BANCA SISTEMA

FINANCIAL STATEMENTS AND REPORTS

AT 31 DECEMBER 2024

BANCA SISTEMA

CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2024

CONTENTS

The separate and consolidated financial statements of Banca Sistema S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815

DIRECTORS’ REPORT AT 31 DECEMBER 2024

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. 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

Directors who have declared their independence are marked with an "*".

COMPOSITION OF THE INTERNAL COMMITTEES

INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE AND SUSTAINABILITY COMMITTEE

Chairperson	Mr. Daniele Bonvicini
Members	Mr. Marco Cuniberti
	Ms. Maria Leddi
	Mr. Daniele Pittatore

APPOINTMENTS COMMITTEE

Chairperson	Ms. Maria Leddi
Members	Mr. Daniele Bonvicini
	Mr. Giovanni Puglisi

REMUNERATION COMMITTEE

Chairperson	Ms. Francesca Granata
Members	Ms. Alessandra Grendele
	Mr. Giovanni Puglisi

ETHICS COMMITTEE

Chairperson	Mr. Giovanni Puglisi
Members	Mr. Marco Cuniberti
	Ms. Alessandra Grendele

SUPERVISORY BODY

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

FINANCIAL HIGHLIGHTS AT 31 DECEMBER 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) and the Portuguese company Pignus - Credito Economico Popular SA (hereinafter also referred to as CEP), wholly owned subsidiaries of Kruso Kapital S.p.A., and Specialty Finance Trust Holdings Limited (a company incorporated under UK Law placed in liquidation in December 2021).

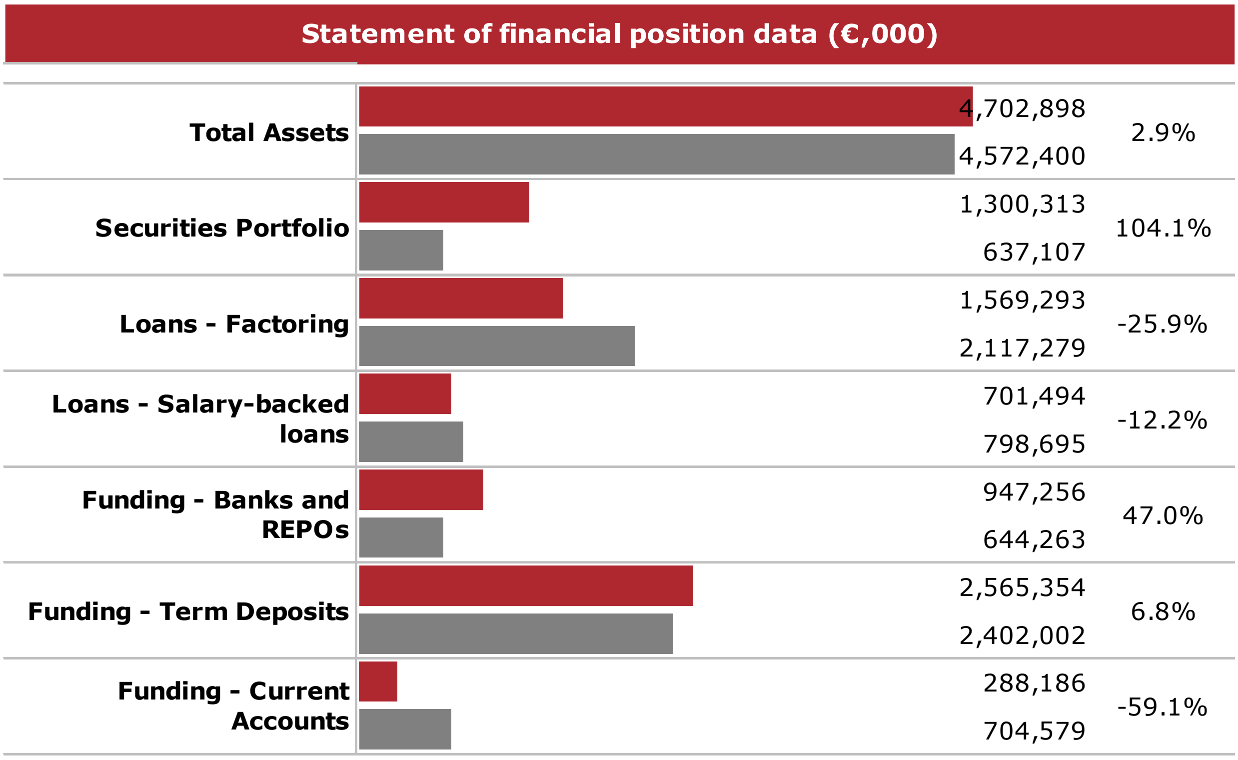
The scope of consolidation also includes the auction house Art-Rite S.r.l. (wholly owned by Kruso Kapital and outside the Banking Group), the Spanish Joint Venture EBNSistema Finance S.L. and the following special purpose securitisation vehicles whose receivables are not subject to derecognition: Quinto 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 sale and 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 and Portugal through the subsidiaries ProntoPegno Greece and CEP, 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 the subsidiary Kruso Kapital is listed in the Professional Segment of Euronext Growth Milan.

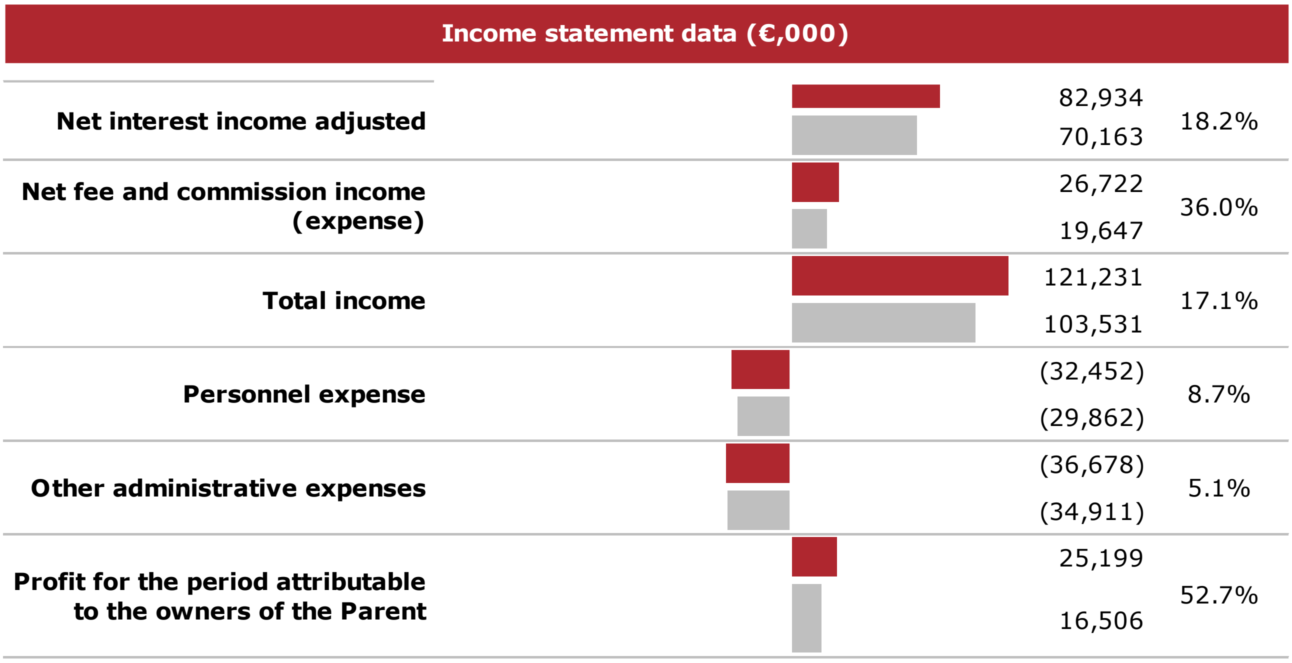
KEY INDICATORS

🟥 **31-Dec-24** ▨ **31-Dec-23**



Statement of financial position data (€,000)

Total Assets	4,702,898	4,572,400	2.9%
Securities Portfolio	1,300,313	637,107	104.1%
Loans - Factoring	1,569,293	2,117,279	-25.9%
Loans - Salary-backed loans	701,494	798,695	-12.2%
Funding - Banks and REPOs	947,256	644,263	47.0%
Funding - Term Deposits	2,565,354	2,402,002	6.8%
Funding - Current Accounts	288,186	704,579	-59.1%



Income statement data (€,000)

Net interest income adjusted	82,934	70,163	18.2%
Net fee and commission income (expense)	26,722	19,647	36.0%
Total income	121,231	103,531	17.1%
Personnel expense	(32,452)	(29,862)	8.7%
Other administrative expenses	(36,678)	(34,911)	5.1%
Profit for the period attributable to the owners of the Parent	25,199	16,506	52.7%

SIGNIFICANT EVENTS FROM 1 JANUARY TO 31 DECEMBER 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 amount (€ 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 to which, from 31 December 2024, a buffer must be added for the countercyclical capital buffer reserve (up to a maximum of 0.5%):

- 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 and the countercyclical capital buffer.

The Ordinary Shareholders' Meeting of Banca Sistema, which was held on single call on 24 April 2024, resolved to approve the Separate Financial Statements at 31 December 2023 and to allocate a dividend of € 5.2 million, corresponding to € 0.065 per ordinary share.

In addition, the Ordinary Shareholders' Meeting, following the expiry of the previous term of office, approved the reappointment of the Board of Directors for the 2024-2025-2026 financial years, confirming Luitgard Spögler as Chairperson.

The Shareholders‵ Meeting also approved the treasury share purchase plan, assigning, for a period of 18 months from the date of the Shareholders’ Meeting's approval, authority to the Board of Directors to purchase and dispose of a maximum of 50,000 treasury shares, equal to 0.06% of the share capital, for a maximum value of € 90,000. The purpose of the plan is to supplement the stock of shares for allocation to personnel falling within the category of "key personnel" of the last deferred instalments of the variable incentives for the year 2021, in application of Banca Sistema's remuneration and incentive policies.

Following the reappointment, on 24 April, the Board of Directors confirmed Gianluca Garbi as Chief Executive Officer of the Bank, granting him the necessary operational powers, and approved the appointment of Giovanni Puglisi as Deputy Chairperson. On 20 May, the Board of Directors, after verifying that the requirements and criteria envisaged by current legislation were met, approved the composition of the following committees: Internal Control, Risk Management and Sustainability Committee, Appointments Committee, Remuneration Committee and Ethics Committee.

On 20 May 2024, the Banca Sistema Group's 2024-2026 Strategic Plan was approved. The plan is based on a strategic vision of strengthening its operating and financial model and continuing its role as the "epitome of the multi-specialist player" capable of positioning itself as a leader in highly specialised and highly profitable niche markets. The strategic initiatives planned are aimed at:

- consolidating Banca Sistema's specialist role in the factoring sector, both in Italy and internationally;
- transforming the CQ division into a Private Division, including by expanding the retail offering to include the distribution of third-party products;
- expanding the business in the collateralised lending sector through activities managed by the Kruso Kapital subsidiary, in Italy and internationally.

On 7 November 2024, Kruso Kapital completed the acquisition of the collateralised lending business of Banco Invest S.A. in Portugal. The transaction, which was approved by both the Bank of Portugal and the Bank of Italy, initially involved the spin-off of Banco Invest's collateralised lending business unit into a new company, Pignus Credito Economico Popular (CEP), wholly owned by Banco Invest's shareholders. Subsequently, Kruso Kapital acquired 100% of the shares of the new company for a total consideration of € 11.55 million. The company, which will operate under the brand name Credito Economico Popular, has 16 branches throughout Portugal (including four in Lisbon and two in Porto) and will have 44 employees when fully staffed (compared to 40 in the original business unit), with collateralised loans of approximately € 16 million, almost all of which are secured by gold.

In a communication dated 5 July 2024, the Bank of Italy subjected the Banca Sistema Group to an audit pursuant to Articles 54 and 68 of Legislative Decree No. 385/93. On 20 December 2024, the Bank received the report formalising some managerial and compliance findings related, among other things, to the rules and practices adopted by the Bank for mitigating the effects of the EBA guidelines on the application of the Definition of Default. In response to the aforementioned findings, the Bank of Italy has initiated a sanctioning procedure, for which the Bank has duly submitted its counterarguments within the prescribed timeframe. Furthermore, the Bank of Italy requested the adoption of a series of initiatives necessary to address the deficiencies identified in governance, internal controls, and the implementation of regulatory provisions regarding non-performing loans, including through the drafting of an updated three-year capital plan. In particular, at the request of the Supervisory Authority, the Board of Directors entrusted two recently appointed independent directors with the specific task of overseeing the implementation of the aforementioned initiatives. The Supervisory Authority has therefore instructed that the Banca Sistema Group, until further review by the Bank of Italy, also based on the feedback that will be provided by the Bank, refrain from resolving or taking the following actions: i) the distribution of profits generated from the current 2024 financial year or other elements of equity; ii) the payment of the variable component of remuneration for the 2024 financial year and subsequent years. For the payment of coupons or dividends on Additional Tier 1 capital instruments, the limits on the Maximum Distributable Amount set by current capital conservation regulations must be observed.

The semi-annual coupon of the AT1 subordinated loan (ISIN IT0005450876) was duly paid on its due date of 28 December 2024, in compliance with the limits on the Maximum Distributable Amount set by current capital conservation regulations.

The supervisory ratios as of 31 December 2024, included in the notes to the financial statements, were calculated in continuity with the previous quarters, using the internal policies still in effect for the calculation of overdue positions. This is in line with the findings of the inspection report, where the Board of Directors, in compliance with the requirements of the Bank of Italy, decided to reclassify receivables currently performing to default due to negative findings on the mitigating actions and, consequently, to recalculate the RWA starting from the first quarter of 2025. Following the reclassification, calendar provisioning must be taken into account.

As more extensively described in the section "Significant events after the reporting date," an important contribution will come from the recent ruling of the European Court of Human Rights, which has definitively and unappealably ruled, as communicated by the Court, that the Italian State must ensure, through appropriate measures, the execution of pending internal judicial decisions concerning payment obligations recognised (also) in final and long-standing judicial orders, obtained by the Bank for an amount exceeding € 61 million in principal, plus default interest (estimated at € 43.7 million as of 31 December 2024), legal costs and moral damages.

It should be noted that approximately 95% of the Bank's overdue loans and receivables portfolio concerns exposures to the Public Administration, with a limited exposure to credit risk. The Bank believes that the contents of the referenced inspection report do not alter its risk profile. Rather, it believes that this is an application-based interpretation of regulations originally designed for corporate and retail exposures, applied to a context, the public sector, which exhibits credit risk characteristics that are clearly not comparable to those of other counterparties.

THE MACROECONOMIC SCENARIO

In 2024, global economic activity continued to expand, albeit at different paces in different countries. In the United States, the economy continued to expand on the back of household consumption, albeit at a slightly slower pace, while in China the crisis in the real estate sector continued to dampen economic growth. The UK and Japan also saw a slowdown in output, respectively due to weaker domestic and foreign demand. At its December meeting, the Federal Reserve decided to cut interest rates again (now between 4.25% and 4.5%) with further cuts expected between now and December 2025. The Bank of England, which had previously cut rates by 25 basis points, decided in December to leave rates unchanged at 4.75%, favouring a gradual approach to the reduction. The Bank of Japan followed suit, leaving rates unchanged at 0.25%. US government bond yields are rising, helping to strengthen the dollar against other currencies and having a negative impact on the currencies of the US's main trading partners, such as China and Mexico. Output in the Euro area rose more than expected in the summer of 2024 thanks to temporary factors. Growth was highest in Ireland, due to increased investment in intellectual property. Spain and France also experienced growth, the latter due to increased demand associated with the Olympic Games. In Germany and Italy, on the other hand, GDP was stagnant. Growth weakened in the final months of the year, as the temporary factors that had supported activity over the summer began to dissipate. The Bank of Italy's €-coin indicator, which estimates the underlying trend in the region's GDP, also points to a modest expansion in the coming months. Having cut interest rates at its October meeting, the ECB's Governing Council decided to reduce the deposit rate by a further 25 basis points to 3% at its December meeting. In the final months of the year, interest rates on new loans, loans to non-financial enterprises and on new loans to households for house purchases declined, in line with the fall in risk-free benchmark rates and the reduction in bank deposits. Credit to non-financial enterprises remains weak overall, with continued growth in all euro area countries. Household loans are rising, reflecting a sharp increase in the demand for loans to buy houses, thanks to the fall in borrowing costs. The European Commission estimates that fiscal policy in the Eurozone as a whole will be restrictive in 2025.

ITALY

In contrast to other European countries, Italy's GDP stagnated in the final months of 2024. Manufacturing activity contracted, while services and construction grew slightly. GDP growth was supported by the increase in household consumption, especially in services (2.0%) and, to a lesser extent, in durable and non-durable consumer goods (0.5% and 0.7% respectively). This growth is largely driven by the increase in real income (0.4%), which in turn benefited from the gradual recovery in wages and improved employment levels. Investment in non-residential buildings is also growing, supported by the realisation of works related to the National Recovery and Resilience Plan (PNRR). Business activity remained weak, weighed down by the performance of the manufacturing sector. According to the Bank of Italy's projections, GDP grew by 0.5% in 2024 and will pick up again in the three-year period 2025-2027, averaging around

1% per year over the period. Growth will be subdued in the first half of 2025, but will pick up later in the year thanks to consumption and exports. The Ita-coin indicator, which measures output dynamics adjusted for cyclical volatility, remained at zero, confirming the ongoing weakness in economic activity. According to Bank of Italy estimates, the increase in private consumption slowed down at the beginning of 2024. Confcommercio reports that purchases of goods remained stable in the last months of 2024 compared to the summer, while spending on services increased slightly. Overall, assessments of personal economic conditions and savings opportunities have remained favourable, thanks also to still-high real interest rates. Housing prices are rising in both the new construction and existing property segments, thanks to increased demand. The outlook for market conditions has also improved thanks to the easing of difficulties associated with purchasing with a mortgage. Exports fell, reflecting the weakness of the goods component and the sharp contraction of the services component: while sales of goods to the Euro area economies rose slightly, those destined for markets outside the area fell, with sales of automobiles and refined oil products falling. Imports increased over the same period, mainly as a result of increased purchases in the Eurozone. Employment continued to increase with the expansion of private services. While employment in industry grew, there was a sharp decline in construction. This increase and the reduction in the labour force contributed to a fall in the unemployment rate to 6.1%, particularly among women and people aged between 15 and 49. Employment is expected to continue to grow in 2025, but at a slower pace than GDP. The cost of funding fell to 1.7%, reflecting the fall in interbank rates, the lower cost of funding through bonds and the fall in the yield on new fixed-term deposits. Bank funding continues to contract. Interest rates on both new and existing bank loans have fallen, as has the average cost of new loans to households for home purchases. Loans to businesses continue to contract, albeit at a slower pace than in the summer months. Thanks to the good performance of the financial sector, Italian equity prices have risen in contrast to those in the euro area. Based on available information, net debt should therefore have fallen significantly compared with 2023, in line with statements by the European Commission and the government. The European Commission has given a positive assessment of the Public Accounts Adjustment Programme, outlined in the Medium-Term Structural Budgetary Plan for the years 2025-2031.

FACTORING

The Italian factoring market

Statistics from Assifact, the Italian association of factoring providers, indicate stable factoring results for 2024. In fact, the factoring market recorded turnover of around € 289 billion last year.

Factoring with recourse remains by far the most popular option in the market with more than 80% of total turnover with a year-on-year increase of about 1% (-0.40% considering tax receivables deriving from construction bonuses), compared to 19% for with recourse transactions. In terms of amounts outstanding, these percentages do not vary much (78% versus 22%), thereby confirming that the assigning customers prefer completing assignments by hedging the risk associated with the assigned debtors.

The amount outstanding at 31/12/2024 of € 70.7 billion was up slightly from 2022 (+0.52%). Advances/fees paid increased by 1.77% and amounted to approximately 59.1 billion.

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 2024 financial year, EBNSISTEMA's factoring turnover in the market reached € 221 million (€ 222 million at 31 December 2023).

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

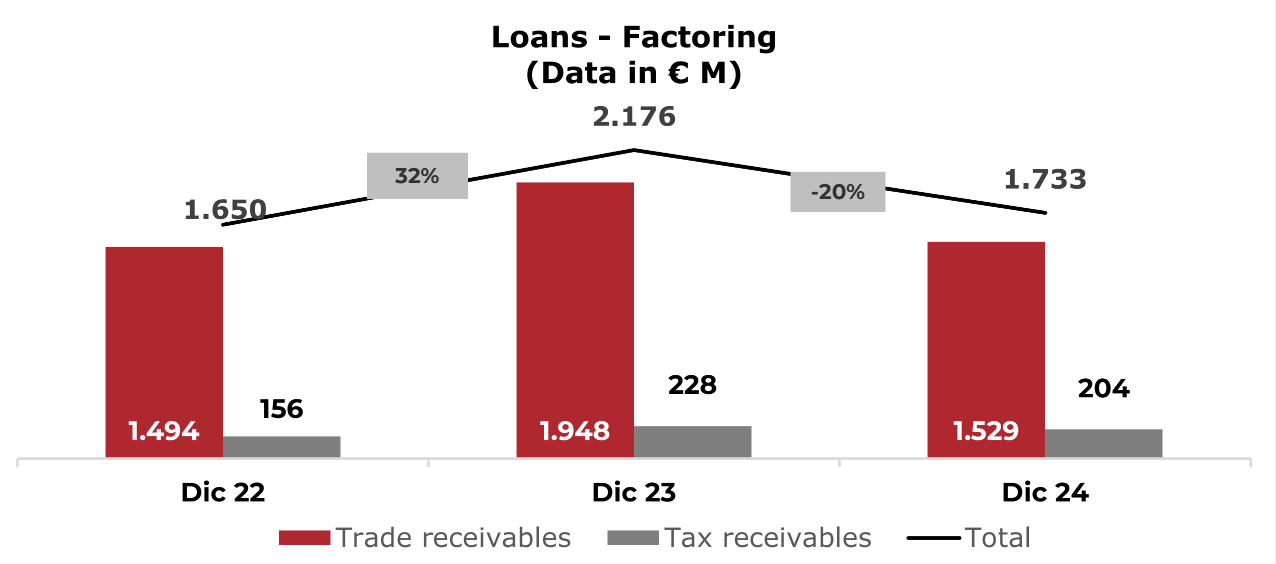
The following table shows the factoring volumes by product type:

Product (millions of Euro)	2024	2023	€ Change	% Change
Trade receivables	4,510	4,876	(366)	-7.5%
of which, without recourse	3,497	4,110	(613)	-14.9%
of which, with recourse	*1,012*	*766*	*247*	*32.2%*
Tax receivables	*336*	*457*	*(121)*	*-26.5%*
of which, without recourse	*336*	*457*	*(121)*	*-26.5%*
of which, with recourse	*-*	*-*	*-*	*n.a.*
Superbonus tax credits	*416*	*233*	*183*	*78.8%*
of which, for trading purposes	*416*	*219*	*196*	*89.5%*
Total	**5,261**	**5,565**	**(304)**	**-5.5%**

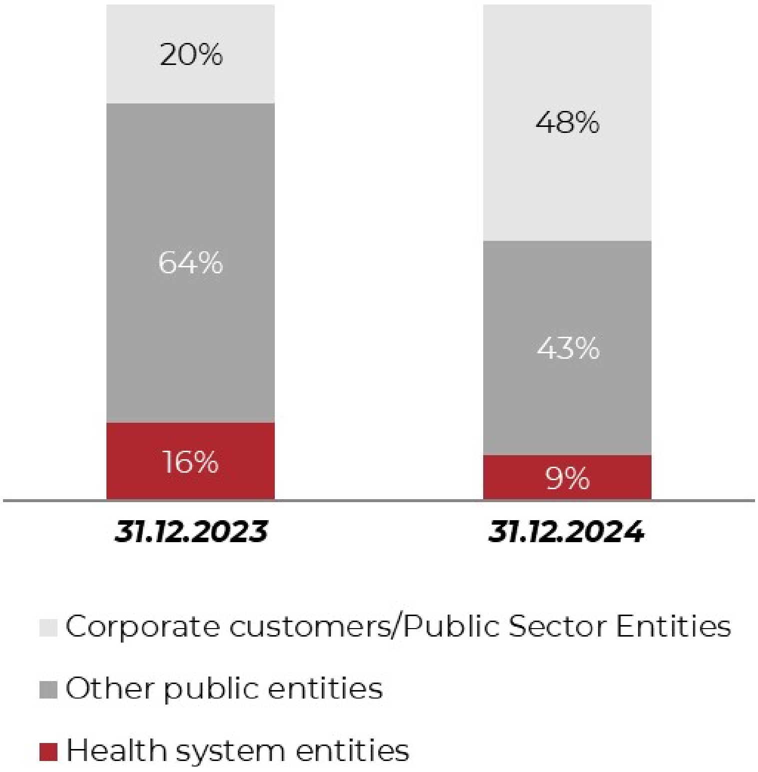
Volumes were generated through both its own internal commercial network and through other intermediaries with which the Group has entered into distribution agreements.

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 December 2024 (management figures) amounted to € 1,733 million compared to € 2,176 million at the end of 2023.



The following chart shows the ratio of debtors to the total exposure in the loans and receivables portfolio. In factoring, the Group's core business remains the Public Administration segment, although exposure to private debtors has increased significantly compared to the previous year, in line with the strategic guidelines of the 2024-2026 Business plan.



Volumes related to the management of third-party portfolios amounted to € 546 million (a decrease compared to the € 586 million recognised in the previous year).

SALARY- AND PENSION-BACKED LOANS AND QUINTOPUOI

The market for salary- and pension-backed loans recovered somewhat in the third quarter, with the cumulative balance for September breaking even with the previous year and recording the highest monthly growth this year (+5%) - source: Assofin. This trend appears to be driven by financial institutions' efforts to meet their year-end targets, combined with a context of falling interest rates following the recent cuts in the ECB's benchmark rates, making the market particularly competitive in the final phase of the year.

The market for personal loans continues to grow steadily (+11% cumulative vs. 2023), as does the mortgage market, which recorded positive year-on-year growth in the final quarter.

In this environment, the division maintained a solid performance in salary- and pension-backed loan (CQ) product volumes (€ 153 million cumulative, +16% vs. 2023), continuing the trend of previous quarters, albeit with some slowdown, mainly concentrated in the credit broker segment, which is more sensitive to expected price changes by certain competitors.

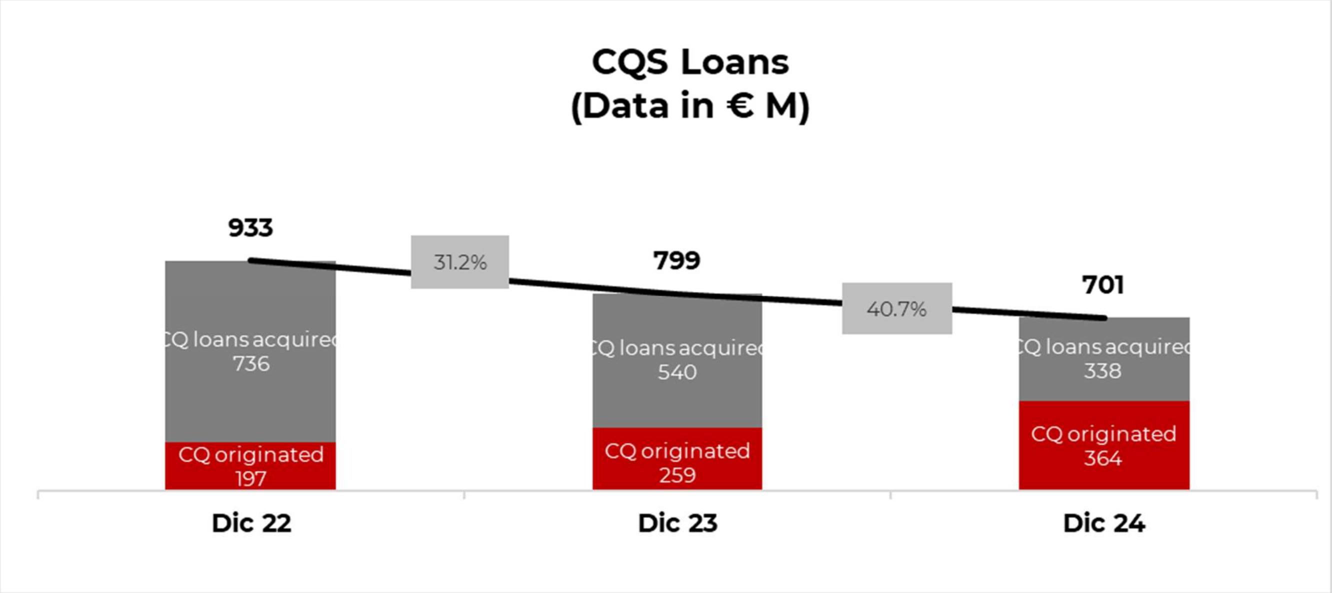
Other products distributed through partnerships are gaining traction, with rising volumes in personal loans and mortgages.

Outstanding capital is still intentionally down compared to the previous quarter and stood at € 747 million at 30 September 2024, in line with the attrition of the non-recourse portfolio acquired in previous years.

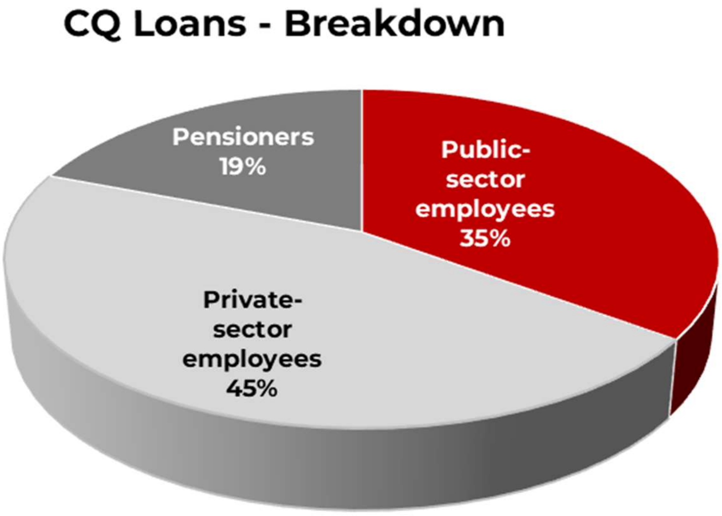
The following table shows volumes per channel:

	2024	2023	€ Change	% Change
No. of applications (#)	9,349	9,390	(41)	-0.4%
of which originated	9,262	9,388	(126)	-1.3%
Volumes disbursed (millions of Euro)	188	194	(6)	-3.1%
of which originated	151	122	28	23.3%

Below is an overview of the changes in the outstanding balance reported in the financial statements, broken down into "direct" and "indirect" components. The direct component refers to contracts originated directly through our network, while the indirect component concerns the purchase of portfolios from third-party intermediaries. In these cases, except for one acquired portfolio with an outstanding balance of € 40 million as of the reporting date, the Bank has not taken over the financing contracts with individual customers but has only acquired the credit.



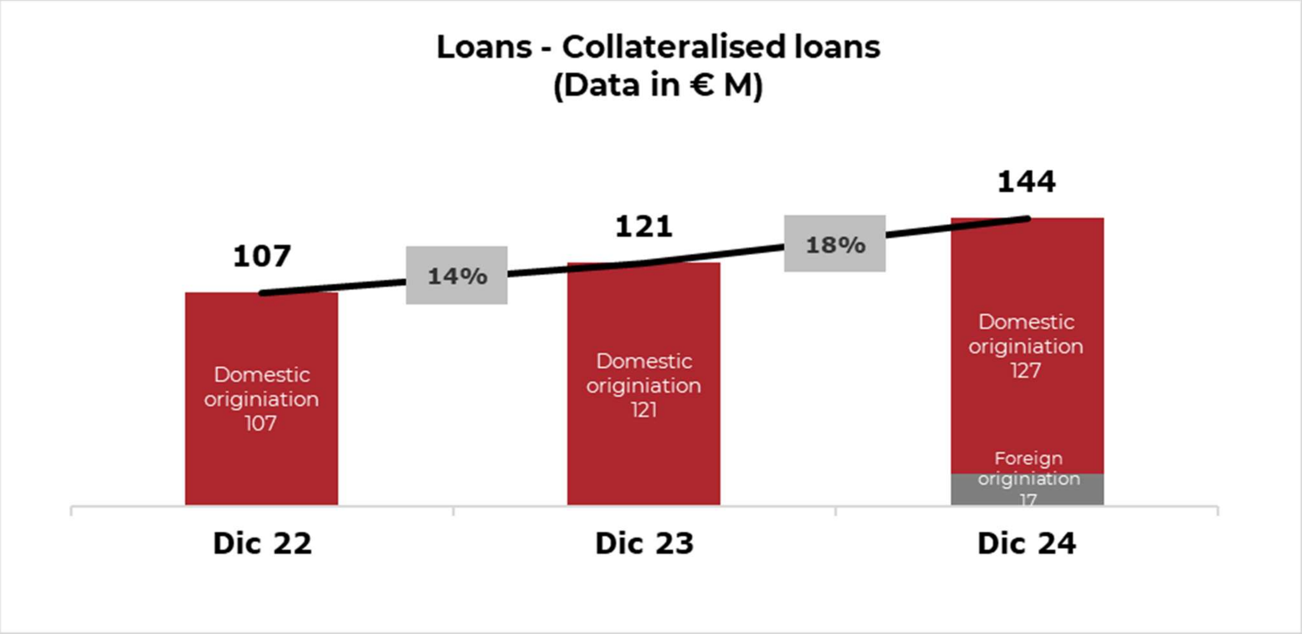
CQ Loans are split between private-sector employees (20%), pensioners (45%) and public-sector employees (35%). Therefore, over 80% of the volumes refer to pensioners and employees of Public Administration, which remains the Bank's main debtor.



COLLATERALISED LENDING AND KRUSO KAPITAL

At 31 December 2024, Kruso Kapital had approximately 76 thousand policies (collateralised loans) in Italy, with total loans of € 143.9 million, an increase of 18.5% compared to 31 December 2023 (€ 121.4 million). This increase is also due to the consolidation, starting in the fourth quarter of 2024, of the Portuguese subsidiary Pignus – Crédito Economico Popular (CEP).

The following chart shows the performance of outstanding loans:



The assets in the balance sheet, which increased by 22%, consist mainly of loans and receivables with customers related to the collateralised lending business (loans and receivables with customers) and goodwill for a total of € 41.2 million.

Loans and receivables with customers increased by 18.5% year-on-year due to the consolidation of CEP, which contributed € 16.4 million as of 31/12/2024, as well as the growth in lending activities in Italy.

The increase in goodwill is attributable to the temporary recognition of the purchase price allocation for CEP under goodwill.

Assets (€,000)	**31.12.2024**	**31.12.2023**	**€ Change**	**% Change**
Cash and cash equivalents	9,016	6,710	2,306	34.4%
Financial assets measured at amortised cost	143,879	121,444	22,435	18.5%
a) loans and receivables with banks	34	35	(1)	-2.9%
b1) loans and receivables with customers - loans	143,845	121,409	22,436	18.5%
Property and equipment	4,612	4,334	278	6.4%
Intangible assets	43,264	31,451	11,813	37.6%
of which: goodwill	41,155	29,606	11,549	39.0%
Tax assets	404	563	(159)	-28.2%
Other assets	3,309	3,189	120	3.8%
Total assets	**204,484**	**167,691**	**36,793**	**21.9%**

Liabilities and equity (€,000)	**31.12.2024**	**31.12.2023**	**€ Change**	**% Change**
Financial liabilities measured at amortised cost	141,830	113,815	28,015	24.6%
Tax liabilities	3,998	2,273	1,725	75.9%
Other liabilities	7,354	7,544	(190)	-2.5%
Post-employment benefits	872	900	(28)	-3.1%
Provisions for risks and charges	971	705	266	37.7%
Share capital	24,610	23,162	1,448	6.3%
Reserves	20,383	16,434	3,949	24.0%
Valuation reserves	(34)	(27)	(7)	25.9%
Profit (loss) for the period	4,500	2,885	1,615	56.0%
Total liabilities and equity	**204,484**	**167,691**	**36,793**	**21.9%**

The "financial liabilities measured at amortised cost" include the liability deriving from auction buyer's premium of € 5.6 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. Financial liabilities also include amounts due to banks (just over 60% from Banca Sistema credit lines), which increased year-on-year due to the consolidation and acquisition of CEP.

Equity at 31 December 2024 amounted to € 49.3 million, up from the amount at 31 December 2023 due to the capital increase in January 2024 (IPO) and profit for the period.

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

Income statement (€,000)	**2024**	**2023**	**€ Change**	**% Change**
Total income	**24,698**	**19,405**	**5,293**	**27.3%**
Net impairment losses on loans and receivables	(89)	(73)	(16)	21.9%
Net financial income (expense)	**24,609**	**19,332**	**5,277**	**27.3%**
Personnel expense	(8,562)	(6,934)	(1,628)	23.5%
Other administrative expenses	(7,595)	(6,538)	(1,057)	16.2%
Net impairment losses on property and equipment/intangible assets	(1,796)	(1,685)	(111)	6.6%
Other operating income (expense)	928	390	538	>100%
Operating costs	**(17,025)**	**(14,767)**	**(2,258)**	**15.3%**
Pre-tax profit from continuing operations	**7,584**	**4,565**	**3,019**	**66.1%**
Income taxes for the period	(3,084)	(1,680)	(1,404)	83.6%
Profit (loss) for the period of Kruso Kapital Group	**4,500**	**2,885**	**1,615**	**56.0%**

Total income, amounting to € 24.7 million, increased due to:

- the increasing contribution of Net interest income (€ 10.4 million, +40% yoy), driven by higher interest income from increased lending and higher margins in collateralised lending, which more than offset higher interest expenses;
- the contribution of higher Net fee and commission income (expense) (€ 14.4 million, +20% yoy) driven by higher lending/collateralised lending volumes and higher auction revenue in Italy for collateralised loans.

Art-Rite's revenues account for approximately 1% Total income and declined year-on-year, partly due to a lower number of auctions compared to the same period in 2023. Meanwhile, CEP contributed € 0.5 million for the two months of consolidation.

Credit impairments, which continue to be insignificant, are driven by write-downs in the first quarter of 2024 (€ 70 thousand) on a concentrated portfolio of policies, the underlying assets of which were seized.

Operating costs amounted to € 17.2 million, up 16.8% on the previous year, net of the contribution from the Other income and expense line item (which increased year-on-year, also due to the higher contribution from auction buyer's premiums, particularly concentrated in the fourth quarter of 2024), driven by:

- Higher personnel expenses related to salary increases under the new national collective labour agreement (CCNL), the recognition of a performance-based incentive plan for the IPO, redundancy charges concentrated in the second half of

2024, and an increase in headcount (144 as of 31/12/2024 vs. 91 as of 31/12/2023), also following the consolidation of CEP.

- Higher other administrative expenses, which include non-recurring costs related to the IPO and the acquisition in Portugal (equivalent to € 377 thousand in 2024) and which, net of these components, increase due to higher advertising, legal/consultancy, ICT/digital collateral, consolidation of CEP (€ 119 thousand) and post-IPO running costs.

The Cost-Income ratio, including the non-recurring charges described above, stood just below 70% as of 31/12/2024, an improvement on the previous year (76% as of 31/12/2023).

Net profit increased by 53% compared to the previous year and includes the profit of the subsidiary CEP of € 130 thousand (for the two months of consolidation) and the losses of the subsidiaries ProntoPegno Grecia and Art-Rite of € 589 thousand and € 770 thousand respectively, the latter in a volatile sector such as auctions and a sharp decline in turnover at sector level.

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 December 2024 was equal to a nominal € 1,178 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 December 2024, the nominal amount of securities in the HTCS portfolio amounted to € 1,117 million (€ 586 million reported at 31 December 2023) with a duration of 15.2 months (13.8 months at 31 December 2023).

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

FUNDING

At 31 December 2024, wholesale funding was about 30% 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.

In October, the Bank acted as arranger for the amendment of a securitization transaction involving tax receivables, which saw the entry of a new senior investor. The transaction provides for the revolving sale of tax receivables by the assignors, who are customers of Banca Sistema, with an initial maximum total amount of € 1.6 billion and a residual amount of approximately € 1 billion. The maximum amount financed is € 150 million with an initial maturity of 24 months, and allows the Bank to diversify its funding sources in the institutional market and to extend the maturity of this specific funding source through a more efficient securitisation structure.

With regard to customer deposits, the Bank continued with its strategy of diversifying its sources, at the same time favouring the most stable ones.

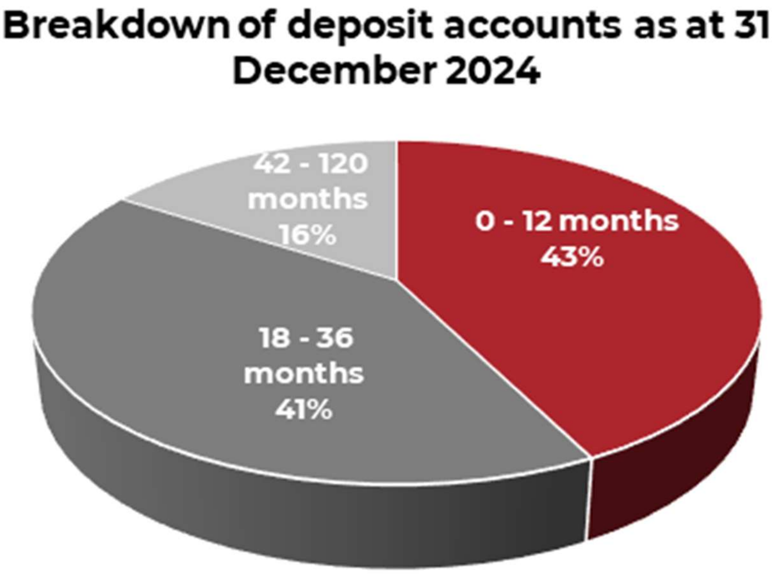
In particular, funding from private customer deposits reached € 2.44 billion with a duration of approximately 17 months (compared to € 2.22 billion with a duration of 14 months at 31 December 2023).

The stock of customer deposits reached € 3.8 billion as of 31 December 2024, almost entirely from term deposits.

Retail funding accounts for 70% of the total and is composed of the account SI Conto! Corrente and the product SI Conto! Deposito.

Total term deposits as at 31 December 2024 amounted to € 2,565 million, an increase of 7% compared to 31 December 2023. The above-mentioned amount also includes total term deposits of € 2,021 million (obtained with the help of partner platforms) held with foreign entities (accounting for 79% of total deposit funding), an increase of € 190 million over the previous year.

The breakdown of funding by term is shown below.



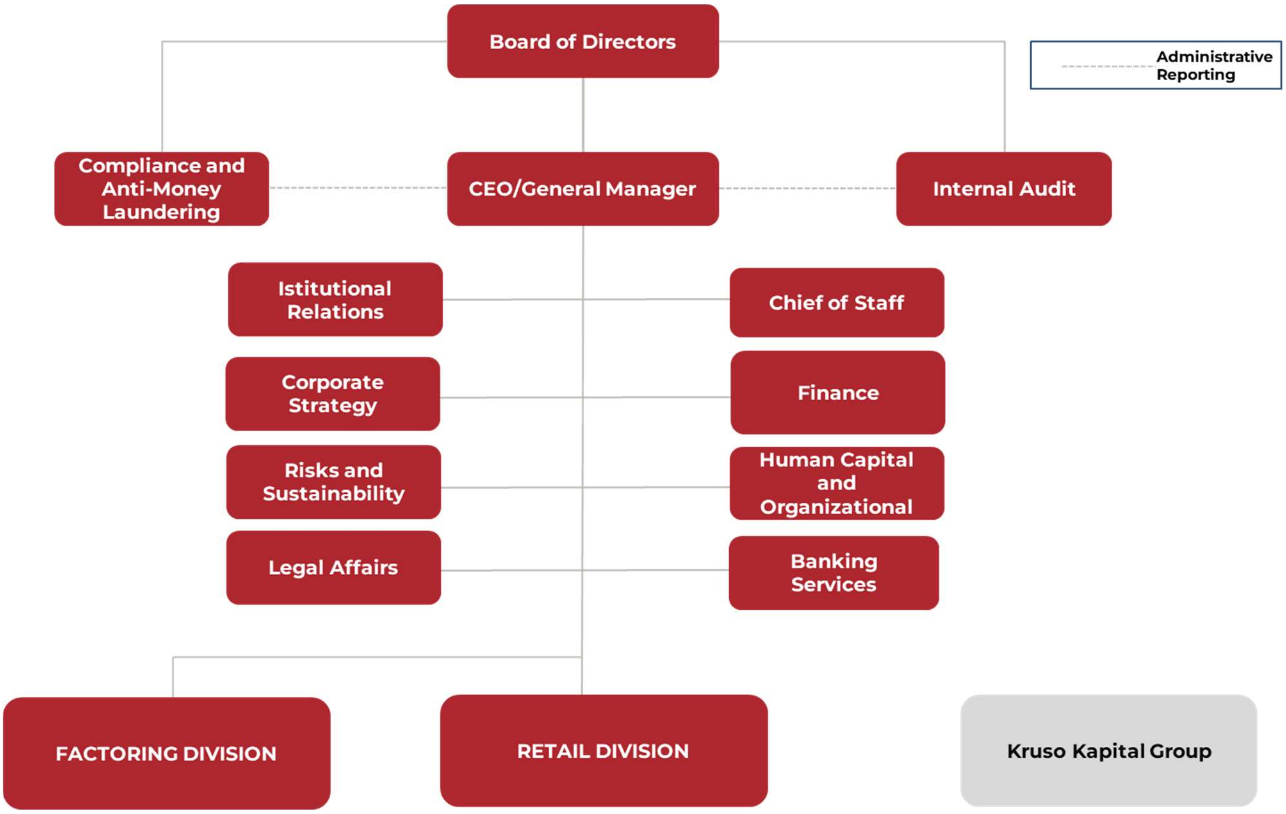
The average residual life is 16 months compared to 15 months at the end of 2023.

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 Retail Financing (formerly named 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 1 July 2024 is as follows:



HUMAN RESOURCES

As at 31 December 2024, the Group had a staff of 358, broken down by contract category as follows:

FTES	31.12.2024	31.12.2023
Senior managers	28	26
Middle managers (QD3 and QD4)	66	67
Other personnel	264	206
Total	**358**	**299**

At 31 December 2024, 20 people were recruited and hired to support business expansion, fill staff vacancies or to replace long-term absentee workers. More than 98% of these were on permanent contracts and mainly for activities in the Factoring Division and the Corporate Centre. Voluntary turnover in September 2024 was 5.87%, up from the same period in 2023.

Regarding skills development, the Bank identified professional and technical training requirements related to legal and regulatory issues. In December 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 for a total of 380 hours.

During the year, the Babbel and LinkedIn Learning digital training platforms were made available. The Group continues to invest in the language training of its employees, also in view of the international growth of its business, while offering a catalogue of some 22,000 courses for the development of both technical and managerial skills, which can be activated independently and according to the individual assessment and needs of each employee.

The Bank has supported the financial well-being of employees by reviewing and reducing the spreads applied to loans and mortgages granted to employees in accordance with the “Loan Assistance Policy".

Always as part of its commitment to the financial well-being of employees, the initiative to assist employees in purchasing a minimum number of shares in the subsidiary Kruso Kapital, in accordance with the provisions of the specific regulation, was concluded.

Welfare support for employees and their families, especially those with children, was enhanced in 2024, and support for employees who do not work remotely was also continued to address the higher costs associated with daily commuting. These measures are also proposed again in 2025.

The average age of Group employees is 47.3 for men and 43.8 for women. The breakdown by gender is essentially balanced, with men accounting for 55.6% and women for 44.4% of the total.

INCOME STATEMENT RESULTS

Income statement (€,000)	2024	2023	€ Change	% Change
Net interest income	50,080	66,955	(16,875)	-25.2%
Net trading income from Superbonus (1)	32,854	3,208	29,646	>100%
Net interest income adjusted	**82,934**	**70,163**	**12,771**	**18.2%**
Net fee and commission income (expense)	26,722	19,647	7,075	36.0%
Dividends and similar income	227	227	-	0.0%
Net trading income (expense)	1,370	(436)	1,806	<100%
Net hedging result	(5)	5	(10)	<100%
Gain from sales or repurchases of financial assets/liabilities	9,983	13,925	(3,942)	-28.3%
Total income	**121,231**	**103,531**	**17,700**	**17.1%**
Net impairment losses on loans and receivables	(1,132)	(4,574)	3,442	-75.3%
Gains/losses from contract amendments without derecognition	(102)	(1)	(101)	>100%
Net financial income (expense)	**119,997**	**98,956**	**21,041**	**21.3%**
Personnel expense	(32,452)	(29,862)	(2,590)	8.7%
Other administrative expenses	(36,678)	(34,911)	(1,767)	5.1%
Net accruals to provisions for risks and charges	(3,425)	(3,171)	(254)	8.0%
Net impairment losses on property and equipment/intangible a	(3,301)	(3,281)	(20)	0.6%
Other operating income (expense)	(2,234)	(2,027)	(207)	10.2%
Operating costs	**(78,090)**	**(73,252)**	**(4,838)**	**6.6%**
Gains (losses) on equity investments	(11)	25	(36)	<100%
Gains (losses) on sales of investments	-	-	-	n.a.
Pre-tax profit from continuing operations	**41,896**	**25,729**	**16,167**	**62.8%**
Income taxes for the period	(15,374)	(8,502)	(6,872)	80.8%
Profit for the year	**26,522**	**17,227**	**9,295**	**54.0%**
Profit (loss) attributable to non-controlling interests	(1,323)	(721)	(602)	83.5%
Profit for the year attributable to the owners of the parent	**25,199**	**16,506**	**8,693**	**52.7%**

(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 2024 financial year ended with a profit of € 25.2 million, up 52.7% compared to the previous year.

Total income rose sharply of € 17.7 million (+17.1% compared to 31 December 2023), mainly due to the contribution of the Factoring Division with its trading activity on Superbonus.

Operating costs increased by 6.6%, with a lower growth rate than Total income. The result includes the release of € 8 million of impairment losses as the assumptions made in the past in relation to possible settlement agreements with the Extraordinary Liquidation Body of a failing municipality no longer apply, as well as an update of estimates of the probability of recovery of the same loan following the aforementioned judgment of the European Court of Human Rights.

Net interest income (€,000)	**2024**	**2023**	**€ Change**	**% Change**
Interest and similar income				
Loans and receivables portfolios	160,002	144,538	15,464	10.7%
Factoring	107,336	95,743	11,593	12.1%
CQ	18,049	21,931	(3,882)	-17.7%
Collateralised lending	14,929	11,153	3,776	33.9%
Government-backed loans to SMEs	19,688	15,711	3,977	25.3%
Securities portfolio	23,552	24,259	(707)	-2.9%
Other	12,701	9,637	3,064	31.8%
Financial liabilities	-	-	-	n.a.
Total interest income	**196,255**	**178,434**	**17,821**	**10.0%**
Interest and similar expense				
Due to banks	(15,392)	(20,748)	5,356	-25.8%
Due to customers	(123,932)	(83,492)	(40,440)	48.4%
Securities issued	(6,851)	(7,239)	388	-5.4%
Financial assets	-	-	-	n.a.
Total interest expense	**(146,175)**	**(111,479)**	**(34,696)**	**31.1%**
Net interest income	**50,080**	**66,955**	**(16,875)**	**-25.2%**
Net trading income from Superbonus	32,854	3,208	29,646	>100%
Net interest income adjusted	**82,934**	**70,163**	**12,771**	**18.2%**

Interest income showed solid growth compared to the previous year, reflecting the good performance of the Factoring Division (which includes income from "factoring" and " Government-backed loans to SMEs"), which more than offset the increase in the cost of funding allocated to the Division. Interest expense, on the other hand, increased as expected as a result of the repeated increases in market interest rates since 2023 and the increase in the absolute value of funding; the Group's average cost of funding is still below the ECB rate.

The total contribution of the Factoring Division to interest income was € 127 million, equal to 79% of the entire interest income referred to loans and receivables portfolio, to which the commission component associated with the factoring business, the revenue generated by the assignment of some receivables from the factoring portfolio and the income component from superbonus receivables purchased for trading purposes need to be added (revenues from Ecobonus receivables settled through offsetting in 2023 have been reclassified under Other interest income to ensure consistency with 2024.)

The component owed for late payments pursuant to Legislative Decree 231/02 (consisting of default interest and compensation) legally enforced at 31 December 2024 amounted to € 31.4 million (€ 36.5 million at 31 December 2023):

- of which € 11.1 million resulting from the current recovery estimates (€ 18.7 million at 31 December 2023);
- of which € 5.5 million resulting from the updated recovery estimates and expected collection times (€ 1.2 million at 31 December 2023). At 31 December 2023, € 6.4 million were recorded as a result of the increases in benchmark rates (ECB);
- of which €13.4 million (€ 6.5 million at 31 December 2023) which is the positive difference between the amount collected during the period, equal to € 21.4 million (€ 10.8 million at 31 December 2023) and that recognised on an accrual basis in previous years;
- of which €1.4 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 (€ 3.7 million at 31 December 2023).

The amount of the stock of interest pursuant to Legislative Decree 231/02 at 31 December 2024, relevant for the allocation model, was € 149 million (€ 137 million at the end of 2023), which becomes € 252 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 € 92 million. Therefore, the amount of interest pursuant to Legislative Decree No. 231/02 accrued and not yet recognised in the income statement is € 160 million, of which € 44 million is guaranteed by the State following the Strasbourg judgment and approximately € 19 million is the result of appeals already lodged by the Bank with the European Court of Human Rights, whose proceedings are at an advanced stage, having already received the requests for amicable settlement.

The contribution from interest from the salary- and pension-backed portfolios amounted to € 18 million, down from 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 Interest income amounted to € 14.9 million, compared to € 11.2 million in 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 previous year is related to the lower holdings in the securities portfolios.

Other interest income includes the use of overnight deposits with the ECB, which rose due to the increase in unused liquidity and the increase in the remuneration rate.

The increase in interest expense is entirely due to the rise in market interest rates following the ECB rate hikes.

The Superbonus trading income of € 32.9 million is generated from the trading of these loans and the valuation of these loans at fair value.

Net fee and commission income (€,000)	**2024**	**2023**	**€ Change**	**% Change**
Fee and commission income				
Factoring activities	18,749	12,666	6,083	48.0%
Fee and commission income - off-premises CQ	9,883	9,751	132	1.4%
Collateralised loans (fee and commission income)	14,055	11,164	2,891	25.9%
Collection activities	2,952	1,351	1,601	>100%
Other fee and commission income	921	1,609	(688)	-42.8%
Total fee and commission income	**46,560**	**36,541**	**10,019**	**27.4%**
Fee and commission expense				
Factoring portfolio placement	(1,418)	(1,333)	(85)	6.4%
Placement of other financial products	(6,489)	(4,143)	(2,346)	56.6%
Fees - off-premises CQ	(9,423)	(9,299)	(124)	1.3%
Other fee and commission expense	(2,508)	(2,119)	(389)	18.4%
Total fee and commission expense	**(19,838)**	**(16,894)**	**(2,944)**	**17.4%**
Net fee and commission income	**26,722**	**19,647**	**7,075**	**36.0%**

Net fee and commission income (expense), amounting to € 26.7 million, increased by 36.0%, 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 € 2.9 million compared to the previous year thanks to the continuing growth of the business.

Fees and commissions from collection activities include both revenues from the traditional service of reconciling third-party invoice receipts with the Public Administration amounting to € 1.1 million (-15.2% YoY) and revenues from the recent development of the Master/Corporate Servicer business for third-party securitisations amounting to € 1.8 million.

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 € 0.2 million.

Fee and commission income - off-premises CQ refers to both the commissions on the salary- and pension-backed loan (CQ) origination business and the placement of third-party products totalling € 9.9 million, which should be considered together with the item Fees - off-premises CQ, amounting to € 9.4 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)	**2024**	**2023**	**€ Change**	**% Change**
Trading results from financial instruments	1,370	(436)	1,806	<100%
Total	**1,370**	**(436)**	**1,806**	**<100%**

The item includes the income from trading Italian government bonds.

Gain (loss) from sales or repurchases (€,000)	**2024**	**2023**	**€ Change**	**% Change**
Gains from HTCS portfolio debt instruments	3,706	1,318	2,388	>100%
Gains from HTC portfolio debt instruments	(96)	7,916	(8,012)	<100%
Gains from receivables (Factoring portfolio)	4,771	2,141	2,630	>100%
Gains from receivables (CQ portfolio)	1,602	2,550	(948)	-37.2%
Total	**9,983**	**13,925**	**(3,942)**	**-28.3%**

The item Gain (loss) from sales or repurchases includes, in addition to net realised gains on the securities portfolio, gains from the sale of factoring and CQ receivables.

Impairment losses on loans and receivables at 31 December 2024 amounted to € 1.1 million (€ 4.6 million at 31 December 2023). The loss rate rose to 0.03% at 31 December 2024 from 0.18% recorded in 2023; excluding the aforementioned impairment gain, the loss rate stands at 0.30%.

Personnel expense (€,000)	2024	2023	€ Change	% Change
Wages and salaries	(25,343)	(23,214)	(2,129)	9.2%
Social security contributions and other costs	(5,373)	(5,065)	(308)	6.1%
Directors' and statutory auditors' remuneration	(1,736)	(1,583)	(153)	9.7%
Total	**(32,452)**	**(29,862)**	**(2,590)**	**8.7%**

The increase in personnel expense compared with the previous year is due to the increase in the fixed component of the remuneration, as a result of the changes in the banking contract, which apply to the majority of staff, and to the increase in the number of resources, the average number of which rose from 293 to 315, due to the inclusion of 44 new resources from the Portuguese company Pignus - Credito Economico Popular, which was acquired by the subsidiary Kruso Kapital in November. Based on the provisions of the Supervisory Body and the discussions held with it, the only allocation of the variable component set aside until 30 September 2024 was maintained. Wages and salaries include a non-recurring component of redundancy charges of € 0.5 million.

Other administrative expenses (€,000)	2024	2023	€ Change	% Change
Consultancy	(8,610)	(7,987)	(623)	7.8%
IT expenses	(7,810)	(7,275)	(535)	7.4%
Servicing and collection activities	(1,922)	(1,972)	50	-2.5%
Indirect taxes and duties	(3,887)	(3,252)	(635)	19.5%
Insurance	(2,471)	(1,256)	(1,215)	96.7%
Other	(1,277)	(1,049)	(228)	21.7%
Expenses related to management of the SPVs	(568)	(590)	22	-3.7%
Outsourcing and consultancy expenses	(959)	(726)	(233)	32.1%
Car hire and related fees	(876)	(765)	(111)	14.5%
Advertising and communications	(1,939)	(2,785)	846	-30.4%
Expenses related to property management and logistic	(2,975)	(2,641)	(334)	12.6%
Personnel-related expenses	(76)	(93)	17	-18.3%
Entertainment and expense reimbursement	(934)	(733)	(201)	27.4%
Infoprovider expenses	(974)	(871)	(103)	11.8%
Membership fees	(361)	(343)	(18)	5.2%
Audit fees	(455)	(382)	(73)	19.1%
Telephone and postage expenses	(459)	(527)	68	-12.9%
Stationery and printing	(125)	(96)	(29)	30.2%
Total operating expenses	**(36,678)**	**(33,343)**	**(3,335)**	**10.0%**
Resolution Fund	-	(1,568)	1,568	-100.0%
Total	**(36,678)**	**(34,911)**	**(1,767)**	**5.1%**

Administrative expenses increased by 9.2% compared to the previous year, excluding the contribution to the Resolution Fund, which was not requested in 2024 due to the achievement of pre-established system targets.

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

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.

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

The increase in the cost of insurance premiums is due to the increased use of policies to mitigate the risk of assets in the corporate factoring portfolio.

Net impairment losses on property and equipment/intangible assets (€,000)	2024	2023	€ Change	% Change
Depreciation of buildings used for operations	(834)	(827)	(7)	0.8%
Depreciation of furniture and equipment	(401)	(386)	(15)	3.9%
Amortisation of value in use	(1,409)	(1,470)	61	-4.1%
Amortisation of software	(614)	(550)	(64)	11.6%
Amortisation of other intangible assets	(43)	(48)	5	-10.4%
Total	**(3,301)**	**(3,281)**	**(20)**	**0.6%**

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)	2024	2023	€ Change	% Change
Auction buyer's premiums	734	511	223	43.6%
Recovery of expenses and taxes	1,425	1,105	320	29.0%
Deposit Scheme contribution	(5,145)	(4,049)	(1,096)	27.1%
Amortisation of multiple-year improvement costs	(665)	(646)	(19)	2.9%
Other income (expense)	370	274	96	35.0%
Contingent assets and liabilities	1,047	778	269	34.6%
Total	**(2,234)**	**(2,027)**	**(207)**	**10.2%**

The increase in the item "Other operating income (expense)" compared to the previous year is due to the increase of € 1.1 million of the contribution to the deposit scheme.

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)	**31.12.2024**	**31.12.2023**	**€ Change**	**% Change**
Cash and cash equivalents	93,437	250,496	(157,059)	-62.7%
Financial assets measured at fair value through other comprehensive income	1,147,197	576,002	571,195	99.2%
Financial assets measured at amortised cost	2,873,051	3,396,281	(523,230)	-15.4%
a) loans and receivables with banks	23,024	926	22,098	>100%
b1) loans and receivables with customers - loans	2,696,911	3,334,250	(637,339)	-19.1%
b2) loans and receivables with customers - debt instruments	153,116	61,105	92,011	>100%
Hedging derivatives	-	-	-	n.a.
Changes in fair value of portfolio hedged items (+/-)	3,557	3,651	(94)	-2.6%
Equity investments	984	995	(11)	-1.1%
Property and equipment	53,433	40,659	12,774	31.4%
Intangible assets	47,233	35,449	11,784	33.2%
of which: goodwill	45,075	33,526	11,549	34.4%
Tax assets	13,415	25,211	(11,796)	-46.8%
Non-current assets held for sale and disposal groups	-	64	(64)	-100.0%
Other assets	470,591	243,592	226,999	93.2%
Total assets	**4,702,898**	**4,572,400**	**130,498**	**2.9%**

The year ended 31 December 2024 closed with total assets up by 2.9% over the end of 2023 and equal to € 4.7 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 15.2 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 € 1,116 million at 31 December 2024 (€ 586 million at 31 December 2023). The associated valuation reserve was negative at the end of the period, amounting to € 2.5 million before the tax effect.

Loans and receivables with customers (€,000)	31.12.2024	31.12.2023	€ Change	% Change
Factoring receivables	1,569,293	2,117,279	(547,986)	-25.9%
Salary-/pension-backed loans (CQS/CQP)	701,494	798,695	(97,201)	-12.2%
Collateralised loans	143,845	121,315	22,530	18.6%
Loans to SMEs	223,702	285,772	(62,070)	-21.7%
Current accounts	593	412	181	43.9%
Compensation and Guarantee Fund	55,016	7,511	47,505	>100%
Other loans and receivables	2,968	3,266	(298)	-9.1%
Total loans	**2,696,911**	**3,334,250**	**(637,339)**	**-19.1%**
Securities	153,116	61,105	92,011	>100%
Total loans and receivables with customers	**2,850,027**	**3,395,355**	**(545,328)**	**-16.1%**

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 56% (64% at the end of 2023). The volumes generated during the quarter amounted to € 4,845 million (€ 5,332 million at 31 December 2023).

Salary- and pension-backed loans were lower than the end of the previous year, with volumes disbursed directly by the agent network amounting to € 186 million (€ 174 million at the end of 2023).

Loans to small and medium-sized enterprises guaranteed by the State are decreasing as a result of lower disbursements, amounting to € 35.3 million in 2024.

The collateralised lending business, which is conducted through the Kruso Kapital Group, grew during the period, with loans granted at 31 December 2024 amounting to € 127 million.

HTC Securities are composed of Italian government securities with an average duration of 31 months for an amount of € 61 million. The mark-to-market valuation of the securities at 31 December 2024 shows a pre-tax unrealised loss of € 3.5 million. The item also includes the investment in an ABS senior security for an amount of € 92.1 million linked to a securitisation transaction for the purchase of tax receivables, of which the Bank was one of the joint arrangers and for which it will also play the role of Master Servicer of the newly constituted vehicle; the transaction involves the purchase by the SPV of approximately € 300 million of tax receivables.

