BANCA SISTEMA

INTERIM CONSOLIDATED FINANCIAL REPORT

31 MARCH 2024

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DIRECTORS' REPORT

COMPOSITION OF THE PARENT'S MANAGEMENT BODIES

BOARD OF DIRECTORS[1]

Chairperson	Ms. Luitgard Spögler *
Deputy Chairperson	Mr. Giovanni Puglisi
CEO and General Manager	Mr. Gianluca Garbi
Directors	Mr. Daniele Pittatore
	Ms. Alessandra Grendele*
	Mr. Daniele Bonvicini*
	Ms. Maria Leddi*
	Ms. Francesca Granata*
	Mr. Marco Cuniberti*

BOARD OF STATUTORY AUDITORS

Chairperson	Ms. Lucia Abati
Standing Auditors	Ms. Daniela Toscano
	Mr. Luigi Ruggiero
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] **Directors who have declared their independence are marked with an "*".**

COMPOSITION OF THE INTERNAL COMMITTEES

APPOINTMENTS COMMITTEE

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

SUPERVISORY BODY

Chairperson	Ms. Lucia Abati
Members	Mr. Daniele Pittatore
	Mr. Franco Pozzi

The composition of the Internal Control and Risk Management Committee, the Remuneration Committee and the Ethics Committee will be established following the Board of Directors' meeting of 10 May 2024 that approved this Interim consolidated financial report.

FINANCIAL HIGHLIGHTS AT 31 MARCH 2024

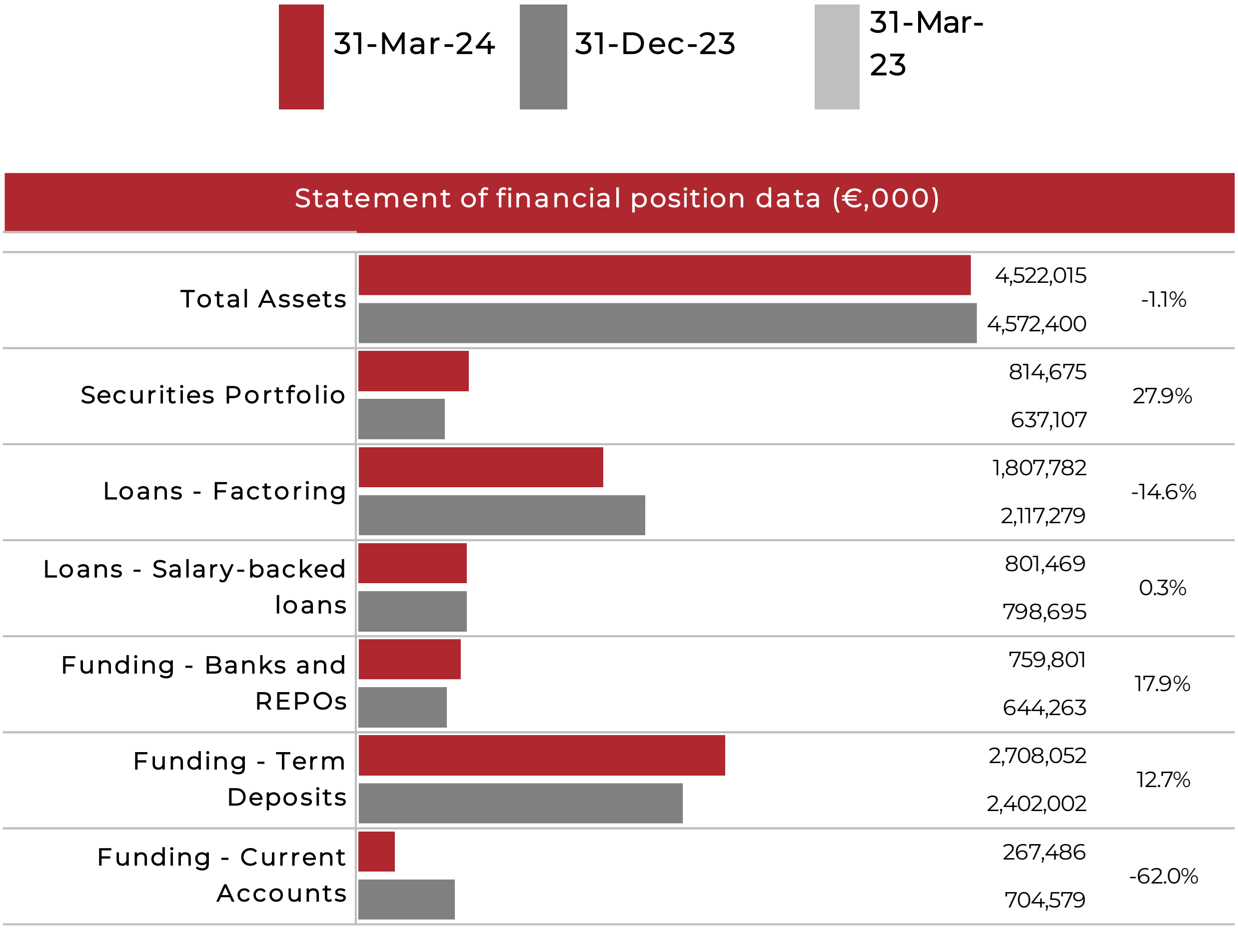
The Banca Sistema Group comprises the Parent, Banca Sistema S.p.A., with registered office in Milan, the subsidiaries Kruso Kapital S.p.A., Largo Augusto Servizi e Sviluppo S.r.l., the Greek company Ready Pawn Single Member S.A. (hereinafter also referred to as ProntoPegno Greece), a wholly owned subsidiary of Kruso Kapital S.p.A., and Specialty Finance Trust Holdings Limited (a company incorporated under UK Law placed in liquidation in December 2021).

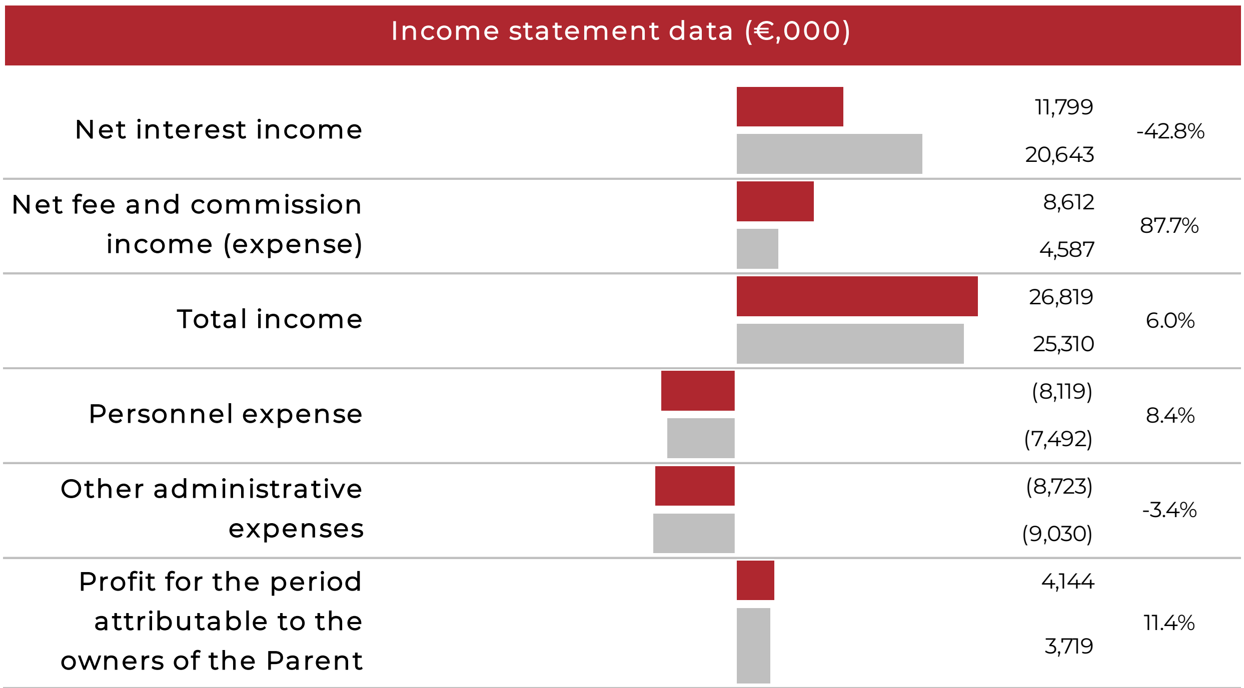
The scope of consolidation also includes the auction house Art-Rite S.r.l. (wholly owned by Kruso Kapital and outside the Banking Group), the Spanish Joint Venture EBNSistema Finance S.L. and the following special purpose securitisation vehicles whose receivables are not subject to derecognition: Quinto 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.

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 Group carries out collateralised lending activities in Italy through a network of branches, and in Greece through the ProntoPegno Greece subsidiary, as well as auction house activities. The Group 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 Growth Milan market of Borsa Italiana and since 24 January 2024, the subsidiary Kruso Kapital is listed in the Professional Segment of Euronext Growth Milan.

