BANCA SISTEMA

GROUP PROFILE

MARCH 2024



Agenda



- **Banca Sistema Overview**



- **FY23 Results**
- **Annexes**

BANCA SISTEMA

Among the top Italian specialty finance

Who we are

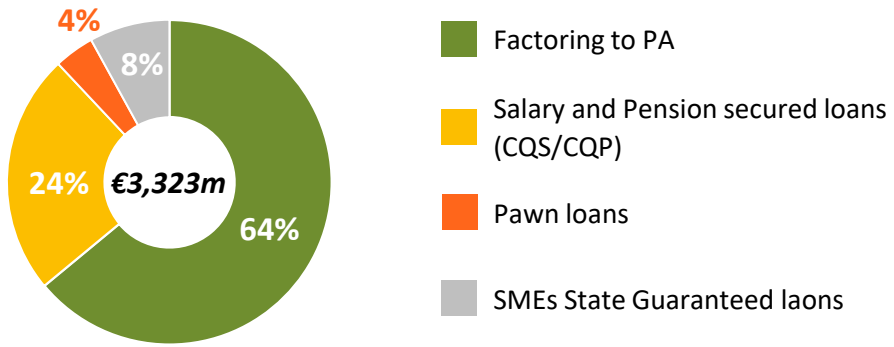
- Independent and diversified specialty finance player in Italy
- Established in 2011 (HQ in Milan), IPO in 2015
- Serving more than 400 corporates in **Factoring**, 50k customers in **CQ** and ~36k customers in **Pawn loans**
- Total funds: 78% Retail/ 22% Wholesale
- 299 workforce

Mission

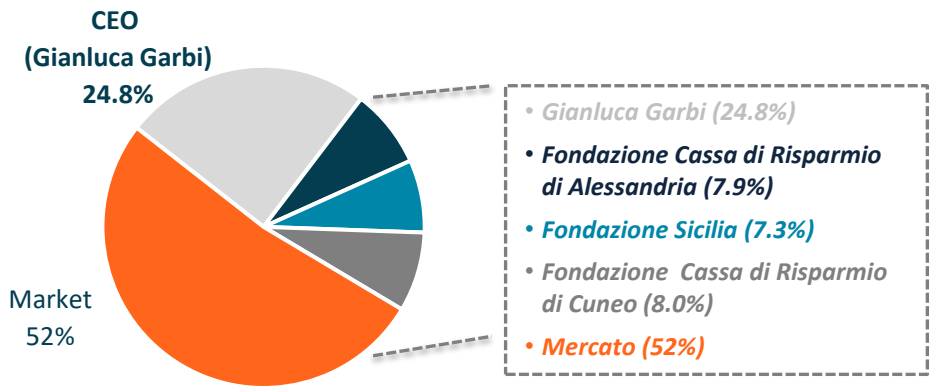
The Group's primary objectives include meeting the financial demands of corporate, by promoting efficiency and acting as a link between the public and private sectors, in addition to providing individuals access to an advanced, easy and readily-accessible banking world that is attentive to the needs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

Customer loans

(31.12.2023)



Shareholders



Note: Shareholders overview as at 31.12.2023, as a % of ordinary share capital and not voting capital stock.

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Factoring represents 64% 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

€5,565m FY23 Turnover, +26% y/y

Origination: 1) **Direct** (72% of turnover) through a Sales Force of 23 dedicated resources, in 5 offices; 2) **Indirect** (28%), 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:

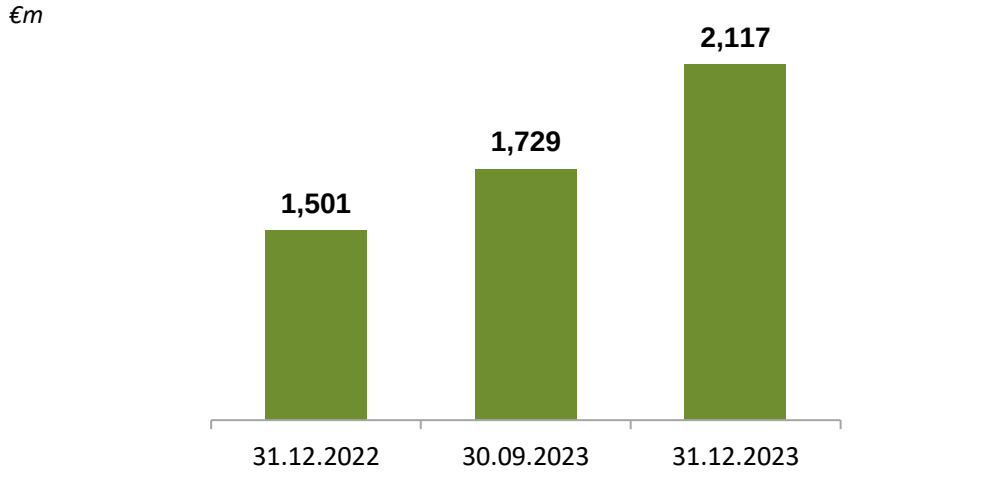
- Extrajudicial collection: 12 headcount and 11 external field collectors
- Judicial collection: 16 headcount and 24 Law firms

Low risk counterparty exposure

The majority of our credit exposure is towards the Italian Public Administration, which represents 82% of the total outstanding as at 31.12.2023 which was equal to **€2,117m**, with low risk underlying credit exposure comparable to a Government Bond

Note: Assifact: market figures source.

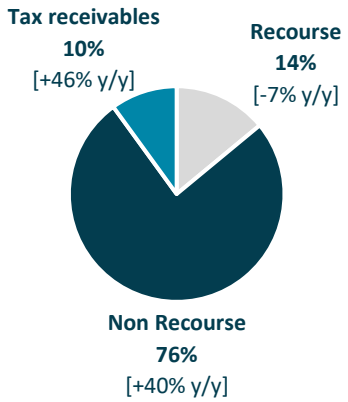
Factoring customer loans



Total Outstanding Factoring to PA in Italy was €8.0bn as at 31.12.2023

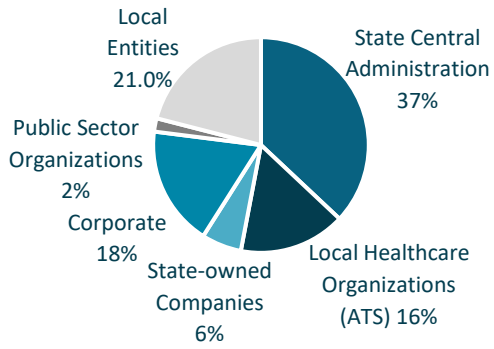
Outstanding breakdown (31.12.2023)

By Type of Product



By Obligor

PA accounts for 82%



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CQ represents 24% 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

FY23 €194m 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

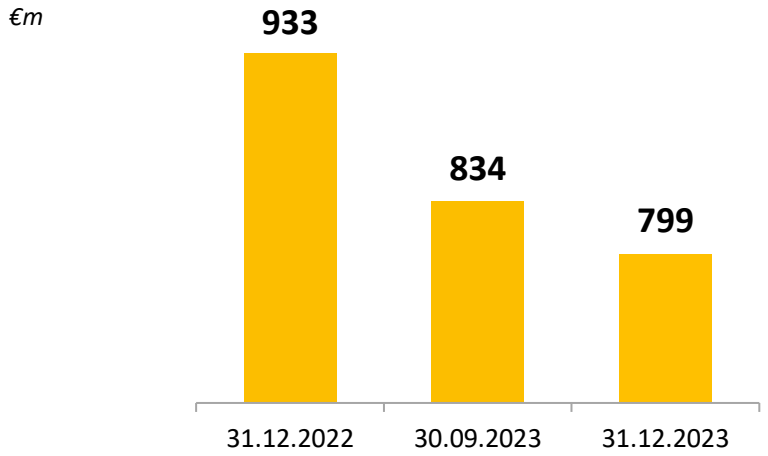
CQS/CQP typically incur very low PD and almost 0% LGD also thanks to the insurance

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)

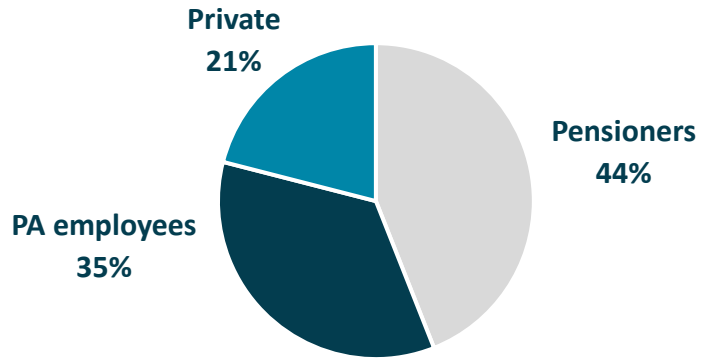
Note: Assofin, market figures source.

