



BANCA

S I S T E M A

FY 2023 RESULTS

09 February 2024

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**

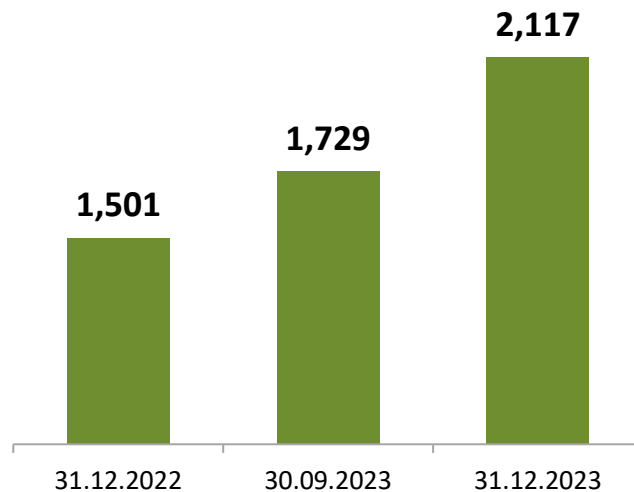
Balance Sheet

- **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**

Factoring commercial performance

Factoring – Loans Outstanding

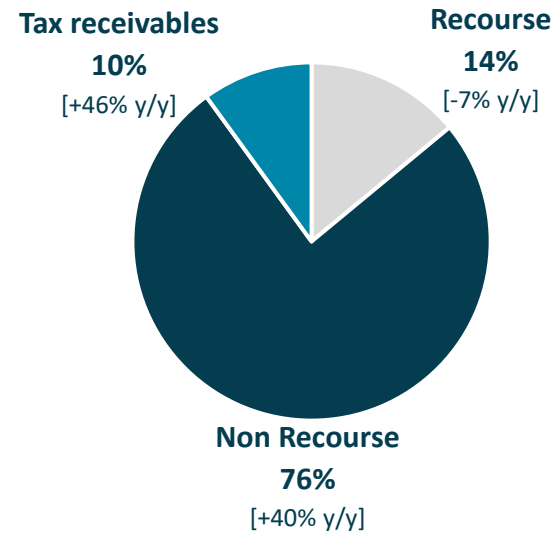
€m



Outstanding breakdown (31.12.2023)

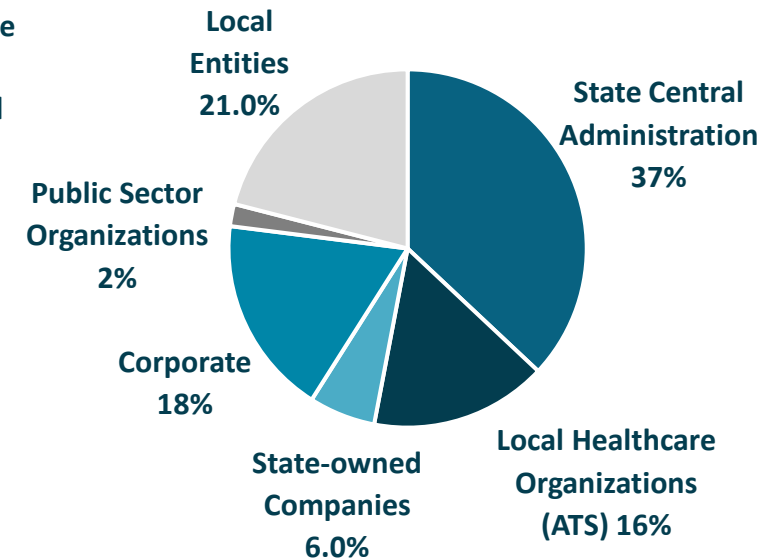
€2,176m

By Type of Product



By Obligor

PA accounts for 82%

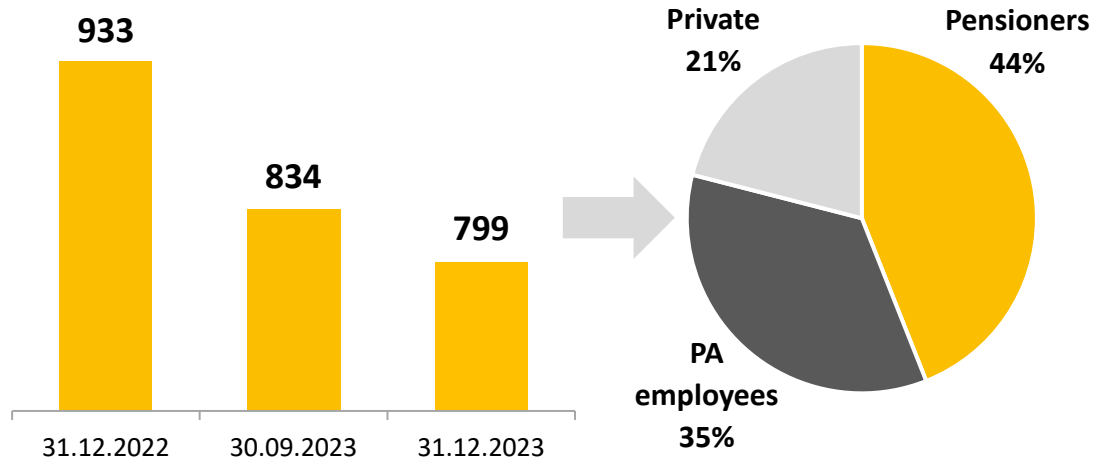


Note: Factoring outstanding management account. Factoring customer loans, item of the Balance Sheet (slide 5) differ from management account for the following elements: Recourse factoring non-financed portion; Provisions; LPI; deferred income.

