

BANCA SISTEMA Group

“PILLAR 3”

Situation at 30 June 2021

BANCA

S I S T E M A

INDEX

FOREWORD	3
DISCLOSURE OF KEY METRICS	5
CREDIT RISK: INFORMATION ON EXPOSURES SUBJECT TO COVID-19-RELATED MEASURES	7
STATEMENT OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING	11

FOREWORD

With effect from 1 January 2014, the reforms of the accord by the Basel Committee (“Basel 3”) were implemented in the EU legal framework. Their aim is to improve the banking sector’s ability to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance, and increase banks’ transparency and disclosures. In doing so, the Committee maintained the approach founded on three Pillars, underlying the previous capital accord, known as “Basel 2”, supplementing and strengthening it to increase the quantity and quality of intermediaries’ available capital as well as introducing counter-cyclical regulatory instruments, provisions on liquidity risk management and financial leverage containment. In particular, Pillar 3 – which concerns public disclosure obligations on capital adequacy, risk exposure and the general characteristics of related management and control systems, with the aim of better regulating the market – was also reviewed. Amongst other things, the amendments introduced greater transparency requirements, more information on the composition of regulatory capital and the methods used by banks to calculate capital ratios.

That said, the content of “Basel 3” was incorporated into two EU legislative acts:

- Regulation (EU) 575/2013 of 26 June 2013 (CRR), which governs the prudential supervision requirements of Pillar 1 and public disclosure requirements (Pillar 3);
- Directive 2013/36/EU of 26 June 2013 (CRD IV).

EU legislation is complemented by the provisions issued by the Bank of Italy, in particular with Circular 285 of 17 December 2013, which contains the prudential supervision regulations applicable to Italian banks and banking groups, reviewed and updated to adjust the internal regulations to the new elements of the international regulatory framework.

Bank of Italy’s Circular No. 285 “Supervisory Provisions for Banks” of 17 December 2013, as further amended, which covers this subject in Chapter 13, Part Two, thus does not establish specific rules for drafting and publishing Pillar 3, but merely reproduces the list of provisions laid down on the matter in the Regulation EU No. 575/2013 (CRR – Capital Requirements Regulation).

This public disclosure has been prepared in accordance with the following regulations:

- Regulation (EU) No. 575/2013 of 26 June 2013 (CRR) Part Eight “Disclosure by Institutions” (Articles 431 - 455) and Part Ten, Title I, Chapter 3, “Transitional Provisions for Disclosure of Own Funds” (Article 492);
- Directive 2013/36/EU (CRD IV); “Supervisory Provisions for Banks” - Bank of Italy, Circular No. 285 of 17 December 2013, as amended, implementing the provisions of the CRR and CRD IV;
- European Banking Authority (EBA) Guidelines EBA/GL/2014/14 - on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1) and (2), and 433 of the CRR, and Guidelines EBA/GL/2016/11 - on disclosure requirements under Part Eight of Regulation (EU) No 575/2013;
- Further EBA Guidelines regulating specific aspects of the Public Disclosure Requirements, including the Guidelines on Disclosure of Non-performing and Forborne Exposures (EBA/GL/2018/10).

The context of the COVID-19 pandemic, European and national Supervisory Authorities have issued measures and statutory requirements aimed at guiding the operations of banks with respect to supporting the real economy, clarifying certain interpretative aspects of prudential regulations and ensuring disclosure in the areas affected by the restrictive measures.

- The EBA Guidelines (EBA/GL/2020/07) on exposures subject to measures applied in response to the Covid-19 crisis;
- EBA Guidelines (EBA/GL/2020/12) of 11 August 2020 amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the "Quick fix" CRR in response to the Covid-19 pandemic.

30 June 2021 saw the entry into force of the provisions of Regulation (EU) No. 2019/876 of 20 May 2019 amending Regulation (EU) No. 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements. Regulation (EU) No. 2021/637 aims to also align the Pillar 3 public disclosures that institutions are required to draw up, on the basis of the amendments introduced.

Pursuant to Article 433-ter, the Banca Sistema Group falls within the scope of the small and non-complex institutions and publishes, on a half-year basis, the Pillar 3 public disclosure, and in particular the key metrics provided in Article 447 and the tables contained in the aforementioned Guidelines EBA/GL/2020/07.

The Pillar 3 public disclosures are drafted at the consolidated level by the Banking Parent Company.

Given the public significance of Pillar 3, the document is submitted to the competent Corporate Boards for approval under the responsibility of the manager in charge of preparing the Company's financial reports. In accordance with Article 154-bis of Legislative Decree No. 58/98 (TUF), the document is then submitted for the relative certification.

Unless otherwise specified, all amounts are in thousands of euros.

The Banca Sistema Group regularly publishes its Pillar 3 public disclosures on its website, at the following address: <https://www.bancasistema.it/pillar3>.

DISCLOSURE OF KEY METRICS

In detail, it contains the balance sheet aggregates and the value of the risk weighted assets, as well as the capital ratios and the regulatory requirements that the Bank has to comply with. The table also provides the main liquidity ratios, i.e., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and their main components.

