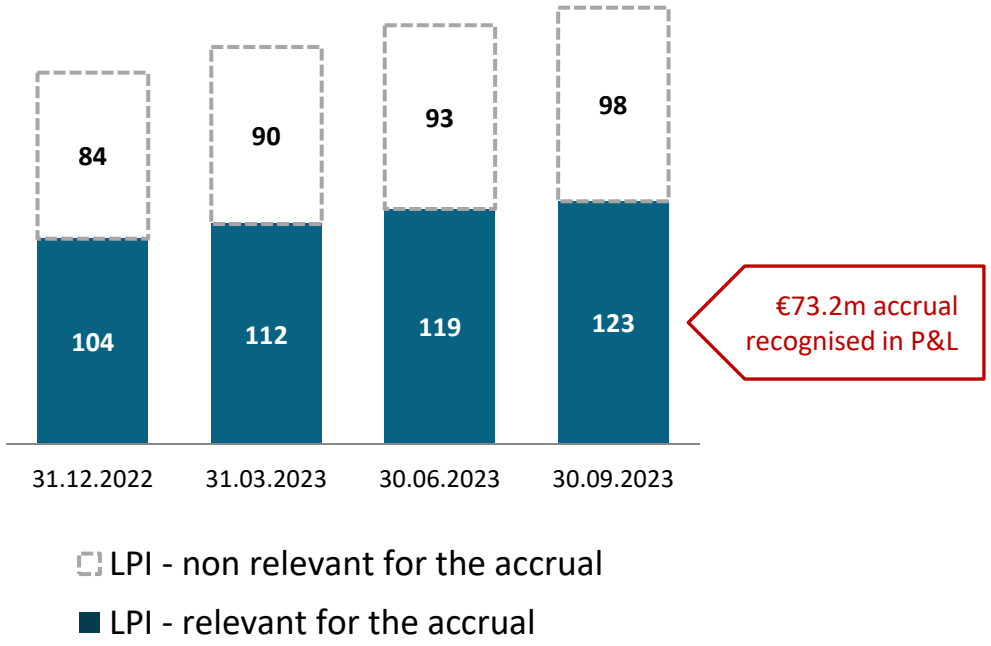


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Late Payment Interest

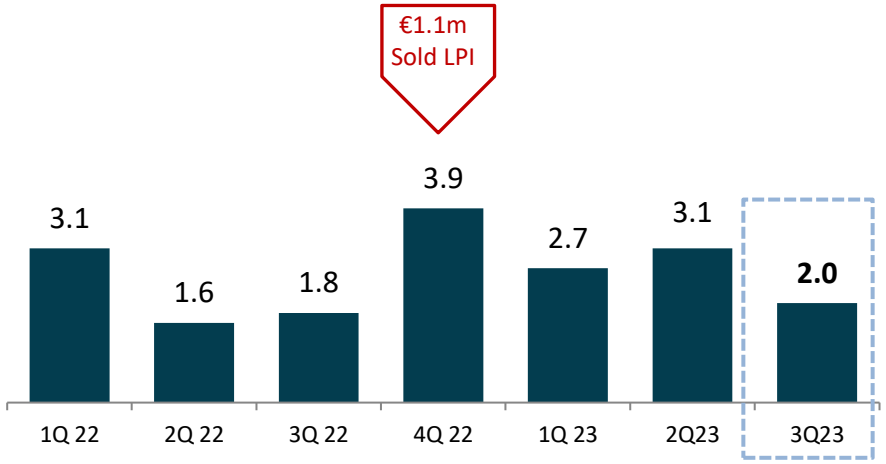
Due LPI Stock – Assets in legal action

€m



Total collected cashed-in LPI

€m



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9M23 – Income Statement

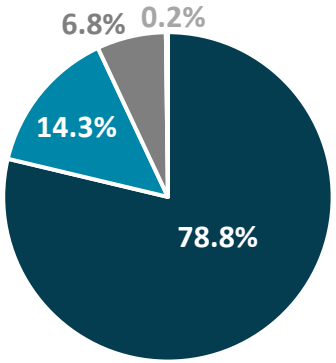
Figures in millions of Euro

	9M 2022	1Q 2022	2Q 2022	3Q 2022	9M 2023	1Q 2023	2Q 2023	3Q 2023	9M 23 vs 9M 22 change in %
Interest income	74.9	23.6	27.0	24.3	129.6	40.1	43.3	46.2	73%
Interest expenses	(9.4)	(2.9)	(3.0)	(3.5)	(79.4)	(19.5)	(28.0)	(31.9)	nm
Net interest income	**65.5**	**20.7**	**24.0**	**20.9**	**50.2**	**20.6**	**15.2**	**14.4**	-23%
Commission income	23.9	7.5	8.2	8.2	26.9	7.7	9.2	10.0	13%
Commission expenses	(11.6)	(3.8)	(5.0)	(2.8)	(11.7)	(3.1)	(3.7)	(4.9)	1%
Net commission	**12.3**	**3.7**	**3.3**	**5.3**	**15.2**	**4.6**	**5.5**	**5.1**	**24%**
Dividends and similar income	0.2	-	0.2	(0.0)	0.2	-	0.2	(0.0)	nm
Net income from trading	(1.5)	-	(1.2)	(0.3)	(0.1)	(0.3)	0.3	(0.1)	-93%
Net income from disposal/repurchase assets:	4.5	0.3	3.8	0.4	5.9	0.3	3.0	2.6	31%
a) measured at amortised cost	3.4	0.3	2.7	0.3	5.1	0.2	1.8	3.1	50%
b) measured at fair value through other comprehensive income	1.1	-	1.1	-	0.8	0.1	0.4	0.3	-26%
c) financial liabilities	-	-	-	-	-		0.8	(0.8)	nm
Total income	**80.9**	**24.7**	**30.1**	**26.1**	**71.3**	**25.2**	**24.2**	**21.9**	**-12%**
Net impairment losses on loans	(6.3)	(2.3)	(2.7)	(1.2)	(3.6)	(1.0)	(1.8)	(0.8)	-43%