CQ customer loans



CQ Market in Italy YE23 was €22.8bn (€24.3bn YE22)

Outstanding breakdown by Type (31.12.2023)



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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 FY23 (including renewals): €201m (€180m in FY22)**
- **#42 auctions in FY23, with > 95% of the offers through the APP, DigitalPegno**

Operations

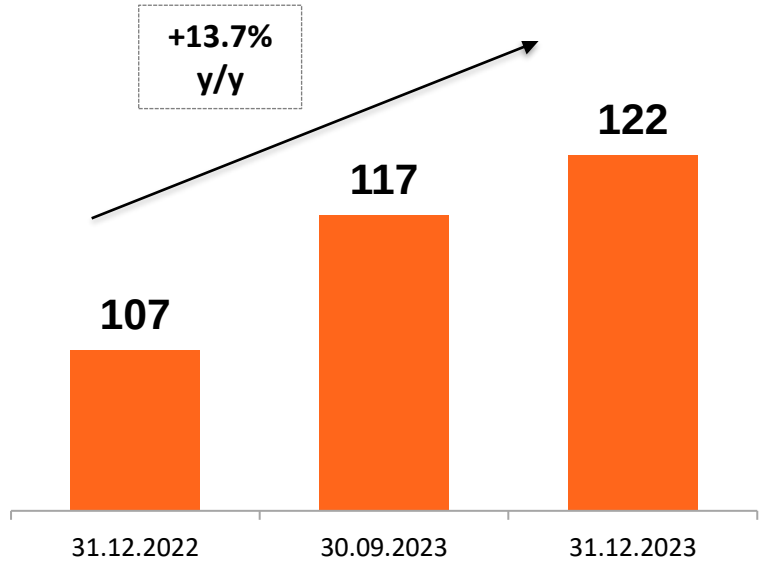
- First dedicated branch opened in Milan (02.2017)
- Other dedicated branches: Turin, Rome, Naples, Florence, Parma, Brescia, Palermo, Pisa, Rimini, Asti, Mestre, Livornio and Civitavecchia
- Acquisition of small loan ptf (2018, 2019, 2020 and 2022)
- Dedicated company: Kruso Kapital
- Acquisition of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

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

FY23 Income margin 19.6%

~57% of the new Volume are renewed

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Agenda



- Banca Sistema Overview



- FY23 Results
- Annexes

BANCA
SISTEMA

2023 Results at a Glance

Commercial performance

- **Factoring** turnover +26% y/y equal to €5,565m
- **CQ** outstanding at €799m, -14.4% y/y
- **Pawn loans** outstanding at €121m, +13.7% y/y
- **SMEs State guaranteed loans** outstanding equal to €286m, +45.1% y/y

P&L

- **Net Interest Income** equal to €67,0m, **-21.6% y/y**
- **Total Funding cost** increased **to 2.8% in 4Q23** from **2.7% in 3Q23** and **0.4% in 4Q22**
- **Total Income** equal to €103.5m, **-2.3% y/y**
- **Lower Cost of risk y/y at 17bps (vs 29bps in 2022)**
- **Total operating costs equal to €73,3m**, **+14.1% y/y**
- **Net income equal to €16.5m**

Balance Sheet

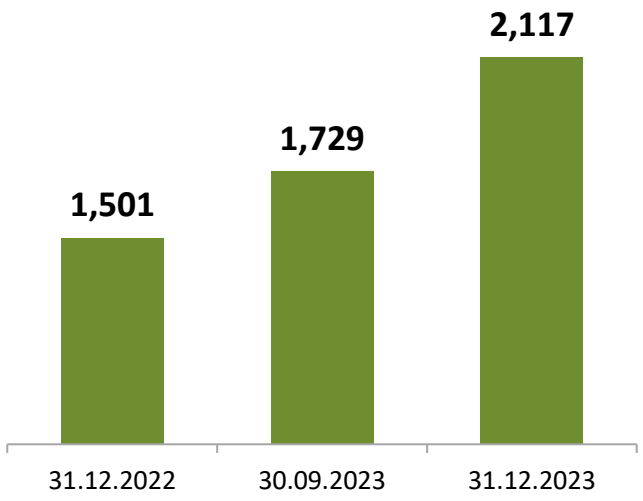
- **Wholesale funding component lower quarter by quarter** (22% of Total Funds)
- Total assets equal to ~€4.57bn, +3,9% y/y thanks to factoring and SME's positive loans growth
- **Reduction of the HTC Govies' ptf by** ~ 640m to ~ **€60m**
- **CET1 ratio increased to 12.9%** (+30bps y/y) and TC ratio to 16.1% (+20bps y/y) thanks to earnings, RWA optimization, HTCS reserve evolution
- **Dividend per share** proposed by BoD **unchanged YoY** at **0.065 euro per share**

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Factoring commercial performance

Factoring – Loans Outstanding

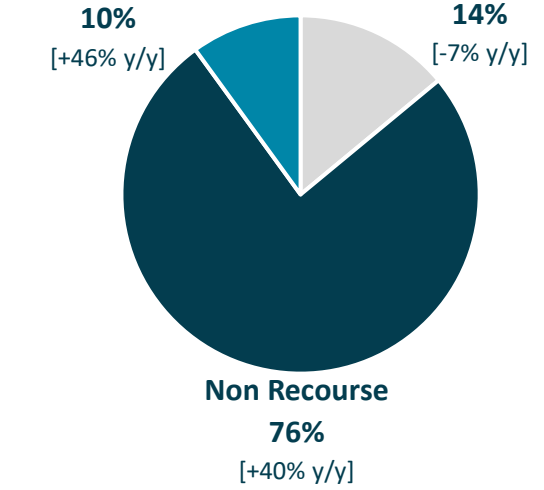
€m



Outstanding breakdown (31.12.2023)