KEY INDICATORS





SIGNIFICANT EVENTS FROM 1 JANUARY TO 31 MARCH 2024

On 24 January 2024, the ordinary shares of the subsidiary Kruso Kapital started trading on the Professional Segment of Euronext Growth Milan, a multilateral trading system organised and managed by Borsa Italiana S.p.A. Based on the offer price of € 1.86 per share, the capitalisation of Kruso Kapital at the start of trading is approximately € 45.7 million. The "free float" as defined in the Euronext Growth Issuers' Regulation is approximately 15.29% of the share capital. As a result of the transaction, Kruso Kapital's share capital increased from the original € 23,162,393 to the current € 24,609,593. The nominal value (€ 1.00) of the shares remains unchanged. On 7 February 2024, the Board of Directors of Kruso Kapital resolved to apply to Borsa Italiana for the transfer of the ordinary shares issued by Kruso Kapital from trading on the professional segment to the ordinary segment of the Euronext Growth Milan market, if the conditions are met.

Following the notification received from the Bank of Italy in relation to the completion of the 2023 Supervisory Review and Evaluation Process (SREP), Banca Sistema starting on 31 March 2024, will be required to comply with the following total capital requirements on a consolidated basis:

- CET1 ratio: 9.40%
- Tier1 ratio: 10.90%
- Total Capital ratio (TC ratio) 12.90%.

These capital ratios correspond to the Overall Capital Requirement (OCR) ratios as defined in the Guidelines and represent the sum of the binding provisions (Total SREP Capital Requirement ratio - TSCR) and the combined buffer requirement.

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 entertainment 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 mainly from entities in the public health sector. At the end of the first quarter of 2024, EBNSISTEMA's factoring turnover in the market reached € 28 million (€ 30 million 31 March 2023).

The bank offers SACE- and MCC-guaranteed loans exclusively to its factoring customers and has purchased "110% Eco-Sisma bonus" tax credits for compensation purposes within the limits of its tax capacity and, in the last quarter of 2023, for trading purposes.

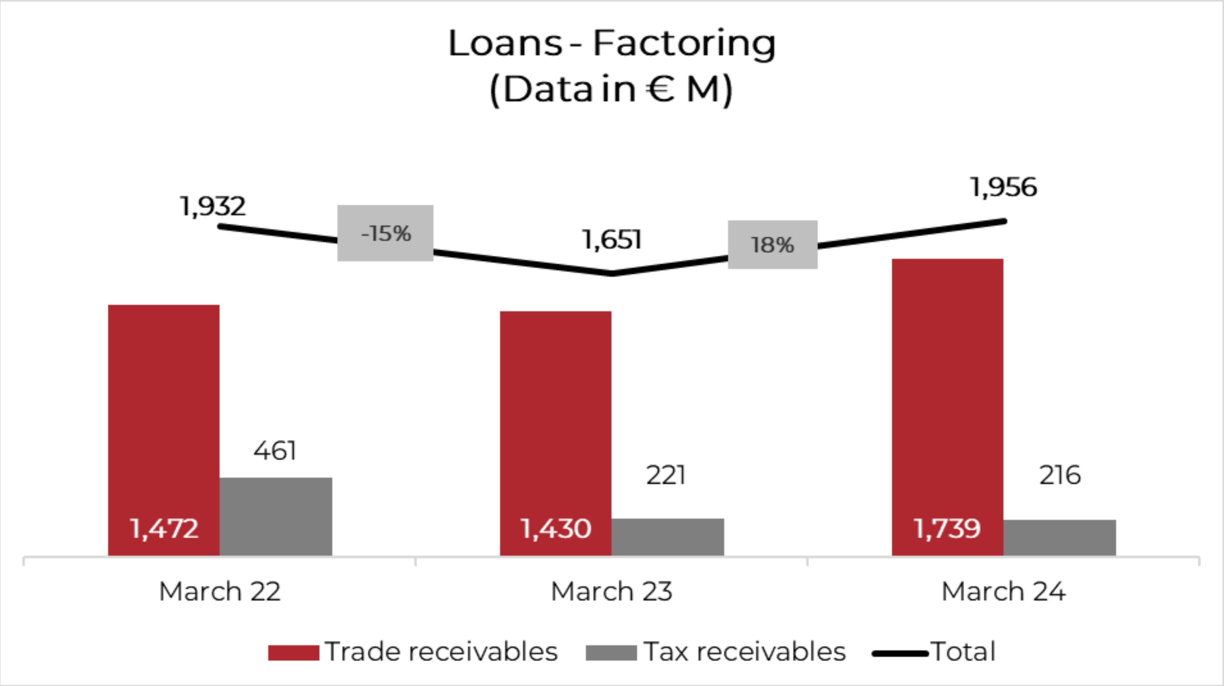
The following table shows the factoring volumes by product type:

Product (millions of Euro)	First Quarter of 2024	First Quarter of 2023	€ Change	% Change
Trade receivables	1,131	931	200	21.5%
of which, without recourse	828	746	82	11.0%
of which, with recourse	*303*	*185*	*118*	*63.7%*
Tax receivables	*237*	*138*	*99*	*71.5%*
of which, without recourse	*237*	*138*	*99*	*71.5%*
of which, with recourse	-	-	-	*n.a.*
Total	**1,368**	**1,069**	**298**	**27.9%**

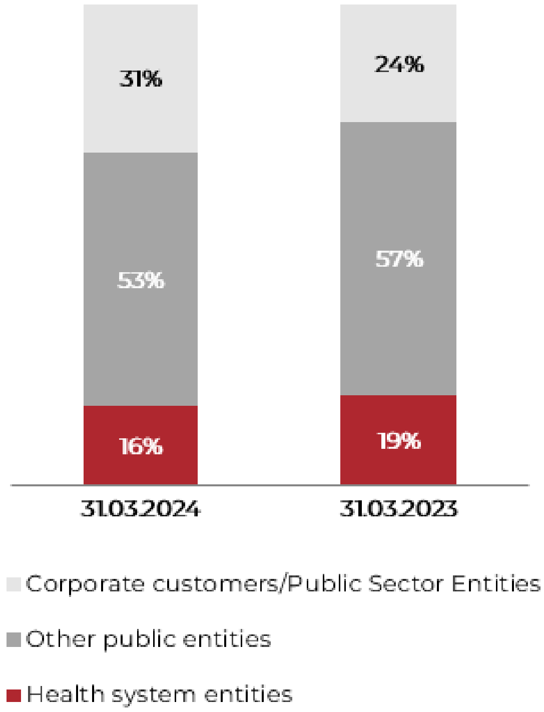
Volumes were generated through both its own internal commercial network and through other intermediaries with which the Group has entered into distribution agreements.

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 at 31 March 2024 (management figures) amounted to € 1,956 million compared to € 1,651 million at 31 March 2023.



The following chart shows the ratio of debtors to the total exposure in the loans and receivables portfolio at 31 March 2024 and 2023. The Group's core factoring business remains the Public Administration entities segment.



Volumes related to the management of third-party portfolios amounted to € 125 million (an increase compared to the € 121 million recognised in the same period of last year).

SALARY- AND PENSION-BACKED LOANS AND QUINTOPUOI

The negative performance of the salary- and pension-backed loan market continued in the first quarter of 2024. The aggregate value of disbursements reported by Assofin for the quarter showed a decrease of 6.4% compared to the first quarter. This trend reflects that seen at the end of 2023 and the cautious approach to this market by many operators who recognise its weaknesses, particularly the slow adjustment of yields to changing interest rates and the high exposure to regulatory events such as the "Lexitor Judgment" and over-indebtedness.

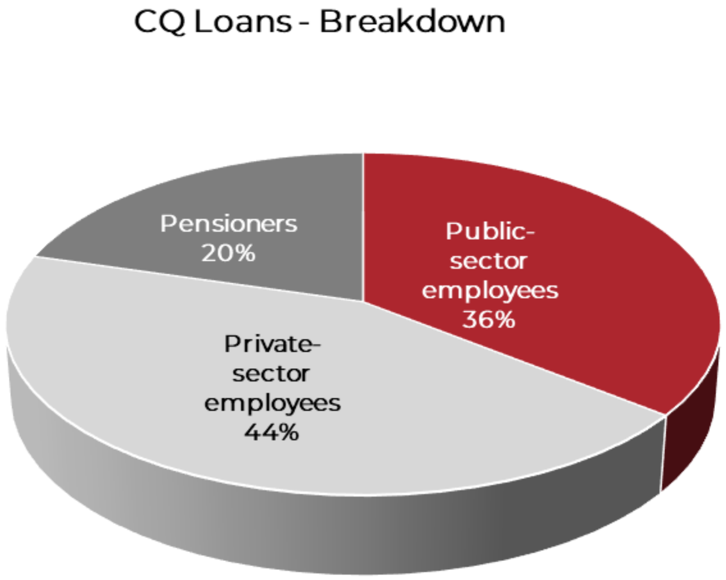
Despite this challenging environment, the Retail Division achieved a positive performance, partly due to the strong positioning achieved at the end of 2023 with the entry of some new intermediaries into the distribution network. Total volumes disbursed in the quarter amounted to € 56 million, an increase of 52% compared to the same period last year, albeit affected by a change in pricing strategies.

The outstanding capital of the QC is slightly higher than at the end of the year and stands at € 801 million at 31 March 2024. This figure is impacted by a slight slowdown in the pace of repayments in the portfolio and strong volume growth, which offset the natural attrition of the portfolio.

