



BANCA

S I S T E M A

1Q 2023 RESULTS

12 May 2023

1Q 2023 Results at a Glance

Commercial performance

- **Factoring** turnover +9% y/y equal to €1,069m
- **CQ** outstanding at €903m, slightly lower y/y
- **Pawn loans** outstanding at €109m, +19% y/y
- **SMEs State guaranteed loans** outstanding equal to €189m, +6% y/y

P&L

- **Net Interest Income** equal to €20.6m, **stable y/y**
- **Higher funding cost y/y at 2.0%**
- **Total Income** equal to €25.3m, +3% y/y
- **Lower Cost of risk y/y at 15bps**
- **Total operating costs equal to €18.4m**, up y/y
- **Net income equal to €3.7m**

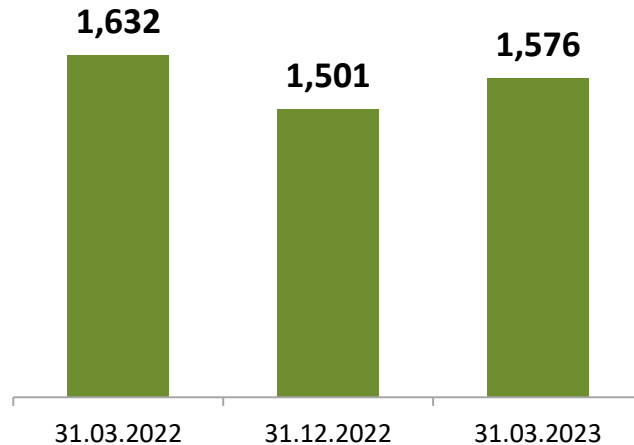
Balance Sheet

- **Wholesale funding component up q/q** (50% of Total Funds)
- Total assets equal to ~€4.4bn, stable q/q
- **CET1 ratio at 12.0%** and **TC ratio at 15.3% [Fully Loaded]**

Factoring commercial performance

Factoring - Customer loans

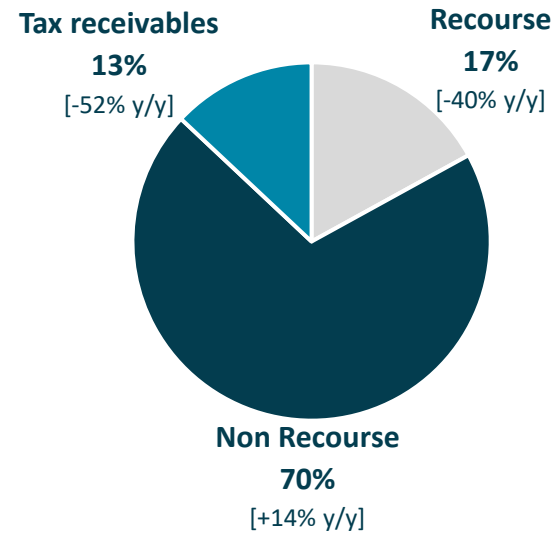
€m



Outstanding breakdown (31.03.2023)

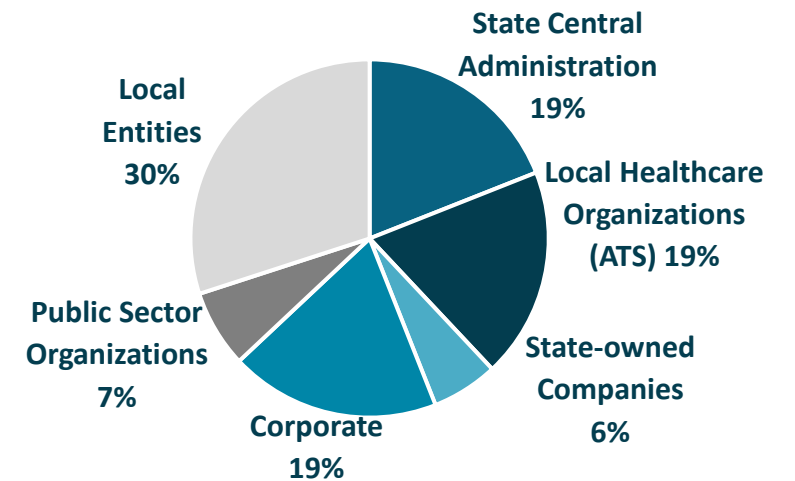
€1,651m

By Type of Product



By Obligor

PA accounts for 81%

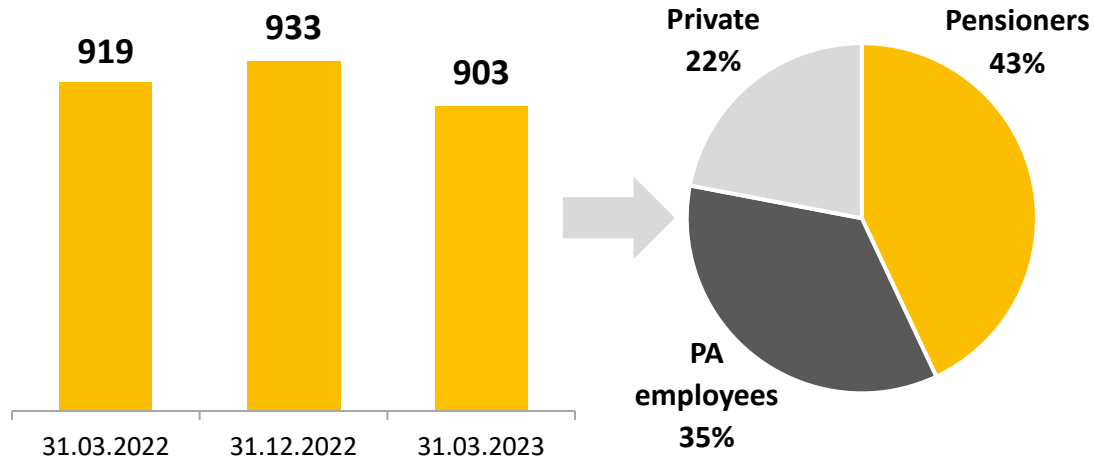


Note: Factoring outstanding management account. Factoring customer loans, item of the Balance Sheet (slide 5) differ from management account for the following elements: Recourse factoring non-financed portion; Provisions; LPI; deferred income.

