



INTERIM CONSOLIDATED  
FINANCIAL REPORT

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**AT 30 SEPTEMBER 2022**

**BANCA**  
S I S T E M A

**INTERIM CONSOLIDATED  
FINANCIAL REPORT AT  
30 SEPTEMBER 2022**

**BANCA SISTEMA GROUP**

# CONTENTS

<b>CONTENTS .....</b>	<b>2</b>
<b>DIRECTORS' REPORT .....</b>	<b>3</b>
COMPOSITION OF THE PARENT'S MANAGEMENT BODIES .....	4
COMPOSITION OF THE INTERNAL COMMITTEES .....	5
FINANCIAL HIGHLIGHTS AT 30 SEPTEMBER 2022 .....	6
SIGNIFICANT EVENTS FROM 1 JANUARY TO 30 SEPTEMBER 2022 .....	8
FACTORING .....	10
SALARY- AND PENSION-BACKED LOANS AND QUINTOPUOI.....	12
COLLATERALISED LENDING AND KRUSO KAPITAL.....	14
FUNDING AND TREASURY ACTIVITIES.....	18
RETAIL FUNDING.....	19
COMPOSITION AND STRUCTURE OF THE GROUP .....	20
INCOME STATEMENT RESULTS .....	21
THE MAIN STATEMENT OF FINANCIAL POSITION AGGREGATES .....	28
CAPITAL ADEQUACY.....	35
OTHER INFORMATION .....	37
BUSINESS OUTLOOK AND MAIN RISKS AND UNCERTAINTIES.....	38
<b>CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS .....</b>	<b>39</b>
STATEMENT OF FINANCIAL POSITION .....	40
INCOME STATEMENT .....	42
STATEMENT OF COMPREHENSIVE INCOME.....	43
STATEMENT OF CHANGES IN EQUITY AT 30/09/2022 .....	44
STATEMENT OF CHANGES IN EQUITY AT 30/09/2021 .....	45
STATEMENT OF CASH FLOWS (INDIRECT METHOD) .....	46
<b>ACCOUNTING POLICIES .....</b>	<b>47</b>
GENERAL BASIS OF PREPARATION .....	48
<b>STATEMENT OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING .....</b>	<b>51</b>
<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>92</b>

## **DIRECTORS' REPORT**

## COMPOSITION OF THE PARENT'S MANAGEMENT BODIES

### BOARD OF DIRECTORS

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

### BOARD OF STATUTORY AUDITORS

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<b>Chairperson</b>	Mr. Massimo Conigliaro
<b>Standing Auditors</b>	Ms. Lucia Abati
	Mr. Marziano Viozzi
<b>Alternate Auditors</b>	Mr. Marco Armarolli
	Ms. Daniela D'Ignazio

### INDEPENDENT AUDITORS

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**BDO Italia S.p.A.**

### MANAGER IN CHARGE OF FINANCIAL REPORTING

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**Mr. Alexander Muz**

## COMPOSITION OF THE INTERNAL COMMITTEES

### INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE

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<b>Chairperson</b>	Mr. Daniele Bonvicini
<b>Members</b>	Ms. Maria Leddi Ms. Francesca Granata Mr. Daniele Pittatore

### APPOINTMENTS COMMITTEE

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<b>Chairperson</b>	Ms. Carlotta De Franceschi
<b>Members</b>	Ms. Francesca Granata Ms. Luitgard Spögler

### REMUNERATION COMMITTEE

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<b>Chairperson</b>	Ms. Francesca Granata
<b>Members</b>	Mr. Giovanni Puglisi Mr. Daniele Pittatore

### ETHICS COMMITTEE

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<b>Chairperson</b>	Mr. Giovanni Puglisi
<b>Members</b>	Ms. Maria Leddi Ms. Carlotta De Franceschi

### SUPERVISORY BODY

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<b>Chairperson</b>	Mr. Massimo Conigliaro
<b>Members</b>	Mr. Daniele Pittatore Mr. Franco Pozzi

## FINANCIAL HIGHLIGHTS AT 30 SEPTEMBER 2022

The Banca Sistema Group comprises the Parent, Banca Sistema S.p.A., with registered office in Milan, the subsidiaries Kruso Kapital S.p.A. (formerly named ProntoPegno S.p.A. up to 20 October 2022), 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 Kruso Kapital 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, Portuguese and Greek markets, as described below, in addition to funding in Germany and Austria.

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 Kruso Kapital S.p.A., the Parent, Banca Sistema S.p.A., indirectly carries out collateralised lending activities in Italy through a network of branches, and in Greece through the ProntoPegno Greece subsidiary. It also provides factoring services in Spain and Portugal 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.



Statement of financial position data (€,'000)			
<b>Total Assets</b>	30-Sep-22	4,149,808	11.9%
	31-Dec-21	3,708,891	
<b>Securities Portfolio</b>	30-Sep-22	849,646	33.7%
	31-Dec-21	635,303	
<b>Loans - Factoring</b>	30-Sep-22	1,678,331	8.9%
	31-Dec-21	1,541,687	
<b>CQ Loans</b>	30-Sep-22	957,961	2.8%
	31-Dec-21	931,767	
<b>Funding - Banks and REPOs</b>	30-Sep-22	1,346,122	60.0%
	31-Dec-21	841,413	
<b>Funding - Term Deposits</b>	30-Sep-22	1,476,860	6.4%
	31-Dec-21	1,387,416	
<b>Funding - Current Accounts</b>	30-Sep-22	519,595	-33.0%
	31-Dec-21	775,096	

Income statement data (€,'000)			
<b>Net Interest income</b>	30-Sep-22	65,438	14.7%
	31-Dec-21	57,039	
<b>Net fee and commission income</b>	30-Sep-22	12,273	2.9%
	31-Dec-21	11,925	
<b>Total Income</b>	30-Sep-22	80,929	8.2%
	31-Dec-21	74,781	
<b>Personnel Expense</b>	30-Sep-22	(21,439)	0.7%
	31-Dec-21	(21,292)	
<b>Other administrative expenses</b>	30-Sep-22	(22,834)	0.7%
	31-Dec-21	(22,678)	
<b>Profit for the period attributable to the owners of the Parent</b>	30-Sep-22	17,835	20.7%
	31-Dec-21	14,780	



## SIGNIFICANT EVENTS FROM 1 JANUARY TO 30 SEPTEMBER 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 September 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. 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 Kruso Kapital S.p.A. (formerly ProntoPegno S.p.A. until 20 October 2022) 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 Banking Group and engages in collateralised lending in Greece, commenced operations in October 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. On the date of his resignation, Marco Giovannini held directorships in other non-Group companies, including a banking foundation. 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 co-opt Mr. Pier Angelo Taverna to the position of Director. Pursuant to the

aforementioned Supervisory Provisions, the effectiveness of the co-optation of Mr. Pier Angelo Taverna was contingent, for a maximum period of 90 days from its receipt by the Bank of Italy, on the outcome of the assessments carried out by the same Supervisory Authority. The co-optation of Pier Angelo Taverna became effective on 5 August 2022 following the positive outcome of the assessments carried out by the Bank of Italy pursuant to the “Supervisory provisions on the eligibility assessment procedure for officers of banks, financial intermediaries, electronic money institutions, payment institutions and depositor guarantee systems”.

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.

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.

On 2 September 2022, the Bank securitised a new € 400 million portfolio of salary- and pension-backed loans through Quinto Sistema Sec. 2017. With the sale of the new portfolio, the securitisation increased to € 534 million (€ 480 million in terms of outstanding debt) with Senior class securities increased from € 35 million to € 423 million (with DBRS Morningstar and Moody's ratings of AA low/ Aa3 respectively) and Mezzanine class securities (rating of A/ Baa1) of € 50 million. Senior securities are eligible for use as collateral for Eurosystem refinancing operations and also for bilateral transactions together with Mezzanine securities, thus providing the Bank with important leverage for funding. Both classes of securities are listed on the Luxemburg Stock Exchange.

## FACTORING

### BANCA SISTEMA AND FACTORING ACTIVITIES

Banca Sistema was one of the pioneers in the factoring of receivables from the Public Administration, 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. At the end of the third quarter of 2022, EBNSISTEMA's factoring turnover in the market reached € 180 million (€ 74 million at the end of the same period in 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 € 50 million at 30 September 2022 (€ 69 million at 30 September 2021), exclusively for its factoring customers.

