INTERIM CONSOLIDATED FINANCIAL REPORT

AT 30 JUNE 2022

BANCA SISTEMA

INTERIM CONSOLIDATED FINANCIAL REPORT AT 30 JUNE 2022

BANCA SISTEMA GROUP

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DIRECTORS' REPORT

COMPOSITION OF THE PARENT'S MANAGEMENT BODIES

BOARD OF DIRECTORS

Chairperson	Ms. Luitgard Spögler
Deputy Chairperson	Mr. Giovanni Puglisi
CEO and General Manager	Mr. Gianluca Garbi
Directors	Mr. Daniele Pittatore (Independent)
	Ms. Carlotta De Franceschi (Independent)
	Mr. Daniele Bonvicini (Independent)
	Ms. Maria Leddi (Independent)
	Ms. Francesca Granata (Independent)

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

Chairperson	Mr. Daniele Bonvicini
Members	Ms. Maria Leddi
	Ms. Francesca Granata
	Mr. Daniele Pittatore

APPOINTMENTS COMMITTEE

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

REMUNERATION COMMITTEE

Chairperson	Ms. Francesca Granata
Members	Mr. Giovanni Puglisi
	Mr. Daniele Pittatore

ETHICS COMMITTEE

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

SUPERVISORY BODY

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

FINANCIAL HIGHLIGHTS AT 30 JUNE 2022

The Banca Sistema Group comprises the Parent, Banca Sistema S.p.A., with registered office in Milan, the subsidiaries ProntoPegno S.p.A., Largo Augusto Servizi e Sviluppo S.r.l., Specialty Finance Trust Holdings Limited (a company incorporated under UK Law placed in liquidation in December 2021), and the newly incorporated Greek company "ΕΤΟΙΜΟ ΕΝΕΧΥΡΟ ΜΟΝΟΠΡΟΣΩΠΗ Α.Ε. ΕΝΕΧΥΡΟΔΑΝΕΙΣΜΟΥ ΚΑΙ ΑΓΟΡΑΣ ΧΡΥΣΟΥ" (hereinafter also referred to as ProntoPegno Greece), a wholly owned subsidiary of ProntoPegno S.p.A. The scope of consolidation also includes the Spanish Joint Venture EBNSISTEMA Finance S.L and the following special purpose securitisation vehicles whose receivables are not subject to derecognition: Quinto Sistema Sec. 2019 S.r.l., Quinto Sistema Sec. 2017 S.r.l. and BS IVA SPV S.r.l. The parent, Banca Sistema S.p.A., is a company registered in Italy, at Largo Augusto 1/A, ang. via Verziere 13 - 20122 Milan.

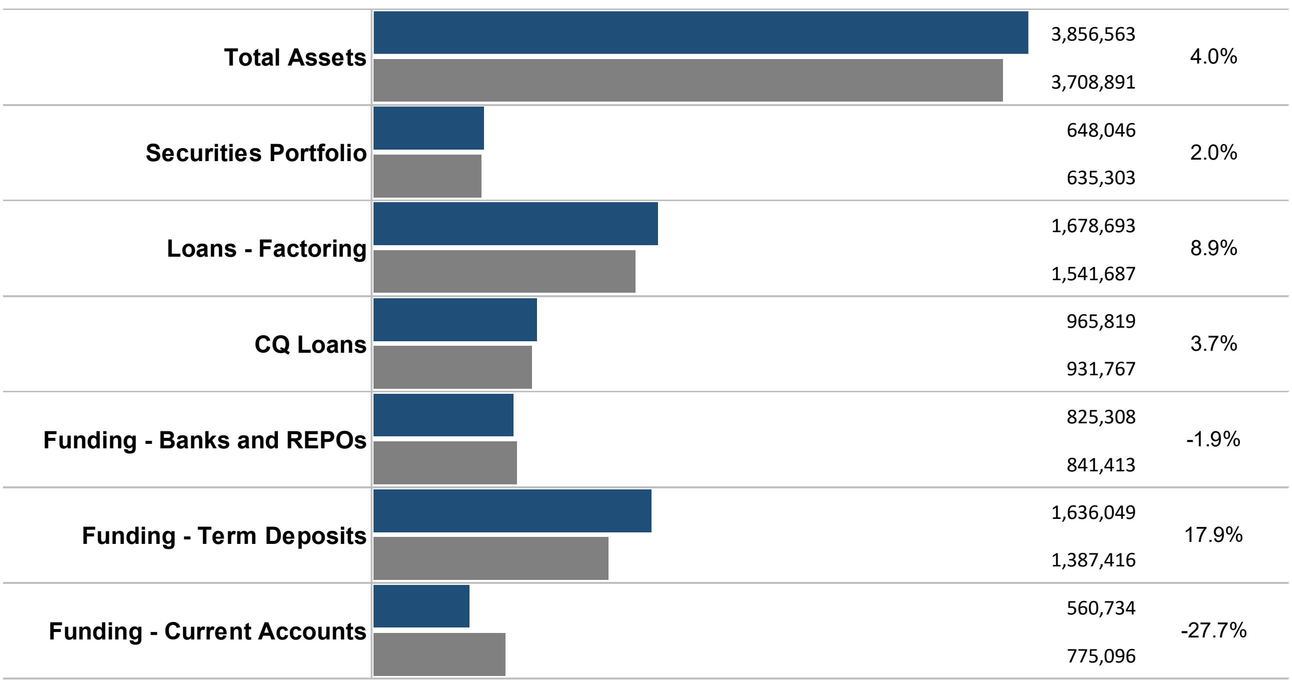
Operations are mainly carried out in the Italian market, although the Bank is also active in the Spanish market, as described below.

The Parent directly carries out factoring activities (mainly with the Italian public administration) and operates in the salary- and pension-backed loans segment through direct origination and through the purchase of receivables generated by other specialist operators, distributing its product through a network of single-company agents and specialised brokers located throughout Italy. Through its subsidiary ProntoPegno S.p.A., the Parent, Banca Sistema S.p.A., indirectly carries out collateralised lending activities in Italy through a network of 12 branches. It also provides factoring services in Spain through the joint venture EBNSistema Finance.

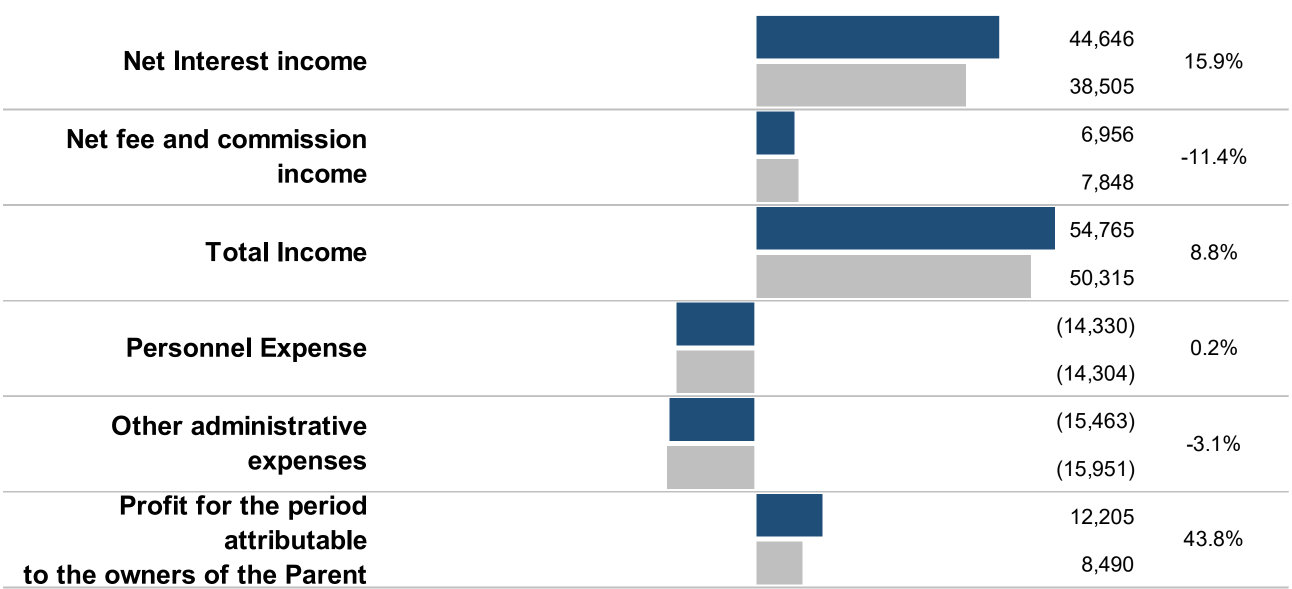
The Parent, Banca Sistema S.p.A., is listed on the Euronext STAR Milan segment of the Euronext Milan market of Borsa Italiana.

30-Jun-22 31-Dec-21 30-Jun-21

Statement of financial position data (€,000)



Income statement data (€,000)



SIGNIFICANT EVENTS FROM 1 JANUARY TO 30 JUNE 2022

Subsequent to the obtainment of authorisation to dispose of treasury shares - as approved by the Bank's Shareholders' Meeting on 30 April 2021, and having obtained the required authorisation from the Bank of Italy, on 18 March 2022 the Bank concluded the plan initiated on 15 February 2022 for the repurchase of treasury shares with the aim of creating a "stock of treasury shares" for the sole purpose of paying a portion of the variable remuneration allocated to "key personnel" in shares, in line with the remuneration and incentive policies approved by the Shareholders' Meeting.

Upon conclusion of the plan, the Bank held a total of 693,000 treasury shares, which correspond to 0.862% of its share capital. On 29 April, in accordance with the remuneration and incentive policies for key personnel, 391,107 shares were assigned with an additional 20,974 shares being assigned on 25 May. As a result, as at 30 June 2022, Banca Sistema holds a total of 280,919 treasury shares corresponding to 0.349% of the share capital and valued at € 558,600.

On 9 February 2022, the Bank was notified of the outcome of a sanctioning proceeding initiated by the Bank of Italy pursuant to Article 144 of the Consolidated Law on Banking. Regarding the irregularities found by the Supervisory Authority, the Bank was ordered to pay fines amounting to € 185,000. On 11 March 2022, Banca Sistema filed an appeal against the fines with the Rome Court of Appeal.

On 24 February 2022, the Group was notified that the Bank of Italy had initiated the normal proceeding regarding the consolidated capital requirements to be observed from the first reporting date for own funds after the date of receipt of the final decision, following the outcome of the Supervisory Review and Evaluation Process (SREP).

The Group's consolidated capital requirements are as follows:

- Common Equity Tier 1 ratio (CET1 ratio) 9.00%;
- Tier 1 ratio 10.50%;
- Total Capital ratio (TC ratio) 12.50%.

The proceedings were concluded on 5 May 2022, confirming the minimum consolidated capital requirements for the Group indicated above, which became effective on 30 June 2022.

On 12 April, the subsidiary ProntoPegno S.p.A. set up a wholly owned subsidiary in Greece, "ΕΤΟΙΜΟ ΕΝΕΧΥΡΟ ΜΟΝΟΠΡΟΣΩΠΗ Α.Ε. ΕΝΕΧΥΡΟΔΑΝΕΙΣΜΟΥ ΚΑΙ ΑΓΟΡΑΣ ΧΡΥΣΟΥ", with an initial capital contribution of € 25 thousand. The new company, which is part of the Banca Sistema Banking Group, will engage in collateralised lending activities in Greece, and is expected to commence operations in the third quarter of 2022.

On 26 April 2022, Director Marco Giovannini announced his resignation from his position with immediate effect, without stating his reasons. Marco Giovannini, a non-executive and independent Director as defined by the Consolidated Law on Finance, Ministry of the Economy and Finance Decree no. 169/2020 and the Corporate Governance Code, was Chairperson of the Remuneration Committee and member of the Internal Control and Risk Management Committee. Following the resignation, on 20 May the Board of Directors resolved, pursuant to Article 2386 of the Italian Civil Code and Article 10.4 of the Articles of Association, to coopt Mr. Pier Angelo Taverna to the position of Director. Pursuant to the afore-mentioned Supervisory Provisions, the effectiveness of Mr. Pier Angelo Taverna's co-optation is subject - as a suspensive condition for a maximum period of 90 days from receipt by the Bank of Italy - to the outcome of the assessments that will be conducted by the same Supervisory Authority.

The Ordinary Shareholders' Meeting of Banca Sistema, which met in a single call on 28 April 2022, resolved to approve the financial statements for the year ended 31 December 2021 and to allocate € 5,790,315.74 to dividends, corresponding to € 0.072 per ordinary share (25% of Group profit); the 2021 dividend was paid on 4 May 2022, with ex-dividend date on 2 May 2022 and record date on 3 May 2022.

On 23 May 2022, notice was given of the termination by mutual consent of the shareholders' agreement between Banca Sistema, the shareholders Società di Gestione delle Partecipazioni in Banca Sistema S.r.l. (SGBS), Fondazione Cassa di Risparmio di Alessandria and Fondazione Sicilia, as it had fulfilled its purpose, consisting mainly in the appointment of the Board of Statutory Auditors, the renewal of which is not expected to occur by the expiry date of the agreement itself.

FACTORING

The Italian factoring market

According to data released by Assifact, the Italian association of factoring providers, in the first half of 2022 the factoring market grew by 16.62% over the same period in 2021, growth that was all the more significant as volumes far exceeded the levels reached in 2019 before the onset of the health emergency that resulted in a significant drop in turnover for the entire production system.

Total turnover amounted to € 139.8 billion compared to € 119.4 billion in the first half of 2021. This increase is mainly attributable to the second quarter of the year, with particularly strong rates: +10.54% in April, +22.74% in May and +18.7% in June, due to the robust recovery in business turnover, the increase in the inflation rate linked to higher energy costs and the rise in commodity prices caused by the conflict between Russia and Ukraine, and the positive trend in GDP, which, according to the Ministry of the Economy and Finance and Bank of Italy estimates, is projected to increase by 3%.

In relation to the development of digital platforms, the growth in transactions connected to supply chain finance (reverse factoring and confirming) continued, reaching 10% of total turnover and 14.8% of total receivables at the end of June 2022.

Without recourse factoring is by far the most appreciated product on the market, accounting for over 78% of total turnover versus 22% for recourse factoring transactions. In terms of amounts outstanding (receivables to be collected as at 30 June 2022), these percentages do not vary much (73% without recourse versus 27% with recourse), thereby confirming the preference among customers for completing assignments by hedging the risk associated with the assigned debtors.

The receivables turnover rate remained largely unchanged: according to estimates produced by Assifact referring, however, to March 2022, average payment times were 83 days (2 less than at the end of December 2021) but with significant differences between private debtors (averaging 77 days) and Public Administration debtors (averaging 152 days).

Outstanding amounts, equal to € 67.8 billion, increased by 17.34% compared to June 2021, while advance payments/consideration on assignments, equal to € 52.1 billion, increased by 15.45%. The proportion of advances to outstanding receivables (76.84%) allows banks/intermediaries to maintain a conservative margin for any possible credit dilution risks.

Past due positions as a percentage of total non-performing loans went from 26% in March 2021 to 21% in March 2022 despite the application of the new EBA guidelines on the definition of default, which consider receivables past due by more than 90 days to be non-performing, significantly penalising factoring, which deals with trade receivables where delayed payments are the norm and 90 days past due are not necessarily associated with a downgrading of the debtor nor are they indicative of probable insolvency, unlike what happens with financial receivables.

In the Italian market, one of the most developed not only in Europe, but in the world, a significant share of turnover is made up of factored receivables due from the Public Administration with extremely long payment terms and complex bureaucratic procedures for recognising and reconciling the receivable.

According to data provided by Assifact, at 31 March 2022 (June data are not yet available), € 7.95 billion of outstanding receivables are due from Public Administration debtors (down 4.2% on March 2021 and 7.65% on December 2021), which represents 12.8% of all outstanding receivables. A total of 36.13% of receivables are due from entities of the National Health Service, 41.54% are due from the Central Authorities, and 19.76% are due from Territorial Entities, with the remainder due from other Public Sector Entities.

The efforts made by the Government in recent years, also as a result of the infringement proceedings initiated by the European Commission against Italy for failure to comply with the regulations on late payments, through the establishment of ad hoc funds aimed at rectifying the payment of certain, liquid, and collectable Public Administration debt, have not led, however, to a reduction in payment times by the Public Administration, which increased by 12 days in March 2022 compared to the same month of the previous year. Past due receivables, at the end of March 2022, again according to Assifact estimates, amounted to € 3.4 billion, representing 43.65% of total receivables due from the Public Administration and over 68% of past due receivables were over one year old, 3 points worse than the figure recognised in March 2021.

