GROUP PROFILE

June 2024

BANCA SISTEMA

AGENDA

BANCA SISTEMA



- **Banca Sistema Overview**



- **1Q24 Results**
- **Annexes**

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AMONG THE TOP ITALIAN SPECIALTY FINANCE

Who we are

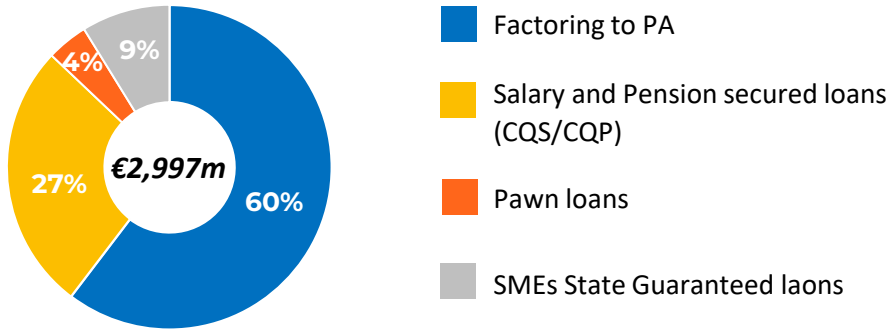
- Independent and diversified specialty finance player in Italy
- Established in 2011 (HQ in Milan), IPO in 2015
- Serving more than 400 corporates in **Factoring**, 50k customers in **CQ** and ~36k customers in **Pawn loans**
- Total funds: 76% Retail/ 24% Wholesale
- 302 workforce

Mission

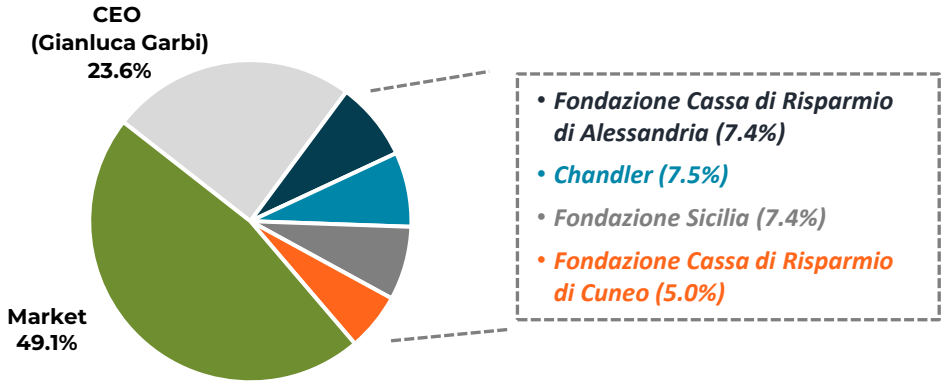
The Group's primary objectives include meeting the financial demands of corporate, by promoting efficiency and acting as a link between the public and private sectors, in addition to providing individuals access to an advanced, easy and readily-accessible banking world that is attentive to the needs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

Customer loans

(31.03.2024)



Shareholders



Source: Consob

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FACTORING REPRESENTS 60% OF CUSTOMERS LOANS

BANCA SISTEMA

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:

€1,368m 1Q24 Turnover, +28% y/y

Origination: 1) **Direct** (76% of turnover) through a Sales Force of 23 dedicated resources, in 5 offices; 2) **Indirect** (24%), 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

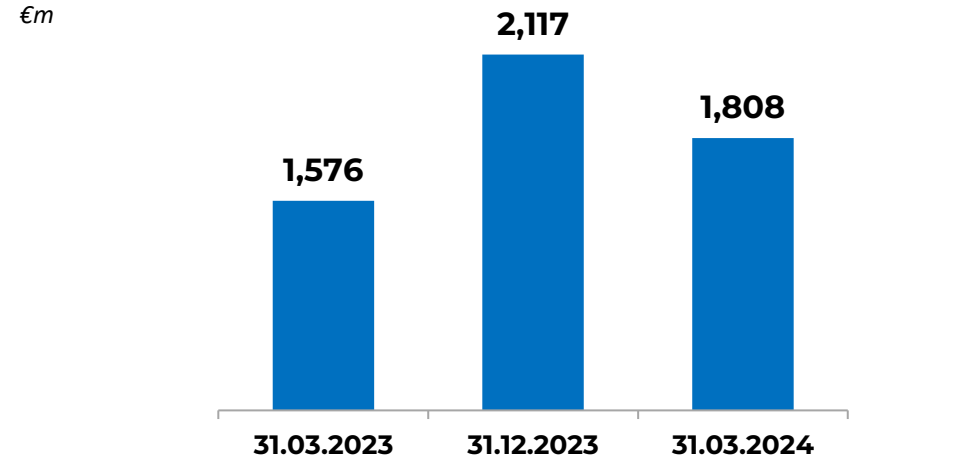
Judicial collection: 16 headcount and 24 Law firms

Low risk counterparty exposure

The majority of our credit exposure is towards the Italian Public Administration, 71% of the outstanding as at 31.03.2024 equal to **€1,396m**, with low risk underlying credit exposure comparable to a Government Bond.

Source: Assifact

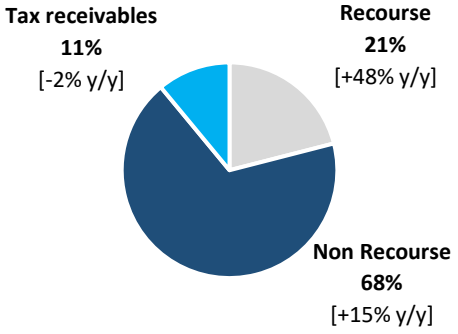
Factoring customer loans



*Total Factoring to PA in Italy was €8.0bn as at 31.12.2023 (€8.5bn as at 31.12.2022)

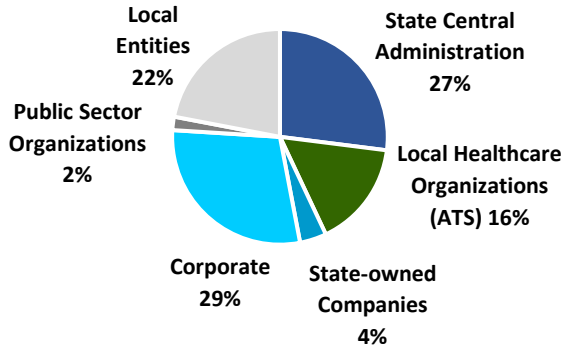
Outstanding breakdown (31.03.2024)

By Type of Product



By Obligor

PA accounts for 71%



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CQ REPRESENTS 27% 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:

1Q24 €56m 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

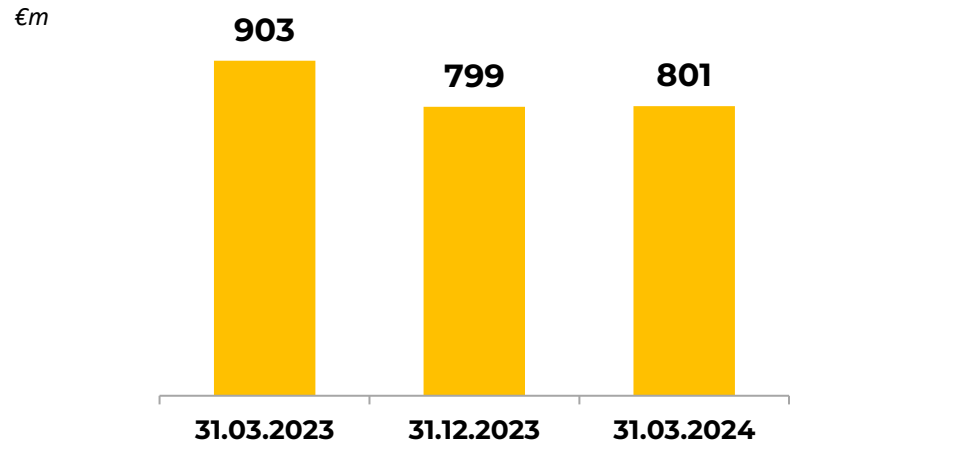
Low risk assets

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)