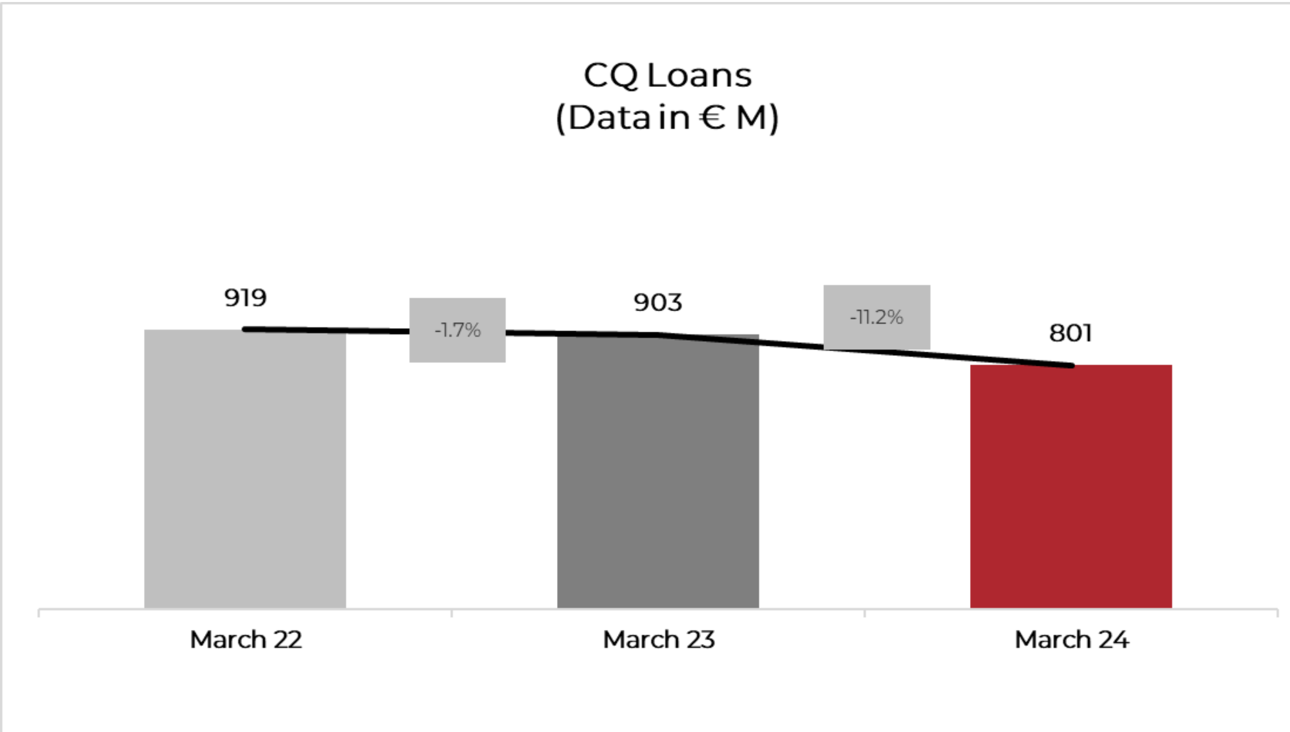
On a commercial level, significant efforts were also made to further expand the product range through agreements with other financial institutions for the placement of their products through the Division's distribution network. Among the new products is the personal loan under the Prestitopuoi brand, which extends the family of the Division's branded products. These agreements create opportunities for the network to work with a complete range of products, including personal loans, mortgages and pensions, encouraging a more generalist approach by the operators, and also generate commission income for the Bank, improving the Division's overall profitability.

	First Quarter of 2024	First Quarter of 2023	€ Change	% Change
No. of applications (#)	2,810	1,740	1,070	61.5%
of which originated	2,723	1,740	983	56.5%
Volumes disbursed (millions of Euro)	56	37	19	51.4%
of which originated	56	104	(48)	-46.2%

CQ Loans are split between private-sector employees (20%), pensioners (44%) and public-sector employees (36%). Therefore, over 79% of the volumes refer to pensioners and employees of Public Administration, which remains the Bank's main debtor.



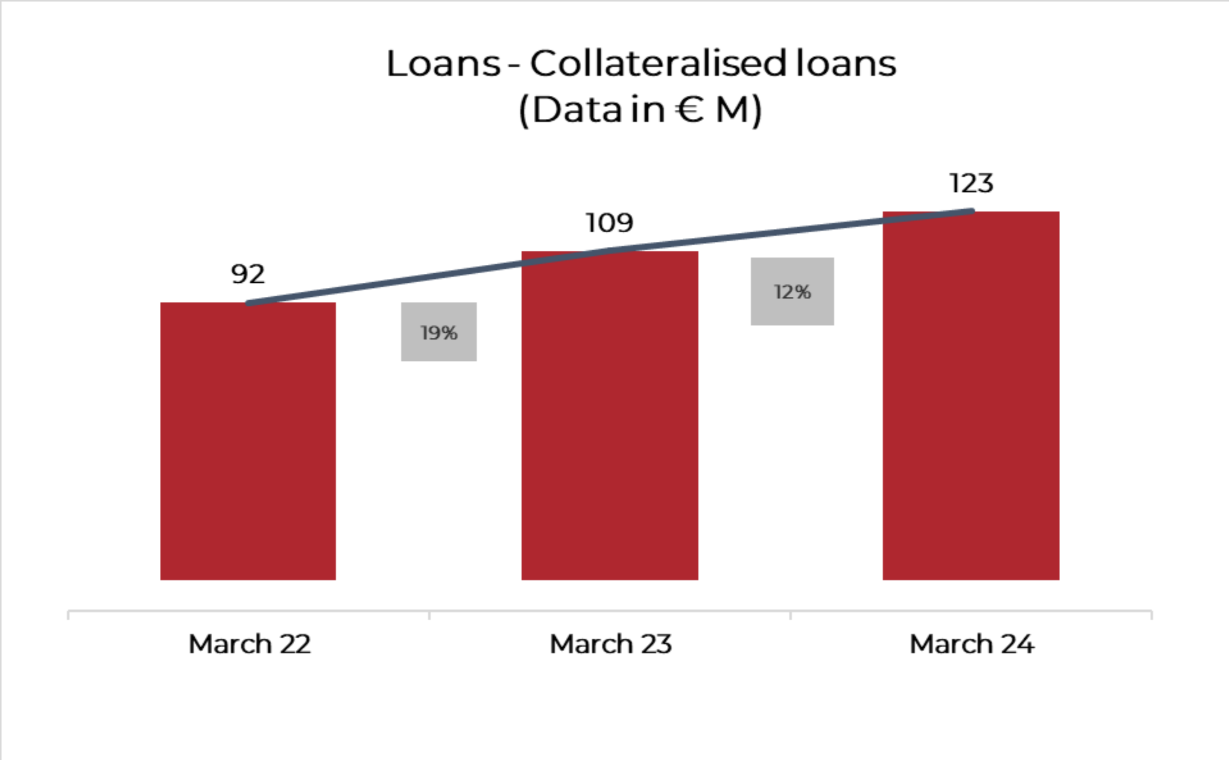
The following chart shows the performance of outstanding loans in the salary-/pension-backed loans (CQS/CQP) portfolio:



COLLATERALISED LENDING AND KRUSO KAPITAL

At 31 March 2024, Kruso Kapital held approximately 71.1 thousand policies (collateralised loans) in Italy, amounting to total loans of € 122 million. This figure reflects a 1% increase from the previous year's total of € 121.4 million at 31 December 2023.

The following chart shows the performance of outstanding loans:



The main consolidated statement of financial position and income statement aggregates of Kruso Kapital are shown below.

The assets, which increased by 2.8%, consist mainly of loans and receivables with customers (71% of total assets) related to the collateralised lending business (up 1% from the previous year due to the increase in collateralised loans in Italy) and goodwill of € 29.6 million.

Assets (€,000)	31.03.2024	31.12.2023	€ Change	% Change
Cash and cash equivalents	9,869	6,710	3,159	47.1%
Financial assets measured at amortised cost	122,632	121,444	1,188	1.0%
a) loans and receivables with banks	73	35	38	>100%
b1) loans and receivables with customers - loans	122,559	121,409	1,150	0.9%
Property and equipment	4,199	4,334	(135)	-3.1%
Intangible assets	31,740	31,451	289	0.9%
of which: goodwill	29,606	29,606	-	0.0%
Tax assets	399	563	(164)	-29.1%
Other assets	3,613	3,189	424	13.3%
Total assets	**172,452**	**167,691**	**4,761**	**2.8%**

Liabilities and equity (€,000)	31.03.2024	31.12.2023	€ Change	% Change
Financial liabilities measured at amortised cost	115,538	113,815	1,723	1.5%
Tax liabilities	2,691	2,273	418	18.4%
Other liabilities	6,746	7,544	(798)	-10.6%
Post-employment benefits	923	900	23	2.6%
Provisions for risks and charges	774	705	69	9.8%
Valuation reserves	(28)	(27)	(1)	3.7%
Reserves	20,389	16,434	3,955	24.1%
Share capital	24,610	23,162	1,448	6.3%
Profit (loss) for the period	809	2,885	(2,076)	-72.0%
Total liabilities and equity	**172,452**	**167,691**	**4,761**	**2.8%**

The "financial liabilities measured at amortised cost" include the auction buyer's premium of € 4.7 million. For 5 years, this amount is reported in the financial statements as due to customers which become a contingent asset if not collected. Based on historical information, approximately 90% of the auction buyer's premium will become a contingent asset over the next 5 years. Amounts due to banks include loans from Banca Sistema and other banks (the latter amounting to around 15% of the total).

Equity at 31.03.2024 amounted to € 45.8 million, up from the amount at 31.12.2023 due to the capital increase in January 2024 (IPO).

The consolidated income statement of Kruso Kapital at 31 March 2024 is provided below.