Among the products offered by the Factoring Division starting in 2021, the Bank originated a limited amount of €47 million in "Eco-Sisma bonus 110%" tax credits in the first nine months 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:

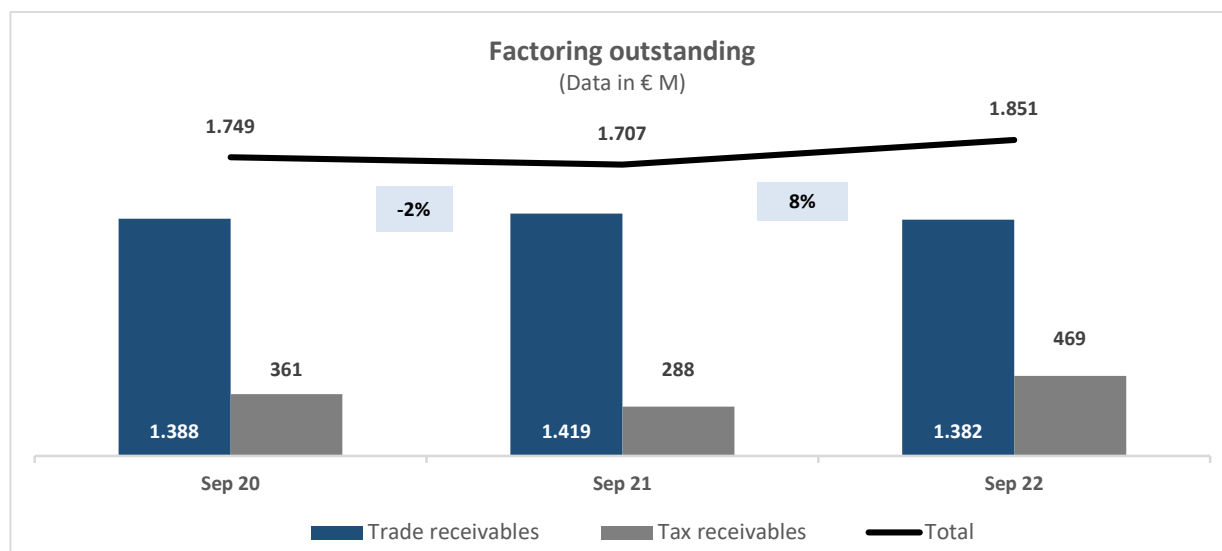
Product (millions of Euro)	30.09.2022	31.12.2021	€ Change	% Change
Trade receivables	2,525	2,301	224	9.7%
<i>of which, without recourse</i>	1,965	1,700	265	15.6%
<i>of which, with recourse</i>	560	601	(41)	-6.8%
Tax receivables	627	195	433	>100%
<i>of which, without recourse</i>	627	195	433	>100%
<i>of which, with recourse</i>	-	-	-	<i>n.a.</i>
<b>Total</b>	<b>3,152</b>	<b>2,495</b>	<b>657</b>	<b>26.3%</b>

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.

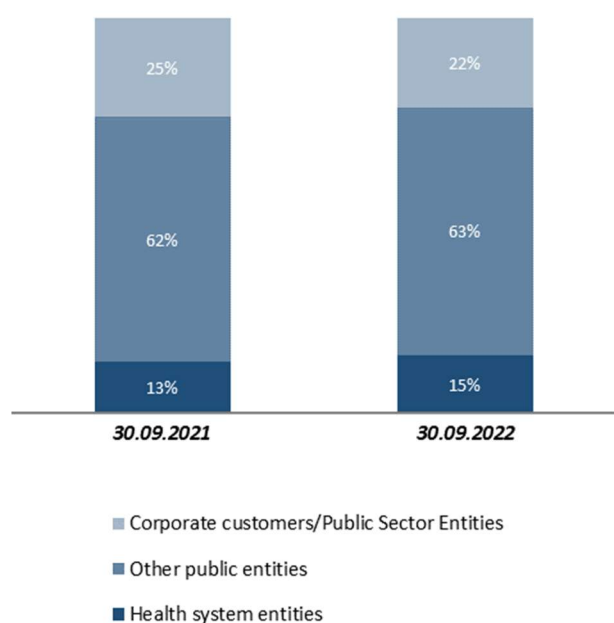
The Bank continues to demonstrate its resilience in the face of successive crises, confirming its ability to provide support to Public Administration suppliers.

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 € 1,851 million at 30 September 2022 (management figure), up 8% from € 1,707 million at 30 September 2021.



The chart below shows the ratio of debtors to the total exposure in the loans and receivables portfolio at 30 September 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 € 362 million (an increase compared to the € 330 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 7.5% in August 2022 compared to the same period last year. Growth compared to the period before the pandemic stands at just over 1% on a cumulative basis. The growth of the salary- and pension-backed loans (CQ) segment seems to have slowed down in August, particularly in the public/state segment.

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

The slowdown could be related to increased tension in the interest rate market, with the rate hikes implemented and additional ones planned by the ECB which have directly impacted a sector strongly supported by Eurosystem refinancing. Operators have, in many cases, initiated price revisions (the quarterly survey of market Average Overall Effective Rates (AOER) published by the Bank of Italy on 30 September for the first time shows an increase of about 60 bps after more than 5 years of steady declines), which may certainly serve as an impediment in a market that is highly price-driven and features significant shares of customer refinancing.

The secondary, without recourse, channel of purchases remains extremely slow because of rising reference rates which are still very much out of line with loan pricing levels offered on the market, and which still do not reach yield levels similar to those of comparable asset classes in terms of duration and risk level. The CQ Division has severely limited the purchase of loans and receivables, which used to be its main lending channel, in favour of direct origination, and has refrained from spot loan assignment transactions that were occasionally carried out in the past to rebalance the portfolio and finance growth, as it found no room to complete them with reasonable yields.

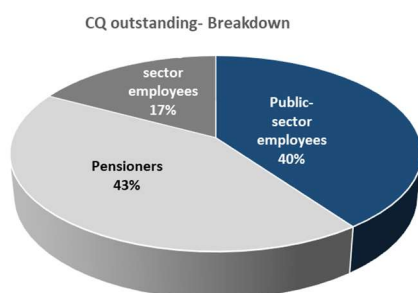
In terms of volumes disbursed, the CQ Division continued growing in line with what had been achieved in previous months, reaching a total cumulative value of € 273 million of funded capital in September, +40.5% compared to the same period last year. Excluding the impact of the loans and receivables portfolio acquired from Banco BPM, the volume was almost entirely generated by the QuintoPuoi product, which is growing at more than 3 times last year's level.

Outstanding capital amounted to € 958 million at the end of September 2022, about the same as the previous quarter despite high levels of early repayments as a result of the refinancing of the more mature portfolio.

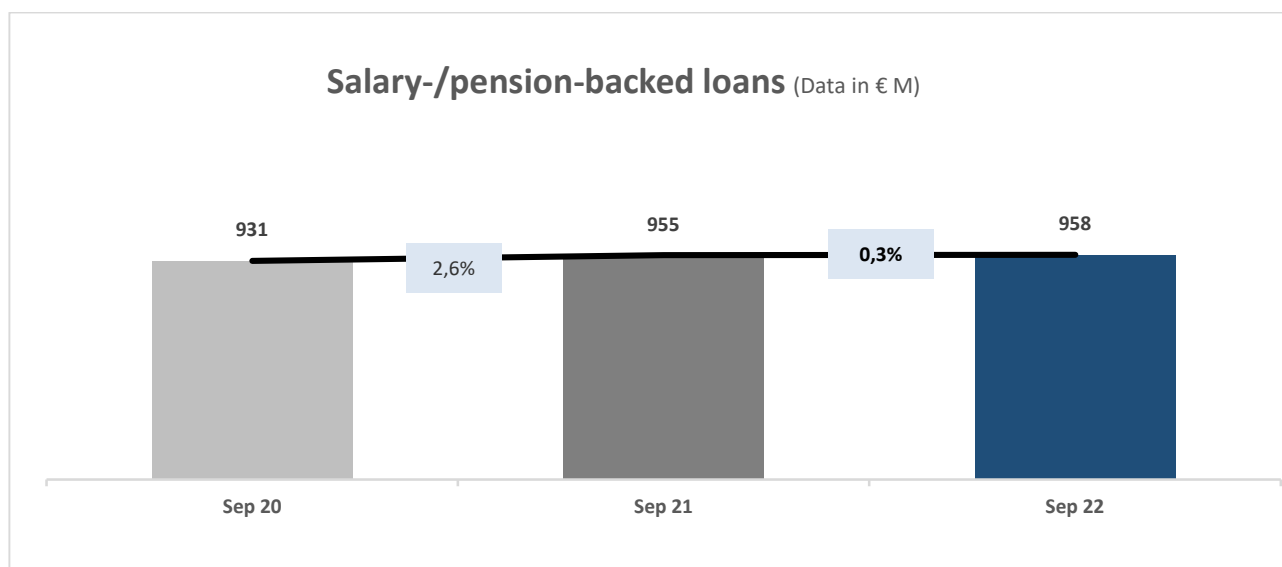
In terms of operations, it should be noted that the second quarter saw the launch of the remote identification process using SPID/CIE protocols, aimed at the qualified electronic signing of loan contracts. This function, which makes Banca Sistema one of the first operators in the salary- and pension-backed 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.

