

PRESS RELEASE

BANCA SISTEMA: APPROVED RESULTS AS AT 31 MARCH 2022

- Business performance:
 - Factoring volumes ran at 983 million, +26% y/y
 - CQ loans totaled 919 million, stable y/y
 - Pawn loans came to 92 million, +16% y/y
- Net interest income: 20.7 million, +6% y/y
- Total income: 24.7 million, -6% y/y, +4% y/y net of trading income
- Total operating costs: 15.7 million, +2% y/y
- Loan loss provisions: 2.3 million, in sharp decline y/y
- Net income: 4.4 million

- The retail component accounts for 63% of total funding, on the rise y/y
- CET1 ratio at 11.9% and Total Capital ratio at 15.0% on the rise in comparison with 31.12.2021

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Milan, 11 May 2022

The Board of Directors of Banca Sistema has approved the consolidated results as at 31 March 2022, reporting a **net income** of 4.4 million, from 4.6 million in the same period of 2021.

Business Performance

In a market that in the first months of 2022 has been characterized by a consolidation of the good results delivered by the production system in the previous year, the **factoring** business line posted a turnover of 983 million, reporting a growth rate of 26% y/y, mainly driven by the tax receivables component.

As at 31 March 2022, **factoring** receivables (management data) stood at 1,932 million, up from 1,850 million on 31 December 2021 and also in comparison with 31 March 2021 (1,722 million). Non-recourse factoring, accounting for 76% of receivables, includes tax receivables (24% of receivables, from 14% on 31.12.2021).

As to the **CQ** business line, the Group purchased/funded 47 million, up in comparison with last year (42 million), with the Direct channel (*QuintoPuoi*) accounting for the lion's share, namely 90% of total loans, more than trebled over the previous year.

The loan stock at 31 March 2022 added up to 919 million, stable y/y (917 million at 31 March 2021) and slightly slipping compared to 31 December 2021 (932 million), also due to fewer purchases from the Indirect channel in Q1, which however in May reported a pickup, following the finalization of the purchase of a 110 million loan portfolio from Gruppo BancoBPM.

As at 31 March 2022, **pawn loans** came to 92 million, up by 16% y/y, in line with the growth in 2021.

Operating results as at 31 March 2022

Net interest income, at 20.7 million, rose by 6% y/y, with interest expense declining y/y. Interest income dipped slightly (23.6 million vs 24.2 million at 31.03.2022 and 31.03.2021 respectively); the lower contribution from factoring and CQ loans has been compensated for by the larger contribution from pawn loans and State-guaranteed loans.

In today's market environment, interest income from the factoring business, accounting for roughly 58% of total interest margin (64% in 2021), dropped by 12% y/y, basically driven by a smaller late-payment interest stream from legal action.

The overall P&L contribution as at 31 March 2022 from late-payment interest under legal action came to 4.1 million (6.6 million on 31 March 2021).

Total late-payment interest under legal action accrued at 31 March 2022, and relevant to the accrual model, came in at 97.5 million (173.7 million when including municipalities under conservatorship, against which no late-payment interest is accrued), while receivables already on the books totaled 52.2 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 projections, that are still expected to exceed 80%.

The total cost of funding, at 0.2%, is lower than the one in 2021 (0.4%) . Interest expense declined by 39% y/y, also due to the repayment of the bond which was still outstanding on 31 March 2021, and the lower cost of checking and deposit accounts.

Net fees and commissions, amounting to 3.7 million, declined y/y (4 million at 31 March 2021) due to the smaller contribution of CQ and factoring net commissions, partially compensated for by the greater contribution of 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, following the drop in the late-payment interest component; a decline is reported also when revenues are considered as a percentage over the average of receivables. For CQ loans, the interest income to average loans ratio has decreased year on year, while for pawn loans it has increased.

At 31 March 2022, the decline in proprietary trading income compared to the previous year (2,4 million) affected total income. In Q1 2022, factoring receivables portfolios were sold as usual, generating a revenue of 0.3 million (line-item 100.a of the Income Statement), stable y/y.

Total income stood at 24.7 million, down by 6% y/y.

At 31 March 2022, **loan loss provisions** added up to 2.3 million, posting a sharp decline y/y (4.1 million). The cost of risk tied to customer loans came in at 33bps.

The Group's **headcount** (FTE) came to 275, slightly up compared to the 273 resources reported in the same period of 2021 and down compared to the 278 resources at 31 December 2021.

Personnel expenses reflect the headcount evolution and the release of the undistributed 2021 bonus of about 0.7 million. **Other administrative expenses** decreased y/y, notwithstanding the y/y increase in the contribution to the Single Resolution Fund.

Total operating costs increased by 2% y/y, mainly driven by the dynamic of the line-item Provisions for Risk and Charges.

Net income before tax at 31 March 2022 was 6.7 million.