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

Status	**31.12.2023**	**31.03.2024**	**30.06.2024**	**30.09.2024**	**31.12.2024**
Bad exposures - gross	173,767	177,760	177,112	177,997	179,957
Unlikely to pay - gross	59,172	51,140	49,315	49,362	51,716
Past due - gross	64,176	57,940	79,541	89,787	101,129
Non-performing - gross	**297,115**	**286,840**	**305,968**	**317,146**	**332,802**
Performing - gross	**3,108,776**	**2,814,181**	**2,565,119**	**2,534,254**	**2,429,261**
Stage 2 - gross	90,912	66,143	80,022	52,057	58,129
Stage 1 - gross	3,017,864	2,748,038	2,485,097	2,482,197	2,371,132
Total loans and receivables with customers	**3,405,891**	**3,101,021**	**2,871,087**	**2,851,400**	**2,762,063**
Individual impairment losses	**65,359**	**65,853**	**60,941**	**61,697**	**57,486**
Bad exposures	49,119	49,789	43,502	43,341	38,499
Unlikely to pay	15,080	14,907	16,293	17,395	18,353
Past due	1,160	1,157	1,146	961	634
Collective impairment losses	**6,282**	**6,137**	**6,405**	**6,616**	**7,666**
Stage 2	694	456	522	341	313
Stage 1	5,588	5,681	5,883	6,275	7,353
Total impairment losses	**71,641**	**71,990**	**67,346**	**68,313**	**65,152**
Net exposure	**3,334,250**	**3,029,031**	**2,803,741**	**2,783,087**	**2,696,911**

The ratio of gross non-performing loans to the total portfolio rose to 12.0% compared to 8.7% at 31 December 2023, due to a decrease in the absolute value of performing loans and a simultaneous increase in non-performing loans, which remain high because of the application of the new definition of default ("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.[1]

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[1] Below is the list of Public Administration entities that, pursuant to the regulations on the new definition of default, were classified as in default status as of 31 December 2024. Municipalities of: Abriola; Acquafondata; Africo; Agrigento; Alliste; Altavilla Irpina; Amantea; Andria; Anguillara Sabazia; Aquara; Arsoli; Aurigo; Bassano Romano; Bellegra; Belmonte Calabro; Belmonte In Sabina; Belvedere Di Spinello; Bernalda; Bitetto; Bocchigliero; Bolognetta; Boscotrecase; Bruzzano Zeffirio; Cagli; Cagnano Amiterno; Camigliano; Campobello Di Mazara; Campolongo Maggiore; Camporotondo Etneo; Cansano; Cantalupo Ligure; Careri; Castellana Sicula; Castellina Marittima; Castello Del Matese; Castelvecchio Subequo; Castiglione Di Sicilia; Castilenti; Cavriglia; Cento; Ceranova; Cercola; Certaldo; Chianciano Terme; Cicala; Cittareale; Civitella Roveto; Civitella San Paolo; Colliano; Colosimi; Comitini; Cona; Contigliano; Copertino; Corigliano-Rossano; Crespina Lorenzana; Crispano; Crosia; Decimomannu; Deruta; Dronero; Ferrandina; Fiamignano; Foggia; Foligno; Fragagnano; Galatro; Giardini Naxos; Gioia Tauro; Grassano; Gricignano Di Aversa; Gualdo Tadino; Guardia Perticara; Guardia Piemontese; Ischitella; Istrana; Lecce; Lentini; Libi; Longone Sabino; Lucca Sicula; Luco Dei Marsi; Lupara; Lustra; Macerata Campania; Magisano; Maissana; Malito; Mandas; Mandatoriccio; Maratea; Mariglianella; Marineo; Marsicovetere; Martone; Maschitoa; Massa Albe; Massa Martana; Miglierina; Modica; Molini Di Triora; Moncalieri; Moncrivello; Montalbano Elicona; Montalbano Jonico; Montallegro; Montalto Di Castro; Monte Compatri; Montecorvino Pugliano; Monteleone Di Puglia; Montemagno; Montemesola; Montemilone; Monterosso Almo; Monterosso Calabro; Monterotondo; Monterotondo Marittimo; Montescudaio; Nereto; Nocara; Nocera Terinese; Noci; Novoli; Orsara Di Puglia; Orte; Ortonovo; Osiglia; Ossona; Pachino; Palazzo San Gervasio; Palermo; Parona; Partinico; Pennadomo; Pertosa; Petriolo; Petrona'; Pietrasanta; Pignola; Placanica; Poggio Imperiale; Poggio Nativo; Polignano A Mare; Pontelatone; Porto Empedocle; Postiglione; Prata Sannita; Presicce - Acquarica; Realmonte; Riardo; Riofreddo Roccabascerana; Roccabernarda; Roccella Ionica; Rombiolo; Rotonda; Salice Salentino; Salve; San Felice Sul Panaro; San Genesio Ed Uniti; San Giuseppe Vesuviano; San Marco In Lamis; San Marco La Catola; San Nicola Da Crissa; San Severino Lucano; San Sosti; Sannicandro Di Bari; Santa Caterina Dello Ionio; Santa Marinella; Sant'onofrio; Saonara; Sassano; Sava; Savelli; Sciolze; Senise; Seravezza; Serrata; Sgurgola; Solagna; Soriano Nel Cimino; Sorrento; Soverato; Soveria Simeri; Spinazzola; Squinzano; Statte; Stignano; Subiaco; Suni; Taurisano; Teglio Veneto; Terlizzi; Tertenia; Tessennano; Torgiano; Torre Annunziata; Torre Santa Susanna; Torriglia; Triggiano; Trivigno; Umbriatico; Elsa; Valle Castellana; Vallelonga; Vallepietra; Vernole; Viagrande; Vinci; Vivaro Romano; Zerbolo'; Fara Sabina; Minervino Murge. Provinces of: Cosenza; Crotone; Messina; Taranto. Other public entities: Comunita' Montana Trasimeno Medio Tevere; Amministrazione Provinciale Dell'aquila; Ares-Azienda Regionale Della Salute Regione Sardegna; Asl Avezzano-Sulmona-L'aquila; Asl Lecce; Asl Napoli 1 Centro; Asl Napoli 3 Sud; Asl Prov Foggia; Asp. N. 1 Prov. Teramo; Az. Ospedaliera Santobono Pausilipon; Azie. Ospe. Univ. L.Vanvitelli; Azienda Ospedaliera Bianchi Melacrino Morelli; Azienda per la Tutela della Salute - ATS; Azienda Pubblica di Servizi alla Persona S.M.A.R.; Azienda Pubblica di Servizi alla Persona Maria Cristina Di Savoia; Azienda Pubblica di Servizi alla Persona Maria De Peppo Serena E Tito Pellegrino; Azienda Sanitaria Locale Salerno; Azienda Sanitaria Provinciale Di Cosenza; Azienda Sanitaria Provinciale Di Crotone; Azienda Sanitaria Provinciale Vibo Valentia; Azienda Servizi alla Persona Opera Pia; Azienda Unita' Locale di Parma; Azienda Usl Latina.

The coverage ratio for non-performing loans is 17.3%, compared to 22% at 31 December 2023; in particular, the coverage ratio of bad exposures excluding those to the public administration in temporary distress is 89.4%.

Property and equipment includes Group properties used for operations. Their carrying amount at 31 December 2024, calculated using fair value as the accounting criterion, is € 46.7 million with a revaluation reserve, net of tax, of € 6.5 million.

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 € 45.1 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;
- goodwill of € 1.2 million, resulting from the acquisition of Art-Rite which was completed on 2 November 2022;
- goodwill of € 11.5 million, resulting from the acquisition of Pignus - Credito Economico Popular SA, which was completed on 7 November 2024.

A hypothetical temporary allocation of the purchase price for Pignus - Credito Economico Popular is provided below:

Provisional price allocation (€,000)	
Purchase price (A)	11,559
Equity at closing (B)	(10)
Residual value to be allocated (A+B)	**11,549**
Provisional allocation to goodwill	**11,549**

The investment recognised in the financial statements relates to the joint venture with EBN Banco de Negocios S.A. in EBNSISTEMA. At the end of the 2024 financial year, EBNSISTEMA had originated loans of € 221 million, compared to € 222 million in 2023.

Other assets is mainly composed of "Superbonus 110" tax credits purchased for trading purposes with a carrying amount of € 400 million. Credits were purchased during the year for a nominal amount of € 468 million. This item also includes work in progress at the end of the period, advance tax payments and "Superbonus 110" tax credits of € 35 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)	**31.12.2024**	**31.12.2023**	**€ Change**	**% Change**
Financial liabilities measured at amortised cost	4,109,583	4,042,105	67,478	1.7%
a) due to banks	127,257	644,263	(517,006)	-80.2%
b) due to customers	3,761,395	3,232,767	528,628	16.4%
c) securities issued	220,931	165,075	55,856	33.8%
Hedging derivatives	3,561	3,646	(85)	-2.3%
Tax liabilities	31,809	24,816	6,993	28.2%
Liabilities associated with disposal groups	-	37	(37)	-100.0%
Other liabilities	196,583	181,902	14,681	8.1%
Post-employment benefits	5,215	4,709	506	10.7%
Provisions for risks and charges	41,470	37,836	3,634	9.6%
Valuation reserves	4,112	(12,353)	16,465	<100%
Reserves	215,740	207,767	7,973	3.8%
Equity instruments	45,500	45,500	-	0.0%
Equity attributable to non-controlling interests	14,577	10,633	3,944	37.1%
Share capital	9,651	9,651	-	0.0%
Treasury shares (-)	(102)	(355)	253	-71.3%
Profit for the year	25,199	16,506	8,693	52.7%
Total liabilities and equity	**4,702,898**	**4,572,400**	**130,498**	**2.9%**

Wholesale funding, which represents about 30% 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)	**31.12.2024**	**31.12.2023**	**€ Change**	**% Change**
Due to Central banks	-	556,012	(556,012)	-100.0%
Due to banks	127,257	88,251	39,006	44.2%
Current accounts with other banks	17,900	56,251	(38,351)	-68.2%
Deposits with banks (repurchase agreements)	62,432	-	62,432	n.a.
Financing from other banks	46,925	32,000	14,925	46.6%
Total	**127,257**	**644,263**	**(517,006)**	**-80.2%**

The item "Due to banks" decreased by 80.3%, compared to 31 December 2023, due to full repayment of TLTRO III.

Due to customers (€,000)	**31.12.2024**	**31.12.2023**	**€ Change**	**% Change**
Term deposits	2,565,354	2,402,002	163,352	6.8%
Financing (repurchase agreements)	819,999	-	819,999	n.a.
Financing - other	47,744	65,154	(17,410)	-26.7%
Customer current accounts	288,186	704,579	(416,393)	-59.1%
Due to assignors	34,470	56,444	(21,974)	-38.9%
Other payables	5,642	4,588	1,054	23.0%
Total	**3,761,395**	**3,232,767**	**528,628**	**16.4%**

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 (+6.8%), reflecting net positive funding (net of interest accrued) of € 134 million; gross funding from the beginning of the year were € 1,990 million.

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

Bonds issued (€,000)	**31.12.2024**	**31.12.2023**	**€ Change**	**% Change**
Bond - AT1	45,500	45,500	-	0.0%
Bond - Tier II	-	-	-	n.a.
Bonds - other	220,931	165,075	55,856	33.8%

The amount of bonds issued is higher than at 31 December 2023; the change is due to the trend of redemptions and/or further subscriptions of senior portions of ABS financed by third-party investors.

The bonds issued 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 € 41.5 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 first 9 months (as mentioned before), 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 € 6.1 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 € 18 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 € 13.5 million.

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

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

(€ .000)	PROFIT (LOSS)	EQUITY
Profit (loss)/equity of the parent	**22,019**	**287,890**
Assumption of value of investments	-	(46,512)
Consolidated profit (loss)/equity	4,519	73,299
Gain (loss) on equity investments	(16)	-
Adjustment to profit (loss) from discontinued operations	-	-
Equity attributable to the owners of the parent	**26,522**	**314,677**
Equity attributable to non-controlling interests	(1,323)	(14,577)
Profit (loss)/equity of the Group	**25,199**	**300,100**

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	31.12.2024 Transitional	31.12.2024 Fully loaded	31.12.2023
Common Equity Tier 1 (CET1)	**216,460**	**214,759**	**184,308**
ADDITIONAL TIER 1	45,500	45,500	45,500
Tier 1 capital (T1)	**261,960**	**260,259**	**229,808**
TIER2	396	396	252
Total Own Funds (TC)	**262,356**	**260,655**	**230,060**
Total risk-weighted assets	**1,631,744**	**1,631,744**	**1,427,705**
of which, credit risk	1,420,666	1,420,666	1,234,050
of which, market risk	8,241	8,241	3,191
of which, operational risk	202,837	202,837	190,464
Ratio - CET1	**13.3%**	**13.2%**	**12.9%**
Ratio - T1	**16.1%**	**15.9%**	**16.1%**
Ratio - TCR	**16.1%**	**16.0%**	**16.1%**

The total "fully loaded" own funds at 31 December 2024 amount to € 261 million and include 100% of the profit, as it is currently prohibited to decide on the distribution of dividends. With regard to "transitional" own funds, the temporary treatment of the prudential filter provided for under Article 468 of the CRR has been applied to neutralise price fluctuations of securities held in the HTCS category, as recorded in the valuation reserve within equity. This measure was reintroduced on 9 July 2024 and will remain in effect until the 2025 financial year.

The Bank will proceed with the reclassification of past-due receivables in accordance with the new interpretations, starting from the results of the first quarter of 2025, i.e., with the 31 March 2025 reporting. Following the reclassification, calendar provisioning must be taken into account.

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%.

Starting from 31 December 2024, these ratios must also include a countercyclical capital buffer reserve, up to a maximum of 0.5%.

At 31 December 2024, the LCR stood at 1.172%, compared to 547% at 31 December 2023.

The reconciliation of equity and CET1 is provided below:

	31.12.2024	31.12.2023
Share capital	9,651	9,651
Equity instruments	45,500	45,500
Income-related and share premium reserve	215,740	207,767
Treasury shares (-)	(102)	(355)
Valuation reserves	4,112	(12,353)
Profit	25,199	16,506
Equity attributable to the owners of the parent	**300,100**	**266,716**
Dividends distributed and other foreseeable expenses	-	(5,227)
Equity assuming dividends are distributed to shareholders	**300,100**	**261,489**
Regulatory adjustments	(51,458)	(39,929)
Eligible equity attributable to non-controlling interests	13,318	8,248
Equity instruments not eligible for inclusion in CET1	(45,500)	(45,500)
Common Equity Tier 1 (CET1)	**216,460**	**184,308**

CAPITAL AND SHARES

Capital and ownership structure

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

Based on the information published on the Consob website on 18 February 2025 and presented below, the shareholders holding more than 5%, the threshold above which Italian law (art. 120 of the Consolidated Law on Finance) requires disclosure to the investee company and Consob, were as follows:

Person at the top of the chain of ownership	Shareholder	No. of shares	% of ordinary share capital	% of the voting capital
Gianluca Garbi	SGBS Srl	18,578,900	23.1%	22.5%
	Garbifin Srl	409,453	0.5%	0.5%
	Fondazione Cassa di Risparmio di Cuneo	4,030,000	5.0%	4.9%
	Fondazione Cassa di Risparmio di Alessandria	5,950,000	7.4%	7.2%
	Fondazione Sicilia	5,950,104	7.4%	7.2%
	Treasury shares	51,269	0.1%	
	MARKET	45,451,326	56.5%	55.1%
TOTAL SHARES		**80,421,052**	**100.0%**	

Stock performance

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

FTSE Italia All-Share Capped;

FTSE Italia All-Share;

FTSE Italia STAR;

FTSE Italia Banche;

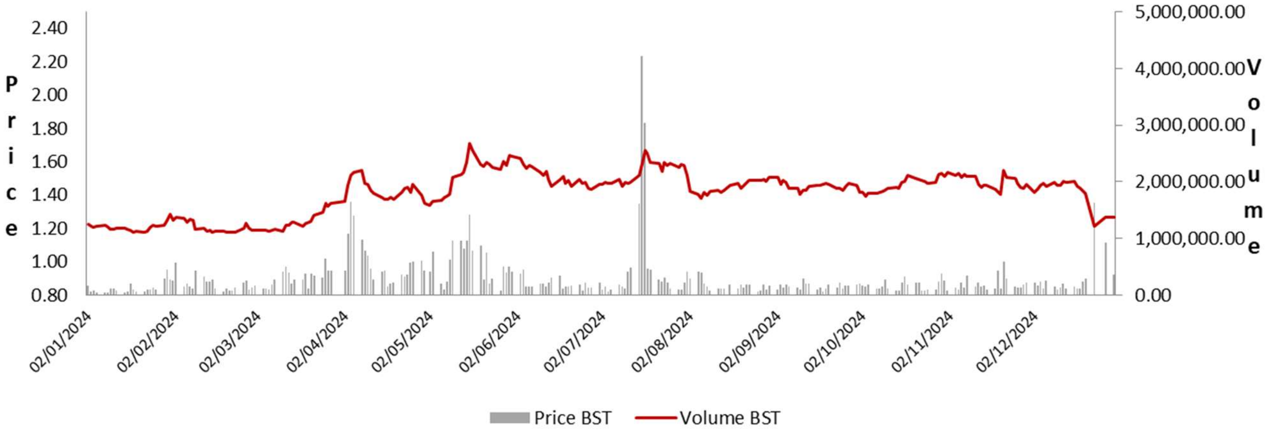
FTSE Italia Finanza;

FTSE Italia Small Cap.

In 2024, the share price of the stock fluctuated in a range between a minimum closing price of € 1.17 and a maximum closing price of € 1.71.

The price variation on the last trading day of 2024 compared to the same day of the previous year was +5.7%, or +11.1% when accounting for the dividend payment of € 0.065 per share, which took place on 2 May 2024.

Throughout 2024, the average daily trading volume was approximately 300,000 shares, double the volume recorded in 2023 (around 153,000 shares).



RISK MANAGEMENT AND SUPPORT CONTROL METHODS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OTHER INFORMATION

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Pursuant to art. 123-bis, paragraph 3 of Legislative Decree no. 58 dated 24 February 1998, a "Report on corporate governance and ownership structure" has been drawn up; the document - published jointly with the draft financial statements as at and for the year ended 31 December 2024 - is available in the "Governance" section of the Banca Sistema website (www.bancasistema.it).

REMUNERATION REPORT

Pursuant to art. 84-quater, paragraph 1 of the Issuers' Regulation implementing Legislative Decree no. 58 dated 24 February 1998, a "Remuneration Report" has been drawn up; the document - published jointly with the draft financial statements as at and for the year ended 31 December 2024 - is available in the "Governance" section of the Banca Sistema website (www.bancasistema.it).

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

On 16 January 2025, the European Court of Human Rights (the "Court") issued a ruling (the "Ruling") in the case initiated in 2023 by Ontier Italia law firm on behalf of the Bank. The case sought to have the Court recognize a violation of the European Convention on Human Rights (the "Convention"). The alleged violations stemmed from the non-fulfilment by a financially distressed local authority (the "Local Authority") of its payment obligations, which had been confirmed by final court rulings issued long ago.

These obligations amounted to over €61 million in principal, plus default interest (estimated at € 43.7 million as of 31 December 2024), legal costs, and moral damages. Through the Ruling, the Court (among other things) explicitly declared that "the respondent state must, within three months, adopt appropriate measures to ensure the execution of the still-pending domestic court rulings," and that the Ruling is final and not subject to appeal. The decision aligns with the Court's established case law. According to the latest approved financial statements, as the Local Authority falls within the category of "financially distressed municipalities", the above-mentioned exposure is classified as non-performing, with a resulting 150% risk weighting. However, default interest has not been recognised in the Bank's financial statements. In this context, it should be noted that, as of today, the Bank has filed similar cases before the Court against other public administration entities, including additional financially distressed local authorities, with a total outstanding principal of approximately € 27 million. These cases have also generated default interest, estimated at € 19 million as of 31 December 2024.

On 6 March 2025, the second ruling was issued regarding a claim exceeding € 12 million (of which € 7 million as principal) against four municipalities that were insolvent at the time the four appeals (later decided jointly) were filed before the European Court of Human Rights. Finally, on 20 March 2025, the third ruling was issued on a € 150 thousands claim.

On 21 March 2025, the Board of Directors also approved the new Corporate Governance Plan, as part of the initiatives undertaken by the Bank at the request of the Supervisory Authorities, as a result of the findings of the above-mentioned inspection. The new Corporate governance plan, under which an Executive Committee shall be set up to complement the corporate governance boards, shall be submitted to the Shareholders' approval at the AGM on 30 April 2025. As already communicated on 7 February 2025, at that time Shareholders shall also be asked to vote a resolution to accelerate the replacement of some of the members of the Board of Directors and Statutory Auditors, as requested by the Bank of Italy as part of the corporate governance initiatives to be undertaken as a result of the inspection. Among the items on the agenda there is the adjustment of the remuneration of the members of the Board of Directors to account for the creation of the Executive Committee. Moreover, Shareholders shall be asked to vote on the "Report on remuneration policy and compensation paid", first and second section, under art 123-ter of TUF (Consolidated Law on Finance).

In addition, on the same day the Board of Directors has approved the reclassification to default of certain loans and receivables, based on the forecast data as at 31 March 2025, to account for the findings contained in the inspection report delivered on 20 December 2024, regarding rules and practices adopted by the Bank and considered by the Supervisory Authority as non-compliant with the EBA guidance on the implementation of the Definition of Default. Approximately 95% of the Bank's past due loan portfolio consists of exposures to Public Administration, with limited credit risk exposure. Therefore, this reclassification does not alter the Bank's risk profile. Following the above reclassification, the resulting total estimated amount of past due loans and receivables comes to € 337 million (of which, € 294 million worth of past due factoring receivables).

The estimated consolidated capital ratios as at 31 March 2025, after taking account of the above reclassification and the ineligibility of non bullion gold as a collateral to mitigate credit risk in compliance with CRR III, are: 12.0% for CET1 and 14.4% for T1 and TCR.

The above numbers show that already as at 31 March 2025 all estimated ratios exceed the SREP requirement, and by the end of FY 2025 capital ratios are expected to be in line with those reported before the reclassification required by the Supervisory Authority.

Furthermore, in keeping with a specific request made by the Bank of Italy, the Board of Directors has approved an updated capital plan for the three-year period from 2025 to 2027, and the outcome basically confirms the net income target and the capital ratios mapped out in the 2024-2026 business plan approved in May 2024. The capital plan contemplates the traditional and synthetic securitizations (SRTs), as well as the recent decisions of the European Court of Human Rights and other management initiatives.

The capital plan shall be delivered to the Bank of Italy by the end of March, together with a report, which describes the main actions requested by the Supervisory Authority to handle the audit findings communicated on 20 December last, and includes the assessments of the Board of Statutory Auditors and the Internal control functions.

On 13 February 2025, the liquidation of Specialty Finance Trust Holdings Ltd was completed, and the company was deregistered from the UK Companies Register.

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 trends observed in recent months are expected to consolidate throughout 2025, supported by a lower cost of funding and a strong commercial performance. The acquisition in Portugal by KK will take full effect in 2025, while the CQ Division is expected to further reduce its legacy portfolio, shifting focus to new loans at significantly higher rates. Credit risk efficiency initiatives (SRT), as well as the potential collection of certain receivables that have already been subject to final court rulings or enforcement orders (see press release of 16 January 2025), could further strengthen capital and offset any negative regulatory impacts.

Milan, 21 March 2025

On behalf of the Board of Directors

The Chairperson

Luitgard Spögler

Luitgard Spögler

The CEO

Gianluca Garbi

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of Euro)

	Assets	**31.12.2024**	**31.12.2023**
10.	Cash and cash equivalents	93,437	250,496
30.	Financial assets measured at fair value through other comprehensive income	1,147,197	576,002
40.	Financial assets measured at amortised cost	2,873,051	3,396,281
	a) loans and receivables with banks	23,024	926
	b) loans and receivables with customers	2,850,027	3,395,355
50.	Hedging derivatives	-	-
60.	Changes in fair value of portfolio hedged items (+/-)	3,557	3,651
70.	Equity investments	984	995
90.	Property and equipment	53,433	40,659
100.	Intangible assets	47,233	35,449
	of which:	-	-
	goodwill	45,075	33,526
110.	*Tax assets*	13,415	25,211
	a) current	1,758	7,139
	b) deferred	11,657	18,072
120.	Non-current assets held for sale and disposal groups	-	64
130.	Other assets	470,591	243,592
	Total Assets	**4,702,898**	**4,572,400**

	Liabilities and equity	**31.12.2024**	**31.12.2023**
10.	Financial liabilities measured at amortised cost	4,109,583	4,042,105
	a) due to banks	127,257	644,263
	b) due to customers	3,761,395	3,232,767
	c) securities issued	220,931	165,075
40.	Hedging derivatives	3,561	3,646
60.	Tax liabilities	31,809	24,816
	a) current	1,659	456
	b) deferred	30,150	24,360
70.	Liabilities associated with disposal groups	-	37
80.	Other liabilities	196,583	181,902
90.	Post-employment benefits	5,215	4,709
100.	Provisions for risks and charges:	41,470	37,836
	a) commitments and guarantees issued	28	59
	c) other provisions for risks and charges	41,442	37,777
120.	Valuation reserves	4,112	(12,353)
140.	Equity instruments	45,500	45,500
150.	Reserves	176,640	168,667
160.	Share premium	39,100	39,100
170.	Share capital	9,651	9,651
180.	Treasury shares (-)	(102)	(355)
190.	Equity attributable to non-controlling interests (+/-)	14,577	10,633
200.	Profit for the period/year	25,199	16,506
	Total liabilities and equity	**4,702,898**	**4,572,400**

INCOME STATEMENT

(Amounts in thousands of Euro)

		2024	**2023**
10.	Interest and similar income	196,255	178,434
	of which: interest income calculated with the effective interest method	182,353	167,274
20.	Interest and similar expense	(146,175)	(111,479)
30.	**Net interest income**	**50,080**	**66,955**
40.	Fee and commission income	46,560	36,541
50.	Fee and commission expense	(19,838)	(16,894)
60.	**Net fee and commission income (expense)**	**26,722**	**19,647**
70.	Dividends and similar income	227	227
80.	Net trading income (expense)	34,224	2,772
90.	Net gains (losses) on hedge accounting	(5)	5
100.	Gain (loss) from sales or repurchases of:	9,983	13,925
	a) financial assets measured at amortised cost	6,374	12,608
	b) financial assets measured at fair value through other comprehensive income	3,609	1,317
	c) financial liabilities	-	-
120.	**Total income**	**121,231**	**103,531**
130.	Net impairment losses/gains on:	(1,132)	(4,574)
	a) financial assets measured at amortised cost	(911)	(4,751)
	b) financial assets measured at fair value through other comprehensive income	(221)	177
140.	Gains/losses from contract amendments without derecognition	(102)	(1)
150.	**Net financial income (expense)**	**119,997**	**98,956**
190.	Administrative expenses	(69,130)	(64,773)
	a) personnel expense	(32,452)	(29,862)
	b) other administrative expenses	(36,678)	(34,911)
200.	Net accruals to provisions for risks and charges	(3,425)	(3,171)
	a) commitments and guarantees issued	31	(35)
	b) other net accruals	(3,456)	(3,136)
210.	Net impairment losses on property and equipment	(2,644)	(2,683)
220.	Net impairment losses on intangible assets	(657)	(598)
230.	Other operating income (expense)	(2,234)	(2,027)
240.	**Operating costs**	**(78,090)**	**(73,252)**
250.	Gains (losses) on equity investments	(11)	25
290.	**Pre-tax profit (loss) from continuing operations**	**41,896**	**25,729**
300.	Income taxes	(15,374)	(8,502)
310.	**Post-tax profit from continuing operations**	**26,522**	**17,227**
320.	Post-tax profit (loss) from discontinued operations	-	-
330.	**Profit for the year**	**26,522**	**17,227**
340.	Profit (Loss) for the period attributable to non-controlling interests	(1,323)	(721)
350.	**Profit for the year attributable to the owners of the parent**	**25,199**	**16,506**

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in thousands of Euro)

		2024	2023
10.	**Profit (loss) for the period**	**25,199**	**16,506**
	Items, net of tax, that will not be reclassified subsequently to profit or loss	-	-
60	Tangible assets	6,483	-
70.	Defined benefit plans	(234)	(185)
	Items, net of tax, that will be reclassified subsequently to profit or loss	**-**	**-**
140.	Financial assets (other than equity instruments) measured at fair value throug	10,216	12,723
170.	**Total other comprehensive income (expense), net of income tax**	**16,465**	**12,538**
180.	Comprehensive income (Items 10+170)	41,664	29,044
190.	Comprehensive income attributable to non-controlling interests	-	-
200.	**Comprehensive income attributable to the owners of the parent**	**41,664**	**29,044**

STATEMENT OF CHANGES IN EQUITY AT 31/12/2024

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 31.12.2024	Equity attributable to non-controlling interests at 31.12.2024
				Reserves	Dividends and other allocations	Changes in reserves	Transactions on equity							Comprehensive income for 2024		
							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	11,282		(3,309)									**176,640**	
a) income-related	**167,361**		167,361	11,282		(2,101)								-	**176,542**	
b) other	**1,306**		1,306			(1,208)									**98**	
Valuation reserves	**(12,353)**		(12,353)											16,465	**4,112**	
Equity instruments	**45,500**		45,500												**45,500**	
Treasury shares	**(355)**		(355)					253							**(102)**	
Profit (loss) for the year	**16,506**		16,506	(11,282)	(5,224)									25,199	**25,199**	
Equity attributable to the owners of the parent	**266,716**		**266,716**		**(5,224)**	**(3,309)**		**253**						**41,664**	**300,100**	
Equity attributable to non-controlling interests	**10,633**		**10,633**										**3,944**			**14,577**

STATEMENT OF CHANGES IN EQUITY AT 31/12/2023

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 2023	Equity attributable to the owners of the parent at 31.12.2023	Equity attributable to non-controlling interests at 31.12.2023
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	16,818		(3,188)									**168,667**	
a) income-related	**153,332**		153,332	16,818		(2,789)								-	**167,361**	
b) other	**1,705**		1,705			(399)									**1,306**	
Valuation reserves	**(24,891)**		(24,891)											12,538	**(12,353)**	
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)									16,506	**16,506**	
Equity attributable to the owners of the parent	**245,872**		**245,872**		**(5,216)**	**(3,188)**		**204**						**29,044**	**266,716**	
Equity attributable to non-controlling interests	**10,024**		**10,024**										**609**			**10,633**

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

Amounts in thousands of Euro

	Amount	
	2024	**2023**
A. OPERATING ACTIVITIES		
1. Operations	**98,590**	**46,789**
Profit (loss) for the year (+/-)	25,199	16,506
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 (+/-)	911	4,751
Net impairment losses/gains on property and equipment and intangible assets (+/-)	3,301	3,281
Net accruals to provisions for risks and charges and other costs/income (+/-)	3,425	3,171
Taxes, duties and tax assets not yet paid (+/-)	7,094	190
Other adjustments (+/-)	58,660	18,890
2. Cash flows generated by (used for) financial assets	**(253,893)**	**(19,119)**
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	(554,730)	(16,220)
Financial assets measured at amortised cost	534,791	151,617
Other assets	(233,954)	(154,516)
3. Cash flows generated by (used for) financial liabilities	**18,807**	**103,014**
Financial liabilities measured at amortised cost	(7,054)	81,396
Financial liabilities held for trading		
Financial liabilities designated at fair value through profit or loss		
Other liabilities	25,861	21,618
Net cash flows generated by (used for) operating activities	**(136,496)**	**130,684**
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 entities and/or business units		
2. Cash flows used in	**(15,592)**	**(1,765)**
Purchases of equity investments		
Purchases of property and equipment	(4,156)	(234)
Purchases of intangible assets	(861)	(1,531)
Purchases of entities and/or business units	(10,575)	
Net cash flows generated by (used in) investing activities	**(15,592)**	**(1,765)**
C. FINANCING ACTIVITIES		
Issues/repurchases of treasury shares	253	204
Issues/repurchases of equity instruments		
Dividend and other distributions	(5,224)	(5,216)
Net cash flows generated by (used in) financing activities	**(4,971)**	**(5,012)**
NET CASH FLOWS FOR THE PERIOD	**(157,059)**	**123,907**

Cash and cash equivalents at the beginning of the year	**250,496**	**126,589**
Total net cash flows for the year	(157,059)	123,907
Cash and cash equivalents: effect of change in exchange rates		
Cash and cash equivalents at the end of the period	**93,437**	**250,496**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PART A - ACCOUNTING POLICIES

A.1 – GENERAL PART

Section 1 - Statement of compliance with International Financial Reporting Standards

The consolidated financial statements of the Banca Sistema Group at 31 December 2023 were drawn up in accordance with International Financial Reporting Standards - called IFRS - issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission, as established by EU Regulation no. 1606 of 19 July 2002, adopted in Italy by art. 1 of Legislative Decree no. 38 of 28 February 2005 and considering the Bank of Italy Circular no. 262 of 22 December 2005 as subsequently updated, regarding the forms and rules for drafting the Financial Statements of banks.

In 2024, the following accounting standards or amendments to existing accounting standards came into force:

Document title	**Effective date**	**Approval status EU**
Lease liability measurement in a sale and leaseback transaction (Amendments to IFRS 16 Leases)	1 January 2024	Endorsed
Classification of liabilities between current and non-current (including classification of liabilities between current and non-current - postponement of effective date) (Amendments to IAS 1 Presentation of financial statements)	1 January 2024	Endorsed
Non-current liabilities with covenants (Amendments to IAS 1 Presentation of financial statements)	1 January 2024	Endorsed
Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)	1 January 2024	Endorsed

The above changes had no material impact on the statement of financial position and income statement.

Documents not yet endorsed by the EU and which will only be applicable after EU endorsement:

Document title	**Date of expected endorsement**

	by the EU
Lack of convertibility (amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)	1 January 2025
Changes to the classification and valuation of financial instruments (Amendments to IFRS 9 Financial Instruments)	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027

The group does not expect any significant impact from the entry into force of these accounting standard amendments.

In accordance with art. 5 of Legislative Decree no. 38 of 28 February 2005, if, in exceptional cases, the application of a provision imposed by the IFRS were incompatible with the true and fair representation of the financial position or results of operations, the provision would not apply. The justifications for any exceptions and their influence on the presentation of the financial position and results of operations would be explained in the Notes to the financial statements.

Any profits resulting from the exception would be recognised in a non-distributable reserve if they did not correspond to the recovered amount in the financial statements. However, no exceptions to the IAS/IFRS were applied.

Section 2 - General basis of preparation

The financial statements are drawn up with clarity and give a true and fair view of the financial position, profit or loss, cash flows, and changes in equity and comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The financial statements are accompanied by the Directors' Report on the Bank’s performance.

If the information required by the IFRS and provisions contained in Circular no. 262 of 22 December 2005 and/or the subsequent updates issued by the Bank of Italy are not sufficient to give a true and fair view that is relevant, reliable, comparable and understandable, the notes to the financial statements provide the additional information required.

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

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

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

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

- the valuation of loans and receivables with customers: the acquisition of performing receivables from companies that supply goods and services represents the Bank’s main activity. Estimating the value of these receivables is a complex activity with a high degree of uncertainty and subjectivity. Their value is estimated by using models that include numerous quantitative and qualitative elements. These include the historical data for collections, expected cash flows and the related expected recovery times, the existence of indicators of possible impairment, the valuation of any guarantees, and the impact of risks associated with the sectors in which the Bank’s customers operate;
- the valuation of default interest pursuant to Legislative Decree no. 231 of 9 October 2002 on performing receivables acquired without recourse: estimating the recoverable amount 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 valuation of the real estate portfolio following the transition from the cost model to the revaluation model starting from 31 December 2024. The fair value was determined through external appraisals;
- the recoverability of deferred tax assets;
- post-employment benefits and other employee benefits payable (including obligations under defined benefit plans).

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.

Pursuant to the provisions of art. 5 of Legislative Decree no. 38 of 28 February 2005, the financial statements use the Euro as the currency for accounting purposes. The financial statements are expressed in thousands of Euro. Unless otherwise stated, the notes to the financial statements are expressed in thousands of Euro. Any discrepancies between the figures shown in the Directors' Report and in the Consolidated Financial Statements and between the tables in the Notes to the Consolidated Financial Statements are due exclusively to rounding.

European Directive 2004/109/EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815 introduced the obligation for issuers of securities listed on regulated markets in the European Union to prepare their annual financial report using the XHTML language, based on the ESMA-approved European Single Electronic Format (ESEF). Starting in 2022, the entire consolidated financial statements are expected to be "marked up" to ESEF taxonomy, using an integrated computer language (iXBRL).

SECTION 3 - SCOPE AND METHODS OF CONSOLIDATION

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

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

Company Names	Registered office	Type of Relationship (1)	Investment		% of votes available (2)
			Investing company	% held	
Companies					
Subject to full consolidation					
S.F. Trust Holdings Ltd	UK	1	Banca Sistema	100%	100%
Largo Augusto Servizi e Sviluppo S.r.l.	Italy	1	Banca Sistema	100%	100%
Kruso Kapital S.p.A.	Italy	1	Banca Sistema	70.59%	70.59%
ProntoPegno Greece	Greece	1	Kruso Kapital	70.59%	70.59%
Pignus - Credito Economico Popular SA	Portugal	1	Kruso Kapital	70.59%	70.59%
Art-Rite S.r.l.	Italy	1	Kruso Kapital	70.59%	70.59%
Consolidated using the equity method					
EBNSISTEMA Finance S.L.	Spain	7	Banca Sistema	50%	50%

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

7. = joint control (2) Available voting rights at the ordinary Shareholders' Meeting, with separate indication of effective and potential rights

The scope of consolidation also includes the following special purpose securitisation vehicles whose receivables are not subject to derecognition and which are consolidated using the full consolidation method:

Quinto Sistema Sec. 2017 S.r.l.

Quinto Sistema Sec. 2019 S.r.l.

BS IVA SPV S.r.l.

Changes in the scope of consolidation

Compared to the situation at 31 December 2023, the scope of consolidation has changed following the placement by Banca Sistema of shares in connection with the listing of Kruso Kapital and the acquisition of the company Pignus - Credito Economico Popular SA, completed by Kruso Kapital on 7 November 2024.

Full consolidation method

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

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

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

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

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

Consolidation at equity

Associates are consolidated at equity.

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

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

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

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

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

Section 4 - Subsequent events

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

For a description of significant events occurring after the end of the financial year, please refer to the specific paragraph of the Directors’ Report.

Section 5 – Other aspects

Terms of approval and publication of the financial statements

The consolidated financial statements were approved on 21 March 2025 by the Board of Directors, which authorised their disclosure to the public in accordance with IAS 10.

Audit of the financial statements

The separate and consolidated financial statements for the year ended 31 December 2024 have been audited by the independent auditors BDO Italia S.p.A. in accordance with Legislative Decree No. 39 of 27 January 2010 and in execution of the shareholders' resolution of 18 April 2019, which appointed them for the nine-year period 2019-2027.

Changes made in 2024 in the accounting standards applied by the Group

This section outlines the impacts resulting from the change in the valuation criterion for the Group’s real estate assets.

Starting from year end 2024, the Group decided to modify the accounting valuation criterion, limited to its real estate assets. Specifically, this change involved the transition from the cost model to the revaluation model for operating property and equipment, represented by real estate, in accordance with the provisions of IAS 16 "Property, Plant and Equipment."

The Group's real estate assets consist of functional properties, i.e., properties used for business operations. These assets are made up of prestigious buildings located in the centres of Milan and Rome. The application of this criterion has not been extended to the Bank's art collection.

The adoption of the fair value model is considered more meaningful than the cost model as it allows for a better representation of the actual value of the real estate assets, updated based on the market conditions at the date of valuation, regardless of the moment in time or the reason for registration of the individual property. Fair value, in fact, allows for:

- greater comparability, both of the financial and economic performance, across successive periods: the expression at current values improves the relevance and quality of information, especially due to its periodic re-estimation;
- asset values are continuously adjusted to market values;
- a more immediate understanding of the economic and financial implications for potential strategies in managing the Group's real estate assets.

In line with IAS 8, the change in the valuation model from the cost model to the current value model stipulates that a voluntary change in accounting policy can occur when it provides more reliable and relevant information on the entity’s actual financial, economic, and asset position.

With reference to the case of a change in accounting principle, which applies to the modification of the measurement basis in question, IAS 8 specifies that there is no need for retrospective representation or the adjustment of opening balances (i.e., restatement), as there is an exception for assets governed by IAS 16. Therefore, the transition from the cost approach to the revaluation model must be applied prospectively, as though it were a new revaluation of the values compared to the previous carrying amounts.

In light of the above, the transition from the cost model to the revaluation model for properties used for operations was applied prospectively as of 31 December 2024. For these assets, the positive effects resulting from a higher fair value compared to the carrying amount, net of the tax effect, were accounted for in a specific positive revaluation reserve in equity.

As of 31 December 2024, based on the market value of the real estate assets, measured based on independent expert appraisals, recorded the following impacts:

Amounts in millions of Euro	Gross impact of tax effect	Net impact of tax effect
	Valuation reserve	Valuation reserve
Property used for business purposes	9.0	6.5

A.2 – INFORMATION ON THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

Financial assets measured at fair value through profit or loss

Classification criteria

Financial assets other than those classified as Financial assets measured at fair value through other comprehensive income and Financial assets measured at amortised cost are classified in this category. In particular, this item includes:

- financial assets held for trading;
- equity instruments, except for the possibility of their being classified in the new category Financial assets measured at fair value through other comprehensive income, excluding the possibility of subsequent reclassification to profit or loss;
- financial assets mandatorily measured at fair value, and which have not met the requirements to be measured at amortised cost;
- financial assets that are not held under a Held to Collect (or "HTC") business model or as part of a mixed business model, whose aim is achieved by collecting the contractual cash flows of financial assets held in the Bank's portfolio or also through their sale, when this is an integral part of the strategy ("Held to Collect and Sell" business model);
- financial assets designated at fair value, i.e. financial assets that are defined as such upon initial recognition and when the conditions apply. For this type of financial assets, upon recognition an entity may irrevocably recognise a financial asset as measured at fair value through profit or loss only if this eliminates or significantly reduces a measurement inconsistency;
- derivative instruments, which shall be recognised as financial assets held for trading if their fair value is positive and as liabilities if their fair value is negative. Positive and negative values may be offset only for transactions executed with the same counterparty if the holder currently holds the right to offset the amounts recognised in the books and it is decided to settle the offset positions on a net basis. Derivatives also include those embedded in complex financial contracts – where the host contract is a financial liability which has been recognised separately.

Except for the equity instruments which cannot be reclassified, financial assets may be reclassified to other categories of financial assets only if the entity changes its own business model for management of the financial assets. In such cases, which are expected to be absolutely infrequent, the financial assets may be reclassified from those measured at fair value through profit or loss to one of the other two categories established by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through other comprehensive income). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. In this case, the effective interest rate of the reclassified financial asset is determined based on its fair value at the reclassification date and that date is considered as the initial recognition date for the credit risk stage assignment for impairment purposes.

Recognition criteria

Initial recognition of financial assets occurs at the settlement date for debt instruments and equity instruments, at the disbursement date for loans and at the subscription date for derivative contracts.

On initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, without considering transaction costs or income directly attributable to the instrument.

Measurement and recognition criteria for income components

After initial recognition, the financial assets measured at fair value through profit or loss are recognised at fair value. The effects of the application of this measurement criterion are recognised in the income statement. For the determination of the fair value of financial instruments quoted on active markets, market quotations are used. If the market for a financial instrument is not active, standard practice estimation methods and measurement techniques are used which consider all the risk factors correlated to the instruments and that are based on market elements such as: measurement of quoted instruments with the same characteristics, calculation of discounted cash flows, option pricing models, recent comparable transactions, etc.. For equity and derivative instruments that have equity instruments as underlying assets, which are not quoted on an active market, the cost approach is used as the estimate of fair value only on a residual basis and in a small number of circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there are a wide range of possible measurements of fair value, in which cost represents the most significant estimate.

In particular, this item includes:

- debt instruments held for trading;
- equity instruments held for trading.

For more details on the methods of calculating the fair value please refer to the paragraph below "Criteria for determining the fair value of financial instruments".

Derecognition criteria

Financial assets are derecognised when the contractual rights on the cash flows deriving from the assets expire, or in the case of a transfer, when the same entails the substantial transfer of all risks and rewards related to the financial assets.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Classification criteria

This category includes the financial assets that meet both the following conditions:

- financial assets that are held under a business model whose aim is achieved both through the collection of contractual cash flows and through sale ("Held to Collect and Sell" business model);
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI Test" passed).

This item also includes equity instruments, not held for trading, for which the option was exercised upon initial recognition of their designation at fair value through other comprehensive income.

In particular, this item includes:

- debt instruments that can be attributed to a Held to Collect and Sell business model and that have passed the SPPI test;
- equity interests, that do not qualify as investments in subsidiaries, associates or joint ventures and are not held for trading, for which the option has been exercised of their designation at fair value through other comprehensive income.

Except for the equity instruments which cannot be reclassified, financial assets may be reclassified to other categories of financial assets only if the entity changes its own business model for management of the financial assets.

In such cases, which are expected to be absolutely infrequent, the financial assets may be reclassified from those measured at fair value through other comprehensive income to one of the other two categories established by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. In the event of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is allocated as an adjustment to the fair value of the financial asset at the reclassification date. In the event of reclassification to the fair value through profit or loss category, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from equity to profit (loss).

Recognition criteria

Initial recognition of the financial assets is at the date of disbursement, based on their fair value including the transaction costs/income directly attributable to the acquisition of the financial instrument. Costs/income having the previously mentioned characteristics that will be repaid by the debtor or that can be considered as standard internal administrative costs are excluded.

The initial fair value of a financial instrument is usually the cost incurred for its acquisition.

Measurement and recognition criteria for income components.

Following initial recognition, financial assets are measured at their fair value with any gains or losses resulting from a change in the fair value compared to the amortised cost recognised in a specific equity reserve recognised in the statement of comprehensive income up until said financial asset is derecognised or an impairment loss is recognised.

For more details on the methods of calculating the fair value please refer to paragraph 17.3 below "Criteria for determining the fair value of financial instruments".

Equity instruments, for which the choice has been made to classify them in this category, are measured at fair value and the amounts recognised in other comprehensive income cannot be subsequently transferred to profit or loss, not even if they are sold (the so-called OCI exemption). The only component related to these equity instruments that is recognised through profit or loss is their dividends. Fair value is determined on the basis of the criteria already described for Financial assets measured at fair value through profit or loss.

For the equity instruments included in this category, which are not quoted on an active market, the cost approach is used as the estimate of fair value only on a residual basis and in a small number of circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there are a wide range of possible measurements of fair value, in which cost represents the most significant estimate.

Financial assets measured at fair value through other comprehensive income are subject to the verification of the significant increase in credit risk (impairment) required by IFRS 9, with the consequent recognition through profit or loss of an impairment loss to cover the expected losses.

Derecognition criteria

Financial assets are derecognised when the contractual rights on the cash flows deriving from the assets expire, or in the case of a transfer, when the same entails the substantial transfer of all risks and rewards related to the financial assets.

Financial assets measured at amortised cost

Classification criteria

This category includes the financial assets that meet both the following conditions:

- the financial asset is held under a business model whose objective is achieved through the collection of expected contractual cash flows (Held to Collect business model);
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI Test" passed).

In particular, this item includes:

- loans and receivables with banks;
- loans and receivables with customers;
- debt instruments.

Except for the equity instruments which cannot be reclassified, financial assets may be reclassified to other categories of financial assets only if the entity changes its own business model for management of the financial assets. In such cases, which are expected to be absolutely infrequent, the financial assets may be reclassified from the amortised cost category to one of the other two categories established by IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. Gains and losses resulting from the difference between the amortised cost of a financial asset and its fair value are recognised through profit or loss in the event of reclassification to Financial assets measured at fair value through profit or loss and under equity, in the specific valuation reserve, in the event of reclassification to Financial assets measured at fair value through other comprehensive income.

Recognition criteria

Initial recognition of a receivable is at the date of disbursement based on its fair value including the costs/income of the transaction directly attributable to the acquisition of the receivable.

Costs/income having the previously mentioned characteristics that will be repaid by the debtor or that can be considered as standard internal administrative costs are excluded.

The initial fair value of a financial instrument is usually equivalent to the amount granted or the cost incurred by the acquisition.

Measurement and recognition criteria for income components

Following initial recognition, loans and receivables with customers are stated at amortised cost, equal to the initial recognition amount reduced/increased by principal repayments, by impairment losses/gains and the amortisation - calculated on the basis of the effective interest rate - of the difference between the amount provided and that repayable at maturity, usually the cost/income directly attributed to the individual loan.

The effective interest rate is the rate that discounts future payments estimated for the expected duration of the loan, in order to obtain the exact carrying amount at the time of initial recognition, which includes both the directly attributable transaction costs/income and all of the fees paid or received between the parties. This accounting method, based on financial logic, enables the economic effect of costs/income to be spread over the expected residual life of the receivable.

The measurement criteria are strictly connected with the stage to which the receivable is assigned, where stage 1 contains performing loans, stage 2 consists of under-performing loans, i.e. loans that have undergone a significant increase in credit risk ("significant deterioration") since the initial recognition of the instrument, and stage 3 consists of non-performing loans, i.e. the loans that show objective evidence of impairment.

The impairment losses recognised through profit or loss for the performing loans classified in stage 1 are calculated by considering an expected loss at one year, while for the performing loans in stage 2 they are calculated by considering the expected losses over the entire residual contractual lifetime of the asset (Lifetime Expected Loss). The performing financial assets are measured according to probability of default (PD), loss given default (LGD) and exposure at default (EAD) parameters, derived from internal historical series. For impaired assets, the amount of the loss, to be recognised through profit or loss, is established based on individual measurement or determined according to uniform categories and, then, individually allocated to each position, and takes account of forward-looking information and possible alternative recovery scenarios. Impaired assets include financial instruments classified as bad exposures, unlikely-to-pay or past due/overdrawn by over ninety days according to the rules issued by the Bank of Italy. The expected cash flows take into account the expected recovery times and the estimated realisable value of any guarantees. The original effective rate of each asset remains unchanged over time even if the relationship has been restructured with a variation of the contractual interest rate and even if the relationship, in practice, no longer bears contractual interest. If the reasons for impairment are no longer applicable following an event subsequent to the recognition of impairment, impairment gains are recognised in the income statement. The impairment gains may not in any case exceed the amortised cost that the financial instrument would have had in the absence of previous impairment losses. Impairment gains with time value effects are recognised in net interest income.

Factoring receivables, after their recognition, are measured at amortised cost. This amortised cost is based on the present value of the receivable's expected cash flows. For some factoring receivables relating to the Public Administration and Healthcare entities, the Bank recognises the total receivable including the estimated default interest ("accrual").

Derecognition criteria

Loans and receivables are derecognised from the financial statements when they are deemed totally unrecoverable or if transferred, when this entails the substantial transfer of all loan-related risks and rewards.

Hedging transactions

The “Hedging derivatives” portfolio consists of derivative instruments used to mitigate the market interest rate risk associated with the loan positions held by the Quinto Sistema Sec. 2019 S.r.l. vehicle.

The Group has elected to continue to apply the hedge accounting requirements of IAS39 to all hedging relationships.

Hedging derivatives are measured at fair value. Specifically, for fair value hedges, the change in fair value of the hedging instrument is recognised in the income statement under item "90. Net hedging income (expense)". Changes in the fair value of the hedged item that are attributable to the risk hedged by the derivative are recognised in the same income statement item as an offset to the change in the carrying amount of the hedged item. The ineffectiveness of the hedge is represented by the difference between the change in the fair value of the hedge instrument and the change in the fair value of the hedged item. If the hedging relationship is terminated for reasons other than the sale of the hedged item, the hedged item returns to being measured according to the measurement criterion set forth in the applicable accounting standard. If the hedged item is sold or redeemed, the portion of the fair value not yet amortised is recognised immediately under item “100. Gain (loss) from sales or repurchases” in the income statement.

If the hedging relationship ends, for reasons other than the sale of the hedged items, the cumulative revaluation/write-down recorded in items "60. Value adjustment of macro-hedged financial assets (+/-) or “50. Value adjustment of macro-hedged financial liabilities (+/-)" under liabilities, is recognised in the income statement under item “10. Interest and similar income" or "20. Interest and similar expense”, over the remaining life of the hedged financial assets or liabilities. If these are sold or redeemed, the unamortised portion of the fair value is recognised immediately under item “100. Gain (loss) from sales or repurchases” in the income statement.

Equity investments

Classification criteria

This category includes equity investments in subsidiaries, associates, and joint ventures by Banca Sistema.

Recognition criteria

Investments in subsidiaries, associates and joint ventures are recognised at acquisition cost, which is the sum of:

- the fair value at the acquisition date of the assets transferred, the liabilities assumed, and the equity instruments issued by the acquirer, in exchange for control of the acquired company; plus
- any cost directly attributable to the acquisition itself.

Measurement criteria

In the consolidated financial statements, equity investments in subsidiaries are consolidated using the full line-by-line method. Equity investments in associates and joint ventures are both measured at equity.

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

Should the recoverable value prove lower than the carrying amount, the difference is recognised in the income statement under "250 Gains (losses) on equity investments". The item also includes any future impairment gains where the reasons for the previous impairment losses no longer apply.

Derecognition criteria

Equity investments are derecognised from the financial statements when the contractual rights to cash flows deriving from the investment are lost or when the investment is transferred, with the substantial transfer of all related risks and rewards. Gains and losses on the sale of equity investments are charged to the income statement under the item "250 Gains (losses) on equity investments"; gains and losses on the sale of equity investments other than those measured at equity are charged to the income statement under the item "280 Gains (losses) on sales of investments".

Property and equipment

Classification criteria

This item includes assets for permanent use, held to generate income, to be leased, or for administrative purposes, such as land, operating property, investment property, technical installations, furniture and fittings and equipment of any nature and works of art.

They also include leasehold improvements to third party assets if they can be separated from the assets in question. If the above costs do not display functional or usefulness-related autonomy, but future economic benefits are expected from them, they are recognised under "other assets" and are depreciated over the shorter period between that of expected usefulness of the improvements in question and the residual duration of the lease. Depreciation is recognised under "Other operating income (expense)".

Property and equipment also include payments on account for the purchase and renovation of assets not yet part of the production process and therefore not yet subject to depreciation.

“Operating” property and equipment are represented by assets held for the provision of services or for administrative purposes, while property and equipment held for “investment purposes” are those held to collect lease instalments and/or held for capital appreciation.

The item also includes rights of use associated with leased assets and fees for use.

Recognition criteria

Property and equipment are initially recognised at cost, including all costs directly attributable to installation of the asset.

Extraordinary maintenance costs and costs for improvements leading to actual improvement of the asset, or an increase in the future benefits generated by the asset, are attributed to the reference assets, and are depreciated based on their residual useful life.

Under IFRS 16, leases are accounted for in accordance with the right-of-use model, whereby, at the commencement date, the lessee incurs an obligation to make payments to the lessor for the right to use the underlying asset for the term of the lease. When the asset is made available for use by the lessee, the lessee recognises both the liability and the right-of-use asset.

Measurement criteria

Following initial recognition, “operating” property and equipment are recognised at cost, less accumulated depreciation, and any impairment losses, in line with the “cost model” illustrated in paragraph 30 of IAS 16, with the exception of properties used for operations that are measured according to the revaluation method.

For Property and equipment subject to valuation according to the revaluation method:

- if the carrying amount of an asset is increased as a result of a revaluation, the increase must be recognised in the statement of comprehensive income and accumulated in equity under the revaluation reserve item; instead, in the event that it restores a write-down of the same asset previously recognised in the income statement, it must be recognised as income;
- if the carrying amount of an asset has decreased as a result of the revaluation, the decrease must be recognised in the statement of comprehensive income to the extent that there are any credit balances in the revaluation reserve in respect of that asset; otherwise such reduction shall be accounted for in the income statement.

Property and equipment are systematically depreciated each year based on their estimated useful life, using the straight-line basis method apart from:

- land, regardless of whether this was purchased separately or was incorporated into the value of the building, which, insofar as it has an indefinite useful life, is not depreciated;
- works of art, which are not depreciated as their useful life cannot be estimated and their value typically appreciates over time;
- investment property which is recognised at fair value in accordance with IAS 40.

For assets acquired during the financial year, depreciation is calculated on a daily basis from the date of entry into use of the asset. For assets transferred and/or disposed of during the financial year, depreciation is calculated on a daily basis until the date of transfer and/or disposal.

At the end of each year, if there is any evidence that property or equipment that is not held for investment purposes may have suffered an impairment loss, a comparison is made between its carrying amount and its recoverable value, equal to the higher between the fair value, net of any costs to sell, and the related value in use of the asset, intended as the present value of future cash flows expected from the asset. Any impairment losses are recognised in the income statement under “net impairment losses on property and equipment”.

If the reasons that led to recognition of the impairment loss cease to apply, an impairment gain is recognised that may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment losses.

For investment property, which comes within the scope of application of IAS 40, the measurement is made at the market value determined using independent surveys and the changes in fair value are recognised in the income statement under the item “fair value gains (losses) on property, equipment and intangible assets”.

The right-of-use asset, recognised in accordance with IFRS 16, is measured using the cost model under IAS 16 Property, plant and equipment. In this case, the asset is subsequently depreciated and tested for impairment if impairment indicators are present.

Derecognition criteria

Property and equipment is derecognised from the statement of financial position upon disposal thereof or when the asset is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Intangible assets

Classification criteria

This item includes non-monetary assets without physical substance that satisfy the following requirements:

- they can be identified;
- they can be monitored;
- they generate future economic benefits.

In the absence of one of the above characteristics, the expense of acquiring or generating the asset internally is recognised as a cost in the year in which it was incurred.

Intangible assets include software to be used over several years and other identifiable assets generated by legal or contractual rights.

Goodwill is also included under this item, representing the positive difference between the acquisition cost and fair value of the assets and liabilities acquired as part of a business combination. Specifically, an intangible asset is recognised as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the acquisition cost represents the future capacity of the equity investment to generate profit (goodwill). If this difference proves negative (badwill), or if the goodwill offers no justification of the capacity to generate future profit from the assets and liabilities acquired, it is recognised directly in the income statement.

Measurement criteria

Intangible assets are systematically amortised from the time of their input into the production process.

Under IAS 36, goodwill is not amortised, and an impairment test is conducted annually (or whenever there is evidence of impairment). For this purpose, goodwill is allocated to cash-generating units ("CGUs"), in compliance with limits on aggregation which may not be larger than the "business segment" identified for management reporting purposes. The amount of any impairment is determined based on the difference between the carrying amount of the CGU and its recoverable amount, being the higher of the fair value of the cash-generating unit, net of any costs to sell, and its value in use. As stated above, any consequent impairment losses are recognised in the income statement.

Derecognition criteria

An intangible asset is derecognised from the statement of financial position at the time of its disposal and if there are no expected future economic benefits.

Non-current assets held for sale and disposal groups

Non-current assets or groups of assets for which a disposal process has been initiated and whose sale is considered highly probable are classified under "Non-current assets held for sale and disposal groups". These assets are measured at the lower of their carrying amount and their fair value, net of disposal costs, with the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9) for which IFRS 5 specifically requires that the measurement criteria of the relevant accounting standard be applied. Income and expenses (net of the tax effect) relating to groups of assets being disposed of or recognised as such during the year, are shown in the income statement as a separate item.

Financial liabilities measured at amortised cost

Classification criteria

This item includes Due to banks, Due to customers and Securities issued.

Recognition criteria

These financial liabilities are initially recognised when the deposits are received or when the debt instruments are issued. Initial recognition is based on the fair value of the liabilities, increased by the costs/income of the transaction directly attributable to the acquisition of the financial instrument.

Costs/income having the previously mentioned characteristics that will be repaid by the creditor or that can be considered as standard internal administrative costs are excluded.

The initial fair value of a financial liability is usually equivalent to the amount collected.

Measurement and recognition criteria for income components

After the initial recognition, the previously mentioned financial liabilities are measured at amortised cost with the effective interest rate method.

Derecognition criteria

The above financial liabilities are derecognised from the statement of financial position when they expire or when they are extinguished. They are derecognised also in the event of repurchase, even temporary, of the previously-issued securities. Any difference between the carrying amount of the extinguished liability and the amount paid is recognised in the income statement, under “Gain (loss) from sales or repurchases of: financial liabilities”. If the Group, subsequent to the repurchase, re-places its own securities on the market, said transaction is considered a new issue and the liability is recognised at the new placement price.

Financial liabilities held for trading

Classification and recognition criteria

In particular, this category of liabilities includes the liabilities originating from technical exposures deriving from security trading activities.

Financial instruments are recognised at the date of their subscription or issue at a value equal to their fair value, without including any transaction costs or income directly attributable to the instruments themselves.

Measurement and recognition criteria for income components

The financial instruments are measured at fair value with recognition of the measurement results in the income statement.

Derecognition criteria

Financial liabilities held for trading are derecognised when the contractual rights on the related cash flows expire or when the financial liability is sold with a substantial transfer of all risks and rewards related to the liabilities.

Financial liabilities designated at fair value through profit or loss

At the reporting date, the Group did not hold any “Financial liabilities designated at fair value through profit or loss”.

Current and deferred taxes

Income taxes, calculated in compliance with prevailing tax regulations, are recognised in the income statement on an accruals basis, in accordance with the recognition in the financial statements of the costs and income that generated them, apart from those referring to the items recognised directly in equity, where the recognition of the tax is made to equity in order to be consistent.

Income taxes are provided for on the basis of a prudential estimate of the current and deferred taxes. More specifically, deferred taxes are determined on the basis of the temporary differences between the carrying amount of assets and liabilities and their tax bases. Deferred tax assets are recognised in the financial statements to the extent that it is probable that they will be recovered based on the Bank’s ability to continue to generate positive taxable income.

Deferred tax assets and liabilities are accounted for in the statement of financial position with open balances and without offsetting entries, recognising the former under “Tax assets” and the latter under “Tax liabilities”.

With respect to current taxes, at the level of individual taxes, advances paid are offset against the relevant tax charge, indicating the net balance under “current tax assets” or “current tax liabilities” depending on whether it is positive or negative.

Provisions for risks and charges

In line with the requirements of IAS 37, provisions for risks and charges cover liabilities, the amount or timing of which is uncertain, related to current obligations (legal or implicit), owing to a past event for which it is likely that financial resources will be used to fulfil the obligation, on condition that an estimate of the amount required to fulfil said obligation can be made at the reporting date. Where the temporary deferral in sustaining the charge is significant, and therefore the extent of the discounting will be significant, provisions are discounted at current market rates.

The provisions are reviewed at the reporting date of the annual financial statements and the interim financial statements and adjusted to reflect the current best estimate. These are recognised under their own items in the income statement in accordance with a cost classification approach based on the "nature" of the cost. Provisions related to future charges for employed personnel relating to the bonus system appear under "personnel expense". The provisions that refer to risks and charges of a tax nature are reported as "income taxes", whereas the provisions connected to the risk of potential losses not directly chargeable to specific items in the income statement are recognised as "net accruals to provisions for risks and charges".

Other information

Post-employment benefits

According to the IFRIC, the post-employment benefits can be equated with a post-employment benefit of the "defined-benefit plan" type which, based on IAS 19, is to be calculated via actuarial methods. Consequentially, the end of the year measurement of the item in question is made based on the accrued benefits method using the Projected Unit Credit Method.

This method calls for the projection of the future payments based on historical, statistical, and probabilistic analysis, as well as in virtue of the adoption of appropriate demographic fundamentals. It allows the post-employment benefits vested at a certain date to be calculated actuarially, distributing the expense for all the years of estimated remaining employment of the existing workers, and no longer as an expense to be paid if the company ceases its activity on the reporting date.

The actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of the obligation at year end, are recognised in equity.

An independent actuary assesses the post-employment benefits in compliance with the method indicated above.

