

## BANCA SISTEMA: APPROVED RESULTS AS AT 30 JUNE 2021

- Business performance:
  - Factoring: volumes ran at 1,652 million, +15% y/y
  - CQ: loans totaled 959 million, +8% y/y
  - Pawn loans: loans came roughly to 83 million, +4% q/q
- Net interest income: 38.5 million, +15% y/y also thanks to the greater contribution from pawn loans
- Total income: 50.3 million, +9% y/y
- Total operating costs: 30.3 million, +21% y/y, driven among other things by the consolidation of the pawn lending business line acquired in Q3 2020
- Loan loss provisions: 7.8 million, on the rise y/y
- Net income: 8.5 million
- LCR and NSFR above the regulatory limit
- The retail component accounted for 64% of total funding
- CET1 ratio at 12.2% and Total Capital ratio at 15.5%

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Milan, 30 July 2021

The Board of Directors of Banca Sistema has approved the consolidated results as at 30 June 2021, reporting a net income of 8.5 million.

Net income at 30 June 2021 remained basically stable compared to the same period of 2020 after deducting the non-recurring items: the higher provisions in H1 2021 (roughly 3.8 million) and the gain from the sale of a 25% stake in the subsidiary ProntoPegno SpA (1.1 million) in H1 2020.

### **Business Performance**

In a market characterized by the gradual improvement of the economy, as a consequence of the easing of Covid-19 spreading, the **factoring** business line reported a turnover of 1,652 million, with a growth rate of 15% y/y driven by the commercial receivables component, while the performance of the tax receivable component, similarly to Q1, was weaker compared to the previous year.

At 30 June 2021, **factoring** receivables (management data) stood at 1,669 million (of which 26% under legal action, 11% when considering only the portion relevant to the late-payment interest accrual model), down from 1,817 million at 30 June 2020 and slightly down compared to 31 March 2021 (1,722 million).

Non-recourse factoring, accounting for 78% of receivables, includes tax receivables (accounting for 19% of receivables).

As to the **CQ** business line, the Group purchased/funded 136 million of loans, slightly less compared to last year (147 million), and the loan stock at 30 June 2021 came to 959 million, up by 8% y/y and compared to 31 March 2021 (917 million).

At 30 June 2021, **pawn loans** added up to 82.8 million, up compared to 79.6 million at 31 March 2021.

### Operating results as at 30 June 2021

**Net interest income**, at 38.5 million, rose by 15% y/y, driven by the combined effect of a higher interest income and lower interest expense. In H1 2021, the increase in interest income (47.7 million vs 45.9 million as at 30.6.2021 and 30.6.2020, respectively) was due, as expected, to the greater contribution of pawn loans and State-guaranteed loans (134 million at 30 June 2021), that started being granted last year after the Government adopted measures to support the economy, and that Banca Sistema offered and is offering to its factoring clients. The interest income from the factoring business has declined y/y (-5%), reporting a greater contribution from late-payment interest, that offset the lower interest income generated by tax receivables.

The overall P&L contribution as at 30 June 2021 from late-payment interest under legal action has risen y/y, totaling 12.0 million (9.9 million at 30 June 2020).

Total late-payment interest out of legal actions accrued at 30 June 2021 and relevant to the accrual model came in at 101 million (161 million when including municipalities under conservatorship, against which no late-payment interest is accrued), while receivables already on the books totaled 50.8 million. The amount that was not recognized through profit and loss will be recognized, on an accrual or cash basis, in the next financial years, based on collection expectations that exceed 80%.

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The total cost of funding, which came in at 0.5%, declined y/y (0.6% in 2020), both at Retail and at Wholesale level.

