INTERIM CONSOLIDATED FINANCIAL REPORT

AT 31 MARCH 2022

BANCA SISTEMA

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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. Marco Giovannini (independent)[1]
	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

[1] On 26 April 2022, Director Marco Giovannini announced his resignation from his position with immediate effect, without stating his reasons. His replacement is in the process of being determined

COMPOSITION OF THE INTERNAL COMMITTEES

INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE

Chairperson	Mr. Daniele Bonvicini
Members	Ms. Maria Leddi
	Mr. Marco Giovannini [2]
	Mr. Daniele Pittatore

APPOINTMENTS COMMITTEE

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

REMUNERATION COMMITTEE

Chairperson	Mr. Marco Giovannini [2]
Members	Mr. Giovanni Puglisi
	Ms. Francesca Granata

ETHICS COMMITTEE

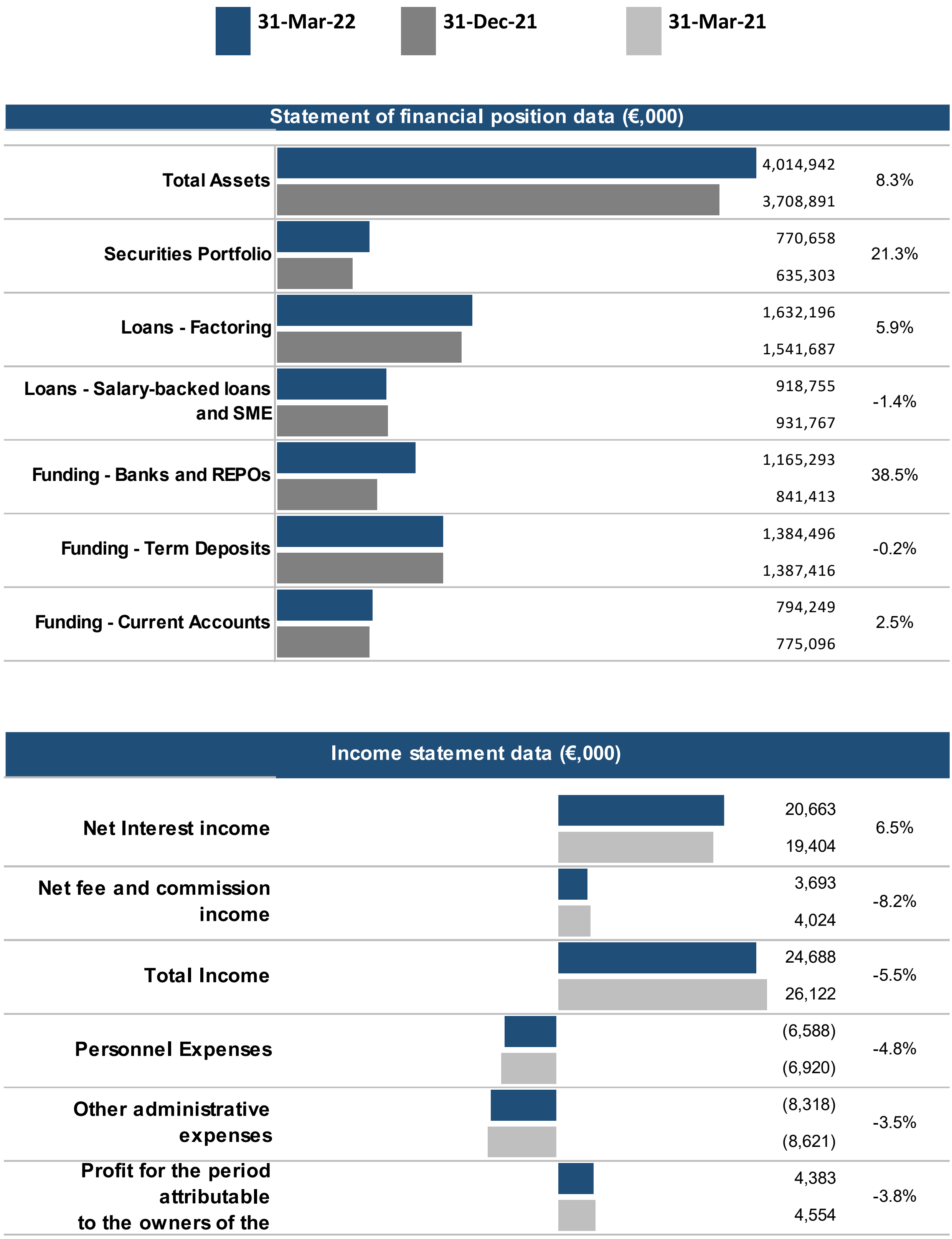
Chairperson	Mr. Giovanni Puglisi
Members	Ms. Maria Leddi
	Ms. Carlotta De Franceschi

SUPERVISORY BODY

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

[2] On 26 April 2022, Director Marco Giovannini announced his resignation from his position with immediate effect, without stating his reasons. His replacement is in the process of being determined

FINANCIAL HIGHLIGHTS AT 31 MARCH 2022



SIGNIFICANT EVENTS FROM 1 JANUARY TO 31 MARCH 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 9 February 2022, the Bank was notified of the outcome of a first sanctioning proceeding initiated by the Bank of Italy in relation to the following irregularities for which administrative sanctions may be applied:

1) violation of the limit on large exposures (Article 395 of Regulation (EU) No. 575/2013-CRR; Articles 144 and 144-quinquies of the Consolidated Law on Banking; Part Two, Chapter 10, Section V of Circular no. 285/13);

2) violation of disclosure obligations towards the Supervisory Authority (Article 51 of Legislative Decree 385/1993).

Regarding the aforementioned 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 for the violation referred to in point 1) and € 85,000 for the violation referred to in point 2).

On 11 March 2022, Banca Sistema filed an appeal against both 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 proceeding ended on 5 May 2022, confirming the minimum consolidated above mentioned, which come into effect on 30 June 2022.

FACTORING

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 quarter of 2022, EBNSISTEMA's factoring turnover reached € 121 million (€ 55 million in the first quarter 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 € 28 million in 1Q22 (€47 million in the first quarter of 2021), exclusively for its factoring customers.

Among the products offered by the Factoring Division starting in 2021, the Bank originated €4 million in "Eco-Sisma bonus 110%" tax credits in the first quarter 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:

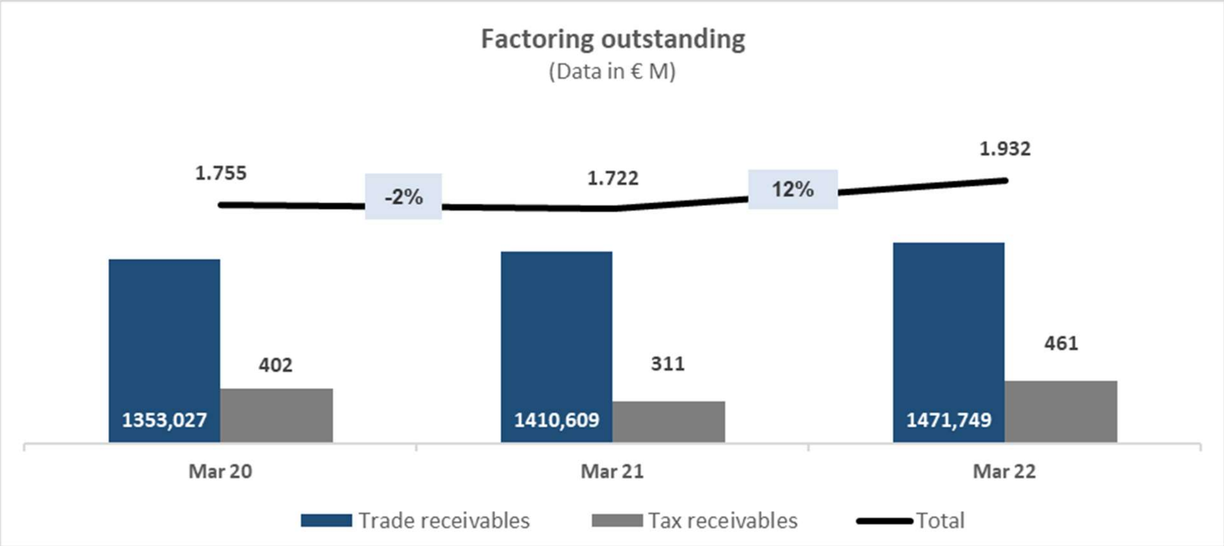
Product (amounts in millions of Euro)	31.03.2022	31.12.2021	€ Change	% Change
Trade receivables	818	727	91	12.6%
of which, without recourse	647	514	133	25.9%
of which, with recourse	*171*	*213*	*(42)*	*-19.7%*
Tax receivables	*165*	*55*	*109*	*>100%*
of which, without recourse	*165*	*55*	*109*	*>100%*
of which, with recourse	-	-	-	*n.a.*
Total	**983**	**783**	**200**	**25.6%**