	30.09.2022	30.09.2021	€ Change	% Change
No. of applications (#)	15,956	9,659	6,297	65.2%
<i>of which originated</i>	6,951	2,368	4,583	>100%
Volumes disbursed (millions of Euro)	273	194	79	40.5%
<i>of which originated</i>	160	51	108	>100%

Loans are split between private-sector employees (17%), pensioners (43%) and public-sector employees (40%). 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 KRUSO KAPITAL

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 named ProntoPegno S.p.A. Subsequently, on 20 October 2022, the change of the company name from ProntoPegno S.p.A. to Kruso Kapital S.p.A. was approved. The collateralised lending business will continue its operations and development under the ProntoPegno brand, which will continue to represent the collateralised lending product of Kruso Kapital and the Banca Sistema Group.

In July 2020, Kruso Kapital S.p.A. (formerly named ProntoPegno S.p.A. up to 20 October 2022), 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, Kruso Kapital 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 began operations on 17 October.

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.

On 27 October 2022, Kruso Kapital finalised the acquisition of 100% of the share capital of the auction house Art-Rite S.r.l. The acquisition is part of the growth and diversification strategy and aims to expand the range of potential customers. The transaction took legal effect on 2 November 2022.

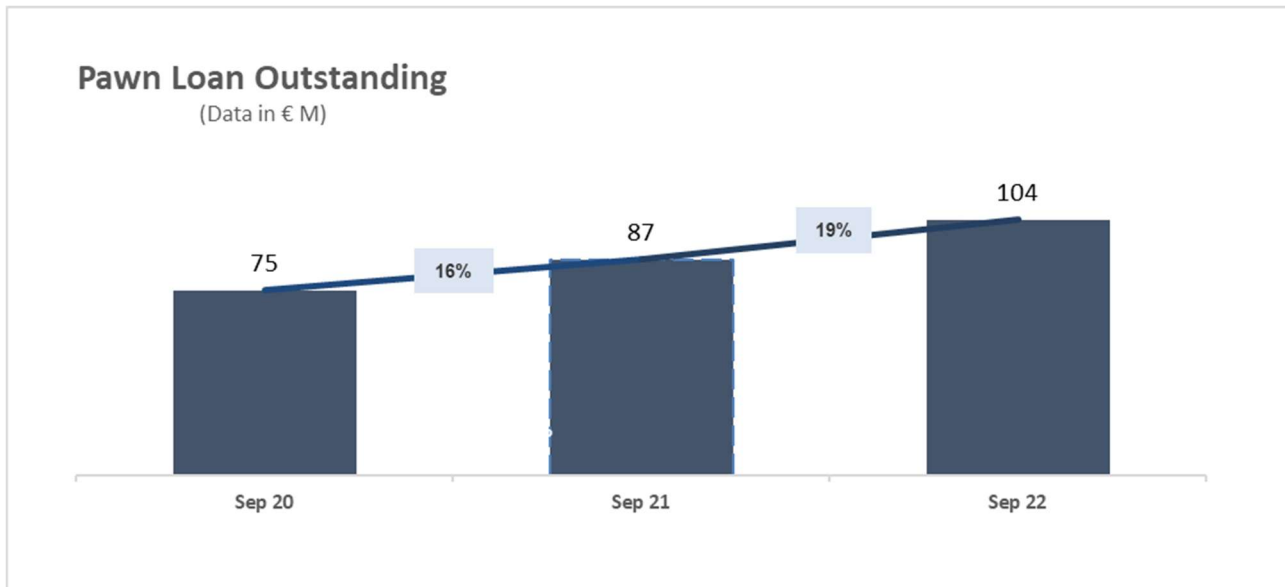
At present, the company has about 61,000 policies issued for about 33,000 customers and total loans of € 104 million, recording an increase of 6.1% over the second quarter (loans at 30/06 were € 98 million). In 2022, outstanding loans grew by 18.53% compared to 2021 (annualised figure).

New loans were € 88.4 million, while renewals amounted to € 46.7 million. In the third quarter of 2022, 5 auctions were conducted for a loan value of € 139 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 8,133 registered users, 11,205 digital bids placed at auctions and 6,334 online policy renewals (+58.3% qoq; at 30 June 2022, there were 4,000 online renewals and approximately 96% 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 Kruso Kapital as at 30 September 2022 is provided below.

Assets (€ .000)	30.09.2022	31.12.2021	€ Change	% Change
Cash and cash equivalents	10,412	9,765	647	6.6%
Financial assets measured at amortised cost	103,980	90,247	13,733	15.2%
a) loans and receivables with banks	403	217	186	85.7%
b1) loans and receivables with customers - loans	103,577	90,030	13,547	15.0%
Equity investments	25	-	25	n.a.
Property and equipment	4,140	2,450	1,690	69.0%
Intangible assets	29,053	29,146	(93)	-0.3%
of which: goodwill	28,436	28,436	-	0.0%
Tax assets	1,227	1,388	(161)	-11.6%
Other assets	3,199	1,275	1,924	>100%
<b>Total assets</b>	<b>152,036</b>	<b>134,271</b>	<b>17,765</b>	<b>13.2%</b>

Liabilities and equity (€,000)	30.09.2022	31.12.2021	€ Change	% Change
Financial liabilities measured at amortised cost	103,395	90,773	12,622	13.9%
a) due to banks	98,869	86,513	12,356	14.3%
b) due to customers	4,526	4,260	266	6.2%
Tax liabilities	1,356	808	548	67.8%
Other liabilities	6,770	3,763	3,007	79.9%
Post-employment benefits	856	951	(95)	-10.0%
Provisions for risks and charges	335	314	21	6.7%
Valuation reserves	(3)	(82)	79	-96.3%
Reserves	14,567	13,494	1,073	8.0%
Share capital	23,162	23,162	-	0.0%
Profit (Loss) for the period	1,598	1,088	510	46.9%
<b>Total liabilities and equity</b>	<b>152,036</b>	<b>134,271</b>	<b>17,765</b>	<b>13.2%</b>

The assets consist mainly of loans to customers for the collateralised lending business, which increased by € 5.8 million in the third 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 78% of the financed amount.

At 30 September 2022, liabilities, in addition to the capital and reserves, consisted primarily of the loan granted by the Parent of € 81 million.

The other “financial liabilities measured at amortised cost” include the auction buyer’s premium 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 Kruso Kapital for the third quarter of 2022 is provided below.

Income statement (€,'000)	Third quarter of 2022	Third quarter of 2021	€ Change	% Change
Net interest income	5.038	3.895	1.143	29,3%
Net fee and commission income (expense)	5.880	4.770	1.110	23,3%
<b>Total income</b>	<b>10.918</b>	<b>8.665</b>	<b>2.253</b>	<b>26,0%</b>
Net impairment losses on loans and receivables	(44)	89	(133)	<100%
<b>Net financial income (expense)</b>	<b>10.874</b>	<b>8.754</b>	<b>2.120</b>	<b>24,2%</b>
Personnel expense	(4.472)	(4.412)	(60)	1,4%
Other administrative expenses	(3.270)	(2.837)	(433)	15,3%
Net impairment losses on property and equipment/intangible assets	(1.004)	(911)	(93)	10,2%
Other operating income (expense)	155	285	(130)	-45,6%
<b>Operating costs</b>	<b>(8.591)</b>	<b>(7.875)</b>	<b>(716)</b>	<b>9,1%</b>
<b>Pre-tax profit from continuing operations</b>	<b>2.283</b>	<b>879</b>	<b>1.404</b>	<b>&gt;100%</b>
Income taxes for the year	(685)	(202)	(483)	>100%
<b>Profit (loss) for the period</b>	<b>1.598</b>	<b>677</b>	<b>921</b>	<b>&gt;100%</b>
Profit (loss) for the period - ProntoPegno Greece	(185)	-	(185)	n.a.
<b>Profit (Loss) for the period of the Kruso Kapital Group</b>	<b>1.413</b>	<b>677</b>	<b>736</b>	<b>&gt;100%</b>

The company closed the third quarter of 2022 with a profit of € 1.6 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 79 employees (73 employees in the third 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 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 September 2022 was equal to a nominal € 886 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 September, the nominal amount of securities in the HTCS (formerly AFS) portfolio amounted to € 586 million (compared to € 446 million as at 31 December 2021) with a duration of 28.6 months (31.4 months at 31 December 2021). At 30 September, the HTC portfolio amounted to € 300 million with a duration of 21.5 months (compared to € 185 million at 31 December 2021, which had a duration of 30.9 months). Duration decreased because of new investments made in the third quarter of 2022, primarily as a result of the purchase of floating-rate government bonds for € 175 million.