**Net fees and commissions**, amounting to 7.8 million, reported a slight decline y/y (8.1 million in H1 2020) as a result of the lower commission income from factoring, in particular in Q2, that was not fully offset by the higher commission income from pawn loans. The contribution in terms of total revenues from factoring, i.e., the sum of interest income, commission income and revenues from portfolio disposals, has been declining in absolute terms year on year and in Q2 2021 compared to the previous quarter, and it reports a decline also when considered as a percentage over the average of receivables. For CQ loans, the interest income to average loans ratio has declined year on year, while it has remained stable in Q2 2021 over the previous quarter, while the total revenues to average pawn loans ratio has increased y/y and has remained stable in the 2021 quarterly comparison.

At 30 June 2021, proprietary trading income generated by the sale of Italian government bonds totaled 2.8 million, slightly up y/y (+0.1 million). As usual, in H1 2021 factoring receivables portfolios were sold, generating a revenue of 1 million (P&L line-item 100.a), down y/y (1.6 million in H1 2020), while up compared to Q2 2020 and Q1 2021.

**Total income** stood at 50.3 million, up by 9% y/y.

At 30 June 2021, **loan loss provisions** added up to 7.8 million, up by y/y (5.1 million in Q1 2020). The line-item includes a provision of 2.4 million referring to certain invoices falling within the conservatorship scope of a municipality, recognized in Q1 2021. Moreover, in Q2 2021 there has been an increase in provisions against borrowers under conservatorship due to the expected lengthening of the collection time (1.4 million). In the future this negative effect will be offset by higher late-payment interests accruing because of the lengthier collection time, and that will be accounted for on a cash basis upon collection. The cost of risk tied to customer loans, considering that the two impairments described above are deemed non-recurring, came in at 46 bps, and is slightly above the 42bps reported for full-year 2020. In June this year the Bank of Italy completed its audit of the Company.

The Group's **headcount** (FTE) came to 275, higher compared to the 216 resources in the same period of 2020, mainly due to the entry of 58 new resources from Intesa Sanpaolo's pawn lending business line in Q3 2020. **Personnel expenses** rose y/y, consistent with the headcount increase, resulting also from the above-mentioned acquisition. **Other administrative expenses** increased y/y, driven by the higher costs for external servicers/collectors, for advisory services and the consolidation of the acquired business line.

#### **Key balance sheet items at 30 June 2021**

The **securities portfolio**, made up of Italian government bonds, amounted to 639.1 million (of which 233.6 million classified under the line-item "Financial assets measured at amortized cost", halved compared to year-end 2020), with an average time to maturity of 30.4 months. The "Hold to Collect and Sell" (HTCS) component, amounting to 405.5 million at 30 June 2021, has declined compared to 31 December 2020 (425 million), and has an average time to maturity of about 30.6 months.

**Financial assets measured at amortized cost (2.934 million)**, mainly represented by factoring receivables (1,418 million), which went down by 4.3% compared to 31 December 2020 (1,482 million), include CQ loans (salary- and pension-backed loans), part of the securities portfolio, and 82.8 million of pawn loans (up compared to year-end 2020). More specifically, CQ loans added up to 959 million (934 million at 31 December 2020).

The **gross non-performing loan** stock of 296.2 million went up compared to 31 December 2020 (251.2 million), while it declined over 31 March 2021, basically due to the 18% decrease in past dues (up at 31 March 2021 over 31 December 2020). The quarterly decline in past dues was mainly due to factoring, which had driven the increase in Q1 as a result of the coming into effect of the new definition of default on 1.1.2021 ("New DoD"). The quarterly increase in bad loans was due to a reclassification required recently by the Bank of Italy concerning the exposures towards local governments under conservatorship, which up until the previous quarter were classified as unlikely-to-pay. Based on this reclassification, all exposures to local governments under conservatorship are classified as bad loans (accounting for about 77% of total gross bad loans). The above-described reclassification is not due to a worsening of their creditworthiness (since these are institutions that are not subject to insolvency procedures and that once the conservatorship is closed, will repay the due loan principal and late-payment interest components), although in the second quarter, as described above, provisions against exposures under conservatorship have risen because of the expected lengthening of the collection time.

The gross NPL to total loan ratio decreased from 11.9% at 31 March 2021 to 11.1% at 30 June 2021.