Net operating income	**74.7**	**22.4**	**27.3**	**25.0**	**67.7**	**24.2**	**22.4**	**21.1**	**-9.4%**
Personnel expenses	(21.4)	(6.6)	(7.7)	(7.1)	(20.9)	(7.5)	(7.2)	(6.2)	-2%
Other expenses	(26.3)	(9.1)	(7.9)	(9.3)	(29.2)	(10.9)	(9.3)	(9.0)	11%
Operating expenses	**(47.7)**	**(15.7)**	**(15.7)**	**(16.4)**	**(50.1)**	**(18.4)**	**(16.6)**	**(15.1)**	**5%**
Profits from equity investments	(0.1)	(0.04)	(0.02)	(0.01)	(0.0)	(0.01)	(0.01)	0.01	-86%
Pre-tax profit from continuing operations	**26.9**	**6.7**	**11.6**	**8.6**	**17.6**	**5.8**	**5.8**	**6.0**	**-35%**
Taxes on income for the period/year from continuing operations	(8.7)	(2.1)	(3.7)	(2.9)	(5.7)	(2.0)	(1.9)	(1.7)	-35%
Profit after tax from discontinued operations	(0.0)	(0.0)	0.0	-	-	-	-	-	-100%
Profit (loss) for the year/period	**18.2**	**4.5**	**7.9**	**5.8**	**11.9**	**3.8**	**3.9**	**4.3**	**-35%**
Minority interests	(0.4)	(0.1)	(0.1)	(0.1)	(0.6)	(0.1)	(0.1)	(0.3)	66%
Profit (loss) for the year/period attributable to the shareholders of the Parent	**17.8**	**4.4**	**7.8**	**5.6**	**11.3**	**3.7**	**3.7**	**3.9**	**-36%**

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Asset Quality

Gross Bad loans



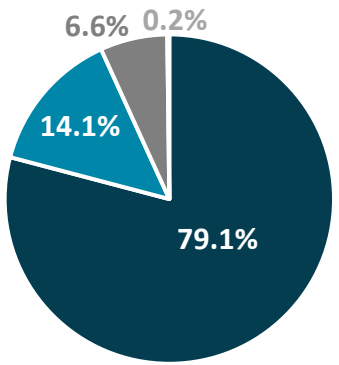
31.12.2022

Conservatorships (factoring)

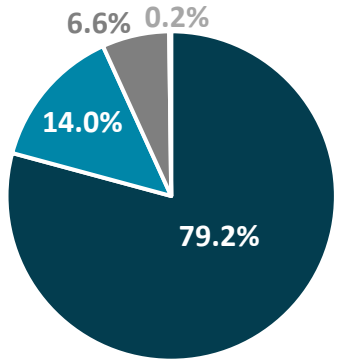
Factoring

SME State Guarantee Loans

Other

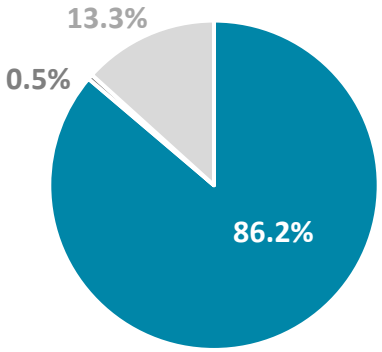


30.06.2023

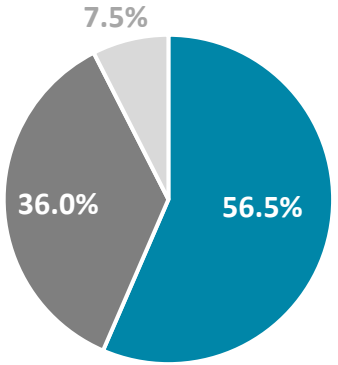


30.09.2023

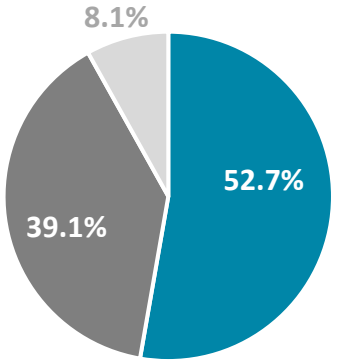
Gross Unlikely to Pay



31.12.2022



30.06.2023



30.09.2023

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