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 from the purchase of both trade and tax receivables.

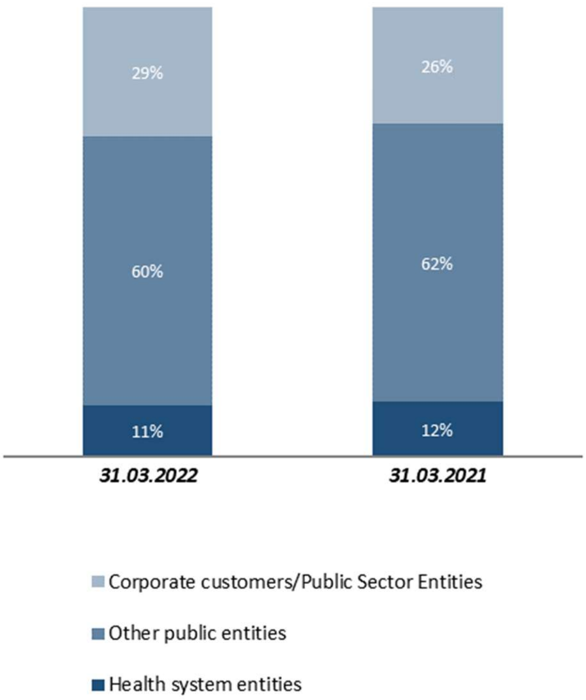
The Bank continues to demonstrate its resilience in the face of the crisis, confirming its ability to provide support to Public Administration suppliers.

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, on the other hand, amounted to € 1,932 million at 31 March 2022 (management figure), up 12% from € 1,722 million at 31 March 2021.



The chart to the right shows the ratio of debtors to the total exposure in the loans and receivables portfolio at 31 March 2022 and 31 March 2021. The Group's core factoring business remains the Public Administration entities segment.



Volumes related to the management of third-party portfolios amounted to € 80 million (a decrease compared to the € 103 million recognised in the previous year).

SALARY- AND PENSION-BACKED LOANS AND QUINTOPUOI

Preliminary statistics from Assofin point to a 17.4% increase in consumer credit in the first quarter of 2022 compared with the same quarter last year, net of a slowdown in consumer financing linked to the difficulties in the motor vehicle sector.

In the same period, Banca Sistema disbursed € 47 million in funded capital, up 12% on the same period in 2021. Compared to last year, however, the volume mix changed radically, with the Quintopuoi product channel accounting for the majority of disbursements when compared to purchases of without recourse portfolios, reaching 90% of total turnover, more than 3 times that of the first quarter of 2021.

The without recourse channel suffered from the contraction in margins as a result of the considerable price tension that had intensified over the course of 2021, particularly in an environment in 2022 that saw a general rise in the main fixed-rate indicators and a consequent recovery in the yields of certain assets, which made it potentially less attractive to invest in salary- and pension-backed loans (CQ).

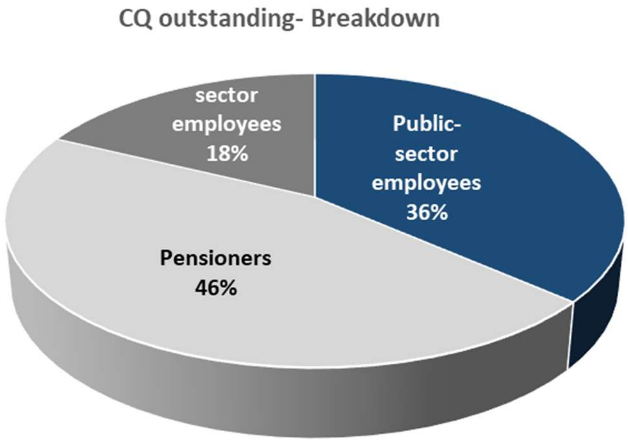
By contrast, the Quintopuoi product benefited from significant growth in the Bank's network of agents and brokers, which exceeded 50 mandates during the quarter for more than 400 total points of contact across the country.

The first disbursements on the TFS product issued by the Bank were also recorded in the first quarter of 2022, expanding the range of products available to the network and generating significant synergy in covering the financial life cycle of customers.

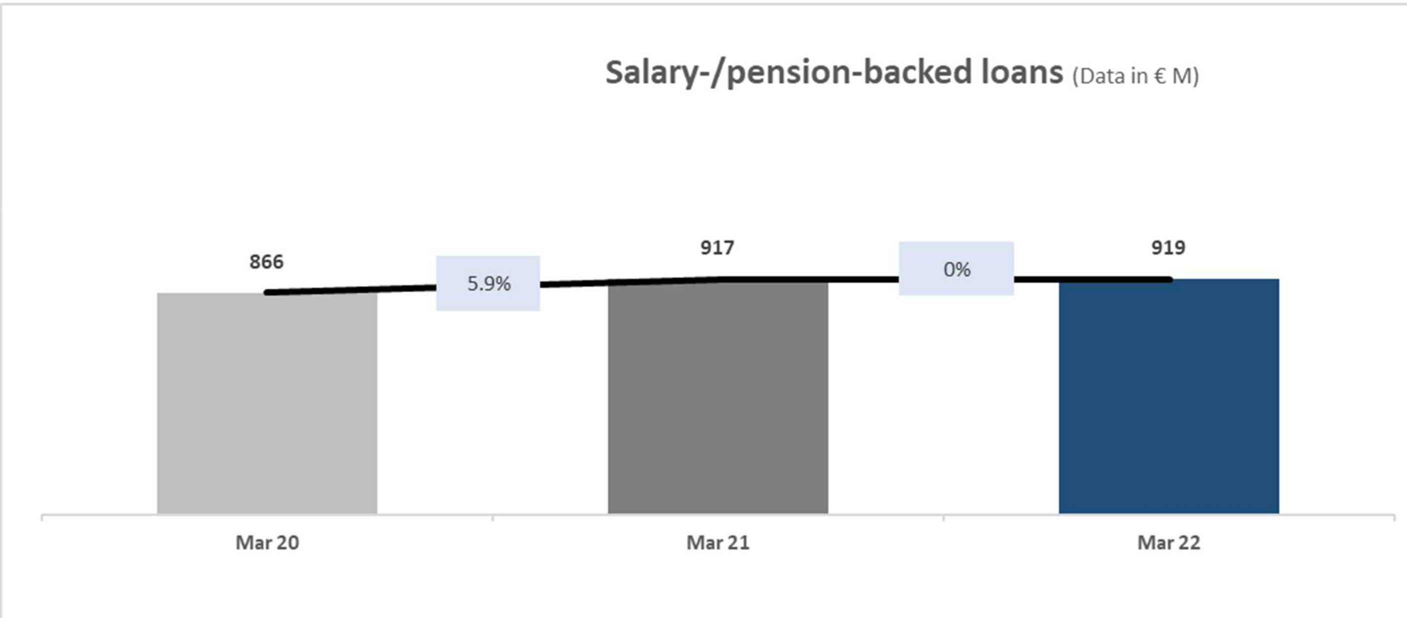
Outstanding capital amounted to € 919 million at the end of March 2022, down slightly (1.5%) compared to the year-end figure for 2021 due to the continuing reduction of the portfolio, which is also the result of the increase in early repayments through refinancing that is typical of a maturing portfolio.