Repurchase agreements

"Repurchase agreements" that oblige the party selling the relevant assets (for example securities) to repurchase them in the future and the "securities lending" transactions where the guarantee is represented by cash, are considered equivalent to swap transactions and, therefore, the amounts received and disbursed appear in the financial statements as payables and receivables. In particular, the previously mentioned "repurchase agreements" and "securities lending" transactions are recognised in the financial statements as payables for the spot price received, while those for investments are recognised as receivables for the spot price paid. Such transactions do not result in changes in the securities portfolio. Consistently, the cost of funds and the income from the investments, consisting of accrued dividends on the securities and of the difference between the spot price and the forward price thereof, are recognised for the accrual period under interest in the income statement.

Tax receivables purchased

Tax receivables acquired by the Bank for the purpose of offsetting liabilities or resale to third parties do not qualify, under international accounting standards, as tax assets, government grants, intangible assets, or financial assets. As a result, they are classified under the residual category of "Other Assets". As also stated in the joint Document No. 9 issued by the Bank of Italy, Consob, and IVASS, purchased tax receivables are deemed to be substantively equivalent to financial assets. Consequently, it is considered that an IFRS 9-based accounting model represents the most appropriate approach to ensure relevant and reliable financial reporting. Tax receivables are initially recognised at the consideration paid to the transferor under the item "120. Other Assets". After initial recognition, tax receivables are measured based on the business model under which they are managed. If held for offsetting liabilities, they are measured at amortised cost. If held for trading, they are measured at fair value, with fair value changes recognised in the income statement. Tax receivables acquired for offsetting purposes are valued at amortised cost, using an effective interest rate determined at inception. This rate is set so that the discounted cash flows associated with the expected future offsets over the tax credit's estimated duration equal the purchase price of the tax credits. The resulting economic effects are recognised under "10. Interest and similar income". Tax receivables purchased with the intention of trading are measured at fair value through profit and loss (FVTP&L), with the resulting economic effects recognised under "80. Net result from trading activities". Market fair value is determined by discounting the cash flows at a rate equal to the risk-free rate plus a credit spread.

Other assets and liabilities

Other assets and liabilities include all values that cannot be reclassified to other financial statement items.

Treasury shares

Treasury shares are recognised as a reduction of equity based on their acquisition cost. Gains or losses arising from their subsequent sale are always recognised directly to equity.

Recognition of revenues and costs

The recognition of revenue under IFRS 15 occurs when control over the goods or services subject to the contract is transferred, at an amount that reflects the consideration the enterprise receives or expects to receive from the sale.

For revenue recognition purposes, the standard requires:

- identification of the contract: contract for the sale of goods or services (or combination of contracts);

- identification of the performance obligations in the contract: identification of the obligations to perform under the contract;
- determination of the transaction price: definition of the transaction price for the contract, considering all its components;
- allocation of the transaction price to the performance obligations of the contract;
- recognition of revenue when (or to the extent to which) the performance obligation is satisfied.

Revenue arising from contractual obligations with customers is recognised in profit or loss when it is probable that the entity will receive the consideration to which it is entitled in exchange for the goods or services transferred to the customer. This consideration must be allocated to the individual obligations under the contract and recognised as revenue in profit or loss depending on the timing of performance of the obligation. If the entity receives consideration from the customer that it expects to refund to the customer, in whole or in part, for the revenue recognised in the profit or loss, it shall recognise a liability, which is to be estimated based on expected future refunds ("refund liability"). The estimated refund liability is updated at each annual or interim reporting date and is measured based on the portion of the consideration that the entity expects not to be entitled to.

Costs related to obtaining and fulfilling contracts with customers are recognised in the profit or loss in the periods in which the corresponding revenues are recognised in accordance with the matching of costs and revenues principle; costs that are not directly associated with revenues are immediately recognised in the profit or loss.

Costs directly attributable to financial instruments measured at amortised cost and which can be determined from the beginning, regardless of when they are settled, are charged to the profit or loss by applying the effective interest rate.

Dividends

Dividends are recognised in the profit or loss when their distribution is approved.

Criteria for determining the fair value of financial instruments

Fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants”, at a specific measurement date, excluding forced transactions. Underlying the definition of fair value is a presumption that a company is a going concern without any intention or need to liquidate, to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

In the case of financial instruments quoted in active markets, the fair value is determined based on the deal pricing (official price or other equivalent price on the last stock market trading day of the financial year of reference) of the most advantageous market to which the Group has access. For this purpose, a financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

In the absence of an active market, the fair value is determined using measurement techniques generally accepted in financial practice, aimed at establishing what price the financial instrument would have had, on the valuation date, in a free exchange between knowledgeable and willing parties. Such measurement techniques require, in the hierarchical order in which they are presented, the use:

1. of the most recent NAV (Net Asset Value) published by the management investment company for the harmonised funds (UCITS - Undertakings for Collective Investment in Transferable Securities), the Hedge Funds and the SICAVs;
2. of the recent transaction prices observable in the markets;
3. of the price indications deducible from infoproviders (e.g., Bloomberg, Reuters);
4. of the fair value obtained from measurement models (for example, Discounting Cash Flow Analysis, Option Pricing Models) that estimate all the possible factors that influence the fair value of a financial instrument (cost of money, credit risk, liquidity risk, volatility, foreign exchange rates, prepayment rates, etc.) based on data observable in the market, also with regards to similar instruments on the measurement date. If market data cannot be referenced for one or more risk factors, metrics internally determined on a historical-statistical basis are used. The measurement models are subject to periodic review to guarantee complete and constant reliability;
5. of the price indications provided by the counterparty issuer adjusted if necessary to take into account the counterparty and/or liquidity risk (for example, the price resolved on by the Board of Directors and/or the Shareholders for the shares of unlisted cooperative banks, the unit value communicated by the management investment company for the closed-end funds reserved to institutional investors or for other types of OEICs other than those cited in paragraph 1, the redemption value calculated in compliance with the issue regulation for the insurance contracts);
6. for the equity-linked instruments, where the measurement techniques pursuant to the previous paragraphs are not applicable: i) the value resulting from independent surveys if available; ii) the value corresponding to the portion of equity held resulting from the company's most recently approved financial

statements; iii) the cost, adjusted if necessary to take into account significant reductions in value, where the fair value cannot be reliably determined.

Based on the foregoing considerations and in compliance with the IFRS, the Group classifies the measurements at fair value based on a hierarchy of levels that reflects the significance of the inputs used in the measurements. The following levels are noted:

- Level 1 - prices (without adjustments) reported on an active market: the measurements of the financial instruments quoted on an active market based on quotations that can be understood from the market;
- Level 2 - the measurement is not based on prices of the same financial instrument subject to measurement, but on prices or credit spreads obtained from the official prices of essentially similar instruments in terms of risk factors, by using a given calculation method (pricing model). The use of this approach translates to the search for transactions present on active markets, relating to instruments that, in terms of risk factors, are comparable with the instrument subject to measurement. The calculation methods (pricing models) used in the comparable approach make it possible to reproduce the prices of financial instruments quoted on active markets (model calibration) without including discretionary parameters - i.e. parameters whose value cannot be obtained from the prices of financial instruments present on active markets or cannot be fixed at levels as such to replicate prices present on active markets - which may influence the final valuation price in a decisive manner.
- Level 3 - inputs that are not based on observable market data: the measurements of financial instruments not quoted on an active market, based on measurement techniques that use significant inputs that are not observable on the market, involving the adoption of estimates and assumptions by management (prices supplied by the issuing counterparty, taken from independent surveys, prices corresponding to the fraction of the equity held in the company or obtained using measurement models that do not use market data to estimate significant factors that condition the fair value of the financial instrument). This level includes measurements of financial instruments at cost price.

Business combinations

A business combination is the bringing together of separate entities or businesses into one reporting entity. A business combination may give rise to an investment relationship between the parent (acquirer) and the subsidiary (acquiree). A business combination may also involve the purchase of the net assets, including any goodwill, of another entity rather than the purchase of the equity of the other entity (mergers and contributions). Based on the provisions of IFRS 3, business combinations must be accounted for by applying the purchase method, which comprises the following phases:

- identification of the acquirer;
- measurement of the cost of the business combination;
- allocation, at the acquisition date, of the cost of the business combination to the assets acquired and liabilities and contingent liabilities assumed.

More specifically, the cost of a business combination must be determined as the total fair value, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, in exchange for control of the acquiree, and all costs directly attributable to the business combination.

The acquisition date is the date on which control of the acquiree is effectively obtained. When this is achieved through a single exchange transaction, the date of exchange coincides with the acquisition date.

If the business combination is carried out through several exchange transactions

- the cost of the combination is the aggregate cost of the individual transactions
- the date of exchange is the date of each exchange transaction (i.e. the date that each individual investment is recognised in the financial statements of the acquirer), whereas the acquisition date is the date on which control of the acquiree is obtained.

The cost of a business combination is allocated by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values at the acquisition date.

The acquiree's identifiable assets, liabilities and contingent liabilities are recognised separately at the acquisition date only if they satisfy the following criteria at that date:

- in the case of an asset other than an intangible asset, it is probable that any associated future economic benefits will flow to the acquirer, and its fair value can be measured reliably;
- in the case of a liability other than a contingent liability, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and its fair value can be measured reliably;
- in the case of an intangible asset or a contingent liability, its fair value can be measured reliably.

The positive difference between the cost of the business combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities must be accounted for as goodwill.

After the initial recognition, the goodwill acquired in a business combination is measured at the relevant cost and is submitted to an impairment test at least once a year.

If the difference is negative, a new measurement is made. This negative difference, if confirmed, is recognised immediately as income in the income statement.

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

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

No financial instruments were transferred between portfolios.

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

No financial assets were reclassified.

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

No financial assets held for trading were transferred.

A.4 - FAIR VALUE DISCLOSURE

Qualitative disclosure

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

Please refer to the accounting policies.

A.4.2 Processes and sensitivity of measurements

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

A.4.3 Fair value hierarchy

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

Level 1- Effective market quotes

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

Level 2 - Comparable Approach

Level 3 - Mark-to-Model Approach

A.4.4 Other Information

The item is not applicable for the Group.

Quantitative disclosure

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level.

Financial assets/liabilities measured at fair value	**31.12.2024**			**31.12.2023**		
	L1	**L 2**	**L 3**	**L1**	**L 2**	**L 3**
1. Financial assets measured at fair value through profit or loss						
a) financial assets held for trading						
b) financial assets designated at fair value through profit or loss						
c) other financial assets mandatorily measured at fair value through profit or loss						
2. Financial assets measured at fair value through other comprehensive income	1,142,197		5,000	571,002		5,000
3. Hedging derivatives						
4. Property and equipment						
5. Intangible assets						
Total	**1,142,197**		**5,000**	**571,002**		**5,000**
1. Financial liabilities held for trading						
2. Financial liabilities designated at fair value through profit or loss						
3. Hedging derivatives		3,561				
Total		**3,561**				

Key:

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

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis:

breakdown by fair value level

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	**31.12.2024**				**31.12.2023**			
	CA	**L1**	**L2**	**L3**	**CA**	**L1**	**L2**	**L3**
1. Financial assets measured at amortised cost	2,873,051	67,027	105,244	2,700,780	3,396,281	55,705		3,340,576
2. Investment property								
3. Non-current assets held for sale and disposal groups								
Total	**2,873,051**	**67,027**	**105,244**	**2,700,780**	**3,396,281**	**55,705**		**3,340,576**
1. Financial liabilities measured at amortised cost	4,109,583			4,109,583	4,042,105			4,042,105
2. Liabilities associated with disposal groups								
Total	**4,109,583**			**4,109,583**	**4,042,105**			**4,042,105**

Key:

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

A.5 DISCLOSURE CONCERNING “DAY ONE PROFIT/LOSS”

Nothing to report.

PART B - INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

ASSETS

Section 1 - Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

	31.12.2024	31.12.2023
a) Cash	1,762	1,586
b) current accounts and demand deposits with Central Banks	50,000	199,773
c) Current and deposit accounts with banks	41,674	49,137
Total	**93,436**	**250,496**

Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30

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

	31.12.2024			31.12.2023		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	**1,142,008**			**570,729**		
1.1 Structured instruments						
1.2 Other debt instruments	1,142,008			570,729		
2. Equity instruments	**189**		**5,000**	**273**		**5,000**
3. Financing						
Total	**1,142,197**		**5,000**	**571,002**		**5,000**

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

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

	31.12.2024	31.12.2023
1. Debt instruments	**1,142,008**	**570,729**
a) Central Banks		
b) General governments	1,140,006	570,729
c) Banks	2,002	
d) Other financial corporations		
of which: insurance companies		
e) Non-financial corporations		
2. Equity instruments	**5,189**	**5,273**
a) Banks	5,000	5,000
b) Other issuers:	189	273
- other financial corporations		273
of which: insurance companies		
- non-financial corporations	189	
- other		
4. Financing		
a) Central Banks		
b) General governments		
c) Banks		
d) Other financial corporations		
of which: insurance companies		
e) Non-financial corporations		
f) Households		
Total	**1,147,197**	**576,002**

3.3 Financial assets measured at fair value through other comprehensive income: gross amount and total impairment losses

	Gross amount					Total impairment losses				Overall partial write-offs (*)
	First stage	of which instruments with low credit risk	Second stage	Third stage	Purchased or originated credit-impaired	First stage	Second stage	Third stage	Purchased or originated credit-impaired	
Debt securities	1,142,374	1,140,371				366				
Financing										
Total 31.12.2024	**1,142,374**	**1,140,371**				**366**				
Total 31.12.2023	**570,874**	**570,874**				**145**				

Section 4 - Financial assets measured at amortised cost - Item 40

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

	31.12.2024						31.12.2023					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: purchased or originated credit-impaired	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated credit-impaired	L1	L2	L3
A. Loans and receivables with Central Banks	**22,886**					**22,887**	**4**					**4**
1. Term deposits				X	X	X				X	X	X
2. Minimum reserve	22,866			X	X	X				X	X	X
3. Reverse repurchase agreements				X	X	X				X	X	X
4. Other	20			X	X	X	4			X	X	X
B. Loans and receivables with banks	**136**	**2**				**11**	**921**	**1**				**791**
1. Financing	**136**	**2**				**11**	**921**	**1**				**791**
1.1 Current accounts and demand deposits				X	X	X				X	X	X
1.2. Term deposits				X	X	X				X	X	X
1.3. Other financing:	136	2		X	X	X	921	1		X	X	X
- Reverse repurchase agreements				X	X	X				X	X	X
- Finance leases				X	X	X				X	X	X
- Other	136	2		X	X	X	921	1		X	X	X
2. Debt instruments												
2.1 Structured instruments												
2.2 Other debt instruments												
Total	**23,022**	**2**				**22,898**	**925**	**1**				**795**

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

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

	31.12.2024						31.12.2023					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	Purchased or originated credit-impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated credit-impaired	L1	L2	L3
Financing	**2,419,947**	**273,531**	**3,433**			**2,746,863**	**3,102,405**	**231,665**	**87**			**3,454,340**
1.1. Current accounts	670	18		X	X	X	551	45		X	X	X
1.2. Reverse repurchase agreements				X	X	X				X	X	X
1.3. Loans	227,975	13,888		X	X	X	263,917	23,349		X	X	X
1.4. Credit cards, personal loans and salary- and pension-backed loans	673,666	11,693		X	X	X	767,070	13,714		X	X	X
1.5. Finance leases				X	X	X				X	X	X
1.6. Factoring	1,008,084	218,515	3,433	X	X	X	1,618,022	180,916	87	X	X	X
1.7. Other financing	509,552	29,417		X	X	X	452,845	13,641		X	X	X
Debt instruments	**153,116**			**57,539**	**95,756**		**62,715**			**55,705**		**1,608**
1.1. Structured instruments												
1.2. Other debt instruments	153,116			57,539	95,756		62,715			55,705		1,608
Total	**2,573,063**	**273,531**	**3,433**	**57,539**	**95,756**	**2,746,863**	**3,165,120**	**231,665**	**87**	**55,705**		**3,455,948**

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

The item Debt securities consists of Italian government securities with an average duration of 31 months and for an amount of € 61 million, and the investment in an ABS security for an amount of € 92.1 million linked to a securitisation transaction for the purchase of tax receivables, of which the Bank was one of the joint arrangers and for which it will also play the role of Master Servicer of the newly constituted vehicle; the transaction involves the purchase by the SPV of approximately € 300 million of tax receivables.

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

	31.12.2024			31.12.2023		
	First and second stage	**Third stage**	**Purchased or originated credit-impaired**	**First and second stage**	**Third stage**	**Purchased or originated credit-impaired**
1. Debt securities	153,116			61,105		
a) General governments	61,057			61,105		
b) Other financial corporations						
of which: insurance companies						
c) Non-financial corporations	92,059					
2. Financing to:	2,419,947	273,531	3,433	3,102,497	231,666	87
a) General governments	742,957	218,715	3,433	1,608,826	161,822	87
b) Other financial corporations	51,637	1,710		9,736	2,083	
of which: insurance companies	32	1,572		105	2,082	
c) Non-financial corporations	745,695	38,238		565,133	52,255	
d) Households	879,658	14,868		918,802	15,506	
Total	**2,573,063**	**273,531**	**3,433**	**3,163,602**	**231,666**	**87**

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

	Gross amount					Total impairment losses				Overall partial write-offs (*)
	First stage		Second stage	Third stage	Purchased or originated credit-impaired	First stage	Second stage	Third stage	Purchased or originated credit-impaired	
		of which instruments with low credit risk								
Debt securities	153,165	61,077				49				
Financing	2,394,152	664,524	56,484	331,015	3,436	7,353	313	57,483	3	
Total 31.12.2024	**2,547,317**	**725,601**	**56,484**	**331,015**	**3,436**	**7,402**	**313**	**57,483**	**3**	**-**
Total 31.12.2023	**3,079,897**	**1,586,597**	**90,908**	**297,027**	**88**	**5,584**	**695**	**65,360**		

4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross amount and total impairment losses

	Gross amount					**Total impairment losses**				**Overall partial write-offs (*)**
	First stage	**of which instruments with low credit risk**	**Second stage**	**Third stage**	**Purchased or originated credit-impaired**	**First stage**	**Second stage**	**Third stage**	**Purchased or originated credit-impaired**	
1. Forborne loans in compliance with the EBA Guidelines										
2. Loans subject to existing moratoria no longer in compliance with the EBA Guidelines and not considered forborne										
3. Loans subject to other forbearance measures										
4. New loans	59,320	-	-	11,605	-	168	-	517	-	
Total 31.12.2024	59,320	-	-	11,605	-	168	-	517		
Total 31.12.2023	86,031		511	21,458		241	1	428		

Section 6 – Value adjustment of macro-hedged financial assets – Item 60

6.1 Value adjustment of hedged assets: breakdown by hedged portfolio

Fair value change of hedged assets / Amount	**31.12.2024**	**31.12.2023**
1. Positive fair value change	3,557	3,651
1.1 of specific portfolios:	3,557	3,651
a) financial assets measured at amortised cost	3,557	3,651
b) financial assets measured at fair value through other comprehensive income		
1.2 overall		
2. Negative fair value change		
2.1 of specific portfolios:		
a) financial assets measured at amortised cost		
b) financial assets measured at fair value through other comprehensive income		
2.2 overall		
Total	**3,557**	**3,651**

Section 7 - Equity investments - item 70

7.1 Equity investments: information on investment relationships

	Registered office	Interest %	Votes available %
A. Fully-controlled companies			
S.F. Trust Holdings Ltd	Londra	100.00%	100.00%
Largo Augusto Servizi e Sviluppo S.r.l.	Milano	100.00%	100.00%
Kruso Kapital S.p.A.	Milano	70.59%	70.59%
ProntoPegno Greece	Atene	70.59%	70.59%
Art-Rite S.r.l.	Milano	70.59%	70.59%
Pignus Credito Economico Popular S.A.	Lisbona	70.59%	70.59%
B. Joint ventures			
EBNSISTEMA Finance S.L.	Madrid	50.00%	50.00%

7.2 Non-significant equity investments: carrying amount

	Book value 2024	Book value 2023
B. Joint ventures		
EBNSistema Finance Sl	984	995

7.3 Significant equity investments: accounting information

	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total income	Net interest income	Net impairment gains and losses on property and equipment/intangible assets	Pre-tax profit (loss) from continuing operations	Post-tax profit (loss) from continuing operations	Post-tax profit (loss) from discontinued operations	Profit (loss) for the year	Other comprehensive income (expense), net of income tax	Comprehensive income (expense)
A. Imprese controllate in via esclusiva														
1. S.F. Trust Holdings Ltd	-	-	-	-	-	-	-	-	(39)	(39)	(39)	(39)	-	(39)
2. Largo Augusto Servizi e Sviluppo S	-	-	48,229	23,754	2,917	2,404	-	(956)	141	76	-	76	-	76
3. Kruso Kapital S.p.A.	7,393	127,274	50,810	123,415	10,223	29,228	10,055	(1,487)	8,778	5,728	-	5,728	-	3,577
4. ProntoPegno Grecia	28	214	1,030	858	739	15	(36)	(244)	(589)	(589)	-	(589)	-	(589)
5. Art-Rite S.r.l	378	-	418	27	736	380	-	(22)	(770)	(770)	(770)	(770)	(770)	(770)
6. Pignus Credito Economico Popular S.A.	1,217	16,391	1,618	17,531	1,515	620	409	(43)	165	130	-	130	130	130

7.4 Non-significant equity investments: accounting information

Denominazioni	**Cassa disponibilità liquide**	**Attività finanziarie**	**Attività non finanziarie**	**Passività finanziarie**	**Passività non finanziarie**	**Ricavi totali**	**Margine di interesse**	**Rettifiche e riprese di valore su attività materiali e immateriali**	**Utile (Perdita) della operatività corrente al lordo delle imposte**	**Utile (Perdita) della operatività corrente al netto delle imposte**	**Utile (Perdita) delle attività operative cessate al netto delle imposte**	**Utile (Perdita) d'esercizio)**	**Altre componenti reddituali al netto delle imposte**	**Redditività complessiva**
B. Imprese controllate in modo congiunto														
1. EBN SISTEMA FINANCE SL	36,334	1	-	-	1,688	-	485	-	(29)	(22)	-	(22)	-	(22)

7.5 Equity investments: changes

	31.12.2024	31.12.2023
A. Opening balance	**995**	**970**
B. Increases		25
B.1 Purchases		
B.2 Impairment gains		
B.3 Revaluations		
B.4 Other increases		25
C. Decreases	**11**	
C.1 Sales		
C.2 Impairment losses		
C.3 Write-offs		
C.4 Other decreases	11	
D. Closing balance	**984**	**995**
E. Total revaluations		
F. Total impairment losses		

The decrease relates to the pro-quota result for year of EBN Sistema Finance.

Section 9 – Property and equipment – Item 90

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

	31.12.2024	31.12.2023
1 Owned	**48,826**	**36,155**
a) land	13,921	10,897
b) buildings	32,828	23,707
c) furniture	1,127	514
d) electronic equipment	950	1,037
e) other		
2 Right-of-use assets acquired under finance lease	**4,607**	**4,504**
a) land		
b) buildings	3,794	3,927
c) furniture		
d) electronic equipment		
e) other	813	577
Total	**53,433**	**40,659**
of which: obtained from the enforcement of guarantees received		

Property and equipment are initially recognised in the financial statements in accordance with the general acquisition cost criteria, including the related charges and any other expenses incurred to place the assets in conditions useful for the Bank, in addition to indirect costs for the portion reasonably attributable to assets that refer to the costs incurred, as at the end of the year.

Depreciation rates:

- Office furniture: 12%
- Furnishings: 15%
- Electronic machinery and miscellaneous equipment: 20%
- Assets less than Euro 516: 100%

9.3 Operating property and equipment: breakdown of the revalued assets

	31.12.2024			31.12.2023		
	L1	**L2**	**L3**	**L1**	**L2**	**L3**
1 Owned			**41,561**			**38,531**
a) land			13,921			10,897
b) buildings			27,640			27,634
c) furniture						
d) electronic equipment						
e) other						
2 Right-of-use assets acquired under finance lease						
a) land						
b) buildings						
c) furniture						
d) electronic equipment						
e) other						
Total			**41,561**			**38,531**
of which: obtained from the enforcement of guarantees received						

9.6 Operating property and equipment: changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balances	**10,897**	**37,913**	**1,901**	**3,793**	**2,572**	**57,076**
A.1 Total net impairment losses		10,279	1,387	2,756	1,995	16,417
A.2 Net opening balances	**10,897**	**27,634**	**514**	**1,037**	**577**	**40,659**
B. Increases:	**3,024**	**10,885**	**671**	**226**	**610**	**15,417**
B.1 Purchases		2,671	320	226	610	3,827
B.2 Capitalised improvement costs		1,488				1,488
B.3 Impairment gains						-
B.4 Fair value gains recognised in	3,024	5,970				8,994
a) equity	3,024	5,970				8,994
b) profit or loss						-
B.5 Exchange rate gains						-
B.6 Transfers from investment property			X	X	X	-
B.7 Other increases						-
B.8 Business combination transactions		756	351			1,107
C. Decreases:		**1,896**	**58**	**313**	**374**	**2,642**
C.1 Sales						-
C.2 Depreciation		1,896	58	301	337	2,593
C.3 Impairment losses recognised in						-
a) equity						-
b) profit or loss						-
C.4 Fair value losses recognised in						-
a) equity						-
b) profit or loss						-
C.5 Exchange rate losses						-
C.6 Transfers to:						-
a) investment property			X	X	X	-
b) non-current assets held for sale and disposal groups						-
C.7 Other decreases				12	37	49
C.8 Business combination transactions						-
D. Net closing balance	**13,921**	**36,622**	**1,127**	**950**	**813**	**53,434**
D.1 Total net impairment losses	-	12,175	1,445	3,069	2,369	19,059
D.2 Gross closing balance	**13,921**	**48,798**	**2,572**	**4,019**	**3,182**	**72,493**
E. Measurement at cost	10,897	30,653	1,127	950	813	44,440

The movement of operating assets is influenced by the change in the valuation criterion of real estate assets (represented in the "land" and "buildings" columns). In order to understand the movement of the assets in question, it is necessary to specify that sub-item "B.4 Fair value gains" shows the effects of the change from the cost approach to the fair value basis criteria. In particular, the fair value gains were credited to a specific equity valuation reserve for € 6.5 million, net of tax effect.

- the item "E. Measurement at cost includes the cost of assets remeasured at fair value (properties use in operations and valuable artworks), adjusted to exclude fair value valuation effects (sub-items B.4 and C.4).

For further details, please refer to "Section 5 – Other Aspects" within "Part A – Accounting Policies" of these Notes to the Financial Statements.

Section 10 – Intangible assets – Item 100

10.1 Intangible assets: breakdown by type of asset

	31.12.2024		31.12.2023	
	Finite useful life	**Indefinite useful life**	**Finite useful life**	**Indefinite useful life**
A.1 Goodwill		**45,075**	**x**	**33,526**
A.2 Other intangible assets	**2,157**		**1,924**	
of which software	454		440	
A.2.1 Assets measured at cost:	2,157		1,924	
a) Internally developed assets	138		150	
b) Other	2,019		1,774	
A.2.2 Assets measured at fair value:				
a) Internally developed assets				
b) Other				
Total	**2,157**	**45,075**	**1,924**	**33,526**

The other intangible assets are recognised at purchase cost including related costs, and are systematically amortised over a period of 5 years. The item mainly refers to software.

Intangible assets refer to goodwill of € 45.1 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;
- goodwill of € 1.2 million, resulting from the acquisition of Art-Rite which was completed on 2 November 2022;
- provisional goodwill of € 11.5 million, resulting from the acquisition of Pignus - Credito Economico Popular SA, which was completed on 7 November 2024.

The CGU identified for the goodwill of the former Solvi and Atlantide is the Bank, for the goodwill of the former ISP the company Kruso Kapital, and for the goodwill of Art-Rite and CEP, it is the respective companies as a whole.

The goodwill impairment tests were performed on the basis of their respective “Value in use", derived from estimates of expected cash flows for the period 2025-2027. The valuation methods used were the Dividend Discount Model - Excess Capital Variant for the goodwill of the former Solvi, Atlantide and Kruso Kapital, the Discounted Cash Flow method for the goodwill of Art-Rite, and the Income approach for the goodwill of CEP.

The main parameters used for estimation purposes were as follows:

	Banca Sistema and Kruso Kapital CGU	**Art-Rite CGU**	**CEP CGU**
Risk Free Rate	3.38%	3.38%	2.73%
Equity Risk Premium	5.6%	5.6%	5.6%
Beta	1.26	1.04	1.26
Cost of equity	10.4%	9.23%	9.80%
Growth rate “g”	1.8%	1.8%	1.8%

The estimated values in use obtained based on the parameters used and the growth assumptions are, for all goodwill amounts, higher than the respective equity amounts at the end of the financial year. Furthermore, considering that the value in use was determined via estimates and assumptions that may introduce elements of uncertainty, sensitivity analyses - as required by IFRS - were performed with the purpose of verifying the variations of the results previously obtained as a function of the basic assumptions and parameters.

In particular, the quantitative exercise was completed by a stress test of the parameters related to the growth rate and the discount rate of the expected cash flows (quantified in an isolated or simultaneous movement of 20 bps and 50 bps, respectively), that confirmed the absence of impairment indicators, confirming a value in use greater than the carrying amount of goodwill in the financial statements.

Considering all the above, the conditions necessary to recognise an impairment loss on the goodwill carrying amounts in the financial statements do not exist.

10.2 Intangible assets: changes

	Goodwill	Other intangible assets: internally developed		Other intangible assets: other		Total
		FIN	INDEF	FIN	INDEF	
A. Opening balance	**33,526**			**6,209**		**39,735**
A.1 Total net impairment losses				4,286		4,286
A.2 Net opening balances	**33,526**			**1,923**		**35,449**
B. Increases	**11,549**			**891**		**12,441**
B.1 Purchases				865		865
B.2 Increases in internally developed assets	X					
B.3 Impairment gains	X					
B.4 Fair value gains recognised in:						
- equity	X					
- profit or loss	X					
B.5 Exchange rate gains						
B.6 Other increases						
B.7 Business combination transactions	11,549			26		11,576
C. Decreases				**657**		**657**
C.1 Sales						
C.2 Impairment losses				657		657
- Amortisation	X			657		657
- Impairment losses:						
- equity	X					
- profit or loss						
C.3 Fair value losses recognised in:						
- equity	X					
- profit or loss	X					
C.4 Transfers to disposal groups						
C.5 Exchange rate losses						
C.6 Other decreases						
C.7 Business combination transactions						
D. Net closing balance	**45,075**			**2,158**		**47,233**
D.1 Total net impairment losses				4,943		4,943
E. Gross closing balance	**45,075**			**7,100**		**52,176**
F. Measurement at cost	45,075			2,158		47,233

Key

Fin: finite useful life

Indef: indefinite useful life

Section 11 – Tax assets and tax liabilities – Item 110 of assets and Item 60 of liabilities

Below is the breakdown of the current tax assets and current tax liabilities

	31.12.2024	31.12.2023
Current tax assets	**8,882**	**8,772**
IRES prepayments	6,595	6,197
IRAP prepayments	2,145	2,338
Other	142	237
Current tax liabilities	**(8,782)**	**(2,090)**
Provision for IRES	(3,664)	859
Provision for IRAP	(4,600)	(2,394)
Provision for substitute tax	(518)	(555)
Total	**100**	**6,682**

11.1 Deferred tax assets: breakdown

	31.12.2024	31.12.2023
Deferred tax assets through profit or loss:	**10,270**	**9,973**
Impairment losses on loans	**624**	**1,163**
Non-recurring transactions	282	315
Other	9,364	8,495
Deferred tax assets through equity:	**1,387**	**8,098**
Non-recurring transactions	160	180
HTCS securities	1,171	6,109
Other	56	1,809
Total	**11,658**	**18,072**

The "Other" item mainly includes deferred taxes arising from estimated amounts offset against provisions for risks and charges

11.2 Deferred tax liabilities: breakdown

	31.12.2024	31.12.2023
Deferred tax liabilities through profit or loss:	**27,641**	**24,360**
Uncollected default interest income	24,065	21,526
Other	3,576	2,834
Deferred tax liabilities through equity:	**2,509**	**-**
HTCS securities		
Other	2,509	
Total	**30,150**	**24,361**

11.3 Changes in deferred tax assets (through profit or loss)

	31.12.2024	**31.12.2023**
1. Opening balance	**9,971**	**9,980**
2. Increases	**3,068**	**3,185**
2.1 Deferred tax assets recognised in the year	3,068	3,185
a) related to previous years		
b) due to changes in accounting policies		
c) impairment gains		
d) other	3,068	3,185
e) business combination transactions		
2.2 New taxes or tax rate increases		
2.3 Other increases		-
3. Decreases	**2,769**	**3,194**
3.1 Deferred tax assets derecognised in the year	2,769	3,194
a) reversals		
b) impairment due to non-recoverability		
c) changes in accounting policies		
d) other	2,769	3,194
3.2 Tax rate reductions		
3.3 Other decreases		
a) conversion into tax assets pursuant to Law 214/2011		
b) other		
4. Closing balance	**10,270**	**9,971**

11.4 Change in deferred tax assets pursuant to Law 214/2011

	31.12.2024	**31.12.2023**
1. Opening balance	**1,658**	**2,281**
2. Increases		
3. Decreases	**591**	**623**
3.1 Reversals		
3.2 Conversions into tax assets	-	-
a) arising on loss for the year		
b) arising on tax losses		
3.3 Other decreases	591	623
4. Closing balance	**1,067**	**1,658**

11.5 Changes in deferred tax liabilities (through profit or loss)

	31.12.2024	31.12.2023
1. Opening balance	**24,360**	**16,787**
2. Increases	**3,281**	**7,573**
2.1 Deferred tax liabilities recognised in the year	3,281	7,573
a) related to previous years		
b) due to changes in accounting policies		
c) other	3,281	7,573
2.2 New taxes or tax rate increases		
2.3 Other increases		
3. Decreases	**-**	**-**
3.1 Deferred tax liabilities derecognised in the year	-	-
a) reversals		
b) due to changes in accounting policies		
c) other		
3.2 Tax rate reductions		
3.3 Other decreases		
4. Closing balance	**27,641**	**24,360**

11.6 Change in deferred tax assets (through equity)

	31.12.2024	31.12.2023
1. Opening balance	**8,099**	**12,745**
2. Increases	**1,174**	**7,865**
2.1 Deferred tax assets recognised in the year	1,174	7,865
a) related to previous years		
b) due to changes in accounting policies		
c) other	1,174	7,865
2.2 New taxes or tax rate increases		
2.3 Other increases		
3. Decreases	**7,885**	**12,512**
3.1 Deferred tax assets derecognised in the year	7,885	12,512
a) reversals		
b) impairment due to non-recoverability		
c) due to changes in accounting policies		
d) other	7,885	12,512
3.2 Tax rate reductions		
3.3 Other decreases		
4. Closing balance	**1,388**	**8,099**

11.7 Change in deferred tax liabilities (through equity)

	31.12.2024	31.12.2023
1. Opening balance	**-**	**-**
2. Increases	**2,509**	
2.1 Deferred tax liabilities recognised in the year	2,509	
a) related to previous years		
b) due to changes in accounting policies		
c) other	2,509	
2.2 New taxes or tax rate increases		
2.3 Other increases		
3. Decreases	**-**	**-**
3.1 Deferred tax liabilities derecognised in the year		
a) reversals		
b) due to changes in accounting policies		
c) other		
3.2 Tax rate reductions		
3.3 Other decreases		
4. Closing balance	**2,509**	

Section 12 - Non-current assets held for sale and disposal groups and associated liabilities - Item 120 of assets and item 70 of liabilities

12.1 Non-current assets held for sale and disposal groups: breakdown by type of asset

	31.12.2024	31.12.2023
A. Non-current assets held for sale		
Total A		
B. Discontinued operations		
B.3 Financial assets measured at amortised cost		64
B.7 Other assets		
Total B	**-**	**64**
of which measured at cost		1
of which Fair value level 1	-	64
C. Liabilities associated with non current assets held for sale		
Total C		
D. Liabilities associated with discontinued operations		
D.5 Other		37
Total D		**37**
of which measured at cost		37

Section 13 - Other assets - Item 130

13.1 Other assets: breakdown

	31.12.2024	31.12.2023
Ecobonus 110% tax assets	435,095	216,765
Tax advances	11,101	7,352
Work in progress	10,170	5,127
Prepayments not related to a specific item	8,219	7,785
Trade receivables	1,369	1,439
Adavance to third parties	1,340	1,335
Other	1,005	914
Leasehold improvements	2,092	2,689
Security deposits	200	187
Total	**470,591**	**243,593**

The Superbonus Tax Credits item includes tax credits acquired for trading purposes, measured at fair value, with a carrying amount of € 400 million, and tax credits acquired for offsetting purposes, amounting to € 35 million.

LIABILITIES

Section 1 - Financial liabilities measured at amortised cost - Item 10

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

	31.12.2024				31.12.2023			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to Central banks		**X**	**X**	**X**	**556,012**	**X**	**X**	**X**
2. Due to banks	**127,257**	**X**	**X**	**X**	**88,251**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	383	X	X	X	1,476	X	X	X
2.2 Term deposits	64,442	X	X	X	78,342	X	X	X
2.3 Financing	62,432	X	X	X	8,433	X	X	X
2.3.1 Repurchase agreements	62,432	X	X	X		X	X	X
2.3.2 Other		X	X	X	8,433	X	X	X
2.4 Commitments to repurchase own equity instruments		X	X	X		X	X	X
2.5 Lease liabilities		X	X	X		X	X	X
2.6 Other payables		X	X	X		X	X	X
Total	**127,257**			**127,257**	**644,263**			**644,263**

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

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

	31.12.2024				31.12.2023			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	288,186	X	X	X	704,579	X	X	X
2. Term deposits	2,565,354	X	X	X	2,401,941	X	X	X
3. Financing	902,212	X	X	X	120,625	X	X	X
3.1 Repurchase agreements	819,999	X	X	X		X	X	X
3.2 Other	82,213	X	X	X	120,625	X	X	X
4. Commitments to repurchase own equity instruments		X	X	X		X	X	X
5. Lease liabilities		X	X	X		X	X	X
6. Other payables	5,643	X	X	X	5,622	X	X	X
Total	**3,761,395**			**3,761,395**	**3,232,767**			**3,232,767**

Key:
VB = Carrying amount, L1 = Level 1, L2 = Level 2, L3 = Level 3

1.3 Financial liabilities measured at amortised cost: breakdown by product of the securities issued

	31.12.2024				31.12.2023			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	**220,931**			**220,931**	**165,075**			**165,075**
1.1 structured								
1.2 other	220,931			220,931	165,075			165,075
2. other securities								
2.1 structured								
2.2 other								
Total	**220,931**			**220,931**	**165,075**			**165,075**

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

The item includes subordinated securities relating to the senior shares of the ABS in the Quinto Sistema Sec. 2019 and BS IVA securitisations subscribed by third-party institutional investors.

SECTION 4 - HEDGING DERIVATIVES

4.1 Hedging derivatives: breakdown by type of hedge and level

	Fair value 31.12.2024			NV 31.12.2024	Fair value 31.12.2023			NV 31.12.2023
	L1	L2	L3		L1	L2	L3	
A) Financial derivateves		**3,561**				**3,646**		
1) Fair value		**3,561**				**3,646**		
2) Cash flows								
3) Foreign investments								
B. Credit derivatives								
1) Fair value								
2) Cash flows								
Total		**3,561**				**3,646**		

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

	Fair value							Cash flows		
	Specific						Generic	Specific	Generic	Foreign investments
	debt securities and interest rates	equities and stock indices	foreign exchange rates and gold	credit risk	commodities	Others				
1. Financial assets available for sale					X	X	X		X	X
2. Loans		X			X	X	X		X	X
3. Portfolio	X	X	X	X	X	X	3,561	X		X
4. Other transactions							X		X	
Total assets							**3,561**			
1. Financial liabilities		X					X		X	X
2. Portfolio	X	X	X	X	X	X		X		X
Total liabilities										
1. Forecast transactions	X	X	X	X	X	X	X		X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X		X		

Section 6 – Tax liabilities – Item 60

The breakdown as well as the change in the deferred tax liabilities were illustrated in Part B Section 11 of assets in these notes to the financial statements.

Section 8 - Other Liabilities - Item 80

8.1 Other liabilities: breakdown

	31.12.2024	31.12.2023
Payments received in the reconciliation phase	98,871	110,583
Accrued expenses	15,397	20,273
Work in progress	55,210	25,525
Trade payables	9,066	8,620
Tax liabilities with the Tax Authority and other tax authorities	12,965	10,893
Finance lease liabilities	3,712	4,117
Due to employees	274	820
Pension repayments	1,088	1,071
Total	**196,583**	**181,902**

Section 9 - Post-employment benefits - Item 90

9.1 Post-employment benefits: changes

	31.12.2024	31.12.2023
A. Opening balance	**4,709**	**4,107**
B. Increases	**1,179**	**1,016**
B.1 Accruals	1,090	786
B.2 Other increases	89	230
B.3 Business combination transactions		
C. Decreases	**673**	**414**
C.1 Payments	371	224
C.2 Other decreases	302	190
D. Closing balance	**5,215**	**4,709**

9.2 Other Information

The actuarial amount of post-employment benefits was calculated by an external actuary, who issued an appraisal.

The other decreases refer to the actuarial gain accounted for during the year. The payments made refer to post-employment benefits paid during the year.

The technical valuations were conducted on the basis of the assumptions described in the following table:

Annual discount rate	3.38%
Annual inflation rate	2.00%

Annual post-employment benefits increase rate 3.00%

Annual real salary increase rate 3.17%

The discount rate used for determining the present value of the obligation was calculated, pursuant to IAS 19.83, from the Iboxx Corporate AA index with 10+ duration during the valuation month. To this end, a choice was made to select the yield with a duration comparable to the duration of the set of workers subject to valuation.

SECTION 10 – Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

	31.12.2024	31.12.2023
1. Provisions for credit risk related to commitments and financial guarantees issued	28	59
2. Provisions for other commitments and other guarantees issued	-	-
3. Internal pension funds	-	-
4. Other provisions for risks and charges	41,442	37,777
4.1 legal and tax disputes	19,297	15,718
4.2 personnel expense	6,090	5,475
4.3 other	16,055	16,584
Total	**41,470**	**37,836**

10.2 Provisions for risks and charges: changes

	Provisions for other commitments and other guarantees issued	Pension funds	Other provisions for risks and charges	Total
A. Opening balance	**59**	**-**	**37,777**	**37,836**
B. Increases	**-**	**-**	**11,586**	**11,586**
B.1 Accruals			10,290	10,290
B.2 Discounting				-
B.3 Changes due to discount rate changes				-
B.4 Other increases			1,296	1,296
C. Decreases	**31**	**-**	**7,921**	**7,952**
C.1 Utilisations	-	-	7,617	7,617
C.2 Changes due to discount rate changes	-	-	-	-
C.3 Other decreases	31	-	304	335
D. Closing balance	**28**	**-**	**41,442**	**41,470**

10.3 Provisions for credit risk related to commitments and financial guarantees issued

	Provisions for credit risk related to commitments and financial guarantees issued			
	First stage	Second stage	Third stage	Total
Commitments to disburse funds				-
Financial guarantees issued	25		3	28
Total	**25**	**-**	**3**	**28**

10.5 Internal defined benefit pension funds

Nothing to report.

10.6 Provisions for risks and charges - other provisions

Voci/Valori	31.12.2024	31.12.2023
Legal and tax disputes	19,297	15,718
Personnel expense	6,090	5,475
Other	16,055	16,584
Total	**41,442**	**37,777**

SECTION 13 – Equity attributable to the owners of the Parent– Items 120, 130, 140, 150, 160, 170 and 180

13.1 "Share capital" and "Treasury shares": breakdown

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

Based on the information published on the Consob website on 18 February 2025 and presented below, the shareholders holding more than 5%, the threshold above which Italian law (art. 120 of the Consolidated Law on Finance) requires disclosure to the investee company and Consob, were as follows:

Person at the top of the chain of ownership	Shareholder	No. of shares	% of the ordinary shares	% of the voting capital
Gianluca Garbi	SGBS Srl	18,578,900	23.1%	22.5%
	Garbifin Srl	409,453	0.5%	0.5%
	Fondazione Cassa di Risparmio di Cuneo	4,030,000	5.0%	4.9%
	Fondazione Cassa di Risparmio di Alessandria	5,950,000	7.4%	7.2%
	Fondazione Sicilia	5,950,104	7.4%	7.2%
	Treasury shares	51,269	0.1%	
	Market	45,451,326	56.5%	55.1%
TOTAL SHARES		**80,421,052**	**100.0%**	

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

	Amount 31.12.2024	Amount 31.12.2023
1. Share capital	9,651	9,651
2. Share premium	39,100	39,100
3. Reserves	176,640	168,667
4. Equity instruments	45,500	45,500
5. (Treasury shares)	(102)	(355)
6. Valuation reserves	4,112	(12,353)
7. Equity attributable to non-controlling interests	14,577	10,633
8. Profit	25,199	16,506
Total	**314,677**	**277,349**

The Parent, Banca Sistema, holds a total of 51,269 treasury shares corresponding to 0.064% of the share capital valued at € 102 thousand.

13.2 Share capital - Parent's number of shares: changes

	Ordinary	Other
A. Opening balance	**80,421,052**	
- fully paid-in	80,421,052	
- not fully paid-in		
A.1 Treasury shares (-)	(168,004)	
A.2 Outstanding shares: opening balance	**80,253,048**	
B. Increases	**116,735**	
B.1 New issues		
- against consideration:		
- business combination transactions		
- conversion of bonds		
- exercise of warrants		
- other		
- bond issues:		
- to employees		
- to directors		
- other		
B.2 Sale of treasury shares		
B.3 Other increases	116,735	
C. Decreases		
C.1 Cancellation		
C.2 Repurchase of treasury shares		
C.3 Disposal of equity investments		
C.4 Other decreases		
D. Outstanding shares: closing balance	**80,369,783**	
D.1 Treasury shares (+)	51,269	
D.2 Closing balance	80,421,052	
- fully paid-in	80,421,052	
- not fully paid-in		

13.4 Income-related reserves: other information

In compliance with art. 2427(7 bis) of the Italian Civil Code, below is the detail of the equity items revealing the origin and possibility of use and distributability.

	31.12.2024	Possible use	Available portion
A) Share capital	9,651		
B) Equity-related reserves:	39,100		
Share premium reserve	39,100	A,B,C	39,100
Reserve to provide for losses		-	
C) Income-related reserves:	181,652		
Legal reserve	1,930	B	1,930
Valuation reserve	4,112	-	
Negative goodwill	1,774	A,B,C	1,774
Retained earnings	173,622	A,B,C	173,622
Reserve for treasury shares	214		
Reserve for future capital increase			
D) Other reserves	(900)		(900)
E) Equity instruments	45,500		
F) Treasury shares	(102)		
Total	**274,901**		**215,526**
Profit for the year	25,199		
Total equity	**300,100**		
Undistributable portion			1,930
Distributable portion			213,596

Key:
A: for share capital increase
B: to cover losses
C: for distribution to shareholders

13.5 Equity instruments: breakdown and changes

	Issuer	Type of issue	Coupon	Maturity date	Nominal amount	IFRS amount
Tier 1 Capital	Banca Sistema S.p.A.	Tier 1 subordinated loans with mixed rate: ISIN IT0004881444	From 18 June 2023, 6m Euribor +5% variable rate	Perpetual	8,000	8,018
Tier 1 Capital	Banca Sistema S.p.A.	Subordinated ordinary loans (Tier 1): ISIN IT0005450876	Fixed rate at 9% until 25 June 2031	Perpetual	37,500	37,560
Total					**45,500**	**45,578**

Therefore, the characteristics of bonds issued, which given their predominant characteristics are classified under equity instruments in item 140 of equity, 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.

Section 14 - Equity attributable to non-controlling interests - Item 190

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

	31.12.2024	31.12.2023
Equity investments in consolidated companies with significant non-controlling interests		
1. Kruso Kapital S.p.A.	15,206	10,901
2. ProntoPegno Greece	(480)	(254)
3. Art-Rite S.r.l.	(218)	(45)
4. Quinto Sistema 2019 S.r.l.	12	12
5. Quinto Sistema 2017 S.r.l.	9	9
6. BS IVA S.r.l.	10	10
7. Pignus Credito Economico Popular S.A.	38	-
Total	**14,577**	**10,633**

Other information

1. Commitments and financial guarantees issued (other than those designated at fair value)

	Nominal amount of commitments and financial guarantees issued					
	First stage	Second stage	Third stage	Purchased or originated credit-impaired	31.12.2024	31.12.2023
Commitments to disburse funds	**766,824**		**34,311**		**801,135**	**951,526**
a) Central Banks						
b) General governments	174,339		14,922		189,262	516,295
c) Banks						
d) Other financial corporati	377,021				377,021	254,651
e) Non-financial corporatio	214,660		11,503		226,163	179,827
f) Households	804		7,886		8,689	753
Financial guarantees issued	**15,840**		**12,529**		**28,369**	**30,149**
a) Central Banks						
b) General governments	60				60	60
c) Banks	2,446				2,446	2,446
d) Other financial corporati	171				171	9,162
e) Non-financial corporatio	13,133		12,529		25,662	18,439
f) Households	30				30	42

3. Assets pledged as collateral for liabilities and commitments

	Amount	
	31.12.2024	**31.12.2023**
1. Financial assets measured at fair value through profit or loss		
2. Financial assets measured at fair value through other comprehensive income	774,861	
3. Financial assets measured at amortised cost	261,114	203,032
4. Property and equipment		
of which: Property and equipment included among inventories		

5. Management and trading on behalf of third parties

Type of services	**Amount**
1. Execution of orders on behalf of customers	
a) purchases	
1. settled	
2. unsettled	
b) sales	
1. settled	
2. unsettled	
2. Individual asset management	
3. Securities custody and administration	**1,865,572**
a) third-party securities held as part of depositary bank services (excluding asset managen	
1. securities issued by the reporting entity	
2. other securities	
b) third-party securities on deposit (excluding asset management): other	105,648
1. securities issued by the reporting entity	3,714
2. other securities	101,934
c) third-party securities deposited with third parties	105,648
d) securities owned by the bank deposited with third parties	1,759,924
4. Other transactions	**35,979**

PART C - INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest - Items 10 and 20

1.1 Interest and similar income: breakdown

Items/Technical forms	Debt instruments	Financing	Other transactions	2024	2023
1. Financial assets measured at fair value through profit or loss:	118			118	123
1.1 Financial assets held for trading	118			118	123
1.2 Financial assets designated at fair value through profit or loss					
1.3 Other financial assets mandatorily measured at fair value through profit or loss					
2. Financial assets measured at fair value through other comprehensive income	22,254		X	22,254	1,670
3. Financial assets measured at amortised cost:	6,363	164,178		170,542	172,647
3.1 Loans and receivables with banks		7,934	X	7,934	4,077
3.2 Loans and receivables with customers	6,363	156,244	X	162,608	168,570
4. Hedging derivatives	X	X	620	620	188
5. Other assets	X	X	2,721	2,721	3,806
6. Financial liabilities	X	X	X		
Total	**28,735**	**164,178**	**3,341**	**196,255**	**178,434**
of which: interest income on impaired assets					
of which: interest income on finance leases	X		X		

The total contribution of the Factoring Division to interest income was € 127 million, equal to 79% of the entire interest income of the loans and receivables portfolio, to which the commission component associated with the factoring business the revenue generated by the assignment of some receivables from the factoring portfolio and the income component from superbonus receivables purchased for trading purposes need to be added.

Subsequent to their recognition, factoring receivables are measured at amortised cost, based on the present value of the estimated cash flows of the principal, or for all receivables whose recovery strategy involves legal action, based on the present value of the cash flows, in addition to the principal, of the default interest component that will accrue up to the expected date of collection on amounts considered recoverable. For prudential purposes, recovery rate percentages used for local authorities and public sector entities (with statistical data dating back to 2008) and for Local Health Authorities (ASLs) (with statistical data dating back to 2005) are calculated using a fifth-percentile confidence interval. The estimated recovery percentages and expected collection dates are updated based on annual analyses in light of the progressive consolidation of the historical data series, which provide increasingly solid and robust estimates. In the third quarter of the current financial year, the expected rates of recovery of default interest on factoring, based on the statistical evidence that benefits from the progressive consolidation of the historical data series, were increased, as have the related collection times used. The combined update of these estimates led to an increase in interest income of € 5.5 million (positive and equal to € 1.2 million at 31 December 2023). This effect is a consequence of the fact that the historical series over the last few years have settled nearer to the average collection percentages and have stabilised in terms of the number of positions. As a result, the expected recovery percentage calculated by the statistical model is now quite stable and does not fluctuate significantly.

1.3 Interest and similar expense: breakdown

Items/Technical forms	Liabilities	Securities	Other transactions	2024	2023
1. Financial liabilities measured at amortised cost	139,324	6,851		146,175	111,480
1.1 Due to Central banks	13,597	X		13,597	18,129
1.2 Due to banks	1,869	X		1,869	7,229
1.3 Due to customers	123,858	X		123,858	78,884
1.4 Securities issued	X	6,851		6,851	7,239
2. Financial liabilities held for trading					
3. Financial liabilities designated at fair value through profit or loss					
4. Other liabilities and provisions	X	X			
5. Hedging derivatives	X	X			
6. Financial assets	X	X	X		
Total	**139,324**	**6,851**		**146,175**	**111,480**
of which: interest expense related to lease liabilities		X	X		

1.5 Hedging Spreads

	2024	2023
A. Positive differentials related to hedging operations	620	188
B. Negative differentials related to hedging operations		
C. Balance (A-B)	**620**	**188**

Section 2 - Net fee and commission income - Items 40 and 50

2.1 Fee and commission income: breakdown

	2024	2023
a) Financial instruments	136	144
1. Placement of securities	61	85
1.1 Underwritten and/or on a firm commitment basis	61	85
1.2 Without a firm commitment basis		
2. Order collection and transmission, and execution of orders on behalf of customers	62	46
2.1 Order collection and transmission for one or more financial instruments	62	46
2.2 Execution of orders on behalf of customers		
3. Other fees associated with activities related to financial instruments	13	13
of which: dealing on own account		
of which: individual asset management	13	13
b) Corporate Finance		
c) Investment advisory activities		
d) Clearing and settlement		
e) Custody and administration		
f) Central administrative services for collective asset management		
g) Fiduciary activities		
h) Payment services	71	109
1. Current accounts	2	35
2. Credit cards		
3. Debit and other payment cards	30	27
4. Bank transfers and other payment orders		
5. Other fees related to payment services	39	47
i) Distribution of third party services	1,122	1,439
2. Insurance products	2	11
3. Altri prodotti	1,120	1,428
k) Servicing of securitisations	397	
l) Commitments to disburse funds		
m) Financial guarantees issued	288	127
n) Financing transactions	32,709	23,871
o) Foreign currency transactions		
p) Commodities		
q) Other fee and commission income	11,837	10,851
Total	**46,560**	**36,541**

Item q) Other fee and commission income is detailed in the following table and consists of fees and commissions arising from collateral-backed loans, origination fees on salary- and pension-backed loan (CQ) products, as well as fees and commissions from servicing of third-party factoring transactions.

2.2 Fee and commission income: distribution channels of products and services

Channels/Amounts	2024	2023
a) at its branches:	**76**	**109**
1. asset management	13	13
2. placement of securities	61	85
3. third-party services and products	2	11
b) off-premises:		
1. asset management		
2. placement of securities		
3. third-party services and products		
c) other distribution channels:	**1,120**	
1. asset management		
2. placement of securities		
3. third-party services and products	1,120	

2.3 Fee and commission expense: breakdown

Services/Amounts	**2024**	**2023**
a) Financial instruments	106	71
of which: trading in financial instruments	106	71
of which: placement of financial instruments		
of which: individual asset management		
- Proprietary		
- Delegated to third parties		
b) Clearing and settlement	60	49
c) Custody and administration		
d) Collection and payment services	361	369
of which: credit cards, debit cards and other payment cards		
e) Servicing of securitisations		
f) Commitments to receive funds		
g) Financial guarantees received	1,873	1,566
of which: credit derivatives		
h) Off-premises distribution of securities, products and services	17,415	14,812
i) Foreign currency transactions		
j) Other fee and commission expense	24	26
Total	**19,839**	**16,893**

Section 3 – Dividends and similar income – item 70

3.1 Dividends and similar income: breakdown

Items/Income	**2024**		**2023**	
	Dividends	**Similar income**	**Dividends**	**Similar income**
A. Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value through profit or loss				
C. Financial assets measured at fair value through other comprehensive income	227		227	
D. Equity investments				
Total	**227**		**227**	

Section 4 – Net trading income (expense) – Item 80

4.1 Net trading income (expense): breakdown

	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Net trading income (expense) [(A+B) - (C+D)]
1. Financial assets held for trading	**33,733**	**1,343**		**(879)**	**34,197**
1.1 Debt instruments		1,343			1,343
1.2 Equity instruments					
1.3 OEIC units					
1.4 Financing					
1.5 Other	33,733			(879)	32,854
2. Financial liabilities held for trading					
2.1 Debt instruments					
2.2 Payables					
2.3 Other					
3. Other financial assets and liabilities: exchange rate gains (losses)	X	X	X	X	27
4. Derivatives					
4.1 Financial derivatives:					
- On debt instruments and interest rates					
- On equity instruments and equity indexes					
- On currencies and gold	X	X	X	X	
- Other					
4.2 Credit derivatives					
of which: natural hedges connected to the fair value option	X	X	X	X	
Total	**33,733**	**1,343**		**(879)**	**34,224**

Section 5 – Net hedging income (expense) – Item 90

5.1 Net hedging income (expense): breakdown

		31.12.2024	31.12.2023
A.	**Gains on:**		
A.1	Fair value hedging instruments		
A.2	Hedged financial assets (fair value)		
A.3	Hedged financial liabilities (fair value)		
A.4	Cash-flow hedging derivatives		
A.5	Assets and liabilities denominated in currency		
Total gains on hedging activities (A)		**-**	**-**
B.	**Losses on:**		
B.1	Fair value hedging instruments	5	5
B.2	Hedged financial assets (fair value)		
B.3	Hedged financial liabilities (fair value)		
B.4	Cash-flow hedging derivatives		
B.5	Assets and liabilities denominated in currency		
Total losses on hedging activities (A)		**5**	**5**
C.	**Net hedging result (A-B)**	**5**	**5**
	of which: net gains (losses) of hedge accounting on net positions		

Section 6 - Gain from sales or repurchases - Item 100

6.1 Gain from sales or repurchases: breakdown

	2024			2023		
	Gain	**Loss**	**Net gain**	**Gain**	**Loss**	**Net gain**
A. Financial assets						
1. Financial assets measured at amortised cost:	6,374		6,374	12,608		12,608
1.1 Loans and receivables with banks						
1.2 Loans and receivables with customers	6,374		6,374	12,608		12,608
2. Financial assets measured at fair value through other comprehensive income	11,389	(7,780)	3,609	1,317		1,317
2.1 Debt instruments	11,389	(7,780)	3,609	1,317		1,317
2.4 Financing						
Total assets (A)	**17,763**	**(7,780)**	**9,983**	**13,925**		**13,925**
B. Financial liabilities measured at amortised cost						
1. Due to banks						
2. Due to customers						
3. Securities issued						
Total liabilities						

Section 8 - Net impairment losses/gains due to credit risk - Item 130

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

	Impairment losses (1)						Impairment gains (2)				2024	2023
	First stage	Second stage	Third stage		Purchased or originated credit-impaired		First stage	Second stage	Third stage	Purchased or originated credit-impaired		
			Write-offs	Other	Write-offs	Other						
A. Loans and receivables with banks							**19**				**(19)**	**23**
- financing							19				(19)	23
- debt instruments											-	
B. Loans and receivables with customers:	**861**			**10,424**			**823**			**9,532**	**930**	**4,728**
- financing	832			10,424			823			9,532	901	4,728
- debt instruments	29										29	
C. Total	**861**			**10,424**			**842**			**9,532**	**911**	**4,751**

8.1a Net impairment losses due to credit risk related to loans measured at amortised cost subject to Covid-19 support measures: breakdown

	Net impairment losses						2024	2023
	First stage	Second stage	Third stage		Purchased or originated			
			write-offs	Other	write-offs	Other		
1. Forborne loans in compliance with the EBA Guidelines								
2. Loans subject to existing moratoria no longer in compliance with the EBA Guidelines and not considered forborne								
3. Loans subject to other forbearance measures								
4. New loans	(73)	(1)		89			15	346
Total	**(73)**	**(1)**		**89**			**15**	**346**

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

	Impairment losses (1)						Impairment gains (2)				2024	2023
	First stage	Second stage	Third stage		Purchased or originated credit-impaired		First stage	Second stage	Third stage	Purchased or originated credit-impaired		
			Write-offs	Other	Write-offs	Other						
A. Debt instruments	**221**										**221**	**(177)**
B. Financing												
- To customers											-	
- To banks											-	
Total	**221**										**221**	**(177)**

Section 9 – Gains/losses from contract amendments without derecognition – Item 140

9.1 Gains (losses) from contract amendments: breakdown

Voci/Valori	2024	2023
9.1 Gains (losses) from contract amendments: breakdown	(102)	(1)

Section 12 – Administrative expenses – Item 190

12.1 Personnel expense: breakdown

	2024	2023
1) Employees	30,278	27,854
a) wages and salaries	17,972	16,987
b) social security charges	5,011	4,718
c) post-employment benefits		
d) pension costs		
e) accrual for post-employment benefits	1,458	1,199
f) accrual for pension and similar provisions:	-	-
- defined contribution plans		
- defined benefit plans		
g) payments to external supplementary pension funds:	362	346
- defined contribution plans	362	346
- defined benefit plans		
h) costs of share-based payment plans		
i) other employee benefits	5,475	4,604
2) Other personnel	452	438
3) Directors and statutory auditors	1,722	1,570
4) Retired personnel		
5) Recovery of costs for employees of the Bank seconded to other entities	(259)	(46)
6) Reimbursement of costs for employees of other entities seconded to the Bank	259	46
Total	**32,452**	**29,862**

12.2 Average number of employees by category

Employees

a) Senior managers	29
b) Middle managers (Q4 – Q3)	68
c) Remaining employees	243

12.5 Other administrative expenses: breakdown

Other administrative expenses	**2024**	**2023**
Consultancy	8,610	7,987
IT expenses	7,810	7,275
Servicing and collection activities	1,922	1,972
Indirect taxes and duties	3,887	3,252
Insurance	2,471	1,256
Other	1,277	1,049
Expenses related to management of the SPVs	568	590
Outsourcing and consultancy expenses	959	726
Car hire and related fees	876	765
Advertising and communications	1,939	2,785
Expenses related to property management and logistics	2,975	2,641
Personnel-related expenses	76	93
Entertainment and expense reimbursement	934	733
Infoprovider expenses	974	871
Membership fees	361	343
Audit fees	455	382
Telephone and postage expenses	459	527
Stationery and printing	125	96
Total operating expenses	**36,678**	**33,343**
Resolution Fund	-	1,568
Extraordinary non recurring expenses	-	-
Total	**36,678**	**34,911**

Section 13 – Net accruals to provisions for risks and charges – Item 200

13.2 Net accruals for other commitments and other guarantees issued: breakdown

	2024	2023
Net accruals for commitments and guarantees	31	(35)
Total	**31**	**(35)**

13.3 Net accruals to other provisions for risks and charges: breakdown

	2024	2023
Provisions for risks and charges - other provisions and risks	(3,456)	(3,136)
Release of provisions for risks and charges		
Total	**(3,456)**	**(3,136)**

Section 14 – Net impairment losses on property and equipment – Item 210

14.1 Net impairment losses on property and equipment: breakdown

	Depreciation (a)	Impairment losses (b)	Impairment gains (c)	Carrying amount (a + b - c)
A. Property and equipment				
1. Operating assets	(2,644)			(2,644)
- owned	(1,235)			(1,235)
- right-of-use assets acquired under	(1,409)			(1,409)
2. Investment property				
- owned				-
- right-of-use assets acquired under				-
3. Inventories				
Total	**(2,644)**			**(2,644)**

Section 15 – Net impairment losses on intangible assets – Item 220

15.1 Net impairment losses on intangible assets: breakdown

	Depreciation (a)	Impairment losses (b)	Impairment gains (c)	Net gain Carrying amount (a + b - c)
A. Intangible assets				
of which: software				
A.1 Owned	(657)			(657)
- Developed internally				
- Other	(657)			
A.2 Right-of-use assets acquired unc				
Total	**(657)**			**(657)**

Section 16 – Other operating income (expense) – Item 230

16.1 Other operating expense: breakdown

	2024	2023
Amortisation of leasehold improvements	(665)	(646)
Other operating expense	(5,938)	(4,665)
Total	**(6,603)**	**(5,311)**

16.2 Other operating income: breakdown

	2024	2023
Recoveries of expenses on current accounts and deposits for sundry taxes	925	969
Recoveries of sundry expenses	463	59
Other income	2,981	2,256
Total	**4,369**	**3,284**

Section 17 – Gains (losses) on equity investments – Item 250

17.1 Gains (losses) on equity investments: breakdown

	2024	2023
A. Income		**25**
1. Revaluations		
2. Gains on sale		
3. Impairment gains		
4. Other income		25
B. Expense	**(11)**	
1. Write-offs		
2. Impairment losses		
3. Losses on sale		
4. Other expense	(11)	
Net gain	**(11)**	**25**

Section 21 – Income taxes – Item 300

21.1 Income taxes: breakdown

	2024	2023
1. Current taxes (-)	(9,494)	(894)
2. Changes in current taxes of previous years (+/-)	(4)	
3. Decrease in current taxes for the year (+)		
3bis. Decrease in current taxes for the year due to tax assets pursuant to Law no. 214/2011 (+)		
4. Changes in deferred tax assets (+/-)	(2,595)	(35)
5. Changes in deferred tax liabilities (+/-)	(3,281)	(7,573)
6. Tax expense for the year (-) (-1+/-2+3+/-4+/-5)	(15,374)	(8,502)

21.2 Reconciliation between theoretical and effective tax expense

IRES (CORPORATE INCOME TAX)	Taxable income	IRES (CORPORATE INCOME TAX)	%
Theoretical IRES expense	**43,327**	**(11,915)**	**27.50%**
Permanent increases	1,667	(458)	1.06%
Temporary increases	9,745	(2,681)	6.19%
Permanent decreases	(14,071)	3,868	-8.93%
Temporary decreases	(17,211)	4,732	-10.92%
Other tax effects from foreign companies	(38)	10	-0.02%
Effective IRES expense	**23,419**	**(6,444)**	**14.87%**
IRAP (REGIONAL BUSINESS TAX)	**Taxable income**	**IRAP (CORPORATE INCOME TAX)**	**%**
Theoretical IRAP expense	**43,327**	**(2,413)**	**5.57%**
Permanent increases	80,858	(4,504)	10.40%
Temporary increases	6,447	(359)	0.83%
Permanent decreases	(71,715)	3,995	-9.22%
Temporary decreases	(3,934)	219	-0.51%
Other tax effects from foreign companies	(165)	9	-0.02%
Effective IRAP expense	**54,818**	**(3,053)**	**7.05%**
Total effective IRES and IRAP expense	**78,237**	**(9,497)**	**27.73%**
Deferred tax liabilities		(2,596)	5.99%
Deferred tax assets		(3,281)	7.57%
Totale effective Tax expense		**(15,374)**	**35.48%**

Section 23 - Profit (loss) attributable to non-controlling interests - Item 340

	2024	2023
Equity investments in consolidated companies with significant non-controlling interests	**1,323**	**722**
1.Kruso Kapital S.p.A.	1,685	896
2. ProntoPegno Greece	(226)	(163)
3.Art-Rite Srl	(173)	(11)
4. Pignus Credito Economico Popular S.A.	38	
Other investments	-	-
Total	**1,323**	**722**

Section 24 - Other Information

Nothing to report.

