

# **BANCA** **SISTEMA**

**1H 2024 RESULTS**

*July 31st, 2024*

# 1H 2024 RESULTS AT A GLANCE

## Commercial performance

- **Factoring** turnover +13% y/y, equal to €2,793m
- **CQ** new volumes +42% y/y, outstanding -11% y/y, equal to €761m
- **Pawn loans** outstanding +10% y/y, equal to €124m
- **SMEs State guaranteed loans** outstanding +2% y/y, equal to €253m

## P&L

- **Adjusted Net Interest Income** -9% y/y, equal to €32.5m
- **Higher funding cost y/y at 3.6%**
- **Total Income** +11% y/y, equal to €54.8m
- **Cost of risk** slightly higher y/y **at 24bps**
- **Total operating costs equal to €40.3m**, +15% y/y due to anticipation of DGS (2Q vs 4Q), +5.3% y/y net of systemic charges
- **Adjusted Pretax profit\*** equal to **15.7m**, +19% y/y (-9% y/y on a stated basis)
- **Adjusted Net profit\*** equal to **€9.4m**, +11% y/y (-20% on a stated basis)

## Balance Sheet

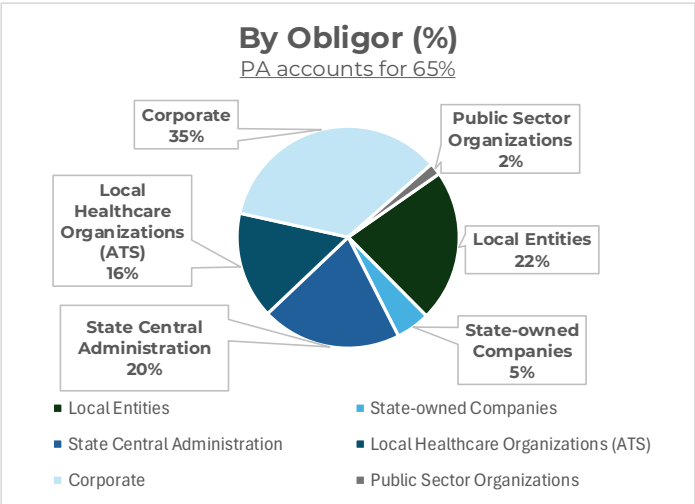
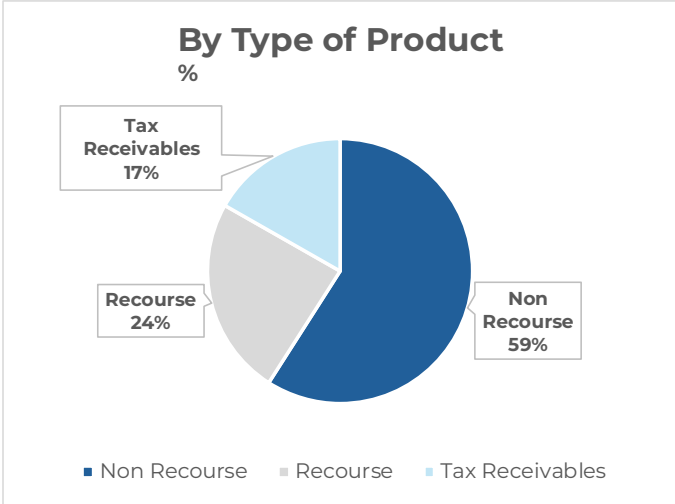
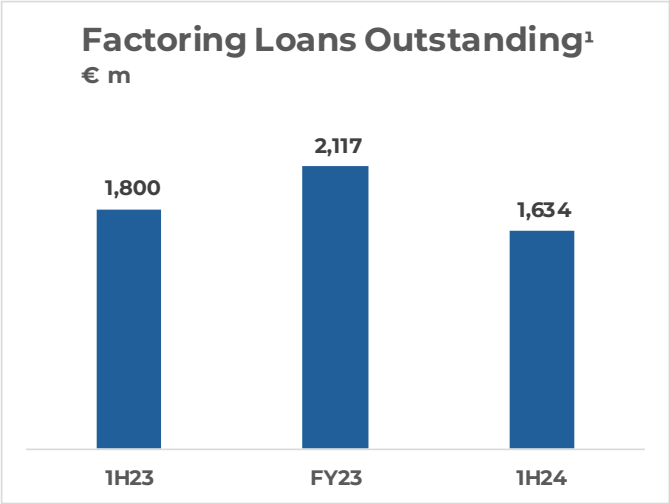
- **Retail funding component higher y/y and slightly lower q/q** (72% vs 57% in 1H23 and 76% in 1Q24)
- **Total assets** +2% y/y, equal to ~€4.7bn
- **CET1 ratio FL at 12.4%** (+55bps y/y) and **TC ratio at 15.5%** (+44bps y/y), **CET1 ratio and TC ratio transitional\*\* at 13.1% and 16.2%** respectively

\* Adjusted for systemic charges (DGS and SRF) for a more correct y/y comparison as DGS provision has been brought forward from 4Q to 2Q/

\*\* New CRR rules retroactively introduce a filter on HTCS reserve which will add +70bps to capital ratios as calculated as of June 30<sup>th</sup>, 2024

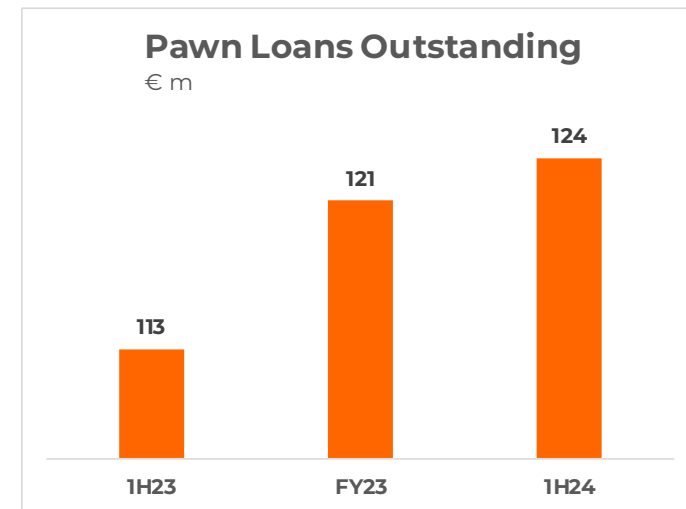
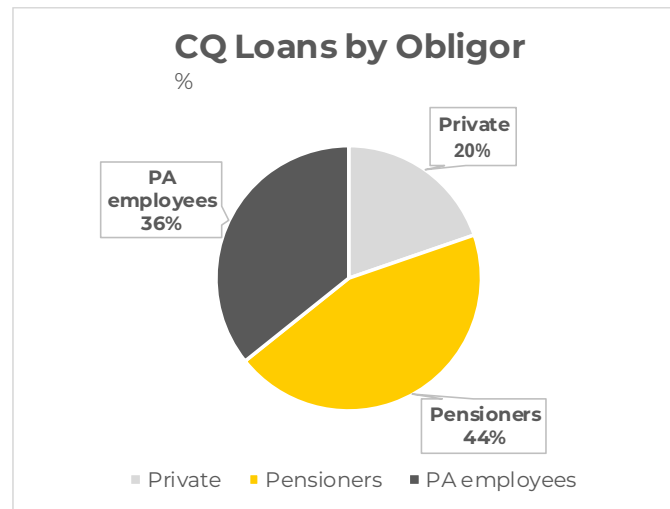
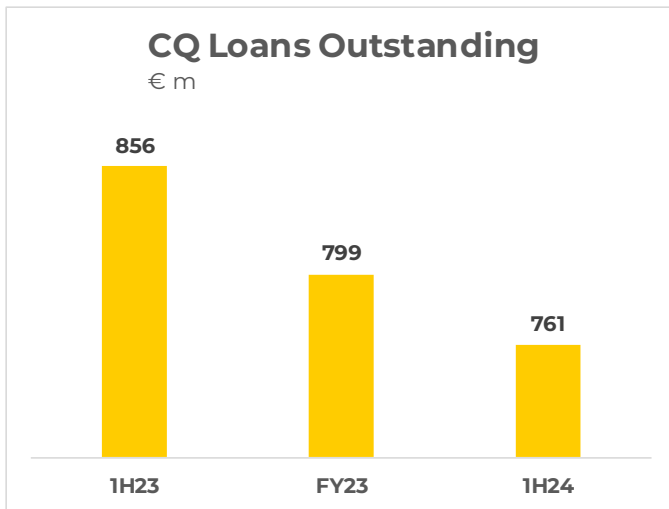
# FACTORING COMMERCIAL PERFORMANCE

