

## **BANCA SISTEMA: OUTCOME OF APPEAL TO THE EUROPEAN COURT OF HUMAN RIGHTS FOLLOWING THE FAILURE OF A FINANCIALLY FAILING LOCAL AUTHORITY TO PAY THE BANK'S CLAIM**

Milan, 16<sup>th</sup> January 2025

Banca Sistema S.p.A. (the '**Bank**') announces that the European Court of Human Rights (the '**Court**') published today the judgment (the '**Judgment**') in the case brought in 2023 by the law firm Ontier Italia on behalf of the Bank and aimed at having the Court find that the Convention for the Protection of Human Rights and Fundamental Freedoms (the '**Convention**') has been violated.

The alleged breaches stemmed from the non-fulfilment by a failing territorial entity (the '**Territorial Entity**') of payment obligations recognised (also) in final court orders and dating back in time, obtained in the amount of more than EUR 61 million in principal, plus late payment interests (estimated, as at 31 December 2024, at EUR 43.7 million) and legal costs.

In the Judgment, the Court (inter alia) expressly stated '*that the respondent State shall, within three months, ensure by appropriate measures the execution of the outstanding domestic judicial measures set out in the table [therein] annexed*'<sup>1</sup>.

The judgment was rendered in the context of the Court's well-established jurisprudence. On the basis of national legislation, the Italian State, once the payment has been made in favour of the Bank, may act in recourse against the original debtor.

On the basis of the latest approved financial statements, since the Territorial Entity is one of the so-called 'Municipalities in conservatorship', the above-mentioned exposure is classified as non-performing, with a consequent weighting of 150%. A value adjustment of about €8 million exists on this exposure. Late payment interests are not recognised in the Bank's balance sheet.

In this context, it should be noted that, to date, the Bank has brought to the Court actions similar to the one defined in the Judgment, which see as the original defaulting debtor entities all traceable to the Public Administration (including other municipalities in conservatorship), for a total amount of a further EUR 27 million in principal, which have produced late payment interests, estimated at around EUR 19 million as at 31 December 2024.

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<sup>1</sup>Original text in French language: "*Dit que l'État défendeur doit, dans les trois mois, assurer par des moyens appropriés l'exécution des décisions de justice internes encore pendantes visées dans le tableau joint en annexe*"

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