



INTERIM CONSOLIDATED
FINANCIAL REPORT

AT 30 SEPTEMBER 2023

BANCA
S I S T E M A

**INTERIM CONSOLIDATED
FINANCIAL REPORT
30 SEPTEMBER 2023**

BANCA SISTEMA GROUP

CONTENTS

CONTENTS	2
DIRECTORS' REPORT	3
COMPOSITION OF THE PARENT'S MANAGEMENT BODIES	4
COMPOSITION OF THE INTERNAL COMMITTEES	5
FINANCIAL HIGHLIGHTS AT 30 SEPTEMBER 2023.....	6
SIGNIFICANT EVENTS FROM 1 JANUARY TO 30 SEPTEMBER 2023	8
FACTORING	9
SALARY- AND PENSION-BACKED LOANS AND QUINTOPUOI	11
COLLATERALISED LENDING AND KRUSO KAPITAL	13
FUNDING AND TREASURY ACTIVITIES	17
RETAIL FUNDING	18
COMPOSITION AND STRUCTURE OF THE GROUP	19
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
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	39
STATEMENT OF FINANCIAL POSITION	40
INCOME STATEMENT	42
STATEMENT OF COMPREHENSIVE INCOME	43
STATEMENT OF CHANGES IN EQUITY AT 30/09/2023	44
STATEMENT OF CHANGES IN EQUITY AT 30/09/2022	45
STATEMENT OF CASH FLOWS (INDIRECT METHOD)	46
ACCOUNTING POLICIES	47
GENERAL BASIS OF PREPARATION	48
STATEMENT OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING	50

DIRECTORS' REPORT

COMPOSITION OF THE PARENT'S MANAGEMENT BODIES

BOARD OF DIRECTORS

Chairperson	Ms. Luitgard Spögler
Deputy Chairperson	Mr. Giovanni Puglisi
CEO and General Manager	Mr. Gianluca Garbi
Directors	Mr. Daniele Pittatore
	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

Chairperson	Ms. Lucia Abati
Standing Auditors	Ms. Daniela Toscano
	Mr. Luigi Ruggieri
Alternate Auditors	Mr. Marco Armarolli
	Ms. Daniela D'Ignazio

INDEPENDENT AUDITORS

BDO Italia S.p.A.

MANAGER IN CHARGE OF FINANCIAL REPORTING

Mr. Alexander Muz

COMPOSITION OF THE INTERNAL COMMITTEES

INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE

Chairperson	Mr. Daniele Bonvicini
Members	Ms. Maria Leddi Mr. Pier Angelo Taverna Mr. Daniele Pittatore

APPOINTMENTS COMMITTEE

Chairperson	Ms. Carlotta De Franceschi
Members	Ms. Francesca Granata Mr. Pier Angelo Taverna

REMUNERATION COMMITTEE

Chairperson	Ms. Francesca Granata
Members	Mr. Giovanni Puglisi Ms. Carlotta De Franceschi

ETHICS COMMITTEE

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

SUPERVISORY BODY

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

FINANCIAL HIGHLIGHTS AT 30 SEPTEMBER 2023

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).

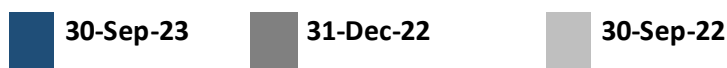
The scope of consolidation also includes the auction house Art-Rite S.r.l. (wholly owned by Kruso Kapital and outside the Banking Group), the Spanish Joint Venture EBNSistema Finance S.L. and the following special purpose securitisation vehicles whose receivables are not subject to derecognition: Quinto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

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, Austria and Spain.

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.

KEY INDICATORS



Statement of financial position data (€,'000)			
Total Assets	30-Sep-23	4.395.759	0,0%
	31-Dec-22	4.397.401	
Securities Portfolio	30-Sep-23	1.081.558	-12,7%
	31-Dec-22	1.239.416	
Loans - Factoring	30-Sep-23	1.729.187	15,2%
	31-Dec-22	1.501.353	
Loans - Salary-backed loans	30-Sep-23	833.592	-10,7%
	31-Dec-22	933.200	
Funding - Banks and REPOs	30-Sep-23	1.118.652	-24,9%
	31-Dec-22	1.488.743	
Funding - Term Deposits	30-Sep-23	2.123.696	48,3%
	31-Dec-22	1.431.548	
Funding - Current Accounts	30-Sep-23	405.691	-36,5%
	31-Dec-22	639.266	

Income statement data (€,'000)			
Net interest income	30-Sep-23	50.159	-23,3%
	31-Dec-22	65.438	
Net fee and commission income (expense)	30-Sep-23	15.159	23,5%
	31-Dec-22	12.273	
Total income	30-Sep-23	71.287	-11,9%
	31-Dec-22	80.929	
Personnel expense	30-Sep-23	(20.855)	-2,7%
	31-Dec-22	(21.439)	
Other administrative expenses	30-Sep-23	(25.956)	13,7%
	31-Dec-22	(22.834)	
Profit for the period attributable to the owners of the Parent	30-Sep-23	11.346	-36,4%
	31-Dec-22	17.835	

SIGNIFICANT EVENTS FROM 1 JANUARY TO 30 SEPTEMBER 2023

On 18 January 2023, the Bank of Italy, following the measure of 5 May 2022, by which the Bank was notified of additional capital requirements with respect to the minimum capital ratios required by current regulations, informed the Bank not to adopt a new decision on capital as a result of the 2022 SREP (Supervisory Review and Evaluation Process) cycle.

On 27 January 2023, a member of the Internal Control and Risk Management Committee was replaced, with Mr Pier Angelo Taverna, an independent and non-executive director, being appointed to replace Ms Francesca Granata, an independent and non-executive director, who is already a member of the Appointments Committee and the Remuneration Committee.

The Board of Directors of Kruso Kapital (in which Banca Sistema holds a 75% equity interest) approved the start of the process to list the company on the Euronext Growth Market of Borsa Italiana S.p.A. The listing could take place in 2023 depending on market conditions.

On 27 February 2023, the Bank of Italy started an inspection at the Bank relating to the "Evolution of Liquidity Risk Exposure and Related Operational Safeguards", the results of which were notified on 23 June. The inspection was concluded without the opening of sanctioning procedures. The Bank, which had already acknowledged certain requests during the inspection, communicated the relevant response to the Supervisory Authority.

The Ordinary Shareholders' Meeting of Banca Sistema, which was held on single call on 28 April 2023, resolved to approve the Separate Financial Statements at 31 December 2022 and to allocate a dividend of € 5.2 million, corresponding to € 0.065 per ordinary share, paid on 10 May 2023.

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 2023, EBNSISTEMA's factoring turnover in the market reached € 143 million (€ 180 million at 30 September 2022).

The bank offers SACE- and MCC-guaranteed loans to its factoring customers and has purchased "110% Eco-Sisma bonus" tax credits until 30 September 2023 within the limits of its tax capacity; in the last quarter, the offer was expanded to include purchases for the purpose of trading.

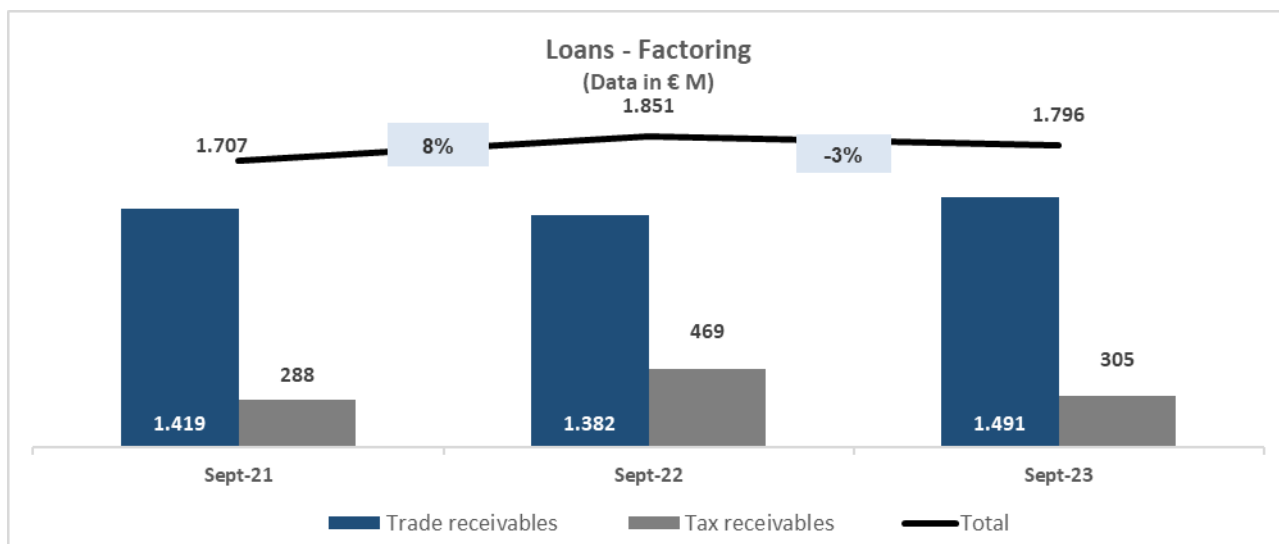
The following table shows the factoring volumes by product type:

