



**INTERIM CONSOLIDATED  
FINANCIAL REPORT  
AT 30 SEPTEMBER 2021**

**BANCA**  
SISTEMA



**Banca SISTEMA Group**

**INTERIM CONSOLIDATED**

**FINANCIAL REPORT**

**AT 30 SEPTEMBER 2021**

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SISTEMA



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## DIRECTORS' REPORT

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## COMPOSITION OF THE PARENT'S MANAGEMENT BODIES

### Board of Directors

|                         |     |   |
|-------------------------|-----|---|
| Chairperson             | Ms. | Luitgard Spögl                                |
| Deputy Chairperson      | Mr. | Giovanni Puglisi ( <i>Independent</i> )       |
| CEO and General Manager | Mr. | Gianluca Garbi                                |
| Directors               | Mr. | Daniele Pittatore ( <i>Independent</i> )      |
|                         | Ms. | Carlotta De Franceschi ( <i>Independent</i> ) |
|                         | Mr. | Marco Giovannini ( <i>Independent</i> )       |
|                         | Mr. | Daniele Bonvicini ( <i>Independent</i> )      |
|                         | Ms. | Maria Leddi ( <i>Independent</i> )            |
|                         | Ms. | Francesca Granata ( <i>Independent</i> )      |

### Board of Statutory Auditors

|                    |     |                    |
|--------------------|-----|--------------------|
| Chairperson        | Mr. | Massimo Conigliaro |
| Standing Auditors  | Ms. | Lucia Abati        |
|                    | Mr. | Marziano Viozzi    |
| Alternate Auditors | Mr. | Marco Armarolli    |
|                    | Ms. | Daniela D'Ignazio  |

### Independent Auditors

BDO Italia S.p.A.

### Manager in charge of financial reporting

Mr. Alexander Muz

## COMPOSITION OF THE INTERNAL COMMITTEES

### **Internal Control and Risk Management Committee**

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|             |     |                   |
|-------------|-----|-------------------|
| Chairperson | Mr. | Daniele Bonvicini |
| Members     | Ms. | Maria Leddi       |
|             | Mr. | Marco Giovannini  |
|             | Mr. | Daniele Pittatore |

### **Appointments Committee**

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|             |     |                        |
|-------------|-----|------------------------|
| Chairperson | Ms. | Carlotta De Franceschi |
| Members     | Ms. | Francesca Granata      |
|             | Ms. | Luitgard Spögler       |

### **Remuneration Committee**

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|             |     |                   |
|-------------|-----|-------------------|
| Chairperson | Mr. | Marco Giovannini  |
| Members     | Mr. | Giovanni Puglisi  |
|             | Ms. | Francesca Granata |

### **Ethics Committee**

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|             |     |                        |
|-------------|-----|------------------------|
| Chairperson | Mr. | Giovanni Puglisi       |
| Members     | Ms. | Maria Leddi            |
|             | Ms. | Carlotta De Franceschi |

### **Supervisory Body**

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|             |     |                    |
|-------------|-----|--------------------|
| Chairperson | Mr. | Massimo Conigliaro |
| Members     | Mr. | Daniele Pittatore  |
|             | Mr. | Franco Pozzi       |

## FINANCIAL HIGHLIGHTS AT 30 SEPTEMBER 2021

| Statement of financial position data (€,000)                   |           |        |             |
|--|-----------|--------|-------------|
| Total Assets   | 3,476,167 | -5.3%  | 30 Sep 2021 |
|  | 3,671,371 |        |             |
| Securities Portfolio   | 638,184   | -27.4% | 31 Dec 2020 |
|  | 878,830   |        |             |
| Loans - Factoring  | 1,442,611 | -2.6%  | 30 Sep 2020 |
|  | 1,481,678 |        |             |
| Loans - Salary-backed loans                                    | 955,114   | 2.3%   |             |
|  | 933,873   |        |             |
| Funding - Banks and REPOS                                      | 808,384   | -26.8% |             |
|  | 1,104,878 |        |             |
| Funding - Term Deposits  | 1,256,479 | 3.3%   |             |
|  | 1,216,523 |        |             |
| Funding - Current Accounts                                     | 741,438   | 17.0%  |             |
|  | 633,548   |        |             |
| Income statement data (€,000)                                  |           |        |             |
| Net interest income  | 57,039    | 7.2%   |             |
|  | 53,232    |        |             |
| Net fee and commission income                                  | 11,925    | -0.1%  |             |
|  | 11,939    |        |             |
| Total Income   | 74,781    | 3.1%   |             |
|  | 72,537    |        |             |
| Personnel Expenses   | (21,292)  | 23.9%  |             |
|  | (17,188)  |        |             |
| Other administrative expenses                                  | (22,678)  | 16.2%  |             |
|  | (19,524)  |        |             |
| Profit for the period attributable to the owners of the Parent | 14,780    | -25.3% |             |
|  | 19,790    |        |             |

## SIGNIFICANT EVENTS FROM 1 JANUARY TO 30 SEPTEMBER 2021

With reference to the continuing Covid-19 emergency, the Group, which immediately implemented the remote working arrangements when the emergency began, continues to engage in on-going communication initiatives with employees at Group level to ensure continuity in the flow of information, the level of listening, and the sharing of corporate objectives and strategies.

As already reported in previous quarters, on 25 March 2021, the Banca Sistema Group's 2021-2023 strategic plan was approved. The plan is based on the Group's ability to consolidate and further grow the market position it has achieved in the 10 years since its establishment in the three businesses in which it operates. The plan foresees achieving the following by the end of 2023:

- Factoring: growth in lending to € 2.6 billion (2020-2023 CAGR: +20%) and volumes up to € 4.8 billion (2020-2023 CAGR: +16%);
- Salary- and Pension-Backed Loans: growth in lending of € 1.3 billion (2020-2023 CAGR: +11%);
- Collateralised lending: growth in lending to € 150 million (2020-2023 CAGR: +23%).

The Strategic Plan includes the implementation of new initiatives, including the development of digital tools, which will allow the Group to further grow and excel in terms of operational efficiency, and diversify its offering and accessibility to customers and agents/brokers. By 2023, RoTE is expected to be > 16% and the CET1 ratio > 12%.

At 30 September, the Bank granted 49 state-guaranteed loans to its factoring customers for a total of € 130.9 million. As at the same date, other loans of the same type were being evaluated.

With reference to the moratoria on existing loans, the Bank has carefully considered measures for suspending payment terms. As at 30 September 2021, there were 19 active moratoria totalling € 7.9 million.

On 2 April, a copy of the current Articles of Association, following the entry into force of the amendments to

Article 10 thereof introduced by the Extraordinary Shareholders' Meeting of 23 April and 27 November 2020, was made available to the public at the registered office, on the Banca Sistema website and also on the authorised storage mechanism at the website [www.1info.it](http://www.1info.it). The current Articles of Association were registered with the Milan Companies' Register on 30 March 2021.

On 30 April 2021, the Ordinary Shareholders' Meeting of Banca Sistema resolved to approve the financial statements at 31 December 2020, as well as the Board's resolution on the allocation of the profit for 2020. In this regard, the Shareholders' Meeting resolved to postpone the payment of the dividends from the profits for 2019 and 2020, amounting to a total of € 13,912,842 or € 0.173 per ordinary share, until after 30 September 2021, granting the Board of Directors with the mandate to implement the resolution, if, before that date, the Supervisory Authority has not issued regulatory provisions that prevent the payment of those dividends. The Bank's Board of Directors, in execution of the resolutions approved by the Shareholders' Meeting, the last of which was held on 30 April 2021, resolved to pay out dividends from the earnings generated in the 2019 and 2020 financial years amounting to € 13,912,842 or € 0.173 per ordinary share on 10 November 2021, with an ex-dividend date of 8 November 2021 (coupon no. 8).

The Shareholders' Meeting also resolved to submit a request to the Bank of Italy for authorisation to repurchase treasury shares to be used for the variable remuneration of specific corporate personnel up to a maximum amount of € 2,810,000, and to purchase fully paid-up ordinary treasury shares of the Company having a nominal amount of € 0.12 (zero point twelve) each, for the authorised maximum amount of € 2,810,000, as indicated above, and in any case in compliance with the limit of one fifth of the share capital.

On the same date, the Ordinary Shareholders' Meeting of Banca Sistema also resolved to appoint the Board

of Directors for the 2021-2022-2023 financial years. Following the renewal, the Board of Directors resolved to confirm Luitgard Spögler as Chairperson of the Board of Directors and to confirm Gianluca Garbi as CEO of the Bank, conferring on him the necessary operational powers.

On 7 May, the Board of Directors approved the appointment of Giovanni Puglisi as Deputy Chairperson, while on 24 May, after verifying that the requirements and criteria envisaged by current legislation were met, it approved the composition of the following committees: Internal Control and Risk Management Committee, Appointments Committee, Remuneration Committee and Ethics Committee.

On 25 June 2021, Banca Sistema completed a simultaneous transaction that involved the early repayment of two subordinated Tier 2 bonds and the issuance, for the same amount of € 37.5 million, of a subordinated Additional Tier 1 (AT1) bond.

Specifically, partly as a result of regulatory changes, Banca Sistema was authorised by the Bank of Italy to proceed with the early repayment of the following

subordinated Tier 2 bonds:

- '2017 - 2027', with a variable rate (equal to the 6-month EURIBOR + 4.5%), for a total of € 19.5 million;
- '2019 - 2029', with a fixed rate (equal to 7% per annum), for a total of € 18 million; and seamlessly issued and placed a subordinated AT1 loan for a total of € 37.5 million.

The new perpetual issuance gives Banca Sistema the option, if the conditions set out in the CRR are met, to repay the loan early on the tenth year and on each subsequent repayment date as provided for in the contract. The AT1 bond, placed with institutional investors, has an annual fixed-rate coupon of 9% and all the characteristics required by the regulations for this type of instrument.

In a communication dated 5 March 2021, the Bank of Italy subjected Banca Sistema to an audit pursuant to Articles 54 and 68 of Legislative Decree No. 385/90, the results of which were communicated on 1 September 2021. Some of the Authority's requests have already been addressed during the inspection.

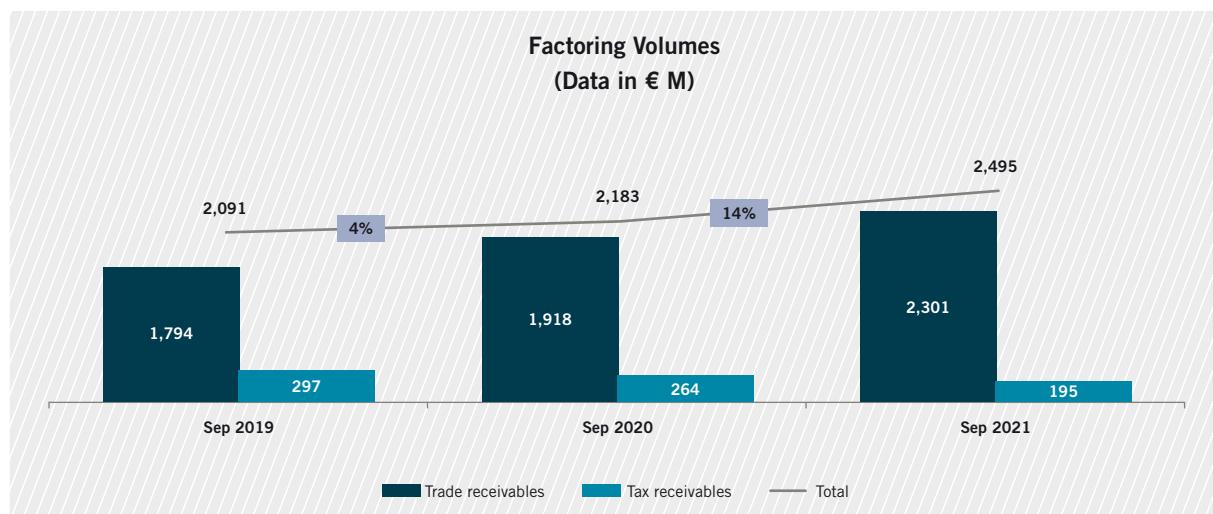
## FACTORING

### Banca Sistema and factoring activities

Volumes in September 2021 increased by 14% year on year. Factoring turnover rose to € 2,495 million in the first nine months of 2021.