### WHOLESALE FUNDING

At 30 September 2022, wholesale funding was about 45% 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.

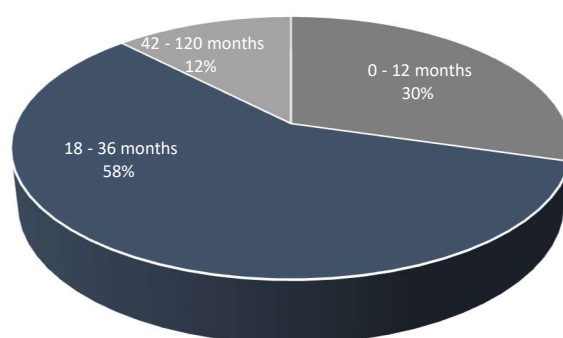
## RETAIL FUNDING

Retail funding accounts for 55% of the total and is composed of the account SI Conto! Corrente and the product SI Conto! Deposito.

Total term deposits as at 30 September 2022 amounted to € 1,477 million, an increase of 18% compared to 30 September 2021. The above-mentioned amount also includes total term deposits of € 550 million (obtained with the help of partner platforms) held with entities resident in Germany, Austria, and Spain (accounting for 37% of total deposit funding), a decrease of € 16 million over the same period of the previous year.

The breakdown of funding by term is shown below.

Breakdown of deposit accounts as at 30 September 22



The average residual life is 13 months.

Current accounts decreased from 11,241 (as at 30 September 2021) to 8,719 as at September 2022, while the current account balance at 30 September 2022 decreased by € 222 million over the same period in 2021 to € 519 million.

## COMPOSITION AND STRUCTURE OF THE GROUP

### HUMAN RESOURCES

As at 30 September 2022, the Group had a staff of 283, broken down by category as follows:

FTEs	30.09.2022	31.12.2021	30.09.2021
Senior managers	24	26	25
Middle managers (QD3 and QD4)	64	61	61
Other personnel	195	193	192
<b>Total</b>	<b>283</b>	<b>280</b>	<b>278</b>

As described in the previous half-yearly report, during the first part of the year the Bank began a review of the more operational and detailed levels of its organisational structure, a review that was completed in July.

The Group - given the gradual exit from the health emergency and in keeping with the regulatory framework that envisaged the end of facilitated access to remote working on 31 August - decided to revert its operating model to one based on full presence, and from 1 September all employees resumed their activities in the offices and branches. Starting from 1 October - again in line with the new legal provisions that have since come into force - a flexible operational model was restored with the introduction of part-time remote working arrangements envisaged until the end of 2022.

In terms of skills development, after identifying professional and technical training needs in relation to the Bank's legal and regulatory issues, training sessions have been organised and launched. These sessions are 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 46.7 for men and 42.9 for women. The breakdown by gender is essentially balanced with men accounting for 56% of the total.

## INCOME STATEMENT RESULTS

Income statement (€,'000)	Third quarter of 2022	Third quarter of 2021	€ Change	% Change
Net interest income	65.438	57.039	8.399	14,7%
Net fee and commission income (expense)	12.273	11.925	348	2,9%
Dividends and similar income	227	227	-	0,0%
Net trading income (expense)	(1.505)	21	(1.526)	<100%
Gain from sales or repurchases of financial assets/liabilities	4.496	5.569	(1.073)	-19,3%
<b>Total income</b>	<b>80.929</b>	<b>74.781</b>	<b>6.148</b>	<b>8,2%</b>
Net impairment losses on loans and receivables	(6.264)	(8.807)	2.543	-28,9%
Losses from contractual modifications without derecognition	-	(4)	4	-100,0%
<b>Net financial income (expense)</b>	<b>74.665</b>	<b>65.970</b>	<b>8.695</b>	<b>13,2%</b>
Personnel expense	(21.439)	(21.292)	(147)	0,7%
Other administrative expenses	(22.834)	(22.678)	(156)	0,7%
Net accruals to provisions for risks and charges	(2.296)	(26)	(2.270)	>100%
Net impairment losses on property and equipment/intangible assets	(2.217)	(2.004)	(213)	10,6%
Other operating income (expense)	1.114	1.686	(572)	-33,9%
<b>Operating costs</b>	<b>(47.672)</b>	<b>(44.314)</b>	<b>(3.358)</b>	<b>7,6%</b>
Gains (losses) on equity investments	(56)	(2)	(54)	>100%
Pre-tax profit from continuing operations	26.937	21.654	5.283	24,4%
<b>Income taxes for the period</b>	<b>(8.726)</b>	<b>(6.705)</b>	<b>(2.021)</b>	<b>30,1%</b>
Post-tax profit for the period	18.211	14.949	3.262	21,8%
<b>Post-tax profit (loss) from discontinued operations</b>	<b>(23)</b>	<b>-</b>	<b>(23)</b>	<b>n.a.</b>
Profit for the period	18.188	14.949	3.239	21,7%
<b>Profit (loss) attributable to non-controlling interests</b>	<b>(353)</b>	<b>(169)</b>	<b>(184)</b>	<b>&gt;100%</b>
Profit for the period attributable to the owners of the Parent	17.835	14.780	3.055	20,7%

The first nine months of 2022 ended with a profit for the period of € 17.8 million, an increase on the same period of the last year, with total income increasing by 8.2%.

Net interest income (€,'000)	Third quarter of 2022	Third quarter of 2021	€ Change	% Change
<b>Interest and similar income</b>				
Loans and receivables portfolios	68,503	65,261	3,242	5.0%
Factoring	41,983	41,860	123	0.3%
CQ	16,144	16,044	100	0.6%
Pawn lending	5,561	4,313	1,248	28.9%
Government-backed loans to SMEs	4,815	3,044	1,771	58.2%
Securities portfolio	1,998	1,318	680	51.6%
Other	145	615	(470)	-76.4%
Financial liabilities	4,227	2,605	1,622	62.3%
<b>Total interest income</b>	<b>74,873</b>	<b>69,799</b>	<b>5,074</b>	<b>7.3%</b>
<b>Interest and similar expense</b>				
Due to banks	(195)	(405)	210	-51.9%
Due to customers	(8,325)	(9,707)	1,382	-14.2%
Securities issued	(791)	(1,943)	1,152	-59.3%
Financial assets	(124)	(705)	581	-82.4%
<b>Total interest expense</b>	<b>(9,435)</b>	<b>(12,760)</b>	<b>3,325</b>	<b>-26.1%</b>
<b>Net interest income</b>	<b>65,438</b>	<b>57,039</b>	<b>8,399</b>	<b>14.7%</b>

Net interest income increased compared to the same period of the last year, due to the higher contribution of the Collateralised Lending Division and the good performance of guaranteed SME loans to factoring customers, as well as the optimisation of the cost of funding, which until now, before the increase in funding rates, had benefited from negative market rates.

The total contribution of the Factoring Division (which includes government-backed loans to SMEs) to interest income was € 46.8 million, equal to 68% of the entire loans and receivables portfolio (compared to 69% at 30 September 2021). The item also includes the interest component tied to the amortised cost of eco-bonus loans amounting to € 1.1 million.

The component linked to default interest from legal action at 30 September 2022 was € 11.3 million (€ 16.3 million at 30 September 2021):

- of which € 1.6 million resulting from the updated recovery estimates and expected collection times (€ -0.3 million at 30 September 2021);
- of which € 5.8 million resulting from the current recovery estimates (€ 9.4 million in 2021);
- of which € 3.9 million (€ 7.2 million in 2021) coming from the difference between the amount collected during the period, equal to € 6.6 million (€ 11.7 million in 2021), and that recognised on an accruals basis in previous years. In 2021, this item included gross collections of € 0.7 million from transfers to third parties.

The amount of the stock of default interest from legal actions accrued at 30 September 2022, relevant for the allocation model, was € 105 million (€ 101 million at the end of 2021), which becomes € 186 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 € 56 million. Therefore, the amount of default interest accrued but not recognised in the income statement is € 130 million.

The contribution of interest on the salary- and pension-backed portfolios is in line with same period of the previous year at € 16.1 million.

The contribution of the Collateralised Lending Division grew significantly to € 5.6 million, compared to € 4.3 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", which account for a total of €4.2 million, mainly includes the effects arising from the financing activity of the securities portfolio in repurchase agreements and ECB loans, which were significantly positive until the first half of the year due to negative interest rates.

