BANCA SISTEMA

INTERIM CONSOLIDATED FINANCIAL REPORT

AT 30 JUNE 2024

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DIRECTORS' REPORT AT 30 JUNE 2024

COMPOSITION OF THE PARENT'S MANAGEMENT BODIES

BOARD OF DIRECTORS[1]

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

BOARD OF STATUTORY AUDITORS

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

INDEPENDENT AUDITORS

BDO Italia S.p.A.

MANAGER IN CHARGE OF FINANCIAL REPORTING

Mr. Alexander Muz

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

COMPOSITION OF THE INTERNAL COMMITTEES

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 30 JUNE 2024

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

The scope of consolidation also includes the auction house Art-Rite S.r.l. (wholly owned by Kruso Kapital and outside the Banking Group), the Spanish Joint Venture EBNSistema Finance S.L. and the following special purpose securitisation vehicles whose receivables are not subject to derecognition: Quinto Sistema Sec. 2019 S.r.l., Quinto Sistema Sec. 2017 S.r.l. and BS IVA SPV S.r.l. The parent, Banca Sistema S.p.A., is a company registered in Italy, at Largo Augusto 1/A, ang. via Verziere 13 - 20122 Milan.

The Parent directly carries out factoring activities (mainly with the Italian public administration) and operates in the salary- and pension-backed loans segment through direct origination and through the purchase of receivables generated by other specialist operators, distributing its product through a network of single-company agents and specialised brokers located throughout Italy. Through its subsidiary Kruso Kapital S.p.A., the Group carries out collateralised lending activities in Italy through a network of branches, and in Greece through the ProntoPegno Greece subsidiary, as well as auction house activities. The Group also provides factoring services in Spain and Portugal through the joint venture EBNSistema Finance.

The Parent, Banca Sistema S.p.A., is listed on the Euronext STAR Milan segment of the Euronext Growth Milan market of Borsa Italiana and since 24 January 2024, the subsidiary Kruso Kapital is listed in the Professional Segment of Euronext Growth Milan.

KEY INDICATORS

30-Jun-24 | 31-Dec-23 | 30-Jun-23

Statement of financial position data (€,000)

Total Assets	4.739.810 4.572.400	3,7%
Securities Portfolio	1.160.879 637.107	82,2%
Loans - Factoring	1.634.239 2.117.279	-22,8%
Loans - Salary-backed loans	760.586 798.695	-4,8%
Funding - Banks and REPOs	983.521 644.263	52,7%
Funding - Term Deposits	2.705.412 2.402.002	12,6%
Funding - Current Accounts	264.550 704.579	-62,5%

Income statement data (€,000)

Net interest income	21.024 35.843	-41,3%
Net fee and commission income (expense)	15.942 10.079	58,2%
Total income	54.790 49.434	10,8%
Personnel expense	(16.396) (14.738)	11,2%
Other administrative expenses	(16.960) (17.689)	-4,1%
Profit for the period attributable to the owners of the Parent	5.960 7.455	-20,1%

SIGNIFICANT EVENTS FROM 1 JANUARY TO 30 JUNE 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:

- 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.

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 and Risk and Sustainability Management 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.

FACTORING

The Italian factoring market

Statistics from Assifact, the Italian association of factoring providers, show that factoring results will increase slightly in 2024 compared to 2023. In the first quarter of this year, the factoring market recorded a turnover of around € 68 billion, an increase of 2.25% compared to the same period last year and slightly above expectations of 2.05%. In the second quarter of 2024, on the other hand, a turnover of € 146.77 billion was recorded, an increase of 3.69% over the same period last year. Overall, the growth trend is expected to continue throughout the year, despite the continued weakness of the economy.

Without recourse factoring is by far the most common form of factoring used by the market, accounting for approximately 81% of total turnover versus 19% for recourse factoring transactions. In terms of amounts outstanding, these percentages do not vary much (76% versus 24%), thereby confirming that the assigning customers prefer completing assignments by hedging the risk associated with the assigned debtors.

At € 64.9 billion, the amount outstanding at 30 June 2024 remained stable compared to the same period last year (+0.40%). The same stability can be observed for advances/compensation payments (+0.26% year on year) with a monetary value of around € 52.4 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 first half of 2024, EBNSISTEMA's factoring turnover in the market reached € 117 million (€ 72 million at 30 June 2023).

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

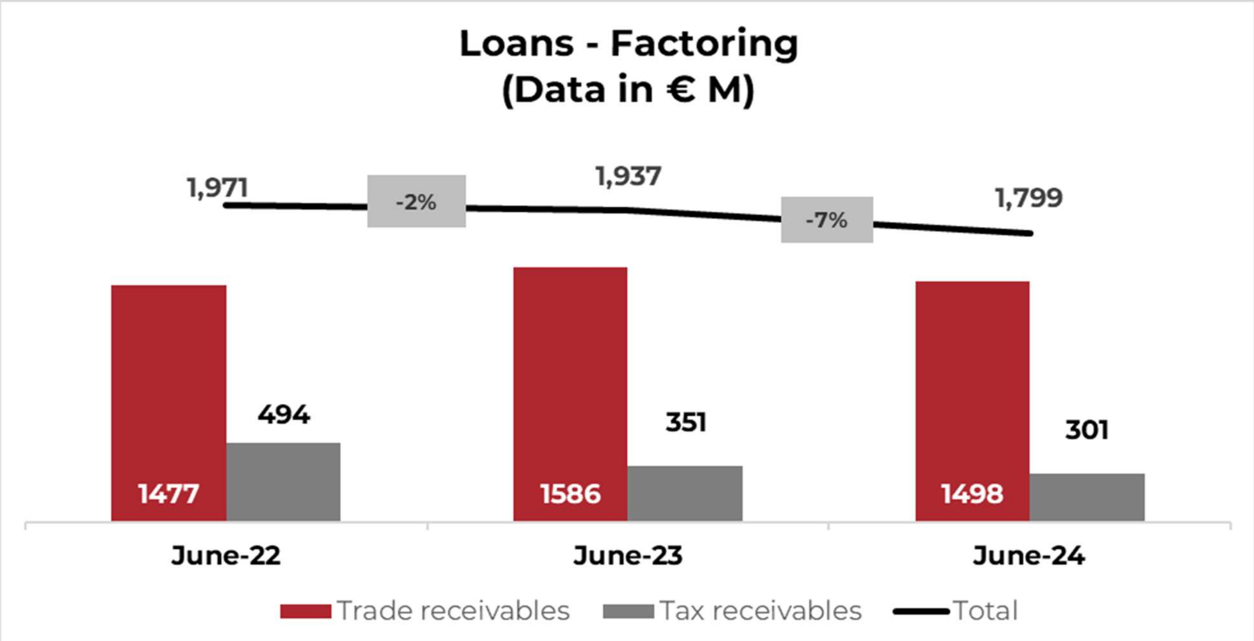
The following table shows the factoring volumes by product type:

Product (millions of Euro)	First Half of 2024	First Half of 2023	€ Change	% Change
Trade receivables	2.282	2.143	139	6,5%
of which, without recourse	1.684	1.645	39	2,4%
of which, with recourse	*598*	*498*	*100*	*20,1%*
Tax receivables	*511*	*334*	*177*	*53,1%*
of which, without recourse	*511*	*334*	*177*	*53,1%*
of which, with recourse	-	-	-	*n.a.*
Total	**2.793**	**2.477**	**316**	**12,8%**

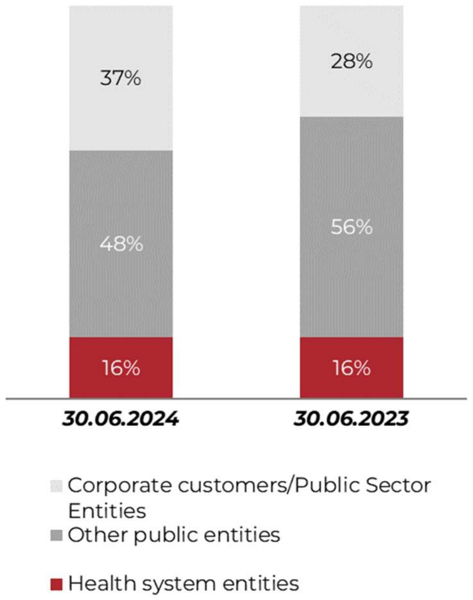
Volumes were generated through both its own internal commercial network and through other intermediaries with which the Group has entered into distribution agreements.

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 amounted to € 1,799 million at 30 June 2024 (management figure) from € 1,937 million at 30 June 2023.



The following chart shows the ratio of debtors to the total exposure in the loans and receivables portfolio at 30 June 2024 and 2023. The Group's core factoring business remains the Public Administration entities segment.



Volumes related to the management of third-party portfolios amounted to € 267 million (a decrease compared to the € 304 million recognised in the same period of last year).

SALARY- AND PENSION-BACKED LOANS AND QUINTOPUOI LOANS

In June 2024, following the presentation of the Bank's 2024-26 Business Plan, the CQ Division changed its name to the Retail Financing Division. The name change reflects the strengthening of the Division's distribution strategy, which now includes a range of financing products, including mortgages, personal loans and life insurance, provided by leading banks with which the Bank has established commercial partnerships. The Salary- and Pension-Backed Loan product, under the Quintopuoi brand, remains the backbone of the Division's business.

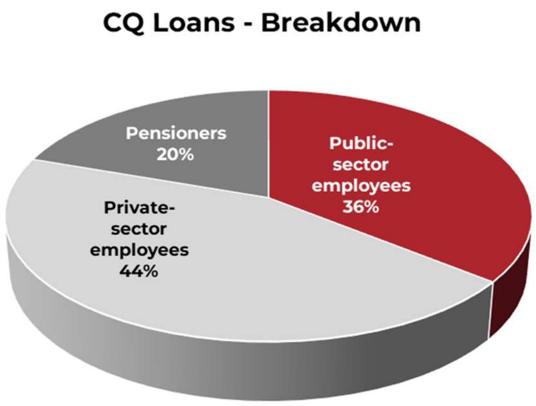
According to Assofin, the salary- and pension-backed loan market, after recording an overall decline of 6.4% in the first quarter of the year compared to the previous year, partially recovered in the second quarter, reaching a consolidated value of disbursements broadly in line with the previous year (cumulative value in May -2% compared to 2023). This fluctuating and, in aggregate, broadly stable trend in the salary- and pension-backed loan market was contrasted by a much more dynamic trend in personal loans, which grew by +10.2% year on year in terms of disbursements in the first five months. With regard to mortgages, the cumulative consolidated figure remains negative (Assofin reported a 5.4% year on year decline in flows in May), although there are clear signs of recovery in April and May.

In this context, the division continues to see an extremely positive trend in the volume of salary- and pension-backed loans (€ 109 million of capital financed, +42% compared to the first half of 2023), confirming a trend that began at the end of last year.

