PRESS RELEASE

BANCA SISTEMA: APPROVED RESULTS AS AT 31 MARCH 2024

- ***Business performance: the quarter is in line with 2023, with factoring and pawn loans performing well***
  - **Factoring** turnover: €1,368 million, +28% y/y
  - **Pawn loans:** €123 million, +12% y/y
  - **CQ** loans: €801 million, -11% y/y

- ***Operating trends: net income on the rise y/y, driven by solid business operations and stable costs y/y***
  - **Adjusted net interest income**[1]: €16.1 million, -22% y/y
  - **Total income**: €26.8 million, +6% y/y
  - **Total operating costs**: €18.5 million, stable y/y
  - **Loan loss provisions:** €1.4 million (€1.0 million in Q1 2023)
  - **Net income before tax:** € 7.0 million, +19% y/y (**Net income**: **€4.1 million**)

- ***Solid capital position and liquidity: CET1 ratio ca. 300bps above SREP***
  - The Retail component accounts for 76% of total funding (50% in Q1 2023)
  - **CET1 ratio at 12.7%, Total Capital ratio at 15.8%,** +64bps and +51bps, respectively y/y
  - **LCR and NSFR** well above regulatory thresholds

Milan, 10 May 2024

The Board of Directors of Banca Sistema has approved the consolidated financial statements as at 31 March 2024, reporting a **net income** of €4.1 million, as compared to €3.7 million in the same period of 2023.

Business Performance

The **factoring** business line reported a solid growth, posting a turnover of €1,368 million, corresponding to a growth rate of +28% y/y.

On 31 March 2024, outstanding **factoring** receivables stood at €1,808 million, up from €1,576 million on 31 March 2023, down when compared to 31 December 2023 (€2,117 million), as a result of the progressive collections also tied to certain short-duration big tickets originated in Q4 2023.

[1] Adjusted net interest income includes superbonus trading revenues that come with a funding cost

Non-recourse factoring, accounting for 79% of outstanding receivables under management accounts[2], included tax receivables (11% of total receivables, vs. 13% on 31.03.2023).

As to the **CQ** business line, the Group granted loans for €56 million (financed amount), up by +51% y/y (€37 million on 31.03.2023), exclusively originated by the Direct channel (*QuintoPuoi*).
The loan stock on 31 March 2024 totaled €801 million, down by -11% y/y (€903 million), while it remained stable compared to 31 December 2023 (€799 million).

On 31 March 2024, **pawn loans** stood at 123 million, up by +12% y/y and slightly on the rise q/q (€121 million).

Operating results as at 31 March 2024

Net interest income was down year on year (-€8.8 million), and was affected by the increase in income expense, driven by the interest rate hikes implemented by the ECB in 2023 (€-16.9 million), that was only partly offset by the increase in the interest income stream from factoring (€+6.6 million y/y), SMEs guaranteed loans (€+2.8 million), and c/a and banks (€+3.7 million); the securities portfolio and CQ loans reported a y/y decline of €-5.1 million and €-0.7 million, respectively.
The adjusted net interest income (Net interest income + Trading superbonus) shows a more moderate decline thanks to €4.4 million revenues linked to trading on superbonus.
Part of the NII decline was driven also by the distribution of products featuring a greater commission component, which made it possible to recover part of the NII dip through the recognition of more commissions.
On 31 March 2024, the overall P&L contribution of LPI under legal actions came to €13.3 million, up by +21% y/y, driven by an increased recovery and a larger accrual component.
Total late-payment interest under legal action on 31 March 2024, and relevant to the accrual model, came in at €156 million (€244 million when including arrears of municipalities under conservatorship, against which no late-payment interest is accrued), while receivables already on the books totaled €90.8 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 confirmed to exceed 80%.

[2] Amounting to 1,956 million on 31.03.2024, 2,176 million on 31.12.2023 and 1,651 million on 31.3.2023.