Product (millions of Euro)	Third quarter of 2023	Third quarter of 2022	€ Change	% Change
Trade receivables	3.176	2.525	651	25,8%
<i>of which, without recourse</i>	2.543	1.965	578	29,4%
<i>of which, with recourse</i>	633	560	74	13,1%
Tax receivables	399	627	(228)	-36,4%
<i>of which, without recourse</i>	399	627	(228)	-36,4%
<i>of which, with recourse</i>	-	-	-	<i>n.a.</i>
Total	3.575	3.152	423	13,4%

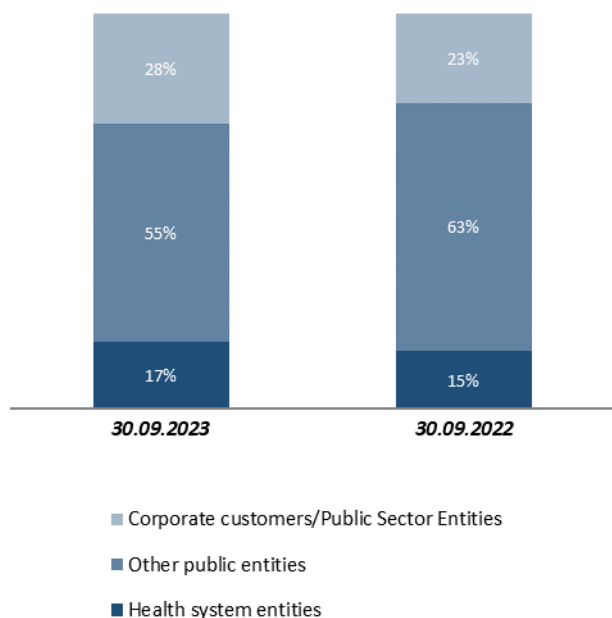
Volumes were generated through both its own internal commercial network and through other intermediaries with which the Group has entered into distribution agreements.

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 and receivables amounted to € 1,796 million at 30 September 2023 (management figure), compared to € 1,851 million at 30 September 2022.



The following chart shows the ratio of debtors to the total exposure in the loans and receivables portfolio at 30 September 2023 and 2022. The Group's core factoring business remains the Public Administration entities segment.



Volumes related to the management of third-party portfolios amounted to € 449 million (an increase compared to the € 362 million recognised in the previous year).

SALARY- AND PENSION-BACKED LOANS AND QUINTOPUOI

During the third quarter of 2023, the Assofin surveys still show a progressive contraction of the market for salary- and pension-backed loans, driven primarily by the increase in interest rates that led to a significant reduction in the amounts financed (-0.2% since the beginning of the year) despite a number of transactions still growing slightly compared to last year (number of transactions +2.8% vs. 2022).

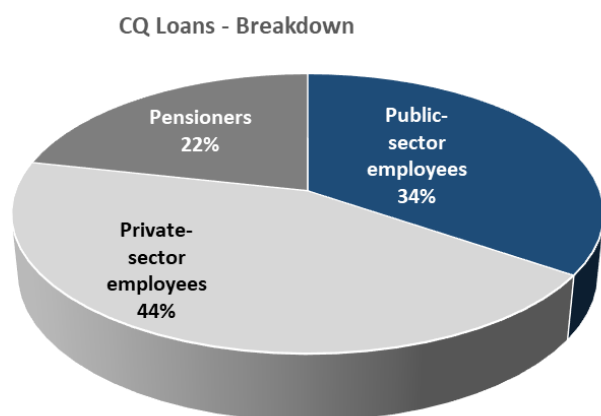
Market rates have gradually adjusted, partially recovering from the impact of the European Central Bank's rate increases. The quarterly data published by the Bank of Italy, including the survey of average overall effective rates (AOER) in the market, indicates an increase of approximately 160 basis points in the salary- and pension-backed loans segment for amounts greater than € 15,000 since the beginning of the year and about 210 basis points from the minimum reached in 2022. The price trend is anticipated to continue its upward trajectory in the upcoming months, aligning itself with the movement already observed in benchmark rates.

A total of € 54.8 million of financed capital was originated, totalling € 132 million since the beginning of the year. Disbursements are down 20% compared to last year, excluding the effect of the acquisition of the BPM portfolio in 2022. The difference is due to a more decisive and earlier-than-market approach in adjusting rates, which slowed down the flow of transactions particularly in the distribution channels most exposed to price competition (credit brokers and intermediaries operating via the telephone channel). The trend is gradually aligning with last year, showing a 4% decrease in volume over Q3. This is indicative of a restored origination capacity following a period disrupted by price asymmetries in the market.

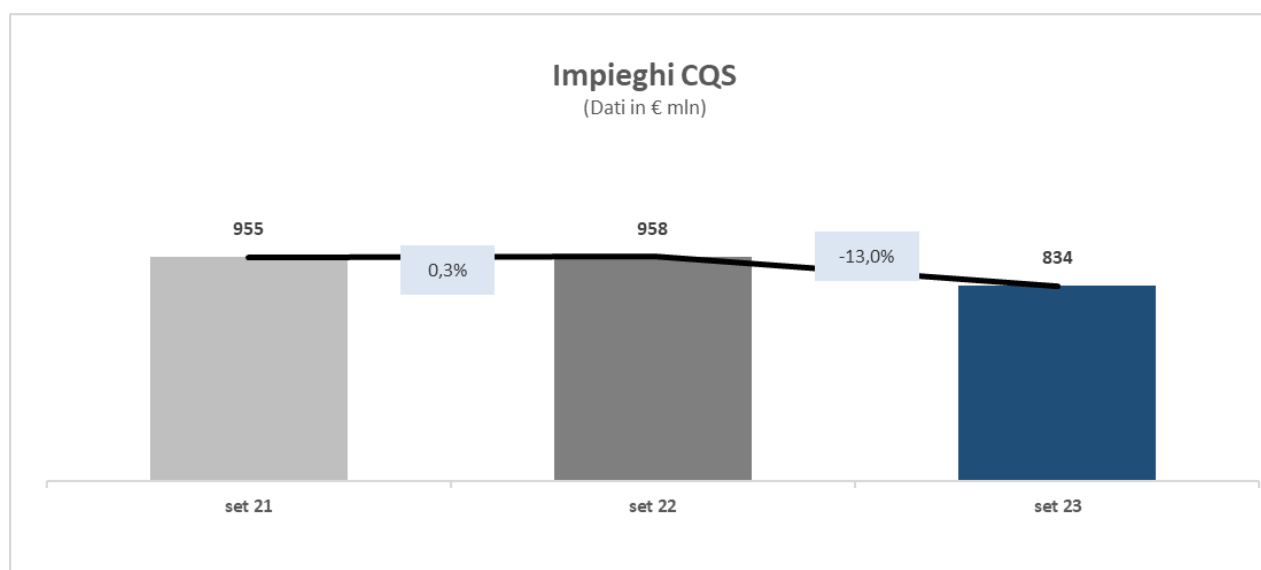
Outstanding capital decreased from € 856 million in June 2023 to € 834 million by 30 September 2023, consistent with expectations and the gradual reduction in *without recourse* exposure.