## Outstanding breakdown (30.06.2024)<sup>2</sup> €1,799m



Note: (1) Figures exclude Superbonus tax credits, accounted for in other assets and amounting to €351million; (2) 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



- €109m turnover in 1H24 (€77m in 1H23)

- ~72k contracts (+9% y/y)
- Total turnover in 1H24 (including renewals): €113m (+15% y/y)
- #33 auctions in 1H24, with > 95% of the offers through the APP, KrusoK Aste

# 1H24 – BALANCE SHEET

Figures in millions of Euro

	31.12.2023	31.03.2024	30.06.2024	Change in % 30.06.2024 vs 31.12.2023
<b>ASSETS</b>				
Cash and cash equivalents	250	246	269	8%
Financial assets at fair value through Other Comprehensive Income <b>[Held to Collect and Sell]</b>	576	754	1.100	91%
<b>Loans at amortized cost</b>	<b>3.335</b>	<b>3.030</b>	<b>2.805</b>	<b>-16%</b>
<b>Factoring</b>	<b>2.117</b>	<b>1.808</b>	<b>1.634</b>	<b>-23%</b>
<b>CQ</b>	<b>799</b>	<b>801</b>	<b>761</b>	<b>-5%</b>
<b>Pawn loans</b>	<b>121</b>	<b>122</b>	<b>124</b>	<b>2%</b>
SMEs State Guaranteed loans	286	265	253	-12%
Other <sup>(1)</sup>	12	34	33	172%
Securities at amortized cost <b>[Held to Collect]</b>	61	61	61	0%
Tangible and Intangible assets	76	76	76	0%
Goodwill	34	34	34	0%
Equity investments	1	1	1	-3%
Other assets <sup>(2)</sup>	272	354	428	57%
<b>Total assets</b>	<b>4.572</b>	<b>4.522</b>	<b>4.740</b>	<b>4%</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Due to banks</b>	<b>644</b>	<b>397</b>	<b>361</b>	<b>-44%</b>
of which ECB exposure	556	361	317	-43%
<b>Due to customers</b>	<b>3.233</b>	<b>3.460</b>	<b>3.702</b>	<b>15%</b>
of which term deposits	2.402	2.708	2.705	13%
of which current accounts	705	267	265	-62%
Debt securities issued	165	122	109	-34%
Other liabilities	253	258	287	13%
<b>Shareholders Equity</b>	<b>277</b>	<b>285</b>	<b>281</b>	<b>1%</b>
<b>Total liabilities and equity</b>	<b>4.572</b>	<b>4.522</b>	<b>4.740</b>	<b>4%</b>

Note: (1) The item include "Loans to banks" respectively as at 31.12.2023, 31.03.2024 and 30.06.2024 equal respectively to €0.9m, €1.1m and €0.8m. (2) Tax credits for 'superbonuses' €217m and €290m and €351m respectively as at 31.12.2023, 31.03.2024 and 30.06.2024.

- **Govies' portfolio increased ytd and q/q (nominal value €1163m vs €647m as of YE23 and €817m as of 1Q24)** with an average duration of 11.8 months (15 months as at 31.12.2023), exclusively Italian Government bonds:
  - €1102m 'Held to Collect and Sell', +€346m q/q and +€516m ytd, with an average duration of 10 months
  - €61m 'Held to Collect', flat q/q, with an average duration of 38 months
- **Loans at amortized cost €2,805m, (-9% y/y, -16% ytd):**
  - **Factoring receivables** at €1.63bn, -9% y/y, -23% ytd due to higher collections and some disposals.
  - **CQ loans** -11% y/y or -5% ytd, due to maturities, repayments and portfolio disposals only partially compensated by higher new loans originated through the Direct channel
  - **Pawn Loans** +10.1% y/y or +2% ytd
- **Due to banks** -62% y/y or -44% ytd, mainly due to TLTRO reimbursement (€317m outstanding as of 1H24)
- **Due to customers** +23% y/y or +15% ytd, driven by term deposits ("Conto Deposito") for +€886m y/y which more than offset Current Accounts decrease (-€223my/y) while REPOs are down y/y (+€261m q/q);
- **Debt securities** -38% y/y or -34% ytd, driven by lower structured funding with both factoring and CQ receivables collateral

# TOTAL GROSS INCOME AND ADJUSTED INCOME MARGIN EVOLUTION

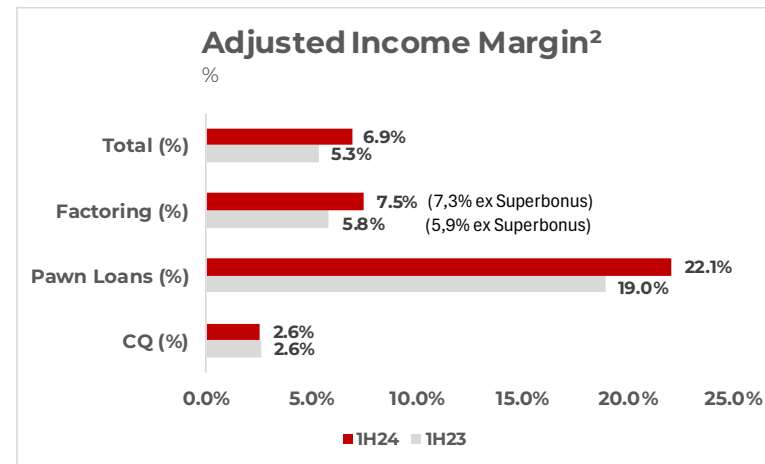
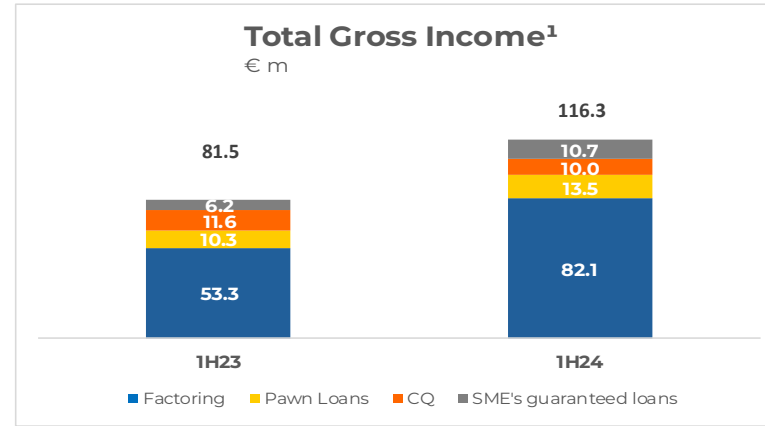
**1H24 Total gross income up +43% y/y**, with a higher contribution from **factoring (€ 82.1m or +€28.8m y/y)**, **pawn loans (€13.5m or +3.2m y/y)**, **SMEs State guaranteed loans (€10.7m or +4.5m y/y)** and **decreasing trend in CQ (€10.0m or -1.6m y/y)**

