

PRESS RELEASE

BANCA SISTEMA: POTENTIAL IMPACT FROM RISK WEIGHTING REDUCTION PROPOSAL FOR SALARY OR PENSION SECURED LOANS

Milan, 21 June 2018

In the meeting held on 19 June, the European Parliament's Committee on Economic and Monetary Affairs approved certain amendments to Regulation (EU) no. 575/2013, also known as "CRR", including the reduction of the risk weighting for loans secured by one fifth of salary ("CQS") or pension payments ("CQP").

The amendment proposal provides for the update of article 123 of the CRR, indicating an allocation of a risk weighting of 35% from the current 75% for loans secured by one fifth of salary and pension payments¹.

The approved proposals shall now be submitted to the Trilogue, for the legislative approval by the members of Parliament, the Council and the Commission.

The aim of the proposed amendment is to take into account the low risk of loans backed by salary and pension payments, which, as a result of insurance coverage mechanisms for the granting of credit, have a considerably lower probability of default (PD) compared to the other personal loans, and a correspondingly lower loss given default (LGD).

Should this proposal be definitively approved, based on data as at 31 March 2018, the estimated CET1 impact would come in at about +150bps. This CET1 increase has not been included in our 2018 – 2020 Strategic Plan.

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¹ Source: European Parliament website:

[...] **Amendment 58**

Proposal for a regulation

Article 1 – paragraph 1 – point 52 a (new)

Regulation (EU) No 575/2013

Article 123 – subparagraph 3a (new)

Text proposed by the Commission Amendment

(52a) in article 123 the following subparagraph 3a is added:

Risk exposures from loans, which are secured through salary or pension payments and cumulative through: (i) compulsory insurance, which covers risks arising from the death, inability to work or unemployment of the borrower; (ii) principal payments, which the employer or pension fund deducts directly from the debtor's salary or pension payment; (iii) monthly principal payments, which do not exceed 35% of the monthly net income or net pension payment, are guaranteed and will be allocated a risk weighting of 35%. The compulsory insurance must be legally binding and applicable in all relevant legal fields.

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Banca Sistema

Banca Sistema was founded in 2011, as a bank specialized in financing and managing trade receivables owed by the Italian Public Administrations, thereby entering a sector of the Italian financial system aimed at granting liquidity to corporate entities in their business dealings with the PA's, mainly through factoring and credit management services.

With main offices in Milan and Rome, during this time Banca Sistema has extended its activities and services available both to business and retail Clients.

As an independent financial operator characterized by a diversified business model, Banca Sistema can offer, today, recourse and non-recourse factoring services. This includes receivables between private companies, yearly and quarterly VAT receivables refunds, current accounts, time deposits with durations up to 10 years, pawnbroking, guarantees, securities deposit, reverse factoring, certification of Public Administration credits, salary and pension backed loans.

The Bank is also active in the purchasing and management of non-performing financial and trade receivables as well as management and debt recovery from individuals, thanks to its stake in the capital of Axactor Italy S.p.A. and in its controlling company Axactor AB, listed to the Oslo Stock Exchange.