CQ and Pawn loans commercial performance

CQ loans outstanding

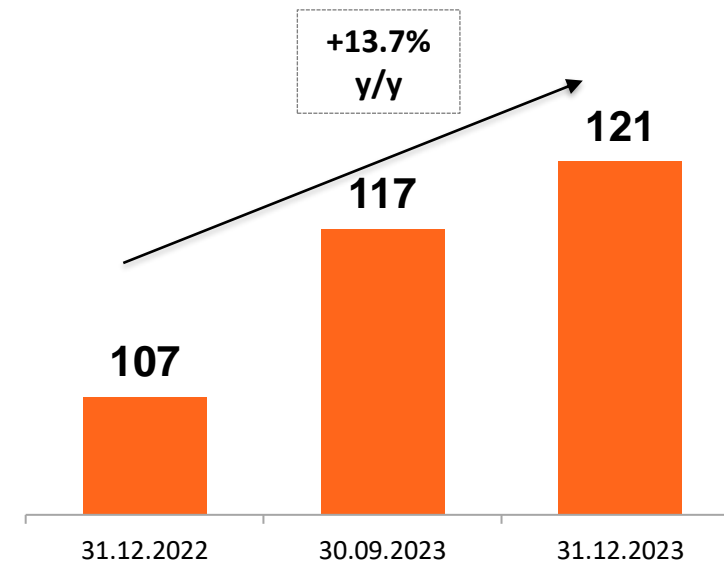
€m



- €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): €121m (€107m in FY22)
- #42 auctions in FY23, with >95% of the offers through the APP, DigitalPegno

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.

- **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)

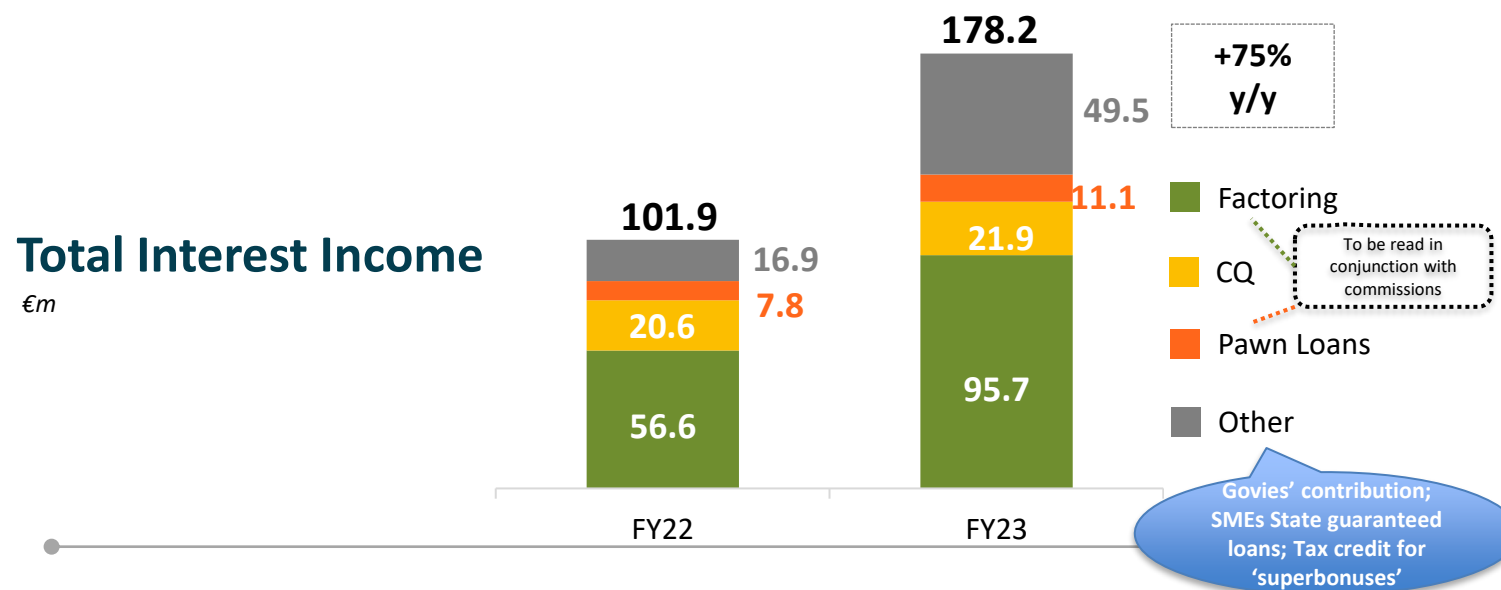
- Slight increase from **CQ** business (+6.3% y/y)