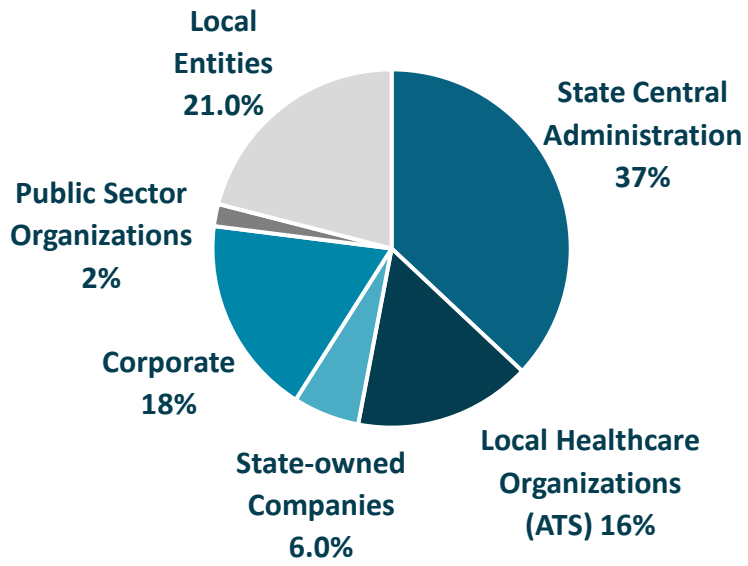
€2,176m

By Type of Product



By Obligor

PA accounts for 82%



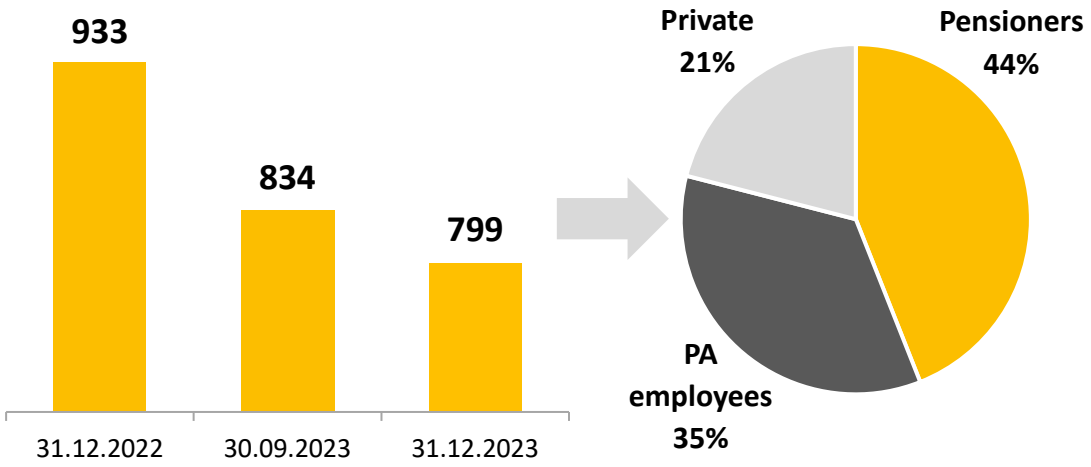
Note: Factoring outstanding management account. Factoring customer loans, item of the Balance Sheet (slide 5) differ from management account for the following elements: Recourse factoring non-financed portion; Provisions; LPI; deferred income.

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CQ and Pawn loans commercial performance

CQ loans outstanding

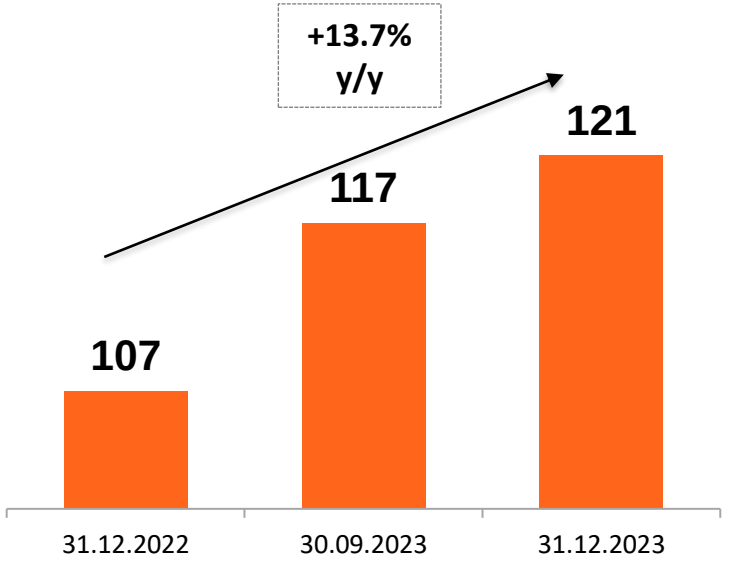
€m



- **€194m turnover in FY23 (€322m in FY22 or €215m net of Banco BPM portfolio)**

Pawn Loans outstanding

€m



- **~69k contracts**
- **Total turnover in FY23 (including renewals): €201m (€180m in FY22)**
- **#42 auctions in FY23, with >95% of the offers through the APP, DigitalPegno**

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Figures in millions of Euro

	31.12.2022	30.09.2023	31.12.2023	Change in % 31.12.2023 vs 31.12.2022
ASSETS				
Cash and cash equivalents	127	155	250	97%
Financial assets at fair value through Other Comprehensive Income **[Held to Collect and Sell]**	558	580	576	3%
Loans at amortized cost	**2,850**	**2,977**	**3,335**	**17%**
Factoring	***1,501***	***1,729***	***2,117***	***41%***
CQ	***933***	***834***	***799***	***-14%***
Pawn loans	***107***	***117***	***121***	***13%***
SMEs State Guaranteed loans	*197*	*247*	*286*	*45%*
Other [(1)]	*112*	*50*	*12*	*-89%*
Securities at amortized cost **[Held to Collect]**	681	*502*	*61*	*-91%*
Tangible and Intangible assets	78	76	76	-2%
Goodwill	*34*	*34*	*34*	*0%*
Equity investments	1	1	1	3%
Other assets[(2)]	103	105	269	161%
Total assets	**4,397**	**4,396**	**4,569**	**3.9%**
LIABILITIES AND EQUITY				
Due to banks	**623**	**567**	**644**	**3%**
of which ECB exposure	*538*	*550*	*556*	*3%*
Due to customers	**3,056**	**3,202**	**3,233**	**6%**
of which term deposits	*1,432*	*2,124*	*2,402*	*68%*
of which current accounts	*639*	*406*	*705*	*10%*
Debt securities issued	238	130	165	-31%
Other liabilities	224	230	249	11%
Shareholders Equity	**256**	**267**	**277**	**8%**
Total liabilities and equity	**4,397**	**4,396**	**4,569**	**3.9%**

FY23 – Balance Sheet

- **Govies' portfolio (nominal value equal to €647m) strongly reduced y/y and q/q** thanks to respectively ca. €640m and €450m disposals of Government bonds classified in the HTC category. Current portfolio is made of Italian Government bonds only with an average duration of 15 months:
  - €586m 'Held to Collect and Sell', with an average duration of 13 months
  - €61m 'Held to Collect', down q/q, with an average duration of 43 months
- **Loans at amortized cost up q/q (€3,335m**):
  - **Factoring receivables** at €2,117m up q/q due to seasonality and some big tickets
  - **CQ loans** at €799m down q/q due also to some disposals
  - **Pawn Loans up** thanks to organic growth
- **Due to customers were pretty stable q/q and +6% y/y** with a positive evolution in terms of term deposits and current accounts which offset the complete cancellation of REPOs
- **Debt securities** were quite stable q/q and relates mainly to structured funding

Note: (1) The item include "Loans to banks" respectively as at 31.12.2022, 30.06.2023 and 31.12.2023 equal respectively to €35m, to €1m and to €0.9m. (2) Tax credits for 'superbonuses' €55m, €49.1m and €216.8m respectively as at 31.12.2022, 30.06.2023 and 31.12.2023.

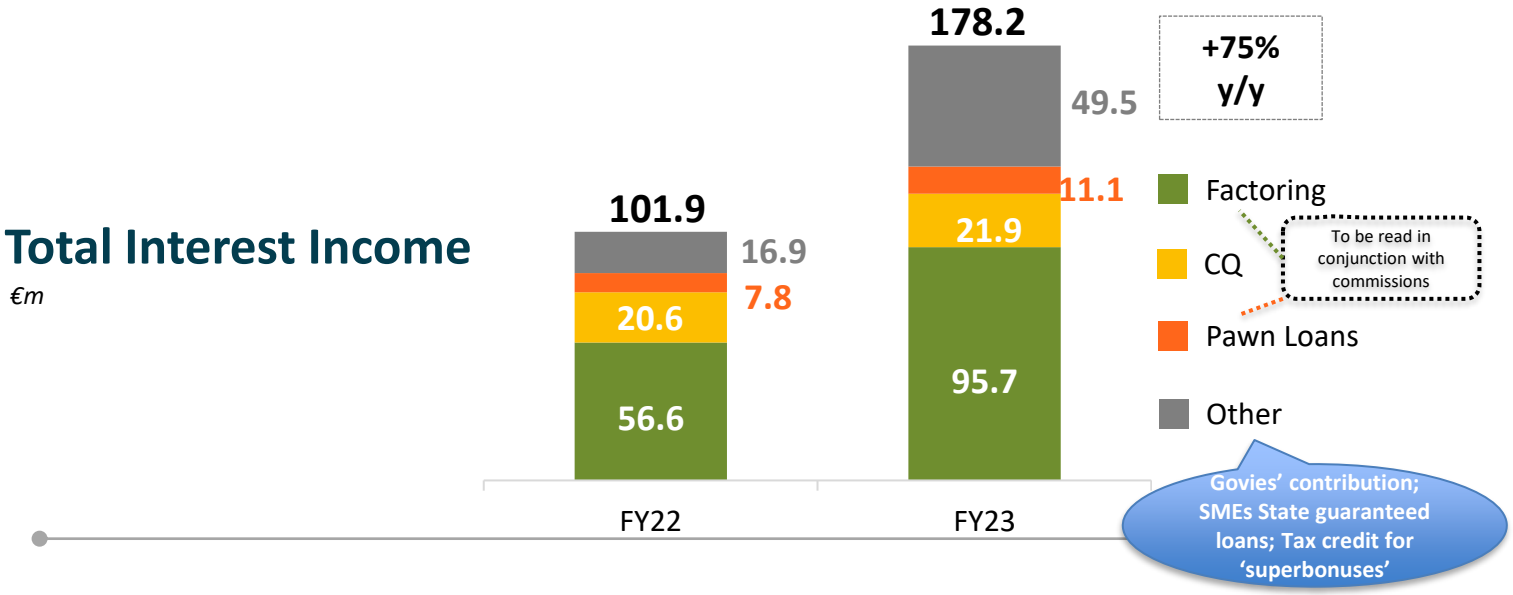
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Gross Interest Income Boosted by Factoring and Financial Portfolio