Income statement (€,000)	First Quarter of 2024	First Quarter of 2023	€ Change	% Change
Total income	**5,543**	**4,334**	**1,209**	**27.9%**
Net impairment losses on loans and receivables	(70)	(51)	(19)	37.3%
Net financial income (expense)	**5,473**	**4,283**	**1,190**	**27.8%**
Personnel expense	(1,877)	(1,708)	(169)	9.9%
Other administrative expenses	(1,819)	(1,508)	(311)	20.6%
Net impairment losses on property and equipment/intangible assets	(396)	(369)	(27)	7.3%
Other operating income (expense)	10	68	(58)	-85.3%
Operating costs	**(4,082)**	**(3,517)**	**(565)**	**16.1%**
Pre-tax profit from continuing operations	**1,391**	**766**	**625**	**81.6%**
Income taxes for the period	(582)	(310)	(272)	87.7%
Profit (loss) for the period of Kruso Kapital Group	**809**	**456**	**353**	**77.4%**

Total income, amounting to 5.5 million, increased due to:

- Net interest income (+30%), from higher interest income, higher lending and higher margins, which more than offset higher interest expenses (driven by a cost of funding as a function of the trend in the 3M Euribor);
- Higher net fee and commission income (expense) (+27%) driven by higher lending/volumes of collateralised lending.

Art-Rite's revenue (whose funding amounted to € 3.8 million in the first quarter) accounted for less than 2% of Total income and came mainly from the four auctions held in the first quarter of 2024.

Credit impairments, which remain extremely minimal, were nevertheless slightly higher than expected and were driven by write-downs (<70k) on a concentrated portfolio of policies, the underlying assets of which were seized.

Operating costs of € 4.1 million were 16% higher than the previous year due to:

- Higher personnel expenses linked to the increase in the number of employees (91 at 31.3.2024 vs 88 at 31.3.2023) in addition to salary increases due to the new national collective bargaining agreement (CCNL) initiated in 4Q23;
- Lower ASA due to lower costs, although, affected by the non-recurring component described above arising from the IPO and the announced transaction to

acquire the second collateralised loan operator in Portugal, are respectively 0.18 million pre-tax and 0.12 million post-tax.

Net profit increased by 77% year-on-year and includes the losses of the ProntoPegno Greece and Art-Rite subsidiaries of € 133 thousand and € 162 thousand, respectively.

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 2024 was equal to a nominal € 817 million compared to € 647 million at 31 December 2023.

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 2024, the nominal amount of securities in the HTCS portfolio amounted to € 756 million (€ 586 million reported at 31 December 2023) with a duration of 9.2 months (13.8 months at 31 December 2023).

At 31 March 2024, the HTC portfolio amounted to € 61 million with a duration of 40.6 months (compared to € 61 million at 31 December 2023 with a duration of 43.6 months).

WHOLESALE FUNDING

At 31 March 2024, wholesale funding was about 24% of the total (22% at 31 December 2023), 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.

In terms of customer deposits, the Bank continued its strategy of reducing deposits from corporate customers, which are known to be less stable and more concentrated, in order to achieve greater diversification and focus on the more stable sources.

At the same time, the stock of deposits from private customers reached € 3 billion at the end of the financial year, almost entirely from term deposits.

At 31 March 2024, the LCR stood at 298%, compared to 537% at 31 December 2023.

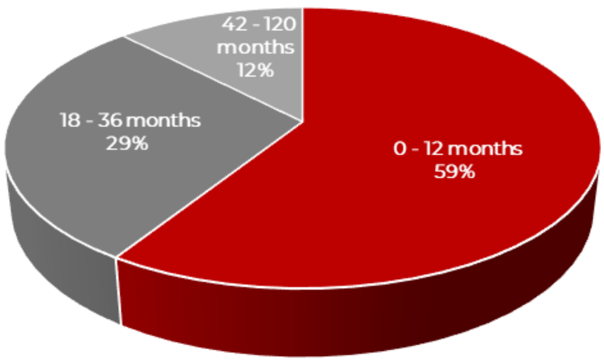
RETAIL FUNDING

Retail funding accounts for 76% 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 2024 amounted to € 2,708 million, an increase of 12.7% compared to 31 December 2023. The above-mentioned amount also includes total term deposits of € 2,135 million (obtained with the help of partner platforms) held with foreign entities (accounting for 79% of total deposit funding), an increase of € 1,241 million over the same period of the previous year.

The breakdown of funding by term is shown below.

Breakdown of deposit accounts as at 31 March 2024



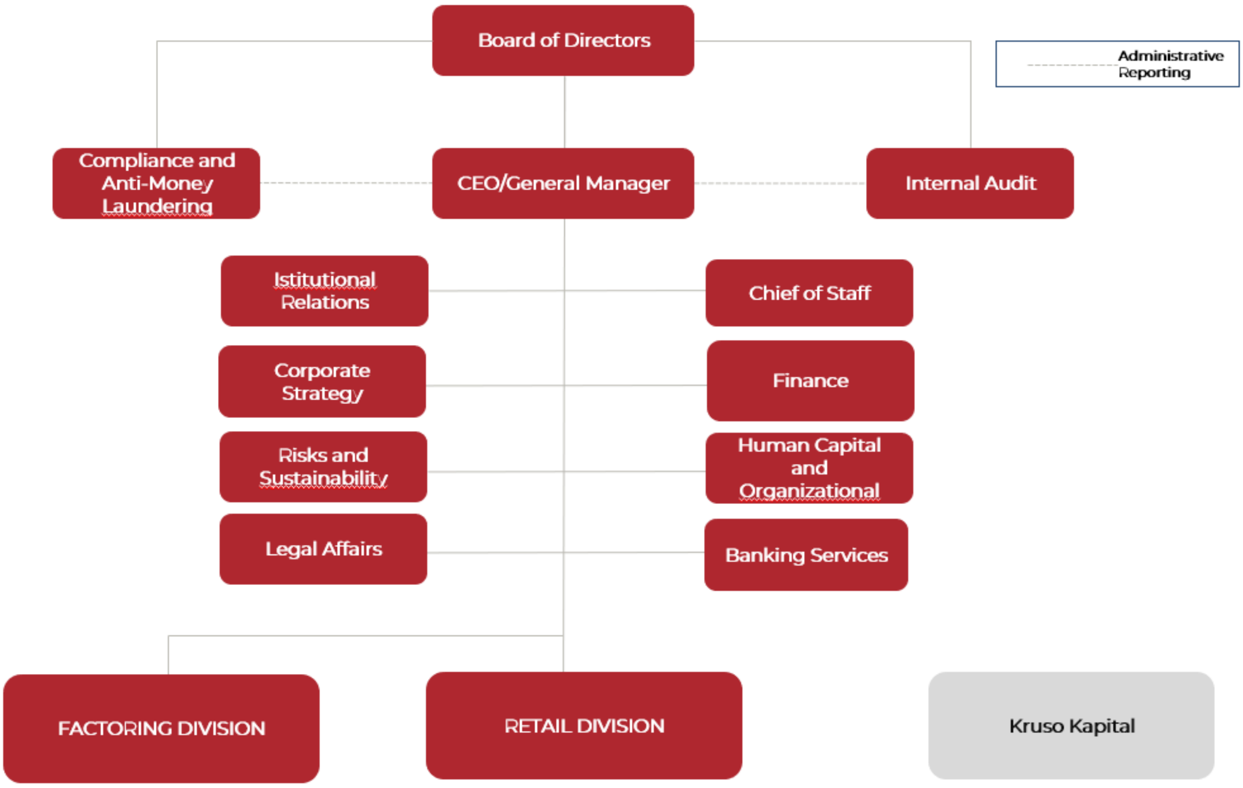
The average residual life is 15 months compared to 12 months in the same period of 2023.

COMPOSITION AND STRUCTURE OF THE GROUP

Organisational chart

Since 2020, the Bank's organisational structure has been based on the divisional organisational model which assigns specific powers and autonomy in terms of lending, sales and operations to each of the Factoring and CQ businesses, and more specifically, also allows the divisional organisational structures to evolve according to their respective needs and objectives.

The organisational chart in force since 15 September 2023 is as follows:



HUMAN RESOURCES

As at 31 March 2024, the Group had a staff of 302, broken down by contract category as follows:

FTES	31.03.2024	31.12.2023	31.03.2023
Senior managers	26	26	24
Middle managers (QD3 and QD4)	67	67	65
Other personnel	209	206	202
Total	**302**	**299**	**291**

During the first quarter of 2024, 6 people were recruited and hired to support business expansion, fill staff vacancies or to replace long-term absentee workers. More than 83% of these were on permanent contracts and mainly for activities in the Factoring Division and the Corporate Centre. Voluntary staff turnover in the first quarter of 2024 was 1.7%, down from the same quarter in 2023.

Regarding skills development, the Bank identified professional and technical training requirements related to legal and regulatory issues. During the first quarter of 2024, the Bank organized training sessions conducted by both internal and external trainers. These sessions focused on technical and professional training in areas such as anti-money laundering, Mifid II, cybersecurity, and language training, as well as organising meetings and discussions with off-site teambuilding activities.

The rules set out in the 2023 Remuneration Policies concerning the determination of the bonus pool payable and individual performance-related bonuses were applied and the fulfilment of the economic and financial gates was verified. The 2024 Remuneration Policies were also updated and approved during the quarter, and the variable incentive scheme for 2024 is currently being prepared.

The resolutions of the Board of Directors on supporting the welfare of employees and their families, particularly those with children, through the review and increase of the welfare credit allocated through the flexible benefits system, were also implemented during the quarter.