Section 25 – Earnings per share

Earnings per share (EPS)	**2024**	**2023**
Profit for the year (thousands of Euro)	25,199	16,506
Average number of outstanding shares	80,333,104	80,216,544
Basic earnings per share (basic EPS) (in Euro)	0.314	0.206
Diluted earnings per share (diluted EPS) (in Euro)	0.314	0.206

EPS is calculated by dividing the profit attributable to holders of ordinary shares of Banca Sistema (numerator) by the weighted average number of ordinary shares (denominator) outstanding during the year.

PART D – OTHER COMPREHENSIVE INCOME

BREAKDOWN OF COMPREHENSIVE INCOME

	Voci	31.12.2024	31.12.2023
10.	**Profit (loss) for the year**	**25,199**	**16,506**
	Items, net of tax, that will not be reclassified subsequently to profit or loss		
20.	Equity instruments designated at fair value through other comprehensive income:		
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating):		
40.	Hedging of equity instruments designated at fair value through other comprehensive income:		
50.	Property and equipment	6,483	
60.	Intangible assets		
70.	Defined benefit plans	(234)	(185)
80.	Non-current assets held for sale		
90.	Share of valuation reserves of equity-accounted investments		
100.	Income taxes on items that will not be reclassified subsequently to profit or loss		
	Items, net of tax, that will be reclassified subsequently to profit or loss		
110.	Hedges of foreign investments:		
120.	Exchange rate gains (losses):		
130.	Cash flow hedges:		
140.	Hedging instruments (non-designated elements):		
150.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income:	10,216	12,723
	a) fair value gains (losses)	4,884	12,900
	b) reclassification to profit or loss		
	- impairment losses due to credit risk	220	(177)
	- gains/losses on sales	5,112	
	c) other changes		
160.	Non-current assets held for sale and disposal groups:		
170.	Share of valuation reserves of equity-accounted investments:		
180.	Income taxes on items that will be reclassified subsequently to profit or loss		
190.	**Total other comprehensive income (expense)**	**16,465**	**12,538**
200.	**Comprehensive income (expense) (10+130)**	**41,664**	**29,044**
210.	**Comprehensive income attributable to non-controlling interests**		
220.	**Comprehensive income attributable to the owners of the parent**	**41,664**	**29,044**

PART E - INFORMATION CONCERNING RISKS AND RELATED HEDGING POLICIES

SECTION 1 – CONSOLIDATION RISKS

Quantitative disclosure

A. Credit quality

A.1 Impaired and unimpaired loans: carrying amounts, impairment losses, performance and business breakdown

A.1.1 Breakdown of financial assets by portfolio and by credit quality (carrying amounts)

	Bad exposures	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	141,459	33,363	100,498	305,055	2,292,675	2,873,050
2. Financial assets measured at fair value through other comprehensive income					1,142,008	1,142,008
3. Financial assets designated at fair value through profit or loss						
4. Other financial assets mandatorily measured at fair value through profit or loss						
5. Financial assets held for sale						
Total 31.12.2024	**141,459**	**33,363**	**100,498**	**305,055**	**3,434,683**	**4,015,058**
Total 31.12.2023	**124,647**	**44,091**	**63,017**	**359,465**	**3,375,789**	**3,967,009**

A.1.2 Breakdown of financial assets by portfolio and by credit quality (gross amount and carrying amount)

	Non-performing				Performing			Total (carrying amount)
	Gross amount	Total impairment losses	Net exposure	overall partial write-offs (*)	Gross amount	Total impairment losses	Net exposure	
1. Financial assets measured at amortised cost	332,805	57,486	275,319		2,605,445	7,715	2,597,730	2,873,049
2. Financial assets measured at fair value through other comprehensive income					1,142,374	366	1,142,008	1,142,008
3. Financial assets designated at fair value through profit or loss								
4. Other financial assets mandatorily measured at fair value through profit or loss								
5. Financial assets held for sale								
Total 31.12.2024	**332,805**	**57,486**	**275,319**		**3,747,819**	**8,081**	**3,739,738**	**4,015,057**
Total 31.12.2023	**297,116**	**65,360**	**231,756**		**3,741,323**	**33,530**	**3,735,253**	**3,967,009**

B. Disclosure of structured entities (other than securitisation companies)

B.1 Consolidated structured entities

No such items existed at the reporting date.

B.2. Unconsolidated structured entities

No such items existed at the reporting date.

B.2.1. Prudentially consolidated structured entities

No such items existed at the reporting date.

B.2.2. Other structured entities

No such items existed at the reporting date.

SECTION 2 – PRUDENTIAL CONSOLIDATION RISKS

1.1 Credit risk

Qualitative disclosure

1. General aspects

In order to manage the significant risks to which it is or could be exposed, the Banca Sistema Group has set up a risk management system that reflects the characteristics, size and complexity of its operations.

In particular, this system hinges on four core principles:

- suitable supervision by relevant bank bodies and departments;
- satisfactory risk management policies and procedures;
- suitable methods and instruments to identify, monitor and manage risks, with suitable measuring techniques; thorough internal controls and independent reviews.

In order to reinforce its ability to manage corporate risks, the Bank established the Risk, AML and Sustainability Committee - a committee independent of the Board of Directors, which supports the CEO in defining strategies, risk policies and profitability targets.

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

With reference to the new regulation in matters of the operation of the internal control system, in accordance with the principle of collaboration between the control functions, the Internal Control, Risk Management and Sustainability Committee (a Board committee) was assigned the role of coordinating all the control functions.

The Risk and Sustainability Department of the Parent is responsible for the guidance, coordination and management of the Group’s risks.

The methods used to measure, assess and aggregate risks are approved by the Board of Directors, based on proposals from the Risk and Sustainability Department, subject to approval by the Risk, AML and Sustainability Committee. In order to measure "Pillar 1 risks", the Group has adopted standard methods to calculate the capital requirements for Prudential Regulatory purposes.

In order to evaluate non-measurable “Pillar 2 risks”, the Group adopts - where possible - the methods stipulated under Supervisory regulations or those established by trade associations. If there are no such indications, standard market practices by operators working at a level of complexity and with operations comparable to those of the Bank are assessed.

With reference to the provisions in matters of regulatory supervision (15th update of circular no. 263 - New prudential supervisory provisions for banks), a series of obligations on risk management and control, including the Risk Appetite Framework (RAF) and the regulatory instructions defined by the Basel Committee were introduced. The Bank has tied the strategic objectives to the RAF. The key ratios and the respective levels were assessed and any revisions needed were made while defining the bank's annual objectives.

In particular, the RAF was designed with key objectives to verify that over time, the business grows and develops observing capital strength and liquidity obligations, implementing monitoring and alert mechanisms and related series of actions that allow prompt intervention in case of significant discrepancies.

The structure of the RAF is based on specific indicators called Key Risk Indicators (KRI) which measure the Group's solvency in the following areas:

- Share capital;
- Liquidity;
- Quality of the loans and receivables portfolio;
- Profitability;
- Other specific risks the Group is exposed to.

Target levels, which are adjusted according to the expected development of the business in the Plan and/or the Budget reviews, the level I thresholds, defined as “warning” thresholds, that trigger discussion at Risk, AML and Sustainability Committee level and subsequent communication to the Board of Directors and the level II thresholds, that require direct discussion in the Board of Directors’ meeting to determine the actions to be taken are associated with the various key indicators.

The level I and II thresholds are defined with scenarios of potential stress with respect to the plan's objectives and on dimensions having a clear impact for the Group.

Starting from 1 January 2014, the Group used an integrated reference framework both to identify its own risk appetite and for the internal process entailing the determination of the capital adequacy (Internal Capital Adequacy Assessment Process - ICAAP). Starting in 2017, it also implemented the Internal Liquidity Adequacy Assessment Process (ILAAP).

As concerns this matter, the Bank fulfils the public disclosure requirements with the issuing of Circular no. 285 of 17 December 2013 “Prudential supervisory provisions for banks” in which the Bank of Italy transposed Directive 2013/36/EU (CRD IV) of 26 June 2013. This regulation, together with that contained in Regulation (EU) no. 575/2013 (“CRR”) incorporates the standards defined by the Basel Committee on Banking Supervision (“Basel III”).

However, starting from 30 June 2021, the provisions of Regulation 2019/876 (CRR II) of 20 May 2019 entered into force. This Regulation amended Regulation (EU) No.

575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, and reporting and disclosure requirements.

Public disclosure by institutions (Pillar 3) is therefore directly governed by:

- CRR II (Regulation 2019/876) Part Eight "Disclosure by Institutions", as amended;
- Regulation (EU) 2021/637 of 15 March 2021, as amended.

The prudential supervisory provisions provide for the banks the possibility to determine the weighting coefficients for the calculation of the capital requirement with respect to credit exposure within the standardised approach based on the creditworthiness ratings issued by External Credit Assessment Institutions (ECAI) of the Bank of Italy.

As at 31 December 2024, the Group uses the appraisal issued by the ECAI "DBRS", for the exposures to Central Authorities, Territorial Entities and Public Sector Institutions, whereas, as concerns the valuations related to the regulatory business and other parties segment, it uses the agencies "Fitch Ratings" and Standard & Poor's.

The identification of a reference ECAI does not represent in any way, in subject matter or in purposes, an assessment on the merit of the opinions made by the ECAI or a support of the methodologies used, for which the External Credit Assessment Institutions remain solely responsible.

The assessments issued by the rating agencies do not exhaust the creditworthiness assessment process that the Group performs with regard to its customers; rather they represent a further contribution to define the information framework regarding the credit quality of the customer.

The satisfactory appraisal of the borrower's creditworthiness, with regards to capital and income, and of the correct remuneration of the risk, are made based on documentation acquired by the Group; the information acquired from the Bank of Italy Central Credit Register and from other infoproviders, both when decisions are made and during the subsequent monitoring, complete the informational framework.

For Banca Sistema, credit risk is one of the Group's main components of overall exposure; the loans and receivables portfolio predominantly consists of National Institutions of the Public Administration, such as local health authorities/Hospitals, Territorial entities (Regions, Provinces and Municipalities) and Ministries that, by definition, entail a very limited default risk.

The main components of Banca Sistema Group's operations that generate credit risk are:

- Factoring activities (with and without recourse);

- Medium-term corporate loans (with guarantee from SACE or the National Guarantee Fund - FNG)
- EIF Loans
- Acquisition without recourse of salary-/pension-backed/directly originated loans;
- Collateralised Lending (mainly secured by gold).

2. Credit Risk Management Policies

2.1 Organisational aspects

The Group's organisational model provides that the preliminary credit assessment procedure be performed carefully in accordance with the decision-making powers reserved to the decision-making bodies.

In order to maintain the high credit quality of its loans and receivables portfolio, the Bank, following the divisionalisation process, has set up separate Credit Committees for the two Factoring and CQ Divisions, within which decisions may be taken up to predefined credit mandates, while a CEO Credit Committee has been set up for transactions that exceed the powers of the individual Divisions up to the limits delegated by the Board of Directors to the Chief Executive Officer. At the same time, the Credit Coordination Committee was introduced, which makes it possible to ensure consistency in the granting of credit and close monitoring of individual positions. Level II activities relating to risk control are centralised in the Parent's Risk and Sustainability Department which also coordinates with the Compliance, Anti-Money Laundering and Risk Department of the Kruso Kapital subsidiary for risk-related activities.

In light of the above, the analyses conducted for the granting of credit are carried out by the Bank's Underwriting Departments, which report to their respective Divisions. For the Factoring Division, the Department performs assessments focused on the separate analysis and extension of credit to counterparties (assignor and debtor) and on managing the related financial transactions. This takes place in all normal phases of the credit process, summarised as follows:

- "analysis and assessment": the gathering of quantitative and qualitative information from the counterparties under examination and within the system allows an opinion of the party's reliability to be obtained and is helpful in quantifying the proposed line of credit;
- "deliberation and formalisation": once the proposal has been deliberated upon, the contractual documentation to be signed by the counterparty is prepared by the Legal Department;
- "monitoring the relationship": the regular control of the counterparties benefiting from the credit allows any anomalies to be identified and consequentially prompt intervention.

Credit risk is mainly generated as a direct result of the definitive acquisition of credit from the customer company versus the insolvency of the assigned debtor. In particular, the credit risk generated by the factoring portfolio essentially consists of public entities.

With regard to each credit acquired, Banca Sistema, via the Collection and Disputes Department and as provided for in the "collection policy", undertakes the activities described further on in order to verify the credit status, and whether or not there are any impediments to the payment of the invoices to be assigned, and the date scheduled for the payment thereof.

Specifically, the structures of the relevant Department undertake:

- to verify that each credit is certain, liquid and collectable, i.e. there are no disputes or complaints and that there is no further request for clarification or information with regard to said credit and should there be any, that said requests are promptly satisfied;
- to verify that the debtor has received and recognised in its system the related deed of assignment or mandate, i.e. it is aware that the credit has been assigned to Banca Sistema or that the collection and management mandate has been issued;
- to verify that the debtor, where provided for by the assignment agreement and by the purchase offer, has formalised its acceptance of the assignment of the related credit or has not rejected it in accordance with law;
- to verify that the debtor has received all the documentation required to proceed with the payment (copy of invoice, orders, bills, transportation documents, etc.) and that it has recognised the corresponding debt in its system (existence of the credit);
- to verify c/o the local and/or regional institutions: the existence of specific allocations, available cash;
- to verify the payment status of the credits via meetings c/o the Public Administrations and/or debtor agencies, telephone contacts, emails, etc. in order to facilitate the ascertainment and the removal of any obstacles that could delay and/or impede payment;
- initiating out-of-court and legal recovery actions against assigned debtors and/or assignors.

With regard to the SME Loans product, beginning in February 2017, it was decided to exit this segment of the market as well as the run-off of prior exposures in the portfolio. On this basis, credit risk is associated with the inability of the two counterparties involved in the loan to honour their financial commitments, i.e.:

- the debtor (SME);
- the Guarantee Fund (the Government of Italy).

The type of loan follows the usual operating process concerning the preliminary assessment, the disbursement and the monitoring of the credit.

In particular, two separate due-diligence procedures are performed on this type of loan (one by the Bank and the other by Mediocredito Centrale, so-called MCC) on the borrower of funds.

The debtor's insolvency risk is mitigated by direct (i.e. that referring to an individual exposure), explicit, unconditional and irrevocable guarantee by the Guarantee Fund, the sole Manager of which is MCC.

However, since 2020, the Bank has resumed granting loans to SMEs with National Guarantee Fund or SACE guarantees exclusively to factoring customers.

As regards the CQ Division, this activity is carried out through the direct origination of loans mainly through agents/brokers or through the acquisition of salary-/pension-backed loan portfolios. The credit risk is associated with the inability of the three counterparties involved in the loan process to honour their financial commitments, i.e.:

- the employer (ATC) / debtor
- the assigning finance company or bank (only in the case of receivable purchases)
- the insurance company

The insolvency risk of the employer (ATC) / debtor is generated in the following cases:

- default of employer (e.g.: bankruptcy);
- the debtor losing his job (e.g.: resignation/ dismissal of the debtor) or reduction of remuneration (e.g.: redundancy fund);
- death of the debtor;
- over-indebtedness resolution procedure/debtor restructuring plan.

The risks described above are mitigated by the mandatory subscription of life and employment insurance policies. In detail:

- the policy for credit risk requires the insurance company to provide cover in the event of loss of employment (even when it is the result of a default by the Atc); it should be noted that prior to requesting compensation from the insurance company (when possible), the post-employment benefits (TFR) is required as collateral - the life risk policy requires the insurance company to provide cover in the event of death; the possibility of acting on the heirs for any outstanding instalments prior to the event of premature death remains if they are not covered by the insurance company.

The Bank is subject to the insolvency risk of the insurance company in the event that a claim is made upon a loan. In order to mitigate this risk, the Bank requires that the outstanding loans and receivables portfolio be insured by several insurance companies observing the following terms:

- any new insurance company proposed by the assignors must be approved by the Bank's CEO Credit Committee;
- an individual company with no rating or with rating lower than Investment Grade may insure a maximum of 30% of the cases;
- an individual company of Investment Grade may insure a maximum of 40% of the cases.

The employer insolvency risk is generated for portfolio purchases if a case is retroceded back to the employee, which must therefore, repay the credit to the Bank. The Framework Agreement signed with the employer provides for the possibility of returning the credit in the cases of fraud on the part of the employer/debtor or in any case, of non-observance, on the part of the employer, of the criteria underwritten in the Framework Agreement.

As concerns the financial instruments held on its own account, the Bank performs security purchase transactions regarding Italian government debt, which are allocated based on the investment strategy, to the HTC, HTCS and HTS portfolios. In addition, the Bank has a position in Securities Asset Management, almost all of which is invested in government bonds.

With reference to the aforementioned transactions the Bank identified and selected specific IT applications to manage and monitor the treasury limits on the securities portfolio and to set up the second level controls.

The Treasury Department, operating within the limits allowed by the Board of Directors, conducts said transactions.

2.2 Management, measurement and control systems

The Group sets effective Credit Risk Management as a strategic objective via instruments and processes integrated to ensure a correct credit management in all phases (processing, disbursement, monitoring and management, intervening on loans with credit quality problems).

By involving the various central structures of Banca Sistema and through the specialisation of the resources and the segregation of duties at each decision-making level, it seeks to guarantee a high degree of efficiency and standardisation in overseeing credit risk and monitoring the individual positions.

With specific reference to the monitoring of credit activities, the Bank, via the collection meetings, assesses and inspects the loans and receivables portfolio based upon the guidelines defined within the “collection policy”. The framework related to the above credit risk ex-post monitoring sets the objective of promptly identifying any anomalies and/or discontinuities and evaluating the persistence of risk profiles, in line with the strategic indications provided.

Regarding the credit risk of the bond portfolio, in 2024 the purchase of Italian government bonds classified as financial assets HTCS continued along with the purchase of government bonds classified as assets to be held to maturity (HTC). Said financial assets, which in virtue of their classification fall within the perimeter of the "banking book" although outside of the bank's traditional investment activity, are sources of credit risk. This risk consists in the issuer's inability to redeem, upon maturity, all or part of the bonds subscribed.

Furthermore, the formation of a portfolio of highly liquid assets is also expedient for anticipating the trend of the prudential regulations in relation to the governance and management of liquidity risk.

As concerns counterparty risk, Banca Sistema's operations call for reverse repurchase and repurchase agreements being that Italian government securities are the predominant underlying instrument and the Compensation and Guarantee Fund is the counterparty.

At 31 December 2024, there were no repurchase agreements in place with the Compensation and Guarantee Fund.

In 2024, the Banca Sistema Group purchased tax credits from Superbonus mainly for trading purposes, which also generated counterparty risk. It should be noted that a residual portion of the risk is also generated by Nectar's senior notes.

2.3 Methods for measuring expected losses

The general approach defined by IFRS 9 for estimating impairment is based on a process aimed at giving evidence of the deterioration of a financial instrument's credit quality from the date of initial recognition to the reporting date. The regulatory guidance on assigning loans and receivables to the various stages under the Standard ("staging" or "stage allocation") calls for the identification of significant changes in credit risk based on the changes in a counterparty's creditworthiness since initial recognition, the expected life of the financial asset and other forward-looking information that may affect credit risk.

Consistently with the provisions of IFRS 9, performing loans are therefore divided into two categories:

- Stage 1: this bucket contains assets that do not show signs of significant deterioration in credit quality. For this stage the expected one-year credit loss is calculated on a collective basis;
- Stage 2: this bucket contains assets that show signs of significant deterioration in credit quality from the date of initial recognition to the reporting date. The expected loss for this bucket must be calculated on a lifetime basis, i.e. over the entire duration of the instrument, on a collective basis.

2.4 Credit Risk mitigation techniques

It should be noted that, at the reporting date, the Bank did not implement any hedging of the loans and receivables portfolio.

As concerns credit and counterparty risk on the securities portfolio and on the repurchase agreements, risk mitigation is pursued by a careful management of the operational autonomy, establishing limits in terms of both responsibility and consistency and composition of the portfolio by type of securities.

3. Non-performing exposures

The Banca Sistema Group defined its credit quality policy based on the provisions in the Bank of Italy Circular no. 272 (Accounts matrix), the main definitions of which are provided on the following pages.

The Supervisory Provisions for Banks assign to intermediaries specific obligations concerning the monitoring and classification of loans: “The obligations of the operating units in the monitoring phase of the loan granted must be deducible from the internal regulation. In particular, the terms and methods of action must be set in the event of anomalies. The criteria for measurement, management and classification of irregular loans, as well as the related responsible units, must be set through a resolution by the Board of Directors in which the methods for connecting these criteria with those required for the supervisory reports are indicated. The Board of Directors must be regularly informed on the performance of the irregular loans and the related recovery procedures”.

According to the definitions in the above-mentioned Bank of Italy Circular, “non-performing” financial assets are defined as those that lie within the “bad exposures”, “unlikely to pay” or “past due and/or overdrawn exposures” categories.

Exposures whose anomalous situation is attributable to factors related to “country risk” are not included in “non-performing” financial assets.

In particular, the following definitions apply:

Bad exposures

On- and off-statement of financial position exposures (loans, securities, derivatives, etc.) owed by a party in state of insolvency (even if not judicially ascertained) or in broadly similar situations, regardless of any loss forecast formulated by the Group (cf. art. 5 bankruptcy law). The definition therefore applies regardless of the existence of any collateral or personal guarantee provided as protection against the exposures.

This class also includes:

a) the exposure to local institutions (municipalities and provinces) in state of financial difficulty for the portion subject to the applicable liquidation procedure;

b) receivables acquired from third parties in which the main debtors are non-performing, regardless of the portfolio’s accounting allocation.

(c) exposures to entities that qualify for classification as bad exposures and have one or more credit lines that meet the definition of non-performing exposures with forbearance measures.

Unlikely to pay

The classification in this category is first and foremost based on the Bank's judgement regarding the unlikelihood that, without having to resort to actions such as enforcing the guarantees, the debtor will completely (with regard to principal and/or interest) fulfil its credit obligations. This assessment is made independently of whether any sums (or instalments) are past due and not paid. It is therefore unnecessary to wait for explicit symptoms of irregularity (non-repayment) if there are elements that entail a situation of default risk on the part of the debtor (e.g. a crisis in the industrial sector in which the debtor operates). The set of on- and off-statement of financial position exposures to the same debtor in the above conditions is named "unlikely to pay", unless the conditions for classifying the debtor under bad exposures exist. The exposures to retail parties may be classified in the unlikely to pay category at the level of the individual transaction, provided that the Bank has assessed that the conditions for classifying the set of exposures to the same debtor in that category do not exist.

Past due and/or overdrawn exposures

These are understood to be the on-statement of financial position exposures at carrying amount and off-statement of financial position exposures (loans, securities, derivatives, etc.), other than those classified as bad exposures and unlikely to pay, that, on the reference date of the report, are past due or overdrawn.

Past due and/or overdrawn exposures can also be determined by referring to the individual debtor or the individual transaction.

Starting from 1 January 2021, the Banca Sistema Group applies the rules envisaged by the introduction of the new definition of default by applying the EBA Guidelines.

a) Individual debtor approach

The overall exposure to a debtor shall be recognised as past due and/or overdrawn, in accordance with Delegated Regulation (EU) No 171/2018 of the European Commission of 19 October 2017, if, at the date of the report, the amount of principal, interest or fees outstanding at the due date exceeds both of the following thresholds: a) absolute limit of € 100 for retail exposures and of € 500 for non-retail exposures; b) relative limit of 1% as determined by the ratio of the total past due and/or overdrawn amount to the total amount of all credit exposures to the same debtor.

The thresholds must be exceeded continuously, in other words for 90 consecutive days except for certain types of commercial exposures to central authorities, local authorities and public sector entities for which the provisions of paragraphs 25 and 26 of the Guidelines apply. The provisions set out in paragraphs 16 to 20 of the Guidelines apply when calculating the number of past due days. The provisions set out in paragraph 23(d) and paragraphs 27 to 32 of the Guidelines apply to factoring transactions. For exposures involving instalments, the rules set out in article 1193 of the Italian Civil Code apply to the allocation of payments to individual instalments that are past due, unless otherwise specifically agreed in the contract. Where credit exposures are required to be broken down by past due range, the number of past due days is counted from the date when the first default occurs for each exposure, regardless of whether the thresholds are exceeded. If a debtor has several exposures that are past due and/or overdrawn by more than 90 days, these exposures shall be reported separately in the corresponding past due ranges.

b) Individual transaction approach

Past due and/or overdrawn exposures to retail parties may be determined at the level of the individual transaction. Whether an individual transaction approach or an individual debtor approach is chosen shall reflect internal risk management practices. An exposure that is past due or overdrawn shall be recognised as past due and/or overdrawn, in accordance with Delegated Regulation (EU) No 171/2018 of the European Commission of 19 October 2017, if, at the date of the report, it exceeds both of the following thresholds: a) absolute limit of € 100; b) relative limit of 1% as determined by the ratio of the total amount past due or overdrawn to the total amount of the entire credit exposure. The thresholds must be exceeded continuously, in other words for 90 consecutive days. If the entire amount of an on-statement of financial position credit exposure that is past due and/or overdrawn for more than 90 days is equal to or greater than 20% of the total on-statement of financial position credit exposures to the same debtor, the total on- and off-statement of financial position credit exposures to that debtor must be considered past due and/or overdrawn (the so-called "pulling effect"). The numerator and denominator are calculated using the carrying amount for securities and the on-statement of financial position credit exposure for other credit positions.

In the calculation of the capital requirement for the credit and counterparty risk, Banca Sistema uses the standardised approach. This envisages that the exposures that lie within the portfolios related to "Central Authorities and Central Banks", "Territorial entities", and "Public sector institutions" and "Businesses", must apply the notion of past due and/or overdrawn exposures at the level of the debtor party.

Forborne exposures

Forborne exposures are defined as exposures that fall into the category "Non-performing exposures with forbearance measures" and "Forborne performing exposures" as defined by the Implementing Technical Standards (ITS).

A forbearance measure represents a concession towards a debtor which faces or is about to face difficulties in fulfilling its financial obligations ("financial difficulties"); a "concession" indicates one of the following actions:

- an amendment of the previous terms and conditions of a contract which the debtor is considered unable to fulfil due to its financial difficulties, that would not have been granted if the debtor was not in financial difficulty;
- a total or partial refinancing of a problem loan that would not have been granted if the debtor was not in financial difficulty.

Non-performing exposures with forbearance measures: individual on-statement of financial position exposures and revocable and irrevocable commitments to disburse funds that meet the definition of "Non-performing exposures with forbearance measures" in Annex V, Part 2, paragraph 262 of the ITS. Such exposures shall be classified as bad exposures, unlikely to pay or past due and/or overdrawn exposures, as appropriate, and shall not form a separate category of impaired assets.

The qualitative and quantitative criteria set out in paragraphs 49 to 55 of the EBA Guidelines for a distressed restructuring must also be considered when classifying forborne exposures among non-performing exposures.

Forborne performing exposures: this category includes other credit exposures that fall within the category of "forborne performing exposures" as defined in the ITS.

3.1 Management strategies and policies

The current regulatory framework requires impaired financial assets to be classified according to their criticality. More specifically, there are three categories: “bad exposures”, “unlikely to pay” and “past due and/or overdrawn exposures”.

- Bad exposures: exposures owed by a party in state of insolvency (even if not judicially ascertained) or in broadly similar situations, regardless of the loss forecasts formulated by the institution.

- Unlikely to pay: exposures for which the institution considers it unlikely that the debtor will fully meet its obligations without having to resort to actions such as the enforcement of guarantees, regardless of whether there are any past due and/or overdrawn amounts.

- Past due and/or overdrawn exposures: exposures, other than those classified as bad exposures or unlikely to pay, which have been continuously past due and/or overdrawn for more than 90 days.

Forborne exposures, which refer to exposures that are subject to renegotiation and/or refinancing due to the customer's financial difficulties (whether evident or developing), are also classified. These exposures may constitute a subset of non-performing loans (non-performing exposures with forbearance measures) and performing loans (forborne performing exposures). The management of these exposures, in compliance with the regulatory provisions regarding timing and classification methods, is supported by specific work processes and IT tools.

The Group has a policy that establishes criteria and methods for recognising impairment losses by standardising the rules that, depending on the type of non-performing loan and its original technical form, define the methods and processes used to determine expected losses. The management of non-performing exposures is assigned to the Credit Departments of the Divisions, which are responsible for identifying strategies for maximising collection on individual positions and establishing the impairment losses to be recognised for those positions through a formalised process.

The expected loss reflects a number of elements derived from various internal and external assessments of the financial condition of the main debtor and any guarantors. Expected losses are continuously monitored and compared to the changes in each position. The Risk Department oversees the collection of non-performing loans.

In order to maximise collections, the relevant departments identify the best strategy for managing non-performing exposures, which, based on the subjective characteristics of the individual counterparty/exposure and internal policies, may include amending the contractual terms (forbearance), establishing the methods for loan collection, or assigning the credit to third parties (either for individual exposures or for a group of positions with similar characteristics).

3.2 Write-offs

Non-performing exposures for which collection is not possible (whether in full or in part) are written off from the accounting records in compliance with the policies in force at the time and subject to approval by the Group's Board of Directors.

3.3 Purchased or originated credit-impaired financial assets

In accordance with “IFRS 9 - Financial Instruments”, in some cases a financial asset is considered impaired at initial recognition because the credit risk is very high, and in the case of a purchase, it is acquired at a significant discount (compared to the original disbursement value). If the financial assets in question, based on the application of the classification drivers (i.e. SPPI test and business model), are classified among assets measured at amortised cost or at fair value through other comprehensive income, they are classified as "Purchased or Originated Credit-Impaired" (in short "POCI") and are subject to specific treatment. More specifically, impairment losses equal to the lifetime expected credit loss (ECL) are recognised from the date of initial recognition over the asset’s entire life. In light of the above, POCI financial assets are initially recognised in stage 3, although they may be subsequently reclassified to performing loans, in which case an expected loss equal to the lifetime ECL (stage 2) will continue to be recognised. A POCI financial asset is therefore classified as such in the expected credit loss (ECL) reporting and calculation processes.

4. Financial assets subject to commercial renegotiation and forborne exposures

In the event the debtor is experiencing financial difficulties, the contractual terms of the exposures may be amended in favour of the debtor in order to make repayment financially sustainable. Depending on the subjective characteristics of the exposure and the reasons behind the debtor's financial difficulties, the amendments may be short term (temporary suspension of the payment of the principal of a loan or extension of a maturity) or long term (extension of the duration of a loan, adjustment of the interest rate) and result in the exposure (both performing and non-performing) being classified as “forborne”. “Forborne” exposures are subject to specific provisions for classification in accordance with EBA ITS 2013-35, as transposed in the Group's credit policies. If the forbearance measures are applied to performing exposures, these are included in the group of stage 2 exposures. All exposures classified as “forborne” are included in specific monitoring processes by the relevant departments.

Quantitative disclosure

A. Credit quality

A.1 Impaired and unimpaired loans: carrying amounts, impairment losses, performance and business breakdown

A.1.1 Prudential consolidation - Breakdown of financial assets by past due range (carrying amounts)

	First stage			Second stage			Third stage			Purchased or originated credit-impaired		
	From 1 day to 30 days	From more than 30 days to 90 days	More than 90 days	Up to 30 days	From more than 30 days to 90 days	More than 90 days	Up to 30 days	From more than 30 days to 90 days	More than 90 days	Up to 30 days	From more than 30 days to 90 days	More than 90 days
1. Financial assets measured at amortised cost	9,553	27,327	265,187	1,184	84	100	280	2,403	216,392			3,407
2. Financial assets measured at fair value through other comprehensive income												
3. Financial assets held for sale												
Total 31.12.2024	**9,553**	**27,327**	**265,187**	**1,184**	**84**	**100**	**280**	**2,403**	**216,392**			**3,407**
Total 31.12.2023	**21,827**	**34,618**	**300,326**	**553**	**150**	**1,991**	**370**	**1,211**	**195,531**			**87**

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: changes in impaired positions and accruals to provisions

	Total impairment losses																							Overall accruals to provisions on commitments to disburse funds and financial guarantees issued				Total
	Assets included in the first stage						Assets included in the second stage						Assets included in the third stage						Purchased or originated credit-impaired financial assets									
	Demand loans and receivables with banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses	Demand loans and receivables with banks and Central Banks Financial assets measured at amortised cost	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses	Demand loans and receivables with banks and Central Banks Financial assets measured at amortised cost	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses	First stage	Second stage	Third stage	Purchased or originated credit-impaired commitments to disburse funds and financial guarantees issued	
Opening total impairment losses	**26**	**5,608**	**145**			**5,780**		**695**				**695**		**65,360**			**65,360**							**59**				**71,894**
Increases in purchased or originated financial assets	4	2,732	366			3,101		70				70		2,492			2,492							5		3		5,672
Derecognition other than write-offs	23	2,278	145			2,446		291				291		5,903			5,903											8,640
Net impairment losses/gains due to credit risk (+/-)	1	1,345				1,372		(161)				(161)		(4,463)			(4,464)					1		(39)				(3,318)
Contract amendments without derecognition																												
Changes in estimation method																												
Write-offs not recognised directly through profit or loss																												
Other changes																												
Closing total impairment losses	**8**	**7,407**	**366**			**7,807**		**313**				**313**		**57,486**			**57,485**					**1**		**25**		**3**		**65,608**
Recoveries from collection on financial assets that have been written off																												
Write-offs recognised directly through profit or loss																												

A.1.3 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: transfers between different credit risk stages (gross amount and nominal amount)

	Gross amount / Nominal amount					
	Transfers between the first and second stage		Transfers between the second and third stage		Transfers between the first and third stage	
	From the first to the second stage	From the second to the first stage	From the second to the third stage	From the third to the second stage	From the first to the third stage	From the third to the first stage
1. Financial assets measured at amortised cost	21,712	26,286	1,938	209	87,510	10,040
2. Financial assets measured at fair value through other comprehensive income						
3. Financial assets held for sale						
4. Commitments to disburse funds and financial guarantees issued					8,124	617
Total 31.12.2024	**21,712**	**26,286**	**1,938**	**209**	**95,634**	**10,657**
Total 31.12.2023	**25,488**	**9,799**	**6,387**	**2,475**	**50,191**	**34,650**

A.1.3a Loans subject to Covid-19 support measures: transfers between different credit risk stages (gross amount and nominal amount)

	Gross amount / Nominal amount					
	Transfers between the first and second stage		Transfers between the second and third stage		Transfers between the first and third stage	
	From the first to the second stage	From the second to the first stage	From the second to the third stage	From the third to the second stage	From the first to the third stage	From the third to the first stage
A. Loans measured at amortised cost	**-**	**511**			**21,458**	**-**
A.1 forborne in compliance with the EBA Guidelines	-					-
A.2 subject to existing moratoria no longer in compliance with the EBA Guidelines and not considered forborne	-					-
A.3 subject to other forbearance measures	-					-
A.4 new loans	-	511			21,458	-
B. Loans measured at fair value through other comprehensive income	**-**	**-**			**-**	**-**
B.1 forborne in compliance with the EBA Guidelines	-					-
B.2 subject to existing moratoria no longer in compliance with the EBA Guidelines and not considered forborne	-					-
B.3 subject to other forbearance measures	-					-
B.4 new loans	-					-
Totale 31.12.2024	**-**	**511**			**21,458**	**-**
Totale 31.12.2023					**608**	**-**

A.1.4 Prudential consolidation - On- and off-statement of financial position loans and receivables with banks: gross amounts and carrying amounts

	Gross amount					Total impairment and allowances					Net exposure	Overall partial write-offs *
		First stage	Second stage	Third stage	Purchased or origi		First stage	Second stage	Third stage	Purchased or origi		
A. ON-STATEMENT OF FINANCIAL POSITION LOANS AND RECEIVABLES												
A.1 ON DEMAND	**91,682**	**91,682**				**8**	**8**				**91,674**	
a) Non-performing		**X**					**X**					
b) Performing	**91,682**	**91,682**		**X**		**8**	**8**		**X**		**91,674**	
A.2 OTHER	**25,026**	**25,024**		**2**		**1**	**1**				**25,025**	
a) Bad exposures		X					X					
- of which: forborne exposures		X					X					
b) Unlikely to pay		X					X					
- of which: forborne exposures		X					X					
c) Non-performing past due exposures	2	X		2			X				2	
- of which: forborne exposures		X					X					
d) Performing past due exposures	5	5		X					X		5	
- of which: forborne exposures				X					X			
e) Other performing exposures	25,019	25,019		X		1	1		X		25,018	
- of which: forborne exposures				X					X			
TOTAL A	**116,708**	**116,706**		**2**		**9**	**9**				**116,699**	
B. OFF-STATEMENT OF FINANCIAL POSITION LOANS AND RECEIVABLES												
a) Non-performing		X					X					
b) Performing	2,446	2,446		X		2	2		X		2,444	
TOTAL B	**2,446**	**2,446**				**2**	**2**				**2,444**	
TOTAL (A+B)	**119,154**	**119,152**		**2**		**11**	**11**				**119,143**	

A.1.5 Prudential consolidation - On- and off-statement of financial position loans and receivables with customers: gross amounts and carrying amounts

	Gross amount					Total impairment and allowances					Net exposure	Overall partial write offs *
		First stage	Second stage	Third stage	originated credit-impaired		First stage	Second stage	Third stage Purchased or originated credit-			
A. ON-STATEMENT OF FINANCIAL POSITION LOANS AND RECEIVABLES												
a) Bad exposures	179,957	X		178,190	1,767	38,499			38,496	2	141,458	
- of which: forborne exposures	1,217	X		1,217					1		1,216	
b) Unlikely to pay	51,716	X		51,716		18,353			18,353		33,363	
- of which: forborne exposures		X										
c) Non-performing past due exposures	101,130	X		101,107	23	634			634		100,496	
- of which: forborne exposures		X										
d) Performing past due exposures	307,154	304,159	1,374	X	1,621	2,104	2,098	6	X		305,050	
- of which: forborne exposures	29	29		X					X		29	
e) Other performing exposures	3,415,640	3,346,805	55,110	X	25	5,976	5,669	307	X		3,409,664	
- of which: forborne exposures	490	490		X		1	1		X		489	
TOTAL A	**4,055,597**	**3,650,964**	**56,484**	**331,013**	**3,436**	**65,566**	**7,767**	**313**	**57,483**	**3**	**3,990,031**	
B. OFF-STATEMENT OF FINANCIAL POSITION LOANS AND RECEIVABLES												
a) Non-performing	53,918	X	7,079	46,839		3	X		3		53,915	
b) Performing	773,138	773,138		X		23	23		X		773,115	
TOTAL B	**827,056**	**773,138**	**7,079**	**46,839**		**26**	**23**		**3**		**827,030**	
TOTAL (A+B)	**4,882,653**	**4,424,102**	**63,563**	**377,852**	**3,436**	**65,592**	**7,790**	**313**	**57,486**	**3**	**4,817,061**	

A.1.6 Prudential consolidation - On-statement of financial position loans and receivables with banks: gross non-performing exposures

	Bad exposures	Unlikely to pay	Non-performing past due exposures
A. Opening gross balance			**1**
- of which: positions transferred but not derecognised			
B. Increases			**2**
B.1 transfers from performing loans			
B.2 transfers from purchased or originated credit-impaired financial assets			
B.3 transfers from other categories of non-performing exposures of which non-performing exposures			
B.4 contract amendments without derecognition			
B.5 other increases			2
C. Decreases			**1**
C.1 transfers to performing loans			
C.2 write-offs			
C.3 collections			1
C.4 gains on sales			
C.5 losses on sales			
C.6 transfers to other categories of non-performing exposures			
C.7 contract amendments without derecognition			
C.8 other decreases			
D. Closing gross balance			**2**
- of which: positions transferred but not derecognised			

A.1.6bis Prudential consolidation – On-statement of financial position loans and receivables with banks: breakdown of gross forborne exposures by credit quality

No positions to report.

A.1.7 Prudential consolidation - On-statement of financial position loans and receivables with customers: gross non-performing exposures

	Bad exposures	Unlikely to pay	Non-performing past due exposures
A. Opening gross balance	**173,766**	**59,172**	**64,177**
- of which: positions transferred but not derecognised	3	1,045	1,652
B. Increases	**26,490**	**19,535**	**98,471**
B.1 transfers from performing loans	14,714	7,859	76,877
B.2 transfers from purchased or originated credit-impaired financial assets			
B.3 transfers from other categories of non-performing exposures	2,583	3,313	
B.4 contract amendments without derecognition			
B.5 other increases	9,193	8,363	21,594
C. Decreases	**20,299**	**26,991**	**61,518**
C.1 transfers to performing loans	2,096	121	6,290
C.2 write-offs	6,794		
C.3 collections	11,409	24,417	51,785
C.4 gains on sales			
C.5 losses on sales			
C.6 transfers to other categories of non-performing exposures		2,453	3,443
C.7 contract amendments without derecognition			
C.8 other decreases			
D. Closing gross balance	**179,957**	**51,716**	**101,130**
- of which: positions transferred but not derecognised	1	1,448	1,821

A.1.7a Loans subject to Covid-19 support measures: gross amount and carrying amount

	Gross amount					Total impairment and allowances					Net exposure	Overall partial write-offs *
		First stage	Second stage	Third stage	Purchased or originated credit-impaired		First stage	Second stage	Third stage	Purchased or originated credit-impaired		
A. BAD LOANS												
a) Forborne in compliance with the EBA Guidelines												
b) Subject to moratoria no longer in compliance with the EBA Guidelines and not considered forborne												
c) Subject to other forbearance measures												
d) New loans												
B. UNLIKELY-TO-PAY LOANS	**11,605**				**11,605**	**517**			**517**		**11,088**	
a) Forborne in compliance with the EBA Guidelines	-	-	-	-	-	-	-	-	-	-	-	
b) Subject to moratoria no longer in compliance with the EBA Guidelines and not considered forborne	-	-	-	-	-	-	-	-	-	-	-	
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	
d) New loans	11,605	-	-	-	11,605	517	-	-	517	-	11,088	
C) IMPAIRED PAST DUE LOANS												
a) Forborne in compliance with the EBA Guidelines	-	-	-	-	-	-	-	-	-	-	-	
b) Subject to moratoria no longer in compliance with the EBA Guidelines and not considered forborne	-	-	-	-	-	-	-	-	-	-	-	
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	
d) New loans	-	-	-	-	-	-	-	-	-	-	-	
D) PERFORMING LOANS												
a) Forborne in compliance with the EBA Guidelines	-	-	-	-	-	-	-	-	-	-	-	
b) Subject to moratoria no longer in compliance with the EBA Guidelines and not considered forborne	-	-	-	-	-	-	-	-	-	-	-	
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	
d) New loans	-	-	-	-	-	-	-	-	-	-	-	
E) OTHER PERFORMING LOANS	**59,320**	**59,320**				**168**	**168**				**59,152**	
a) Forborne in compliance with the EBA Guidelines	-	-	-	-	-	-	-	-	-	-	-	
b) Subject to moratoria no longer in compliance with the EBA Guidelines and not considered forborne	-	-	-	-	-	-	-	-	-	-	-	
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	
d) New loans	59,320	59,320	-	-	-	168	168	-	-	-	59,152	
TOTAL (A+B+C+D+E)	**70,925**	**59,320**	**-**	**-**	**-**	**685**	**168**	**-**	**517**	**-**	**70,240**	

A.1.7bis Prudential consolidation – On-statement of financial position loans and receivables with customers: breakdown of gross forborne exposures by credit quality

	Non-performing exposures with forbearance measures	Other forborne exposures
A. Opening gross balance	**2,336**	**144**
- of which: positions transferred but not derecognised		
B. Increases	**714**	**1,800**
B.1 transfers from performing exposures without forbearance mea		1,629
B.2 transfers from forborne performing exposures		X
B.3 transfers from non-performing exposures with forbearance me	X	
B.4 transfers from non-performing exposures without forbearance	711	
B.5 other increases	3	171
C. Decreases	**1,833**	**1,425**
C.1 transfers to performing exposures without forbearance measu	X	
C.2 transfers to forborne performing exposures		X
C.3 transfers to non-performing exposures with forbearance meas	X	
C.4 write-offs		
C.5 collections	1,833	1,425
C.6 gains on sales		
C.7 losses on sales		
C.8 other decreases		
D. Closing gross balance	**1,217**	**519**
- of which: positions transferred but not derecognised		

A.1.8 Prudential consolidation - On-statement of financial position non-performing loans and receivables with banks: changes in impaired positions

No positions to report.

A.1.9 Prudential consolidation - On-statement of financial position non-performing loans and receivables with customers: changes in impaired positions

	Bad exposures		**Unlikely to pay**		**Non-performing past due exposures**	
	Total	**of which: forborne exposures**	**Total**	**of which: forborne exposures**	**Total**	**of which: forborne exposures**
A. Opening total impairment losses	**49,119**	**19**	**15,080**	**412**	**1,161**	
- of which: positions transferred but not derecognised			557		8	
B. Increases	**6,679**	**35**	**8,992**		**277**	
B.1 impairment losses on purchased or originated credit-impaired financial assets		X		X		X
B.2 other impairment losses	4,894		8,561		241	
B.3 losses on sales						
B.4 transfers from other categories of non-performing exposures	1,776		308			
B.5 contract amendments without derecognition						
B.6 other increases	9	35	123		36	
C. Decreases	**17,303**	**54**	**5,675**		**804**	
C.1 impairment gains	8,650	54	175		13	
C.2 impairment gains due to collections	1,938		3,686		223	
C.3 gains on sales						
C.4 write-offs						
C.5 transfers to other categories of non-performing exposures			1,726		358	
C.6 contract amendments without derecognition						
C.7 other decreases	6,715		88		210	
D. Closing total impairment losses	**38,495**		**18,397**	**412**	**634**	
- of which: positions transferred but not derecognised			711		9	

A.2 Classification of the exposures based on external and internal rating

A.2.1 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees issued by external rating class (gross amounts)

The risk categories for the external rating indicated in this table refer to the creditworthiness classes of the debtors/guarantors pursuant to prudential requirements.

The Bank uses the standardised approach in accordance with the risk mapping of the rating agencies:

- “DBRS Ratings Limited”, for exposures to central authorities and central banks, supervised brokers, public sector institutions, territorial entities with a duration of more than 90 days;
- “Fitch Ratings” and Standard & Poor’s, for exposures to companies and other parties.

Exposures	External rating class						Without rating	Total
	class 1	class 2	class 3	class 4	class 5	class 6		
A. Financial assets measured at amortised cost		**1**	**80,869**				**2,857,381**	**2,938,251**
- First stage		1	80,869				2,466,446	2,547,316
- Second stage							56,483	56,483
- Third stage							331,016	331,016
- Purchased or originated credit-impaired							3,436	3,436
B. Financial assets measured at fair value through other comprehensive income			**1,140,371**				**2,003**	**1,142,374**
- First stage			1,140,371				2,003	1,142,374
- Second stage								
- Third stage								
- Purchased or originated credit-impaired								
C. Financial assets held for sale								
- First stage								
- Second stage								
- Third stage								
- Purchased or originated credit-impaired								
Total (A+B+C)		**1**	**1,221,240**				**2,859,384**	**4,080,624**
D. Commitments to disburse funds and financial guarantees issued							**829,503**	**829,503**
- First stage							782,664	782,664
- Second stage								
- Third stage							46,839	46,839
- Purchased or originated credit-impaired								
Total D							**829,503**	**829,503**
Total (A + B + C + D)		**1**	**1,221,240**				**3,688,887**	**4,910,127**

"**DBRS Ratings Limited**", for exposures to: central authorities and central banks, supervised brokers, public sector institutions, territorial entities

of which long-term rating

	Risk weighting factors				ECAI
Creditworthiness class	**Central governments and central banks**	**Supervised brokers, public sector institutions and territorial entities**	**Multilateral development banks**	**Companies and other parties**	**DBRS Ratings Limited**
1	0%	20%	20%	20%	AAA, AA
2	20%	50%	50%	50%	A
3	50%	100%	50%	100%	BBB
4	100%	100%	100%	100%	BB
5	100%	100%	100%	150%	B
6	150%	150%	150%	150%	CCC, CC, C, D

"**Fitch Ratings**", for exposures to companies and other parties.

of which long-term rating

	Risk weighting factors				ECAI
Creditworthiness class	**Central governments and central banks**	**Supervised brokers, public sector institutions and territorial entities**	**Multilateral development banks**	**Companies and other parties**	**Fitch Ratings**
1	0%	20%	20%	20%	AAA, AA
2	20%	50%	50%	50%	A
3	50%	100%	50%	100%	BBB
4	100%	100%	100%	100%	BB
5	100%	100%	100%	150%	B
6	150%	150%	150%	150%	CCC, CC, C, RD, D

of which short-term rating (for exposures to companies)

Creditworthiness class	**Risk weighting factors**	**ECAI** **Fitch Ratings**
1	20%	F1+
2	50%	F1
3	100%	F2, F3
4 to 6	150%	B, C, RD,D

Standard & Poor's Ratings Services for exposures to companies and other parties.

of which long-term rating

Creditworthiness class	Risk weighting factors				ECAI
	Central governments and central banks	Supervised brokers, public sector institutions and territorial entities	Multilateral development banks	Companies and other parties	Standard & Poor's Ratings Services
1	0%	20%	20%	20%	AAA, AA
2	20%	50%	50%	50%	A
3	50%	50%	50%	100%	BBB
4	100%	100%	100%	100%	BB
5	100%	100%	100%	150%	B
6	150%	150%	150%	150%	CCC, CC, C, RD, D

of which short-term rating (for exposures to companies)

Creditworthiness class	Risk weighting factors	ECAI Standard & Poor's Ratings Services
1	20%	A-1+
2	50%	A-1
3	100%	A-2, A-3
4 to 6	150%	B, C, R, SD/D

A.3 Breakdown of guaranteed credit exposures by type of guarantee

A.3.1 Prudential consolidation - Guaranteed on- and off-statement of financial position loans and receivables with banks

No positions to report.

A.3.2 Prudential consolidation - Guaranteed on- and off-statement of financial position loans and receivables with customers

			Collateral (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Endorsement credits				
								Other derivatives								
	Gross amount	Net exposure	Mortgaged estate	Properties under finance lease	Securities	Other collateral	CLN	Central Counterparties	Banks	Other financial corporations	Other	General governments	Banks	Other financial corporations	Other	
1. Guaranteed on-statement of financial position loans:	**1,012,124**	**1,004,287**	**2,016**		**86**	**684,418**							**10,920**	**76,066**	**172,722**	**946,228**
1.1 fully guaranteed	840,580	834,730	2,016		4	684,418							1	76,066	72,224	834,729
- of which non-performing	16,842	12,326				11,693									633	12,326
1.2 partially guaranteed	171,544	169,557			82								10,919		100,498	111,499
- of which non-performing	6,245	5,051											3,671		262	3,933
2. Guaranteed off-statement of financial position loans:	**35,638**	**35,635**			**26**	**12,795**								**9,353**	**13,458**	**35,632**
2.1 fully guaranteed	35,360	35,357			26	12,795								9,353	13,182	35,356
- of which non-performing	12,914	12,910				12,525									385	12,910
2.2 partially guaranteed	278	278													276	276
- of which non-performing																

B. Breakdown and concentration of credit exposures

B.1 Prudential consolidation - Breakdown by business segment of on- and off-statement of financial position loans and receivables with customers

	General governments		**Financial corporations**		**Financial corporations (of which: insurance companies)**		**Non-financial corporations**		**Households**	
	Net exposure	**Total impairment**	**Net exposure**	**Total impairment**	**Net exposure**	**Total impairment**	**Net exposure**	**Total impairment**	**Net exposure**	**Total impairment**
A. On-statement of financial position loans and receivables										
A.1 Bad exposures	137,838	8,201					3,585	29,416	35	881
- of which: forborne exposures	1,217	1								
A.2 Unlikely to pay	8	518					29,546	14,064	3,810	3,771
- of which: forborne exposures										
A.3 Non-performing past due exposures	82,655	39	1,710		1,572		5,107	358	11,024	237
- of which: forborne exposures										
A.4 Performing exposures	1,791,314	3,600	182,199	152	32		861,508	3,129	879,692	1,199
- of which: forborne exposures	82						437	1		
Total (A)	**2,011,815**	**12,358**	**183,909**	**152**	**1,604**		**899,746**	**46,967**	**894,561**	**6,088**
B. Off-statement of financial position loans and receivables										
B.1 Non-performing exposures	22,001						24,028	3	7,886	
B.2 Performing exposures	167,320		377,192				227,770	23	834	
Total (B)	**189,321**		**377,192**				**251,798**	**26**	**8,720**	
Total (A+B) 31.12.2024	**2,201,136**	**12,358**	**561,101**	**152**	**1,604**		**1,151,544**	**46,993**	**903,281**	**6,088**
Total (A+B) 31.12.2023	**2,918,930**	**18,995**	**275,938**	**117**	**2,187**	**8**	**815,382**	**46,741**	**935,008**	**6,014**

B.2 Prudential consolidation - Breakdown by geographical segment of on- and off-statement of financial position loans and receivables with customers

	Italy		**Other European countries**		**America**		**Asia**		**Rest of the world**	
	Net amount	**Total impairment**	**Net amount**	**Total impairment**	**Net amount**	**Total impairment**	**Net amount**	**Total impairment**	**Net amount**	**Total impairment**
A. On-statement of financial position loans and receivables										
A.1 Bad exposures	141,459	38,499								
A.2 Unlikely to pay	33,363	18,252		101						
A.3 Non-performing past due exp	100,347	634	149							
A.4 Performing exposures	3,433,101	7,202	280,898	875	381	2	57		276	
Total (A)	**3,708,270**	**64,587**	**281,047**	**976**	**381**	**2**	**57**		**276**	
B. Off-statement of financial position loans and receivables										
B.1 Non-performing exposures	53,915	3								
B.2 Performing exposures	747,773	23	25,343							
Total (B)	**801,688**	**26**	**25,343**							
Total (A+B) 31.12.2024	**4,509,958**	**64,613**	**306,390**	**976**	**381**	**2**	**57**		**276**	
Total (A+B) 31.12.2023	**4,756,120**	**71,503**	**184,173**	**344**	**2,753**	**11**	**2,212**	**9**		

B.3 Prudential consolidation - Breakdown by geographical segment of on- and off-statement of financial position loans and receivables with banks

	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-statement of financial position loans and receivables										
A.1 Bad exposures										
A.2 Unlikely to pay										
A.3 Non-performing past due exp	2									
A.4 Performing exposures	115,690	8	1,009							
Total (A)	**115,692**	**8**	**1,009**							
B. Off-statement of financial posi										
B.1 Non-performing exposures										
B.2 Performing exposures	2,444	2								
Total (B)	**2,444**	**2**								
Total (A+B) 31.12.2024	**118,136**	**10**	**1,009**							
Total (A+B) 31.12.2023	**162,242**	**9**	**41**							

B.4 Large exposures

As at 31 December 2024, the large exposures of the Group are as follows:

a) Carrying amount € 5,219,691 thousand

b) Weighted amount € 540,917 thousand

c) No. of positions 20.

C. Securitisation transactions

This section does not recognise securitisation transactions where the originators are banks belonging to the same prudentially consolidated group and where the total liabilities issued by the special purpose vehicles (e.g. ABS securities, loans in the warehousing phase, etc.) are subscribed at the time of issue by one or more entities belonging to the same prudentially consolidated group.

The group does not hold its own securitisations, with the exception of the self-securitisation transactions included in the Group's prudential consolidation, which are dealt with in a subsequent section to which reference is made.

D. Transfers

A. Financial assets transferred and not derecognised

Qualitative disclosure

The financial assets transferred and not derecognised refer to Italian government securities used for repurchase agreements. Said financial assets are classified in the financial statements among the available-for-sale financial assets, while the repurchase agreement loan is predominantly presented in due to customers. As a last resort the financial assets transferred and not derecognised comprise trade receivables used for loan transactions in the ECB (Abaco).

Quantitative disclosure

D.1. Prudential consolidation – Financial assets transferred and recognised in full, and associated financial liabilities: carrying amount

	Financial assets transferred and recognised in full				**Associated financial liabilities**		
	Carrying amount	**of which: subject to securitisation transactions**	**of which: subject to a sales contract with repurchase agreement**	**of which: non-performing**	**Carrying amount**	**of which: subject to securitisation transactions**	**of which: subject to a sales contract with repurchase agreement**
A. Financial assets held for trading				**X**			
1. Debt securities				X			
2. Equity instruments				X			
3. Financing				X			
4. Derivatives				X			
B. Other financial assets mandatorily measured at fair value through profit or loss							
1. Debt securities							
2. Equity instruments				X			
3. Financing							
C. Financial assets designated at fair value through profit or loss							
1. Debt securities							
2. Financing							
D. Financial assets measured at fair value through other comprehensive income	**774,861**		**774,861**		**773,994**		**773,994**
1. Debt securities	774,861		774,861		773,994		773,994
2. Equity instruments				X			
3. Financing							
E. Financial assets measured at amortised cos	**432,801**	**309,232**	**123,569**	**2,549**	**369,935**	**261,498**	**108,437**
1. Debt securities	123,569		123,569		108,437		108,437
2. Financing	309,232	309,232		2,549	261,498	261,498	
Total 31.12.2024	**1,207,662**	**309,232**	**898,430**	**2,549**	**1,143,929**	**261,498**	**882,431**
Total 31.12.2023	**287,095**	**287,095**		**2,135**	**179,479**	**179,479**	

E. Prudential consolidation - Models for the measurement of credit risk

1.2. Market risks

The existing limit system defines a careful and balanced management of the operational autonomy, establishing limits in terms of portfolio amounts and composition by type of security.

With regard to market risk, the Banca Sistema Group purchased tax credits from Superbonus mainly for trading purposes.

1.2.1 Interest rate risk and price risk - regulatory trading book

Qualitative disclosure

No positions to report.

1.2.2 Interest rate risk and price risk - Banking Book

Qualitative disclosure

A. General aspects, management procedures and methods of measuring the interest rate risk and the price risk

Interest rate risk is defined as the risk that the financial assets/liabilities increase/decrease because of movements contrary to the interest rate curve. The Bank identified the sources that generate interest rate risk with reference to the credit processes and to the Bank’s funding.

In order to assess the interest rate risk of the banking book, the Bank, in accordance with the supervisory rules, determined the interest rate risk of the banking book in terms of potential changes in economic value (EVE) and change in net interest income (NII).

The Bank manages interest rate risk measurement using two distinct approaches depending on the purpose:

- Management purposes: The Group applies the methodologies outlined by the Bank of Italy in Circular 285, Annexes C and C-bis, and shares the resulting assessments with the Authority, ensuring a compliant and transparent risk management framework and internal control system.
- Regulatory reporting purposes: The Group uses the Standardised Approach (SA) to measure interest rate risk in accordance with regulatory requirements. This methodology, as set out in Commission Delegated Regulation (EU) 2024/857, establishes the technical standards for managing interest rate risk on positions other than those in the trading book.

With reference to the Bank's financial assets, the main sources that generate interest rate risk are loans and receivables with customers and the bond securities portfolio. As concerns the financial liabilities, relevant instead are the customer deposits and savings activities via current accounts, the deposit account, and funding on the interbank market.

The Bank continuously monitors the main assets and liabilities subject to interest rate risk; furthermore, hedging instruments were used as at the reporting date.

Quantitative disclosure

1. Banking book: Breakdown by residual term (by repricing date) of financial assets and liabilities

EURO

	on demand	up to 3 months	from more than 3 months up to 6 months	from more than 6 months up to 1 year	from more than 1 year up to 5 years	from more than 5 years up to 10 years	more than 10 years	open term
1. Assets	**1,404,639**	**864,433**	**583,460**	**62,506**	**804,058**	**441,776**	**1,115**	
1.1 Debt instruments		270,230	531,171	996	418,541	92,059		
- with early repayment option								
- other		270,230	531,171	996	418,541	92,059		
1.2 Financing to banks	87,818	22,874						
1.3 Financing to customers	1,316,821	571,329	52,289	61,510	385,517	349,717	1,115	
- current accounts	49,148	87,982						
- other financing	1,267,673	483,347	52,289	61,510	385,517	349,717	1,115	
- with early repayment option	121,595	231,695	26,227	58,209	370,675	208,413	1,115	
- other	1,146,078	251,652	26,062	3,301	14,842	141,304		
2. Liabilities	**705,860**	**1,373,054**	**345,212**	**575,898**	**1,064,287**	**92,934**	**345**	
2.1 Due to customers	705,684	1,373,054	345,212	558,398	1,001,940	92,934	345	
- current accounts	416,858	544,864	333,118	544,604	964,101	89,804	345	
- other payables	288,826	828,190	12,094	13,794	37,839	3,130		
- with early repayment option								
- other	288,826	828,190	12,094	13,794	37,839	3,130		
2.2 Due to banks	176			17,500	62,347			
- current accounts								
- other payables	176			17,500	62,347			
2.3 Debt instruments								
2.4 Other liabilities								
3. Financial derivatives		**157,754**	**290**	**3,012**	**177,330**	**1,221**	**13**	
3.1 With underlying security								
3.2 Without underlying security		27,207	290	3,012	23,834	1,221	13	
- Options		27,207	290	3,012	23,834	1,221	13	
+ long positions			290	2,430	23,834	1,221	13	
+ short positions		27,207		582				
- Other derivatives								
+ posizioni lunghe					153,496			
+ posizioni corte		130,547						
4. Other off-statement of financial position transactions	**1,567,259**	**1,427,804**						
+ long positions	1,462,415	104,844						
+ short positions	104,844	1,322,960						

1. Banking book: Breakdown by residual term (by repricing date) of financial assets and liabilities

OTHER CURRENCIES

	on demand	up to 3 months	from more than 3 months up to 6 months	from more than 6 months up to 1 year	from more than 1 year up to 5 years	from more than 5 years up to 10 years	more than 10 years	open term
1. Assets	**825**							
1.1 Debt instruments								
- with early repayment option								
- other								
1.2 Financing to banks	825							
1.3 Financing to customers								
- current accounts								
- other financing								
- with early repayment option								
- other								
2. Liabilities	**801**							
2.1 Due to customers	801							
- current accounts	801							
- other payables								
- with early repayment option								
- other								
2.2 Due to banks								
- current accounts								
- other payables								
2.3 Debt instruments								
2.4 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
3.2 Without underlying security								
4. Other off-statement of financial position transactions								

1.2.3 Currency risk

Qualitative disclosure

A. General aspects, management processes and methods of measuring the currency risk

All items are in Euro, except for the security in the HTCS portfolio. The Bank's foreign exchange risk is limited in relation to the size of the relevant exposures.