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 deposit account rates remaining low until the end of the third quarter of 2022, 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. While the cost of funding contributed positively to net interest income until the third quarter, starting in the fourth quarter the new market conditions will lead to a gradual increase in the cost of funding, as well as a gradual repricing of assets.

The accrued interest expense component related to the first half of 2022, arising from AT1 instruments and classified in equity reserves for the portion of half-yearly coupon payment, amounted to €2.0 million before tax.



Net fee and commission income (€,'000)	Third quarter of 2022	Third quarter of 2021	€ Change	% Change
<b>Fee and commission income</b>				
Factoring activities	9,368	9,674	(306)	-3.2%
Fee and commission income - off-premises CQ	7,556	2,659	4,897	>100%
Collateralised loans (fee and commission income)	5,941	4,820	1,121	23.3%
Collection activities	747	918	(171)	-18.6%
Other fee and commission income	248	318	(70)	-22.0%
<b>Total fee and commission income</b>	<b>23,860</b>	<b>18,389</b>	<b>5,471</b>	<b>29.8%</b>
<b>Fee and commission expense</b>				
Factoring portfolio placement	(881)	(1,031)	150	-14.5%
Placement of other financial products	(1,405)	(1,507)	102	-6.8%
Fees - off-premises CQ	(8,221)	(3,362)	(4,859)	>100%
Other fee and commission expense	(1,080)	(564)	(516)	91.5%
<b>Total fee and commission expense</b>	<b>(11,587)</b>	<b>(6,464)</b>	<b>(5,123)</b>	<b>79.3%</b>
<b>Net fee and commission income</b>	<b>12,273</b>	<b>11,925</b>	<b>348</b>	<b>2.9%</b>

Net fee and commission income, amounting to € 12.3 million, increased compared to the same period of the previous year due to the higher contribution of fee and commission income from collateralised loans and the lower commission expenses of the salary- and pension-backed loan (CQ) business, relating to the variable agent remuneration, which will no longer be accounted for on a cash basis, but on an accrual basis from the third quarter, with a consequent decrease in the amount of the item Fees - off-premises CQ.

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 € 1.1 million compared to the same period of the previous year thanks to the continuing growth of the business.

Fees and commissions on collection activities, related to the service of reconciliation of third-party invoices collected from Public Administration entities are down 18.6% compared to the same period of the last year.

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 € 7.6 million, which should be considered together with the item Fees - off-premises CQ, amounting to € 8.2 million, which are composed of the commissions paid to financial advisers for the off-premises placement of the salary- and pension-backed loan product. The increase in fee and commission expense compared to the same period last year is related to the 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)	Third quarter of 2022	Third quarter of 2021	€ Change	% Change
Gains from HTCS portfolio debt instruments	1,087	3,753	(2,666)	-71.0%
Gains from HTC portfolio debt instruments	248	458	(210)	-45.9%
Gains from financial liabilities	-	-	-	n.a.
Gains from receivables (Factoring portfolio)	1,632	1,358	274	20.2%
Gains from receivables (CQ portfolio)	1,529	-	1,529	n.a.
<b>Total</b>	<b>4,496</b>	<b>5,569</b>	<b>(1,073)</b>	<b>-19.3%</b>

The item Gain (loss) from sales or repurchases in 2022 includes net realised gains from the securities portfolio, factoring receivables of € 1.6 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 September 2022 amounted to € 6.3 million (€ 8.8 million at the end of the third quarter of 2021). The annualised loss rate decreased to 0.28% at 30 September 2022 from 0.41% reported in the same period in 2021 (this figure was calculated without annualising the non-recurring adjustments made in 2021).

Personnel expense (€,000)	Third quarter of 2022	Third quarter of 2021	€ Change	% Change
Wages and salaries	(20,085)	(19,929)	(156)	0.8%
Social security contributions and other costs	(223)	(225)	2	-0.9%
Directors' and statutory auditors' remuneration	(1,131)	(1,138)	7	-0.6%
<b>Total</b>	<b>(21,439)</b>	<b>(21,292)</b>	<b>(147)</b>	<b>0.7%</b>

The slight reduction in personnel expense is linked to the release (equal to € 1 million) of the estimated variable component allocated in 2021 after applying the remuneration policies; net of this release, wages and salaries increased by 5.5% with the average number of employees increasing from 274 to 279.

Other administrative expenses (€,'000)	Third quarter of 2022	Third quarter of 2021	€ Change	% Change
Consultancy	(3,937)	(4,469)	532	-11.9%
IT expenses	(4,584)	(4,637)	53	-1.1%
Servicing and collection activities	(1,743)	(2,379)	636	-26.7%
Indirect taxes and duties	(2,602)	(1,960)	(642)	32.8%
Insurance	(898)	(672)	(226)	33.6%
Other	(752)	(445)	(307)	69.0%
Expenses related to management of the SPVs	(618)	(573)	(45)	7.9%
Outsourcing and consultancy expenses	(373)	(388)	15	-3.9%
Car hire and related fees	(491)	(580)	89	-15.3%
Advertising	(838)	(1,025)	187	-18.2%
Expenses related to property management and logistics	(2,172)	(1,553)	(619)	39.9%
Personnel related expenses	(53)	(110)	57	-51.8%
Expense reimbursement and entertainment	(386)	(286)	(100)	35.0%
Infoprovider expenses	(412)	(533)	121	-22.7%
Membership fees	(336)	(310)	(26)	8.4%
Audit fees	(293)	(256)	(37)	14.5%
Telephone and postage expenses	(326)	(191)	(135)	70.7%
Stationery and printing	(100)	(27)	(73)	270.4%
<b>Total operating expenses</b>	<b>(20,914)</b>	<b>(20,394)</b>	<b>(520)</b>	<b>2.5%</b>
Resolution Fund	(1,920)	(2,284)	364	-15.9%
Merger-related costs	-	-	-	n.a.
<b>Total</b>	<b>(22,834)</b>	<b>(22,678)</b>	<b>(156)</b>	<b>0.7%</b>

Administrative expenses were in line with the same period of the last year, with increases in some cost items offset by reductions in others.

Servicing and collection activities decreased due 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 are in line with the first nine months 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.

Expenses for indirect taxes and duties increased as a result of higher contributions paid for enforceable injunctions against public administration debtors.

The increase in Expenses related to property management and logistics relates to the costs incurred to renovate the building in Rome and extraordinary costs for new locations and the relocation of branches of the Kruso Kapital subsidiary.

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)	Third quarter of 2022	Third quarter of 2021	€ Change	% Change
Depreciation of buildings used for operations	(518)	(480)	(38)	7.9%
Depreciation of furniture and equipment	(236)	(318)	82	-25.8%
Amortisation of right of use	(1,232)	(1,171)	(61)	5.2%
Amortisation of software	(231)	(35)	(196)	>100%
<b>Total</b>	<b>(2,217)</b>	<b>(2,004)</b>	<b>(213)</b>	<b>10.6%</b>

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)	Third quarter of 2022	Third quarter of 2021	€ Change	% Change
Gain from pawn auctions	398	335	63	18.8%
Recovery of tax and expenses	813	396	417	>100%
Amortisation of third party assets improvements	(352)	(87)	(265)	>100%
Other income (expense)	208	244	(36)	-14.8%
Extraordinary income (expense)	47	798	(751)	-94.1%
<b>Total</b>	<b>1,114</b>	<b>1,686</b>	<b>(572)</b>	<b>-33.9%</b>

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)	30.09.2022	31.12.2021	€ Change	% Change
Cash and cash equivalents	148,826	175,835	(27,009)	-15.4%
Financial assets measured at fair value through other comprehensive income	557,464	451,261	106,203	23.5%
Financial assets measured at amortised cost	3,269,928	2,954,174	315,754	10.7%
a) loans and receivables with banks	20,075	33,411	(13,336)	-39.9%
b1) loans and receivables with customers - loans	2,957,671	2,736,721	220,950	8.1%
b2) loans and receivables with customers - debt instruments	292,182	184,042	108,140	58.8%
Equity investments	946	1,002	(56)	-5.6%
Property and equipment	42,763	40,780	1,983	4.9%
Intangible assets	33,016	33,125	(109)	-0.3%
<i>of which goodwill</i>	32,355	32,355	-	0.0%
Tax assets	23,710	12,840	10,870	84.7%
Non-current assets held for sale and disposal groups	43	68	(25)	-36.8%
Other assets	73,112	39,806	33,306	83.7%
<b>Total assets</b>	<b>4,149,808</b>	<b>3,708,891</b>	<b>440,917</b>	<b>11.9%</b>

At 30 September 2022, total assets were up by 11.9% over the end of 2021 and equal to € 4.1 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 28.6 months (the average remaining duration at the end of 2021 was 31.4 months). The nominal amount of the government bonds held in the HTCS portfolio amounted to € 586 million at 30 September 2022 (€ 446 million at 31 December 2021). The associated valuation reserve was negative at the end of the period, amounting to € 38.3 million before the tax effect.