The average age of Group employees is 48 for men and 43.8 for women. The breakdown by gender is essentially balanced, with men accounting for 54.6% and women for 45.4% of the total.

INCOME STATEMENT RESULTS

Income statement (€,000)	First Quarter of 2024	First Quarter of 2023	€ Change	% Change
Net interest income	11,799	20,643	(8,844)	-42.8%
Net income from tradind in Superbonus (1)	4,351	-	4,351	n.a.
Net interest income adjusted	**16,150**	**20,643**	**(4,493)**	**-21.8%**
Net fee and commission income (expense)	8,612	4,587	4,025	87.7%
Dividends and similar income	-	-	-	n.a.
Net trading income (expense)	459	(250)	709	<100%
Net hedging result	(7)	7	(14)	<100%
Gain from sales or repurchases of financial assets/liabilities	1,605	323	1,282	>100%
Total income	**26,819**	**25,310**	**1,509**	**6.0%**
Net impairment losses on loans and receivables	(1,379)	(1,046)	(333)	31.8%
Gains/losses from contract amendments without derecogniti	(2)	-	(2)	n.a.
Net financial income (expense)	**25,438**	**24,264**	**1,174**	**4.8%**
Personnel expense	(8,119)	(7,492)	(627)	8.4%
Other administrative expenses	(8,723)	(9,030)	307	-3.4%
Net accruals to provisions for risks and charges	(1,310)	(1,494)	184	-12.3%
Net impairment losses on property and equipment/intangibl	(777)	(763)	(14)	1.8%
Other operating income (expense)	463	399	64	16.0%
Operating costs	**(18,466)**	**(18,380)**	**(86)**	**0.5%**
Gains (losses) on equity investments	25	(10)	35	<100%
Pre-tax profit from continuing operations	**6,997**	**5,874**	**1,123**	**19.1%**
Income taxes for the period	(2,615)	(2,041)	(574)	28.1%
Post-tax profit for the period	**4,382**	**3,833**	**549**	**14.3%**
Post-tax profit (loss) from discontinued operations	-	-	-	n.a.
Profit for the period	**4,382**	**3,833**	**549**	**14.3%**
Profit (loss) attributable to non-controlling interests	(238)	(114)	(124)	>100%
Profit for the period attributable to the owners of the parent	**4,144**	**3,719**	**425**	**11.4%**

(1) The net trading income from Superbonus was reclassified from the item Trading income and restated in a separate item to supplement Net interest income.

The first quarter of 2024 ended with a profit of € 4.1 million, up on the same period of the previous year.

Pre-tax profit rose by 19.1% as a result of the 6% increase in Total income and the containment of cost growth.

Net interest income (€,000)	First Quarter of 2024	First Quarter of 2023	€ Change	% Change
Interest and similar income				
Loans and receivables portfolios	42,855	33,290	9,565	28.7%
Factoring	29,375	22,813	6,562	28.8%
CQ	4,578	5,276	(698)	-13.2%
Collateralised lending	3,312	2,401	911	37.9%
Government-backed loans to SMEs	5,590	2,800	2,790	99.6%
Securities portfolio	705	5,794	(5,089)	-87.8%
Other	4,647	1,019	3,628	>100%
Financial liabilities	-	-	-	n.a.
Total interest income	**48,207**	**40,103**	**8,104**	**20.2%**
Interest and similar expense				
Due to banks	(5,997)	(3,750)	(2,247)	59.9%
Due to customers	(28,407)	(13,996)	(14,411)	>100%
Securities issued	(2,004)	(1,714)	(290)	16.9%
Financial assets	-	-	-	n.a.
Total interest expense	**(36,408)**	**(19,460)**	**(16,948)**	**87.1%**
Net interest income	**11,799**	**20,643**	**(8,844)**	**-42.8%**
Net income from tradind in Superbonus (1)	4,351	-	4,351	n.a.
Net interest income adjusted	**16,150**	**20,643**	**(4,493)**	**-21.8%**

Interest income showed solid growth compared with the same period of the previous year, reflecting the good performance of the Factoring Division (which includes revenue from "factoring" and "Government-backed loans to SMEs"), which offset the increase in the cost of funding allocated to the Division. Interest expense, however, increased as a result of the continued rise in market interest rates in 2023, although the Group's average cost of funding is still below the ECB rate.

The total contribution of the Factoring Division to interest income was € 29 million, equal to 81% of the entire loans and receivables portfolio, to which the commission component associated with the factoring business and the revenue generated by the assignment of some receivables from the factoring portfolio need to be added. The item also includes the interest component tied to the amortised cost of superbonus loans used in compensation amounting to € 0.5 million.

The component owed for late payments pursuant to Legislative Decree 231/02 (consisting of default interest and compensation) legally enforced at 31 March 2024 amounted to € 13.3 million (€ 11.1 million in the first quarter of 2023):

- of which € 9.7 million resulting from the current recovery estimates (€ 5.3 million in the first quarter of 2023);

- of which €3.3 million (€2 million in the first quarter of 2023) coming from the difference between the amount collected during the period, equal to €4.4 million (€2.7 million in the first quarter of 2023) and that recognised on an accruals basis in previous years;
- of which € 0.3 million resulting from the current estimates for the recovery of the € 40 component of the compensation claims pursuant to Article 6 of Legislative Decree No. 231/02.

The amount of the stock of default interest pursuant to legislative decree 231/02 accrued at 31 March 2024, relevant for the allocation model, was € 156 million (€ 137 million at the end of 2023), which becomes € 244 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 € 90.8 million. Therefore, the amount of default interest pursuant to legislative decree 231/02 not recognised in the income statement is € 154 million.

The contribution from interest from the salary- and pension-backed portfolios amounted to € 4.6 million, down from the same period of the previous year from the impact of prepayments on portfolios purchases in previous years, only partially offset by higher yields on new loans originated at higher rates.

The sustained growth of the Collateralised Lending Division was confirmed, whose contribution to the income statement amounted to € 3.3 million, compared to € 2.4 million in the first quarter of 2023.

The interest component from government-backed loans also had a positive and significant impact.

The lower contribution from the Securities portfolio compared to the same period last year is related to the lower holdings in the securities portfolios compared to last year as a result of the sale of HTC securities in the second half of 2023.

The growth in interest expenses is entirely due to the interest rate hikes by the ECB.

The Superbonus trading income is generated from the trading of these loans and the valuation of these loans at fair value.

Net fee and commission income (€,000)	First Quarter of 2024	First Quarter of 2023	€ Change	% Change
Fee and commission income				
Factoring activities	7,288	2,916	4,372	>100%
Fee and commission income - off-premises CQ	2,867	1,674	1,193	71.3%
Collateralised loans (fee and commission income)	3,272	2,569	703	27.4%
Collection activities	435	331	104	31.4%
Other fee and commission income	169	185	(16)	-8.6%
Total fee and commission income	**14,031**	**7,675**	**6,356**	**82.8%**
Fee and commission expense				
Factoring portfolio placement	(528)	(328)	(200)	61.0%
Placement of other financial products	(1,508)	(593)	(915)	>100%
Fees - off-premises CQ	(2,678)	(1,656)	(1,022)	61.7%
Other fee and commission expense	(705)	(511)	(194)	38.0%
Total fee and commission expense	**(5,419)**	**(3,088)**	**(2,331)**	**75.5%**
Net fee and commission income	**8,612**	**4,587**	**4,025**	**87.7%**

Net fee and commission income (expense), amounting to € 8.6 million, increased by 87.7%, due to growth in commissions from the factoring business.

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 € 0.7 million compared to 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 up 27.4% compared to the same period last year, driven by the recent development of the servicer business for third-party securitisations.

Other Fee and commission income, includes commissions and fees related to current account services and auction fees related to the Art-Rite subsidiary amounting to € 0.1 million.

Fee and commission income - off-premises CQ refers to the commissions on the salary- and pension-backed loan (CQ) origination business of € 2.9 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.

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.

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

Net trading results (€,000)	First Quarter of 2024	First Quarter of 2023	€ Change	% Change
Trading results from financial instruments	435	(250)	685	<100%
Total	**435**	**(250)**	**685**	**<100%**

The item includes the income from trading Italian government bonds.

Gain (loss) from sales or repurchases (€,000)	First Quarter of 2024	First Quarter of 2023	€ Change	% Change
Gains from HTCS portfolio debt instruments	675	123	552	>100%
Gains from HTC portfolio debt instruments	-	-	-	n.a.
Gains from receivables (Factoring portfolio)	930	200	730	>100%
Gains from receivables (CQ portfolio)	-	-	-	n.a.
Total	**1,605**	**323**	**1,282**	**>100%**

The item Gain (loss) from sales or repurchases includes net realised gains from the securities portfolio and factoring receivables, the revenue from which derives from the sale of factoring portfolios to private-sector assignors.

Impairment losses on loans and receivables at 31 March 2024 amounted to € 1.4 million (€ 1.0 million at 31 March 2023). The loss rate decreased to 0.17% at 31 March 2023 from 0.29% in 2023.

Personnel expense (€,000)	First Quarter of 2024	First Quarter of 2023	€ Change	% Change
Wages and salaries	(6,460)	(5,845)	(615)	10.5%
Social security contributions and other costs	(1,267)	(1,234)	(33)	2.7%
Directors' and statutory auditors' remuneration	(392)	(413)	21	-5.1%
Total	**(8,119)**	**(7,492)**	**(627)**	**8.4%**

The increase in Personnel expense compared with the previous year is due to the revised banking contract, which applies to a large part of the staff, and to the increase in the number of employees; the average number of employees rose from 290 to 298.