The total cost of funding, at 3.6%, is on the rise (on 31.12.2023 it came in at 2.8%), in line with expectations. The cost of the wholesale component exceeds the cost of the retail one by about +50bps.
Net fees and commissions, amounting to €8.6 million, rose by 88% y/y (€4.6 million on 31 March 2023), mainly driven by the factoring component, which benefitted from the sale of commission—based products (monthly commissions). CQ (+€0.2 million) and pawn loans (+€0.7 million) commissions also reported a good performance.

Total income, amounting to €26.8 million, increased by 6% y/y, driven among other things by higher gains from treasury and loan disposals, adding up to +€2.0 million y/y.

As to the performance of the single businesses, the ratio of total revenues from factoring + superbonus to average loans and receivables reported a profitability increase to 7.0% (+143bps y/y) or 6.9% ex trading superbonus. For CQ loans the ratio of interest income to average loans stood at 2.3% (flat y/y), while a sharp increase was reported for pawn loans, to 21.6% (+292bps y/y) and State-guaranteed loans, to 8.1% (+190bps y/y).

On 31 March 2024, **loan loss provisions** added up to €1.4 million, (€1.0 million on 31 March 2023). The cost of risk came in at 17bps.

The Group's **headcount** (FTE) added up to 302, up from 291 on 31.03.2023, and is equally distributed across all the divisions.

The increase in **personnel expenses** (+8% y/y) was driven by both the increase in FTE and by the cost hike following the renewal of the banking national labor contract.
Other administrative expenses dropped by 3% y/y, as no more contributions are due to the Single Resolution Fund. Net of this effect, expenses would rise by +22% y/y, driven among other things by higher advisory costs tied to the IPO of Kruso Kapital (finalized in January 2024) and to the new strategic plan (to be approved on 20 May), as well as by higher lending costs (origination and collection).
The aggregate line-item **total operating costs** remained basically flat y/y, as a result of the cancellation of the resolution fund provision mentioned above (€-1.9 million in Q1 2023).

On 31 March 2024, **net income before tax** added up to €7.0 million, up by 19% y/y, while **net income** came in at €4.1 million (+11% y/y).

Key balance sheet items as at 31 March 2024

The **securities portfolio** included Italian Government bonds amounting to €817 million, of which €756 million classified as HTCS and €61 million as HTC, with an average duration of 11.5 months. The overall portfolio has slightly increased compared to 31.12.2023 (€647 million), with the HTCS sleeve standing at €586 million, and the HTC sleeve at € 61 million, with an average duration of 16.5 months.

Financial assets measured at amortized cost (€3,091 million) primarily included factoring receivables (€1,808 million), up by 15% y/y, salary- and pension-backed loans (CQS and CQP amounting to €801 million), down by -11% y/y, State-guaranteed loans to SMEs (€265 million), up by +40% y/y, and pawn loans totaling €123 million, up by +12% y/y.

The gross **non-performing loans** stock, at €286.8 million, went down compared to 31 December 2023 (€297.1 million), mainly driven by the decline in unlikely-to-pay loans (from €59.2 million to €51.1 million) and by past due loans (from € 64.2 million to €57.9 million). Finally, gross bad loans over the quarter rose from €173.8 million to €177.8 million.

In Q1 2024, **total funding** confirmed the trend followed in the previous quarters, with retail funding accounting for 76% of the aggregate amount (78% on 31.12.2023).

Under the line-item **Financial liabilities measured at amortized cost (€3,979 million)**, **Due to banks** dropped compared to 31 December 2023 (€397 million vs. €644 million) above all due to TLTRO early repayment (€195 million) which reduces the outstanding as of 31.03.2024 to €361 million, **Due to customers** (3,460 million) rose compared to year-end 2023 (€3,233 million), driven by the increase in term deposits (€2,708 million on 31.03.2024 compared to €2402 million on 31.12.2023) and repos (€362 million on 31.03.2024 compared to nil on 31.12.2023), which more than offset the decline reported in current accounts (€267 million on 31.03.2024 compared to €705 million on 31.12.2023).

Debt securities (€122 million) declined compared to 31 December 2023 (€165 million), due to a lower use of structured finance transactions as a funding source.