	Third quarter of 2023	Third quarter of 2022	€ Change	% Change
No. of applications (#)	6.007	15.956	(9.949)	-62,4%
<i>of which originated</i>	5.985	6.951	(966)	-13,9%
Volumes disbursed (millions of Euro)	132	273	(141)	-51,6%
<i>of which originated</i>	122	160	(37)	-23,4%

Loans are split between private-sector employees (22%), pensioners (44%) and public-sector employees (34%). Therefore, over 78% 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:



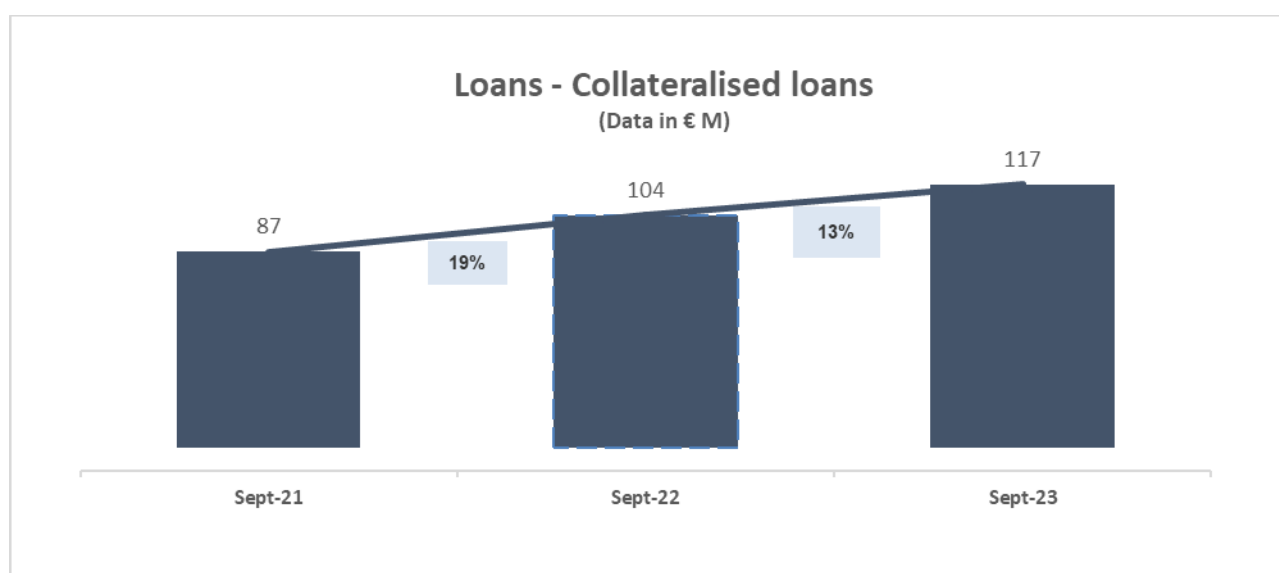
COLLATERALISED LENDING AND KRUSO KAPITAL

At 30 September 2023, Kruso Kapital held approximately 68.3 thousand policies (collateralised loans), amounting to total loans of € 117.1 million. This figure reflects a 13.1% increase from the previous year's total of € 103.5 million at 30 September 2022.

In Italy, volumes generated in the first nine months of 2023 amounted to €129, of which € 80 million were renewals.

During the first nine months of 2023, 30 auctions were held in Italy for the assets deriving from the collateralised lending business. While the subsidiary Art-Rite is active in the asset auction business, in addition to sales in private negotiations, it carried out 13 auctions in the first nine months of 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.

Kruso Kapital's scope of consolidation includes the following wholly-owned subsidiaries:

- ProntoPegno Greece, a company incorporated on 12 April 2022 (the branch began operations in the fourth quarter of 2022);
- Art-Rite S.r.l., a company acquired on 2 November 2022.

Assets (€,'000)	30.09.2023	31.12.2022	€ Change	% Change
Cash and cash equivalents	6.275	5.061	1.214	24,0%
Financial assets measured at amortised cost	117.477	106.912	10.565	9,9%
a) loans and receivables with banks	221	118	103	87,3%
b1) loans and receivables with customers - loans	117.256	106.794	10.462	9,8%
Property and equipment	4.552	5.997	(1.445)	-24,1%
Intangible assets	30.837	30.559	278	0,9%
of which: goodwill	29.606	29.606	-	0,0%
Tax assets	664	1.082	(418)	-38,6%
Other assets	3.127	2.817	310	11,0%
Total assets	162.932	152.428	10.504	6,9%

Liabilities and equity (€,'000)	30.09.2023	31.12.2022	€ Change	% Change
Financial liabilities measured at amortised cost	110.619	101.613	9.006	8,9%
Tax liabilities	2.114	1.530	584	38,2%
Other liabilities	6.858	8.138	(1.280)	-15,7%
Post-employment benefits	842	857	(15)	-1,8%
Provisions for risks and charges	550	715	(165)	-23,1%
Share capital	23.162	23.162	-	0,0%
Share premium reserve	15.838	15.838	-	0,0%
Reserves	596	(1.225)	1.821	<100%
Valuation reserves	(1)	(22)	21	-95,5%
Profit (loss) for the period	2.354	1.822	532	29,2%
Total liabilities and equity	162.932	152.428	10.504	6,9%

Income statement (€,'000)	Third quarter of 2023	Third quarter of 2022	€ Change	% Change
Total income	14.088	10.917	3.171	29,0%
Net impairment losses on loans and receivables	(48)	(43)	(5)	11,6%
Net financial income (expense)	14.040	10.874	3.166	29,1%
Personnel expense	(5.016)	(4.472)	(544)	12,2%
Other administrative expenses	(4.572)	(3.270)	(1.302)	39,8%
Net impairment losses on property and equipment	(806)	(790)	(16)	2,0%
Net impairment losses on intangible assets	(326)	(214)	(112)	52,3%
Other operating income (expense)	263	155	108	69,7%
Operating costs	(10.457)	(8.591)	(1.866)	21,7%
Pre-tax profit from continuing operations	3.583	2.283	1.300	56,9%
Income taxes for the period	(1.229)	(685)	(544)	79,4%
Profit (loss) for the period of Kruso Kapital Group	2.354	1.598	756	47,3%

The assets consist mainly of loans and receivables with customers related to the collateralised lending business and goodwill of € 29.6 million, broken down as follows:

- 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;
- goodwill of € 1.2 million, resulting from the acquisition of Art-Rite.

The “financial liabilities measured at amortised cost” include the auction buyer’s premium of € 4.5 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.

Due to banks includes loans from Banca Sistema and other banks.

The consolidated income statement of Kruso Kapital for the first nine months of 2023 is provided below.

The first nine months of 2023 ended with a consolidated net profit of € 2,354 thousand (+47.3% yoy). To make a precise comparison with 2022, it is essential to take into account the information provided earlier regarding the scope of consolidation. ProntoPegno Greece reported a loss of € 397 thousand for the period, while Art-Rite reported a loss of € 47.5 thousand. Kruso Kapital reported net profit of € 2,692 thousand, an increase of 69% yoy.

Total income, which amounted to € 14,088 thousand, was up 29% yoy, mainly due to the collateralised lending business in Italy, whose contribution amounted to 13,319 thousand (€ 10,918 thousand in 2022), which rose due to increased employment and higher margins. A large part of the remaining contribution to Total income comes from Art-Rite's auction business.

Operating costs increased by 19% yoy (9% for Kruso Kapital alone), partly due to the contribution of the two subsidiaries. Personnel expense increased yoy, not only due to the effect of consolidation, but also due to

the increased number of Group employees which went from 79 at 30 September 2022 to a total of 91 employees at 30 September 2023.

Other administrative expenses, excluding the impact of consolidation, rose by 39.8% year-on-year, primarily at Kruso Kapital. This increase was mainly attributed to the allocation of costs associated with new one-off projects, such as Digital Collateral, the listing process, and consultancy services.

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 2023 was equal to a nominal € 1,109 million (€ 1,286 million at 31 December 2022).

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 2023, the nominal amount of securities in the HTCS portfolio amounted to € 600 million (€ 586 million reported at 31 December 2022) with a duration of 18 months (25.6 months at 31 December 2022).