Other administrative expenses (€,000)	First Quarter of 2024	First Quarter of 2023	€ Change	% Change
Consultancy	(2,142)	(1,301)	(841)	64.6%
IT expenses	(1,870)	(1,767)	(103)	5.8%
Servicing and collection activities	(452)	(442)	(10)	2.3%
Indirect taxes and duties	(1,025)	(667)	(358)	53.7%
Insurance	(408)	(334)	(74)	22.2%
Other	(281)	(262)	(19)	7.3%
Expenses related to management of the SPVs	(156)	(109)	(47)	43.1%
Outsourcing and consultancy expenses	(207)	(122)	(85)	69.7%
Car hire and related fees	(188)	(173)	(15)	8.7%
Advertising and communications	(494)	(545)	51	-9.4%
Expenses related to property management and logistics	(696)	(663)	(33)	5.0%
Personnel-related expenses	(14)	(37)	23	-62.2%
Entertainment and expense reimbursement	(164)	(162)	(2)	1.2%
Infoprovider expenses	(249)	(149)	(100)	67.1%
Membership fees	(142)	(122)	(20)	16.4%
Audit fees	(100)	(96)	(4)	4.2%
Telephone and postage expenses	(101)	(120)	19	-15.8%
Stationery and printing	(34)	(39)	5	-12.8%
Total operating expenses	**(8,723)**	**(7,110)**	**(1,613)**	**22.7%**
Resolution Fund	-	(1,920)	1,920	-100.0%
Total	**(8,723)**	**(9,030)**	**307**	**-3.4%**

Administrative expenses decreased overall as a result of ending the contribution to the Resolution fund, thanks to the achievement of system targets.

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 increasing slightly due to higher investments.

Consulting expenses are mainly composed of costs incurred for upgrades and development.

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

Net impairment losses on property and equipment/intangible assets (€,000)	First Quarter of 2024	First Quarter of 2023	€ Change	% Change
Depreciation of buildings used for operations	(206)	(204)	(2)	1.0%
Depreciation of furniture and equipment	(95)	(93)	(2)	2.2%
Amortisation of value in use	(324)	(373)	49	-13.1%
Amortisation of software	(141)	(83)	(58)	69.9%
Amortisation of other intangible assets	(11)	(10)	(1)	10.0%
Total	**(777)**	**(763)**	**(14)**	**1.8%**

The impairment losses on property and equipment/intangible assets are the result of higher depreciation and amortisation 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 (expense) (€,000)	First Quarter of 2024	First Quarter of 2023	€ Change	% Change
Auction buyer's premiums	124	143	(19)	-13.3%
Recovery of expenses and taxes	314	177	137	77.4%
Amortisation of multiple-year improvement costs	(166)	(136)	(30)	22.1%
Other income (expense)	14	19	(5)	-26.3%
Contingent assets and liabilities	177	196	(19)	-9.7%
Total	**463**	**399**	**64**	**16.0%**

The total of this item shows no significant changes compared to the same period last year.

The increase in the Group's tax rate is due to the elimination, starting from the tax period after 31 December 2023, of the Ace, as defined by the first form of the tax reform.

THE MAIN STATEMENT OF FINANCIAL POSITION AGGREGATES

Assets (€,000)	31.03.2024	31.12.2023	€ Change	% Change
Cash and cash equivalents	246,124	250,496	(4,372)	-1.7%
Financial assets measured at fair value through other comprehensive income	753,574	576,002	177,572	30.8%
Financial assets measured at amortised cost	3,091,206	3,396,281	(305,075)	-9.0%
a) loans and receivables with banks	1,074	926	148	16.0%
b1) loans and receivables with customers - loans	3,029,031	3,334,250	(305,219)	-9.2%
b2) loans and receivables with customers - debt instruments	61,101	61,105	(4)	0.0%
Hedging derivatives	-	-	-	n.a.
Changes in fair value of portfolio hedged items (+/-)	2,132	3,651	(1,519)	-41.6%
Equity investments	1,020	995	25	2.5%
Property and equipment	40,307	40,659	(352)	-0.9%
Intangible assets	35,729	35,449	280	0.8%
of which: goodwill	33,526	33,526	-	0.0%
Tax assets	34,922	25,211	9,711	38.5%
Non-current assets held for sale and disposal groups	69	64	5	7.8%
Other assets	316,932	243,592	73,340	30.1%
Total assets	**4,522,015**	**4,572,400**	**(50,385)**	**-1.1%**

At 31 March 2024 total assets were down by 1.1% over the end of 2023 and equal to € 4.5 billion.

The securities portfolio relating to Financial assets measured at fair value through other comprehensive income ("HTCS") of the Group continues to be mainly comprised of Italian government bonds with an average duration of about 9.2 months (the average remaining duration at the end of 2023 was 13.8 months). The nominal amount of the government bonds held in the HTCS portfolio amounted to € 756 million at 31 March 2024 (€ 586 million at 31 December 2023). The associated valuation reserve was negative at the end of the period, amounting to € 15.9 million before the tax effect.

Loans and receivables with customers (€,000)	31.03.2024	31.12.2023	€ Change	% Change
Factoring receivables	1,807,782	2,117,279	(309,497)	-14.6%
Salary-/pension-backed loans (CQS/CQP)	801,469	798,695	2,774	0.3%
Collateralised loans	122,559	121,315	1,244	1.0%
Loans to SMEs	264,690	285,772	(21,082)	-7.4%
Current accounts	650	412	238	57.8%
Compensation and Guarantee Fund	28,729	7,511	21,218	>100%
Other loans and receivables	3,152	3,266	(114)	-3.5%
Total loans	**3,029,031**	**3,334,250**	**(305,219)**	**-9.2%**
Securities	61,101	61,105	(4)	0.0%
Total loans and receivables with customers	**3,090,132**	**3,395,355**	**(305,223)**	**-9.0%**

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 60% (64% at the end of 2023). The volumes generated during the quarter amounted to € 1,368 million (€ 1,069 million at 31 March 2023).

Salary- and pension-backed loans were largely unchanged from the end of the previous year, with volumes disbursed directly by the agent network amounting to € 54 million (€ 37 million at the end of the first quarter of 2023).

Government-backed loans to small and medium-sized enterprises decreased with new disbursements amounting to € 265 million.

The collateralised lending business, which is conducted through the Kruso Kapital subsidiary, grew during the period, with loans granted at 31 March 2024 amounting to € 122 million.

HTC Securities are composed entirely of Italian government securities with an average duration of 40.6 months for an amount of € 61 million. The mark-to-market valuation of the securities at 31 March 2024 shows a pre-tax unrealised loss of € 5.4 million.

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

Status	31.03.2023	30.06.2023	30.09.2023	31.12.2023	31.03.2024
Bad exposures - gross	173,944	173,412	174,216	173,767	177,760
Unlikely to pay - gross	34,474	63,081	59,246	59,172	51,140
Past due - gross	67,432	61,857	53,904	64,176	57,940
Non-performing - gross	**275,850**	**298,350**	**287,366**	**297,115**	**286,840**
Performing - gross	**2,686,758**	**2,838,474**	**2,740,646**	**3,108,776**	**2,814,181**
Stage 2 - gross	109,587	94,497	89,457	90,912	66,143
Stage 1 - gross	2,577,171	2,743,977	2,651,189	3,017,864	2,748,038
Total loans and receivables with customers	**2,962,608**	**3,136,824**	**3,028,012**	**3,405,891**	**3,101,021**
Individual impairment losses	**62,203**	**63,654**	**64,167**	**65,359**	**65,853**
Bad exposures	47,334	48,218	48,331	49,119	49,789
Unlikely to pay	13,780	14,186	14,677	15,080	14,907
Past due	1,089	1,250	1,159	1,160	1,157
Collective impairment losses	**5,538**	**5,808**	**6,345**	**6,282**	**6,137**
Stage 2	689	607	653	694	456
Stage 1	4,849	5,201	5,692	5,588	5,681
Total impairment losses	**67,741**	**69,462**	**70,512**	**71,641**	**71,990**
Net exposure	**2,894,867**	**3,067,362**	**2,957,500**	**3,334,250**	**3,029,031**

The ratio of gross non-performing loans to the total portfolio decreased to 9.2% compared to 8.7% at 31 December 2023, due to a decrease in the absolute value of performing loans, despite a reduction in non-performing 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 23.0%, up from 22% on 31 December 2023.

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 € 34.4 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 € 33.5 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;
- provisional goodwill of € 1.2 million, resulting from the acquisition of Art-Rite which was completed on 2 November 2022.

The investment recognised in the financial statements relates to the 50/50 joint venture with EBN Banco de Negocios S.A. in EBNSISTEMA. At the end of first quarter of 2024, EBNSISTEMA originated € 28 million in loans and receivables, compared to € 30 million in the first quarter of 2023.

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 is mainly composed of "Superbonus 110" tax credits purchased for trading purposes with a carrying amount of € 257 million. This item also includes work in progress at the end of the period, advance tax payments and "Superbonus 110" tax credits of € 33 million acquired as compensation.

