BANCA SISTEMA

FY 2024 RESULTS

February 7th, 2025

EXECUTIVE SUMMARY

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Response to Bank of Italy

- **Bank of Italy 's inspection report** received on **December 20th** , **response** to be sent in the next two weeks
- **Compliance findings** related to rules and practices adopted by the Bank to mitigate the effects of the EBA guidelines on the application of the Definition of Default **to be applied from 1Q25 onwards**
- **Prudential reclassification** requested by Bank of Italy **increases Past due Loans to €372m** (€346m non recourse factoring only) **in 1H24,** amount **reduced to €256m** (€225m non recourse factoring only) **in 4Q24**
- **Capital ratios including portfolio reclassification above SREP / AT1 coupon paid at YE24**

Operating performance

- **Strong increase in net profit (+53% y/y or +20% y/y net of €8m writeback)** driven by **core revenue rebound:**
  - **Adjusted net interest income: €82.9m (+18 y/y)**
  - **Commissions: €26.7m (+36% y/y)**
- **Operating costs: €78m (+7% y/y)**
- **Cost of risk: 3bps** (incl €8m writeback) **or 30bps** without writeback
- **Commercial performance**: **factoring turnover (€5,261m) +3.9% y/y** (net of FY23 one off) / **pawn loans (€144m) +18% y/y** (+5% y/y net of Portuguese acquisition) / **CQ loans (€701m) -12% y/y** in line with business plan guidelines

Balance Sheet

- **Total assets: +3% y/y** thanks to the replenishment of government portfolio sold at YE23 which offset one off receivables bought at YE23 and reimbursed in 1H24
- **Retail funding represents 70% of total funding, term deposit +7% y/y,** retail funding flat y/y due to reduction of current account component linked to one off transaction at YE23 (reimbursed in 1H24) / **TLTRO fully repaid.**
- **CET1 ratio phased-in at 13.3%, TC ratio at 16.1%, CET1 ratio and TC ratio fully phased at 13.2% and 16.0%**
- **LCR and NSFR ratio well above minimum requirements and strongly increased y/y**

BANK OF ITALY INSPECTION (1/2): PAST DUE LOANS* REDUCED BY ~35% IN 6 MONTHS

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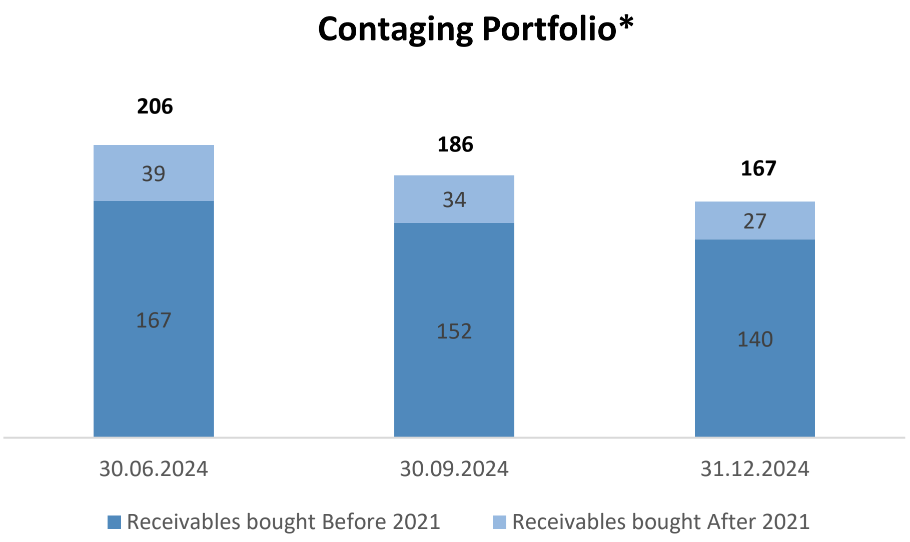

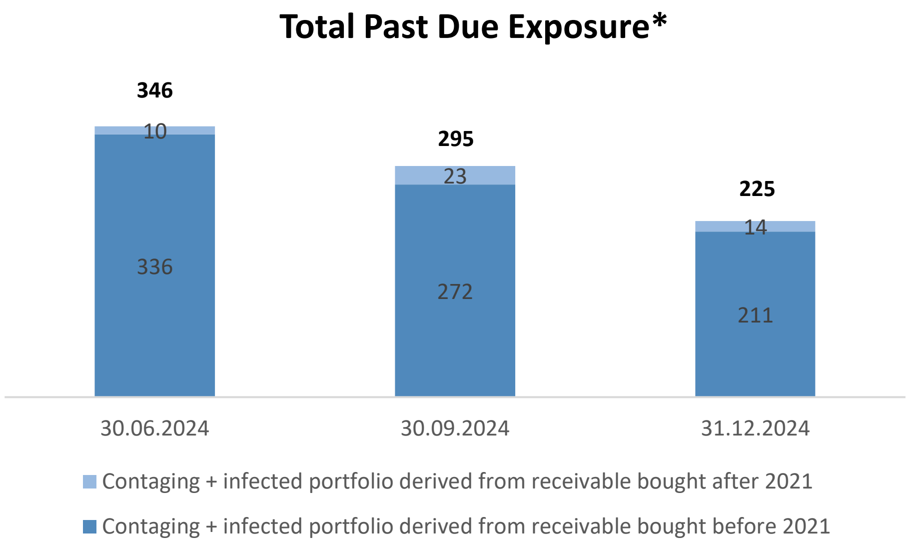

- **Compliance findings by Bank of Italy** on “Definition of Defaults” rules, implied an **increase of Past Due loans (rules to be applied from 1Q25 onwards).**
- **Several managerial actions** (i.e. faster legal processes, disposals, collections…) **reduced the amount of Past due loans** from **€372** (1H24) to **€307m** (9M24) and **€256m** (FY24).
- **Most part of contaging portfolio* (€206m as of 1H24 reduced to €167m as of FY24)** refers to **receivables bought before 2021** (effective date of “new definition of default” rules implementation), **new loans bought after 2021 represents only 16% of total contaging portfolio**.
- **Strong reduction of the portfolio subject to contagion** in the last 6 months.

** Data refer to factoring non recourse only. Restated data is based on the simulation of the effect generated by the classification of non-recourse factoring receivables as past dues under the assumption of ineffectiveness of mitigant measures that received a negative feedback by the Bank of Italy as part of its sampling audit inspection (press release dated 20 December 2024).*

BANK OF ITALY INSPECTION (2/2): RATIOS ABOVE SREP AFTER PAST DUE RECLASSIFICATION

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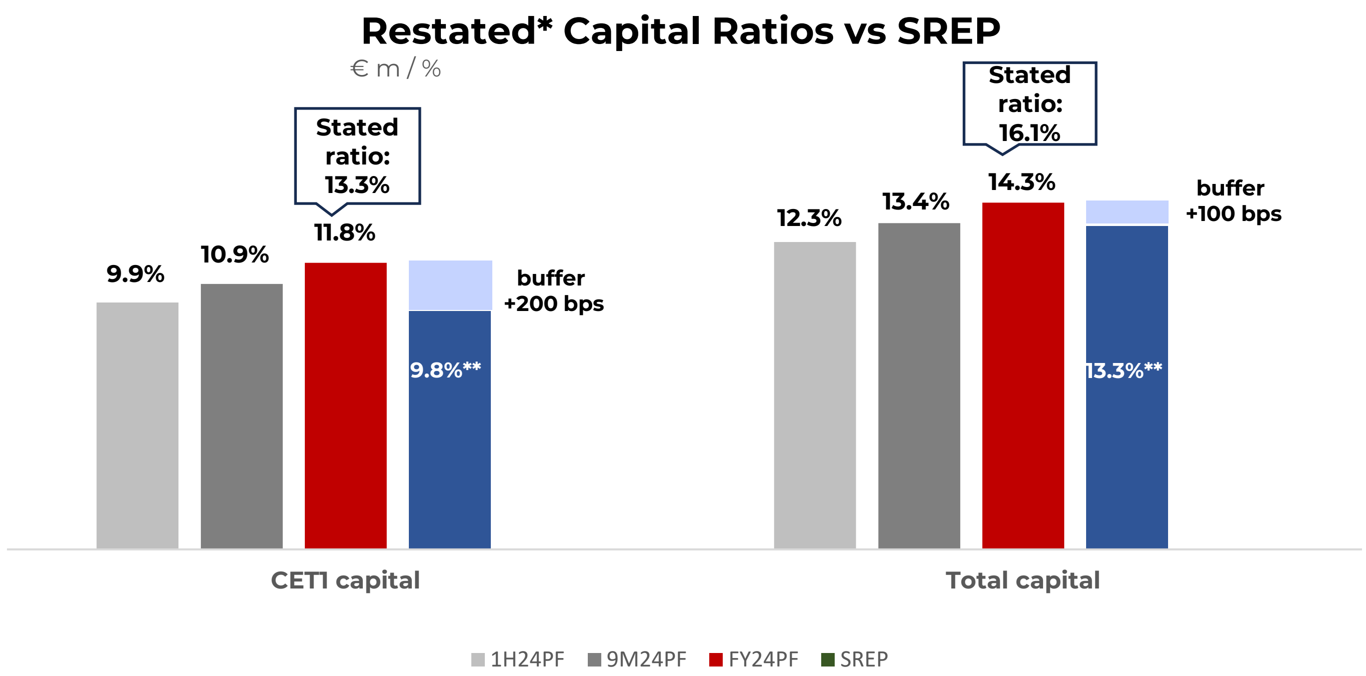

- **CET1 and Total capital ratios proforma* improved quarter by quarter** thanks to a proactive **approach to reduce past due** loans and **positive operating trends** which boosted profits
- **CET1 ratio and Total capital ratio at YE24 above SREP** by respectively **+200bps** and **+100bps even after the impact of the simulation**
- **Few options to neutralize any future regulatory headwinds** (capital release due to European Court of Human Rights ruling on positions in which payment obligations are recognized in final courts – see press release on Jan 16th' (+), SRT completion (+) / CRR on Gold treatment (-), etc).

