BANCA
SISTEMA

PRESS RELEASE

BANCA SISTEMA: APPROVED RESULTS AS AT 30 JUNE 2022

Net income before tax double in Q2

- Business performance:
  - Factoring volumes: 2,096 million, +27% y/y
  - CQ loans: 966 million, stable y/y
  - Pawn loans: 98 million, +18% y/y

- Net interest income: 44.6 million, +16% y/y
- Total income: 54.8 million, +9% y/y
- Total operating costs: 31.3 million, +3% y/y
- Loan loss provisions: 5.1 million, in sharp decline y/y
- Net income: 12.2 million, +44% y/y

- The retail component accounts for 66% of total funding, on the rise y/y
- CET1 ratio at 13.0% and Total Capital ratio at 16.4%

Milan, 29 July 2022

The Board of Directors of Banca Sistema has approved the consolidated results as at 30 June 2022, reporting a **net income** of 12.2 million, from 8.5 million in the same period of 2021 (+44% y/y).

Business Performance

In a market that in and of itself reported a solid growth, the **factoring** business line overperformed, hitting a turnover of 2,096 million, corresponding to a 27% growth rate y/y, mainly driven by tax receivables.
As at 30 June 2022, **factoring** receivables (management data) stood at 1,971 million, up from 1,932 million as at 31 March 2022 and on the rise also in comparison to 30 June 2021 (1,669 million). Non-recourse factoring, accounting for 77% of receivables, includes tax receivables (25% of receivables, from 14% as at 31.12.2021).

As to the **CQ** business line, the Group purchased/funded 215 million (financed amount), up in comparison with last year (136 million), with the Direct Channel (*QuintoPuoi*) accounting for the lion's share, when excluding the purchase of loan pools from Gruppo BancoBPM (leading to recognizing through profit or loss the interest accrued prior to the purchase of the loan portfolio).
The loan stock as at 30 June 2022 added up to 966 million, edging upwards y/y (959 million) and on the rise compared to 31 December 2021 (932 million). Over the quarter, besides the strong growth reported

by the Direct channel, also the acquisition of the above-mentioned portfolio and a loan disposal contributed to the stock performance, adding in about 60 million.

As at 30 June 2022, **pawn loans** came to 97.8 million, up by 18% y/y.

Operating results as at 30 June 2022

Net interest income, at 44.6 million, rose by 16% y/y. Interest income increased 6% y/y (50.6 million vs 47.7 million as at 30.06.2022 and 30.06.2021, respectively), and the lower y/y contribution from factoring has been more than compensated for by other components, including the greater contribution from pawn loans and State-guaranteed loans.
In today's market environment, interest income from the factoring business, accounting for roughly 53% of total interest margin (62% in 2021), dropped by 9% y/y, basically driven by a smaller late-payment interest stream from legal action.

The overall P&L contribution as at 30 June 2022 from late-payment interest under legal action came to 6.8 million (12 million as at 30 June 2021).
Total late-payment interest under legal action accrued as at 30 June 2022, and relevant to the accrual model, came in at 100.7 million (178.9 million when including municipalities under conservatorship, against which no late-payment interest is accrued), while receivables already on the books totaled 52.6 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 0.1%, is below the full-year 2021 cost level (0.4%). Interest expense declined by 36% y/y, also due to the repayment of the bond which was still outstanding on 30 June 2021 and to the lower cost of checking and deposit accounts.

Net fees and commissions, amounting to 7 million, declined y/y (7.8 million as at 30 June 2021), due to the increase in CQ commission expense and the smaller contribution from factoring net commissions, partially compensated for by the greater contribution from pawn loans commission income.

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 remained stable year on year, while for pawn loans it has increased.

As at 30 June 2022, total income was affected by the decline in proprietary trading income compared to the previous year (2.8 million), as was already reported in Q1. As usual, factoring receivables and CQ loan portfolios were sold also in H1 2022, generating a revenue of 1.3 million and 1.5 million, respectively (line-item 100.a of the Income Statement), on the rise y/y.