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

Liabilities and equity (€,000)	31.03.2024	31.12.2023	€ Change	% Change
Financial liabilities measured at amortised cost	3,978,651	4,042,105	(63,454)	-1.6%
a) due to banks	396,846	644,263	(247,417)	-38.4%
b) due to customers	3,460,170	3,232,767	227,403	7.0%
c) securities issued	121,635	165,075	(43,440)	-26.3%
Tax liabilities	27,675	24,816	2,859	11.5%
Liabilities associated with disposal groups	42	37	5	13.5%
Other liabilities	184,400	181,902	2,498	1.4%
Post-employment benefits	4,731	4,709	22	0.5%
Provisions for risks and charges	38,932	37,836	1,096	2.9%
Valuation reserves	(11,143)	(12,353)	1,210	-9.8%
Reserves	223,869	207,767	16,102	7.8%
Equity instruments	45,500	45,500	-	0.0%
Equity attributable to non-controlling interests	13,778	10,633	3,145	29.6%
Share capital	9,651	9,651	-	0.0%
Treasury shares (-)	(355)	(355)	-	0.0%
Profit for the period	4,144	16,506	(12,362)	-74.9%
Total liabilities and equity	**4,522,015**	**4,572,400**	**(50,385)**	**-1.1%**

Wholesale funding, which represents about 24% of the total (22% at 31 December 2023), increased in absolute terms from the end of 2023 mainly following an increase in funding through repurchase agreements while remaining in line in terms of mix with customer deposits, which themselves increased due to higher funding from term deposits.

Due to banks (€,000)	31.03.2024	31.12.2023	€ Change	% Change
Due to Central banks	361,048	556,012	(194,964)	-35.1%
Due to banks	35,798	88,251	(52,453)	-59.4%
Current accounts with other banks	19,798	56,251	(36,453)	-64.8%
Deposits with banks (repurchase agreements)	-	-	-	n.a.
Financing from other banks	16,000	32,000	(16,000)	-50.0%
Total	**396,846**	**644,263**	**(247,417)**	**-38.4%**

The item "Due to banks" decreased by 38.4% compared to 31 December 2023 due to an early repayment of a € 193 million tranche of TLTRO III.

Due to customers (€,000)	31.03.2024	31.12.2023	€ Change	% Change
Term deposits	2,708,052	2,402,002	306,050	12.7%
Financing (repurchase agreements)	362,955	-	362,955	n.a.
Financing - other	65,682	65,154	528	0.8%
Customer current accounts	267,486	704,579	(437,093)	-62.0%
Due to assignors	51,261	56,444	(5,183)	-9.2%
Other payables	4,734	4,588	146	3.2%
Total	**3,460,170**	**3,232,767**	**227,403**	**7.0%**

The item "Due to customers" increased compared to the end of the previous year, reflecting an increase in funding from term deposits and also from repurchase agreement financing, while funding from current accounts decreased. The period-end amount of term deposits increased from the end of 2023 (+12.7%), reflecting net positive funding (net of interest accrued) of € 295 million; gross deposits from the beginning of the year were € 777 million.

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

Bonds issued (€,000)	31.03.2024	31.12.2023	€ Change	% Change
Bond - AT1	45,500	45,500	-	0.0%
Bond - Tier II	-	-	-	n.a.
Bonds - other	121,635	165,075	(43,440)	-26.3%

The amount of bonds funding is in line with 31 December 2023; the change is attributable to the trend of redemptions and/or further subscriptions of senior shares in ABS financed by third-party investors.

Bonds issued at 31 March 2024 are as follows:

- AT1 subordinated loan of € 8 million, with no maturity (perpetual basis) and a variable coupon starting from 19 June 2023, 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 securitisations subscribed by third-party institutional investors.

All AT1 instruments, based on their main characteristics, are classified under equity item 140 "Equity instruments".

The provision for risks and charges of € 38.9 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 period, the deferred portion of the bonus accrued in previous years, and the estimates related to the non-compete agreement and the 2022 retention plan, totalling € 5.9 million (the item includes the estimated variable and deferred components, 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 € 15.9 million. With reference to the CQ portfolio (Salary- and Pension-Backed Loans), there is also a provision for claims, a provision for the estimated negative effect of possible early repayments on existing portfolios and portfolios sold, as well as repayments related to the Lexitor ruling amounting to € 13.8 million.

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

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

(€ .000)	PROFIT (LOSS)	EQUITY
Profit (loss)/equity of the parent	**3,486**	**268,752**
Assumption of value of investments	-	(45,178)
Consolidated profit (loss)/equity	879	61,870
Gain (loss) on equity investments	17	-
Adjustment to profit (loss) from discontinued operations	-	-
Equity attributable to the owners of the parent	**4,382**	**285,444**
Equity attributable to non-controlling interests	(238)	(13,778)
Profit (loss)/equity of the Group	**4,144**	**271,666**

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	31.03.2024	31.12.2023
Common Equity Tier 1 (CET1)	**186,793**	**184,308**
ADDITIONAL TIER 1	45,500	45,500
Tier 1 capital (T1)	**232,293**	**229,808**
TIER2	305	252
Total Own Funds (TC)	**232,598**	**230,060**
Total risk-weighted assets	**1,475,214**	**1,427,705**
of which, credit risk	1,280,286	1,234,050
of which, market risk	4,464	3,191
of which, operational risk	190,464	190,464
Ratio - CET1	**12.7%**	**12.9%**
Ratio - T1	**15.7%**	**16.1%**
Ratio - TCR	**15.8%**	**16.1%**

Total regulatory own funds were € 234 million at 31 March 2024 and included the profit, net of dividends estimated on the profit for the period which were equal to the amount in the previous year with the pay-out of 37% of the Parent's profit. The European Parliament gave the green light to the reintroduction of the prudential filter provided for in Article 468 CRR to neutralise price changes of securities held in the HTCS category recorded in the equity valuation reserve. This filter on the figures at 31 March 2024 will generate a benefit of 70 basis points on CET1 and TCR.

The CET1 ratio decreased compared to the ratio at 31 December 2023 due to more capital being allocated to private entities.

The Group's new consolidated capital requirements, which came into effect on 31 March 2024, are as follows:

- CET1 ratio of 9.4%;
- TIER1 ratio of 10.90%;
- Total Capital Ratio of 12.90%.

The reconciliation of equity and CET1 is provided below:

	31.03.2024	31.12.2023
Share capital	9,651	9,651
Equity instruments	45,500	45,500
Income-related and share premium reserve (*)	218,642	207,767
Treasury shares (-)	(355)	(355)
Valuation reserves	(11,143)	(12,353)
Profit	4,144	16,506
Equity attributable to the owners of the parent	**266,439**	**266,716**
Dividends distributed and other foreseeable expenses	(1,287)	(5,227)
Equity assuming dividends are distributed to shareholders	**265,152**	**261,489**
Regulatory adjustments	(40,975)	(39,929)
Eligible equity attributable to non-controlling interests	9,896	8,248
Equity instruments not eligible for inclusion in CET1	(45,500)	(45,500)
Common Equity Tier 1 (CET1)	**188,573**	**184,308**

(*) The figure as at 31 March 2024 does not include the dividend for 2023 already paid in May 2024.

OTHER INFORMATION

RESEARCH AND DEVELOPMENT ACTIVITIES

No research and development activities were carried out in 2024.

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 2024, 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

The Shareholders' Meeting of Banca Sistema, held on 24 April 2024, approved the financial statements for the year ended 31 December 2023 and decided to allocate the profit for the year of € 8,902,003.61 to retained earnings and € 5,227,368.38, representing € 0.065 per ordinary share, to be paid out as dividends.

The Shareholders' Meeting also appointed the Board of Directors for the financial years 2024-2025-2026, consisting of 9 members, 6 of whom are independent pursuant to the applicable regulations.

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

BUSINESS OUTLOOK AND MAIN RISKS AND UNCERTAINTIES

The expectation of a gradual increase in the cost of funding, also for 2024, is confirmed, compared with previous quarters, as a result of the rise in market rates and also from repositioning to more stable and/or long-term forms of funding.

While the new disbursements of the Group's Divisions will be able to reflect the higher cost of funding attributed to them in a higher yield on loans in the financial statements, the stock of past production of CQ loans, due to a longer maturity, will continue to be negatively impacted by the (fixed rate) yield of loans originated in previous years, which are significantly lower than current market rates. Although the salary- and pension-backed loan (CQ) business is benefitting from a higher yield on newly originated loans, the relative size of the old portfolio is such that total income from CQ in 2024 is still expected to be negative.

The new Strategic Plan is currently being finalised and will be presented to the financial community on 20 May 2024.