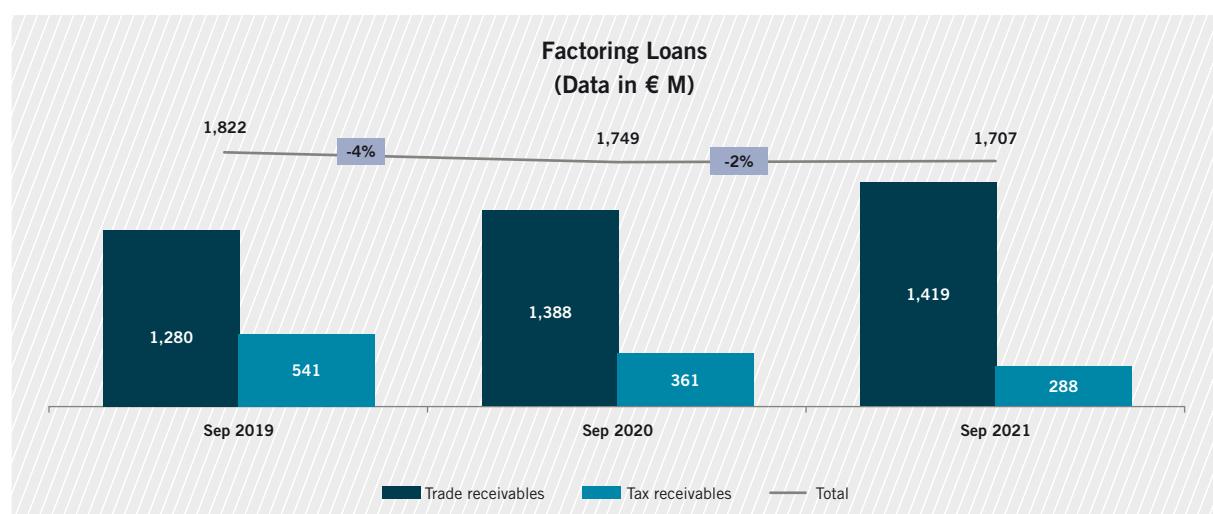
The Bank continues to demonstrate its resilience in the face of the crisis, confirming its ability to provide support to Public Administration suppliers.

Factoring has proven to be the ideal tool both for small and medium-sized enterprises to finance their working capital and thus trade receivables, and for large companies, such as multinationals, to improve their net financial position, mitigate country risk and receive solid support in servicing and collection activities.



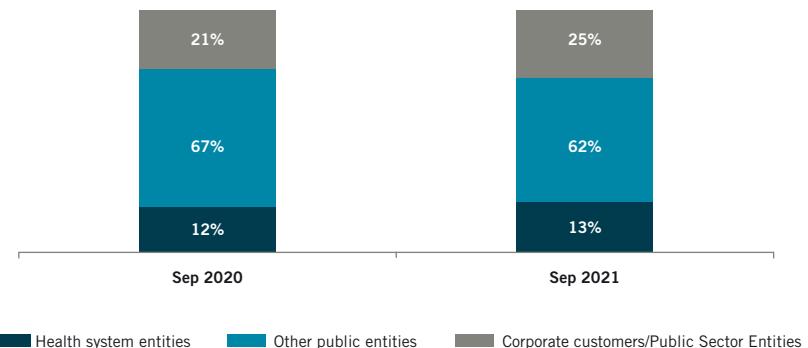
At 30 September 2021, loans amounted to € 1,707 million (management figures), down 2% on the € 1,749

million at 30 September 2020 mainly due to increased collections during the same period.



The chart to the right shows the ratio of debtors to the total exposure in the loans and receivables portfolio at 30

September 2021 and 2020. The Group's core factoring business remains the Public Administration entities segment.



Volumes were generated through both its own internal commercial network and through banks with which the Group has entered into distribution agreements.

In September 2021, existing distribution agreements accounted for 21% of total volumes. The following table shows the factoring volumes by product type:

| PRODUCT<br>(amounts in millions of Euro) | 30.09.2021   | 30.09.2020   | € Change   | % Change   |
|--|--------------|--------------|------------|------------|
| Trade receivables                        | 2,301        | 1,918        | 382        | 20%        |
| <i>of which, without recourse</i>        | 1,700        | 1,563        | 136        | 9%         |
| <i>of which, with recourse</i>           | 601          | 355          | 246        | 69%        |
| Tax receivables                          | 195          | 264          | (70)       | -26%       |
| <i>of which, without recourse</i>        | 195          | 264          | (70)       | -26%       |
| <i>of which, with recourse</i>           | 0            | 0            | 0          | na         |
| <b>TOTAL</b>                             | <b>2,495</b> | <b>2,183</b> | <b>313</b> | <b>14%</b> |

In absolute terms, the growth in volumes derives mainly from the purchase of trade receivables.

Volumes related to the management of third-party portfolios amounted to € 330 million (in line with the previous year).

## SALARY- AND PENSION-BACKED LOANS AND QUINTOPUOI

Assofin notes a significant recovery in the salary- and pension-backed loans (CQ) sector which continued to grow in the first 6 months of 2021 at the levels seen at the start of the year (+25.9% vs. 2020) and is on track to reach pre-Covid levels by year-end (-5.8% vs. 2019). The Group continues to operate in the salary- and pension-backed loans segment through the purchase of receivables generated by other specialist operators. Starting from the second quarter of 2019 following the acquisition of Atlantide, the Banca Sistema Group has expanded its retail offering with the direct origination of salary- and pension-backed loans through a new product, QuintoPuoi. QuintoPuoi is distributed through a network of single-company agents and specialised brokers located throughout Italy and is supported by a dedicated structure within the Bank.

In the third quarter of 2021, Banca Sistema recorded loan volumes of € 58 million, through direct disbursements and receivables purchases, which helped offset the ongoing contraction of its portfolio caused by maturing loans and by refinancing to which they are typically subject on the market, thus keeping the overall level of outstanding capital at € 955 million,

which is in line with the previous quarter.

The cumulative volume for the year amounted to € 194 million; this amount includes a growing component of loans disbursed by the Bank (a total of € 51 million in 2021, of which € 24.3 million disbursed in the third quarter), driven by specific marketing efforts that significantly increased the reach of its network of agents and credit brokers. This result made it possible to offset the decline in the amount of receivables without recourse acquired caused by increased price tension in the market and thus fewer opportunities to purchase at rates that were in line with the Bank's expectations. The salary- and pension-backed loan market continued its steady recovery started in the second quarter of 2021 following the contraction in 2020 caused by the pandemic, returning to pre-Covid levels.

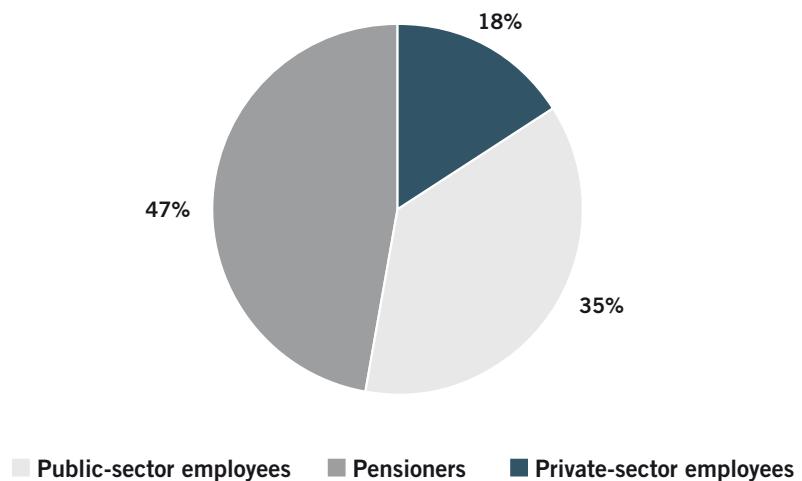
Outstanding capital remained steady at € 955 million, in line with the previous quarter and up 2.6% from last year.

The volumes of acquired portfolios and directly originated receivables from the beginning of the year until September 2021 amounted to € 194 million (€ 51 million of which directly originated).

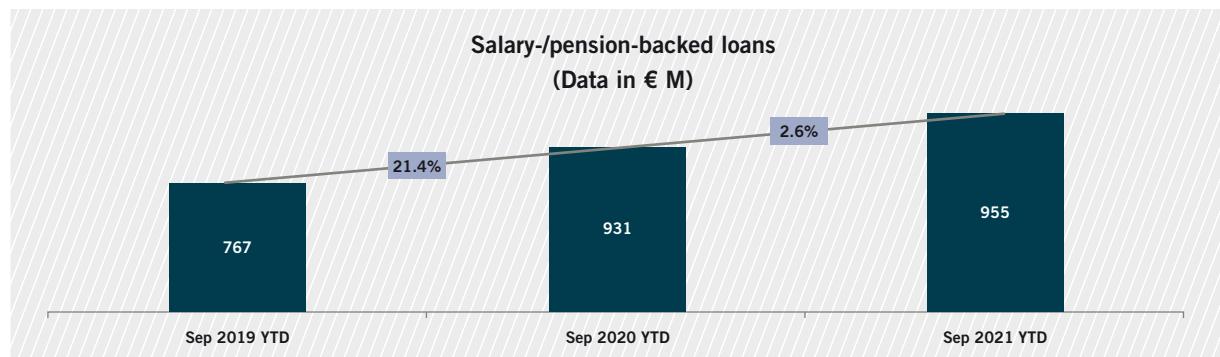
|                                      | 30.09.2021 | 30.09.2020 | € Change | % Change |
|--------------------------------------|------------|------------|----------|----------|
| No. of applications (#)              | 9,659      | 11,766     | (2,107)  | -18%     |
| <i>of which originated</i>           | 2,368      | 1,189      | 1,179    | 99%      |
| Volumes disbursed (millions of Euro) | 194        | 230        | (36)     | -16%     |
| <i>of which originated</i>           | 51         | 26         | 25       | 100%     |

Loans are split between private-sector employees (18%), pensioners (47%) and public-sector employees (35%). Therefore, over 82% of the volumes refer to pensioners and employees of Public Administration, which remains the Bank's main debtor.

**Salary-/pension-backed loans - Breakdown**



The following chart shows the performance of outstanding loans in the salary-/pension-backed loans (CQS/CQP) portfolio:



## COLLATERALISED LENDING AND PRONTOPEGNO

The Banca Sistema Group began working in the collateralised lending business in 2017, combining the credentials of a solid bank with the advantages of a specialist that is continuously willing to innovate and grow to offer greater value to customers, in terms of professionalism and timeliness. To take advantage of the growth prospects that have emerged since starting this business, in 2019, the Bank decided to transfer its collateralised lending business to a dedicated company. In July 2020, ProntoPegno, in line with its growth strategy within this business, acquired Intesa Sanpaolo Group's collateralised lending business unit which contributed € 55.3 million in loans at the acquisition date. Consistent with its growth strategy for the business, in June 2021, ProntoPegno completed the purchase of a portfolio of loans from the CR Asti Banking Group and opened two new branches in Brescia and Asti. The Pawnbroker of the Banca Sistema Group now has 14 branches located across the country.

At present, the company has about 54,000 policies issued for about 30,000 customers, amounting to total loans of € 87,3 million. In the first nine months of 2021, outstanding loans grew by 12.4% compared to 2020 (annualised growth of 14%). New loans were nearly € 61.5 million while renewals amounted to € 42.9 million. In the first three quarters of 2021, 57 auctions were conducted

for a loan value of € 1,195,657 (up 94% compared to 2020).

At an operational level, the first nine months of 2021 saw the continued integration of the business unit acquired from Intesa. The new staff became fully familiar with the procedures and systems used, resulting in the elimination of queues, which had led to an increase in the number of complaints in the period immediately following the acquisition but have now nearly disappeared.

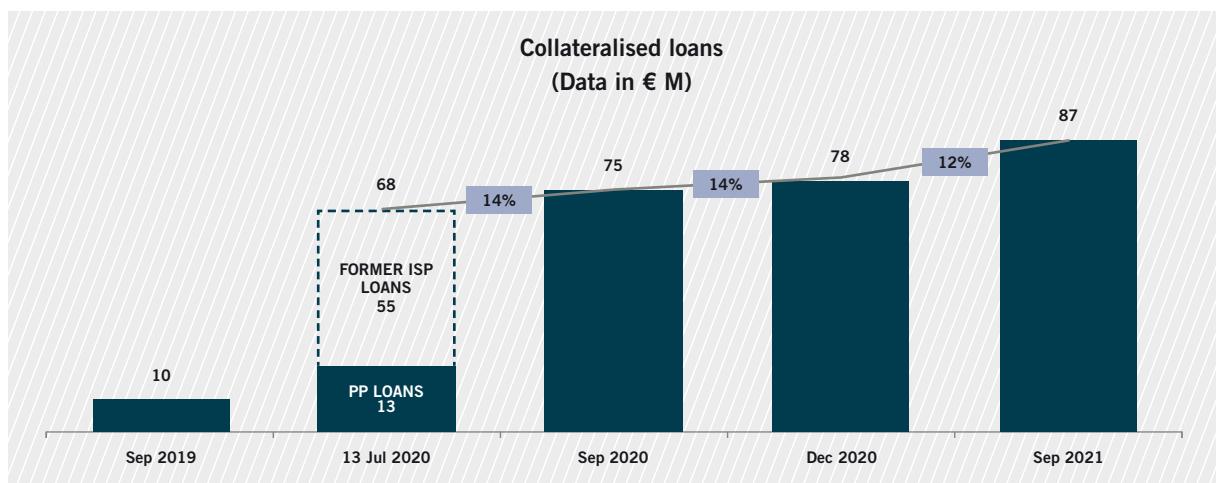
Collateralised lending continues to provide liquidity support to households.