- €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**

Gross Interest Income Boosted by Factoring and Financial Portfolio



	FY22	FY23
Total²	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

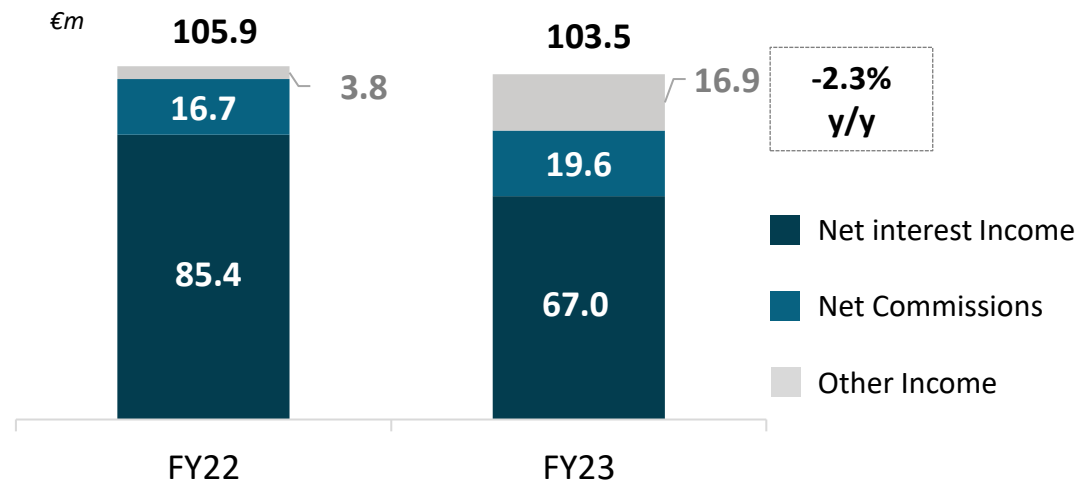
Adjusted Income margin¹

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.

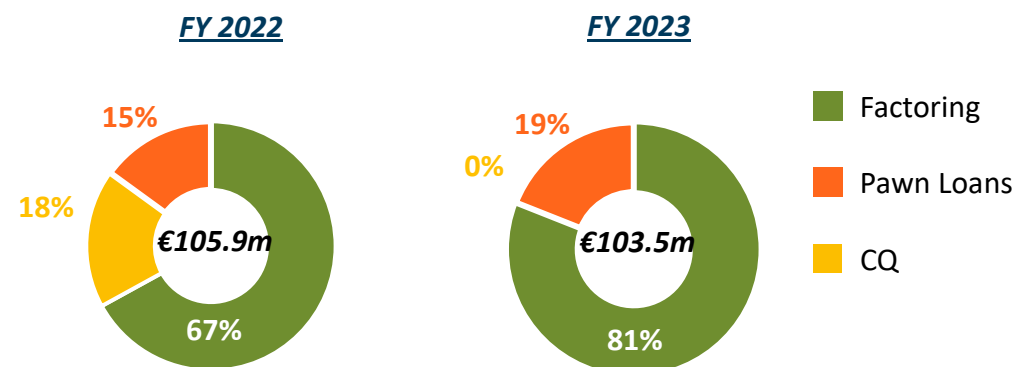
Total Income Slightly Lower y/y due to Net Interest Income