Quantitative disclosure

1. Breakdown of assets, liabilities and derivatives by currency of denomination

	Currencies					
	US Dollars	**UK Pounds**	**Yen**	**Canadian Dollars**	**Swiss Francs**	**Other currencies**
A. Financial assets	**818**	**1**		**1**	**2**	**3**
A.1 Debt instruments						
A.2 Equity instruments						
A.3 Financing to banks	818	1		1	2	3
A.4 Financing to customers						
A.5 Other financial assets						
B. Other assets						
C. Financial liabilities	**801**					
C.1 Due to banks						
C.2 Due to customers	801					
C.3 Debt instruments						
C.4 Other financial liabilities						
D. Other liabilities						
E. Financial derivatives						
Total assets	**818**	**1**		**1**	**2**	**3**
Total liabilities	**801**					
Difference (+/-)	**17**	**1**		**1**	**2**	**3**

1.3 Derivatives and hedging policies

1.3.1 Derivatives held for trading

A. Financial derivatives

No amount was recognised for this item at the reporting date.

B. Credit derivatives

No amount was recognised for this item at the reporting date.

1.3.2 Hedge Accounting

Qualitative disclosure

The Group exercised the option under IFRS 9 to continue to apply the rules under IAS 39 in full for existing hedges.

A. Fair value hedges

The hedging activities implemented by the Banca Sistema Group are intended to protect the banking book from changes in the fair value of loans caused by movements in the interest rate curve (interest rate risk). The Group maintains a generic hedge (macro fair value hedge) on the segregated fixed-rate CQ loans and receivables portfolio within the QS2019 vehicle. The derivative instrument used is plain vanilla interest rate swap (IRS).

B. Cash flow hedging

At the date of these financial statements, no such hedges are in place.

C. Hedges of foreign investments

At the date of these financial statements, no such hedges are in place.

D. Hedging Instruments

The ineffectiveness of the hedge is recognised for the purpose of determining the effect on the income statement and assessing whether hedge accounting rules can continue to be applied.

E. Hedged items

The items hedged are fixed-rate loans.

With regard to the existing macro hedge, the hedged loan portfolio is an open one, meaning that it is dynamically made up of the fixed-rate instruments managed at an aggregate level through the hedging derivatives entered into over time. The effectiveness of macro hedges on fixed-rate loans is periodically verified on the basis of specific prospective and retrospective tests aimed at demonstrating that the portfolio subject to possible hedging contains an amount of assets whose sensitivity profile and changes in fair value due to interest rate risk mirror those of the derivatives used for the hedge.

Quantitative disclosure

A. Hedging derivatives

A.1 Hedging derivatives: end-of-period notional values

Underlying asset/Type of derivative	Total 31.12.2024				Total 31.12.2023			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	Without central counterparties			Central Counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates		**130,547**						
a) Options								
b) Swaps		130,547						
c) Forwards								
d) Futures								
e) Others								
Equities and stock indices								
a) Options								
b) Swaps								
c) Forwards								
d) Futures								
e) Other								
Foreign exchange rates and gold								
a) Options								
b) Swaps								
c) Forwards								
d) Futures								
e) Other								
Commodities								
Other								
Total		**130,547**						

A.2 Hedging derivatives: gross positive and negative fair value - breakdown by product

Type of derivative	Total 31.12.2024				Total 31.12.2023				Change in value used to calculate hedge effectiveness	
	Over the counter			Organised markets	Over the counter			Organised markets		
	Central Counterparties	Without central counterparties			Central Counterparties	Without central counterparties				
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements		Total 31.12.2024	Total 31.12.2023
Positive fair value										
a) Options										
b) Interest rate swap										
c) Cross currency swap										
d) Equity swap										
e) Forwards										
f) Futures										
g) Other										
Total										
Negative fair value										
a) Options										
b) Interest rate swap		**(3,561)**							5	
c) Cross currency swap										
d) Equity swap										
e) Forwards										
f) Futures										
g) Other										
Total		**(3,561)**							**5**	

A.3 OTC hedging derivatives: notional values, gross positive and negative fair values by counterparty

Underlying asset	**Central counterparties**	**Banks**	**Other financial companies**	**Other counterparties**
Contracts not included under netting				
1) Debt securities and interest rates				
2) Equities and stock indices				
3) Foreign exchange rates and gold				
4) Commodities				
5) Other				
Contracts included under netting agreements				
1) Debt securities and interest rates				
notional amount		130,547		
positive fair value				
negative fair value		3,561		
2) Equities and stock indices				
3) Foreign exchange rates and gold				
4) Commodities				
5) Other				

A.4 Residual life of OTC hedging derivatives: notional values

Underlying/Residual maturity	Up to 1 year	Between 1 and 5 years	Over 5 year	Total
A.1 Financial derivatives on debt securities and interest rates		130,547		130,547
A.2 Financial derivatives on equities and stock indices				
A.3 Financial derivatives on foreign exchange rates and gold				
A.4 Financial derivatives on commodities				
A.5 Other financial derivatives				
Total 31.12.2024		**130,547**		**130,547**
Total 31.12.2023		**151,530**		**151,530**

B. Hedging credit derivatives

No amount was recognised for this item at the reporting date.

C. Non-derivative hedging instruments

No amount was recognised for this item at the reporting date.

D. Hedged instruments

D.1 Fair value hedges

	Microhedges: book value	Micro-hedges – net positions: book value of assets and liabilities (prior to netting)	Micro-hedges			Macrohedges: book value
			Cumulative fair value changes (hedged instrument)	Termination of hedging: residual cumulative fair value changes	Changes in value used to assess hedge ineffectiveness	
A. Assets						
1. Financial assets designated at fair value through other comprehensive income – hedging of:						
1.1 Debt securities and interest rates						X
1.2 Equities and stock indices						X
1.3 Foreign exchange rates and gold						X
1.4 Loans						X
1.5 Other						X
2. Financial assets measured at amortised cost - hedging of:						211,313
1.1 Debt securities and interest rates						X
1.2 Equities and stock indices						X
1.3 Foreign exchange rates and gold						X
1.4 Loans						X
1.5 Other						X
Total 31.12.2024						**211,313**
Total 31.12.2023						**184,471**
B. Liabilities						
1. Financial liabilities measured at amortised cost - hedging of:						
1.1 Debt securities and interest rates						X
1.2 Foreign exchange rates and gold						X
1.3 Other						X
Total 31.12.2024						
Total 31.12.2023						

D.2 Cash flow hedge and hedge of foreign investments

No amount was recognised for this item at the reporting date.

E. Effects of hedging transactions on equity

No amount was recognised for this item at the reporting date.

1.4 Liquidity risk

Qualitative disclosure

A. General aspects, management processes and methods of measuring the liquidity risk

Liquidity risk is represented by the possibility that the Group is unable to maintain its payment commitments due to the inability to procure funds or to the inability to sell assets on the market to manage the financial imbalance. It is also represented by the inability to procure adequate new financial resources, in terms of amount and cost, with respect to operational need/advisability, that forces the Group to slow or stop the development of activity, or to incur excessive funding costs to deal with its commitments, with significant negative impacts on the profitability of its activity.

The financial sources are represented by capital, funding from customers, the funds procured on the domestic and international interbank market as well from the Eurosystem.

To monitor the effects of the intervention strategies and to limit the liquidity risk, the Group identified a specific section dedicated to monitoring the liquidity risk in the Risk Appetite Framework (RAF).

Furthermore, in order to promptly detect and manage any difficulties in procuring the funds necessary to conduct its activity, every year, Banca Sistema, consistent with the prudential supervisory provisions, updates its liquidity policy and Contingency Funding Plan, i.e. the set of specific intervention strategies in case of liquidity stress, establishing procedures to procure funds in the event of an emergency.

This set of strategies is of fundamental importance to attenuate liquidity risk.

The aforesaid policy defines, in terms of liquidity risk, the objectives, the processes and the intervention strategies in case of liquidity stress, the organisational structures responsible for implementing the interventions, the risk indicators, the relevant calculation method and warning thresholds, and procedures to procure the funding sources that can be used in case of emergency.

In 2024, the Bank continued to pursue a particularly prudent financial policy aimed at funding stability.

To date, the financial resources available are satisfactory for the current and forward-looking volumes of activity. The Bank is continuously active ensuring a coherent business development, always in line with the composition of its financial resources.

In particular, Banca Sistema, prudentially, has constantly maintained a high quantity of securities and readily liquid assets to cover all of the deposits and savings products

Furthermore, the Bank uses as a source of financing the ABS securities issued as part of securitisation transactions structured for the purpose of increasing and diversifying its sources of funding.

At 31 December 2024, there were three securitisation transactions in place that were structured for liquidity purposes and did not involve a transfer of risk: Quinto Sistema Sec.2017, Quinto Sistema Sec.2019 and BS IVA. The receivables assigned to the respective SPV are therefore fully recognised in the Bank's financial statements.

The Quinto Sistema Sec.2017 transaction has as its underlying, a portfolio of receivables deriving from salary- and pension-backed loan contracts and was completed in 2017 as an auto-securitisation, i.e. all the tranches issued by the special purpose vehicle were subscribed by the Bank to increase the collateral that could be used in financing transactions with the Eurosystem. The senior tranche and the mezzanine tranche are dual-rated to allow for the eligibility of the senior securities at the ECB and the use of both securities in bilateral repo transactions under the GMRA framework.

The characteristics of the securities issued by Quinto Sistema Sec. 2017 S.r.l. are summarised in the following table:

Quinto Sistema Sec. 2017	ISIN	Amount outstanding at 31.12.2024	Rating (DBRS/Moody's)	Interest Rate	Maturity
Class A (senior)	IT0005246811	145,631	AA / Aa3	0.40%	2034
Class B1 (mezzanine)	IT0005246837	50,400	AH / A2	0.50%	2034
Class B2 (sub-mezzanine)	IT0005246845	16,135	n.a.	0.50%	2034
Class C (junior)	IT0005246852	2,520	n.a.	0.50%	2034
		214,686			

In 2019, the Bank completed a second securitisation transaction with underlying receivables deriving from salary- and pension-backed loan contracts. The transaction is classified as a private transaction and provides for the subscription of 95% of the Senior tranche by an institutional investor. 5% of the senior tranche and 100% of the mezzanine and junior tranches were subscribed by the Bank. The securities issued are not rated. Despite the placement of the senior tranche, the credit risk of the underlying portfolio is not transferred and the Bank keeps the receivables on its balance sheet.

The characteristics of the securities issued by Quinto Sistema Sec. 2019 S.r.l. are summarised in the following table:

Quinto Sistema Sec. 2019	ISIN	Amount outstanding at 31.12.2024	Rating (DBRS/Moody's)	Interest Rate	Maturity
Class A (senior)	IT0005382996	149,337	Not Rated	Euribor1M+0,95%	2038
Class B (mezzanine)	IT0005383002	20,300	Not Rated	0.50%	2038
Class C (junior)	IT0005383010	35,600	Not Rated	0.50%	2038
		205,237			

In 2020, the Bank structured a new securitisation transaction to finance the purchase of VAT receivables directly by the SPV. For this purpose, the special purpose vehicle BS IVA SPV S.r.l. was established, which issued two tranches of securities, a senior and a junior tranche. As it is a private transaction, the securities are not rated. The senior security was 95% underwritten by an institutional investor, while 5% of the senior security and 100% of the junior security were underwritten by the Bank.

Even in this transaction, the credit risk remains with the Bank, which keeps the receivables on its balance sheet through the consolidation of the vehicle.

In 2024, the BS IVA transaction was renewed to allow for the entry of a new investor and to make the structure more efficient.

At 31 December 2024, the characteristics of the securities of the BS IVA SPV transaction were as follows.

BS IVA SPV	ISIN	Amount outstanding at 31.12.2024	Rating	Interest Rate	Maturity
Class A Notes (senior)	IT0005218802	82,633	n.a.	Euribor1M+0,90%	2038
Class B Notes (junior)	IT0005218810	12,704	n.a.	0.50%	2038
		95,337			

Quantitative disclosure

1. Breakdown of financial assets and liabilities by remaining contractual term

EURO

	on demand	from more than 1 day up to 7 days	from more than 7 days up to 15 days	from more than 15 days up to 1 month	from more than 1 month up to 3 months	from more than 3 months up to 6 months	from more than 6 months up to 1 year	from more than 1 year up to 5 years	More than 5 years	Open term
Assets	**1,514,040**	**8,201**	**95,560**	**82,208**	**325,635**	**253,737**	**166,130**	**1,274,577**	**620,212**	
A.1 Government securities			85,353	13,474	176,225	35,886	15,416	686,500	197,000	
A.2 Other debt instruments				624	1,257	1,881	5,783	17,868	104,736	
A.3 OEIC units	53,975	3,393	4,952	11,467	37,079	25,939	2,986	11,405		
A.4 Financing	1,460,065	4,808	5,255	56,643	111,074	190,031	141,945	558,804	318,476	
- banks	179,656			8						
- customers	1,280,409	4,808	5,255	56,635	111,074	190,031	141,945	558,804	318,476	
Liabilities	**664,237**	**752,169**	**89,290**	**173,587**	**380,985**	**363,920**	**602,590**	**1,064,287**	**93,279**	
B.1 Deposits and current accounts	517,156	61,058	89,266	173,513	244,004	351,030	588,156	964,101	90,149	
- banks	136,316						17,500			
- customers	380,840	61,058	89,266	173,513	244,004	351,030	570,656	964,101	90,149	
B.2 Debt instruments										
B.3 Other liabilities	147,081	691,111	24	74	136,981	12,890	14,434	100,186	3,130	
Off-statement of financial position transactions	**1,571,693**	**1,322,960**		**25,224**	**8,124**	**80,157**	**9,999**	**142,625**	**1,900**	
C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.3 Deposits and financing to be received	1,462,415	1,322,960						139,455		
- long positions	1,462,415									
- short positions		1,322,960						139,455		
C.4 Commitments to disburse funds	104,844			25,000	350	79,494				
- long positions				25,000	350	79,494				
- short positions	104,844									
C.5 Financial guarantees issued	4,434			224	7,774	663	9,999	3,170	1,900	
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of principal										

1. Breakdown of financial assets and liabilities by remaining contractual term

OTHER CURRENCIES

	on demand	from more than 1 day up to 7 days	from more than 7 days up to 15 days	from more than 15 days up to 1 month	from more than 1 month up to 3 months	from more than 3 months up to 6 months	from more than 6 months up to 1 year	from more than 1 year up to 5 years	More than 5 years	Open term
Assets	**826**									
A.1 Government securities										
A.2 Other debt instruments										
A.3 OEIC units										
A.4 Financing	826									
- banks	826									
- customers										
Liabilities	**801**									
B.1 Deposits and current accounts	801									
- banks										
- customers	801									
B.2 Debt instruments										
B.3 Other liabilities										
Off-statement of financial position transactions										
C.1 Financial derivatives with exchange of principal										
- posizioni lunghe										
- posizioni corte										
C.2 Financial derivatives without exchange of principal										
- posizioni lunghe										
- posizioni corte										
C.3 Deposits and financing to be received										
- posizioni lunghe										
- posizioni corte										
C.4 Commitments to disburse funds										
- posizioni lunghe										
- posizioni corte										
C.5 Financial guarantees issued										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
- posizioni lunghe										
- posizioni corte										
C.8 Credit derivatives without exchange of principal										

The positions shown relate solely to the US dollar.

1.5 Operational risks

Qualitative disclosure

Operational risk is the risk of loss arising from inadequate or non-functioning internal processes, human resources or systems, or from external events. This type of risk includes - among other things - the ensuing losses from fraud, human errors, business disruption, unavailability of systems, breach of contract, and natural catastrophes. Operational risk, therefore, refers to other types of events that, under present conditions, would not be individually relevant if not analysed jointly and quantified for the entire risk category.

A. General aspects, management processes and methods of measuring operational risk

In order to calculate the internal capital generated by the operational risk, the Group adopts the Basic Indicator Approach, which provides for the application of a regulatory coefficient (equal to 15%) to the three-year average of the relevant indicator defined in Article 316 of Regulation (EU) no. 575/2013 of 26 June 2013. The above-said indicator is given by the sum (with sign) of the following elements:

- interest and similar income;
- interest and similar expense;
- income on shares, quotas and other variable/fixed yield securities;
- income for commissions/fees;
- expense for commissions/fees;
- profit (loss) from financial transactions;
- other operating income.

Consistent with that provided for by the relevant legislation, the indicator is calculated gross of provisions and operating costs; also excluded from computation are:

- profits and losses on the sale of securities not included in the trading portfolio;
- income deriving from non-recurring or irregular items;
- income deriving from insurance.

As of 2014, the Bank measured the operational risk events via a qualitative performance indicator (IROR - Internal Risk Operational Ratio) defined within the operational risk management and control process (ORF - Operational Risk Framework). This calculation method allows a score to be defined between 1 and 5, inclusive (where 1 indicates a low risk level and 5 indicates a high risk level) for each event that generates an operational risk.

The Bank assesses and measures the level of the identified risk by also considering the controls and the mitigating actions implemented. This method requires a first assessment of the possible associated risks in terms of probability and impact (“Gross risk level") and a subsequent analysis of the existing controls (qualitative assessment on the effectiveness and efficiency of the controls) which could reduce the gross risk, based on which the specific risk levels ("Residual risk") are determined. Finally, the residual risks are mapped on a predefined scoring grid, useful for the subsequent calculation of IROR via appropriate aggregation of the scores defined for the individual operational procedure.

Moreover, the Bank assesses the operational risk associated with the introduction of new products, activities, processes and relevant systems mitigating the onset of the operational risk via a preliminary evaluation of the risk profile.

The Bank places strong emphasis on possible ICT risks. ICT (Information and Communication Technology) and security risk is the risk of incurring losses due to breach of confidentiality, lack of integrity of systems and data, inadequacy or unavailability of systems and data, or inability to replace information technology (IT) within reasonable time and cost limits in the event of a change in the requirements of the external environment or business (agility), as well as security risks arising from inadequate or incorrect internal processes or external events, including cyber-attacks or inadequate levels of physical security. In the supplemented representation of the business risks, this type of risk is considered, in accordance with the specific aspects, among operational, reputational and strategic risks.

The Bank monitors the ICT and security risks based on the continuous information flows between the departments concerned defined in its IT security policies.

In order to conduct consistent and complete analyses with respect to the activities performed by the Bank's other control departments, the results of the compliance risks audits conducted by the Compliance and Anti-Money Laundering Department were shared internally with the Internal Control, Risk Management and Sustainability Committee, as well as with the CEO. The Internal Audit Department also monitors the Bank's operations and processes to ensure they are properly carried out and assesses the overall effectiveness and efficiency of the internal control system put in place to oversee activities that are exposed to risks.

Finally, as an additional protection against operational risk, the Bank:

- provides for insurance coverage on the operational risks deriving from actions of third parties or caused to third parties. In order to select the insurance coverage, the Bank initiated specific assessment activities, with the support of a primary market broker, to identify the best offers in terms of price/conditions proposed by several insurance undertakings;
- provided for appropriate contractual riders to cover damages caused by infrastructure and service suppliers;
- has planned an update of the Business Continuity Plan;
- provides for tools to counter cyber-attacks via e-mail (phishing);

- provides for the simulation of phishing attacks to assess the ability of users to respond;
- has planned a periodic update of the IT security policy.

PART F - INFORMATION ON EQUITY

Section 1 - Equity

A. Qualitative disclosure

The objectives pursued in the Group's equity management are inspired by the prudential supervisory provisions, and are oriented towards maintaining adequate levels of capitalisation to take on risks typical to credit positions.

The income allocation policy aims to strengthen the Group's capital with special emphasis on common equity, to the prudent distribution of the operating results, and to guaranteeing a correct balance of the financial position.

B. Quantitative disclosure

B.1 Equity: breakdown

	Prudential consolidation	Insurance companies	Other companies	Consolidated adjustments	Total
1. Share capital	9,651		250	(250)	**9,651**
2. Share premium	39,100				**39,100**
3. Reserves	153,294		553	22,794	176,640
- income-related	152,245		553	23,745	176,542
a) legal	1,930				1,930
b) established under the Articles of Association					-
c) treasury shares					-
d) other	150,315		553	23,745	174,612
- other	1,049			(951)	98
4. Equity instruments	45,500				**45,500**
3.5 Interim dividends (-)					-
5. (Treasury shares)	(102)				**(102)**
6. Valuation reserves	4,102			10	4,112
- Equity instruments designated at fair value through other comprehensive income	(642)				(642)
- Hedging of equity instruments designated at fair value through other comprehensive income					-
- Financial assets (other than equity instruments) measured at fair value through other comprehensive income	(1,362)				(1,362)
- Property and equipment					-
- Intangible assets	6,483				6,483
- Hedges of foreign investments					-
- Cash flow hedges					-
- Hedging instruments (non-designated elements)					-
- Exchange rate gains (losses)					-
- Non-current assets held for sale and disposal groups					-
- Financial liabilities designated at fair value through profit or loss (changes in own credit rating)					-
- Net actuarial gains (losses) on defined benefit pension plans	(377)			10	(367)
- Shares of valuation reserves of equity-accounted investees					-
- Special revaluation laws					-
7. Profit (loss) for the year	25,969		(770)		**25,199**
Total	**277,514**		**33**	**22,554**	**300,100**

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: breakdown

	31.12.2024		31.12.2023	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities		1,362		11,634
2. Equity instruments		642		586
3. Financing				
Total		**2,004**		**12,220**

B.3 Valuation reserves for financial assets measured at fair value through other comprehensive income: changes

	Debt instruments	Equity instruments	Financing
1. Opening balance	**(11,634)**	**(586)**	
2. Increases	**15,238**	**28**	
2.1 Fair value gains	7,380		
2.2 Impairment losses due to credit risk	221	X	
2.3 Reclassifications of negative reserves to profit or loss on sale		X	
2.4 Transfers to other equity items (equity instruments)			
2.5 Other increases	7,637	28	
3. Decreases	**4,966**	**84**	
3.1 Fair value losses		84	
3.2 Impairment gains due to credit risk			
3.3 Reclassifications of positive reserves to profit or loss: on sale		X	
3.4 Transfers to other equity items (equity instruments)			
3.5 Other decreases	4,966		
4. Closing balance	**(1,362)**	**(642)**	

B.4 Valuation reserves related to defined benefit plans: changes

	31.12.2024
A. Opening balance	**(133)**
B. Increases	**93**
B.1 Actuarial gains	
B.2 Other increases	93
C. Decreases	**327**
C.1 Actuarial losses	
C.2 Other decreases	327
D. Closing balance	**(367)**
Total	**(367)**

Section 2 - Own funds and capital ratios

2.1 Own funds

A. Qualitative disclosure

Own funds, risk-weighted assets and solvency ratios as at 31 December 2024 were determined based on the provisions for Banks contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, that transpose in the European Union the standards defined by the Basel Committee on Banking Supervision (the so-called Basel 3 framework), and based on Bank of Italy Circulars no. 285 and no. 286 (enacted in 2013).

Reconciliation of Group equity and Own Funds

	31.12.2024	31.12.2023
Equity	300,100	266,716
Dividends distributed and other foreseeable expenses	-	(5,227)
Equity assuming dividends are distributed to shareholders	**300,100**	**261,489**
Regulatory adjustments	**(51,458)**	**(39,928)**
- Deduction of intangible assets	(45,124)	(32,370)
- Prudent valuation adjustment (1)	(1,547)	(742)
- Prudential filter for insufficient coverage of NPEs	(5,134)	(4,038)
- Prudential filter pursuant to art. 468	1,701	-
- Other adjustments	(1,354)	(2,778)
Equity instruments not eligible for inclusion in CET1	(45,500)	(45,500)
Eligible equity attributable to non-controlling interests	13,318	8,248
Common Equity Tier 1 (CET1)	**216,460**	**184,309**
Equity instruments eligible for inclusion in AT1	45,500	45,500
Additional Tier 1 (AT1) capital	**261,960**	**229,809**
Tier 2 Capital	396	252
Total Own Funds	**262,356**	**230,061**

(1) Regulatory filter for additional valuation adjustments (AVA) to the prudential valuation under the provisions of Regulation 2016/101

A. Quantitative disclosure

	31.12.2024
A. Common Equity Tier 1 (CET1) before application of prudential filters	258,001
of which CET 1 instruments covered by transitional measures	-
B. CET1 prudential filters (+/-)	13,318
C. CET1 including items to be deducted and the effects of the transitional regime (A+/-B)	**271,319**
D. Items to be deducted from CET1	53,158
E. Transitional regime - Impact on CET (+/-)	(1,701)
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	**216,460**
G. Additional Tier 1 (AT1) including items to be deducted and the effects of the transitional regime	45,500
of which AT1 instruments covered by transitional measures	-
H. Items to be deducted from AT1	-
I. Transitional regime - Impact on AT1 (+/-)	-
L. Total Additional Tier 1 (AT1) (G-H+/-I)	**45,500**
M. Tier 2 (T2) including items to be deducted and the effects of the transitional regime	396
of which T2 instruments covered by transitional measures	-
N. Items to be deducted from T2	-
O. Transitional regime - Impact on T2 (+/-)	-
P. Total Tier 2 (T2) (M-N+/-O)	**396**
Q. Total Own Funds (F+L+P)	**262,356**

2.2 Capital adequacy

A. Qualitative disclosure

Total own funds were €262 million at 31 December 2024 and included 100% of the profit for the year.

As at 31 December 2024, the Group had a CET1 capital ratio equal to 13.3%, a Tier 1 capital ratio equal to 16.1% and a Total capital ratio of 16.1%.

	Unweighted amounts		Weighted amounts/requirements	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
A. EXPOSURES				
A.1 Credit and counterparty risk	7,405,448	5,454,689	1,420,138	1,220,002
1. Standardised approach	7,405,448	5,454,689	1,420,138	1,220,002
2. Internal ratings based approach				
2.1 Basic				
2.2 Advanced				
3. Securitisations				
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			113,611	97,600
B.2 Credit valuation adjustment risk			42	29
B.3 Settlement risk				
B.4 Market risk			659	255
1. Standard approach			659	255
2. Internal models				
3. Concentration risk				
B.5 Operational risk			16,227	15,237
1. Standard approach			16,227	15,237
2. Internal models				
3. Concentration risk				
B.6 Other calculation elements				
B.7 Total prudential requirements			130,540	113,121
C. EXPOSURES AND CAPITAL RATIOS			**1,631,745**	**1,427,705**
C.1 Risk-weighted assets			1,631,745	1,427,705
C.2 CET1 capital/risk-weighted assets (CET1 Capital Ratio)			13.3%	12.9%
C.3 Tier 1 capital/risk-weighted assets (Tier 1 Capital Ratio)			16.1%	16.1%
C.4 Total Own Funds/risk-weighted assets (Total Capital Ratio)			16.1%	16.1%

PART G - BUSINESS COMBINATIONS

Section 1 - Transactions performed in the year

On 7 October 2024, the Banca Sistema Group, through its subsidiary Kruso Kapital S.p.A., finalised the acquisition of 100% of the share capital of the Portuguese company Pignus - Credito Economico Popular SA. The transaction became legally effective on 7 November 2024, while its accounting effect was recognised as of 31 October 2024. As the acquired company was established on 31 October 2024 through the demerger of a business unit from the seller, there is no financial impact on the Group's results prior to the acquisition date.

Key information concerning this transaction is summarised below:

Company name (1)	Transaction date (2)	Transaction cost	% held
Pignus - Credito Economico Popular	07-Nov-24	11,559	70.59%

(1) Date on which control was acquired and from which the financial results are included

(2) The consideration paid

Below is the proposed temporary allocation of the Purchase Price of Pignus - Credito Economico Popular:

Provisional allocation of consideration (€'000)	
Purchase consideration (A)	11,559
Net equity at closing (B)	(10)
Residual value to be allocated (A+B)	**11,549**
Provisional allocation to goodwill	**11,549**

The acquisition price has been provisionally allocated entirely to goodwill, as permitted by IFRS 3. The final allocation process will be completed within 12 months from the acquisition date.

Section 2 - Transactions performed after the end of the year

No transactions to report.

Section 3 - Retrospective adjustments

No transactions to report.

PART H - RELATED PARTY TRANSACTIONS

Related party transactions, including the relevant authorisation and disclosure procedures, are governed by the "Procedure governing related party transactions" approved by the Board of Directors and published on the internet site of the Parent, Banca Sistema S.p.A.

Transactions between Group companies and related parties were carried out in the interests of the Bank, including within the scope of ordinary operations; these transactions were carried out in accordance with market conditions and, in any event, on the basis of mutual financial advantage and in compliance with all procedures.

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

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

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

1. Disclosure on the remuneration of key management personnel

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

In thousands of Euro	Board of Directors	Board of Statutory Auditors	Other managers	31.12.2024
Remuneration to Board of Directors and Board of Statutory Auditors	3,130	247		3,377
Short-term benefits for employees			3,657	3,657
Post-employment benefits	169		349	518
Other long-term benefits				
Termination benefits				
Share-based payments	265		59	323
Total	**3,563**	**247**	**4,065**	**7,875**

2. Disclosure on related party transactions

The following table shows the assets, liabilities, guarantees and commitments at the end of the financial year, differentiated by type of related party with an indication of the impact on each individual caption.

In thousands of Euro	Directors, Board of Statutory Auditors and key management personnel	Other related parties	% of caption
Loans and receivables with customers	182	24,582	0.9%
Due to customers	1,981	55,992	1.4%

The following table indicates costs and income, differentiated by type of related party.

In thousands of Euro	Directors, Board of Statutory Auditors and key management personnel	Other related parties	% of caption
Interest income	1	2	0.0%
Interest expense	25	230	0.3%

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

In thousands of Euro	Amount (Thousands of Euro)	Percentage (%)
LIABILITIES	**-**	**0.0%**
Due to customers	**-**	**0.0%**
Shareholders - SGBS	14	0.0%
Shareholders - Fondazione CR Alessandria	20	0.0%
Shareholders - Fondazione Pisa	-	0.0%
Shareholders - Fondazione Sicilia	57	0.0%
Total Liabilities	**91**	**0.0%**

PART I - SHARE-BASED PAYMENT PLANS

Qualitative disclosure

As indicated in the 2024 Policies Document, Banca Sistema, having a four-year average of total assets of less than € 5 billion and not belonging to a group with assets worth more than € 30 billion, is considered to be a ''smaller and less complex bank''.

Given the provisions of the Bank of Italy Circular, which allow banks with assets of less than € 5 billion (as an average of the last four years) to neutralise the provisions relating to the disbursement of variable remuneration in financial instruments and to solely apply an "appropriate" deferral period, Banca Sistema intends to make use of this simplification and apply the abovementioned cash payment schemes for the payment of variable remuneration (without prejudice to any regulatory updates and/or the achievement of the size thresholds indicated by Circular 285). The foregoing is without prejudice to the allocation of deferred portions in shares relating to past years in accordance with the rules set out in the relevant Policies of the same years.

Therefore, the Bank shall apply the provisions relating to key personnel subject to percentages and to deferral and retention periods that may be defined in proportion to their characteristics, thereby ensuring a proportional alignment criterion also in relation to the provisions of the Corporate Governance Code, for longer deferral in the case of members of the Board of Directors and key management personnel (they are thus extended to all Key Personnel).

The particularly high variable remuneration amount provided for under the applicable regulations, aimed at increasing the deferred portion, amounts to € 456,258. The variable remuneration for "key personnel" relating to the performance of the year will be paid as follows, after the approval of the financial statements, subject to verification of compliance with the gates and the actual availability of the bonus pool, is structured according to the following methods:

- amounts equal to or lower than € 50,000 of variable remuneration, provided that this does not represent more than one third of the beneficiary's total annual remuneration: entirely up-front and in cash;
- amounts greater than € 50,000 and up to € 456,258 or where the condition referred to in the previous point is not met:
  - up-front and in cash for 70%;
  - for the remaining 30%: deferred in the first and second subsequent year, with payment according to the pro-rata criterion equal to 15%;
- for amounts greater than € 456,258:
  - up-front and in cash for 60%;
  - for the remaining 40%: deferred in the first and second subsequent year, with payment according to the pro-rata criterion equal to 20%.

Following the inspection of the Bank of Italy that started in July 2024, the Supervisory Authority has instructed that the Banca Sistema Group, until further review by the Bank of Italy, also based on the feedback that will be provided by the Bank, refrain from resolving or taking the following actions: i) the distribution of profits generated from the current 2024 financial year or other elements of equity; ii) the payment of the variable component of remuneration for the 2024 financial year and subsequent years. For the payment of coupons or dividends on Additional Tier 1 capital instruments, the limits on the Maximum Distributable Amount set by current capital conservation regulations must be observed.

Disclosure of the fees paid to the independent auditors

Pursuant to the provisions of Art. 149 duodecies of the Consob Issuers' Regulations, the information regarding the fees paid to the independent auditors BDO Italia S.p.A. and to the companies included in the same network is reported below for the following services:

1. Audit services that include:
    - The audit of the annual accounts, for the purpose of expressing an opinion thereon.
    - The audit of the interim accounts.

2. Certification services that include tasks whereby the auditor evaluates a specific element, the determination of which is performed by another party who is responsible thereof, through appropriate criteria, in order to express a conclusion that provides the recipient party with a degree of confidence concerning said specific element.

3. Tax advisory services.

4. Other services.

The fees presented in the table, pertaining to 2024, are those contracted, without index-linking (and excluding out-of-pocket expenses, any supervisory contribution and VAT).

Type of services	Entity providing the service	Entity receiving the service	Remuneration
Audit	BDO Italy	Banca Sistema	231
Other certifications	BDO Italy	Banca Sistema	34
Audit	BDO Italy	LASS	13
Audit	BDO Italy	QS 2017	24
Audit	BDO Italy	Kruso Kapital	64
Other certifications	Network BDO	Kruso Kapital	20
Audit	Network BDO	Kruso Kapital - Greece	8
Audit	Network BDO	CEP	8
Total			**402**

PART L - SEGMENT REPORTING

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

Breakdown by segment

Income statement (€,000)	**Factoring Division**	**Retail Division**	**Collateralised Lending Division**	**Corporate Centre**	**Group Total**
Net interest income adjusted	83,078	(10,578)	10,429	5	82,934
Net fee and commission income (expense)	12,919	(484)	14,269	18	26,722
Dividends and similar income	**171**	**56**	**-**	**-**	**227**
Net trading income (expense)	1,033	336	-	-	1,370
Gain from sales or repurchases of financial assets/liabilities	**7,490**	**2,488**	**-**	**-**	**9,978**
Total income	**104,691**	**(8,181)**	**24,698**	**23**	**121,231**
Net impairment losses on loans and receivables	(1,123)	80	(89)	(102)	(1,234)
Net financial income (expense)	**103,569**	**(8,101)**	**24,609**	**(79)**	**119,997**

Statement of Financial Position (€,000)	**Factoring Division**	**Retail Division**	**Collateralised Lending Division**	**Corporate Centre**	**Group Total**
Cash and cash equivalents	70,485	22,952	-	-	93,437
Financial assets (HTS and HTCS)	865,400	281,797	-	-	1,147,197
Loans and receivables with banks	**17,365**	**5,659**	**-**	**-**	**23,024**
Loans and receivables with customers	1,975,267	730,915	143,845	-	2,850,027
loans and receivables with customers - loans	1,837,149	715,917	143,845	-	2,696,910
loans and receivables with customers - debt instruments	138,118	14,998	-	-	153,116
Due to banks	-	-	-	127,257	127,257
Due to customers	34,470	-	-	3,726,925	3,761,395

This segment reporting includes the following divisions:

- Factoring Division, which includes the business segment related to the origination of trade and tax receivables with and without recourse and the management and recovery of default interest. In addition, the division includes the business segment related to the origination of state-guaranteed loans to SMEs disbursed to factoring customers and the management and recovery of receivables on behalf of third parties;

- Retail Financing Division, which includes the business segment related to the purchase of salary- and pension-backed loans (CQS/CQP) portfolios and salary- and pension-backed loans disbursed through the direct channel;
- Collateralised Lending Division, which includes the business segment related to collateral-backed loans;
- Corporate Division, which includes activities related to the management of the Group's financial resources and costs/income in support of the business activities. In particular, the cost of funding managed in the central treasury pool is allocated to the divisions via an internal transfer rate ("ITR"), while income from the management of the securities portfolio and income from liquidity management (the result of asset and liability management activities) is allocated entirely to the business divisions through a pre-defined set of drivers. The division also includes income from the management of SME loan run-offs.

The secondary disclosure by geographical segment has been omitted as immaterial.

PART M - LEASE DISCLOSURE

SECTION 1 - LESSEE

Qualitative disclosures

The Group has contracts that fall within the scope of IFRS 16 attributable to the following categories:

1. Property used for business and personal purposes;

2. Cars.

At 31 December 2024, there were 76 leases, 33 of which were property leases for a total right of use value of € 5.4 million, while 43 were for cars, for a total right of use value of € 0.8 million. Property leases, which refer to lease payments for buildings used for business purposes such as offices and for personal use, have terms exceeding 12 months and typically have renewal and termination options that may be exercised by the lessor and the lessee as provided for by law.

Contracts referring to other leases are long-term leases for cars which are generally used exclusively by the employees to whom they are assigned. These contracts have a maximum term of 5 years with monthly lease payments, no renewal option, and no option to purchase the asset.

Contracts with a term of less than 12 months or those for which the replacement value of the individual leased asset is low, i.e. less than € 20 thousand, are excluded from the application of the standard.

Quantitative disclosures

The following table provides a summary of the Statement of Financial Position items relating to leases expressed in Euro; for further information, please refer to Part B of the notes to the financial statements:

Type of contract	Right of use (*)	Lease liabilities
Property lease payments	5,397	3,997
Long-term car lease	813	833
Total	**6,210**	**4,830**

(*) This is the right of use value net of accumulated depreciation

The following table provides a summary of the Income Statement items relating to leases; for further information, please refer to Part B of the notes to the financial statements:

Type of contract	Right of use (*)	Lease liabilities
Property lease payments	51	1,073
Long-term car lease	11	333
Total	**63**	**1,406**

SECTION 2 - LESSOR

Qualitative disclosures

At the reporting date, the Bank does not engage in leases as a lessor.

STATEMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

Statements on the consolidated financial statements in accordance with article 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended and supplemented

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

- the suitability as regards the characteristics of the bank and
- the effective application of the administrative and accounting procedures for the drafting of the consolidated financial statements during 2024.

2. Reference model

The suitability of the administrative and accounting procedures for the drafting of the consolidated financial statements at 31 December 2024 was assessed based on an internal model defined by Banca Sistema S.p.A. that was designed in a manner consistent with the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Control Objectives for IT and Related Technology (COBIT) framework, which represent the reference standards for the internal control system generally accepted on an international level.

3. Moreover, the undersigned hereby state that:

3.1 the consolidated financial statements:

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

b) match the accounting books and records;

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

3.2 The Directors’ Report includes a reliable analysis of business performance and results, as well as of the position of the issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Milan, 21 March 2025

Gianluca Garbi
Chief Executive Officer

Alexander Muz
Manager in charge
of financial reporting

Alexander

INDEPENDENT AUDITORS’ REPORT

Banca Sistema S.p.A.

Independent auditor's report pursuant to article 14 of Legislative Decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014

Consolidated financial statements as at December 31, 2024

As disclosed by the Directors, the accompanying consolidated financial statements of Banca Sistema Group constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into English solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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Viale Abruzzi, 94
20131 Milano

Independent auditor's Report
pursuant to article 14 of Legislative Decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014

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

Report on the audit of consolidated financial statements

Opinion

We have audited the consolidated financial statements of Banca Sistema Group (the "Group"), which comprise the statement of financial position as at December 31, 2024, the income statement, the statement of comprehensive income, the statement of changes in net equity and the statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material information on the accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2024, and of its financial performance and its cash flows for the year then ended in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board and endorsed by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree no. 38/05 and of art. 43 of Legislative Decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditor's responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Banca Sistema S.p.A. (the "parent") in accordance with the ethical and independence requirements applicable in Italy to audits of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters

CLASSIFICATION AND MEASUREMENT OF LOANS AND RECEIVABLES WITH CUSTOMERS BOOKED UNDER THE FINANCIAL ASSETS MEASURED AT AMORTISED COST

Notes to the consolidated financial statements: Part A) Accounting policies – paragraph A.2, "Information on the main items of the consolidated financial statements": "Financial assets measured at amortised cost"; Part B) Information on the statement of financial position, Assets – Section 4 "Financial assets measured at amortised cost"; Part C) Information on the income statement – Section 8.1 "Net impairment losses due to credit risk related to financial assets measured at amortised cost: breakdown"; Part E) Information concerning risk and related hedging policies.

Loans and receivables with customers, which are booked under the financial assets measured at amortised cost as of December 31, 2024, are equal to Euro 2,850 million and represent the 61% of the Group's total assets.

The acquisition by the bank of non-impaired loans claimed by companies supplying goods and services, mainly towards the public administration (the "factoring credits") and origination of credits relating to the sector of the transfers of salary or pension backed loans (the "CQS/CQP credits") represents the bank's main activities.

Factoring receivables and CQS/CQP credits as of December 31, 2024, are equal to, respectively, Euro 1,569 million and Euro 701 million.

For classification purposes, the directors of the bank carry out analyses, sometimes complex, aimed at identifying the positions which, after the disbursement and / or acquisition, show evidence of a possible impairment, considering both internal information related to the trend credit positions, and external information related to the sector of reference or to the overall exposure of such debtors to the banking system.

The evaluation of loans and receivables with customers is a complex estimation activity, characterized by a high degree of uncertainty and subjectivity, in which the bank's directors use evaluation models that take into consideration numerous quantitative and qualitative elements such as, among others, historical data relating to collections, expected cash flows and related recovery times, the existence of indicators of possible impairment, the assessment of any guarantee, the impact of macroeconomic

Audit procedures addressing the key audit matters

Our main audit procedures carried out in response to the key audit matter relating to the classification and measurement of loans and receivables with customers, also carried out with the support of our external experts, concerned the following activities:

- analysis of the procedures and processes related to the item and verification of the effectiveness of controls to monitor these procedures and processes;
- analysis of the adequacy of the IT environment related to IT applications that are relevant to the process of evaluating loans to banks and customers;
- procedures for reconciling data between management systems and information reported in the financial statements;
- comparative analysis procedures and analysis of the results with the management involved;
- analysis of the criteria and methods for the evaluation of credits (analytical and collective) and verification on a sample basis of the reasonableness of the assumptions and of the components used for the assessment and the relative results;
- examination on a sample basis of the classification and valuation in the financial statements in accordance with the IFRS adopted by the European Union and the provisions issued pursuant to Article 43 of Legislative Decree 136/2015;
- examination of the disclosures provided in the explanatory notes.

variables, future scenarios and risks of the sectors in which the Group customers operate.

For these reasons, we have considered the classification and evaluation of loans and receivables with customers booked under financial assets valued at amortized cost, a significant key matter in the context of our audit.

ACCOUNTING OF DEFAULT INTERESTS PURSUANT AND COMPENSATION FEES FOR RECOVERY EXPENSES TO LEGISLATIVE DECREE NO. 231 OF 9 OCTOBER 2002 ON PERFORMING RECEIVABLES ACQUIRED WITHOUT RECOURSE

Notes to the consolidated financial statements: Part A) Accounting policies – paragraph A.2., "Information on the main items of the consolidated financial statements"; Part C) Information on the income statement – Section 1 "interest – item 10 and 20"; Part E) Information concerning risk and related hedging policies

The bank's directors account for accrued default interest pursuant and, beginning in 2023, compensation fees for recovery expenses to legislative decree no. 231 of 9 October 2002 on performing receivables acquired without recourse.

The credits recognized on an accrual basis and compensation fees for recovery expenses reported in the consolidated balance sheet as at December 31, 2024 amount to Euro 92 million. The default interests recognized on an accrual basis as at December 31, 2024, equals to Euro 31.4 million. This amount includes Euro 11.1 million recognized on an accrual basis from current estimates, Euro 5.5 million due to the update on the recovery estimates and expected collection times, Euro 13.4 million which is the positive difference between the amount collected during the period and Euro 1.4 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 default interests and compensation fees for recovery expenses deemed recoverable by the directors of the bank is estimated by using models based on the analysis of the time series concerning the recovery percentages and actual collection times observed internally.

These analyses are periodically updated following the progressive consolidation of the time series.

The aforementioned estimate, characterized by a high degree of uncertainty and subjectivity, is

The main audit procedures carried out in response to the key audit matter relating to the detection of default interest pursuant to legislative decree no. 231 of 9 october 2002 on performing receivables acquired without recourse, also carried out with the support of specialists, concerned the following activities:

- analysis of the procedures and processes related to the item;
- analysis of the adequacy of the IT environment related to IT applications that are relevant to the process of detection of default interest;
- procedures for reconciling data between management systems and information reported in the financial statements;
- comparative analysis procedures and analysis of the results with the management involved;
- analysis of the models used to estimate default interest and examination of the reasonableness of the main assumptions contained in them;
- analysis of the adequacy of the information provided in the explanatory notes.

made on the basis of models that take into account numerous quantitative and qualitative elements such as, among others, the historical data relating to collections, expected cash flows, the relative times collection costs and the impact of the risks associated with the geographical areas in which the bank's customers operate.

For these reasons, we have considered the detection of default interest pursuant and compensation fees for recovery expenses to legislative decree no. 231 of 9 October 2002 on performing receivables acquired without recourse a significant key matter in the context of our audit.

VALUATION OF GOODWILL

Notes to the consolidated financial statements: Part A) Accounting policies – paragraph A.2., "Information on the main items of the consolidated financial statements": "Intangible assets"; Part B) Information on the statement of financial position – Section 10 "Intangible assets"

In the consolidated financial statements as at 31 December 2024, among the intangibles, the Group recorded a goodwill of Euro 45.1 million. As required by the IAS36 "Impairment of assets", goodwill is not a depreciable asset and, as such, it undergoes annually - at least - an "Impairment test". The test compares the carrying value with the recoverable value of each CGU -which are represented by their value in use.

The impairment test performed by the Holding Company according to methodologies commonly used in valuation practice, has highlighted an overestimate of the "value in use" of the CGU if compared to its net accounting value, confirming the recoverability of the goodwill accounted for in the consolidated financial statements.

We focused on this area due to the significance of its amount and the significant judgement and complexity of the evaluation process; the recoverable amount of goodwill is based on the realisation of the assumptions of the strategic plan, discount rates and expected future growth rates and other subjective assumptions.

Our main audit procedures performed in response to the key audit matter regarding the valuation of goodwill, also carried out with the support of specialists, included the following:

- we challenged the reasonableness of the key underlying assumptions of the plan;
- we assessed and challenged the adequacy of the impairment model adopted;
- we assessed the main key underlying assumptions for the impairment model, in particular the ones related to cash flow projections, discount rates, long term growth rates.
- we verified the clerical accuracy of the impairment model adopted.
- we performed sensitivity analysis of the control model of impairment when key assumptions change;
- we verified the disclosures provided in the explanatory notes.

Responsibilities of the directors and the board of statutory auditors of Banca Sistema S.p.A. for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board and endorsed by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree no. 38/05 and of art. 43 of Legislative Decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, within the terms established by the Italian law, the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercised professional judgment and maintain professional skepticism throughout the audit. We also have:

- identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We have communicated with those charged with governance, as properly identified in accordance with ISA Italia, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have also provided those charged with governance with a statement that we have complied with ethical and independence requirements applicable in Italy, and we have communicated all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described those matters in our auditor's report.

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

On April 18, 2019, the Shareholders' meeting of Banca Sistema S.p.A. appointed us to perform the statutory audit of its separate and consolidated financial statements for the years ending from December 31, 2019 to December 31, 2027.

We declare that we did not provide prohibited non-audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the bank in conducting the audit.

We confirm that the opinion on the consolidated financial statements of Banca Sistema Group included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of Regulation (EU) 537/2014, submitted to Those charged with governance.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Delegated Regulation (EU) 2019/815

The directors of Banca Sistema S.p.A. are responsible for the application of the provisions of Delegated Regulation (EU) 2019/815 of European Commission regarding the regulatory technical standards pertaining the electronic reporting format specifications (ESEF – European Single Electronic Format) (hereinafter the "Delegated Regulation") to the consolidated financial statements at December 31, 2024, to be included in the annual financial report.

We have performed the procedures required under Auditing Standard (SA Italia) no. 700B in order to express an opinion on the compliance of the consolidated financial statements as at December 31, 2024 with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2024 have been prepared in XHTML format and have been marked-up, in all material respects, in compliance with the provisions of Delegated Regulation.

Opinion and statement pursuant to article 14, paragraph 2, letters e), e-bis) and e-ter), of Legislative Decree no. 39/10 and article 123-bis, paragraph 4, of Legislative Decree no. 58/98

The directors of Banca Sistema S.p.A. are responsible for the preparation of a directors' report on operations and a report on corporate governance and ownership structure at December 31, 2024, including their consistency with the related consolidated financial statements and their compliance with the applicable laws.

We have performed the procedures required under Auditing Standard (SA Italia) no. 720B in order to:

- express an opinion on the consistency of the report on operations and certain specific information presented in the report on corporate governance and ownership structure required by article 123-bis, paragraph 4, of Legislative Decree no. 58/98 with the consolidated financial statements;
- express an opinion on the compliance of the report on operations and certain specific information presented in the report on corporate governance and ownership structure required by article 123-bis, paragraph 4, of Legislative Decree no. 58/98 with the applicable law;
- issue a statement of any material misstatements in the report on operations and certain specific information presented in the report on corporate governance and ownership structure required by article 123-bis, paragraph 4, of Legislative Decree no. 58/98.

In our opinion, the report on operations and the specific information presented in the report on corporate governance and ownership structure required by article 123-bis, paragraph 4, of Legislative Decree no. 58/98 are consistent with the Group's consolidated financial statements at December 31, 2024.

Moreover, in our opinion, the report on operations and the specific information presented in the report on corporate governance and ownership structure required by article 123-bis paragraph 4 of Legislative Decree no. 58/98 have been prepared in compliance with the applicable law.

With reference to the statement pursuant to Article 14, paragraph 2, letter e-ter), of Legislative Decree no. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, March 28, 2025

BDO Italia S.p.A.
Signed in the original by

Andrea Mezzadra
Partner

As disclosed by the Directors, the accompanying consolidated financial statements of Banca Sistema Group constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into English solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

BANCA SISTEMA

DRAFT SEPARATE FINANCIAL STATEMENTS

AT 31 DECEMBER 2024

DIRECTORS' REPORT AT 31 DECEMBER 2024

INTRODUCTION TO THE DIRECTORS’ REPORT OF BANCA SISTEMA S.P.A.

This Directors' Report provides commentary on the Parent's performance and the related figures and results.

For other information required by the applicable legal and regulatory provisions, please see the Directors' Report in the Banca Sistema Group's consolidated financial statements as regards the following:

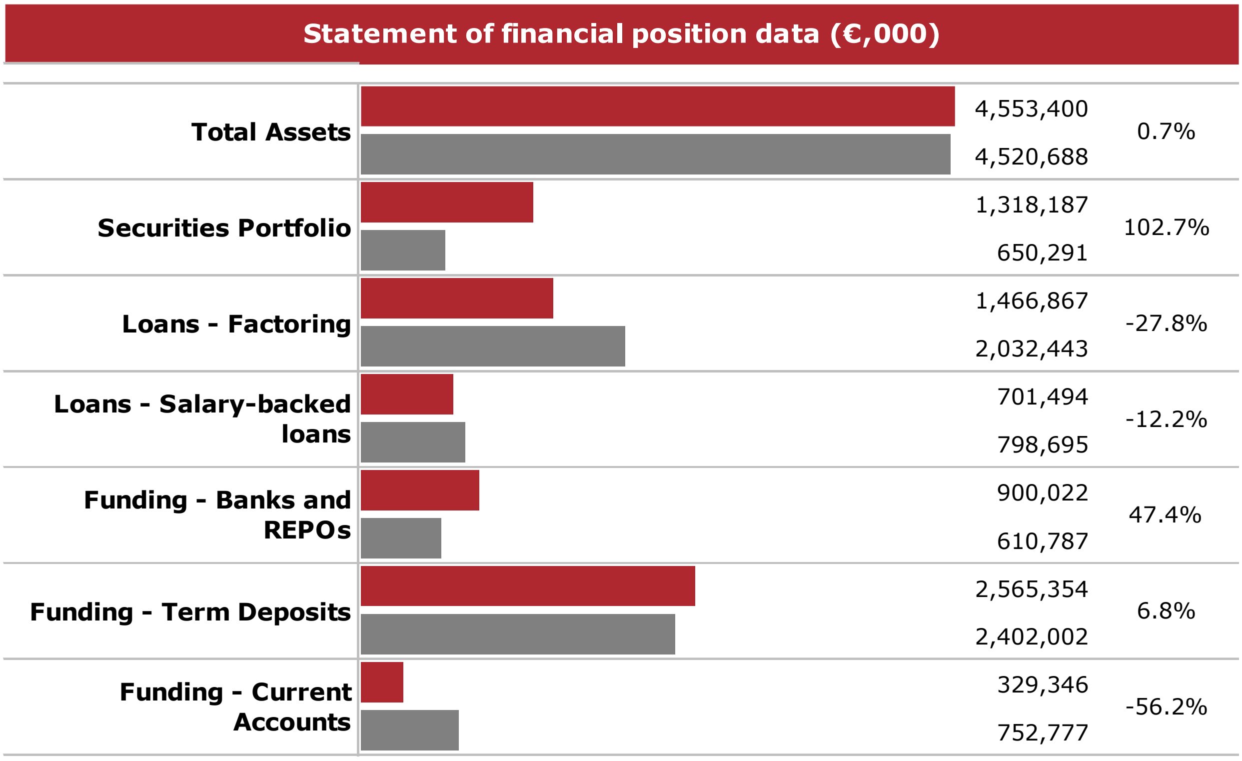
- composition of management bodies
- composition of the internal committees
- significant events during the year
- the macroeconomic scenario
- factoring
- salary- and pension-backed loans
- funding activities
- composition and organisational structure of the Group
- capital and shares
- risk management and support control methods
- significant events after the reporting date
- business outlook and main risks and uncertainties.

With respect to the notes to the separate financial statements, the sections where reference is made to the consolidated financial statements are provided below:

Referring section of the separate financial statements	**Section of the consolidated financial statements to which reference is made**
Part B Section 9 – Intangible assets – Item 90 Narrative section	Part B Section 10 – Intangible assets – Item 100 Narrative section
Part E Section 1 - Credit risk Qualitative disclosure	Part E Section 2 - Prudential consolidation risks, 1.1 Credit risk Qualitative disclosure
Part E Section 2 - Market risk 2.1- Interest rate risk and price risk - regulatory trading book Qualitative disclosure	Part E 1.2 Market risk 1.2.1- Interest rate risk and price risk - regulatory trading book Qualitative disclosure
Part E Section 2 - Market risk 2.2 Interest rate risk and price risk - Banking book Qualitative disclosure	Part E 1.2 Market risk 1.2.2 Interest rate risk and price risk - Banking book Qualitative disclosure
Part E Section 2 - Market risk 2.3 Currency risk Qualitative disclosure	Part E 1.2 Market risk 1.2.3 Currency risk Qualitative disclosure
Part E Section 4 - Liquidity risk Qualitative disclosure	Part E 1.4 Liquidity risk Qualitative disclosure
Part E Section 5 - Operational risks Qualitative disclosure	Part E 1.4 Operational risks Qualitative disclosure

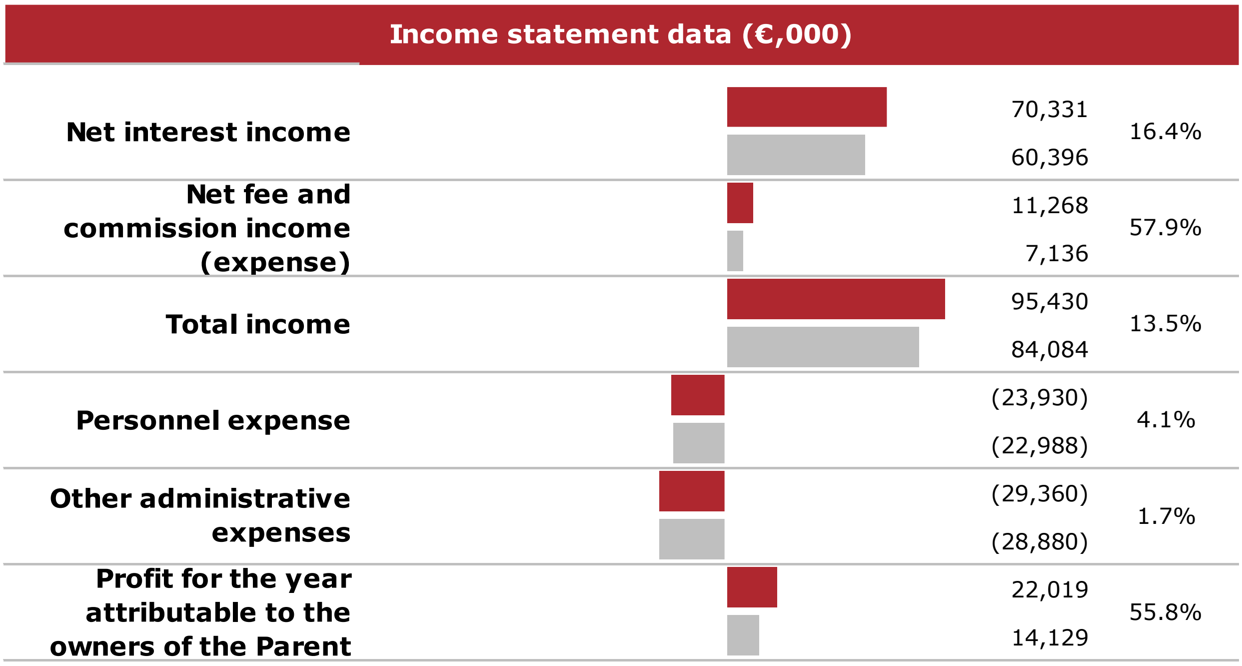
FINANCIAL HIGHLIGHTS AT 31 DECEMBER 2024

🟥 **31-Dec-24** ⬛ **31-Dec-23**



Statement of financial position data (€,000)

Total Assets	4,553,400	4,520,688	0.7%
Securities Portfolio	1,318,187	650,291	102.7%
Loans - Factoring	1,466,867	2,032,443	-27.8%
Loans - Salary-backed loans	701,494	798,695	-12.2%
Funding - Banks and REPOs	900,022	610,787	47.4%
Funding - Term Deposits	2,565,354	2,402,002	6.8%
Funding - Current Accounts	329,346	752,777	-56.2%



Income statement data (€,000)

Net interest income	70,331	60,396	16.4%
Net fee and commission income (expense)	11,268	7,136	57.9%
Total income	95,430	84,084	13.5%
Personnel expense	(23,930)	(22,988)	4.1%
Other administrative expenses	(29,360)	(28,880)	1.7%
Profit for the year attributable to the owners of the Parent	22,019	14,129	55.8%

HUMAN RESOURCES

As at 31 December 2024, the Bank had staff of 214, broken down by category as follows:

FTES	31.12.2024	31.12.2023
Senior managers	24	23
Middle managers (QD3 and QD4)	53	53
Other personnel	137	132
Total	**214**	**208**

At 31 December 2024, 25 people were recruited and hired to support business expansion, fill staff vacancies or to replace long-term absentee workers, mainly for activities in the Factoring Division and the Corporate Centre. The voluntary turnover rate for 2024 was 6.27%. During the year, 3 positions were filled through internal job postings, a tool available via the intranet that prioritises employees' independent applications for development and career growth opportunities as they arise.

To enhance the speed and efficiency of the recruitment process and increase employee engagement, the Job Referral programme was also introduced. This initiative allows employees to refer external candidates for vacancies they consider potentially suitable. The programme also includes a financial incentive for employees in cases where an external candidate they referred is successfully hired.

Additionally, the Bank has fully implemented an artificial intelligence tool developed by a qualified external partner. This tool assesses candidates' soft skills and aptitudes through the analysis of short video recordings submitted by applicants. This innovation makes it possible to integrate corporate evaluations with external, objective elements in the final candidate selection process, minimising potential biases in recruitment.

The onboarding process has been revised and enhanced with all necessary information to facilitate the integration of new hires. It has also been digitalised via a dedicated section on the corporate intranet.

In terms of skills development, the Bank has established partnerships with leading international providers to offer comprehensive and up-to-date digital and on-demand learning resources, particularly for foreign language training. Coaching programmes for newly appointed managers have also been launched.

The Bank delivered training programmes conducted by both internal and external trainers, with a focus on technical and professional training in areas such as anti-money laundering (AML), MiFID II, and cybersecurity. It also planned and facilitated team-building activities, including off-site events, to promote collaboration and professional development.

The Bank 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 2024 to compensate for the increased transport and meal costs they incur over time.

During the year, a digital medical, psychological, and nutritional support service was introduced, providing qualified assistance to executives, employees of all levels, and their families. This service is accessible 24/7 from any location via app and web platforms.

The average age of Banca Sistema S.p.A. Bank employees is 45.2 for men and 42.8 for women. The breakdown by gender is essentially balanced with men accounting for 50.5% of the total.

INCOME STATEMENT RESULTS

Income statement (€,000)	2024	2023	Change	%
Net interest income	37,477	57,188	(19,711)	-34.5%
Net trading income from Superbonus (1)	32,854	3,208	29,646	>100%
Net interest income adjusted	**70,331**	**60,396**	**9,935**	**16.4%**
Net fee and commission income (expense)	11,268	7,136	4,132	57.9%
Dividends and similar income	227	227	-	0.0%
Net trading income (expense)	1,370	(436)	1,806	<100%
Net hedging result	9,983	13,925	(3,942)	-28.3%
Gain from sales or repurchases of financial assets/lia	2,251	2,836	(585)	-20.6%
Total income	**95,430**	**84,084**	**11,346**	**13.5%**
Net impairment losses on loans and receivables	(198)	(4,512)	4,314	-95.6%
Gains/losses from contract amendments without dere	(102)	(1)	(101)	>100%
Net financial income (expense)	**95,130**	**79,571**	**15,559**	**19.6%**
Personnel expense	(23,930)	(22,988)	(942)	4.1%
Other administrative expenses	(29,360)	(28,880)	(480)	1.7%
Net accruals to provisions for risks and charges	(3,425)	(3,171)	(254)	8.0%
Net impairment losses on property and equipment/ir	(1,616)	(1,722)	106	-6.2%
Other operating income (expense)	(2,555)	(1,921)	(634)	33.0%
Operating costs	**(60,886)**	**(58,682)**	**(2,204)**	**3.8%**
Pre-tax profit from continuing operations	**34,244**	**20,889**	**13,355**	**63.9%**
Income taxes for the year	(12,225)	(6,760)	(5,465)	80.8%
Profit for the year	**22,019**	**14,129**	**7,890**	**55.8%**

The 2024 financial year ended with a profit of € 22 million, up 55.8% compared to the previous year.