BANCA SISTEMA AND FACTORING ACTIVITIES

Banca Sistema was one of the pioneers in the factoring of receivables from the Public Administration, when few believed in this business, initially by purchasing receivables from suppliers to the public health sector, subsequently gradually expanding the business to other sectors of this niche, to include tax receivables and receivables from the football sector. Since the project started, the Bank has been able to grow in the original factoring business with a prudent risk management, and to support businesses (from large multinationals to small and medium-sized enterprises) through the provision of financial and collection services, thus contributing to the businesses’ growth and consolidation. Since December 2020, Banca Sistema has also been operating in Spain - through the company EBNSISTEMA Finance, which it owns together with the Spanish banking partner EBN Banco - mainly in the factoring segment for receivables from the Spanish Public Administration, specialising in the purchase of receivables from entities in the public health sector. In the first half of 2022, EBNSISTEMA's factoring turnover reached € 86 million (€ 45 million in the first half of 2021).

With the outbreak of the pandemic crisis due to the spread of Covid-19, the Bank has also taken steps to act as an intermediary for the public resources made available during the emergency to support businesses, through the granting of SACE and MCC-guaranteed loans for a total of € 41 million in the first half of 2022 (€66 million in the first half of 2021), exclusively for its factoring customers.

Among the products offered by the Factoring Division starting in 2021, the Bank originated a limited amount of €39 million in "Eco-Sisma bonus 110%" tax credits in the first half of 2022 in connection with the implementation of the Relaunch Decree enacted in May 2020; the product, which was very carefully introduced with limited turnover targets, is associated to the tax credit generated against specific energy efficiency and anti-seismic safety works which can be deducted at a rate of 110% over five years.

The following table shows the factoring volumes by product type:

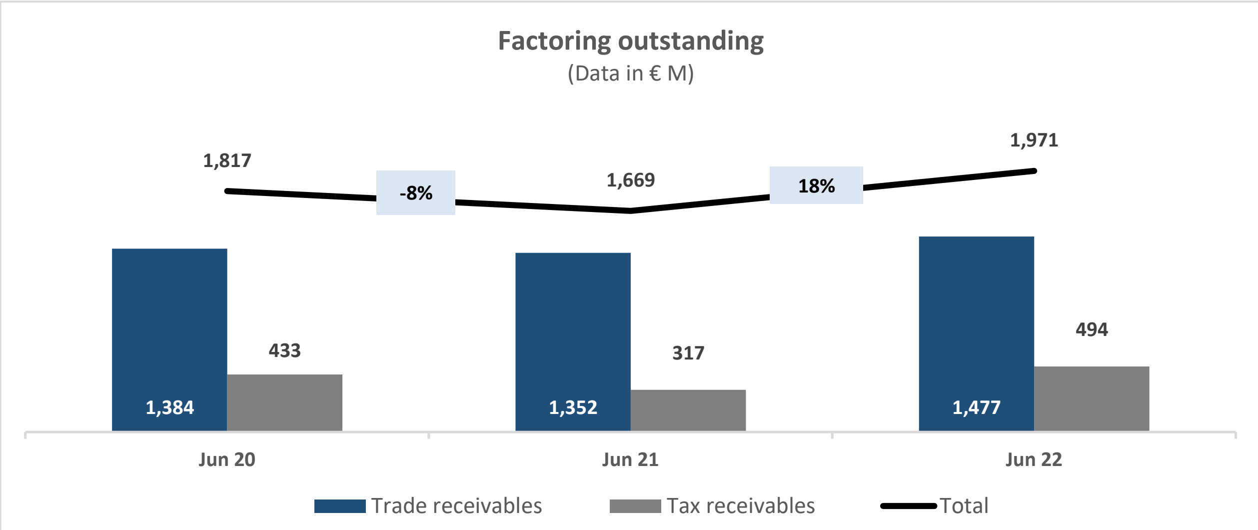
Product (millions of Euro)	30.06.2022	31.12.2021	€ Change	% Change
Trade receivables	1,595	1,509	86	5.7%
of which, without recourse	1,169	1,082	87	8.0%
of which, with recourse	*426*	*427*	*(1)*	*-0.3%*
Tax receivables	*501*	*143*	*358*	*>100%*
of which, without recourse	*501*	*143*	*358*	*>100%*
of which, with recourse	*-*	*-*	*-*	*n.a.*
Total	**2,096**	**1,652**	**444**	**26.9%**

Volumes were generated through both its own internal commercial network and through other intermediaries with which the Group has entered into distribution agreements. In absolute terms, the growth in volumes derives mainly from the purchase of tax receivables.

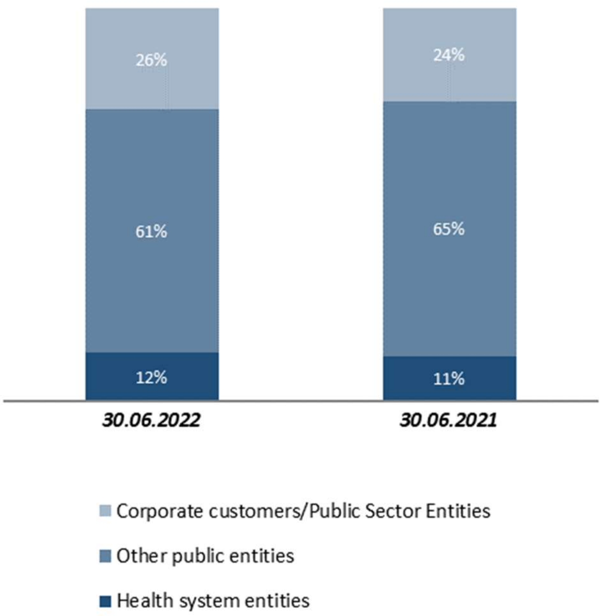
The Bank continues to demonstrate its resilience in the face of the crisis, confirming its ability to provide support to Public Administration suppliers.

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.

Loans and receivables amounted to € 1,971 million at 30 June 2022 (management figure), up 18% from € 1,669 million at 30 June 2021.



The chart to the right shows the ratio of debtors to the total exposure in the loans and receivables portfolio at 30 June 2022 and 2021. The Group's core factoring business remains the Public Administration entities segment.



Volumes related to the management of third-party portfolios amounted to € 246 million (an increase compared to the € 215 million recognised in the previous year).

SALARY- AND PENSION-BACKED LOANS AND QUINTOPUOI

Assofin statistics reveal cumulative growth in disbursements for the salary- and pension-backed loan market of about 10% in May 2022 compared to the same period last year. The sector resumed its growth (+5%) even when compared to the period prior to the pandemic. In this context, the Division's sales performance improved significantly, benefiting from the organisational and sales policies aimed at driving growth in the direct QuintoPuoi product which were implemented under the Bank's 2021-2023 business plan.

On 20 April 2022, the Bank of Italy authorised the Bank to purchase a portfolio of salary- and pension-backed loans from BancoBPM, whose outstanding amount at the date of transfer was expected to be approximately € 110 million, based on approximately 8,500 contracts.

Disbursed volume in the first half of 2022 amounted to € 215 million of funded capital, up 58% from the same period last year. Excluding the effect of the acquisition of the Profamily portfolio from Banco BPM, which was concluded in May, nearly all the volume (94%) came from the QuintoPuoi product disbursed through the intermediary network with only a small portion disbursed through the without recourse channel.

The growth of the QuintoPuoi product, with cumulative volumes almost 4 times higher than in the first quarter of 2021 and 45% higher than last quarter, is the result of the expansion strategy for the network of intermediaries, which exceeded 60 active mandates in the first half of the year, including single-company agents and credit brokers for a total of more than 500 operators.

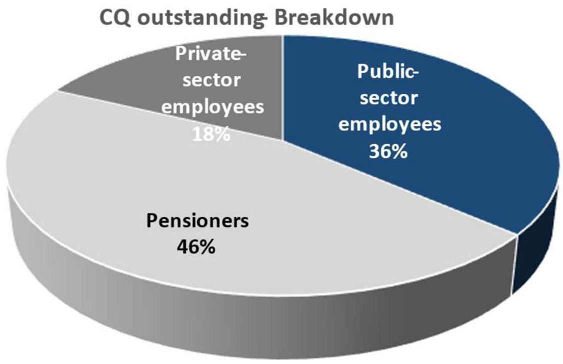
The without recourse channel continued to suffer from the complex scenario emerging in the financial markets, with benchmark rates and government bond yields moving higher into areas that have limited the possibility of making purchases. This environment is expected to continue until market rates stabilise and disbursement rates adjust accordingly.

Outstanding capital amounted to € 966 million at the end of June 2022, up 5% compared to the previous quarter. This result was impacted by the finalisation of the previously mentioned transaction to purchase loans related to the Profamily portfolio from Banco BPM, as well as the sale, in line with the objectives of the 2021-23 business plan, of a loans and receivables portfolio of approximately € 60 million in outstanding capital to a financial investor for which servicing will be maintained by the assignor.

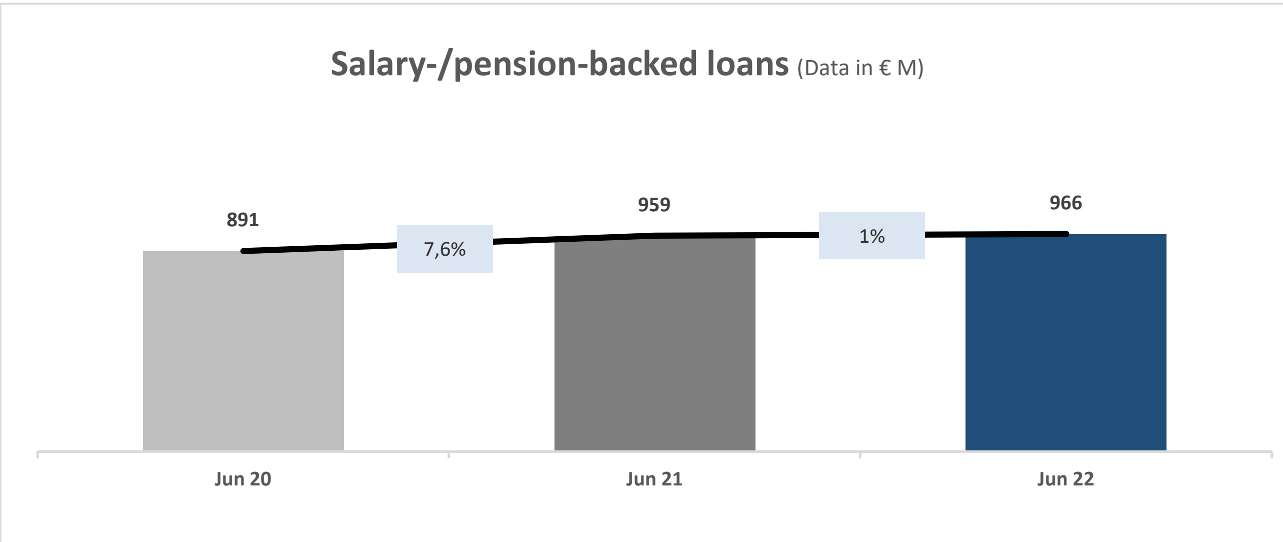
In terms of operations, it should be noted that the second quarter saw the launch of the remote identification process using SPID/CIE protocols, aimed at the qualified electronic signing of loan contracts. This function, which makes Banca Sistema one of the first operators in the salary- and pension-backed loan (CQ) market, makes the customer onboarding experience significantly easier, while also offering undeniable advantages thanks to the dematerialisation of contractual documentation and the legal robustness of the qualified electronic signature protocol. In the first weeks of operation, this approach was used for more than 35% of loan applications, with training activities being provided to the network to further increase its use.

	30.06.2022	30.06.2021	€ Change	% Change
No. of applications (#)	13,462	6,821	6,641	97.4%
of which originated	4,588	1,232	3,356	>100%
Volumes disbursed (millions of Euro)	215	136	79	58.5%
of which originated	104	27	78	>100%

Loans are split between private-sector employees (18%), pensioners (46%) and public-sector employees (36%). Therefore, over 82% of the volumes refer to pensioners and employees of Public Administration, which remains the Bank's main debtor.



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 13 branches located across the country.

In addition to the Italian market, the Company is also focusing on expanding into foreign markets in order to become an international operator. The choice of the market in which to operate is obviously dictated by various factors that are assessed every time an opportunity for expansion arises, namely:

- the macro-economic environment;
- the opportunities and the size of the market;
- the relevant regulatory aspects.

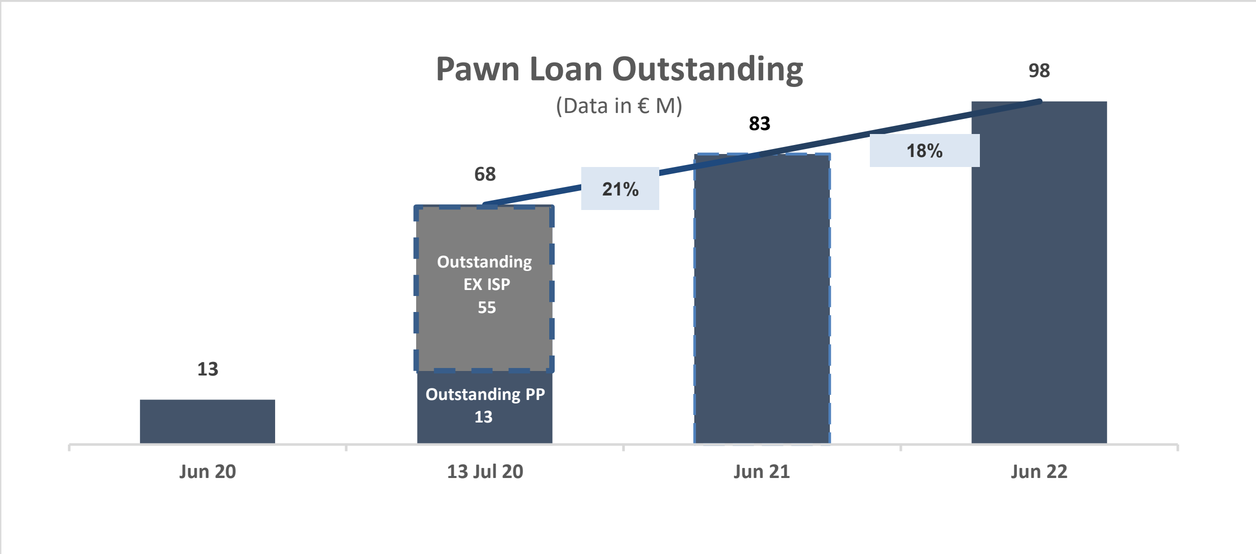
These assessments have thus far led to the Bank's decision to do business in Greece, where, in April 2022, the company ΕΤΟΙΜΟ ΕΝΕΧΥΡΟ ΜΟΝΟΠΡΟΣΩΠΗ Α.Ε. ΕΝΕΧΥΡΟΔΑΝΕΙΣΜΟΥ ΚΑΙ ΑΓΟΡΑΣ ΧΡΥΣΟΥ was established. The company is expected to start operations by the third quarter of 2022.

Lastly, in April 2022, the acquisition of the Finpeg portfolio - a historic collateralised lending operator in Naples - was finalised and resulted in the acquisition of 1,400 new customers.

At present, the company has about 59 thousand policies issued for about 32 thousand customers, amounting to total loans of € 98 million. In 2022 outstanding loans grew by 16.6% compared to 2021 (annualised figure). New loans were nearly € 56.2 million while renewals amounted to approximately € 31 million. In the first half of 2022, 23 auctions were conducted for a loan value of € 1.2 thousand.

The company also strengthened its back-office structure thanks to the creation of a call centre aimed at processing requests for information in the shortest possible time and continued to develop digital tools, such as the activation of the "DigitalPegno" app for online renewal of pledges and online bidding for assets being sold at auction. The DigitalPegno app has been very successful and now has 7,636 registered users, 8,897 digital bids placed at auctions and over 4,000 online policy renewals (+45% mom; at 30 June 2022, there were 3,546 online renewals and approximately 95% of the auction bids were made online).

The following chart shows the performance of outstanding loans:



The statement of financial position of the consolidated company ProntoPegno as at 30 June 2022 is provided below.