**Tangible assets (PP&E)** include the Milan building where the bank's headquarters are based, and a property purchased in Rome in Q1 2021.

**Retail deposits** accounted for approx. 64% of total funding (59% at 31 December 2020), and comprise checking accounts and term deposits. The Retail component of funding has slightly increased in absolute terms when compared to year-end 2020.

Under **Financial liabilities measured at amortized cost (3,023million)**, **Due to banks** went slightly down compared to 31 December 2020 (845 million at 30.6.2021 vs 870 million at 31.12.2020), due to a lower funding from banks which was not fully offset by the increase in the “due to central banks” (ECB) component, which went from 690 million at 31 December 2020 to 737 million at 30 June 2021, and includes 540 million of TLTRO III, up compared to 31 December 2020 (490 million).

Under Financial liabilities measured at amortized cost, **Due to customers** went down compared to year-end 2020, mainly due to the decline in Repos, driven by the reduction in the Government bond portfolio, and to the decline in deposit accounts, which in any case was widely offset by the increase in checking accounts.

**Debt securities (189 million)** went down compared to 31 December 2020, mainly driven by the redemption of the privately placed senior bond (in Q2 2021) and the replacement of a subordinated Tier 2 bond with the issue for the same amount (37.5 million) of an AT1, which however is classified as an equity instrument (line-item 140 of the Balance sheet Liabilities), and by the reclassification described below, not fully offset by a greater use of funding collateralized by ABS, represented by salary- or pension-backed loans. The AT1 (amounting to 8 million) outstanding at 31.12.2020 has been reclassified under line-item 140 “Equity instruments” of the Balance Sheet from line-item 10 “Financial liabilities measured at amortized cost, c) Debt securities”.

**Total own funds** (Total Capital) at 30 June 2021 amounted to 216.4 million, up compared to 31 December 2020 (209.5 million), and they include the net income for the period net of the estimated dividend amount, corresponding to a payout ratio of 25% of the Parent company’s net income.

**Capital ratios**<sup>1</sup> remained basically stable compared to 31 December 2020 (except for the **TIER 1 ratio** which strengthened in Q2 2021 following the replacement of the outstanding Tier 2 issues with AT1 issues for the same amount) notwithstanding the increase in Risk Weighted Assets, mainly due to the rise in NPLs - in particular past dues (although they scaled down in Q2 2021 compared to Q1) - following the adoption of the “New DoD”, and at 30 June 2021 they stood as follows:

- **CET1 ratio 12.2%;**
- **TIER 1 ratio 15.5%;**
- **Total Capital ratio 15.5%.**

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In today’s meeting, the Board of Directors has also approved, on a voluntary basis, the first 2020 sustainability report of Gruppo Banca Sistema.

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<sup>1</sup> In compliance with EBA’s Guidelines on common SREP (Supervisory Review and Evaluation Process), the Bank of Italy required the compliance with the following minimum capital requirements in 2020:

- Common equity Tier 1 ratio (CET1 ratio) of 7.75%;
- Tier 1 ratio of 9.55%;
- Total Capital ratio of 11.90%.

### **Statement of the financial reporting officer**

The financial reporting officer of Banca Sistema, Alexander Muz, in compliance with paragraph two of art. 154 bis of the “Consolidated act for financial intermediation”, hereby states that the accounting information illustrated in this press release is consistent with documental evidence, accounting books and book-keeping entries.

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### **Operational outlook and main risks and uncertainties**

The availability of extraordinary public funds led to some early repayments in some sectors, which had a negative impact on the profitability of the factoring business. The longer average times of court and conservatorship proceedings could lift the amount of late payments accounted for on a cash basis and not on an accrual basis.

The COVID-19 pandemic situation is being constantly monitored and any impact that is not present today will be reflected, if necessary, on the financial assets’ estimated recovery amount.

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All financial amounts reported in the press release are expressed in euros.