Key balance sheet items at 31 March 2022

The **securities portfolio**, made up of Italian government bonds, amounted to 765.3 million (of which 184.6 million are classified under the line-item “Financial assets measured at amortized cost”, unchanged compared to year-end 2021), with an average time to maturity of 32.8 months. The “Hold to Collect and Sell” (HTCS) component, amounting to 580.7 million at 31 March 2022, went up compared to 31 December 2021 (445.8 million), and has an average time to maturity of about 34.3 months.

Financial assets measured at amortized cost (3,075 million), mainly represented by factoring receivables (1,632 million), which increased by 5.9% compared to 31 December 2021, include also CQ loans (salary- and pension-backed loans), part of the securities portfolio, and 92 million of pawn loans (on a stable quarterly uptrend). More specifically, CQ loans added up to 919 million (932 million at 31 December 2021).

The **gross non-performing loan** stock of 319.5 million went up compared to 31 December 2021 (315.1 million), driven by the increase in unlikely-to-pay loans, that the decline in past dues did not compensate for. The quarterly increase in UtP loans was mainly due to a single factoring/guaranteed loans exposure.

Retail deposits accounted for approx. 63% of total funding (68% at 31 December 2021), and comprise checking accounts and term deposits. The Retail component of funding has increased in absolute terms when compared to year-end 2021.

Under **Financial liabilities measured at amortized cost (3,578 million)**, **Due to banks** went up compared to 31 December 2021 (601 million vs 592 million at 31.12.2021), due to a greater contribution from the interbank component.

Under Financial liabilities measured at amortized cost, **Due to customers** went up compared to year-end 2021, mainly thanks to the positive dynamics of repurchase agreements, tied to the increase in the Italian government bond portfolio. In Q1 2022, checking accounts increased, while deposit accounts remained stable.

Debt securities (175 million) went down compared to 31 December 2021, driven by a more limited use of ABS funding, represented by CQ loans.

Total own funds (Total Capital) at 31 March 2022 amounted to 218.3 million, down compared to 31 December 2021 (221.7 million), and included 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). At 31 March 2022, own funds included the 6.9 million negative reserve of the Italian government bond portfolio component classified as HTCS (up compared to 31 December 2021), own shares (1.4 million) as part of the incentive scheme, of which 391,107 shares (0.6 million) assigned to management after the Shareholders’ Meeting held on 28.4.2022, and the negative prudential filter of about 2 million tied to Calendar provisioning (basically unchanged compared to 31.12.2021).

Capital ratios¹ increased compared to 31 December 2021, following the decline in Risk Weighted Asset, mainly due to fewer corporate loans, and at 31 March 2022 they stood as follows:

- **CET1 ratio 11.9%** (11.6% at 31 December 2021);
- **TIER 1 ratio 15.0%** (14.6% at 31 December 2021);
- **Total Capital ratio 15.0%** (14.6% at 31 December 2021).

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.

Operational outlook and main risks and uncertainties

The acceleration in payments by the public administration did not keep up in the first months of 2022, and we expect to maintain the same profitability in factoring of the last two quarters. This trend had been driven by extraordinary funds provided to local administrations by the central State to allow them to address the liquidity issue caused by the pandemic.

The Group has no direct exposure to entities or individuals subject to the restrictive sanctions imposed by the European Union over the war in Ukraine; the evolution of the conflict and of the sanctions is being constantly and carefully monitored by the Group.

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

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 as of 30 June 2022:

- Common Equity Tier 1 ratio (CET1 ratio) of 9.0%;
- Tier1 ratio of 10.5%;
- Total Capital ratio of 12.50%.

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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 a like-for-like comparison, following the reclassification as of Q2 2021 of AT1 capital (8 million) under line-item 140 “Equity instruments” of the Statement of financial position from the previous classification under line-item 10 “Financial liabilities measured at amortized cost, c) Debt securities”, the Income Statements at 31 March 2021 has been restated.

Finally, please note that, following the issue of the 7th update of Circular no. 262/2005 of the Bank of Italy, the figures posted under the Assets line-items 10 and 40 a) as at 31 March 2021 have been reclassified to take into account the recognition of all demand deposits and current accounts with banks and Central Banks under line-item 10, in accordance with IAS 1. Par. 40.