Assets (€ .000)	30.06.2022	31.12.2021	€ Change	% Change
Cash and cash equivalents	3,412	9,765	(6,353)	-65.1%
Financial assets measured at amortised cost	98,100	90,247	7,853	8.7%
a) loans and receivables with banks	296	217	79	36.4%
b1) loans and receivables with customers - loans	97,804	90,030	7,774	8.6%
Equity investments	25	-	25	n.a.
Property and equipment	4,268	2,450	1,818	74.2%
Intangible assets	29,109	29,146	(37)	-0.1%
of which: goodwill	28,436	28,436	-	0.0%
Tax assets	1,437	1,388	49	3.5%
Other assets	2,657	1,275	1,382	>100%
Total assets	**139,008**	**134,271**	**4,737**	**3.5%**

Liabilities and equity (€,000)	30.06.2022	31.12.2021	€ Change	% Change
Financial liabilities measured at amortised cost	91,808	90,773	1,035	1.1%
a) due to banks	87,273	86,513	760	0.9%
b) due to customers	4,535	4,260	275	6.5%
Tax liabilities	1,273	808	465	57.5%
Other liabilities	6,038	3,763	2,275	60.5%
Post-employment benefits	919	951	(32)	-3.4%
Provisions for risks and charges	208	314	(106)	-33.8%
Valuation reserves	(59)	(82)	23	-28.0%
Reserves	14,567	13,494	1,073	8.0%
Share capital	23,162	23,162	-	0.0%
Profit (Loss) for the period	1,092	1,088	4	0.4%
Total liabilities and equity	**139,008**	**134,271**	**4,737**	**3.5%**

The assets consist mainly of loans to customers for the collateralised lending business, which increased by € 4.5 million in the first half of 2022, and goodwill arising from the acquisition of the collateralised lending business unit in the second half of 2020 of € 28.4 million. The loan-to-value is approximately 78% of the financed amount.

At 30 June 2022, liabilities, in addition to the capital and reserves, consisted primarily of the loan granted by the Parent of € 76 million, which decreased from the end of the year following the positive cash flow generated by portfolio management.

The other "financial liabilities measured at amortised cost" include the gains from pawn auctions of € 4.5 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 first half of 2022 is provided below.

Income statement (€,000)	First Half of 2022	First Half of 2021	€ Change	% Change
Net interest income	3,275	2,482	793	32.0%
Net fee and commission income (expense)	3,771	3,142	629	20.0%
Total income	**7,046**	**5,624**	**1,422**	**25.3%**
Net impairment losses on loans and receivables	(42)	50	(92)	<100%
Net financial income (expense)	**7,004**	**5,674**	**1,330**	**23.4%**
Personnel expense	(3,044)	(3,010)	(34)	1.1%
Other administrative expenses	(1,975)	(1,832)	(143)	7.8%
Net impairment losses on property and equipment/intangible assets	(702)	(598)	(104)	17.4%
Other operating income (expense)	267	226	41	18.1%
Operating costs	**(5,454)**	**(5,214)**	**(240)**	**4.6%**
Pre-tax profit from continuing operations	**1,550**	**460**	**1,090**	**>100%**
Income taxes for the year	(458)	(88)	(370)	>100%
Profit (loss) for the period	**1,092**	**372**	**720**	**>100%**
Profit (loss) for the period - ProntoPegno Greece	(100)	-	(100)	n.a.
Profit (Loss) for the period of the ProntoPegno Group	**992**	**372**	**620**	**>100%**

The company closed the first half of 2022 with a profit of € 1.1 million, reporting significant growth in total income, mainly due to an increase in average assets and a review of the rates applied. For presentation purposes, since the company does not present consolidated financial statements as they are prepared by the parent Banca Sistema, the results of the subsidiary ProntoPegno Greece are shown separately.

Personnel expenses mostly include the cost of the company's 78 employees (74 employees in the first half of 2021).

Other administrative expenses mainly consist of advertising costs, rent of space paid to the Group and costs for support activities that are focused on growth carried out by the Parent.

The increase in other operating income is entirely due to higher gains on pawn auctions recognised in 2022.

The result of the subsidiary ProntoPegno Greece is explained by the incorporation expenses and the recognition of amortisation relating to the right of use for the lease contract of the head office in Athens.

FUNDING AND TREASURY ACTIVITIES

TREASURY PORTFOLIO

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

The balance at 30 June 2022 was equal to a nominal € 661 million compared to € 631 million at 31 December 2021.

The treasury portfolio allowed for optimal management of the Treasury commitments, which are characterised by a concentration of transactions in specific periods.

At 30 June, the nominal amount of securities in the HTCS (formerly AFS) portfolio amounts to € 586 million (compared to € 446 million as at 31 December 2021) with a duration of 31.7 months (31.4 months at 31 December 2021). At 30 June, the HTC portfolio amounted to € 75 million with a duration of 51.3 months (compared to € 185 million at 31 December 2021, which had a duration of 30.9 months). The duration increased due to the higher relative proportion of securities remaining in the portfolio.

WHOLESALE FUNDING

At 30 June 2022, wholesale funding was about 34% of the total (32% at 31 December 2021), mainly comprising refinancing transactions with the ECB.

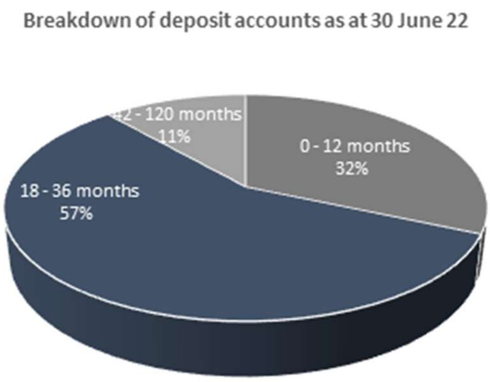
Securitisations with salary- and pension-backed loans as collateral completed with a partly-paid securities structure continue to allow Banca Sistema to efficiently refinance its CQS/CQP portfolio and to continue to grow its salary- and pension-backed loan business, whose funding structure is optimised by the securitisations. 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 66% of the total and is composed of the account SI Conto! Corrente and the product SI Conto! Deposito.

Total term deposits as at 30 June 2022 amounted to € 1,636 million, an increase of 28% compared to 30 June 2021. The above-mentioned amount also includes total term deposits of € 610 million (obtained with the help of partner platforms) held with entities resident in Germany, Austria, and Spain (accounting for 37% of total deposit funding), an increase of € 33 million over the same period of the previous year.

The breakdown of funding by term is shown below.



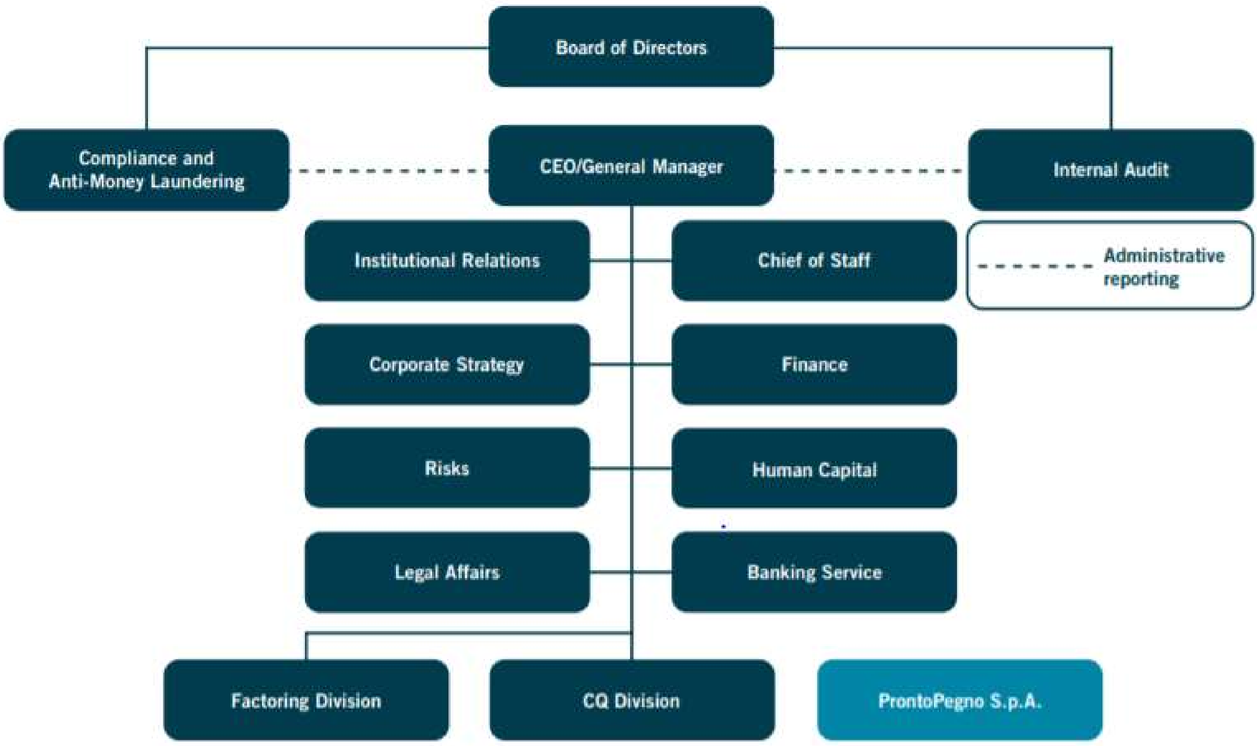
The average residual life is 9 months.

Current accounts increased from 8,009 (as at 30 June 2021) to 8,527 in June 2022, while the current account balance at 30 June 2022 decreased by € 142 million compared to 2021 to € 561 million.

COMPOSITION AND STRUCTURE OF THE GROUP

Organisational chart

Since 2020, the Bank's organisational structure has been based on the divisional organisational model which assigns specific powers and autonomy in terms of lending, sales and operations to each of the Factoring and CQ businesses, and more specifically, also allows the divisional organisational structures to evolve according to their respective needs and objectives. With these objectives in mind, during the first half of 2021, two separate Commercial Departments, respectively named Outbound/B2B Commercial Department and Network Commercial Department, were set up within the CQ Division, the former focusing on managing the indirect channel (B2B for the purchase of portfolios originated by third parties) and the outbound channel (acquisition of customers through the portal and the Division's direct sales initiatives), and the latter focusing on monitoring the network and organised geographically. The organisational chart in force since 1 February 2020 is as follows:



HUMAN RESOURCES

As at 30 June 2022, the Group had a staff of 282, broken down by category as follows:

FTEs	30.06.2022	31.12.2021	30.06.2021
Senior managers	24	26	25
Middle managers (QD3 and QD4)	117	61	62
Other personnel	141	193	188
Total	**282**	**280**	**275**

During the first part of the year, the Bank began a review of the more operational and detailed levels of its organisational structure by analysing the responsibilities and activities assigned and carried out by the various organisational units in an effort to identify synergies and simplify operations.

The Group, in continuation of what was done in 2021 in response to the health emergency, maintained the flexible and remote operational model that was implemented to ensure business continuity. Excluded from this operational model were employees of the Banking and Collateralised Lending branches in direct contact with customers and those working in the departments having the greatest impact on managing the emergency, namely ICT, Logistics, Human Capital, and Treasury. The number of in-person working hours has also been gradually expanded in line with the improving health situation, with two days of remote work planned per week.

During the first half 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 programmes on managerial and professional topics which have already been launched are continuing.

The average age of Group employees is 46.9 for men and 42.3 for women. The breakdown by gender is essentially balanced with men accounting for 56% of the total.

INCOME STATEMENT RESULTS

Income statement (€,000)	First Half of 2022	First Half of 2021	€ Change	% Change
Net interest income	44,646	38,505	6,141	15.9%
Net fee and commission income (expense)	6,956	7,848	(892)	-11.4%
Dividends and similar income	227	227	-	0.0%
Net trading income (expense)	(1,201)	21	(1,222)	<100%
Gain from sales or repurchases of financial assets/liabilities	4,137	3,714	423	11.4%
Total income	**54,765**	**50,315**	**4,450**	**8.8%**
Net impairment losses on loans and receivables	(5,056)	(7,831)	2,775	-35.4%
Net financial income (expense)	**49,709**	**42,484**	**7,225**	**17.0%**
Personnel expense	(14,330)	(14,304)	(26)	0.2%
Other administrative expenses	(15,463)	(15,951)	488	-3.1%
Net accruals to provisions for risks and charges	(1,053)	(26)	(1,027)	>100%
Net impairment losses on property and equipment/intangible as	(1,499)	(1,376)	(123)	8.9%
Other operating income (expense)	1,013	1,375	(362)	-26.3%
Operating costs	**(31,332)**	**(30,282)**	**(1,050)**	**3.5%**
Gains (losses) on equity investments	(51)	15	(66)	<100%
Pre-tax profit from continuing operations	**18,326**	**12,217**	**6,109**	**50.0%**
Income taxes for the period	(5,850)	(3,634)	(2,216)	61.0%
Post-tax profit for the period	**12,476**	**8,583**	**3,893**	**45.4%**
Post-tax profit (loss) from discontinued operations	(23)	-	(23)	n.a.
Profit for the period	**12,453**	**8,583**	**3,870**	**45.1%**
Profit (loss) attributable to non-controlling interests	(248)	(93)	(155)	>100%
Profit for the period attributable to the owners of the Paren	**12,205**	**8,490**	**3,715**	**43.8%**

The first half of 2022 closed with a profit for the period of € 12.2 million, a marked increase over the same period of the previous year. Total income grew by 8.8% thanks to the higher contribution of the Pawn Division and government-backed loans, in addition to an optimisation of the cost of funding, which offset lower margins on factoring receivables. The result benefited from lower impairments, which in the first half of 2021 were affected by a valuation adjustment of € 2.4 million on a portion of invoices included in the insolvency procedure of a local authority and a larger adjustment made as a result of a lengthening of the estimated collection times for positions with municipalities in financial difficulty that led to a one-off effect of € 1.4 million.

Net interest income (€,000)	First Half of 2022	First Half of 2021	€ Change	% Change
Interest and similar income				
Loans and receivables portfolios	45,061	44,725	336	0.8%
Factoring	27,350	29,450	(2,100)	-7.1%
CQ	11,053	10,704	349	3.3%
Pawn lending	3,598	2,744	854	31.1%
Government-backed loans to SMEs	3,060	1,827	1,233	67.5%
Securities portfolio	1,318	847	471	55.6%
Other	101	407	(306)	-75.2%
Financial liabilities	4,078	1,742	2,336	>100%
Total interest income	**50,558**	**47,721**	**2,837**	**5.9%**
Interest and similar expense				
Due to banks	(50)	(254)	204	-80.3%
Due to customers	(5,612)	(6,670)	1,058	-15.9%
Securities issued	(188)	(1,876)	1,688	-90.0%
Financial assets	(62)	(416)	354	-85.1%
Total interest expense	**(5,912)**	**(9,216)**	**3,304**	**-35.9%**
Net interest income	**44,646**	**38,505**	**6,141**	**15.9%**

Net interest income increased compared to the same period in the prior year due to the reduction in the cost of funding, which also benefited from the additional rate applied to TLTRO loans. Interest income was driven by the increased contribution of the Pawn 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 € 30.4 million, equal to 67% of the entire loans and receivables portfolio (compared to 70% at 30 June 2021), 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. The item also includes the interest component tied to the amortised cost of eco-bonus loans amounting to € 0.6 million.

The component linked to default interest from legal action at 30 June 2022 was € 6.8 million (€ 12.0 million at 30 June 2021):

- of which € 3 million resulting from the current recovery estimates (€ 5.9 million in 2021);
- of which € 3.8 million (€ 6.1 million in 2021) coming from the difference between the amount collected during the period, equal to € 5.8 million (€ 9.2 million in 2021) and that recognised on an accruals basis in previous years.

The amount of the stock of default interest from legal actions accrued at 30 June 2022, relevant for the allocation model, was € 101 million (€ 99 million at the end of 2021), which becomes € 179 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 amount to € 53 million. Therefore, the amount of default interest accrued but not recognised in the income statement is € 126 million.

The contribution of interest on the salary- and pension-backed portfolios is up on the previous year at € 11.1 million.

The contribution of the Pawn Division grew significantly to € 3.6 million, compared to € 2.7 million in the previous year.

The interest component from government-backed loans, a support measure in response to the COVID-19 pandemic, also had a positive and significant impact.

The item "financial liabilities", which account for a total of €4.1 million, mainly includes income arising from the financing activity of the securities portfolio in repurchase agreements and ECB loans at negative rates, as well as interest on the additional rate applied to TLTRO loans.

Interest expense, which decreased compared to the previous year thanks to the funding strategies introduced to carefully contain the cost of funding, made a significant positive contribution 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 and the cost of bonds decreased as a result of the early redemption in 2021 of Tier 2 subordinated loans and the simultaneous issuance of an Additional Tier 1 (AT1) subordinated bond for the same amount.

The accrued interest expense component related to AT1 instruments, the coupon component of which is classified within equity reserves, amounted to € 4.2 million before the tax effect.