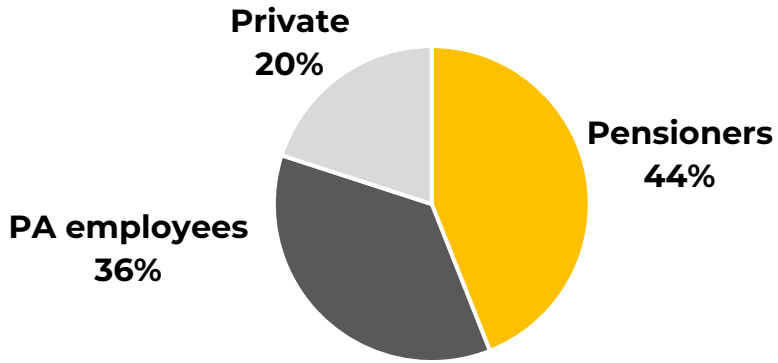
Source: Assofin

CQ customer loans



*CQ Market in Italy was as at 31.12.2023 €6.2bn (as at 31.12.2022 €6.5bn)

Outstanding breakdown by Type (31.03.2024)



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PAWN BROKING: BUSINESS WITH 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 1Q24 (including renewals): €55m (€49m in 1Q23)**
- **#22 auctions in 1Q24, with > 95% of the offers through the APP, DigitalPegno**

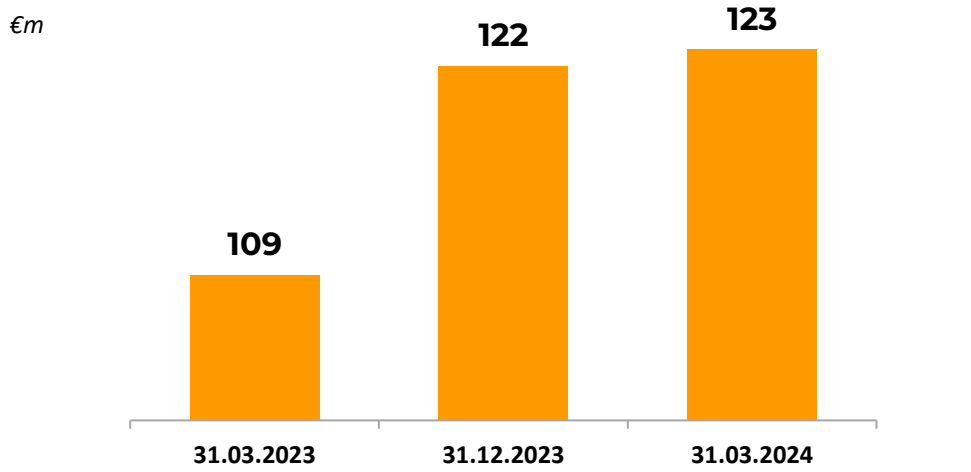
Operations

- 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
- IPO in January 2024 on EGM segment (BST controlling stake at 70%)

Key factors

- Fit with BST risk appetite
- High return and low credit risk
- Short term funding need
- Low RWA absorption

Pawn loans outstanding



86% of Outstanding backed by GOLD

~62% Loan To Value

1Q24 Income margin 21.6%

~57% of the new Volume are renewed

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AGENDA



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1Q 2024 RESULTS AT A GLANCE

BANCA SISTEMA

Commercial performance

- **Factoring** turnover +28% y/y equal to €1,368m
- **CQ** outstanding at €801m, -11% y/y
- **Pawn loans** outstanding at €123m, +12% y/y
- **SMEs State guaranteed loans** outstanding equal to €265m, +40% y/y

P&L

- **Adjusted Net Interest Income** equal to €16.1m, -21.7% y/y
- **Higher funding cost y/y at 3.6%**
- **Total Income** equal to €26.8m, +5.9% y/y
- **Lower Cost of risk y/y at 17bps**
- **Total operating costs equal to €18.5m**, flat y/y
- **Pretax profit equal to €7.0m,** +19% y/y **(net profit €4.1m)**

Balance Sheet

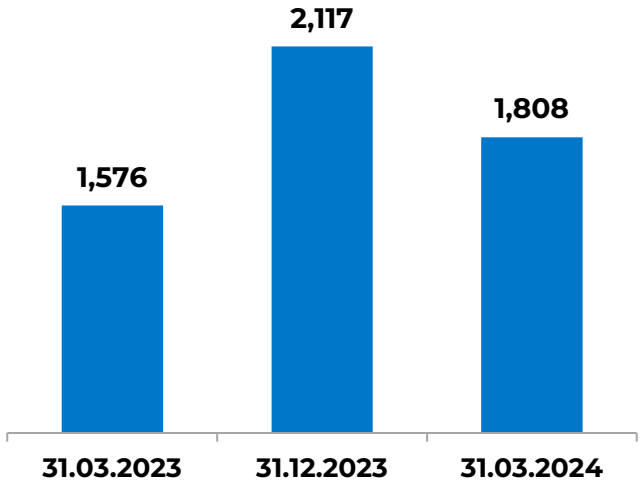
- **Retail funding component stable q/q** (76% of Total Funds)
- **Total assets** equal to ~€4.5bn, stable q/q
- **CET1 ratio at 12.7%** (+70bps y/y) and **TC ratio at 15.8%** (+50bps y/y)

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FACTORING COMMERCIAL PERFORMANCE

Factoring – Loans Outstanding

€m

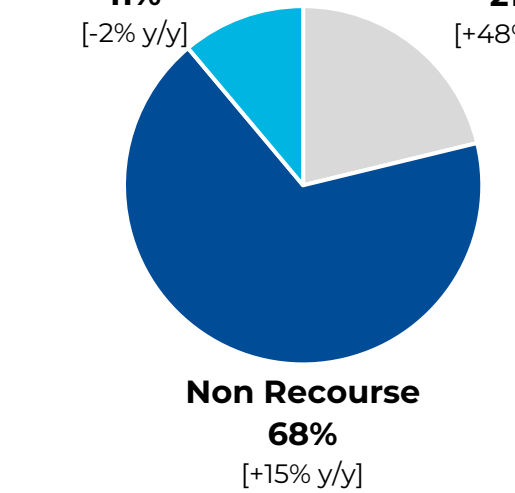


Outstanding breakdown

(31.03.2024)