Total income stood at 54.8 million, up by 9% y/y, reporting an improvement of the y/y dynamic over the first quarter of 2022, thanks to the increase in NII.

As at 30 June 2022, **loan loss provisions** added up to 5 million, declining sharply y/y (7.8 million). The cost of risk tied to customer loans came in at 36bps.

The Group's **headcount** (FTE) came to 280, slightly up compared to the 275 resources reported in the same period of 2021.
Personnel expenses were stable y/y, and they include the release of the undistributed 2021 bonus of about 1 million. **Other administrative expenses** decreased y/y.
Total operating costs increased by 3% y/y, mainly driven by the dynamic of the line-item Provisions for Risk and Charges.

Net income before tax as at 30 June 2022 added up to 18.3 million, up by 50% y/y.

<u>Key balance sheet items as at 30 June 2022</u>

The **securities portfolio,** made up of Italian government bonds, amounted to 642.7 million (of which 75.1 million are classified under the line-item "Financial assets measured at amortized cost", down compared to both year-end 2021 and 31 March 2022), with an average time to maturity of 33.5 months. The "Held to Collect and Sell" (HTCS) component, amounting to 567.6 million as at 30 June 2022, went up compared to 31 December 2021 (445.8 million), while it slipped slightly down compared to 31 March 2022 (580.7 million), with an average time to maturity of about 31.2 months.
Financial assets measured at amortized cost (3,048 million), mainly represented by factoring receivables (1,679 million), increased by 9% compared to 31 December 2021 and inched up compared to 31 March 2022, and include also CQ loans (salary- and pension-backed loans), part of the securities portfolio and 98 million of pawn loans (on a stable quarterly upward trend). More specifically, the aforementioned CQ loans added up to 966 million (932 million as at 31 December 2021).

The **gross non-performing loan** stock came in at 291.2 million, down compared to 31 December 2021 (315.1 million) and 31 March 2022 (319.5 million). The quarterly decline was mainly driven by the lower amount of past due loans, at 77. 5 million, down by 24% compared to 31 March 2022 (101.6 million) and by 29% compared to 31 December 2022 (108.6 million).

Retail deposits accounted for approx. 66% 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 (3,404million)**, **Due to banks** went up compared to 31 December 2021 (614 million vs 592 million as at 31.12.2021) and nudged slightly higher compared to 31 March 2022, in both cases driven by the greater contribution from the interbank component.
Under Financial liabilities measured at amortized cost, **Due to customers** went up compared to year-end 2021 and down compared to 31 March 2022, the latter mainly due to the negative dynamic of repurchase agreements, tied to the decrease in the Italian government bond portfolio, not fully compensated for by the increase in deposit accounts (as at 30 June 2022 at 1,636 million from 1,387 million as at 31 December 2021).
Debt securities (323 million) increased compared to 31 December 2021 and 31 March 2022, driven by the greater use of structured finance transactions as funding source, which includes both ABS (represented by CQ loan) and tax receivables securitizations.

Total own funds (Total Capital) under the transitional criteria, in application of art. 468 of the CRR, added up to 221.9 million as at 30 June 2022 (CET1 of 176.3 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). The related **capital ratios**[1] as at 30 June 2022 were:

- **CET1 ratio 13.0%**;
- **TIER 1 ratio 16.3%**;
- **Total Capital ratio 16.4%**.

As at 30 June 2022, **capital ratios**[2], without the aforementioned application of art. 468 of the CRR, mentioned above, which will remain in force at least until 31 December 2022, would in any case increase compared to 31 March 2022 and would amount to:

- CET1 ratio 12,5% (11.9% as at 31 March 2022);
- TIER 1 ratio 15,9% (15.0% as at 31 March 2022);
- Total Capital ratio 15.9% (15,0% as at 31 March 2022).

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In today's meeting, the Board of Directors has also approved Gruppo Banca Sistema's sustainability report for 2021 prepared on a voluntary basis.

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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 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.

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%.