- **FY23 Interest Income up 75% y/y, with a higher contribution from factoring (+€39m y/y)**
- Higher contribution y/y by **factoring**, mainly due to higher **factoring LPIs from legal action** equal to €36.5m (€15.2m in 2022):
  - of which accrual €30.0m (€9.1m in 2022), deriving, among the others, from €6.4m 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 €3.7m from the accrual of the "€40 per invoice" compensation claims
  - of which "extra collection" €6.5m (€5.7m in 2022)
- Increasing **Pawn loans** contribution (+42% y/y)
- Slight increase from **CQ** business (+6.3% y/y)
- €49.5m of "Other" interest income in FY23 include:
  - €24.3m from Govies' ptf (€5.3m in FY22)
  - €15.7m from SMEs State guaranteed loans (€7.1m in FY22)
- **Total Adjusted Income margin up y/y and expected to grow further over the next quarters**

Total Interest Income

€m



Adjusted Income margin[1]

	FY22	FY23
Total[2]	4.2% €116.5m	6.2% €180.0m
Factoring	*4.6% €70.8m*	*7.1% €110.6m*
CQ	*2.2% €20.6m*	*2.8% €24.5m*
Pawn Loans	*16.4% €16.2m*	*19.6% €22.3m*

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 €3.8m and €1.8m respectively in FY23 and FY22.

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Total Income Slightly Lower y/y due to Net Interest Income

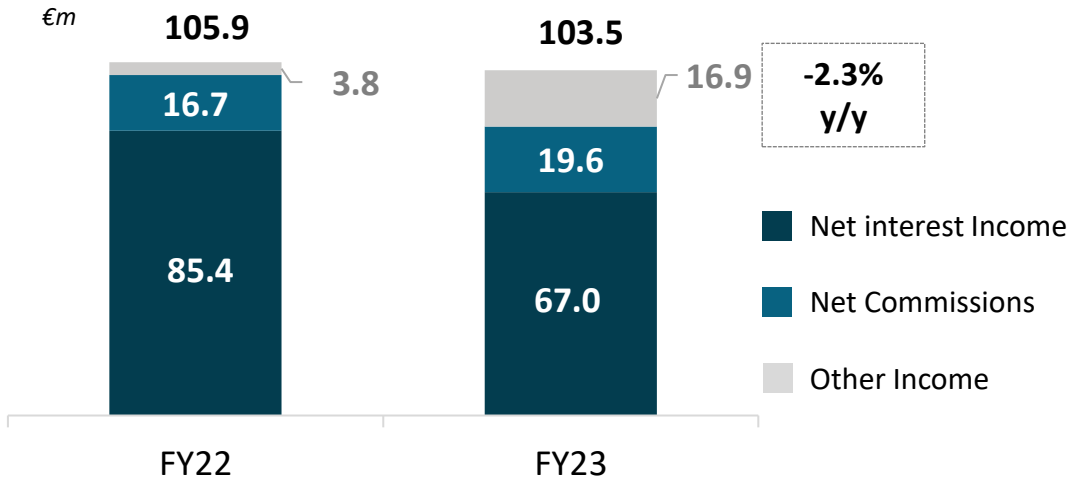
- **FY23 Total Income down -2.3% y/y**, due to lower **Net Interest Income** (-21.6% y/y) partially compensated by **higher fees** (+17.6% y/y) and **positive contribution** from **financial portfolio** disposal

- **NII decrease y/y** is driven by higher Interest Expenses (+€95m y/y) which offset higher interest income (+€76m y/y). Funding cost was equal to 2.84% in FY23 (2.69% in 9M23) vs 0.4% in FY22.

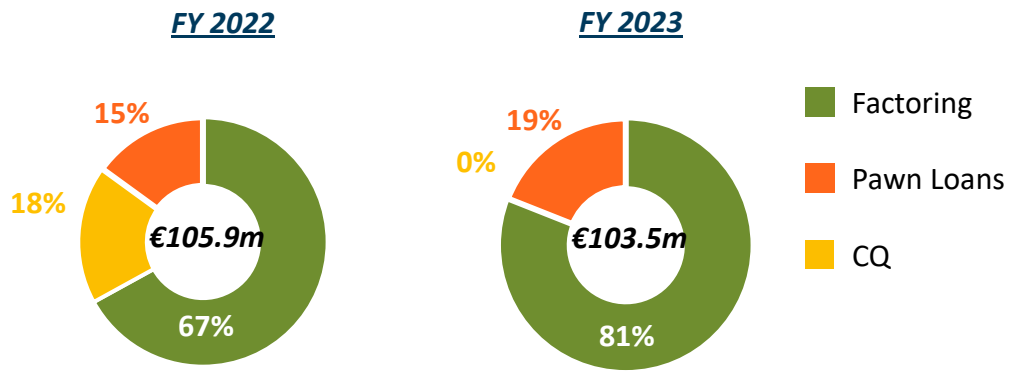
- **Net Commissions up y/y (+17.6%)** thanks to gross fees in Pawn loans business (+€2.8m y/y), net fees in factoring (+€0.5m y/y) and in CQ business (+€1.1m y/y) partially offset by higher negative fees in banking business (-€2.2m Y7Y) and SME guaranteed loans (-€0.5m y/y).
- **Other Income up y/y**, thanks to higher gains on Treasury portfolio, trading on ecobonus and slightly higher gains from sale of CQ loans.

- **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



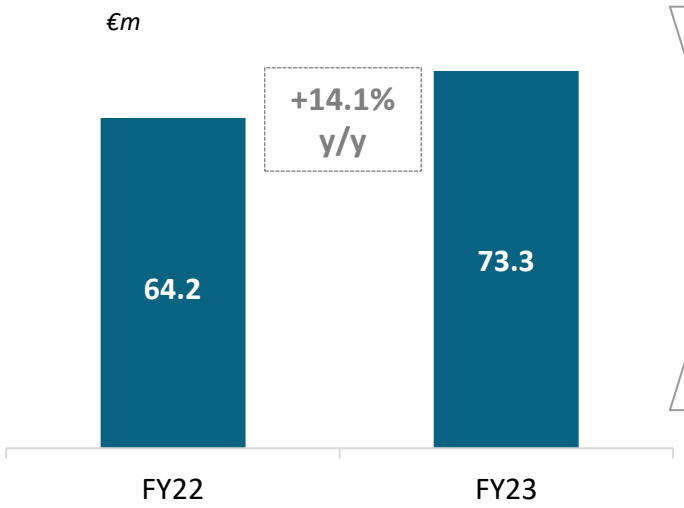
Total Income by Division



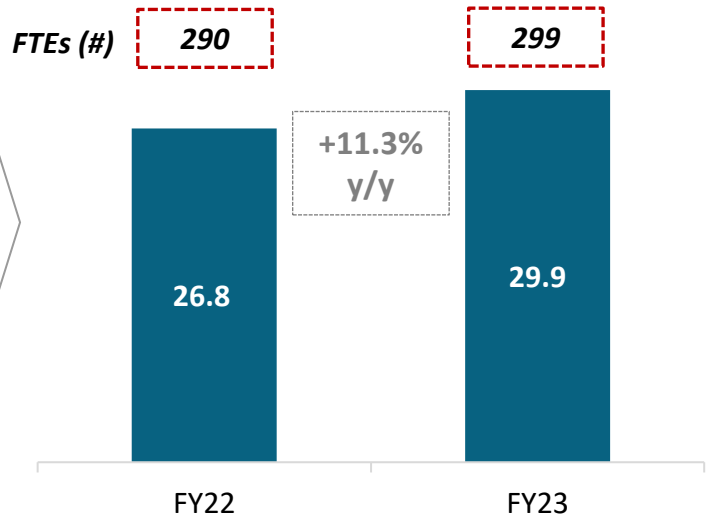
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Cost Base Growing at a Lower Pace