In the third quarter, the first phase of product digitalisation was completed through the development of the DigitalPegno app, which allows:

- customers holding loan policies to renew them online without having to visit a branch;
- auction participants to place secret bids online without having to visit the branch on the day the items are displayed to prepare a written paper bid.

As at 30 September, 115 renewals were made online, whereas for auctions, approximately 80% of the bids were made online. A total of 2,551 customers have downloaded the app.

The following chart shows the performance of outstanding loans:



The statement of financial position of the consolidated company ProntoPegno as at 30 September 2021 is provided below.

| Assets (€,000)                                   | 30.09.2021     | 31.12.2020     | € Change     | % Change    |
|--|----------------|----------------|--------------|-------------|
| Cash and cash equivalents                        | 1,467          | 1,822          | (355)        | -19.5%      |
| Financial assets measured at amortised cost      | 90,721         | 81,988         | 8,733        | 10.7%       |
| a) loans and receivables with banks              | 3,410          | 4,304          | (894)        | -20.8%      |
| b1) loans and receivables with customers - loans | 87,311         | 77,684         | 9,627        | 12.4%       |
| Property and equipment                           | 2,705          | 2,869          | (164)        | -5.7%       |
| Intangible assets                                | 29,072         | 28,793         | 279          | 1.0%        |
| <i>of which: goodwill</i>                        | 28,436         | 28,436         | -            | 0.0%        |
| Tax assets                                       | 1,366          | 1,200          | 166          | 13.8%       |
| Other assets                                     | 1,063          | 97             | 966          | >100%       |
| <b>Total assets</b>                              | <b>126,394</b> | <b>116,769</b> | <b>9,625</b> | <b>8.2%</b> |

| Liabilities and equity (€,000)                   | 30.09.2021     | 31.12.2020     | € Change     | % Change    |
|--|----------------|----------------|--------------|-------------|
| Financial liabilities measured at amortised cost | 83,166         | 74,305         | 8,861        | 11.9%       |
| a) due to banks                                  | 79,075         | 70,394         | 8,681        | 12.3%       |
| b) due to customers                              | 4,091          | 3,911          | 180          | 4.6%        |
| Tax liabilities                                  | 647            | 258            | 390          | >100%       |
| Other liabilities                                | 3,950          | 3,877          | 72           | 1.9%        |
| Post-employment benefits                         | 971            | 1,054          | (83)         | -7.9%       |
| Provisions for risks and charges                 | 384            | 738            | (354)        | -48.0%      |
| Valuation reserves                               | (57)           | (99)           | 42           | -42.4%      |
| Reserves   | 13,494         | 15,410         | (1,916)      | -12.4%      |
| Share capital                                    | 23,162         | 23,162         | -            | 0.0%        |
| Profit (loss) for the period/year                | 677            | (1,936)        | 2,613        | <100%       |
| <b>Total liabilities and equity</b>              | <b>126,394</b> | <b>116,769</b> | <b>9,625</b> | <b>8.2%</b> |

The assets consist mainly of loans to customers for the collateralised lending business, which increased by € 9.6 million in 2021, and goodwill arising from the acquisition of the collateralised lending business unit in the second half of 2020 of € 28.4 million.

At 30 September 2021, liabilities, in addition to the capital and reserves, consisted primarily of the loan granted by the Parent of € 62 million, which was increased

from the end of the year following the full repayment of the loan with Intesa Sanpaolo.

The other “financial liabilities measured at amortised cost” include the auction buyer’s premium of € 4.1 million. For 5 years, this amount is recognised in the financial statements as due to customers.

The provision for risks includes the estimated liability for bonuses and non-compete agreements.

The income statement of the consolidated company ProntoPegno for the period ended 30 September 2021 is provided below. Comparative figures are not significant

as the acquisition of the collateralised lending business unit from Intesa Sanpaolo only became effective and was reflected in the income statement from 13 July 2020.

| Income statement (€,000)  | First three quarters of 2021 | First three quarters of 2021 Normalised | Normalisation | First three quarters of 2020 | € Change       |
|---|------------------------------|---|---------------|------------------------------|----------------|
| Net interest income   | 3,895                        | 1,742                                   | -             | 1,742                        | 2,153          |
| Net fee and commission income (expense)                           | 4,770                        | 1,050                                   | -             | 1,050                        | 3,720          |
| <b>Total income</b>   | <b>8,665</b>                 | <b>2,792</b>                            | -             | <b>2,792</b>                 | <b>5,873</b>   |
| Net impairment losses on loans and receivables                    | 89                           | (7)                                     | -             | (7)                          | 96             |
| <b>Net financial income (expense)</b>                             | <b>8,754</b>                 | <b>2,785</b>                            | -             | <b>2,785</b>                 | <b>5,969</b>   |
| Personnel expense   | (4,412)                      | (1,887)                                 | -             | (1,887)                      | (2,525)        |
| Other administrative expenses                                     | (2,837)                      | (1,306)                                 | 1,520         | (2,826)                      | (1,531)        |
| Net impairment losses on property and equipment/intangible assets | (911)                        | (291)                                   | -             | (291)                        | (620)          |
| Other operating income (expense)                                  | 285                          | 241                                     | -             | 241                          | 44             |
| <b>Operating costs</b>  | <b>(7,875)</b>               | <b>(3,243)</b>                          | <b>1,520</b>  | <b>(4,763)</b>               | <b>(4,632)</b> |
| <b>Pre-tax profit from continuing operations</b>                  | <b>879</b>                   | <b>(458)</b>                            | <b>1,520</b>  | <b>(1,978)</b>               | <b>1,337</b>   |
| Income taxes for the year   | (202)                        | 227                                     | (418)         | 645                          | (429)          |
| <b>Profit (loss) for the period</b>                               | <b>677</b>                   | <b>(231)</b>                            | <b>1,102</b>  | <b>(1,333)</b>               | <b>908</b>     |

The company closed the first nine months of 2021 with a profit of € 677 thousand, reporting a significant increase in total income as a result of the contribution of the acquired collateralised lending business unit; The business unit began contributing to Group results in July 2020.

Personnel expenses mostly include the cost of the 73 employees (71 at the end of 2020), as well as the pro-rata allocation of the estimated variable incentive for the year. Other administrative expenses mainly consist of advertising costs, rent of space paid to the Group and costs for support activities carried out by the Parent.

## FUNDING AND TREASURY ACTIVITIES

### Treasury portfolio

A treasury portfolio has been established to support the Bank's liquidity commitments almost exclusively through investments in Italian government bonds.

The balance at 30 September 2021 was equal to a nominal € 631 million compared to € 873 million at 31 December 2020.

The securities portfolio allowed for optimal management of the Treasury commitments which are characterised by a concentration of transactions in

specific periods.

At 30 September, the nominal amount of securities in the HTCS (formerly AFS) portfolio amounted to € 446 million (compared to € 423 million as at 31 December 2020) with a duration of 34.5 months (14.8 months at 31 December 2020). At 30 September, the HTC portfolio amounted to € 185 million with a duration of 34.2 months (compared to € 450 million at 31 December 2020, which had a duration of 11.2 months).

### Wholesale funding

At 30 September, wholesale funding was about 32% of the total, mainly comprising refinancing transactions with the ECB, as well as bonds (41% at 31 December 2020).

Securitisations with salary- and pension-backed loans as collateral completed with a partly-paid securities structure continue to allow Banca Sistema to efficiently refinance its

CQS/CQP portfolio and to continue to grow its salary- and pension-backed loan business, whose funding structure is optimised by the securitisation. The Bank also continues to adhere to the ABACO procedure introduced by the Bank of Italy which was expanded to include consumer credit during the Covid-19 emergency.

### Retail funding

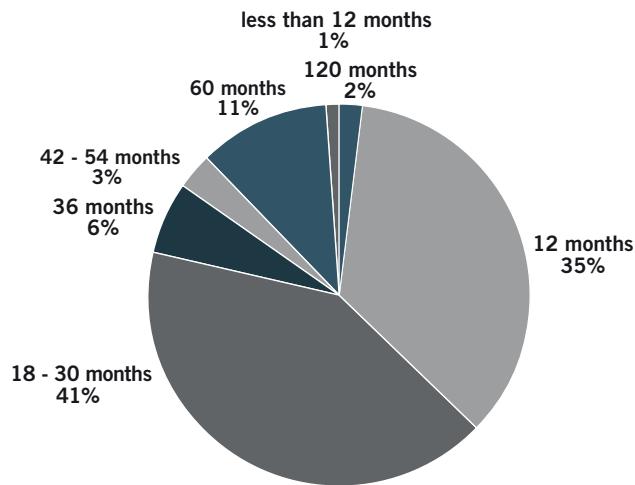
Retail funding accounts for 68% of the total and is composed of the account SI Conto! Corrente and the product SI Conto! Deposito.

Total term deposits as at 30 September 2021 amounted to € 1,256 million, an increase of 3% compared to 31 December 2020. The above-

mentioned amount also includes total term deposits of € 566 million (obtained with the help of partner platforms) held with entities resident in Germany, Austria, and Spain (accounting for 45% of total deposit funding), an increase of € 70 million over the same period of the previous year.

The breakdown of funding by term is shown below. The average residual life of the portfolio is 12 months.

**Breakdown of deposit accounts as at 30 September**



Current accounts increased from 7,975 (as at 30 September 2020) to 11,241 as at September 2021, while the current

account balance at 30 September 2021 increased by 52 million over the same period in 2020 to € 741 million.

## INCOME STATEMENT RESULTS

| INCOME STATEMENT (€,000)  | First three quarters of 2021 | First three quarters of 2020 | € Change       | % Change      |
|---|------------------------------|------------------------------|----------------|---------------|
| Net interest income   | 57,039                       | 53,232*                      | 3,807          | 7.2%          |
| Net fee and commission income   | 11,925                       | 11,939                       | (14)           | -0.1%         |
| Dividends and similar income  | 227                          | 227                          | -              | 0.0%          |
| Net trading income  | 21                           | 38                           | (17)           | -44.7%        |
| Gain from sales or repurchases of financial assets/liabilities        | 5,569                        | 7,101                        | (1,532)        | -21.6%        |
| <b>Total income</b>   | <b>74,781</b>                | <b>72,537</b>                | <b>2,244</b>   | <b>3.1%</b>   |
| Net impairment losses on loans and receivables                        | (8,811)                      | (7,229)                      | (1,582)        | 21.9%         |
| <b>Net financial income</b>   | <b>65,970</b>                | <b>65,308</b>                | <b>662</b>     | <b>1.0%</b>   |
| Personnel expense   | (21,292)                     | (17,188)                     | (4,104)        | 23.9%         |
| Other administrative expenses   | (22,678)                     | (19,524)                     | (3,154)        | 16.2%         |
| Net accruals to provisions for risks and charges                      | (26)                         | (1,181)                      | 1,155          | -97.8%        |
| Net impairment losses on property and equipment/intangible assets     | (2,004)                      | (1,321)                      | (683)          | 51.7%         |
| Other operating income  | 1,686                        | 696                          | 990            | >100%         |
| <b>Operating costs</b>  | <b>(44,314)</b>              | <b>(38,518)</b>              | <b>(5,796)</b> | <b>15.0%</b>  |
| Gains (losses) on equity investments                                  | (2)                          | -                            | (2)            | n.a.          |
| Gains on sales of investments   | -                            | 1,090                        | (1,090)        | -100.0%       |
| <b>Pre-tax profit from continuing operations</b>                      | <b>21,654</b>                | <b>27,880</b>                | <b>(6,226)</b> | <b>-22.3%</b> |
| Income taxes for the year   | (6,705)                      | (8,423)*                     | 1,718          | -20.4%        |
| <b>Post-tax profit for the period</b>                                 | <b>14,949</b>                | <b>19,457</b>                | <b>(4,508)</b> | <b>-23.2%</b> |
| Profit (loss) attributable to non-controlling interests               | (169)                        | 333                          | (502)          | <100%         |
| <b>Profit for the period attributable to the owners of the Parent</b> | <b>14,780</b>                | <b>19,790</b>                | <b>(5,010)</b> | <b>-25.3%</b> |

(\*) For more information reference should be made to the "General basis of preparation" section in the Accounting Policies of this report

The first nine months of 2021 ended with a profit for the period of € 14.8 million, a decrease on the same period a year earlier despite Total income increasing by 3.1%, thanks to the increased contribution of the Collateralised Lending Division which did not, however, compensate for the decrease in margins of the Factoring Division.