	31.03.2022	31.03.2021	€ Change	% Change
No. of applications (#)	2,143	2,050	93	4.5%
of which originated	1,879	542	1,337	>100%
Volumes disbursed (millions of Euro)	47	42	5	12.5%
of which originated	42	12	30	>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:

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

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

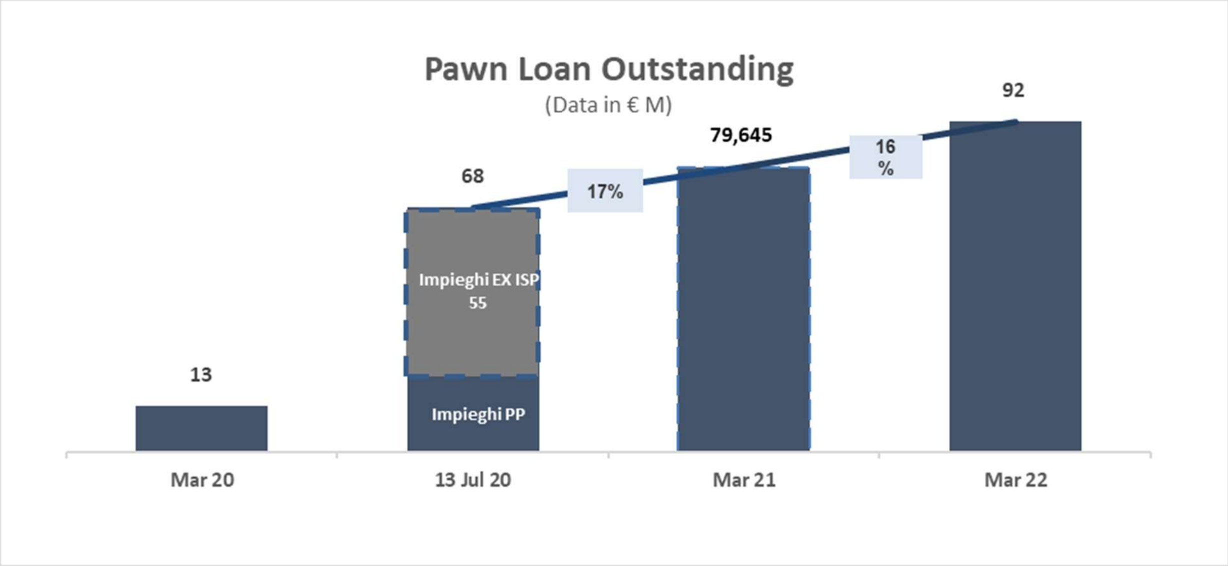
Lastly, in April, the acquisition of the Finpeg portfolio - a historic collateralised lending operator in Naples - was finalised which resulted in the acquisition of 1,400 new customers.

At present, the company has about 54,000 policies issued to over 30,000 customers, amounting to total loans of € 92.3 million. In 2022, outstanding loans grew by 16% compared to the first quarter of 2021. New loans were nearly € 89.2 million, while renewals amounted to € 21.2 million. In the first quarter of 2022, 11 auctions were conducted for a loan value of € 0.5 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 6,500 registered users, 6,000 digital bids placed at auctions and 2,500 online policy renewals (+45% mom).

As at 31 March 2022, 1,593 renewals were made online, whereas for auctions, approximately 95% of the 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 31 March 2022 is provided below.

Assets (€ .000)	31.03.2022	31.12.2021	€ Change	% Change
Cash and cash equivalents	3,832	9,765	(5,933)	-60.8%
Financial assets measured at amortised cost	92,528	90,247	2,281	2.5%
a) loans and receivables with banks	263	217	46	21.2%
b1) loans and receivables with customers - loans	92,265	90,030	2,235	2.5%
Property and equipment	3,239	2,450	789	32.2%
Intangible assets	29,182	29,146	36	0.1%
of which: goodwill	28,436	28,436	-	0.0%
Tax assets	1,437	1,388	49	3.5%
Other assets	2,003	1,275	728	57.1%
Total assets	**132,221**	**134,271**	**(2,050)**	**-1.5%**

Liabilities and equity (€,000)	31.03.2022	31.12.2021	€ Change	% Change
Financial liabilities measured at amortised cost	87,186	90,773	(3,587)	-4.0%
a) due to banks	82,833	86,513	(3,680)	-4.3%
b) due to customers	4,353	4,260	93	2.2%
Tax liabilities	1,105	808	297	36.8%
Other liabilities	4,363	3,763	600	15.9%
Post-employment benefits	930	951	(21)	-2.2%
Provisions for risks and charges	394	314	80	25.5%
Valuation reserves	(59)	(82)	23	-28.0%
Reserves	14,581	13,494	1,087	8.1%
Share capital	23,162	23,162	-	0.0%
Loss for the year	559	1,088	(529)	-48.6%
Total liabilities and equity	**132,221**	**134,271**	**(2,050)**	**-1.5%**

The assets consist mainly of loans to customers for the collateralised lending business, which increased by € 2.2 million in the first quarter 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 64.5% of the financed amount.

At 31 March 2022, liabilities, in addition to the capital and reserves, consisted primarily of the loan granted by the Parent of € 71 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 auction buyer's premium of € 4.4 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 quarter of 2022 is provided below.

Income statement (€,000)	First Quarter of 2022	First Quarter of 2021	€ Change	% Change
Net interest income	1,618	1,198	420	35.1%
Net fee and commission income	1,822	1,510	312	20.7%
Total income	**3,440**	**2,708**	**732**	**27.0%**
Net impairment losses on loans and receivables	(5)	-	(5)	n.a.
Net financial income	**3,435**	**2,708**	**727**	**26.8%**
Personnel expense	(1,438)	(1,431)	(7)	0.5%
Other administrative expenses	(1,003)	(953)	(50)	5.2%
Net impairment losses on property and equipment/intangible assets	(346)	(285)	(61)	21.4%
Other operating income	148	100	48	48.0%
Operating costs	**(2,639)**	**(2,569)**	**(70)**	**2.7%**
Pre-tax loss from continuing operations	**796**	**139**	**657**	**>100%**
Income taxes for the year	(237)	(25)	2,283	>100%
Income/Loss for the period	**559**	**114**	**4,254**	**>100%**

The company closed the first quarter of 2022 with a profit of € 0.6 million, reporting significant growth in total income, mainly due to an increase in average assets and a review of the rates applied.

Personnel expenses mostly include the cost of the company's 72 employees (72 employees in the first quarter 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 auction buyer's premiums recognised in 2022.

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 31 March 2022 was equal to a nominal € 786 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 31 March, the nominal amount of securities in the HTCS (formerly AFS) portfolio was € 601 million (compared to € 446 million as at 31 December 2021), with a duration of 34.6 months (31.4 months at 31 December 2021). At 31 March, the HTC portfolio amounted to € 185 million with a duration of 27.4 months (compared to € 185 million at 31 December 2021, which had a duration of 30.9 months).

WHOLESALE FUNDING

At 31 March 2022, wholesale funding was about 37% of the total, mainly comprising refinancing transactions with the ECB (32% at 31 December 2021).