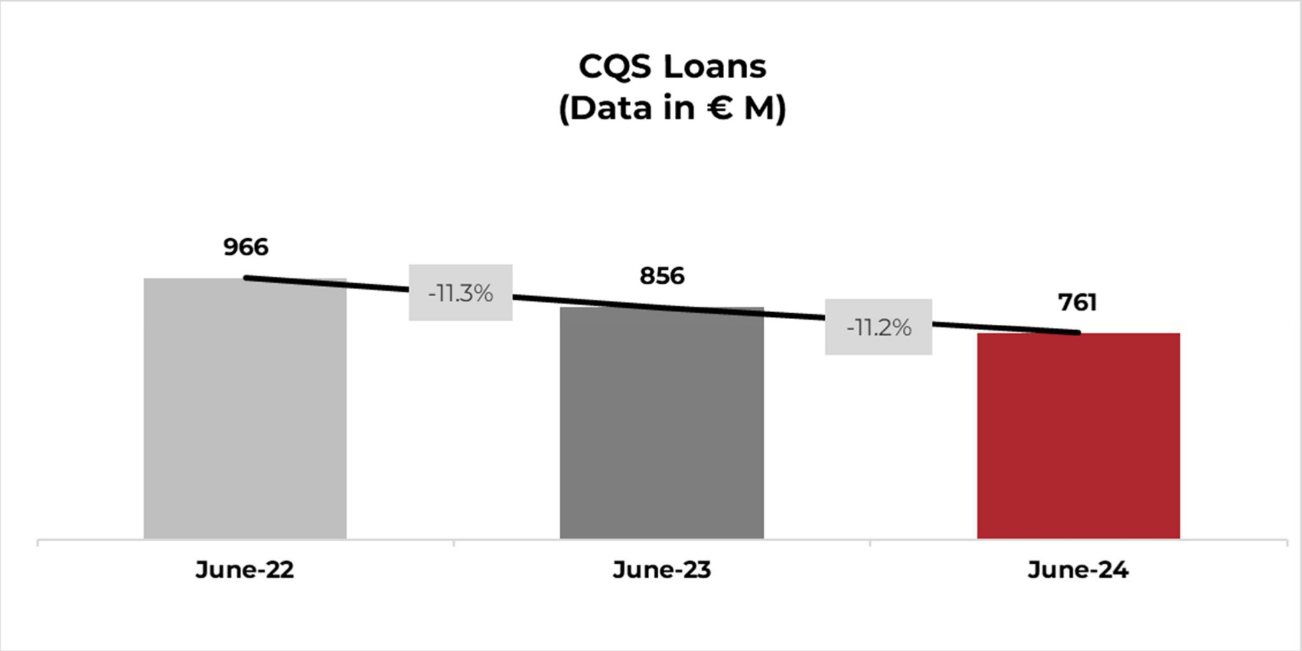
Outstanding capital is slightly lower than in the previous quarter, totalling € 761 million at 30 June 2024. This is due to the natural attrition of the portfolio, accelerated in the second quarter by a significant increase in early repayments due to refinancing.

	First Half of 2024	First Half of 2023	€ Change	% Change
No. of applications (#)	5.549	3.771	1.778	47,1%
of which originated	5.462	3.771	1.691	44,8%
Volumes disbursed (millions of Euro)	109	77	32	42,0%
of which originated	107	77	30	39,2%

CQ Loans are split between private-sector employees (20%), pensioners (44%) and public-sector employees (36%). Therefore, over 80% of the volumes refer to pensioners and employees of Public Administration, which remains the Bank's main debtor.



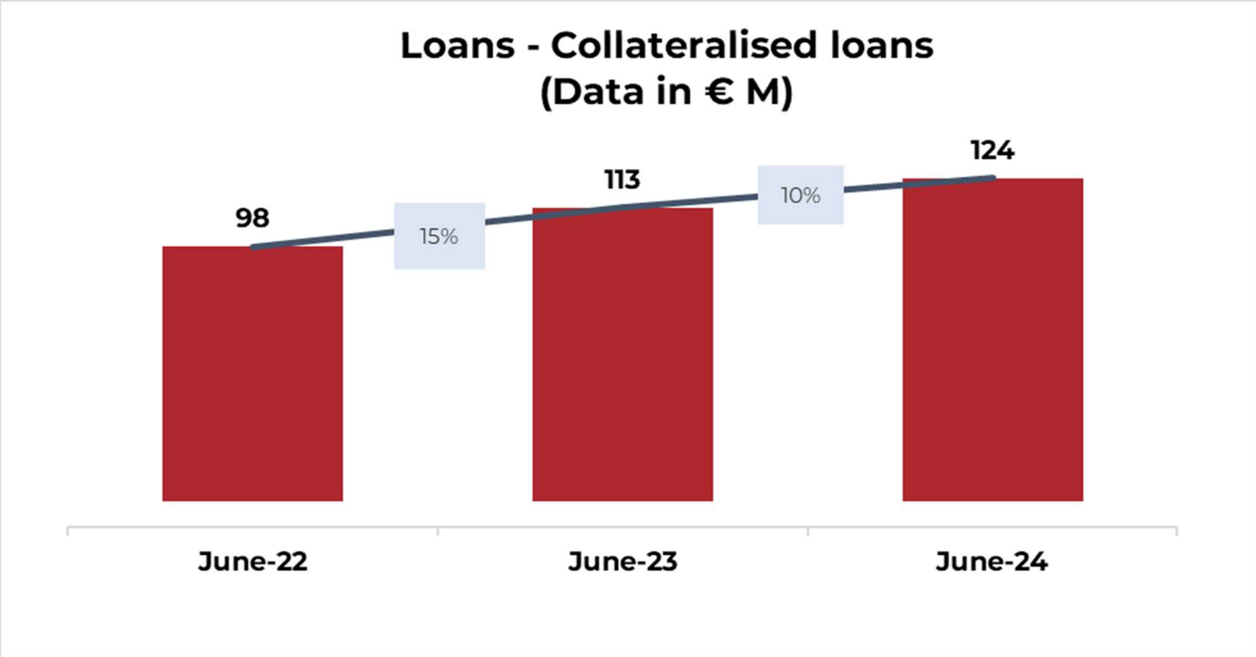
The following chart shows the performance of outstanding loans in the salary-/pension-backed loans (CQS/CQP) portfolio:



COLLATERALISED LENDING AND KRUSO KAPITAL

At 30 June 2024, Kruso Kapital had approximately 72 thousand policies (collateralised loans) in Italy, with total loans of € 124 million, an increase of 2% compared to 31 December 2023 (€ 121.4 million).

The following chart shows the performance of outstanding loans:



The assets, which increased by 2.9%, consist mainly of loans and receivables with customers related to the collateralised lending business (up 2% from the previous year primarily due to the increase in loans in Italy) and goodwill of € 29.6 million.

Assets (€,000)	30.06.2024	31.12.2023	€ Change	% Change
Cash and cash equivalents	9.282	6.710	2.572	38,3%
Financial assets measured at amortised cost	124.117	121.444	2.673	2,2%
a) loans and receivables with banks	163	35	128	>100%
b1) loans and receivables with customers - loans	123.954	121.409	2.545	2,1%
Property and equipment	4.086	4.334	(248)	-5,7%
Intangible assets	31.819	31.451	368	1,2%
of which: goodwill	29.606	29.606	-	0,0%
Tax assets	351	563	(212)	-37,7%
Other assets	2.976	3.189	(213)	-6,7%
Total assets	**172.631**	**167.691**	**4.940**	**2,9%**

Liabilities and equity (€,000)	30.06.2024	31.12.2023	€ Change	% Change
Financial liabilities measured at amortised cost	115.341	113.815	1.526	1,3%
Tax liabilities	2.689	2.273	416	18,3%
Other liabilities	6.081	7.544	(1.463)	-19,4%
Post-employment benefits	887	900	(13)	-1,4%
Provisions for risks and charges	768	705	63	8,9%
Valuation reserves	(34)	(27)	(7)	25,9%
Reserves	20.383	16.434	3.949	24,0%
Share capital	24.610	23.162	1.448	6,3%
Profit (loss) for the period	1.906	2.885	(979)	-33,9%
Total liabilities and equity	**172.631**	**167.691**	**4.940**	**2,9%**

The "financial liabilities measured at amortised cost" include the auction buyer's premium of € 5 million. For 5 years, this amount is reported in the financial statements as due to customers which become a contingent asset if not collected. Based on historical information, approximately 90% of the auction buyer's premium will become a contingent asset over the next 5 years. Amounts due to banks include loans from Banca Sistema and other banks (the latter amounting to around 37% of the total).

Equity at 30 June 2024 amounted to € 46.8 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 at 30 June 2024 is provided below.

Income statement (€,000)	First Half of 2024	First Half of 2023	€ Change	% Change
Total income	**11.493**	**8.956**	**2.537**	**28,3%**
Net impairment losses on loans and receivables	(82)	(39)	(43)	>100%
Net financial income (expense)	**11.411**	**8.917**	**2.494**	**28,0%**
Personnel expense	(4.107)	(3.543)	(564)	15,9%
Other administrative expenses	(3.318)	(3.203)	(115)	3,6%
Net impairment losses on property and equipment/intangible assets	(819)	(784)	(35)	4,5%
Other operating income (expense)	87	185	(98)	-53,0%
Operating costs	**(8.157)**	**(7.345)**	**(812)**	**11,1%**
Pre-tax profit from continuing operations	**3.254**	**1.572**	**1.682**	**>100%**
Income taxes for the period	(1.348)	(617)	(731)	>100%
Profit (loss) for the period of Kruso Kapital Group	**1.906**	**955**	**951**	**99,6%**

Total income, amounting to € 11.5 million, increased due to:

- the increasing contribution of Net interest income yoy, driven by higher interest income from increased lending and higher margins in collateralised lending, which more than offset higher interest expenses (driven by a cost of funding that is a function of the evolution of the 3M Euribor, which appears to have stabilised in the second quarter of 2024);
- the contribution of higher Net fee and commission income (expense) driven by higher lending/collateralised lending volumes and higher auction revenue.

Revenues generated by Art-Rite accounted for less than 2% of Total income, as in the first quarter of 2024, and were slightly down yoy also as a result of fewer auctions compared to the same period in 2023.

Credit impairments, which continue to be extremely small, 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 of € 8.2 million were 11% higher than the previous year due to:

- Higher personnel expenses related to salary increases due to the new national collective bargaining (CCNL) agreement commenced in 4Q23, to the accounting of an IPO bonus plan from 2Q24, and to a lesser extent to the increase in the number of resources (95 as of 30 June 2024 vs 91 as of 30 June 2023);
- Lower ASA due to lower costs, although, affected by the non-recurring component arising from the IPO and the announced transaction to acquire the second collateralised loan operator in Portugal, totalling approximately € 188 thousand.

Net profit doubled year on year and included the losses of the subsidiaries ProntoPegno Greece and Art-Rite of € 319 thousand and € 329 thousand respectively, the latter in a volatile sector such as auctions.

FUNDING AND TREASURY ACTIVITIES

TREASURY PORTFOLIO

A treasury portfolio has been established to support the Bank's liquidity commitments almost exclusively through investment in Italian government bonds.

The balance at 30 June 2024 was equal to a nominal € 1,163 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 30 June 2024, the nominal amount of securities in the HTCS portfolio amounted to € 1,102 million (€ 586 million reported at 31 December 2023) with a duration of 10.4 months (13.8 months at 31 December 2023).

At 30 June 2024, the HTC portfolio amounted to € 61 million with a duration of 37.6 months (compared to € 61 million at 31 December 2023 with a duration of 43.6 months).

FUNDING

At 30 June 2024, wholesale funding was about 28% 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 terms of customer deposits, the Bank continued its strategy of reducing deposits from corporate customers, which are known to be less stable and more concentrated, in order to achieve greater diversification and focus on the more stable sources.

The stock of customer deposits reached € 3 billion as of 30 June 2024, almost entirely from term deposits.

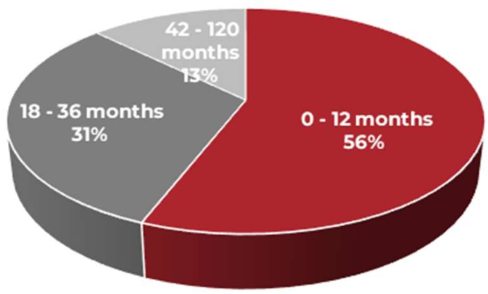
At 30 June 2024, the LCR stood at 2,353%, compared to 547% at 31 December 2023.

Retail funding accounts for 72% of the total and is composed of the account SI Conto! Corrente and the product SI Conto! Deposito.

Total term deposits as at 30 June 2024 amounted to € 2,705 million, an increase of 12.6% compared to 31 December 2023. The above-mentioned amount also includes total term deposits of € 2,130 million (obtained with the help of partner platforms) held with foreign entities (accounting for 79% of total deposit funding), an increase of € 1,241 million over the same period of the previous year.