Loans and receivables with customers (€,'000)	30.09.2022	31.12.2021	€ Change	% Change
Factoring receivables	1,678,331	1,541,687	136,644	8.9%
Salary-/pension-backed loans (CQS/CQP)	957,961	931,767	26,194	2.8%
Collateralised loans	103,577	90,030	13,547	15.0%
Loans to SMEs	181,427	160,075	21,352	13.3%
Current accounts	206	396	(190)	-48.0%
Compensation and Guarantee Fund	32,561	9,147	23,414	>100%
Other loans and receivables	3,608	3,619	(11)	-0.3%
<b>Total loans</b>	<b>2,957,671</b>	<b>2,736,721</b>	<b>220,950</b>	<b>8.1%</b>
Securities	292,182	184,042	108,140	58.8%
<b>Total loans and receivables with customers</b>	<b>3,249,853</b>	<b>2,920,763</b>	<b>329,090</b>	<b>11.3%</b>

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

Outstanding loans for factoring receivables compared to Total loans, therefore excluding the amounts of the securities portfolio, were 57% (56% at the end of 2021). The volumes generated during the year amounted to € 3,152 million (€ 2,495 million at 30 September 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 € 160 million from € 51 million in 2021.

Government-backed loans to SMEs increased following new disbursements made under SACE and SME Fund guarantees and amounted to € 181.4 million.

The collateralised loan business, carried out through the subsidiary Kruso Kapital, grew significantly, reporting loans of € 104 million at 30 September 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 21.5 months for an amount of € 300 million. The mark-to-market valuation of the securities at 30 September 2022 shows a pre-tax unrealised loss of € 9.9 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	30/09/2022
Bad exposures - gross	50.710	169.372	168.253	169.099	169.060	166.825	167.047
Unlikely to pay - gross	148.874	34.387	34.324	37.374	48.816	46.845	33.743
Past due - gross	112.423	92.462	91.926	108.598	101.603	77.507	90.948
<b>Non-performing - gross</b>	<b>312.007</b>	<b>296.221</b>	<b>294.503</b>	<b>315.071</b>	<b>319.479</b>	<b>291.177</b>	<b>291.738</b>
<b>Performing - gross</b>	<b>2.300.186</b>	<b>2.382.395</b>	<b>2.407.569</b>	<b>2.487.995</b>	<b>2.609.812</b>	<b>2.727.798</b>	<b>2.732.517</b>
Stage 2 - gross	116.732	116.414	124.296	102.862	101.406	115.021	112.285
Stage 1 - gross	2.183.454	2.265.981	2.283.273	2.385.133	2.508.406	2.612.777	2.620.232
<b>Total loans and receivables with customers</b>	<b>2.612.193</b>	<b>2.678.616</b>	<b>2.702.072</b>	<b>2.803.066</b>	<b>2.929.291</b>	<b>3.018.975</b>	<b>3.024.255</b>
<b>Individual impairment losses</b>	<b>50.384</b>	<b>56.623</b>	<b>57.342</b>	<b>59.519</b>	<b>61.959</b>	<b>61.581</b>	<b>60.410</b>
Bad exposures	26.660	46.160	46.435	47.554	48.922	47.758	46.205
Unlikely to pay	22.961	10.025	10.450	11.374	12.384	13.201	13.379
Past due	763	438	457	591	653	622	826
<b>Collective impairment losses</b>	<b>6.941</b>	<b>6.989</b>	<b>7.129</b>	<b>6.825</b>	<b>6.677</b>	<b>7.872</b>	<b>6.175</b>
Stage 2	749	660	697	560	556	626	1.600
Stage 1	6.192	6.329	6.432	6.265	6.121	7.246	4.575
<b>Total impairment losses</b>	<b>57.325</b>	<b>63.612</b>	<b>64.471</b>	<b>66.344</b>	<b>68.636</b>	<b>69.453</b>	<b>66.585</b>
<b>Net exposure</b>	<b>2.554.868</b>	<b>2.615.004</b>	<b>2.637.601</b>	<b>2.736.722</b>	<b>2.860.655</b>	<b>2.949.522</b>	<b>2.957.670</b>

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 20.7%, 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 € 35.3 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. At the end of the third quarter of 2022, EBNSISTEMA originated € 180 million in loans and receivables, an increase of 74 million compared to the same period in 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 € 52.2 million at 30 September 2022.



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

Liabilities and equity (€,'000)	30.09.2022	31.12.2021	€ Change	% Change
Financial liabilities measured at amortised cost	3,701,659	3,257,401	444,258	13.6%
a) due to banks	695,063	592,157	102,906	17.4%
b) due to customers	2,705,966	2,472,054	233,912	9.5%
c) securities issued	300,630	193,190	107,440	55.6%
Tax liabilities	20,610	14,981	5,629	37.6%
Liabilities associated with disposal groups	16	18	(2)	-11.1%
Other liabilities	136,594	137,995	(1,401)	-1.0%
Post-employment benefits	3,963	4,310	(347)	-8.1%
Provisions for risks and charges	34,835	28,654	6,181	21.6%
Valuation reserves	(25,734)	(3,067)	(22,667)	>100%
Reserves	195,516	180,628	14,888	8.2%
Equity instruments	45,500	45,500	-	0.0%
Equity attributable to non-controlling interests	9,922	9,569	353	3.7%
Share capital	9,651	9,651	-	0.0%
Treasury shares (-)	(559)	-	(559)	n.a.
Profit for the period/year	17,835	23,251	(5,416)	-23.3%
<b>Total liabilities and equity</b>	<b>4,149,808</b>	<b>3,708,891</b>	<b>440,917</b>	<b>11.9%</b>

Wholesale funding, which represents about 45% of the total (32% at 31 December 2021), increased in absolute terms from the end of 2021 mainly following the increase in funding through repurchase agreements. The contribution of bond funding to total wholesale funding was 22% (23% at the end of 2021).

Due to banks (€,'000)	30.09.2022	31.12.2021	€ Change	% Change
Due to Central banks	587,223	540,095	47,128	8.7%
Due to banks	107,840	52,062	55,778	>100%
Current accounts with other banks	95,840	41,063	54,777	>100%
Term deposits with banks	-	-	-	n.a.
Financing from other banks	12,000	10,999	1,001	9.1%
Other amounts due to banks	-	-	-	n.a.
<b>Total</b>	<b>695,063</b>	<b>592,157</b>	<b>102,906</b>	<b>17.4%</b>

The item "Due to banks" increased by 17.4%, compared to 31 December 2021, as a result of an increase in borrowing from the interbank deposit market and the ECB compared to 31 December 2021.

Due to customers (€,'000)	30.09.2022	31.12.2021	€ Change	% Change
Term deposits	1,476,860	1,387,416	89,444	6.4%
Financing (repurchase agreements)	651,059	249,256	401,803	>100%
Customer current accounts	519,595	775,096	(255,501)	-33.0%
Due to assignors	53,801	56,012	(2,211)	-3.9%
Other payables	4,651	4,274	377	8.8%
<b>Total</b>	<b>2,705,966</b>	<b>2,472,054</b>	<b>233,912</b>	<b>9.5%</b>

The item "Due to customers" increased compared to the end of the previous year, reflecting a decrease in funding from current accounts with a concurrent increase in funding from deposit accounts and through repurchase agreements. The period-end amount of term deposits increased from the end of 2021 (+7%), reflecting net positive deposits (net of interest accrued) of € 91 million mainly due to increased funding from the Italy channel; gross deposits from the beginning of the year were € 938 million, against withdrawals totalling € 847 million.

