Banca Popolare di Sondrio

# *BOARD OF DIRECTORS APPROVES RESULTS AS AT 30 SEPTEMBER 2023*

**RECORD NET PROFIT AT € 348.6 MILLION**
(+130.4% y/y)

**ROE AT 14.1%**

**CET1 RATIO AT 16.3%[1] AND TOTAL CAPITAL RATIO AT 18.8%[1]**

**POSITIVE DYNAMICS IN CORE BANKING BUSINESS**
(€ 958.5 million; +27.2% y/y)

**SUSTAINED GROWTH IN NET INTEREST INCOME**
(€ 668.4 million; +40.1% y/y)

**NET COMMISSIONS UP**
(€ 290.1 million; +5% y/y)

**TANGIBLE SUPPORT FOR FAMILIES AND BUSINESSES**
(€ 3.4 billion of new disbursements)

**OPERATIONAL EFFICIENCY AT THE TOP OF THE SYSTEM**
(Cost/Income ratio at 40.3%)

**LIQUIDITY POSITION FURTHER STRENGTHENED:**
**LCR 187%; NSFR 128%; FREE REFINANCEABLE ASSETS AT € 8.4 BILLION**

**EXPECTED YEAR-END ROE IN THE 14% AREA**

*"In the first nine months of the year, we were able to achieve extremely positive results, with a Group net profit in excess of € 348 million. We are "**a bank that does banking**", close to our customers, with a business model that has been strengthened over the years and which allows us to successfully navigate in the current interest rate environment, offering diversified and quality services that satisfy our customers, both families and businesses, in order to face the different phases of the economic cycle, always with a view to growth, but with solid fundamentals. The growth trend in commissions reflects the strength in our offer to businesses, while we are improving - thanks to our partnerships with Unipol and Arca - the distribution of insurance and asset management products for private customers", said **Mario Alberto Pedranzini**, **CEO and General Manager of Banca Popolare di Sondrio**. "We can count on particularly robust levels of capital and liquidity, which are matched by an asset quality that remains high. The absence, for the time being, of any particular signs of deterioration, nevertheless requires us to monitor lending performance from a forward-looking perspective, also considering possible scenario worsening. The data we report on credit quality confirm the resilience of the economic fabric in which we are embedded, which benefits from the investments made in product and process innovation and which, also with the support of our services, has developed foreign markets."*

**Sondrio, 7 November 2023** - The Board of Directors of Banca Popolare di Sondrio, which met today under the chairmanship of Prof. Avv. Francesco Venosta, examined and approved the consolidated interim report as at 30 September 2023.

During the course of the year, the Italian economy lost momentum, conditioned by the same negative factors - above all high inflation and strong geopolitical tensions - that are also affecting the main European states. The outlook remains uncertain, but at the moment the consensus forecasts of the most important research centres continue to espouse the "soft landing" thesis for our economy, with growth rates that both this year and in 2024 should remain in the 0.7% - 0.8% area.
Despite the complexities of the macroeconomic environment, the Banca Popolare di Sondrio Group's commercial and organisational efforts enabled it to post excellent financial results, with a record net profit of € 348.6 million in the first nine months of 2023, up 130.4% compared to last year.

Below are some **details on the most important economic and financial indicators**:

- the **net result for the period**, equal to € 348.6 million, reflects the strong increase in income from **ordinary banking activities**, which amounted to € 958.5 million (+27.2% compared to 30 September 2022; **net interest margin** +40.1% and **net commissions** +5%). This figure also benefited from the positive contribution of **financial assets** of € 84.2 million, while it was affected by an increase in **operating expenses** to € 421.8 million (the cost-income ratio, however, showed a further improvement to 40.3%) and the substantial stability of **net adjustments**, which amounted to € 100.1 million (-3.6%). **Charges for stabilising the banking system** amounted to € 40.8 million;
- **capital ratios** remain at high levels, with a significant buffer against regulatory requirements. In the phased-in version, the CET1 ratio and Tier1 ratio stand at 16.3%, while the Total Capital ratio is 18.8%. In the fully loaded version, the ratios stand at 16.2% and 18.7%, respectively. These ratios are shown taking into account the portion of profit for the period that can be allocated to self-financing, the inclusion of which in own funds is subject to approval by the Supervisor;
- as part of the Bank's effort to promote initiatives consistent with a sustainable and environmentally conscious economic development model, a € 500 million **Senior Preferred Bond in green format** was issued in September, replicating a similar transaction carried out in July 2021;
- the **gross impaired loans incidence,** as summarised by the gross NPL ratio, remained stable at 4.3%. Taking into account the significant level of provisions, the ratio of net impaired exposures stood at 1.7%. The Bank's commitment to the derisking process remains strong, with the aim of achieving the Plan's 2025 targets as of this year;
- the **coverage ratios for impaired loans** increased further, confirming their position among the highest in the sample of Italian banks subject to ECB supervision. Compared to 31 December 2022, the **coverage ratio of total non-performing loans** rose to 61.9% from 58.3%, while that referring only to **positions classified as bad loans** stood at 84.9% from 76.5%. The coverage ratio for **unlikely-to-pay** remained stable at 51% while the coverage ratio for **performing loans** increased to 0.54% from 0.45%;
- the **cost of risk** stands at 41 basis points. The indicator also includes managerial overlays, which include ESG risk components, now totalling about € 120 million. The **default rate** as at 30 September 2023 remains low at below 1%;
- the **Texas ratio**, the ratio of total net impaired loans to tangible equity, decreased further to 15.2% from 18.2% at the end of December 2022;
- **direct customer deposits** amounted to € 39,647 million, (-5.1% compared to the end of 2022; +1.4% compared to the end of June) and continued to be affected in particular by the contraction in on-demand deposits, which, however, with reference to the retail component, were fully repositioned on other technical forms (bonds and time deposits) offered by the bank. Excluding funding from institutional investors and Repos with a central counterparty, total direct deposits[2] nevertheless

showed a slight increase since the beginning of the year (+0.6%) and a positive trend recorded in the third quarter compared to the figure at the end of June (+0.9%), due largely to the significant growth in term-deposits;