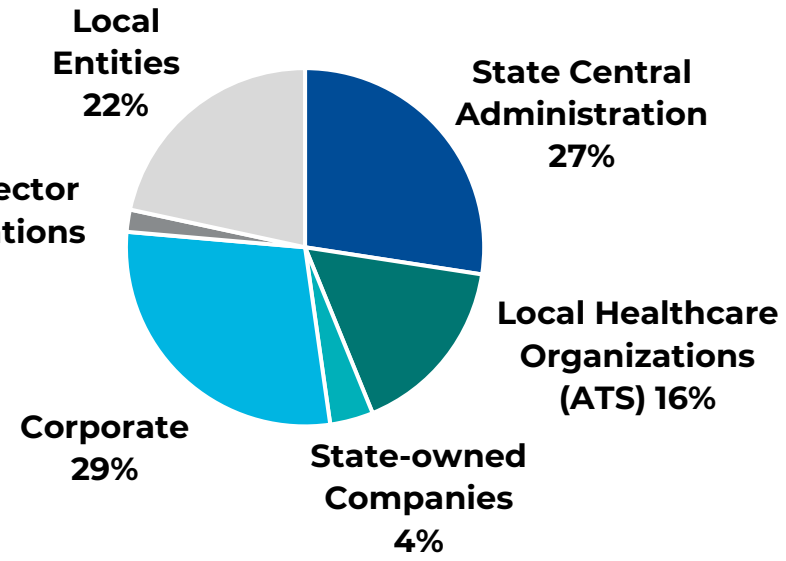
€1,956m

By Type of Product



By Obligor

PA accounts for 71%



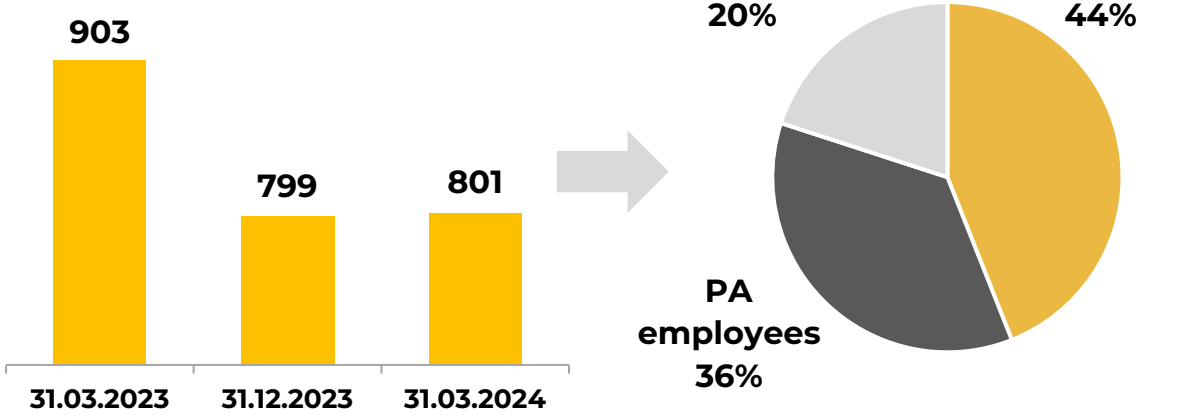
Note: Factoring outstanding management account. Factoring customer loans, item of the Balance Sheet (slide 5) differ from management account for the following elements: Recourse factoring non-financed portion; Provisions; LPI; deferred income.

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CQ AND PAWN LOANS COMMERCIAL PERFORMANCE

CQ loans outstanding

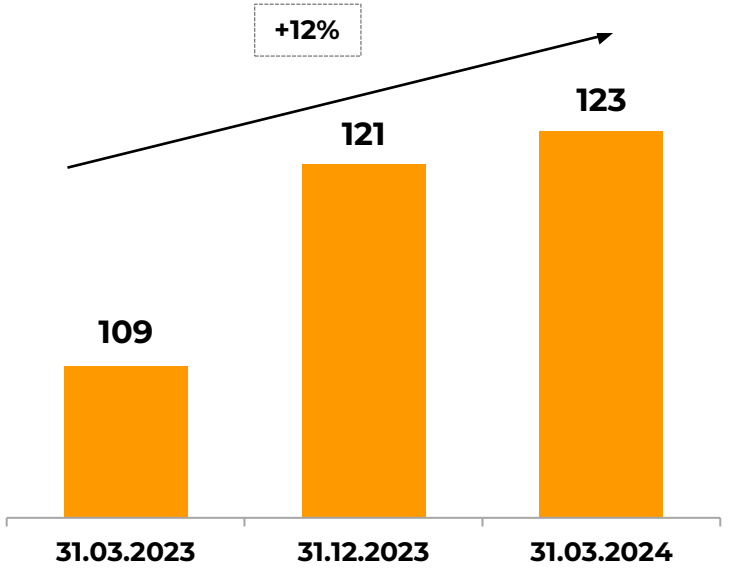
€m



- €56m turnover in 1Q24 (€37m in 1Q23)

Pawn Loans outstanding

€m



- ~71k contracts
- Total turnover in 1Q24 (including renewals): €55m (€49m in 1Q23)
- #22 auctions in 1Q24, with > 95% of the offers through the APP, DigitalPegno

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1Q24 – BALANCE SHEET

Figures in millions of Euro

	31.12.2023	31.03.2024	Change in % 31.03.2024 vs 31.12.2023
ASSETS			
Cash and cash equivalents	250	246	-2%
Financial assets at fair value through Other Comprehensive Income **[Held to Collect and Sell]**	576	754	31%
Loans at amortized cost	**3,335**	**3,030**	**-9%**
Factoring	***2,117***	***1,808***	***-15%***
CQ	***799***	***801***	***0%***
Pawn loans	***121***	***122***	***1%***
SMEs State Guaranteed loans	*286*	*265*	*-7%*
Other [1]	*12*	*34*	*183%*
Securities at amortized cost **[Held to Collect]**	61	61	0%
Tangible and Intangible assets	76	76	0%
Goodwill	*34*	*34*	*0%*
Equity investments	1	1	0%
Other assets [2]	272	354	30%
Total assets	**4,572**	**4,522**	**-1.1%**
LIABILITIES AND EQUITY			
Due to banks	**644**	**397**	**-38%**
of which ECB exposure	*556*		*-100%*
Due to customers	**3,233**	**3,460**	**7%**
of which term deposits	*2,402*	*2,708*	*13%*
of which current accounts	*705*	*267*	*-62%*
Debt securities issued	165	122	-26%
Other liabilities	253	258	2%
Shareholders Equity	**277**	**285**	**3%**
Total liabilities and equity	**4,572**	**4,522**	**-1.1%**

- **Govies' portfolio increased q/q (nominal value €817m vs €647m as of 4Q23)** with an average duration of 11 months (15 months as at 31.12.2023), exclusively Italian Governament bonds:
  - €756m 'Held to Collect and Sell', +€170m q/q, with an average duration of 9 months
  - €61m 'Held to Collect', flat q/q, with an average duration of 40 months
- **Loans at amortized cost down q/q (€3,029m**):
  - **Factoring receivables** at €1.8bn, -14.6% q/q due to maturity of few big tickets underwritten in 2H23 and with a short duration.
  - **CQ loans flat q/q**, with the growing Direct origination not entirely compensating the maturities of the Indirect component
  - **Pawn Loans flat q/q**
- **Due to banks** q/q decrease is mainly driven by €195m TLTRO reimbursement (€361m outstanding as of 1Q24)
- **Due to customers** q/q increase is driven by the increase in term deposits ("Conto Deposito") and REPO's which more than offset Current accounts decrease, **Debt securities** q/q decrease is driven by lower structured funding with factoring receivables collateral

Note: (1) The item include "Loans to banks" respectively as at 31.12.2023 and 31.03.2024 equal respectively to €0.9m and to €1.1m. (2) Tax credits for 'superbonuses' €217m and €290m respectively as at 31.12.2023 and 31.03.2024.