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

Securities Bonds issued (€,'000)	30.09.2022	31.12.2021	€ Change	% Change
Bond - AT1	45,500	45,500	-	0.0%
Bond - Tier II	-	-	-	n.a.
Bonds - other	300,630	193,190	107,440	55.6%

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 September 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 € 34.8 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 € 6.4 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 and other estimated charges for ongoing lawsuits and legal disputes amounting to € 11.2 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 € 10.7 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
<b>Profit (loss)/equity of the parent</b>	<b>17,180</b>	<b>242,574</b>
Assumption of value of investments	-	(44,265)
Consolidated profit (loss)/equity	1,064	53,822
Gain (loss) on equity investments	(56)	-
<b>Equity attributable to the owners of the parent</b>	<b>18,188</b>	<b>252,131</b>
Equity attributable to non-controlling interests	(353)	(9,922)
<b>Profit (loss)/equity of the Group</b>	<b>17,835</b>	<b>242,209</b>

## CAPITAL ADEQUACY

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

Own funds (€,'000) and capital ratios	30.09.2022	31.12.2021	30.09.2022	30.09.2022
	Transitional		Fully loaded	Ecofin Decision
<b>Common Equity Tier 1 (CET1)</b>	<b>171,614</b>	<b>176,077</b>	<b>160,485</b>	<b>188,308</b>
ADDITIONAL TIER1	45,500	45,500	<b>45,500</b>	<b>45,500</b>
<b>Tier 1 capital (T1)</b>	<b>217,114</b>	<b>221,577</b>	<b>205,985</b>	<b>233,808</b>
TIER2	148	113	<b>148</b>	<b>148</b>
<b>Total Own Funds (TC)</b>	<b>217,262</b>	<b>221,690</b>	<b>206,133</b>	<b>233,955</b>
<b>Total risk-weighted assets</b>	<b>1,415,249</b>	<b>1,517,540</b>	<b>1,412,720</b>	<b>1,419,043</b>
of which, credit risk	1,231,858	1,334,148	1,229,328	1,235,651
of which, operational risk	183,392	183,392	183,392	183,392
<b>Ratio - CET1</b>	<b>12.1%</b>	<b>11.6%</b>	<b>11.4%</b>	<b>13.3%</b>
<b>Ratio - T1</b>	<b>15.3%</b>	<b>14.6%</b>	<b>14.6%</b>	<b>16.5%</b>
<b>Ratio - TCR</b>	<b>15.4%</b>	<b>14.6%</b>	<b>14.6%</b>	<b>16.5%</b>

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.

Total regulatory own funds were € 217 million at 30 September 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 (before applying the previously mentioned mitigating parameter) OCI reserve on government bonds of € 25.6 million (negative € 2.6 million at 31 December 2021), treasury shares held 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.

Considering the Ecofin's decision to introduce a capital filter of 100% of the reserve of government bonds classified as HTCS, capital ratios would stand at the following levels:

- CET1 ratio of 13.3%;
- TIER1 ratio of 16.5%;
- Total Capital Ratio of 16.5%.

The Ecofin decision of 8 November 2022, which incorporates the proposal of the rotating Presidency, still requires additional formal steps, but has thus far found consensus among all Member States and therefore it is reasonable to assume that it will enter into force.

Lastly, it should be noted that 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	30.09.2022	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	195.517	180.628	14.889	8,2%
Treasury shares (-)	(559)	-	(559)	n.a.
Valuation reserves	(25.734)	(3.067)	(22.667)	>100%
Profit (loss)	17.835	23.251	(5.416)	-23,3%
<b>Equity attributable to the owners of the parent</b>	<b>242.210</b>	<b>255.963</b>	<b>(13.753)</b>	<b>-5,4%</b>
Dividends distributed and other foreseeable expenses	(4.295)	(5.790)	1.495	-25,8%
<b>Equity assuming dividends are distributed to shareholders</b>	<b>237.915</b>	<b>250.173</b>	<b>(12.258)</b>	<b>-4,9%</b>
Regulatory adjustments	(28.951)	(36.613)	7.662	-20,9%
Eligible equity attributable to non-controlling interests	8.150	8.017	133	1,7%
Equity instruments not eligible for inclusion in CET1	(45.500)	(45.500)	-	0,0%
<b>Common Equity Tier 1 (CET1)</b>	<b>171.614</b>	<b>176.077</b>	<b>(4.463)</b>	<b>-2,5%</b>

## **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 20 October 2022, the Extraordinary Shareholders' Meeting of the subsidiary ProntoPegno S.p.A. approved the change of the company name from ProntoPegno S.p.A. to Kruso Kapital S.p.A.

On 27 October 2022, the Banca Sistema Group, through its subsidiary Kruso Kapital S.p.A., finalised the acquisition of 100% of the share capital of the auction house Art-Rite S.r.l. The acquisition is part of the Group's growth and diversification strategy and aims to expand the range of potential customers. The transaction, which took legal effect as of 2 November 2022, will have no material impact on the capital structure.

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

As a result of the current scenario characterised by the increase in rates by the European Central Bank and the consequent gradual rise in rates for the various types of funding, from the fourth quarter onwards, there will be a temporary drop in net interest income, which may be absorbed in subsequent quarters by an increase in the profitability of loans.

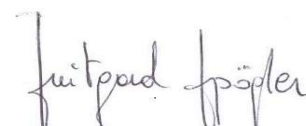
The Group has no direct exposures to entities and parties subject to restrictive measures decided by the European Union in response to the war in Ukraine. The evolution of this conflict, as well as of the aforementioned restrictive measures, is being continuously and carefully monitored by the Group.

Milan, 11 November 2022

On behalf of the Board of Directors

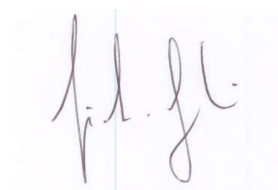
The Chairperson

Luitgard Spögler



The CEO

Gianluca Garbi



## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**



## STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of Euro)

<b>Assets</b>		<b>30.09.2022</b>	<b>31.12.2021</b>
10.	Cash and cash equivalents	148,826	175,835
30.	Financial assets measured at fair value through other comprehensive income	557,464	451,261
40.	Financial assets measured at amortised cost	3,269,928	2,954,174
	a) loans and receivables with banks	20,075	33,411
	b) loans and receivables with customers	3,249,853	2,920,763
70.	Equity investments	946	1,002
90.	Property and equipment	42,763	40,780
100.	Intangible assets	33,016	33,125
	of which:		
	goodwill	32,355	32,355
110.	Tax assets	23,710	12,840
	a) current	22	812
	b) deferred	23,688	12,028
120.	Non-current assets held for sale and disposal groups	43	68
130.	Other assets	73,112	39,806
	<b>Total Assets</b>	<b>4,149,808</b>	<b>3,708,891</b>

<b>Liabilities and equity</b>		<b>30.09.2022</b>	<b>31.12.2021</b>
10.	Financial liabilities measured at amortised cost	3,701,659	3,257,401
	a) due to banks	695,063	592,157
	b) due to customers	2,705,966	2,472,054
	c) securities issued	300,630	193,190
60.	Tax liabilities	20,610	14,981
	a) current	3,968	37
	b) deferred	16,642	14,944
70.	Liabilities associated with disposal groups	16	18
80.	Other liabilities	136,594	137,995
90.	Post-employment benefits	3,963	4,310
100.	Provisions for risks and charges:	34,835	28,654
	a) commitments and guarantees issued	26	39
	c) other provisions for risks and charges	34,809	28,615
120.	Valuation reserves	(25,734)	(3,067)
140.	Equity instruments	45,500	45,500
150.	Reserves	156,416	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 (+/-)	9,922	9,569
200.	Profit for the period/year	17,835	23,251
	<b>Total liabilities and equity</b>	<b>4,149,808</b>	<b>3,708,891</b>

## INCOME STATEMENT

(Amounts in thousands of Euro)

		Third quarter of 2022	Third quarter of 2021
10.	Interest and similar income	74,873	69,799
	of which: interest income calculated with the effective interest method	67,957	65,225
20.	Interest and similar expense	(9,435)	(12,760)
<b>30.</b>	<b>Net interest income</b>	<b>65,438</b>	<b>57,039</b>
40.	Fee and commission income	23,860	18,389
50.	Fee and commission expense	(11,587)	(6,464)
<b>60.</b>	<b>Net fee and commission income (expense)</b>	<b>12,273</b>	<b>11,925</b>
70.	Dividends and similar income	227	227
80.	Net trading income (expense)	(1,505)	21
100.	Gain from sales or repurchases of:	4,496	5,569
	a) financial assets measured at amortised cost	3,409	1,816
	b) financial assets measured at fair value through other comprehensive income	1,087	3,753
	c) financial liabilities	-	-
<b>120.</b>	<b>Total income</b>	<b>80,929</b>	<b>74,781</b>
130.	Net impairment losses/gains on:	(6,264)	(8,807)
	a) financial assets measured at amortised cost	(6,120)	(8,794)
	b) financial assets measured at fair value through other comprehensive income	(144)	(13)
140.	Gains/losses from contract amendments without derecognition	-	(4)
<b>150.</b>	<b>Net financial income (expense)</b>	<b>74,665</b>	<b>65,970</b>
190.	Administrative expenses	(44,273)	(43,970)
	a) personnel expense	(21,439)	(21,292)
	b) other administrative expenses	(22,834)	(22,678)
200.	Net accruals to provisions for risks and charges	(2,296)	(26)
	a) commitments and guarantees issued	13	(26)
	b) other net accruals	(2,309)	-
210.	Net impairment losses on property and equipment	(1,986)	(1,841)
220.	Net impairment losses on intangible assets	(231)	(163)
230.	Other operating income (expense)	1,114	1,686
<b>240.</b>	<b>Operating costs</b>	<b>(47,672)</b>	<b>(44,314)</b>
250.	Gains (losses) of equity investments	(56)	(2)
280.	Gains (losses) on sales of investments	-	-
<b>290.</b>	<b>Pre-tax profit (loss) from continuing operations</b>	<b>26,937</b>	<b>21,654</b>
300.	Income taxes	(8,726)	(6,705)
<b>310.</b>	<b>Post-tax profit (loss) from continuing operations</b>	<b>18,211</b>	<b>14,949</b>
320.	Post-tax profit (loss) from discontinued operations	(23)	-
<b>330.</b>	<b>Profit (loss) for the period</b>	<b>18,188</b>	<b>14,949</b>
340.	Profit (loss) for the period attributable to non-controlling interests	(353)	(169)
<b>350.</b>	<b>Profit for the period attributable to the owners of the parent</b>	<b>17,835</b>	<b>14,780</b>