On 31 March 2024, **Total own funds** (Total Capital) added up to €233 million (€230 million on 31 December 2023), and in addition to the net income for the period (net of total estimated dividends), it

included the equity reserve for "Financial assets at fair value through other comprehensive income" (HTCS), in particular on Italian government bonds[3].

Capital ratios[4], that remained stable versus the comparable data as at 31 December 2023, in spite of the increase in RWA (€1,476 million on 31.03.2024 compared to €1,428 million on 31.12.2023), stood at:

- **CET1 ratio 12.7%**;
- **TIER 1 ratio 15.7%**;
- **Total Capital ratio 15.8%**.

The European Parliament has approved the new CRR regulation which is awaiting publication in the Official Gazette and which provides for the sterilization of HTCS reserves for capital ratios purposes. The proforma capital ratios as of 31.03.2024 would be following:

- **CET1 ratio 13.4%**;
- **TIER 1 ratio 16.4%**;
- **Total Capital ratio 16.5%**.

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Statement of the financial reporting officer

The financial reporting officer, 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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[3]The equity reserve for "Financial assets at fair value through other comprehensive income" (HTCS), in particular on Italian Government bonds, amounted to -15.8 million (-17.6 million on 31 December 2023).

[4]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 31 December 2023:

- Common Equity Tier 1 ratio (CET1 ratio) of 9.4%;
- Tier 1 ratio of 10.9%;
- Total capital ratio of 12.9%.

Operating outlook and main risks and uncertainties

A progressive increase in the cost of funding is expected also in 2024, in continuity with the trend witnessed in the prior quarters, driven by the interest rate rise and also by a repositioning on more stable and/or longer-term funding sources. While the newly originated business of the Group divisions will be able to translate their respective higher cost of funding into a greater profitability of booked loans, the legacy CQ loans stock, due to the longer-term maturity, will continue to be negatively affected by the (fixed rate) interest income of loans originated in past years, which was bell below the current market rates. In spite of the fact that the CQ business is benefitting from a higher return from newly originated loans, still the relative size of the legacy portfolio is such, that the contribution of this business line to total income in 2024 is expected to remain in negative territory. The new Strategic Plan is being completed and will be presented to the Financial community on 20 May 2024.

Attachments

- Consolidated balance sheet
- Consolidated income statement
- Restated Consolidated income statement
- Asset quality