- **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

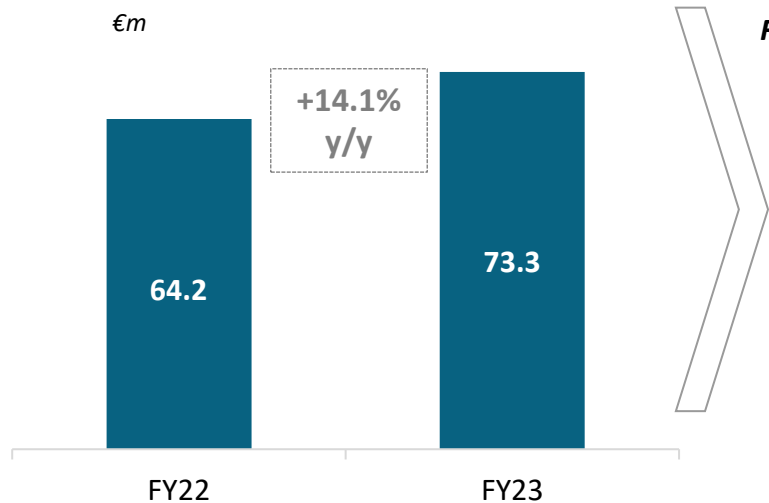


Total Income by Division

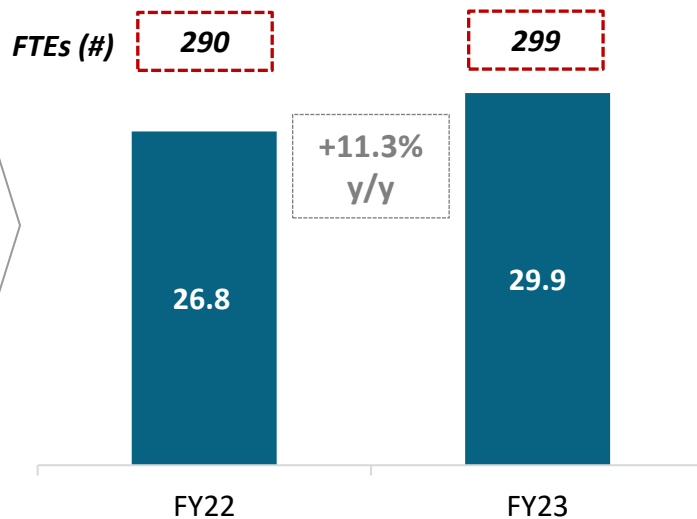


Cost Base Growing at a Lower Pace

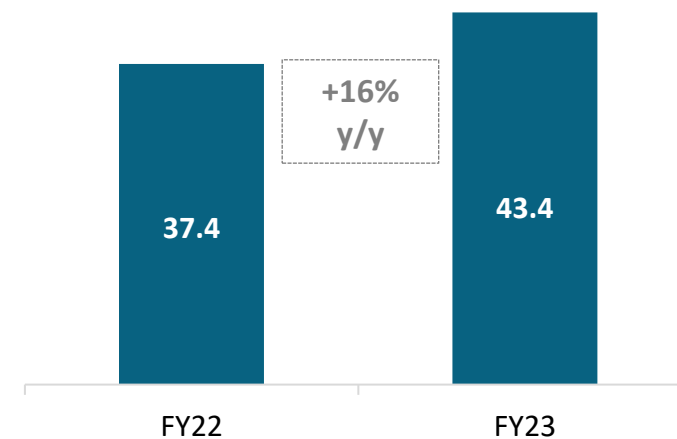
Total Operating Costs



Personnel Expenses

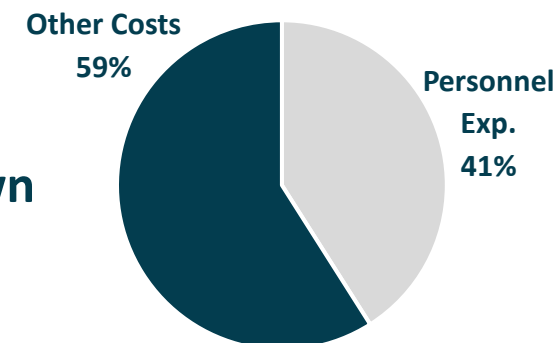


Administrative Expenses, Net Provisions for risk, Other and D&A



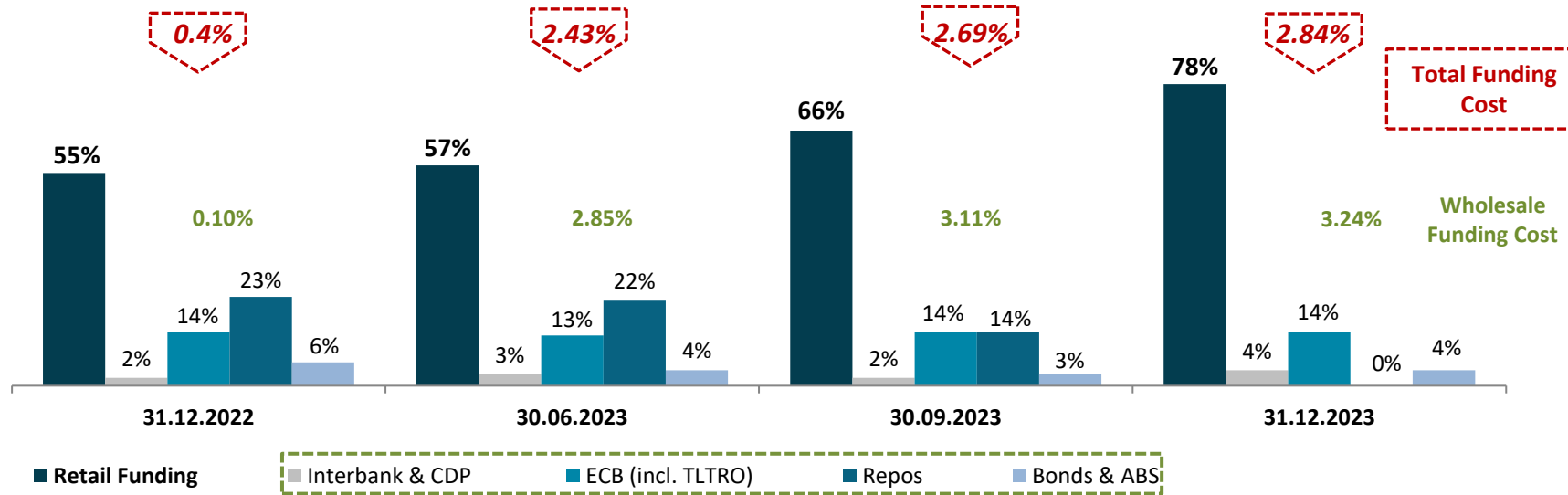
- Personnel expenses +11.3% y/y due to higher FTEs, labour contract renewal and no variable component/retention bonus release (positive impact of €2.2m in 2022).
- All other expenses are up by +16% y/y, mainly due to higher IT, credit related (i.e. origination, collections) and legal costs (incl KK IPO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

Total Operating Costs Breakdown



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

Total Funding breakdown



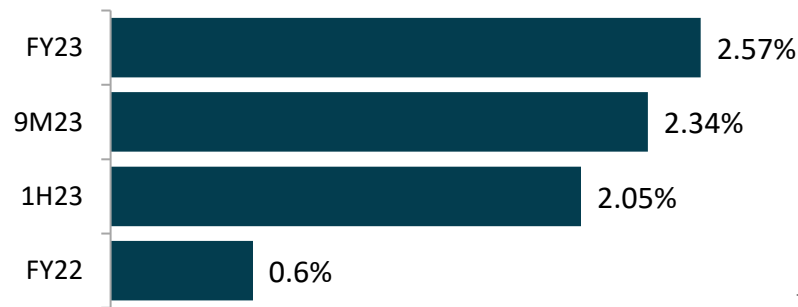
- Cost of funding up y/y and q/q and still expected to increase in the coming quarters but the bank has confirmed a further more comfortable position in terms of liquidity thanks to extra funding done in the last 2 quarters (LCR above 500%)

