PRESS RELEASE

BANCA SISTEMA: APPROVED RESULTS AS AT 31 MARCH 2021

- Business performance:
    - Factoring: volumes came to 783 million, up by +12% y/y
    - CQ: loans totaled 917 million, +6% y/y
    - Gold/jewelry-backed loans: loans totaled roughly 80 million, up 3% q/q

- Net interest income: 19.3 million, +21% y/y also thanks to the greater contribution from gold/jewelry-backed loans
- Total income: 26.0 million, +18% y/y
- Total operating costs: 15.3 million, +16% y/y, driven among other things by the consolidation of the gold/jewelry-backed loans business line acquired in Q3 2020 and the greater contribution to the Resolution Fund
- Loan loss provisions: 4.1 million, on the rise y/y following an impairment reported on a PA agency, in a large part compensated by higher late-payment interests
- Net income: 4.5 million, basically stable y/y

- LCR and NSFR above the regulatory limit
- The Retail component accounted for 60% of total funding
- CET1 ratio at 12.2% and Total Capital ratio at 15.6%, following the adoption on 1.1.2021 of the “New DoD” that led to an increase in past dues

Milan, 7 May 2021

The Board of Directors of Banca Sistema has approved the consolidated results as at 31 March 2021, reporting a net income of 4.5 million, basically stable compared to the same period of 2020.

Business Performance

In spite of the fact that Italy’s economy has not recovered yet from the fallout from the Covid-19 pandemic, the **factoring** business line reported turnover volumes at 783 million, with a growth rate of 12% y/y, driven by the commercial receivables component, whilst the performance of the tax receivables component was below expectations.
At 31 March 2021, **factoring** receivables (management data) stood at 1,722 million (of which 25% under legal action, 11% when considering only the portion relevant to the late-payment interest accrual model), slightly down compared to 1,755 million at 31 March 2020 and basically stable compared to 31 December

2020 (1,717 million). Non-recourse factoring, accounting for 75% of receivables, includes tax receivables (accounting for 18% of receivables).

As to the **CQ** business line, the Group purchased/funded 42 million of loans, slightly less compared to last year, and the loan stock at 31 March 2021 came to 917 million, up by 6% y/y and slightly down compared to 31 December 2020 (934 million).

At 31 March 2021, **gold/jewelry-backed loans** added up to 79.6 million, up compared to 77.7 million at 31 December 2020.

Operating results as at 31 March 2021

Net interest income, at 19.3 million, rose by 21% y/y, driven by the combined effect of a higher interest income and a lower interest expense. In Q1 2021, the increase in interest income (24.2 million vs 22.4 million at 31.3.2021 and 31.3.2020, respectively) was due, as expected, to the greater contribution of gold/jewelry-backed loans and of State-guaranteed loans (118 million at 31 March 2021), which started to be 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 increased slightly y/y (+1%), driven by the greater contribution from late-payment interest, which offset the lower interest income coming from tax receivables.

The overall P&L contribution as at 31 March 2021 from late-payment interest under legal action has risen y/y, totaling 6.6 million (3.4 million at 31 March 2020), and the greater contribution y/y was largely due to the increase in collections.
Late-payment interest out of legal actions accrued at 31 March 2021 and relevant to the accrual model came in at 99 million (158 million when including municipalities in conservatorship, against which no late-payment interest is accrued), while receivables already on the books totaled 50.7 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%.

The total cost of funding, which came in at 0.5%, declined y/y (0.7% in 2020) both at Retail and at Wholesale level, and both end-of-period stocks remained stable when compared to 31.12.2020, and in decline compared to 31.3.2020.

Net fees and commissions, amounting to 4.0 million, reported a slight decline y/y (4.2 million in Q1 2020) as a result of the lower commission income from factoring that was not fully offset by the higher commission income from gold/jewelry-backed 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 has declined 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 the total revenues to average gold/jewelry-backed loans ratio has increased y/y.

At 31 March 2021, proprietary trading income generated by the sale of Italian government bonds totaled 2.4 million, up y/y (+1.8 million y/y). In Q1 2021 factoring receivables portfolios were sold, generating 0.3 million of revenues (P&L line-item 100.a), down y/y (1.3 million in Q1 2020; excluding Q1, in 2020 on average revenues from portfolio disposals by quarter came to 0.4 million).

Total income stood at 26.0 million, up by 18% y/y.

At 31 March 2021, **loan loss provisions** added up to 4.1 million, up y/y (1.9 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. Large part of the impairment will be compensated for by late-payment interests (that have already been almost entirely approved by the court and not yet recorded through P&L, as is the case for all late-payment interests related to local governments in conservatorship), that are going to be collected at the time of the settlement agreement with OSL (Organo Straordinario di Liquidazione, i.e., Extraordinary Liquidation Board) relatively to the receivables selected by the Bank.
The cost of risk tied to customer loans, considering that the above impairment is deemed non-recurring, came in at 37 bps and is slightly lower compared to 42bps in full-year 2020.