BANCA SISTEMA GROUP: CONSOLIDATED BALANCE SHEET

Figures in thousands of Euro

		31.03.2024 A	31.12.2023 B	31.03.2023	Difference A - B	Difference % A - B
	ASSETS					
10	Cash and cash equivalents	246,124	250,496	53,068	(4,372)	-8%
30	Financial assets held to collect and sell (HTCS)	753,574	576,002	562,978	177,572	32%
40	Financial assets held to collect (HTC)	3,091,206	3,396,281	3,597,864	(305,075)	-8%
	a) Loans and advances to banks	1,074	926	17,310	148	1%
	b) Loans and advances to customers	3,090,132	3,395,355	3,580,554	(305,223)	-9%
	of which: Factoring	*1,807,782*	*2,117,279*	*1,575,787*	*(309,497)*	*-20%*
	of which: Salary-/pension-backed loans (CQS/CQP)	*801,469*	*798,695*	*902,957*	*2,774*	*0%*
	of which: Collateralised loans	*122,559*	*121,315*	*109,341*	*1,244*	*1%*
	of which: Securities	*61,101*	*61,105*	*685,687*	*(4)*	*0%*
60	Fair value change of financial assets in hedged portfolios (+/-)	2,132	3,651	1,241	(1,519)	nm
70	Equity investments	1,020	995	960	25	3%
90	Property, plant and equipment	40,307	40,659	42,284	(352)	-1%
100	Intangible assets	35,729	35,449	34,517	280	1%
	of which: goodwill	*33,526*	*33,526*	*33,526*	-	*0%*
110	Tax assets	34,922	25,211	35,116	9,711	28%
120	Non-current assets and disposal groups classified as held for sale	69	64	41	5	12%
130	Other assets	316,932	243,592	63,319	73,340	116%
	Total assets	**4,522,015**	**4,572,400**	**4,391,388**	**(50,385)**	**-1%**
	LIABILITIES AND EQUITY					
10	Financial liabilities at amortised cost	3,978,651	4,042,105	3,874,634	(63,454)	-2%
	a) Due to banks	396,846	644,263	930,511	(247,417)	-27%
	b) Due to customers	3,460,170	3,232,767	2,828,666	227,403	8%
	of which: Term Deposits	*2,708,052*	*2,402,002*	*1,444,282*	*306,050*	*21%*
	of which: Currents Accounts	*267,486*	*704,579*	*437,649*	*(437,093)*	*-100%*
	c) Debt securities issued	121,635	165,075	115,457	(43,440)	-38%
40	Hedging derivatives	2,140	3,646	1,234	(1,506)	nm
60	Tax liabilities	27,675	24,816	19,542	2,859	15%
70	Liabilities associated with non-current assets held for sale and discontinued operations	42	37	13	5	38%
80	Other liabilities	184,400	181,902	190,928	2,498	1%
90	Post-employment benefits	4,731	4,709	4,317	22	1%
100	Provisions for risks and charges:	38,932	37,836	37,700	1,096	3%
140	Equity instruments	45,500	45,500	45,500	-	0%
120 + 150 + 160 + 170 + 180	Share capital, share premiums, reserves, valuation reserves and treasury shares	222,022	204,710	203,652	17,312	9%
190	Minority interests	13,778	10,633	10,149	3,145	31%
200	Profit for the period	4,144	16,506	3,719	(12,362)	nm
	Total liabilities and equity	**4,522,015**	**4,572,400**	**4,391,388**	**(50,385)**	**-1%**

BANCA SISTEMA GROUP: CONSOLIDATED INCOME STATEMENT

Figures in thousands of Euro

		31.03.2024 A	31.03.2023 B	Difference A - B	Difference % A - B
10	Interest income	48,207	40,103	8,104	20%
20	Interest expenses	(36,408)	(19,460)	(16,948)	87%
30	**Net interest income**	**11,799**	**20,643**	**(8,844)**	**-43%**
40	Fee and commission income	14,031	7,675	6,356	83%
50	Fee and commission expense	(5,419)	(3,088)	(2,331)	75%
60	**Net fee and commission income**	**8,612**	**4,587**	**4,025**	**88%**
80	Net income from trading	4,810	(250)	5,060	nm
90	Fair value adjustments in hedge accounting	(7)	7	(14)	nm
100	Profits (Losses) on disposal or repurchase of:	1,605	323	1,282	nm
	a) financial assets measured at amortised cost	930	200	730	nm
	b) financial assets measured at fair value through other comprehensive income	675	123	552	nm
120	**Operating income**	**26,819**	**25,310**	**1,509**	**6%**
130	Net impairment losses on loans	(1,379)	(1,046)	(333)	32%
140	Profits (Losses) on changes in contracts without derecognition	(2)	-	(2)	nm
150	**Net operating income**	**25,438**	**24,264**	**1,174**	**5%**
190 a)	Staff costs	(8,119)	(7,492)	(627)	8%
190 b)	Other administrative expenses	(8,723)	(9,030)	307	-3%
200	Net allowance for risks and charges	(1,310)	(1,494)	184	-12%
210 + 220	Net impairment losses on property and intangible assets	(777)	(763)	(14)	2%
230	Other net operating income/expense	463	399	64	16%
240	**Operating expenses**	**(18,466)**	**(18,380)**	**(86)**	**0%**
250	Profits of equity-accounted investees	25	(10)	35	nm
290	**Pre-tax profit from continuing operations**	**6,997**	**5,874**	**1,123**	**19%**
300	Tax expenses (income) for the period from continuing operations	(2,615)	(2,041)	(574)	28%
310	**Profit after tax from continuing operations**	**4,382**	**3,833**	**549**	**14%**
330	**Profit for the period**	**4,382**	**3,833**	**549**	**14%**
340	Profit for the period attributable to the Minority interests	(238)	(114)	(124)	nm
350	**Profit for the period attributable to the shareholders of the Parent**	**4,144**	**3,719**	**425**	**11%**