- **indirect deposits**, at € 42,766 million, increased from € 39,059 million at the end of 2022 (+9.5%), confirming the values reached at the end of the half-year, which also reflected the particularly positive performance of the financial markets. Assets under administration totalled € 35,943 million, compared with € 32,672 million at 31 December 2022 (+10%). Assets under management, in a negative market environment in terms of net inflows, highlight the bank's focus on allocating its customers' savings. In fact, the bank, in addition to the aforementioned favourable market dynamics, incorporates positive net inflows, resulting in assets under management of € 6,823 million compared to € 6,386 million at the end of 2022 (+6.8%);
- **insurance deposits** amounted to € 2,040 million compared to € 1,958 million as at 31 December 2022 (+4.2%), with net inflows also positive;
- **loans to customers** amounted to € 32,676 million, down (-1.0%) from € 33,020 million at the end of 2022. Disbursements for the period amounted to around € 3.4 billion, in line with targets;
- **liquidity indicators**, both short-term (Liquidity Coverage Ratio) and medium-term (Net Stable Funding Ratio), were well above the minimum regulatory requirements. The Liquidity Coverage Ratio stood at 187% (up from 169% at 30/06/2023), even against the repayment of a significant tranche (€ 4.4 billion) of TLTRO funding in June, the Net Stable Funding Ratio stood at 128%;
- the contribution made to the Group's net result by **subsidiaries and associates** remained positive. Of particular note are the economic results achieved by BPS SUISSE and Factorit, which totalled € 45.4 million compared to € 27.6 million in the comparative period (+64.4%).

| **Income results (million euro)** | **30/09/2023** | **30/09/2022** | **Change** |
|---|---:|---:|---:|
| Result from core banking activities | 958.5 | 753.6 | +27.2% |
| of which interest margin | 668.4 | 477.3 | +40.1% |
| of which net commissions | 290.1 | 276.4 | +5.0% |
| Result from financial activities | 84.2 | 51.5 | +63.7% |
| Result of other fin. activities at FVTPL | 2.8 | -74.2 | n.s. |
| Intermediation margin | 1,045.6 | 730.9 | +43.0% |
| Net value adjustments (*) | 100.1 | 103.9 | -3.6% |
| Operating costs (*) (**) | 421.8 | 381.0 | +10.7% |
| System charges (**) | 40.8 | 43.0 | -5.1% |
| Profit before tax | 507.0 | 217.6 | +133.0% |

| | | | |
|---|---|---|---|
| Net result | 348.6 | 151.3 | +130.4% |

The result from financial activities is the sum of items 70 - 80 - 90 - 100 in the income statement.
The result of other financial assets measured at FVTPL is comprised in item 110b of the income statement.

(*) Net valuation adjustments consist of the sum of items 130 - 140 - 200 a) of the income statement including losses on disposal in the amount of € 1.134 million. The results as at 30 September 2022 are reported consistently.
(**) Charges for stabilising the banking system have been separated from other administrative expenses and shown separately.

| **Balance sheet results (million euro)** | **30/09/2023** | **31/12/2022** | **Change** |
|---|---|---|---|
| Direct customer deposits | 39,647 | 41,771 | -5.1% |
| Indirect customer deposits | 42,766 | 39,059 | +9.5% |
| Assets under administration | 35,943 | 32,672 | +10.0% |
| Assets asset management | 6,823 | 6,386 | +6.8% |
| Insurance deposits from customers | 2,040 | 1,958 | +4.2% |
| Total customer deposits | 84,453 | 82,787 | +2.0% |
| Net loans to customers | 32,676 | 33,020 | -1.0% |

| **Performance Indicators** | **30/09/2023** | **31/12/2022** |
|---|---|---|
| Cost-income ratio | 40.3% | 49.1% |
| Cost of credit risk | 0.41% | 0.51% |
| Gross NPL ratio | 4.3% | 4.3% |
| CET 1 ratio - *phased in*[1] | 16.3% | 15.4% |
| Total Capital ratio - *phased in*[1] | 18.8% | 18% |

The following comments refer to the data presented in the attached "Summary of Reclassified Consolidated Income Statement".

## The Group's Economic Performance

Consolidated **net profit** as at 30 September 2023 amounted to € 348.6 million, compared to € 151.3 million in the comparison period. This result stems from a consolidated gross profit of € 507 million, from which taxes of € 158.4 million must be deducted, corresponding to a tax rate of 31.2%.

**Net interest income** amounted to € 668.4 million, an increase of 40.1% compared to 30 September 2022. As regards the commercial spread, the favourable trend continued in the wake of the significant rise in market interest rates. The coupon flow from the proprietary portfolio also improved significantly, also thanks to the high incidence of floating-rate securities, which further benefited from the increase in the rates to which they are indexed. These elements more than offset the negative margins of the interbank channel, largely due to the cost of the refinancing operations in place with the ECB.