Milan, 10 May 2024

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	31.03.2024	31.12.2023
10.	Cash and cash equivalents	246,124	250,496
30.	Financial assets measured at fair value through other comprehensive incor	753,574	576,002
40.	Financial assets measured at amortised cost	3,091,206	3,396,281
	a) loans and receivables with banks	1,074	926
	b) loans and receivables with customers	3,090,132	3,395,355
50.	Hedging derivatives	-	-
60.	Changes in fair value of portfolio hedged items (+/-)	2,132	3,651
70.	Equity investments	1,020	995
90.	Property and equipment	40,307	40,659
100.	Intangible assets	35,729	35,449
	of which:	-	-
	goodwill	33,526	33,526
110.	*Tax assets*	34,922	25,211
	a) current	16,736	7,139
	b) deferred	18,186	18,072
120.	Non-current assets held for sale and disposal groups	69	64
130.	Other assets	316,932	243,592
	Total Assets	**4,522,015**	**4,572,400**

	Liabilities and equity	31.03.2024	31.12.2023
10.	Financial liabilities measured at amortised cost	3,978,651	4,042,105
	a) due to banks	396,846	644,263
	b) due to customers	3,460,170	3,232,767
	c) securities issued	121,635	165,075
40.	Hedging derivatives	2,140	3,646
60.	Tax liabilities	27,675	24,816
	a) current	744	456
	b) deferred	26,931	24,360
70.	Liabilities associated with disposal groups	42	37
80.	Other liabilities	184,400	181,902
90.	Post-employment benefits	4,731	4,709
100.	Provisions for risks and charges:	38,932	37,836
	a) commitments and guarantees issued	53	59
	c) other provisions for risks and charges	38,879	37,777
120.	Valuation reserves	(11,143)	(12,353)
140.	Equity instruments	45,500	45,500
150.	Reserves	184,769	168,667
160.	Share premium	39,100	39,100
170.	Share capital	9,651	9,651
180.	Treasury shares (-)	(355)	(355)
190.	Equity attributable to non-controlling interests (+/-)	13,778	10,633
200.	Profit for the period/year	4,144	16,506
	Total liabilities and equity	**4,522,015**	**4,572,400**

INCOME STATEMENT

(Amounts in thousands of Euro)

		First Quarter of 2024	First Quarter of 2023
10.	Interest and similar income	48,207	40,103
	of which: interest income calculated with the effective interest method	48,207	37,704
20.	Interest and similar expense	(36,408)	(19,460)
30.	**Net interest income**	**11,799**	**20,643**
40.	Fee and commission income	14,031	7,675
50.	Fee and commission expense	(5,419)	(3,088)
60.	**Net fee and commission income (expense)**	**8,612**	**4,587**
70.	Dividends and similar income	-	-
80.	Net trading income (expense)	4,810	(250)
90.	Net gains (losses) on hedge accounting	(7)	7
100.	Gain (loss) from sales or repurchases of:	1,605	323
	a) financial assets measured at amortised cost	930	200
	b) financial assets measured at fair value through other comprehensive ir	675	123
120.	**Total income**	**26,819**	**25,310**
130.	Net impairment losses/gains on:	(1,379)	(1,046)
	a) financial assets measured at amortised cost	(1,348)	(1,046)
	b) financial assets measured at fair value through other comprehensive ir	(31)	-
140.	Gains/losses from contract amendments without derecognition	(2)	-
150.	**Net financial income (expense)**	**25,438**	**24,264**
190.	Administrative expenses	(16,842)	(16,522)
	a) personnel expense	(8,119)	(7,492)
	b) other administrative expenses	(8,723)	(9,030)
200.	Net accruals to provisions for risks and charges	(1,310)	(1,494)
	a) commitments and guarantees issued	6	(2)
	b) other net accruals	(1,316)	(1,492)
210.	Net impairment losses on property and equipment	(625)	(670)
220.	Net impairment losses on intangible assets	(152)	(93)
230.	Other operating income (expense)	463	399
240.	**Operating costs**	**(18,466)**	**(18,380)**
250.	Gains (losses) on equity investments	25	(10)
290.	**Pre-tax profit (loss) from continuing operations**	**6,997**	**5,874**
300.	Income taxes	(2,615)	(2,041)
310.	**Post-tax profit from continuing operations**	**4,382**	**3,833**
320.	Post-tax profit (loss) from discontinued operations	-	-
330.	**Profit for the period**	**4,382**	**3,833**
340.	Profit (Loss) for the period attributable to non-controlling interests	(238)	(114)
350.	**Profit for the period attributable to the owners of the parent**	**4,144**	**3,719**

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in thousands of Euro)

		First Quarter of 2024	First Quarter of 2023
10.	**Profit (loss) for the period**	**4,144**	**3,719**
nti redditu	**Items, net of tax, that will not be reclassified subsequently to profit or loss**	-	-
70.	Defined benefit plans	41	(56)
nti redditu	**Items, net of tax, that will be reclassified subsequently to profit or loss**	-	-
140.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income	1,169	3,333
170.	**Total other comprehensive income (expense), net of income tax**	**1,210**	**3,277**
180.	**Comprehensive income (Items 10+170)**	**5,354**	**6,996**
190.	**Comprehensive income attributable to non-controlling interests**	-	-
200.	**Comprehensive income attributable to the owners of the parent**	**5,354**	**6,996**

STATEMENT OF CHANGES IN EQUITY AT 31/03/2024

Amounts in thousands of Euro

	Balance at 31.12.2023	Change in opening balances	Balance at 1.1.2024	Allocation of prior year profit		Changes during the year									Equity attributable to the owners of the parent at 31.03.2024	Equity attributable to non-controlling interests at 31.03.2024
						Changes in reserves	Transactions on equity							Comprehensive income for First Quarter of 2024		
				Reserves	Dividends and other allocations		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	**168,667**		168,667	16,506		(404)									**184,769**	
a) income-related	**167,361**		167,361	16,506		(399)									**183,468**	
b) other	**1,306**		1,306			(5)									**1,301**	
Valuation reserves	**(12,353)**		(12,353)											1,210	**(11,143)**	
Equity instruments	**45,500**		45,500												**45,500**	
Treasury shares	**(355)**		(355)												**(355)**	
Profit (loss) for the year	**16,506**		16,506	(16,506)										4,144	**4,144**	
Equity attributable to the owners of the parent	266,716		266,716			(404)								5,354	271,666	
Equity attributable to non-controlling interests	10,633		10,633										3,145			13,778

The reserves also include the dividend for the 2023 financial year of € 0.065 per ordinary share, payable from 2 May 2024, with an ex-dividend date of 29 April 2024.

STATEMENT OF CHANGES IN EQUITY AT 31/03/2023

Amounts in thousands of Euro

				Allocation of prior year profit		Changes during the year										
							Transactions on equity									
	Balance at 31.12.2022	Change in opening balances	Balance at 1.1.2023	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity investments	Comprehensive income for First Quarter of 2023	Equity attributable to the owners of the parent at 31.03.2023	Equity attributable to non-controlling interests at 31.03.2023
Share capital:																
a) ordinary shares	9,651		9,651												9,651	
b) other shares																
Share premium	39,100		39,100												39,100	
Reserves	155,037		155,037	22,034		3									177,074	
a) income-related	153,332		153,332	22,034		(2)									175,364	
b) other	1,705		1,705			5									1,710	
Valuation reserves	(24,891)		(24,891)											3,277	(21,614)	
Equity instruments	45,500		45,500												45,500	
Treasury shares	(559)		(559)												(559)	
Profit (loss) for the year	22,034		22,034	(22,034)										3,719	3,719	
Equity attributable to the owners of the parent	245,872		245,872			3								6,996	252,871	
Equity attributable to non-controlling interests	10,024		10,024										125			10,149

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

Amounts in thousands of Euro

	Amount First Quarter of 2024	First Quarter of 2023
A. OPERATING ACTIVITIES		
1. Operations	45,771	1,387
Profit (loss) for the year (+/-)	4,144	3,719
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 (+/-)	1,348	1,046
Net impairment losses/gains on property and equipment and intangible assets (+/-)	777	763
Net accruals to provisions for risks and charges and other costs/income (+/-)	1,310	1,494
Taxes, duties and tax assets not yet paid (+/-)	(4,577)	(8,713)
Other adjustments (+/-)	42,769	3,078
2. Cash flows generated by (used for) financial assets	68,053	(36,176)
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	(176,174)	(3,196)
Financial assets measured at amortised cost	309,728	(53,675)
Other assets	(65,501)	20,695
3. Cash flows generated by (used for) financial liabilities	(117,728)	(38,627)
Financial liabilities measured at amortised cost	(118,946)	(55,868)
Financial liabilities held for trading		
Financial liabilities designated at fair value through profit or loss		
Other liabilities	1,218	17,241
Net cash flows generated by (used for) operating activities	(3,904)	(73,416)
B. INVESTING ACTIVITIES		
1. Cash flows generated by	-	-
Sales of equity investments		
Dividends from equity investments		
Sales of property and equipment		
Sales of intangible assets		
Sales of business units		
2. Cash flows used in	(468)	(105)
Purchases of equity investments		
Purchases of property and equipment	(35)	(27)
Purchases of intangible assets	(433)	(78)
Purchases of business units		
Net cash flows generated by (used in) investing activities	(468)	(105)
C. FINANCING ACTIVITIES		
Issues/repurchases of treasury shares		
Issues/repurchases of equity instruments		
Dividend and other distributions		
Net cash flows generated by (used in) financing activities	-	-
NET CASH FLOWS FOR THE PERIOD	(4,372)	(73,521)

Cash and cash equivalents at the beginning of the year	250,496	126,589
Total net cash flows for the year	(4,372)	(73,521)
Cash and cash equivalents: effect of change in exchange rates		
Cash and cash equivalents at the end of the period	246,124	53,068

ACCOUNTING POLICIES

GENERAL BASIS OF PREPARATION

This interim consolidated financial report at 31 March 2024 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 2024 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 2022.

This interim consolidated financial report at 31 March 2024 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

General basis of preparation

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

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

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

- the valuation of loans and receivables with customers: the acquisition of performing receivables from companies that supply goods and services represents the Bank's main activity. Estimating the value of these receivables is a complex activity with a high degree of uncertainty and subjectivity. Their value is estimated by using models that include numerous quantitative and qualitative elements. These include the historical data for collections, expected cash flows and the related expected recovery times, the existence of indicators of possible impairment, the valuation of any guarantees, and the impact of risks associated with the sectors in which the Bank's customers operate;
- the valuation of default interest and compensatory indemnities 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 2023, to which reference is made.

Other aspects

The interim consolidated financial report was approved on 10 May 2024 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 2024 is consistent with the company documents, books and accounting records.

Milan, 10 May 2024

Alexander Muz

Manager in charge of financial reporting