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ADJUSTED INCOME MARGIN EVOLUTION

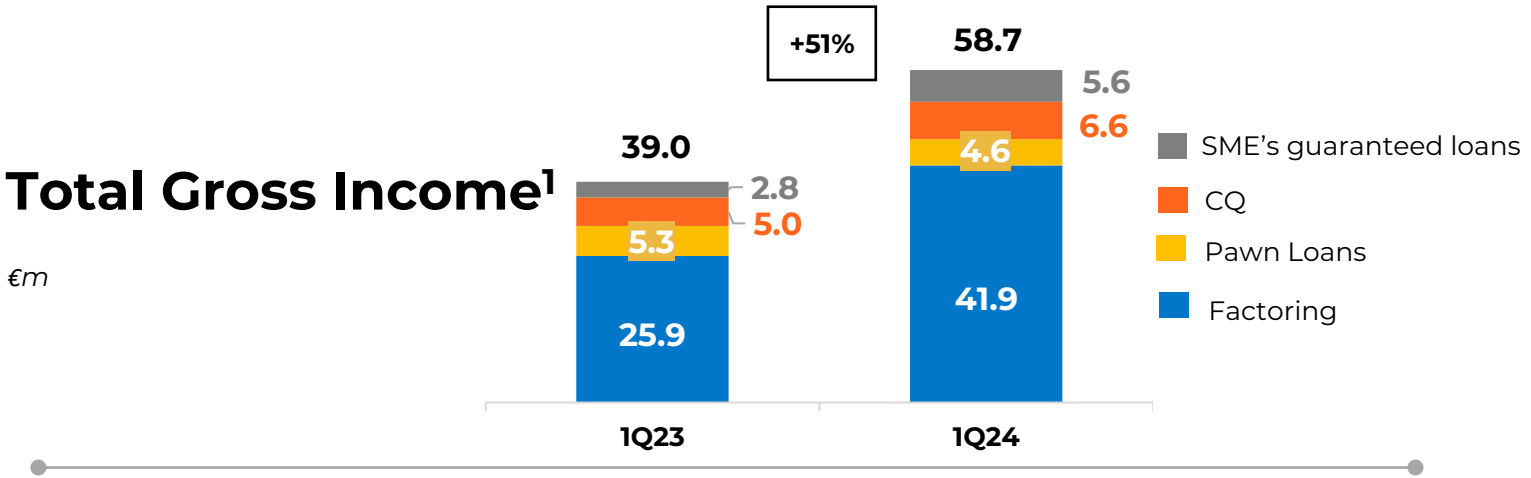
1Q24 Total gross income up +51% y/y (+8% q/q), with a higher contribution from factoring **(+€16.0m y/y),** pawn loans **(+1.6m y/y),** SMEs State guaranteed loans **(+2.8m y/y) and decreasing** trend **in CQ (-0.7m y/y)**

Higher revenues y/y from **factoring**, mainly due to
a) higher commercial loans contribution / Superbonus
b) higher **factoring LPIs from legal action** equal to €13.4m (€11.1m in 1Q23):

- of which accrual €10.0m (€9.1m in 1Q23)
- of which "extra collection" €3.3m (€2.0m in 1Q23)

Factoring gross income and adjusted income margin include **€4.9m** revenues from **Superbonus** of which €4.4m from Trading superbonus

Total Gross Income[1]



Adjusted Income margin[2]

	1Q23		1Q24	
Total	5.0% €39.0m	6.2% FY23	6.5% €58.7m	
Factoring	*5.5% €25.9m*		*7.0% €41.9m*	*1Q24: 6.9% ex Superbonus*
CQ	*2.3% €5.3m*		*2.3% €4.6m*	*1Q23: 5.6% ex Superbonus*
Pawn Loans	*18.6% €5.0m*		*21.6% €6.6m*	

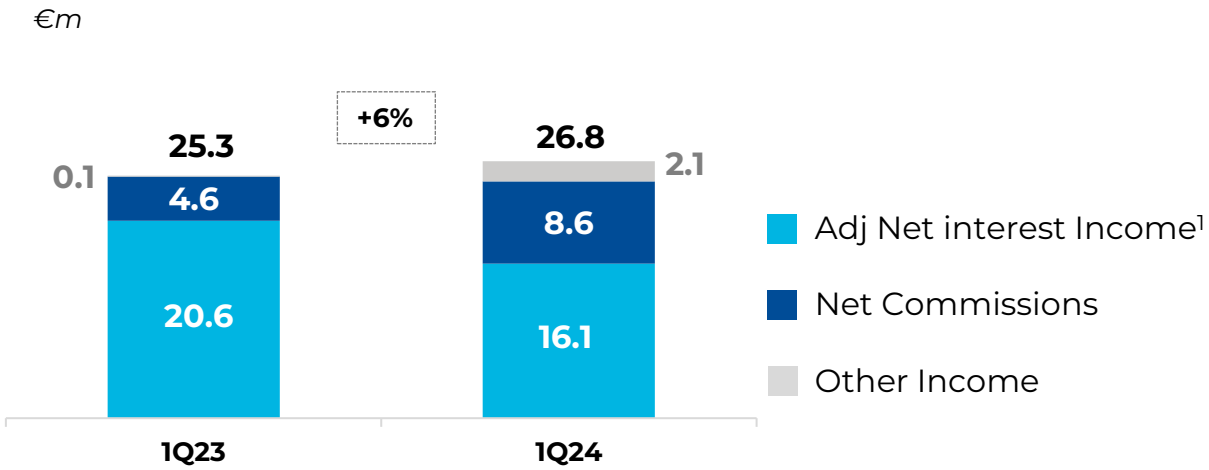
Note: (1)Total gross income calculated as Period Interest Income + Commission Income + Gain for asset disposals + trading Superbonus - excluding the contribution from securities portfolio, PPA, credit due from banks and Repo (Balance Sheet and Financial Statement figures); (2) Calculated as [Period Interest Income + Commission Income + Gain for asset disposals + trading Superbonus] / [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);

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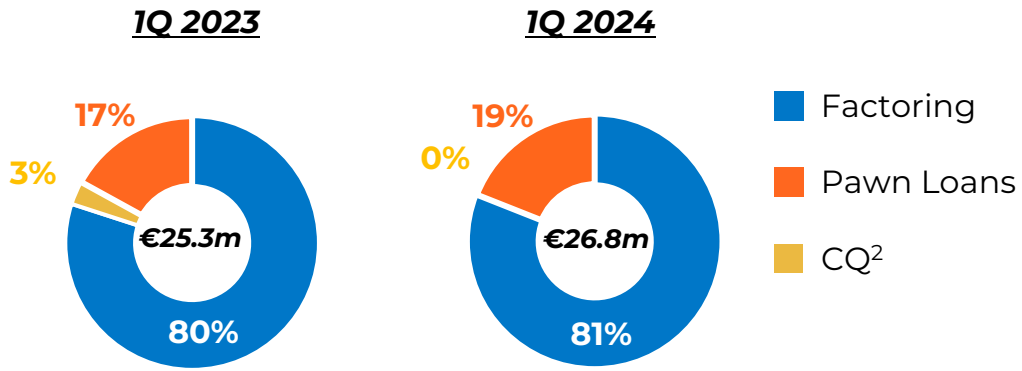
TOTAL INCOME UP Y/Y THANKS TO FACTORING AND PAWN BROKING

- **1Q24 Total Income up 6% y/y**, thanks to positive **contribution from factoring** and **pawn loans** despite higher cost of funding and lower contribution from CQ business
- **Adj NII** (NII + trading on Ecobonus) decreased by 21.7% y/y due to higher cost of funding, much lower contribution from financial portfolio and the sale of a greater number of commission-based products. Total Cost of funding was equal to 3.6% (2.8% in 4Q23 and 2.0% in 1Q23)
- **Fees up +88% y/y** thanks to strong performance in **factoring** and **pawn broking business**
- **Other Income up y/y**, includes ca. €1m gain from govies portfolio and €0.9mn gain from the sale of a factoring ptf (€0.2m in 1Q23)
- **CQ contribution** was negative y/y still due to the backbook's low yields, expected to improve in the coming quarters