The breakdown of funding by term is shown below.

Breakdown of deposit accounts as at 30 June 2024



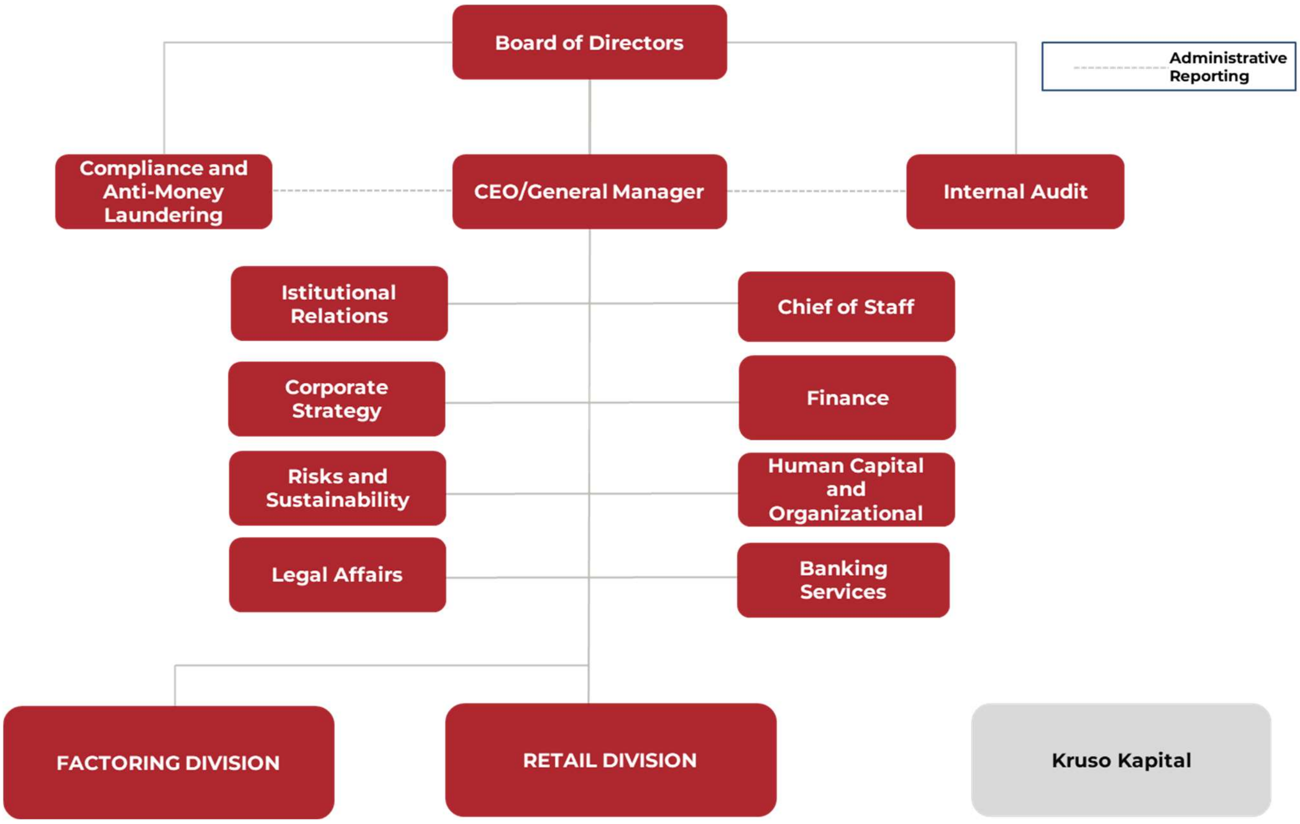
The average residual life is 15 months compared to 15 months in the same period of 2023.

COMPOSITION AND STRUCTURE OF THE GROUP

Organisational chart

Since 2020, the Bank's organisational structure has been based on the divisional organisational model which assigns specific powers and autonomy in terms of lending, sales and operations to each of the Factoring and 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 30 June 2024, the Group had a staff of 308, broken down by contract category as follows:

FTES	30.06.2024	31.12.2023	30.06.2023
Senior managers	28	26	24
Middle managers (QD3 and QD4)	69	67	65
Other personnel	211	206	202
Total	**308**	**299**	**291**

During the first half of 2024, 30 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 the first half of 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. During the first half of 2024, the Bank organized training sessions conducted by both internal and external trainers. These sessions focused on technical and professional training in areas such as anti-money laundering, Mifid II, cybersecurity, and language training, as well as organising meetings and discussions with off-site teambuilding activities for a total of 172 hours.

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

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

The average age of Group employees is 48.5 for men and 45 for women. The breakdown by gender is essentially balanced, with men accounting for 53.6% and women for 46.4% of the total.

INCOME STATEMENT RESULTS

Income statement (€,000)	First Half of 2024	First Half of 2023	€ Change	% Change
Net interest income	21.024	35.843	(14.819)	-41,3%
Net trading income from Superbonus (1)	11.466	-	11.466	n.a.
Net interest income adjusted	**32.490**	**35.843**	**(3.353)**	**-9,4%**
Net fee and commission income (expense)	15.942	10.079	5.863	58,2%
Dividends and similar income	227	227	-	0,0%
Net trading income (expense)	976	(34)	1.010	<100%
Net hedging result	(6)	30	(36)	<100%
Gain from sales or repurchases of financial assets/liabilities	5.161	3.289	1.872	56,9%
Total income	**54.790**	**49.434**	**5.356**	**10,8%**
Net impairment losses on loans and receivables	(3.866)	(2.837)	(1.029)	36,3%
Gains/losses from contract amendments without derecognition	(2)	(1)	(1)	100,0%
Net financial income (expense)	**50.922**	**46.596**	**4.326**	**9,3%**
Personnel expense	(16.396)	(14.738)	(1.658)	11,2%
Other administrative expenses	(16.960)	(17.689)	729	-4,1%
Net accruals to provisions for risks and charges	(1.391)	(2.197)	806	-36,7%
Net impairment losses on property and equipment/intangible assets	(1.564)	(1.579)	15	-0,9%
Other operating income (expense)	(4.026)	1.232	(5.258)	<100%
Operating costs	**(40.337)**	**(34.971)**	**(5.366)**	**15,3%**
Gains (losses) on equity investments	(25)	(16)	(9)	56,3%
Pre-tax profit from continuing operations	**10.560**	**11.609**	**(1.049)**	**-9,0%**
Income taxes for the period	(4.039)	(3.915)	(124)	3,2%
Post-tax profit for the period	**6.521**	**7.694**	**(1.173)**	**-15,2%**
Post-tax profit (loss) from discontinued operations	-	-	-	n.a.
Profit for the period	**6.521**	**7.694**	**(1.173)**	**-15,2%**
Profit (loss) attributable to non-controlling interests	(561)	(239)	(322)	>100%
Profit for the period attributable to the owners of the parent	**5.960**	**7.455**	**(1.495)**	**-20,1%**

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

The first half of 2024 ended with a profit of € 6.0 million, down on the same period of the previous year. Adjusted earnings considering the timing of the payment to the interbank fund, as discussed below, amounted to € 9.4 million, or 11% more than in the same period last year.

Total income grew steadily by € 5.3 million (+10.8% against 30 June 2023) thanks to the contribution of the Factoring Division.

The increase in operating costs is due to the allocation of the contribution to the inter-bank fund amounting to € 5.1 million, 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 previous year the contribution had been paid and allocated in December 2023 and amounted to € 4 million).

Net interest income (€,000)	First Half of 2024	First Half of 2023	€ Change	% Change
Interest and similar income				
Loans and receivables portfolios	81.578	67.827	13.751	20,3%
Factoring	55.380	46.131	9.249	20,0%
CQ	8.930	10.458	(1.528)	-14,6%
Collateralised lending	6.850	5.014	1.836	36,6%
Government-backed loans to SMEs	10.418	6.224	4.194	67,4%
Securities portfolio	7.108	13.198	(6.090)	-46,1%
Other	7.098	2.362	4.736	>100%
Financial liabilities	-	-	-	n.a.
Total interest income	**95.784**	**83.387**	**12.397**	**14,9%**
Interest and similar expense				
Due to banks	(9.766)	(9.099)	(667)	7,3%
Due to customers	(61.535)	(35.071)	(26.464)	75,5%
Securities issued	(3.459)	(3.374)	(85)	2,5%
Financial assets	-	-	-	n.a.
Total interest expense	**(74.760)**	**(47.544)**	**(27.216)**	**57,2%**
Net interest income	**21.024**	**35.843**	**(14.819)**	**-41,3%**

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

The total contribution of the Factoring Division to interest income was € 65.8 million, equal to 81% of the entire loans and receivables portfolio, to which the commission component associated with the factoring business and the revenue generated by the assignment of some receivables from the factoring portfolio need to be added.

The component owed for late payments pursuant to Legislative Decree 231/02 (consisting of default interest and compensation) legally enforced at 30 June 2024 amounted to € 20.9 million (€ 20 million in the first half of 2023):

- of which €11.3 million resulting from the current recovery estimates (€14.7 million in the first half of 2023);
- of which €6.9 million (€3.6 million in the first half of 2023) coming from the difference between the amount collected during the period, equal to €10.4

million (€5.7 million in the first quarter of 2023) and that recognised on an accruals basis in previous years;
- of which €2.8 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 (€ 1.7 million in the first half of 2023).

The amount of the stock of interest and compensation component pursuant to Legislative Decree 231/02 at 30 June 2024, relevant for the allocation model, was € 161 million (€ 137 million at the end of 2023), which becomes € 255 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 € 92.4 million. Therefore, the amount of interest pursuant to Legislative Decree No. 231/02 accrued and not yet recognised in the income statement is € 162 million.

The contribution from interest from the salary- and pension-backed portfolios amounted to € 8.9 million, down from the same period of the previous year from the impact of prepayments on portfolios purchases in previous years, only partially offset by higher yields on new loans originated at higher rates.

The sustained growth of the Collateralised Lending Division was confirmed, whose contribution to the income statement amounted to € 6.9 million, compared to € 5.0 million in the first half of 2023.

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

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

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

The Superbonus trading income of € 11.5 million is generated from the trading of these loans and the valuation of these loans at fair value.

Net fee and commission income (€,000)	First Half of 2024	First Half of 2023	€ Change	% Change
Fee and commission income				
Factoring activities	12.853	6.336	6.517	>100%
Fee and commission income - off-premises CQ	5.833	3.930	1.903	48,4%
Collateralised loans (fee and commission income)	6.686	5.319	1.367	25,7%
Collection activities	958	797	161	20,2%
Other fee and commission income	407	481	(74)	-15,4%
Total fee and commission income	**26.737**	**16.863**	**9.874**	**58,6%**
Fee and commission expense				
Factoring portfolio placement	(865)	(524)	(341)	65,1%
Placement of other financial products	(3.182)	(1.498)	(1.684)	>100%
Fees - off-premises CQ	(5.517)	(3.800)	(1.717)	45,2%
Other fee and commission expense	(1.231)	(962)	(269)	28,0%
Total fee and commission expense	**(10.795)**	**(6.784)**	**(4.011)**	**59,1%**
Net fee and commission income	**15.942**	**10.079**	**5.863**	**58,2%**

Net fee and commission income (expense), amounting to € 15.9 million, increased by 58.2%, 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 € 1.4 million compared to the previous year thanks to the continuing growth of the business.

Commissions on collection activities, related to the service of reconciliation of third-party invoices collected from the Public Administration are up 20.2% compared to the same period last year, driven by the recent development of the servicer business for third-party securitisations.

Other Fee and commission income, includes commissions and fees related to current account services and auction fees related to the Art-Rite subsidiary amounting to € 0.2 million.