The Group's **headcount** (FTE) came to 273, 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 gold/jewelry-backed 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 contribution to the Resolution Fund of about +0.2 million, by higher IT expenses and the higher costs for external servicers/collectors.
In a year-over-year comparison, the increase in **Total operating costs** has been driven also by the consolidation of the business line acquired in Q3 2020, and, in addition to what described above, to a lesser extent by an increase in impairments of tangible assets.

Income before tax at 31 March 2021 was basically stable compared to the same period of 2020.

Key balance sheet items at 31 March 2021

The **securities portfolio,** made up of Italian government bonds, amounted to 700.7 million (of which 233.4 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 27.9 months. The "Hold to Collect and Sell" (HTCS), component, amounting to 467.3 million at 31 March 2021, has increased compared to 31 December 2020 (425 million), and has an average time to maturity of about 25.2 months.
Financial assets measured at amortized cost (2,788 million), mainly represented by factoring receivables (1,415 million), which went down by 4.5% compared to 31 December 2020 (1,482 million), include also CQ loans (salary- and pension-backed loans), part of the securities portfolio, and 80 million of gold/jewelry-backed loans (up compared to year-end 2020). Specifically, CQ loans added up to 917 million (934 million at 31 December 2020).

The **gross non-performing loan** stock of 312.0 million went up compared to 31 December 2020 (251.2 million), mainly driven by the increase in past dues. The quarterly rise in past dues is mainly tied to the coming into effect of the new definition of default on 1.1.2021 ("New DoD") and is related to the factoring exposure to PA. Bad loans have declined compared to 31.12.2020.
The gross NPL to total loan ratio increased to 11.9% compared to 9.5% at 31 December 2020, due to the increase in past dues described above, which by virtue of the nature of the factoring business with the PA is not a harbinger of a deterioration of either the borrowers' creditworthiness or of the probability of recovery.

The line-item **Tangible assets (PP&E)** includes the Milan building where the bank's headquarters are based (appraised and revalued at 1.3 million at the end of December 2020) and a property purchased in

Rome in Q1 2021, used as office for all the Group activities, including a branch dedicated to gold/jewelry-backed loans.

Retail deposits accounted for approx. 60% of total funding (59% at 31 December 2020), and comprise checking accounts and term deposits. The Retail component of funding has slightly declined in absolute terms when compared to year-end 2020.

Under **Financial liabilities measured at amortized cost (3,044 million)**, **Due to banks** went slightly down compared to 31 December 2020 (821 million at 31.3.2021 vs 870 million at 31.12.2020), due to a lower funding from banks which was not offset by the increase in the "due to central banks" (ECB) component, which went from 690 million at 31 December 2020 to 738 million at 31 March 2021, and that 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, due to the decline in Repos, driven by the reduction in the Government bond portfolio, and to the decline in checking accounts and deposit accounts.
Debt securities (298 million) went up compared to 31 December 2020, driven by a greater use of funding collateralized by ABS, represented by salary- or pension backed loans.

Total own funds (Total Capital) at 31 March 2021 amounted to 213.9 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[1] decreased compared to 31 December 2020, due to the increase in Risk Weighted Assets, mainly as a result of the rise in NPLs - in particular past dues - following the above-described introduction of the "New DoD", and at 31 March 2021 they stood as follows:

- **CET1 ratio 12.2%**;
- **TIER 1 ratio 12.8%**;
- **Total Capital ratio 15.6%**.

***

<u>Statement of the financial reporting officer</u>

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.

1 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%.

***

Operational outlook and main risks and uncertainties

2021 activities are expected to continue in line with the Business Plan approved in March. The Group experienced a slight decline in profitability as in 2020, especially in the factoring business due to the acceleration in the collection times that continued in the first quarter. 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.
The Group will continue to vet growth options in its core business areas, including possible acquisitions.

***

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

Contacts:

Investor Relations
Carlo Di Pierro
Tel. +39 02 80280358
E-mail carlo.dipierro@bancasistema.it

Media Relations
Patrizia Sferrazza
Tel. +39 02 80280354
E-mail patrizia.sferrazza@bancasistema.it

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 gold/jewelry-backed 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, Banca Sistema is also present in Bologna, Pisa, Naples, Palermo, Rimini Torino, Florence, Mestre, Parma and Civitavecchia, has 273 employees and relies on a multichannel structure.