Total Income



Total Income by Division

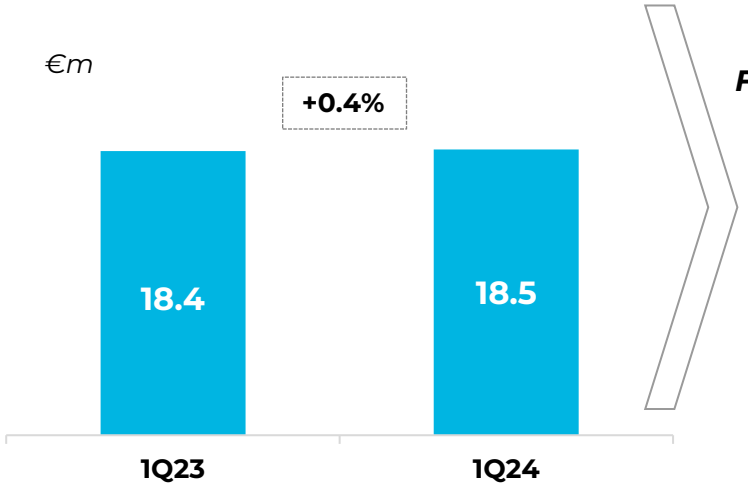


1. Adjusted Net Interest Income = Net interest Income + Trading on Ecobonus
2. CQ total income in 1Q24 was negative and equivalent to -11% of total income

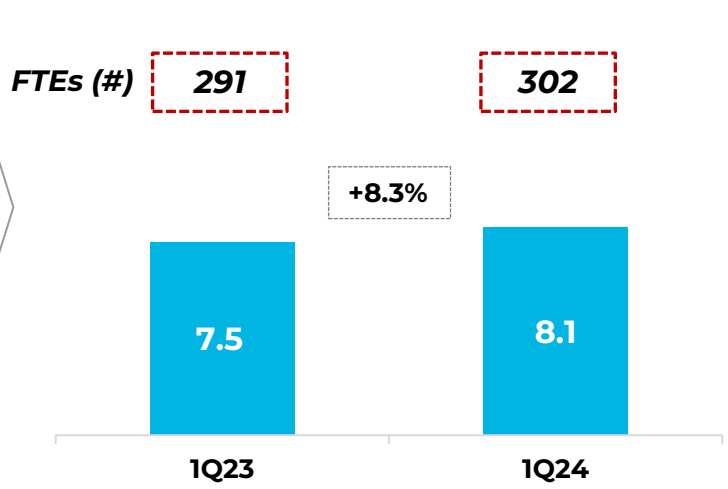
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COST BASE CONSOLIDATING

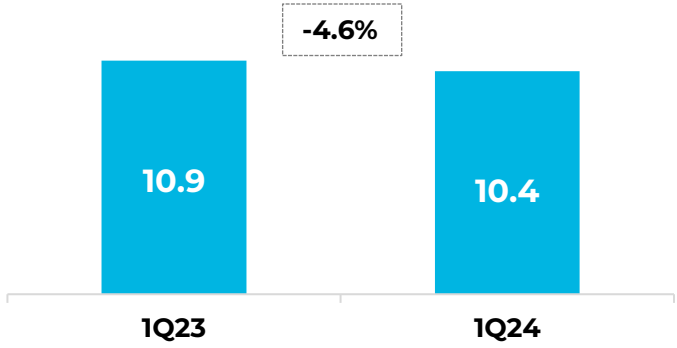
Total Operating Costs



Personnel Expenses

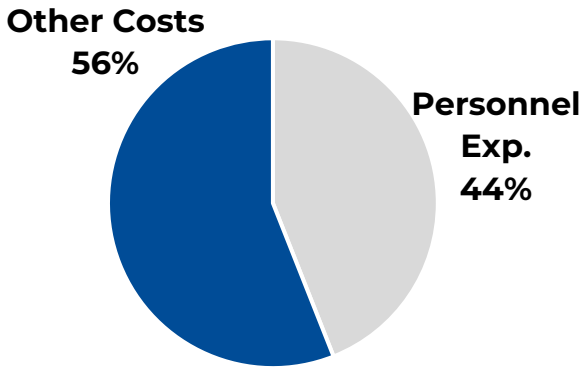


Administrative Exp, D&A, Risk Provisions and Others



- **Total costs flat y/y** as higher personnel and administrative costs have been compensated by the cancellation, starting from 2024, of the SRF provision
- **Personnel Expenses up** (+8.3% y/y) due to higher FTEs and the impact of the national labour contract renewal
- **Administrative costs were up** y/y due to **one-off costs** (i.e. new 3Y Industrial plan, Kruso kapital IPO completion) and some credit-related costs (i.e. origination and collection). The decrease shown in the chart is driven by SRF provision cancellation

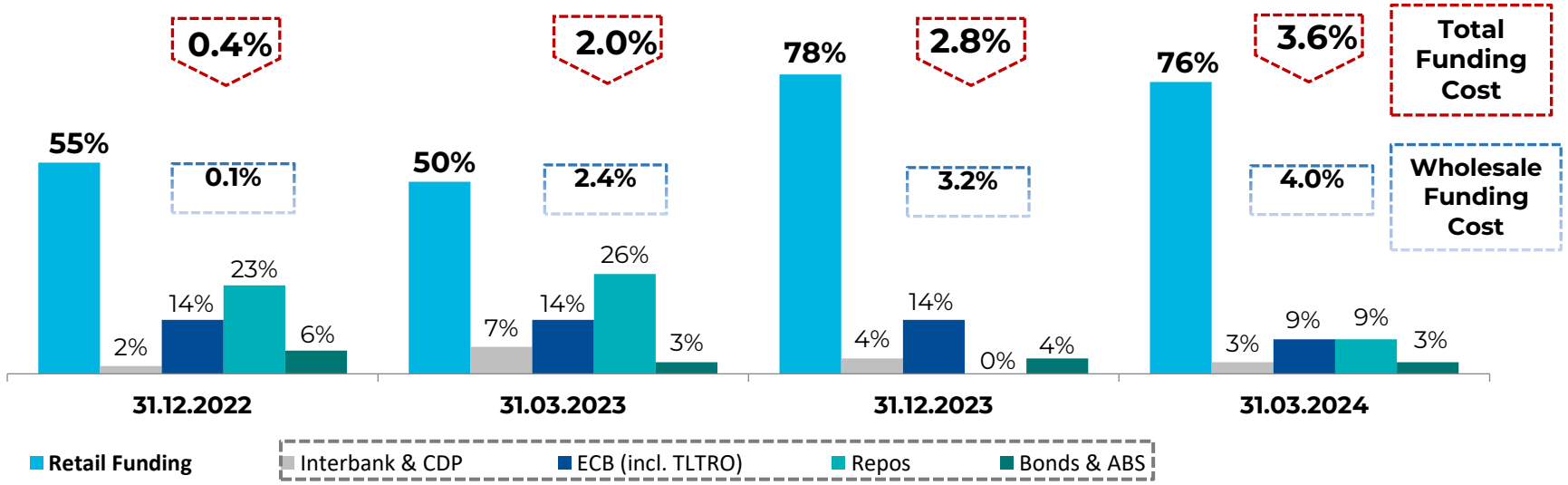
Total Costs Breakdown



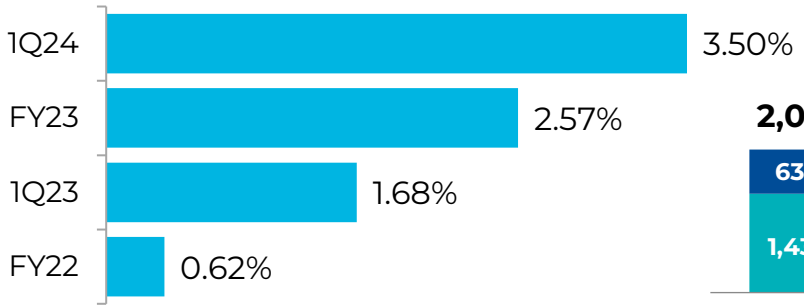
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HIGHER FUNDING COST Y/Y