Fee and commission income - off-premises CQ refers to the commissions on the salary- and pension-backed loan (CQ) origination business of € 5.8 million, which should be considered together with the item Fees - off-premises CQ, amounting to € 5.5 million, which are composed of the commissions paid to financial advisers for the off-premises placement of the salary- and pension-backed loan product.

Fees and commissions for the placement of financial products paid to third parties are attributable to returns to third party intermediaries for the placement of the SI Conto!

Deposito product under the passporting regime, whereas the fee and commission expense of placing the factoring portfolios is linked to the origination costs of factoring receivables.

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

Net trading results (€,000)	First Half of 2024	First Half of 2023	€ Change	% Change
Trading results from financial instruments	976	(34)	1.010	<100%
ing Superbonus 110				
Total	**976**	**(34)**	**1.010**	**<100%**

The item includes the income from trading Italian government bonds.

Gain (loss) from sales or repurchases (€,000)	First Half of 2024	First Half of 2023	€ Change	% Change
Gains from HTCS portfolio debt instruments	1.441	543	898	>100%
Gains from HTC portfolio debt instruments	-	774	(774)	-100,0%
Gains from receivables (Factoring portfolio)	2.671	872	1.799	>100%
Gains from receivables (CQ portfolio)	1.049	1.100	(51)	-4,6%
Total	**5.161**	**3.289**	**1.872**	**56,9%**

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 30 June 2024 amounted to € 3.7 million (€ 2.8 million at 30 June 2023). The loss rate increased to 0.27% at 30 June 2024 from 0.19% in 2023.

Personnel expense (€,000)	First Half of 2024	First Half of 2023	€ Change	% Change
Wages and salaries	(13.034)	(11.526)	(1.508)	13,1%
Social security contributions and other costs	(2.520)	(2.422)	(98)	4,0%
Directors' and statutory auditors' remuneration	(842)	(790)	(52)	6,6%
Total	**(16.396)**	**(14.738)**	**(1.658)**	**11,2%**

The increase in Personnel expense compared with the previous year is due to the revised banking contract, which applies to a large part of the staff, and to the increase in the number of employees, the average number of which rose from 293 to 300.

Other administrative expenses (€,000)	First Half of 2024	First Half of 2023	€ Change	% Change
Consultancy	(4.083)	(3.600)	(483)	13,4%
IT expenses	(3.696)	(3.555)	(141)	4,0%
Servicing and collection activities	(946)	(971)	25	-2,6%
Indirect taxes and duties	(1.864)	(1.558)	(306)	19,6%
Insurance	(888)	(586)	(302)	51,5%
Other	(597)	(615)	18	-2,9%
Expenses related to management of the SPVs	(275)	(283)	8	-2,8%
Outsourcing and consultancy expenses	(399)	(245)	(154)	62,9%
Car hire and related fees	(452)	(375)	(77)	20,5%
Advertising and communications	(948)	(1.463)	515	-35,2%
Expenses related to property management and logistics	(1.222)	(1.349)	127	-9,4%
Personnel-related expenses	(29)	(56)	27	-48,2%
Entertainment and expense reimbursement	(416)	(357)	(59)	16,5%
Infoprovider expenses	(520)	(379)	(141)	37,2%
Membership fees	(236)	(227)	(9)	4,0%
Audit fees	(201)	(190)	(11)	5,8%
Telephone and postage expenses	(142)	(253)	111	-43,9%
Stationery and printing	(46)	(59)	13	-22,0%
Total operating expenses	**(16.960)**	**(16.121)**	**(839)**	**5,2%**
Resolution Fund	-	(1.568)	1.568	-100,0%
Total	**(16.960)**	**(17.689)**	**729**	**-4,1%**

Administrative expenses decreased overall following the discontinuation of the contribution to the Resolution Fund, due to meeting the pre-determined system targets.

IT expenses consist of costs for services rendered by the IT outsourcer providing the legacy services and costs related to the IT infrastructure which are increasing slightly due to higher investments.

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

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

Net impairment losses on property and equipment/intangible assets (€,000)	First Half of 2024	First Half of 2023	€ Change	% Change
Depreciation of buildings used for operations	(413)	(410)	(3)	0,7%
Depreciation of furniture and equipment	(192)	(191)	(1)	0,5%
Amortisation of value in use	(633)	(739)	106	-14,3%
Amortisation of software	(303)	(219)	(84)	38,4%
Amortisation of other intangible assets	(23)	(20)	(3)	15,0%
Total	**(1.564)**	**(1.579)**	**15**	**-0,9%**

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

Other operating income (expense) (€,000)	First Half of 2024	First Half of 2023	€ Change	% Change
Auction buyer's premiums	324	308	16	5,2%
Recovery of expenses and taxes	611	523	88	16,8%
Amortisation of multiple-year improvement costs	(331)	(297)	(34)	11,4%
Other income (expense)	(5.061)	95	(5.156)	<100%
Contingent assets and liabilities	431	603	(172)	-28,5%
Total	**(4.026)**	**1.232**	**(5.258)**	**<100%**

The decrease in the item "Other operating income (expense)" compared to the same period of the previous year is due to the allocation of the contribution to the interbank fund amounting to € 5.1 million, 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 previous year the contribution had been paid and allocated in December 2023 and amounted to € 4 million).

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)	30.06.2024	31.12.2023	€ Change	% Change
Cash and cash equivalents	269.439	250.496	18.943	7,6%
Financial assets measured at fair value through other comprehensive income	1.099.796	576.002	523.794	90,9%
Financial assets measured at amortised cost	2.865.645	3.396.281	(530.636)	-15,6%
a) loans and receivables with banks	821	926	(105)	-11,3%
b1) loans and receivables with customers - loans	2.803.741	3.334.250	(530.509)	-15,9%
b2) loans and receivables with customers - debt instruments	61.083	61.105	(22)	0,0%
Hedging derivatives	-	-	-	n.a.
Changes in fair value of portfolio hedged items (+/-)	1.422	3.651	(2.229)	-61,1%
Equity investments	970	995	(25)	-2,5%
Property and equipment	40.008	40.659	(651)	-1,6%
Intangible assets	35.800	35.449	351	1,0%
of which: goodwill	33.526	33.526	-	0,0%
Tax assets	27.863	25.211	2.652	10,5%
Non-current assets held for sale and disposal groups	70	64	6	9,4%
Other assets	398.797	243.592	155.205	63,7%
Total assets	**4.739.810**	**4.572.400**	**167.410**	**3,7%**

At 30 June 2024 total assets were up by 3.7% 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 10.4 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 € 1.102 million at 30 June 2024 (€ 586 million at 31 December 2023). The associated valuation reserve was negative at the end of the period, amounting to € 15.6 million before the tax effect.

Loans and receivables with customers (€,000)	30.06.2024	31.12.2023	€ Change	% Change
Factoring receivables	1.634.239	2.117.279	(483.040)	-22,8%
Salary-/pension-backed loans (CQS/CQP)	760.586	798.695	(38.109)	-4,8%
Collateralised loans	123.954	121.315	2.639	2,2%
Loans to SMEs	252.927	285.772	(32.845)	-11,5%
Current accounts	305	412	(107)	-26,0%
Compensation and Guarantee Fund	28.623	7.511	21.112	>100%
Other loans and receivables	3.107	3.266	(159)	-4,9%
Total loans	**2.803.741**	**3.334.250**	**(530.509)**	**-15,9%**
Securities	61.083	61.105	(22)	0,0%
Total loans and receivables with customers	**2.864.824**	**3.395.355**	**(530.531)**	**-15,6%**

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

Outstanding loans for factoring receivables compared to Total loans, therefore excluding the amounts of the securities portfolio, were 58% (64% at the end of 2023). The volumes generated during the period amounted to € 2,793 million (€ 2,477 million at 30 June 2023).

Salary- and pension-backed loans were largely unchanged from the end of the previous year, with volumes disbursed directly by the agent network amounting to € 109 million (€ 77 million at the end of the first half of 2023).

Government-backed loans to small and medium-sized enterprises decreased despite new disbursements amounting to € 15.4 million.

The collateralised lending business, which is conducted through the Kruso Kapital subsidiary, grew during the period, with loans granted at 30 June 2024 amounting to € 124 million.

HTC Securities are composed entirely of Italian government securities with an average duration of 37.6 months for an amount of € 61 million. The mark-to-market valuation of the securities at 30 June 2024 shows a pre-tax unrealised loss of € 5.6 million.

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

Status	30.06.2023	30.09.2023	31.12.2023	31.03.2024	30.06.2024
Bad exposures - gross	173.412	174.216	173.767	177.760	177.112
Unlikely to pay - gross	63.081	59.246	59.172	51.140	49.315
Past due - gross	61.857	53.904	64.176	57.940	79.541
Non-performing - gross	**298.350**	**287.366**	**297.115**	**286.840**	**305.968**
Performing - gross	**2.838.474**	**2.740.646**	**3.108.776**	**2.814.181**	**2.565.119**
Stage 2 - gross	94.497	89.457	90.912	66.143	80.022
Stage 1 - gross	2.743.977	2.651.189	3.017.864	2.748.038	2.485.097
Total loans and receivables with customers	**3.136.824**	**3.028.012**	**3.405.891**	**3.101.021**	**2.871.087**
Individual impairment losses	**63.654**	**64.167**	**65.359**	**65.853**	**60.941**
Bad exposures	48.218	48.331	49.119	49.789	43.502
Unlikely to pay	14.186	14.677	15.080	14.907	16.293
Past due	1.250	1.159	1.160	1.157	1.146
Collective impairment losses	**5.808**	**6.345**	**6.282**	**6.137**	**6.405**
Stage 2	607	653	694	456	522
Stage 1	5.201	5.692	5.588	5.681	5.883
Total impairment losses	**69.462**	**70.512**	**71.641**	**71.990**	**67.346**
Net exposure	**3.067.362**	**2.957.500**	**3.334.250**	**3.029.031**	**2.803.741**

The ratio of gross non-performing loans to the total portfolio decreased to 10.7% compared to 8.7% at 31 December 2023, due to a decrease in the absolute value of performing loans, despite a reduction in non-performing loans, which remain high because of the entry into force of the new definition of default on 1 January 2021 ("New DoD"). Past due loans are associated with factoring receivables without recourse from Public Administration and are considered normal for the sector. Despite the new technical rules used to report past due loans for regulatory purposes, this continues not to pose particular problems in terms of credit quality and probability of collection.

The coverage ratio for non-performing loans is 20%, compared to 22% at 31 December 2023; excluding exposures to the public administration, the ratio is 87.5%.

Property and equipment includes the property located in Milan, which is also being used as Banca Sistema's offices, and the building in Rome. The carrying amount of the properties, including capitalised items, is € 34.6 million after accumulated depreciation. The other capitalised costs include furniture, fittings and IT devices and equipment, as well as the right of use relating to the lease payments of the branches and company cars.

Intangible assets refer to goodwill of € 33.5 million, broken down as follows:

- the goodwill originating from the merger of the former subsidiary Solvi S.r.l. which took place in 2013 amounting to € 1.8 million;
- the goodwill generated by the acquisition of Atlantide S.p.A. on 3 April 2019 amounting to € 2.1 million;
- the goodwill amounting to € 28.4 million arising from the acquisition of the former Intesa Sanpaolo collateralised lending business unit completed on 13 July 2020;
- goodwill of € 1.2 million, resulting from the acquisition of Art-Rite which was completed on 2 November 2022.

The investment recognised in the financial statements relates to the joint venture with EBN Banco de Negocios S.A. in EBNSISTEMA. At the end of the first half of 2024, EBN-SISTEMA originated € 117 million in loans and receivables, compared to € 72 million at the end of the first half of 2023.

Non-current assets held for sale and disposal groups include the assets of SF Trust Holding, which was put into liquidation in December 2021.

Other assets is mainly composed of "Superbonus 110" tax credits purchased for trading purposes with a carrying amount of € 318 million. This item also includes work in progress at the end of the period, advance tax payments and "Superbonus 110" tax credits of € 33 million acquired as compensation.