*Note: *Restated data is based on the simulation of the effect generated by the classification of non-recourse factoring receivables as past dues under the assumption of a ineffictiveness of mitigant measures that received a negative feedback by the Bank of Italy as part of its sampling audit inspection (press release dated 20 December 2024. / ** CET1 and Total capital ratios (SREP) calculated including Syrb which will be applied from 31.12.2024 onwards.*

FACTORING COMMERCIAL PERFORMANCE

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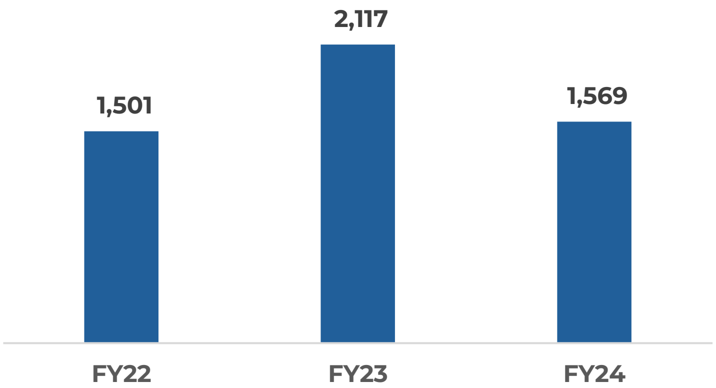
Outstanding breakdown (31.12.2024)[2]

€1,733m

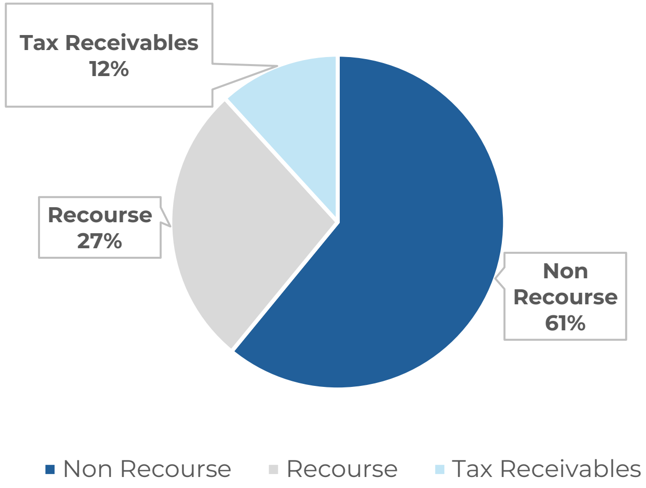
Factoring Loans Outstanding[1]

€ m



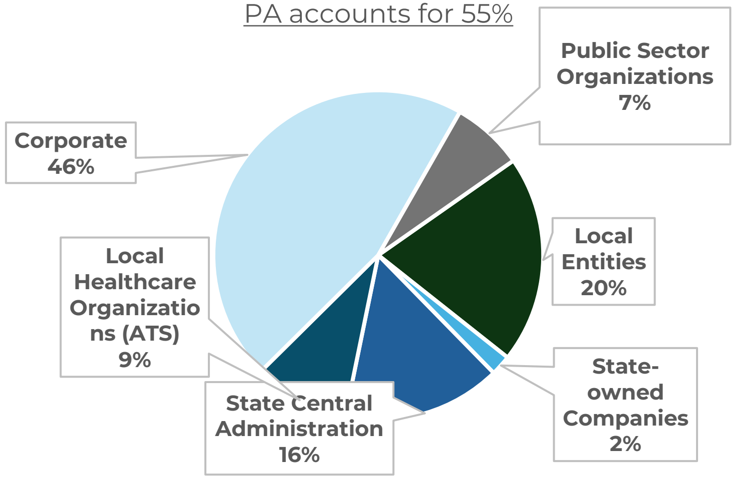
By Type of Product

%



By Obligor (%)

PA accounts for 55%



Note: (1) Figures exclude Superbonus tax credits, accounted for in other assets and amounting to €435million as of YE24; (2) Factoring outstanding management account. Factoring customer loans, item of the Balance Sheet (slide 7) differ from management account for the following elements: Recourse factoring non-financed portion; Provisions; LPI; deferred income.

CQ AND PAWN LOANS COMMERCIAL PERFORMANCE

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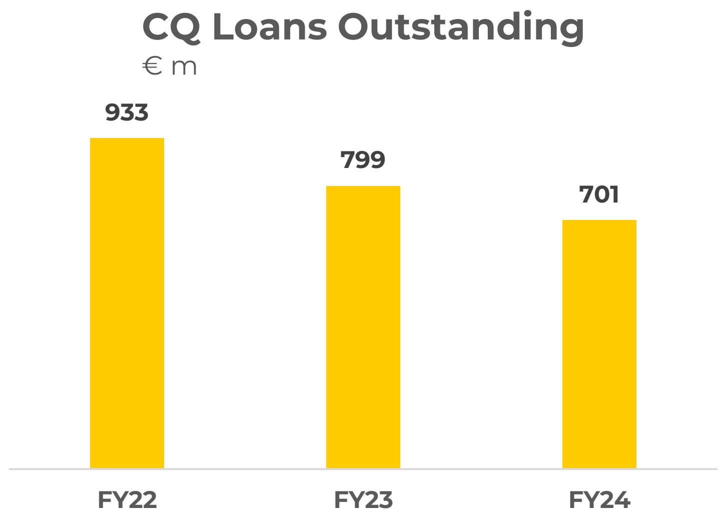

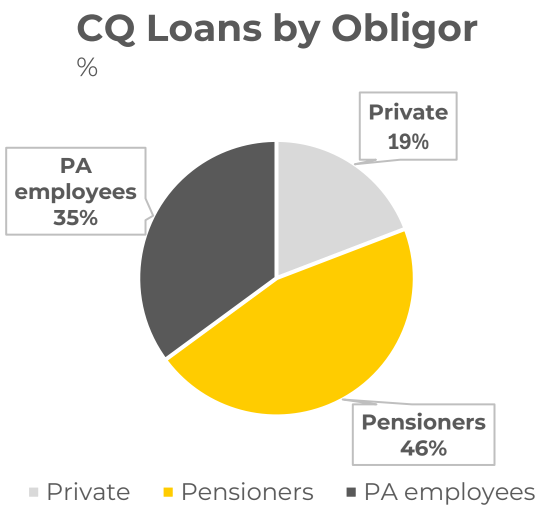

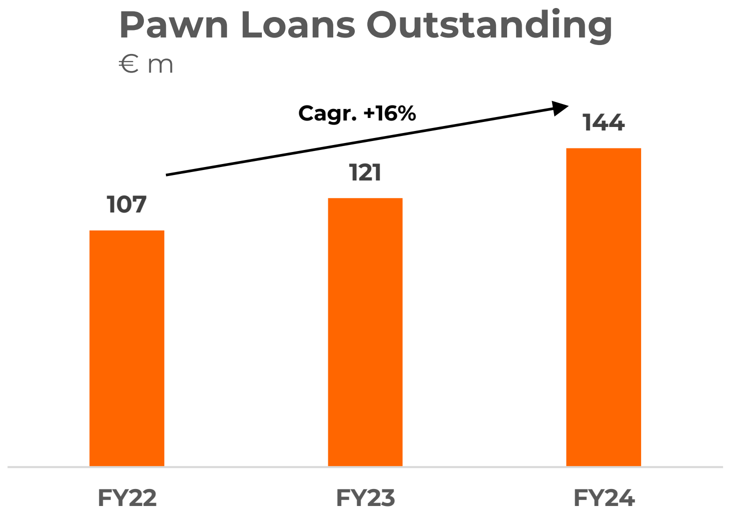

- **€188m turnover in FY24 (€194m in FY23)**

- **~76k contracts (Italy only) (+10% y/y)**
- **Total turnover in FY24 (including renewals): €222m (+10% y/y))**
- **#55 auctions in FY24, with > 99% of the offers through the APP, KrusoK Aste**