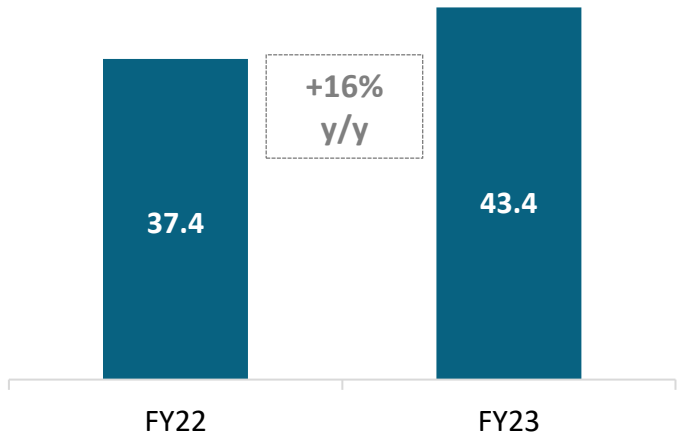
Total Operating Costs



Personnel Expenses

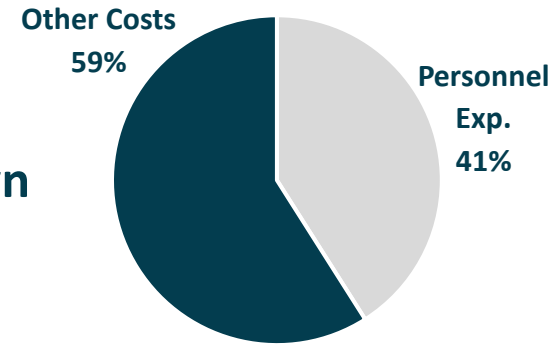


Administrative Expenses, Net Provisions for risk, Other and D&A



- Personnel expenses +11.3% y/y due to higher FTEs, labour contract renewal and no variable component/retention bonus release (positive impact of €2.2m in 2022).
- All other expenses are up by +16% y/y, mainly due to higher IT, credit related (i.e. origination, collections) and legal costs (incl KK IPO costs)

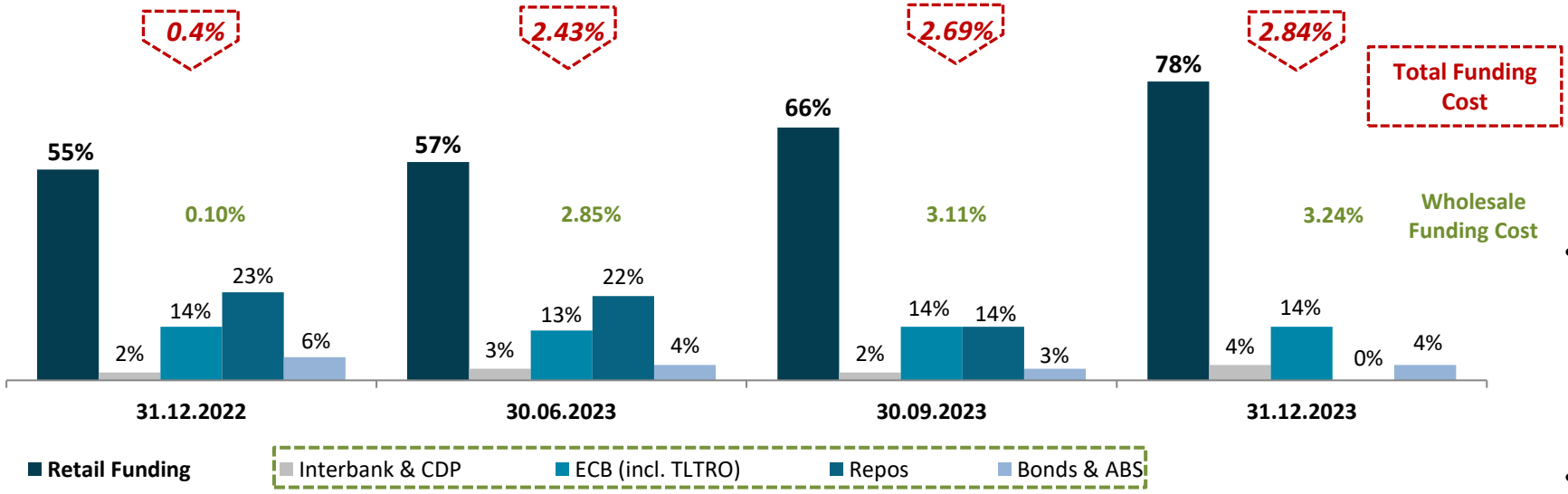
Total Operating Costs Breakdown



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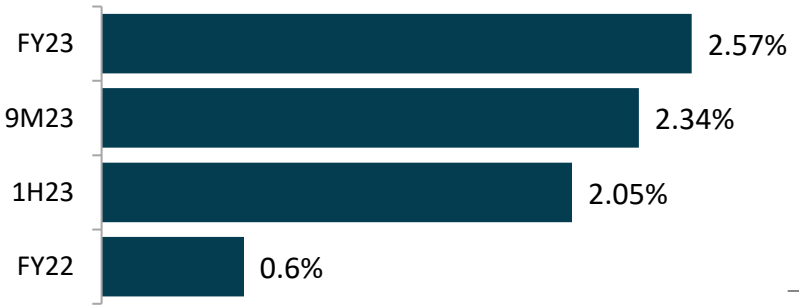
Higher funding cost y/y but at a lower pace on a quarterly basis

Total Funding breakdown



- 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 above 500%)
- Retail funding increase quarter by quarter was due to the positive inflows of term deposits; residual maturity of deposits increased from c.14 months to c.15 months
- Current accounts increase q/q was due to tactical actions undertaken in the quarter to support positive seasonality in trade receivables turnover
- Wholesale component decrease q/q is due mainly to much lower Interbanking exposure and zeroing of Repos related to Govies' ptf which has been sold