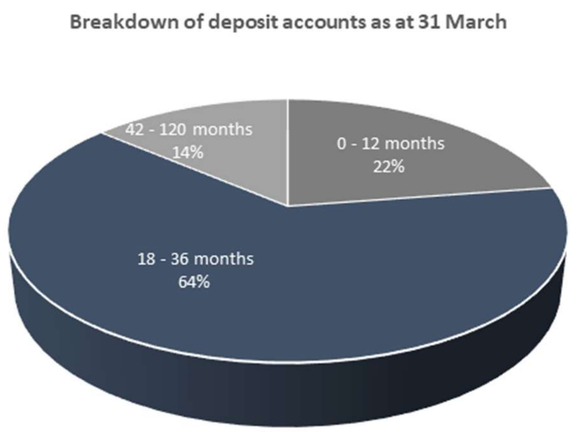
Securitisations with salary- and pension-backed loans as collateral completed with a partly-paid securities structure continue to allow Banca Sistema to efficiently refinance its CQS/CQP portfolio and to continue to grow its salary- and pension-backed loan business, whose funding structure is optimised 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 63% of the total and is composed of the account SI Conto! Corrente and the product SI Conto! Deposito.

Total term deposits as at 31 March 2022 amounted to € 1,384 million, an increase of 19% compared to 31 March 2021. The above-mentioned amount also includes total term deposits of € 587 million (obtained with the help of partner platforms) held with entities resident in Germany, Austria, and Spain (accounting for 42% of total deposit funding), a decrease of € 20 million over the same period of the previous year.

The breakdown of funding by term is shown below.



The average residual life is 10 months.

Current accounts increased from 7,938 (as at 31 March 2021) to 9,154 in March 2022, while the current account balance at 31 March 2022 increased by € 208 million compared to 2021 to € 794 million.

INCOME STATEMENT RESULTS

Income statement (€,000)	First Quarter of 2022	First Quarter of 2021	€ Change	% Change
Net interest income	20,663	19,404	1,259	6.5%
Net fee and commission income	3,693	4,024	(331)	-8.2%
Dividends and similar income	-	-	-	n.a.
Net trading income	1	5	(4)	-80.0%
Gain from sales or repurchases of financial assets/liabilitie	331	2,689	(2,358)	-87.7%
Total income	**24,688**	**26,122**	**(1,434)**	**-5.5%**
Net impairment losses on loans and receivables	(2,307)	(4,103)	1,796	-43.8%
Net financial income	**22,381**	**22,019**	**362**	**1.6%**
Personnel expense	(6,588)	(6,920)	332	-4.8%
Other administrative expenses	(8,318)	(8,621)	303	-3.5%
Net accruals to provisions for risks and charges	(539)	(1)	(538)	>100%
Net impairment losses on property and equipment/intangit	(725)	(658)	(67)	10.2%
Other operating income (expense)	515	852	(337)	-39.6%
Operating costs	**(15,655)**	**(15,348)**	**(307)**	**2.0%**
Gains (losses) on sales of investments	(36)	10	(46)	<100%
Pre-tax profit from continuing operations	**6,690**	**6,681**	**9**	**0.1%**
Income taxes for the year	(2,143)	(2,098)	(45)	2.1%
Post-tax profit for the year	**4,547**	**4,583**	**(36)**	**-0.8%**
Post-tax profit (loss) from discontinued operations	(24)	-	(24)	n.a.
Profit for the year	**4,523**	**4,583**	**(60)**	**-1.3%**
Profit (loss) attributable to non-controlling interests	(140)	(29)	(111)	>100%
Profit for the year attributable to the owners of the parent	**4,383**	**4,554**	**(171)**	**-3.8%**

The first quarter of 2022 closed with a profit for the period of € 4.4 million, which is in line with the same period of the previous year. Total income grew by 5.5% thanks to the higher contribution of the Collateralised Lending 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 quarter 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.

Moreover, compared to the first quarter of 2021, total income was affected by the overall result of treasury activities (considering the result of the securities portfolio and carry trade), which decreased by € 1.8 million.

Net interest income (€,000)	First Quarter of 2022	First Quarter of 2021	€ Change	% Change
Interest and similar income				
Loans and receivables portfolios	21,578	22,760	(1,182)	-5.2%
Factoring	13,624	15,562	(1,938)	-12.5%
CQ	4,691	5,172	(481)	-9.3%
Collateralised lending (interest income)	1,779	1,300	479	36.8%
Government-backed loans to SMEs	1,484	726	758	>100%
Securities portfolio	600	415	185	44.6%
Other	254	200	54	27.0%
Financial liabilities	1,173	866	307	35.5%
Total interest income	**23,605**	**24,241**	**(636)**	**-2.6%**
Interest and similar expense				
Due to banks	(21)	(124)	103	-83.1%
Due to customers	(2,712)	(3,493)	781	-22.4%
Securities issued	(70)	(1,079)	1,009	-93.5%
Financial assets	(139)	(141)	2	-1.4%
Total interest expense	**(2,942)**	**(4,837)**	**1,895**	**-39.2%**
Net interest income	**20,663**	**19,404**	**1,259**	**6.5%**

Net interest income increased compared to the same period in the prior year due to the reduction in the cost of funding. Interest income was driven by the increased contribution of the Collateralised Lending Division and the good performance of guaranteed SME loans to factoring customers.

The total contribution of the Factoring Division (which includes government-backed loans to SMEs) to interest income was € 13.6 million, equal to 70% of the entire loans and receivables portfolio (compared to 72% at 31 March 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 component linked to default interest from legal action at 31 March 2022 was € 4.1 million (€ 6.6 million at 31 March 2021):

- of which € 1.9 million resulting from the current recovery estimates (€ 2.3 million in 2021);
- of which € 2.2 million (€ 4.3 million in 2021) coming from the difference between the amount collected during the period, equal to € 3.4 million (€ 6.0 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 31 March 2022, relevant for the allocation model, was € 97 million (€ 99 million at the end of 2021), which becomes € 174 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 € 52 million. Therefore, the amount of default interest accrued but not recognised in the income statement is € 121 million.

The contribution of interest on the salary- and pension-backed portfolios is down slightly on the previous year at € 4.7 million.

The contribution of the Collateralised Lending Division grew significantly to € 1.8 million, compared to € 1.3 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" mainly includes income arising from the financing activity of the securities portfolio in repurchase agreements and ECB loans at negative rates, which account for € 1.2 million.

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 € 1.0 million before the tax effect.

Net fee and commission income (€,000)	First Quarter of 2022	First Quarter of 2021	€ Change	% Change
Fee and commission income				
Factoring activities	3,236	3,417	(181)	-5.3%
Fee and commission income - off-premises CQ	2,121	645	1,476	>100%
Collateralised loans (fee and commission income)	1,836	1,521	315	20.7%
Collection activities	248	260	(12)	-4.6%
Other	85	97	(12)	-12.4%
Total fee and commission income	**7,526**	**5,940**	**1,586**	**26.7%**
Fee and commission expense				
Factoring portfolio placement	(324)	(431)	107	-24.8%
Placement of other financial products	(544)	(497)	(47)	9.5%
Fees - off-premises CQ	(2,691)	(835)	(1,856)	>100%
Other	(274)	(153)	(121)	79.1%
Total fee and commission expense	**(3,833)**	**(1,916)**	**(1,917)**	**>100%**
Net fee and commission income	**3,693**	**4,024**	**(331)**	**-8.2%**

Net fee and commission income of € 3.7 million decreased by 8.2% 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 € 0.3 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 € 2.1 million, which should be considered together with the item Fees - off-premises CQ, amounting to € 2.7 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 € 0.4 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 Quarter of 2022	First Quarter of 2021	€ Change	% Change
Gains from HTCS portfolio debt instruments	15	1,943	(1,928)	-99.2%
Gains from HTC portfolio debt instruments	-	411	(411)	-100.0%
Gains from financial liabilities	-	-	-	n.a.
Gains from receivables (Factoring portfolio)	316	335	(19)	-5.7%
Gains from receivables (CQ portfolio)	-	-	-	n.a.
Total	**331**	**2,689**	**(2,358)**	**-87.7%**

The item Gain (loss) from sales or repurchases in 2022 includes net realised gains from factoring receivables of € 0.3 million, the revenue from which derives from the sale of factoring portfolios to private-sector assignors. Compared to the previous year, the current performance of the market prevented any profit being realised from the securities portfolio.