CQ and Pawn loans commercial performance

CQ loans outstanding

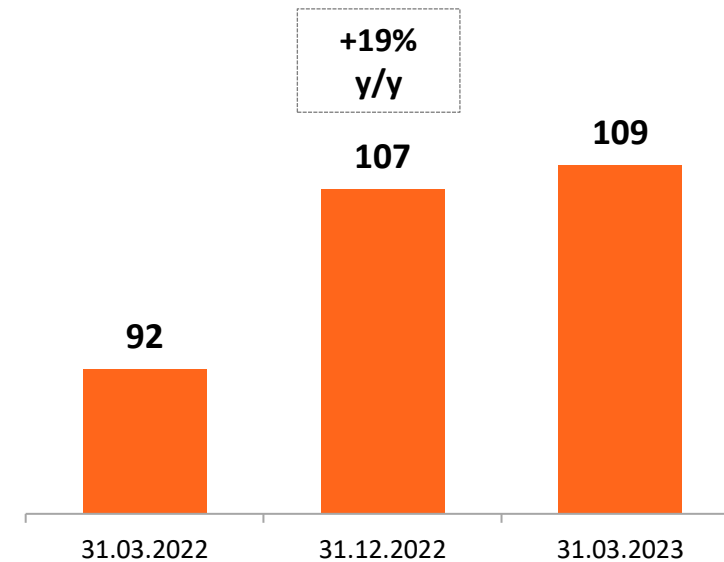
€m



- €37m turnover in 1Q23 (€47m in 1Q22)

Pawn Loans outstanding

€m



- ~64k contracts
- Total turnover in 1Q23 (including renewals): €50m (€44m in 1Q22)
- #14 auctions in 1Q23, with > 95% of the offers through the APP, DigitalPegno

Figures in millions of Euro

| | 31.12.2022 | 31.03.2023 | Change in % 31.03.2023 vs 31.12.2022 |
|-----------------------------------------------------------------------------------------------------|--------------|--------------|--------------------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | 127 | 53 | -58% |
| Financial assets at fair value through Other Comprehensive Income [Held to Collect and Sell] | 558 | 563 | 1% |
| Loans at amortized cost | 2,850 | 2,912 | 2% |
| <i>Factoring</i> | <i>1,501</i> | <i>1,576</i> | <i>5%</i> |
| <i>CQ</i> | <i>933</i> | <i>903</i> | <i>-3%</i> |
| <i>Pawn loans</i> | <i>107</i> | <i>109</i> | <i>2%</i> |
| <i>SMEs State Guaranteed loans</i> | <i>197</i> | <i>190</i> | <i>-4%</i> |
| <i>Other⁽¹⁾</i> | <i>112</i> | <i>135</i> | <i>20%</i> |
| Securities at amortized cost [Held to Collect] | 681 | 686 | 1% |
| Tangible and Intangible assets | 78 | 77 | -1% |
| <i>Goodwill</i> | <i>34</i> | <i>34</i> | <i>0%</i> |
| Equity investments | 1 | 1 | -1% |
| Other assets ⁽²⁾ | 103 | 100 | -3% |
| Total assets | 4,397 | 4,391 | -0.1% |
| LIABILITIES AND EQUITY | | | |
| Due to banks | 623 | 931 | 49% |
| <i>of which ECB exposure</i> | <i>538</i> | <i>541</i> | <i>1%</i> |
| Due to customers | 3,056 | 2,829 | -7% |
| <i>of which term deposits</i> | <i>1,432</i> | <i>1,444</i> | <i>1%</i> |
| <i>of which current accounts</i> | <i>639</i> | <i>438</i> | <i>-31%</i> |
| Debt securities issued | 238 | 115 | -52% |
| Other liabilities | 224 | 253 | 13% |
| Shareholders Equity | 256 | 263 | 3% |
| Total liabilities and equity | 4,397 | 4,391 | -0.1% |

1Q23 – Balance Sheet

- **Govies' portfolio (€1,243m) slightly q/q**, with an average duration of 15.3 months (18.4 months as at 31.12.2022), exclusively Italian Government bonds:
 - €563m 'Held to Collect and Sell', slightly up q/q, with an average duration of 22.7 months
 - €686m 'Held to Collect', +€5m up q/q, with an average duration of 9.4 months
- **Loans at amortized cost up q/q (€2,912m):**
 - **Factoring receivables** at €1.6bn slightly up q/q
 - **CQ loans slightly down q/q**, with the growing Direct origination not entirely compensating the maturities of the Indirect component
 - **Pawn Loans up** thanks to organic growth
- **Due to banks** q/q increase is mainly driven by Interbanking
- **Due to customers** q/q decrease is driven by the decrease Current accounts, in particular on the Corporate segment, partially compensated by higher Retail term deposits, in particular through online platforms and higher repos related to Govies' ptf
- **Debt securities** q/q decrease is driven by lower structured funding (with collateral tax receivables)

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

- 1Q23 Interest Income up 70% y/y (up q/q), with a higher contribution from factoring (+€8.7m y/y)

- Factoring represents 56% of Total Interest Income

- Higher contribution y/y by factoring, mainly due to higher factoring LPIs from legal action equal to €11.1m (€4.1m in 2022):

- of which accrual €9.1m (€1.9m in 2022), €3.8m from the update of the reference rate up from 8% to 10.5% (from 1.1.2023), following ECB rate increases

- of which “extra collection” €2.0m (€2.2m in 2022)