The results for the first nine months of 2021 were also affected by unexpectedly higher impairment losses. In particular, as described in more detail later in the report and in previous quarters, this was due

to an extraordinary, non-recurring impairment loss on a position relating to a municipality in financial difficulty for € 2.4 million in the first quarter, and a higher impairment loss in the second quarter due to a lengthening of the estimated collection times for positions with municipalities in financial difficulty, which had a one-off effect of € 1.4 million. It should also be noted that the result for the first half of 2020 included the € 1.1 million gain on the sale of 25% of the share capital of the ProntoPegno subsidiary by the Parent to its current minority shareholders.

| NET INTEREST INCOME (€,000)              | First three quarters of 2021 | First three quarters of 2020 | € Change       | % Change      |
|--|------------------------------|------------------------------|----------------|---------------|
| <b>Interest and similar income</b>       |                              |                              |                |               |
| Loans and receivables portfolios         | 65,261                       | 66,115                       | (854)          | -1.3%         |
| Factoring                                | 41,860                       | 47,148                       | (5,288)        | -11.2%        |
| CQ                                       | 16,044                       | 16,947                       | (903)          | -5.3%         |
| Collateralised lending (interest income) | 4,313                        | 1,856                        | 2,457          | >100%         |
| Government-backed loans to SMEs          | 3,044                        | 164                          | 2,880          | >100%         |
| Securities portfolio                     | 1,318                        | 1,413                        | (95)           | -6.7%         |
| Other                                    | 615                          | 977                          | (362)          | -37.1%        |
| Financial liabilities                    | 2,605                        | 3,130                        | (525)          | -16.8%        |
| <b>Total interest income</b>             | <b>69,799</b>                | <b>71,635</b>                | <b>(1,836)</b> | <b>-2.6%</b>  |
| <b>Interest and similar expense</b>      |                              |                              |                |               |
| Due to banks                             | (405)                        | (336)                        | (69)           | 20.5%         |
| Due to customers                         | (9,707)                      | (12,014)                     | 2,307          | -19.2%        |
| Securities issued                        | (1,943)                      | (5,880) (*)                  | 3,937          | -67.0%        |
| Financial assets                         | (705)                        | (173)                        | (532)          | >100%         |
| <b>Total interest expense</b>            | <b>(12,760)</b>              | <b>(18,403)</b>              | <b>5,643</b>   | <b>-30.7%</b> |
| <b>Net interest income</b>               | <b>57,039</b>                | <b>53,232</b>                | <b>3,807</b>   | <b>7.2%</b>   |

(\*) For more information reference should be made to the "General basis of preparation" section in the Accounting Policies of this report

Net interest income increased compared to the same period last year, due to the higher contribution of the Collateralised Lending Division and the good performance of guaranteed SME loans to factoring customers.

The total contribution of the Factoring Division (which includes Government-backed loans to SMEs) to interest income was € 44.9 million, equal to 69% of the entire loans and receivables portfolio (compared to 72% at 30 September 2020), to which the commission component associated with the factoring business and the revenue generated by the assignment of receivables from the factoring portfolio need to be added.

In the third quarter of 2021, the estimated rates of recovery of default interest on factoring and the related collection times used for the estimate as at 30 September 2021 were updated in the light of the progressive consolidation of the historical data series; the combined adjustment of these estimates led to lower interest income of € -0.2 million. The results for the same period of the previous year had benefited from the recognition of higher interest income of € 1.0 million

resulting from an update to the estimates.

The component linked to default interest from legal action at 30 September 2021 was € 16.3 million (€ 16.1 million at 30 September 2020):

- of which € -0.3 million resulting from the updated recovery estimates and expected collection times (€ 1.0 million at 30 September 2020);
- of which € 9.4 million resulting from the current recovery estimates (€ 7.4 million in 2020);
- of which € 7.2 million (€ 7.7 million in 2020) coming from net collections during the year, i.e. the difference between the amount collected during the period, equal to € 11.7 million (€ 18.1 million in 2020) and that recognised on an accruals basis in previous years. In 2020, this item included gross collections of € 5.2 million from transfers to third parties, whereas in 2021, gross collections were € 0.7 million.

The amount of the stock of default interest from legal actions accrued at 30 September 2021, relevant for the allocation model, was € 101 million (€ 98 million at the end of 2020), which becomes € 166 million when

including default interest related to positions with troubled local authorities, a component for which default interest is not allocated in the financial statements, whereas the loans and receivables recognised in the financial statements under the current accounting model amount to € 52 million. Therefore, the amount of default interest accrued but not recognised in the income statement is € 113 million.

The contribution of interest on the salary- and pension-backed portfolios is down slightly on the previous year at € 16 million as a result of the early redemption of several positions.

The contribution of the Collateralised Lending Division grew significantly to € 4.3 million, compared to € 1.9 million in the previous year. The increase is mostly due to the recent acquisition of the collateralised lending business unit starting from 13 July 2020.

Compared to 2020, the interest component from government-backed loans granted by the Bank to factoring customers, a support measure in response to the Covid-19

pandemic, has had a positive and significant impact. The item “financial liabilities” mainly includes income arising from the financing activity of the securities portfolio in repurchase agreements and ECB loans at negative rates, which account for € 2.6 million. Interest expense, which decreased compared to the previous year thanks to the strategies introduced to carefully contain the cost of funding, contributed positively to total net interest income. In particular, interest on term deposits from customers decreased as a result of the reduction in the interest rate applied to deposit accounts. The cost of bonds also decreased following the full repayment in the last quarter of 2020 of the € 175 million senior bond which the Bank deemed appropriate to refinance with other more cost-effective forms of funding.

The accrued interest expense component related to AT1 instruments, the coupon component of which is classified within equity reserves, amounted to € 1.3 million (€ 0.4 million at 30 September 2020).

| NET FEE AND COMMISSION INCOME<br>(€,000)         | First three<br>quarters of<br>2021 | First three<br>quarters of<br>2020 | € Change       | % Change     |
|--|------------------------------------|------------------------------------|----------------|--------------|
| <b>Fee and commission income</b>                 |                                    |                                    |                |              |
| Factoring activities                             | 9,674                              | 13,563                             | (3,889)        | -28.7%       |
| Fee and commission income - off-premises CQ      | 2,659                              | 1,566                              | 1,093          | 69.8%        |
| Collateralised loans (fee and commission income) | 4,820                              | 1,062                              | 3,758          | >100%        |
| Collection activities                            | 918                                | 811                                | 107            | 13.2%        |
| Other  | 318                                | 261                                | 57             | 21.8%        |
| <b>Total fee and commission income</b>           | <b>18,389</b>                      | <b>17,263</b>                      | <b>1,126</b>   | <b>6.5%</b>  |
| <b>Fee and commission expense</b>                |                                    |                                    |                |              |
| Factoring portfolio placement                    | (1,031)                            | (1,054)                            | 23             | -2.2%        |
| Placement of other financial products            | (1,507)                            | (1,455)                            | (52)           | 3.6%         |
| Fees - off-premises CQ                           | (3,362)                            | (2,129)                            | (1,233)        | 57.9%        |
| Other  | (564)                              | (686)                              | 122            | -17.6%       |
| <b>Total fee and commission expense</b>          | <b>(6,464)</b>                     | <b>(5,324)</b>                     | <b>(1,140)</b> | <b>21.4%</b> |
| <b>Net fee and commission income</b>             | <b>11,925</b>                      | <b>11,939</b>                      | <b>(14)</b>    | <b>-0.1%</b> |

Net fee and commission income (expense) was stable at € 11.9 million, as the reduction in the contribution from factoring linked to extraordinarily rapid collections was offset by the increase in fees and commissions from the Collateralised Lending Division.

Fee and commission income from factoring should be considered together with interest income, since it makes no difference from a management point of view whether profit is recognised in the commissions and fees item or in interest in the without recourse factoring business.

Fee and commission income from the collateral-backed loans business grew by € 3.8 million compared to the same period of the previous year thanks to the acquisition of the collateralised lending business unit.

Commissions on collection activities, related to the service of reconciliation of third-party invoices collected from Public Administration remained in line with the first nine months of 2020.

Other fee and commission income includes commissions and fees from collection and payment services, and the keeping and management of current accounts.

Fee and commission income - off-premises CQ refers to the commissions on the salary- and pension-backed loan (CQ) origination business of € 2.7 million, which should be considered together with the item Fees - off-premises CQ, amounting to € 3.4 million, which are composed of the commissions paid to financial advisers for the off-premises placement of the salary- and pension-backed loan product, including the estimated year-end bonuses payable to them and commissions borne solely by the Bank.

Fees and commissions for the placement of financial products paid to third parties are attributable to returns to third party intermediaries for the placement of the SI Conto! Deposito product under the passporting regime, whereas the fee and commission expense of placing the factoring portfolios is linked to the origination costs of factoring receivables, which remained in line with those reported in the same period of the previous year.

Other fee and commission expense includes commissions for trading third-party securities and for interbank collections and payment services.

| GAIN (LOSS) FROM SALES OR<br>REPURCHASES (€,000) | First three<br>quarters of<br>2021 | First three<br>quarters of<br>2020 | € Change       | % Change      |
|--|------------------------------------|------------------------------------|----------------|---------------|
| Gains from HTCS portfolio debt instruments       | 3,753                              | 4,612                              | (859)          | -18.6%        |
| Gains from HTC portfolio debt instruments        | 458                                | 340                                | 118            | 34.7%         |
| Gains from financial liabilities                 | -                                  | 16                                 | (16)           | -100.0%       |
| Gains from receivables (Factoring portfolio)     | 1,358                              | 2,133                              | (775)          | -36.3%        |
| <b>Total</b>                                     | <b>5,569</b>                       | <b>7,101</b>                       | <b>(1,532)</b> | <b>-21.6%</b> |

The item Gain (loss) from sales or repurchases includes gains generated by the proprietary HTCS and HTC securities portfolio of € 4.2 million, and net realised gains from factoring receivables of € 1.4 million, the revenue from which derives from the sale of factoring portfolios to private-sector assignors.

Impairment losses on loans and receivables at 30 September 2021, brought to the attention of the Bank of Italy's inspectors at the end of their audit, amounted to € 8.8 million and were significantly affected by a valuation adjustment made in the first quarter of 2021 of € 2.4 million on a portion of invoices included in the insolvency

procedure of a local authority which will not occur again in future quarters and will be largely recovered from the default interest (almost all of which has already been recognised by the court and not yet accounted for in the income statement, like all the default interest related to troubled local authorities), which will be collected when the settlement agreement with the OSL (Organo Straordinario di Liquidazione - Extraordinary Liquidation Committee) concerning the items identified by the Bank is finalised. The impairment losses in the second quarter of 2021 were also negatively impacted by a lengthening of the estimated collection times for positions with

municipalities in financial difficulty, reflecting an increase in the average time to emerge from financial difficulties, resulting in a one-off effect of € 1.4 million. The lengthening of the collection times will be more than offset by the higher default interest that will accrue because of the longer collection times, the impact of which on the income statement will be recognised at the time of collection. To date, the amount of default interest collected from municipalities that have emerged from

their financial difficulties has been approximately 70% of the amount due. As at 30 June 2021, the Bank had already accepted the increased hedging requirements communicated by the Bank of Italy inspectors as a result of their audit.