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.

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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 280 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 30 June 2021 has been restated.

- Consolidated balance sheet
- Consolidated income statement
- Asset quality

BANCA SISTEMA GROUP: CONSOLIDATED BALANCE SHEET

Figures in thousands of Euro

		30.06.2022 A	31.03.2022	31.12.2021 B	Difference %
	ASSETS				
10.	Cash and cash equivalents	69,952	219,590	175,835	-60%
30.	Financial assets held to collect and sell (HTCS)	572,998	586,127	451,261	27%
40.	Financial assets held to collect (HTC)	3,048,178	3,074,580	2,954,174	3%
	a) Loans and advances to banks	23,608	29,394	33,411	-29%
	b) Loans and advances to customers	3,024,570	3,045,186	2,920,763	4%
	of which: Factoring	*1,678,693*	*1,632,196*	*1,541,687*	*9%*
	of which: Salary/pension-backed loans (CQS/CQP)	*965,819*	*918,755*	*931,767*	*4%*
	of which: SMEs State guaranteed loans	*187,737*	*178,574*	*160,075*	*17%*
	of which: Collateralised loans	*97,804*	*92,265*	*90,030*	*9%*
	of which: Securities	*75,048*	*184,531*	*184,042*	*-59%*
70.	Equity investments	957	965	1,002	-4%
90.	Property, plant and equipment	42,847	41,034	40,780	5%
100.	Intangible assets	33,078	33,156	33,125	nm
	of which: goodwill	*32,355*	*32,355*	*32,355*	*nm*
110.	Tax assets	18,530	15,753	12,840	44%
120.	Non-current assets and disposal groups classified as held for sale	43	43	68	-37%
130.	Other assets	69,980	43,694	39,806	76%
	Total assets	**4,044,300**	**4,193,516**	**3,868,966**	**5%**
	LIABILITIES AND EQUITY				
10.	Financial liabilities at amortised cost	3,404,243	3,578,016	3,257,401	5%
	a) Due to banks	614,461	601,329	592,157	4%
	b) Due to customers	2,467,157	2,802,091	2,472,054	0%
	of which: Term Deposits	*1,636,049*	*1,384,496*	*1,387,416*	*18%*
	of which: Current Accounts	*560,734*	*794,249*	*775,096*	*-28%*
	c) Debt securities issued	322,625	174,596	193,190	67%
60.	Tax liabilities	17,210	15,469	14,981	15%
70.	Liabilities associated with non-current assets held for sale and discontinued operations	16	17	18	-11%
80.	Other liabilities	143,546	122,949	137,995	4%
90.	Post-employment benefits	4,038	4,173	4,310	-6%
100.	Provisions for risks and charges:	31,229	29,912	28,654	9%
140.	Equity instruments	45,500	45,500	45,500	0%
120. + 150. + 160.+170. +180.	Share capital, share premiums, reserves, equity instruments, valuation reserves and treasury shares	188,753	204,815	187,212	1%
190.	Minority interests	9,823	9,708	9,569	3%
200.	Profit for the period	12,205	4,383	23,251	-48%
	Total liabilities and equity	**6,053,346**	**6,193,687**	**5,871,403**	**3%**