**Net fee and commission income from services** amounted to € 290.1 million, showing a good increase (+5%) compared to € 276.4 million in the reference period. Continuing the trend observed in the first six months of the year, this reflects the growth in income from loans, current account management, guarantees issued, collection and payment services, securities business with customers, foreign operations and insurance business.

The **result from financial activities** was a positive € 84.2 million, compared to € 51.5 million in the comparison period. **Dividends** received amounted to € 4.6 million, down from € 6.1 million on 30 September 2022. The **result from trading activities** amounted to € 76.3 million, compared to € 4.5 million in the comparison period. **Gains on disposal or repurchase** amounted to € 3.3 million, compared to € 40.9 million in September 2022.

The **result from other financial assets measured at fair value** (item 110b) was positive by € 2.8 million compared to the negative contribution of € 74.2 million in the comparison period. In this respect, the contribution made by loans to customers was marginally positive (€ 0.4 million) and compares with the € 15.2 million of impairment losses recognised as at 30 September 2022. Other components, mainly related to fixed-income funds (UCITS) whose stock has been significantly reduced since the last quarter of 2022, generated capital gains of € 2.4 million compared to mark-to-market losses of € 59 million in the first nine months of 2022.

**Intermediation margin** therefore amounted to € 1,045.6 million from € 730.9 million in the comparison period (+43%).

**Net value adjustments** stood at € 100.1 million, compared to € 103.9 million in the comparison period (-3.6%). The aggregate also includes the increase in managerial overlays, which also include ESG risk components, now totalling about € 120 million, substantially in line with the figure at the end of June.

For an easier reading of the amount of net value adjustments, the following is noted:

- item 130 of the profit and loss account, which relates to exposures to customers and banks in the form of both loans and securities, amounts to € 93.5 million and consists almost entirely of adjustments relating to financial assets measured at amortised cost;
- item 140, which shows gains/losses from contractual changes without cancellations, resulting from changes in contractual cash flows, was positive by € 6.2 million in the reporting period;
- the aggregate of the aforementioned items thus amounts to € 87.3 million. If we take into account the € 13.9 million net provisions relating to credit risk for commitments and guarantees and the € 1.1 million gain on the sale of receivables, we obtain € 100.1 million in net value adjustments.

The ratio of net value adjustments (€ 100.1 million) to net loans to customers (€ 32,676 million), the so-called **cost of credit**, was therefore 0.41%, compared to 0.51% at the end of December 2022.

The **net result from financial operations** amounted to € 945.5 million, compared to € 627.1 million in the reference period (+50.8%).

**Operating expenses** increased (+10.7%) to € 421.8 million from € 381 million in the comparison period. Other administrative expenses amounted to € 204.1 million, compared to € 190.7 million in the comparison period (+7.0%), mainly due to ongoing inflationary pressures. Staff expenses amounted to € 216.0 million from € 200.0 million in the comparison period (+8.0%), reflecting both further growth in the workforce and the recognition of estimated charges relating to the future contractual renewal of the banking sector currently under negotiation. Overall administrative expenses therefore amounted to € 420.1 million, up from € 390.8 million (+7.5%) in the comparison period.
Net provisions for risks and charges showed provisions of € 19.0 million, compared to € 7.7 million in the comparison period.
Adjustments to tangible and intangible assets amounted to € 49.7 million, up from € 44.3 million as at 30 September 2022 (+12.1%).
Other operating expenses and income were positive at € 66.9 million, compared to € 61.8 million in the comparison period (+8.3%).
In light of the above, the **cost-income ratio**, calculated as the ratio of operating expenses to intermediation margin, was 40.3% from 49.1% as of 31 December 2022.

The **operating result** therefore amounted to € 523.7 million, compared to € 246.1 million in September 2022 (+112.8%).

**Charges for stabilising the banking system** amounted to € 40.8 million, compared to € 43 million in the comparison period (-5.1%).

**Gains/losses on equity investments and other investments** showed a positive balance of € 24.2 million, compared to € 14.6 million in the reference period, mainly driven by the positive contribution of Arca Fondi SGR S.p.A. and Arca Vita S.p.A.

The **total pre-tax result** therefore amounted to € 507 million, compared to € 217.6 million on 30 September 2022. Finally, after deducting **income tax of** € 158.4 million, this resulted in a **net profit for the period** of € 348.6 million, compared to € 151.3 million on 30 September 2022.

In relation to the provisions of Decree Law No. 104 of 10 August 2023, converted with amendments by Law No. 136 of 9 October 2023, it should be noted that the bank's Board of Directors has approved the proposal to provide as of now to submit to the shareholders' meeting that will be called to approve the 2023 financial statements the allocation to a non-distributable reserve of a portion of profit estimated at approximately € 107 million, equal to two and a half times the extraordinary tax calculated on the basis of the provisions of the aforementioned decree.

## Balance sheet aggregates

**Direct funding from customers** amounted to € 39,647 million, (-5.1% compared to the end of 2022; +1.4% compared to the end of June) and continued to be affected in particular by the contraction of on-demand deposits, which, however, with reference to the retail component, was totally repositioned on other technical forms (bonds and time deposits) offered by the bank. Excluding deposits from institutional investors and Repos with a central counterparty, total direct deposits nevertheless showed a slight increase since the beginning of the year[2] (+0.6%) and a positive trend in the third quarter compared to the figure at the end of June (+0.9%), due largely to the significant growth in term-deposits.