The annualised loss rate decreased slightly to 0.41% from 0.42% for all of 2020 (this figure is calculated without annualising the non-recurring adjustments described above).

| PERSONNEL EXPENSE (€,000)                       | First three quarters of 2021 | First three quarters of 2020 | € Change       | % Change     |
|---|------------------------------|------------------------------|----------------|--------------|
| Wages and salaries                              | (19,929)                     | (15,965)                     | (3,964)        | 24.8%        |
| Social security contributions and other costs   | (225)                        | (297)                        | 72             | -24.2%       |
| Directors' and statutory auditors' remuneration | (1,138)                      | (926)                        | (212)          | 22.9%        |
| <b>Total</b>                                    | <b>(21,292)</b>              | <b>(17,188)</b>              | <b>(4,104)</b> | <b>23.9%</b> |

The increase in personnel expense is mainly due to the increase in the average number of employees from 222 to 274. Contributing to this increase was the addition of

58 new employees from the business unit incorporated into ProntoPegno who joined the company's personnel in the second half of 2020.

| FTES                          | 30.09.2021 | 30.06.2021 | 31.12.2020 |
|-------------------------------|------------|------------|------------|
| Senior managers               | 25         | 25         | 26         |
| Middle managers (QD3 and QD4) | 61         | 62         | 52         |
| Other personnel               | 192        | 188        | 191        |
| <b>Total</b>                  | <b>278</b> | <b>275</b> | <b>269</b> |

Consistent with the approved budget and the first initiatives set out in the 2021/2023 Business Plan, in the first part of the year the Bank launched its annual recruitment and hiring programme and recruited a total of 18 new employees to fill positions in the CQ, Factoring, Corporate Centre and ProntoPegno structures. The Group, in continuation of what was done in 2020 in response to the health emergency, maintained the flexible operational model that was implemented to ensure business continuity, thus allowing employees to continue to work remotely. Excluded from this operational model were employees of the Banking and Collateralised Lending branches and those working in the departments

having the greatest impact on managing the emergency, namely ICT, Logistics, Human Capital, and Treasury. Along with all safety and precautionary measures, all activities were reorganised and managed remotely with a total of over 50% of workdays performed outside the Bank's premises. Gradually, since July, and in line with national and regional health provisions to prevent and counter the spread of the Covid-19 virus, a more balanced remote working schedule has been organised, with two days of remote work and three days of work on site at the Bank's premises each week. The remote medical counselling programme for all Group employees, which had been organised back in 2020 to respond to

possible difficulties in accessing advice and initial medical assistance, was extended for another year. During the first quarter of the year - following the skills assessments and agreed development actions - work began on identifying professional and technical training needs in relation to the Bank's legal and regulatory issues. This is currently being carried out with both internal and external instructors and

will be delivered in a manner that is compatible with the health emergency. In addition, the specific training and coaching programmes on managerial and professional topics which have already been launched are continuing.

The average age of Group employees is 45 for men and 44 for women. The breakdown by gender is essentially balanced with men accounting for 56% of the total.

| OTHER ADMINISTRATIVE EXPENSES<br>(€,000)   | First three quarters of<br>2021 | First three quarters of<br>2020 | € Change       | % Change     |
|--|---------------------------------|---------------------------------|----------------|--------------|
| Consultancy                                | (3,842)                         | (3,078)                         | (764)          | 24.8%        |
| IT expenses                                | (4,831)                         | (4,618)                         | (213)          | 4.6%         |
| Servicing and collection activities        | (2,878)                         | (2,069)                         | (809)          | 39.1%        |
| Indirect taxes and duties                  | (2,044)                         | (1,436)                         | (608)          | 42.3%        |
| Insurance                                  | (670)                           | (481)                           | (189)          | 39.3%        |
| Other                                      | (542)                           | (443)                           | (99)           | 22.3%        |
| Expenses related to management of the SPVs | (573)                           | (558)                           | (15)           | 2.7%         |
| Car hire and related fees                  | (580)                           | (455)                           | (125)          | 27.5%        |
| Advertising                                | (1,170)                         | (302)                           | (868)          | 287.4%       |
| Rent and related fees                      | (885)                           | (656)                           | (229)          | 34.9%        |
| Expense reimbursement and entertainment    | (286)                           | (271)                           | (15)           | 5.5%         |
| Infoprovider expenses                      | (508)                           | (460)                           | (48)           | 10.4%        |
| Membership fees                            | (310)                           | (255)                           | (55)           | 21.6%        |
| Property management expenses               | (685)                           | (314)                           | (371)          | 118.2%       |
| Audit fees                                 | (256)                           | (224)                           | (32)           | 14.3%        |
| Telephone and postage expenses             | (191)                           | (166)                           | (25)           | 15.1%        |
| Logistics expenses                         | (116)                           | (50)                            | (66)           | 132.0%       |
| Stationery and printing                    | (27)                            | (54)                            | 27             | -50.0%       |
| <b>Total operating expenses</b>            | <b>(20,394)</b>                 | <b>(15,890)</b>                 | <b>(4,504)</b> | <b>28.3%</b> |
| Resolution Fund                            | (2,284)                         | (2,007)                         | (277)          | 13.8%        |
| Merger-related costs                       | -                               | (1,627)                         | 1,627          | -100.0%      |
| <b>Total</b>                               | <b>(22,678)</b>                 | <b>(19,524)</b>                 | <b>(3,154)</b> | <b>16.2%</b> |

Administrative expenses increased mainly due to consultancy costs in connection with higher legal expenses incurred for managing the legal recovery proceedings for receivables and default interest from Italian and Spanish public administration debtors.

IT expenses consist of costs for services rendered by the IT outsourcer providing the legacy services and costs related to the IT infrastructure, which have increased compared to 2020, also due to the costs deriving from the ProntoPegno branches acquired along with the business unit.

Compared to the previous year, the Resolution Fund required a € 0.3 million higher contribution, for a total of € 2.3 million.

The impairment losses on property and equipment/intangible assets are the result of higher provisions for property used for business purposes, as well as the depreciation of the “right-of-use” asset following the application of IFRS 16.

Other income includes the release of estimated accrued costs of € 0.9 million for accruals made in the previous year that were not incurred in 2021.

## THE MAIN STATEMENT OF FINANCIAL POSITION AGGREGATES

The comments on the main aggregates on the asset side of the statement of financial position are shown below.

| ASSETS (€,000)   | 30.09.2021       | 31.12.2020       | € Change         | % Change     |
|--|------------------|------------------|------------------|--------------|
| Cash and cash equivalents  | 1,576            | 1,930            | (354)            | -18.3%       |
| Financial assets measured at fair value through other comprehensive income | 454,369          | 430,966          | 23,403           | 5.4%         |
| Financial assets measured at amortised cost                                | 2,912,093        | 3,142,791        | (230,698)        | -7.3%        |
| a) loans and receivables with banks  | 90,676           | 92,481           | (1,805)          | -2.0%        |
| b1) loans and receivables with customers - loans                           | 2,637,602        | 2,602,446        | 35,156           | 1.4%         |
| b2) loans and receivables with customers - debt instruments                | 183,815          | 447,864          | (264,049)        | -59.0%       |
| Equity investments   | 998              | 1,000            | (2)              | -0.2%        |
| Property and equipment   | 41,035           | 32,607           | 8,428            | 25.8%        |
| Intangible assets  | 33,003           | 32,725           | 278              | 0.8%         |
| Tax assets   | 10,660           | 10,313           | 347              | 3.4%         |
| Other assets   | 22,433           | 19,039           | 3,394            | 17.8%        |
| <b>Total assets</b>  | <b>3,476,167</b> | <b>3,671,371</b> | <b>(195,204)</b> | <b>-5.3%</b> |

The period ended 30 September 2021 closed with total assets down by 5.3% on the end of 2020 and equal to € 3.5 billion.

The securities portfolio relating to Financial assets measured at fair value through other comprehensive income ("HTCS" or "Held to collect and Sell") of the Group was up compared to 31 December 2020 and continues to be mainly comprised of Italian government bonds with an average duration of about 34.5 months (the average remaining duration at the end of 2020 was 14.8 months). This is consistent with the Group investment

policy. The carrying amount of the government bonds held in the HTCS portfolio amounted to € 449 million at 30 September 2021 (€ 425 million at 31 December 2020). The associated valuation reserve was negative at the end of the period, amounting to € 965 million before the tax effect. In addition to government securities, the HTCS portfolio also includes 200 shares of the Bank of Italy, amounting to € 5 million, and the Axactor Norway shares, which at 30 September 2021 had a negative fair value reserve of € 0.07 million, resulting in a period-end amount of € 0.6 million.

| LOANS AND RECEIVABLES<br>WITH CUSTOMERS (€,000)   | 30.09.2021       | 31.12.2020       | € Change         | % Change     |
|---|------------------|------------------|------------------|--------------|
| Factoring   | 1,442,622        | 1,481,678        | (39,056)         | -2.6%        |
| Salary-/pension-backed loans (CQS/CQP)            | 955,114          | 933,873          | 21,241           | 2.3%         |
| Collateralised loans                              | 87,311           | 77,684           | 9,627            | 12.4%        |
| Loans to SMEs                                     | 130,949          | 74,409           | 56,540           | 76.0%        |
| Current accounts                                  | 8,678            | 15,351           | (6,673)          | -43.5%       |
| Compensation and Guarantee Fund                   | 9,945            | 12,639           | (2,694)          | -21.3%       |
| Other loans and receivables                       | 2,982            | 6,812            | (3,830)          | -56.2%       |
| <b>Total loans</b>                                | <b>2,637,601</b> | <b>2,602,446</b> | <b>35,155</b>    | <b>1.4%</b>  |
| Securities  | 183,815          | 447,864          | (264,049)        | -59.0%       |
| <b>Total loans and receivables with customers</b> | <b>2,821,416</b> | <b>3,050,310</b> | <b>(228,894)</b> | <b>-7.5%</b> |

The item loans and receivables with customers under Financial assets measured at amortised cost (hereinafter HTC, or “Held to Collect”), is composed of loan receivables with customers and the “held-to-maturity securities” portfolio.

Outstanding loans for factoring receivables compared to Total loans, therefore excluding the amounts of the securities portfolio, were 55% (57% at the end of 2020). The volumes generated during the year amounted to € 2,495 million (€ 2,183 million at 30 September 2020).

Salary- and pension-backed loans increased by 2.3%; compared to the previous year, the volumes disbursed decreased slightly due to lower portfolios acquired (volumes

at 30 September 2021 amounted to € 194 million). Government-backed loans to SMEs increased following new disbursements made under SACE and SME Fund guarantees and amounted to € 130.9 million.

The collateralised loan business, carried out through the subsidiary ProntoPegno, grew significantly reporting loans of € 87 million at 30 September 2021 which are the result of loans granted during the year and renewals with existing customers.

HTC Securities are composed entirely of Italian government securities with an average duration of 34.2 months for an amount of € 184 million. The mark-to-market valuation of the securities at 30 September 2021 was a positive fair value of € 2.8 million.

The following table shows the quality of receivables in the loans and receivables with customers item, excluding the securities positions.

| STATUS  | 30.09.2020       | 31.12.2020       | 31.03.2021       | 30.06.2021       | 30.09.2021       |
|---|------------------|------------------|------------------|------------------|------------------|
| Bad exposures                                     | 49,759           | 52,354           | 50,710           | 169,372          | 168,253          |
| Unlikely to pay                                   | 144,848          | 148,433          | 148,874          | 34,387           | 34,324           |
| Past due  | 60,966           | 50,377           | 112,423          | 92,462           | 91,926           |
| <b>Non-performing</b>                             | <b>255,573</b>   | <b>251,164</b>   | <b>312,007</b>   | <b>296,221</b>   | <b>294,503</b>   |
| <b>Performing</b>                                 | <b>2,477,606</b> | <b>2,404,623</b> | <b>2,300,186</b> | <b>2,382,395</b> | <b>2,407,571</b> |
| Stage 2   | 169,719          | 134,194          | 116,732          | 116,414          | 111,314          |
| Stage 1   | 2,307,887        | 2,270,429        | 2,183,454        | 2,265,981        | 2,296,257        |
| <b>Total loans and receivables with customers</b> | <b>2,733,179</b> | <b>2,655,787</b> | <b>2,612,193</b> | <b>2,678,616</b> | <b>2,702,074</b> |
| <b>Individual impairment losses</b>               | <b>39,997</b>    | <b>46,027</b>    | <b>50,384</b>    | <b>56,623</b>    | <b>57,342</b>    |
| Bad exposures                                     | 21,212           | 25,240           | 26,660           | 46,160           | 46,435           |
| Unlikely to pay                                   | 18,265           | 20,352           | 22,961           | 10,025           | 10,450           |
| Past due  | 520              | 435              | 763              | 438              | 457              |
| <b>Collective impairment losses</b>               | <b>9,781</b>     | <b>7,315</b>     | <b>6,941</b>     | <b>6,989</b>     | <b>7,129</b>     |
| Stage 2   | 982              | 781              | 749              | 660              | 657              |
| Stage 1   | 8,799            | 6,534            | 6,192            | 6,329            | 6,472            |
| <b>Total impairment losses</b>                    | <b>49,778</b>    | <b>53,342</b>    | <b>57,325</b>    | <b>63,612</b>    | <b>64,471</b>    |
| <b>Net exposure</b>                               | <b>2,683,401</b> | <b>2,602,445</b> | <b>2,554,868</b> | <b>2,615,004</b> | <b>2,637,603</b> |

The ratio of gross non-performing loans to the total portfolio increased to 10.9% compared to 9.5% at 31 December 2020, following the increase in past due loans, mainly due to the entry into force of the new definition of default on 1 January 2021 ("New DoD"). Past due loans are associated with factoring receivables without recourse from Public Administration and are considered normal for the sector. Despite the new technical rules used to report past due loans for regulatory purposes, this continues not to pose particular problems in terms of credit quality and probability of collection.