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### Gruppo Banca Sistema

Banca Sistema, founded in 2011 and listed in 2015 on Borsa Italiana's Star segment, is a financial institution specialized in purchasing trade receivables owed by the Italian Public Administrations and tax receivables, and engages in consumer credit through salary- and pension-backed loans, by purchasing loan pools and through the direct origination of the QuintoPuoi product, and through pawn loans, via the subsidiary ProntoPegno S.p.A. The bank offers also deposit products to a base of about 35 thousand customers, with an offering that includes current accounts, deposit accounts and securities accounts, in addition to other services as credit management and recovery, bank guarantees and security bonds, PA receivables certification and e-billing. With head offices in Milan and Rome, Gruppo Banca Sistema is also present in Bologna, Pisa, Naples, Palermo, Asti, Brescia, Civitavecchia, Florence, Mestre, Parma, Rimini and Turin, has 275 employees and relies on a multichannel structure.

### Attachments

For the sake of a better comparison, following the reclassification of the AT1 (amounting to 8 million) under item 140 "Equity instruments" of the Balance Sheet, previously classified under item 10 "Financial liabilities measured at amortized cost, c) Debt securities", the Income Statement as at 31 March 2021 and 2020, the Income Statement as at 30 June 2020 and the Balance Sheet as at 31 December 2020 and 31 March 2021 were also restated.

- Consolidated statement of financial position
- Consolidated income statement
- Credit quality
- Reclassifications

### BANCA SISTEMA GROUP: CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in thousands of Euro

		30.06.2021 A	31.03.2021	31.12.2020 B	Difference %
	<b>ASSETS</b>				
10.	Cash and cash equivalents	1,342	2,166	1,930	-30%
30.	Financial assets held to collect and sell (HTCS)	411,053	472,847	430,966	-5%
40.	Financial assets held to collect (HTC)	2,933,683	2,867,264	3,142,791	-7%
	a) Loans and advances to banks	85,173	79,085	92,481	-8%
	b) Loans and advances to customers	2,848,510	2,788,179	3,050,310	-7%
	of which: Factoring	1,418,448	1,415,340	1,481,678	-4%
	of which: Salary-/pension-backed loans (CQS/CQP)	959,014	917,279	933,873	3%
	of which: Collateralised loans	82,762	79,656	77,684	7%
	of which: Securities	233,506	233,311	447,864	-48%
70.	Equity investments	1,015	1,010	1,000	1%
90.	Property, plant and equipment	41,353	41,529	32,607	27%
100.	Intangible assets	32,883	32,821	32,725	nm
	of which: goodwill	32,355	32,355	32,355	nm
110.	Tax assets	10,300	10,465	10,313	nm
120.	Non-current assets and disposal groups classified as held for sale	-	-	-	nm
130.	Other assets	22,696	19,133	19,039	19%
	<b>Total assets</b>	<b>3,454,325</b>	<b>3,447,235</b>	<b>3,671,371</b>	<b>-6%</b>
		30.06.2021 A	31.03.2021	31.12.2020 B	Difference %
	<b>LIABILITIES AND EQUITY</b>				
10.	Financial liabilities at amortised cost	3,022,710	3,035,894	3,274,230	-8%
	a) Due to banks	844,720	821,200	869,648	-3%
	b) Due to customers	1,989,451	1,924,487	2,164,244	-8%
	c) Debt securities issued	188,539	290,207	240,338	-22%
60.	Tax liabilities	14,495	18,621	16,903	-14%
80.	Other liabilities	136,573	145,824	136,894	0%
90.	Post-employment benefits	4,301	4,407	4,428	-3%
100.	Provisions for risks and charges:	23,184	23,915	23,430	-1%
140.	Equity instruments	45,500	8,000	8,000	nm
120. + 150. + 160. + 170. + 180.	Share capital, share premiums, reserves, equity instruments, valuation reserves and treasury shares	189,682	196,695	172,036	10%
190.	Minority interests	9,390	9,325	9,297	1%
200.	Profit for the period	8,490	4,554	26,153	-68%
	<b>Total liabilities and equity</b>	<b>3,454,325</b>	<b>3,447,235</b>	<b>3,671,371</b>	<b>-6%</b>