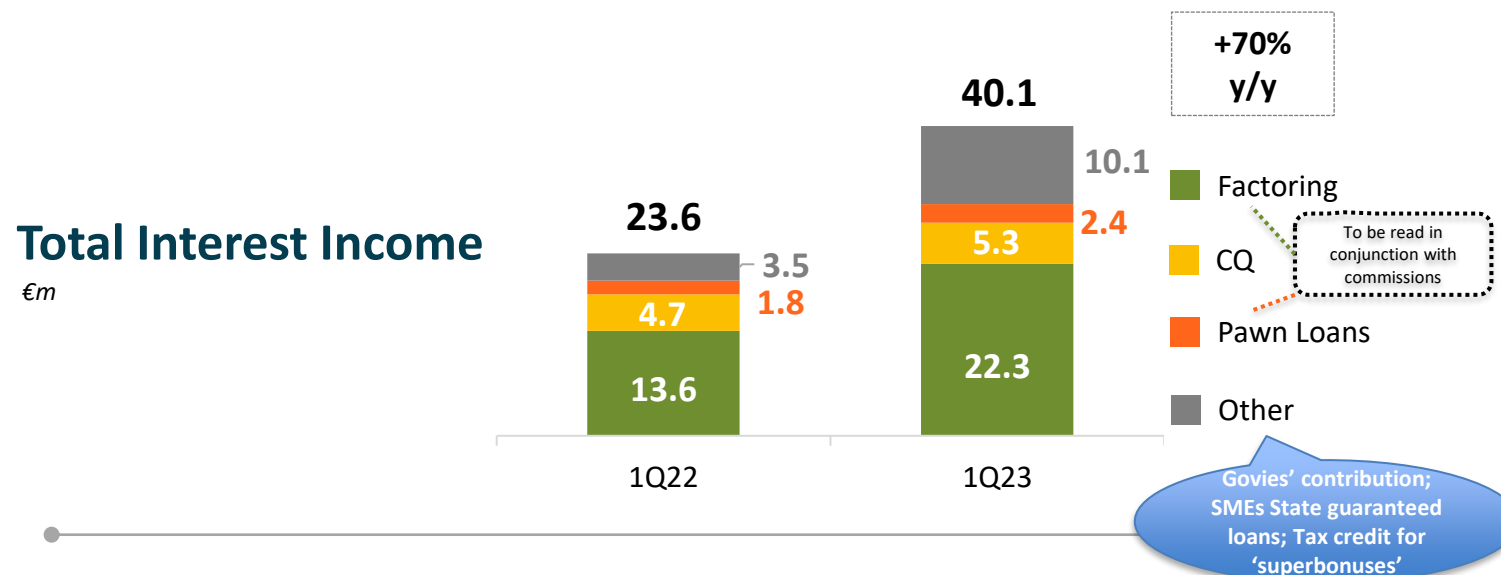
- €10.1m of “Other” interest income in 1Q23 include:

- €5.8m from Govies’ ptf (€0.6m in 1Q22)
- €2.8m from SMEs State guaranteed loans (€1.5m in 1Q22)

- Increasing Pawn loans contribution +35% y/y

- Total Adjusted Income margin up y/y and expected to grow further over the next quarters

Well diversified Interest income



| | 1Q22 | 1Q23 |
|-------------------------------------------|-----------------------|-------------------------------|
| Adjusted Income margin¹ | | |
| Total² | 3.9% €27.2m | 5.0% €39.0m |
| Factoring | 4.4% €17.2m | 4.6% FY22 €25.4m |
| CQ | 2.1% €4.7m | 2.3% €5.3m |
| Pawn Loans | 16.1% €3.6m | 18.6% €5.0m |

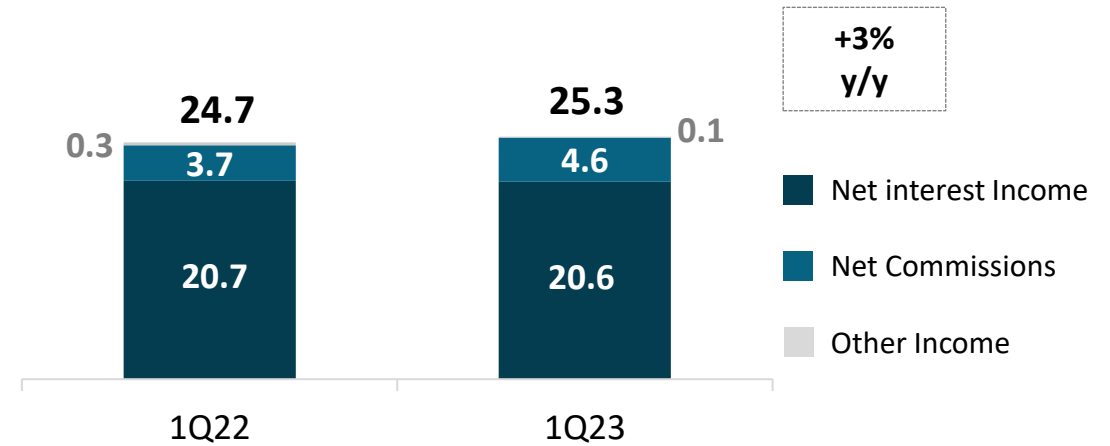
Note: (1) Calculated as [Period Interest Income + Commission Income + Gain for asset disposals] / [Average net customer loans at the end of the period] - excluding the contribution from securities portfolio, PPA, credit due from banks and Repo (Balance Sheet and Financial Statement figures); (2) It include the contribution of tax credit 'superbonuses' equal to €0.5m and €0.2m respectively in 1Q23 and 1Q22.

Total Income slightly lower y/y

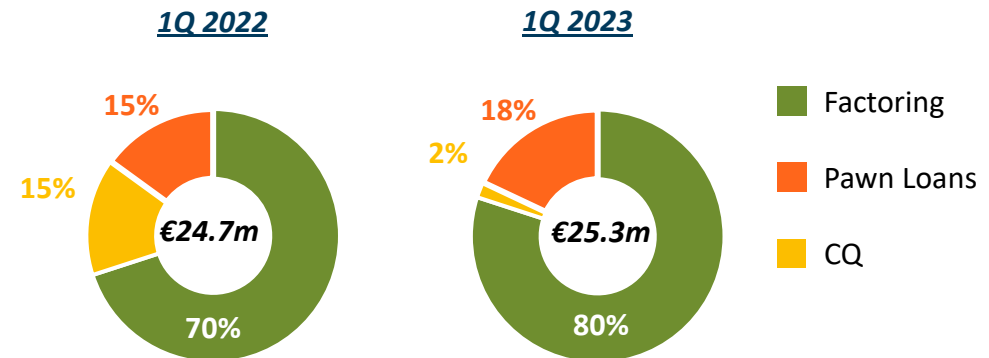
- **1Q23 Total Income up 3% y/y**, due to higher **Net commissions**
- NII stable y/y is driven by the increase in Interest Income, but also Interest Expenses. Total Cost of funding equal to 2% (0.4% FY 2022 and 1.1% in 4Q22)
- **Net Commissions up y/y** substantially due to higher contribution from Pawn loans
- **Other Income down y/y**, includes €0.2m gain from the sale of a factoring ptf in 1Q23 (€0.3m in 1Q22)
- CQ asset contribution, down y/y due to majority of the loan portfolio running at fixed rates set prior to the change of the ECB monetary policy

