

BANCA SISTEMA

Sector: Banks

OUTPERFORM

Price: Eu1.55 - Target: Eu2.35

Boost to NII due to ECB rate increase from January '23 onwards

Christian Carrese +39-02-77115.485

christian.carrese@intermonte.it

Nicholas Binda: +39-02-77115.422

nicholas.binda@intermonte.it

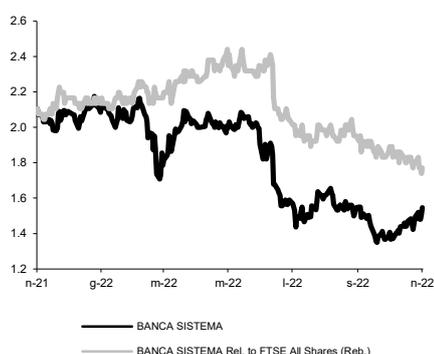
Stock Rating

Rating: Unchanged

Target Price (Eu): Unchanged

	2022E	2023E	2024E
Chg in Adj EPS	0.1%	0.0%	0.0%

BANCA SISTEMA - 12M Performance



Stock Data

Reuters code: BSTA.MI

Bloomberg code: BST IM

Performance	1M	3M	12M
Absolute	9.8%	-4.3%	-26.6%
Relative	-7.8%	-10.3%	-14.1%
12M (H/L)	2.17/1.35		
3M Average Volume (th):	85.24		

Shareholder Data

No. of Ord shares (mn):	80
Total no. of shares (mn):	80
Mkt Cap Ord (Eu mn):	124
Total Mkt Cap (Eu mn):	124
Mkt Float - Ord (Eu mn):	67
Mkt Float (in %):	54.0%
Main Shareholder:	
SGBS	23.1%

Balance Sheet Data

Tangible Equity (Eu mn):	239
TEPS (Eu):	2.97
CET1 Ratio Fully Loaded:	12.0%
Gross NPE Ratio:	11.2%

- 3Q22 results:** core revenues beat our estimates (Eu26.1mn vs. Eu25.6mn expected) thanks to a great performance from fees income (partly driven by a change in the accounting of the variable commission for income-backed loans agents – from a cash to an accrual basis) which more than offset a lower NII contribution, while total revenues were slightly below expectations due to no tangible contribution from trading. Operating costs were broadly in line with our estimates, while the cost of risk was well below partially compensated by higher risk provisions, bringing net income to Eu5.6mn vs. Eu5.9mn expected. The phased-in CET1 ratio dropped QoQ to 12.1%, mainly due to a Eu10mn negative impact within OCI reserves.
- Potential boost to CET1 ratio:** in the conference call, the CEO emphasised the possible positive impact on capital ratios deriving from the ECOFIN proposal to introduce a prudential filter equal to overall OCI government bonds reserves. According to BST, factoring in this proposal the CET1 ratio would have been 13.3%.
- Conference call feedback:** i) **NII** – the new interest rates environment could dent BST's NII in 4Q as the likely increase in the cost of funding should not be offset by an increase in assets' profitability in the very short term; the bank expects to finalise an LPI disposal in 4Q, however, which could underpin the quarterly figure; going forward NII is projected to benefit from higher LPI (the new rate will be adopted on 1 January 2023) and a higher discount on invoices acquired; ii) **income-backed loans segment** – in previous conference calls the CEO confirmed the desire to sell some income-backed loans in the final quarter of the year, as occurred in 2021, in order to book some capital gains; due to higher interest rates, however, such transactions are unlikely in 2022; iii) **Eu40 charge per overdue invoice** – on the European Court of Justice sentence on the right to charge Eu40 per overdue invoice, the CEO said that such a move would be aggressive from a commercial point of view and BST is not planning its introduction.
- Change in estimates:** we are confirming our 2022/2023/2024 estimates. Looking at FY22, our Eu24mn bottom line projection is confirmed albeit with a different mix due to the trends outlined above: slightly lower NII that could suffer in 4Q (when not considering the potential impact of the LPIs disposal), higher fee income, no tangible contribution from trading in the final quarter of the year and a lower cost of risk.
- OUTPERFORM confirmed; target Eu2.35.** We believe the next couple of quarters will be important to gauge the company's ability to re-price its loan book. The three different businesses seem well placed to benefit from the likely macroeconomic slowdown as factoring could be a great tool for non-financial corporations in order to optimise NFP, while income-backed loans and pawnbroking could be used as an important source of funding by Italian households in distressed times. We confirm our positive view on the stock, with a Eu2.35 target price based on FY23 profitability.