Impairment losses on loans and receivables at 31 March 2022 amounted to € 2.3 million (€ 4.1 million in the first quarter of 2021). The annualised loss rate decreased to 0.33% at 31 March 2021 from 0.37% (this figure was calculated without annualising the non-recurring adjustment made in 2021).

Personnel expense (€,000)	First Quarter of 2022	First Quarter of 2021	€ Change	% Change
Wages and salaries	(6,130)	(6,504)	374	-5.8%
Social security contributions and other costs	(75)	(55)	(20)	36.4%
Directors' and statutory auditors' remuneration	(383)	(361)	(22)	6.1%
Total	**(6,588)**	**(6,920)**	**332**	**-4.8%**

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 5.4%. The average number of employees went from 271 to 276.

As at 31 March 2022, the Group had a staff of 275, broken down by category as follows:

FTEs	31.03.2022	31.12.2021	31.03.2021
Senior managers	25	26	25
Middle managers (QD3 and QD4)	61	61	53
Other personnel	189	193	195
Total	**275**	**280**	**273**

During the first part of the year, the Bank began a major 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 quarter of the year - following the skills assessments and agreed development actions - work began on identifying professional and technical training needs in relation to the Bank's legal and regulatory issues. This is currently being carried out with both internal and external instructors and will be delivered in a manner that is compatible with the health emergency. In addition, the specific training programmes on managerial and professional topics which have already been launched are continuing.

Other administrative expenses (€,000)	First Quarter of 2022	First Quarter of 2021	€ Change	% Change
Consultancy	(835)	(1,689)	854	-50.6%
IT expenses	(1,575)	(1,638)	63	-3.8%
Servicing and collection activities	(786)	(818)	32	-3.9%
Indirect taxes and duties	(890)	(594)	(296)	49.8%
Insurance	(205)	(232)	27	-11.6%
Other	(210)	(141)	(69)	48.9%
Expenses related to management of the SPVs	(146)	(175)	29	-16.6%
Car hire and related fees	(144)	(142)	(2)	1.4%
Advertising	(125)	(173)	48	-27.7%
Rent and related fees	(123)	(228)	105	-46.1%
Expense reimbursement and entertainment	(677)	(455)	(222)	48.8%
Infoprovider expenses	(19)	(33)	14	-42.4%
Membership fees	(75)	(87)	12	-13.8%
Property management expenses	(192)	(181)	(11)	6.1%
Audit fees	(141)	(157)	16	-10.2%
Telephone and postage expenses	(90)	(73)	(17)	23.3%
Logistics expenses	(140)	(76)	(64)	84.2%
Stationery and printing	(25)	(6)	(19)	316.7%
Total operating expenses	**(6,398)**	**(6,898)**	**500**	**-7.2%**
Resolution Fund	(1,920)	(1,723)	(197)	11.4%
Merger-related costs	-	-	-	n.a.
Total	**(8,318)**	**(8,621)**	**303**	**-3.5%**

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 quarter of 2021 due to lower spending on systems upgrades.

Consulting 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 increased again in 2022 by € 0.2 million compared to the same period last year.

Net impairment losses on property and equipment (€,000)	31.03.2022	31.03.2021	Delta €	Delta %
Investment property	(190)	(202)	12	-5.9%
Furniture and equipment	(43)	(32)	(11)	34.4%
Right of use	(419)	(374)	(45)	12.0%
Software	(73)	(50)	(23)	46.0%
Total	**(725)**	**(658)**	**(67)**	**10.2%**

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

Other operating income and expenses (€,000)	31.03.2022	31.03.2021	Delta €	Delta %
Gain from pawn auctions	198	107	91	85.0%
Recoveries of tax and expenses	255	197	58	29.4%
Net impairment losses on third party assets	(75)	(7)	(68)	>100%
Others	26	71	(45)	-63.4%
Extraordinary expenses and income	111	484	(373)	-77.1%
Totale	**515**	**852**	**(337)**	**-39.6%**

Other income and expense decreased following the release of estimated accrued costs of € 0.4 million for accruals made in the previous year that were not incurred in 2021.

THE MAIN STATEMENT OF FINANCIAL POSITION AGGREGATES

Assets (€,000)	31.03.2022	31.12.2021	€ Change	% Change
Cash and cash equivalents	219,590	175,835	43,755	24.9%
Financial assets measured at fair value through other comprehensive income	586,127	451,261	134,866	29.9%
Financial assets measured at amortised cost	3,074,580	2,954,174	120,406	4.1%
a) loans and receivables with banks	29,394	33,411	(4,017)	-12.0%
b1) loans and receivables with customers - loans	2,860,655	2,736,721	123,934	4.5%
b2) loans and receivables with customers - debt instrume	184,531	184,042	489	0.3%
Equity investments	965	1,002	(37)	-3.7%
Property and equipment	41,034	40,780	254	0.6%
Intangible assets	33,156	33,125	31	0.1%
of which goodwill	*32,355*	*32,355*	-	0.0%
Tax assets	15,753	12,840	2,913	22.7%
Non-current assets held for sale and disposal groups	43	68	(25)	-36.8%
Other assets	43,694	39,806	3,888	9.8%
Total assets	**4,014,942**	**3,708,891**	**306,051**	**8.3%**

At 31 March 2022 total assets were up by 8.3 % over the end of 2021 and equal to € 4.0 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 34.6 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 € 581 million at 31 March 2022 (€ 464.5 million at 31 March 2021). The associated valuation reserve was negative at the end of the period, amounting to € 10.3 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 31 March 2022 had a negative fair value reserve of € 0.02 million, resulting in a period-end amount of € 0.4 million.

Loans and receivables with customers (€,000)	31.03.2022	31.12.2021	€ Change	% Change
Crediti Factoring	1,632,196	1,541,687	90,509	5.9%
Salary-/pension-backed loans (CQS/CQP)	918,755	931,767	(13,012)	-1.4%
Collateralised loans	92,265	90,030	2,235	2.5%
Loans to SMEs	178,574	160,075	18,499	11.6%
Current accounts	367	396	(29)	-7.3%
Compensation and Guarantee Fund	34,422	9,147	25,275	>100%
Other loans and receivables	4,076	3,619	457	12.6%
Total loans	**2,860,655**	**2,736,721**	**123,934**	**4.5%**
Securities	184,531	184,042	489	0.3%
Total loans and receivables with customers	**3,045,186**	**2,920,763**	**124,423**	**4.3%**

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 € 983 million (€ 783 million at 31 March 2021).

Salary- and pension-backed loans are in line with the end of the previous year, mainly as a result of the sale of portfolios originated by the Bank. Compared to the previous year, volumes disbursed decreased slightly because of fewer portfolios purchased, whereas volumes of directly originated loans increased from € 12 million in 2021 to € 42 million.

Government-backed loans to SMEs increased following new disbursements made under SACE and SME Fund guarantees and amounted to € 178.6 million.