Total Income

€m



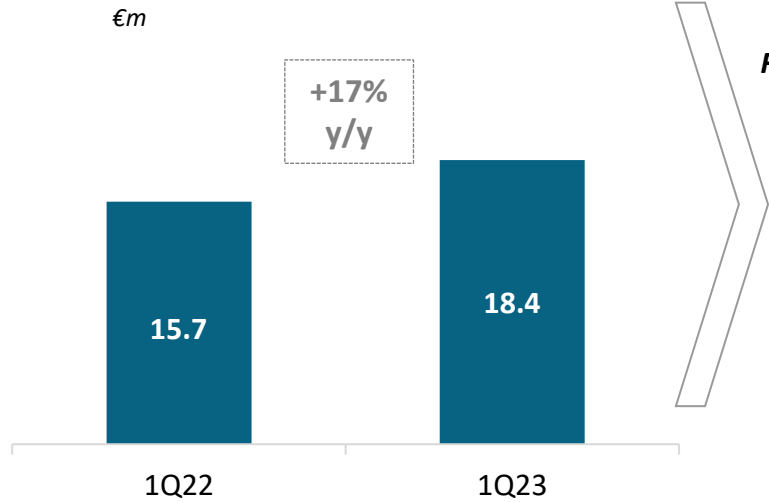
Total Income by Division



Cost base consolidating

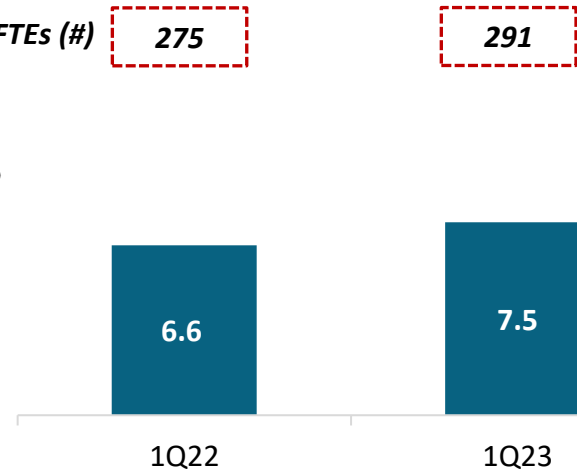
Total Operating Costs

€m

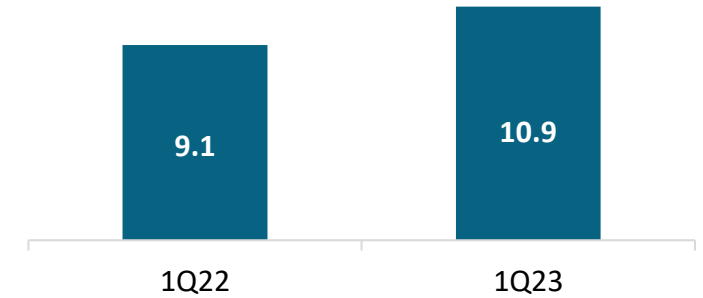


Personnel Expenses

FTEs (#)

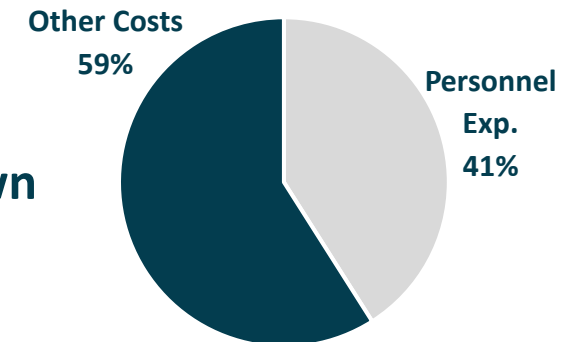


Administrative Expenses, Net Provisions for risk, Other and D&A



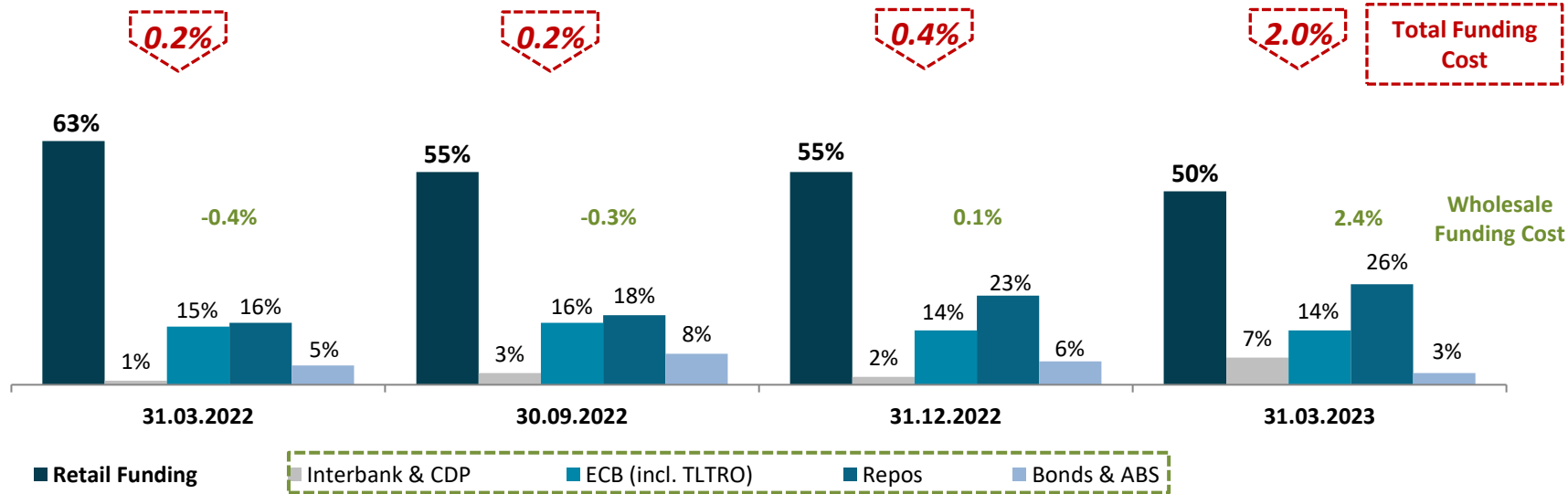
- Personnel Expenses up y/y (in 1Q22, €0.7m higher-than-expected release of the bonus relative to 2021)
- All other expenses are up y/y, mainly due to +€1m y/y from Net Provision for risk and higher IT expenses, consolidation of the subsidiaries Art-Rite and PP Greece, Legal costs and marketing