The increase in bad exposures is the result of reclassifying, as requested by the Bank of Italy during its recent routine inspection, exposures to local authorities in financial difficulty, which the Group had previously classified as unlikely to pay because, in fact, until the settlement proposed by the OSL is accepted, the exposure does not fall under the liquidation procedure. This reclassification has no impact on prudential ratios,

nor on the quality of the receivable that the Group will collect in full at the end of the financial difficulties, including default interest accrued up to that date and not recognised in the income statement. The coverage ratio for non-performing loans is 19.5%, up from 18.7% at 31 December 2020. It should be noted that the credit quality presented and commented on above does not incorporate the new guidelines issued by the Supervisory Authority, as stated in the following paragraph on capital adequacy.

Property and equipment includes the property located in Milan, which is also being used as Banca Sistema's new offices, and the new building in Rome. The carrying amount of the properties, including capitalised costs, is € 35.9 million, net of accumulated depreciation. The other capitalised costs include furniture, fittings and IT devices and equipment, as well as the right of use relating to the lease payments for branches and company cars.

Intangible assets refer to goodwill of € 32.3 million, broken down as follows:

- the goodwill originating from the merger of the former subsidiary Solvi S.r.l. which took place in 2013 amounting to € 1.8 million;
- the goodwill generated by the acquisition of Atlantide S.p.A. on 3 April 2019 amounting to € 2.1 million;
- the goodwill amounting to € 28.4 million arising from the acquisition of the former Intesa Sanpaolo collateralised lending business unit completed on 13 July 2020.

At the end of 2020, Banca Sistema entered into an equal

partnership with EBN Banco de Negocios S.A., taking a stake in the capital of EBNSISTEMA Finance S.L., and thereby entering the Spanish factoring market. Banca Sistema acquired an equity investment in EBNSISTEMA through a capital increase of € 1 million which gave Banca Sistema a 50% stake in the Madrid-based company. The aim of the joint venture is to develop the Public Administration factoring business on the Iberian peninsula, with its core business being the purchase of healthcare receivables.

Other assets mainly include amounts being processed after the end of the period and advance tax payments.

Comments on the main aggregates on the liability side of the statement of financial position are shown below.

| LIABILITIES AND EQUITY (€,000)                   | 30.09.2021       | 31.12.2020       | € Change         | % Change     |
|--|------------------|------------------|------------------|--------------|
| Financial liabilities measured at amortised cost | 3,036,071        | 3,274,230        | (238,158)        | -7.3%        |
| a) due to banks                                  | 592,347          | 869,648          | (277,300)        | -31.9%       |
| b) due to customers                              | 2,274,966        | 2,164,244        | 110,722          | 5.1%         |
| c) securities issued                             | 168,758          | 240,338(*)       | (71,580)         | -29.8%       |
| Tax liabilities                                  | 17,501           | 16,903           | 598              | 3.5%         |
| Other liabilities                                | 135,142          | 136,894          | (1,752)          | -1.3%        |
| Post-employment benefits                         | 4,112            | 4,428            | (316)            | -7.1%        |
| Provisions for risks and charges                 | 22,877           | 23,430           | (553)            | -2.4%        |
| Valuation reserves                               | (1,014)          | 1,287            | (2,301)          | <100%        |
| Reserves   | 182,081          | 161,332(*)       | 20,748           | 12.9%        |
| Equity instruments                               | 45,500           | 8,000(*)         | 37,500           | >100%        |
| Equity attributable to non-controlling interests | 9,466            | 9,297            | 169              | 1.8%         |
| Share capital                                    | 9,651            | 9,651            | -                | 0.0%         |
| Treasury shares (-)                              | -                | (234)            | 234              | -100.0%      |
| Profit (loss) for the period/year                | 14,780           | 26,153(*)        | (11,373)         | -43.5%       |
| <b>Total liabilities and equity</b>              | <b>3,476,167</b> | <b>3,671,371</b> | <b>(195,204)</b> | <b>-5.3%</b> |

(\*) For more information reference should be made to the "General basis of preparation" section in the Accounting Policies of this report

Wholesale funding, which represents about 32% of the total (41% at 31 December 2020), decreased in absolute terms from the end of 2020 mainly following

the decrease in interbank funding and ECB loans. The contribution of bond funding to total wholesale funding was 21% (23% at the end of 2020).

| <b>DUE TO BANKS (€,000)</b>                 | 30.09.2021     | 31.12.2020     | € Change         | % Change      |
|---|----------------|----------------|------------------|---------------|
| Due to Central banks                        | 537,180        | 689,686        | (152,506)        | -22.1%        |
| Due to banks                                | 55,167         | 179,962        | (124,794)        | -69.3%        |
| <i>Current accounts and demand deposits</i> | 44,167         | 127,088        | (82,921)         | -65.2%        |
| <i>Term deposits with banks</i>             | -              | -              | -                | <i>n.a.</i>   |
| <i>Financing from other banks</i>           | 11,000         | 48,737         | (37,737)         | -77.4%        |
| <i>Other amounts due to banks</i>           | -              | 4,137          | (4,137)          | -100.0%       |
| <b>Total</b>                                | <b>592,347</b> | <b>869,648</b> | <b>(277,300)</b> | <b>-31.9%</b> |

The item "Due to banks" decreased by 69% compared 31 December 2020 as a result of reduced borrowing on the interbank market; the item "Due to Central banks" decreased by 22% with respect to 31 December 2020 reflecting the repayment of the Pandemic Emergency

Longer-Term Refinancing Operations (PELTRO). ECB loans are backed by ABS from the salary- and pension-backed loans (CQS/CQP) securitisation, government bonds, CQS/CQP receivables and some factoring receivables.

| <b>DUE TO CUSTOMERS (€,000)</b>   | 30.09.2021       | 31.12.2020       | € Change       | % Change    |
|-----------------------------------|------------------|------------------|----------------|-------------|
| Term deposits                     | 1,256,479        | 1,216,523        | 39,956         | 3.3%        |
| Financing (repurchase agreements) | 216,037          | 235,230          | (19,193)       | -8.2%       |
| Current accounts                  | 741,438          | 633,548          | 107,890        | 17.0%       |
| Due to assignors                  | 56,909           | 75,021           | (18,112)       | -24.1%      |
| Other payables                    | 4,103            | 3,922            | 181            | 4.6%        |
| <b>Total</b>                      | <b>2,274,966</b> | <b>2,164,244</b> | <b>110,722</b> | <b>5.1%</b> |

The item Due to customers increased compared to the end of the previous period, mainly due to an increase in funding from current accounts. The period-end amount of term deposits increased by 3.3% compared to the end of 2020, reflecting net positive deposits (net of interest accrued)

of € 39 million coming mainly through the international channel; gross deposits from the beginning of the year were € 710 million, against withdrawals totalling € 671 million. Due to assignors includes payables related to the unfunded portion of acquired receivables.

| <b>BONDS ISSUED (€,000)</b> | 30.09.2021 | 31.12.2020 | € Change | % Change |
|-----------------------------|------------|------------|----------|----------|
| Bond - AT1                  | 45,500     | 8,000      | 37,500   | >100%    |
| Bond - Tier II              | 0          | 37,570     | (37,570) | -100.0%  |
| Bonds - other               | 168,758    | 202,750    | (33,992) | -16.8%   |

The value of bonds issued decreased compared to 31 December 2020 due to the repayment of the € 90 million senior bond that matured in May, partially offset by the increase in the senior shares of the ABS financed by third-party investors.

Bonds issued at 30 September 2021 are as follows:

- Tier 1 subordinated loan of € 8 million, with no maturity (perpetual basis) and a fixed coupon until 18 December 2022 at 7% issued on 18 December 2012 and 18 December 2013 (reopening date);
- Tier 1 subordinated loan of € 37.5 million, with no maturity (perpetual basis) and a fixed coupon until 25 June 2031 at 9% issued on 25 June 2021.

Other bonds include the senior shares of the ABS in the Quinto Sistema Sec. 2019 and BS IVA securitisation subscribed by third-party institutional investors.

The Tier 2 subordinated loans were repaid before maturity upon simultaneous issuance of an Additional Tier 1 (AT1) subordinated bond for the same amount.

It should be noted that given their predominant characteristics, starting this year all AT1 instruments are classified under item 140 "Equity instruments" in equity, including the € 8 million previously classified under financial liabilities.

The provision for risks and charges of € 22.9 million includes the provision for possible liabilities attributable to past acquisitions of € 3.1 million, the estimated amount of personnel-related charges for the

portion of the bonus for the year, the deferred portion of the bonus accrued in previous years, the estimate related to the non-compete agreement and ongoing labour-related lawsuits, totalling € 6.4 million. The provision also includes an estimate of charges related to possible liabilities to assignors that have yet to be settled of € 4.5 million and other estimated charges for ongoing lawsuits and legal disputes amounting to € 1.2 million. Following the acquisition of Atlantide, the provision includes the estimated earn-out to be paid to the sellers linked to the achievement of production volume targets for the next three years (the liability is currently estimated to be € 1.3 million and is offset against goodwill). Also included is the provision for claims and the provision to cover the estimated adverse effect of possible early repayments (also known as pre-payments) on CQS portfolios purchased from third-party intermediaries and on the assigned portfolio, for an amount of € 4.4 million.

Other liabilities mainly include payments received after the end of the period from the assigned debtors and which were still being allocated and items being processed during the days following period-end, as well as trade payables and tax liabilities.

The item also includes the 2019 and 2020 dividends totalling € 13.9 million, which have been approved but not distributed. This amount is excluded from the calculation of CET1 insofar as it is excluded from the Bank's equity.

The reconciliation between the profit for the period and equity of the parent and the figures from the consolidated financial statements is shown below.

| (€,000)  | PROFIT<br>(LOSS) | EQUITY         |
|--|------------------|----------------|
| <b>Profit/equity of the parent</b>                     | <b>14,623</b>    | <b>252,032</b> |
| Assumption of value of investments                     | -                | (44,214)       |
| Consolidated profit/equity                             | 328              | 52,645         |
| Gain (loss) on equity investments                      | (2)              | -              |
| <b>Equity attributable to the owners of the parent</b> | <b>14,949</b>    | <b>260,463</b> |
| Equity attributable to non-controlling interests       | (169)            | (9,466)        |
| <b>Profit/equity of the Group</b>                      | <b>14,780</b>    | <b>250,997</b> |

## CAPITAL ADEQUACY

Provisional information concerning the regulatory capital and capital adequacy of the Banca Sistema Group is shown below.

| OWN FUNDS (€,000) AND CAPITAL RATIOS | 30.09.2021       | 31.12.2020       |
|--------------------------------------|------------------|------------------|
| <b>Common Equity Tier 1 (CET1)</b>   | <b>174,147</b>   | <b>163,797</b>   |
| ADDITIONAL TIER 1                    | 45,500           | 8,000            |
| <b>Tier 1 capital (T1)</b>           | <b>219,647</b>   | <b>171,797</b>   |
| TIER 2                               | 118              | 37,655           |
| <b>Total Own Funds (TC)</b>          | <b>219,765</b>   | <b>209,452</b>   |
| <b>Total risk-weighted assets</b>    | <b>1,427,296</b> | <b>1,297,255</b> |
| of which, credit risk                | 1,250,453        | 1,120,412        |
| of which, operational risk           | 176,843          | 176,843          |
| Ratio - CET1 (*)                     | 12.2%            | 12.6%            |
| Ratio - T1 (*)                       | 15.4%            | 13.2%            |
| Ratio - TCR (*)                      | 15.4%            | 16.1%            |

(\*) As a result of the guidelines issued by the Supervisory Authority concerning the application of the definition of default pursuant to Article 178 of Regulation (EU) No. 575/2013, a careful examination and reassessment of the operational solutions currently in use will be carried out after the close of business on 28 October 2021, which could have adverse effects on the CET1 ratio and the Total Capital ratio represented in this document that are currently estimated to be approximately 0.60% and 0.80%, respectively.

Total own funds were € 220 million at 30 September 2021 and included the profit for the period, net of dividends estimated on the profit for the year which were equal to a pay-out of 25% of the Parent's profit. It should be noted that dividends declared on 2019 and 2020 profits are not included in CET1 and will be distributed after 30 September 2021.

The increase in risk-weighted assets with respect to 31 December 2020 which, as indicated above, does not incorporate the new guidelines provided by the Supervisory Authority, is mainly attributable

to the increase in non-performing exposures due to the introduction of the new definition of default and increased exposure to businesses.