At 30 September 2023, the HTC portfolio amounted to € 509 million with a duration of 10.9 months (compared to € 700 million at 31 December 2022 with a duration of 12.3 months).

WHOLESALE FUNDING

At 30 September 2023, wholesale funding was about 34% of the total (45% at 31 December 2022), 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 30 September 2023, the LCR stood at 1.481%, compared to 271% at 31 December 2022.

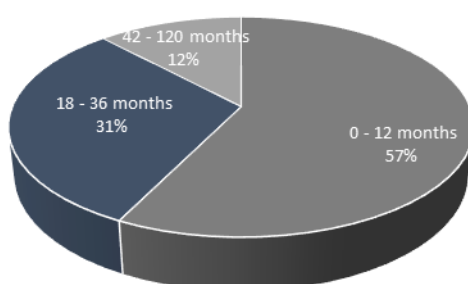
RETAIL FUNDING

Retail funding accounts for 66% of the total and is composed of the account SI Conto! Corrente and the product SI Conto! Deposito.

Total term deposits as at 30 September 2023 amounted to € 2,124 million, an increase of 48% compared to 31 December 2022. The above-mentioned amount also includes total term deposits of € 1,613 million (obtained with the help of partner platforms) held with entities resident in Germany, Austria, and Spain (accounting for 76% of total deposit funding), an increase of € 1,063 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 2023

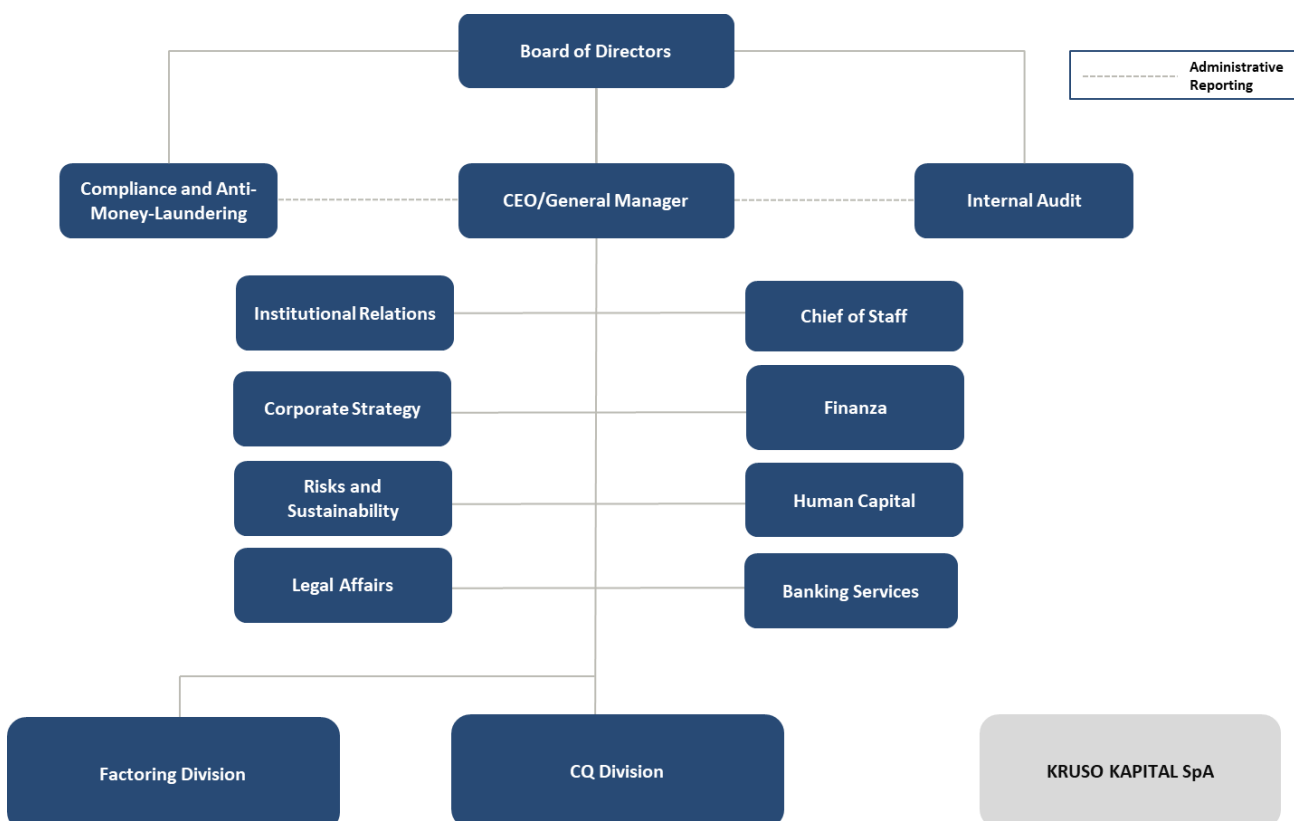


The average residual life is 14 months compared to 13 months in the same period of 2022.

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. During the third quarter of the year, the Organisation Department was assigned to the Human Capital Department. Consequently, the organisational chart in force since 15 September 2023 is as follows:



HUMAN RESOURCES

As at 30 September 2023, the Group had a staff of 295, broken down by category as follows:

FTES	30.09.2023	31.12.2022	30.09.2022
Senior managers	26	24	24
Middle managers (QD3 and QD4)	66	62	63
Other personnel	203	204	193
Total	295	290	280

In the first nine months of 2023, a total of 19 individuals were recruited to support business expansion or fill staff vacancies. Among these hires, 5 occurred specifically in the third quarter with over 78% of these new recruits being offered permanent contracts, primarily in the Factoring Division and the Corporate Centre. An additional 6 positions were filled by existing bank employees who applied through the job posting, which serves as the primary tool for job rotation, offering opportunities for professional development and internal advancement. The turnover rate stood at 8%, reflecting a contraction compared to the preceding two quarters. This decline was influenced by labour market dynamics, which were more pronounced than in the previous year.

Regarding skills development, the Bank identified professional and technical training requirements related to legal and regulatory issues. In the initial months of the year, 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 English and Spanish language learning.

The Group continues to provide flexible working arrangements with middle managers and employees in the professional areas having the possibility of working remotely in accordance with the law and through individual agreements signed with those requesting it. Bank employees who perform all their work in-person at the various locations will receive a special welfare credit in 2023 to compensate for the increased transport and meal costs they incur over time.

The average age of Group employees is 47.6 for men and 43.3 for women. The breakdown by gender is essentially balanced with men accounting for 55.2% of the total.

INCOME STATEMENT RESULTS

Income statement (€,'000)	Third quarter of 2023	Third quarter of 2022	€ Change	% Change
Net interest income	50.159	65.438	(15.279)	-23,3%
Net fee and commission income (expense)	15.159	12.273	2.886	23,5%
Dividends and similar income	227	227	-	0,0%
Net trading income (expense)	(145)	(1.505)	1.360	-90,4%
Net hedging result	1	-	1	n.a.
Gain from sales or repurchases of financial assets/liabilities	5.886	4.496	1.390	30,9%
Total income	71.287	80.929	(9.642)	-11,9%
Net impairment losses on loans and receivables	(3.623)	(6.264)	2.641	-42,2%
Gains/losses from contract amendments without derecognition	(1)	-	(1)	n.a.
Net financial income (expense)	67.663	74.665	(7.002)	-9,4%
Personnel expense	(20.855)	(21.439)	584	-2,7%
Other administrative expenses	(25.956)	(22.834)	(3.122)	13,7%
Net accruals to provisions for risks and charges	(2.446)	(2.296)	(150)	6,5%
Net impairment losses on property and equipment/intangible assets	(2.332)	(2.217)	(115)	5,2%
Other operating income (expense)	1.516	1.114	402	36,1%
Operating costs	(50.073)	(47.672)	(2.401)	5,0%
Gains (losses) on equity investments	8	(56)	64	<100%
Pre-tax profit from continuing operations	17.598	26.937	(9.339)	-34,7%
Income taxes for the period	(5.666)	(8.726)	3.060	-35,1%
Post-tax profit for the period	11.932	18.211	(6.279)	-34,5%
Post-tax profit (loss) from discontinued operations	-	(23)	23	-100,0%
Profit for the period	11.932	18.188	(6.256)	-34,4%
Profit (loss) attributable to non-controlling interests	(586)	(353)	(233)	66,0%
Profit for the period attributable to the owners of the parent	11.346	17.835	(6.489)	-36,4%

The first nine months of 2023 ended with a profit of € 11.3 million, down compared to the same period of the previous year, due to a decrease in net interest income caused by an increase in the cost of funding due to market conditions that was not counterbalanced by loan yields mainly from fixed-rate portfolios related to the salary- and pension-backed loan (CQ) business acquired in the past.