**Higher revenues y/y from factoring**, mainly due to:

- a) higher **commercial loans & Superbonus** contribution
- b) higher **factoring LPIs from legal action** equal to €20.9m (€20.0m in 1H23):
  - of which accrual €13.9m (€16.4m in 1H23)
  - of which “extra collection” €8.5m (€4.8m in 1H23)
- c) higher **factoring extra judicial LPI** equal to €2.5m (€1.1m in 1H23)

**Factoring gross income and adjusted income margin** include **€12.6m** revenues from **Superbonus** of which €11.5m from Trading Superbonus

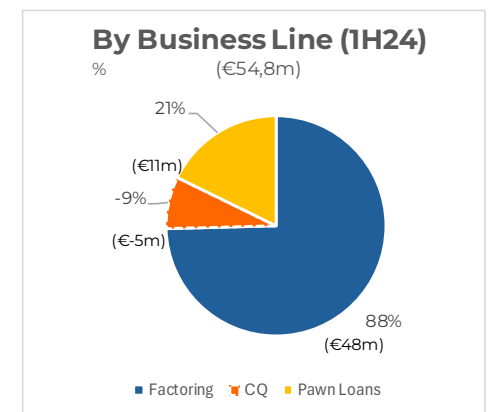
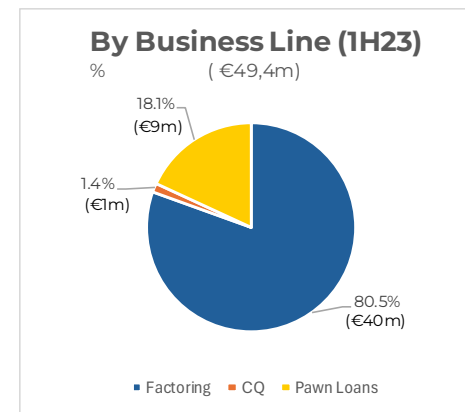
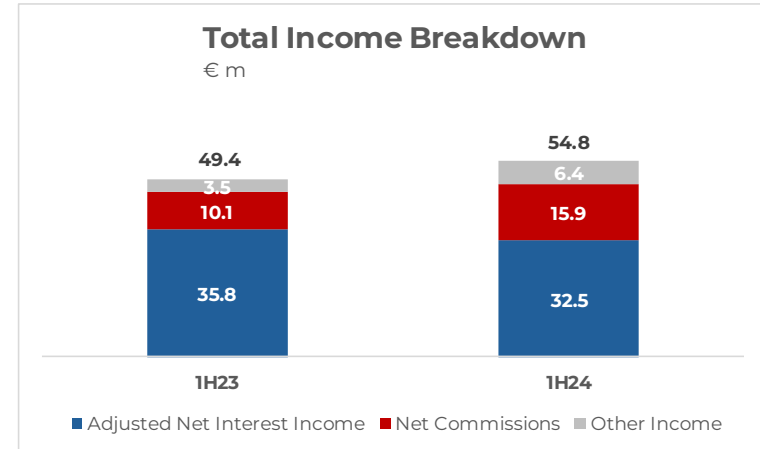
**Adjusted income margin** shows a pronounced **improvement y/y** in factoring and pawn loans divisions



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);

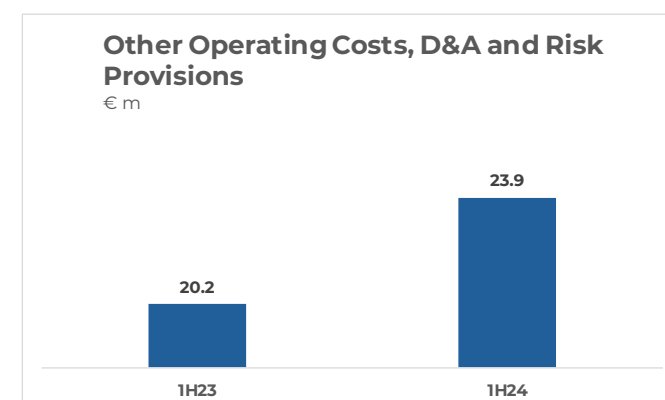
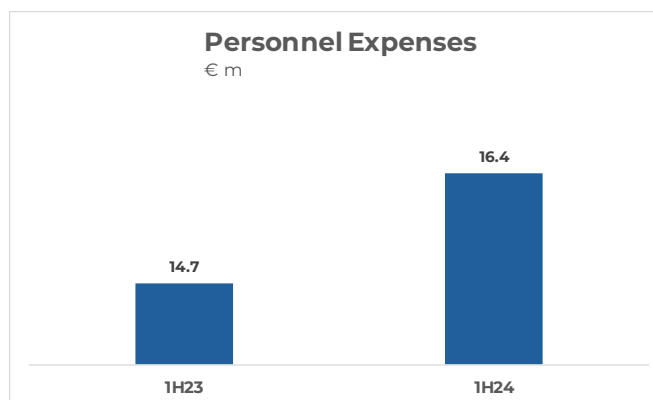
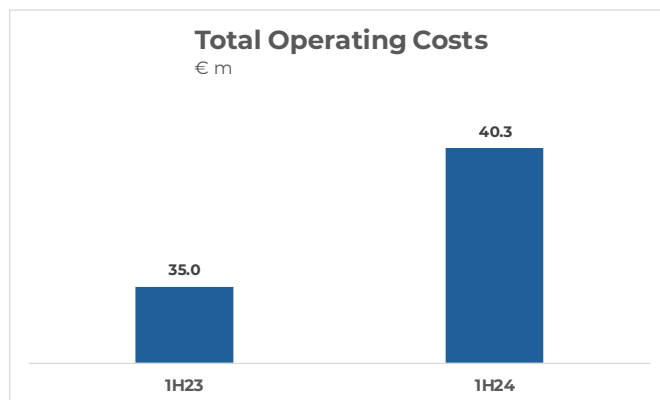
# TOTAL INCOME BREAKDOWN