Attachments

- Consolidated statement of financial position
- Consolidated income statement
- Asset quality

BANCA SISTEMA GROUP: CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in thousands of Euro

		31.03.2021 A	31.12.2020 B	31.03.2020	Difference % A - B
	ASSETS				
10.	Cash and cash equivalents	2,166	1,930	644	12%
30.	Financial assets held to collect and sell (HTCS)	472,847	430,966	749,312	10%
40.	Financial assets held to collect (HTC)	2,867,264	3,142,791	2,954,184	-9%
	a) Loans and advances to banks	79,085	92,481	72,813	-14%
	b) Loans and advances to customers	2,788,179	3,050,310	2,881,371	-9%
	of which: Factoring	*1,415,340*	*1,481,678*	*1,628,664*	*-4%*
	of which: Salary-/pension-backed loans (CQS/CQP)	*917,279*	*933,873*	*866,307*	*-2%*
	of which: Collateralised loans	*79,656*	*77,684*	*13,043*	*3%*
	of which: Securities	*233,311*	*447,864*	*315,072*	*-48%*
70.	Equity investments	1,010	1,000	-	1%
90.	Property, plant and equipment	41,529	32,607	29,290	27%
100.	Intangible assets	32,821	32,725	3,921	0%
	of which: goodwill	32,355	32,355	3,920	0%
110.	Tax assets	10,473	10,313	10,146	2%
130.	Other assets	19,133	19,039	14,720	0%
	Total assets	**3,447,243**	**3,671,371**	**3,762,217**	**-6%**
	LIABILITIES AND EQUITY				
10.	Financial liabilities at amortised cost	3,043,894	3,282,230	3,438,955	-7%
	a) Due to banks	821,200	869,648	806,239	-6%
	b) Due to customers	1,924,487	2,164,244	2,164,453	-11%
	c) Debt securities issued	298,207	248,338	468,263	20%
60.	Tax liabilities	18,621	16,903	18,818	10%
80.	Other liabilities	145,824	136,894	99,567	7%
90.	Post-employment benefits	4,407	4,428	2,955	0%
100.	Provisions for risks and charges:	23,915	23,430	22,690	2%
120. +150. +160.+ 170. +180.	Share capital, share premiums, reserves, valuation reserves and treasury shares	196,795	172,412	174,611	14%
190.	Minority interests	9,325	9,297	32	0%
200.	Profit for the period	4,462	25,777	4,589	-83%
	Total liabilities and equity	**3,447,243**	**3,671,371**	**3,762,217**	**-6%**

BANCA SISTEMA GROUP: CONDOLIDATED INCOME STATEMENT

Figures in thousands of Euro

		31.03.2021 A	31.03.2020 B	Difference %
10.	Interest income	24,241	22,354	8%
20.	Interest expenses	(4,974)	(6,433)	-23%
30.	**Net interest income**	**19,267**	**15,921**	**21%**
40.	Fee and commission income	5,940	6,006	-1%
50.	Fee and commission expense	(1,916)	(1,803)	6%
60.	**Net fee and commission income**	**4,024**	**4,203**	**-4%**
70.	Dividends and similar income	-	-	nm
80.	Net income from trading	5	(18)	-128%
100.	Profits (Losses) on disposal or repurchase of:	2,689	1,889	42%
	a) financial assets measured at amortised cost	746	1,276	-42%
	b) financial assets measured at fair value through other comprehensive income	1,943	273	nm
	c) financial liabilities	-	340	-100%
120.	**Operating income**	**25,985**	**21,995**	**18%**
130.	Net impairment losses on loans	(4,103)	(1,922)	nm
150.	**Net operating income**	**21,882**	**20,073**	**9%**
190. a)	Staff costs	(6,920)	(5,716)	21%
190. b)	Other administrative expenses	(8,621)	(6,621)	30%
200.	Net allowance for risks and charges	(1)	(672)	-100%
210. +220.	Net impairment losses on property and intangible assets	(658)	(376)	75%
230.	Other net operating income/expense	852	106	nm
240.	**Operating expenses**	**(15,348)**	**(13,279)**	**16%**
250.	Profits of equity-accounted investees	10	-	nm
290.	**Pre-tax profit from continuing operations**	**6,544**	**6,794**	**-4%**
300.	Tax expenses (income) for the period from continuing operations	(2,053)	(2,205)	-7%
310.	**Profit after tax from continuing operations**	**4,491**	**4,589**	**-2%**
320.	Profit (Loss) after tax from discontinued operations	-	-	nm
330.	**Profit for the period**	**4,491**	**4,589**	**-2%**
340.	Profit for the period attributable to the Minority interests	(29)	-	nm
350.	**Profit for the period attributable to the shareholders of the Parent**	**4,462**	**4,589**	**-3%**

BANCA SISTEMA GROUP: ASSET QUALITY

Figures in thousands of Euro

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

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