Total Operating Costs Breakdown



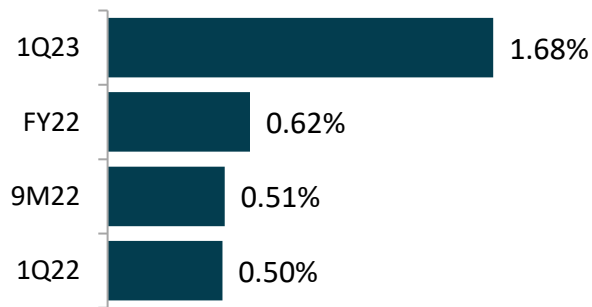
Higher funding cost y/y

Total Funding breakdown



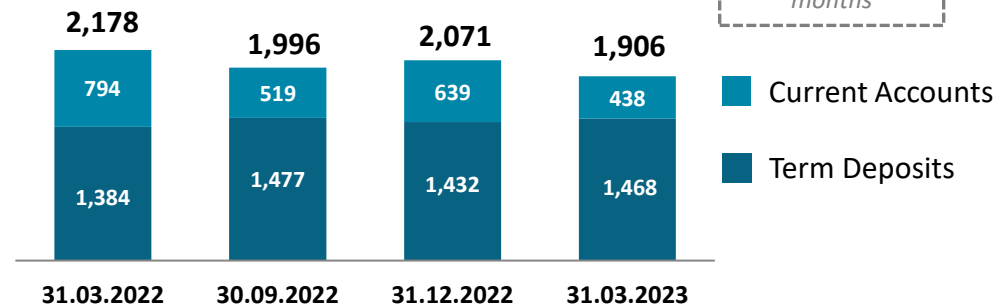
- Cost of funding up y/y and q/q
- Wholesale component q/q change is due mainly to higher Interbanking and Repos related to Govies' ptf slight increase, more than compensated a decrease of the collateralized funding (Tax receivables ABS)
- Wholesale funding cost is expected to increase also next two quarters, in line with the rise in market interest rates
- Retail Funding q/q change is driven by current accounts decrease from corporates
- We have raised the interest rates offered on Retail term deposits, both in Italy and abroad (online platforms/agreements)
- Within Retail funding our focus is to decrease the weight of funding from corporates and to replace it with term deposits from individuals