## BANCA SISTEMA GROUP: CONDOLIDATED INCOME STATEMENT

Figures in thousands of Euro

		1H 2021 A	1Q 2021	2Q 2021	1Q 2020	2Q 2020	Difference % A - B
10.	Interest income	47,721	24,241	23,480	22,354	23,535	4%
20.	Interest expenses	(9,216)	(4,837)	(4,379)	(6,293)	(5,976)	-25%
30.	<b>Net interest income</b>	<b>38,505</b>	<b>19,404</b>	<b>19,101</b>	<b>16,061</b>	<b>17,559</b>	<b>15%</b>
40.	Fee and commission income	11,937	5,940	5,997	6,006	5,674	2%
50.	Fee and commission expense	(4,089)	(1,916)	(2,173)	(1,803)	(1,788)	14%
60.	<b>Net fee and commission income</b>	<b>7,848</b>	<b>4,024</b>	<b>3,824</b>	<b>4,203</b>	<b>3,886</b>	<b>-3%</b>
70.	Dividends and similar income	227	-	227	-	227	0%
80.	Net income from trading	21	5	16	(18)	56	-45%
100.	Profits (Losses) on disposal or repurchase of:	3,714	2,689	1,025	1,889	2,302	-11%
	a) financial assets measured at amortised cost	1,364	746	618	1,276	650	-29%
	b) financial assets measured at fair value through other comprehensive income	2,350	1,943	407	273	1,977	4%
	c) financial liabilities	-	-	-	340	(325)	nm
120.	<b>Operating income</b>	<b>50,315</b>	<b>26,122</b>	<b>24,193</b>	<b>22,135</b>	<b>24,030</b>	<b>9%</b>
130.	Net impairment losses on loans	(7,831)	(4,103)	(3,728)	(1,922)	(3,146)	55%
150.	<b>Net operating income</b>	<b>42,484</b>	<b>22,019</b>	<b>20,465</b>	<b>20,213</b>	<b>20,884</b>	<b>3%</b>
190. a)	Staff costs	(14,304)	(6,920)	(7,384)	(5,716)	(5,414)	29%
190. b)	Other administrative expenses	(15,951)	(8,621)	(7,330)	(6,621)	(5,621)	30%
200.	Net allowance for risks and charges	(26)	(1)	(25)	(672)	(471)	-98%
210. + 220.	Net impairment losses on property and intangible assets	(1,376)	(658)	(718)	(376)	(375)	83%
230.	Other net operating income/expense	1,375	852	523	106	159	nm
240.	<b>Operating expenses</b>	<b>(30,282)</b>	<b>(15,348)</b>	<b>(14,934)</b>	<b>(13,279)</b>	<b>(11,722)</b>	<b>21%</b>
250.	Profits of equity-accounted investees	15	10	5	-	-	nm
280.	Profits from investments disposal	-	-	-	-	1,090	nm
290.	<b>Pre-tax profit from continuing operations</b>	<b>12,217</b>	<b>6,681</b>	<b>5,536</b>	<b>6,934</b>	<b>10,252</b>	<b>-29%</b>
300.	Tax expenses (income) for the period from continuing operations	(3,634)	(2,098)	(1,536)	(2,251)	(2,739)	-27%
310.	<b>Profit after tax from continuing operations</b>	<b>8,583</b>	<b>4,583</b>	<b>4,000</b>	<b>4,683</b>	<b>7,513</b>	<b>-30%</b>
330.	<b>Profit for the period</b>	<b>8,583</b>	<b>4,583</b>	<b>4,000</b>	<b>4,683</b>	<b>7,513</b>	<b>-30%</b>
340.	Profit for the period attributable to the Minority interests	(93)	(29)	(64)	-	119	nm
350.	<b>Profit for the period attributable to the shareholders of the Parent</b>	<b>8,490</b>	<b>4,554</b>	<b>3,936</b>	<b>4,683</b>	<b>7,632</b>	<b>-31%</b>