Net fee and commission income (€,000)	First Half of 2022	First Half of 2021	€ Change	% Change
Fee and commission income				
Factoring activities	6,172	6,618	(446)	-6.7%
Fee and commission income - off-premises CQ	5,084	1,404	3,680	>100%
Collateralised loans (fee and commission income)	3,809	3,174	635	20.0%
Collection activities	499	528	(29)	-5.5%
Other fee and commission income	180	213	(33)	-15.5%
Total fee and commission income	**15,744**	**11,937**	**3,807**	**31.9%**
Fee and commission expense				
Factoring portfolio placement	(602)	(824)	222	-26.9%
Placement of other financial products	(973)	(1,020)	47	-4.6%
Fees - off-premises CQ	(6,546)	(1,899)	(4,647)	>100%
Other fee and commission expense	(667)	(346)	(321)	92.8%
Total fee and commission expense	**(8,788)**	**(4,089)**	**(4,699)**	**>100%**
Net fee and commission income	**6,956**	**7,848**	**(892)**	**-11.4%**

Net fee and commission income of € 7.0 million decreased by 11.4% due to an estimated increase in bonuses to be paid to the agent network.

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 € 0.6 million compared to the same period of the previous year thanks to the continuing growth of the business.

Commissions on collection activities, related to the service of reconciliation of third-party invoices collected from the Public Administration are in line with the first quarter of 2021.

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 € 5.1 million, which should be considered together with the item Fees - off-premises CQ, amounting to € 6.5 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. This component increased by € 4.6 million compared to the same period last year as a result of an increase in volumes originated.

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 from sales or repurchases (€,000)	First Half of 2022	First Half of 2021	€ Change	% Change
Gains from HTCS portfolio debt instruments	1,086	2,350	(1,264)	-53.8%
Gains from HTC portfolio debt instruments	248	411	(163)	-39.7%
Gains from financial liabilities	-	-	-	n.a.
Gains from receivables (Factoring portfolio)	1,274	953	321	33.7%
Gains from receivables (CQ portfolio)	1,529	-	1,529	n.a.
Total	**4,137**	**3,714**	**423**	**11.4%**

The item Gain (loss) from sales or repurchases in 2022 includes net realised gains from the securities portfolio, factoring receivables of € 1.3 million (the revenue from which derives from the sale of factoring portfolios to private-sector assignors) and the sale of a CQ loans and receivables portfolio, which generated revenue of € 1.5 million. Compared to the previous year, the current performance of the market prevented similar profits being realised from the securities portfolio.

Impairment losses on loans and receivables at 30 June 2022 amounted to € 5.1 million (€ 7.8 million in the first half of 2021). The annualised loss rate decreased to 0.36% at 30 June 2022 from 0.46% reported in the same period in 2021 (this figure was calculated without annualising the non-recurring adjustments made in 2021).

Personnel expense (€,000)	First Half of 2022	First Half of 2021	€ Change	% Change
Wages and salaries	(13,349)	(13,477)	128	-0.9%
Social security contributions and other costs	(224)	(109)	(115)	>100%
Directors' and statutory auditors' remuneration	(757)	(718)	(39)	5.4%
Total	**(14,330)**	**(14,304)**	**(26)**	**0.2%**

The reduction in personnel expense is linked to the release of the estimated variable component allocated in 2021 after applying the remuneration policies; net of this release, wages and salaries increased by 7.4% with the average number of employees increasing from 272 to 278.

Other administrative expenses (€,000)	First Half of 2022	First Half of 2021	€ Change	% Change
Consultancy	(2,613)	(2,756)	143	-5.2%
IT expenses	(3,060)	(3,223)	163	-5.1%
Servicing and collection activities	(1,415)	(1,631)	216	-13.2%
Indirect taxes and duties	(1,721)	(1,316)	(405)	30.8%
Insurance	(425)	(469)	44	-9.4%
Other	(457)	(228)	(229)	100.4%
Expenses related to management of the SPVs	(478)	(550)	72	-13.1%
Outsourcing and consultancy expenses	(232)	(270)	38	-14.1%
Car hire and related fees	(295)	(366)	71	-19.4%
Advertising	(403)	(640)	237	-37.0%
Expenses related to property management and logistics	(1,246)	(1,029)	(217)	21.1%
Personnel related expenses	(36)	(110)	74	-67.3%
Expense reimbursement and entertainment	(221)	(186)	(35)	18.8%
Infoprovider expenses	(294)	(379)	85	-22.4%
Membership fees	(192)	(224)	32	-14.3%
Audit fees	(185)	(148)	(37)	25.0%
Telephone and postage expenses	(197)	(126)	(71)	56.3%
Stationery and printing	(73)	(16)	(57)	356.3%
Total operating expenses	**(13,543)**	**(13,667)**	**124**	**-0.9%**
Resolution Fund	(1,920)	(2,284)	364	-15.9%
Merger-related costs	-	-	-	n.a.
Total	**(15,463)**	**(15,951)**	**488**	**-3.1%**

The decrease in administrative expenses is primarily related to the reduction in costs for the collection of factoring receivables.

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 decreased slightly compared to the first half of 2021 due to lower spending on systems upgrades.

Consultancy expenses consist mainly of costs incurred for legal expenses related to pending lawsuits and enforceable injunctions for the recovery of receivables and default interest from debtors of the Public Administration.

The resolution fund, the ordinary portion of which increased again in 2022 by € 0.2 million over the same period of the previous year, decreased overall as no extraordinary contribution was required in 2022, whereas in 2021 a contribution of € 0.6 million was made.

Net impairment losses on tangible and intangible assets (€,000)	30.06.2022	30.06.2021	€ Change	% Change
Depreciation of buildings used for operations	(327)	(374)	47	-12.6%
Depreciation of furniture and equipment	(155)	(135)	(20)	14.8%
Amortisation of right of use	(866)	(779)	(87)	11.2%
Amortisation of software	(151)	(88)	(63)	71.6%
Total	**(1,499)**	**(1,376)**	**(123)**	**8.9%**

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 amortisation of the "right-of-use" asset following the application of IFRS 16.

Other operating income and expenses (€,000)	30.06.2022	30.06.2021	€ Change	% Change
Gain from pawn auctions	342	252	90	35.7%
Recovery of tax and expenses	563	432	131	30.3%
Amortisation of third party assets improvements	(150)	(47)	(103)	>100%
Other income (expense)	100	20	80	>100%
Extraordinary income (expense)	158	718	(560)	-78.0%
Total	**1,013**	**1,375**	**(362)**	**-26.3%**

Other income and expense decreased because of higher releases in 2021 related to estimated accrued costs, which were not incurred in the following year.

THE MAIN STATEMENT OF FINANCIAL POSITION AGGREGATES

Assets (€,000)	30.06.2022	31.12.2021	€ Change	% Change
Cash and cash equivalents	69,952	175,835	(105,883)	-60.2%
Financial assets measured at fair value through other comprehensive income	572,998	451,261	121,737	27.0%
Financial assets measured at amortised cost	3,048,178	2,954,174	94,004	3.2%
a) loans and receivables with banks	23,608	33,411	(9,803)	-29.3%
b1) loans and receivables with customers - loans	2,949,522	2,736,721	212,801	7.8%
b2) loans and receivables with customers - debt instruments	75,048	184,042	(108,994)	-59.2%
Equity investments	957	1,002	(45)	-4.5%
Property and equipment	42,847	40,780	2,067	5.1%
Intangible assets	33,078	33,125	(47)	-0.1%
of which goodwill	*32,355*	*32,355*	-	0.0%
Tax assets	18,530	12,840	5,690	44.3%
Non-current assets held for sale and disposal groups	43	68	(25)	-36.8%
Other assets	69,980	39,806	30,174	75.8%
Total assets	**3,856,563**	**3,708,891**	**147,672**	**4.0%**

At 30 June 2022 total assets were up by 4.0% over the end of 2021 and equal to € 3.9 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 2021 and continues to be mainly comprised of Italian government bonds with an average duration of about 31.7 months (the average remaining duration at the end of 2021 was 31.4 months). The carrying amount of the government bonds held in the HTCS portfolio amounted to € 568 million at 30 June 2022 (€ 446 million at 31 December 2021). The associated valuation reserve was negative at the end of the period, amounting to € 23.2 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 June 2022 had a negative fair value reserve of € 0.1 million, resulting in a period-end amount of € 0.3 million.

Loans and receivables with customers (€,000)	30.06.2022	31.12.2021	€ Change	% Change
Factoring receivables	1,678,693	1,541,687	137,006	8.9%
Salary-/pension-backed loans (CQS/CQP)	965,819	931,767	34,052	3.7%
Collateralised loans	97,804	90,030	7,774	8.6%
Loans to SMEs	183,737	160,075	23,662	14.8%
Current accounts	358	396	(38)	-9.6%
Compensation and Guarantee Fund	17,611	9,147	8,464	92.5%
Other loans and receivables	5,500	3,619	1,881	52.0%
Total loans	**2,949,522**	**2,736,721**	**212,801**	**7.8%**
Securities	75,048	184,042	(108,994)	-59.2%
Total loans and receivables with customers	**3,024,570**	**2,920,763**	**103,807**	**3.6%**

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 57% (56% at the end of 2021). The volumes generated during the year amounted to € 2,096 million (€ 1,652 million at 30 June 2021).

Salary- and pension-backed loans increased compared to the end of the previous year, mainly due to the volumes disbursed directly by the agent network which rose sharply to € 104 million from € 27 million in 2021.

Government-backed loans to SMEs increased following new disbursements made under SACE and SME Fund guarantees and amounted to € 183.8 million.

The collateralised loan business, carried out through the subsidiary ProntoPegno, grew significantly reporting loans of € 98 million at 30 June 2022 which are the result of new loans granted during the year and renewals with existing customers.

HTC Securities are composed entirely of Italian government securities with an average duration of 51.3 months for an amount of € 75 million. The mark-to-market valuation of the securities at 30 June 2022 shows a pre-tax unrealised loss of € 6 million.

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

Status	31/03/2021	30/06/2021	30/09/2021	31/12/2021	31/03/2022	30/06/2022
Bad exposures - gross	50,710	169,372	168,253	169,099	169,060	166,825
Unlikely to pay - gross	148,874	34,387	34,324	37,374	48,816	46,845
Past due - gross	112,423	92,462	91,926	108,598	101,603	77,507
Non-performing - gross	**312,007**	**296,221**	**294,503**	**315,071**	**319,479**	**291,177**
Performing - gross	**2,300,186**	**2,382,395**	**2,407,569**	**2,487,995**	**2,609,812**	**2,727,798**
Stage 2 - gross	116,732	116,414	124,296	102,862	101,406	115,021
Stage 1 - gross	2,183,454	2,265,981	2,283,273	2,385,133	2,508,406	2,612,777
Total loans and receivables with customers	**2,612,193**	**2,678,616**	**2,702,072**	**2,803,066**	**2,929,291**	**3,018,975**
Individual impairment losses	**50,384**	**56,623**	**57,342**	**59,519**	**61,959**	**61,581**
Bad exposures	26,660	46,160	46,435	47,554	48,922	47,758
Unlikely to pay	22,961	10,025	10,450	11,374	12,384	13,201
Past due	763	438	457	591	653	622
Collective impairment losses	**6,941**	**6,989**	**7,129**	**6,825**	**6,677**	**7,872**
Stage 2	749	660	697	560	556	626
Stage 1	6,192	6,329	6,432	6,265	6,121	7,246
Total impairment losses	**57,325**	**63,612**	**64,471**	**66,344**	**68,636**	**69,453**
Net exposure	**2,554,868**	**2,615,004**	**2,637,601**	**2,736,722**	**2,860,655**	**2,949,522**

The ratio of gross non-performing loans to the total portfolio decreased to 9.6% compared to 11.2% at 31 December 2021, following the decrease in past due loans, which remain high because of 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 coverage ratio for non-performing loans is 21.1%, up from 18.9% at 31 December 2021.

Property and equipment includes the property located in Milan, which is also being used as Banca Sistema's offices, and the building in Rome. The carrying amount of the properties, including capitalised items, is € 35.7 million after 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 of the 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.

The investment recognised in the financial statements relates to the 50/50 joint venture with EBN Banco de Negocios S.A in EBNSISTEMA. Banca Sistema acquired an equity investment in EBNSISTEMA through a capital increase of € 1 million which gave the Bank a 50% stake in the Madrid-based company. The aim of the joint venture is to develop the Public Administration factoring business in the Iberian peninsula, with its core business being the purchase of healthcare receivables. In the first half of 2022, EBNSISTEMA originated €86 million in loans and receivables, an increase of € 45 million on the first half of 2021.

Non-current assets held for sale and disposal groups include the assets of SF Trust Holding, which was put into liquidation in December 2021.

Other assets mainly include amounts being processed after the end of the period and advance tax payments. The item includes tax credits from the "Eco-Sisma bonus 110" amounting to € 46.9 million at 30 June 2022.

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

Liabilities and equity (€,000)	30.06.2022	31.12.2021	€ Change	% Change
Financial liabilities measured at amortised cost	3,404,243	3,257,401	146,842	4.5%
a) due to banks	614,461	592,157	22,304	3.8%
b) due to customers	2,467,157	2,472,054	(4,897)	-0.2%
c) securities issued	322,625	193,190	129,435	67.0%
Tax liabilities	17,210	14,981	2,229	14.9%
Liabilities associated with disposal groups	16	18	(2)	-11.1%
Other liabilities	143,546	137,995	5,551	4.0%
Post-employment benefits	4,038	4,310	(272)	-6.3%
Provisions for risks and charges	31,229	28,654	2,575	9.0%
Valuation reserves	(15,854)	(3,067)	(12,787)	>100%
Reserves	195,515	180,628	14,887	8.2%
Equity instruments	45,500	45,500	-	0.0%
Equity attributable to non-controlling interests	9,823	9,569	254	2.7%
Share capital	9,651	9,651	-	0.0%
Treasury shares (-)	(559)	-	(559)	n.a.
Profit for the period/year	12,205	23,251	(11,046)	-47.5%
Total liabilities and equity	**3,856,563**	**3,708,891**	**147,672**	**4.0%**

Wholesale funding, which represents about 34% of the total (32% at 31 December 2021), decreased in absolute terms from the end of 2021 mainly following the decrease in funding through repurchase agreements. The contribution of bond funding to total wholesale funding was 39% (23% at the end of 2021) due to the increase in tax receivables portfolios originated by the BS IVA special purpose vehicle.

Due to banks (€,000)	30.06.2022	31.12.2021	€ Change	% Change
Due to Central banks	537,227	540,095	(2,868)	-0.5%
Due to banks	77,234	52,062	25,172	48.4%
Current accounts with other banks	66,234	41,063	25,171	61.3%
Term deposits with banks	-	-	-	n.a.
Financing from other banks	11,000	10,999	1	0.0%
Other amounts due to banks	-	-	-	n.a.
Total	**614,461**	**592,157**	**22,304**	**3.8%**

The item "Due to banks" increased by 3.8% compared to 31 December 2021 as a result of the increase in interbank funding; the item "Due to Central banks" was unchanged with respect to 31 December 2021, while deposits at other financial institutions decreased.

Due to customers (€,000)	30.06.2022	31.12.2021	€ Change	% Change
Term deposits	1,636,049	1,387,416	248,633	17.9%
Financing (repurchase agreements)	210,847	249,256	(38,409)	-15.4%
Customer current accounts	560,734	775,096	(214,362)	-27.7%
Due to assignors	54,975	56,012	(1,037)	-1.9%
Other payables	4,552	4,274	278	6.5%
Total	**2,467,157**	**2,472,054**	**(4,897)**	**-0.2%**

The item "Due to customers" decreased compared to the end of the previous year, mainly due to a decrease in funding from current accounts. The period-end amount of term deposits increased from the end of 2021 (+18%), reflecting net positive deposits (net of interest accrued) of € 249 million mainly due to increased funding from the Italy channel; gross deposits from the beginning of the year were € 556 million, against withdrawals totalling € 307 million.

"Due to assignors" includes payables related to the unfunded portion of acquired receivables.

Securities Bonds issued (€,000)	30.06.2022	31.12.2021	€ Change	% Change
Bond - AT1	45,500	45,500	-	0.0%
Bond - Tier II	-	-	-	n.a.
Bonds - other	322,625	193,190	129,435	67.0%

The value of bonds issued increased compared to 31 December 2021 due to the increase in the senior shares of the ABS financed by third-party investors as a result of new portfolios transferred to the BS IVA special purpose vehicle.