Operating costs increased slightly and were mainly driven by higher administrative expenses for new projects.

Net interest income (€,'000)	Third quarter of 2023	Third quarter of 2022	€ Change	% Change
Interest and similar income				
Loans and receivables portfolios	105.277	68.503	36.774	53,7%
Factoring	69.912	41.983	27.929	66,5%
CQ	16.661	16.144	517	3,2%
Collateralised lending	7.949	5.561	2.388	42,9%
Government-backed loans to SMEs	10.755	4.815	5.940	>100%
Securities portfolio	20.438	1.998	18.440	>100%
Other	3.839	145	3.694	>100%
Financial liabilities	-	4.227	(4.227)	-100,0%
Total interest income	129.554	74.873	54.681	73,0%
Interest and similar expense				
Due to banks	(14.965)	(195)	(14.770)	>100%
Due to customers	(59.103)	(8.325)	(50.778)	>100%
Securities issued	(5.327)	(791)	(4.536)	>100%
Financial assets	-	(124)	124	-100,0%
Total interest expense	(79.395)	(9.435)	(69.960)	>100%
Net interest income	50.159	65.438	(15.279)	-23,3%

Interest income was higher 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, which continued to benefit from the low cost of funding throughout 2022, increased as a result of the ECB rate hikes, although the average cost of funding is still below the ECB rate.

The total contribution of the Factoring Division to interest income was € 69.9 million, equal to 77% 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 receivables from the factoring portfolio need to be added. The item also includes the interest component tied to the amortised cost of eco-bonus loans amounting to € 2 million.

The component owed for late payments pursuant to Legislative Decree 231/02 (consisting of default interest and compensation) legally enforced at 30 September 2023 amounted to € 26.7 million (€ 11.3 million at 30 September 2022):

- of which € 1.2 million resulting from the updated recovery estimates and expected collection times (€ 1.6 million at 30 September 2022);
- of which € 4.2 million recorded following the increases in benchmark rates (ECB) in 2022, which led to an increase in the "Legislative Decree No. 231 of 9 October 2002" rate (decree implementing European legislation on late payments) from 8% to 10.5% from 1 January 2023 to 30 June 2023, and to 12% from 1 July 2023. Following subsequent rate increases by the European

Central Bank in the second half of 2023, which will lead to an adjustment of the "Legislative Decree No. 231 of 9 October 2002" rate from 1 January 2024, there will be additional positive effects in the coming quarters;

- of which € 14.5 million resulting from the current recovery estimates (€ 5.8 million at 30 September 2022);
- of which € 4.9 million (€ 3.9 million at 30 September 2022) which is the difference between the amount collected during the period, equal to € 7.8 million (€ 6.6 million at 30 September 2022) and that recognised on an accrual basis in previous years;
- of which € 1.9 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.

With reference to compensation claims, it should be noted that the recent ruling of the Court of Justice of the European Union of 20 October 2022, which is also binding for national courts in all Member States, confirmed and clarified the right to recover at least € 40 to be calculated for each overdue invoice to the Public Administration as compensation for the costs of recovering the debt.

Based on this binding clarification, which put an end to often inconsistent and varying application in the courts, the Bank has decided to start including these amounts in its cash flow calculations for recognising the amount receivable using the amortised cost method, in the same way that it does for default interest.

The recognition was based on the same time series and models that are already being used today to recognise default interest, whose model continues to show increasingly higher collection percentages over the years compared to what has been recorded as a receivable. To date, the scope only includes injunctions issued from April 2021, the period from which the Bank began to systematically request compensation. The Bank will move to claim these amounts for all invoices paid late, provided that the injunction has not been closed with a settlement and the right to claim has not lapsed, as even a failure to claim is not the legal equivalent of a waiver. Therefore, the scope over which the amortised cost will be calculated by including the € 40 amount may be expanded over time.

The amount of the stock of default interest from legal actions accrued at 30 September 2023, relevant for the allocation model, was € 123 million (€ 105 million at the end of 2022), which becomes € 221 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 € 73 million. Therefore, the amount of default interest accrued but not recognised in the income statement is € 147 million.

The contribution from interest from the salary- and pension-backed portfolios amounted to € 16.7 million, up from the same period of the previous year from the reduced impact of portfolio prepayment, along with a greater contribution from new loans originated at higher rates, although the lower yield compared to the current market environment on portfolios purchased in previous years remains significant.

The sustained growth of the Collateralised Lending Division was confirmed, whose contribution to the income statement amounted to € 7.9 million, compared to € 5.6 million in the first nine months of 2022.

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

The increased contribution of the securities portfolio, which grew by € 18.4 million over the same period of the previous year, is related to the growth in average yield, achieved thanks to purchases of securities at better market conditions, and is commensurate with the higher costs of financing the repo portfolio which are included within interest expense.

The growth in interest expense is entirely due to the series of rate hikes by the ECB; however, the Bank's cost of funding is still below the ECB rate on average.

Net fee and commission income (€,'000)	Third quarter of 2023	Third quarter of 2022	€ Change	% Change
Fee and commission income				
Factoring activities	9.399	9.368	31	0,3%
Fee and commission income - off-premises CQ	7.048	7.556	(508)	-6,7%
Collateralised loans (fee and commission income)	8.135	5.941	2.194	36,9%
Collection activities	1.137	747	390	52,2%
Other fee and commission income	1.136	248	888	>100%
Total fee and commission income	26.855	23.860	2.995	12,6%
Fee and commission expense				
Factoring portfolio placement	(747)	(881)	134	-15,2%
Placement of other financial products	(2.681)	(1.405)	(1.276)	90,8%
Fees - off-premises CQ	(6.716)	(8.221)	1.505	-18,3%
Other fee and commission expense	(1.552)	(1.080)	(472)	43,7%
Total fee and commission expense	(11.696)	(11.587)	(109)	0,9%
Net fee and commission income	15.159	12.273	2.886	23,5%

Net fee and commission income (expense), amounting to € 15.2 million, increased by 23.5%, due growth in commissions from the collateralised lending business and a change in the method of accounting, starting from September 2022, for the bonuses to be paid to the agent network, which, in order to better reflect net interest income and to improve the correlation between costs and revenues, have been deferred over the expected life of the loans and receivables, resulting in a decrease in the amount of the item Fees - off-premises.

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 € 2.2 million compared to the same period of the previous year thanks to the continuing growth of the business.

Commissions on collection activities, related to the service of reconciliation of third-party invoices collected from the Public Administration are up 52% compared to the same period of previous year, driven by the recent development of the servicer business for third-party securitisations.

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 million, which should be considered together with the item Fees - off-premises CQ, amounting to € 6.7 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, which remained in line with those reported in the same period of the previous year.

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

Gain (loss) from sales or repurchases (€,000)	Third quarter of 2023	Third quarter of 2022	€ Change	% Change
Gains from HTCS portfolio debt instruments	803	1.087	(284)	-26,1%
Gains from HTC portfolio debt instruments	2.103	248	1.855	>100%
Gains from receivables (Factoring portfolio)	1.229	1.632	(403)	-24,7%
Gains from receivables (CQ portfolio)	1.751	1.529	222	14,5%
Total	5.886	4.496	1.390	30,9%

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, and the sale of CQ loans and receivables portfolios.

Impairment losses on loans and receivables at 30 September 2023 amounted to € 3.6 million (€ 6.3 million at 30 September 2022). The loss rate decreased to 0.18% at 30 September 2023 from 0.28% in 2022.