- **1H24 Total Income up 11% 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 Superbonus) decreased by 9% y/y due to higher cost of funding, much lower contribution from financial portfolio and a higher percentage of commission based products. Total Cost of funding was equal to 3.6% (2.4% in 1H23 and 3.6% in 1Q24)
- **Fees up +58% y/y** thanks to strong performance in **factoring** commission-based products and **pawn broking business**
- **Other Income up y/y**, includes ca. €2.4m gain from govies portfolio (€1.3m in 1H23) and €3.7mn gain from the sale of factoring and CQ ptf (€2.0m in 1H23)
- **CQ contribution** was negative y/y still due to the backbook's low yields, expected to improve in the coming quarters due to lower weight of legacy portfolio
- **Contribution to total net revenues** by factoring division increased to 88% (80% in 1H23) while CQ division had a negative impact in 1H24

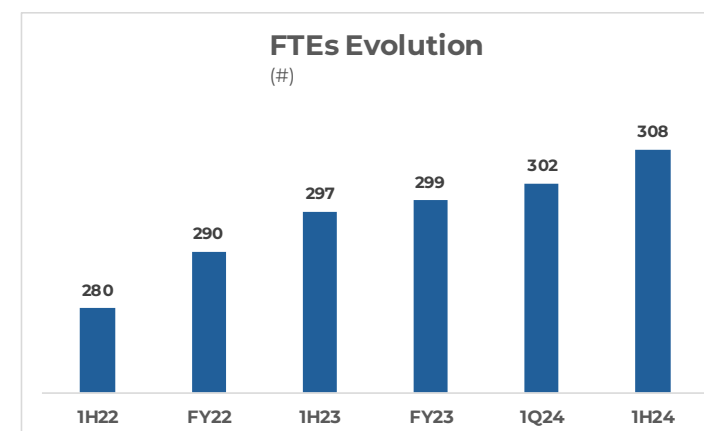


1. Adjusted Net Interest Income = Net interest Income + Trading on Superbonus
2. CQ total income in 1Q24 was negative and equivalent to -11% of total income

# COST BASE CONSOLIDATING

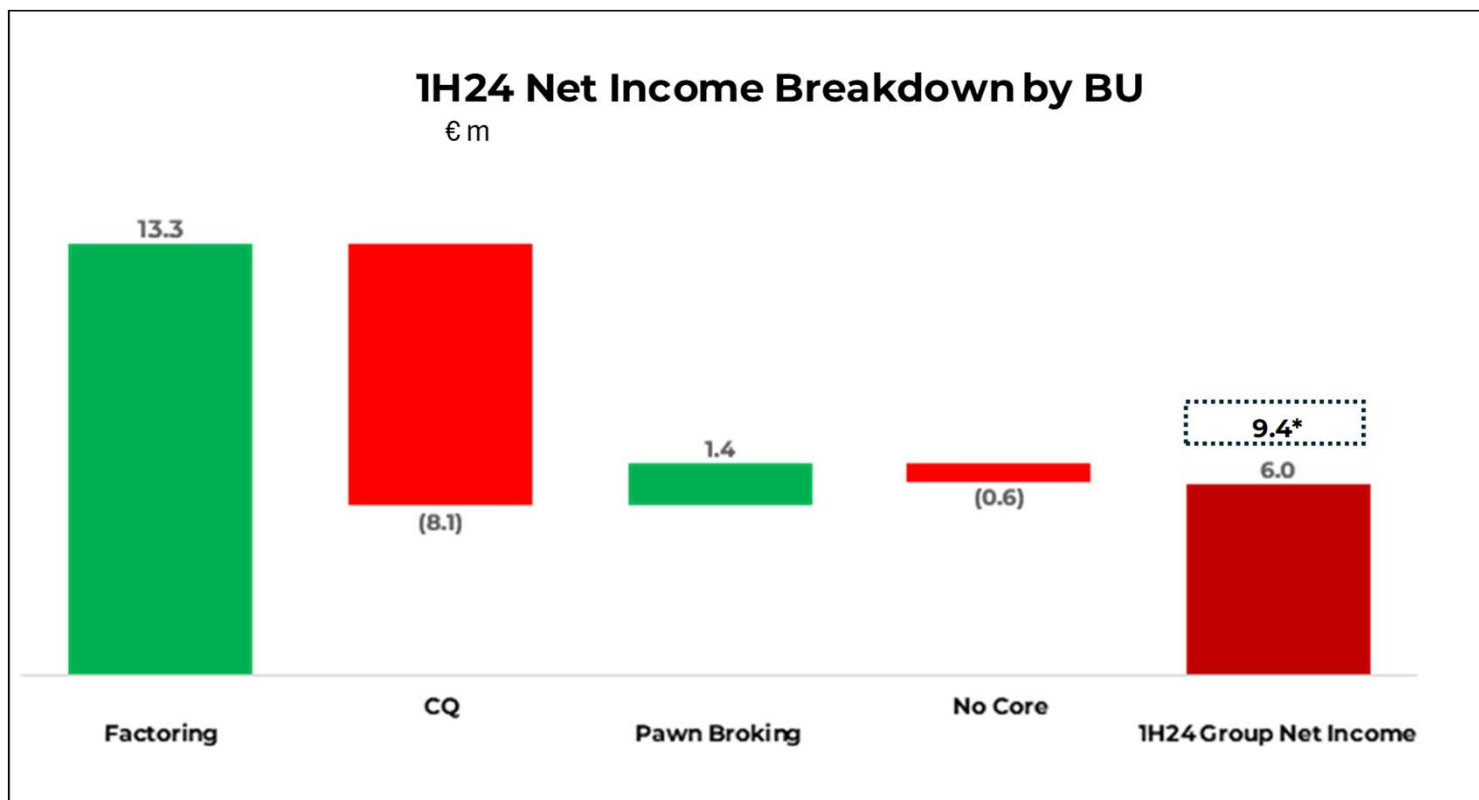


- **Total costs increased by +15% y/y** due to higher personnel and administrative costs but also DGS provision (€5,1m in 1H24 vs zero in 1H23 as the annual contribution has been anticipated to 2Q vs usual 4Q) which more than compensated the cancellation of SRF provision from 2024 onwards (€1,6m in 1H23). **Net of systemic charges total costs grew by +5% y/y.**
- **Personnel Expenses up** (+11.2% y/y) due to higher FTEs (from 297 to 308) and the impact of the national labour contract renewal
- **Administrative costs increased by +6% 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) and insurance costs on credits (i.e. factoring to private sector)