Retail Funding Cost



Retail Funding

€m

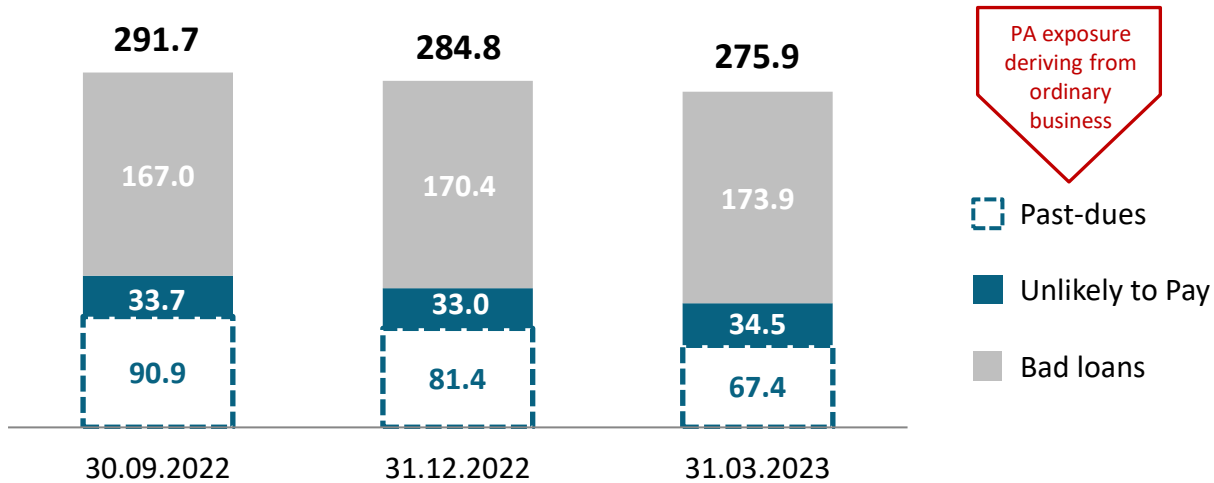


Average residual maturity of deposits is c.12 months

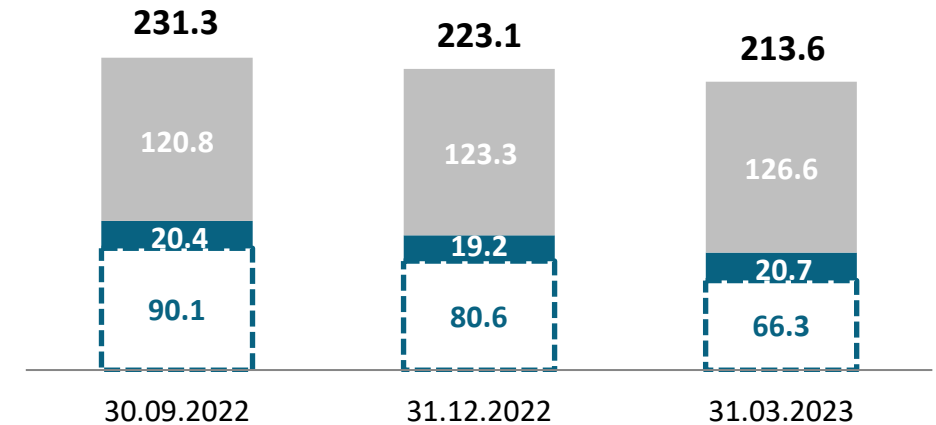
Note: CDP stands for Cassa Depositi e Prestiti SpA.

Asset Quality driven by factoring business

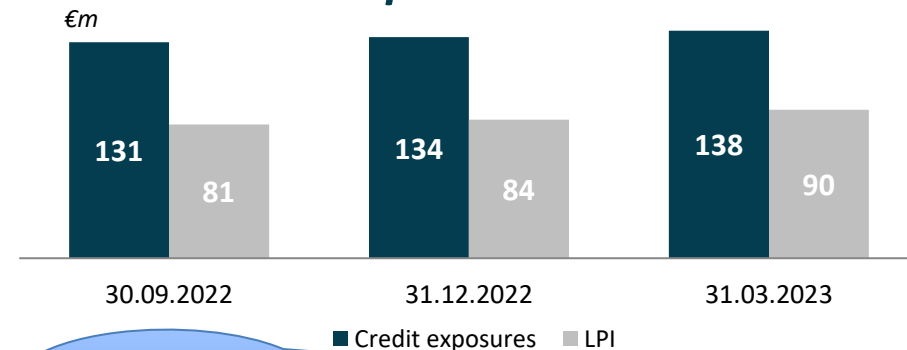
Gross Non Performing Exposures €m



Net Non Performing Exposures



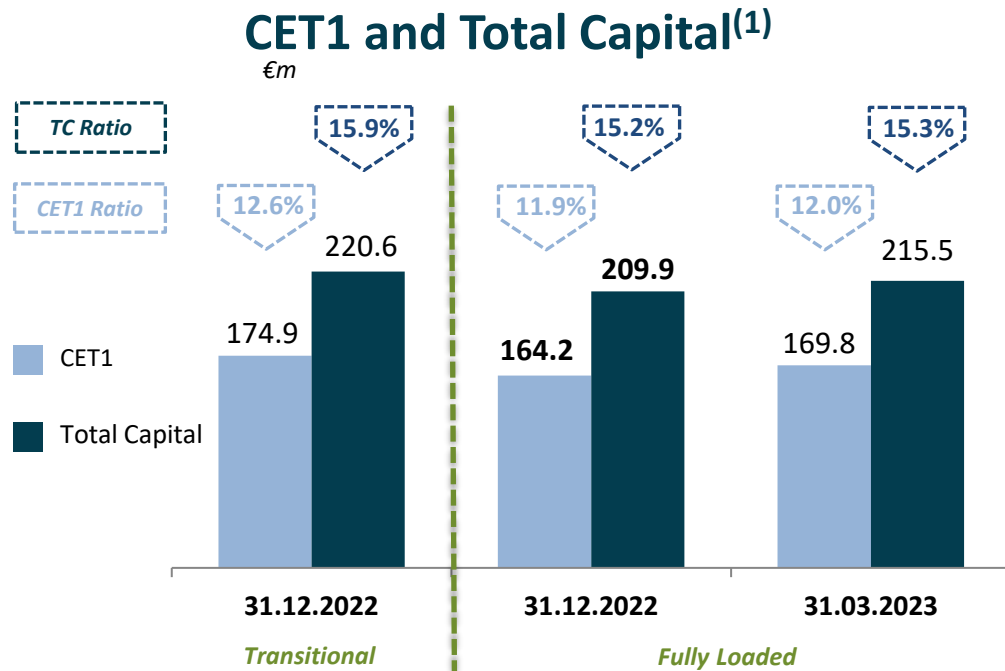
Exposure to Municipality in Conservatorship & related LPI stock



Classified as bad loans

- 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
- Cost of credit risk stands at 15bps (29bps in 2022)

Regulatory Capital above minimum requirements



Fully Loaded - CET1 and Total Capital as at 31.03.2023 include -€21.4m 'Held to Collect and Sell' reserve from Govies' ptf

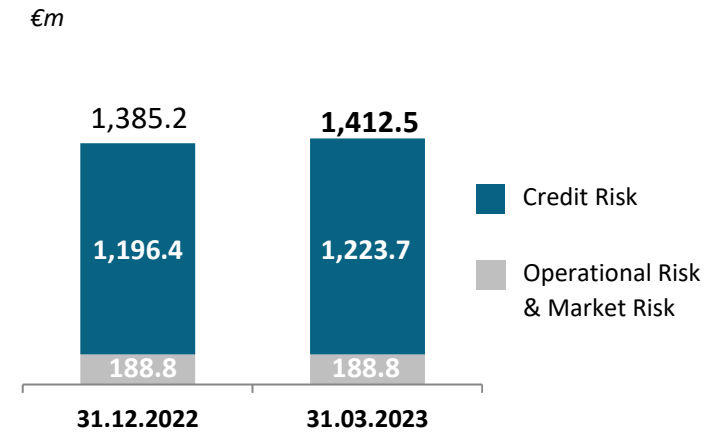
Q/q credit RWA increase is driven by factoring business (mainly by higher exposures to Corporates)