Personnel expense (€,000)	Third quarter of 2023	Third quarter of 2022	€ Change	% Change
Wages and salaries	(16.117)	(16.873)	756	-4,5%
Social security contributions and other costs	(3.560)	(3.435)	(125)	3,6%
Directors' and statutory auditors' remuneration	(1.178)	(1.131)	(47)	4,2%
Total	(20.855)	(21.439)	584	-2,7%

The decrease in personnel expense compared to the same period of the previous year is related to the release in the first quarter of 2022 of the estimated variable component of remuneration accrued in 2021 resulting from the application of the remuneration policies (which had an impact of € 1 million compared to € 0.1 million in 2023), as well as a decrease in the estimated variable component based on the expected results. The average number of employees went from 279 to 293.

Other administrative expenses (€,'000)	Third quarter of 2023	Third quarter of 2022	€ Change	% Change
Consultancy	(5.272)	(3.937)	(1.335)	33,9%
IT expenses	(5.335)	(4.584)	(751)	16,4%
Servicing and collection activities	(1.478)	(1.743)	265	-15,2%
Indirect taxes and duties	(2.440)	(2.602)	162	-6,2%
Insurance	(895)	(898)	3	-0,3%
Other	(923)	(698)	(225)	32,2%
Expenses related to management of the SPVs	(412)	(618)	206	-33,3%
Outsourcing and consultancy expenses	(496)	(373)	(123)	33,0%
Car hire and related fees	(554)	(491)	(63)	12,8%
Advertising and communications	(2.222)	(838)	(1.384)	165,2%
Expenses related to property management and logistics	(2.154)	(2.226)	72	-3,2%
Personnel-related expenses	(70)	(53)	(17)	32,1%
Entertainment and expense reimbursement	(481)	(386)	(95)	24,6%
Infoprovider expenses	(602)	(412)	(190)	46,1%
Membership fees	(304)	(336)	32	-9,5%
Audit fees	(290)	(293)	3	-1,0%
Telephone and postage expenses	(386)	(326)	(60)	18,4%
Stationery and printing	(74)	(100)	26	-26,0%
Total operating expenses	(24.388)	(20.914)	(3.474)	16,6%
Resolution Fund	(1.568)	(1.920)	352	-18,3%
Total	(25.956)	(22.834)	(3.122)	13,7%

Administrative expenses increased over the same period of the previous year, due to higher advertising costs and higher charges for external consulting.

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 due to higher investments related to the digitalisation project of the pawn product.

Consultancy expenses consist mainly of costs incurred for legal expenses related to pending legal claims made 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 Advertising expenses relates to costs incurred for advertising campaigns to promote the Bank's funding products.

Servicing and collection activities decreased due to the reduction in costs for the collection of factoring receivables.

Net impairment losses on property and equipment/intangible assets (€,'000)	Third quarter of 2023	Third quarter of 2022	€ Change	% Change
Depreciation of buildings used for operations	(619)	(518)	(101)	19,5%
Depreciation of furniture and equipment	(284)	(236)	(48)	20,3%
Amortisation of value in use	(1.082)	(1.232)	150	-12,2%
Amortisation of software	(312)	(214)	(98)	45,8%
Amortisation of other intangible assets	(35)	(17)	(18)	>100%
Total	(2.332)	(2.217)	(115)	5,2%

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)	Third quarter of 2023	Third quarter of 2022	€ Change	% Change
Auction buyer's premiums	368	398	(30)	-7,5%
Recovery of expenses and taxes	776	813	(37)	-4,6%
Amortisation of multiple-year improvement costs	(476)	(352)	(124)	35,2%
Other income (expense)	165	208	(43)	-20,7%
Contingent assets and liabilities	683	47	636	>100%
Total	1.516	1.114	402	36,1%

The total of the item increased as a result of higher income from contingent assets.

THE MAIN STATEMENT OF FINANCIAL POSITION AGGREGATES

Assets (€,'000)	30.09.2023	31.12.2022	€ Change	% Change
Cash and cash equivalents	154.900	126.589	28.311	22,4%
Financial assets measured at fair value through other comprehensive income	579.511	558.384	21.127	3,8%
Financial assets measured at amortised cost	3.479.255	3.530.678	(51.423)	-1,5%
a) loans and receivables with banks	19.708	34.917	(15.209)	-43,6%
b1) loans and receivables with customers - loans	2.957.500	2.814.729	142.771	5,1%
b2) loans and receivables with customers - debt instruments	502.047	681.032	(178.985)	-26,3%
Hedging derivatives	277	-	277	n.a.
Changes in fair value of portfolio hedged items (+/-)	(277)	-	(277)	n.a.
Equity investments	978	970	8	0,8%
Property and equipment	41.189	43.374	(2.185)	-5,0%
Intangible assets	34.843	34.516	327	0,9%
<i>of which: goodwill</i>	33.526	33.526	-	0,0%
Tax assets	26.738	24.861	1.877	7,5%
Non-current assets held for sale and disposal groups	64	40	24	60,0%
Other assets	78.281	77.989	292	0,4%
Total assets	4.395.759	4.397.401	(1.642)	0,0%

The quarter ended 30 September 2023 closed with total assets in line with the end of 2022 and equal to € 4.4 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 18 months (the average remaining duration at the end of 2022 was 25.6 months). The nominal amount of the government bonds held in the HTCS portfolio amounted to € 600 million at 30 September 2023 (€ 586 million at 31 December 2022). The associated valuation reserve was negative at the end of the period, amounting to € 28.5 million before the tax effect.

Loans and receivables with customers (€,'000)	30.09.2023	31.12.2022	€ Change	% Change
Factoring receivables	1.729.187	1.501.353	227.834	15,2%
Salary-/pension-backed loans (CQS/CQP)	833.592	933.200	(99.608)	-10,7%
Collateralised loans	117.114	106.749	10.365	9,7%
Loans to SMEs	246.869	196.909	49.960	25,4%
Current accounts	760	289	471	>100%
Compensation and Guarantee Fund	26.408	72.510	(46.102)	-63,6%
Other loans and receivables	3.570	3.719	(149)	-4,0%
Total loans	2.957.500	2.814.729	142.771	5,1%
Securities	502.047	681.032	(178.985)	-26,3%
Total loans and receivables with customers	3.459.547	3.495.761	(36.214)	-1,0%

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 58% (53% at the end of 2022). The volumes generated during the period amounted to € 3,575 million (€ 3,152 million at 30 September 2022).

Salary- and pension-backed loans were lower than the end of the previous year, with volumes disbursed directly by the agent network amounting to € 124 million (€ 150 million at the end of September 2022).

Government-backed loans to small and medium-sized enterprises increased to € 247 million as a result of new loans being disbursed.

The collateralised lending business, which is conducted through the Kruso Kapital subsidiary, grew during the period, with loans granted at 30 September 2023 amounting to € 117 million.

HTC Securities are composed entirely of Italian government securities with an average duration of 11.6 months for an amount of € 666 million. The mark-to-market valuation of the securities at 30 September 2023 shows a pre-tax unrealised loss of € 8.3 million.

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

Status	30/09/2022	31/12/2022	31/03/2023	30/06/2023	30/09/2023
Bad exposures - gross	167.047	170.369	173.944	173.412	174.216
Unlikely to pay - gross	33.743	32.999	34.474	63.081	59.246
Past due - gross	90.948	81.449	67.432	61.857	53.904
Non-performing - gross	291.738	284.817	275.850	298.350	287.366
Performing - gross	2.732.517	2.598.125	2.686.758	2.838.474	2.740.646
Stage 2 - gross	112.285	112.799	109.587	94.497	89.457
Stage 1 - gross	2.620.232	2.485.326	2.577.171	2.743.977	2.651.189
Total loans and receivables with customers	3.024.255	2.882.942	2.962.608	3.136.824	3.028.012
Individual impairment losses	60.410	61.727	62.203	63.654	64.167
Bad exposures	46.205	47.079	47.334	48.218	48.331
Unlikely to pay	13.379	13.750	13.780	14.186	14.677
Past due	826	898	1.089	1.250	1.159
Collective impairment losses	6.175	6.486	5.538	5.808	6.345
Stage 2	1.600	1.993	689	607	653
Stage 1	4.575	4.493	4.849	5.201	5.692
Total impairment losses	66.585	68.213	67.741	69.462	70.512
Net exposure	2.957.670	2.814.729	2.894.867	3.067.362	2.957.500

The ratio of gross non-performing loans to the total portfolio decreased to 9.5% compared to 9.9% at 31 December 2022, 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 22.3%, up from 21.7% on 31 December 2022; excluding the component relating to municipalities in financial difficulty, which for regulatory purposes is classified as bad debt, although both principal and default interest are in fact recoverable, the coverage ratio is 91.1%.