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

Liabilities and equity (€,000)	30.06.2024	31.12.2023	€ Change	% Change
Financial liabilities measured at amortised cost	4.171.659	4.042.105	129.554	3,2%
a) due to banks	360.701	644.263	(283.562)	-44,0%
b) due to customers	3.702.260	3.232.767	469.493	14,5%
c) securities issued	108.698	165.075	(56.377)	-34,2%
Hedging derivatives	1.428	3.646	(2.218)	-60,8%
Tax liabilities	28.103	24.816	3.287	13,2%
Liabilities associated with disposal groups	42	37	5	13,5%
Other liabilities	215.057	181.902	33.155	18,2%
Post-employment benefits	4.907	4.709	198	4,2%
Provisions for risks and charges	37.581	37.836	(255)	-0,7%
Valuation reserves	(11.008)	(12.353)	1.345	-10,9%
Reserves	216.713	207.767	8.946	4,3%
Equity instruments	45.500	45.500	-	0,0%
Equity attributable to non-controlling interests	14.319	10.633	3.686	34,7%
Share capital	9.651	9.651	-	0,0%
Treasury shares (-)	(102)	(355)	253	-71,3%
Profit for the period	5.960	16.506	(10.546)	-63,9%
Total liabilities and equity	**4.739.810**	**4.572.400**	**167.410**	**3,7%**

Wholesale funding, which represents about 28% 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)	30.06.2024	31.12.2023	€ Change	% Change
Due to Central banks	317.274	556.012	(238.738)	-42,9%
Due to banks	43.427	88.251	(44.824)	-50,8%
Current accounts with other banks	3.427	56.251	(52.824)	-93,9%
Deposits with banks (repurchase agreements)	-	-	-	n.a.
Financing from other banks	40.000	32.000	8.000	25,0%
Total	**360.701**	**644.263**	**(283.562)**	**-44,0%**

The item "Due to banks" decreased by 44%, compared to 31 December 2023, due to early repayments of TLTRO III.

Due to customers (€,000)	30.06.2024	31.12.2023	€ Change	% Change
Term deposits	2.705.412	2.402.002	303.410	12,6%
Financing (repurchase agreements)	622.820	-	622.820	n.a.
Financing - other	65.155	65.154	1	0,0%
Customer current accounts	264.550	704.579	(440.029)	-62,5%
Due to assignors	38.226	56.444	(18.218)	-32,3%
Other payables	6.097	4.588	1.509	32,9%
Total	**3.702.260**	**3.232.767**	**469.493**	**14,5%**

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 (+12.6%), reflecting net positive funding (net of interest accrued) of € 279 million; gross deposits from the beginning of the year were € 1,072 million.

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

Bonds issued (€,000)	30.06.2024	31.12.2023	€ Change	% Change
Bond - AT1	45.500	45.500	-	0,0%
Bond - Tier II	-	-	-	n.a.
Bonds - other	108.698	165.075	(56.377)	-34,2%

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

Bonds issued at 30 June 2024 are as follows:

- AT1 subordinated loan of € 8 million, with no maturity (perpetual basis) and a variable coupon starting from 19 June 2023, issued on 18 December 2012 and 18 December 2013 (reopening date);
- AT1 subordinated loan of € 37.5 million, with no maturity (perpetual basis) and a fixed coupon until 25 June 2031 at 9% issued on 25 June 2021.

Other bonds include the senior shares of the ABS in the securitisations subscribed by third-party institutional investors.

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

The provision for risks and charges of € 37.6 million includes the provision for possible liabilities attributable to past acquisitions of € 1.1 million, the estimated amount of personnel-related charges mainly for the portion of the bonus for the period, the deferred portion of the bonus accrued in previous years, and the estimates related to the non-compete agreement and the 2022 retention plan, totalling € 4.9 million (the item includes the estimated variable and deferred components, accrued but not paid). The provision also includes an estimate of charges related to possible liabilities to assignors that have yet to be settled and other estimated charges for ongoing lawsuits and legal disputes amounting to € 16.0 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 € 12.9 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	**4.484**	**263.209**
Assumption of value of investments	-	(45.978)
Consolidated profit (loss)/equity	2.068	63.802
Gain (loss) on equity investments	(31)	-
Adjustment to profit (loss) from discontinued operations	-	-
Equity attributable to the owners of the parent	**6.521**	**281.033**
Equity attributable to non-controlling interests	(561)	(14.319)
Profit (loss)/equity of the Group	**5.960**	**266.714**

CAPITAL ADEQUACY

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

Own funds (€,000) and capital ratios	30.06.2024	31.12.2023
Common Equity Tier 1 (CET1)	**186,511**	**184,308**
ADDITIONAL TIER 1	45,500	45,500
Tier 1 capital (T1)	**232,011**	**229,808**
TIER2	315	252
Total Own Funds (TC)	**232,326**	**230,060**
Total risk-weighted assets	**1,500,370**	**1,427,705**
of which, credit risk	1,304,133	1,234,050
of which, market risk	5,773	3,191
of which, operational risk	190,464	190,464
Ratio - CET1	**12.4%**	**12.9%**
Ratio - T1	**15.5%**	**16.1%**
Ratio - TCR	**15.5%**	**16.1%**

Total "Fully loaded" own funds were € 232 million at 30 June 2024 and included the profit, net of dividends estimated on the profit for the period which were equal to the amount in the previous year with the pay-out of 37% of the Parent's profit. On 09 July 2024, the reintroduction of the temporary treatment of the prudential filter provided for in Article 468 CRR to neutralise price changes of securities held in the HTCS category recorded in the equity valuation reserve came into force. This filter, which will be used from the next quarter onwards, would generate a benefit of 70 basis points on the ratios as at 30 June 2024.

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

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

The reconciliation of equity and CET1 is provided below:

	30.06.2024	31.12.2023
Share capital	9.651	9.651
Equity instruments	45.500	45.500
Income-related and share premium reserve	216.713	207.767
Treasury shares (-)	(102)	(355)
Valuation reserves	(11.008)	(12.353)
Profit	5.960	16.506
Equity attributable to the owners of the parent	**266.714**	**266.716**
Dividends distributed and other foreseeable expenses	(1.689)	(5.227)
Equity assuming dividends are distributed to shareholders	**265.025**	**261.489**
Regulatory adjustments	(42.985)	(39.929)
Eligible equity attributable to non-controlling interests	9.971	8.248
Equity instruments not eligible for inclusion in CET1	(45.500)	(45.500)
Common Equity Tier 1 (CET1)	**186.511**	**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 evidence published on Consob's website presented below, the shareholders with stakes of more than 5%, the threshold above which Italian law (art. 120 of the Consolidated Law on Finance) requires disclosure to the investee and Consob, were as follows:

Person at the top of the chain of ownership	Shareholder	% of ordinary share capital	% of the voting capital
Gianluca Garbi	SGBS Srl	23,1%	22,5%
	Garbifin Srl	0,5%	0,5%
e Cassa di Risparmio di Alessa	Fondazione Cassa di Risparmio di Cuneo	5,0%	4,9%
	Fondazione Cassa di Risparmio di Alessandria	7,4%	7,2%
e Sicilia	Fondazione Sicilia	7,4%	7,2%
	Chandler	7,5%	7,3%
	Treasury shares	0,2%	0,2%
	MARKET	48,9%	50,2%
TOTAL SHARES		**100,0%**	**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;

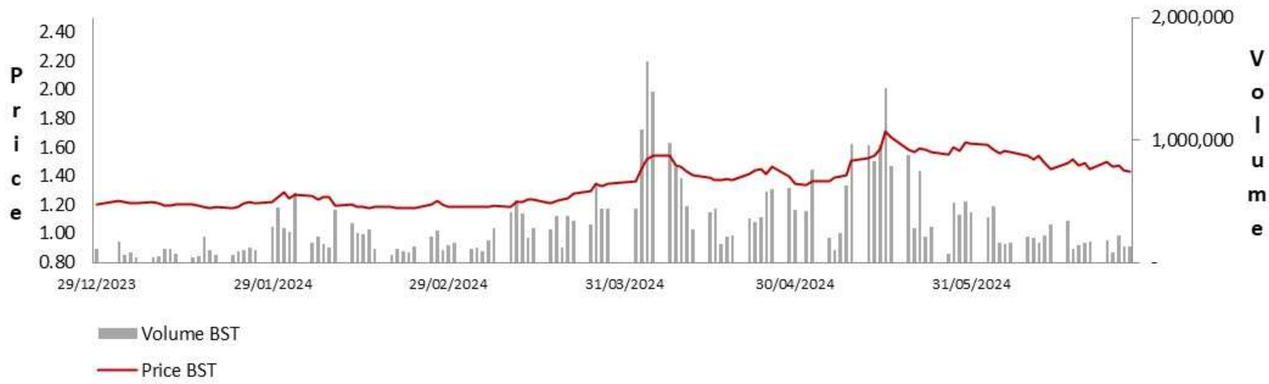
FTSE Italia Finanza;

FTSE Italia Small Cap.

In the first half of 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 change on the last market day of the first half of 2024 when compared to the same day of the previous year was a positive 19.1%, or 24.7% when considering the dividend payment.

During the first half of 2024, average daily volumes were just over 331,000 shares, a marked increase from the first half of 2023 when volumes were around 194,000.



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 and Risk Management 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

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

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. At the date this half year report was approved, the audit was still in progress.

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

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 Factoring Division is expected to confirm recent trends in terms of turnover, with the contribution of Superbonus Factoring likely to increase in the second half of the year compared to the first half. The subsidiary Kruso Kapital will complete its acquisition in Portugal by the end of the year, while the Retail Financing (CQ) division is expected to see a reduction in the stock of loans due to the natural decalage of the legacy portfolio and possible targeted sales from the Loans and receivables portfolio; from a profitability point of view, the Retail Financing division is expected to post a loss for the year due to the still high proportion of the legacy portfolio in relation to the total stock, with an improvement expected from 2025 onwards. In terms of operating trends, the front-loading of the Interbank Deposit Protection Fund contribution from the fourth to the second quarter will ensure that there will be no further impact of this item on the current year, with a positive effect on the fourth quarter results. Finally, in terms of funding costs, these are expected to remain broadly stable in the second half of the year.