2022 SREP requirements:

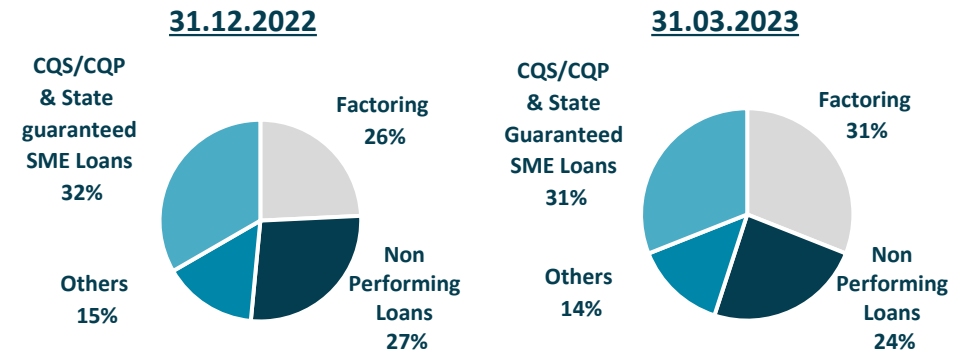
- CET1 ratio 9.0%
- TCR 12.5%

Note: (1) Transitional CET1 and Total Capital, following CRR directive (including art.468).