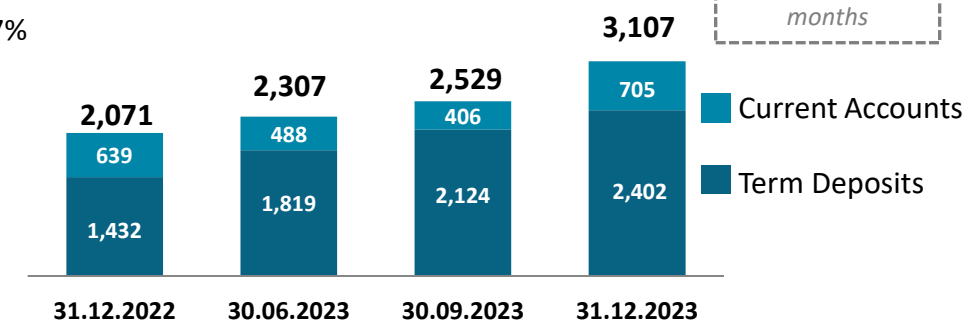
Retail Funding Cost



Retail Funding

€m

Average residual maturity of deposits is c.15 months

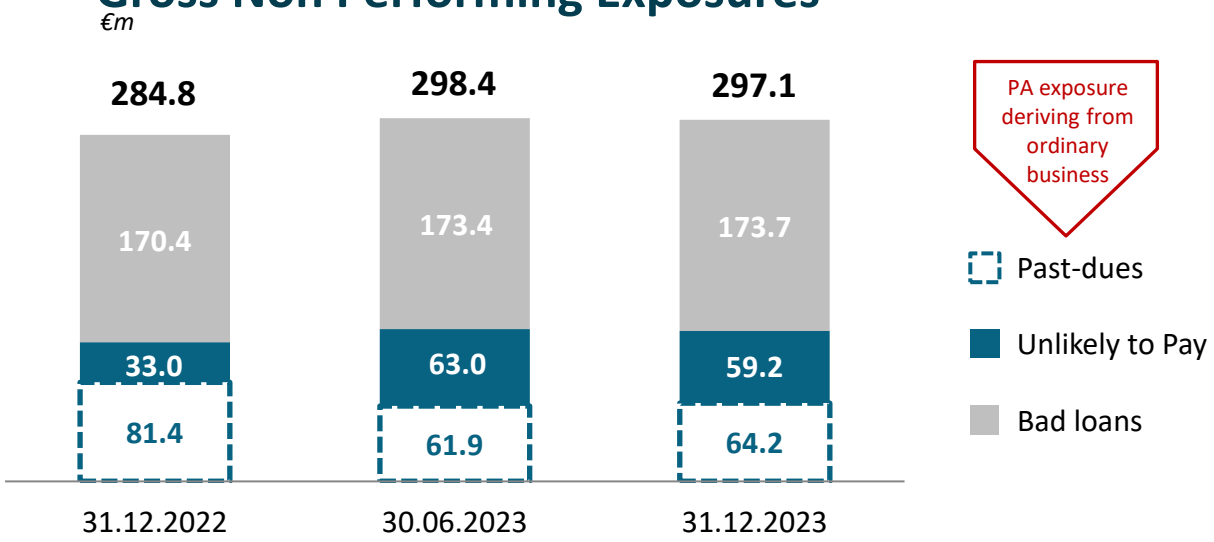


Note: CDP stands for Cassa Depositi e Prestiti SpA.

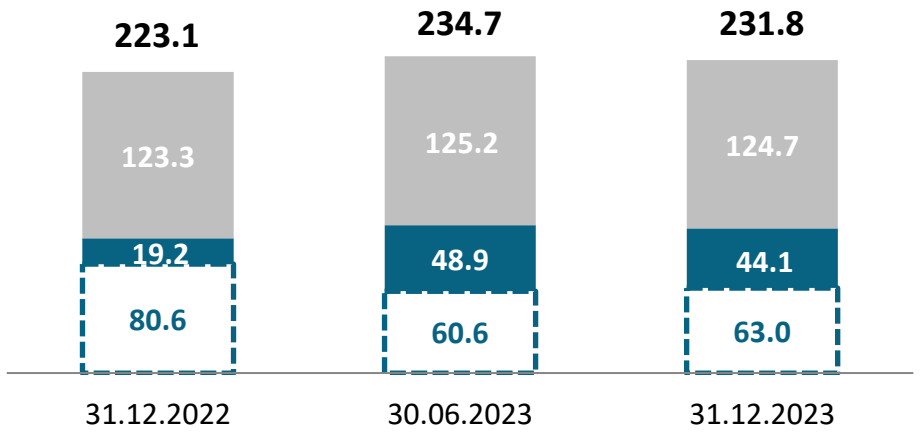
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Asset Quality driven by factoring business

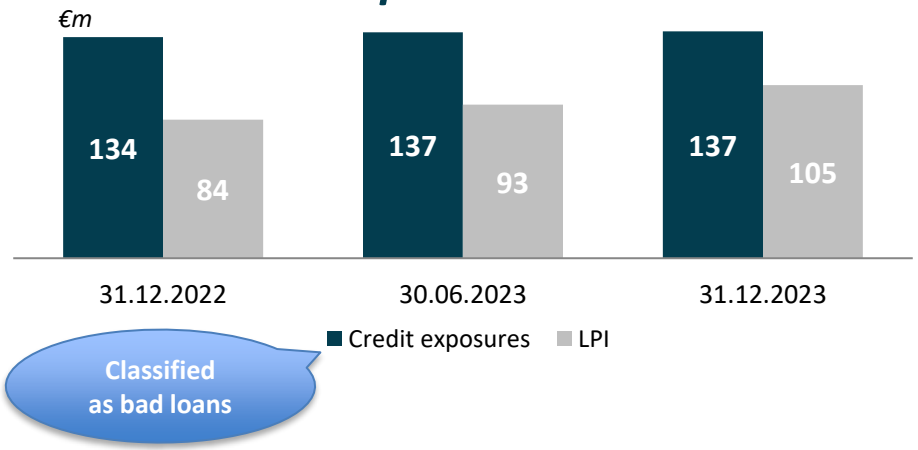
Gross Non Performing Exposures



Net Non Performing Exposures



Exposure to Municipality in Conservatorship & related LPI stock

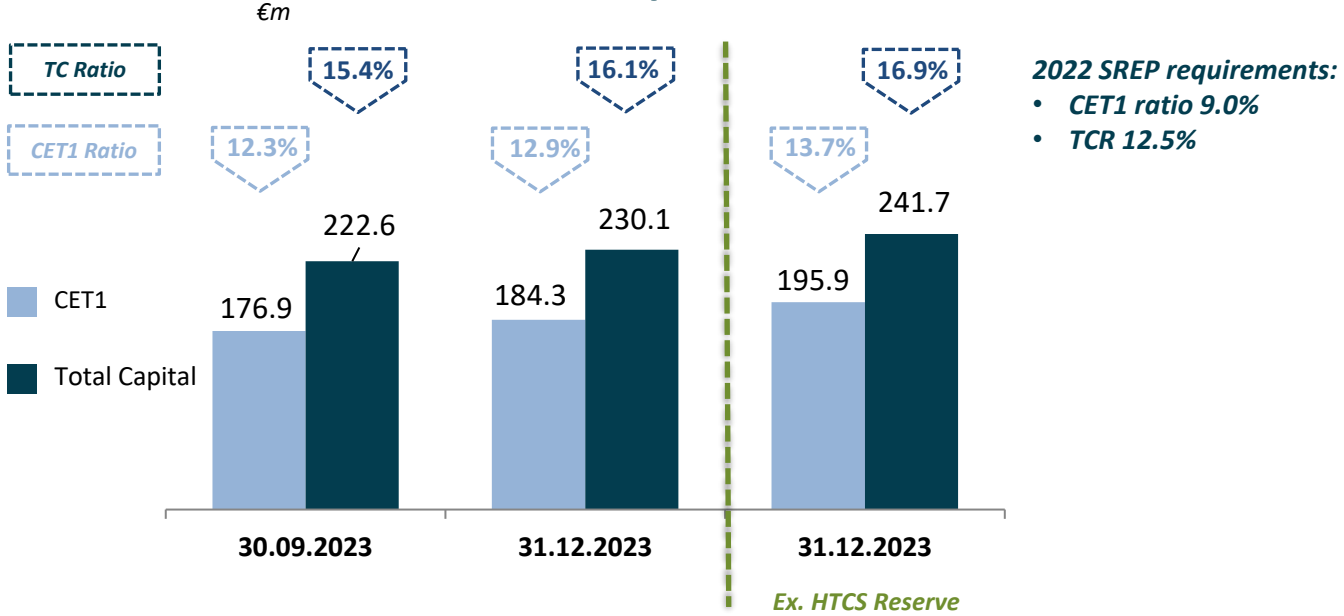


- Cost of credit risk stands at 17bps in FY23 (29bps in FY22)
- Gross and Net Non Performing Exposures up y/y and stable in 2H23 vs 1H23 thanks to lower UtPs and higher Past due loans
- **NPE's coverage ratio** pretty **stable y/y (22%), NPL's coverage ratio slightly improved y/y (28.3%). In 2023** the bank has further increased **the NPL's coverage ratio ex Municipality in Conservatorship (from 88% to 93.1%)**

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Regulatory Capital above minimum requirements