Total Funding breakdown

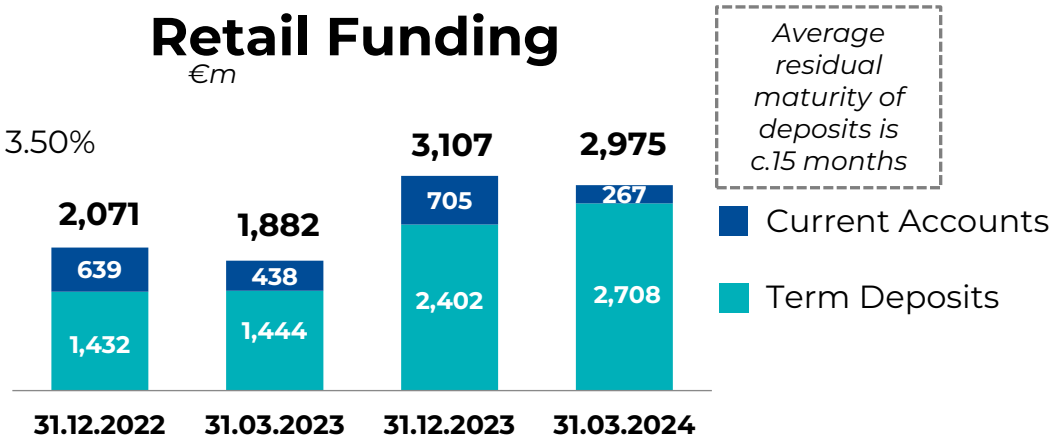


Retail Funding Cost



Retail Funding

€m



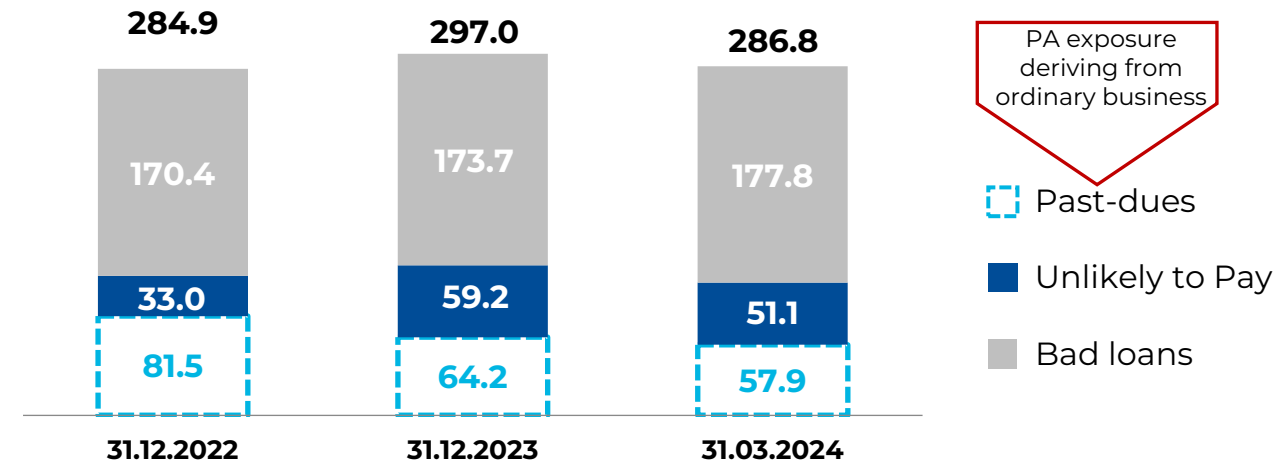
- Retail Funding represents 76% of total funding as of 1Q24
- Retail funding reduction q/q was due to lower current accounts from corporates only partially compensated by some inflows on term deposits.
- Net inflows in term deposits continued from abroad (+€303m) while were flat in Italy. The overall decrease of retail funding q/q is driven by current accounts decrease from corporates
- €195m TLTRO reimbursed in 1Q24
- Cost of funding up y/y and q/q, similar increase in wholesale and retail component with a +50bps spread among the two categories.