## STATEMENT OF COMPREHENSIVE INCOME

(Amounts in thousands of Euro)

		Third quarter of 2022	Third quarter of 2021
<b>10.</b>	<b>Profit (loss) for the period</b>	<b>17,835</b>	<b>14,780</b>
	<b>Items, net of tax, that will not be reclassified subsequently to profit or loss</b>	<b>-</b>	<b>-</b>
70.	Defined benefit plans	468	142
	<b>Items, net of tax, that will be reclassified subsequently to profit or loss</b>	<b>-</b>	<b>-</b>
140.	Financial assets (other than equity instruments) measured at fair value through other	(23,135)	(2,443)
<b>170.</b>	<b>Total other comprehensive income (expense), net of income tax</b>	<b>(22,667)</b>	<b>(2,301)</b>
<b>180.</b>	<b>Comprehensive income (Items 10+170)</b>	<b>(4,832)</b>	<b>12,479</b>
<b>190.</b>	<b>Comprehensive income attributable to non-controlling interests</b>	<b>-</b>	<b>-</b>
<b>200.</b>	<b>Comprehensive income attributable to the owners of the parent</b>	<b>(4,832)</b>	<b>12,479</b>

## STATEMENT OF CHANGES IN EQUITY AT 30/09/2022

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 30.09.2022	Equity attributable to non-controlling interests at 30.09.2022
				Reserves	Dividends and other allocations	Changes in reserves	Transactions on equity					Comprehensive income for the 30.09.2022		
							Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments Derivatives on treasury shares	Stock options			
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	-	(2,594)	-	-	-	-	-	-	156,416	-
a) income-related	138,857	-	138,857	17,482	-	(1,434)	-	-	-	-	-	-	154,905	-
b) other	2,671	-	2,671	-	-	(1,160)	-	-	-	-	-	-	1,511	-
Valuation reserves	(3,067)	-	(3,067)	-	-	-	-	-	-	-	-	(22,667)	(25,734)	-
Equity instruments	45,500	-	45,500	-	-	-	-	-	-	-	-	-	45,500	-
Treasury shares	-	-	-	-	-	-	(559)	-	-	-	-	-	(559)	-
Profit for the year	23,251	-	23,251	(17,482)	(5,769)	-	-	-	-	-	-	17,835	17,835	-
Equity attributable to the owners of the parent	255,963	-	255,963	-	(5,769)	(2,594)	-	(559)	-	-	-	(4,832)	242,209	-
Equity attributable to non-controlling interests	9,569	-	9,569	-	-	-	-	-	-	-	353	-	-	9,922

## STATEMENT OF CHANGES IN EQUITY AT 30/09/2021

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 30.09.2021	Equity attributable to non-controlling interests at 30.09.2021	
				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	122.232	-	122.232	19.719	-	1.030	-	-	-	-	-	-	-	-	142.981
a) income-related	120.797	-	120.797	19.719	-	(6)	-	-	-	-	-	-	-	-	140.510
b) other	1.435	-	1.435	-	-	1.036	-	-	-	-	-	-	-	-	2.471
Valuation reserves	1.287	-	1.287	-	-	-	-	-	-	-	-	-	(2.301)	(1.014)	
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)	-	-	-	-	-	-	-	14.780	14.780	
<b>Equity attributable to the owners of the parent</b>	<b>206.189</b>	-	<b>206.189</b>	-	<b>(6.434)</b>	<b>1.264</b>	-	-	<b>37.500</b>	-	-	-	<b>12.479</b>	<b>250.998</b>	
<b>Equity attributable to non-controlling interests</b>	<b>9.297</b>	-	<b>9.297</b>	-	-	-	-	-	-	-	169	-	-	-	<b>9.466</b>

## STATEMENT OF CASH FLOWS (INDIRECT METHOD)

Amounts in thousands of Euro

	30.09.2022	30.09.2021
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations</b>	<b>42.607</b>	<b>39.323</b>
Profit (loss) for the year (+/-)	17.835	14.780
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 (+/-)	6.120	8.820
Net impairment losses/gains on property and equipment and intangible assets (+/-)	2.217	2.004
Net accruals to provisions for risks and charges and other costs/income (+/-)	2.296	
Taxes, duties and tax assets not yet paid (+/-)	4.428	1.732
Other adjustments (+/-)	9.711	11.987
<b>2. Cash flows generated by (used for) financial assets</b>	<b>(457.921)</b>	<b>185.043</b>
Financial assets held for trading		
Financial assets designated at fair value through profit or loss		
Other assets mandatorily measured at fair value through profit or loss		
Financial assets measured at fair value through other comprehensive income	(104.805)	(22.005)
Financial assets measured at amortised cost	(309.843)	208.481
Other assets	(43.273)	(1.433)
<b>3. Cash flows generated by (used for) financial liabilities</b>	<b>395.937</b>	<b>(276.402)</b>
Financial liabilities measured at amortised cost	430.198	(255.141)
Financial liabilities held for trading		
Financial liabilities designated at fair value through profit or loss		
Other liabilities	(34.261)	(21.261)
<b>Net cash flows generated by /used for) operating activities</b>	<b>(19.377)</b>	<b>(52.036)</b>
<b>B. INVESTING ACTIVITIES</b>	-	-
<b>1. Cash flows generated by</b>	<b>109</b>	-
Sales of equity investments		
Dividends from equity investments		
Sales of property and equipment		
Sales of intangible assets	109	
Sales of business units		
<b>2. Cash flows used in</b>	<b>(1.414)</b>	<b>(10.454)</b>
Purchases of equity investments	(25)	
Purchases of property and equipment	(293)	(9.250)
Purchases of intangible assets	(1.096)	(1.204)
Purchases of business units		
<b>Net cash flows generated by (used in) investing activities</b>	<b>(1.305)</b>	<b>(10.454)</b>
<b>C. FINANCING ACTIVITIES</b>	-	-
Issues/repurchases of treasury shares	(559)	
Issues/repurchases of equity instruments		37.500
Dividend and other distributions	(5.768)	
<b>Net cash flows generated by (used in) financing activities</b>	<b>(6.327)</b>	<b>37.500</b>
<b>NET CASH FLOWS FOR THE PERIOD</b>	<b>(27.009)</b>	<b>(24.990)</b>
<b>RECONCILIATION ITEMS</b>		
<b>Cash and cash equivalents at the beginning of the year</b>	<b>175.835</b>	<b>68.858</b>
Total net cash flows for the year	(27.009)	(24.990)
Cash and cash equivalents: effect of change in exchange rates	-	-
<b>Cash and cash equivalents at the end of the period</b>	<b>148.826</b>	<b>43.868</b>

## ACCOUNTING POLICIES



## GENERAL BASIS OF PREPARATION

This interim consolidated financial report at 30 September 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 30 September 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 to it. Compared to 31 December 2021, the scope of consolidation has changed with the incorporation of ProntoPegno Greece.

This interim consolidated financial report at 30 September 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 provisions 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.

**Other aspects**

The interim consolidated financial report was approved on 11 November 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 30 September 2022 is consistent with the company documents, books and accounting records.

Milan, 11 November 2022

Alexander Muz

Manager in charge of financial reporting

A handwritten signature in black ink that reads "Alexander Muz". The signature is written in a cursive style with a large initial "A".