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Total income (Eu mn)	101	108	107	119	124
Net Operating Profit (Eu mn)	48	47	45	55	60
Net Profit Adj (Eu mn)	25	23	24	28	32
EPS New Adj (Eu)	0.309	0.289	0.299	0.347	0.393
EPS Old Adj (Eu)	0.309	0.289	0.299	0.347	0.393
DPS (Eu)	0.173	0.072	0.075	0.087	0.098
P/E Adj	5.0	5.3	5.2	4.5	3.9
Div. Yield	11.2%	4.7%	4.8%	5.6%	6.3%
P/TE	0.75	0.56	0.52	0.48	0.45
ROTE	15.0%	10.4%	10.1%	10.8%	11.3%

DISCLAIMER (for more details go to [DISCLAIMER](#))
IMPORTANT DISCLOSURES

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website www.intermonte.it under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the [PERFORMANCE](#) web page.

Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Brasil Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Brasil Plural Securities LLC, 545 Madison Avenue, New York 10022.

GUIDE TO FUNDAMENTAL RESEARCH

The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/earnings (P/E), EV/EBITDA, EV/EBIT, price/sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 30 September 2022 Intermonte's Research Department covered 121 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	22.13 %
OUTPERFORM:	48.36 %
NEUTRAL:	27.87 %
UNDERPERFORM	01.64 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (52 in total) is as follows:

BUY:	38.46 %
OUTPERFORM:	50.00 %
NEUTRAL:	11.54 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:

Intermonte SIM SpA is acting as ECM Advisor in GPI's capital increase with an agreement with the company for the publication of an equity research regarding the company and the transaction. Intermonte will receive fees from the company for its activity as ECM Advisor.

Intermonte SIM is acting as Global Coordinator in the proposed Unidata's capital increase with an agreement with the company for the publication of an equity research regarding the company and the transaction. Intermonte is also acting as Listing Agent in the proposed Unidata's Translisting. Intermonte will receive fees from the company for its activity as Global Coordinator and Listing Agent.

Within the last year, Intermonte SIM managed or co-managed/is managing or is co-managing an Institutional Offering and/or managed or co-managed/is managing or is co-managing an offering with firm commitment underwriting of the securities of the following Companies: Civitanavi Systems.

Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Amalfi Holding (on La Doria shares), ASGM-AIM, Be, Cellularline, Cy4Gate, Esprint, GPI, Greenthesis (formerly Ambienthesis), Growens, Gruppo Catagione (in connection with roadshow activities ahead of 2022 Generali AGM), Illimity Bank, Link Mobility Group (on AMM shares), Maire Tecnimont, OVS, Tinexta, Unidata and WIIT.

Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.

Intermonte SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Aedes, Alkemy, Anima Holding, Aquafly, Avio, Azimut Holding, Banca Ifis, Banca Sistema, Cellularline, Civitanavi Systems, Cybero, Cy4gate, DeA Capital, Datrix, El.En, Eles, Elica, Emak, Esprint, Expert AI, Fimit - Fondo Alpha, Fine Foods, Gefran, Go Internet, GPI, Greenthesis (formerly Ambienthesis), Gruppo Fos, GVS, IEG, Iervolino & Lady Bacardi Entertainment, IndelB, Luve, Matica Fintec, Notorious Pictures, Next Re SIQ, Omer, Pharanutra, Reevo, Relatech, Reply, Sababa Security, Saes Getters, Salcef, Sciucker Frames, Seco, Servizi Italia, Sesa, Seri Industrial, Somec, Tamburi, Tinexta, Tesmec, The Italian Sea Group, TXT, Unidata, Webuild and WIIT.