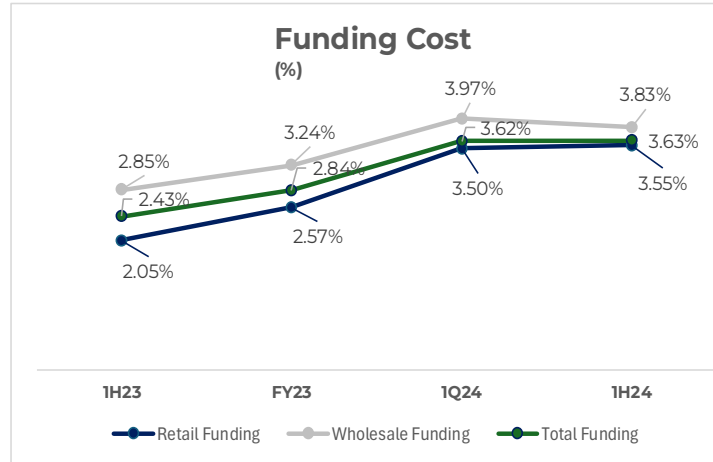
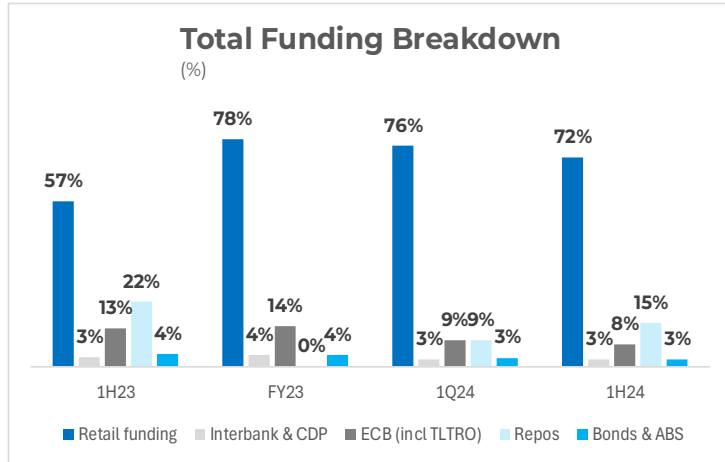
# NET INCOME EVOLUTION BY BUSINESS UNITS



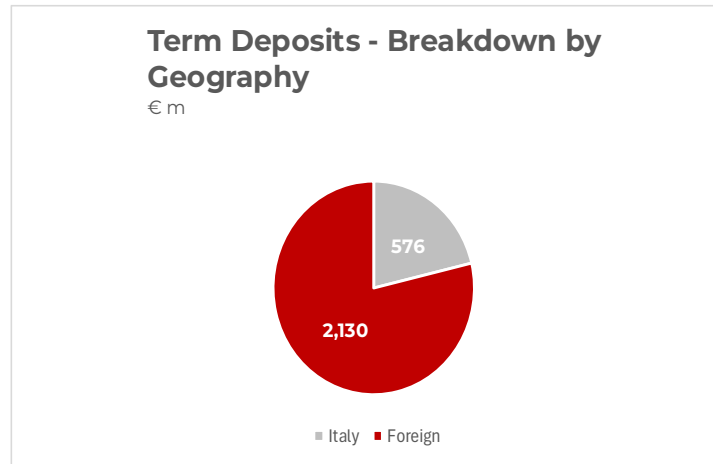
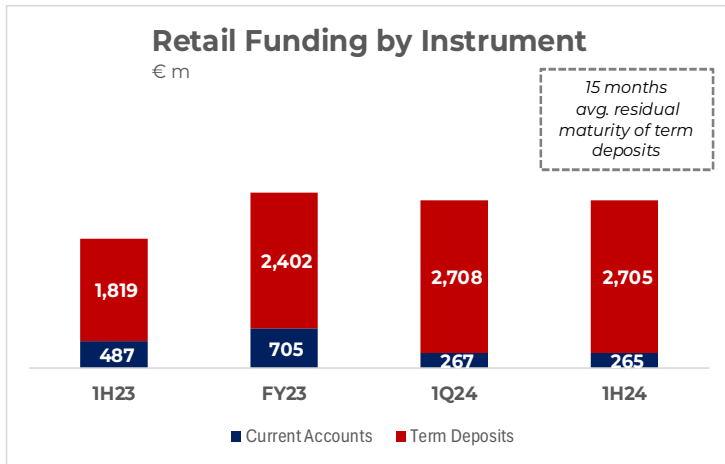
\* Net profit adjusted for systemic charges (DGS and SRF) for a more adequate like for like comparison as DGS provision has been brought forward from 4Q to 2Q

- **Factoring:** the division confirmed the excellent results registered in 2023 posting in 1H24 €13,3m net income (+13% y/y) thanks to turnover growth and positive repricing.
- **CQ:** higher cost of funding negatively impacted the division due to the legacy portfolio having a low yield. Net loss in 1H24 equal to €8,1m (€4,5m in 1H23), trend expected to improve in the coming quarters as long as legacy portfolio will expiry.
- **Pawn Broking:** the division kept growing and posted a +88% growth in net income thanks to the increase of the outstanding and the positive trend in margins thanks to solid repricing.
- **1H24 Net income** was **negatively impacted by DGS provision** (-€5,1m) booked in 2Q24 instead of 4Q in previous years. This change in accounting (DGS will expiry in 2025) will free up resources in 4Q24 which we expect to show a higher positive seasonality vis a vis previous years.

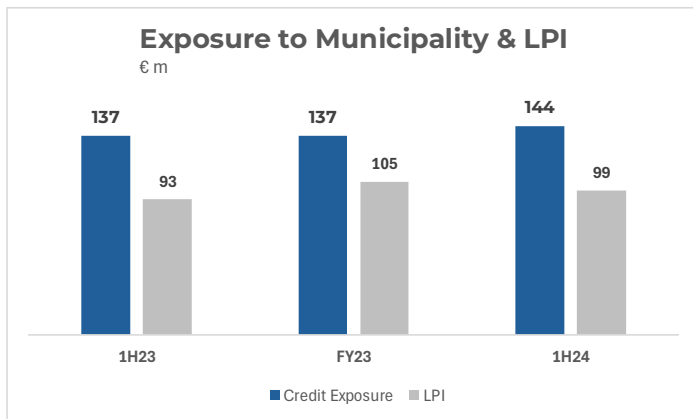
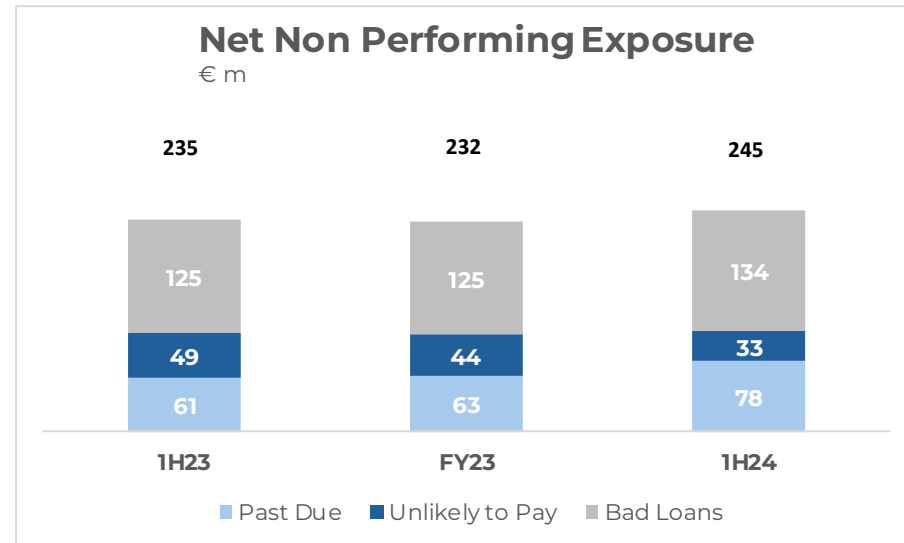
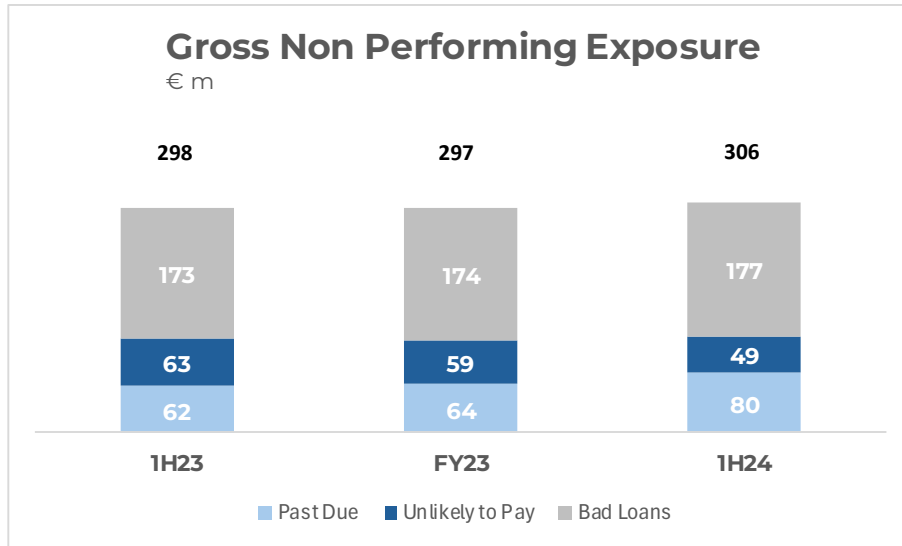
# HIGHER FUNDING COST Y/Y