Total income rose sharply of € 11.3 million (+13.5% compared to 31 December 2023), mainly due to the contribution of the Factoring Division with its trading activity on Superbonus.

Operating costs increased by 3.8%, with a lower growth rate than Total income. The result includes the release of € 8 million of value adjustments as the assumptions made in the past in relation to possible settlement agreements with the Extraordinary Liquidation Body of a failing municipality no longer apply, as well as several estimates of the probability of recovery of the same loan following the aforementioned judgment of the European Court of Human Rights.

Net interest income (€,000)	**2024**	**2023**	**Change**	**%**
Interest and similar income				
Loans and receivables portfolios	139,905	128,962	10,943	8.5%
Factoring	102,168	91,320	10,848	11.9%
CQ	18,049	21,931	(3,882)	-17.7%
Government-backed loans to SMEs	19,688	15,711	3,977	25.3%
Securities portfolio	25,391	27,646	(2,255)	-8.2%
Other	16,381	9,607	6,774	70.5%
Financial liabilities	-	-	-	n.a.
Total interest income	**181,677**	**166,215**	**15,462**	**9.3%**
Interest and similar expense				
Due to banks	(14,563)	(20,068)	5,505	-27.4%
Due to customers	(123,984)	(83,469)	(40,515)	48.5%
Securities issued	(5,653)	(5,490)	(163)	3.0%
Total interest expense	**(144,200)**	**(109,027)**	**(35,173)**	**32.3%**
Net interest income	**37,477**	**57,188**	**(19,711)**	**-34.5%**
Net trading income from Superbonus (1)	32,854	3,208	29,646	>100%
Net interest income adjusted	**70,331**	**60,396**	**9,935**	**16.4%**

Interest income showed solid growth compared to the previous year, reflecting the good performance of the Factoring Division (which includes income from "factoring" and " Government-backed loans to SMEs"), which more than offset the increase in the cost of funding allocated to the Division. Interest expense, on the other hand, increased as expected as a result of the repeated increases in market interest rates since 2023 and the increase in the absolute value of funding; the Bank's average cost of funding is still below the ECB rate.

The total contribution of the Factoring Division to interest income was € 130 million, to which the commission component associated with the factoring business, the revenue generated by the assignment of some receivables from the factoring portfolio and the income component from Superbonus receivables purchased for trading purposes need to be added (revenues from Ecobonus receivables settled through offsetting in 2023 have been reclassified under Other interest income to ensure consistency with 2024.)

The component owed for late payments pursuant to Legislative Decree 231/02 (consisting of default interest and compensation) legally enforced at 31 December 2024 amounted to € 31.4 million (€ 36.5 million at 31 December 2023):

- of which € 11.1 million resulting from the current recovery estimates (€ 18.7 million at 31 December 2023);
- of which € 5.5 million resulting from the updated recovery estimates and expected collection times (€ 1.2 million at 31 December 2023). At 31

December 2023, € 6.4 million were recorded as a result of the increases in benchmark rates (ECB);

- of which €13.4 million (€ 6.5 million at 31 December 2023) which is the difference between the amount collected during the period, equal to € 21.4 million (€ 10.8 million at 31 December 2023) and that recognised on an accrual basis in previous years;
- of which €1.4 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 (€ 3.7 million at 31 December 2023).

The amount of the stock of interest pursuant to Legislative Decree 231/02 at 31 December 2024, relevant for the allocation model, was € 149 million (€ 137 million at the end of 2023), which becomes € 252 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 € 92 million. Therefore, the amount of interest pursuant to Legislative Decree No. 231/02 accrued and not yet recognised in the income statement is € 160 million, of which € 44 million is guaranteed by the State following the Strasbourg judgment and approximately € 19 million is the result of appeals already lodged by the Bank with the European Court of Human Rights, whose proceedings are at an advanced stage, having already received the requests for amicable settlement.

The contribution from interest from the salary- and pension-backed portfolios amounted to € 18 million, down from 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 interest component from government-backed loans also had a positive and significant impact.

The lower contribution from the securities portfolio compared to the previous year is related to the lower holdings in the securities portfolios.

Other interest income includes the use of overnight deposits with the ECB, which rose due to the increase in unused liquidity and the increase in the remuneration rate.

The increase in interest expense is entirely due to the rise in market interest rates following the ECB rate hikes.

The Superbonus trading income of € 32.9 million is generated from the trading of these loans and the valuation of these loans at fair value.

Net fee and commission income (€,000)	2024	2023	Change	%
Fee and commission income				
Factoring activities	17,343	11,895	5,448	45.8%
Fee and commission income - off-premises CQ	9,883	9,751	132	1.4%
Collection activities	2,952	1,351	1,601	>100%
Other fee and commission income	771	913	(142)	-15.6%
Total fee and commission income	**30,949**	**23,910**	**7,039**	**29.4%**
Fee and commission expense				
Factoring portfolio placement	(1,418)	(1,333)	(85)	6.4%
Placement of other financial products	(6,489)	(4,143)	(2,346)	56.6%
Fees - off-premises CQ	(9,423)	(9,299)	(124)	1.3%
Other fee and commission expense	(2,351)	(1,999)	(352)	17.6%
Total fee and commission expense	**(19,681)**	**(16,774)**	**(2,907)**	**17.3%**
Net fee and commission income	**11,268**	**7,136**	**4,132**	**57.9%**

Net fee and commission income (expense), amounting to € 11.3 million, increased by 57.9%, 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.

Fees and commissions from collection activities include both revenues from the traditional service of reconciling third-party invoice receipts with the Public Administration amounting to € 1.1 million (-15.2% YoY) and revenues from the recent development of the Master/Corporate Servicer business for third-party securitisations amounting to € 1.8 million.

Fee and commission income - off-premises CQ refers to both the commissions on the salary- and pension-backed loan (CQ) origination business and the placement of third-party products totalling € 9.9 million, which should be considered together with the item Fees - off-premises CQ, amounting to € 9.4 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.

Trading results (€ .000)	**31.12.2024**	**31.12.2023**	**Delta €**	**Delta %**
Gains from tradind of financial instruments	1,370	(436)	1,806	<100%
Gains from trading of Superbonus 110	32,854	-	32,854	n.a.
Totale	**34,224**	**(436)**	**34,660**	**<100%**

The item includes the income from trading Italian government bonds.

Gain (loss) from sales or repurchases (€,000)	**2024**	**2023**	**Change**	**%**
Gains from HTCS portfolio debt instruments	3,706	1,318	2,388	>100%
Gains from HTC portfolio debt instruments	(96)	7,916	(8,012)	<100%
Gains from financial liabilities	-	-	-	n.a.
Gains from receivables (Factoring portfolio)	4,771	2,141	2,630	>100%
Gains from receivables (CQ portfolio)	1,602	2,550	(948)	-37.2%
Total	**9,983**	**13,925**	**(3,942)**	**-28.3%**

The item Gain (loss) from sales or repurchases includes, in addition to net realised gains on the securities portfolio, gains from the sale of factoring and CQ receivables.

Impairment losses on loans and receivables at 31 December 2024 amounted to € 1.1 million (€ 4.6 million at 31 December 2023). The loss rate rose to 0.03% at 31 December 2024 from 0.18% recorded in 2023; excluding the aforementioned impairment gain, the loss rate stands at 0.30%.

Personnel expense (€,000)	**2024**	**2023**	**Change**	**%**
Wages and salaries	(18,532)	(17,905)	(627)	3.5%
Social security contributions and other costs	(3,905)	(3,705)	(200)	5.4%
Directors' and statutory auditors' remuneration	(1,493)	(1,378)	(115)	8.3%
Total	**(23,930)**	**(22,988)**	**(942)**	**4.1%**

The increase in Personnel expense compared to the previous year is attributable to the rise in the fixed salary component due to the revision of the banking contract applied to most employees, as well as to the increase in headcount, with the average number of employees rising from 206 to 212. Based on the provisions of the Supervisory Body and the discussions held with it, the only allocation of the variable component set aside until 30 September 2024 was maintained.

Other administrative expenses (€,000)	2024	2023	€ Change	% Change
Consultancy	(7,556)	(6,466)	(1,090)	16.9%
IT expenses	(6,786)	(6,465)	(321)	5.0%
Servicing and collection activities	(1,867)	(1,972)	105	-5.3%
Indirect taxes and duties	(3,363)	(2,812)	(551)	19.6%
Insurance	(2,148)	(896)	(1,252)	139.7%
Other	(835)	(899)	64	-7.1%
Expenses related to management of the SPVs	(327)	(341)	14	-4.1%
Outsourcing and consultancy expenses	(495)	(363)	(132)	36.4%
Car hire and related fees	(707)	(631)	(76)	12.0%
Advertising and communications	(655)	(1,838)	1,183	-64.4%
Expenses related to property management and log	(1,789)	(1,991)	202	-10.1%
Personnel-related expenses	(35)	(41)	6	-14.6%
Entertainment and expense reimbursement	(648)	(536)	(112)	20.9%
Infoprovider expenses	(974)	(871)	(103)	11.8%
Membership fees	(349)	(328)	(21)	6.4%
Audit fees	(334)	(301)	(33)	11.0%
Telephone and postage expenses	(435)	(514)	79	-15.4%
Stationery and printing	(58)	(49)	(9)	18.4%
Total operating expenses	**(29,361)**	**(27,314)**	**(2,047)**	**7.5%**
Resolution Fund	-	(1,568)	1,568	-100.0%
Total	**(29,361)**	**(28,882)**	**(479)**	**1.7%**

Administrative expenses increased by 7.5% compared to the previous year, excluding the contribution to the Resolution Fund, which was not requested in 2024 due to the achievement of pre-established system targets.

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

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.

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

The increase in the cost of insurance premiums is due to the increased use of policies to mitigate the risk of assets in the corporate factoring portfolio.

Net impairment losses on property and equipment/ intangible assets (€,000)	2024	2023	€ Change	% Change
Depreciation of buildings used for operations	-	-	-	n.a.
Depreciation of furniture and equipment	(75)	(86)	11	-12.8%
Amortisation of value in use	(1,512)	(1,607)	95	-5.9%
Amortisation of software	-	-	-	n.a.
Amortisation of other intangible assets	(29)	(30)	1	-3.3%
Total	**(1,616)**	**(1,723)**	**107**	**-6.2%**

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)	2024	2023	€ Change	% Change
Recovery of expenses and taxes	1,287	1,000	287	28.7%
FITD contribution	(5,145)	(4,049)	(1,096)	27.1%
Amortisation of multiple-year improvement costs	(75)	(51)	(24)	47.1%
Other income (expense)	806	708	98	13.8%
Contingent assets and liabilities	573	472	101	21.4%
Total	**(2,554)**	**(1,920)**	**(634)**	**33.0%**

The decrease in the item "Other operating income (expense)" compared to the previous year is due to the increase of € 1.1 million of the contribution to the interbank fund which was paid in advance due to the requirement of the guarantee systems to build up the pre-established financial provision by 3 July 2024.

The increase in the 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)	**31.12.2024**	**31.12.2023**	**€ Change**	**% Change**
Cash and cash equivalents	88,669	247,376	(158,707)	-64.2%
Financial assets measured at fair value through profit or loss	13,737	11,574	2,163	18.7%
Financial assets measured at fair value through other comprehensive income	1,147,197	576,002	571,195	99.2%
Financial assets measured at amortised cost	2,767,232	3,368,819	(601,587)	-17.9%
a) loans and receivables with banks	22,897	795	22,102	>100%
b1) loans and receivables with customers - loans	2,587,082	3,305,309	(718,227)	-21.7%
b2) loans and receivables with customers - debt instruments	157,253	62,715	94,538	>100%
Equity investments	45,250	45,250	-	0.0%
Property and equipment	7,561	2,319	5,242	>100%
Intangible assets	3,968	3,998	(30)	-0.8%
of which: goodwill	*3,920*	*3,920*	-	0.0%
Tax assets	12,539	24,141	(11,602)	-48.1%
Other assets	467,247	241,209	226,038	93.7%
Total assets	**4,553,400**	**4,520,688**	**32,712**	**0.7%**

The year ended 31 December 2024 closed with total assets up by 0.7% over the end of 2023 and equal to € 4.6 billion.

The securities portfolio relating to Financial assets measured at fair value through other comprehensive income ("HTCS") of the Bank continues to be mainly comprised of Italian government bonds with an average duration of about 15.2 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 € 1,116 million at 31 December 2024 (€ 586 million at 31 December 2023). The associated valuation reserve was negative at the end of the period, amounting to € 2.5 million before the tax effect.

Loans and receivables with customers (€,000)	31.12.2024	31.12.2023	€ Change	% Change
Factoring receivables	1,466,867	2,032,443	(565,576)	-27.8%
Salary-/pension-backed loans (CQS/CQP)	701,494	798,695	(97,201)	-12.2%
Loans to SMEs	223,702	285,679	(61,977)	-21.7%
Current accounts	137,036	177,715	(40,679)	-22.9%
Compensation and Guarantee Fund	55,016	7,511	47,505	>100%
Other loans and receivables	2,968	3,266	(298)	-9.1%
Total loans	**2,587,083**	**3,305,309**	**(718,226)**	**-21.7%**
Securities	157,253	62,715	94,538	>100%
Total loans and receivables with customers	**2,744,336**	**3,368,024**	**(623,688)**	**-18.5%**

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 € 1.5 billion. The volumes generated during the quarter amounted to € 4,845 million (€ 5,332 million at 31 December 2023).

Salary- and pension-backed loans were lower than the end of the previous year, with volumes disbursed directly by the agent network amounting to € 186 million (€ 174 million at the end of 2023).

Loans to small and medium-sized enterprises guaranteed by the State are decreasing as a result of lower disbursements, amounting to € 35.3 million in 2024.

HTC Securities are composed of Italian government securities with an average duration of 31 months for an amount of € 61 million. The mark-to-market valuation of the securities at 31 December 2024 shows a pre-tax unrealised loss of € 3.5 million. The item also includes the investment in an ABS security for an amount of € 92.1 million linked to a securitisation transaction for the purchase of tax receivables, of which the Bank was one of the joint arrangers and for which it will also play the role of Master Servicer of the newly constituted vehicle; the transaction involves the purchase by the SPV of approximately € 300 million of tax receivables.

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

Status	31.12.2023	31.12.2024
Bad exposures - gross	173,767	179,957
Unlikely to pay - gross	58,514	50,712
Past due - gross	64,176	101,129
Non-performing - gross	**296,457**	**331,798**
Performing - gross	**3,080,111**	**2,318,957**
Stage 2 - gross	90,908	51,168
Stage 1 - gross	2,989,203	2,267,789
Total loans and receivables with customers	**3,376,568**	**2,650,755**
Individual impairment losses	**65,020**	**56,948**
Bad exposures	49,119	38,499
Unlikely to pay	14,741	17,815
Past due	1,160	634
Collective impairment losses	**6,239**	**6,725**
Stage 2	694	291
Stage 1	5,545	6,434
Total impairment losses	**71,259**	**63,673**
Net exposure	**3,305,309**	**2,587,082**

The ratio of gross non-performing loans to the total portfolio rose to 12.5% compared to 8.7% at 31 December 2023, due to a decrease in the absolute value of performing loans and a simultaneous increase in non-performing loans, which remain high because of the new definition of default ("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.[2]

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[2] Below is the list of Public Administration entities that, pursuant to the regulations on the new definition of default, were classified as in default status as of 31 December 2024. Municipalities of: Abriola; Acquafondata; Africo; Agrigento; Alliste; Altavilla Irpina; Amantea; Andria; Anguillara Sabazia; Aquara; Arsoli; Aurigo; Bassano Romano; Bellegra; Belmonte Calabro; Belmonte In Sabina; Belvedere Di Spinello; Bernalda; Bitetto; Bocchigliero; Bolognetta; Boscotrecase; Bruzzano Zeffirio; Cagli; Cagnano Amiterno; Camigliano; Campobello Di Mazara; Campolongo Maggiore; Camporotondo Etneo; Cansano; Cantalupo Ligure; Careri; Castellana Sicula; Castellina Marittima; Castello Del Matese; Castelvecchio Subequo; Castiglione Di Sicilia; Castilenti; Cavriglia; Cento; Ceranova; Cercola; Certaldo; Chianciano Terme; Cicala; Cittareale; Civitella Roveto; Civitella San Paolo; Colliano; Colosimi; Comitini; Cona; Contigliano; Copertino; Corigliano-Rossano; Crespina Lorenzana; Crispano; Crosia; Decimomannu; Deruta; Dronero; Ferrandina; Fiamignano; Foggia; Foligno; Fragagnano; Galatro; Giardini Naxos; Gioia Tauro; Grassano; Gricignano Di Aversa; Gualdo Tadino; Guardia Perticara; Guardia Piemontese; Ischitella; Istrana; Lecce; Lentini; Libi; Longone Sabino; Lucca Sicula; Luco Dei Marsi; Lupara; Lustra; Macerata Campania; Magisano; Maissana; Malito; Mandas; Mandatoriccio; Maratea; Mariglianella; Marineo; Marsicovetere; Martone; Maschitoa; Massa Albe; Massa Martana; Miglierina; Modica; Molini Di Triora; Moncalieri; Moncrivello; Montalbano Elicona; Montalbano Jonico; Montallegro; Montalto Di Castro; Monte Compatri; Montecorvino Pugliano; Monteleone Di Puglia; Montemagno; Montemesola; Montemilone; Monterosso Almo; Monterosso Calabro; Monterotondo; Monterotondo Marittimo; Montescudaio; Nereto; Nocara; Nocera Terinese; Noci; Novoli; Orsara Di Puglia; Orte; Ortonovo; Osiglia; Ossona; Pachino; Palazzo San Gervasio; Palermo; Parona; Partinico; Pennadomo; Pertosa; Petriolo; Petrona'; Pietrasanta; Pignola; Placanica; Poggio Imperiale; Poggio Nativo; Polignano A Mare; Pontelatone; Porto Empedocle; Postiglione; Prata Sannita; Presicce - Acquarica; Realmonte; Riardo; Riofreddo Roccabascerana; Roccabernarda; Roccella Ionica; Rombiolo; Rotonda; Salice Salentino; Salve; San Felice Sul Panaro; San Genesio Ed Uniti; San Giuseppe Vesuviano; San Marco In Lamis; San Marco La Catola; San Nicola Da Crissa; San Severino Lucano; San Sosti; Sannicandro Di Bari; Santa Caterina Dello Ionio; Santa Marinella; Sant'onofrio; Saonara; Sassano; Sava; Savelli; Sciolze; Senise; Seravezza; Serrata; Sgurgola; Solagna; Soriano Nel Cimino; Sorrento; Soverato; Soveria Simeri; Spinazzola; Squinzano; Statte; Stignano; Subiaco; Suni; Taurisano; Teglio Veneto; Terlizzi; Tertenia; Tessennano; Torgiano; Torre Annunziata; Torre Santa Susanna; Torriglia; Triggiano; Trivigno; Umbriatico; Elsa; Valle Castellana; Vallelonga; Vallepietra; Vernole; Viagrande; Vinci; Vivaro Romano; Zerbolo'; Fara Sabina; Minervino Murge. Provinces of: Cosenza; Crotone; Messina; Taranto. Other public entities: Comunita' Montana Trasimeno Medio Tevere; Amministrazione Provinciale Dell'aquila; Ares-Azienda Regionale Della Salute Regione Sardegna; Asl Avezzano-Sulmona-L'aquila; Asl Lecce; Asl Napoli 1 Centro; Asl Napoli 3 Sud; Asl Prov Foggia; Asp. N. 1 Prov. Teramo; Az. Ospedaliera Santobono Pausilipon; Azie. Ospe. Univ. L.Vanvitelli; Azienda Ospedaliera Bianchi Melacrino Morelli; Azienda per la Tutela della Salute - ATS; Azienda Pubblica di Servizi alla Persona S.M.A.R.; Azienda Pubblica di Servizi alla Persona Maria Cristina Di Savoia; Azienda Pubblica di Servizi alla Persona Maria De Peppo Serena E Tito Pellegrino; Azienda Sanitaria Locale Salerno; Azienda Sanitaria Provinciale Di Cosenza; Azienda Sanitaria Provinciale Di Crotone; Azienda Sanitaria Provinciale Vibo Valentia; Azienda Servizi alla Persona Opera Pia; Azienda Unita' Locale di Parma; Azienda Usl Latina.

The coverage ratio for non-performing loans is 17.2%, compared to 22% at 31 December 2023; in particular, the coverage ratio of bad exposures excluding those to the public administration in temporary distress is 89.4%.

Other assets is mainly composed of “Superbonus 110” tax credits purchased for trading purposes with a carrying amount of € 400 million. Credits were purchased during the year for a nominal amount of € 468 million. This item also includes work in progress at the end of the period, advance tax payments and “Superbonus 110” tax credits of € 35 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)	**31.12.2024**	**31.12.2023**	**Change**	**%**
Financial liabilities measured at amortised cost	4,016,562	4,018,101	(1,539)	0.0%
a) due to banks	80,023	610,787	(530,764)	-86.9%
b) due to customers	3,936,539	3,407,314	529,225	15.5%
c) securities issued	-	-	-	n.a.
Financial liabilities held for trading	-	-	-	n.a.
Tax liabilities	25,302	22,544	2,758	12.2%
Liabilities associated with disposal groups	-	-	-	n.a.
Other liabilities	178,805	175,039	3,766	2.2%
Post-employment benefits	4,343	3,809	534	14.0%
Provisions for risks and charges	40,498	37,132	3,366	9.1%
Valuation reserves	(2,348)	(12,333)	9,985	-81.0%
Reserves	213,170	207,471	5,699	2.7%
Equity instruments	45,500	45,500	-	0.0%
Equity attributable to non-controlling interests	-	-	-	n.a.
Share capital	9,651	9,651	-	0.0%
Treasury shares (-)	(102)	(355)	253	-71.3%
Profit for the year	22,019	14,129	7,890	55.8%
Total liabilities and equity	**4,553,400**	**4,520,688**	**32,712**	**0.7%**

Wholesale funding, which represents about 24% of the total (17% 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)	**31.12.2024**	**31.12.2023**	**€ Change**	**% Change**
Due to Central banks	-	556,012	(556,012)	-100.0%
Due to banks	80,023	54,775	25,248	46.1%
Current accounts with other banks	17,591	54,775	(37,184)	-67.9%
Other amounts due to banks	62,432	-	62,432	n.a.
Total	**80,023**	**610,787**	**(530,764)**	**-86.9%**

The item "Due to banks" decreased by 86.93%, compared to 31 December 2023, due to full repayment of TLTRO III.

Due to customers (€,000)	**31.12.2024**	**31.12.2023**	**€ Change**	**% Change**
Term deposits	2,565,354	2,402,002	163,352	6.8%
Financing (repurchase agreements)	819,999	-	819,999	n.a.
Financing - others	47,744	65,154	(17,410)	-26.7%
Customer current accounts	329,346	752,777	(423,431)	-56.2%
Due to assignors	31,725	52,893	(21,168)	-40.0%
Other payables	142,371	134,488	7,883	5.9%
Total	**3,936,539**	**3,407,314**	**529,225**	**15.5%**

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 (+6.8%), reflecting net positive funding (net of interest accrued) of € 134 million; gross funding from the beginning of the year were € 1,990 million.

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

The provision for risks and charges of € 40.5 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 first 9 months, 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 € 5.5 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 € 18 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 € 13.5 million.

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

CAPITAL ADEQUACY

Provisional information concerning the regulatory capital and capital adequacy of the Bank is shown below.

Own funds (€,000) and capital ratios	**31.12.2024 Transitional**	**31.12.2024 Fully loaded**	**31.12.2023**
Common Equity Tier 1 (CET1)	**233,111**	**231,410**	**204,125**
ADDITIONAL TIER 1	45,500	45,500	45,500
Tier 1 capital (T1)	**278,611**	**276,910**	**249,625**
TIER2	-	-	-
Total Own Funds (TC)	**278,611**	**276,910**	**249,625**
Total risk-weighted assets	**1,574,395**	**1,574,395**	**1,360,858**
of which, credit risk	1,407,262	1,407,262	1,200,501
of which, market risk	8,241	8,241	3,191
of which, operational risk	158,893	158,893	157,165
Ratio - CET1	**14.8%**	**14.7%**	**15.0%**
Ratio - T1	**17.7%**	**17.6%**	**18.3%**
Ratio - TCR	**17.7%**	**17.6%**	**18.3%**

The total "fully loaded" own funds at 31 December 2024 amount to € 277 million and include 100% of the profit, as it is currently prohibited to decide on the distribution of dividends. With regard to "transitional" own funds, the temporary treatment of the prudential filter provided for under Article 468 of the CRR has been applied to neutralise price fluctuations of securities held in the HTCS category, as recorded in the valuation reserve within equity. This measure was reintroduced on 9 July 2024 and will remain in effect until the 2025 financial year.

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%.

Starting from 31 December 2024, these ratios must also include a countercyclical capital buffer reserve, up to a maximum of 0.5%.

OTHER INFORMATION

Report on corporate governance and ownership structure

Pursuant to art. 123-bis, paragraph 3 of Legislative Decree no. 58 dated 24 February 1998, a "Report on corporate governance and ownership structure" has been drawn up; the document - published jointly with the draft financial statements as at and for the year ended 31 December 2023 - is available in the "Governance" section of the Banca Sistema website (www.bancasistema.it).

Remuneration Report

Pursuant to art. 84-quater, paragraph 1 of the Issuers' Regulation implementing Legislative Decree no. 58 dated 24 February 1998, a "Remuneration Report" has been drawn up; the document - published jointly with the draft financial statements as at and for the year ended 31 December 2023 - is available in the "Governance" section of the Banca Sistema website (www.bancasistema.it).

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 the year, the Bank 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

Reference should be made to the corresponding section of the Directors' Report in the Banca Sistema Group's consolidated financial statements, which is deemed to be fully reported here.

BUSINESS OUTLOOK AND MAIN RISKS AND UNCERTAINTIES

Reference should be made to the corresponding section of the Directors' Report in the Banca Sistema Group's consolidated financial statements, which is deemed to be fully reported here.

PROPOSED ALLOCATION OF PROFIT FOR THE YEAR

Dear Shareholders,

The financial statements as at and for the year ended 31 December 2024, which we submit for your approval,

show a profit for the year of € 22,018,986.80 which we propose to allocate to retained earnings.

An allocation to the Legal Reserve was not made since the limits set out in Article 2430 of the Italian Civil Code were reached.

Milan, 21 March 2025

On behalf of the Board of Directors

The Chairperson

Luitgard Spögler

Luitgard Spögler

The CEO

Gianluca Garbi

SEPARATE FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(Amounts in Euros)

	Assets	31.12.2024	31.12.2023
10.	Cash and cash equivalents	88,668,844	247,375,590
20.	Financial assets measured at fair value through profit or loss	13,736,523	11,573,875
	c) other financial assets mandatorily measured at fair value throu	13,736,523	11,573,875
30.	Financial assets measured at fair value through other comprehensiv	1,147,196,806	576,001,679
40.	Financial assets measured at amortised cost	2,767,232,602	3,368,819,318
	a) loans and receivables with banks	22,897,266	795,432
	b) loans and receivables with customers	2,744,335,335	3,368,023,886
70.	Equity investments	45,250,000	45,250,000
80.	Property and equipment	7,560,564	2,318,593
90.	Intangible assets	3,968,440	3,997,839
	of which:		
	goodwill	3,919,700	3,919,700
100.	*Tax assets*	*12,538,728*	24,141,577
	a) current	1,731,898	7,129,278
	b) deferred	10,806,831	17,012,299
110.	Non-current assets held for sale and disposal groups	-	-
120.	Other assets	467,247,935	241,209,525
	Total Assets	**4,553,400,441**	**4,520,687,996**

	Liabilities and equity	31.12.2024	31.12.2023
10.	Financial liabilities measured at amortised cost	4,016,561,452	4,018,100,468
	a) due to banks	80,022,578	610,786,777
	b) due to customers	3,936,538,874	3,407,313,691
60.	Tax liabilities	25,302,382	22,543,524
	b) deferred	25,302,382	22,543,524
80.	Other liabilities	178,804,607	175,039,229
90.	Post-employment benefits	4,343,413	3,809,285
100.	Provisions for risks and charges:	40,498,782	37,132,057
	a) commitments and guarantees issued	28,480	59,157
	c) other provisions for risks and charges	40,470,302	37,072,900
110.	Valuation reserves	(2,347,504)	(12,332,684)
130.	Equity instruments	45,500,000	45,500,000
140.	Reserves	174,069,575	168,371,404
150.	Share premium	39,100,168	39,100,168
160.	Share capital	9,650,526	9,650,526
170.	Treasury shares (-)	(101,947)	(355,353)
180.	Profit for the year	22,018,987	14,129,372
	Total liabilities and equity	**4,553,400,441**	**4,520,687,996**

INCOME STATEMENT

(Amounts in Euros)

		2024	2023
10.	Interest and similar income	181,677,397	166,214,678
	of which: interest income calculated with the effective interest meth	167,777,221	166,214,678
20.	Interest and similar expense	(144,200,005)	(109,026,741)
30.	**Net interest income**	**37,477,392**	**57,187,937**
40.	Fee and commission income	30,949,094	23,910,139
50.	Fee and commission expense	(19,680,690)	(16,774,121)
60.	**Net fee and commission income (expense)**	**11,268,404**	**7,136,018**
70.	Dividends and similar income	226,667	226,667
80.	Net trading income (expense)	34,223,765	2,771,730
100.	Gain (loss) from sales or repurchases of:	9,982,621	13,926,608
	a) financial assets measured at amortised cost	6,373,747	12,608,394
	b) financial assets measured at fair value through other comprehe	3,608,874	1,318,214
	c) financial liabilities	-	-
110.	Net gain (loss) on other financial assets and liabilities measured at f	2,250,532	2,836,313
	b) other financial assets mandatorily measured at fair value throu	2,250,532	2,836,313
120.	**Total income**	**95,429,381**	**84,085,273**
130.	Net impairment losses/gains on:	(197,606)	(4,512,853)
	a) financial assets measured at amortised cost	23,059	(4,689,499)
	b) financial assets measured at fair value through other comprehe	(220,665)	176,646
140.	Gains/losses from contract amendments without derecognition	(102,127)	(692)
150.	**Net financial income (expense)**	**95,129,648**	**79,571,728**
160.	Administrative expenses	(53,289,953)	(51,868,573)
	a) personnel expense	(23,930,333)	(22,988,079)
	b) other administrative expenses	(29,359,620)	(28,880,494)
170.	Net accruals to provisions for risks and charges	(3,425,191)	(3,170,927)
	a) commitments and guarantees issued	30,677	(35,184)
	b) other net accruals	(3,455,868)	(3,135,743)
180.	Net impairment losses on property and equipment	(1,587,245)	(1,692,132)
190.	Net impairment losses on intangible assets	(29,400)	(30,211)
200.	Other operating income (expense)	(2,553,968)	(1,920,261)
210.	**Operating costs**	**(60,885,757)**	**(58,682,104)**
220.	Utili (Perdite) delle partecipazioni	-	-
260.	Utili (Perdite) da cessione di investimenti	-	-
260.	**Pre-tax profit (loss) from continuing operations**	**34,243,891**	**20,889,624**
270.	Income taxes	(12,224,904)	(6,760,252)
280.	**Post-tax profit from continuing operations**	**22,018,987**	**14,129,372**
290	Utile (Perdita) delle attività operative cessate al netto delle imposte	-	-
300.	**Profit for the year**	**22,018,987**	**14,129,372**

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in Euros)

		2024	2023
10.	**Profit (loss) for the year**	**22,018,987**	**14,129,372**
	Items, net of tax, that will not be reclassified subsequently to profit or	-	-
70.	Defined benefit plans	(230,297)	(186,461)
	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	10,215,477	12,723,411
170.	**Total other comprehensive income (expense), net of income tax**	**9,985,180**	**12,536,951**
180.	**Comprehensive income (Items 10+170)**	**32,004,166**	**26,666,323**

STATEMENT OF CHANGES IN EQUITY AS AT 31/12/2024

Amounts in Euros

	Balance at 31.12.2023	Change in opening balances	Balance at 1.1.2024	Allocation of prior year profit		Changes during the year									Equity at 31.12.2024
							Transactions on equity								
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity investments	Comprehensive income for 2024	
Share capital:															
a) ordinary shares	**9,650,526**		9,650,526												**9,650,526**
b) other shares															
Share premium	**39,100,168**		39,100,168												**39,100,168**
Reserves	**168,371,404**		168,371,404	8,905,336		(3,207,166)									**174,069,575**
a) income-related	**168,865,622**		168,865,622	8,905,336		(3,015,407)									**174,755,552**
b) other	**(494,218)**		(494,218)			(191,759)									**(685,977)**
Valuation reserves	**(12,332,684)**		(12,332,684)											9,985,180	**(2,347,504)**
Equity instruments	**45,500,000**		45,500,000												**45,500,000**
Treasury shares	**(355,353)**		(355,353)					253,406							**(101,947)**
Profit (loss) for the year	**14,129,372**		14,129,372	(8,905,336)	(5,224,036)									22,018,987	**22,018,987**
Equity	**264,063,433**		**264,063,433**		**(5,224,036)**	**(3,207,166)**		**253,406**						**32,004,167**	**287,889,805**

STATEMENT OF CHANGES IN EQUITY AS AT 31/12/2023

Amounts in Euros

	Balance at 31.12.2023	Change in opening balances	Balance at 1.1.2023	Allocation of prior year profit		Changes during the year									Equity at 31.12.2023
							Transactions on equity								
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity investments	Comprehensive income for 2023	
Share capital:															
a) ordinary shares	**9,650,526**		9,650,526												**9,650,526**
b) other shares															
Share premium	**39,100,168**		39,100,168												**39,100,168**
Reserves	**155,998,213**		155,998,213	15,670,121		(3,296,929)									**168,371,404**
a) income-related	**156,124,391**		156,124,391	15,670,121		(2,928,889)									**168,865,622**
b) other	**(126,178)**		(126,178)			(368,040)									**(494,218)**
Valuation reserves	**(24,869,635)**		(24,869,635)											12,536,951	**(12,332,684)**
Equity instruments	**45,500,000**		45,500,000												**45,500,000**
Treasury shares	**(558,600)**		(558,600)					203,247							**(355,353)**
Profit (loss) for the year	**20,886,569**		20,886,569	(15,670,121)	(5,216,448)									14,129,372	**14,129,372**
Equity	**245,707,241**		**245,707,241**		**(5,216,448)**	**(3,296,929)**		**203,247**						**26,666,323**	**264,063,433**

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

Amounts in Euros

	Amount 2024	2023
A. OPERATING ACTIVITIES		
1. Operations	**89,102,021**	**42,790,553**
Profit (loss) for the year (+/-)	22,018,987	14,129,372
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 (+/-)	(23,059)	4,689,499
Net impairment losses/gains on property and equipment and intangible assets (+/-)	1,616,645	3,444,686
Net accruals to provisions for risks and charges and other costs/income (+/-)	3,425,191	3,170,927
Taxes, duties and tax assets not yet paid (+)	4,211,774	(1,547,372)
Other adjustments (+/-)	57,852,483	18,903,441
2. Cash flows generated by (used for) financial assets	**(156,855,526)**	**25,676,617**
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	(2,162,648)	13,025,849
Financial assets measured at fair value through other comprehensive income	(561,209,947)	(5,080,897)
Financial assets measured at amortised cost	614,710,826	167,733,408
Other assets	(208,193,757)	(150,001,743)
3. Cash flows generated by (used for) financial liabilities	**(85,885,443)**	**59,905,350**
Financial liabilities measured at amortised cost	(75,997,175)	50,889,918
Financial liabilities held for trading		
Financial liabilities designated at fair value through profit or loss		
Other liabilities	(9,888,268)	9,015,432
Net cash flows generated by (used for) operating activities	**(153,638,948)**	**128,372,520**
B. INVESTING ACTIVITIES		
1. Cash flows generated by	**0**	**-**
Sales of equity investments		
Dividends from equity investments		
Sales of property and equipment		
Sales of intangible assets	0	
Sales of business units		
2. Cash flows used in	**(97,169)**	**(158,583)**
Purchases of equity investments	(0)	
Purchases of property and equipment	(97,169)	(87,823)
Purchases of intangible assets		(70,760)
Purchases of business units		
Net cash flows generated by (used in) investing activities	**(97,169)**	**(158,583)**
C. FINANCING ACTIVITIES		
Issues/repurchases of treasury shares	253,406	203,247
Issues/repurchases of equity instruments		
Dividend and other distributions	(5,224,036)	(5,216,448)
Net cash flows generated by (used in) financing activities	**(4,970,630)**	**(5,013,201)**
NET CASH FLOWS FOR THE PERIOD	**(158,706,746)**	**123,200,735**

Cash and cash equivalents at the beginning of the year	**247,375,590**	**124,174,855**
Total net cash flows for the year	(158,706,746)	123,200,735
Cash and cash equivalents: effect of change in exchange rates		
Cash and cash equivalents at the end of the period	**88,668,844**	**247,375,590**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

PART A - ACCOUNTING POLICIES

A.1 – GENERAL PART

Section 1 - Statement of compliance with International Financial Reporting Standards

The Separate financial statements of Banca Sistema S.p.A. at 31 December 2024 were drawn up in accordance with International Financial Reporting Standards - called IFRS - issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission, as established by EU Regulation no. 1606 of 19 July 2002, adopted in Italy by art. 1 of Legislative Decree no. 38 of 28 February 2005 and considering by the Bank of Italy Circular no. 262 of 22 December 2005 as subsequently updated, regarding the forms and rules for drafting the financial statements of banks.

For details on accounting standards and amendments to existing standards that have come into effect and/or been endorsed by the European Commission, please refer to PART A – ACCOUNTING POLICIES, A.1 – GENERAL PART, Section 1 - Statement of compliance with International Financial Reporting Standards in the Notes to the Consolidated Financial Statements of the Banca Sistema Group.

If there is no standard or interpretation that applies specifically to a transaction, other event or circumstance, the Board of Directors uses its judgement to develop and apply an accounting standard in order to provide disclosure that:

- is relevant to the economic decision-making needs of users;
- is reliable, in that the financial statements:
- represent faithfully the financial position, financial performance and cash flows of the Bank;
- reflect the economic substance of transactions, other events and conditions, and not merely the legal form;
- are neutral, i.e. free from bias;
- are prudent;
- are complete in all material respects.

When exercising the aforementioned judgement, the Board of Directors of the Bank has made reference to and considered the applicability of the following sources, described in descending order of importance:

- the provisions and application guidelines contained in the Standards and Interpretations governing similar or related cases;
- the definitions, recognition criteria and measuring concepts for accounting for the assets, liabilities, revenue, and costs contained in the “Framework”.

When expressing an opinion, the Board of Directors may also consider the most recent provisions issued by other bodies that rule on accounting standards that use a similar "Framework" in concept for developing accounting standards, other accounting literature and consolidated practices in the sector.

In accordance with art. 5 of Legislative Decree no. 38 of 28 February 2005, if, in exceptional cases, the application of a provision imposed by the IFRS were incompatible with the true and fair representation of the financial position or results of operations, the provision would not apply. The justifications for any exceptions and their influence on the presentation of the financial position and results of operations would be explained in the Notes to the financial statements.

Any profits resulting from the exception would be recognised in a non-distributable reserve if they did not correspond to the recovered amount in the financial statements. However, no exceptions to the IFRS were applied.

The financial statements were audited by BDO Italia S.p.A.

Section 2 - General basis of preparation

The financial statements are drawn up with clarity and give a true and fair view of the financial position, profit or loss, cash flows, and changes in equity and comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The financial statements are accompanied by the Directors' Report on the Bank’s performance.

If the information required by the IFRS and provisions contained in Circular no. 262 of 22 December 2005 and/or the subsequent updates issued by the Bank of Italy are not sufficient to give a true and fair view that is relevant, reliable, comparable and understandable, the notes to the financial statements provide the additional information required. For the sake of completeness, please note that this financial report also considers the interpretation and supporting documents regarding the application of accounting standards, including those issued in connection with the Covid-19 pandemic, as well as those issued by European regulatory and supervisory bodies and standard setters.

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

- the measurements are made considering that the bank will continue as a going concern, where it is stated that the Directors have not identified any uncertainties that could cast doubt in this respect;
- costs and income are accounted for on an accruals basis;
- to ensure the comparability of the data and information in the financial statements and the notes to the financial statements, the methods of

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

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

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

- the valuation of loans and receivables with customers: the acquisition of performing receivables from companies that supply goods and services represents the Bank’s main activity. Estimating the value of these receivables is a complex activity with a high degree of uncertainty and subjectivity. Their

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

Pursuant to the provisions of art. 5 of Legislative Decree no. 38 of 28 February 2005, the financial statements use the Euro as the currency for accounting purposes. The financial statements are expressed in Euro. Unless otherwise stated, the notes to the financial statements are expressed in thousands of Euro. Any discrepancies between the figures shown in the Directors' Report and in the Separate Financial Statements and between the tables in the Notes to the Separate Financial Statements are due exclusively to rounding.

European Directive 2004/109/EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815 introduced the obligation for issuers of securities listed on regulated markets in the European Union to prepare their annual financial report using the XHTML language, based on the ESMA-approved European Single Electronic Format (ESEF). The “marking up" is envisaged only for consolidated financial statements.

Section 3 - Subsequent events

With regard to IAS 10, it should be noted that no events occurred between the end of the financial year and the date of preparation of the financial statements that would require an adjustment to the figures presented therein.

For a description of significant events occurring after the end of the financial year, please refer to the specific paragraph of the Consolidated Directors’ Report.

Section 4 – Other aspects

There are no other significant aspects to note.

A.2 – INFORMATION ON THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

Financial assets measured at fair value through profit or loss

Please refer to Section A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS of the Notes to the Consolidated Financial Statements of the Banca Sistema Group, which is deemed to be fully reported here.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Please refer to Section A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS of the Notes to the Consolidated Financial Statements of the Banca Sistema Group, which is deemed to be fully reported here.

Financial assets measured at amortised cost

Please refer to Section A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS of the Notes to the Consolidated Financial Statements of the Banca Sistema Group, which is deemed to be fully reported here.

Hedging transactions

At the reporting date, the Bank had not made any "Hedging transactions".

Equity investments

Classification criteria

This category includes equity investments in subsidiaries, associates, and joint ventures by Banca Sistema.

Recognition criteria

Equity investments are recognised in the financial statements at purchase cost plus any related charges.

Measurement criteria

If there is evidence that an equity investment may be impaired, the recoverable value of said equity investment is estimated by considering the present value of future cash flows that the investment could generate, including the final disposal value of the investment and/ or other measurement elements. The amount of any impairment, calculated based on the difference between the carrying amount of the investment and its recoverable value is recognised in the income statement under "Gains (losses) on equity investments". If the reasons for impairment are removed following an event occurring after recognition of the impairment, impairment gains are recognised in the income statement under the same item as above to the extent of the previous impairment loss.

Derecognition criteria

Equity investments are derecognised from the financial statements when the contractual rights to cash flows deriving from the investment are lost or when the investment is transferred, with the substantial transfer of all related risks and rewards. Gains and losses on the sale of equity investments are charged to the income statement under the item "220 Gains (losses) on equity investments"; gains and losses on the sale of investments other than those measured at equity are charged to the income statement under the item "250 Gains (losses) on sales of investments".

Property and equipment

Classification criteria

This item includes assets for permanent use, held to generate income, to be leased, or for administrative purposes, such as land, operating property, investment property, technical installations, furniture and fittings and equipment of any nature and works of art.

They also include leasehold improvements to third party assets if they can be separated from the assets in question. If the above costs do not display functional or usefulness-related autonomy, but future economic benefits are expected from them, they are recognised under "other assets" and are depreciated over the shorter period between that of expected usefulness of the improvements in question and the residual duration of the lease. Depreciation is recognised under "Other operating income (expense)".

Property and equipment also include payments on account for the purchase and renovation of assets not yet part of the production process and therefore not yet subject to depreciation.

"Operating" property and equipment are represented by assets held for the provision of services or for administrative purposes, while property and equipment held for "investment purposes" are those held to collect lease instalments and/or held for capital appreciation.

The item also includes rights of use associated with leased assets and fees for use.

Recognition criteria

Property and equipment are initially recognised at cost, including all costs directly attributable to installation of the asset.

Extraordinary maintenance costs and costs for improvements leading to actual improvement of the asset, or an increase in the future benefits generated by the asset, are attributed to the reference assets, and are depreciated based on their residual useful life.

Under IFRS 16, leases are accounted for in accordance with the right-of-use model, whereby, at the commencement date, the lessee incurs an obligation to make payments to the lessor for the right to use the underlying asset for the term of the lease. When the asset is made available for use by the lessee, the lessee recognises both the liability and the right-of-use asset.

Measurement criteria

Following initial recognition, “operating” property and equipment are recognised at cost, less accumulated depreciation, and any impairment losses, in line with the “cost model” illustrated in paragraph 30 of IAS 16. More specifically, property and equipment are systematically depreciated each year based on their estimated useful life, using the straight-line basis method apart from:

- land, regardless of whether this was purchased separately or was incorporated into the value of the building, which, insofar as it has an indefinite useful life, is not depreciated;
- works of art, which are not depreciated as their useful life cannot be estimated and their value typically appreciates over time;
- investment property which is recognised at fair value in accordance with IAS 40.

For assets acquired during the financial year, depreciation is calculated on a daily basis from the date of entry into use of the asset. For assets transferred and/or disposed of during the financial year, depreciation is calculated on a daily basis until the date of transfer and/or disposal.

At the end of each year, if there is any evidence that property or equipment that is not held for investment purposes may have suffered an impairment loss, a comparison is made between its carrying amount and its recoverable value, equal to the higher between the fair value, net of any costs to sell, and the related value in use of the asset, intended as the present value of future cash flows expected from the asset. Any impairment losses are recognised in the income statement under “net impairment losses on property and equipment”.

If the reasons that led to recognition of the impairment loss cease to apply, an impairment gain is recognised that may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment losses.

For investment property, which comes within the scope of application of IAS 40, the measurement is made at the market value determined using independent surveys and the changes in fair value are recognised in the income statement under the item “fair value gains (losses) on property, equipment and intangible assets”.

The right-of-use asset, recognised in accordance with IFRS 16, is measured using the cost model under IAS 16 Property, plant and equipment. In this case, the asset is subsequently depreciated and tested for impairment if impairment indicators are present.

Derecognition criteria

Property and equipment is derecognised from the statement of financial position upon disposal thereof or when the asset is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Intangible assets

Please refer to Section A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS of the Notes to the Consolidated Financial Statements of the Banca Sistema Group, which is deemed to be fully reported here.

Non-current assets held for sale and disposal groups

Please refer to Section A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS of the Notes to the Consolidated Financial Statements of the Banca Sistema Group, which is deemed to be fully reported here.

Financial liabilities measured at amortised cost

Please refer to Section A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS of the Notes to the Consolidated Financial Statements of the Banca Sistema Group, which is deemed to be fully reported here.

Financial liabilities held for trading

Please refer to Section A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS of the Notes to the Consolidated Financial Statements of the Banca Sistema Group, which is deemed to be fully reported here.

Financial liabilities designated at fair value through profit or loss

Please refer to Section A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS of the Notes to the Consolidated Financial Statements of the Banca Sistema Group, which is deemed to be fully reported here.

Current and deferred taxes

Please refer to Section A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS of the Notes to the Consolidated Financial Statements of the Banca Sistema Group, which is deemed to be fully reported here.

Provisions for risks and charges

Please refer to Section A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS of the Notes to the Consolidated Financial Statements of the Banca Sistema Group, which is deemed to be fully reported here.

Other information

Post-employment benefits

Please refer to Section A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS of the Notes to the Consolidated Financial Statements of the Banca Sistema Group, which is deemed to be fully reported here.

Repurchase agreements

Please refer to Section A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS of the Notes to the Consolidated Financial Statements of the Banca Sistema Group, which is deemed to be fully reported here.

Tax receivables purchased

Please refer to Section A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS of the Notes to the Consolidated Financial Statements of the Banca Sistema Group, which is deemed to be fully reported here.

Other assets and liabilities

Please refer to Section A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS of the Notes to the Consolidated Financial Statements of the Banca Sistema Group, which is deemed to be fully reported here.

Treasury shares

Please refer to Section A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS of the Notes to the Consolidated Financial Statements of the Banca Sistema Group, which is deemed to be fully reported here.

Recognition of revenues and costs

Please refer to Section A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS of the Notes to the Consolidated Financial Statements of the Banca Sistema Group, which is deemed to be fully reported here.

Dividends

Please refer to Section A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS of the Notes to the Consolidated Financial Statements of the Banca Sistema Group, which is deemed to be fully reported here.

Criteria for determining the fair value of financial instruments

Please refer to Section A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS of the Notes to the Consolidated Financial Statements of the Banca Sistema Group, which is deemed to be fully reported here.

Business combinations

Please refer to Section A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS of the Notes to the Consolidated Financial Statements of the Banca Sistema Group, which is deemed to be fully reported here.

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

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

No financial instruments were transferred between portfolios.

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

No financial assets were reclassified.

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

No financial assets held for trading were transferred.

A.4 - FAIR VALUE DISCLOSURE

Qualitative disclosure

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

Please refer to the accounting policies.

A.4.2 Processes and sensitivity of measurements

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

A.4.3 Fair value hierarchy

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

Level 1- Effective market quotes

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

Level 2 - Comparable Approach

Level 3 - Mark-to-Model Approach

A.4.4 Other Information

The item is not applicable for the Bank.

Quantitative disclosure

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level.

Financial assets/liabilities measured at fair value	31.12.2024			31.12.2023		
	L1	L 2	L 3	L1	L 2	L 3
1. Financial assets measured at fair value through profit or loss			13,737			11,574
a) financial assets held for trading						
b) financial assets designated at fair value through profit or loss						
c) other financial assets mandatorily measured at fair value through profit or loss			13,737			11,574
2. Financial assets measured at fair value through other comprehensive income	1,142,197		5,000	571,002		5,000
3. Hedging derivatives						
4. Property and equipment						
5. Intangible assets						
Total	**1,142,197**		**18,737**	**571,002**		**16,574**
1. Financial liabilities held for trading						
2. Financial liabilities designated at fair value through profit or loss						
3. Hedging derivatives						
Total						

Key:

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

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2024				31.12.2023			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	2,767,233	57,539	95,756	2,642,521	3,368,819	55,705		3,335,429
2. Investment property								
3. Non-current assets held for sale and disposal groups								
Total	**2,767,233**	**57,539**	**95,756**	**2,642,521**	**3,368,819**	**55,705**		**3,335,429**
1. Financial liabilities measured at amortised cost	4,016,561			4,017,606	4,018,100			4,019,090
2. Liabilities associated with disposal groups								
Total	**4,016,561**			**4,017,606**	**4,018,100**			**4,019,090**

Key:

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

A.5 DISCLOSURE CONCERNING "DAY ONE PROFIT/LOSS"

Nothing to report.

PART B - INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

ASSETS

Section 1 - Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

	31.12.2024	31.12.2023
a) Cash	48	50
b) current accounts and demand deposits with Central Banks	50,000	199,773
c) Current and deposit accounts with banks	38,621	47,553
Total	**88,669**	**247,376**

Section 2 - Financial assets measured at fair value through profit or loss - Item 20

2.5 Other financial assets mandatorily measured at fair value through profit or loss: breakdown by product

	31/12/2024			31/12/2023		
	L1	L2	L3	L1	L2	L3
1. Debt instruments			**13,737**			**11,574**
1.1 Structured instruments						
1.2 Other debt instruments			13,737			11,574
2. Equity instruments						
3. OEIC units						
4. Financing						
4.1 Reverse repurchase agreements						
4.2 Other						
Total			**13,737**			**11,574**

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

2.6 Other financial assets mandatorily measured at fair value through profit or loss: breakdown by debtor/issuer

	31.12.2024	31.12.2023
1. Equity instruments		
of which: banks		
of which: other financial corporations		
of which: non-financial corporations		
2. Debt instruments	**13,737**	**11,574**
a) Central Banks		
b) General governments		
c) Banks		
d) Other financial corporations	13,737	11,574
of which: insurance companies		
e) Non-financial corporations		
3. OEIC units		
4. Financing		
a) Central Banks		
b) General governments		
c) Banks		
d) Other financial corporations		
of which: insurance companies		
e) Non-financial corporations		
f) Households		
Total	**13,737**	**11,574**

Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30

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

	31.12.2024			31.12.2023		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	**1,142,008**			**570,729**		
1.1 Structured instruments						
1.2 Other debt instruments	1,142,008			570,729		
2. Equity instruments	**189**		**5,000**	**273**		**5,000**
3. Financing						
Total	**1,142,197**		**5,000**	**571,002**		**5,000**

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

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

	31.12.2024	31.12.2023
1. Debt instruments	**1,142,008**	**570,729**
a) Central Banks		
b) General governments	1,142,008	570,729
c) Banks		
d) Other financial corporations		
of which: insurance companies		
e) Non-financial corporations		
2. Equity instruments	**5,189**	**5,273**
a) Banks	5,000	5,000
b) Other issuers:	189	273
- other financial corporations	189	273
of which: insurance companies		
- non-financial corporations		
- other		
4. Financing		
a) Central Banks		
b) General governments		
c) Banks		
d) Other financial corporations		
of which: insurance companies		
e) Non-financial corporations		
f) Households		
Total	**1,147,197**	**576,002**

3.3 Financial assets measured at fair value through other comprehensive income: gross amount and total impairment losses

	Gross amount					Total impairment losses				Overall partial write-offs (*)
	First stage	of which instruments with low credit risk	Second stage	Third stage	Purchased or originated credit-impaired	First stage	Second stage	Third stage	Purchased or originated credit-impaired	
Debt securities	1,142,374	1,140,371				366				
Financing										
Total 31.12.2024	**1,142,374**	**1,140,371**				**366**				
Total 31.12.2023	**570,873**	**570,873**				**145**				

Section 4 - Financial assets measured at amortised cost - Item 40

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

	31.12.2024						31.12.2023					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: purchased or originated credit-impaired	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated credit-impaired	L1	L2	L3
A. Loans and receivables with Central Banks	**22,886**					**22,887**	**4**					**4**
1. Term deposits				X	X	X				X	X	X
2. Minimum reserve	22,866			X	X	X				X	X	X
3. Reverse repurchase agreements				X	X	X				X	X	X
4. Other	20			X	X	X	4			X	X	X
B. Loans and receivables with banks	**9**	**2**				**11**	**790**	**1**				**791**
1. Financing	**9**	**2**				**11**	**790**	**1**				**791**
1.1 Current accounts and demand deposits				X	X	X				X	X	X
1.2. Term deposits				X	X	X				X	X	X
1.3. Other financing:	9	2		X	X	X	790	1		X	X	X
- Reverse repurchase agreements				X	X	X				X	X	X
- Finance leases				X	X	X				X	X	X
- Other	9	2		X	X	X	790	1		X	X	X
2. Debt instruments												
2.1 Structured instruments												
2.2 Other debt instruments												
Total	**22,895**	**2**				**22,898**	**794**	**1**				**795**

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

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

	31.12.2024						31.12.2023					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	Purchased or originated credit-impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated credit-impaired	L1	L2	L3
Financing	**2,310,583**	**273,065**	**3,433**			**2,619,623**	**3,073,875**	**231,347**	**87**			**3,333,025**
1.1. Current accounts	137,113	18		X	X	X	177,854	45		X	X	X
1.2. Reverse repurchase agreements				X	X	X				X	X	X
1.3. Loans	211,585	13,888		X	X	X	263,917	23,349		X	X	X
1.4. Credit cards, personal loans and salary- and pension-backed	673,666	11,693		X	X	X	767,070	13,714		X	X	X
1.5. Finance leases				X	X	X				X	X	X
1.6. Factoring	1,008,084	218,515	3,433	X	X	X	1,618,022	180,916	87	X	X	X
1.7. Other financing	280,135	28,951		X	X	X	247,012	13,323		X	X	X
Debt instruments	**157,253**			**57,539**	**95,756**		**62,715**			**55,705**		**1,608**
1.1. Structured instruments												
1.2. Other debt instruments	157,253			57,539	95,756		62,715			55,705		1,608
Total	**2,467,836**	**273,065**	**3,433**	**57,539**	**95,756**	**2,619,623**	**3,136,590**	**231,347**	**87**	**55,705**		**3,334,633**

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

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

	31.12.2024			31.12.2023		
	First and second stage	Third stage	Purchased or originated credit-impaired	First and second stage	Third stage	Purchased or originated credit-impaired
1. Debt securities	157,253			62,715		
a) General governments	61,057			61,105		
b) Other financial corporations	4,137			1,610		
of which: insurance companies						
c) Non-financial corporations	92,059					
2. Financing to:	2,310,584	273,067	3,433	3,073,874	231,348	87
a) General governments	640,530	218,716	3,433	1,523,990	161,822	87
b) Other financial corporations	164,326	1,710		166,598	2,083	
of which: insurance companies	32	1,572		105	2,082	
c) Non-financial corporations	769,449	38,238		585,574	52,255	
d) Households	736,279	14,403		797,712	15,188	
Total	**2,467,837**	**273,067**	**3,433**	**3,136,589**	**231,348**	**87**

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

	Gross amount					Total impairment losses				Overall partial write-offs (*)
	First stage		Second stage	Third stage	Purchased or originated credit-impaired	First stage	Second stage	Third stage	Purchased or originated credit-impaired	
		of which instruments with low credit risk								
Debt securities	157,302	61,077				49				
Financing	2,290,680	664,524	49,522	330,012	3,436	6,434	291	56,945	3	
Total 31.12.2024	**2,447,982**	**725,601**	**49,522**	**330,012**	**3,436**	**6,483**	**291**	**56,945**	**3**	**-**
Total 31.12.2023	**3,052,738**	**1,586,597**	**90,908**	**296,369**	**88**	**5,568**	**695**	**65,021**		

4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross amount and total impairment losses

	Gross amount					Total impairment losses				Overall partial write-offs (*)
	First stage		Second stage	Third stage	Purchased or originated credit-impaired	First stage	Second stage	Third stage	Purchased or originated credit-impaired	
		of which instruments with low credit risk								
1. Forborne loans in compliance with the EBA Guidelines										
2. Loans subject to existing moratoria no longer in compliance with the EBA Guidelines and not considered forborne										
3. Loans subject to other forbearance measures										
4. New loans	14,167,600					53,101				
Total 31.12.2024	**14,167,600**					**53,101**				
Total 31.12.2023	**19,030,487**			**135,453**		**70,798**		**81,272**		

Section 7 - Equity investments - item 70

7.1 Equity investments: information on investment relationships

	Registered office	Interest %	% of votes available
A. Fully-controlled companies			
S.F. Trust Holdings Ltd	London	100.00%	100.00%
Largo Augusto Servizi e Sviluppo S.r.l.	Milan	100.00%	100.00%
Kruso Kapital S.p.A.	Milan	70.59%	70.59%
B. Joint ventures			
EBNSISTEMA Finance S.L.	Madrid	50.00%	50.00%

7.2 Significant equity investments: carrying amount

	Book value 2024	Book value 2023
A. Fully-controlled companies		
Kruso Kapital S.p.A.	29,250	29,250
Largo Augusto Servizi e Sviluppo S.r.l.	15,000	15,000
S.F. Trust Holdings Ltd	-	-
B. Joint ventures		
EBNSistema Finance Sl	1,000	1,000

7.3 Significant equity investments: accounting information

	Cash and cash equivalent	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total income	Net interest income	Net impairment gains and losses on property and equipment/intangible assets	Pre-tax profit (loss) from continuing operations	Post-tax profit (loss) from continuing operations	Post-tax profit (loss) from discontinued operations	Profit (loss) for the year	Other comprehensive income (expense), net of income tax	Comprehensive income (expense)
A. Fully-controlled companies														
1. S.F. Trust Holdings Ltd	-	-	-	-	-	-	-	-	(39)	(39)	(39)	(39)	-	(39)
2. Largo Augusto Servizi e Svilupp	-	-	48,229	23,754	2,917	2,404	-	(956)	141	76	-	76	-	76
3. Kruso Kapital S.p.A.	7,393	127,274	50,810	123,415	10,223	29,228	10,055	(1,487)	8,778	5,728	-	5,728	-	3,577

7.4 Non-significant equity investments: accounting information

	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total income	Net interest income	Net impairment gains and losses on property and equipment/intangible assets	Pre-tax profit (loss) from continuing operations	Post-tax profit (loss) from continuing operations	Post-tax profit (loss) from	Profit (loss) for the year	Other comprehensive income	Comprehensive income (expense)
B. Joint ventures														
1. EBN SISTEMA FINANCE SL	36,334	1	-	-	1,688	-	485	-	(29)	(22)	-	(22)	-	(22)

7.5 Equity investments: changes

	31.12.2024	31.12.2023
A. Opening balance	**45,250**	**45,250**
B. Increases		
B.1 Purchases		
B.2 Impairment gains		
B.3 Revaluations		
B.4 Other increases		
C. Decreases		
C.1 Sales		
C.2 Impairment losses		
C.3 Write-offs		
C.4 Other decreases		
D. Closing balance	**45,250**	**45,250**
E. Total revaluations		
F. Total impairment losses		

Section 8 – Property and equipment – Item 80

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

	31.12.2024	31.12.2023
1 Owned	**352**	**329**
a) land	-	-
b) buildings	-	-
c) furniture	239	220
d) electronic equipment	113	109
e) other	-	-
2 Right-of-use assets acquired under finance lease	**7,209**	**1,990**
a) land	-	-
b) buildings	6,497	1,471
c) furniture	-	-
d) electronic equipment	-	-
e) other	712	519
Total	**7,561**	**2,319**
of which: obtained from the enforcement of guarantees received	-	-

Property and equipment are recognised in the financial statements in accordance with the general acquisition cost criteria, including the related charges and any other expenses incurred to place the assets in conditions useful for the Bank, in addition to indirect costs for the portion reasonably attributable to assets that refer to the costs incurred, as at the end of the year.

Depreciation rates:

- Office furniture: 12%
- Furnishings: 15%
- Electronic machinery and miscellaneous equipment: 20%
- Assets less than Euro 516: 100%

8.6 Operating property and equipment: changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balances		**7,915**	**1,383**	**2,339**	**2,432**	**14,069**
A.1 Total net impairment losses		6,444	1,163	2,228	1,915	11,750
A.2 Net opening balances		**1,471**	**220**	**111**	**517**	**2,319**
B. Increases:		**6,237**	**36**	**60**	**532**	**6,865**
B.1 Purchases			36	60	532	628
B.2 Capitalised improvement costs		5				
B.3 Impairment gains						
B.4 Fair value gains recognised in						
a) equity						
b) profit or loss						
B.5 Exchange rate gains						
B.6 Transfers from investment property			X	X	X	
B.7 Other increases		6,232				
C. Decreases:		**1,211**	**18**	**58**	**336**	**1,623**
C.1 Sales						
C.2 Depreciation		1,211	18	58	301	1,587
C.3 Impairment losses recognised in						
a) equity						
b) profit or loss						
C.4 Fair value losses recognised in						
a) equity						
b) profit or loss						
C.5 Exchange rate losses						
C.6 Transfers to:						
a) investment property			X	X	X	
b) non-current assets held for sale and disposal groups						
C.7 Other decreases					36	36
D. Net closing balance		**6,497**	**239**	**113**	**712**	**7,561**
D.1 Total net impairment losses		7,655	1,181	2,286	2,251	13,373
D.2 Gross closing balance		**14,152**	**1,419**	**2,399**	**2,964**	**20,934**
E. Measurement at cost		6,497	239	113	712	7,561

Section 9 – Intangible assets – Item 90

9.1 Intangible assets: breakdown by type of asset

	31.12.2024		31.12.2023	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill		**3,920**	**x**	**3,920**
A.2 Other intangible assets	**48**		**78**	
of which software	49		78	
A.2.1 Assets measured at cost:	48		78	
a) Internally developed assets				
b) Other	48		78	
A.2.2 Assets measured at fair value:				
a) Internally developed assets				
b) Other				
Total	**48**	**3,920**	**78**	**3,920**

The other intangible assets are recognised at purchase cost including related costs, and are systematically amortised over a period of 5 years. The item mainly refers to software.