Bonds issued at 30 June 2022 are as follows:

- AT1 subordinated loan of € 8 million, with no maturity (perpetual basis) and a fixed coupon until 18 June 2023 at 7% issued on 18 December 2012 and 18 December 2013 (reopening date);
- AT1 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.

It should be noted that, given their predominant characteristics, 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 € 31.2 million includes the provision for possible liabilities attributable to past acquisitions of € 1.1 million, the estimated amount of personnel-related charges mainly for the portion of the bonus for the year, the deferred portion of the bonus accrued in previous years, and the estimate related to the non-compete agreement totalling € 5.6 million (the item includes the estimated variable component, accrued but not paid). The provision also includes an estimate of charges related to possible liabilities to assignors that have yet to be settled of € 0.3 million and other estimated charges for ongoing lawsuits and legal disputes amounting to € 9.7 million. 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 portfolios, for an amount of € 9.0 million.

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

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 (LOSS)	EQUITY
Profit (loss)/equity of the parent	**11,739**	**247,075**
Assumption of value of investments	-	(44,262)
Consolidated profit (loss)/equity	765	53,468
Gain (loss) on equity investments	(51)	-
Equity attributable to the owners of the parent	**12,453**	**256,281**
Equity attributable to non-controlling interests	(248)	(9,823)
Profit (loss)/equity of the Group	**12,205**	**246,458**

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	30.06.2022	31.12.2021	30.06.2022
	Transitional		Fully loaded
Common Equity Tier 1 (CET1)	**176,289**	**176,077**	**170,184**
ADDITIONAL TIER1	45,500	45,500	45,500
Tier 1 capital (T1)	**221,789**	**221,577**	**215,684**
TIER2	133	113	133
Total Own Funds (TC)	**221,922**	**221,690**	**215,817**
Total risk-weighted assets	**1,356,904**	**1,517,540**	**1,387,095**
of which, credit risk	1,173,513	1,334,148	1,203,703
of which, operational risk	183,392	183,392	183,392
Ratio - CET1	**13.0%**	**11.6%**	**12.3%**
Ratio - T1	**16.3%**	**14.6%**	**15.5%**
Ratio - TCR	**16.4%**	**14.6%**	**15.6%**

Starting in the second quarter of 2022, the Bank decided to use the mitigating parameter (equal to 40%) for calculating the FVOCI filter for exposures to central authorities, in line with the provisions of Article 468 CRR. This temporary treatment will be valid until the end of 2022 and the tables show both the "transitional" ratios, meaning those using the mitigating measure, and the "fully loaded" ratios, which do not include the mitigating measure and are thus in line with previous quarters.

Total regulatory own funds were € 222 million at 30 June 2022 and included the profit for the period, net of dividends estimated on the profit for the period which were equal to a pay-out of 25% of the Parent's profit. The reduction in CET1 compared to 31 December 2021 was driven by a deterioration of the negative OCI reserve on government bonds of € 15.5 million (negative € 2.4 million at 31 December 2021), treasury shares held at the end of the quarter of € 0.6 million and interest expense accrued during the period on the AT1 instrument.

Risk-weighted assets decreased compared to 31 December 2021 due to reduced exposures to corporates and partially to an improvement in past due amounts of public sector institutions.

The Group's new consolidated capital requirements, which came into effect on 30 June 2022, are as follows:

- CET1 ratio of 9.00%;
- TIER1 ratio of 10.55%;
- Total Capital Ratio of 12.50%.

The reconciliation of equity and CET1 is provided below:

Items	30.06.2022	31.12.2021	€ Change	% Change
Share capital	9,651	9,651	-	0.0%
Equity instruments	45,500	45,500	-	0.0%
Income-related and share premium reserve	195,515	180,628	14,887	8.2%
Treasury shares (-)	(559)	-	(559)	n.a.
Valuation reserves	(15,854)	(3,067)	(12,787)	>100%
Profit (loss)	12,205	23,251	(11,046)	-47.5%
Equity attributable to the owners of the parent	**246,458**	**255,963**	**(9,505)**	**-3.7%**
Dividends distributed and other foreseeable expenses	(2,935)	(5,790)	2,855	-49.3%
Equity assuming dividends are distributed to shareholders	**243,523**	**250,173**	**(6,650)**	**-2.7%**
Regulatory adjustments	(29,787)	(36,613)	6,826	-18.6%
Eligible equity attributable to non-controlling interests	8,053	8,017	176	0.4%
Equity instruments not eligible for inclusion in CET1	(45,500)	(45,500)	-	0.0%
Common Equity Tier 1 (CET1)	**176,289**	**176,077**	**212**	**0.1%**

CAPITAL AND SHARES

Capital and ownership structure

The share capital of Banca Sistema is composed of 80,421,052 ordinary shares, for a total paid-in share capital of € 9,650,526.24. All outstanding shares have regular dividend entitlement from 1 January.

Based on evidence from the Shareholders' Register and more recent information available, as at 30 June 2022 the shareholders with stakes of more than 5%, the threshold above which Italian law (art. 120 of the Consolidated Law on Finance) requires disclosure to the investee and Consob, were as follows:

Ultimate owner	Shareholder	N.shares	% of voting capital
	SGBS Srl	18,577,263	23.10%
Gianluca Garbi	Garbifin Srl	434,274	0.54%
	Gianluca Garbi	731,832	0.91%
	Fondazione Cassa di Risparmio di Alessandria	6,288,926	7.82%
	Chandler	6,015,495	7.48%
	Fondazione Sicilia	5,951,158	7.40%
	Moneta Micro Entreprises	4,117,558	5.12%
	Fondazione Cassa di Risparmio di Cuneo	4,029,095	5.01%
	Treasury shares	281,474	0.35%
Market		33,993,979	42.27%
Total shares		**80,421,052**	**100.00%**

Stock performance

The shares of Banca Sistema are traded on the Mercato Telematico Azionario - Italian Equities Market (MTA) of the Italian Stock Exchange, STAR segment. The Banca Sistema stock is included in the following Italian Stock Exchange indices:

- FTSE Italia All-Share Capped;
- FTSE Italia All-Share;
- FTSE Italia STAR;
- FTSE Italia Servizi Finanziari;
- FTSE Italia Finanza;
- FTSE Italia Small Cap.

RISK MANAGEMENT AND SUPPORT CONTROL METHODS

With reference to the functioning of the "Risk Management System", the Group has adopted a system based on four leading principles:

- suitable supervision by relevant bank bodies and departments;
- suitable policies and procedures to manage risks (both in terms of credit risk and the granting of loans);
- suitable methods and instruments to identify, monitor and manage risks, with suitable measuring techniques;
- thorough internal controls and independent audit.

The "Risk Management System" is monitored by the Risk Department, which ensures that capital adequacy and the degree of solvency with respect to its business are kept under constant control.

The Risk Department continuously analyses the Group's operations to fully identify the risks the Group is exposed to (risk map).

To reinforce its ability to manage corporate risks, the Group has set up a Risk and ALM Committee, whose mission is to help the Group define strategies, risk policies, and profitability and liquidity targets.

The Risk and ALM Committee continuously monitors relevant risks and any new or potential risks arising from changes in the working environment or Group forward-looking operations.

Pursuant to the eleventh amendment of Bank of Italy Circular no. 285/13, within the framework of the Internal Control System (Part I, Section IV, Chapter 3, Subsection II, Paragraph 5) the Parent entrusted the Internal Control and Risk Management Committee with the task of coordinating the second and third level Control Departments; to that end, the Committee allows the integration and interaction between these Departments, encouraging cooperation, reducing overlaps and supervising operations.

With reference to the risk management framework, the Group adopts an integrated reference framework both to identify its own risk appetite and for the internal process of determining capital adequacy. This system is the Risk Appetite Framework (RAF), designed to make sure that the growth and development aims of the Group are compatible with capital and financial solidity.

The RAF comprises monitoring and alert mechanisms and related processes to take action in order to promptly intervene in the event of discrepancies with defined targets. The framework is subject to annual review based on the strategic guidelines and regulatory changes.

The ICAAP (the Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process) allow the Group to conduct ongoing tests of its structure for determining risks and to update the related safeguards included in its RAF.

With regard to protecting against credit risk, along with the well-established second level controls and the periodic monitoring put in place by the Risk Department, functional requirements were implemented to allow the Group to be compliant with the new definition of default introduced starting on 1 January 2021.

Regarding the monitoring of credit risk, in February 2020 the Group, with the goal of attaining greater operating synergies, moved from a functional organisational structure to a divisional structure which aims to maximise the value of each individual line of business, making it easily comparable with its respective specialist peers.

It should also be noted that, in accordance with the obligations imposed by the applicable regulations, each year the Group publishes its report (Pillar 3) on capital adequacy, risk exposure and the general characteristics of the systems for identifying, measuring and managing risks. The report is available on the website www.bancasistema.it in the Investor Relations section.

In order to measure "Pillar 1 risks", the Group has adopted standard methods to calculate the capital requirements for Prudential Regulatory purposes. In order to evaluate "Pillar 2 risks", the Group adopts - where possible - the methods set out in the Regulatory framework or those established by trade associations. If there are no such indications, standard market practices by operators working at a level of complexity and with operations comparable to those of the Group are assessed.

During the Covid-19 pandemic and in line with the indications provided by the EBA, ECB, Consob and ESMA, the Banca Sistema Group decided not to apply automated classifications for moratoria introduced in connection with the related support programmes provided for by law, agreements with trade associations or similar voluntary initiatives adopted by individual companies.

The Group has developed and quickly planned suitable procedures, within the specific sector of activity and the related product portfolio, to respond to the provisions set forth in the decrees to support households and businesses by implementing the provisions of the "Cura Italia" and "Liquidity" decrees. The Group has also revised its risk objectives within the RAF, which was prepared in a manner consistent with the annual budgeting process for the 2020 financial year and includes the economic impacts of the Covid-19 pandemic crisis.

Regarding the factoring business, a cap was set for the granting of medium-term loans guaranteed by SACE and the National Guarantee Fund to support business factoring customers during this period.

Other interventions concerned credit strategies and policies that considered the change in the macroeconomic environment and the results of sector analyses for identifying the most vulnerable sectors which were then grouped into clusters. For those sectors deemed to be most impacted by the pandemic, a more stringent underwriting process for factoring was introduced. For salary- and pension-backed loans (CQ), monitoring of employers (ATCs) within the cluster most affected by Covid-19 was strengthened.

OTHER INFORMATION

RESEARCH AND DEVELOPMENT ACTIVITIES

No research and development activities were carried out in 2022.

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 2022, 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

On 13 July 2022, the Bank was notified of the outcome of a sanctioning proceeding initiated by the Bank of Italy pursuant to Article 144 of the Consolidated Law on Banking.

Regarding the irregularities identified by the Supervisory Authority, despite the counter arguments presented by the Bank, the latter was ordered to pay fines amounting to € 100,000.

After the reporting date of this 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 not continuing in the first months of 2022 and the profitability of factoring of the last two quarters is expected to be maintained. This situation had been driven by extraordinary funds made available by the central government to local authorities to deal with the liquidity problem caused by the pandemic.

The Group has no direct exposures to entities and parties subject to restrictive measures decided by the European Union in response to the war in Ukraine. The evolution of this conflict, as well as of the aforementioned restrictive measures, is being continuously and carefully monitored by the Group.

Milan, 29 July 2022

On behalf of the Board of Directors

The Chairperson

Luitgard Spögler

The CEO

Gianluca Garbi

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2022

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of Euro)

	Assets	30.06.2022	31.12.2021
10.	Cash and cash equivalents	69,952	175,835
30.	Financial assets measured at fair value through other comprehensive income	572,998	451,261
40.	Financial assets measured at amortised cost	3,048,178	2,954,174
	a) loans and receivables with banks	23,608	33,411
	b) loans and receivables with customers	3,024,570	2,920,763
70.	Equity investments	957	1,002
90.	Property and equipment	42,847	40,780
100.	Intangible assets	33,078	33,125
	of which:		
	goodwill	32,355	32,355
110.	*Tax assets*	*18,530*	*12,840*
	a) current	56	812
	b) deferred	18,474	12,028
120.	Non-current assets held for sale and disposal groups	43	68
130.	Other assets	69,980	39,806
	Total Assets	**3,856,563**	**3,708,891**

	Liabilities and equity	**30.06.2022**	**31.12.2021**
10.	Financial liabilities measured at amortised cost	3,404,243	3,257,401
	a) due to banks	614,461	592,157
	b) due to customers	2,467,157	2,472,054
	c) securities issued	322,625	193,190
60.	Tax liabilities	17,210	14,981
	a) current	1,724	37
	b) deferred	15,486	14,944
70.	Liabilities associated with disposal groups	16	18
80.	Other liabilities	143,546	137,995
90.	Post-employment benefits	4,038	4,310
100.	Provisions for risks and charges:	31,229	28,654
	a) commitments and guarantees issued	39	39
	c) other provisions for risks and charges	31,190	28,615
120.	Valuation reserves	(15,854)	(3,067)
140.	Equity instruments	45,500	45,500
150.	Reserves	156,415	141,528
160.	Share premium	39,100	39,100
170.	Share capital	9,651	9,651
180.	Treasury shares (-)	(559)	-
190.	Equity attributable to non-controlling interests (+/-)	9,823	9,569
200.	Profit for the period/year	12,205	23,251
	Total liabilities and equity	**3,856,563**	**3,708,891**

INCOME STATEMENT

(Amounts in thousands of Euro)

		First Half of 2022	First Half of 2021
10.	Interest and similar income	50,558	47,721
	of which: interest income calculated with the effective interest method	45,750	44,770
20.	Interest and similar expense	(5,912)	(9,216)
30.	**Net interest income**	**44,646**	**38,505**
40.	Fee and commission income	15,744	11,937
50.	Fee and commission expense	(8,788)	(4,089)
60.	**Net fee and commission income (expense)**	**6,956**	**7,848**
70.	Dividends and similar income	227	227
80.	Net trading income (expense)	(1,201)	21
100.	Gain from sales or repurchases of:	4,137	3,714
	a) financial assets measured at amortised cost	3,051	1,364
	b) financial assets measured at fair value through other comprehensive income	1,086	2,350
	c) financial liabilities	-	-
120.	**Total income**	**54,765**	**50,315**
130.	Net impairment losses/gains on:	(5,056)	(7,831)
	a) financial assets measured at amortised cost	(5,000)	(7,839)
	b) financial assets measured at fair value through other comprehensive income	(56)	8
140.	Gains/losses from contract amendments without derecognition	-	-
150.	**Net financial income (expense)**	**49,709**	**42,484**
190.	Administrative expenses	(29,793)	(30,255)
	a) personnel expense	(14,330)	(14,304)
	b) other administrative expenses	(15,463)	(15,951)
200.	Net accruals to provisions for risks and charges	(1,053)	(26)
	a) commitments and guarantees issued	-	(26)
	b) other net accruals	(1,053)	-
210.	Net impairment losses on property and equipment	(1,348)	(1,275)
220.	Net impairment losses on intangible assets	(151)	(101)
230.	Other operating income (expense)	1,013	1,375
240.	**Operating costs**	**(31,332)**	**(30,282)**
250.	Gains (losses) of equity investments	(51)	15
280.	Gains (losses) on sales of investments	-	-
290.	**Pre-tax profit (loss) from continuing operations**	**18,326**	**12,217**
300.	Income taxes	(5,850)	(3,634)
310.	**Post-tax profit (loss) from continuing operations**	**12,476**	**8,583**
320.	Post-tax profit (loss) from discontinued operations	(23)	-
330.	**Profit (loss) for the period**	**12,453**	**8,583**
340	Profit (loss) for the period attributable to non-controlling interests	(248)	(93)
350.	**Profit for the period attributable to the owners of the parent**	**12,205**	**8,490**

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in thousands of Euro)

		First Half of 2022	First Half of 2021
10.	**Profit (loss) for the period**	**12,205**	**8,490**
	Items, net of tax, that will not be reclassified subsequently to profit or loss	-	-
70.	Defined benefit plans	293	117
	Items, net of tax, that will be reclassified subsequently to profit or loss		
140.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income	(13,080)	(1,772)
170.	**Total other comprehensive income (expense), net of income tax**	**(12,787)**	**(1,655)**
180.	**Comprehensive income (Items 10+170)**	**(582)**	**6,835**
190.	**Comprehensive income attributable to non-controlling interests**	**-**	**-**
200.	**Comprehensive income attributable to the owners of the parent**	**(582)**	**6,835**