- 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

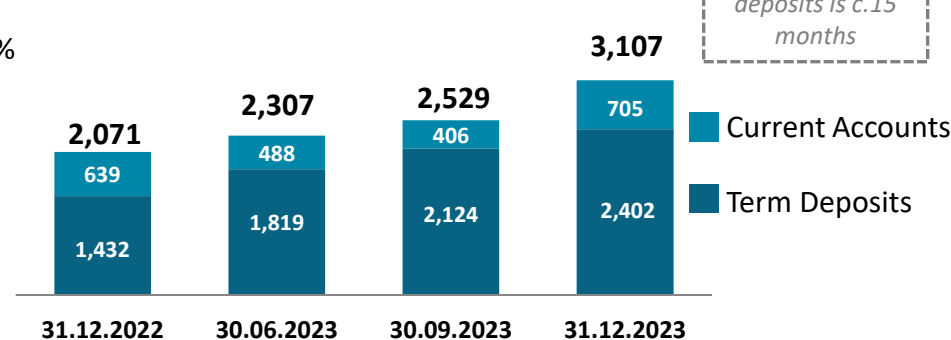
- Wholesale component decrease q/q is due mainly to much lower Interbanking exposure and zeroing of Repos related to Govies' ptf which has been sold

Retail Funding Cost



Retail Funding

€m



Average residual maturity of deposits is c.15 months

Note: CDP stands for Cassa Depositi e Prestiti SpA.

FY23 – Income Statement

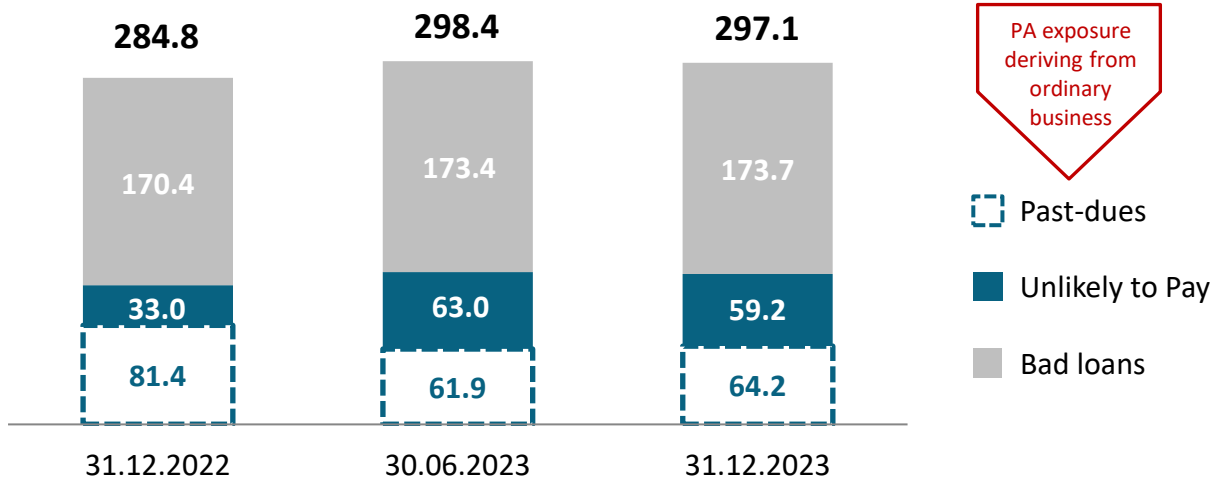
Figures in millions of Euro

	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%

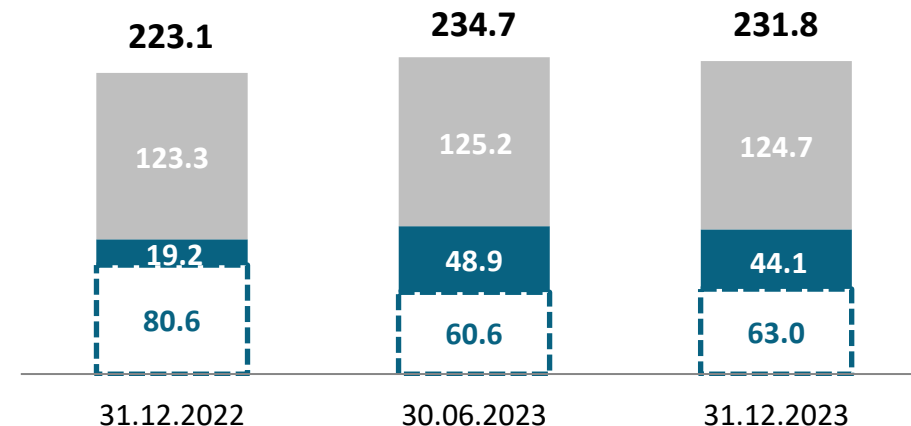
Asset Quality driven by factoring business