### BANCA SISTEMA GROUP: ASSET QUALITY

Figures in thousands of Euro

30.06.2021	Gross exposure	Impairment losses	Net exposure
<b>Gross Non Performing Exposures</b>	<b>296,221</b>	<b>56,623</b>	<b>239,598</b>
<i>Bad loans</i>	169,372	46,160	123,212
<i>Unlikely to pay</i>	34,387	10,025	24,362
<i>Past-dues</i>	92,462	438	92,024
<b>Performing Exposures</b>	<b>2,382,395</b>	<b>6,989</b>	<b>2,375,406</b>
<b>Total Loans and advances to customers</b>	<b>2,678,616</b>	<b>63,612</b>	<b>2,615,004</b>

31.03.2021	Gross exposure	Impairment losses	Net exposure
<b>Gross Non Performing Exposures</b>	<b>312,007</b>	<b>50,384</b>	<b>261,623</b>
<i>Bad loans</i>	50,710	26,660	24,050
<i>Unlikely to pay</i>	148,874	22,961	125,913
<i>Past-dues</i>	112,423	763	111,660
<b>Performing Exposures</b>	<b>2,300,186</b>	<b>6,941</b>	<b>2,293,245</b>
<b>Total Loans and advances to customers</b>	<b>2,612,193</b>	<b>57,325</b>	<b>2,554,868</b>

31.12.2020	Gross exposure	Impairment losses	Net exposure
<b>Gross Non Performing Exposures</b>	<b>251,164</b>	<b>46,027</b>	<b>205,137</b>
<i>Bad loans</i>	52,354	25,240	27,114
<i>Unlikely to pay</i>	148,433	20,352	128,081
<i>Past-dues</i>	50,377	435	49,942
<b>Performing Exposures</b>	<b>2,404,623</b>	<b>7,315</b>	<b>2,397,308</b>
<b>Total Loans and advances to customers</b>	<b>2,655,787</b>	<b>53,342</b>	<b>2,602,445</b>

## BANCA SISTEMA GROUP: RECLASSIFICATIONS

Figures in thousands of Euro

	31/03/2021	Reclassifications	31/03/2021 Restatement
<b>Balance Sheet</b>			
10. Financial liabilities at amortised cost c) Debt securities issued	298,207	-8,000	290,207
140. Equity instruments	0	8,000	8,000
110. Tax assets	314	-8	306
200. Profit for the period	4,462	92	4,554
150. Reserves	196,795	-100	196,695
	31/12/2020	Reclassifications	31/12/2020 Restatement
<b>Balance Sheet</b>			
10. Financial liabilities at amortised cost c) Debt securities issued	248,338	-8,000	240,338
140. Equity instruments	0	8,000	8,000
200. Profit for the period	25,777	376	26,153
150. Reserves	122,608	-376	122,232
	30/06/2020	Reclassifications	30/06/2020 Restatement
<b>Income Statement</b>			
20. Interest expenses	-12,548	279	-12,269
300. Tax expenses (income) for the period from continuing operations	-4,898	-92	-4,990
350. Profit for the period attributable to the shareholders of the Parent	12,128	187	12,315
	31/03/2020	Reclassifications	31/03/2020 Restatement
<b>Income Statement</b>			
20. Interest expenses	-6,433	140	-6,293
300. Tax expenses (income) for the period from continuing operations	-2,205	-46	-2,251
350. Profit for the period attributable to the shareholders of the Parent	4,589	94	4,683
	31/03/2021	Reclassifications	31/03/2021 Restatement
<b>Income Statement</b>			
20. Interest expenses	-4,974	137	-4,837
300. Tax expenses (income) for the period from continuing operations	-2,052	-46	-2,098
350. Profit for the period attributable to the shareholders of the Parent	4,463	91	4,554