BANCA SISTEMA GROUP: RESTATED CONSOLIDATED INCOME STATEMENT

Figures in thousands of Euro

		31.03.2024 A	31.03.2023 B	Difference A - B	Difference % A - B
10	Interest income	48,207	40,103	8,104	20%
20	Interest expenses	(36,408)	(19,460)	(16,948)	87%
30	**Net interest income**	**11,799**	**20,643**	**(8,844)**	**-43%**
	Net income from Superbonus trading	4,351	-	4,351	nm
	Net interest income adjusted	**16,150**	**-**	**16,150**	**nm**
40	Fee and commission income	14,031	7,675	6,356	83%
50	Fee and commission expense	(5,419)	(3,088)	(2,331)	75%
60	**Net fee and commission income**	**8,612**	**4,587**	**4,025**	**88%**
80	Net income from trading	459	(250)	709	nm
90	Fair value adjustments in hedge accounting	(7)	7	(14)	nm
100	Profits (Losses) on disposal or repurchase of:	1,605	323	1,282	nm
	a) financial assets measured at amortised cost	930	200	730	nm
	b) financial assets measured at fair value through other comprehensive income	675	123	552	nm
120	**Operating income**	**26,819**	**25,310**	**1,509**	**6%**
130	Net impairment losses on loans	(1,379)	(1,046)	(333)	32%
140	Profits (Losses) on changes in contracts without derecognition	(2)	-	(2)	nm
150	**Net operating income**	**25,438**	**24,264**	**1,174**	**5%**
190 a)	Staff costs	(8,119)	(7,492)	(627)	8%
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210 + 220	Net impairment losses on property and intangible assets	(777)	(763)	(14)	2%
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BANCA SISTEMA GROUP: ASSET QUALITY

Figures in thousands of Euro

31.03.2024	Gross exposure	Impairment losses	Net exposure
Gross Non Performing Exposures	**286,840**	**65,853**	**220,987**
Bad loans	*177,760*	*49,789*	*127,971*
Unlikely to pay	*51,140*	*14,907*	*36,233*
Past-dues	*57,940*	*1,157*	*56,783*
Performing Exposures	**2,814,181**	**6,137**	**2,808,044**
Total Loans and advances to customers	**3,101,021**	**71,990**	**3,029,031**

31.12.2023	Gross exposure	Impairment losses	Net exposure
Gross Non Performing Exposures	**297,115**	**65,359**	**231,756**
Bad loans	*173,767*	*49,119*	*124,648*
Unlikely to pay	*59,172*	*15,080*	*44,092*
Past-dues	*64,176*	*1,160*	*63,016*
Performing Exposures	**3,108,776**	**6,282**	**3,102,494**
Total Loans and advances to customers	**3,405,891**	**71,641**	**3,334,250**

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Banca Sistema Group

Founded in 2011 and listed on the Euronext Star Milan segment of the Italian Stock Exchange since 2015, Banca Sistema is a financial company specialising in the purchase of trade receivables from the PA and tax credits. The bank is active in the assignment of one fifth of salaries and pensions, both through the purchase of credit portfolios and the direct origination of the QuintoPuoi product. The bank is also active in financing products, including current accounts, deposit accounts and securities accounts, and offers other types of services such as securitisation servicing, credit management and recovery, guarantees and sureties, certification of PA credits and electronic invoicing. Kruso Kapital S.p.A., part of the Banca Sistema Group, is the first operator of a banking group operating both in the pawnbroking sector, through the ProntoPegno brand, and in the market of auction houses for precious metals, art objects and other collectables, through Art-Rite. With offices in Milan and Rome, the Banca Sistema Group is now also present in Bologna, Pisa, Naples, Palermo, Asti, Brescia, Civitavecchia, Florence, Livorno, Mestre, Parma, Rimini and Turin in Italy, as well as in Spain and Greece. It has over 100,000 customers and employs 299 people in a multi-channel structure.