With respect to information related to goodwill, reference should be made to Part B - Information on the statement of financial position, Section 10 – Intangible assets – Item 100 of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

9.2 Intangible assets: changes

	Goodwill	Other intangible assets: internally developed		Other intangible assets: other		Total
		FIN	INDEF	FIN	INDEF	
A. Opening balance	**3,920**			**3,243**		**7,163**
A.1 Total net impairment losses				3,165		3,165
A.2 Net opening balances	**3,920**	**-**	**-**	**78**	**-**	**3,998**
B. Increases						
B.1 Purchases						
B.2 Increases in internally developed assets	X					
B.3 Impairment gains	X					
B.4 Fair value gains recognised in:						
- equity	X					
- profit or loss	X					
B.5 Exchange rate gains						
B.6 Other increases						
C. Decreases				**29**		**29**
C.1 Sales						
C.2 Impairment losses				29		29
- Amortisation	X			29		29
- Impairment losses:						
- equity	X					
- profit or loss						
C.3 Fair value losses recognised in:						
- equity	X					
- profit or loss	X					
C.4 Transfers to disposal groups						
C.5 Exchange rate losses						
C.6 Other decreases						
D. Net closing balance	**3,920**			**49**		**3,969**
D.1 Total net impairment losses				3,194		3,194
E. Gross closing balance	**3,920**			**3,243**		**7,163**
F. Measurement at cost	**3,920**			**49**		**3,969**

Key

Fin: finite useful life

Indef: indefinite useful life

Section 10 – Tax assets and tax liabilities – Item 100 of assets and Item 60 of liabilities

Below is the breakdown of the current tax assets and current tax liabilities

	31.12.2024	31.12.2023
Current tax assets	**8,100**	**8,495**
IRES prepayments	**6,197**	**6,197**
IRAP prepayments	1,817	2,111
Other	86	187
Current tax liabilities	**(6,368)**	**(1,366)**
Provision for IRES	(3,122)	1,180
Provision for IRAP	(2,728)	(1,991)
Provision for substitute tax	(518)	(555)
Total	**1,732**	**7,129**

10.1 Deferred tax assets: breakdown

	31.12.2024	31.12.2023
Deferred tax assets through profit or loss:	**9,433**	**8,923**
Impairment losses on loans	**624**	**1,163**
Non-recurring transactions	282	315
Other	8,526	7,445
Deferred tax assets through equity:	**1,374**	**8,088**
Non-recurring transactions	160	180
HTCS securities	1,171	6,109
Other	43	1,799
Total	**10,807**	**17,012**

10.2 Deferred tax liabilities: breakdown

	31.12.2024	31.12.2023
Deferred tax liabilities through profit or loss:	**25,302**	**22,544**
Uncollected default interest income	**24,065**	**21,526**
Other	1,237	1,017
Deferred tax liabilities through equity:	**-**	**-**
HTCS securities		
Total	**25,302**	**22,544**

10.3 Changes in deferred tax assets (through profit or loss)

	31.12.2024	31.12.2023
1. Opening balance	**8,923**	**8,442**
2. Increases	**2,708**	**2,779**
2.1 Deferred tax assets recognised in the year	2,708	2,779
a) related to previous years		
b) due to changes in accounting policies		
c) impairment gains		
d) other	2,708	2,779
e) business combination transactions		
2.2 New taxes or tax rate increases		
2.3 Other increases		
3. Decreases	**2,199**	**2,298**
3.1 Deferred tax assets derecognised in the year	2,199	2,298
a) reversals		
b) impairment due to non-recoverability		
c) changes in accounting policies		
d) other	2,199	2,298
3.2 Tax rate reductions		
3.3 Other decreases	-	-
a) conversion into tax assets pursuant to Law 214/2011		
b) other		
4. Closing balance	**9,432**	**8,923**

10.3 bis Change in deferred tax assets pursuant to Law 214/2011

	31.12.2024	31.12.2023
1. Opening balance	**1,658**	**2,281**
2. Increases		
3. Decreases	**591**	**623**
3.1 Reversals		
3.2 Conversions into tax assets	-	-
a) arising on loss for the year		
b) arising on tax losses		
3.3 Other decreases	591	623
4. Closing balance	**1,067**	**1,658**

10.4 Changes in deferred tax liabilities (through profit or loss)

	31.12.2024	31.12.2023
1. Opening balance	**22,544**	**15,492**
2. Increases	**2,759**	**7,052**
2.1 Deferred tax liabilities recognised in the year	2,759	7,052
a) related to previous years		
b) due to changes in accounting policies		
c) other	2,759	7,052
2.2 New taxes or tax rate increases		
2.3 Other increases		
3. Decreases	**-**	**-**
3.1 Deferred tax liabilities derecognised in the year	-	-
a) reversals		
b) due to changes in accounting policies		
c) other		
3.2 Tax rate reductions		
3.3 Other decreases		
4. Closing balance	**25,303**	**22,544**

10.5 Change in deferred tax assets (through equity)

	31.12.2024	31.12.2023
1. Opening balance	**8,089**	**12,737**
2. Increases	**1,171**	**7,863**
2.1 Deferred tax assets recognised in the year	1,171	7,863
a) related to previous years		
b) due to changes in accounting policies		
c) other	1,171	7,863
2.2 New taxes or tax rate increases		
2.3 Other increases		
3. Decreases	**7,886**	**12,512**
3.1 Deferred tax assets derecognised in the year	7,886	12,512
a) reversals		
b) impairment due to non-recoverability		
c) due to changes in accounting policies		
d) other	7,886	12,512
3.2 Tax rate reductions		
3.3 Other decreases		
4. Closing balance	**1,374**	**8,089**

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

	31.12.2024	31.12.2023
Ecobonus 110% tax assets	435,094	216,765
Tax advances	10,991	7,306
Work in progress	9,625	5,060
Prepayments not related to a specific item	7,833	7,609
Trade receivables	1,184	2,053
Advance to third parties	1,190	1,200
Other	911	789
Leasehold improvements	265	272
Security deposits	155	156
Total	**467,248**	**241,210**

LIABILITIES

Section 1 - Financial liabilities measured at amortised cost - Item 10

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

	31.12.2024				31.12.2023			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to Central banks		**X**	**X**	**X**	**556,012**	**X**	**X**	**X**
2. Due to banks	**80,023**	**X**	**X**	**X**	**54,775**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	74	X	X	X	311	X	X	X
2.2 Term deposits	17,517	X	X	X	54,464	X	X	X
2.3 Financing	62,432	X	X	X		X	X	X
2.3.1 Repurchase agreements	62,432	X	X	X		X	X	X
2.3.2 Other		X	X	X		X	X	X
2.4 Commitments to repurchase own equity instruments		X	X	X		X	X	X
2.5 Lease liabilities		X	X	X		X	X	X
2.6 Other payables		X	X	X		X	X	X
Total	**80,023**			**80,023**	**610,787**			**610,787**

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

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

	31.12.2024				31.12.2023			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	329,363	X	X	X	752,777	X	X	X
2. Term deposits	2,565,354	X	X	X	2,401,941	X	X	X
3. Financing	899,182	X	X	X	118,078	X	X	X
3.1 Repurchase agreements	819,999	X	X	X		X	X	X
3.2 Other	79,183	X	X	X	118,078	X	X	X
4. Commitments to repurchase own equity instruments		X	X	X		X	X	X
5. Lease liabilities		X	X	X		X	X	X
6. Other payables	142,640	X	X	X	134,519	X	X	X
Total	**3,936,539**			**3,936,539**	**3,407,315**			**3,407,315**

Section 6 – Tax liabilities – Item 60

The breakdown as well as the change in the deferred tax liabilities were illustrated in Part B Section 10 of assets in these notes to the financial statements.

Section 8 - Other Liabilities - Item 80

8.1 Other liabilities: breakdown

	31.12.2024	31.12.2023
Pagamenti ricevuti in fase di riconciliazione	98,870	110,583
Ratei passivi	14,418	18,702
Partite in corso di lavorazione	38,465	25,008
Debiti commerciali	6,264	6,549
Debiti tributari verso Erario e altri enti impositori	12,503	10,578
Debiti per leasing finanziario	7,243	2,028
Debiti verso dipendenti	112	650
Riversamenti previdenziali	789	788
Altre	66	65
Debiti verso società del gruppo	74	87
Totale	**178,805**	**175,038**

Section 9 - Post-employment benefits - Item 90

9.1 Post-employment benefits: changes

	31.12.2024	31.12.2023
A. Opening balance	**3,809**	**3,250**
B. Increases	**745**	**706**
B.1 Accruals	672	521
B.2 Other increases	73	185
C. Decreases	**211**	**147**
C.1 Payments	208	147
C.2 Other decreases	3	
D. Closing balance	**4,343**	**3,809**

9.2 Other Information

The actuarial amount of post-employment benefits was calculated by an external actuary, who issued an appraisal.

The other decreases refer to the actuarial gain accounted for during the year. The payments made refer to post-employment benefits paid during the year.

The technical valuations were conducted on the basis of the assumptions described in the following table:

Annual discount rate	3.38%
Annual inflation rate	2.00%
Annual post-employment benefits increase rate	3.00%
Annual real salary increase rate	3.17%

The discount rate used for determining the present value of the obligation was calculated, pursuant to IAS 19.83, from the Iboxx Corporate AA index with 10+ duration during the valuation month. To this end, a choice was made to select the yield with a duration comparable to the duration of the set of workers subject to valuation.

SECTION 10 – Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

	31.12.2024	31.12.2023
1. Provisions for credit risk related to commitments and financial guarantees issued	28	59
2. Provisions for other commitments and other guarantees issued	-	-
3. Internal pension funds	-	-
4. Other provisions for risks and charges	40,470	37,073
4.1 legal and tax disputes	19,296	15,718
4.2 personnel expense	5,459	5,110
4.3 other	15,715	16,245
Total	**40,498**	**37,132**

10.2 Provisions for risks and charges: changes

	Provisions for other commitments and other guarantees issued	Pension funds	Other provisions for risks and charges	Total
A. Opening balance	**59**	**-**	**37,073**	**37,132**
B. Increases	**-**	**-**	**11,032**	**11,032**
B.1 Accruals			9,851	9,851
B.2 Discounting				-
B.3 Changes due to discount rate changes				-
B.4 Other increases			1,180	1,180
C. Decreases	**31**	**-**	**7,634**	**7,665**
C.1 Utilisations	-	-	7,330	7,330
C.2 Changes due to discount rate changes	-	-	-	-
C.3 Other decreases	31	-	304	335
D. Closing balance	**28**	**-**	**40,470**	**40,498**

10.3 Provisions for credit risk related to commitments and financial guarantees issued

	Provisions for credit risk related to commitments and financial guarantees issued			
	First stage	Second stage	Third stage	Total
Commitments to disburse funds				-
Financial guarantees issued	25		3	28
Total	**25**	**-**	**3**	**28**

10.5 Internal defined benefit pension funds

Nothing to report.

10.6 Provisions for risks and charges - other provisions

	31.12.2024	31.12.2023
Legal and tax disputes	19,296	15,718
Personnel expense	5,459	5,110
Other	15,715	16,245
Total	**40,470**	**37,073**

SECTION 12 – Bank equity – Items 110, 130, 140, 150, 160, 170 and 180

12.1 "Share capital" and "Treasury shares": breakdown

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

A breakdown of the composition of equity is shown below:

	Amount 31.12.2024	Amount 31.12.2023
1. Share capital	9,651	9,651
2. Share premium	39,100	39,100
3. Reserves	174,070	168,371
4. Equity instruments	45,500	45,500
5. (Treasury shares)	(102)	(355)
6. Valuation reserves	(2,348)	(12,333)
8. Profit	22,019	14,129
Total	**287,890**	**264,063**

The Parent, Banca Sistema, holds a total of 51,269 treasury shares corresponding to 0.064% of the share capital valued at € 102 thousand.

12.2 Share capital - Parent's number of shares: changes

	Ordinary	Other
A. Opening balance	**80,421,052**	
- fully paid-in	80,421,052	
- not fully paid-in		
A.1 Treasury shares (-)	(168,004)	
A.2 Outstanding shares: opening balance	**80,253,048**	
B. Increases	**116,735**	
B.1 New issues		
- against consideration:		
- business combination transactions		
- conversion of bonds		
- exercise of warrants		
- other		
- bond issues:		
- to employees		
- to directors		
- other		
B.2 Sale of treasury shares		
B.3 Other increases	116,735	
C. Decreases	**-**	
C.1 Cancellation		
C.2 Repurchase of treasury shares		
C.3 Disposal of equity investments		
C.4 Other decreases		
D. Outstanding shares: closing balance	**80,369,783**	
D.1 Treasury shares (+)	51,269	
D.2 Closing balance	80,421,052	
- fully paid-in	80,421,052	
- not fully paid-in		

12.4 Income-related reserves: other information

In compliance with art. 2427(7 bis) of the Italian Civil Code, below is the detail of the equity items revealing the origin and possibility of use and distributability.

	Value at 31.12.2024	Possible use	Available portion
A) Share capital	9,651	-	-
B) Equity-related reserves:			
Share premium reserve	39,100	A,B,C	39,100
Reserve to provide for losses			
C) Income-related reserves:			
Legal reserve	1,930	B	1,930
Valuation reserve	(2,348)	-	-
Negative goodwill	1,774	A,B,C	1,774
Retained earnings	171,052	A,B,C	171,052
Reserve for treasury shares	214		-
Reserve for future capital increase			
D) Other reserves	(900)	A,B,C	(900)
E) Equity instruments	45,500		
F) Treasury shares	(102)		
Total	**265,871**	**-**	**212,956**
Profit for the year	22,019	-	-
Total equity	**287,890**	**-**	**-**
Undistributable portion			1,930
Distributable portion			211,026

Key:
A: for share capital increase
B: to cover losses
C: for distribution to shareholders

12.5 Equity instruments: breakdown and changes

	Issuer	Type of issue	Coupon	Maturity date	Nominal amount	IFRS amount
Tier 1 Capital	Banca Sistema S.p.A.	Tier 1 subordinated loans with mixed rate: ISIN IT0004881444	6-month Euribor +5% variable rate	Perpetual	8,000	8,018
Tier 1 Capital	Banca Sistema S.p.A.	Subordinated ordinary loans (Tier 1): ISIN IT0005450876	Fixed rate at 9% until 25 June 2031	Perpetual	37,500	37,558
Total					**45,500**	**45,576**

The breakdown of bonds issued, which given their predominant characteristics are classified under equity instruments in item 140 of equity, is 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 information

1. Commitments and financial guarantees issued (other than those designated at fair value)

	Nominal amount of commitments and financial guarantees issued					
	First stage	Second stage	Third stage	Purchased or originated credit-impaired	31.12.2024	31.12.2023
Commitments to disburse funds	**766,824**		**34,311**		**801,135**	**951,526**
a) Central Banks						
b) General governments	174,339		14,922		189,262	516,295
c) Banks						
d) Other financial corporations	377,021				377,021	254,651
e) Non-financial corporations	214,660		11,503		226,163	179,827
f) Households	804		7,886		8,689	753
Financial guarantees issued	**15,840**		**12,529**		**28,369**	**30,149**
a) Central Banks						
b) General governments	60				60	60
c) Banks	2,446				2,446	2,446
d) Other financial corporations	171				171	9,162
e) Non-financial corporations	13,133		12,529		25,662	18,439
f) Households	30				30	42

3. Assets pledged as collateral for liabilities and commitments

	Amount	
	31.12.2024	31.12.2023
1. Financial assets measured at fair value through profit or loss		
2. Financial assets measured at fair value through other comprehensive income	774,861	
3. Financial assets measured at amortised cost	261,114	203,032
4. Property and equipment		
of which: Property and equipment included among inventories		

4. Management and trading on behalf of third parties

Type of services	Amount
1. Execution of orders on behalf of customers	
a) purchases	
1. settled	
2. unsettled	
b) sales	
1. settled	
2. unsettled	
2. Individual asset management	
3. Securities custody and administration	**1,865,572**
a) third-party securities held as part of depositary bank services (excluding asset management)	
1. securities issued by the reporting entity	
2. other securities	
b) third-party securities on deposit (excluding asset management): other	105,648
1. securities issued by the reporting entity	3,714
2. other securities	101,934
c) third-party securities deposited with third parties	105,648
d) securities owned by the bank deposited with third parties	1,759,924
4. Other transactions	**35,979**

PART C - INFORMATION ON THE INCOME STATEMENT

Section 1 – Items 10 and 20

1.1 Interest and similar income: breakdown

Items/Technical forms	Debt instruments	Financing	Other transactions	2024	2023
1. Financial assets measured at fair value through profit or loss:	190			190	213
1.1 Financial assets held for trading	118			118	123
1.2 Financial assets designated at fair value through profit or loss					
1.3 Other financial assets mandatorily measured at fair value through profit or loss	72			72	90
2. Financial assets measured at fair value through other comprehensive income	22,254		X	22,254	1,670
3. Financial assets measured at amortised cost:	2,947	153,001		155,948	160,338
3.1 Loans and receivables with banks		7,913	X	7,913	4,047
3.2 Loans and receivables with customers	2,947	145,088	X	148,035	156,291
4. Hedging derivatives	X	X	620	620	188
5. Other assets	X	X	2,665	2,665	3,806
6. Financial liabilities	X	X	X		
Total	**25,391**	**153,001**	**3,285**	**181,677**	**166,215**
of which: interest income on impaired assets					
of which: interest income on finance leases	X		X		

The total contribution of the Factoring Division to interest income was € 127 million, to which the commission component associated with the factoring business, the revenue generated by the assignment of some receivables from the factoring portfolio and the income component from Superbonus receivables purchased for trading purposes need to be added (revenues from Ecobonus receivables settled through offsetting in 2023 have been reclassified under Other interest income to ensure consistency with 2024.)

The component owed for late payments pursuant to Legislative Decree 231/02 (consisting of default interest and compensation) legally enforced at 31 December 2024 amounted to € 31.4 million (€ 36.5 million at 31 December 2023):

- of which € 11.1 million resulting from the current recovery estimates (€ 18.7 million at 31 December 2023);
- of which € 5.5 million resulting from the updated recovery estimates and expected collection times (€ 1.2 million at 31 December 2023). At 31 December 2023, € 6.4 million were recorded as a result of the increases in benchmark rates (ECB);

- of which €13.4 million (€ 6.5 million at 31 December 2023) which is the difference between the amount collected during the period, equal to € 21.4 million (€ 10.8 million at 31 December 2023) and that recognised on an accrual basis in previous years;
- of which €1.4 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 (€ 3.7 million at 31 December 2023).

The amount of the stock of interest pursuant to Legislative Decree 231/02 at 31 December 2024, relevant for the allocation model, was € 149 million (€ 137 million at the end of 2023), which becomes € 252 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 € 92 million. Therefore, the amount of interest pursuant to Legislative Decree No. 231/02 accrued and not yet recognised in the income statement is € 160 million, of which € 44 million is guaranteed by the State following the Strasbourg judgment and approximately € 19 million is the result of appeals already lodged by the Bank with the European Court of Human Rights, whose proceedings are at an advanced stage, having already received the requests for amicable settlement.

The contribution from interest from the salary- and pension-backed portfolios amounted to € 18 million, down from 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.

1.3 Interest and similar expense: breakdown

Items/Technical forms	Liabilities	Securities	Other transactions	2024	2023
1. Financial liabilities measured at amortised cost	138,547	5,653		144,200	109,027
1.1 Due to Central banks	13,597	X		13,597	18,129
1.2 Due to banks	1,040	X		1,040	6,518
1.3 Due to customers	123,910	X		123,910	78,890
1.4 Securities issued	X	5,653		5,653	5,490
2. Financial liabilities held for trading					
3. Financial liabilities designated at fair value through profit or loss					
4. Other liabilities and provisions	X	X			
5. Hedging derivatives	X	X			
6. Financial assets	X	X	X		
Total	**138,547**	**5,653**		**144,200**	**109,027**
of which: interest expense related to lease liabilities		X	X		

Section 2 - Net fee and commission income - Items 40 and 50

2.1 Fee and commission income: breakdown

	2024	2023
a) Financial instruments	136	144
1. Placement of securities	61	85
1.1 Underwritten and/or on a firm commitment basis	61	85
2. Order collection and transmission, and execution of orders on behalf of customers	62	46
2.1 Order collection and transmission for one or more financial instruments	62	46
3. Other fees associated with activities related to financial instruments	13	13
of which: individual asset management	13	13
b) Corporate Finance		
c) Investment advisory activities		
d) Clearing and settlement		
e) Custody and administration		
2. Other fees related to custody and administration activities		
f) Central administrative services for collective asset management		
g) Fiduciary activities		
h) Payment services	71	109
1. Current accounts	2	35
2. Credit cards		
3. Debit and other payment cards	30	27
4. Bank transfers and other payment orders		
5. Other fees related to payment services	39	47
i) Distribution of third party services	1,122	1,439
2. Insurance products	2	11
3. Altri prodotti	1,120	1,428
k) Servicing of securitisations	618	231
l) Commitments to disburse funds		
m) Financial guarantees issued	293	127
n) Financing transactions	17,249	11,932
of which: factoring transactions	17,231	11,678
o) Foreign currency transactions		
p) Commodities		
q) Other fee and commission income	11,460	9,928
Total	**30,949**	**23,910**

2.2 Fee and commission income: distribution channels of products and services

Channels/Amounts	2024	2023
a) at its branches:	**76**	**109**
1. asset management	13	13
2. placement of securities	61	85
3. third-party services and products	2	11
b) off-premises:		
1. asset management		
2. placement of securities		
3. third-party services and products		
c) other distribution channels:		
1. asset management		
2. placement of securities		
3. third-party services and products		

2.3 Fee and commission expense: breakdown

Services/Amounts	2024	2023
a) Financial instruments	106	71
of which: trading in financial instruments	106	71
of which: placement of financial instruments		
of which: individual asset management		
- Proprietary		
- Delegated to third parties		
b) Clearing and settlement	60	49
c) Custody and administration		
d) Collection and payment services	197	245
of which: credit cards, debit cards and other payment cards		
e) Servicing of securitisations		
f) Commitments to receive funds		
g) Financial guarantees received	1,878	1,575
of which: credit derivatives		
h) Off-premises distribution of securities, products and services	17,415	14,812
i) Foreign currency transactions		
j) Other fee and commission expense	25	22
Total	**19,681**	**16,774**

Section 3 – DIVIDENDS AND SIMILAR INCOME – ITEM 70

3.1 Dividends and similar income: breakdown

Items/Income	2024		2023	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value through profit or loss				
C. Financial assets measured at fair value through other comprehensive income	227		227	
D. Equity investments				
Total	**227**		**227**	

Section 4 – NET TRADING INCOME (EXPENSE) - ITEM 80

4.1 Net trading income (expense): breakdown

	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Net trading income (expense) [(A+B) - (C+D)]
1. Financial assets held for trading	**33,733**	**1,343**		**(879)**	**34,197**
1.1 Debt instruments		1,343			1,343
1.2 Equity instruments					
1.3 OEIC units					
1.4 Financing					
1.5 Other	33,733			(879)	32,854
2. Financial liabilities held for trading					
2.1 Debt instruments					
2.2 Payables					
2.3 Other					
3. Other financial assets and liabilities: exchange rate gains (losses)	X	X	X	X	27
4. Derivatives					
4.1 Financial derivatives:					
- On debt instruments and interest rates					
- On equity instruments and equity indexes					
- On currencies and gold	X	X	X	X	
- Other					
4.2 Credit derivatives					
of which: natural hedges connected to the fair value option	X	X	X	X	
Total	**33,733**	**1,343**		**(879)**	**34,224**

Section 6 - Gain from sales or repurchases - Item 100

6.1 Gain from sales or repurchases: breakdown

	2024			2023		
	Gain	**Loss**	**Net gain**	**Gain**	**Loss**	**Net gain**
A. Financial assets						
1. Financial assets measured at amortised cost:	6,374		6,374	12,609		12,609
1.1 Loans and receivables with banks						
1.2 Loans and receivables with customers	6,374		6,374	12,609		12,609
2. Financial assets measured at fair value through other comprehensive income	11,389	(7,780)	3,609	1,318		1,318
2.1 Debt instruments	11,389	(7,780)	3,609	1,318		1,318
2.2 Financing						
Total assets (A)	**17,763**	**(7,780)**	**9,983**	**13,927**		**13,927**
B. Financial liabilities measured at amortised cost						
1. Due to banks						
2. Due to customers						
3. Securities issued						
Total liabilities						

Section 7 – Net gain (loss) on other financial assets and liabilities measured at fair value through profit or loss – Item 110

7.1 Change in the net value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value through profit or loss

	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Net trading income (expense) [(A+B) - (C+D)]
1. Financial assets					
1.1 Debt instruments					
1.2 Financing					
2. Financial liabilities	2,251				**2,251**
2.1 Securities issued	2,251				
2.2 Due to banks					
2.3 Due to customers					
3. Foreign currency financial assets and liabilities: exchange rate gains (losses)	X	X	X	X	
Total	**2,251**				**2,251**

Section 8 - Net impairment losses/gains due to credit risk - Item 130

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

	Impairment losses (1)						Impairment gains (2)					
	First stage	Second stage	Third stage		Purchased or originated credit-		First stage	Second stage	Third stage	Purchased or originated credit-impaired	2024	2023
			Write-offs	Other	Write-offs	Other						
A. Loans and receivables with banks							**19**				**(19)**	**23**
- financing							19				(19)	23
- debt instruments											-	
B. Loans and receivables with customers:	**750**			**9,467**			**689**			**9,532**	**(4)**	**4,666**
- financing	721			9,467			689			9,532	(33)	4,666
- debt instruments	29										29	
C. Total	**750**			**9,467**			**708**			**9,532**	**(23)**	**4,689**

8.1a Net impairment losses due to credit risk related to loans measured at amortised cost subject to Covid-19 support measures: breakdown

	Net impairment losses							
	First stage	Second stage	Third stage		Purchased or originated credit-impaired		2024	2023
			write-offs	Other	write-offs	Other		
1. Forborne loans in compliance with the EBA Guidelines								(46)
2. Loans subject to existing moratoria no longer in compliance with the EBA Guidelines and not considered forborne								
3. Loans subject to other forbearance measures								
4. New loans	(37)	1		382			346	(19)
Total	**(37)**	**1**		**382**			**346**	**(65)**

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

	Impairment losses (1)						Impairment gains (2)				2024	2023
	First stage	Second stage	Third stage		Purchased or originated credit-impaired		First stage	Second stage	Third stage	originated credit-impaired		
			Write-offs	Other	Write-offs	Other						
A. Debt instruments	**221**										**221**	**(177)**
B. Financing												
- To customers											-	
- To banks											-	
Total	**221**										**221**	**(177)**

Section 9 – Gains/losses from contract amendments without derecognition – Item 140

9.1 Gains (losses) from contract amendments: breakdown

	2024	2023
9.1 Gains/losses from contract amendments without derecognition: breakdown	(102)	(1)

Section 10 – Administrative expenses – Item 160

10.1 Personnel expense: breakdown

	2024	2023
1) Employees	21,895	21,095
a) wages and salaries	12,905	12,586
b) social security charges	3,697	3,508
c) post-employment benefits		
d) pension costs		
e) accrual for post-employment benefits	1,027	897
f) accrual for pension and similar provisions:	-	-
- defined contribution plans		
- defined benefit plans		
g) payments to external supplementary pension funds:	207	196
- defined contribution plans	207	196
- defined benefit plans		
h) costs of share-based payment plans		
i) other employee benefits	4,059	3,908
2) Other personnel	447	438
3) Directors and statutory auditors	1,493	1,378
4) Retired personnel		
5) Recovery of costs for employees of the Bank seconded to other entities	(139)	(46)
6) Reimbursement of costs for employees of other entities seconded to the Bank	234	123
Total	**23,930**	**22,988**

10.2 Average number of employees by category

Employees

a) Senior managers	24
b) Middle managers (Q4 – Q3)	54
c) Remaining employees	129

10.5 Other administrative expenses: breakdown

Other administrative expenses	2024	2023
Consultancy	7,556	6,466
IT expenses	6,786	6,465
Servicing and collection activities	1,867	1,972
Indirect taxes and duties	3,363	2,812
Insurance	2,148	896
Other	835	899
Expenses related to management of the SPVs	327	341
Outsourcing and consultancy expenses	495	363
Car hire and related fees	707	631
Advertising and communications	655	1,838
Expenses related to property management and logistics	1,789	1,991
Personnel-related expenses	35	41
Entertainment and expense reimbursement	648	536
Infoprovider expenses	974	871
Membership fees	349	328
Audit fees	334	301
Telephone and postage expenses	435	514
Stationery and printing	58	49
Total operating expenses	**29,361**	**27,314**
Resolution Fund	-	1,568
Total	**29,361**	**28,882**

Section 11 – Net accruals to provisions for risks and charges – Item 170

11.2 Net accruals for other commitments and other guarantees issued: breakdown

	2024	2023
Net accruals for commitments and guarantees	31	(35)
Net accruals for other commitments and other guarantees		
Total	**31**	**(35)**

11.3 Net accruals to other provisions for risks and charges: breakdown

	2024	2023
Provisions for risks and charges - other provisions and risks	(3,456)	(3,136)
Release of provisions for risks and charges		
Total	**(3,456)**	**(3,136)**

Section 12 – Net impairment losses on property and equipment – Item 180

12.1 Net impairment losses on property and equipment: breakdown

	Depreciation (a)	Impairment losses (b)	Impairment gains (c)	Carrying amount (a + b - c)
A. Property and equipment				-
1. Operating assets	(1,587)			(1,587)
- owned	(75)			(75)
- right-of-use assets acquired under a leas	(1,512)			(1,512)
2. Investment property				-
- owned				-
- right-of-use assets acquired under a leas				-
3. Inventories				-
Total	**(1,587)**			**(1,587)**

Section 13 – Net impairment losses on intangible assets – Item 190

13.1 Net impairment losses on intangible assets: breakdown

	Depreciation (a)	Impairment losses (b)	Impairment gains (c)	Net gain Carrying amount (a + b - c)
A. Intangible assets				
of which: software				
A.1 Owned	**(29)**			**(29)**
- Developed internally				
- Other	(29)			(29)
A.2 Right-of-use assets acquired under a lease				
Total	**(29)**			**(29)**

Section 14 – Other operating income (expense) – Item 200

14.1 Other operating expense: breakdown

	2024	2023
Amortisation of leasehold improvements	(75)	(51)
Other operating expense	(5,837)	(4,545)
Total	**(5,912)**	**(4,596)**

14.2 Other operating income: breakdown

	2024	2023
Recoveries of expenses on current accounts and deposits for sundry taxes	925	969
Recoveries of sundry expenses	393	32
Other income	2,040	1,675
Total	**3,358**	**2,676**

Section 19 – Income taxes – Item 270

19.1 Income taxes: breakdown

	2024	2023
1. Current taxes (-)	(7,033)	(127)
2. Changes in current taxes of previous years (+/-)		
3. Decrease in current taxes for the year (+)		
3bis. Decrease in current taxes for the year due to tax assets pursuant to Law no. 214/2011 (+)		
4. Changes in deferred tax assets (+/-)	(2,433)	418
5. Changes in deferred tax liabilities (+/-)	(2,759)	(7,051)
6. Tax expense for the year (-) (-1+/-2+3+/-4+/-5)	(12,225)	(6,760)

19.2 Reconciliation between theoretical and effective tax expense

IRES (CORPORATE INCOME TAX)	Taxable income	IRES (Corporate income tax)	%
Theoretical IRES expense	**34,244**	**(9,417)**	**27.50%**
Permanent increases	1,545	(425)	1.24%
Temporary increases	8,511	(2,341)	6.84%
Permanent decreases	(10,789)	2,967	-8.66%
Temporary decreases	(17,211)	4,733	-13.82%
Effective IRES expense	**16,301**	**(4,483)**	**13.09%**
IRAP (REGIONAL BUSINESS TAX)	**Taxable income**	**IRAP**	**%**
Theoretical IRAP expense	**34,244**	**(1,907)**	**5.57%**
Permanent increases	63,766	(3,552)	10.37%
Temporary increases	5,899	(329)	0.96%
Permanent decreases	(54,192)	3,018	-8.81%
Temporary decreases	(3,934)	219	-0.64%
Effective IRAP expense	**45,784**	**(2,550)**	**7.45%**
Total effective IRES and IRAP expense - current taxes	**62,085**	**(7,033)**	**20.54%**
- deferred tax liabilities	10,032	(2,759)	8.06%
- deferred tax assets	7,035	(2,433)	7.10%
Total effective tax expense	**-**	**(12,225)**	**35.70%**

Section 21 - Other Information

Nothing to report.

Section 22 – Earnings per share

Earnings per share (EPS)	2024	2023
Profit for the year (thousands of Euro)	22,019	14,129
Average number of outstanding shares	80,333,104	80,216,544
Basic earnings per share (basic EPS) (in Euro)	0.274	0.176
Diluted earnings per share (diluted EPS) (in Euro)	0.274	0.176

EPS is calculated by dividing the profit attributable to holders of ordinary shares of Banca Sistema (numerator) by the weighted average number of ordinary shares (denominator) outstanding during the year.

PART D – OTHER COMPREHENSIVE INCOME

BREAKDOWN OF COMPREHENSIVE INCOME

		31.12.2024	31.12.2023
10.	**Profit (loss) for the year**	**22,019**	**14,129**
	Items, net of tax, that will not be reclassified subsequently to profit or loss	**-**	**-**
20.	Equity instruments designated at fair value through other comprehensive income:	-	-
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating):	-	-
40.	Hedging of equity instruments designated at fair value through other comprehensive income:	-	-
50.	Property and equipment		
60.	Intangible assets		
70.	Defined benefit plans	(230)	(186)
80.	Non-current assets held for sale		
90.	Share of valuation reserves of equity-accounted investments		
100.	Income taxes on items that will not be reclassified subsequently to profit or loss		
	Items, net of tax, that will be reclassified subsequently to profit or loss	-	-
110.	Hedges of foreign investments:	-	-
120.	Exchange rate gains (losses):	-	-
130.	Cash flow hedges:	-	-
140.	Hedging instruments (non-designated elements):	-	-
150.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income:	10,215	12,723
	a) fair value gains (losses)	4,883	12,900
	b) reclassification to profit or loss	5,332	(177)
	- impairment losses due to credit risk	220	(177)
	- gains/losses on sales	5,112	-
	c) other changes	-	-
160.	Non-current assets held for sale and disposal groups:	-	-
170.	Share of valuation reserves of equity-accounted investments:	-	-
180.	Income taxes on items that will be reclassified subsequently to profit or loss		
190	**Total other comprehensive income (expense)**	**9,985**	**12,537**
200	**Comprehensive income (expense) (10+190)**	**32,004**	**26,666**

PART E - INFORMATION CONCERNING RISKS AND RELATED HEDGING POLICIES

Section 1 - Credit risk

Qualitative disclosure

1. General aspects

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

2. Credit Risk Management Policies

2.1 Organisational aspects

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

2.2 Management, measurement and control systems

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

2.3 Methods for measuring expected losses

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

2.4 Credit Risk mitigation techniques

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

3. Non-performing exposures

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

3.1 Management strategies and policies

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

3.2 Write-offs

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

3.3 Purchased or originated credit-impaired financial assets

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

4. Financial assets subject to commercial renegotiation and forborne exposures

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

Quantitative disclosure

A. Credit quality

A.1 Impaired and unimpaired loans: carrying amounts, impairment losses, performance and business breakdown

A.1.1 Breakdown of financial assets by portfolio and by credit quality (carrying amounts)

	Bad exposures	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	31.12.2024
1. Financial assets measured at amortised cost	141,459	32,897	100,498	305,055	2,187,323	2,767,232
2. Financial assets measured at fair value through other comprehensive income					1,142,008	1,142,008
3. Financial assets designated at fair value through profit or loss						
4. Other financial assets mandatorily measured at fair value through profit or loss					13,737	13,737
5. Financial assets held for sale						
Total 31.12.2024	**141,459**	**32,897**	**100,498**	**305,055**	**3,343,068**	**3,922,977**
Total 31.12.2023	**124,647**	**43,773**	**63,017**	**359,465**	**3,360,220**	**3,951,121**

A.1.2 Breakdown of financial assets by portfolio and by credit quality (gross amount and carrying amount)

	Non-performing				Performing			Total (carrying amount)
	Gross amount	Total impairment losses	Net exposure	overall partial write-offs	Gross amount	Total impairment losses	Net exposure	
1. Financial assets measured at amortised cost	331,801	56,947	274,854		2,499,153	6,774	2,492,378	2,767,232
2. Financial assets measured at fair value through other comprehensive income					1,142,373	366	1,142,008	1,142,008
3. Financial assets designated at fair value through profit or loss								
4. Other financial assets mandatorily measured at fair value through profit or loss							13,737	13,737
5. Financial assets held for sale								
Total 31.12.2024	**331,801**	**56,947**	**274,854**		**3,641,526**	**7,140**	**3,648,123**	**3,922,977**
Total 31.12.2023	**296,458**	**65,021**	**231,437**		**3,714,519**	**6,408**	**3,719,684**	**3,951,121**

A.1.3 Breakdown of financial assets by past due range (carrying amounts)

	First stage			Second stage			Third stage			Purchased or originated credit-impaired		
	From 1 day to 30 days	From more than 30 days to 90 days	More than 90 days	Up to 30 days	From more than 30 days to 90 days	More than 90 days	Up to 30 days	From more than 30 days to 90 days	More than 90 days	Up to 30 days	From more than 30 days to 90 days	More than 90 days
1. Financial assets measured at amortised cost	9,553	27,327	265,187	1,184	84	100	280	2,403	216,392			3,407
2. Financial assets measured at fair value through other comprehensive income												
3. Financial assets held for sale												
Total 31.12.2024	**9,553**	**27,327**	**265,187**	**1,184**	**84**	**100**	**280**	**2,403**	**216,392**			**3,407**
Total 31.12.2023	**21,827**	**34,618**	**300,326**	**553**	**150**	**1,991**	**370**	**1,211**	**195,531**			**87**

A.1.4 Financial assets, commitments to disburse funds and financial guarantees issued: changes in impaired positions and accruals to provisions

	Total impairment losses																							Overall accruals to provisions on commitments to disburse funds and financial guarantees issued				Total
	Assets included in the first stage						Assets included in the second stage						Assets included in the third stage						Purchased or originated credit-impaired financial assets									
	Demand loans and receivables with banks and Central Banks Financial assets measured at amortised cost	Financial assets measured at amortised cost	Financial assets measured at fair value through othe comprehensive income	Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses	Demand loans and receivables with banks and Central Banks Financial assets measured at amortised cost	Financial assets measured at amortised cost	Financial assets measured at fair value through othe comprehensive income	Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses	Demand loans and receivables with banks and Central Banks Financial assets measured at amortised cost	Financial assets measured at amortised cost	Financial assets measured at fair value through othe comprehensive income	Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses	First stage	Second stage	Third stage	Purchased or originated credit-impaired commitments to disburse funds and financial guarantees issued	
Opening total impairment losses	**26**	**5,566**	**145**			**5,738**		**695**				**695**		**65,021**			**65,021**							**59**				**71,515**
Increases in purchased or originated financial assets	4	2,729	366			3,099		70				70		2,492			2,492							5		3		5,669
Derecognition other than write-offs	23	2,276	145			2,445		291				291		5,844			5,844											8,580
Net impairment losses/gains due to credit risk (+/-)	1	463				464		(183)				(183)		(4,722)			(4,723)					1		(39)				(4,480)
Contract amendments without derecognition																												
Changes in estimation method																												
Write-offs not recognised directly through profit or loss																												
Other changes																												
Closing total impairment losses	**8**	**6,482**	**511**			**6,856**		**291**				**291**		**56,947**			**56,947**							**25**				**64,123**
Recoveries from collection on financial assets that have been written off																												
Write-offs recognised directly through profit or loss																												

A.1.5 Financial assets, commitments to disburse funds and financial guarantees issued: transfers between different credit risk stages (gross amount and nominal amount)

	Gross amount / Nominal amount					
	Transfers between the first and second stage		Transfers between the second and third stage		Transfers between the first and third stage	
	From the first to the second stage	From the second to the first stage	From the second to the third stage	From the third to the second stage	From the first to the third stage	From the third to the first stage
1. Financial assets measured at amortised cost	21,675	26,286	1,938	209	87,189	10,034
2. Financial assets measured at fair value through other comprehensive income						
3. Financial assets held for sale						
4. Commitments to disburse funds and financial guarantees issued						617
Totale 31.12.2024	**21,675**	**26,286**	**1,938**	**209**	**87,189**	**10,651**
Totale 31.12.2023	**25,488**	**9,799**	**6,387**	**2,475**	**54,647**	**34,648**

A.1.5a Loans subject to Covid-19 support measures: transfers between different credit risk stages (gross amount and nominal amount)

	Gross amount / Nominal amount					
	Transfers between the first and second stage		**Transfers between the second and third stage**		**Transfers between the first and third stage**	
	From the first to the second stage	**From the second to the first stage**	**From the second to the third stage**	**From the third to the second stage**	**From the first to the third stage**	**From the third to the first stage**
A. Loans measured at amortised cost		**511**			**21,458**	
A.1 forborne in compliance with the EBA Guidelines						
A.2 subject to existing moratoria no longer in compliance with the EBA Guidelines and not considered forborne						
A.3 subject to other forbearance measures						
A.4 new loans		511			21,458	
B. Loans measured at fair value through other comprehensive income						
B.1 forborne in compliance with the EBA Guidelines						
B.2 subject to existing moratoria no longer in compliance with the EBA Guidelines and not considered forborne						
B.3 subject to other forbearance measures						
B.4 new loans						
Totale 31.12.2024		**511**			**21,458**	
Totale 31.12.2023					**608**	

A.1.6 On- and off-statement of financial position loans and receivables with banks: gross amounts and carrying amounts

	Gross amount					**31.12.2024**						
		First stage	**Second stage**	**Third stage**	**Purchased or originated credit-impaired**		**First stage**	**Second stage**	**Third stage**	**Purchased or originated credit-impaired**	**Net exposure**	**Overall partial write-offs ***
A. ON-STATEMENT OF FINANCIAL POSITION LOANS AND RECEIVABLES												
A.1 ON DEMAND	**88,629**	**88,629**				**8**	**8**				**88,621**	
a) Non-performing		**X**					**X**					
b) Performing	**88,629**	**88,629**		**X**		**8**	**8**		**X**		**88,621**	
A.2 OTHER	**24,900**	**24,899**		**2**		**1**	**1**				**24,899**	
a) Bad exposures		X					X					
- of which: forborne exposures		X					X					
b) Unlikely to pay		X					X					
- of which: forborne exposures		X					X					
c) Non-performing past due exposures	2	X		2			X				2	
- of which: forborne exposures		X					X					
d) Performing past due exposures	5	5		X					X		5	
- of which: forborne exposures				X					X			
e) Other performing exposures	24,893	24,893		X		1	1		X		24,892	
- of which: forborne exposures				X					X			
TOTAL A	**113,529**	**113,527**		**2**		**9**	**9**				**113,520**	
B. OFF-STATEMENT OF FINANCIAL POSITION LOANS AND RECEIVABLES												
a) Non-performing		X					X					
b) Performing	2,446	2,446		X		2	2		X		2,444	
TOTAL B	**2,446**	**2,446**				**2**	**2**				**2,444**	
TOTAL (A+B)	**115,975**	**115,973**		**2**		**11**	**11**				**115,964**	

A.1.7 On- and off-statement of financial position loans and receivables with customers: gross amounts and carrying amounts

	Gross amount					31.12.2024					Net exposure	Overall partial write-offs *
		First stage	Second stage	Third stage	Purchased or originated credit-impaired		First stage	Second stage	Third stage	Purchased or originated credit-impaired		
A. ON-STATEMENT OF FINANCIAL POSITION LOANS AND RECEIVABLES												
a) Bad exposures	179,957	X		178,190	1,767	38,499	X		38,497	2	141,458	
- of which: forborne exposures		X					X					
b) Unlikely to pay	50,712	X		50,712		17,815	X		17,815		32,897	
- of which: forborne exposures		X					X					
c) Non-performing past due exposures	101,130	X		101,107		634	X		635		100,496	
- of which: forborne exposures		X					X					
d) Performing past due exposures	307,154	304,159	1,374	X		2,104	2,098	6	X		305,050	
- of which: forborne exposures				X					X			
e) Other performing exposures	3,323,210	3,261,300	48,149	X		5,035	4,750	285	X		3,318,175	
- of which: forborne exposures				X					X			
TOTAL A	**3,962,163**	**3,565,459**	**49,523**	**330,009**	**3,436**	**64,087**	**6,848**	**291**	**56,947**	**3**	**3,898,076**	
B. OFF-STATEMENT OF FINANCIAL POSITION LOANS AND RECEIVABLES												
a) Non-performing	53,918	X		46,839		3	X		3		53,915	
b) Performing	773,138	773,138		X		23	23		X		773,115	
TOTAL B	**827,056**	**773,138**		**46,839**		**26**	**23**		**3**		**827,030**	
TOTAL (A+B)	**4,789,219**	**4,338,597**	**56,602**	**376,848**	**3,436**	**64,113**	**6,871**	**291**	**56,950**	**3**	**4,725,106**	

A.1.7a Loans subject to Covid-19 support measures: gross amount and carrying amount

	Gross amount					31.12.2024				Net exposure	Overall partial write-offs *
		First stage	Second stage	Third stage	Purchased or originated credit-impaired	First stage	Second stage	Third stage	Purchased or originated credit-impaired		
A. BAD LOANS											
a) Forborne in compliance with the EBA Guidelines											
b) Subject to moratoria no longer in compliance with the EBA Guidelines and not considered forborne											
c) Subject to other forbearance measures											
d) New loans											
B. UNLIKELY-TO-PAY LOANS	**21,458**			**21,458**				**428**		**21,030**	
a) Forborne in compliance with the EBA Guidelines											
b) Subject to moratoria no longer in compliance with the EBA Guidelines and not considered forborne											
c) Subject to other forbearance measures											
d) New loans	21,458			21,458				428		21,030	
C) IMPAIRED PAST DUE LOANS											
a) Forborne in compliance with the EBA Guidelines											
b) Subject to moratoria no longer in compliance with the EBA Guidelines and not considered forborne											
c) Subject to other forbearance measures											
d) New loans											
D) PERFORMING LOANS											
a) Forborne in compliance with the EBA Guidelines											
b) Subject to moratoria no longer in compliance with the EBA Guidelines and not considered forborne											
c) Subject to other forbearance measures											
d) New loans											
E) OTHER PERFORMING LOANS	**86,542**	**86,031**	**511**			**241**	**1**			**86,300**	
a) Forborne in compliance with the EBA Guidelines											
b) Subject to moratoria no longer in compliance with the EBA Guidelines and not considered forborne											
c) Subject to other forbearance measures											
d) New loans	86,542	86,031	511			241	1			86,300	
TOTAL (A+B+C+D+E)	**108,000**	**86,031**	**511**	**21,458**		**241**	**1**	**428**		**107,330**	

A.1.8 On-statement of financial position loans and receivables with banks: gross non-performing exposures

	Bad exposures	Unlikely to pay	Non-performing past due exposures
A. Opening gross balance			**1**
- of which: positions transferred but not derecognised			
B. Increases			**2**
B.1 transfers from performing loans			
B.2 transfers from purchased or originated credit-impaired financial			
B.3 transfers from other categories of non-performing exposures			
B.4 contract amendments without derecognition			
B.5 other increases			2
C. Decreases			**1**
C.1 transfers to performing loans			
C.2 write-offs			
C.3 collections			1
C.4 gains on sales			
C.5 losses on sales			
C.6 transfers to other categories of non-performing exposures			
C.7 contract amendments without derecognition			
C.8 other decreases			
D. Closing gross balance			**2**
- of which: positions transferred but not derecognised			

A.1.9 On-statement of financial position loans and receivables with customers: gross non-performing exposures

	Bad exposures	Unlikely to pay	Non-performing past due
A. Opening gross balance	**173,766**	**58,514**	**64,177**
- of which: positions transferred but not derecognised	3	1,045	1,652
B. Increases	**26,490**	**19,175**	**98,471**
B.1 transfers from performing loans	14,714	7,852	76,877
B.2 transfers from purchased or originated credit-impaired financial assets			
B.3 transfers from other categories of non-performing exposures	2,583	3,313	
B.4 contract amendments without derecognition			
B.5 other increases	9,193	8,010	21,594
C. Decreases	**20,299**	**26,977**	**61,518**
C.1 transfers to performing loans	2,096	119	6,290
C.2 write-offs	6,794		
C.3 collections	11,409	24,405	51,785
C.4 gains on sales			
C.5 losses on sales			
C.6 transfers to other categories of non-performing exposures		2,453	3,443
C.7 contract amendments without derecognition			
C.8 other decreases			
D. Closing gross balance	**179,957**	**50,712**	**101,130**
- of which: positions transferred but not derecognised	1	1,448	1,821

A.1.9bis On-statement of financial position loans and receivables with customers: breakdown of gross forborne exposures by credit quality

	Non-performing exposures with forbearance measures	Other forborne exposures
A. Opening gross balance	**2,336**	**144**
- of which: positions transferred but not derecognised		
B. Increases	**714**	**1,800**
B.1 transfers from performing exposures without forbearance mea		1,629
B.2 transfers from forborne performing exposures		X
B.3 transfers from non-performing exposures with forbearance me	X	
B.4 transfers from non-performing exposures without forbearance	711	
B.5 other increases	3	171
C. Decreases	**1,833**	**1,425**
C.1 transfers to performing exposures without forbearance measu	X	
C.2 transfers to forborne performing exposures		X
C.3 transfers to non-performing exposures with forbearance meas	X	
C.4 write-offs		
C.5 collections	1,833	1,425
C.6 gains on sales		
C.7 losses on sales		
C.8 other decreases		
D. Closing gross balance	**1,217**	**519**
- of which: positions transferred but not derecognised		

A.1.10 On-statement of financial position non-performing loans and receivables with banks: changes in impaired positions

	Bad exposures		Unlikely to pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening total impairment losses						
- of which: positions transferred but not derecognised						
B. Increases						
B.1 impairment losses on purchased or originated credit-impaired financial assets		X		X		X
B.2 other impairment losses						
B.3 losses on sales						
B.4 transfers from other categories of non-performing exposures						
B.5 contract amendments without derecognition						
B.6 other increases						
C. Decreases						
C.1 impairment gains						
C.2 impairment gains due to collections						
C.3 gains on sales						
C.4 write-offs						
C.5 transfers to other categories of non-performing exposures						
C.6 contract amendments without derecognition						
C.7 other decreases						
D. Closing total impairment losses						
- of which: positions transferred but not derecognised						

A.1.11 On-statement of financial position non-performing loans and receivables with customers: changes in impaired positions

	Bad exposures		Unlikely to pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening total impairment losses	**49,119**	**19**	**14,741**	**412**	**1,161**	
- of which: positions transferred but not derecognised			557		8	
B. Increases	**6,716**	**35**	**8,729**		**277**	
B.1 impairment losses on purchased or originated credit-impaired financial assets		X		X		X
B.2 other impairment losses	4,896		8,399		241	
B.3 losses on sales						
B.4 transfers from other categories of non-performing exposures	1,776		308			
B.5 contract amendments without derecognition						
B.6 other increases	44	35	22		36	
C. Decreases	**17,338**	**54**	**5,656**	**412**	**804**	
C.1 impairment gains	8,650	54	160		13	
C.2 impairment gains due to collections	1,938		3,683	412	223	
C.3 gains on sales						
C.4 write-offs						
C.5 transfers to other categories of non-performing exposures			1,726		358	
C.6 contract amendments without derecognition						
C.7 other decreases	6,750		87		210	
D. Closing total impairment losses	**38,497**		**17,814**		**634**	
- of which: positions transferred but not derecognised			711		9	

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees issued based on external and internal rating

A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees issued by external rating class (gross amounts)

The risk categories for the external rating indicated in this table refer to the creditworthiness classes of the debtors/guarantors pursuant to prudential requirements.

The Bank uses the standardised approach in accordance with the risk mapping of the rating agencies:

- “DBRS Ratings Limited”, for exposures to: central authorities and central banks; supervised brokers; public sector institutions; territorial entities;
- “Fitch Ratings” and Standard & Poor’s, for exposures to companies and other parties.

Exposures	External rating class						Without rating	Total
	class 1	class 2	class 3	class 4	class 5	class 6		
A. Financial assets measured at amortised cost		**1**	**80,869**				**2,750,084**	**2,830,954**
- First stage		1	80,869				2,367,114	2,447,984
- Second stage							49,522	49,522
- Third stage							330,012	330,012
- Purchased or originated credit-impaired							3,436	3,436
B. Financial assets measured at fair value through other comprehensive income			**1,140,371**				**2,003**	**1,142,374**
- First stage			1,140,371				2,003	1,142,374
- Second stage								
- Third stage								
- Purchased or originated credit-impaired								
C. Financial assets held for sale								
- First stage								
- Second stage								
- Third stage								
- Purchased or originated credit-impaired								
Total (A+B+C)		**1**	**1,221,240**				**2,752,087**	**3,973,328**
D. Commitments to disburse funds and financial guarantees issued							**829,503**	**829,503**
- First stage							782,664	782,664
- Second stage								
- Third stage							46,839	46,839
- Purchased or originated credit-impaired								
Total D							**829,503**	**829,503**
Total (A + B + C + D)		**1**	**1,221,240**				**3,581,590**	**4,802,831**

A.3 Breakdown of guaranteed credit exposures by type of guarantee

A.3.1 Guaranteed on- and off-statement of financial position loans and receivables with banks

No positions to report.

A.3.2 Guaranteed on- and off-statement of financial position loans and receivables with customers

	Gross amount	Net exposure	Collateral (1)				Personal guarantees (2)									Total (1)+(2)
			Mortgaged estate	Properties under finance lease	Securities	Other collateral	Credit derivatives					Endorsement credits				
							CLN	Other derivatives				General governments	Banks	Other financial corporations	Other	
								Central Counterpar	Banks	Other financial	Other					
1. Guaranteed on-statement of financial position loans:	**1,012,124**	**1,004,287**	**2,016**		**4**	**684,418**							**10,920**	**76,066**	**172,722**	**946,146**
1.1 fully guaranteed	840,580	834,730	2,016		4	684,418							1	76,066	72,224	834,729
- of which non-performing	16,842	12,326				11,693									633	12,326
1.2 partially guaranteed	171,544	169,557											10,919		100,498	111,417
- of which non-performing	6,245	5,051											3,671			3,671
2. Guaranteed off-statement of financial position loans:	**35,638**	**35,635**			**26**	**12,795**								**9,353**	**13,182**	**35,356**
2.1 fully guaranteed	35,360	35,357			26	12,795								9,353	13,182	35,356
- of which non-performing	12,914	12,910				12,525									385	12,910
2.2 partially guaranteed	278	278														
- of which non-performing																

B. Breakdown and concentration of credit exposures

B. Breakdown by business segment of on- and off-statement of financial position loans and receivables with customers

	General governments		Financial corporations		Financial corporations (of which: insurance companies)		Non-financial corporations		Households	
	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment
A. On-statement of financial position loans and receivables										
A.1 Bad exposures	137,838	8,201					3,585	29,416	35	881
- of which: forborne exposures										
A.2 Unlikely to pay	8	518					29,546	14,064	3,344	3,233
- of which: forborne exposures										
A.3 Non-performing past due exposures	82,655	39	1,710		1,572		5,107	358	11,024	237
- of which: forborne exposures										
A.4 Performing exposures	1,843,238	2,728	182,199	152	32		861,508	3,129	736,279	1,130
- of which: forborne exposures										
Total (A)	**2,063,739**	**11,486**	**183,909**	**152**	**1,604**		**899,746**	**46,967**	**750,682**	**5,481**
B. Off-statement of financial position loans and receivables										
B.1 Non-performing exposures	22,001						24,028	3	7,886	
B.2 Performing exposures	167,320		377,192				227,770	23	834	
Total (B)	**189,321**		**377,192**				**251,798**	**26**	**8,720**	
Total (A+B) 31.12.2024	**2,253,060**	**11,486**	**561,101**	**152**	**1,604**		**1,151,544**	**46,993**	**759,402**	**5,481**
Total (A+B) 31.12.2023	**2,834,087**	**18,968**	**445,678**	**117**	**2,187**	**8**	**836,035**	**46,741**	**813,694**	**5,659**

B.2 Breakdown by geographical segment of on- and off-statement of financial position loans and receivables with customers

	Italy		Other European countries		America		Asia		Rest of the world	
	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment
A. On-statement of financial position loans and receivables										
A.1 Bad exposures	141,459	38,499								
A.2 Unlikely to pay	32,897	17,815								
A.3 Non-performing past due exp	100,347	634	149							
A.4 Performing exposures	3,359,524	6,313	262,985	824	381	2	57			
Total (A)	**3,634,227**	**63,261**	**263,134**	**824**	**381**	**2**	**57**			
B. Off-statement of financial position loans and receivables										
B.1 Non-performing exposures	53,915	3								
B.2 Performing exposures	747,773	23	25,343							
Total (B)	**801,688**	**26**	**25,343**							
Total (A+B) 31.12.2024	**4,435,915**	**63,287**	**288,477**	**824**	**381**	**2**	**57**			
Total (A+B) 31.12.2023	**4,740,538**	**71,120**	**183,994**	**344**	**2,753**	**11**	**2,212**	**9**		

B.3 Breakdown by geographical segment of on- and off-statement of financial position loans and receivables with banks

	Italy		**Other European countries**		**America**		**Asia**		**Rest of the world**	
	Net exposure	**Total impairment losses**	**Net exposure**	**Total impairment losses**	**Net exposure**	**Total impairment losses**	**Net exposure**	**Total impairment losses**	**Net exposure**	**Total impairment losses**
A. On-statement of financial position loans and receivables										
A.1 Bad exposures										
A.2 Unlikely to pay										
A.3 Non-performing past due exposures	2									
A.4 Performing exposures	112,510	8	1,009							
Total (A)	**112,512**	**8**	**1,009**							
B. Off-statement of financial position loans and receivables										
B.1 Non-performing exposures										
B.2 Performing exposures	2,444	2								
Total (B)	**2,444**	**2**								
Total (A+B) 31.12.2024	**114,956**	**10**	**1,009**							
Total (A+B) 31.12.2023	**249,479**	**30**	**1,088**							

As at 31 December 2024, the Bank’s large exposures are as follows:

a) Carrying amount € 5,583,367 thousand

b) Weighted amount € 482,063 thousand

c) No. of positions 20.

C. Securitisation transactions

This section does not recognise securitisation transactions where the originators are banks belonging to the same prudentially consolidated group and where the total liabilities issued by the special purpose vehicles (e.g. ABS securities, loans in the warehousing phase, etc.) are subscribed at the time of issue by one or more entities belonging to the same prudentially consolidated group.

Self-securitisation transactions included in the Group's prudential consolidation are dealt with in Part E of the Notes to the consolidated financial statements.

Qualitative disclosure

The Group has established the "Traditional Securitisation Policy," which sets out the principles and guidelines governing the Bank's securitisation activities with the aim of:

- defining the roles and responsibilities of internal functions within the securitisation process, in compliance with the applicable internal and external regulations;
- establishing the principles and guidelines for the Bank's activities as an investor in securitisation transactions, ensuring compliance with the relevant regulations.

The policy applies to securitisation transactions structured to access alternative sources of funding, in which the Bank acts as Originator, Sponsor, or Servicer, as well as to the Bank's activities as an investor in securitisation transactions.

Quantitative disclosure

Set out below are the Bank's exposures to the vehicle BS IVA SPV S.R.L., whose purpose is to acquire VAT receivables held by third-party assignors. Pursuant to IFRS 9, the vehicle and, consequently, the underlying receivables are consolidated in the Group's financial statements.

C.2 Exposures deriving from the main "third-party" securitisation transactions broken down by type of asset securitised and by type of exposure

	ON-STATEMENT OF FINANCIAL POSITION						GUARANTEES ISSUED						CREDIT LINES					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Impairment losses/gains	Carrying amount	Impairment losses/gains	Carrying amount	Impairment losses/gains	Carrying amount	Impairment losses/gains	Carrying amount	Impairment losses/gains	Carrying amount	Impairment losses/gains	Carrying amount	Impairment losses/gains	Carrying amount	Impairment losses/gains	Carrying amount	Impairment losses/gains
BS IVA SPV S.r.l. securitisation	4,137				13,737								23,725					

E. Transfers

A. Financial assets transferred and not derecognised

Qualitative disclosure

The financial assets transferred and not derecognised refer to Italian government securities used for repurchase agreements. Said financial assets are classified in the financial statements among the available-for-sale financial assets, while the repurchase agreement loan is predominantly presented in due to customers. As a last resort the financial assets transferred and not derecognised comprise trade receivables used for loan transactions in the ECB (Abaco).

E.1. Prudential consolidation – Financial assets transferred and recognised in full, and associated financial liabilities: carrying amount

	Financial assets transferred and recognised in full				Associated financial liabilities		
	Carrying amount	of which: subject to securitisation transactions	of which: subject to a sales contract with repurchase agreement	of which: non-performing	Carrying amount	of which: subject to securitisation transactions	of which: subject to a sales contract with repurchase agreement
A. Financial assets held for trading				**X**			
1. Debt securities				X			
2. Equity instruments				X			
3. Financing				X			
4. Derivatives				X			
B. Other financial assets mandatorily measured at fair value through profit or loss							
1. Debt securities							
2. Equity instruments				X			
3. Financing							
C. Financial assets designated at fair value through profit or loss							
1. Debt securities							
2. Financing							
D. Financial assets measured at fair value through other comprehensive income	**774,861**		**774,861**		**773,994**		**773,994**
1. Debt securities	774,861		774,861		773,994		773,994
2. Equity instruments				X			
3. Financing							
E. Financial assets measured at amortised cost	**334,039**	**210,470**	**123,569**	**2,549**	**250,771**	**142,334**	**108,437**
1. Debt securities	123,569		123,569		108,437		108,437
2. Financing	210,470	210,470		2,549	142,334	142,334	
Total 31.12.2024	**1,108,900**	**210,470**	**898,430**	**2,549**	**1,024,765**	**142,334**	**882,431**
Total 31.12.2023	**202,259**	**202,259**		**2,135**	**134,484**	**134,484**	

F. Models for the measurement of credit risk

Section 2 - Market risk

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

2.1- Interest rate risk and price risk - regulatory trading book

Qualitative disclosure

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

2.2 Interest rate risk and price risk - Banking Book

Qualitative disclosure

A. General aspects, management procedures and methods of measuring the interest rate risk and the price risk

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

Quantitative disclosure

1. Banking book: Breakdown by residual term (by repricing date) of financial assets and liabilities (Euro)

	on demand	up to 3 months	from more than 3 months up to 6 months	from more than 6 months up to 1 year	from more than 1 year up to 5 years	31.12.2024	more than 10 years	open term
1. Assets	**1,350,635**	**807,549**	**557,524**	**58,524**	**792,653**	**441,776**	**1,115**	
1.1 Debt instruments		270,230	531,171		418,541	92,059		
- with early repayment option								
- other		270,230	531,171		418,541	92,059		
1.2 Financing to banks	87,818	22,874						
1.3 Financing to customers	1,262,817	514,445	26,353	58,524	374,112	349,717	1,115	
- current accounts	49,148	87,982						
- other financing	1,213,669	426,463	26,353	58,524	374,112	349,717	1,115	
- with early repayment option	121,595	231,695	26,227	58,209	370,675	208,413	1,115	
- other	1,092,074	194,768	126	315	3,437	141,304		
2. Liabilities	**564,029**	**1,373,054**	**345,212**	**575,898**	**1,064,287**	**92,934**	**345**	
2.1 Due to customers	563,853	1,373,054	345,212	558,398	1,001,940	92,934	345	
- current accounts	416,857	544,864	333,118	544,604	964,101	89,804	345	
- other payables	146,996	828,190	12,094	13,794	37,839	3,130		
- with early repayment option								
- other	146,996	828,190	12,094	13,794	37,839	3,130		
2.2 Due to banks	176			17,500	62,347			
- current accounts								
- other payables	176			17,500	62,347			
2.3 Debt instruments								
2.4 Other liabilities								
3. Financial derivatives		**27,207**	**290**	**2,430**	**23,834**	**1,221**	**13**	
3.1 With underlying security								
- Options								
- Other derivatives								
3.2 Without underlying security		27,207	290	3,012	23,834	1,221	13	
- Options		27,207	290	3,012	23,834	1,221	13	
+ long positions			290	2,430	23,834	1,221	13	
+ short positions		27,207						
- Other derivatives								
4. Other off-statement of financial position transactions	**1,567,259**	**1,427,804**						
+ long positions	1,462,415	104,844						
+ short positions	104,844	1,322,960						

1. Banking book: Breakdown by residual term (by repricing date) of financial assets and liabilities (other currencies)

	on demand	up to 3 months	from more than 3 months up to 6 months	from more than 6 months up to 1 year	from more than 1 year up to 5 years	31.12.2024	more than 10 years	open term
1. Assets	**825**							
1.1 Debt instruments								
- with early repayment option								
- other								
1.2 Financing to banks	825							
1.3 Financing to customers								
- current accounts								
- other financing								
- with early repayment option								
- other								
2. Liabilities	**801**							
2.1 Due to customers	801							
- current accounts	801							
- other payables								
2.2 Due to banks								
2.3 Debt instruments								
2.4 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
- Other derivatives								
3.2 Without underlying security								
- Options								
- Other derivatives								
4. Other off-statement of financial position transactions								
+ long positions								
+ short positions								

2.3 Currency risk

Qualitative disclosure

A. General aspects, management processes and methods of measuring the currency risk

All items are in Euro, except for the security in the HTCS portfolio. The currency risk is limited due to the size of the investment.