Milan, 31 July 2024

On behalf of the Board of Directors

The Chairperson

Luitgard Spögler

Luitgard Spögler

The CEO

Gianluca Garbi

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2024

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of Euro)

	Assets	30.06.2024	31.12.2023
10.	Cash and cash equivalents	269.439	250.496
30.	Financial assets measured at fair value through other comprehensive income	1.099.796	576.002
40.	Financial assets measured at amortised cost	2.865.645	3.396.281
	a) loans and receivables with banks	821	926
	b) loans and receivables with customers	2.864.824	3.395.355
50.	Hedging derivatives	-	-
60.	Changes in fair value of portfolio hedged items (+/-)	1.422	3.651
70.	Equity investments	970	995
90.	Property and equipment	40.008	40.659
100.	Intangible assets	35.800	35.449
	of which:	-	-
	goodwill	33.526	33.526
110.	*Tax assets*	27.863	25.211
	a) current	9.891	7.139
	b) deferred	17.972	18.072
120.	Non-current assets held for sale and disposal groups	70	64
130.	Other assets	398.797	243.592
	Total Assets	**4.739.810**	**4.572.400**

	Liabilities and equity	30.06.2024	31.12.2023
10.	Financial liabilities measured at amortised cost	4.171.659	4.042.105
	a) due to banks	360.701	644.263
	b) due to customers	3.702.260	3.232.767
	c) securities issued	108.698	165.075
40.	Hedging derivatives	1.428	3.646
60.	Tax liabilities	28.103	24.816
	a) current	611	456
	b) deferred	27.492	24.360
70.	Liabilities associated with disposal groups	42	37
80.	Other liabilities	215.057	181.902
90.	Post-employment benefits	4.907	4.709
100.	Provisions for risks and charges:	37.581	37.836
	a) commitments and guarantees issued	65	59
	c) other provisions for risks and charges	37.516	37.777
120.	Valuation reserves	(11.008)	(12.353)
140.	Equity instruments	45.500	45.500
150.	Reserves	177.613	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 (+/-)	14.319	10.633
200.	Profit for the period/year	5.960	16.506
	Total liabilities and equity	**4.739.810**	**4.572.400**

INCOME STATEMENT

(Amounts in thousands of Euro)

		First Half of 2024	First Half of 2023
10.	Interest and similar income	95.784	83.387
	of which: interest income calculated with the effective interest method	88.893	78.374
20.	Interest and similar expense	(74.760)	(47.544)
30.	**Net interest income**	**21.024**	**35.843**
40.	Fee and commission income	26.737	16.863
50.	Fee and commission expense	(10.795)	(6.784)
60.	**Net fee and commission income (expense)**	**15.942**	**10.079**
70.	Dividends and similar income	227	227
80.	Net trading income (expense)	12.442	(34)
90.	Net gains (losses) on hedge accounting	(6)	30
100.	Gain (loss) from sales or repurchases of:	5.161	3.289
	a) financial assets measured at amortised cost	3.719	2.746
	b) financial assets measured at fair value through other comprehensive income	1.442	543
120.	**Total income**	**54.790**	**49.434**
130.	Net impairment losses/gains on:	(3.866)	(2.837)
	a) financial assets measured at amortised cost	(3.722)	(2.837)
	b) financial assets measured at fair value through other comprehensive income	(144)	-
140.	Gains/losses from contract amendments without derecognition	(2)	(1)
150.	**Net financial income (expense)**	**50.922**	**46.596**
190.	Administrative expenses	(33.356)	(32.427)
	a) personnel expense	(16.396)	(14.738)
	b) other administrative expenses	(16.960)	(17.689)
200.	Net accruals to provisions for risks and charges	(1.391)	(2.197)
	a) commitments and guarantees issued	(6)	(9)
	b) other net accruals	(1.385)	(2.188)
210.	Net impairment losses on property and equipment	(1.238)	(1.339)
220.	Net impairment losses on intangible assets	(326)	(240)
230.	Other operating income (expense)	(4.026)	1.232
240.	**Operating costs**	**(40.337)**	**(34.971)**
250.	Gains (losses) on equity investments	(25)	(16)
290.	**Pre-tax profit (loss) from continuing operations**	**10.560**	**11.609**
300.	Income taxes	(4.039)	(3.915)
310.	**Post-tax profit from continuing operations**	**6.521**	**7.694**
320.	Post-tax profit (loss) from discontinued operations	-	-
330.	**Profit for the period**	**6.521**	**7.694**
340.	Profit (Loss) for the period attributable to non-controlling interests	(561)	(239)
350.	**Profit for the period attributable to the owners of the parent**	**5.960**	**7.455**

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in thousands of Euro)

		First Half of 2024	First Half of 2023
10.	**Profit (loss) for the period**	**5.960**	**7.455**
	Items, net of tax, that will not be reclassified subsequently to profit or loss	-	-
70.	Defined benefit plans	(94)	(85)
	Items, net of tax, that will be reclassified subsequently to profit or loss	**-**	**-**
140.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income	1.439	3.361
170.	**Total other comprehensive income (expense), net of income tax**	**1.345**	**3.276**
180.	**Comprehensive income (Items 10+170)**	**7.305**	**10.731**
190.	**Comprehensive income attributable to non-controlling interests**	**-**	**-**
200.	**Comprehensive income attributable to the owners of the parent**	**7.305**	**10.731**

STATEMENT OF CHANGES IN EQUITY AT 30/06/2024

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 30.06.2024	Equity attributable to non-controlling interests at 30.06.2024
							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 First Half of 2024		
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		(2.336)									**177.613**	
a) income-related	**167.361**		167.361	11.282		(2.378)									**176.265**	
b) other	**1.306**		1.306			42									**1.348**	
Valuation reserves	**(12.353)**		(12.353)											1.345	**(11.008)**	
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)									5.960	**5.960**	
Equity attributable to the owners o	**266.716**		**266.716**		**(5.224)**	**(2.336)**		**253**						**7.305**	**266.714**	
Equity attributable to non-controlli	**10.633**		**10.633**										**3.686**			**14.319**

STATEMENT OF CHANGES IN EQUITY AT 30/06/2023

Amounts in thousands of Euro

	Balance at 31.12.2022	Change in opening balances	Balance at 1.1.2023	Allocation of prior year profit		Changes during the year									Equity attributable to the owners of the parent at 30.06.2023	Equity attributable to non-controlling interests at 30.06.2023
							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 First Half of 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		(1.817)									**170.038**	
a) income-related	**153.332**		153.332	16.818		(1.445)									**168.705**	
b) other	**1.705**		1.705			(372)									**1.333**	
Valuation reserves	**(24.891)**		(24.891)											3.276	**(21.615)**	
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)									7.455	**7.455**	
Equity attributable to the owners o	**245.872**		**245.872**		**(5.216)**	**(1.817)**		**204**						**10.731**	**249.774**	
Equity attributable to non-controlli	**10.024**		**10.024**										**255**			**10.279**

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

Amounts in thousands of Euro

	Amount	
	First Half of 2024	First Half of 2023
A. OPERATING ACTIVITIES		
1. Operations	**70.732**	**9.095**
Profit (loss) for the year (+/-)	5.960	7.455
Gains/losses on financial assets held for trading and other financial assets/liabilities measured at fair value through profit or loss (-/+)		
Gains/losses on hedging activities (-/+)		
Net impairment losses/gains due to credit risk (+/-)	3.722	2.837
Net impairment losses/gains on property and equipment and intangible assets (+/-)	1.564	1.579
Net accruals to provisions for risks and charges and other costs/income (+/-)	1.391	2.197
Taxes, duties and tax assets not yet paid (+/-)	3.614	(8.052)
Other adjustments (+/-)	54.481	3.079
2. Cash flows generated by (used for) financial assets	**(136.009)**	**(170.502)**
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	(522.396)	(2.792)
Financial assets measured at amortised cost	534.365	(176.878)
Other assets	(147.978)	9.168
3. Cash flows generated by (used for) financial liabilities	**84.732**	**211.718**
Financial liabilities measured at amortised cost	61.263	203.423
Financial liabilities held for trading		
Financial liabilities designated at fair value through profit or loss		
Other liabilities	23.469	8.295
Net cash flows generated by (used for) operating activities	**19.455**	**50.311**
B. INVESTING ACTIVITIES		
1. Cash flows generated by	**-**	**-**
Sales of equity investments		
Dividends from equity investments		
Sales of property and equipment		
Sales of intangible assets		
Sales of business units		
2. Cash flows used in	**(765)**	**(718)**
Purchases of equity investments		
Purchases of property and equipment	(104)	(124)
Purchases of intangible assets	(661)	(594)
Purchases of business units		
Net cash flows generated by (used in) investing activities	**(765)**	**(718)**
C. FINANCING ACTIVITIES		
Issues/repurchases of treasury shares	253	204
Issues/repurchases of equity instruments		
Dividend and other distributions		(5.216)
Net cash flows generated by (used in) financing activities	**253**	**(5.012)**
NET CASH FLOWS FOR THE PERIOD	**18.943**	**44.581**

Cash and cash equivalents at the beginning of the year	**250.496**	**126.589**
Total net cash flows for the year	18.943	44.581
Cash and cash equivalents: effect of change in exchange rates		
Cash and cash equivalents at the end of the period	**269.439**	**171.170**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

These condensed interim consolidated financial statements were drafted in accordance with Legislative Decree no. 38 of 28 February 2005, pursuant to the IFRS issued by the International Accounting Standards Board (IASB) as endorsed and in force on 30 June 2023, including the interpretation documents (SIC) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as established by EU Regulation no. 1606 of 19 July 2002.

In preparing the condensed interim consolidated financial statements, the Bank followed the instructions concerning financial statements issued by the Bank of Italy in its Regulation of 22 December 2005, the simultaneous Circular no. 262/05, the amendments and clarification notes, supplemented by the general provisions of the Italian Civil Code and other relevant legislative and regulatory provisions.

The condensed interim consolidated financial statements were drafted in summary form in accordance with IAS 34, with specific reference to the arrangements for disclosing financial information, supplemented by the other relevant legislative and regulatory standards.

The specific accounting standards adopted have not been amended compared to the financial statements at 31 December 2023.

The condensed interim consolidated financial statements were reviewed by BDO Italia S.p.A.

General basis of preparation

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

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

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

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

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

The accounting policies adopted for the drafting of these condensed interim consolidated financial statements, with reference to the classification, recognition, valuation and derecognition criteria for the various assets and liabilities, like the guidelines for recognising costs and revenue, have remained unchanged compared with those adopted in the separate and consolidated financial statements at 31 December 2023, to which reference is made.

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	75%	75%
ProntoPegno Greece	Greece	1	Kruso Kapital	75%	75%
Art-Rite S.r.l.	Italy	1	Kruso Kapital	75%	75%
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 as at 31 December 2023, the scope of consolidation has not changed.

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.

Events after the reporting date

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

Information on the main items of the consolidated financial statements

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

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

Other aspects

The condensed interim consolidated financial statements were approved on 31 July 2024 by the Board of Directors, which authorised their disclosure to the public in accordance with IAS 10.

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 at 31 December 2023.

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.

DETAILED TABLES

ASSETS

Cash and cash equivalents – Item 10

Cash and cash equivalents: breakdown

	30.06.2024	31.12.2023
a) Cash	1,460	1,586
b) current accounts and demand deposits with Central Banks	219,834	199,773
c) Current and deposit accounts with banks	48,145	49,137
Total	**269,439**	**250,496**

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

Financial assets measured at fair value through other comprehensive income: break-down by product

	30.06.2024			31.12.2023		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	**1,094,578**			**570,729**		
1.1 Structured instruments						
1.2 Other debt instruments	1,094,578			570,729		
2. Equity instruments	**218**		**5,000**	**273**		**5,000**
3. Financing						
Total	**1,094,796**		**5,000**	**571,002**		**5,000**

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

Financial assets measured at amortised cost - Item 40

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

	30.06.2024						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	**4**					**4**	**4**					**4**
1. Term deposits				X	X	X				X	X	X
2. Minimum reserve				X	X	X				X	X	X
3. Reverse repurchase agreements				X	X	X				X	X	X
4. Other	4			X	X	X	4			X	X	X
B. Loans and receivables with banks	**815**	**2**				**718**	**921**	**1**				**791**
1. Financing	**815**	**2**				**718**	**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:	815	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	815	2		X	X	X	921	1		X	X	X
2. Debt instruments												
2.1 Structured instruments												
2.2 Other debt instruments												
Total	**819**	**2**				**722**	**925**	**1**				**795**

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

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

	30.06.2024						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	**2,547,594**	**252,515**	**3,633**			**2,814,631**	**3,102,497**	**231,665**	**87**			**3,454,340**
1.1. Current accounts	376	17		X	X	X	551	45		X	X	X
1.2. Reverse repurchase agreements				X	X	X				X	X	X
1.3. Loans	239,015	15,808		X	X	X	263,917	23,349		X	X	X
1.4. Credit cards, personal loans and salary- and pension-backed loans	730,814	11,655		X	X	X	767,070	13,714		X	X	X
1.5. Finance leases				X	X	X				X	X	X
1.6. Factoring	1,022,604	191,939	3,633	X	X	X	1,618,021	180,916	87	X	X	X
1.7. Other financing	554,785	33,096		X	X	X	452,938	13,641		X	X	X
Debt instruments	**61,082**			**55,481**	**103,475**		**61,105**			**55,705**	**1,608**	
1.1. Structured instruments												
1.2. Other debt instruments	61,082			55,481	103,475		61,105			55,705	1,608	
Total	**2,608,676**	**252,515**	**3,633**	**55,481**	**103,475**	**2,814,631**	**3,163,602**	**231,665**	**87**	**55,705**	**1,608**	**3,454,340**