Gross Non Performing Exposures

€m

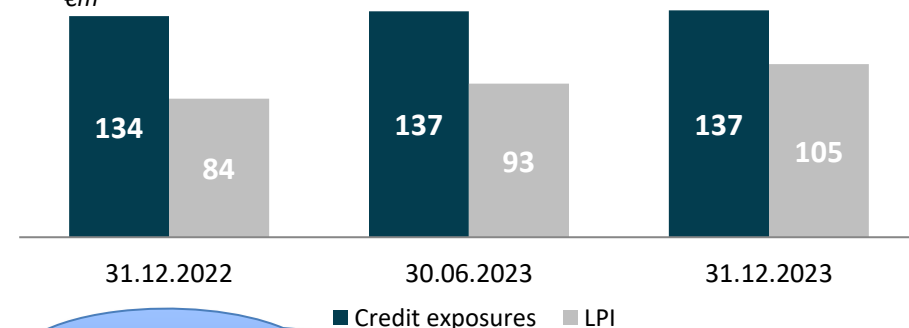


Net Non Performing Exposures



Exposure to Municipality in Conservatorship & related LPI stock

€m



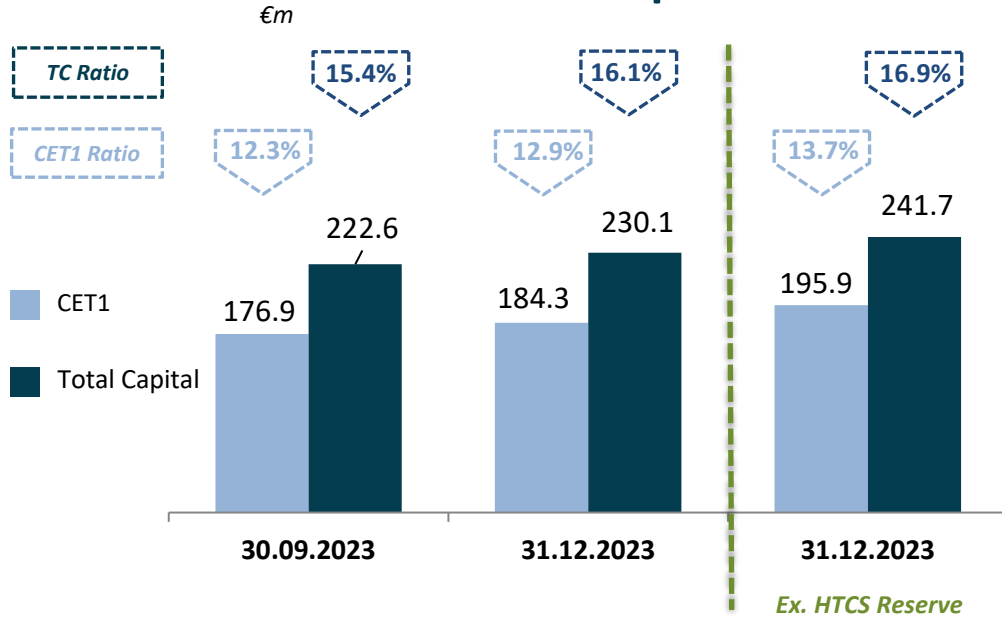
Classified as bad loans

■ Credit exposures ■ LPI

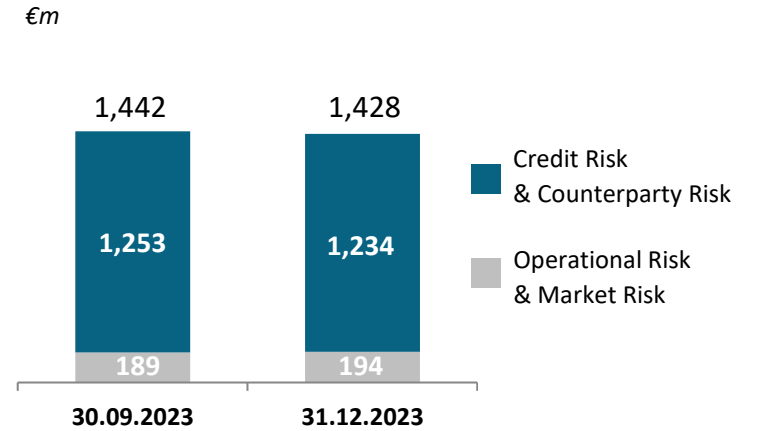
- Cost of credit risk stands at 17bps in FY23 (29bps in FY22)
- Gross and Net Non Performing Exposures up y/y and stable in 2H23 vs 1H23 thanks to lower UtPs and higher Past due loans
- NPE's coverage ratio pretty stable y/y (22%), NPL's coverage ratio slightly improved y/y (28.3%). In 2023 the bank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