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ASSET QUALITY DRIVEN BY FACTORING BUSINESS

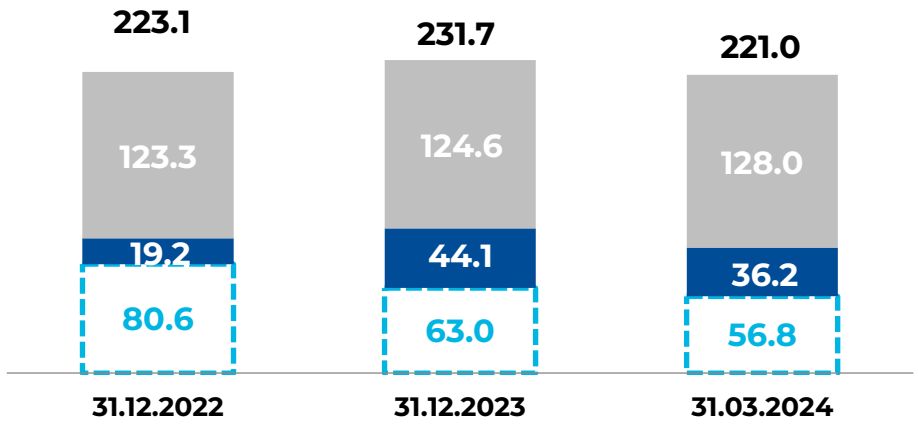
Gross Non Performing Exposures

€m

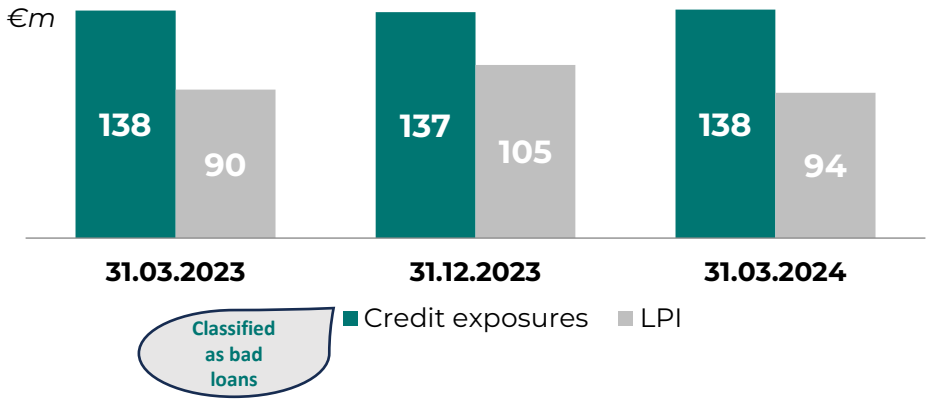


Net Non Performing Exposures

€m



Exposure to Municipality in Conservatorship & related LPI stock

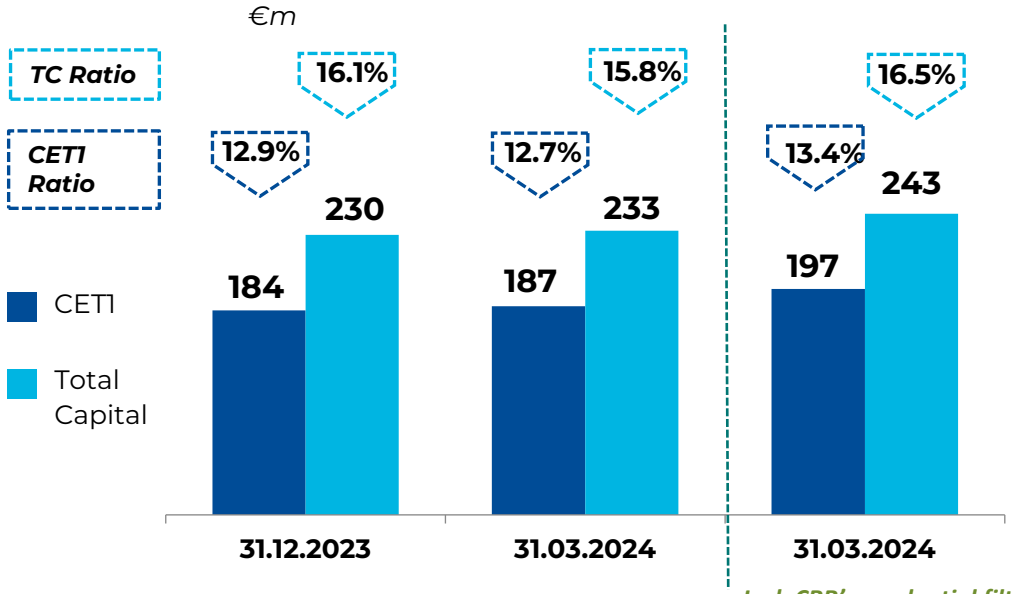


- Gross Non Performing Exposures down q/q
- Past-dues decrease q/q, due to factoring ordinary delay, has more than compensated bad loan slight q/q increase. Positive trend in UtP category
- Cost of credit risk stands at 17bps (29bps in 2023)

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REGULATORY CAPITAL WELL ABOVE MINIMUM REQUIREMENTS

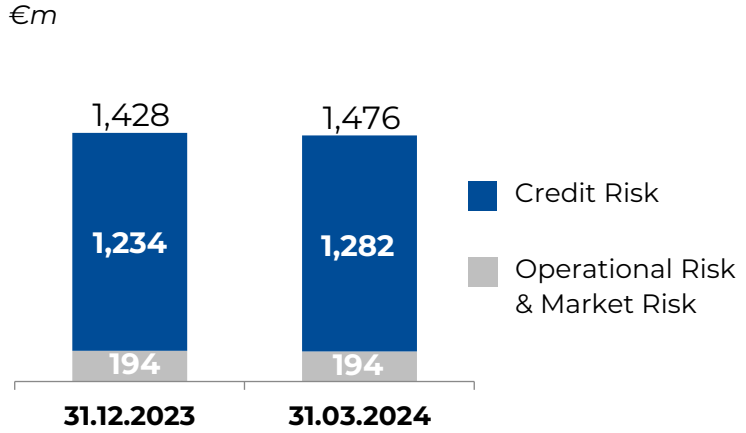
CET1 and Total Capital



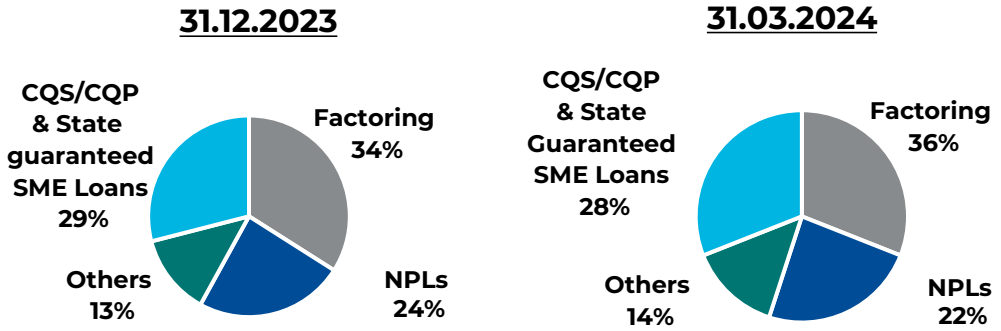
Incl. CRR's prudential filter as approved by Eu Parliament[1]

- **CET1 and Total Capital** as at 31.03.2024 include -€10.4m 'Held to Collect and Sell' reserve from Govies' ptf
- **Proforma CET1 and Total Capital ratios** for **CRR** prudential filter are equal to **13.4%** and **16.5%** respectively
- **Q/Q credit RWA increase** is driven by factoring business (mainly by higher exposures to Corporates)
- **2024 SREP requirements**: **CET1 ratio 9.4% / TCR 12.9%**

RWA breakdown



RWA – Credit Risk



Note: The European Parliament has given the green light to the reintroduction of the prudential filter by article 468 CRR which neutralizes securities MTM in the HTCS category. The filter applied to capital ratios as of 1Q24 increases CET1/T1/TCR by +70bps

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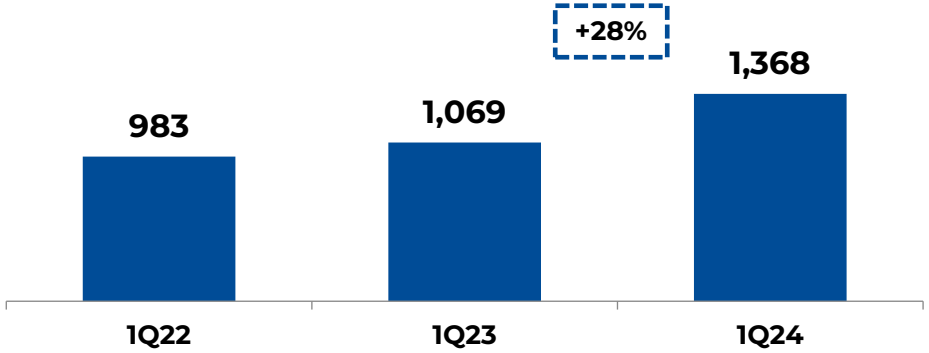
ANNEXES