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

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

	30.06.2024			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	61,083			61,105		
a) General governments	61,083			61,105		
b) Other financial corporations						
of which: insurance companies						
c) Non-financial corporations						
2. Financing to:	2,547,593	252,515	3,633	3,102,497	231,666	87
a) General governments	991,254	186,992	3,633	1,608,826	161,822	87
b) Other financial corporations	37,013	20		9,947	2,083	
of which: insurance companies	2,695	19		105	2,082	
c) Non-financial corporations	624,167	52,711		564,922	52,255	
d) Households	895,159	12,792		918,802	15,506	
Total	**2,608,676**	**252,515**	**3,633**	**3,163,602**	**231,666**	**87**

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

	Gross amount					Total impairment losses				
	First stage		Second stage	Third stage	Purchased or originated credit-impaired	First stage	Second stage	Third stage	Purchased or originated credit-impaired	Overall partial write-offs (*)
		of which instruments with low credit risk								
Debt securities	61,102					19				
Financing	2,474,291		80,415	313,530	3,640	5,769	525	61,013		
Total 30.06.2024	**2,535,393**		**80,415**	**313,530**	**3,640**	**5,788**	**525**	**61,013**	**-**	**-**
Total 31.12.2023	**3,079,897**	**1,586,597**	**90,908**	**297,027**	**88**	**5,584**	**695**	**65,360**		

Value adjustment of hedged assets - Item 60

Value adjustment of hedged assets: breakdown by hedged portfolio

CHANGES TO HEDGED ASSETS/GROUP COMPONENTS	30.06.2024	31.12.2023
1. Positive changes	1,422	3,651
1.1 Of specific portfolios:	1,422	3,651
a) Financial assets at amortised cost	1,422	3,651
b) Financial assets at fair value through other comprehensive income		
1.2 Overall		
2. Negative changes		
2.1 Of specific portfolios:		
a) Financial assets at amortised cost		
b) Financial assets at fair value through other comprehensive income		
2.2 Overall		
Total	**1,422**	**3,651**

Equity investments - Item 70

Equity investments: information on investment relationships

	Registered office	Interest %	Votes available %
A. Fully-controlled companies			
S.F. Trust Holdings Ltd	London	100%	100%
Largo Augusto Servizi e Sviluppo S.r.l.	Milan	100%	100%
Kruso Kapital S.p.A.	Milan	75%	75%
ProntoPegno Greece	Athens	75%	75%
Art-Rite S.r.l.	Milan	75%	75%
B. Joint ventures			
EBNSISTEMA Finance S.L.	Madrid	50%	50%

Property and equipment – Item 90

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

	30.06.2024	31.12.2023
1 Owned	**35,655**	**36,156**
a) land	10,897	10,897
b) buildings	23,302	23,707
c) furniture	490	515
d) electronic equipment	966	1,037
e) other	-	-
2 Right-of-use assets acquired under finance lease	**4,353**	**4,503**
a) land	-	-
b) buildings	3,550	3,926
c) furniture	-	-
d) electronic equipment	-	-
e) other	803	577
Total	**40,008**	**40,659**
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%

Intangible assets - Item 100

Intangible assets: breakdown by type of asset

	30.06.2024		31.12.2023	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill		**33,526**	**x**	**33,526**
A.2 Other intangible assets	**2,274**		**1,924**	
of which software	378		440	
A.2.1 Assets measured at cost:	2,274		1,924	
a) Internally developed assets	144		150	
b) Other	2,130		1,774	
A.2.2 Assets measured at fair value:				
a) Internally developed assets				
b) Other				
Total	**2,274**	**33,526**	**1,924**	**33,526**

Other assets - Item 130

Other assets: breakdown

	30.06.2024	31.12.2023
Ecobonus 110% tax assets	351,344	216,765
Tax advances	8,571	7,352
Work in progress	23,781	5,127
Prepayments not related to a specific item	8,556	7,785
Trade receivables	1,245	1,450
Advances and deposits to third parties	1,484	1,335
Other	1,269	903
Leasehold improvements	2,357	2,689
Security deposits	190	187
Total	**398,797**	**243,593**

LIABILITIES

Financial liabilities measured at amortised cost - Item 10

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

	30.06.2024				31.12.2023			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to Central banks	**317,274**	**X**	**X**	**X**	**556,012**	**X**	**X**	**X**
2. Due to banks	**43,427**	**X**	**X**	**X**	**88,251**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	198	X	X	X	1,476	X	X	X
2.2 Term deposits	40,000	X	X	X	78,342	X	X	X
2.3 Financing	3,229	X	X	X	8,433	X	X	X
2.3.1 Repurchase agreements		X	X	X		X	X	X
2.3.2 Other	3,229	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	**360,701**			**360,701**	**644,263**			**644,263**

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

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

	30.06.2024				31.12.2023			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	264,550	X	X	X	704,579	X	X	X
2. Term deposits	2,704,894	X	X	X	2,401,941	X	X	X
3. Financing	725,831	X	X	X	120,625	X	X	X
3.1 Repurchase agreements	622,820	X	X	X		X	X	X
3.2 Other	103,011	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	6,985	X	X	X	5,622	X	X	X
Total	**3,702,260**			**3,702,260**	**3,232,767**			**3,232,767**

Other Liabilities - Item 80

Other liabilities: breakdown

	30.06.2024	31.12.2023
Payments received in the reconciliation phase	132,282	110,578
Accrued expenses	14,828	20,272
Work in progress	46,837	25,497
Trade payables	7,047	8,654
Tax liabilities with the Tax Authority and other tax authorities	7,944	10,893
Finance lease liabilities	3,975	4,117
Due to employees	1,550	821
Pension repayments	594	1,070
Total	**215,057**	**181,902**

Post-employment benefits - Item 90

Post-employment benefits: changes

	30.06.2024	31.12.2023
A. Opening balance	**4,709**	**4,107**
B. Increases	**624**	**1,016**
B.1 Accruals	616	786
B.2 Other increases	8	230
B.3 Business combination transactions		
C. Decreases	**426**	**414**
C.1 Payments	198	224
C.2 Other decreases	228	190
D. Closing balance	**4,907**	**4,709**

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

Annual discount rate	3.57%
Annual inflation rate	2.00%
Annual post-employment benefits increase rate	3.00%
Annual real salary increase rate	3.17%

Provisions for risks and charges - Item 100

Provisions for risks and charges: breakdown

	30.06.2024	31.12.2023
1. Provisions for credit risk related to commitments and financial guarantees issued	65	59
2. Provisions for other commitments and other guarantees issued		
3. Internal pension funds		
4. Other provisions for risks and charges	37,515	37,777
4.1 legal and tax disputes	17,289	15,718
4.2 personnel expense	4,915	5,475
4.3 other	15,311	16,584
Total	**37,580**	**37,836**

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	**6**	**-**	**5,066**	**5,072**
B.1 Accruals			4,761	4,761
B.2 Discounting				-
B.3 Changes due to discount rate changes				-
B.4 Other increases	6		305	311
C. Decreases	**-**	**-**	**5,328**	**5,328**
C.1 Utilisations	-	-	4,822	4,822
C.2 Changes due to discount rate changes	-	-	-	-
C.3 Other decreases	-	-	506	506
D. Closing balance	**65**	**-**	**37,515**	**37,580**

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

“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.

With regard to the disclosure of the shareholders with stakes of more than 5%, the threshold above which Italian law (art. 120 of the Consolidated Law on Finance) requires disclosure to the investee and Consob, please refer to the Directors’ Report, paragraph “CAPITAL AND SHARES”.

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

	Amount 30.06.2024	Amount 31.12.2023
1. Share capital	9,651	9,651
2. Share premium	39,100	39,100
3. Reserves	177,613	168,667
4. Equity instruments	45,500	45,500
5. (Treasury shares)	(102)	(355)
6. Valuation reserves	(11,008)	(12,353)
7. Equity attributable to non-controlling interests	14,319	10,633
8. Profit	5,960	16,506
Total	**281,033**	**277,349**

Equity attributable to non-controlling interests - Item 190

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

	30.06.2024	31.12.2023
Equity investments in consolidated companies with significant non-controlling interests		
Kruso Kapital S.p.A.	14,312	10,901
ProntoPegno Greece	(19)	(254)
Art-Rite	(5)	(45)
Quinto Sistema 2019 S.r.l.	12	12
Quinto Sistema 2017 S.r.l.	9	9
BS IVA S.r.l.	10	10
Total	**14,319**	**10,633**

INCOME STATEMENT

Interest - Items 10 and 20

Interest and similar income: breakdown

Items/Technical forms	Debt instruments	Financing	Other transactions	First Half of 2024	First Half of 2023
1. Financial assets measured at fair value through profit or loss:	179			179	122
1.1 Financial assets held for trading	179			179	122
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	6,801		X	6,801	962
3. Financial assets measured at amortised cost:	2,165	85,037		87,202	81,064
3.1 Loans and receivables with banks		6,024	X	6,024	1,257
3.2 Loans and receivables with customers	2,165	79,013	X	81,178	79,807
4. Hedging derivatives	X	X	454	454	
5. Other assets	X	X	1,148	1,148	1,239
6. Financial liabilities	X	X	X		
Total	**9,145**	**85,037**	**1,602**	**95,784**	**83,387**
of which: interest income on impaired assets					
of which: interest income on finance leases	X		X		

Interest and similar expense: breakdown

Items/Technical forms	Liabilities	Securities	Other transactions	First Half of 2024	First Half of 2023
1. Financial liabilities measured at amortised cost	71,301	3,459		74,760	47,388
1.1 Due to Central banks	8,808	X		8,808	7,506
1.2 Due to banks	958	X		958	3,869
1.3 Due to customers	61,535	X		61,535	32,585
1.4 Securities issued	X	3,459		3,459	3,428
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			156
6. Financial assets	X	X	X		
Total	**71,301**	**3,459**		**74,760**	**47,544**
of which: interest expense related to lease liabilities		X	X		

Net fee and commission income - Items 40 and 50

Fee and commission income: breakdown

	First Half of 2024	First Half of 2023
a) Financial instruments	71	80
1. Placement of securities	37	55
1.1 Underwritten and/or on a firm commitment basis	37	55
1.2 Without a firm commitment basis		
2. Order collection and transmission, and execution of orders on behalf of customers	29	19
2.1 Order collection and transmission for one or more financial instruments	29	19
2.2 Execution of orders on behalf of customers		
3. Other fees associated with activities related to financial instruments	5	6
of which: dealing on own account		
of which: individual asset management	5	6
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	36	70
1. Current accounts	1	35
2. Credit cards		
3. Debit and other payment cards	14	13
4. Bank transfers and other payment orders		
5. Other fees related to payment services	21	22
i) Distribution of third party services	794	434
2. Insurance products	1	5
3. Altri prodotti	793	429
k) Servicing of securitisations	167	
l) Commitments to disburse funds		
m) Financial guarantees issued	57	51
n) Financing transactions	19,474	11,545
o) Foreign currency transactions		
p) Commodities		
q) Other fee and commission income	6,138	4,683
Total	**26,737**	**16,863**

Fee and commission expense: breakdown

Services/Amounts	First Half of 2024	First Half of 2023
a) Financial instruments	35	41
of which: trading in financial instruments	35	41
of which: placement of financial instruments		
of which: individual asset management		
- Proprietary		
- Delegated to third parties		
b) Clearing and settlement	37	26
c) Custody and administration		
d) Collection and payment services	181	170
of which: credit cards, debit cards and other payment cards		
e) Servicing of securitisations		
f) Commitments to receive funds		
g) Financial guarantees received	958	682
of which: credit derivatives		
h) Off-premises distribution of securities, products and services	9,570	5,856
i) Foreign currency transactions		
j) Other fee and commission expense	14	9
Total	**10,795**	**6,784**