**Indirect deposits**, also benefiting from the positive performance of the financial markets, stood at € 42,766 million compared to € 39,059 million at the end of 2022 (+9.5%). Assets under administration totalled € 35,943 million, compared with € 32,672 million as at 31 December 2022 (+10%). Assets under management amounted to € 6,823 million compared to € 6,386 million in the reference period (+6.8%), including both the favourable market effect and the positive net inflows realised. **Insurance deposits** totalled € 2,040 million from € 1,958 million in the comparison period (+4.2%), with positive net inflows. **Total customer deposits** therefore stood at € 84,453 million from € 82,787 million at the end of 2022 (+2.0%).

**Net loans to customers**, the sum of those measured at amortised cost and those measured at fair value with impact on the income statement, amounted to € 32,676 million, a slight decrease from € 33,020 million at the end of 2022 (-1%), mainly driven by seasonality factors related to factoring.
**Net impaired loans** totalled € 549 million, down from € 609 million as at 31 December 2022 (-9.9%). As a percentage of total net loans, they amounted to 1.7%, in line with the figure at the end of 2022. Coverage levels remained particularly high; that referring to total impaired positions stood at 61.9% from 58.3% at the end of 2022.
In this context, **net bad loans** amounted to €80 million (-34.2%), accounting for 0.2% of total loans to customers, further down from 0.4% at the end of 2022. The coverage ratio was 84.9% compared to 76.5% for the comparison period.
**Net unlikely-to-pay** amounted to € 411 million compared to € 430 million as at 31 December 2022 (-4.5%), with a substantially stable coverage ratio of 51%. As a percentage of total loans, they stood at 1.3%, in line with the December 2022 figure.
**Net impaired exposures past due and/or in arrears** amounted to € 58 million from € 57 million at the end of 2022 (+2%), with a coverage ratio of 17.8% compared to 7.8% at the end of 2022 and a ratio of 0.2% to total loans, in line with last year. The coverage ratio for performing loans increased to 0.54% from 0.45%.

**Financial assets**, represented by proprietary securities and derivatives, amounted to € 13,845 million, an increase of € 178 million (+1.3%) compared to the volumes recorded at the end of last year. In more detail: **financial assets held for trading** rose from € 179.7 million at the end of 2022 to € 210.5 million at September 2023 (+17.1%); **other financial assets mandatorily measured at fair value** fell from € 686.8 million at 31 December

2022 to € 208.3 million at 30 September 2023 (-69.7%); **financial assets measured at fair value with an impact on comprehensive income** rose from € 2.556 million at the end of 2022 to € 3,087 million in the current period (+20.8%), while the volume of **financial assets measured at amortised cost** rose from € 10,245 million at the end of 2022 to € 10,340 million at 30 September 2023 (+0.9%). The total volume of Italian government bonds stood at € 6,979 million, down (-10.5%) from € 7,800 million at the end of 2022. With reference to the latter aggregate, the volume of floating-rate and inflation-indexed securities stood at around € 5.1 billion, down from around € 6.3 billion at 31 December 2022 (-19%).
The share of the portfolio allocated to **ESG debt securities** increased further to € 1,495 million[2].

**Equity investments** amounted to € 364 million, up from € 323 million at the end of 2022 due to the equity valuation of investee companies.

**The Group's exposure to the ECB** amounted to € 4,506 million and related solely to **TLTRO III** operations, which decreased, following the repayment of € 4,368 million on 28 June 2023, compared to 31 December 2022 when it amounted to € 8,874 million.

At 30 September 2023, the **liquidity indicators**, both short-term (LCR-Liquidity Coverage Ratio) and medium/long-term (NSFR-Net Stable Funding Ratio), were well above the minimum requirement for the current financial year (100%). Specifically, the Liquidity Coverage Ratio stood at 187% from 142% in September 2022, even against the repayment of the TLTRO funding tranche that expired in June (€ 4.4 billion). The Net Stable Funding Ratio stood at 128%.

The Group can always rely on a substantial **portfolio of refinanceable assets**, which, net of haircuts applied, amounted to €17,263 million compared to €17,437 million at 30 June 2023. This aggregate also includes ECB-eligible securities amounting to around €1 billion resulting from the self-securitisation of loans to small and medium-sized enterprises finalised in June. **Unencumbered assets** amounted to € 8,447 million, down from € 9,301 million on 30/06/2023. The counterbalancing capacity, which includes the available daily liquidity balance, remained substantially stable at € 12 billion.

**Consolidated shareholders' equity**, including profit for the period, amounted to € 3,655 million as at 30 September 2023, up € 267 million on the figure at the end of 2022 (+7.9%).

Consolidated (phased-in) **regulatory capital**[1] as at 30 September 2023 stood at € 3,951 million, up from the 31 December 2022 figure of € 3,779 million (+4.5%).

The **capital ratios**[1] for regulatory purposes as at 30 September 2023, calculated on the basis of regulatory capital, were equal to:

- CET1 ratio: 16.3% (phased-in), 16.2% (fully phased-in);
- Tier1 ratio: 16.3% (phased-in), 16.2% (fully phased-in);
- Total Capital ratio: 18.8% (phased-in), 18.7% (fully phased-in).