STATEMENT OF CHANGES IN EQUITY AT 30/06/2022

Amounts in thousands of Euro

	Balance at 31.12.2021	Change in opening balances	Balance at 01.01.2022	Allocation of prior year profit		Changes during the year									Equity at 30.06.2022	Equity attributable to non-controlling interests at 30.06.2022
							Transactions on equity							Comprehensive income for the First Half of 2022		
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity investments			
Share capital:																
a) ordinary shares	**9,651**	**-**	**9,651**	-	-	-	-	-	-	-	-	-	-	-	**9,651**	**-**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	**39,100**	**-**	**39,100**	-	-	-	-	-	-	-	-	-	-	-	**39,100**	**-**
Reserves	**141,528**	**-**	**141,528**	17,482	-	(2,595)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**156,415**	**-**
a) income-related	138,857	-	138,857	17,482	-	(1,432)	-	-	-	-	-	-	-	-	154,907	-
b) other	2,671	-	2,671	-	-	(1,163)	-	-	-	-	-	-	-	-	1,508	-
Valuation reserves	**(3,067)**	**-**	**(3,067)**	**-**	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(12,787)	**(15,854)**	**-**
Equity instruments	**45,500**	**-**	**45,500**	-	-	-	-	-	-	-	-	-	-	-	**45,500**	**-**
Treasury shares	**-**	**-**	**-**	-	-	-	-	(559)	-	-	-	-	-	-	**(559)**	**-**
Profit for the year	**23,251**	**-**	**23,251**	(17,482)	(5,769)	-	-	-	-	-	-	-	-	12,205	**12,205**	**-**
Equity attributable to the owners of the parent	**255,963**	**-**	**255,963**	**-**	**(5,769)**	**(2,595)**	**-**	**(559)**	**-**	**-**	**-**	**-**	**-**	**(582)**	**246,458**	**-**
Equity attributable to non-controlling interests	**9,569**	**-**	**9,569**	**-**	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**254**	**-**	**-**	**9,823**

STATEMENT OF CHANGES IN EQUITY AT 30/06/2021

Amounts in thousands of Euro

	Balance at 31.12.2020	Change in opening balances	Balance at 01.01.2021	Allocation of prior year profit		Changes during the year									Equity at 30.06.2021	Equity attributable to non-controlling interests at 30.06.2021
							Transactions on equity									
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity investments	Comprehensive income for the First Half of 2021		
Share capital:																
a) ordinary shares	**9,651**	**-**	**9,651**	-	-	-	-	-	-	-	-	-	-	-	**9,651**	
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Share premium	**39,100**	**-**	**39,100**	-	-	-	-	-	-	-	-	-	-	-	**39,100**	
Reserves	**122,232**	**-**	**122,232**	19,719	-	(652)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**141,299**	
a) income-related	**120,797**	**-**	**120,797**	19,719	-	(5)	-	-	-	-	-	-	-	-	**140,511**	
b) other	**1,435**	**-**	**1,435**	-	-	(647)	-	-	-	-	-	-	-	-	**788**	
Valuation reserves	**1,287**	**-**	**1,287**	**-**	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(1,655)	**(368)**	
Equity instruments	**8,000**	**-**	**8,000**	-	-	-	-	-	-	37,500	-	-	-	-	**45,500**	
Treasury shares	**(234)**	**-**	**(234)**	-	-	234	-	-	-	-	-	-	-	-	**-**	
Profit for the year	**26,153**	**-**	**26,153**	(19,719)	(6,434)	-	-	-	-	-	-	-	-	8,490	**8,490**	
Equity attributable to the owners of the parent	**206,189**	**-**	**206,189**	**-**	**(6,434)**	**(418)**	**-**	**-**	**-**	**37,500**	**-**	**-**	**-**	**6,835**	**243,672**	
Equity attributable to non-controlling interests	**9,297**	**-**	**9,297**	**-**	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**93**	**-**	**-**	**9,390**

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

Amounts in thousands of Euro

	First Half of 2022	First Half of 2021
A. OPERATING ACTIVITIES		
1. Operations	**34,435**	**30,571**
Profit (loss) for the year (+/-)	12,205	8,490
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/gains due to credit risk (+/-)	5,000	7,865
Net impairment losses/gains on property and equipment and intangible assets (+/-)	1,499	1,376
Net accruals to provisions for risks and charges and other costs/income (+/-)	1,053	
Taxes, duties and tax assets not yet paid (+/-)	1,552	(1,332)
Other adjustments (+/-)	13,126	14,172
2. Cash flows generated by (used for) financial assets	**(244,243)**	**216,305**
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	(120,339)	21,311
Financial assets measured at amortised cost	(91,953)	194,612
Other assets	(31,951)	382
3. Cash flows generated by (used for) financial liabilities	**111,032**	**(289,638)**
Financial liabilities measured at amortised cost	132,271	(268,840)
Financial liabilities held for trading		
Financial liabilities designated at fair value through profit or loss		
Other liabilities	(21,239)	(20,798)
Net cash flows generated by /used for) operating activities	**(98,776)**	**(42,762)**
B. INVESTING ACTIVITIES	-	-
1. Cash flows generated by	**47**	**-**
Sales of equity investments		
Dividends from equity investments		
Sales of property and equipment		
Sales of intangible assets	47	
Sales of business units		
2. Cash flows used in	**(826)**	**(9,400)**
Purchases of equity investments	(25)	
Purchases of property and equipment	(193)	(9,141)
Purchases of intangible assets	(609)	(259)
Purchases of business units		
Net cash flows generated by (used in) investing activities	**(779)**	**(9,400)**
C. FINANCING ACTIVITIES	**-**	**-**
Issues/repurchases of treasury shares	(559)	
Issues/repurchases of equity instruments		37,500
Dividend and other distributions	(5,768)	
Net cash flows generated by (used in) financing activities	**(6,327)**	**37,500**
NET CASH FLOWS FOR THE PERIOD	**(105,882)**	**(14,662)**

RECONCILIATION ITEMS		
Cash and cash equivalents at the beginning of the year	**175,835**	**68,858**
Total net cash flows for the year	(105,882)	(14,662)
Cash and cash equivalents: effect of change in exchange rates	-	-
Cash and cash equivalents at the end of the period	**69,953**	**54,196**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards

These condensed interim consolidated financial statements were drafted in accordance with Legislative Decree no. 38 of 28 February 2005, pursuant to the IFRS issued by the International Accounting Standards Board (IASB) as endorsed and in force on 30 June 2021, including the interpretation documents (SIC) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as established by EU Regulation no. 1606 of 19 July 2002.

In preparing the condensed interim consolidated financial statements, the Bank followed the instructions concerning financial statements issued by the Bank of Italy in its Regulation of 22 December 2005, the simultaneous Circular no. 262/05, the amendments and clarification notes, supplemented by the general provisions of the Italian Civil Code and other relevant legislative and regulatory provisions.

The condensed interim consolidated financial statements were drafted in summary form in accordance with IAS 34, with specific reference to the arrangements for disclosing financial information, supplemented by the other relevant legislative and regulatory standards.

The specific accounting standards adopted have not been amended compared to the financial statements at 31 December 2021.

The condensed interim consolidated financial statements were reviewed by BDO Italia S.p.A.

General basis of preparation

The condensed interim consolidated financial statements comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the condensed interim consolidated financial statements and are accompanied by a Directors' Report on the performance, the financial results achieved and the financial position of the Banca Sistema Group.

The condensed interim consolidated financial statements, drawn up in accordance with the general guidelines laid down by IFRS, show the data for the period compared with the data from the previous financial year end or corresponding period of the previous financial year as regards statement of financial position and income statement figures, respectively.

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.

The Directors' Report and notes to the condensed interim consolidated financial statements provide the information required by the IFRS, the Law and Bank of Italy, along with other non-mandatory information deemed equally necessary for giving a true and fair view of the consolidated position.

The general principles that underlie the drafting of the financial statements are set out below:

- the measurements are made considering that the bank will continue as a going concern guaranteed by the financial support of the Shareholders;
- costs and income are accounted for on an accruals basis;
- to ensure the comparability of the data and information in the financial statements and the notes to the financial statements, the methods of presentation and classification are kept constant over time unless they are changed to present the data more appropriately;
- each material class of similar items is presented separately in the statement of financial position and income statement; items of a dissimilar nature or function are presented separately unless they are considered immaterial;
- items that have nil balances at year end or for the financial year or for the previous year are not indicated in the statement of financial position or the income statement;
- if an asset or liability comes under several items in the statement of financial position, the notes to the financial statements make reference to the other items under which it is recognised if it is necessary for a better understanding of the financial statements;
- the items are not offset against one another unless it is expressly requested or allowed by an IFRS or an interpretation or the provisions of the aforementioned Circular no. 262 of 22 December 2005 as amended by the Bank of Italy;
- the financial statements are drafted by favouring substance over form and in accordance with the principle of materiality and significance of the information;
- comparative data for the previous financial year are presented for each statement of financial position and income statement item; if the items are not comparable to those of the previous year, they are adapted and the non-comparability and adjustment/or impossibility thereof are indicated and commented on in the notes to the financial statements;
- the layout recommended by the Bank of Italy was used with reference to the information reported in the notes to the financial statements; the tables included in this layout were not presented if they were not applicable to the bank's business.

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 the financial statements, 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 2021, to which reference is made.

Scope and methods of consolidation

The condensed interim consolidated financial statements include the Parent, Banca Sistema S.p.A., and the companies directly or indirectly controlled by or connected with it.

The following statement shows the investments included within the scope of consolidation.

Company Names	Registered office	Type of Relationship (1)	Investment		% of votes available (2)
			Investing company	% held	
Corporates					
Subject to full consolidation					
S.F. Trust Holdings Ltd	UK	1	Banca Sistema	100%	100%
Largo Augusto Servizi e Sviluppo S.r.l.	Italy	1	Banca Sistema	100%	100%
ProntoPegno S.p.A.	Italy	1	Banca Sistema	75%	75%
Pronto Pegno Greece	Greece	1	ProntoPegno	75%	75%
EBNSISTEMA Finance S.L.	Spain	7	Banca Sistema	50%	50%

Key:
(1) Type of relationship.
1. = majority of voting rights at the ordinary Shareholders' Meeting
2. = a dominant influence in the ordinary Shareholders' Meeting
3. = agreements with other shareholders
4. = other forms of control
5. = unitary management as defined in Art. 26, paragraph 1 of 'Legislative Decree 87/92'
6. = unitary management as defined in Art. 26, paragraph 2 of 'Legislative Decree 87/92'
7. = joint control (2) Available voting rights at the ordinary Shareholders' Meeting, with separate indication of effective and potential rights

The scope of consolidation also includes the following special purpose securitisation vehicles whose receivables are not subject to derecognition:

Quinto Sistema Sec. 2019 S.r.l.

Quinto Sistema Sec. 2017 S.r.l.

BS IVA SPV S.r.l.

Changes in the scope of consolidation

Compared to the situation as at 31 December 2021, the scope of consolidation has changed with the inclusion of Pronto Pegno Greece.

Full consolidation method

The investments in subsidiaries are consolidated using the full consolidation method. The concept of control goes beyond owning a majority of the percentage of stakes in the share capital of the subsidiary and is defined as the power of determining the management and financial policies of said subsidiary to obtain benefits from its business.

Full consolidation provides for line-by-line aggregation of the statement of financial position and income statement aggregates from the accounts of the subsidiaries. To this end, the following adjustments were made:

(a) the carrying amount of the investments held by the Parent and the corresponding part of the equity are eliminated;

(b) the portion of equity and profit or loss for the year is shown in a specific caption.

The results of the above adjustments, if positive, are shown - after allocation to the assets or liabilities of the subsidiary - as goodwill in item "130 Intangible Assets" on the date of initial consolidation. The resulting differences, if negative, are recognised in the income statement. Intra-group balances and transactions, including income, costs and dividends, are entirely eliminated. The financial results of a subsidiary acquired during the financial year are included in the consolidated financial statements from the date of acquisition. At the same time, the financial results of a transferred subsidiary are included in the consolidated financial statements up to the date on which the subsidiary is transferred. The accounts used in the preparation of the consolidated financial statements are drafted on the same date. The consolidated financial statements were drafted using consistent accounting standards for similar transactions and events. If a subsidiary uses accounting standards different from those adopted in the consolidated financial statements for similar transactions and events in similar circumstances, adjustments are made to the financial position for consolidation purposes. Detailed information with reference to art. 89 of Directive 2013/36/EU of the European Parliament and Council (CRD IV) is published at the link www.bancasistema.it/pillar3.

Consolidation at equity

Associates are consolidated at equity.

The equity method provides for the initial recognition of the investment at cost and subsequent adjustment based on the relevant share of the investee's equity.

The differences between the value of the equity investment and the equity of the relevant investee are included in the carrying amount of the investee.

In the valuation of the relevant share, any potential voting rights are not taken into consideration.

The relevant share of the annual results of the investee is shown in a specific item of the consolidated income statement.

If there is evidence that an equity investment may be impaired, the recoverable value of said equity investment is estimated by considering the present value of future cash flows that the investment could generate, including the final disposal value of the investment.

Events after the reporting date

After the reporting date, there were no events worthy of mention in the notes to the condensed interim consolidated financial statements which would have had an impact on the financial position, results of operations and cash flows of the Bank and Group.

Information on the main items of the consolidated financial statements

The condensed interim consolidated financial statements were 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.

Other aspects

The condensed interim consolidated financial statements were approved on 29 July 2022 by the Board of Directors, which authorised its disclosure to the public in accordance with IAS 10.

A.3 - DISCLOSURE ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

A.3.1 Reclassified financial assets: change in business model, carrying amount and interest income

No financial instruments were transferred between portfolios.

A.3.2 Reclassified financial assets: change in business model, fair value and effects on comprehensive income

No financial assets were reclassified.

A.3.3 Reclassified financial assets: change in business model and effective interest rate

No financial assets held for trading were transferred.

A.4 - FAIR VALUE DISCLOSURE

Qualitative disclosure

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

Please refer to the accounting policies.

A.4.2 Processes and sensitivity of measurements

The carrying amount of financial assets and liabilities due within one year has been assumed to be a reasonable approximation of fair value, while for those due beyond one year, the fair value is calculated taking into account both interest rate risk and credit risk.

A.4.3 Fair value hierarchy

The following fair value hierarchy was used in order to prepare the financial statements:

Level 1- Effective market quotes

The valuation is the market price of said financial instrument subject to valuation, obtained on the basis of quotes expressed by an active market.

Level 2 - Comparable Approach

Level 3 - Mark-to-Model Approach

A.4.4 Other Information

The item is not applicable for the Group.