The Group's consolidated capitalisation requirements, according to the transitory criteria, are as follows:

- CET1 ratio of 7.75%;
- TIER1 ratio of 9.55%;
- Total Capital Ratio of 11.90%.

The additional ratios remained unchanged from those for 2020. The latest SREP decision does not include any quantitative liquidity requirements.

## OTHER INFORMATION

### Research and Development Activities

No research and development activities were carried out in 2021.

## RELATED PARTY TRANSACTIONS

Related party transactions including the relevant authorisation and disclosure procedures, are governed by the "Procedure governing related party transactions" approved by the Board of Directors and published on the internet site of the Parent, Banca Sistema S.p.A..

Transactions between Group companies and related parties were carried out in the interests of the Bank, including within the scope of ordinary operations; these transactions were carried out in accordance with market conditions and, in any event, based on mutual financial advantage and in compliance with all procedures.

## ATYPICAL OR UNUSUAL TRANSACTIONS

During 2021, the Group did not carry out any atypical or unusual transactions, as defined in Consob Communication no. 6064293 of 28 July 2006.

## SIGNIFICANT EVENTS AFTER THE REPORTING DATE

As a result of the guidelines issued by the Supervisory Authority concerning the application of the definition of default pursuant to Article 178 of Regulation (EU) No. 575/2013, a careful examination and reassessment of the operational solutions currently in use will be carried out after the close of business on 28 October 2021, which could have adverse effects on the CET1 ratio and the Total Capital ratio represented in this document that are currently estimated to be approximately 0.60% and 0.80%, respectively.

The Board of Directors of Banca Sistema, which met on 22 October 2021, in execution of the resolutions approved by the Shareholders' Meeting, the last of which was held on 30 April 2021, resolved to pay out dividends from the earnings generated in the 2019 and 2020 financial years

amounting to € 13,912,842 or € 0.173 per ordinary share on 10 November 2021, with an ex-dividend date of 8 November 2021 (coupon no. 8).

Starting on 15 October, the Bank implemented the regulatory provisions regarding access to the workplace using the green pass with all employees adhering to the provisions with full cooperation. Among the other security measures that continue to be applied, social distancing is ensured - as it was in previous months - by introducing an experimental "hybrid" smart working model involving rotating remote work days and at the office days.

After the reporting date of this interim financial report, there were no events worthy of mention which would have had an impact on the financial position, results of operations and cash flows of the Bank and Group.

## BUSINESS OUTLOOK AND MAIN RISKS AND UNCERTAINTIES

The acceleration of payments by public administrations is also expected to continue in the last quarter of the year, leading to a reduction in factoring profitability. This situation is driven by extraordinary funds made available by the central government to local authorities to deal with the liquidity problem caused by the pandemic. This trend is not expected to become structural and these accelerations in payments will decrease as the transfer

of extraordinary funds from the state to local authorities is reduced.

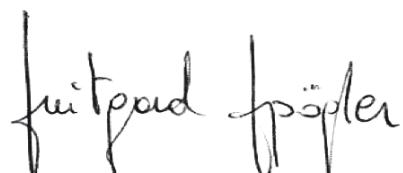
The situation surrounding the Covid-19 pandemic is being continuously monitored, both with regard to the markets in which the Group operates and its approach to business, and with regard to any possible effects that have not yet emerged which would be reflected, if necessary, in the estimated recoverable value of the financial assets.

Milan, 29 October 2021

*On behalf of the Board of Directors*

*The Chairperson*

Luitgard Spögl



*The CEO*

Gianluca Garbi





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## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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## STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of Euro)

|             | Assets   | 30.09.2021       | 31.12.2020       |
|-------------|--|------------------|------------------|
| <b>10.</b>  | Cash and cash equivalents  | 1,576            | 1,930            |
| <b>30.</b>  | Financial assets measured at fair value through other comprehensive income | 454,369          | 430,966          |
| <b>40.</b>  | Financial assets measured at amortised cost                                | 2,912,093        | 3,142,791        |
|             | <i>a) loans and receivables with banks</i>                                 | 90,676           | 92,481           |
|             | <i>b) loans and receivables with customers</i>                             | 2,821,417        | 3,050,310        |
| <b>70.</b>  | Equity investments   | 998              | 1,000            |
| <b>90.</b>  | Property and equipment   | 41,035           | 32,607           |
| <b>100.</b> | Intangible assets  | 33,003           | 32,725           |
|             | <i>of which:</i>   | -                | -                |
|             | <i>goodwill</i>  | 32,355           | 32,355           |
| <b>110.</b> | Tax assets   | 10,660           | 10,313           |
|             | <i>a) current</i>  | 15               | 62               |
|             | <i>b) deferred</i>   | 10,645           | 10,251           |
| <b>130.</b> | Other assets   | 22,433           | 19,039           |
|             | <b>Total Assets</b>  | <b>3,476,167</b> | <b>3,671,371</b> |

|             | Liabilities and equity                                 | 30.09.2021       | 31.12.2020       |
|-------------|--|------------------|------------------|
| <b>10.</b>  | Financial liabilities measured at amortised cost       | 3,036,071        | 3,274,230        |
|             | <i>a) due to banks</i>                                 | 592,347          | 869,648          |
|             | <i>b) due to customers</i>                             | 2,274,966        | 2,164,244        |
|             | <i>c) securities issued</i>                            | 168,758          | 240,338 (*)      |
| <b>60.</b>  | Tax liabilities  | 17,501           | 16,903           |
|             | <i>a) current</i>                                      | 2,512            | 1,995            |
|             | <i>b) deferred</i>                                     | 14,989           | 14,908           |
| <b>80.</b>  | Other liabilities                                      | 135,142          | 136,894          |
| <b>90.</b>  | Post-employment benefits                               | 4,112            | 4,428            |
| <b>100.</b> | Provisions for risks and charges:                      | 22,877           | 23,430           |
|             | <i>a) commitments and guarantees issued</i>            | 52               | 26               |
|             | <i>c) other provisions for risks and charges</i>       | 22,825           | 23,404           |
| <b>120.</b> | Valuation reserves                                     | (1,014)          | 1,287            |
| <b>140.</b> | Equity instruments                                     | 45,500           | 8,000 (*)        |
| <b>150.</b> | Reserves   | 142,981          | 122,232 (*)      |
| <b>160.</b> | Share premium  | 39,100           | 39,100           |
| <b>170.</b> | Share capital  | 9,651            | 9,651            |
| <b>180.</b> | Treasury shares (-)                                    | -                | (234)            |
| <b>190.</b> | Equity attributable to non-controlling interests (+/-) | 9,466            | 9,297            |
| <b>200.</b> | Profit for the period                                  | 14,780           | 26,153 (*)       |
|             | <b>Total liabilities and equity</b>                    | <b>3,476,167</b> | <b>3,671,371</b> |

(\*) For more information reference should be made to the "General basis of preparation" section in the Accounting Policies

## INCOME STATEMENT

(Amounts in thousands of Euro)

|             |  | First three<br>quarters of 2021 | First three<br>quarters of 2020 |
|-------------|--|---------------------------------|---------------------------------|
| <b>10.</b>  | Interest and similar income  | 69,799                          | 71,635                          |
|             | of which: interest income calculated with the effective interest method              | 65,225                          | 68,319                          |
| <b>20.</b>  | Interest and similar expense   | (12,760)                        | (18,403)*                       |
| <b>30.</b>  | <b>Net interest income</b>   | <b>57,039</b>                   | <b>53,232</b>                   |
| <b>40.</b>  | Fee and commission income  | 18,389                          | 17,263                          |
| <b>50.</b>  | Fee and commission expense   | (6,464)                         | (5,324)                         |
| <b>60.</b>  | <b>Net fee and commission income</b>   | <b>11,925</b>                   | <b>11,939</b>                   |
| <b>70.</b>  | Dividends and similar income   | 227                             | 227                             |
| <b>80.</b>  | Net trading income   | 21                              | 38                              |
| <b>100.</b> | Gain from sales or repurchases of:   | 5,569                           | 7,101                           |
|             | a) <i>financial assets measured at amortised cost</i>                                | 1,816                           | 2,473                           |
|             | b) <i>financial assets measured at fair value through other comprehensive income</i> | 3,753                           | 4,612                           |
|             | c) <i>financial liabilities</i>  | -                               | 16                              |
| <b>120.</b> | <b>Total income</b>  | <b>74,781</b>                   | <b>72,537</b>                   |
| <b>130.</b> | Net impairment losses on:  | (8,807)                         | (7,229)                         |
|             | a) <i>financial assets measured at amortised cost</i>                                | (8,794)                         | (7,119)                         |
|             | b) <i>financial assets measured at fair value through other comprehensive income</i> | (13)                            | (110)                           |
| <b>140.</b> | Losses from contract amendments without derecognition                                | (4)                             |                                 |
| <b>150.</b> | <b>Net financial income</b>  | <b>65,970</b>                   | <b>65,308</b>                   |
| <b>190.</b> | Administrative expenses  | (43,970)                        | (36,712)                        |
|             | a) <i>personnel expense</i>  | (21,292)                        | (17,188)                        |
|             | b) <i>other administrative expenses</i>  | (22,678)                        | (19,524)                        |
| <b>200.</b> | Net accruals to provisions for risks and charges                                     | (26)                            | (1,181)                         |
|             | a) <i>commitments and guarantees issued</i>  | (26)                            | 2                               |
|             | b) <i>other net accruals</i>   | -                               | (1,183)                         |
| <b>210.</b> | Net impairment losses on property and equipment                                      | (1,841)                         | (1,278)                         |
| <b>220.</b> | Net impairment losses on intangible assets   | (163)                           | (43)                            |
| <b>230.</b> | Other operating expense  | 1,686                           | 696                             |
| <b>240.</b> | <b>Operating costs</b>   | <b>(44,314)</b>                 | <b>(38,518)</b>                 |
| <b>250.</b> | Gains (losses) on equity investments   | (2)                             |                                 |
| <b>280.</b> | Gains (losses) on sales of investments   | -                               | 1,090                           |
| <b>290.</b> | <b>Pre-tax profit from continuing operations</b>                                     | <b>21,654</b>                   | <b>27,880</b>                   |
| <b>300.</b> | Income taxes   | (6,705)                         | (8,423)*                        |
| <b>310.</b> | <b>Post-tax profit from continuing operations</b>                                    | <b>14,949</b>                   | <b>19,457</b>                   |
| <b>330.</b> | <b>Profit for the period</b>   | <b>14,949</b>                   | <b>19,457</b>                   |
| <b>340.</b> | <b>Profit (Loss) for the period attributable to non-controlling interests</b>        | <b>(169)</b>                    | <b>333</b>                      |
| <b>350.</b> | <b>Profit for the period attributable to the owners of the parent</b>                | <b>14,780</b>                   | <b>19,790</b>                   |

(\*) For more information reference should be made to the "Information on the main items of the consolidated financial statements" section in the Accounting Policies

## STATEMENT OF COMPREHENSIVE INCOME

(Amounts in thousands of Euro)

|             |  | First three<br>quarters of 2021 | First three<br>quarters of 2020 |
|-------------|--|---------------------------------|---------------------------------|
| <b>10.</b>  | <b>Profit for the period</b>   | <b>14,780</b>                   | <b>19,790 (*)</b>               |
|             | <b>Items, net of tax, that will not be reclassified subsequently to profit or loss</b>                     | -                               | -                               |
| <b>70.</b>  | Defined benefit plans  | 142                             | (61)                            |
|             | <b>Items, net of tax, that will be reclassified subsequently to profit or loss</b>                         | -                               | -                               |
| <b>140.</b> | Financial assets (other than equity instruments) measured at fair value through other comprehensive income | (2,443)                         | 698                             |
| <b>170.</b> | <b>Total other comprehensive income (expense), net of income tax</b>                                       | <b>(2,301)</b>                  | <b>637</b>                      |
| <b>180.</b> | <b>Comprehensive income (Items 10+170)</b>   | <b>12,479</b>                   | <b>20,427</b>                   |
| <b>190.</b> | <b>Comprehensive income attributable to non-controlling interests</b>                                      | -                               | -                               |
| <b>200.</b> | <b>Comprehensive income attributable to the owners of the parent</b>                                       | <b>12,479</b>                   | <b>20,427 (*)</b>               |

(\*) For more information reference should be made to the "General basis of preparation" section in the Accounting Policies

## STATEMENTS OF CHANGES IN EQUITY AS AT 30.09.2021

Amounts in thousands of Euro

|   |                    | Equity at 30.09.2021   |                        |
|---|--------------------|--|------------------------|
|   |                    | Changes during the year  | Transactions on equity |
| Allocation of prior year profit                         |                    |  |                        |
| Share capital:  |                    |  |                        |
| a) ordinary shares                                      | <b>9,651</b>       | -  | 9,651                  |
| b) other shares   | -                  | -  | -                      |
| Share premium   | <b>39,100</b>      | -  | 39,100                 |
| Reserves  | <b>122,232</b>     | -  | 122,232                |
| a) income-related                                       | <b>120,797 (*)</b> | -  | 120,797                |
| b) other  | <b>1,435</b>       | -  | 1,435                  |
| Valuation reserves                                      | <b>1,287</b>       | -  | 1,287                  |
| Equity instruments                                      | <b>8,000 (*)</b>   | -  | 8,000                  |
| Treasury shares   | <b>(234)</b>       | -  | (234)                  |
| Profit (loss) for the period                            | <b>26,153 (*)</b>  | -  | 26,153                 |
| <b>Equity attributable to the owners of the parent</b>  | <b>206,189</b>     | -  | <b>206,189</b>         |
| <b>Equity attributable to non-controlling interests</b> | <b>9,297</b>       | -  | <b>9,297</b>           |
|   |                    |  | <b>169</b>             |
|   |                    |  | <b>9,466</b>           |
|   |                    | Comprehensive income for the first three quarters of 2021      |                        |
|   |                    | Equity attributable to non-controlling interests at 30.09.2021 |                        |
|   |                    | Equity at 30.09.2021   |                        |
|   |                    | Equity attributable to non-controlling interests at 30.09.2021 |                        |

## STATEMENT OF CHANGES IN EQUITY AS AT 30.09.2020

Amounts in thousands of Euro

(\*) For more information reference should be made to the "General basis of preparation" section in the Accounting Policies.