Intermonte SIM has a contractual commitment to act as liquidity provider on behalf of third parties for the following company: Banca Sistema.

Intermonte SIM performs as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNH, Enel, ENI, Exor, Fineco, FCA, FTMIB, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSal.

Intermonte SIM is a member of the CBOE Europe Equities Liquidity Provider Program for the following financial instruments: A2A, Atlantia, ATSM, Autogrill, Azimut Holding, Banca Generali, Banca Mediolanum, Banco BPM, Bca Monte dei Paschi di Siena, Bca Pop Emilia Romagna, Banca Pop Sondrio, Buzzi Unicem, Buzzi Unicem rsp, Campari, CIR- Compagnie Industriali Riunite, Credito Emiliano, Danieli & C., Danieli & C. Risparmio, Diasorin, Enel, Eni, Generali, Hera, Intesa Sanpaolo, Iren, Italgas, Italmobiliare, Leonardo, Maire Tecnimont, Mediaset, Mediobanca, Pirelli & C., Poste Italiane, Prysmian, Recordati, S.I.A.S., Saipem, Salini Impregio, Salvatore Ferragamo, Snam, Telecom Italia, Telecom Italia rsp, Terna, Tod's, UBI Banca, Unicredit, Unipol, UnipolSal.

Intermonte SIM, through Websim and TIE, which constitute the digital division of Intermonte, acts as a Retail Investor Research Provider on the following companies: Abitare In, Aedes, Aleph Finance, Alkemy, Banca Sistema, Borgosesia 1873, B&C Speakers, Casta Diva Group, Cattolica Assicurazioni, Cellularline, Circle, Cleanbn, Comer Industries, Convergence Spa, Crowdfundme, Cy4Gate, Cybero, Dhh, Digital Bros, Digital Magics, Doxee, Edilizacrobatica Spa, Eles, Elica, Emak, Esi, Esprint, Fabilla, Fenix Entertainment, Fiera Milano, Finlog, First Capital, Fope, Fos, Franche Umberto Marmi, Generali Assicurazioni, Giglio, Gismondi 1754, Go Internet, Gpi, H-Farm, ID-Entity, Iervolino & Lady Bacardi Entertainment, Indel B, International Care Company, Intred, Kolinpharma, Lindbergh, LVenture, Maps, Masi Agricola, Matica Fintec, Neodecoratech, Nice Footwear Spa, Notorious Pictures, Nusco SPA, Nvp, Omer Spa, Orsero Group, Osai Automation System, Piaggio, Pierrel, Promotica, Reevo Spa, Relatech, Reti, Salcef Group, Sciucker Frames, Sebino, Sit Group, Sos Travel, SourceSense, Spindox Digital Soul, Supplyncapital, Take Off, Tamburi, Tenax International, Tesmec, The Italian Sea Group, Tinexta, Tps, Trenddevice, Tribuo, Ulisse Biomed, Unidata, Vantesa Smart, Websolute, WIIT.

Intermonte SIM, through Websim and TIE, which constitute the digital division of Intermonte, carries out marketing/communications on behalf of equity crowdfunding portals, Crowdfundme and the following issuers: Barlays, BNP Paribas, Cirdan, Exane, Goldman Sachs, Franklin Templeton, Leonteq, Marex, Mediobanca, SPDR, Unicredit, Vontobel, Wisdomtree.

Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short
-----------	---	------------

© Copyright 2022 by Intermonte SIM - All rights reserved

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of Intermonte SIM are provided to its clients only. If you are not a client of Intermonte SIM and receive emailed, faxed or copied versions of the reports from a source other than Intermonte SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of Intermonte SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid.

Intermonte Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website [MIFID](#)

Further information is available