DETAILED TABLES

ASSETS

Cash and cash equivalents – Item 10

Cash and cash equivalents: breakdown

Items/Amounts	30.06.2022	31.12.2021
a) Cash	1,266	1,626
b) Current accounts and demand deposits with Central Banks	25,081	108,965
c) Current and deposit accounts with banks	43,605	65,244
Total	**69,952**	**175,835**

Financial assets measured at fair value through other comprehensive income - Item 30

Financial assets measured at fair value through other comprehensive income: breakdown by product

	30.06.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	**567,651**			**445,804**		
1.1 Structured instruments						
1.2 Other debt instruments	567,651			445,804		
2. Equity instruments	**347**		**5,000**	**457**		**5,000**
3. Financing						
Total	**567,998**		**5,000**	**446,261**		**5,000**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

Financial assets measured at amortised cost - Item 40

Financial assets measured at amortised cost: breakdown by product of the loans and receivables with banks

	30.06.2022						31.12.2021					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: purchased or originated credit-impaired	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated credit-impaired	L1	L2	L3
A. Loans and receivables with Central Banks	**20,077**					**20,077**	**18,319**					**18,319**
1. Term deposits	-	-		X	X	X				X	X	X
2. Minimum reserve	19,181	-		X	X	X	18,319			X	X	X
3. Reverse repurchase agreements	-	-		X	X	X				X	X	X
4. Other	896	-		X	X	X				X	X	X
B. Loans and receivables with banks	**3,526**	**5**				**3,531**	**15,092**					**15,092**
1. Financing	**3,526**	**5**		**-**	**-**	**3,531**	**15,092**			**-**	**-**	**15,092**
1.1 Current accounts and demand deposits	91	-		X	X	-	81			X	X	X
1.2. Term deposits	-	-		X	X	X				X	X	X
1.3. Other financing:	3,435	5		X	X	-	15,011			X	X	X
- Reverse repurchase agreements	-	-		X	X	X				X	X	X
- Finance leases	-	-		X	X	X				X	X	X
- Other	3,435	5		X	X	-	15,011			X	X	X
2. Debt instruments												
2.1 Structured instruments	-	-		-	-	-						
2.2 Other debt instruments	-	-		-	-	-						
Total	**23,603**	**5**				**23,608**	**33,411**					**33,411**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

Financial assets measured at amortised cost: breakdown by product of the loans and receivables with customers

	30.06.2022			31.12.2021		
	First and second stage	Third stage	of which: purchased or originated credit-impaired assets	First and second stage	Third stage	of which: purchased or originated credit-impaired assets
1. Debt instruments	**75,048**			**184,041**		
a) Public administrations	75,048	-		184,041		
b) Other financial companies	-	-				
of which: insurance companies	-	-				
c) Non-financial companies	-	-				
2. Financing to:	**2,722,958**	**226,564**		**2,481,170**	**255,552**	
a) Public administrations	1,239,771	170,695		940,190	208,863	
b) Other financial companies	26,899	2		20,876	1	
of which: insurance companies	11	-		9		
c) Non-financial companies	399,620	42,081		475,716	32,825	
d) Households	1,056,668	13,786		1,044,388	13,863	
Total	**2,798,006**	**226,564**		**2,665,211**	**255,552**	

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

Financial assets measured at amortised cost: breakdown by debtor/issuer of the loans and receivables with customers

	30.06.2022						31.12.2021					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: purchased or originated credit-impaired	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated credit-impaired	L1	L2	L3
Financing	**2,722,958**	**226,564**		**-**	**-**	**2,976,833**	**2,481,170**	**255,552**				**2,376,722**
1.1. Current accounts	495	47	-	X	X	X	538	47		X	X	X
1.2. Reverse repurchase agreements	-	-	-	X	X	X		-		X	X	X
1.3. Loans	179,728	4,793	-	X	X	X	160,363	425		X	X	X
1.4. Credit cards, personal loans and salary- and pension-backed	939,586	11,776	-	X	X	X	909,921	11,068		X	X	X
1.5. Finance leases	-	-	-	X	X	X		-		X	X	X
1.6. Factoring	1,166,122	200,279	-	X	X	X	995,912	230,176		X	X	X
1.7. Other financing	437,027	9,669	-	X	X	X	414,436	13,836		X	X	X
Debt instruments	**75,048**			**69,126**			**184,041**			**182,885**		
1.1. Structured instruments	-	-	-	-	-			-				
1.2. Other debt instruments	75,048	-	-	69,126	-		184,041	-		182,885		
Total	**2,798,006**	**226,564**		**69,126**		**2,976,833**	**2,665,211**	**255,552**		**182,885**		**2,376,722**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

Financial assets measured at amortised cost: gross amount and total impairment losses

	Gross amount					Total impairment losses				
	First stage		Second stage	Third stage	Purchased or originated credit impaired	First stage	Second stage	Third stage	Purchased or originated credit impaired	Overall partial write-offs (*)
		of which instruments with low credit risk								
Debt securities	75,077	75,077	-	-	-	29	-	-	-	-
Loans	2,639,372	991,588	115,023	288,098	-	7,207	627	61,529	-	-
Total 30.06.2022	**2,714,449**	**1,066,665**	**115,023**	**288,098**	**-**	**7,236**	**627**	**61,529**	**-**	**-**
Total 31.12.2021	**2,602,642**	**1,018,552**	**102,864**	**315,070**	**1**	**6,324**	**560**	**59,519**	**-**	**-**

Equity investments - Item 70

Equity investments: information on investment relationships

	Registered office	Interest %	Votes available %
A. Fully-controlled companies			
S.F. Trust Holdings Ltd	London	100%	100%
Largo Augusto Servizi e Sviluppo S.r.l.	Milan	100%	100%
ProntoPegno S.p.A.	Milan	75%	75%
ProntoPegno Greece	Athens	75%	75%
B. Joint ventures			
EBNSistema Finance Sl	Madrid	50%	50%

Property and equipment - Item 90

Operating property and equipment: breakdown of the assets measured at cost

	30.06.2022	31.12.2021
1. Owned	**37,091**	**37,211**
a) land	10,897	10,897
b) buildings	24,611	24,922
c) furniture	431	427
d) electronic equipment	1,102	965
e) other	50	-
2. Under finance lease	**5,756**	**3,569**
a) land	-	-
b) buildings	5,160	2,801
c) furniture	-	-
d) electronic equipment	-	-
e) other	596	768
Total	**42,847**	**40,780**
of which: obtained from the enforcement of guarantees received		

Intangible assets - Item 100

Intangible assets: breakdown by type of asset

	30.06.2022		31.12.2021	
	Definite useful life	Indefinite useful life	Definite useful life	Indefinite useful life
A.1 Goodwill	**-**	**32,355**	**-**	**32,355**
A.2 Other intangible assets	**723**		**770**	
of which software	68	-	84	-
A.2.1 Assets measured at cost	723		770	
a. Internally developed assets	723		770	
b. Other	-	-	-	
A.2.2 Assets measured at fair value:				
a. Internally developed assets	-		-	
b. Other	-	-	-	
Total	**723**	**32,355**	**770**	**32,355**

On 13 May 2022, ESMA issued a Public Statement, the contents of which were subsequently included in CONSOB Warning Notice No. 3/22 dated 19 May, recommending impairment testing of non-financial assets.

With specific regard to the impairment testing of non-financial assets included in the scope of IAS 36, paragraphs 55 and 56 emphasise that the rates used to estimate value must reflect current market valuations of the time value of money and the specific loss rate associated with the asset to be tested (excluding the elements of risk and uncertainty already included in the forecast data to be discounted).

In view of the new scenarios of rising interest rates, an impairment test was performed on the goodwill recognised in the financial statements to reflect the increase in the discount rate following the increase in the free risk rate and a repricing of assets and liabilities.

Based on the work performed, no critical elements emerged that would trigger an impairment test of goodwill.

Other assets - Item 130

	30.06.2022	31.12.2021
Eco-Sisma bonus 110% tax assets	46,880	16,462
Tax advances	6,319	8,001
Items to be reconciled	6,153	5,917
Prepayments not related to a specific item	5,124	3,803
Other	2,750	2,947
Leasehold improvements	1,428	1,072
Trade receivables	1,113	1,422
Security deposits	213	182
Total	**69,980**	**39,806**

LIABILITIES

Financial liabilities measured at amortised cost - Item 10

Financial liabilities measured at amortised cost: breakdown by product of due to banks

	30.06.2022				31.12.2021			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to Central banks	**537,227**	**X**	**X**	**X**	**540,095**	**X**	**X**	**X**
2. Due to banks	**77,234**	**X**	**X**	**X**	**52,062**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	16,318	X	X	X	40,897	X	X	X
2.2 Term deposits	49,996	X	X	X		X	X	X
2.3 Financing	10,410	X	X	X	11,165	X	X	X
2.3.1 Repurchase agreements	-	X	X	X		X	X	X
2.3.2 Other	10,410	X	X	X	11,165	X	X	X
2.4 Commitments to repurchase own equity instruments	-	X	X	X		X	X	X
2.5 Lease liabilities	-	X	X	X		X	X	X
2.6 Other payables	510	X	X	X	-	X	X	X
Total	**614,461**			**614,461**	**592,157**			**592,157**

Financial liabilities measured at amortised cost: breakdown by product of due to customers

	30.06.2022				31.12.2021			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	560,656	X	X	X	777,850	X	X	X
2. Term deposits	1,636,042	X	X	X	1,387,255	X	X	X
3. Financing	265,822	X	X	X	305,268	X	X	X
3.1 Repurchase agreements	210,847	X	X	X	249,256	X	X	X
3.2 Other	54,975	X	X	X	56,012	X	X	X
4. Commitments to repurchase own equity instruments	-	X	X	X		X	X	X
5. Lease liabilities	-	X	X	X		X	X	X
6. Other payables	4,637	X	X	X	1,681	X	X	X
Total	**2,467,157**			**2,467,157**	**2,472,054**			**2,472,054**

Key:
CA = carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

Other liabilities - Item 80

Other liabilities: breakdown

	30.06.2022	31.12.2021
Payments received to be reconciled	74,517	84,177
Accrued expenses	20,041	16,305
Items to be reconciled	16,956	15,860
Other	9,948	366
Trade payables	8,232	9,839
Finance lease liabilities	5,879	3,655
Tax liabilities with the Tax Authority and other tax authorities	4,897	5,743
Due to employees	2,239	1,120
Social security contributions	837	930
Total	**143,546**	**137,995**

Post-employment benefits - Item 90

Post-employment benefits: changes

	30.06.2022	31.12.2021
A. Opening balance	**4,310**	**4,428**
B. Increases	**504**	**213**
B.1 Accruals	504	75
B.2 Other increases	-	138
C. Decreases	776	331
C.1 Payments	178	205
C.2 Other decreases	598	126
D. Closing balance	**4,038**	**4,310**

Annual discount rate	3.22%
Annual inflation rate	2.10%
Annual post-employment benefits increase rate	3.075%
Annual real salary increase rate	1.00%

Provisions for risks and charges - Item 100

Provisions for risks and charges: breakdown

	30.06.2022	31.12.2021
1. Provisions for credit risk related to commitments and financial guarantees issued	39	39
2. Provisions for other commitments and other guarantees issued	-	-
3. Internal pension funds		
4. Other provisions for risks and charges	31,190	28,615
4.1 legal and tax disputes	10,772	3,699
4.2 personnel expense	5,816	7,716
4.3 other	14,602	17,200
Total	**31,229**	**28,654**

Provisions for risks and charges: changes

	Provisions for other commitments and other guarantees issued	Pension funds	Other provisions for risks and charges	Total
A. Opening balance	**39**	**-**	**28,615**	**28,654**
B. Increases	**-**	**-**	**8,335**	**8,335**
B.1 Accruals	-	-	8,332	8,332
B.2 Discounting	-	-	-	-
B.3 Changes due to discount rate changes	-	-	-	-
B.4 Other increases	-	-	3	3
C. Decreases	**-**	**-**	**5,760**	**5,760**
C.1 Utilisations	-	-	4,667	4,667
C.2 Changes due to discount rate changes	-	-	-	-
C.3 Other decreases	-	-	1,093	1,093
D. Closing balance	**39**		**31,190**	**31,229**

Equity attributable to the owners of the parent – Items 120, 130, 140, 150, 160, 170 and 180

"Share capital" and "Treasury shares": breakdown

The share capital of Banca Sistema is composed of 80,421,052 ordinary shares, for a total paid-in share capital of € 9,650,526.24. All outstanding shares have regular dividend entitlement from 1 January.

Based on evidence from the Shareholders' Register and more recent information available, the shareholders with stakes of more than 5%, the threshold above which Italian law (art. 120 of the Consolidated Law on Finance) requires disclosure to the investee and Consob, were as follows:

Ultimate owner	Shareholder	N.shares	% of voting capital
	SGBS Srl	18,577,263	23.10%
Gianluca Garbi	Garbifin Srl	434,274	0.54%
	Gianluca Garbi	731,832	0.91%
	Fondazione Cassa di Risparmio di Alessandria	6,288,926	7.82%
	Chandler	6,015,495	7.48%
	Fondazione Sicilia	5,951,158	7.40%
	Moneta Micro Entreprises	4,117,558	5.12%
	Fondazione Cassa di Risparmio di Cuneo	4,029,095	5.01%
	Treasury shares	281,474	0.35%
Market		33,993,979	42.27%
Total shares		**80,421,052**	**100.00%**

The breakdown of equity attributable to the owners of the parent is shown below:

	30.06.2022	31.12.2021
1. Share capital	9,651	9,651
2. Share premium	39,100	39,100
3. Reserves	156,415	141,528
4. Equity instruments	45,500	45,500
5. (Treasury shares)	(559)	-
6. Valuation reserves	(15,854)	(3,067)
7. Equity attributable to non-controlling interests	9,823	9,569
8. Profit for the period/year	12,205	23,251
Total	**256,281**	**265,532**

The Parent, Banca Sistema, holds a total of 280,919 treasury shares corresponding to 0.349% of the share capital valued at € 558,600.

Equity attributable to non-controlling interests - Item 190

Breakdown of item 210 "Equity attributable to non-controlling interests"

Pronto Pegno S.p.A.	30.06.2022
Equity investments in consolidated companies with significant non-controlling interests	
1. Share capital	5,791
2. Share premium	3,959
3. Reserves	(212)
4. Profit (loss) for the period	273
Total	**9,811**

ProntoPegno Greece	30.06.2022
Equity investments in consolidated companies with significant non-controlling interests	
1. Share capital	6
3. Reserves	-
4. Profit (loss) for the period	(25)
Total	**(19)**

Quinto Sistema 2019 Srl	30.06.2022
Equity investments in consolidated companies with significant non-controlling interests	
1. Share capital	10
3. Reserves	2
Total	**12**

Quinto Sistema 2017 Srl	30.06.2022
Equity investments in consolidated companies with significant non-controlling interests	
1. Share capital	10
3. Reserves	(1)
Total	**9**

Bs IVA Spv Srl	30.06.2022
Equity investments in consolidated companies with significant non-controlling interests	
1. Share capital	10
3. Reserves	-
Total	**10**

INCOME STATEMENT

Interest - Items 10 and 20

Interest and similar income: breakdown

	Debt instruments	Financing	Other transaction	First half 2022	First half 2021
1. Financial assets measured at fair value through profit or loss:					
1.1 Financial assets held for trading					
1.2 Financial assets designated at fair value through profit or loss					
1.3 Other financial assets mandatorily measured					
2. Financial assets measured at fair value through other comprehensive income			X		
3. Financial assets measured at amortised cost:	1,318	45,162	-	46,480	45,979
3.1 Loans and receivables with banks		30	X	30	26
3.2 Loans and receivables with customers	1,318	45,132	X	46,450	45,953
4. Hedging derivatives	X	X			
5. Other assets	X	X			
6. Financial liabilities	X	X	X	4,078	1,742
Total	**1,318**	**45,162**		**50,558**	**47,721**
of which: interest income on impaired assets					
of which: interest income on finance leases	X		X		

Interest and similar expense: breakdown

	Liabilities	Securities	Other transactions	First half 2022	First half 2021
1. Financial liabilities measured at amortised cost	5,568	67		5,635	8,756
1.1 Due to Central banks		X			
1.2 Due to banks	50	X		50	226
1.3 Due to customers	5,518	X		5,518	6,699
1.4 Securities issued	X	67		67	1,831
2. Financial liabilities held for trading					
3. Financial liabilities designated at fair value through profit or loss					
4. Other liabilities and provisions	X	X			
5. Hedging derivatives	X	X			
6. Financial assets	X	X	X	276	460
Total	**5,568**	**67**		**5,912**	**9,216**
of which: interest expense related to lease liabilities	26	X	X	26	24

Net fee and commission income - Items 40 and 50

Fee and commission income: breakdown

	First half 2022	First half 2021
a) Financial instruments	63	80
1. Placement of securities	41	52
1.1 Underwritten and/or on a firm commitment basis	41	52
1.2 Without a firm commitment basis		
2. Order collection and transmission, and execution of orders on behalf of customers	16	22
2.1 Order collection and transmission for one or more financial instruments	16	22
2.2 Execution of orders on behalf of customers		
3. Other fees associated with activities related to financial instruments	6	6
of which: dealing on own account		
of which: individual asset management	6	6
b) Corporate Finance		
c) Investment advisory activities		
d) Clearing and settlement		
e) Custody and administration		
f) Central administrative services for collective asset management		
g) Fiduciary activities		
h) Payment services	69	77
1. Current accounts	35	49
2. Credit cards		
3. Debit and other payment cards	2	1
4. Bank transfers and other payment orders		
5. Other fees related to payment services	32	27
i) Distribution of third party services		
j) Structured finance		
k) Servicing of securitisations		
l) Commitments to disburse funds		
m) Financial guarantees issued	32	43
of which: credit derivatives		
n) Financing transactions	6,172	7,146
of which: factoring transactions	6,172	7,146
o) Foreign currency transactions		
p) Commodities		
q) Other fee and commission income	9,408	4,591
Total	**15,744**	**11,937**

Fee and commission expense: breakdown

	First half 2022	First half 2021
a. Financial assets	37	25
of which: trading in financial instruments	37	25
of which: placement of financial instruments		
of which: individual asset management		
- Proprietary		
- Delegated to third parties		
b. Clearing and settlement		
c. Custody and administration		
d. Collection and payment services	108	102
of which: credit cards, debit cards and other payment cards		
e. Servicing of securitisations		
f. Commitments to receive funds		
g. Financial guarantees received	435	139
of which: credit derivatives		
h. Off-premises distribution of securities, products and services	8,151	3,771
i. Foreign currency transactions		
j. Other fee and commission expense	57	52
Total	**8,788**	**4,089**

DIVIDENDS AND SIMILAR INCOME - ITEM 70

Dividends and similar income: breakdown

	First half 2022		First half 2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value through profit or loss				
C. Financial assets measured at fair value through other comprehensive income	227		227	
D. Equity investments				
Total	**227**		**227**	