The **Leverage Ratio** as at 30 September 2023 was 5.68% under the current transitional (phased-in) criteria and 5.64% under the fully phased-in criteria.

The **MREL Ratio** maintained a significant excess over the regulatory requirement, standing at 31.8% from 28.6% at the end of 2022, also thanks to the Senior Preferred bond issue of € 500 million finalised in September.

As of 30 September 2023, the Banking Group's headcount consisted of 3,539 employees, an increase of 83 resources compared to the situation at the end of 2022.

As for the **outlook for operations,** the macroeconomic scenario continues to be strongly conditioned by international tensions linked to the continuing war in Ukraine and more recently by the ongoing escalation of the unresolved Israeli-Palestinian conflict. In the Eurozone, the overall inflationary drive, also as a result of the strong monetary tightening imposed by the European Central Bank, is decreasing, with positive effects on the evolution of real incomes, which have suffered greatly in recent months. Against the backdrop of these dynamics, our Group, thanks to the expansion of revenues from its core banking business, to cost containment and to a credit risk under control, should consolidate the results achieved so far with a target ROE for the end of the year in the 14% area.

The Consolidated Interim Report as at 30 September 2023 will be published on the corporate website "https://istituzionale.popso.it/en" and deposited on the authorised eMarket Storage mechanism "https://www.emarketstorage.it/en" and at the bank's registered office.

DECLARATION

Pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, the manager in charge for preparing the company's financial reports, Mr. Maurizio Bertoletti, declares that the accounting information contained in this press release corresponds to the documented results, books and accounting records.
Signed:
Maurizio Bertoletti, manager in charge of preparing corporate accounting documents.

*Annexes:*

summary of the main consolidated results;
key consolidated balance sheet indicators;
aggregates and consolidated credit quality indicators;
financial assets by portfolio
consolidated aggregates and capital adequacy indicators;
consolidated balance sheet and income statement;
reclassified consolidated income statement summary;
statement of quarterly development of the reclassified consolidated profit and loss account.

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The conference call to illustrate the consolidated results of the Banca Popolare di Sondrio Group as at 30 September 2023 will be held today at 4pm (CET). The numbers to access the conference are as follows:

- from Italy: +39 02 802 09 11
- from the United Kingdom: +44 1 212818004
- from the USA (international local number): +1 718 7058796
- from the United States (toll-free): 1 855 2656958

The presentation will take place in Italian, with simultaneous translation into English. Link to live audio webcast:
https://87399.choruscall.eu/links/bpds231107.html
The presentation material will be available for download in the Investor Relations/Financial Presentations section of our website https://istituzionale.popso.it/en shortly before the start of the event.

Notes:

1) Capital ratios are shown taking into account the portion of the profit for the period that can be allocated to self-financing, the inclusion of which in own funds is subject to approval by part of the Supervisor.
2) Management information.

**Company contacts:**


*Investor Relations*
*Michele Minelli*
*0342-528.745*
*michele.minelli@popso.it*

*External Relations*
*Paolo Lorenzini*
*0342-528.212*
*paolo.lorenzini@popso.it*

*Image Building*
*Cristina Fossati,*
*Anna Pirtali*
*02-890.11.300*
*popso@imagebuilding.it*


*The English translation is provided solely for the benefit of the reader, and, in the case of discrepancies, the Italian version shall prevail.*

## RESULTS IN BRIEF

| (in million of euro) | | | |
|---|---|---|---|
| **Balance sheet** | **30/09/2023** | **31/12/2022** | **Change %** |
| Loans to customers | 32,676 | 33,020 | -1.04 |
| Loans and receivables with customers measured at amortised cost | 32,345 | 32,632 | -0.88 |
| Loans and receivables with customers measured at fair value through profit or loss | 331 | 388 | -14.75 |
| Loans and receivables with banks | 2,080 | 1,865 | 11.52 |
| Financial assets that do not constitute loans | 13,845 | 13,667 | 1.30 |
| Equity investments | 364 | 323 | 12.69 |
| Total assets | 54,788 | 57,854 | -5.30 |
| Direct funding from customers | 39,647 | 41,771 | -5.09 |
| Indirect funding from customers | 42,766 | 39,059 | 9.49 |
| Direct funding from insurance premiums | 2,040 | 1,958 | 4.21 |
| Customer assets under administration | 84,453 | 82,787 | 2.01 |
| Other direct and indirect funding | 19,314 | 20,177 | -4.28 |
| Equity | 3,655 | 3,387 | 7.89 |
| **Income statement** | **30/09/2023** | **30/09/2022** | **Var. %** |
| Net interest income | 668 | 477 | 40.06 |
| Total income | 1,046 | 731 | 43.05 |
| Profit from continuing operations | 507 | 218 | 132.97 |
| Profit (loss) for the period | 349 | 151 | 130.42 |
| **Capital ratios** | **30/09/2023** | **31/12/2022** | |
| CET1 Capital ratio (phased-in) | 16.27% | 15.39% | |
| Total Capital ratio (phased-in) | 18.84% | 17.95% | |
| Free capital | 2,273 | 2,095 | |
| **Other information on the banking group** | **30/09/2023** | **31/12/2022** | |
| Number of employees | 3,539 | 3,456 | |
| Number of branches | 373 | 373 | |