The collateralised loan business, carried out through the subsidiary ProntoPegno, grew significantly reporting loans of € 92 million at 31 March 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 27.4 months for an amount of € 185 million. The mark-to-market valuation of the securities at 31 March 2022 shows a pre-tax unrealised loss of € 1.4 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
Bad exposures	50,710	169,372	168,253	169,099	169,060
Unlikely to pay	148,874	34,387	34,324	37,374	48,816
Past due	112,423	92,462	91,926	108,598	101,603
Non-performing	**312,007**	**296,221**	**294,503**	**315,071**	**319,479**
Performing	**2,300,186**	**2,382,395**	**2,407,569**	**2,487,995**	**2,609,812**
Stage 2	116,732	116,414	124,296	102,862	99,009
Stage 1	2,183,454	2,265,981	2,283,273	2,385,133	2,510,803
Total loans and receivables with customers	**2,612,193**	**2,678,616**	**2,702,072**	**2,803,066**	**2,929,291**
Individual impairment losses	**50,384**	**56,623**	**57,342**	**59,519**	**61,959**
Bad exposures	26,660	46,160	46,435	47,554	48,922
Unlikely to pay	22,961	10,025	10,450	11,374	12,384
Past due	763	438	457	591	653
Collective impairment losses	**6,941**	**6,989**	**7,129**	**6,825**	**6,677**
Stage 2	749	660	697	560	535
Stage 1	6,192	6,329	6,432	6,265	6,142
Total impairment losses	**57,325**	**63,612**	**64,471**	**66,344**	**68,636**
Net exposure	**2,554,868**	**2,615,004**	**2,637,601**	**2,736,722**	**2,860,655**

The ratio of gross non-performing loans to the total portfolio decreased to 10.9% 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 19.4%, 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 quarter of 2022, EBNSISTEMA originated € 121 million in loans and receivables, an increase of 14 million on the first quarter 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 € 22.7 million at 31 March 2022.

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

Liabilities and equity (€,000)	31.03.2022	31.12.2021	€ Change	% Change
Financial liabilities measured at amortised cost	3,578,016	3,257,401	320,615	9.8%
a) due to banks	601,329	592,157	9,172	1.5%
b) due to customers	2,802,091	2,472,054	330,037	13.4%
c) securities issued	174,596	193,190	(18,594)	-9.6%
Tax liabilities	15,469	14,981	488	3.3%
Tax liabilities	17	18	(1)	-5.6%
Other liabilities	122,949	137,995	(15,046)	-10.9%
Post-employment benefits	4,173	4,310	(137)	-3.2%
Provisions for risks and charges	29,912	28,654	1,258	4.4%
Valuation reserves	(7,332)	(3,067)	(4,265)	>100%
Reserves	203,874	180,628	23,246	12.9%
Equity instruments	45,500	45,500	-	0.0%
Equity attributable to non-controlling interests	9,708	9,569	139	1.5%
Share capital	9,651	9,651	-	0.0%
Treasury shares (-)	(1,378)	-	(1,378)	n.a.
Profit for the period/year	4,383	23,251	(18,868)	-81.1%
Total liabilities and equity	**4,014,942**	**3,708,891**	**306,051**	**8.3%**

Wholesale funding, which represents about 37% of the total (32% at 31 December 2021), decreased in absolute terms from the end of 2021 mainly following the decrease in interbank funding and ECB loans. The contribution of bond funding to total wholesale funding was 15% (23% at the end of 2021).

Due to banks (€,000)	31.03.2022	31.12.2021	€ Change	% Change
Due to Central banks	539,419	540,095	(676)	-0.1%
Due to banks	61,910	52,062	9,848	18.9%
Current accounts and demand deposits	50,910	41,063	9,847	24.0%
Term deposits with banks	-	-	-	n.a.
Financing from banks	11,000	10,999	1	0.0%
Other amounts due to banks	-	-	-	n.a.
Total	**601,329**	**592,157**	**9,172**	**1.5%**

The item "Due to banks" increased by 1.5% compared to 31 December 2021 as a result of the decrease 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)	31.03.2022	31.12.2021	€ Change	% Change
Term deposits	1,384,496	1,387,416	(2,920)	-0.2%
Financing (repurchase agreements)	563,964	249,256	314,708	>100%
Current accounts	794,249	775,096	19,153	2.5%
Due to assignors	55,013	56,012	(999)	-1.8%
Other payables	4,369	4,274	95	2.2%
Total	**2,802,091**	**2,472,054**	**330,037**	**13.4%**

The item "Due to customers" increased compared to the end of the previous year, mainly due to an increase in funding from repurchase agreements. The period-end amount of term deposits was unchanged from the end of 2021 (-0.2%), reflecting net negative deposits (net of interest accrued) of € 3 million mainly due to lower funding from the international channel; gross deposits from the beginning of the year were € 175 million, against withdrawals totalling € 176 million.

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

Securities issued (€,000)	31.03.2022	31.12.2021	€ Change	% Change
Bond - AT1	45,500	45,500	-	0.0%
Bond - Tier II	-	-	-	n.a.
Bonds - other	174,596	193,190	(18,594)	-9.6%

The value of bonds issued decreased compared to 31 December 2021 due to the decrease in the senior shares of the ABS financed by third-party investors.

Bonds issued at 31 March 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 € 30 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 € 7.2 million (this item includes the estimated variable component for the quarter as well as the estimated release of € 0.7 million). The provision also includes an estimate of charges related to possible liabilities to assignors that have yet to be settled of € 6.7 million and other estimated charges for ongoing lawsuits and legal disputes amounting to € 2.8 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 € 7.5 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	EQUITY
Profit/equity of the parent	**4,185**	**255,582**
Assumption of value of investments	-	(44,243)
Consolidated loss/equity	374	53,067
Adjustment to impairment losses on intra-group loans and	(36)	-
Equity attributable to the owners of the parent	**4,523**	**264,406**
Equity attributable to non-controlling interests	(140)	(9,708)
Group equity	**4,383**	**254,698**

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	31.03.2022	31.12.2021
Common Equity Tier 1 (CET1)	**172,649**	**176,080**
TIER1	45,500	45,500
Tier 1 capital (AT1)	**218,149**	**221,580**
TIER2	117	113
Total Own Funds (TC)	**218,266**	**221,693**
Total risk-weighted assets	**1,450,826**	**1,517,540**
of which, credit risk	1,267,434	1,334,148
of which, operational risk	183,392	183,392
Ratio - CET1	**11.9%**	**11.6%**
Ratio - AT1	**15.0%**	**14.6%**
Ratio - TCR	**15.0%**	**14.6%**

Total own funds were € 218 million at 31 March 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 € 6.9 million (negative € 2.4 million at 31 December 2021), treasury shares held at the end of the quarter of € 1.4 million and interest expense on AT1.

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.

On 23 February 2022, the Group's new consolidated capital requirements which come into effect on 30 June 2022 were announced:

- 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:

	31.03.2022	31.12.2021	€ Change	% Change
Share capital	9,651	9,651	-	0.0%
Equity instruments	45,500	45,500	-	0.0%
Reserves amd share premium	203,874	180,628	23,246	12.9%
Treasury shares (-)	(1,378)	-	(1,378)	n.a.
Valuation reserves	(7,332)	(3,067)	(4,265)	>100%
Profit	4,383	23,251	(18,868)	-81.1%
Equity attributable to the owners of the parent	**254,698**	**255,963**	**(1,265)**	**-0.5%**
Dividends distributed and other foreseeable expenses	(6,836)	(5,786)	(1,050)	18.1%
Equity assuming dividends are distributed to shareholders	**247,862**	**250,177**	**(2,315)**	**-0.9%**
Regulatory adjustments	(37,601)	(36,614)	(987)	2.7%
Eligible equity attributable to non-controlling interests	**210,261**	**213,563**	**(3,302)**	**-1.5%**
Equity instruments not eligible for inclusion in CET1	(45,500)	(45,500)	-	0.0%
Common Equity Tier 1 (CET1)	**172,649**	**176,080**	**(3,431)**	**-1.9%**

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 4 April 2022, the subsidiary ProntoPegno (Banca Sistema Group), finalised the acquisition of the Finpeg portfolio, a historic collateralised lending operator in Naples, thereby acquiring 1,400 new customers.