- **Retail Funding** represents **72%** of total funding as of 1H24
- **Retail funding** was pretty stable q/q while grew by **+28% y/y** thanks to positive evolution of **term deposits** (+49% y/y) which more than compensated the -46% y/y decrease in current accounts.
- **Net inflows in term deposits** were stable q/q from abroad (+€298m YTD) while Italy registered few outflows (-€19m YTD); . The overall decrease of retail funding YTD (-4.9%) was driven by current accounts decrease from corporates linked to some big tickets transaction.
- **€239m TLTRO reimbursed in 1H24** (€317m outstanding as of 1H24)
- **Cost of funding up y/y and stable q/q** confirming the expected stabilization in 2024. The spread between retail and wholesale funding has narrowed q/q from 50bps to ca. 30bps).

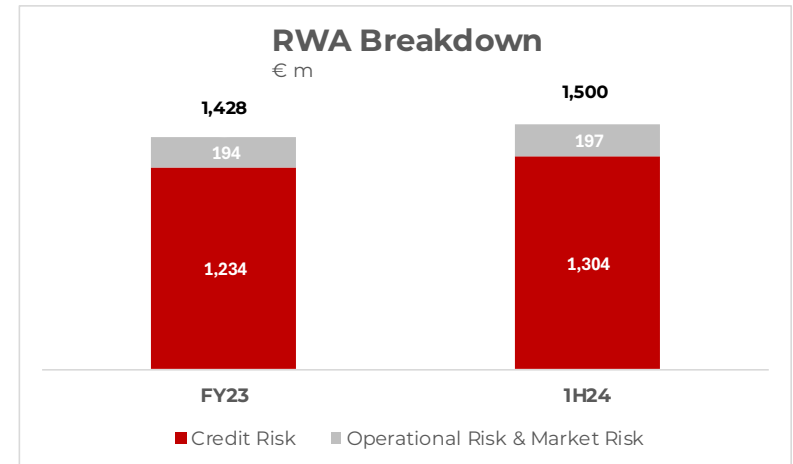
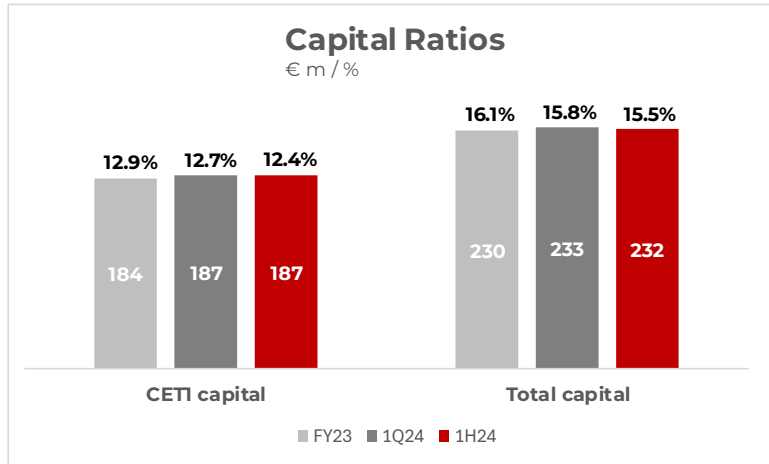


# ASSET QUALITY: GROSS NPEs SLIGHTLY UP Y/Y



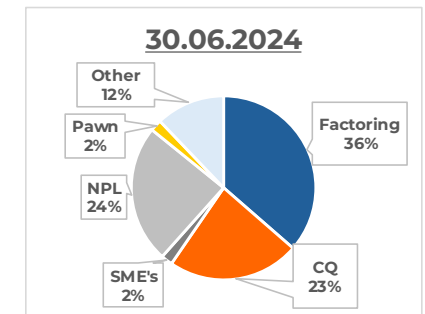
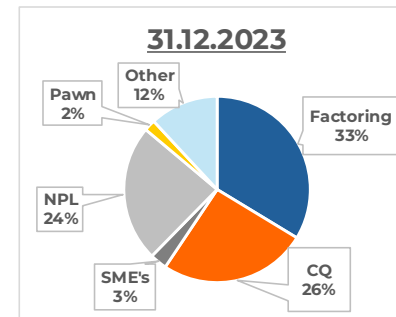
- Gross Non Performing Exposures increased by +2.6% y/y or +6.7% q/q
- Gross bad loans and UTP were slightly down q/q and pretty stable y/y while past due loans increased +28% y/y or +37% q/q due to few single names (PA).
- Cost of credit risk stands at 24bps (19bps in 1H23)

# REGULATORY CAPITAL WELL ABOVE MINIMUM REQUIREMENTS



- **CET1 and Total Capital** as at 30.06.2024 include -€10.45m 'Held to Collect and Sell' reserve from Govies' ptf
- **CET1 and Total Capital ratios** stood at **12.4% and 15.5%** respectively
- **The CRR rule introduced a filter on HTCS reserve** that if applied to capital ratios as of 1H24 would increase CET1/T1/TCR by +70bps.
- **The decrease of capital ratios q/q is mainly due to credit risk increase** driven by higher loans to the private sector and higher past due.
- **2024 SREP requirements: CET1 ratio 9.4% / TCR 12.9%**