BANCA SISTEMA GROUP: INCOME STATEMENT

Figures in thousands of Euro

		1H 2022 A	1Q 2022	2Q 2021	1H 2021 A	1Q 2021	2Q 2021	Difference % A - B
10.	Interest income	50.558	23.605	26.953	47.721	24.241	23.480	6%
20.	Interest expenses	(5.912)	(2.942)	(2.970)	(9.216)	(4.974)	(4.242)	-36%
30.	**Net interest income**	**44.646**	**20.663**	**23.983**	**38.505**	**19.267**	**19.238**	**16%**
40.	Fee and commission income	15.744	7.526	8.218	11.937	5.940	5.997	32%
50.	Fee and commission expense	(8.788)	(3.833)	(4.955)	(4.089)	(1.916)	(2.173)	nm
60.	**Net fee and commission income**	**6.956**	**3.693**	**3.263**	**7.848**	**4.024**	**3.824**	**-11%**
80.	Net income from trading	(1.201)	1	(1.202)	21	5	16	nm
100.	Profits (Losses) on disposal or repurchase of:	4.137	331	3.806	3.714	2.689	1.025	11%
	a) financial assets measured at amortised cost	3.051	316	2.735	1.364	746	618	ns
	b) financial assets measured at fair value through other comprehensive income	1.086	15	1.071	2.350	1.943	407	-54%
120.	**Operating income**	**54.765**	**24.688**	**30.077**	**50.315**	**25.985**	**24.330**	**9%**
130.	Net impairment losses on loans	(5.056)	(2.307)	(2.749)	(7.831)	(4.103)	(3.728)	-35%
150.	**Net operating income**	**49.709**	**22.381**	**27.328**	**42.484**	**21.882**	**20.602**	**17%**
190. a)	Staff costs	(14.330)	(6.588)	(7.742)	(14.304)	(6.920)	(7.384)	0%
190. b)	Other administrative expenses	(15.463)	(8.318)	(7.145)	(15.951)	(8.621)	(7.330)	-3%
200.	Net allowance for risks and charges	(1.053)	(539)	(514)	(26)	(1)	(25)	nm
210. + 220.	Net impairment losses on property and intangible assets	(1.499)	(725)	(774)	(1.376)	(658)	(718)	9%
230.	Other net operating income/expense	1.013	515	498	1.375	852	523	-26%
240.	**Operating expenses**	**(31.332)**	**(15.655)**	**(15.677)**	**(30.282)**	**(15.348)**	**(14.934)**	**3%**
290.	**Pre-tax profit from continuing operations**	**18.326**	**6.690**	**11.636**	**12.217**	**6.544**	**5.673**	**50%**
300.	Tax expenses (income) for the period from continuing operations	(5.850)	(2.143)	(3.707)	(3.634)	(2.053)	(1.581)	61%
310.	**Profit after tax from continuing operations**	**12.476**	**4.547**	**7.929**	**8.583**	**4.491**	**4.092**	**45%**
320.	Profit (Loss) after tax from discontinued operations	(23)	(24)	1	-	-	-	nm
330.	**Profit for the period**	**12.453**	**4.523**	**7.930**	**8.583**	**4.491**	**4.092**	**45%**
340.	Profit for the period attributable to the Minority interests	(248)	**(140)**	(108)	**(93)**	(29)	(64)	nm
350.	**Profit for the period attributable to the shareholders of the Parent**	**12.205**	**4.383**	**7.822**	**8.490**	**4.462**	**4.028**	**44%**

BANCA SISTEMA

BANCA SISTEMA GROUP: ASSET QUALITY

Figures in thousands of Euro

30.06.2022	Gross exposure	Impairment losses	Net exposure
Gross Non Performing Exposures	**291,177**	**61,581**	**229,596**
Bad loans	*166,825*	*47,758*	*119,067*
Unlikely to pay	*46,845*	*13,201*	*33,644*
Past-dues	*77,507*	*622*	*76,885*
Performing Exposures	**2,727,798**	**7,872**	**2,719,926**
Total Loans and advances to customers	**3,018,975**	**69,453**	**2,949,522**

31.03.2022	Gross exposure	Impairment losses	Net exposure
Gross Non Performing Exposures	**319,479**	**61,959**	**257,520**
Bad loans	*169,060*	*48,922*	*120,138*
Unlikely to pay	*48,816*	*12,384*	*36,432*
Past-dues	*101,603*	*653*	*100,950*
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**
Bad loans	*169,099*	*47,554*	*121,545*
Unlikely to pay	*37,374*	*11,374*	*26,000*
Past-dues	*108,598*	*591*	*108,007*
Performing Exposures	**2,487,995**	**6,825**	**2,481,170**
Total Loans and advances to customers	**2,803,066**	**66,344**	**2,736,722**