Regulatory Capital above minimum requirements

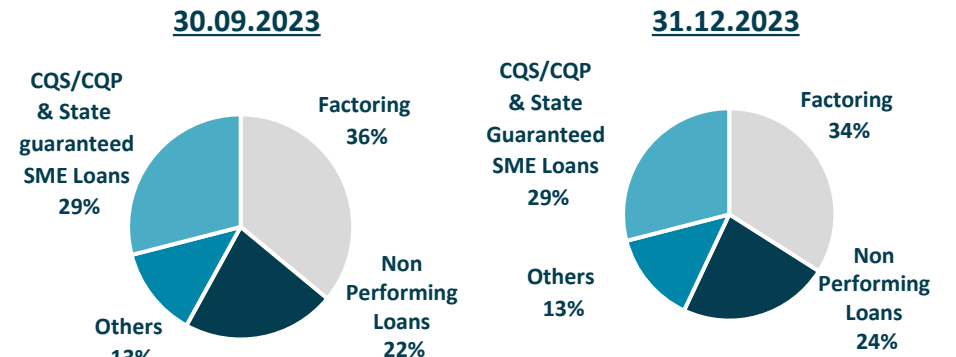
CET1 and Total Capital



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

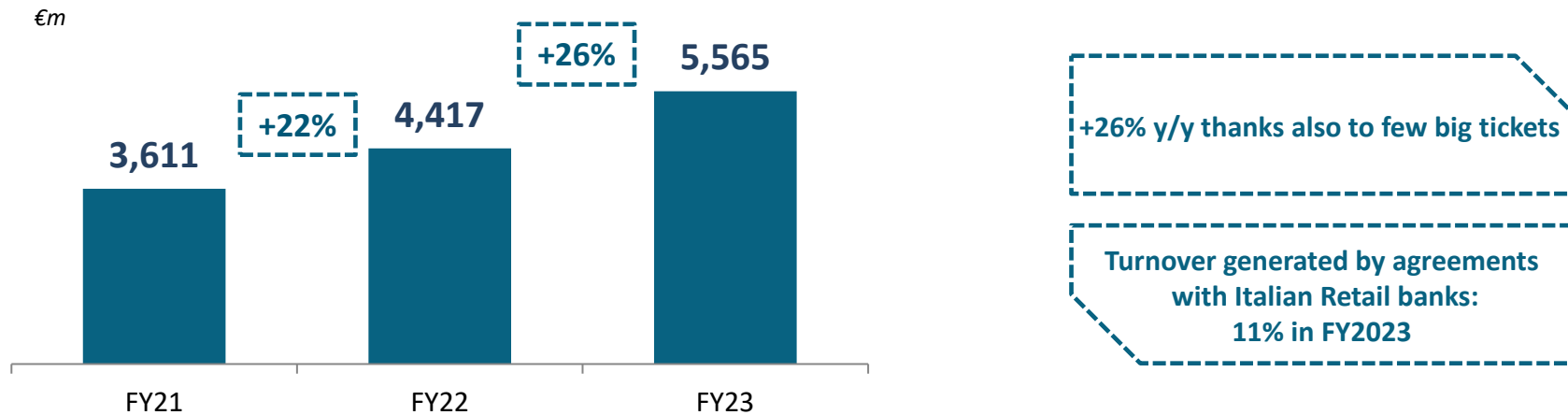
Fully Loaded - CET1 and Total Capital as at 31.12.2023 include -€11.8m 'Held to Collect and Sell' reserve from Govies' ptf

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.