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FACTORING TURNOVER

Factoring Turnover

€m

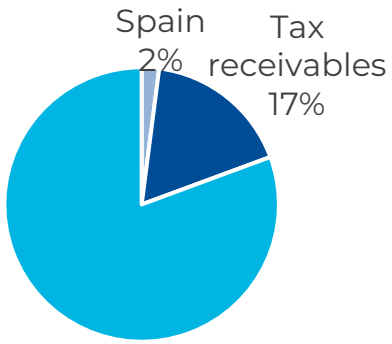


+11% y/y ex. Trading Ecobonus

Turnover generated by agreements with Italian Retail banks: 7% in 1Q2024

1Q24 Factoring Turnover breakdown

By Type

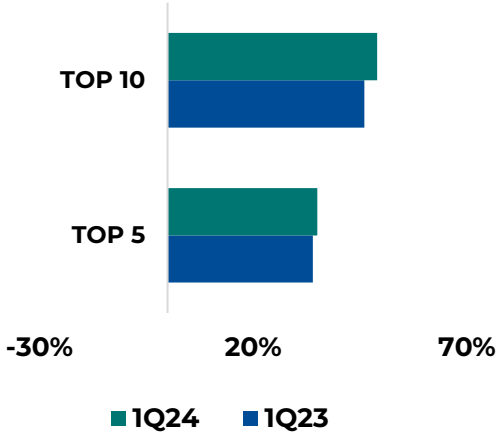


By Year of Customer's Acquisition



1Q24 2023 2022 2021 Before 2020

Customer Concentration

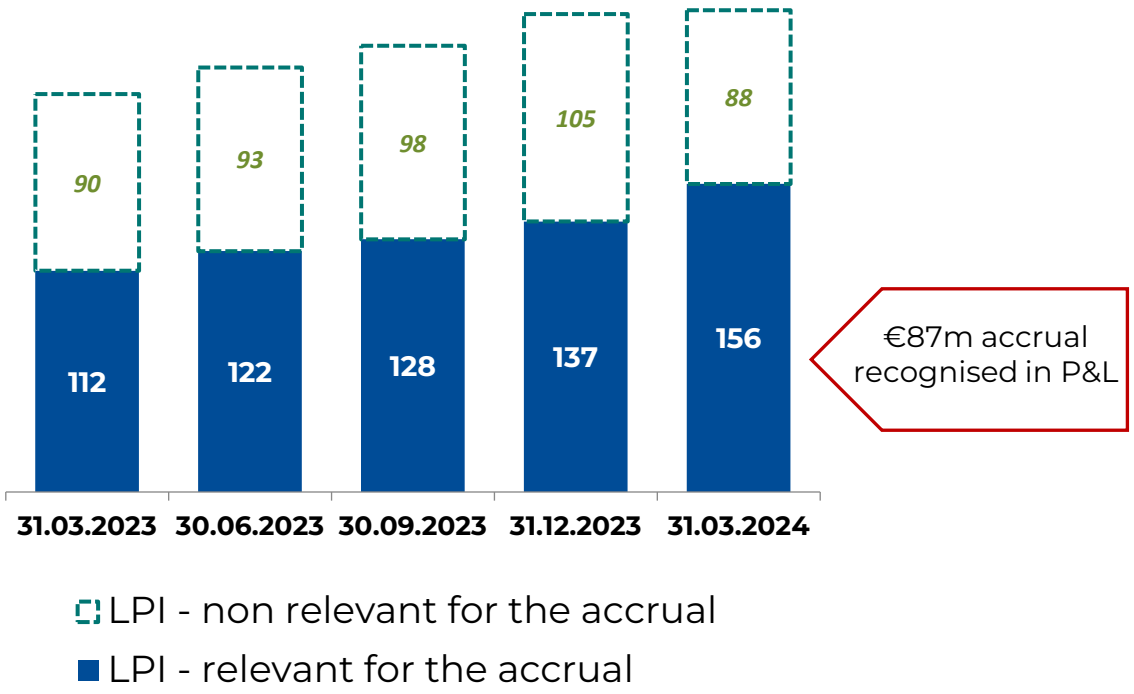


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LATE PAYMENT INTEREST

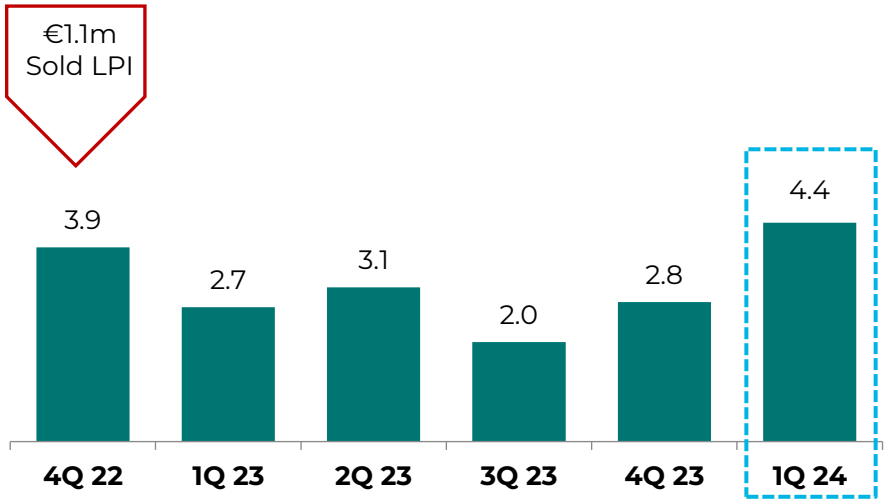
Due LPI Stock – Assets in legal action

€m



Total collected cashed-in LPI

€m



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1Q24 – INCOME STATEMENT

BANCA SISTEMA

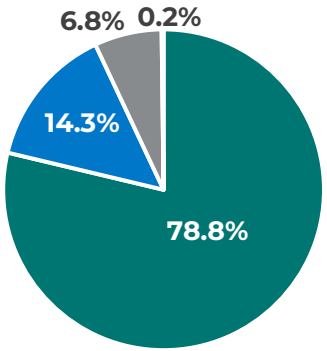
Figures in millions of Euro

	1Q 2023	1Q 2024	1Q 24 vs 1Q 23 change in %
Interest income	40.1	48.2	20%
Interest expenses	(19.5)	(36.4)	87%
Net interest income	**20.6**	**11.8**	**-43%**
Commission income	7.7	14.0	82%
Commission expenses	(3.1)	(5.4)	74%
Net commission	**4.6**	**8.6**	**87%**
Net income from trading	(0.3)	4.8	nm
Net income from disposal/repurchase assets:	0.3	1.6	nm
a) measured at amortised cost	*0.2*	*0.9*	*nm*
b) measured at fair value through other comprehensive income	*0.1*	*0.7*	*nm*
Total income	**25.3**	**26.8**	**6%**
Net impairment losses on loans	(1.0)	(1.4)	40%
Net operating income	**24.3**	**25.4**	**5%**
Personnel expenses	(7.5)	(8.1)	8%
Other expenses	(10.9)	(10.4)	-5%
Operating expenses	**(18.4)**	**(18.5)**	**1%**
Pre-tax profit from continuing operations	**5.9**	**6.9**	**17%**
Taxes on income for the period/year from continuing operations	(2.1)	(2.6)	24%
Profit (loss) for the year/period	**3.8**	**4.3**	**14%**
Minority interests	(0.1)	(0.2)	nm
Profit (loss) for the year/period attributable to the shareholders of the Parent	**3.7**	**4.1**	**11%**

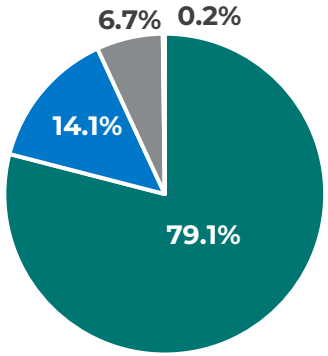
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ASSET QUALITY

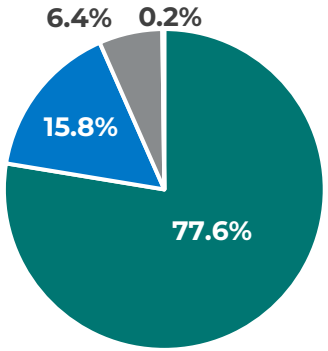
Gross Bad loans



31.12.2022

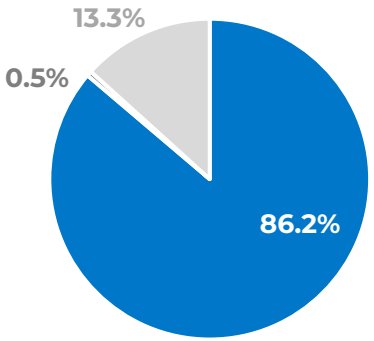


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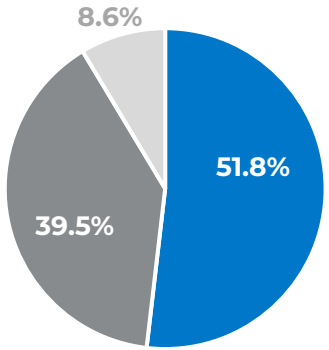


31.03.2024

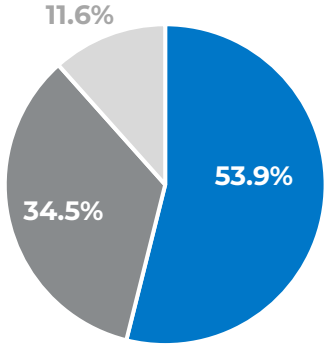
Gross Unlikely to Pay



31.12.2022



31.12.2023



31.03.2024

Conservatorships (factoring) Factoring SME State Guarantee Loans Other

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