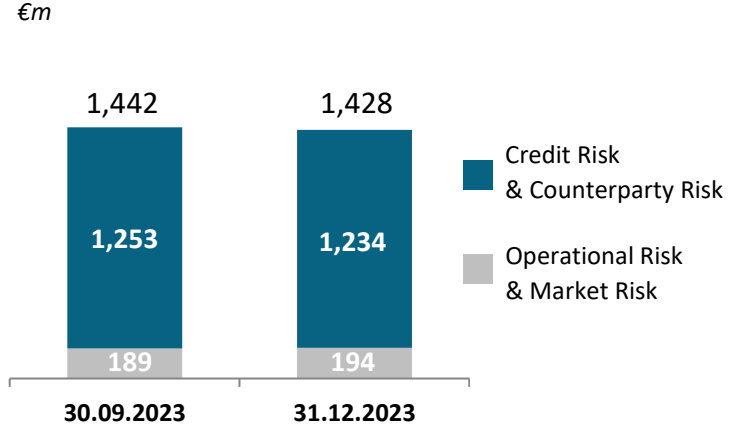
CET1 and Total Capital



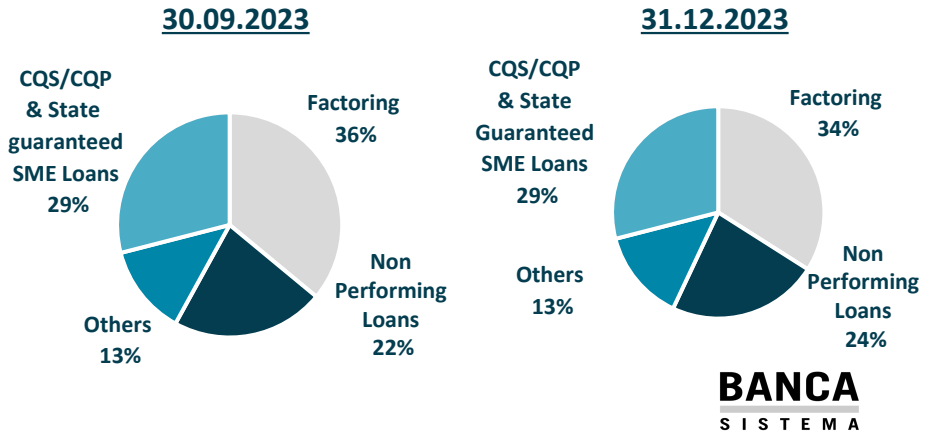
2022 SREP requirements:

- ***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 and is in the process to be implemented. Assuming a full neutralization of the "HTCS reserve" on government securities as at 31.12.2023, capital ratios would stand as above

Fully Loaded - CET1 and Total Capital as at 31.12.2023 include -€11.8m 'Held to Collect and Sell' reserve from Govies' ptf

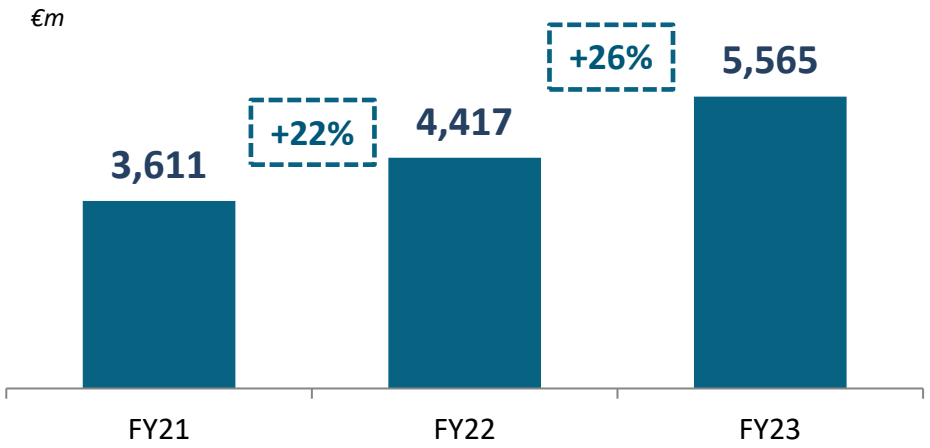
Q/Q CET1 and TC ratios improvement is driven by RWA optimization (i.e. lower factoring to corporate), positive evolution of HTCS reserve (+€7.3m q/q), higher profits.

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Annexes

Factoring Turnover

Factoring Turnover

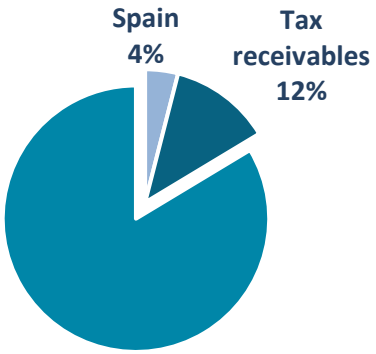


+26% y/y thanks also to few big tickets

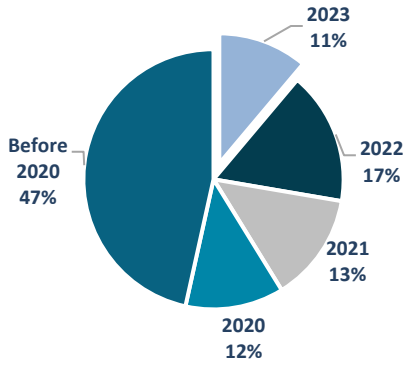
Turnover generated by agreements with Italian Retail banks: 11% in FY2023