RWA breakdown



RWA – Credit Risk

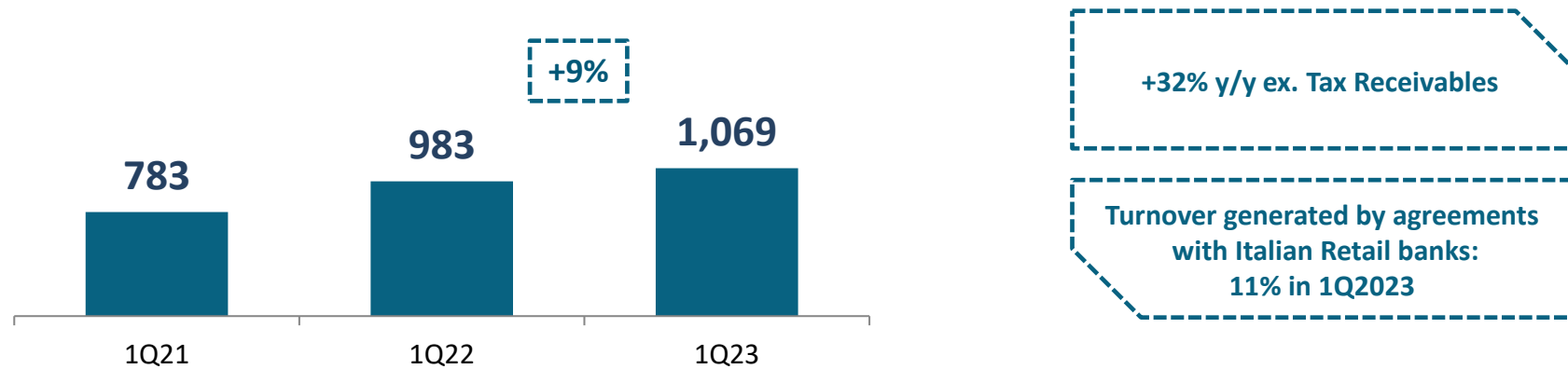


Annexes

Factoring Turnover

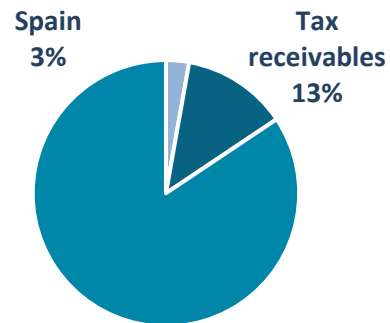
Factoring Turnover

€m

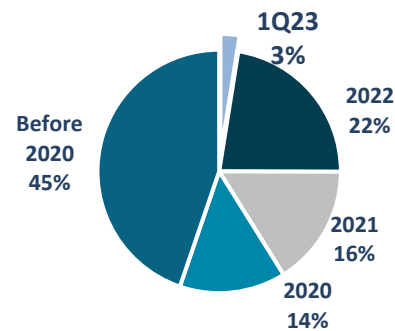


1Q23 Factoring Turnover breakdown

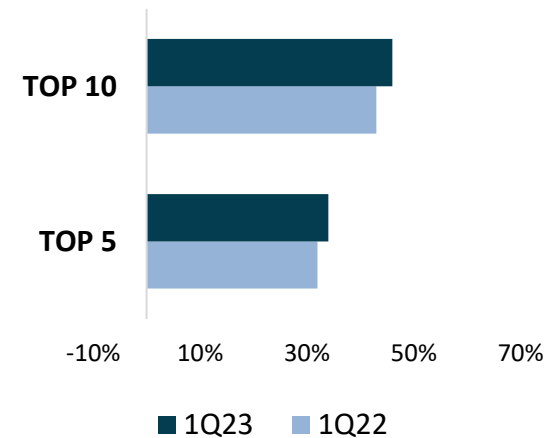
By Type



By Year of Customer's Acquisition



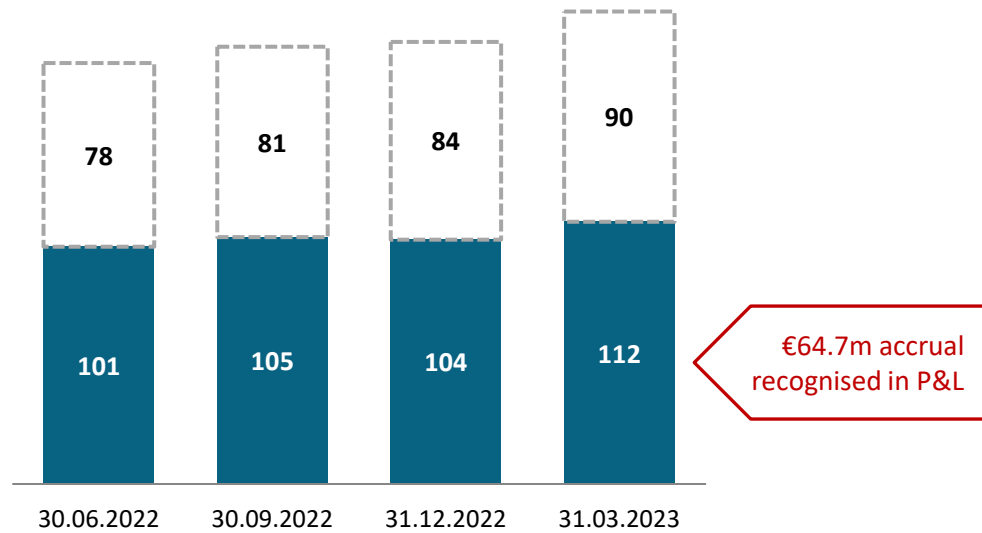
Customer Concentration



Late Payment Interest

Due LPI Stock – Assets in legal action

€m

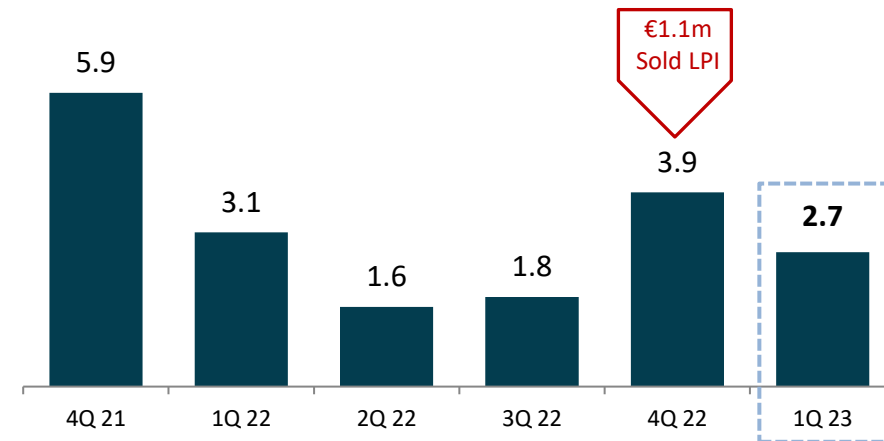


□ LPI - non relevant for the accrual

■ LPI - relevant for the accrual

Total collected cashed-in LPI⁽¹⁾

€m



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

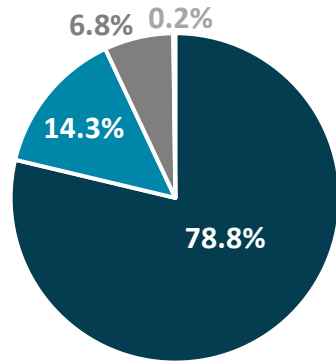
1Q23 – Income Statement

Figures in millions of Euro

| | 1Q 2022 | 4Q 2022 | 1Q 2023 | 1Q 23 vs 1Q 22 change in % |
|-----------------------------------------------------------------------------------------|---------------|---------------|---------------|-------------------------------------|
| Interest income | 23.6 | 27.1 | 40.1 | 70% |
| Interest expenses | (2.9) | (7.1) | (19.5) | nm |
| Net interest income | 20.7 | 20.0 | 20.6 | 0% |
| Commission income | 7.5 | 7.7 | 7.7 | 2% |
| Commission expenses | (3.8) | (3.3) | (3.1) | -19% |
| Net commission | 3.7 | 4.4 | 4.6 | 25% |
| Net income from trading | - | (0.0) | (0.3) | nm |
| Net income from disposal/repurchase assets: | 0.3 | 0.6 | 0.3 | -9% |
| a) measured at amortised cost | 0.3 | 0.6 | 0.2 | -37% |
| b) measured at fair value through other comprehensive income | - | - | 0.1 | nm |
| Total income | 24.7 | 25.0 | 25.2 | 2% |
| Net impairment losses on loans | (2.3) | (2.2) | (1.0) | -57% |
| Net operating income | 22.4 | 22.8 | 24.2 | 8.1% |
| Personnel expenses | (6.6) | (5.4) | (7.5) | 14% |
| Other expenses | (9.1) | (11.8) | (10.9) | 20% |
| Operating expenses | (15.7) | (17.2) | (18.4) | 18% |
| Profits from equity investments | (0.0) | 0.7 | (0.01) | -72% |
| Pre-tax profit from continuing operations | 6.7 | 6.2 | 5.8 | -13% |
| Taxes on income for the period/year from continuing operations | (2.1) | (1.9) | (2.0) | -7% |
| Profit after tax from discontinued operations | (0.0) | 0.0 | - | -100% |
| Profit (loss) for the year/period | 4.5 | 4.3 | 3.8 | -16% |
| Minority interests | (0.1) | (0.1) | (0.1) | -29% |
| Profit (loss) for the year/period attributable to the shareholders of the Parent | 4.4 | 4.2 | 3.7 | -16% |

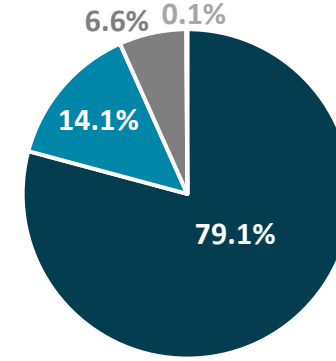
Asset Quality

Gross Bad loans



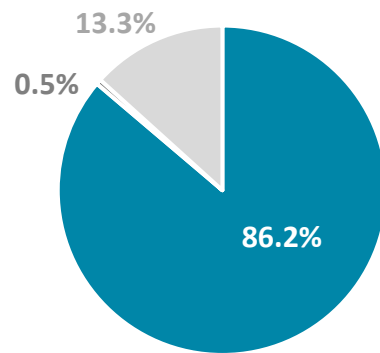
31.12.2022

- Conservatorships (factoring)
- Factoring
- SME State Guarantee Loans
- Other

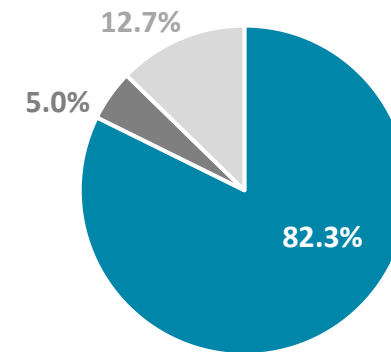


31.03.2023

Gross Unlikely to Pay



31.12.2022



31.03.2023

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