## ALTERNATIVE PERFORMANCE INDICATORS

| Key ratios | 30/09/2023 | 31/12/2022 |
|---|---|---|
| Equity/Direct funding from customers | 9.22% | 8.11% |
| Equity/Loans and receivables with customers | 11.18% | 10.26% |
| Equity/Financial assets | 26.40% | 24.78% |
| Equity/Total assets | 6.67% | 5.86% |
| **Profitability indicators** | **30/09/2023** | **30/09/2022** |
| Cost/Income ratio * | 40.34% | 52.12% |
| Net interest income/Total income * | 63.93% | 65.29% |
| Administrative expenses/Total income * | 40.18% | 53.46% |
| Net interest income/Total assets | 1.22% | 0.85% |
| Net financial income/Total assets * | 1.73% | 1.11% |
| Net profit for the year/Total assets | 0.64% | 0.27% |
| **Asset quality indicators** | **30/09/2023** | **31/12/2022** |
| Texas ratio | 15.16% | 18.16% |
| Net non-performing loans/Equity | 2.19% | 3.60% |
| Net non-performing loans/Loans and receivables with customers | 0.25% | 0.37% |
| Loans and receivables with customers/Direct funding from customers | 82.42% | 79.05% |
| Cost of credit * | 0.41% | 0.51% |

** Ratios have been calculated using the values as shown in the reclassified summary income statement*

## LOANS TO CUSTOMERS - NON PERFORMING AND PERFORMING EXPOSURES 30/09/2023

| (in thousands of euro) | Gross exposure | | Impairment losses | Net exposure | | Coverage |
|---|---|---|---|---|---|---|
| **Non performing exposures** | **(4.27%)** | **1,440,662** | **892,066** | **(1.68%)** | **548,596** | **61.92%** |
| of which Bad loans | **(1.58%)** | 531,734 | 451,545 | **(0.25%)** | 80,189 | 84.92% |
| of which Unlikely to pay | **(2.49%)** | 838,522 | 427,977 | **(1.26%)** | 410,545 | 51.04% |
| of which Past due | **(0.21%)** | 70,406 | 12,544 | **(0.18%)** | 57,862 | 17.82% |
| **Performing exposures** | **(95.73%)** | **32,301,519** | **173,642** | **(98.32%)** | **32,127,877** | **0.54%** |
| **Total loans to customers** | **(100%)** | **33,742,181** | **1,065,708** | **(100%)** | **32,676,473** | **3.16%** |

## LOANS TO CUSTOMERS - NON PERFORMING AND PERFORMING EXPOSURES 31/12/2022

| (in thousands of euro) | Gross exposure | | Impairment losses | Net exposure | | Coverage |
|---|---|---|---|---|---|---|
| **Non performing exposures** | **(4.29%)** | **1,460,176** | **851,580** | **(1.84%)** | **608,596** | **58.32%** |
| of which Bad loans | (1.52%) | 517,931 | 396,094 | (0.37%) | 121,837 | 76.48% |
| of which Unlikely to pay | (2.59%) | 880,694 | 450,688 | (1.3%) | 430,006 | 51.17% |
| of which Past due | (0.18%) | 61,551 | 4,798 | (0.17%) | 56,753 | 7.80% |
| **Performing exposures** | **(95.71%)** | **32,557,337** | **145,754** | **(98.16%)** | **32,411,583** | **0.45%** |
| **Total loans to customers** | **(100%)** | **34,017,513** | **997,334** | **(100%)** | **33,020,179** | **2.93%** |

## FINANCIAL ASSETS BY PORTFOLIO
## 30/09/2023

| (in thousands of euro) | Total | of which italian government securities | of which foreign government securities |
|---|---|---|---|
| Financial assets held for trading | 210,451 | 10,041 | 0 |
| Other financial assets mandatorily measured at fair value | 208,250 | 0 | 0 |
| Financial assets valued at fair value through other comprehensive income | 3,087,080 | 1,464,596 | 1,015,663 |
| Financial assets measured at amortised cost | 10,339,643 | 5,504,668 | 2,766,562 |
| **Total** | **13,845,424** | **6,979,305** | **3,782,225** |

## FINANCIAL ASSETS BY PORTFOLIO
## 31/12/2022

| (in thousands of euro) | Total | of which italian government securities | of which foreign government securities |
|---|---|---|---|
| Financial assets held for trading | 179,665 | 0 | 0 |
| Other financial assets mandatorily measured at fair value | 686,768 | 0 | 0 |
| Financial assets valued at fair value through other comprehensive income | 2,555,705 | 1,696,969 | 338,768 |
| Financial assets measured at amortised cost | 10,245,242 | 6,102,697 | 2,329,482 |
| **Total** | **13,667,380** | **7,799,666** | **2,668,250** |

## CAPITAL RATIOS
30/09/2023

| (in thousands of euro) | Phased-in | Fully-phased |
|---|---|---|
| **Total own funds** | **3,950,672** | **3,928,966** |
| of which Common Equity Tier 1 capital (CET1) | 3,410,749 | 3,389,043 |
| of which Additional Tier 1 capital (AT1) | 0 | 0 |
| of which Tier 2 capital (T2) | 539,923 | 539,923 |
| **RWA** | **20,969,426** | **20,965,952** |
| **CET 1 ratio** | **16.27%** | **16.16%** |
| **Tier 1 ratio** | **16.27%** | **16.16%** |
| **Total capital ratio** | **18.84%** | **18.74%** |
| **Leverage ratio** | **5.68%** | **5.64%** |