## RWA – Credit Risk

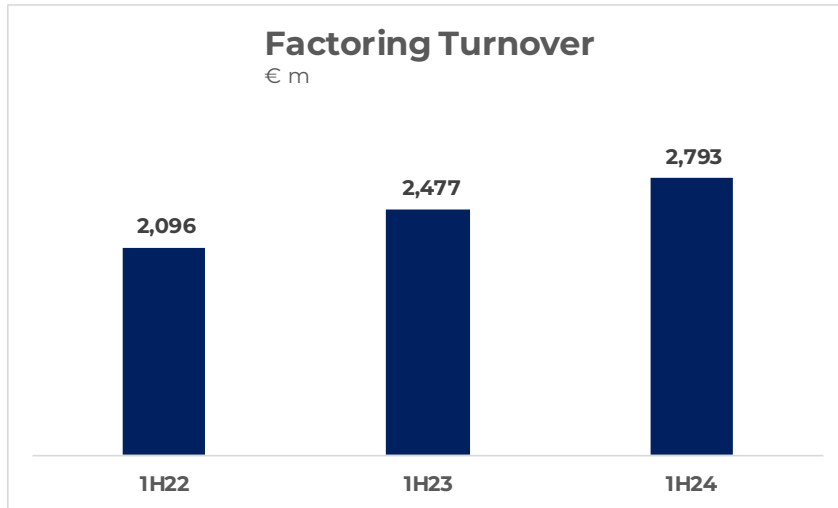


Note: \*The European Parliament has given the green light to the reintroduction of the prudential filter by article 468 CRR which neutralizes securities MTM in the HTCS category. The filter applied to capital ratios as of 1H24 increases CET1/T1/TCR by +70bps

## **ANNEXES**

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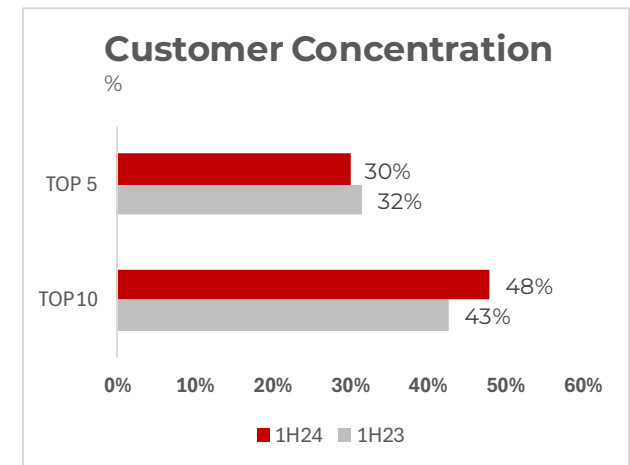
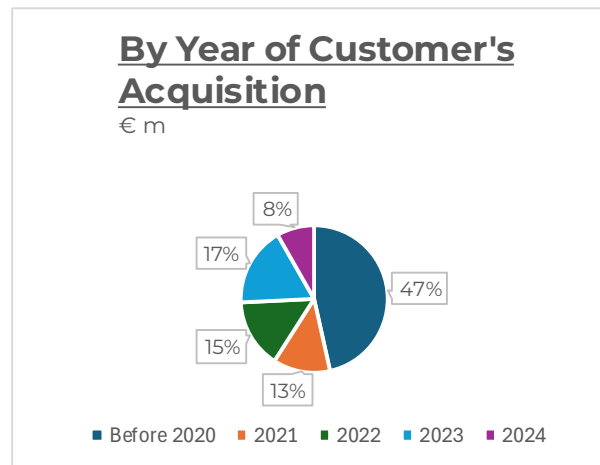
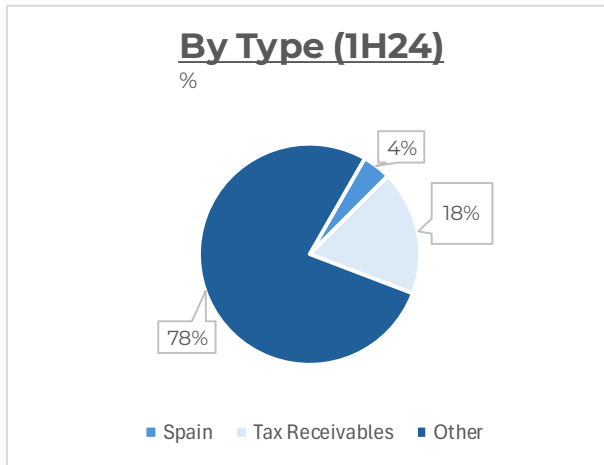
# FACTORING: BREAKDOWN BY TYPE AND CUSTOMERS