FY24 – BALANCE SHEET

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Figures in millions of Euro

	31.12.2023	30.09.2024	31.12.2024	Change in % 31.12.2024 vs 31.12.2023
ASSETS				
Cash and cash equivalents	250	110	93	-63%
Financial assets at fair value through Other Comprehensive Income **[Held to Collect and Sell]**	576	1,269	1,147	99%
Loans at amortized cost	**3,335**	**2,806**	**2,811**	**-16%**
Factoring	***2,117***	***1,606***	***1,569***	***-26%***
CQ	***799***	***747***	***701***	***-12%***
Pawn loans	***121***	***128***	***144***	***19%***
SMEs State Guaranteed loans	*286*	*233*	*224*	*-22%*
Other (1)	*12*	*92*	*172*	*>100%*
Securities at amortized cost **[Held to Collect]**	61	72	62	2%
Tangible and Intangible assets	76	76	101	32%
Goodwill	*34*	*34*	*45*	*34%*
Equity investments	1	1	1	-1%
Other assets(2)	272	444	488	79%
Total assets	**4,572**	**4,778**	**4,703**	**2.9%**
LIABILITIES AND EQUITY				
Due to banks	**644**	**320**	**127**	**-80%**
of which ECB exposure	*556*	*278*	*-*	*-100%*
Due to customers	**3,233**	**3,797**	**3,761**	**16%**
of which term deposits	*2,402*	*2,574*	*2,565*	*7%*
of which current accounts	*705*	*288*	*288*	*-59%*
Debt securities issued	165	94	221	34%
Other liabilities	253	271	279	10%
Shareholders Equity	**277**	**295**	**315**	**13%**
Total liabilities and equity	**4,572**	**4,778**	**4,703**	**2.9%**

- **Govies' portfolio increased ytd and q/q (nominal value €1177m vs €647m as of YE23 and €1162m as of 1H24)** with an average duration of 16 months (15 months as at 31.12.2023), exclusively Italian Government bonds:
  - €1116m 'Held to Collect and Sell', -€133m q/q and +€531m ytd , with an average duration of 15 months.
  - €61m 'Held to Collect', flat q/q, with an average duration of 31 months.
- **Loans at amortized cost** €2,811m, (-16% y/y):
  - **Factoring receivables** at €1.57bn, -26% y/y, due to the collection of some receivables, higher collections and some disposals.
  - **CQ loans** -12% y/y, due to maturities, repayments and portfolio disposals and slightly lower new production. Loans originated by the Direct Channel (€364m) are now higher than Indirect Channel (€338m).
  - **Pawn Loans** +18% y/y (+5% net of acquisition in Portugal)
- **Due to banks** -80% y/y, mainly due to TLTRO reimbursement in full (€556m outstanding as of FY23).
- **Due to customers** +16% y/y, driven by term deposits ("Conto Deposito") for +€163m y/y and REPOs for+€820m y/y which more than offset Current Accounts decrease (-€417m y/y).
- **Debt securities** +34% y/y, driven by higher structured funding with both factoring and CQ receivables collateral.

Note: (1) The item include "Loans to banks" respectively as at 31.12.2023, 30.09.2024 and 31.12.2024 equal respectively to €0.9m, €21.9m and €23.0. (2) Tax credits for 'superbonuses' €217m and €386m and €435m respectively as at 31.12.2023, 30.09.2024 and 31.12.2024.

TOTAL GROSS INCOME AND ADJUSTED INCOME MARGIN EVOLUTION

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FY24 Total gross income up +30% y/y, with a higher contribution from **factoring (€ 166.3m** or **+€48.9m y/y), pawn loans (€29.0m** or **+6.7m y/y), SMEs State guaranteed loans (€19.7m** or **+4.0m y/y)** and **decreasing** trend **in CQ (€19.7m** or **-4.8m y/y).**

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

a) higher **commercial loans tax credit & Superbonus** contribution (€124.9m vs 76.1m).

b) lower **factoring LPIs from legal action** equal to €31.4m (€35.1 as of FY23):

- of which accrual €18.0m (€30,0m as of FY23)
- of which "extra collection" €13.4m (€5.1m as of FY23).

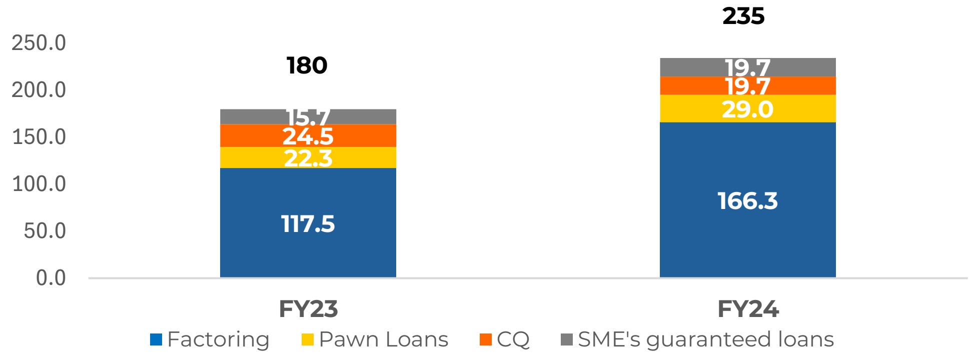
c) higher **factoring extra judicial LPI** equal to €10.0m (€6.3m as of FY23).

Factoring gross income and adjusted income margin include **€35.5m** revenues from **Superbonus** of which €32.9m from Trading Superbonus.

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

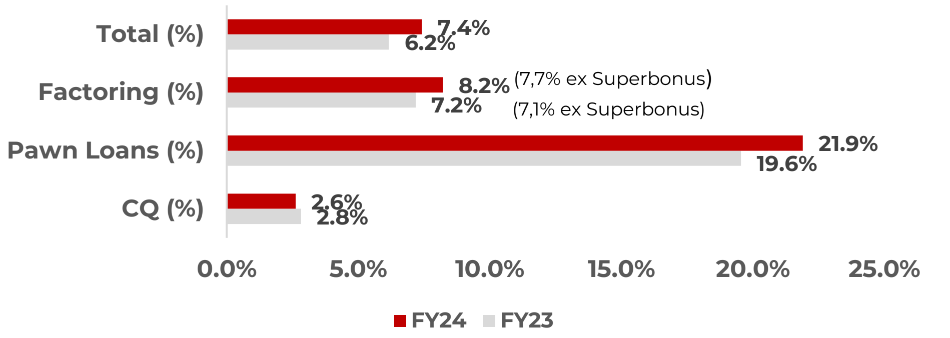
Total Gross Income[1]

€ m



Adjusted Income Margin[2]

%



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

- **FY24 Total Income up 17% y/y**, thanks to positive **contribution from factoring** and **pawn loans** despite higher cost of funding and lower contribution from CQ business.

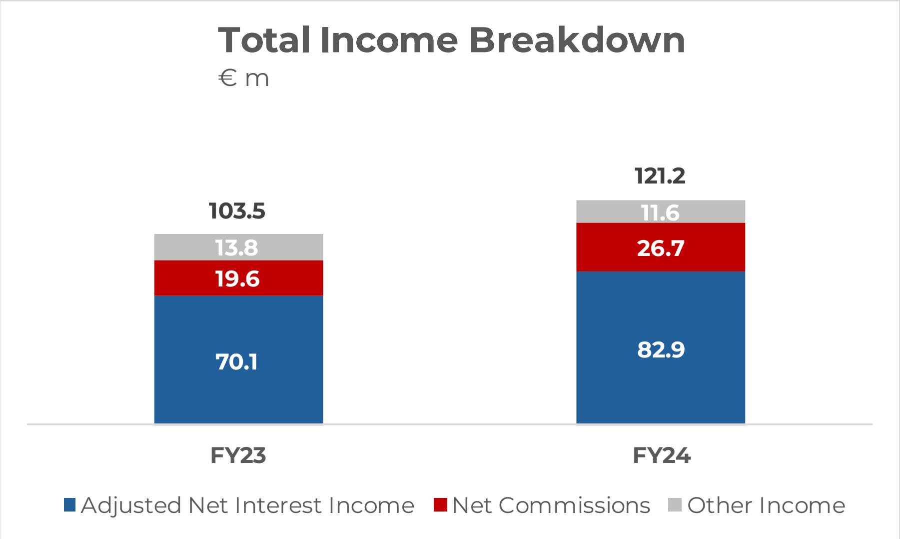
- **Adj NII** (NII + trading on Superbonus) increased by 18% y/y thanks to factoring + Superbonus (+42% y/y) and Pawn loans (+34% y/y) which more than offset negative contribution from CQ, lower income from financial portfolio and higher interest expenses (cost of funding equal to 3.57%, +73bps y/y but -6bps vis a vis 1H24).

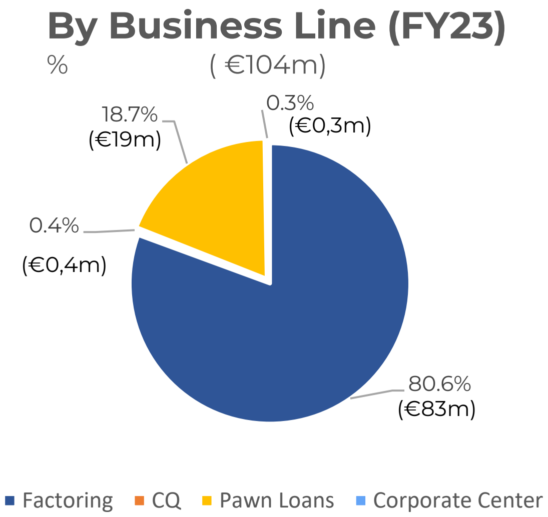
- **Fees up +36% y/y** thanks to strong performance in **factoring** commission-based products and **pawn broking business.**

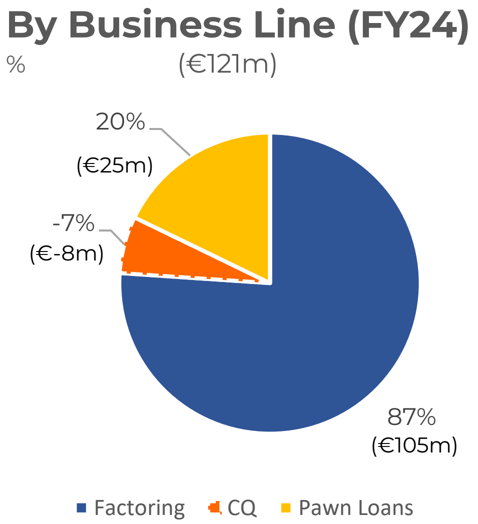
- **Other Income decreased y/y** and includes ca. €5.0m gain from govies portfolio (€8.9m as of FY23) and €6.4mn gain from the sale of factoring and CQ ptf (€4.7m as of FY23).