Quantitative disclosure

1. Breakdown of assets, liabilities and derivatives by currency of denomination

	Currencies					
	US Dollars	UK Pounds	Yen	Canadian Dollars	Swiss Francs	Other currencies
A. Financial assets	**818**	**1**		**1**	**2**	**3**
A.1 Debt instruments						
A.2 Equity instruments						
A.3 Financing to banks	818	1		1	2	3
A.4 Financing to customers						
A.5 Other financial assets						
B. Other assets						
C. Financial liabilities	**801**					
C.1 Due to banks						
C.2 Due to customers	801					
C.3 Debt instruments						
C.4 Other financial liabilities						
D. Other liabilities						
E. Financial derivatives						
- Options						
- Other derivatives						
Total assets	**818**	**1**		**1**	**2**	**3**
Total liabilities	**801**					
Difference (+/-)	**17**	**1**		**1**	**2**	**3**

Section 3 - Derivatives and hedging policies

3.1 Derivatives held for trading

A. Financial derivatives

No amount was recognised for this item at the reporting date.

B. Credit derivatives

No amount was recognised for this item at the reporting date.

3.2 Hedge Accounting

The Bank did not perform any such transactions during the year.

3.3 Other disclosure of derivatives (held for trading and hedging)

No such items existed at the reporting date.

Section 4 - Liquidity risk

Qualitative disclosure

A. General aspects, management processes and methods of measuring the liquidity risk

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

Quantitative disclosure

1. Breakdown of financial assets and liabilities by remaining contractual term (EURO)

	on demand	from more than 1 day up to 7 days	from more than 7 days up to 15 days	from more than 15 days up to 1 month	from more than 1 month up to 3 months	31.12.2024	from more than 6 months up to 1 year	from more than 1 year up to 5 years	More than 5 years	Open term
Assets	**1,264,260**	**1,415**	**85,656**	**45,800**	**250,220**	**201,859**	**160,158**	**1,245,304**	**620,212**	
A.1 Government securities			85,353		176,225	35,886	15,416	686,500	197,000	
A.2 Other debt instruments				624		1,881	5,783		104,736	
A.3 OEIC units										
A.4 Financing	1,264,260	1,415	303	45,176	73,995	164,092	138,959	558,804	318,476	
- banks	37,826			8						
- customers	1,226,434	1,415	303	45,168	73,995	164,092	138,959	558,804	318,476	
Liabilities	**522,316**	**752,169**	**89,290**	**173,587**	**380,985**	**363,920**	**585,090**	**1,064,287**	**93,279**	
B.1 Deposits and current accounts	375,235	61,058	89,266	173,513	244,004	351,030	570,656	964,101	90,149	
- banks										
- customers	375,235	61,058	89,266	173,513	244,004	351,030	570,656	964,101	90,149	
B.2 Debt instruments										
B.3 Other liabilities	147,081	691,111	24	74	136,981	12,890	14,434	100,186	3,130	
Off-statement of financial position transactions	**1,571,693**	**1,322,960**					**9,999**	**3,170**		
C.1 Financial derivatives with exchange of principal										
C.2 Financial derivatives without exchange of principal										
C.3 Deposits and financing to be received	1,462,415	1,322,960								
- long positions	1,462,415									
- short positions		1,322,960								
C.4 Commitments to disburse funds	104,844									
- long positions										
- short positions	104,844									
C.5 Financial guarantees issued	4,434						9,999	3,170		
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
C.8 Credit derivatives without exchange of principal										

1. Breakdown of financial assets and liabilities by remaining contractual term (OTHER CURRENCIES)

	on demand	from more than 1 day up to 7 days	from more than 7 days up to 15 days	from more than 15 days up to 1 month	from more than 1 month up to 3 months	31.12.2024	from more than 6 months up to 1 year	from more than 1 year up to 5 years	More than 5 years	Open term
Assets	**826**									
A.1 Government securities										
A.2 Other debt instruments										
A.3 OEIC units										
A.4 Financing	826									
- banks	826									
- customers										
Liabilities	**801**									
B.1 Deposits and current accounts	801									
- banks										
- customers	801									
B.2 Debt instruments										
B.3 Other liabilities										
Off-statement of financial position transactions										
C.1 Financial derivatives with exchange of principal										
C.2 Financial derivatives without exchange of principal										
C.3 Deposits and financing to be received										
C.4 Commitments to disburse funds										
C.5 Financial guarantees issued										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
C.8 Credit derivatives without exchange of principal										

Section 5 - Operational risks

Qualitative disclosure

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

A. General aspects, management processes and methods of measuring operational risk

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

PART F - INFORMATION ON BANK EQUITY

Section 1 - Bank equity

A. Qualitative disclosure

The objectives pursued in the management of bank equity are inspired by the prudential supervisory provisions and are oriented towards maintaining adequate levels of capitalisation to take on risks typical to credit positions.

The income allocation policy aims to strengthen the Bank's capital with special emphasis on common equity, to the prudent distribution of the operating results, and to guaranteeing a correct balance of the financial position.

B. Quantitative disclosure

B.1 Bank equity: breakdown

	31.12.2024	31.12.2023
1. Share capital	9,651	9,651
2. Share premium	39,100	39,100
3. Reserves	174,069	168,371
- income-related	174,755	168,865
a) legal	1,930	1,930
b) established under the Articles of Association		
c) treasury shares		
d) other	172,825	166,935
- other	(686)	(494)
4. Equity instruments	45,500	45,500
3.5 Interim dividends (-)		
5. (Treasury shares)	(102)	(355)
6. Valuation reserves	(2,347)	(12,333)
- Equity instruments designated at fair value through other comprehensive income	(642)	(586)
- Hedging of equity instruments designated at fair value through other comprehensive income		
- Financial assets (other than equity instruments) measured at fair value through other comprehensive income	(1,362)	(11,634)
- Property and equipment		
- Intangible assets		
- Hedges of foreign investments		
- Cash flow hedges		
- Hedging instruments (non-designated elements)		
- Exchange rate gains (losses)		
- Non-current assets held for sale and disposal groups		
- Financial liabilities designated at fair value through profit or loss (changes in own credit rating)		
- Net actuarial gains (losses) on defined benefit pension plans	(343)	(113)
- Shares of valuation reserves of equity-accounted investees		
- Special revaluation laws		
7. Profit (loss) for the year	22,019	14,129
Total	**287,890**	**264,063**

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: breakdown

	31.12.2024		31.12.2024	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities		1,362		11,634
2. Equity instruments		642		586
3. Financing				
Total		**2,004**		**12,220**

B.3 Valuation reserves for financial assets measured at fair value through other comprehensive income: changes

	Debt instruments	Equity instruments	Financing
1. Opening balance	**(11,634)**	**(586)**	
2. Increases	**15,238**	**28**	
2.1 Fair value gains	7,380		
2.2 Impairment losses due to credit risk	221	X	
2.3 Reclassifications of negative reserves to profit or loss on sale		X	
2.4 Transfers to other equity items (equity instruments)			
2.5 Other increases	7,637	28	
3. Decreases	**4,966**	**84**	
3.1 Fair value losses		84	
3.2 Impairment gains due to credit risk			
3.3 Reclassifications of positive reserves to profit or loss: on sale		X	
3.4 Transfers to other equity items (equity instruments)			
3.5 Other decreases	4,966		
4. Closing balance	**(1,362)**	**(642)**	

B.4 Valuation reserves related to defined benefit plans: changes

	31.12.2024
A. Opening balance	**(112)**
B. Increases	**87**
B.1 Actuarial gains	
B.2 Other increases	87
C. Decreases	**319**
C.1 Actuarial losses	
C.2 Other decreases	319
D. Closing balance	**(343)**
Total	**(343)**

Section 2 - Own funds and capital ratios

2.1 Own funds

A. Qualitative disclosure

Own funds, risk-weighted assets and solvency ratios at the end of the financial year were determined based on the provisions for Banks contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, that transpose in the European Union the standards defined by the Basel Committee on Banking Supervision (the so-called Basel 3 framework), and based on Bank of Italy Circulars no. 285 and no. 286 (enacted in 2013).

Reconciliation of Group equity and Own Funds

	31.12.2024	31.12.2024
Equity	287,890	264,063
Dividends distributed and other foreseeable expenses	-	(5,227)
Equity assuming dividends are distributed to shareholders	**287,890**	**258,836**
Regulatory adjustments	**(9,279)**	**(9,210)**
- Commitment to repurchase treasury shares	(214)	(386)
- Deduction of intangible assets	(3,968)	(3,935)
- Prudent valuation adjustment (1)	(1,561)	(754)
- Prudential filter for insufficient coverage of NPEs	(5,134)	(4,038)
- Prudential filter pursuant to art. 468	1,701	-
- Other adjustments	(103)	(97)
Equity instruments not eligible for inclusion in CET1	(45,500)	(45,500)
Common Equity Tier 1 (CET1)	**233,111**	**204,126**
Equity instruments eligible for inclusion in AT1	45,500	45,500
Additional Tier 1 (AT1) capital	**278,611**	**249,626**
Tier 2 Capital	**0**	**0**
Total Own Funds	**278,611**	**249,626**

(1) Regulatory filter for additional valuation adjustments (AVA) to the prudential valuation under the provisions of Regulation 2016/101

A. Quantitative disclosure

	31.12.2024	31.12.2023
A. Common Equity Tier 1 (CET1) before application of prudential filters	242,390	218,563
of which CET 1 instruments covered by transitional measures	-	-
B. CET1 prudential filters (+/-)	-	-
C. CET1 including items to be deducted and the effects of the transitional regime (A+/-B)	**242,390**	**218,563**
D. Items to be deducted from CET1	9,279	14,438
E. Transitional regime - Impact on CET (+/-)	-	-
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	**233,111**	**204,125**
G. Additional Tier 1 (AT1) including items to be deducted and the effects of the transitional regime	45,500	45,500
of which AT1 instruments covered by transitional measures	-	-
H. Items to be deducted from AT1	-	-
I. Transitional regime - Impact on AT1 (+/-)	-	-
L. Total Additional Tier 1 (AT1) (G-H+/-I)	**45,500**	**45,500**
M. Tier 2 (T2) including items to be deducted and the effects of the transitional regime	-	-
of which T2 instruments covered by transitional measures	-	-
N. Items to be deducted from T2	-	-
O. Transitional regime - Impact on T2 (+/-)	-	-
P. Total Tier 2 (T2) (M-N+/-O)	**-**	**-**
Q. Total Own Funds (F+L+P)	**278,611**	**249,625**

2.2 Capital adequacy

A. Qualitative disclosure

At the end of the year, total own funds amounted to € 278.6 million, including 100% of the Bank’s net profit.

	Unweighted amounts		Weighted amounts/requirements	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
A. EXPOSURES				
A.1 Credit and counterparty risk	7,257,057	5,395,317	1,406,733	1,200,148
1. Standardised approach	7,257,057	5,395,317	1,406,733	1,200,148
2. Internal ratings based approach				
2.1 Basic				
2.2 Advanced				
3. Securitisations				
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			112,539	96,012
B.2 Credit valuation adjustment risk			42	28
B.3 Settlement risk				
B.4 Market risk			659	255
1. Standard approach			659	255
2. Internal models				
3. Concentration risk				
B.5 Operational risk			12,711	12,573
1. Standard approach			12,711	12,573
2. Internal models				
3. Concentration risk				
B.6 Other calculation elements				
B.7 Total prudential requirements			125,952	108,869
C. EXPOSURES AND CAPITAL RATIOS			**1,574,395**	**1,360,858**
C.1 Risk-weighted assets			1,574,395	1,360,858
C.2 CET1 capital/risk-weighted assets (CET1 Capital Ratio)			14.8%	15.0%
C.3 Tier 1 capital/risk-weighted assets (Tier 1 Capital Ratio)			17.7%	18.3%
C.4 Total Own Funds/risk-weighted assets (Total Capital Ratio)			17.7%	18.3%

PART G - BUSINESS COMBINATIONS

Section 1 - Transactions performed in the year

No transactions to report.

Section 2 - Transactions performed after the end of the year

No transactions to report.

Section 3 - Retrospective adjustments

No transactions to report.

PART H -RELATED PARTY TRANSACTIONS

Related party transactions, including the relevant authorisation and disclosure procedures, are governed by the "Procedure governing related party transactions" approved by the Board of Directors and published on the internet site of the Parent, Banca Sistema S.p.A.

Transactions between Group companies and related parties were carried out in the interests of the Bank, including within the scope of ordinary operations; these transactions were carried out in accordance with market conditions and, in any event, on the basis of mutual financial advantage and in compliance with all procedures.

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

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

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

1. Disclosure on the remuneration of key management personnel

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

In thousands of Euro	Board of Directors	Board of Statutory Auditors	Other managers	31.12.2024
Remuneration to Board of Directors and Board of Statutory Auditors	2,814	197	-	3,011
Short-term benefits for employees	-	-	2,923	2,923
Post-employment benefits	123	-	281	404
Share-based payments	265	-	59	323
Total	**3,202**	**197**	**3,262**	**6,661**

2. Disclosure on related party transactions

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

In thousands of Euro	Subsidiaries	Directors, Board of Statutory Auditors and key management personnel	Other related parties	% of caption
Loans and receivables with customers	108,995	182	24,582	3.9%
Due to customers	4,051	1,981	55,992	1.5%
Other liabilities	14	-	-	0.0%

The following table indicates relative costs and income for the year, differentiated by type of related party.

In thousands of Euro	Subsidiaries	Directors, Board of Statutory Auditors and key management personnel	Other related parties	% of caption
Interest income	3,756	1	2	4.2%
Interest expense	77	25	230	0.4%
Other administrative expenses	749	-	-	5.4%

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

In thousands of Euro	Amount (Thousands of Euro)	Percentage (%)
ASSETS		
Loans and receivables with customers	**-**	**0.0%**
Kruso Kapital S.p.A.	66,895	2.4%
Largo Augusto Servizi E Sviluppo Srl	23,754	0.0%
Pignus-Credito Economico Popular S.A.	17,531	0.4%
ProntoPegno Grecia	815	0.5%
Total Assets	**108,995**	**1.9%**
LIABILITIES	**-**	**0.0%**
Due to customers	**-**	**0.0%**
Kruso Kapital S.p.A.	4,051	0.1%
Shareholders - SGBS	14	0.0%
Shareholders - Fondazione CR Alessandria	20	0.0%
Shareholders - Fondazione Sicilia	57	0.0%
Other liabilities	-	0.0%
Kruso Kapital S.p.A.	14	0.0%
Largo Augusto Servizi E Sviluppo Srl	-	0.0%
Total Liabilities	**4,156**	**0.1%**

PART I - SHARE-BASED PAYMENT PLANS

Qualitative disclosure

Reference should be made to the paragraph in Part E of the notes to the consolidated financial statements of the Banca Sistema Group, which is deemed to be fully reported here.

Disclosure of the fees paid to the independent auditors

Reference should be made to the corresponding section of the Directors' Report in the Banca Sistema Group's consolidated financial statements, which is deemed to be fully reported here.

PART L - SEGMENT REPORTING

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

Breakdown by segment as at 31 December 2024

Income statement (€,000)	Factoring Division	Retail Division	Corporate Centre	Group Total
Net interest income adjusted	80,909	(10,583)	6	70,331
Net fee and commission income (expense)	11,734	(484)	18	11,268
Dividends and similar income	171	56	-	227
Net trading income (expense)	1,033	336	(0)	1,370
Gain from sales or repurchases of financial assets/liabilities	7,490	2,492	-	9,983
Net gain (loss) on other financial assets and liabilities measured at fair value through profit or loss	2,251	-	-	2,251
Total income	**103,588**	**(8,182)**	**23**	**95,429**
Net impairment losses on loans and receivables	(278)	80	(102)	(300)
Net financial income (expense)	**103,310**	**(8,102)**	**(79)**	**95,130**

Statement of Financial Position (€,000)	Factoring Division	Retail Division	Corporate Centre	Group Total
Cash and cash equivalents	66,888	21,781	-	88,669
Financial assets (HTS and HTCS)	875,762	285,171	-	1,160,933
Loans and receivables with banks	17,270	5,628	-	22,897
Loans and receivables with customers	1,979,905	764,430	-	2,744,335
loans and receivables with customers - loans	1,837,650	749,432	-	2,587,082
loans and receivables with customers - debt instruments	142,255	14,998	-	157,253
Due to banks	-	-	80,023	80,023
Due to customers	31,725	-	3,904,814	3,936,539

This segment reporting includes the following divisions:

- Factoring Division, which includes the business segment related to the origination of trade and tax receivables with and without recourse and the management and recovery of default interest. In addition, the division includes the business segment related to the origination of state-guaranteed loans to SMEs disbursed to factoring customers and the management and recovery of receivables on behalf of third parties;
- Retail Financing Division, which includes the business segment related to the purchase of salary- and pension-backed loans (CQS/CQP) portfolios and salary- and pension-backed loans disbursed through the direct channel;
- Collateralised Lending Division, which includes the business segment related to collateral-backed loans;
- Corporate Division, which includes activities related to the management of the Group’s financial resources and costs/income in support of the business activities. In particular, the cost of funding managed in the central treasury pool is allocated to the divisions via an internal transfer rate (“ITR”), while income from the management of the securities portfolio and income from liquidity management (the result of asset and liability management activities) is allocated entirely to the business divisions through a pre-defined set of drivers. The division also includes income from the management of SME loan run-offs.

The secondary disclosure by geographical segment has been omitted as immaterial.

PART M - LEASE DISCLOSURE

SECTION 1 - LESSEE

Qualitative disclosures

The Bank has contracts that fall within the scope of IFRS 16 attributable to the following categories:

1. Property used for business and personal purposes;
2. Cars.

At 31 December 2024, there were 42 leases, 5 of which were property leases for a total right of use value of € 6.5 million, while 37 were for cars, for a total right of use value of € 0.7 million. Property leases, which refer to lease payments for buildings used for business purposes such as offices and for personal use, have terms exceeding 12 months and typically have renewal and termination options that may be exercised by the lessor and the lessee as provided for by law.

Contracts referring to other leases are long-term leases for cars which are generally used exclusively by the employees to whom they are assigned. These contracts have a maximum term of 5 years with monthly lease payments, no renewal option, and no option to purchase the asset.

Contracts with a term of less than 12 months or those for which the replacement value of the individual leased asset is low, i.e. less than € 20 thousand, are excluded from the application of the standard.

Quantitative disclosures

The following table provides a summary of the Statement of Financial Position items relating to leases expressed in Euro; for further information, please refer to Part B of the notes to the financial statements:

Type of contract	Interest expense	Net impairment losses on property and equipment
Property lease payments	6,497	6,512
Long-term car lease	712	731
Total	**7,209**	**7,243**

(*) This is the right of use value net of accumulated depreciation.

The following table provides a summary of the Income Statement items relating to leases; for further information, please refer to Part B of the notes to the financial statements:

Type of contract	Right of use (*)	Lease liabilities
Property lease payments	26	1,211
Long-term car lease	10	301
Total	**36**	**1,512**

SECTION 2 - LESSOR

Qualitative disclosures

At the reporting date, the Bank does not engage in leases as a lessor.

STATEMENTS ON THE SEPARATE FINANCIAL STATEMENTS

Statements on the separate financial statements in accordance with article 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended and supplemented

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

    - the suitability as regards the characteristics of the bank and
    - the effective application of the administrative and accounting procedures for the drafting of the separate financial statements during 2024.

2. Reference model

    The suitability of the administrative and accounting procedures for the drafting of the separate financial statements at 31 December 2024 was assessed based on an internal model defined by Banca Sistema S.p.A. that was designed in a manner consistent with the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Control Objectives for IT and Related Technology (COBIT) framework, which represent the reference standards for the internal control system generally accepted on an international level.

3. Moreover, the undersigned hereby state that:

    3.1 the separate financial statements:

    a) were drafted in accordance with the applicable international accounting standards endorsed by the European Union, pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
    b) match the accounting books and records;
    c) are suitable for providing a true and fair view of the financial position, results of operations and cash flows of the issuer.

    3.2 The Directors' report includes a reliable analysis of business performance and results, as well as of the position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Milan, 21 March 2025

Gianluca Garbi
Chief Executive Officer

Alexander Muz
Manager in charge
of financial reporting

Alexander

BOARD OF STATUTORY AUDITORS' REPORT

BANCA SISTEMA S.P.A.
BOARD OF STATUTORY AUDITORS' REPORT
TO THE SHAREHOLDERS' MEETING CALLED TO APPROVE
THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2024
IN ACCORDANCE WITH ARTICLE 153 OF LEGISLATIVE DECREE 58/1998 and ARTICLE 2429 OF THE ITALIAN CIVIL CODE

***

Dear Shareholders of Banca Sistema S.p.A. ("Bank"),

The Board of Statutory Auditors, also acting as the Internal Control and Audit Committee pursuant to Legislative Decree 39/2010, is required to report to the Shareholders' Meeting of Banca Sistema S.p.A., convened to approve the Financial Statements for the year ended 31 December 2024, on the supervisory activities carried out during the year and on any other activities required by law.

Pursuant to Article 153 of Legislative Decree 58/1998 (Consolidated Law on Finance), Legislative Decree 385/1993 (Consolidated Law on Banking) and the special laws on the subject, as well as Articles 17 and 19 of Legislative Decree 39/2010 and Article 2429 of the Italian Civil Code, we give you this report on our supervisory activities during the calendar year and on the most significant events occurring after the end of the year, and also make proposals concerning the financial statements and their approval.

The Board of Statutory Auditors has taken into account the regulations issued by the authorities responsible for the supervision and control of banks and listed companies, in accordance with the Rules of Conduct for the Board of Statutory Auditors of Listed Companies issued by the National Board of Business Experts and Accountants. The Board has also taken into account the requirements set out in Consob note No. 1025564/2001.

The task of auditing the accounts was entrusted to the independent auditor BDO Italia S.p.A. ("BDO"), whose mandate was granted by the ordinary Shareholders' Meeting on the proposal of the Board of Statutory Auditors.

The function of Supervisory Body, as required by Legislative Decree No. 231/2001, has not been transferred to the Board of Statutory Auditors, but is performed by a separate body appointed by the Board of Directors on 12 May 2023.

During financial year 2024 and to date, the Board of Statutory Auditors (hereinafter also referred to as the "Board of Statutory Auditors") in office has met 27 times, of which 1 time jointly with the Board of Directors, including the meeting for the drafting of this report.

1. ACTIVITY OF THE BOARD OF STATUTORY AUDITORS

During the year ended 31 December 2024, the Board of Statutory Auditors performed its institutional functions in accordance with the provisions of the Civil Code, Legislative Decree No. 385/1993 (Consolidated Law on Banking), Legislative Decree No. 58/1998 (Consolidated Law on Finance) and Law No. 231/2007, as well as the provisions of the Articles of Association, the guidelines of the Corporate Governance Code and the principles of conduct recommended by the National Council of Chartered Accountants and Accounting Experts. In addition, the Board of Statutory Auditors operated in compliance with sector regulations and the provisions issued by the Supervisory Authorities, such as the Bank of Italy and Consob.

Since Banca Sistema has adopted a traditional governance model, the Board of Statutory Auditors also acts as the Internal Control and Audit Committee. It therefore has additional financial reporting and statutory auditing responsibilities, in line with the provisions of Article 19 of Legislative Decree No. 39 of 27 January 2010, as amended by Legislative Decree No. 135 of 17 July 2016.

Whenever the Board of Statutory Auditors has deemed it appropriate to make recommendations or suggestions, it has communicated them both during the meetings with the company departments concerned, and to the relevant Board Committees, recording its observations in writing.

In compliance with the provisions contained in the "Rules of conduct for the Board of Statutory Auditors of Listed Companies" updated by the CNDCEC in December 2024, and in particular Rule Q.1.7 on the Board of Statutory Auditors' self-assessment, the Board of Statutory Auditors has conducted a self-assessment process with the support of a consulting firm. The assessment has confirmed the appropriateness of the Board of Statutory Auditors' composition and size, and its compliance with the requirements of professionalism, independence and integrity; the Board of Statutory Auditors' functioning was also assessed positively.

In order to regulate the composition, functioning and powers of the Board of Statutory Auditors in accordance with the principles laid down in the applicable laws and regulations and the Corporate

Governance Code adopted by the Company, the Board of Statutory Auditors has adopted the "Rules of the Board of Statutory Auditors", last updated on 22 December 2022.

During the 2024 financial year, the Board of Statutory Auditors assessed, whenever necessary, the suitability of its members and the adequacy of the composition of the body, having regard to the requirements of professionalism, competence, integrity, fairness, independence and absence of any cause of incompatibility required by the regulations, as well as the availability of time and resources commensurate with the complexity of the task and its proper functioning, taking into account the size, complexity and activities of the intermediary. The members of the Board of Statutory Auditors complied with the limit on concurrent positions pursuant to Article 144-terdecies of the Issuers' Regulation and Ministerial Decree No. 169/2020.

With this Report, the Board of Statutory Auditors gives an account of the activities carried out during the financial year, separately for each area of supervision identified by the regulations governing the Board of Statutory Auditors' activity.

2. SIGNIFICANT TRANSACTIONS AND EVENTS

In carrying out its supervisory and auditing activities, the Board of Statutory Auditors has periodically obtained from the Directors, also by participating in meetings of the Board of Directors, the Internal Control and Risk Management Committee and the Sustainability Committee, information on the activities carried out and on the most important economic, financial and equity transactions approved and carried out by the Bank and its subsidiaries, also in accordance with Article 150, paragraph 1, of the Consolidated Law on Finance. While reference is made to the Directors' Report for a detailed description of the significant events during the year and thereafter, we should like to highlight the following.

Among the significant events that occurred in 2024, we note:

- on 24 January 2024, trading of the ordinary shares of the subsidiary Kruso Kapital S.p.A. commenced on the Professional Segment of Euronext Growth Milan, a multilateral trading system organised and managed by Borsa Italiana S.p.A.;

- on 19 March 2024, the Bank of Italy transmitted to the Bank the final measure of the capital decision process (SREP).

- on 24 April 2024, the Ordinary Shareholders' Meeting, following the expiry of the previous term of office, approved the reappointment of the Board of Directors for the 2024-2025-2026 financial years;

- on 20 May 2024, the Board of Directors approved the composition of the following committees: Internal Control, Risk Management and Sustainability Committee, Appointments Committee, Remuneration Committee and Ethics Committee;

- on 20 May 2024, the Banca Sistema Group's 2024-2026 Strategic Plan was approved;

- on 7 November 2024, subsidiary Kruso Kapital S.p.A. completed the acquisition of the collateralised lending business of Banco Invest S.A. in Portugal;

Regarding significant events occurring after the reporting date, it should be noted that:

- on 16 January 2025, the European Court of Human Rights published its ruling in the case lodged in 2023 by law firm Ontier Italia on behalf of the Bank, seeking recognition of a violation of the European Convention on Human Rights. The reported violations originated from the default by a local authority of its payment obligations, which had (also) been upheld by final court rulings delivered in past years. Through the Ruling, the Court (among other things) explicitly declared that "the respondent state must, within three months, adopt appropriate measures to ensure the execution of the still-pending domestic court rulings," and that the Ruling is final and not subject to appeal;

- on 13 February 2025, the liquidation of Specialty Finance Trust Holdings Ltd was completed, and the company was deregistered from the UK Companies Register.

3. MONITORING LEGAL COMPLIANCE AND COMPLIANCE WITH THE ARTICLES OF ASSOCIATION

The Board of Statutory Auditors has carried out its supervisory activities in compliance with the law and the Articles of Association, acquiring the information necessary to perform its duties. This involved the participation of the entire Board of Statutory Auditors or at least one of its members in all the meetings of the Board of Directors (21), the Internal Control and Risk Management Committee and Sustainability Committee (16), and the Remuneration Committee (9). On the basis of the checks carried out, the Board of Statutory Auditors can reasonably state that the resolutions adopted were in compliance with current legislation and the Articles of Association, were not imprudent, reckless or in potential conflict of interest, were not contrary to the resolutions of the Shareholders' Meeting and were not such as to compromise the integrity of the company's assets.

During 2024, the members of the Board of Statutory Auditors participated in numerous induction courses on topics relevant to supervisory activity, including risk scenarios, market dynamics, digital innovation, ESG matters and legal and regulatory aspects.
Such courses were delivered as part of the training plan drawn up in accordance with Circular 285/2013 (point e., paragraph 2.1, Section IV, Chapter 1, Title IV), taking into account the individual and collective training needs of the Board of Statutory Auditors and the Bank's governing body.

The head of the Internal Audit Department participates as a permanent guest in almost all the meetings of the Board of Statutory Auditors, ensuring constant interaction with the third-level corporate control function.

In the course of performing its own duties at meetings, the Board of Statutory Auditors met periodically with the heads of the principal internal departments of the Company. It examined the documents submitted to it and performed its own analyses and assessments, as summarised in its own minutes. These did not reveal anything that could cast doubt on compliance with the law, the Articles of Association, and principles of proper management. It analysed the most significant operating, financial and equity transactions, verifying their compliance with the law and the memorandum of association, finding that they were not manifestly imprudent or reckless and/or in potential conflict of interest and/or in conflict with the resolutions passed by the Shareholders' Meeting and/or prejudicial to the operating, asset and liability, and financial performance of the Bank. It participated in working groups on specific matters, in training courses and held special meetings on particularly significant issues. The Board of Statutory Auditors has approved all examined transactions as being consistent with the corporate interest.

In 2024, the Board of Statutory Auditors:

- provided its opinions on "non-audit fees" for services other than auditing, as required by current legislation and the internal procedure adopted by the Company, verifying in particular the effects of such fees on independence, without identifying any issues to be flagged;
- examined the 2024-2026 strategic plan of the Banca Sistema Group;
- analysed and monitored corporate operations in accordance with the Risk Appetite Framework;

- verified compliance with anti-money laundering requirements and procedures.

The Board of Statutory Auditors issued its observations on:

- the Funding Plan for the two-year period 2024 — 2025;
- the report, prepared by the Internal Audit Department, on the controls carried out on the major outsourced functions, any deficiencies found and the consequent corrective measures taken;
- the report from the Internal Audit Department on the remedial actions taken to address the findings of the inspections conducted by the FIU from 09/03/2022 to 11/05/2022;
- the report from the Internal Audit Department on the assessment of the process of managing loans covered by public guarantees.

During 2024, no reports of violations were received through the whistleblowing channels established by the Bank in accordance with the relevant legislation, or in the other ways referred to in Legislative Decree No. 24 of 10 March 2023, which transposed in Italy the Whistleblowing Directive (EU) 2019/1937.

No opinions pursuant to law were issued during the year.

Finally, pursuant to Article 2408 of the Italian Civil Code, we declare that in 2024, no complaint from Shareholders or any other complaints were received, no wrongdoing or other significantly negative acts or omissions were reported by the Independent Auditors or others, that required reporting to the Bank of Italy.

During the financial year, the Board of Statutory Auditors monitored in particular:

- compliance with the law and the Articles of Association;
- compliance with the principles of proper management;
- the sustainability report;
- the adequacy and functioning of the organisational structure;
- the adequacy and functioning of the internal control and risk management system and of the administrative-accounting system, in particular the reliability of the latter in providing a fair presentation of operations;
- the implementation of corporate governance rules;
- related party transactions;
- the fulfilment of the obligations under the “Market abuse” and “Internal Dealing” legislation;
- the establishment of the whistleblowing channel;

- the adequacy of the instructions issued to the Subsidiaries pursuant to Article 114, paragraph 2 of Legislative Decree No. 58/1998 (Consolidated Law on Finance).

3.1 Relations with the supervisory authorities

Bank of Italy

In a communication dated 5 July 2024, the Bank of Italy subjected the Banca Sistema Group to an audit pursuant to Articles 54 and 68 of Legislative Decree No. 385/93. On 20 December 2024, the Bank received the report formalising some operational and compliance findings concerning, among other things, the rules and practices adopted by the Bank to mitigate the effects of the EBA guidelines on application of the Definition of Default. In light of the results of said inspection report, the Bank of Italy issued a sanction, against which the Bank filed its objection within the time limit for doing so.

At the same time, the Bank of Italy requested the adoption of a series of initiatives necessary to address the deficiencies identified in governance, internal controls, and the implementation of regulatory provisions regarding non-performing loans, including through the drafting of an updated three-year capital plan.

In particular, at the request of the Supervisory Authority, the Board of Directors entrusted two recently appointed independent directors with the specific task of overseeing the implementation of the aforementioned initiatives.

The Supervisory Authority has therefore instructed that the Banca Sistema Group, until further review by the Bank of Italy, also based on the feedback that will be provided by the Bank, refrain from resolving or taking the following actions:

i) the distribution of profits generated from the current 2024 financial year or other elements of equity;

ii) the payment of the variable component of remuneration for the 2024 financial year and subsequent years. For the payment of coupons or dividends on Additional Tier 1 capital instruments, the limits on the Maximum Distributable Amount set by current capital conservation regulations must be observed.

The supervisory ratios as of 31 December 2024, included in the notes to the financial statements, were calculated in continuity with the previous quarters, using the internal policies still in effect for the calculation of overdue positions. This is in line with the findings of the inspection report, where the Board of Directors, in compliance with the requirements of the Bank of Italy, decided to reclassify currently performing receivables to default due to negative findings on the mitigating actions and, consequently, to recalculate the RWA starting from the first quarter of 2025. Following the reclassification, calendar provisioning must be taken into account.

The Board of Statutory Auditors points out that the Board of Directors, at its meeting on 21 March, approved the new Corporate Governance Project, which forms part of the initiatives adopted by the Bank in response to a request from the Supervisory Authority, with regard to the findings of the inspection notified on 20 December. The new Corporate Governance Project provides for the integration of the corporate governance bodies through the establishment of an Executive Committee and the appointment of new and different members of corporate bodies. It will be submitted for approval at the Shareholders' Meeting on 30 April 2025.

On the same meeting held on 21 March, based on forecast data as at 31 March 2025, the Board of Directors approved the reclassification of certain loans to default status to reflect the findings contained in the above-mentioned inspection report. This measure considers the rules and practices adopted by the Bank for mitigating the impact of EBA guidelines on the application of the Definition of Default. The reclassification process resulted in impaired past-due loans amounting to € 337 million (€ 373 million at 30 June 2024, € 307 million at 30 September 2024, and € 256 million at 31 December 2024). The expected estimate of the consolidated capital ratios at 31 March 2025 is 12% for CET1 and 14.4% for T1 and TCR, remaining above the SREP requirement, with a projected return to 31 December 2024 levels by year-end.

Lastly, at the specific request of the Bank of Italy, the Board of Directors approved the Capital Plan for the 2025-2027 period. Despite the above-mentioned loan reclassification, the plan confirms the profitability and capital ratio targets outlined in the 2024-2026 Strategic Plan presented in May 2024.

With regard to the inspections carried out between February and March 2023, the Bank has completed its project activities pertaining to liquidity risk. As per the action plan sent to the Bank of Italy in response to the 2023 inspection report on the liquidity situation, the IT infrastructure and the tools and procedures for financial planning and for building the maturity ladder have been upgraded.
In terms of how the TLTRO III facility, which expires at the end of 2024, was replaced, it has primarily been replaced by alternative forms of funding, including direct funding of deposit accounts.

Banca Sistema has also adopted an Asset & Liabilities Management model, which enables it to measure the Interest rate risk in the banking book (IRRBB), by showing the potential profits or losses from market rate fluctuations.
During 2024, most of the targets set for interest rate risk were achieved. In accordance with regulatory requirements, a new report on interest rate risk has been introduced, automated within the company software, thus ensuring greater efficiency and reliability of the reporting process. In addition, interest rate risk models have been implemented in accordance with the 48th update of Bank of Italy Circular No. 285/2013.

3.2 — Supervision of compliance with the principles of sound management, and of relations with subsidiaries or other related parties

The Board of Statutory Auditors, as part of its supervision of compliance with the principles of sound management, in accordance with the provisions of Article 150 of the Consolidated Law on Finance, has periodically acquired information from the Directors, the CEO, the control departments, management and the Independent Auditor on the activities carried out, and the most significant economic, financial and equity transactions carried out by the Company and its subsidiaries.

The Board of Statutory Auditors engaged in constant dialogue with the Manager in charge of financial reporting and with the internal control departments. In addition, it held hearings with the Bank's management and periodic meetings with the Independent Auditors, ensuring a structured exchange of relevant data and information for the fulfilment of its duties, in compliance with Article 150, paragraph 3 of the Consolidated Law on Finance.

Based on the information received, the Board of Statutory Auditors considers it reasonable to conclude that the transactions approved by the Board of Directors and implemented by the Chief Executive Officer comply with current legislation, the Articles of Association and the provisions of the Supervisory Authorities. Furthermore, there is no evidence to suggest that said transactions are manifestly imprudent, reckless, in conflict of interest, contrary to the resolutions of the shareholders' meeting or such as to compromise the integrity of the company's assets.

In addition, the administrative and accounting system was considered reliable in providing a fair presentation of operations.

After analysing the Directors' Report, the information provided by the Board of Directors, the Chief Executive Officer and the Supervisory Body pursuant to Legislative Decree No. 231/2001, and the evidence collected as part of its supervisory activity, the Board of Statutory Auditors has not detected any atypical and/or unusual transactions with third parties, Group companies or related parties and associated entities.

With regard to related party transactions, the Board of Statutory Auditors regularly receives periodic information flows regarding the transactions concluded with such parties and the monitoring of exposures attributable to associated entities, requesting, where appropriate, further information. Detailed information on these transactions is given in the "Other information" paragraph of the Directors' Report to the consolidated financial statements and the draft individual financial statements, as well as in the "Transactions with related parties" paragraph of the Notes to the consolidated financial statements and the draft separate financial statements.

To the best of the Board of Statutory Auditors' knowledge, these transactions were carried out in the Bank's interest and present no appropriateness issues, since they fall within the ordinary business of Banca Sistema. The Board of Statutory Auditors also attests that it has received adequate information regarding transactions with related parties and/or associated entities, in compliance with Consob's provisions and with the applicable legislation on related parties, as regulated by Bank of Italy Circular 285.

The Board of Statutory Auditors also supervised the adequacy of the instructions issued by the Bank to its subsidiaries, verifying the effectiveness of the information flows between the Parent and its subsidiaries. In addition, in line with the provisions of Article 151-ter, paragraph 4, of the Consolidated Law on Finance, has exchanged information flows with the Boards of Statutory Auditors of the subsidiaries.

During 2024, the Board of Statutory Auditors examined the checks carried out by the Internal Audit Department on the outsourcing of Essential or Important Operational Functions, and made its remarks in the related analyses.

3.3 Supervision of the financial statements

The Board has examined the draft separate financial statements of Banca Sistema S.p.A. at 31 December 2024 (the "Financial Statements"), comprised of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the

Statement of Cash Flows and the Notes to the Financial Statements, and accompanied by the Directors' Report and complementary financial statements, showing profit for the year of € 22,018,986.80.

The Notes to the Separate Financial Statements and Consolidated Financial Statements specify that the financial statements for the year ended 31 December 2024 were prepared on a going concern assumption. In addition, the Board of Statutory Auditors acknowledged that the information provided by the Directors in their report on the going concern basis, financial risks, impairment testing of assets and uncertainties in the use of estimates are consistent with the Bank of Italy/Consob/Isvap Document No. 2 of 6 February 2009.

After approving the draft financial statements on 21 March 2025, the Board of Directors sent us the reporting package by the statutory deadline.

The Board of Statutory Auditors has verified that rules and procedures governing the process of drawing up and disclosing financial information are in place. In this regard, the Corporate Governance Report defines the reference guidelines for establishing and managing the administrative and accounting procedures system for Banca Sistema and the consolidated companies, and regulates the related phases and responsibilities.

With the assistance of the Manager in charge of financial reporting, the Board of Statutory Auditors has examined the procedures for the preparation of the Company's financial statements, consolidated financial statements and other interim accounting documents. The Board of Statutory Auditors also examined the process whereby the Manager in charge of financial reporting and the delegated director issue the certificates required by Article 154-bis of the Consolidated Law on Finance.

The Board of Statutory Auditors has been informed that the administrative/accounting procedures for the preparation of the financial statements and any other financial disclosures are carried out under the responsibility of the Manager in charge of financial reporting, who certifies the appropriateness and effective application of such procedures at the time of the adoption of the separate and consolidated year-end financial statements and the interim financial report.
The Board of Statutory Auditors acknowledges that during its periodic meetings with the Manager in charge of financial reporting, it received no reports of significant flaws in the operational and control processes that might affect its assessment of the appropriateness and effective application of the administrative-accounting procedures, for the purpose of providing a true and fair view of the

performance and financial position of operations, in accordance with international accounting standards.

The Financial Statements have been drafted in accordance with the International Financial Reporting Standards (IAS/IFRS), as endorsed by the European Commission and transposed in Italy by Legislative Decree 38 of 28 February 2005, while also considering the instructions issued by the Bank of Italy with Circular 262 of 22 December 2005, as amended.

Pursuant to Legislative Decree 39/2010, the person or entity responsible for the statutory audit of the accounts must give an opinion on the financial statements as to whether they comply with the laws and regulations governing their preparation and whether they give a true and fair view of the capital and financial position, the cash flows and the profit and loss for the year. In this regard, BDO exchanged material information with the Board of Statutory Auditors pursuant to the regulations in force, and today, issued its own audit report on the financial statements at 31 December 2024. The report does not contain any findings or exceptions or emphasis of matter.

Therefore, the Board of Statutory Auditors assumes that the financial data correspond to the data resulting from the internal accounts, which are regularly kept in compliance with the principles set out in current regulations.

That said, the Board of Statutory Auditors has monitored activities to ensure that the general process of preparing and drafting the financial statements complies with current laws and regulations.

3.4 Relations with the Independent Auditors

Material information was exchanged during the year with representatives of the Independent Auditors so that they could perform their duties during the periodic meetings held pursuant to the regulations in force. These did not reveal any critical and/or significant problems.

In compliance with Article 6, paragraph 2), letter a) of European Regulation 537/2014 and paragraph 17 of international auditing standard (ISA Italia) No. 260, the Independent Auditors have certified that, during the period between 1 January 2024 and today, they found no situations compromising the independence of the Independent Auditors or causes for incompatibility.

The Board of Statutory Auditors supervised the independence of the independent auditors and, in particular, received periodic evidence of the tasks other than the Auditing Services to be assigned (or assigned under specific regulatory provisions) to them. The Board has also verified that said additional assignments entrusted to the independent auditors are not among those prohibited to the appointed independent auditors pursuant to the aforementioned European Regulation.

As shown by the consolidated financial statements of the Banca Sistema Group, during the year 2024, BDO, also through its network, carried out the following activities for the Group:

	Banca Sistema	Other Group companies
Audit services	231	117
Other services	34	20
Total	265	137

Likewise, the Independent Auditors have informed the Board of Statutory Auditors that the legal audit carried out as at 31 December 2024 has not revealed significant shortcomings in the internal control system related to the financial reporting process that need to be brought to the attention of the Board of Statutory Auditors and that there are no findings or emphasis of matter in the Independent Auditors' Report.

3.5 Supervision of corporate governance implementation

The Board of Statutory Auditors assessed the procedures whereby the Corporate Governance Code promoted by Borsa Italiana and adopted by the Bank was implemented, in the terms described in the "Report on Corporate Governance and Ownership Structures" approved by the Board of Directors on 14 March 2025.

Banca Sistema S.p.A. has its own Internal Control, Risk Management and Sustainability Committee, whose current members were appointed by the Board of Directors on 20 May 2024.

The Appointments Committee, the Remuneration Committee, and the Ethics Committee have also been established.

The Board of Directors supervises general operating performance, dedicating special attention to situations exhibiting conflicts of interest, giving special consideration to the information received from the Chief Executive Officer and the Internal Control, Risk Management and Sustainability Committee, by periodically comparing the results achieved with those planned. The Board of Directors examines and approves transactions having a significant economic, asset and liability, and financial impact, especially in regard to related party transactions. The Chief Executive Officer makes periodic reports to the Board of Directors on his activities in the course of exercising his delegated authority. The Chief Executive Officer provides adequate information about the related party transactions whose examination is not reserved to the Board of Directors.

The Board of Directors also has five independent directors. The Chairperson of the Board of Directors meets the independence requirement pursuant to art. 147-ter, paragraph 4, and art. 148, paragraph 3 of Legislative Decree no. 58 of 24 February 1998, but does not meet the provisions of art. 3, application criteria 3.c.1.b and 3.c.2 of the Code of Conduct issued by Borsa Italiana.

The number of Board of Directors, Internal Control, Risk Management and Sustainability Committee and all Board committee meetings, and the attendance by the members of the Board of Statutory Auditors are shown in the document "Report on Corporate Governance".

In line with the relevant regulatory requirements, the Board of Directors of Banca Sistema, with the support of Studio Carbonetti, carried out the annual self-assessment for the 2024 financial year on the functioning of the Board and its Committees.

The Board of Statutory Auditors has also carried out its annual self-assessment for the year 2024 on its operation, size and composition.

The results of both self-assessments are described in detail in the Corporate Governance Report.

During the financial year, the Board of Statutory Auditors reviewed its members' compliance with eligibility requirements and criteria, including that of independence, to ensure no supervening events had affected such compliance.

The Board of Statutory Auditors, also by taking part in all the Remuneration Committee's meetings, supervised the application of the remuneration policies and the changes in 2025, last examined by the Remuneration Committee on 6 March 2025, and submitted to the Shareholders' Meeting for approval.

At the aforementioned meeting of the Remuneration Committee, the Board of Statutory Auditors acknowledged the positive opinion given by the Compliance Department on the Remuneration Report's compliance with the applicable legislation, and shared its conclusions and comments.

In general, in light of the Supervisory Authorities' provisions on the remuneration and incentive systems, the Board of Statutory Auditors has monitored, in close coordination with the Remuneration Committee, the remuneration policies for 2025, although substantially in line with those of 2024, examined by the Remuneration Committee on 6 March 2025. For details on this point, please see the Report on Remuneration provided to the Shareholders, on the correct application of the rules on the remuneration of the Chief Executive Officer, the heads of the Control Departments and the Manager in charge of financial reporting and on the dissemination of the remuneration policies for the year 2025 to the Group companies. The Board of Statutory Auditors has no objection to the Remuneration Policy submitted to the Shareholders' Meeting.

In this regard, the Board of Statutory Auditors recalls that, as a result of the findings of the inspection report described above, and pending the review by the Bank of Italy, the payment of the variable part of the remuneration for the year 2024 and beyond has been suspended.

3.6 Supervision of the adequacy of the internal control system, risk management systems and organisational structure

The Board of Statutory Auditors supervised the adequacy of the Bank's organisational structures by holding meetings with the Bank's operating structures in order to verify the adequacy of the corporate organisational chart, the system of delegated powers and appointments, the internal audit and risk management system and the management of information flows.

The Group's internal control system is based on control bodies and functions, involving in particular, each for their respective responsibilities, the Board of Directors, the Internal Control, Risk Management and Sustainability Committee, the Board of Statutory Auditors, as well as the other company functions with specific duties in this regard. The Bank's regulatory framework and the constant updating of internal regulations are also of particular importance in the internal control system.

Banca Sistema's internal control system, briefly described, comprises three levels:

- first level (or line) controls: performed directly by the operating and back office structures, which are the first line of defence in the risk management process;
- second-level controls: these are performed by the risk management department (which identifies the risks to which Banca Sistema is exposed and periodically measures and monitors such risks through specific indicators), by the compliance department (which verifies the effectiveness of the organisational measures designed and implemented to manage compliance risk), and by the anti-money laundering department;

- third-level controls: these are performed by the internal audit department, through activities aimed at identifying violations of procedures and regulations, as well as periodic assessments of the completeness, adequacy, functionality and reliability of the internal control system and the information system.

In carrying out its activities, the Board of Statutory Auditors maintained a continuous dialogue with the various control departments and supervised the adequacy of the internal control and risk management systems through:

- meetings with the heads of the Bank's Divisions;
- regular meetings with the various control departments (i.e., Internal Audit, Compliance, Anti-Money Laundering, Risk Management and the Manager in charge of financial reporting) in order to evaluate the work planning methods, based on the identification and assessment of the main risks present in the processes and in the organisational units;
- examination of the Periodic Reports from the Control Departments and of monitoring reports;
- acquisition of information from Department heads;
- participation in the proceedings of the Internal Control, Risk Management and Sustainability Committee and, where appropriate, joint discussion of specific topics with the Committee.

During 2024, the Board of Statutory Auditors oversaw the adequacy and compliance of the entire 2023 ICLAAP process with the legislative requirements.

In the context of the activities of the Compliance & Anti-Money Laundering Department, the Board of Statutory Auditors has continuously monitored the activities carried out and the results of the ex-post controls in relation to compliance with anti-money laundering and terrorist financing legislation. No significant issues have been found in this area.

The Board of Statutory Auditors points out that the Bank of Italy has highlighted the need to strengthen the internal control system. The required measures include changing the reporting arrangements for the second-level control functions, which must report directly to the corporate boards, and strengthening the staffing and technical resources available to all the departments responsible for supervision.

In response to the findings, the Bank is changing the organisational position of the Risk and Sustainability Department so that it will report directly to the Board of Directors. The information and reporting flows from the Control Departments to the Corporate Boards and the coordination system between the control functions will also be rearranged.

In addition, work has started on determining the appropriate qualitative and quantitative allocation of human and technical resources to the control functions. This activity will be completed by 30 June 2025 as required by the Supervisory Authority.

The Board of Statutory Auditors also took note of the activities of the Supervisory Body, appointed to ensure the adequacy, compliance and updating of the organisational and management model pursuant to Legislative Decree 231/01. It reviewed the effectiveness and independence of the body, exchanged information on the Bank's supervision, the controls carried out and their results, and confirmed the accuracy and timeliness of the information flows it was required to receive.

The Board of Statutory Auditors also verified the Bank's compliance with the obligations to correspond and send communications to the Supervisory Authorities.

The Bank's organisational chart clearly shows the lines of responsibility down to the most operational functions. The organisational chart also shows the functions of the various structures, which are reflected in the remits and responsibilities assigned to each level.

The Board of Statutory Auditors, also in light of what is stated in the previous points of this report, considers that the Bank’s organisational structure (apart from the reorganisation of the control functions described above) is, on the whole, substantially adequate to its size and operational characteristics, and that the Board of Directors guarantees its effective supervision. However, constant monitoring is necessary to identify possible improvement actions aimed at addressing both the needs deriving from the business development plans and the related risks, and the growing requests for supervision and monitoring from the Supervisory Authorities.

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Summary and conclusions

Dear Shareholders of Banca Sistema S.p.A., On the basis of the foregoing report and given what has been brought to the attention of the Board of Statutory Auditors, and what has been confirmed by its periodic controls, it is believed that no reasons exist not to approve the draft financial statements of Banca Sistema at 31 December 2024, as drafted and proposed to you by the Board of Directors, and the proposed allocation of the profit for the year.

Likewise, the Board of Statutory Auditors has taken note of and brings to your attention the contents of the report of the Independent Auditors BDO Italia S.p.A., issued pursuant to Articles 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EU) no. 537 of 16 April 2014, which shows that the financial statements have been clearly written and give a true and fair view of the operating result, assets and liabilities, financial position and cash flows of the Bank, and the "additional report" prepared in accordance with Article 11 of Regulation (EU) no. 537/2014, in which BDO has confirmed its own independence, has not found material errors, believes that the books are properly kept, and confirms that there are no material aspects requiring a report to the governance bodies.

Consequently, and notwithstanding all the references to the individual paragraphs of the Financial Statements previously made in this Report, the Board of Statutory Auditors reports that the proposal of the Board of Directors of Banca Sistema S.p.A. regarding the allocation of the profit for the year is as follows:

- *a total of € 22,018,986.80 to retained earnings.*

An allocation to the Legal Reserve was not made since the limits set out in Article 2430 of the Italian Civil Code were reached."

In light of the above, the Board of Statutory Auditors invites the Shareholders' Meeting to approve the financial statements at 31 December 2024 as prepared by the Board of Directors, and the proposed allocation of the profit for the year.

Milan, 28 March 2025

Board of Statutory Auditors

Lucia Abati	Luigi Ruggiero	Daniela Toscano
Chairperson	"Standing Auditor"	"Standing Auditor"

INDEPENDENT AUDITORS’ REPORT

Banca Sistema S.p.A.

Independent auditor’s report pursuant to article 14 of Legislative Decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014

Separate financial statements as at December 31, 2024

As disclosed by the Directors, the accompanying separate financial statements of Banca Sistema S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor’s report has been translated into English solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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20131 Milano

Independent auditor's Report

pursuant to article 14 of Legislative Decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014

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

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Banca Sistema S.p.A. (the "bank"), which comprise the statement of financial position as at December 31, 2024, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material information on the accounting policies.

In our opinion the separate financial statements give a true and fair view of the financial position of Banca Sistema S.p.A. as at December 31, 2024 and of its financial performance and its cash flows for the year then ended in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board and endorsed by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree no. 38/05 and article 43 of Legislative Decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditor's responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the bank in accordance with the ethical and independence requirements applicable in Italy to audits of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters

CLASSIFICATION AND MEASUREMENT OF LOANS AND RECEIVABLES WITH CUSTOMERS BOOKED UNDER THE FINANCIAL ASSETS MEASURED AT AMORTISED COST

Notes to the separate financial statements: Part A) Accounting policies – paragraph A.2, "Information on the main items of the separate financial statements": "Financial assets measured at amortised cost"; Part B) Information on the statement of financial position, Assets – Section 4 "Financial assets measured at amortised cost"; Part C) Information on the income statement – Section 8.1 "Net impairment losses due to credit risk related to financial assets measured at amortised cost: breakdown"; Part E) Information concerning risk and related hedging policies – Section 1 "Credit risk"

Loans and receivables with customers, which are booked under the financial assets measured at amortised cost as of December 31, 2024, are equal to Euro 2,744 million and represent the 60% of the bank's total assets.

The acquisition by the bank of non-impaired loans claimed by companies supplying goods and services, mainly towards the public administration (the "factoring credits") and origination of credits relating to the sector of the transfers of salary or pension backed loans (the "CQS/CQP credits") represents the bank's main activities.

Factoring receivables and CQS/CQP credits as of December 31, 2024, are equal to, respectively, Euro 1,467 million and Euro 701 million.

For classification purposes, the directors of the bank carry out analyses, sometimes complex, aimed at identifying the positions which, after the disbursement and / or acquisition, show evidence of a possible impairment, considering both internal information related to the trend credit positions, and external information related to the sector of reference or to the overall exposure of such debtors to the banking system.

The evaluation of loans and receivables with customers is a complex estimation activity, characterized by a high degree of uncertainty and subjectivity, in which the bank's directors use evaluation models that take into consideration numerous quantitative and qualitative elements such as, among others, historical data relating to collections, expected cash flows and related recovery times, the existence of indicators of possible impairment, the assessment of any guarantee, the impact of macroeconomic variables,

Audit procedures addressing the key audit matters

Our main audit procedures carried out in response to the key audit matter relating to the classification and measurement of loans and receivables with customers, also carried out with the support of our external experts, concerned the following activities:

- analysis of the procedures and processes related to the item and verification of the effectiveness of controls to monitor these procedures and processes;
- analysis of the adequacy of the IT environment related to IT applications that are relevant to the process of evaluating loans to banks and customers;
- procedures for reconciling data between management systems and information reported in the financial statements;
- comparative analysis procedures and analysis of the results with the management involved;
- analysis of the criteria and methods for the evaluation of credits (analytical and collective) and verification on a sample basis of the reasonableness of the assumptions and of the components used for the assessment and the relative results;
- examination on a sample basis of the classification and valuation in the financial statements in accordance with the IFRS adopted by the European Union and the provisions issued pursuant to Article 43 of Legislative Decree 136/2015;
- examination of the disclosures provided in the explanatory notes.

future scenarios and risks of the sectors in which the bank's customers operate.

For these reasons, we have considered the classification and evaluation of loans and receivables with customers booked under financial assets valued at amortized cost, a significant key matter in the context of our audit.

ACCOUNTING OF DEFAULT INTERESTS PURSUANT AND COMPENSATION FEES FOR RECOVERY EXPENSES TO LEGISLATIVE DECREE NO. 231 OF 9 OCTOBER 2002 ON PERFORMING RECEIVABLES ACQUIRED WITHOUT RECOURSE

Notes to the separate financial statements: Part A) Accounting policies - paragraph A.2., "Information on the main items of the separate financial statements"; Part C) Information on the income statement - Section 1 "interest - item 10 and 20"; Part E) Information concerning risk and related hedging policies - Section 1 "Credit risk"

The bank accounts for accrued default interest pursuant and, beginning in 2023, compensation fees for recovery expenses to legislative decree no. 231 of 9 October 2002 on performing receivables acquired without recourse.

The credits recognized on an accrual basis and compensation fees for recovery expenses and reported in the individual balance sheet as at December 31, 2024 amount to Euro 92 million. The default interests recognized on an accrual basis as at December 31, 2024 equals to Euro 31.4 million. This amount includes Euro 11.1 million recognized on an accrual basis from current estimates, Euro 5.5 million due to the update on the recovery estimates and expected collection times, Euro 13.4 million which is the positive difference between the amount collected during the period and Euro 1.4 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 default interests and compensation fees for recovery expenses deemed recoverable by the directors of the Bank is estimated by using models based on the analysis of the time series concerning the recovery percentages and actual collection times observed internally.

These analyses are periodically updated following the progressive consolidation of the time series.

The aforementioned estimate, characterized by a high degree of uncertainty and subjectivity, is made through models that take into account numerous quantitative and qualitative elements such as,

The main audit procedures carried out in response to the key audit matter relating to the detection of default interest pursuant and compensation fees for recovery expenses to legislative decree no. 231 of 9 october 2002 on performing receivables acquired without recourse, also carried out with the support of our specialists, concerned the following activities:

- analysis of the procedures and processes related to the item;
- analysis of the adequacy of the IT environment related to IT applications that are relevant to the process of detection of default interest;
- procedures for reconciling data between management systems and information reported in the financial statements;
- comparative analysis procedures and analysis of the results with the management involved;
- analysis of the models used to estimate default interest and examination of the reasonableness of the main assumptions contained in them;
- analysis of the adequacy of the information provided in the explanatory notes.

among others, the historical data relating to collections, expected cash flows, the relative times collection costs and the impact of the risks associated with the geographical areas in which the bank's customers operate.

For these reasons, we have considered the detection of default interest pursuant and compensation fees for recovery expenses to legislative decree no. 231 of 9 October 2002 on performing receivables acquired without recourse a significant key matter in the context of our audit.

VALUATION OF EQUITY INVESTMENT HELD IN THE CONTROLLED COMPANY KRUSO KAPITAL S.P.A.

Notes to the separate financial statements: Part A) Accounting policies - paragraph A.2, "Information on the main items of the separate financial statements": "Equity investments"; Part B) Information on the statement of financial position, Assets - Section 7 "Equity investments"

The bank recorded Euro 29 million as the value of the equity investment held in the controlled company Kruso Kapital S.p.A. as of December 31, 2024.

The impairment test performed by the bank according to and using the DDM methodology with the variant "excess of capital", has highlighted an overestimate of the "value in use" of the CGU if compared to its net accounting value, confirming the recoverability of the goodwill accounted for in the financial statements.

We focused on this area due to the significance of its amount and the significant judgement and complexity of the evaluation process; the impairment test is based on the realisation of the assumptions of the plan, discount rates and expected future growth rates and other subjective assumptions.

Our main audit procedures performed in response to the key audit matter regarding the valuation of equity investments held in the controlled company Kruso Kapital S.p.A., also carried out with the support of our specialists, included the following:

- we challenged the reasonableness of the key underlying assumptions of the plan;
- we assessed and challenged the adequacy of the impairment model adopted;
- we assessed the main key underlying assumptions for the impairment model, in particular the ones related to cash flow projections, discount rates, long term growth rates;
- we verified the clerical accuracy of the impairment model adopted;
- we performed sensitivity analysis of the control model of impairment when key assumptions change;
- we verified the disclosures provided in the explanatory notes.

Responsibilities of the directors and the board of statutory auditors for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board and endorsed by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree no. 38/05 and article 43 of Legislative Decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the bank's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the bank or ceasing operations exist, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, within the terms established by the Italian law, the bank's financial reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also have:

- identified and assessed the risks of material misstatement of the separate financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control.
- evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the bank to cease to continue as a going concern.
- evaluated the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, as properly identified in accordance with ISA Italia, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have also provided those charged with governance with a statement that we have complied with ethical and independence requirements applicable in Italy, and we have communicated all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We described those matters in the auditor's report.

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

On Aprile 18, 2019, the Shareholders' meeting of Banca Sistema S.p.A. appointed us to perform the statutory audit of its separate and consolidated financial statements for the years ending from December 31, 2019 to December 31, 2027.

We declare that we did not provide prohibited non audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the bank in conducting the audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Delegated Regulation (EU) 2019/815

The directors of Banca Sistema S.p.A. are responsible for the application of the provisions of Delegated Regulation (EU) 2019/815 of European Commission regarding the regulatory technical standards pertaining the electronic reporting format specifications (ESEF – European Single Electronic Format) (hereinafter the "Delegated Regulation") to the separate financial statements at December 31, 2024, to be included in the annual financial report.

We have performed the procedures required under Auditing Standard (SA Italia) no. 700B in order to express an opinion on the compliance of the separate financial statements at December 31, 2024 with the provisions of the Delegated Regulation.

In our opinion, the separate financial statements at December 31, 2024 have been prepared in XHTML format in compliance with the provisions of Delegated Regulation (EU) 2019/815.

Opinion and statement pursuant to article 14, paragraph 2, letters e), e-bis) and e-ter), of Legislative Decree no. 39/10 and article 123-bis, paragraph 4, of Legislative Decree no. 58/98

The directors of Banca Sistema S.p.A. are responsible for the preparation of a directors' report on operations and a report on corporate governance and ownership structure at December 31, 2024, including their consistency with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required under Auditing Standard (SA Italia) n. 720B in order to:

- express an opinion on the consistency of the report on operations and certain specific information presented in the report on corporate governance and ownership structure required by article 123-bis, paragraph 4, of Legislative Decree no. 58/98 with the separate financial statements;
- express an opinion on the compliance of the report on operations and certain specific information presented in the report on corporate governance and ownership structure required by article 123-bis, paragraph 4, of Legislative Decree no. 58/98 with the applicable law;
- issue a statement of any material misstatements in the report on operations and certain specific information presented in the report on corporate governance and ownership structure required by article 123-bis, paragraph 4, of Legislative Decree no. 58/98.

In our opinion, the report on operations and the specific information presented in the report on corporate governance and ownership structure required by article 123-bis, paragraph 4, of Legislative Decree no. 58/98 are consistent with the bank's separate financial statements at December 31, 2024.

Moreover, in our opinion, the report on operations and the specific information presented in the report on corporate governance and ownership structure required by article 123-bis, paragraph 4 of Legislative Decree no. 58/98 have been prepared in compliance with the applicable law.

With reference to the statement pursuant to Article 14, paragraph 2, letter e-ter), of Legislative Decree no. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, March 28, 2025

BDO Italia S.p.A.
Signed in the original by

Andrea Mezzadra
Partner

As disclosed by the Directors, the accompanying separate financial statements of Banca Sistema S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into English solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.