+13% y/y or flat ex. Trading Ecobonus

Turnover generated by agreements with Italian Retail banks: 8% in 1H2024

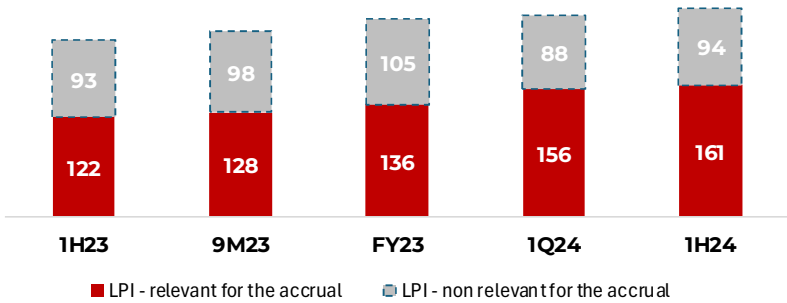
## 1H24 Factoring Turnover breakdown



# LATE PAYMENT INTEREST

## Due LPI Stock - Assets in Legal Action

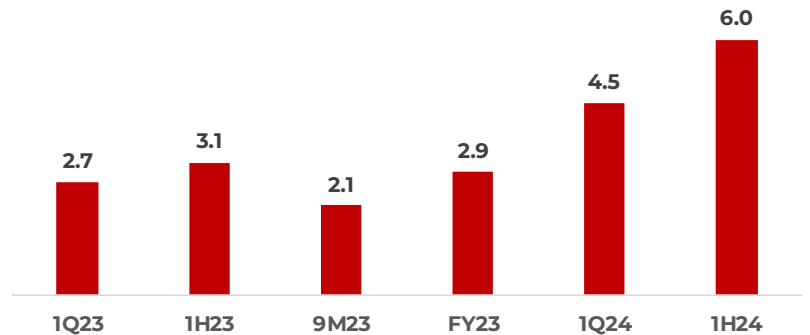
€ m



€92.4m accrual booked through P&L

## Total Collected Cashed-in LPI

€ m



# 1H24 – INCOME STATEMENT

Figures in millions of Euro

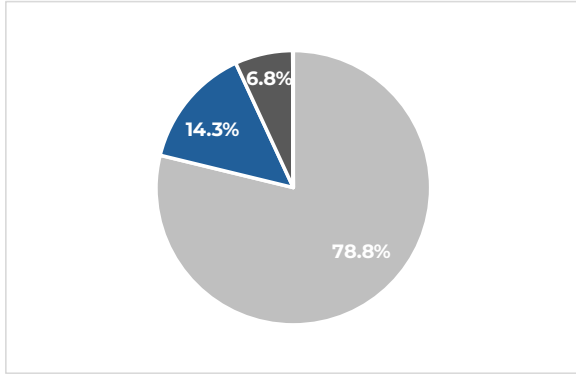
**BANCA  
SISTEMA**

	1H 2023	1Q 2023	2Q 2023	1H 2024	1Q 2024	2Q 2024	1H 24 vs 1H 23 change in %
Interest income	83,4	40,1	43,3	95,8	48,2	47,6	15%
Interest expenses	(47,5)	(19,5)	(28,0)	(74,8)	(36,4)	(38,4)	57%
<b>Net interest income</b>	<b>35,8</b>	<b>20,6</b>	<b>15,2</b>	<b>21,0</b>	<b>11,8</b>	<b>9,2</b>	<b>-41%</b>
Commission income	16,9	7,7	9,2	26,7	14,0	12,7	59%
Commission expenses	(6,8)	(3,1)	(3,7)	(10,8)	(5,4)	(5,4)	59%
<b>Net commission</b>	<b>10,1</b>	<b>4,6</b>	<b>5,5</b>	<b>15,9</b>	<b>8,6</b>	<b>7,3</b>	<b>58%</b>
Dividends and similar income	0,2	-	0,2	0,2	0,0	0,2	0%
Net income from trading	(0,0)	(0,3)	0,2	12,4	4,8	7,6	nm
Net income from disposal/repurchase assets:	3,3	0,3	3,0	5,2	1,6	3,6	57%
<i>a) measured at amortised cost</i>	2,7	0,2	2,5	3,7	0,9	2,8	35%
<i>b) measured at fair value through other comprehensive income</i>	0,5	0,1	0,4	1,4	0,7	0,7	166%
<b>Total income</b>	<b>49,4</b>	<b>25,3</b>	<b>24,1</b>	<b>54,8</b>	<b>26,8</b>	<b>28,0</b>	<b>11%</b>
Net impairment losses on loans	(2,8)	(1,0)	(1,8)	-3,9	-1,4	-2,5	36%
<b>Net operating income</b>	<b>46,6</b>	<b>24,3</b>	<b>22,3</b>	<b>50,9</b>	<b>25,4</b>	<b>25,5</b>	<b>9%</b>
Personnel expenses	(14,7)	(7,5)	(7,2)	(16,4)	(8,1)	(8,3)	11%
Other expenses	(20,2)	(10,9)	(9,3)	(23,9)	(10,4)	(13,5)	18%
<b>Operating expenses</b>	<b>-35,0</b>	<b>-18,4</b>	<b>-16,6</b>	<b>-40,3</b>	<b>-18,5</b>	<b>-21,8</b>	<b>15%</b>
<b>Pre-tax profit from continuing operations</b>	<b>11,6</b>	<b>5,9</b>	<b>5,7</b>	<b>10,6</b>	<b>6,9</b>	<b>3,7</b>	<b>-9%</b>
Taxes on income for the period/year from continuing operations	(3,9)	(2,1)	(1,8)	(4,0)	(2,6)	(1,4)	3%
<b>Profit (loss) for the year/period</b>	<b>7,7</b>	<b>3,8</b>	<b>3,9</b>	<b>6,6</b>	<b>4,3</b>	<b>2,3</b>	<b>-15%</b>
Minority interests	(0,2)	(0,1)	(0,1)	(0,6)	(0,2)	(0,3)	135%
<b>Profit (loss) for the year/period attributable to the shareholders of the Parent</b>	<b>7,4</b>	<b>3,7</b>	<b>3,8</b>	<b>6,0</b>	<b>4,1</b>	<b>1,9</b>	<b>-19%</b>

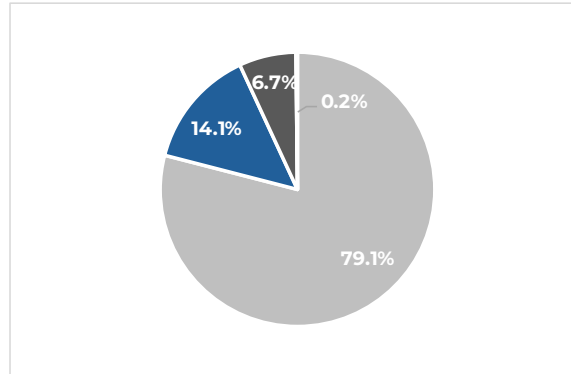


# ASSET QUALITY

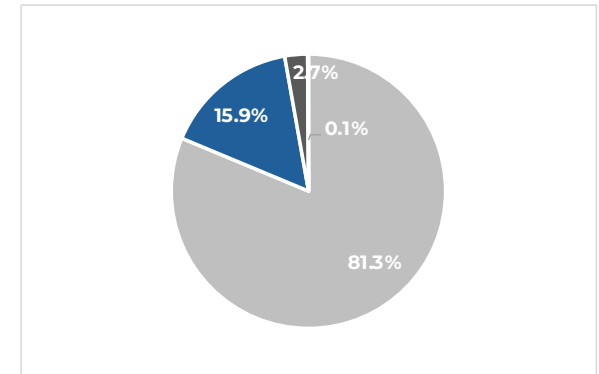
## Gross Bad loans



31.12.2022

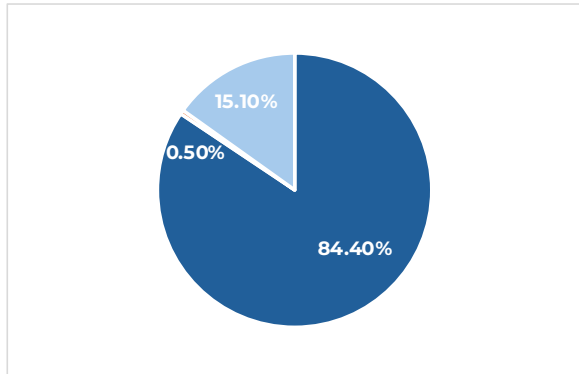


31.12.2023

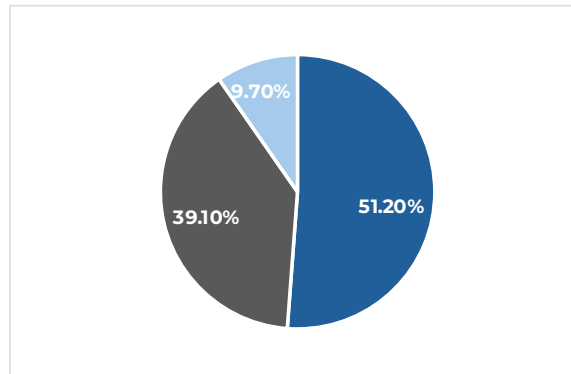


30.06.2024

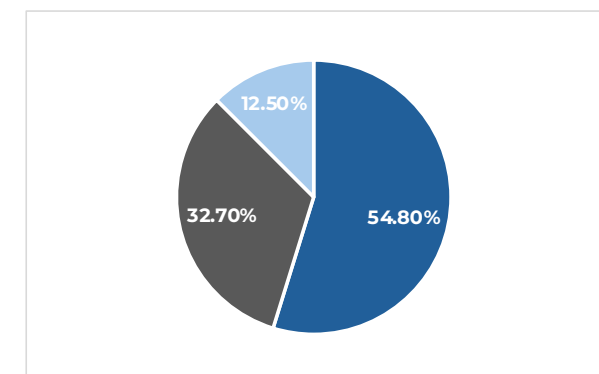
## Gross Unlikely to Pay



31.12.2022



31.12.2023



30.06.2024

■ Conservatorships (factoring) ■ Factoring ■ SME's ■ Other

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