- **CQ contribution** was negative y/y still due to the backbook's low yields, expected to improve in the coming year due to lower weight of legacy portfolio.

- **Contribution to total net revenues** by factoring division increased to 80% (81% as of FY23) while CQ contribution was negative in FY24.







1. Adjusted Net Interest Income = Net interest Income + Trading on Superbonus
2. CQ total income in FY24 was negative and equivalent to -9% of total income

COST BASE CONSOLIDATING

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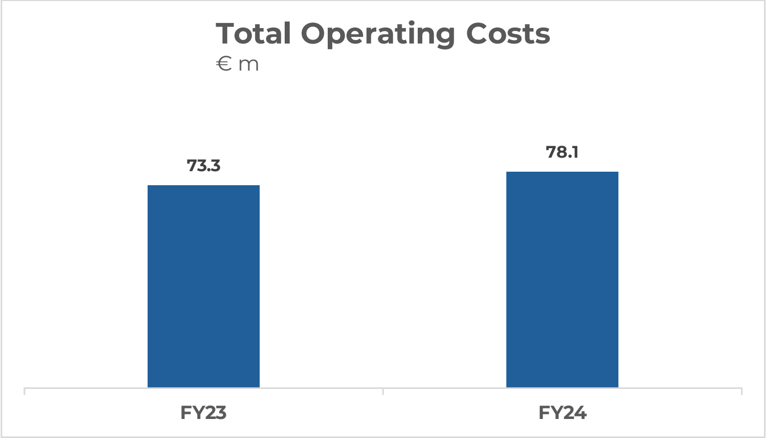
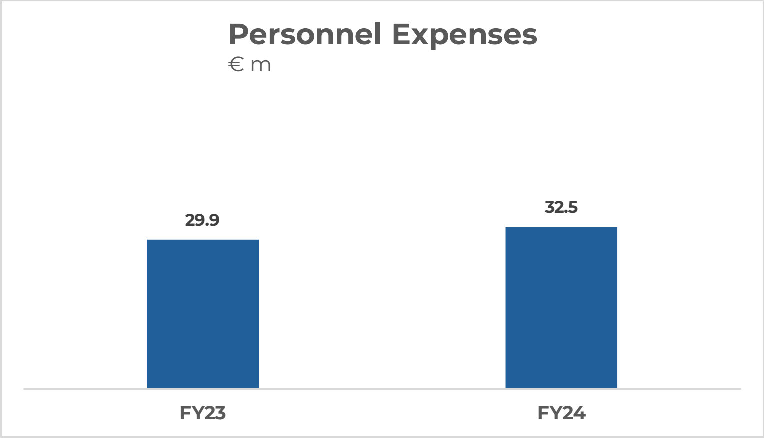
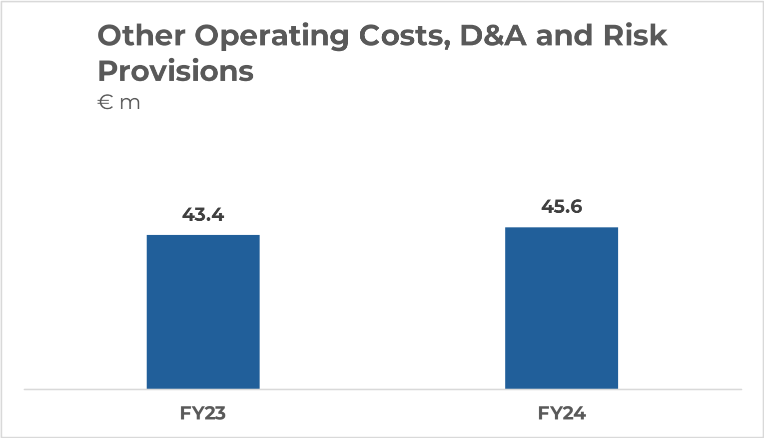
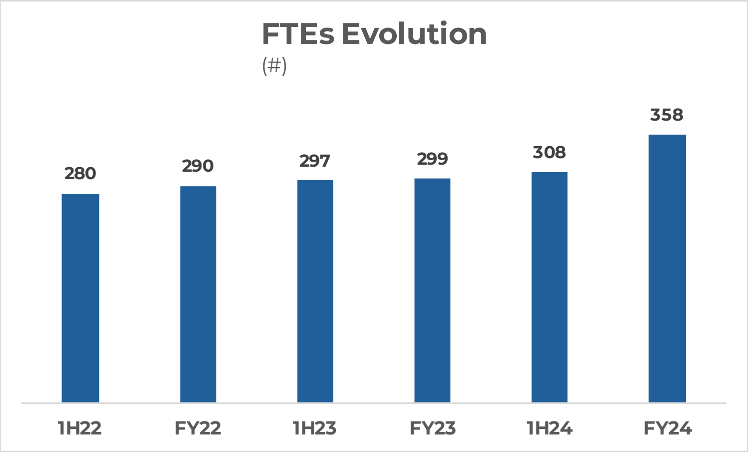


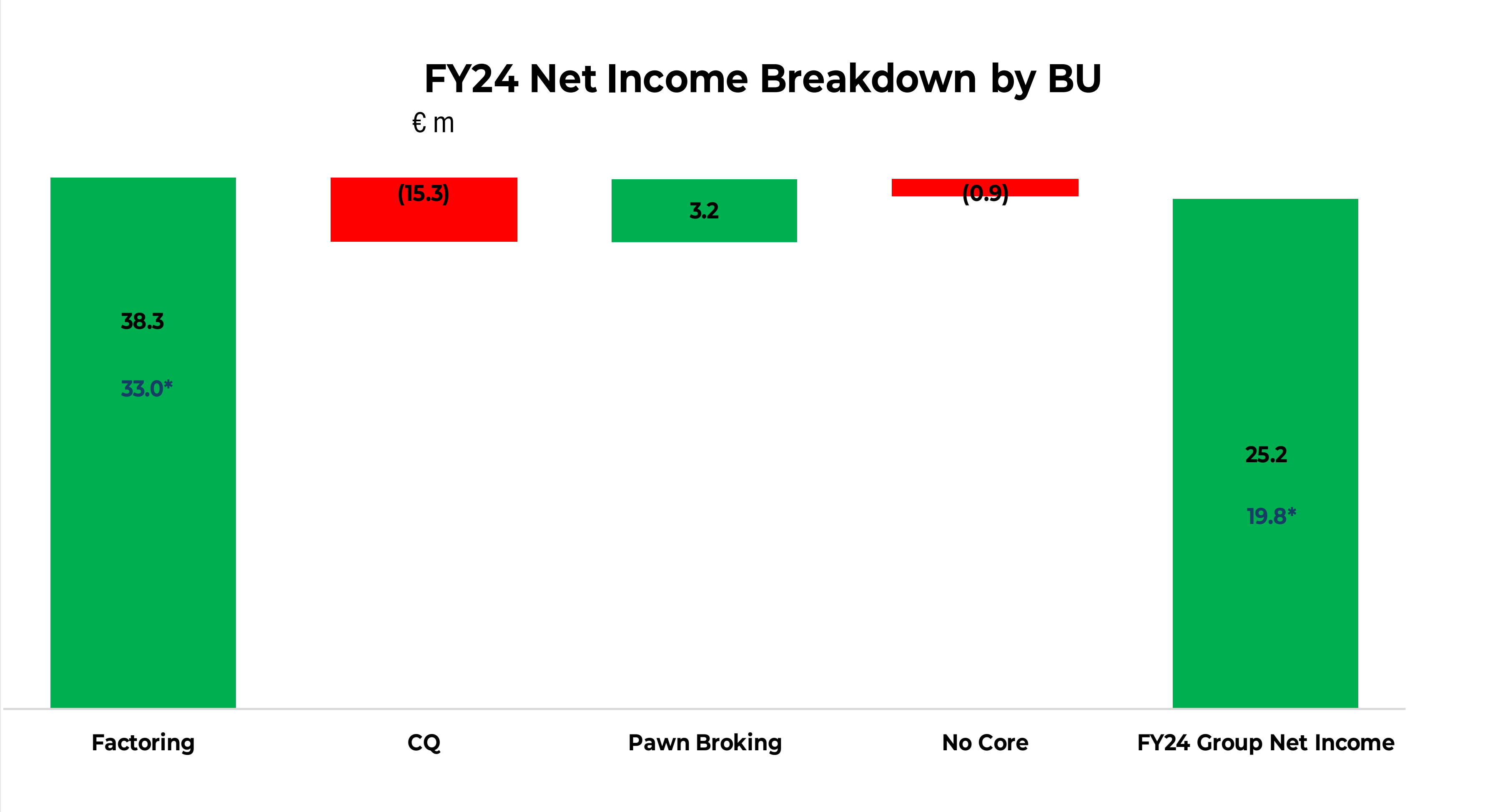




- **Total costs increased by +7% y/y** due to higher personnel costs which showed a higher growth compared to administrative costs.
- **Personnel Expenses up (+9% y/y)** due to higher FTEs (from 299 to 358), the impact of the national labour contract renewal.
- **Administrative costs increased by 5% y/y** and **include** also some **one-off costs** (i.e. new 3Y Industrial plan, Kruso kapital IPO completion and acquisition in Portugal) and some credit-related costs (i.e. origination and collection), insurance costs on credits (i.e. factoring to private sector) and IT costs to implement new business plan targets.