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", which is not yet operational pending the finalisation of the necessary Greek administrative procedure. The new company will carry out collateralised lending activities in Greece.

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 is expected to be approximately € 110 million, based on approximately 8,500 contracts.

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.

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 the remaining amount of € 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 29 April, in accordance with the remuneration and incentive policies for key personnel, 391,107 shares were assigned. As a result, Banca Sistema now holds a total of 301,893 treasury shares corresponding to 0.375% of the share capital valued at € 600,306.

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

BUSINESS OUTLOOK AND MAIN RISKS AND UNCERTAINTIES

The acceleration of payments by public administrations is 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, 11 May 2022

On behalf of the Board of Directors

The Chairperson

Luitgard Spögler

The CEO

Gianluca Garbi

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of Euro)

	Assets	31.03.2022	31.12.2021
10.	Cash and cash equivalents	219,590	175,835
30.	Financial assets measured at fair value through other comprehensive income	586,127	451,261
40.	Financial assets measured at amortised cost	3,074,580	2,954,174
	a) loans and receivables with banks	29,394	33,411
	b) loans and receivables with customers	3,045,186	2,920,763
70.	Equity investments	965	1,002
90.	Property and equipment	41,034	40,780
100.	Intangible assets	33,156	33,125
	of which:		
	Goodwill	32,355	32,355
110.	*Tax assets*	*15,753*	*12,840*
	a) current	1,380	812
	b) deferred	14,373	12,028
120.	Non-current assets held for sale and disposal groups	43	68
130.	Other assets	43,694	39,806
	Total Assets	**4,014,942**	**3,708,891**

	Liabilities and equity	31.03.2022	31.12.2021
10.	Financial liabilities measured at amortised cost	3,578,016	3,257,401
	a) due to banks	601,329	592,157
	b) due to customers	2,802,091	2,472,054
	c) securities issued	174,596	193,190
60.	Tax liabilities	15,469	14,981
	a) current	203	37
	b) deferred	15,266	14,944
70.	Liabilities associated with disposal groups	17	18
80.	Other liabilities	122,949	137,995
90.	Post-employment benefits	4,173	4,310
100.	Provisions for risks and charges:	29,912	28,654
	a) commitments and guarantees issued	41	39
	c) other provisions for risks and charges	29,871	28,615
120.	Valuation reserves	(7,332)	(3,067)
140.	Equity instruments	45,500	45,500
150.	Reserves	164,774	141,528
160.	Share premium	39,100	39,100
170.	Share capital	9,651	9,651
180.	Treasury shares (-)	(1,378)	-
190.	Equity attributable to non-controlling interests (+/-)	9,708	9,569
200.	Profit for the period/year	4,383	23,251
	Total liabilities and equity	**4,014,942**	**3,708,891**

INCOME STATEMENT

(Amounts in thousands of Euro)

		First Quarter of 2022	First Quarter of 2021
10.	Interest and similar income	23,605	24,241
	of which: interest income calculated with the effective interest method	21,329	22,809
20.	Interest and similar expense	(2,942)	(4,837)
30.	**Net interest income**	**20,663**	**19,404**
40.	Fee and commission income	7,526	5,940
50.	Fee and commission expense	(3,833)	(1,916)
60.	**Net fee and commission income**	**3,693**	**4,024**
70.	Dividends and similar income	-	-
80.	Net trading income	1	5
100.	Gain from sales or repurchases of:	331	2,689
	a) financial assets measured at amortised cost	316	746
iva	b) financial assets measured at fair value through other comprehensive incor	15	1,943
	c) financial liabilities	-	-
120.	**Total income**	**24,688**	**26,122**
130.	Net impairment losses on:	(2,307)	(4,103)
	a) financial assets measured at amortised cost	(2,251)	(4,082)
iva	b) financial assets measured at fair value through other comprehensive incor	(56)	(21)
140.	Gains/losses from contract amendments without derecognition	-	-
150.	**Net financial income**	**22,381**	**22,019**
190.	Administrative expenses	(14,906)	(15,541)
	a) personnel expense	(6,588)	(6,920)
	b) other administrative expenses	(8,318)	(8,621)
200.	Net accruals to provisions for risks and charges	(539)	(1)
	a) commitments and guarantees issued	(1)	(1)
	b) other net accruals	(538)	-
210.	Net impairment losses on property and equipment	(652)	(608)
220.	Net impairment losses on intangible assets	(73)	(50)
230.	Other operating income (expense)	515	852
240.	**Operating costs**	**(15,655)**	**(15,348)**
250.	Gains (losses) on sales of investments	(36)	10
280.	Pre-tax profit from continuing operations	-	-
290.	**Income taxes**	**6,690**	**6,681**
300.	Post-tax profit from continuing operations	(2,143)	(2,098)
310.	**Post-tax profit (loss) from discontinued operations**	**4,547**	**4,583**
320.	Post-tax profit (loss) from discontinued operations	(24)	-
330.	**Profit for the period**	**4,523**	**4,583**
340	Loss for the year attributable to non-controlling interests	(140)	(29)
350.	**Profit for the period attributable to the owners of the parent**	**4,383**	**4,554**

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in thousands of Euro)

		First Quarter of 2022	First Quarter of 2021
10.	**Profit for the year**	**4,383**	**4,554**
	Items, net of tax, that will not be reclassified subsequently to profit or loss	-	-
70.	Defined benefit plans	171	102
	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	(4,436)	(1,433)
170.	**Total other comprehensive income, net of income tax**	**(4,265)**	**(1,331)**
180.	**Comprehensive income (Items 10+170)**	**118**	**3,223**
190.	**Comprehensive income attributable to non-controlling interests**	**-**	**-**
200.	**Comprehensive income attributable to the owners of the parent**	**118**	**3,223**

STATEMENT OF CHANGES IN EQUITY AT 31/03/2022

Amounts in thousands of Euro

	Balance at 31.12.2021	Change in opening balances	Balance at 01.01.2022	Allocation of prior year profit: Reserves	Allocation of prior year profit: Dividends and other allocations	Changes during the year: Changes in reserves	Transactions on equity: Issue of new shares	Transactions on equity: Repurchase of treasury shares	Transactions on equity: Extraordinary dividend distribution	Transactions on equity: Change in equity instruments	Transactions on equity: Derivatives on treasury shares	Transactions on equity: Stock options	Transactions on equity: Changes in equity investments	Comprehensive income for the First Quarter of 2022	Equity at 31.03.2022	Equity attributable to non-controlling interests at 31.03.2022
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**	23.251	-	(5)	-	-	-	-	-	-	-	-	**164.774**	-
a) income-related	138.857	-	138.857	23.251	-	(3)	-	-	-	-	-	-	-	-	162.105	-
b) other	2.671	-	2.671	-	-	(2)	-	-	-	-	-	-	-	-	2.669	-
Valuation reserves	**(3.067)**	-	**(3.067)**	-	-	-	-	-	-	-	-	-	-	(4.265)	**(7.332)**	-
Equity instruments	**45.500**	-	**45.500**	-	-	-	-	-	-	-	-	-	-	-	**45.500**	-
Treasury shares	-	-	-	-	-	-	-	(1.378)	-	-	-	-	-	-	**(1.378)**	-
Profit for the year	**23.251**	-	**23.251**	(23.251)	-	-	-	-	-	-	-	-	-	4.383	**4.383**	-
Equity attributable to the owners of the parent	**255.963**	-	**255.963**	-	-	**(5)**	-	**(1.378)**	-	-	-	-	-	**118**	**254.698**	-
Equity attributable to non-controlling interests	**9.569**	-	**9.569**	-	-	-	-	-	-	-	-	-	**139**	-	-	**9.708**