NET TRADING INCOME (EXPENSE) - ITEM 80

	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Net trading income (expense) [(A+B) - (C+D)]
1. Financial assets held for trading		**116**		**(1,319)**	**(1,203)**
1.1 Debt instruments		116		(1,319)	(1,203)
1.2 Equity instruments					
1.3 OEIC units					
1.4 Financing					
1.5 Other		-	-	-	
2. Financial liabilities held for trading					
2.1 Debt instruments					
2.2 Payables					
2.3 Other					
3. Other financial assets and liabilities: exchange rate gains (losses)	X	X	X	X	2
4. Derivatives					
4.1 Financial derivatives:					
On debt instruments and interest rates					
On equity instruments and equity indexes					
On currencies and gold	X	X	X	X	
Other					
4.2 Credit derivatives	-	-	-	-	
of which: natural hedges connected to the fair value option	X	X	X	X	
Total		**116**		**(1,319)**	**(1,201)**

Gain from sales or repurchases - Item 100

Gain from sales or repurchases: breakdown

	First half 2022			First half 2021		
	Gain	Loss	Net gain	Gain	Loss	Net gain
Financial assets						
1. Financial assets measured at amortised cost:	3,051		3,051	1,561	(197)	1,364
1.1 Loans and receivables with banks						
1.2 Loans and receivables with customers	3,051	-	3,051	1,561	(197)	1,364
2. Financial assets measured at fair value through other comprehensive income	3,292	(2,206)	1,086	2,867	(517)	2,350
2.1 Debt instruments	3,292	(2,206)	1,086	2,867	(517)	2,350
2.2 Financing						
Total assets (A)	**6,343**	**(2,206)**	**4,137**	**4,428**	**(714)**	**3,714**
Financial liabilities measured at amortised cost						
1. Due to banks						
2. Due to customers				-	-	-
3. Securities issued				-	-	-
Total liabilities						

Net impairment losses/gains due to credit risk - Item 130

Net impairment losses due to credit risk related to financial assets measured at amortised cost: breakdown

Operations/Income components	Impairment losses (1)						Impairment gains (2)				First half 2022	First half 2021
	First stage	Second stage	Third stage		Purchased or originated credit-impaired		First stage	Second stage	Third stage	Purchased or originated credit impaired		
			Write-offs	Other	Write-offs	Other						
A. Loans and receivables with banks							**40**				**(40)**	**9**
- financing					-		40					9
- debt instruments												-
B. Loans and receivables with customers:	**991**		**102**	**4,005**			**43**		**15**		**5,040**	**7,830**
- financing	991		102	4,005			-		15		5,083	7,935
- debt instruments					-		43				(43)	(105)
C. Total	**991**		**102**	**4,005**			**83**		**15**		**5,000**	**7,839**

Net impairment losses due to credit risk related to financial assets measured at fair value through other comprehensive income: breakdown

Operations/Income components	Impairment losses (1)						Impairment gains (2)				First half 2022	First half 2021
	First stage	Second stage	Third stage		Purchased or originated credit-impaired		First stage	Second stage	Third stage	Purchased or originated credit impaired		
			Write-offs	Other	Write-offs	Other						
A. Debt instruments	56	-	-	-	-	-	-	-	-	-	56	(8)
B. Financing												-
- To customers		-						-	-			-
- To banks		-						-	-			-
Total	**56**										**56**	**(8)**

Administrative expenses - Item 190

Personnel expense: breakdown

	First half 2022	First half 2021
1) Employees	13,366	13,335
a) wages and salaries	8,577	8,560
b) social security charges	2,219	2,111
c) post-employment benefits		
d) pension costs		
e) accrual for post-employment benefits	473	495
f) accrual for pension and similar provisions:	-	-
- defined contribution plans		
- defined benefit plans		
g) payments to external supplementary pension funds:	224	109
- defined contribution plans	224	109
- defined benefit plans		
h) costs of share-based payment plans		
i) other employee benefits	1,873	2,060
2) Other personnel	207	251
3) Directors and statutory auditors	757	718
4) Retired personnel		
5) Recovery of costs for employees of the Bank seconded to other entities		
6) Reimbursement of costs for employees of other entities seconded to the Bank	-	-
Total	**14,330**	**14,304**

Other administrative expenses: breakdown

Other administrative expenses: breakdown	First half 2022	First half 2021
IT expenses	3,060	3,223
Consultancy	2,613	2,756
Indirect taxes and duties	1,721	1,316
Servicing and collection activities	1,415	1,631
Expenses related to property management and logistics	1,246	1,029
Expenses related to management of the SPVs	478	550
Other	457	228
Insurance	425	469
Advertising	403	640
Car hire and related fees	295	366
Infoprovider expenses	294	379
Outsourcing and consultancy expenses	232	270
Expense reimbursement and entertainment	221	186
Telephone and postage expenses	197	126
Membership fees	192	224
Audit fees	185	148
Stationery and printing	73	16
Personnel related expenses	36	110
Total operating expenses	**13,543**	**13,667**
Resolution Fund	1,920	2,284
Total	**15,463**	**15,951**

Income taxes - Item 300

Income taxes: breakdown

	First half 2022	First half 2021
1. Current taxes (-)	(5,390)	(2,994)
2. Changes in current taxes of previous years (+/-)	-	24
3. Decrease in current taxes for the year (+)	-	-
3bis. Decrease in current taxes for the year due to tax assets pursuant to Law no. 214/2011 (+)	-	-
4. Changes in deferred tax assets (+/-)	82	(198)
5. Changes in deferred tax liabilities (+/-)	(542)	(466)
6. Tax expense for the year (-) (-1+/-2+3+3bis.+/-4+/-5)	(5,850)	(3,634)

Earnings per share

Earnings per share (EPS)	First half 2022	First half 2021
Parent's profit for the year (thousands of Euro)	11,739	8,552
Average number of outstanding shares	80,096,043	80,391,577
Basic earnings per share (basic EPS) (in Euro)	0.147	0.106
Diluted earnings per share (diluted EPS) (in Euro)	0.147	0.106

INFORMATION CONCERNING THE PARENT'S EQUITY

OWN FUNDS AND CAPITAL RATIOS

Own funds

Quantitative disclosure

	First half 2022	First half 2021
A. Common Equity Tier 1 (CET1) before application of prudential filters	200,218	208,762
of which CET 1 instruments covered by transitional measures	-	-
B. CET1 prudential filters (+/-)	8,053	8,017
C. CET1 including items to be deducted and the effects of the transitional regime (A+/-B)	**208,271**	**216,779**
D. Items to be deducted from CET1	38,087	40,702
E. Transitional regime - Impact on CET (+/-)	6,105	-
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	**176,289**	**176,077**
G. Additional Tier 1 (AT1) including items to be deducted and the effects of the transitional regime	45,500	45,500
of which AT1 instruments covered by transitional measures	-	-
H. Items to be deducted from AT1	-	-
I. Transitional regime - Impact on AT1 (+/-)	-	-
L. Total Additional Tier 1 (AT1) (G-H+/-I)	**45,500**	**45,500**
M. Tier 2 (T2) including items to be deducted and the effects of the transitional regime	133	113
of which T2 instruments covered by transitional measures	-	-
N. Items to be deducted from T2	-	-
O. Transitional regime - Impact on T2 (+/-)	-	-
P. Total Tier 2 (T2) (M-N+/-O)	**133**	**113**
Q. Total Own Funds (F+L+P)	**221,922**	**221,690**

Capital adequacy

Quantitative disclosure

	Unweighted amounts		Weighted amounts/requirements	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
A. EXPOSURES				
A.1 Credit and counterparty risk	5,311,943	4,576,069	1,173,512	1,334,176
1. Standardised approach	5,311,943	4,576,069	1,173,512	1,334,176
2. Internal ratings based approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. CAPITAL REQUIREMENTS	-	-	-	-
B.1 Credit and counterparty risk	-	-	93,881	106,734
B.2 Credit valuation adjustment risk	-	-	-	-
B.3 Settlement risk	-	-	-	-
B.4 Market risk	-	-	-	-
1. Standard approach	-	-	-	-
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.5 Operational risk	-	-	14,671	14,671
1. Standard approach	-	-	14,671	14,671
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.6 Other calculation elements	-	-	-	-
B.7 Total prudential requirements	-	-	108,552	121,405
C. EXPOSURES AND CAPITAL RATIOS	**-**	**-**	**1,356,904**	**1,517,568**
C.1 Risk-weighted assets	-	-	1,356,904	1,517,568
C.2 CET1 capital/risk-weighted assets (CET1 Capital Ratio)	-	-	13.0%	11.6%
C.3 Tier 1 capital/risk-weighted assets (Tier 1 Capital Ratio)	-	-	16.3%	14.6%
C.4 Total Own Funds/risk-weighted assets (Total Capital Ratio)	-	-	16.4%	14.6%

Starting in the second quarter of 2022, the Bank decided to use the mitigating parameter (equal to 40%) for calculating the FVOCI filter for exposures to central authorities, in line with the provisions of Article 468 CRR. The "fully loaded" ratios, meaning those that do not include this mitigating measure, are as follows:

- CET1 ratio of 12.3%;
- TIER1 ratio of 15.5%;
- Total Capital Ratio of 15.6%.

Large exposures

As at 30 June 2022, the Group's large exposures are as follows:

a) Carrying amount € 1,873,972 (in thousands)

b) Weighted amount € 190,703 (in thousands)

c) No. of positions 17.

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, on the basis of mutual financial advantage and in compliance with all procedures.

With respect to transactions with parties who exercise management and control functions in accordance with art. 136 of the Consolidated Law on Banking, they are included in the Executive Committee resolution, specifically authorised by the Board of Directors and with the approval of the Statutory Auditors, subject to compliance with the obligations provided under the Italian Civil Code with respect to matters relating to the conflict of interest of directors.

Pursuant to IAS 24, the related parties of Banca Sistema include:

- shareholders with significant influence;
- companies belonging to the banking Group;
- companies subject to significant influence;
- key management personnel;
- the close relatives of key management personnel and the companies controlled by (or connected with) such personnel or their close relatives.

Disclosure on the remuneration of key management personnel

The following data show the remuneration of key management personnel, as per IAS 24 and Bank of Italy Circular no. 262 of 22 December 2005 as subsequently updated, which requires the inclusion of the members of the Board of Statutory Auditors.

In thousands of Euro	Board of Directors	Board of Statutory Auditors	Other managers	30.06.2022
Remuneration to Board of Directors and Board of Statutory Auditors	1,370	110	-	1,480
Short-term benefits for employees	-	-	1,605	1,605
Post-employment benefits	117	-	124	241
Other long-term benefits	47	-	52	99
Share-based payments	331	-	307	638
Total	**1,865**	**110**	**2,088**	**4,063**

Disclosure on related party transactions

The following table shows the assets, liabilities, guarantees and commitments as at 30 June 2022, differentiated by type of related party with an indication of the impact on each individual caption.

In thousands of Euro	Directors, Board of Statutory Auditors and key management personnel	Other related parties	% of caption
Loans and receivables with customers	567	131,743	4.5%
Due to customers	1,839	104,325	3.9%
Other liabilities	-	-	0.0%

The following table indicates the costs and income for the first half of 2022, differentiated by type of related party.

In thousands of Euro	Directors, Board of Statutory Auditors and key management personnel	Other related parties	% of caption
Interest income	1	0	0.0%
Interest expense	8	8	0.3%
Other administrative expenses	-	-	0.0%

Details are provided below for each of the following related parties that are shareholders exceeding the 5% stake threshold in individual Group companies.

In thousands of Euro	Amount	Percentage (%)
Liabilities	4,259	0.1%
Due to customers	-	0.0%
Shareholders - SGBS	4,096	0.2%
Shareholders - Fondazione CR Alessandria	50	0.0%
Shareholders - Fondazione Sicilia	57	0.0%
Fondazione Pisa	56	0.0%

SEGMENT REPORTING

For the purposes of segment reporting as per IFRS 8, the income statement is broken down by segment as follows.

Breakdown by segment as at 30 June 2022

Income statement (€,000)	Factoring Division	CQ Division	Pawn Division	Corporate Center	Group Total
Net interest income	30,085	11,264	3,275	22	44,646
Net fee and commission income (expense)	4,851	(1,668)	3,771	2	6,956
Dividends and similar income	147	80	-	-	227
Net trading income (expense)	(778)	(423)	-	-	(1,201)
Gain from sales or repurchases of financial assets/liabilities	2,138	1,999	-	-	4,137
Total income	**36,443**	**11,252**	**7,046**	**24**	**54,765**
Net impairment losses on loans and receivables	(4,300)	(336)	(42)	(379)	(5,057)
Net financial income (expense)	**32,143**	**10,916**	**7,004**	**(355)**	**49,708**

Statement of Financial Position (€,000)	Factoring Division	CQ Division	Pawn Division	Corporate Center	Group Total
Cash and cash equivalents	45,321	24,631	-	-	69,952
Financial assets (HTS and HTCS)	371,243	201,755	-	-	572,998
Loans and receivables with banks	16,741	6,867	-	-	23,608
Loans and receivables with customers	1,924,508	1,000,507	97,804	1,751	3,024,570
loans and receivables with customers - loans	1,875,885	974,083	**97,804**	1,751	2,949,522
loans and receivables with customers - debt instruments	48,623	26,425	-	-	75,048
Due to banks	-	-	-	614,461	614,461
Due to customers	54,975	-	-	2,412,182	2,467,157

This segment reporting includes the following divisions:

- Factoring Division, which includes the business segment related to the origination of trade and tax receivables with and without recourse and the management and recovery of default interest. In addition, the division includes the business segment related to the origination of state-guaranteed loans to SMEs disbursed to factoring customers and the management and recovery of receivables on behalf of third parties;
- CQ Division, which includes the business segment related to the purchase of salary- and pension-backed loans (CQS/CQP) portfolios and salary- and pension-backed loans disbursed through the direct channel;
- Pawn Division, which includes the business segment related to collateral-backed loans;

- Corporate Division, which includes activities related to the management of the Group's financial resources and costs/income in support of the business activities. In particular, the cost of funding managed in the central treasury pool is allocated to the divisions via an internal transfer rate ("ITR"), while income from the management of the securities portfolio and income from liquidity management (the result of asset and liability management activities) is allocated entirely to the business divisions through a pre-defined set of drivers. The division also includes income from the management of SME loan run-offs.

The secondary disclosure by geographical segment has been omitted as immaterial, since the customers are mainly concentrated in the domestic market.

STATEMENT OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING

1. The undersigned, Gianluca Garbi, CEO, and Alexander Muz, Manager in charge of financial reporting of Banca Sistema S.p.A., hereby state, having taken into account the provisions of Art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- the suitability as regards the characteristics of the bank and
- the effective application of the administrative and accounting procedures for the drafting of the condensed interim financial statements, during the first half of 2022.

2. Reference model

The suitability of the administrative and accounting process for the drafting of the condensed interim financial statements at 30 June 2022 was assessed based on an internal model defined by Banca Sistema S.p.A. that was designed in a manner consistent with the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (CoSO), which represents the reference standards for the internal control system generally accepted on an international level.

3. Moreover, the undersigned hereby state that:

3.1 the condensed interim financial statements:

a) were drafted in accordance with the applicable international accounting standards endorsed by the European Union, pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) match the accounting books and records;

c) are suitable for providing a true and fair view of the financial position, results of operations and cash flows of the issuer and all the companies included in the scope of consolidation.

3.2 The directors' report includes a reliable analysis of the important events which occurred during the first half of the year and their impact on the condensed interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The directors' report includes, moreover, a reliable analysis of the information concerning significant related party transactions.

Milan, 29 July 2022

Gianluca Garbi
Chief Executive Officer

Alexander Muz
Manager in charge of financial reporting

INDEPENDENT AUDITORS' REPORT

BANCA SISTEMA S.p.A.

Auditor’s review report on interim condensed consolidated financial statements

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Auditor's review report on interim condensed consolidated financial statements
(Translation from the original Italian text)

To the shareholders of
Banca Sistema S.p.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes, of Banca Sistema Group as of June 30, 2022. Directors are responsible for the preparation of the interim condensed consolidated financial statements in compliance with International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution No. 10867 of July 31, 1997. A review of an interim condensed consolidated financial statements consists of making enquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Banca Sistema Group as of June 30, 2022 are not prepared, in all material respects, in accordance with International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, August 4, 2022

BDO Italia S.p.A.

Signed by Andrea Mezzadra
Partner

This report has been translated into English language solely for the convenience of international readers