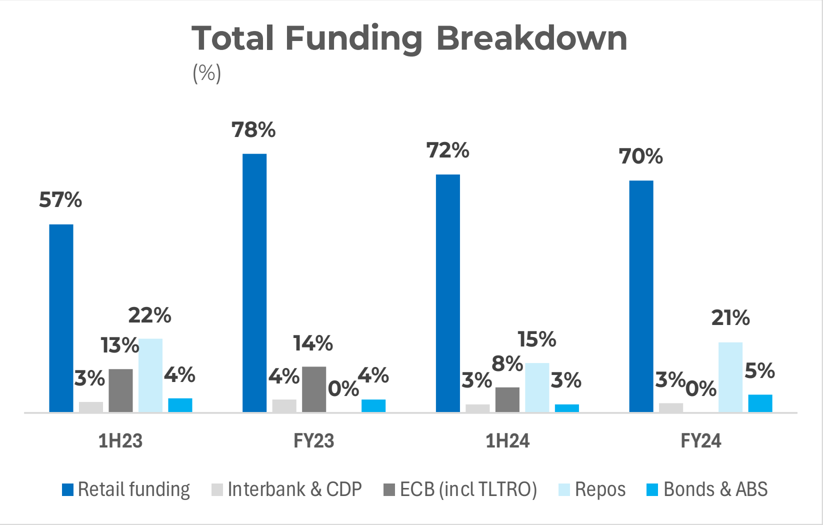
NET INCOME EVOLUTION BY BUSINESS UNITS

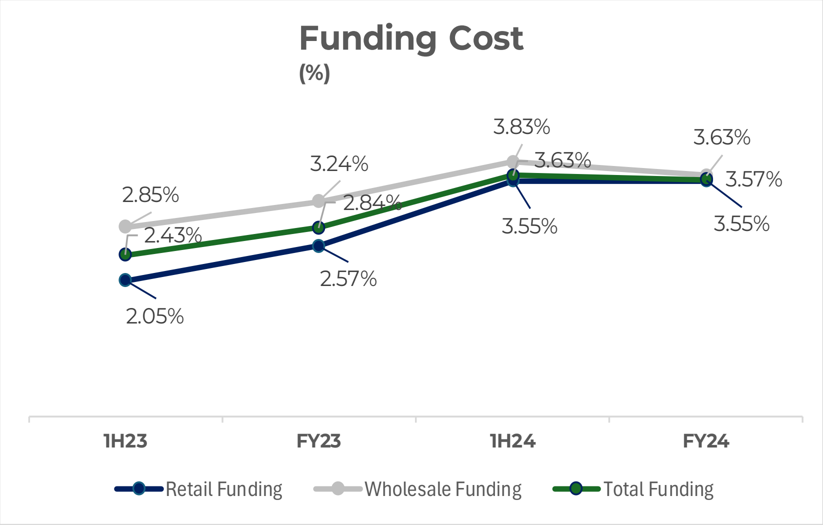


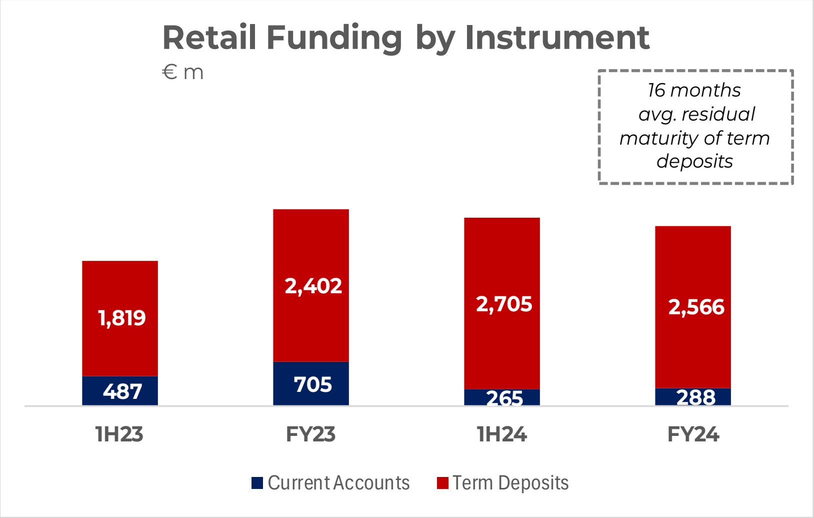
* *Net profit adjusted for €8mn writeback related to 1 position associated with a Municipality in conservatorship that was the subject of a recent European Court of Human Rights' ruling (see press release published on January 16th)*

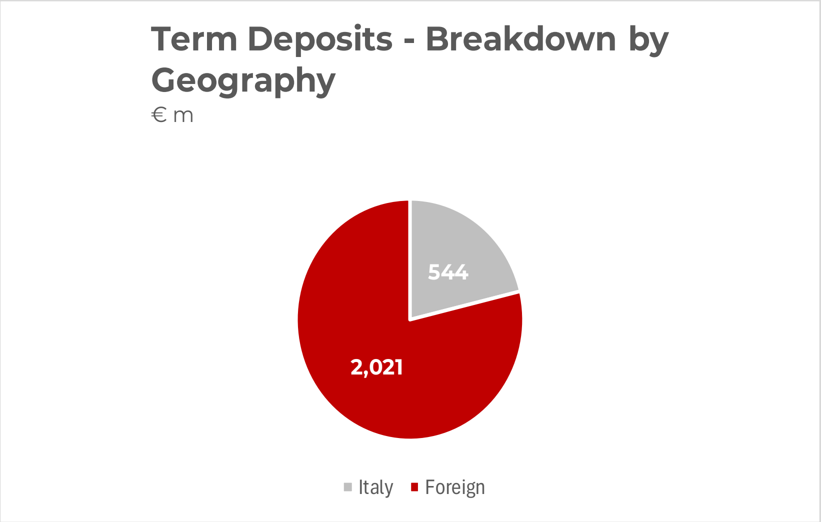
- **Factoring**: the division confirmed the excellent results registered in 2023 posting in 2024 €38,3m net income (€26,1m as of FY23) or +47% y/y thanks to widening of asset spread, better contribution from trading superbonus and some writebacks. The adjusted net income (net of €8mn writebacks) would have been equal to 33,0m (+27% y/y).
- **CQ:** higher cost of funding negatively impacted the division due to the legacy portfolio having a low yield. Net loss as of FY24 equal to €15,3m (€11,1m as of FY23), trend expected to improve in 2025 as long as legacy portfolio will expiry.
- **Pawn Broking**: the division kept growing and more than doubled FY23 net profit (€3,2m vs €1,4m) thanks to the increase of the outstanding and the positive trend in margins thanks to solid repricing.
- **FY24 Net income** was equal to **€25,2m (+53% y/y)** or €19,8m (+20% y/y net of writeback).

FUNDING COST UP Y/Y BUT DOWN Q/Q









- **Retail Funding** represents **70% of total funding as of FY24.**
- **Term deposits increased by 7% y/y** while **Retail funding decreased by 8% y/y** due to the reimbursement in 1H24 of few big tickets in the current account category (ca. €250m). **Net of these items, retail funding was pretty stable y/y.**
- **Net inflows in term deposits from abroad** (+€1190) more than offset some outflows from Italy (-€55m).
- **€262m TLTRO reimbursed in 4Q24** (€556m in total reimbursed in 2024).
- The **increase in REPOs** was linked to the replenishment of govies portfolio sold at the ned of last year (€1.1bn as of FY24 vs 0.65bn as of FY23).
- **Cost of funding up y/y (+73bps) but first signs of decrease since 1H24 (-6bps in 2H24).** The spread between retail and wholesale funding has further narrowed to 8bps.