Dividends and similar income - Item 70

Dividends and similar income: breakdown

Items/Income	First Half of 2024		First Half of 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**	

Net trading income (expense) – Item 80

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	**12,220**	**951**		**(754)**	**12,417**
1.1 Debt instruments		951			951
1.2 Equity instruments					
1.3 OEIC units					
1.4 Financing					
1.5 Other	12,220			(754)	11,466
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	25
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	**12,220**	**951**		**(754)**	**12,442**

Net hedging income (expense) – Item 90

Net hedging income (expense): breakdown

		First Half of 2024	First Half of 2023
A.	**Income related to:**		
A.1	Fair value hedging derivatives	1,428	415
A.2	Hedged financial assets (fair value)		
A.3	Hedged financial liabilities (fair value)		
A.4	Cash flow hedging derivatives		
A.5	Foreign currency assets and liabilities		
Total hedging income (A)		**1,428**	**415**
B.	**Expense related to:**		
B.1	Fair value hedging derivatives		
B.2	Hedged financial assets (fair value)	(1,422)	(385)
B.3	Hedged financial liabilities (fair value)		
B.4	Cash flow hedging derivatives		
B.5	Foreign currency assets and liabilities		
Total hedging expense (B)		**(1,422)**	**(385)**
C.	**Net hedging income (expense) (A - B)**	**6**	**30**
	of which: income (expense) from hedges of net positions		

Gain from sales or repurchases – Item 100

Gain from sales or repurchases: breakdown

	First Half of 2024			First Half of 2023		
	Gain	Loss	Net gain	Gain	Loss	Net gain
A. Financial assets						
1. Financial assets measured at amortised cost:	3,719		3,719	2,746		2,746
1.1 Loans and receivables with banks			-			
1.2 Loans and receivables with customers	3,719		3,719	2,746		2,746
2. Financial assets measured at fair value through other comprehensive income	1,441		1,441	543		543
2.1 Debt instruments	1,441		1,441	543		543
2.4 Financing			-			
Total assets (A)	**5,160**		**5,160**	**3,289**		**3,289**
B. Financial liabilities measured at amortised cost						
1. Due to banks						
2. Due to customers						
3. Securities issued						
Total liabilities						

Net impairment losses/gains due to credit risk – Item 130

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

	Impairment losses (1)						Impairment gains (2)				First Half of 2024	First Half of 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							**(23)**				**(23)**	**(3)**
- financing							(23)				(23)	(3)
- debt instruments											-	
B. Loans and receivables with customers:	**71**			**4,070**			**(396)**				**3,745**	**2,840**
- financing	71			4,070			(396)				3,745	2,855
- debt instruments											-	(15)
C. Total	**71**			**4,070**			**(419)**				**3,722**	**2,837**

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)				First Half of 2024	First Half of 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	**144**										**144**	
B. Financing												
- To customers											-	
- To banks											-	
Total	**144**										**144**	

Administrative expenses – Item 190

Personnel expense: breakdown

Personnel Expense	First Half of 2024	First Half of 2023
1) Employees	15,201	13,765
a) wages and salaries	9,112	8,908
b) social security charges	2,347	2,252
c) post-employment benefits		
d) pension costs		
e) accrual for post-employment benefits	641	577
f) accrual for pension and similar provisions:	-	-
- defined contribution plans		
- defined benefit plans		
g) payments to external supplementary pension funds:	173	170
- defined contribution plans	173	170
- defined benefit plans		
h) costs of share-based payment plans		
i) other employee benefits	2,928	1,858
2) Other personnel	359	189
3) Directors and statutory auditors	835	784
4) Retired personnel		
5) Recovery of costs for employees of the Bank seconded to other entities	(120)	(78)
6) Reimbursement of costs for employees of other entities seconded to the Bank	120	78
Total	**16,395**	**14,738**

Other administrative expenses: breakdown

Other administrative expenses	First Half of 2024	First Half of 2023
Consultancy	(4,083)	(3,600)
IT expenses	(3,696)	(3,555)
Servicing and collection activities	(946)	(971)
Indirect taxes and duties	(1,864)	(1,558)
Insurance	(888)	(586)
Other	(597)	(615)
Expenses related to management of the SPVs	(275)	(283)
Outsourcing and consultancy expenses	(399)	(245)
Car hire and related fees	(452)	(375)
Advertising and communications	(948)	(1,463)
Expenses related to property management and logistics	(1,222)	(1,349)
Personnel-related expenses	(29)	(56)
Entertainment and expense reimbursement	(416)	(357)
Infoprovider expenses	(520)	(379)
Membership fees	(236)	(227)
Audit fees	(201)	(190)
Telephone and postage expenses	(142)	(253)
Stationery and printing	(46)	(59)
Total operating expenses	**(16,960)**	**(16,121)**
Resolution Fund	-	(1,568)
Total	**(16,960)**	**(17,689)**

Income taxes – Item 300

Income taxes: breakdown

	First Half of 2024	First Half of 2023
1. Current taxes (-)	(1,450)	792
2. Changes in current taxes of previous years (+/-)	(4)	(62)
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 (+/-)	621	(464)
5. Changes in deferred tax liabilities (+/-)	(3,206)	(4,180)
6. Tax expense for the year (-) (-1+/-2+3+/-4+/-5)	(4,039)	(3,914)

Earnings per share

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.

Earnings per share (EPS)	First Half of 2024	First Half of 2023
Profit for the period (thousands of Euro)	4,484	6,671
Average number of outstanding shares	80,296,022	80,180,616
Basic earnings per share (basic EPS) (in Euro)	0.056	0.083
Diluted earnings per share (diluted EPS) (in Euro)	0.056	0.083

INFORMATION CONCERNING THE GROUP'S EQUITY

OWN FUNDS AND CAPITAL RATIOS

Own funds

Quantitative disclosure

	30.06.2024
A. Common Equity Tier 1 (CET1) before application of prudential filters	219,390
of which CET 1 instruments covered by transitional measures	-
B. CET1 prudential filters (+/-)	9,971
C. CET1 including items to be deducted and the effects of the transitional regime (A+/-B)	**229,361**
D. Items to be deducted from CET1	42,850
E. Transitional regime - Impact on CET (+/-)	-
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	**186,511**
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	315
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)	**315**
Q. Total Own Funds (F+L+P)	**232,326**

Capital adequacy

Quantitative disclosure

	Unweighted amounts		Weighted amounts/requirements	
	30.06.2024	31.12.2023	30.06.2024	31.12.2023
A. EXPOSURES				
A.1 Credit and counterparty risk	6,920,901	5,454,689	1,303,781	1,220,002
1. Standardised approach	6,920,901	5,454,689	1,303,781	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	-	-	104,302	97,600
B.2 Credit valuation adjustment risk	-	-	28	29
B.3 Settlement risk	-	-	-	-
B.4 Market risk	-	-	462	255
1. Standard approach	-	-	462	255
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.5 Operational risk	-	-	15,237	15,237
1. Standard approach	-	-	15,237	15,237
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.6 Other calculation elements	-	-	-	-
B.7 Total prudential requirements	-	-	120,030	113,121
C. EXPOSURES AND CAPITAL RATIOS	**-**	**-**	**1,500,370**	**1,427,705**
C.1 Risk-weighted assets	-	-	1,500,370	1,427,705
C.2 CET1 capital/risk-weighted assets (CET1 Capital Ratio)	-	-	12.4%	12.9%
C.3 Tier 1 capital/risk-weighted assets (Tier 1 Capital Ratio)	-	-	15.5%	16.1%
C.4 Total Own Funds/risk-weighted assets (Total Capital Ratio)	-	-	15.5%	16.1%

Large exposures

As at 30 June 2024, the Group's large exposures are as follows:

a) Nominal amount € 4,807,420 (in thousands)

b) Weighted amount € 491,521 (in thousands)

c) No. of positions 25.

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.

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	30.06.2024
Remuneration to Board of Directors and Board of Statutory Auditors	1,831	122	-	1,953
Short-term benefits for employees	-	-	2,110	2,110
Post-employment benefits	107	-	191	298
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	265	-	59	323
Total	**2,203**	**122**	**2,359**	**4,684**

Disclosure on related party transactions

The following table shows the assets, liabilities, guarantees and commitments as of the date of this report, 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	218	35,395	1.2%
Due to customers	1,520	24,116	0.6%

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	0	2.1%
Interest expense	14	123	0.2%

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	**474**	**0.01%**
Due to customers		
Shareholders - SGBS	164	0.00%
Shareholders - Fondazione CR Alessandria	253	0.01%
Shareholders - Fondazione Sicilia	57	0.00%

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 30 June 2024

Income statement (€,000)	Factoring Division	Retail Division	Collateralised Lending Division	Corporate Centre	Group Total
Net interest income	22,786	(6,443)	4,677	4	21,024
Net fee and commission income (expense)	9,290	(180)	6,815	17	15,942
Dividends and similar income	170	56	-	-	227
Net trading income (expense)	12,195	241	-	-	12,436
Gain from sales or repurchases of financial assets/liabilities	3,754	1,407	-	-	5,161
Total income	**48,195**	**(4,919)**	**11,492**	**21**	**54,790**
Net impairment losses on loans and receivables	(3,667)	120	(82)	(239)	(3,868)
Net financial income (expense)	**44,528**	**(4,799)**	**11,411**	**(217)**	**50,923**

Statement of Financial Position (€,000)	Factoring Division	Retail Division	Collateralised Lending Division	Corporate Centre	Group Total
Cash and cash equivalents	202,448	66,991	-	-	269,439
Financial assets (HTS and HTCS)	826,352	273,444	-	-	1,099,796
Loans and receivables with banks	759	62	-	-	821
Loans and receivables with customers	1,957,132	783,738	123,954	-	2,864,824
loans and receivables with customers - loans	1,911,236	768,551	123,954	-	2,803,741
loans and receivables with customers - debt instruments	45,896	15,187	-	-	61,083
Due to banks	-	-	-	360,701	360,701
Due to customers	38,226	-	-	3,664,033	3,702,260

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, since the customers are mainly concentrated in the domestic market.

STATEMENT OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING

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 condensed interim financial statements, during the first half of 2024.

2. Reference model

The suitability of the administrative and accounting process for the drafting of the condensed interim financial statements at 30 June 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), which represents the reference standards for the internal control system generally accepted on an international level.

3. Moreover, the undersigned hereby state that:

3.1 the condensed interim 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 the important events which occurred during the first half of the year and their impact on the condensed interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The directors' report includes, moreover, a reliable analysis of the information concerning significant related party transactions.

Milan, 31 July 2024

Gianluca Garbi	Alexander Muz
Chief Executive Officer	Manager in charge of financial reporting

INDEPENDENT AUDITORS' REPORT

Banca Sistema S.p.A.

Auditor's review report

on interim condensed consolidated financial statements

This report has been translated into English language solely for the convenience of international readers

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Auditor's review report on interim condensed consolidated financial statements

(Translation from the original Italian text)

To the shareholders of
Banca Sistema S.p.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes, of Banca Sistema Group as of June 30, 2024.

Directors are responsible for the preparation of the interim condensed consolidated financial statements in compliance with International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution No. 10867 of July 31, 1997. A review of an interim condensed consolidated financial statements consists of making enquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Banca Sistema Group as of June 30, 2024 are not prepared, in all material respects, in accordance with International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, August 2, 2024

BDO Italia S.p.A.

Signed in the original
by Andrea Mezzadra
Partner

This report has been translated into English language solely for the convenience of international readers

Bari, Bologna, Brescia, Cagliari, Firenze, Genova, Milano, Napoli, Padova, Palermo, Roma, Torino, Verona

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