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

BANCA SISTEMA GROUP: CONSOLIDATED BALNCE SHEET

Figures in thousands of Euro

		31.03.2022 A	31.12.2021 B	31.03.2021	Difference % A - B
	ASSETS				
10.	Cash and cash equivalents	219,590	175,835	63,544	25%
30.	Financial assets held to collect and sell (HTCS)	586,127	451,261	472,847	30%
40.	Financial assets held to collect (HTC)	3,074,580	2,954,174	2,805,885	4%
	a) Loans and advances to banks	29,394	33,411	17,706	-12%
	b) Loans and advances to customers	3,045,186	2,920,763	2,788,179	4%
	<i>of which: Factoring</i>	1,632,196	1,541,687	1,415,340	6%
	<i>of which: Salary-/pension-backed loans (CQS/CQP)</i>	918,755	931,767	917,279	-1%
	<i>of which: Pawn loans</i>	92,265	90,030	79,656	2%
	<i>of which: Securities</i>	184,531	184,042	233,311	0.3%
70.	Equity investments	965	1,002	1,010	-4%
90.	Property, plant and equipment	41,034	40,780	41,529	1%
100.	Intangible assets	33,156	33,125	32,821	nm
	<i>of which: goodwill</i>	32,355	32,355	32,355	nm
110.	Tax assets	15,753	12,840	10,473	23%
120.	Non-current assets and disposal groups classified as held for sale	43	68	-	-37%
130.	Other assets	43,694	39,806	19,133	10%
	Total assets	4,014,942	3,708,891	3,447,242	8%
	LIABILITIES AND EQUITY				
10.	Financial liabilities at amortised cost	3,578,016	3,257,401	3,035,894	10%
	a) Due to banks	601,329	592,157	821,200	2%
	b) Due to customers	2,802,091	2,472,054	1,924,487	13%
	c) Debt securities issued	174,596	193,190	290,207	-10%
60.	Tax liabilities	15,469	14,981	18,621	3%
70.	Liabilities associated with non-current assets held for sale and discontinued operations	17	18	-	-6%
80.	Other liabilities	122,949	137,995	145,823	-11%
90.	Post-employment benefits	4,173	4,310	4,407	-3%
100.	Provisions for risks and charges:	29,912	28,654	23,915	4%
140.	Equity instruments	45,500	45,500	8,000	nm
120. + 150. + 160. + 170. + 180.	Share capital, share premiums, reserves, valuation reserves and treasury shares	204,815	187,212	196,703	9%
190.	Minority interests	9,708	9,569	9,325	1%
200.	Profit for the period	4,383	23,251	4,554	-81%
	Total liabilities and equity	4,014,942	3,708,891	3,447,242	8%

BANCA SISTEMA GROUP: INCOME STATEMENT

Figures in thousands of Euro

		31.03.2022 A	31.03.2021 B	Difference % A - B
10.	Interest income	23,605	24,241	-3%
20.	Interest expenses	(2,942)	(4,837)	-39%
30.	Net interest income	20,663	19,404	6%
40.	Fee and commission income	7,526	5,940	27%
50.	Fee and commission expense	(3,833)	(1,916)	nm
60.	Net fee and commission income	3,693	4,024	-8%
80.	Net income from trading	1	5	-80%
100.	Profits (Losses) on disposal or repurchase of:	331	2,689	-88%
	a) financial assets measured at amortised cost	316	746	-58%
	b) financial assets measured at fair value through other comprehensive income	15	1,943	-99%
120.	Operating income	24,688	26,122	-5%
130.	Net impairment losses on loans	(2,307)	(4,103)	-44%
150.	Net operating income	22,381	22,019	2%
190. a)	Staff costs	(6,588)	(6,920)	-5%
190. b)	Other administrative expenses	(8,318)	(8,621)	-4%
200.	Net allowance for risks and charges	(539)	(1)	nm
210. +220.	Net impairment losses on property and intangible assets	(725)	(658)	10%
230.	Other net operating income/expense	515	852	-40%
240.	Operating expenses	(15,655)	(15,348)	2%
250.	Profits of equity-accounted investees	(36)	10	nm
290.	Pre-tax profit from continuing operations	6,690	6,681	0.1%
300.	Tax expenses (income) for the period from continuing operations	(2,143)	(2,098)	2%
310.	Profit after tax from continuing operations	4,547	4,583	-1%
320.	Profit (Loss) after tax from discontinued operations	(24)	-	nm
330.	Profit for the period	4,523	4,583	-1%
340.	Profit for the period attributable to the Minority interests	(140)	(29)	nm
350.	Profit for the period attributable to the shareholders of the Parent	4,383	4,554	-4%

BANCA SISTEMA GROUP: ASSET QUALITY*Figures in thousands of Euro*

31.03.2022	Gross exposure	Impairment losses	Net exposure
Gross Non Performing Exposures	319,479	61,959	257,520
<i>Bad loans</i>	<i>169,060</i>	<i>48,922</i>	<i>120,138</i>
<i>Unlikely to pay</i>	<i>48,816</i>	<i>12,384</i>	<i>36,432</i>
<i>Past-dues</i>	<i>101,603</i>	<i>653</i>	<i>100,950</i>
Performing Exposures	2,609,812	6,677	2,603,135
Total Loans and advances to customers	2,929,291	68,636	2,860,655

31.12.2021	Gross exposure	Impairment losses	Net exposure
Gross Non Performing Exposures	315,071	59,519	255,552
<i>Bad loans</i>	<i>169,099</i>	<i>47,554</i>	<i>121,545</i>
<i>Unlikely to pay</i>	<i>37,374</i>	<i>11,374</i>	<i>26,000</i>
<i>Past-dues</i>	<i>108,598</i>	<i>591</i>	<i>108,007</i>
Performing Exposures	2,487,995	6,825	2,481,170
Total Loans and advances to customers	2,803,066	66,344	2,736,722