ASSET QUALITY: BAD LOANS FLAT, UTPs DOWN, PAST DUE UP

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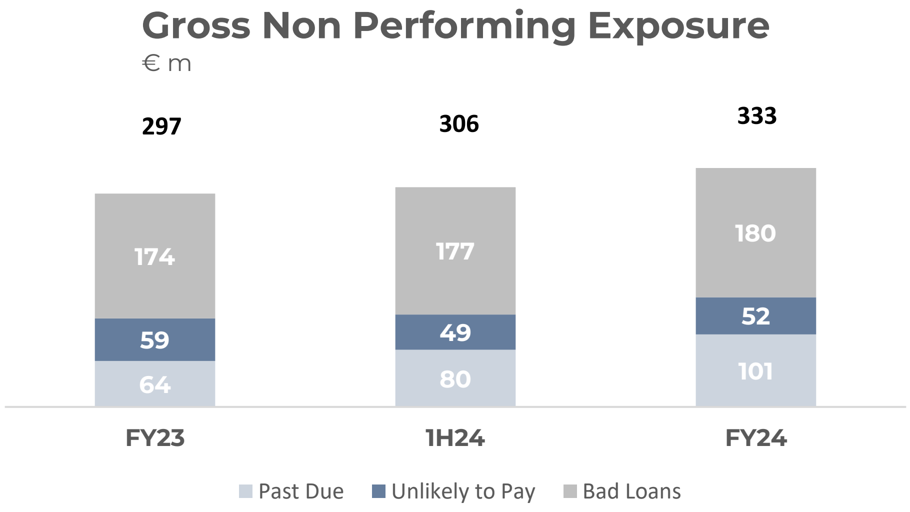

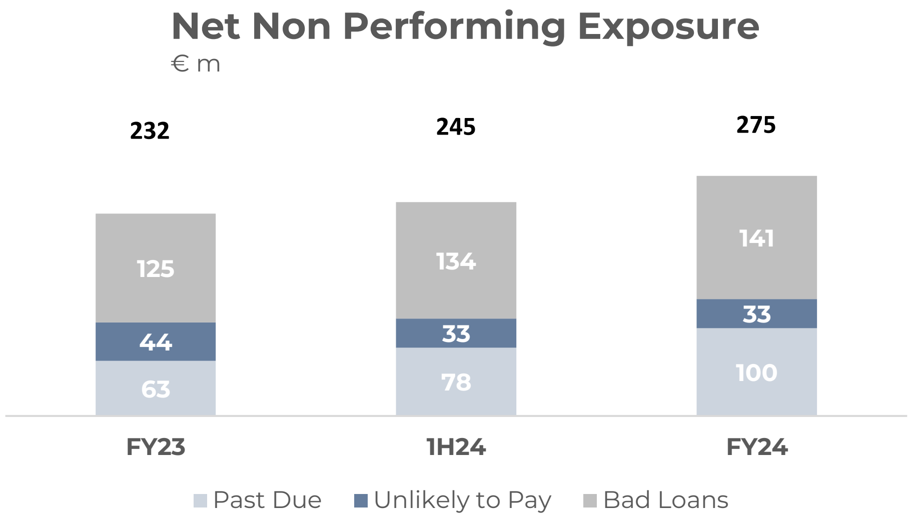

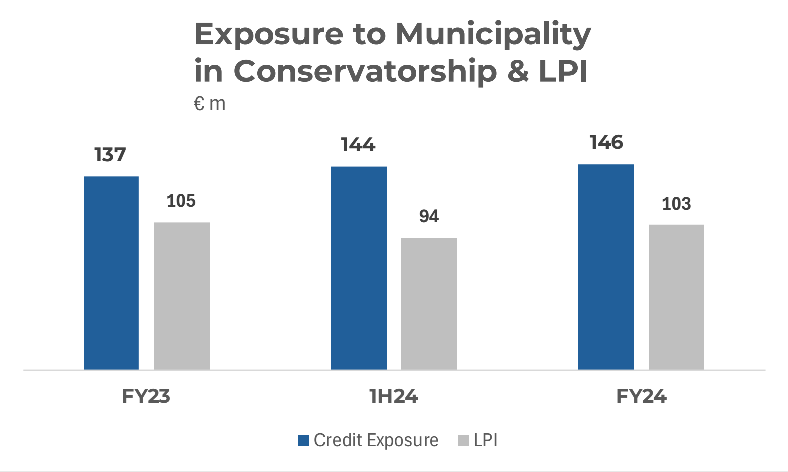

- **Gross Non Performing Exposures** increased by **+8.8% y/y** due to higher past due and slightly higher bad loans partially offset by lower UTPs.
- The recent **ruling of the European Court of Human Rights**, which imposed the Italian Government to **pay in full the principal plus LPIs**, is related to one position classified as **Municipality under Conservatorship** and currently **still classified as bad loan** (**€61m out of €180m total bad loans**). The ruling is final and cannot be appealed.
- **Cost of credit** was equal to **3bps** (30bps net of €8m writeback).
- Exposure to Municipality in Conservatorship slightly up y/y, LPI pretty stable y/y.

REGULATORY CAPITAL ABOVE MINIMUM REQUIREMENTS

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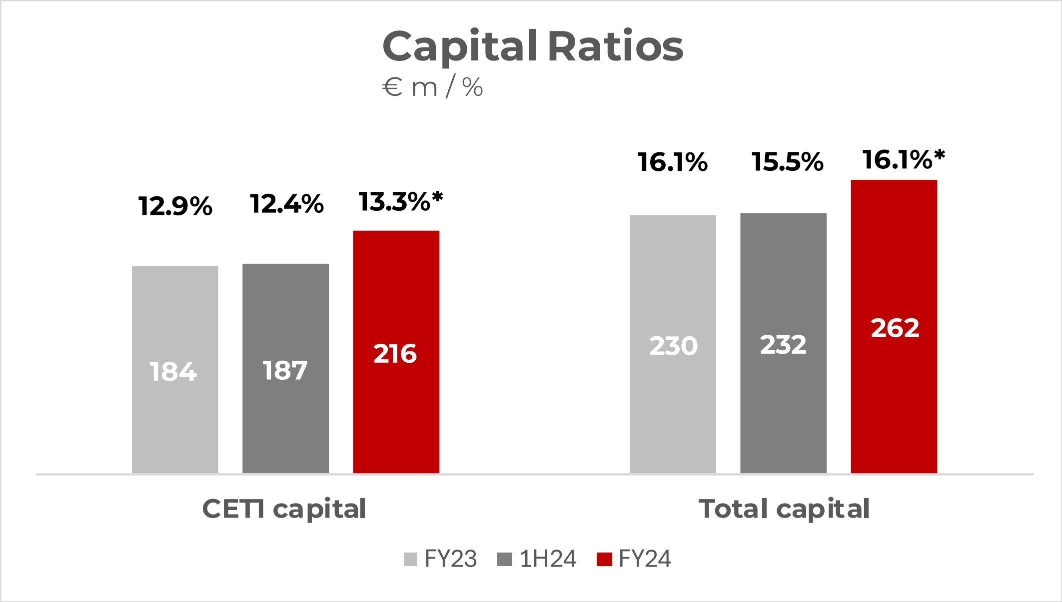
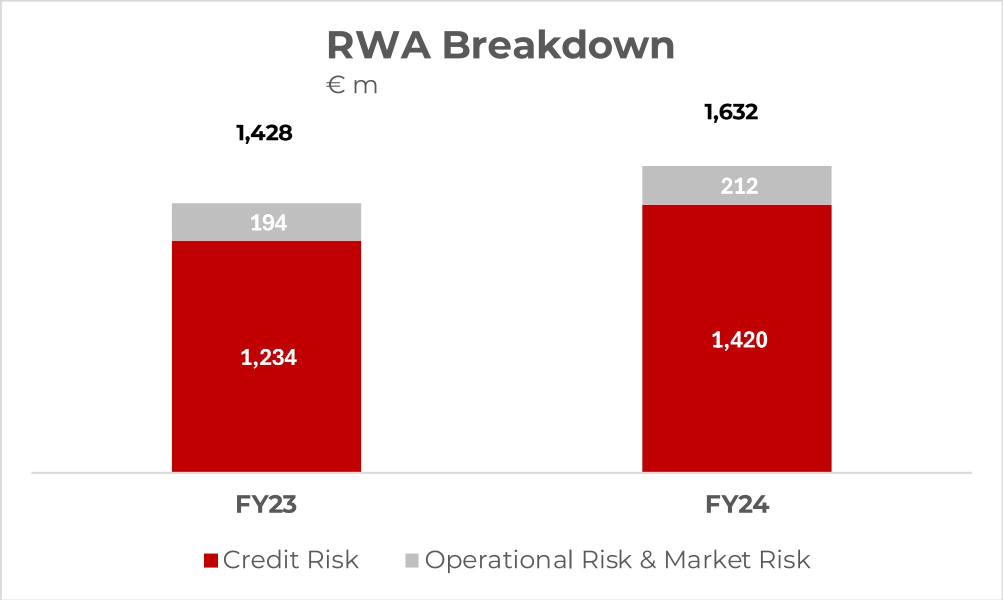
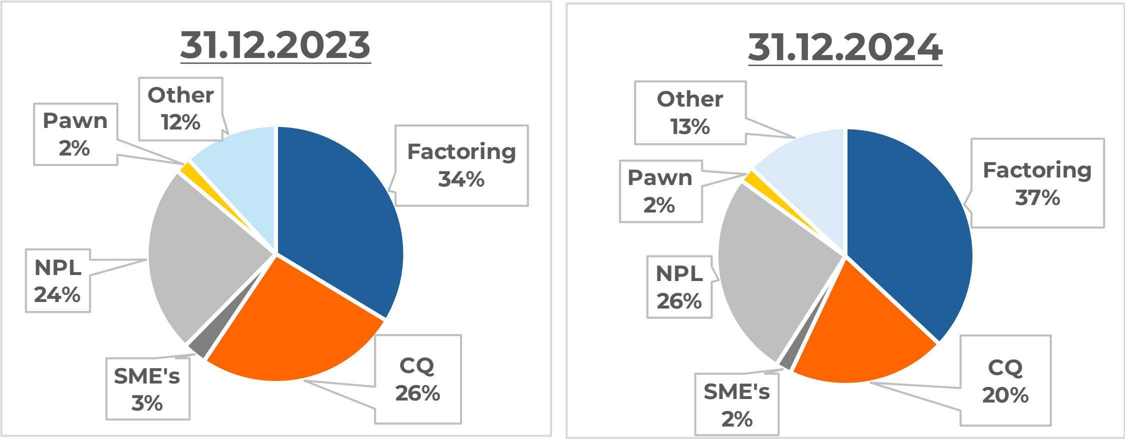