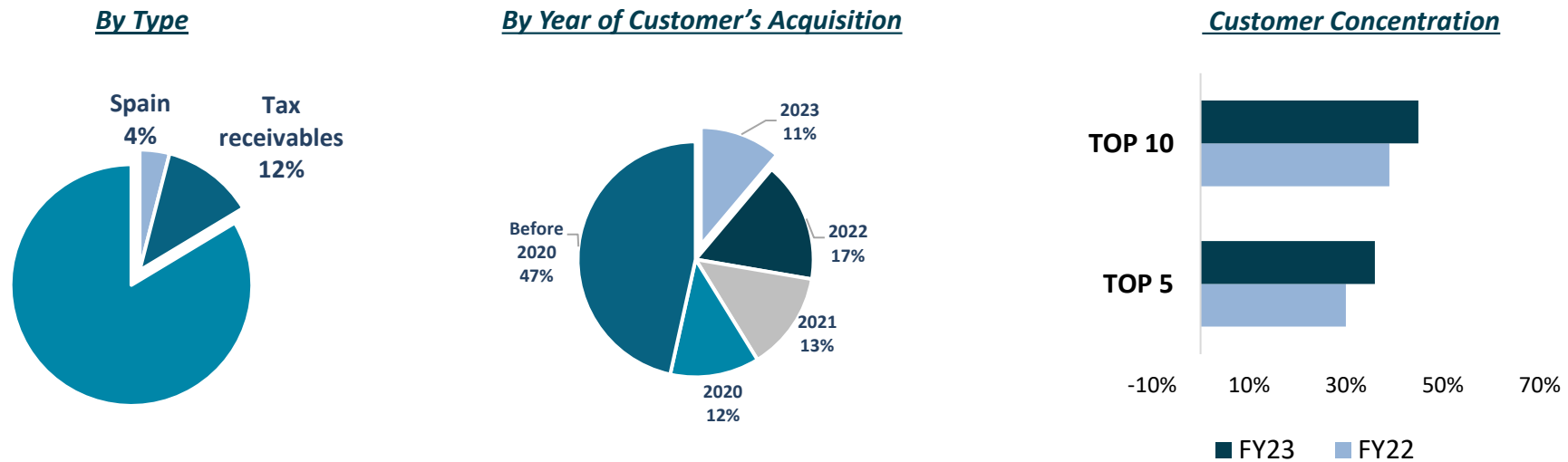
Annexes

Factoring Turnover

Factoring Turnover



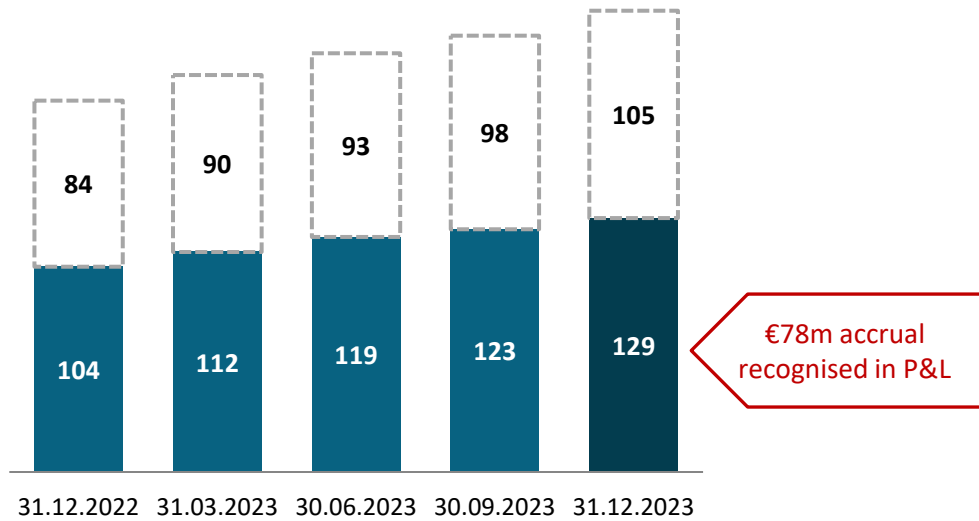
FY23 Factoring Turnover breakdown



Late Payment Interest

Due LPI Stock – Assets in legal action

€m

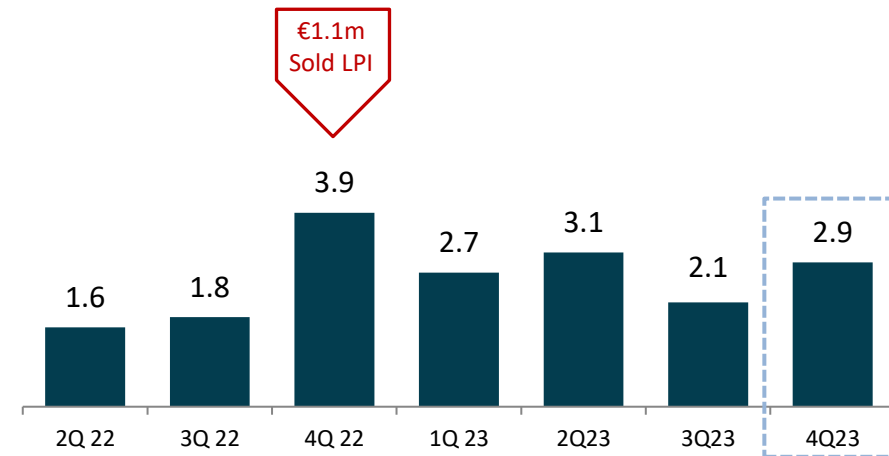


□ LPI - non relevant for the accrual

■ LPI - relevant for the accrual

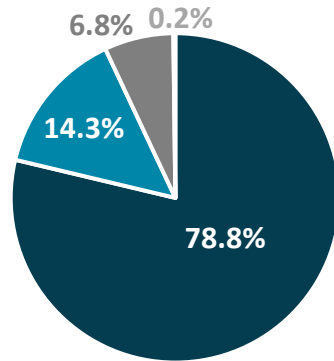
Total collected cashed-in LPI

€m

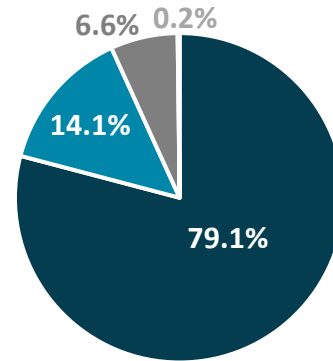


Asset Quality

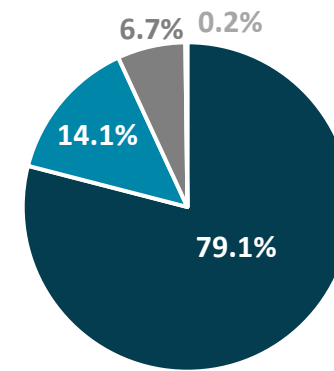
Gross Bad loans



31.12.2022

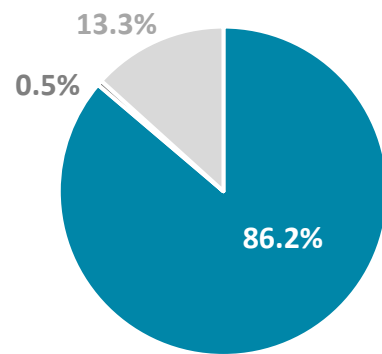


30.06.2023

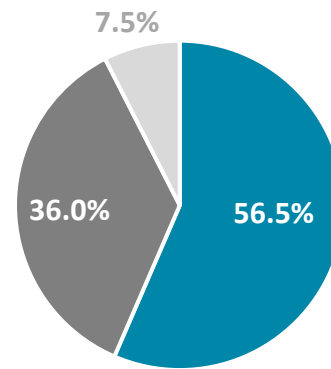


31.12.2023

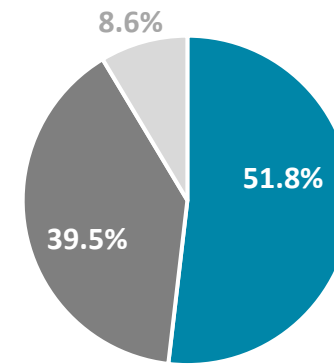
Gross Unlikely to Pay



31.12.2022



30.06.2023



31.12.2023

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Christian Carrese

Head of Investor Relations

Investor.relations@bancasistema.it

+39 02 80280403