Tabella EU km1: key metrics

June 2021		
Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	170,771
2	Tier 1 capital	216,271
3	Total capital	216,392
Risk-weighted exposure amounts		
4	Total risk exposure amount	1,394,363
Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	12.2472%
6	Tier 1 ratio (%)	15.5103%
7	Total capital ratio (%)	15.5191%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.4000%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.7500%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.0500%
EU 7d	Total SREP own funds requirements (%)	9.4000%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5000%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0000%
9	Institution specific countercyclical capital buffer (%)	0.0006%
EU 9a	Systemic risk buffer (%)	0.0000%
10	Global Systemically Important Institution buffer (%)	0.0000%
EU 10a	Other Systemically Important Institution buffer (%)	0.0000%
11	Combined buffer requirement (%)	2.5006%
EU 11a	Overall capital requirements (%)	11.9006%
12	CET1 available after meeting the total SREP own funds requirements (%)	6.1191%
Leverage ratio		
13	Total exposure measure	3,419,032
14	Leverage ratio (%)	6.3255%

June 2021		
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0000%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.0000%
EU 14c	Total SREP leverage ratio requirements (%)	0.0000%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
EU 14d	Leverage ratio buffer requirement (%)	0.0000%
EU 14e	Overall leverage ratio requirement (%)	0.0000%
Liquidity Coverage Ratio²		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	340,886
EU 16a	Cash outflows - Total weighted value	148,514
EU 16b	Cash inflows - Total weighted value	319,368
16	Total net cash outflows (adjusted value)	170,853
17	Liquidity coverage ratio (%)	199.5196%
Net Stable Funding Ratio		
18	Total available stable funding	2,394,160
19	Total required stable funding	1,879,137
20	NSFR ratio (%)	127.4074%

CREDIT RISK: INFORMATION ON EXPOSURES SUBJECT TO COVID-19-RELATED MEASURES

With a communication dated 30 June 2020, the Bank of Italy implemented the EBA Guidelines relating to the reporting and disclosure obligations to the public on the exposures subject to measures applied in the light of the Covid-19 crisis (EBA / GL / 2020/07). The objective of the guidelines is to monitor, at a European level and in a harmonized way, the moratoriums granted to support customers in response to the crisis triggered by Covid-19 as well as to provide an adequate and appropriate understanding of the risk profile of supervised entities, in consistency with the information relating to the consolidated Finrep report. To this end, institutions are required to publish information on:

- Exposures subject to legislative and non-legislative moratoriums applied in light of the Covid-19 crisis (EBA / GL / 2020/02);
- Exposures subject to forbearance measures applied following the Covid-19 crisis;
- New exposures subject to public guarantee schemes introduced in the Member States.

Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

	Gross carrying amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk				Gross carrying amount				
	Performing		Non performing		Performing		Non performing						
	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days					
Loans and advances subject to moratorium	11,924	5,825	0	6,099	296	338	-1,088	-122	0	-966	-118	-120	-
of which: Households	-	-	-	-	-	-	-	-	-	-	-	-	-
of which: Collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-
of which: Non-financial corporations	11,924	5,825	0	6,099	296	338	-1,088	-122	0	-966	-118	-120	-
of which: Small and Medium-sized Enterprises	3,168	3,168	-	-	-	-	-37	-37	-	-	-	-	-
of which: Collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-

Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

	Number of obligors	Gross carrying amount						
		Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
				≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 1 year
Loans and advances for which moratorium was offered	43	11,924						
Loans and advances subject to moratorium (granted)	43	11,924	11,924	0	11,924	0	0	0
of which: Households		0	0	0	0	0	0	0
of which: <i>Collateralised by residential immovable property</i>		0	0	0	0	0	0	0
of which: Non-financial corporations		11,924	11,924	0	11,924	0	0	0
of which: <i>Small and Medium-sized Enterprises</i>		3,168	3,168	0	3,168	0	0	0
of which: <i>Collateralised by commercial immovable property</i>		0	0	0	0	0	0	0

Template 3 - Information on newly originated loans and advances provided under newly applicable public guarantee schemes

	Gross carrying amount	Maximum amount of the guarantee that can be considered		Gross carrying amount
		of which: forborne	Public guarantees received	
Newly originated loans and advances subject to public guarantee schemes	127,195	0	0	0
of which: Households	2,500			0
of which: Collateralised by residential immovable property	-			0
of which: Non-financial corporations	124,695	0	0	0
of which: Small and Medium-sized Enterprises	41,535			0
of which: Collateralised by commercial immovable property	-			0

STATEMENT OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING

The Manager in charge of financial reporting, Alexander Muz, hereby declares that, pursuant to Art. 154-bis, paragraph 2, of the Consolidated Law on Finance, the accounting information contained in this “Disclosure by Institutions pursuant to Regulation (EU) no. 575/2013 – 30 June 2021” corresponds to the company's documents, books and accounting records.

Alexander Muz

Manager in charge of financial reporting

A handwritten signature in black ink, appearing to read 'Alexander Muz', written in a cursive style.