STATEMENT OF CHANGES IN EQUITY AT 31/03/2021

Amounts in thousands of Euro

	Balance at 31.12.2020	Change in opening balances	Balance at 01.01.2021	Allocation of prior year profit: Reserves	Allocation of prior year profit: Dividends and other allocations	Changes during the year: Changes in reserves	Transactions on equity: Issue of new shares	Transactions on equity: Repurchase of treasury shares	Transactions on equity: Extraordinary dividend distribution	Transactions on equity: Change in equity instruments	Transactions on equity: Derivatives on treasury shares	Transactions on equity: Stock options	Transactions on equity: Changes in equity investments	Comprehensive income for the First Quarter of 2021	Equity at 31.03.2021	Equity attributable to non-controlling interests at 31.12.2021
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**	26.153	-	(347)	-	-	-	-	-	-	-	-	**148.038**	
a) income-related	**120.797**	**-**	**120.797**	26.153	-	(94)	-	-	-	-	-	-	-	-	**146.856**	
b) other	**1.435**	**-**	**1.435**	-	-	(253)	-	-	-	-	-	-	-	-	**1.182**	
Valuation reserves	**1.287**	**-**	**1.287**	**-**	-	-	-	-	-	-	-	-	-	(1.331)	**(44)**	
Equity instruments	**8.000**	**-**	**8.000**	-	-	-	-	-	-	-	-	-	-	-	**8.000**	
Treasury shares	**(234)**	**-**	**(234)**	-	-	192	-	-	-	-	-	-	-	-	**(42)**	
Profit for the year	**26.153**	**-**	**26.153**	(26.153)	-	-	-	-	-	-	-	-	-	4.554	**4.554**	
Equity attributable to the owners of the parent	**206.189**	**-**	**206.189**	**-**	**-**	**(155)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3.223**	**209.257**	
Equity attributable to non-controlling interests	**9.297**	**-**	**9.297**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28**	**-**	**-**	**9.325**

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

Amounts in thousands of Euro

	First Quarter of 2022	First Quarter of 2021
A. OPERATING ACTIVITIES		
1. Operations	**11,317**	**16,636**
Profit for the year (+/-)	4,383	4,554
Gains/losses on financial assets held for trading and other financial assets/liabilities measured at fair value through profit or loss (-/+)		
Gains/losses on hedging activities (-/+)		
Net impairment losses due to credit risk (+/-)	2,251	4,082
Net impairment losses on property and equipment and intangible assets (+/-)	725	658
Net accruals to provisions for risks and charges and other costs/income (+/-)	539	1
Taxes, duties and tax assets not yet paid (+/-)	(10,271)	(9,946)
Other adjustments (+/-)	13,690	17,287
2. Cash flows generated by (used for) financial assets	**(242,550)**	**242,178**
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	(133,468)	(40,483)
Financial assets measured at amortised cost	(117,408)	269,352
Other assets	8,326	13,309
3. Cash flows generated by (used for) financial liabilities	**277,039**	**(254,452)**
Financial liabilities measured at amortised cost	307,064	(254,494)
Financial liabilities held for trading		
Financial liabilities designated at fair value through profit or loss		
Other liabilities	(30,025)	42
Net cash flows generated by operating activities	**45,806**	**4,362**
B. INVESTING ACTIVITIES	-	-
1. Cash flows generated by	**37**	**-**
Sales of equity investments	37	
Dividends from equity investments		
Sales of property and equipment		
Sales of intangible assets		
Sales of business units		
2. Cash flows used in	**(710)**	**(9,676)**
Purchases of equity investments		
Purchases of property and equipment	(150)	(9,530)
Purchases of intangible assets	(560)	(146)
Purchases of business units		
Net cash flows used in investing activities	**(673)**	**(9,676)**
C. FINANCING ACTIVITIES	**-**	**-**
Issues/repurchases of treasury shares	(1,378)	
Issues/repurchases of equity instruments		
Dividend and other distributions		
Net cash flows generated by (used in) financing activities	**(1,378)**	**-**
NET CASH FLOWS FOR THE YEAR	**43,755**	**(5,314)**

RECONCILIATION		
Cash and cash equivalents at the beginning of the year	**175,835**	**68,858**
Total net cash flows for the year	43,755	-5,314
Cash and cash equivalents: effect of change in exchange rates	*0*	*0*
Cash and cash equivalents at the end of the year	**219,590**	**63,544**

ACCOUNTING POLICIES

GENERAL BASIS OF PREPARATION

This interim consolidated financial report at 31 March 2022 was drawn up in accordance with art. 154-ter of Legislative Decree no. 58 of 24 February 1998 and Legislative Decree no. 38 of 28 February 2005, pursuant to the IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission, as established by Regulation (EC) no. 1606 of 19 July 2002, from which there were no derogations.

The interim consolidated financial report at 31 March 2022 comprises the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and the notes to the interim consolidated financial report and is accompanied by a Directors' Report on the performance, the financial results achieved and the financial position of the Banca Sistema Group.

Pursuant to the provisions of art. 5 of Legislative Decree no. 38/2005, the financial statements use the Euro as the currency for accounting purposes. The amounts in the financial statements and the notes thereto are expressed (unless expressly specified) in thousands of Euro.

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

This interim consolidated financial report includes Banca Sistema S.p.A. and the companies directly or indirectly controlled by or connected with it. No changes to the scope of consolidation have been made compared to 31 December 2021.

This interim consolidated financial report at 31 March 2022 is accompanied by a statement by the Manager in charge of financial reporting, pursuant to art. 154-bis of the Consolidated Law on Finance. The consolidated financial statements have been subject to review by BDO Italia S.p.A.

Events after the reporting date

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

Information on the main items of the consolidated financial statements

The interim consolidated financial report was prepared by applying IFRS and valuation criteria on a going concern basis, and in accordance with the principles of accruals and materiality of information, as well as the general principle of the precedence of economic substance over legal form.

Within the scope of drawing up the financial statements in accordance with the IFRS, bank management must make assessments, estimates and assumptions that influence the amounts of the assets, liabilities, costs and income recognised during the period.

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

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

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

The accounting policies adopted for the drafting of this interim consolidated financial report, with reference to the classification, recognition, valuation and derecognition criteria for the various assets and liabilities, like the guidelines for recognising costs and revenue, have remained unchanged compared with those adopted in the separate and consolidated financial statements at 31 December 2021, to which reference is made.

In applying IAS 8 (paras. 41-49), in order to provide a true and fair view of the financial statements, over the course of 2021, it was necessary to reclassify the AT1 instruments previously classified under item 10 "Financial liabilities measured at amortised cost, c) securities issued", to item 140 "Equity instruments", resulting in the reclassification of the income component previously recognised in the income statement from "Profit for the period" to "Reserves". The impact on the items of the comparative income statement for the period ended 31 March 2021 is shown below:

In thousands of Euro	31/03/2021 before restatement	Reclassification	31/03/2021 after restatement
Income statement			
20. Interest and similar expense	(4,974)	137	(4,837)
300. Income taxes	(2,053)	(45)	(2,098)
350. Profit for the period attributable to the owners of the parent	4,462	92	4,554

Other aspects

The interim consolidated financial report was approved on 11 May 2022 by the Board of Directors, which authorised its disclosure to the public in accordance with IAS 10.

STATEMENT OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING

The undersigned, Alexander Muz, in his capacity as Manager in charge of financial reporting of Banca Sistema S.p.A., hereby states, having taken into account the provisions of art. 154-bis, paragraph 2, of Legislative Decree no. 58 of 24 February 1998, that the accounting information in this interim consolidated financial report at 31 March 2022 is consistent with the company documents, books and accounting records.

Milan, 11 May 2022

Alexander Muz

Manager in charge of financial reporting