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 € 34.8 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 ArtRite 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. 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 September 2023, EBNSISTEMA originated € 143 million in loans and receivables, compared to € 180 million of the same period in 2022.

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 € 49.9 million at 30 September 2023.

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

Liabilities and equity (€,000)	30.09.2023	31.12.2022	€ Change	% Change
Financial liabilities measured at amortised cost	3.899.346	3.916.974	(17.628)	-0,5%
a) due to banks	566.827	622.865	(56.038)	-9,0%
b) due to customers	3.202.438	3.056.210	146.228	4,8%
c) securities issued	130.081	237.899	(107.818)	-45,3%
Tax liabilities	22.801	17.023	5.778	33,9%
Liabilities associated with disposal groups	37	13	24	>100%
Other liabilities	168.272	166.896	1.376	0,8%
Post-employment benefits	4.350	4.107	243	5,9%
Provisions for risks and charges	34.412	36.492	(2.080)	-5,7%
Valuation reserves	(19.357)	(24.891)	5.534	-22,2%
Reserves	209.252	194.137	15.115	7,8%
Equity instruments	45.500	45.500	-	0,0%
Equity attributable to non-controlling interests	10.504	10.024	480	4,8%
Share capital	9.651	9.651	-	0,0%
Treasury shares (-)	(355)	(559)	204	-36,5%
Profit for the period	11.346	22.034	(10.688)	-48,5%
Total liabilities and equity	4.395.759	4.397.401	(1.642)	0,0%

Wholesale funding, which represents about 34% of the total (45% at 31 December 2022), decreased in absolute terms compared to the end of 2022, following the increase in funding from term deposits.

Due to banks (€,'000)	30.09.2023	31.12.2022	€ Change	% Change
Due to Central banks	550.488	537.883	12.605	2,3%
Due to banks	16.339	84.982	(68.643)	-80,8%
Current accounts with other banks	339	68.983	(68.644)	-99,5%
Deposits with banks (repurchase agreements)	-	-	-	n.a.
Financing from other banks	16.000	15.999	1	0,0%
Total	566.827	622.865	(56.038)	-9,0%

The item "Due to banks" decreased by 9% compared to 31 December 2022, as a result of a decrease in borrowing from the interbank deposit market, while repurchase agreements with bank counterparties remained stable compared to 31 December 2022.

Due to customers (€,'000)	30.09.2023	31.12.2022	€ Change	% Change
Term deposits	2.123.696	1.431.548	692.148	48,3%
Financing (repurchase agreements)	551.825	865.878	(314.053)	-36,3%
Financing - other	65.611	66.166	(555)	-0,8%
Customer current accounts	405.691	639.266	(233.575)	-36,5%
Due to assignors	51.086	48.542	2.544	5,2%
Other payables	4.529	4.810	(281)	-5,8%
Total	3.202.438	3.056.210	146.228	4,8%

The item "Due to customers" increased compared to the end of the previous year reflecting a decrease in funding from bank accounts. The period-end amount of term deposits increased from the end of 2022 (+48.3%), reflecting net positive funding (net of interest accrued) of € 674 million; gross deposits from the beginning of the year were € 1,826 million.

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

Bonds issued (€,'000)	30.09.2023	31.12.2022	€ Change	% Change
Bond - AT1	45.500	45.500	-	0,0%
Bond - Tier II	-	-	-	n.a.
Bonds - other	130.081	192.399	(62.318)	-32,4%

The value of bonds issued decreased compared to 31 December 2022 due to the repayments of the senior shares of the ABS financed by third-party investors.

Bonds issued at 30 September 2023 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.

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

The provision for risks and charges of € 34.4 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 € 3.2 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 € 14 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 € 14.4 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	9.467	253.863
Assumption of value of investments	-	(45.198)
Consolidated profit (loss)/equity	2.457	57.876
Gain (loss) on equity investments	8	-
Adjustment to profit (loss) from discontinued operations	-	-
Equity attributable to the owners of the parent	11.932	266.541
Equity attributable to non-controlling interests	(586)	(10.504)
Profit (loss)/equity of the Group	11.346	256.037

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	30.09.2023	31.12.2022 Transitional	31.12.2022 Fully loaded
Common Equity Tier 1 (CET1)	176.719	174.974	164.238
ADDITIONAL TIER 1	45.500	45.500	45.500
Tier 1 capital (T1)	222.219	220.474	209.738
TIER2	223	194	194
Total Own Funds (TC)	222.442	220.668	209.931
Total risk-weighted assets	1.441.667	1.385.244	1.382.804
of which, credit risk	1.252.854	1.196.431	1.193.991
of which, operational risk	188.813	188.813	188.813
Ratio - CET1	12,3%	12,6%	11,9%
Ratio - T1	15,4%	15,9%	15,2%
Ratio - TCR	15,4%	15,9%	15,2%

Total regulatory own funds were € 222 million at 30 September 2023 and included the profit, net of dividends estimated on the profit for the period which were equal to a pay-out of 25% of the Parent's profit. For comparison purposes, this figure is to be compared with the fully loaded figure, meaning without applying the mitigating measure provided for under Article 468 of the Capital Requirements Regulation (CRR), which for the Group is estimated to result in a saving of approximately 130 basis points. In this regard, the neutralisation of all or part of the reserve (HTCS) on government bonds was approved by the European Trilogue.

The CET1 ratio decreased compared to the fully loaded ratio at 31 December 2022 due to more capital being allocated to private entities.

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:

	30.09.2023	31.12.2022
Share capital	9.651	9.651
Equity instruments	45.500	45.500
Income-related and share premium reserve	209.252	194.137
Treasury shares (-)	(355)	(559)
Valuation reserves	(19.357)	(24.891)
Profit	11.346	22.034
Equity attributable to the owners of the parent	256.037	245.872
Dividends distributed and other foreseeable expenses	(2.367)	(5.227)
Equity assuming dividends are distributed to shareholders	253.670	240.645
Regulatory adjustments	(39.374)	(28.905)
Eligible equity attributable to non-controlling interests	7.923	8.734
Equity instruments not eligible for inclusion in CET1	(45.500)	(45.500)
Common Equity Tier 1 (CET1)	176.719	174.974

OTHER INFORMATION

RESEARCH AND DEVELOPMENT ACTIVITIES

No research and development activities were carried out in 2023.

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 2023, 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

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 gradual and steady increase in the cost of funding, 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, will continue in the coming quarters.

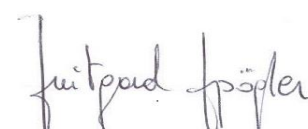
While the Factoring Division, Kruso Kapital and the new salary- and pension-backed loan (CQ) disbursements will be able to reflect the higher cost of funding attributed to them in a higher yield on loans in the financial statements, the stock of CQ loans, due to a longer maturity, will continue to be 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 less impacted by the prepayment of portfolios and can benefit from a higher yield on newly originated loans, the relative size of the old portfolio is such that the net interest income from CQ will be negative at least throughout 2023.