RWA – Credit Risk



- **CET1* and Total Capital*** as at 31.12.2024 were equal to **13.3%** and **16.1%** respectively.
- The **improvement** of the **ratios** was due to **profits,** and some elements booked in the 4Q such as **RE revaluation, the release of dividends' accrual** and a slight reduction in **HTCS reserve** (from --€4.0m to -€3.0m in 4Q) which more than compensated the consolidation of Portugal activities carried out in 4Q (-€11.5m goodwill).
- **RWA increased** +€204m y/y to **1,632m** due to higher receivables related to the private sector, higher NPE's and acquisitions (i.e. Portugal)
- **Capital buffers at ca. 300/350bps** (**2024 SREP**: **CET1 ratio 9.4%** / **TCR 12.9%**)

*Note: *Ratios as of FY24 are calculated applying the prudential filter reintroduced by article 468 CRR which neutralizes securities MTM in the HTCS category. The filter applied to capital ratios as of FY24 increases CET1/T1/TCR by ca +10bps*

ANNEXES

FACTORING: BREAKDOWN BY TYPE AND CUSTOMERS

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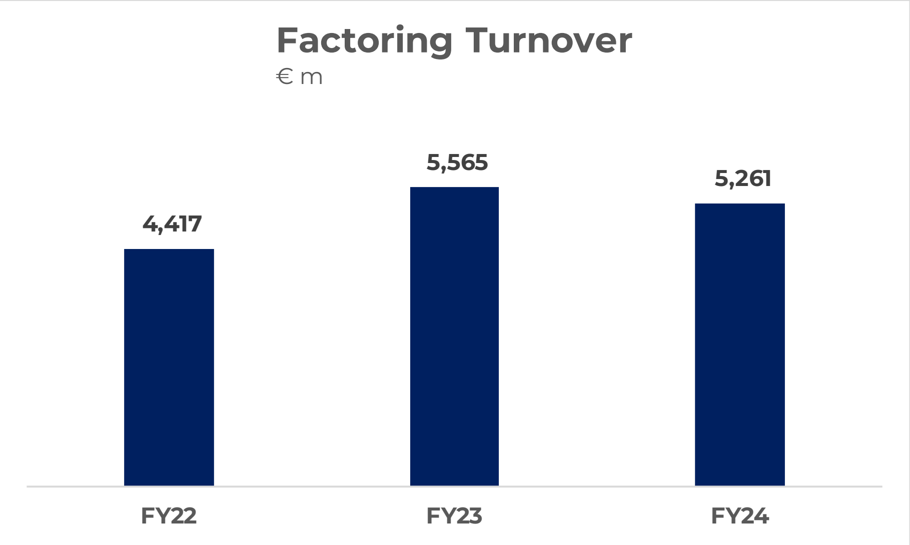
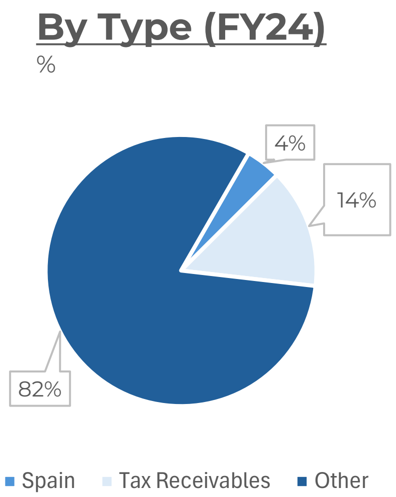
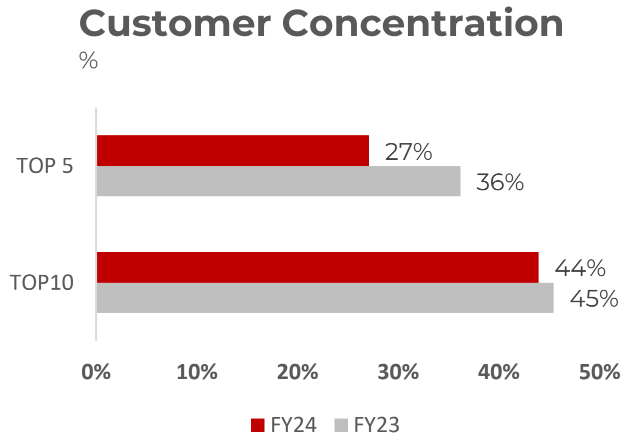