## STATEMENT OF CASH FLOWS (indirect method)

Amounts in thousands of Euro

|  | 30.09.2021       | 30.09.2020       |
|--|------------------|------------------|
| <b>A. OPERATING ACTIVITIES</b>   |                  |                  |
| <b>1. Operations</b>   | <b>39,323</b>    | <b>44,959</b>    |
| ▪ Profit for the year (+/-)  | 14,780           | 19,790(*)        |
| ▪ Gains/losses on financial assets held for trading and other financial assets/liabilities measured at fair value through profit or loss (-/+) | -                | -                |
| ▪ Gains/losses on hedging activities (-/+)   | -                | -                |
| ▪ Net impairment losses due to credit risk (+/-)   | 8,820            | 7,229            |
| ▪ Net impairment losses on property and equipment and intangible assets (+/-)  | 2,004            | 1,321            |
| ▪ Net accruals to provisions for risks and charges and other costs/income (+/-)  | -                | 1,181            |
| ▪ Taxes, duties and tax assets not yet paid (+/-)  | 1,732            | 3,487            |
| ▪ Other adjustments (+/-)  | 11,987           | 11,951           |
| <b>2. Cash flows generated by (used for) financial assets</b>  | <b>209,679</b>   | <b>(119,025)</b> |
| ▪ Financial assets held for trading  | -                | -                |
| ▪ Financial assets designated at fair value through profit or loss   | -                | -                |
| ▪ Other assets mandatorily measured at fair value through profit or loss   | -                | -                |
| ▪ Financial assets measured at fair value through other comprehensive income   | (22,005)         | 7,964            |
| ▪ Financial assets measured at amortised cost  | 233,117          | (127,724)        |
| ▪ Other assets   | (1,433)          | 735              |
| <b>3. Cash flows generated by (used for) financial liabilities</b>   | <b>(276,402)</b> | <b>114,114</b>   |
| ▪ Financial liabilities measured at amortised cost   | (255,141)        | 57,597           |
| ▪ Financial liabilities held for trading   | -                | -                |
| ▪ Financial liabilities designated at fair value through profit or loss  | -                | -                |
| ▪ Other liabilities  | (21,261)         | 56,517(*)        |
| <b>Net cash flows generated by (used for) operating activities</b>   | <b>(27,400)</b>  | <b>40,048</b>    |
| <b>B. INVESTING ACTIVITIES</b>   |                  |                  |
| <b>1. Cash flows generated by</b>  | <b>-</b>         | <b>-</b>         |
| ▪ Sales of equity investments  | -                | -                |
| ▪ Dividends from equity investments  | -                | -                |
| ▪ Sales of property and equipment  | -                | -                |
| ▪ Sales of intangible assets   | -                | -                |
| ▪ Sales of business units  | -                | -                |
| <b>2. Cash flows used in</b>   | <b>(10,454)</b>  | <b>(33,994)</b>  |
| ▪ Purchases of equity investments  | -                | -                |
| ▪ Purchases of property and equipment  | (9,250)          | (3,890)          |
| ▪ Purchases of intangible assets   | (1,204)          | (30,104)         |
| ▪ Purchases of business units  | -                | -                |
| <b>Net cash flows used in investing activities</b>   | <b>(10,454)</b>  | <b>(33,994)</b>  |
| <b>C. FINANCING ACTIVITIES</b>   |                  |                  |
| ▪ Issues/repurchases of treasury shares  | -                | -                |
| ▪ Issues/repurchases of equity instruments   | 37,500           | -                |
| ▪ Dividend and other distributions   | -                | -                |
| <b>Net cash flows generated by (used in) financing activities</b>  | <b>37,500</b>    | <b>-</b>         |
| <b>NET CASH FLOWS FOR THE PERIOD</b>   | <b>(354)</b>     | <b>6,054</b>     |

(\*) For more information reference should be made to the "Information on the main items of the consolidated financial statements" section in the Accounting Policies

### RECONCILIATION

|   |       |       |
|---|-------|-------|
| Cash and cash equivalents at the beginning of the period      | 1,930 | 652   |
| Total net cash flows for the period                           | (354) | 6,054 |
| Cash and cash equivalents: effect of change in exchange rates | -     | -     |
| Cash and cash equivalents at the end of the period            | 1,576 | 6,706 |

## ACCOUNTING POLICIES

## GENERAL BASIS OF PREPARATION

This interim consolidated financial report at 30 September 2021 was drawn up in accordance with art. 154-ter of Legislative Decree no. 58 of 24 February 1998 and Legislative Decree no. 38 of 28 February 2005, pursuant to the IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission, as established by Regulation (EC) no. 1606 of 19 July 2002, from which there were no derogations.

The interim consolidated financial report at 30 September 2021 comprises the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and the notes to the interim consolidated financial report and is accompanied by a Directors' Report on the performance, the financial results achieved and the financial position of the Banca Sistema Group.

Pursuant to the provisions of art. 5 of Legislative Decree no. 38/2005, the financial statements use the Euro as the currency for accounting purposes. The amounts in the

financial statements and the notes thereto are expressed (unless expressly specified) in thousands of Euro.

The financial statements were drawn up in accordance with the specific financial reporting standards endorsed by the European Commission, as well as pursuant to the general assumptions laid down by the Framework for the preparation and presentation of financial statements issued by the IASB.

This interim consolidated financial report includes Banca Sistema S.p.A. and the companies directly or indirectly controlled by or connected with it. No changes to the scope of consolidation have been made compared to 31 December 2020.

This interim consolidated financial report at 30 September 2021 is accompanied by a statement by the manager in charge of financial reporting, pursuant to art. 154-bis of the Consolidated Law on Finance. The consolidated financial statements have been subject to review by BDO Italia S.p.A.

### Events after the reporting date

As a result of the guidelines issued by the Supervisory Authority concerning the application of the definition of default pursuant to Article 178 of Regulation (EU) No. 575/2013, a careful examination and reassessment of the operational solutions currently in use will be carried out after the close of business on 28 October 2021, which could have adverse effects on the CET1 ratio and the Total Capital ratio represented in this document that are currently estimated to be approximately 0.60% and 0.80%, respectively.

The Board of Directors of Banca Sistema, which met on 22 October 2021, in execution of the resolutions

approved by the Shareholders' Meeting, the last of which was held on 30 April 2021, resolved to pay out dividends from the earnings generated in the 2019 and 2020 financial years amounting to € 13,912,842 or € 0.173 per ordinary share on 10 November 2021, with an ex-dividend date of 8 November 2021 (coupon no. 8).

After the reporting date of this interim financial report, there were no events worthy of mention in the Accounting Policies which would have had an impact on the financial position, operating results and cash flows of the Bank and Group.

### Information on the main items of the consolidated financial statements

The interim consolidated financial report was prepared by applying IFRS and valuation criteria on a going concern basis, and in accordance with the principles of accruals and materiality of information, as well as

the general principle of the precedence of economic substance over legal form.

Within the scope of drawing up the financial statements in accordance with the IFRS, bank management must

make assessments, estimates and assumptions that influence the amounts of the assets, liabilities, costs and income recognised during the period.

The use of estimates is essential to preparing the financial statements. In particular, the most significant use of estimates and assumptions in the financial statements can be attributed to:

- the valuation of loans and receivables with customers: the acquisition of performing receivables from companies that supply goods and services represents the Bank's main activity. Estimating the value of these receivables is a complex activity with a high degree of uncertainty and subjectivity. Their value is estimated by using models that include numerous quantitative and qualitative elements. These include the historical data for collections, expected cash flows and the related expected recovery times, the existence of indicators of possible impairment, the valuation of any guarantees, and the impact of risks associated with the sectors in which the Bank's customers operate;
- the valuation of default interest pursuant to Legislative Decree no. 231 of 9 October 2002 on performing receivables acquired without recourse: estimating the expected recovery percentages of default interest is complex, with a high degree of uncertainty and subjectivity. Internally developed valuation models are used to determine these percentages, which take numerous qualitative and quantitative elements into consideration;
- the estimate related to the possible impairment losses on goodwill and equity investments

recognised in the financial statements;

- the quantification and estimate made for recognising liabilities in the provision for risks and charges, the amount or timing of which are uncertain;
- the recoverability of deferred tax assets.

It should be noted that an estimate may be adjusted following a change in the circumstances upon which it was formed, or if there is new information or more experience. Any changes in estimates are applied prospectively and therefore will have an impact on the income statement for the year in which the change takes place.

The accounting policies adopted for the drafting of this interim consolidated financial report, with reference to the classification, recognition, valuation and derecognition criteria for the various assets and liabilities, like the guidelines for recognising costs and revenue, have remained unchanged compared with those adopted in the separate and consolidated financial statements at 31 December 2020, to which reference is made.

It should also be noted that in applying IAS 8 (paras. 41-49), in order to provide a true and fair view of the financial statements, it was necessary to reclassify the AT1 instruments previously classified under item 10 "Financial liabilities measured at amortised cost, c) securities issued", to item 140 "Equity instruments" resulting in the reclassification of the income component previously recognised in the income statement from "Profit for the year" to "Reserves". The impact on the items of the comparative statements for the 2020 financial year and the first three quarters of 2020, respectively, is shown below:

| In thousands of Euro                   | 31.12.2020<br>before<br>restatement | Reclassification | 31.12.2020<br>after<br>restatement |
|--|-------------------------------------|------------------|------------------------------------|
| <b>Statement of Financial Position</b> |                                     |                  |                                    |
| 10. c) Securities issued               | 248,338                             | (8,000)          | 240,338                            |
| 130. Equity instruments                | -                                   | 8,000            | 8,000                              |
| 150. Reserves                          | 25,777                              | 376              | 26,153                             |
| 200. Profit (loss) for the year        | 122,608                             | (376)            | 122,232                            |

| In thousands of Euro  | First three<br>quarters of<br>2020 before<br>restatement | Reclassification | First three<br>quarters of<br>2020 after<br>restatement |
|---|--|------------------|---|
| <b>Income statement</b>   |  |                  |   |
| 20. Interest and similar expense                                    | (18,822)   | 419              | (18,403)  |
| 300. Income taxes   | (8,285)  | (138)            | (8,423)   |
| 350. Profit for the period attributable to the owners of the parent | 19,509   | 281              | 19,790  |

#### Other aspects

The interim consolidated financial report was approved on 29 October 2021 by the Board of Directors, which authorised its disclosure to the public in accordance with IAS 10.

## STATEMENT OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING

The undersigned, Alexander Muz, in his capacity as Manager in charge of financial reporting of Banca Sistema S.p.A., hereby states, having taken into account the provisions of art. 154-bis, paragraph 2, of Legislative Decree no. 58

of 24 February 1998, that the accounting information in this interim consolidated financial report at 30 September 2021 is consistent with the company documents, books and accounting records.

Milan, 29 October 2021

*Alexander Muz*

*Manager in charge of financial reporting*

A handwritten signature in black ink, appearing to read "Alexander Muz".





**BANCA**  
SISTEMA