Milan, 10 November 2023

On behalf of the Board of Directors

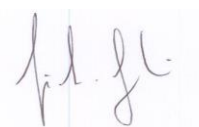
The Chairperson

Luitgard Spögler



The CEO

Gianluca Garbi



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of Euro)

Assets		30.09.2023	31.12.2022
10.	Cash and cash equivalents	154.900	126.589
30.	Financial assets measured at fair value through other comprehensive income	579.511	558.384
40.	Financial assets measured at amortised cost	3.479.255	3.530.678
	a) loans and receivables with banks	19.708	34.917
	b) loans and receivables with customers	3.459.547	3.495.761
50.	Hedging derivatives	277	-
60.	Changes in fair value of portfolio hedged items (+/-)	(277)	-
70.	Equity investments	978	970
90.	Property and equipment	41.189	43.374
100.	Intangible assets	34.843	34.516
	of which:	-	-
	goodwill	33.526	33.526
110.	Tax assets	26.738	24.861
	a) current	7.419	2.136
	b) deferred	19.319	22.725
120.	Non-current assets held for sale and disposal groups	64	40
130.	Other assets	78.281	77.989
	Total Assets	4.395.759	4.397.401

Liabilities and equity		30.09.2023	31.12.2022
10.	Financial liabilities measured at amortised cost	3.899.346	3.916.974
so banche	a) due to banks	566.827	622.865
	b) due to customers	3.202.438	3.056.210
colazione	c) securities issued	130.081	237.899
60.	Tax liabilities	22.801	17.023
	a) current	439	236
	b) deferred	22.362	16.787
70.	Liabilities associated with disposal groups	37	13
80.	Other liabilities	168.272	166.896
90.	Post-employment benefits	4.350	4.107
100.	Provisions for risks and charges:	34.412	36.492
e garanzie ril	a) commitments and guarantees issued	32	24
	c) other provisions for risks and charges	34.380	36.468
120.	Valuation reserves	(19.357)	(24.891)
140.	Equity instruments	45.500	45.500
150.	Reserves	170.152	155.037
160.	Share premium	39.100	39.100
170.	Share capital	9.651	9.651
180.	Treasury shares (-)	(355)	(559)
190.	Equity attributable to non-controlling interests (+/-)	10.504	10.024
200.	Profit for the period/year	11.346	22.034
ssivo e del P	Total liabilities and equity	4.395.759	4.397.401

INCOME STATEMENT

(Amounts in thousands of Euro)

		Third quarter of 2023	Third quarter of 2022
10.	Interest and similar income	129.554	74.873
	of which: interest income calculated with the effective interest method	121.605	67.957
20.	Interest and similar expense	(79.395)	(9.435)
30.	Net interest income	50.159	65.438
40.	Fee and commission income	26.855	23.860
50.	Fee and commission expense	(11.696)	(11.587)
60.	Net fee and commission income (expense)	15.159	12.273
70.	Dividends and similar income	227	227
80.	Net trading income (expense)	(145)	(1.505)
90.	Net gains (losses) on hedge accounting	1	-
100.	Gain (loss) from sales or repurchases of:	5.886	4.496
	a) financial assets measured at amortised cost	5.082	3.409
	b) financial assets measured at fair value through other comprehensive income	804	1.087
120.	Total income	71.287	80.929
130.	Net impairment losses/gains on:	(3.623)	(6.264)
	a) financial assets measured at amortised cost	(3.756)	(6.120)
	b) financial assets measured at fair value through other comprehensive income	133	(144)
140.	Gains/losses from contract amendments without derecognition	(1)	-
150.	Net financial income (expense)	67.663	74.665
190.	Administrative expenses	(46.811)	(44.273)
	a) personnel expense	(20.855)	(21.439)
	b) other administrative expenses	(25.956)	(22.834)
200.	Net accruals to provisions for risks and charges	(2.446)	(2.296)
	a) commitments and guarantees issued	(8)	13
	b) other net accruals	(2.438)	(2.309)
210.	Net impairment losses on property and equipment	(1.985)	(1.986)
220.	Net impairment losses on intangible assets	(347)	(231)
230.	Other operating income (expense)	1.516	1.114
240.	Operating costs	(50.073)	(47.672)
250.	Gains (losses) on equity investments	8	(56)
290.	Pre-tax profit (loss) from continuing operations	17.598	26.937
300.	Income taxes	(5.666)	(8.726)
310.	Post-tax profit from continuing operations	11.932	18.211
320.	Post-tax profit (loss) from discontinued operations	-	(23)
330.	Profit for the period	11.932	18.188
340.	Profit (Loss) for the period attributable to non-controlling interests	(586)	(353)
350.	Profit for the period attributable to the owners of the parent	11.346	17.835

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in thousands of Euro)

		Third quarter of 2023	Third quarter of 2022
10.	Profit (loss) for the period	11.346	17.835
	Items, net of tax, that will not be reclassified subsequently to profit or loss	-	-
70.	Defined benefit plans	59	468
	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	5.475	(23.135)
170.	Total other comprehensive income (expense), net of income tax	5.534	(22.667)
180.	Comprehensive income (Items 10+170)	16.880	(4.832)
190.	Comprehensive income attributable to non-controlling interests	-	-
200.	Comprehensive income attributable to the owners of the parent	16.880	(4.832)

STATEMENT OF CHANGES IN EQUITY AT 30/09/2023

Amounts in thousands of Euro

	Balance at 31.12.2022	Change in opening balances	Balance at 1.1.2023	Allocation of prior year profit		Changes during the year						Equity attributable to the owners of the parent at 30.09.2023	Equity attributable to non-controlling interests at 30.09.2023	
				Reserves	Dividends and other allocations	Changes in reserves	Transactions on equity							Comprehensive income for Third quarter of 2023
							Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares			
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	16.818		(1.703)								170.152
a) income-related	153.332		153.332	16.818		(1.309)								168.841
b) other	1.705		1.705			(394)								1.311
Valuation reserves	(24.891)		(24.891)								5.534			(19.357)
Equity instruments	45.500		45.500											45.500
Treasury shares	(559)		(559)					204						(355)
Profit (loss) for the year	22.034		22.034	(16.818)	(5.216)						11.346			11.346
Equity attributable to the owners of	245.872		245.872	(5.216)	(1.703)	204					16.880			256.037
Equity attributable to non-controllir	10.024		10.024								480			10.504

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 1.1.2022	Allocation of prior year profit		Changes during the year							Equity attributable to the owners of the parent 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 Third quarter of 2022		
							Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares			
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 (loss) for the year	23.251		23.251	(17.482)	(5.769)							17.835		17.835
Equity attributable to the owners of	255.963		255.963	(5.769)	(2.594)	(559)						(4.832)		242.209
Equity attributable to non-controllin	9.569		9.569									353		9.922

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

Amounts in thousands of Euro

	Amount Third quarter of 2023	Third quarter of 2022
A. OPERATING ACTIVITIES		
1. Operations	33.470	42.607
Profit (loss) for the year (+/-)	11.346	17.835
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 (+/-)	3.756	6.120
Net impairment losses/gains on property and equipment and intangible assets (+/-)	2.332	2.217
Net accruals to provisions for risks and charges and other costs/income (+/-)	2.446	2.296
Taxes, duties and tax assets not yet paid (+/-)	2.336	4.428
Other adjustments (+/-)	11.254	9.711
2. Cash flows generated by (used for) financial assets	50.815	(457.921)
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	(19.729)	(104.805)
Financial assets measured at amortised cost	62.692	(309.843)
Other assets	7.852	(43.273)
3. Cash flows generated by (used for) financial liabilities	(55.336)	395.937
Financial liabilities measured at amortised cost	(49.344)	430.198
Financial liabilities held for trading		
Financial liabilities designated at fair value through profit or loss		
Other liabilities	(5.992)	(34.261)
Net cash flows generated by (used for) operating activities	28.949	(19.377)
B. INVESTING ACTIVITIES		
1. Cash flows generated by	-	109
Sales of equity investments		
Dividends from equity investments		
Sales of property and equipment		
Sales of intangible assets		109
Sales of business units		
2. Cash flows used in	(842)	(1.414)
Purchases of equity investments		(25)
Purchases of property and equipment	(168)	(293)
Purchases of intangible assets	(674)	(1.096)
Purchases of business units		
Net cash flows generated by (used in) investing activities	(842)	(1.305)
C. FINANCING ACTIVITIES		
Issues/repurchases of treasury shares	204	(559)
Issues/repurchases of equity instruments		
Dividend and other distributions		(5.768)
Net cash flows generated by (used in) financing activities	204	(6.327)
NET CASH FLOWS FOR THE PERIOD	28.311	(27.009)
Cash and cash equivalents at the beginning of the year		
	126.589	175.835
Total net cash flows for the year	28.311	(27.009)
Cash and cash equivalents: effect of change in exchange rates		
Cash and cash equivalents at the end of the period	154.900	148.826

ACCOUNTING POLICIES

GENERAL BASIS OF PREPARATION

This interim consolidated financial report at 30 September 2023 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 2023 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 30 September 2023 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

Section 2 - 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 2022, to which reference is made.

Other aspects

The interim consolidated financial report was approved on 10 November 2023 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 2023 is consistent with the company documents, books and accounting records.

Milan, 10 November 2023

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'.