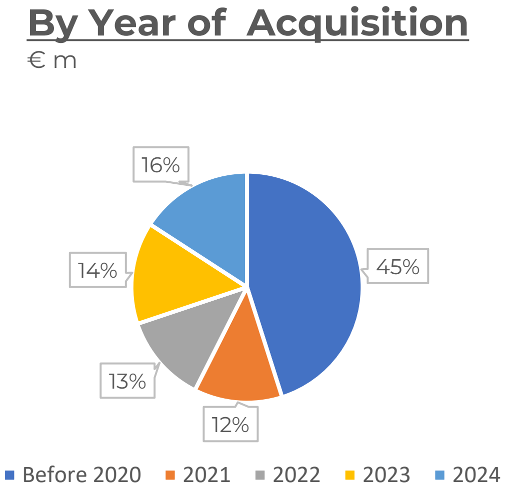
-5.5% y/y or +3.9% ex. 4Q23 one off

Turnover generated by agreements with Italian Retail banks: 9% in FY2024

FY24 Factoring Turnover breakdown





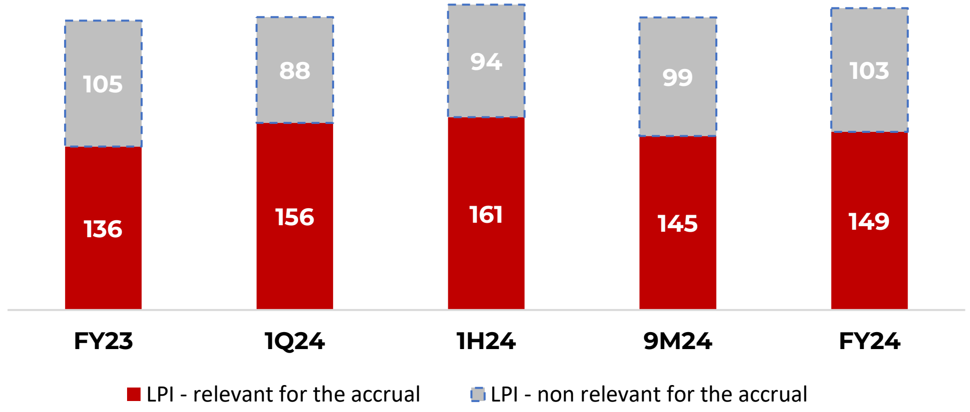


LATE PAYMENT INTEREST

BANCA SISTEMA

Due LPI Stock - Assets in Legal Action

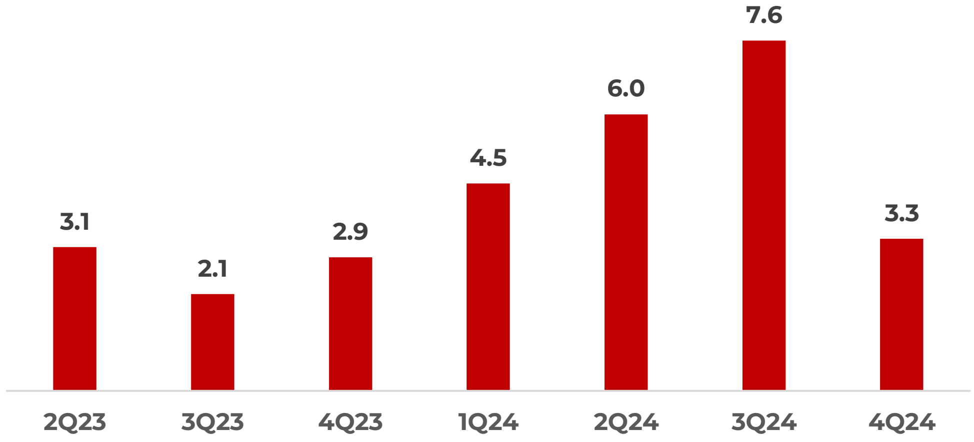
€ m



€92m accrual booked through P&L

Total Collected Cashed-in LPI

€ m



FY24 – INCOME STATEMENT

BANCA SISTEMA

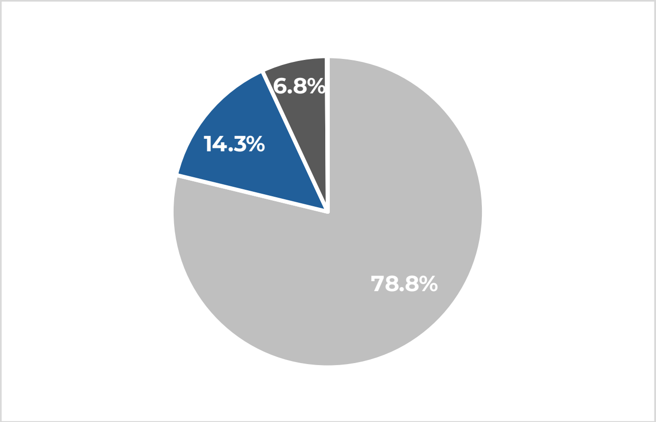
Figures in millions of Euro

	2023	1Q 2023	2Q 2023	3Q 2023	4Q 2023	2024	1Q 2024	2Q 2024	3Q 2024	4Q 2024	2024 vs 2023 change in %
Interest income	178.4	40.1	43.3	46.2	48.9	196.3	48.2	47.6	47.8	52.7	10%
Interest expenses	(111.5)	(19.5)	(28.0)	(31.9)	(32.1)	(146.2)	(36.4)	(38.4)	(36.2)	(35.2)	31%
Net interest income	**67.0**	**20.6**	**15.2**	**14.3**	**16.8**	**50.1**	**11.8**	**9.2**	**11.6**	**17.5**	**-25%**
Commission income	36.5	7.7	9.2	10.0	9.7	46.6	14.0	12.7	9.7	10.1	27%
Commission expenses	(16.9)	(3.1)	(3.7)	(4.9)	(5.2)	(19.8)	(5.4)	(5.4)	(4.6)	(4.5)	17%
Net commission	**19.6**	**4.6**	**5.5**	**5.1**	**4.5**	**26.7**	**8.6**	**7.3**	**5.1**	**5.7**	**36%**
Dividends and similar income	0.2	-	0.2	-	-	0.2	0.0	0.2	0.0	0.0	0%
Net income from trading	2.8	(0.3)	0.2	(0.1)	2.9	34.2	4.8	7.6	11.5	10.3	>100%
Net income from disposal/repurchase assets:	13.9	0.3	3.0	2.6	8.0	10.0	1.6	3.6	2.0	2.9	-28%
a) measured at amortised cost	*12.6*	*0.2*	*2.5*	*2.3*	*7.5*	*6.4*	*0.9*	*2.8*	*0.9*	*1.8*	*-49%*
b) measured at fair value through other comprehensive income	*1.3*	*0.1*	*0.4*	*0.3*	*0.5*	*3.6*	*0.7*	*0.7*	*1.1*	*1.1*	*>100%*
Total income	**103.5**	**25.3**	**24.1**	**21.9**	**32.2**	**121.2**	**26.8**	**28.0**	**30.2**	**36.3**	**17%**
Net impairment losses on loans	(4.6)	(1.0)	(1.8)	(0.8)	(1.0)	(1.2)	(1.4)	(2.5)	(1.1)	3.7	-73%
Net operating income	**99.0**	**24.3**	**22.3**	**21.1**	**31.3**	**120.0**	**25.4**	**25.5**	**29.1**	**40.0**	**21%**
Personnel expenses	(29.9)	(7.5)	(7.2)	(6.1)	(9.0)	(32.5)	(8.1)	(8.3)	(8.5)	(7.6)	9%
Other expenses	(43.4)	(10.9)	(9.3)	(9.0)	(14.2)	(45.6)	(10.4)	(13.5)	(10.1)	(11.6)	5%
Operating expenses	**(73.3)**	**(18.4)**	**(16.6)**	**(15.1)**	**(23.2)**	**(78.1)**	**(18.5)**	**(21.8)**	**(18.6)**	**(19.2)**	**7%**
Pre-tax profit from continuing operations	**25.7**	**5.9**	**5.7**	**6.0**	**8.1**	**41.9**	**6.9**	**3.7**	**10.5**	**20.8**	**63%**
Taxes on income for the period/year from continuing operations	(8.5)	(2.1)	(1.8)	(1.8)	(2.8)	(15.4)	(2.6)	(1.4)	(3.9)	(7.5)	81%
Profit (loss) for the year/period	**17.2**	**3.8**	**3.9**	**4.2**	**5.3**	**26.5**	**4.3**	**2.3**	**6.6**	**13.4**	**54%**
Minority interests	(0.7)	(0.1)	(0.1)	(0.3)	(0.1)	(1.3)	(0.2)	(0.3)	(0.3)	(0.5)	83%
Profit (loss) for the year/period attributable to the shareholders of the Parent	**16.5**	**3.7**	**3.8**	**3.9**	**5.1**	**25.2**	**4.1**	**1.9**	**6.4**	**12.9**	**53%**

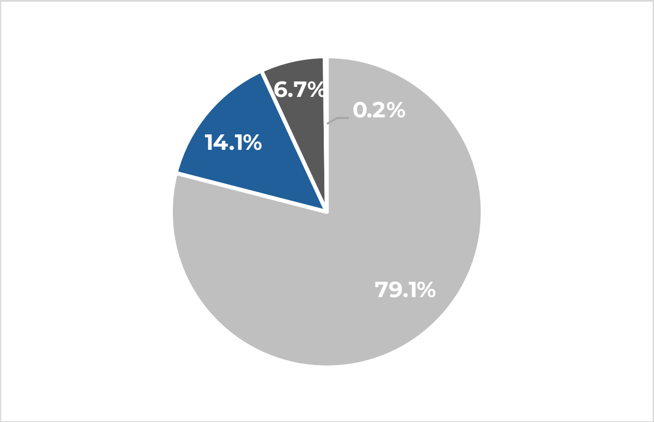
ASSET QUALITY: BREAKDOWN BY LOANS

BANCA SISTEMA

Gross Bad loans



31.12.2022



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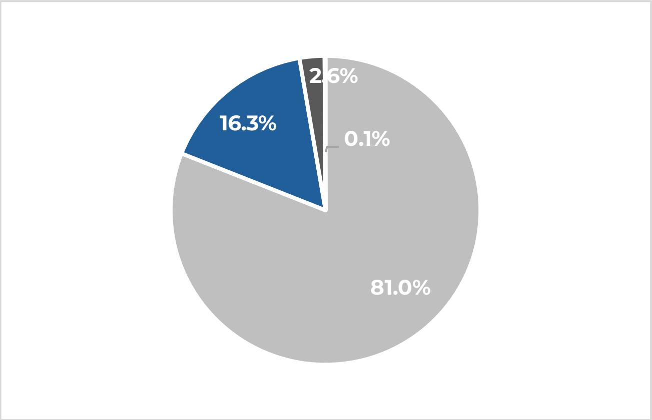

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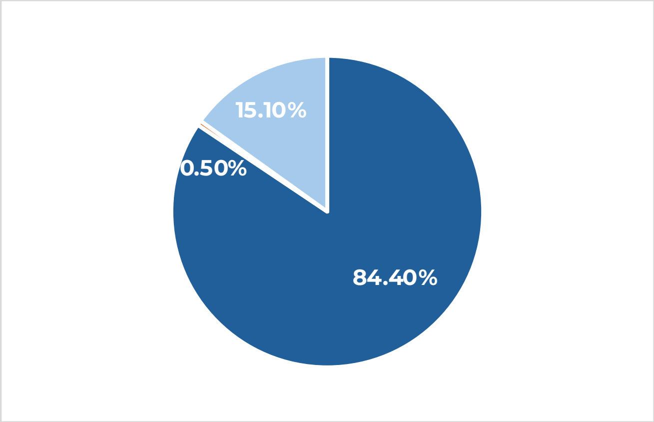
Gross Unlikely to Pay



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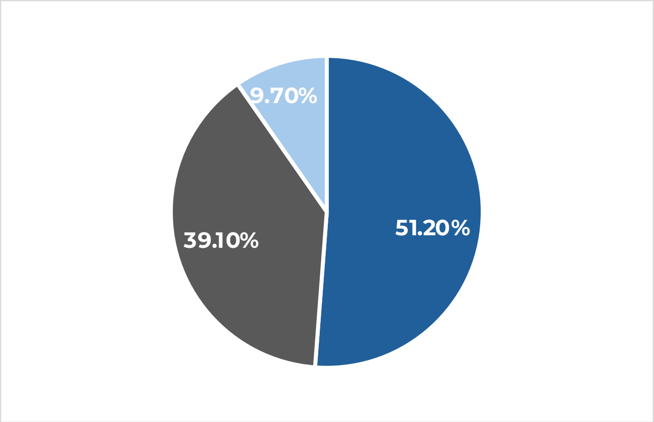

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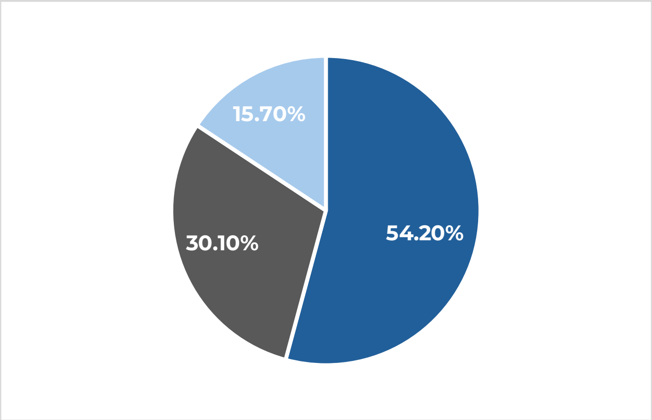

31.12.2024

Conservatorships (factoring) Factoring SME's Other

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