FY23 Factoring Turnover breakdown

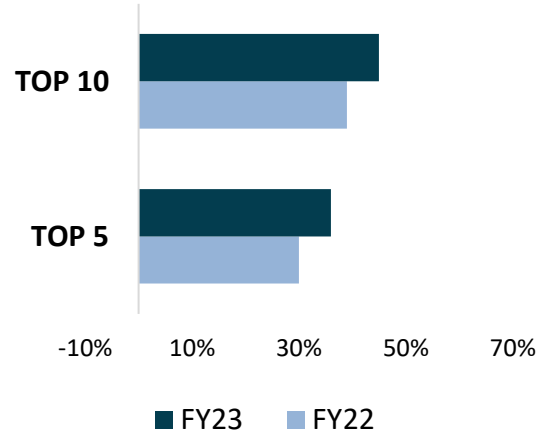
By Type



By Year of Customer's Acquisition



Customer Concentration

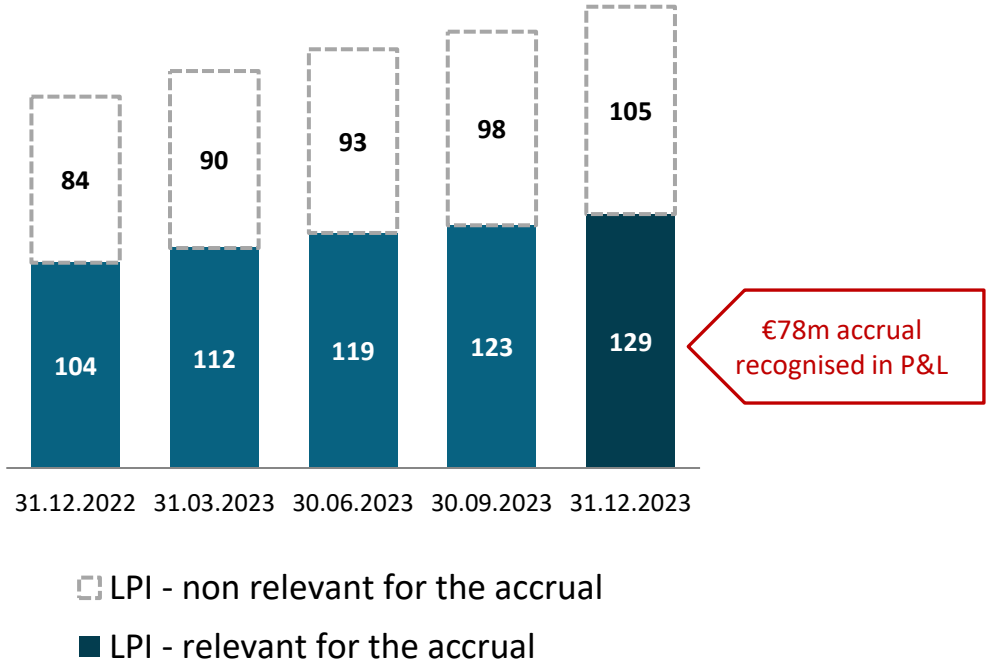


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Late Payment Interest

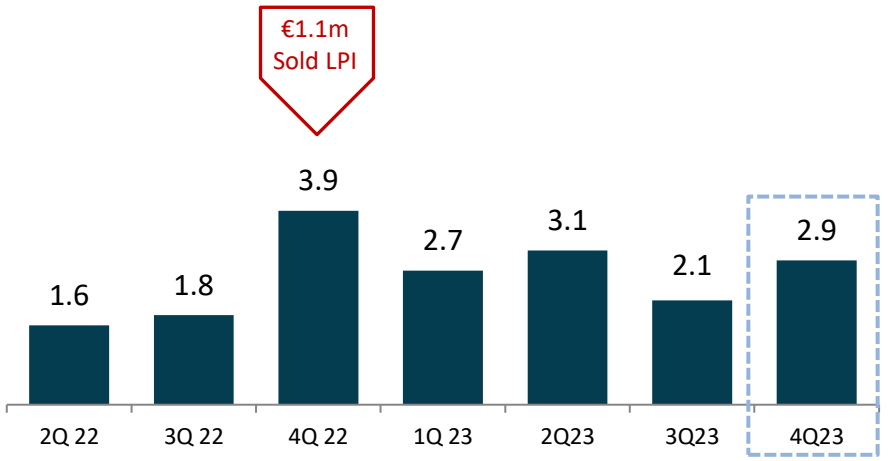
Due LPI Stock – Assets in legal action

€m



Total collected cashed-in LPI

€m



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FY23 – Income Statement

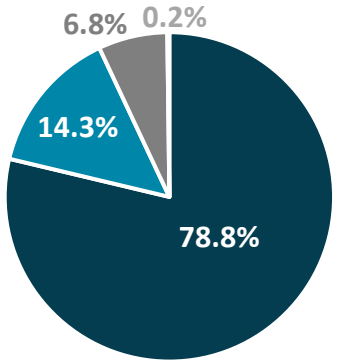
Figures in millions of Euro

	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023	2022	2023	2023 vs 2022	2023 vs 2022 change in %
Interest income	23.6	27.0	24.3	27.0	40.1	43.3	46.2	48.8	101.9	178.4	76.5	75%
Interest expenses	(2.9)	(3.0)	(3.5)	(7.1)	(19.5)	(28.0)	(31.9)	(32.1)	(16.5)	(111.5)	-95.0	NM
Net interest income	**20.7**	**24.0**	**20.9**	**19.9**	**20.6**	**15.2**	**14.4**	**16.8**	**85.4**	**67.0**	-18.5	-22%
Commission income	7.5	8.2	8.2	7.7	7.7	9.2	10.0	9.6	31.6	36.5	5.0	16%
Commission expenses	(3.8)	(5.0)	(2.8)	(3.3)	(3.1)	(3.7)	(4.9)	(5.2)	(14.9)	(16.9)	-2.0	14%
Net commission	**3.7**	**3.3**	**5.3**	**4.4**	**4.6**	**5.5**	**5.1**	**4.4**	**16.7**	**19.6**	**2.9**	**18%**
Dividends and similar income	-	0.2	(0.0)	0.0	-	0.2	(0.0)	0.0	0.2	0.2	0.0	0.00%
Net income from trading	-	(1.2)	(0.3)	(0.0)	(0.3)	0.3	(0.1)	2.9	(1.5)	2.8	4.3	NM
Net income from disposal/repurchase assets:	0.3	3.8	0.4	0.6	0.3	3.0	2.6	8.0	5.1	13.9	8.8	NM
a) measured at amortised cost	0.3	2.7	0.3	0.6	0.2	1.8	3.1	7.5	4.0	12.6	8.6	NM
b) measured at fair value through other comprehensive income	-	1.1	-	0.0	0.1	0.4	0.3	0.5	1.1	1.3	0.2	21%
Total income	**24.7**	**30.1**	**26.1**	**25.0**	**25.2**	**24.2**	**21.9**	**32.2**	**105.9**	**103.5**	**-2.4**	**-2%**
Net impairment losses on loans	(2.3)	(2.7)	(1.2)	(2.2)	(1.0)	(1.8)	(0.8)	(1.0)	(8.5)	(4.6)	3.9	-46%
Net operating income	**22.4**	**27.3**	**25.0**	**22.7**	**24.2**	**22.4**	**21.1**	**31.3**	**97.4**	**99.0**	**1.5**	**1.6%**
Personnel expenses	(6.6)	(7.7)	(7.1)	(5.4)	(7.5)	(7.2)	(6.2)	(9.0)	(26.8)	(29.9)	-3.0	11%
Other expenses	(9.1)	(7.9)	(9.3)	(11.1)	(10.9)	(9.3)	(9.0)	(14.2)	(37.4)	(43.4)	-6.0	16%
Operating expenses	**(15.7)**	**(15.7)**	**(16.4)**	**(16.5)**	**(18.4)**	**(16.6)**	**(15.1)**	**(23.2)**	**(64.2)**	**(73.3)**	**-9.0**	**14%**
Profits from equity investments	(0.04)	(0.02)	(0.01)	0.03	(0.01)	(0.01)	0.01	0.03	(0.0)	0.0	0.1	NM
Pre-tax profit from continuing operations	**6.7**	**11.6**	**8.6**	**6.2**	**5.8**	**5.8**	**6.0**	**8.1**	**33.2**	**25.7**	**-7.4**	**-22%**
Taxes on income for the period/year from continuing operations	(2.1)	(3.7)	(2.9)	(2.0)	(2.0)	(1.9)	(1.7)	(2.8)	(10.7)	(8.5)	2.2	-20%
Profit (loss) for the year/period	**4.5**	**7.9**	**5.8**	**4.3**	**3.8**	**3.9**	**4.3**	**5.3**	**22.5**	**17.2**	**-5.3**	**-23%**
Minority interests	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.3)	(0.1)	(0.5)	(0.7)	-0.3	58%
Profit (loss) for the year/period attributable to the shareholders of the Parent	**4.4**	**7.8**	**5.6**	**4.2**	**3.7**	**3.7**	**3.9**	**5.2**	**22.0**	**16.5**	**-5.5**	**-25%**

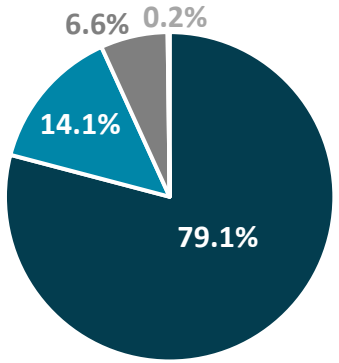
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Asset Quality

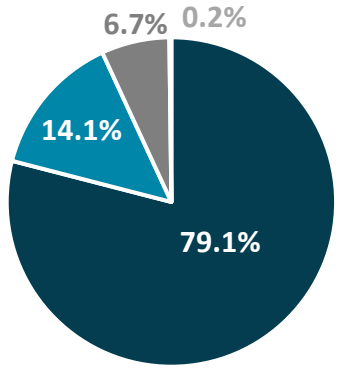
Gross Bad loans



31.12.2022

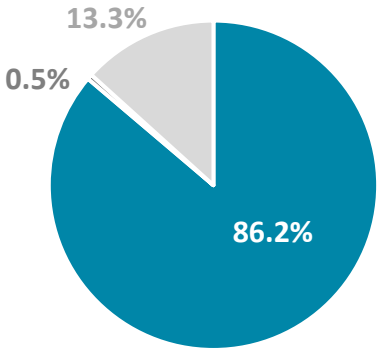


30.06.2023

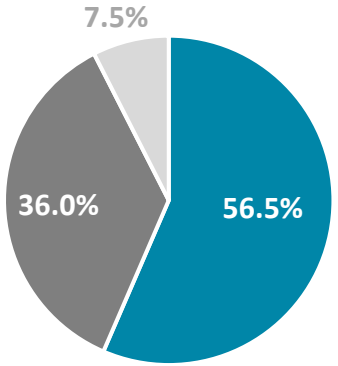


31.12.2023

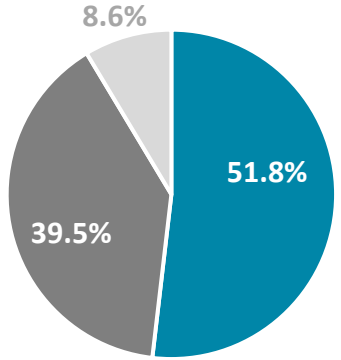
Gross Unlikely to Pay



31.12.2022



30.06.2023



31.12.2023

Conservatorships (factoring) Factoring SME State Guarantee Loans Other

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