## CAPITAL RATIOS
31/12/2022

| (in thousands of euro) | Phased-in | Fully-phased |
|---|---|---|
| **Total own funds** | **3,779,302** | **3,759,569** |
| of which Common Equity Tier 1 capital (CET1) | 3,239,887 | 3,220,153 |
| of which Additional Tier 1 capital (AT1) | 0 | 0 |
| of which Tier 2 capital (T2) | 539,416 | 539,416 |
| **RWA** | **21,049,013** | **21,046,458** |
| **CET 1 ratio** | **15.39%** | **15.30%** |
| **Tier 1 ratio** | **15.39%** | **15.30%** |
| **Total capital ratio** | **17.95%** | **17.86%** |
| **Leverage ratio** | **5.15%** | **5.12%** |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

| ASSETS | | | 30/09/2023 | | 31/12/2022 |
|---|---|---|---|---|---|
| 10. | CASH AND CASH EQUIVALENTS | | **3,653,546** | | **6,990,689** |
| 20. | FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | **749,477** | | **1,254,070** |
| | a) financial assets held for trading | 210,451 | | 179,665 | |
| | c) financial assets mandatorily at fair value through profit or loss | 539,026 | | 1,074,405 | |
| 30. | FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME | | **3,087,080** | | **2,555,705** |
| 40. | FINANCIAL ASSETS AT AMORTISED COST | | **43,665,341** | | **43,870,637** |
| | a) loans and receivables with banks | 2,080,045 | | 1,865,249 | |
| | b) loans and receivables with customers | 41,585,296 | | 42,005,388 | |
| 50. | HEDGING DERIVATIVES | | **1,395** | | **248** |
| 60. | FAIR VALUE CHANGE IN HEDGED FINANCIAL ASSETS (+/-) | | **(1,371)** | | **(198)** |
| 70. | EQUITY INVESTMENTS | | **363,559** | | **322,632** |
| 90. | PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY | | **679,075** | | **650,908** |
| 100. | INTANGIBLE ASSETS | | **37,283** | | **36,669** |
| | of which: | | | | |
| | - goodwill | 16,997 | | 16,997 | |
| 110. | TAX ASSETS | | **286,357** | | **342,647** |
| | *a) current* | 1,750 | | 17,654 | |
| | *b) deferred* | 284,607 | | 324,993 | |
| 130. | OTHER ASSETS | | **2,266,362** | | **1,830,354** |
| | **TOTAL ASSETS** | | **54,788,104** | | **57,854,361** |

| LIABILITY AND EQUITY | | | 30/09/2023 | | 31/12/2022 |
|---|---|---|---|---|---|
| 10. | FINANCIAL LIABILITIES AT AMORTISED COST | | **49,625,771** | | **53,152,710** |
| | a) due to banks | 9,979,085 | | 11,381,703 | |
| | b) due to customers | 35,660,842 | | 38,122,246 | |
| | c) securities issued | 3,985,844 | | 3,648,761 | |
| 20. | FINANCIAL LIABILITIES HELD FOR TRADING | | **28,979** | | **115,871** |
| 40. | HEDGING DERIVATIVES | | **33** | | **227** |
| 60. | TAX LIABILITIES | | **102,858** | | **32,359** |
| | a) current | 78,010 | | 3,160 | |
| | b) deferred | 24,848 | | 29,199 | |
| 80. | OTHER LIABILITIES | | **1,011,852** | | **834,629** |
| 90. | PROVISION FOR POST-EMPLOYMENT BENEFITS | | **33,613** | | **35,597** |
| 100. | PROVISIONS FOR RISKS AND CHARGES: | | **330,304** | | **295,528** |
| | a) loans commitments and | 77,137 | | 63,204 | |
| | b) pensions and similar | 167,368 | | 167,827 | |
| | c) other provisions | 85,799 | | 64,497 | |
| 120. | VALUATION RESERVES | | **(37,088)** | | **(68,086)** |
| 150. | RESERVES | | **1,929,454** | | **1,790,468** |
| 160. | SHARE PREMIUM | | **78,949** | | **78,978** |
| 170. | SHARE CAPITAL | | **1,360,157** | | **1,360,157** |
| 180. | TREASURY SHARES (-) | | **(25,381)** | | **(25,402)** |
| 190. | EQUITY ATTRIBUTABLE TO MINORITY INTERESTS | | **14** | | **4** |
| 200. | PROFIT (LOSS) FOR THE PERIOD (+/-) | | **348,589** | | **251,321** |
| | **TOTAL LIABILITIES AND EQUITY** | | **54,788,104** | | **57,854,361** |

# CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

| ITEMS | | | 30/09/2023 | | 30/09/2022 |
|---|---|---|---|---|---|
| 10. | INTEREST AND SIMILAR INCOME | | 1,286,976 | | 565,944 |
| | of which: interest calculated using the effective interest method | 1,274,539 | | 559,099 | |
| 20. | INTEREST AND SIMILAR EXPENSE | | (618,534) | | (88,692) |
| 30. | **NET INTEREST INCOME** | | **668,442** | | **477,252** |
| 40. | FEE AND COMMISSION INCOME | | 306,103 | | 290,769 |
| 50. | FEE AND COMMISSION EXPENSE | | (16,009) | | (14,410) |
| 60. | **NET FEE AND COMMISSION INCOME** | | **290,094** | | **276,359** |
| 70. | DIVIDENDS AND SIMILAR INCOME | | 4,579 | | 6,099 |
| 80. | NET TRADING INCOME | | 76,335 | | 4,517 |
| 90. | NET HEDGING INCOME | | (12) | | (4) |
| 100. | NET GAINS FROM SALES OR REPURCHASES OF: | | 4,481 | | 43,716 |
| | a) financial assets at amortized cost | 4,617 | | 32,261 | |
| | b) financial assets at fair value through other comprehensive income | (222) | | 11,452 | |
| | c) financial liabilities | 86 | | 3 | |
| 110. | NET GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | | 2,802 | | (74,151) |
| | b) other financial assets mandatorily measured at fair value | | 2,802 | | (74,151) |
| 120. | **TOTAL INCOME** | | **1,046,721** | | **733,788** |
| 130. | NET IMPAIRMENT LOSSES FOR CREDIT RISK RELATING TO: | | (93,510) | | (88,210) |
| | a) financial assets at amortized cost | (93,323) | | (88,543) | |
| | b) financial assets at fair value through other comprehensive income | (187) | | 333 | |
| 140. | NET GAINS FORM CONTRACTUAL CHANGES WITHOUT DERECOGNITION | | 6,185 | | 3,589 |
| 150. | **NET FINANCIAL INCOME** | | **959,396** | | **649,167** |
| 180. | **NET FINANCIAL INCOME AND INSURANCE INCOME** | | **959,396** | | **649,167** |
| 190. | ADMINISTRATIVE EXPENSES: | | (465,569) | | (434,790) |
| | a) personnel expenses | | (220,611) | | (201,031) |
| | b) other administrative expenses | | (244,958) | | (233,759) |
| 200. | NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES | | (32,945) | | (29,850) |
| | a) commitments for guarantees given | | (13,916) | | (22,107) |
| | b) other net provisions | | (19,029) | | (7,743) |
| 210. | DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY | | (37,196) | | (33,068) |
| 220. | AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS | | (12,458) | | (11,232) |
| 230. | OTHER NET OPERATING INCOME | | 71,570 | | 62,818 |
| 240. | **OPERATING COSTS** | | **(476,598)** | | **(446,122)** |
| 250. | SHARE OF PROFITS OF INVESTEES | | 25,288 | | 16,053 |
| 260. | NET FAIR VALUE LOSSES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED | | (1,490) | | (1,614) |
| 280. | NET GAINS ON SALES OF INVESTMENTS | | 387 | | 130 |
| 290. | **PRE-TAX PROFIT FROM CONTINUING OPERATIONS** | | **506,983** | | **217,614** |
| 300. | TAXES ON INCOME FOR THE YEAR FOR CONTINUING OPERATIONS | | (158,394) | | (66,328) |
| 310. | **POST-TAX PROFIT FROM CONTINUING OPERATIONS** | | **348,589** | | **151,286** |
| 330. | **NET PROFIT (LOSS) FOR THE PERIOD** | | **348,589** | | **151,286** |
| 340. | NET (PROFIT) LOSS OF THE PERIOD ATTRIBUTABLE TO MINORITY INTERESTS | | - | | - |
| 350. | **NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF PARENT BANK** | | **348,589** | | **151,286** |
| | EARNINGS (LOSS) PER SHARE | | 0.769 | | 0.334 |
| | DILUTED EARNINGS (LOSSES) PER SHARE | | 0.769 | | 0.334 |

## RECLASSIFIED CONSOLIDATED SUMMARY INCOME STATEMENT

| (in thousands of euro) | 30/09/2023 | 30/09/2022 | (+/-) | % change |
|---|---|---|---|---|
| Net interest income | 668,442 | 477,252 | 191,190 | 40.06 |
| Dividends and similar income | 4,579 | 6,099 | -1,520 | -24.92 |
| Net fee and commission income | 290,094 | 276,359 | 13,735 | 4.97 |
| Net gains on financial assets [a] | 79,670 | 45,382 | 34,288 | 75.55 |
| Result of other financial assets at FVTPL [b] | 2,802 | -74,151 | 76,953 | n.s. |
| of which Loans | 387 | -15,168 | 15,555 | n.s. |
| of which Other | 2,415 | -58,983 | 61,398 | n.s. |
| **Total income** | **1,045,587** | **730,941** | **314,646** | **43.05** |
| Net impairment losses [c] | -100,107 | -103,881 | 3,774 | -3.63 |
| **Net financial income** | **945,480** | **627,060** | **318,420** | **50.78** |
| Personnel expenses [d] | -215,989 | -200,050 | -15,939 | 7.97 |
| Other administrative expenses [e] | -204,101 | -190,715 | -13,386 | 7.02 |
| Other net operating income [d] | 66,948 | 61,837 | 5,111 | 8.27 |
| Net accruals to provisions for risks and charges [f] | -19,029 | -7,743 | -11,286 | 145.76 |
| Depreciation and amortisation on tangible and intangible assets | -49,654 | -44,300 | -5,354 | 12.09 |
| **Operating costs** | **-421,825** | **-380,971** | **-40,854** | **10.72** |
| **Operating result** | **523,655** | **246,089** | **277,566** | **112.79** |
| Charges for the stabilization of the banking System [e] | -40,857 | -43,044 | 2,187 | -5.08 |
| Share of profits of investees and net gains on sales of investments | 24,185 | 14,569 | 9,616 | n.s. |
| **Pre-tax profit from continuing operations** | **506,983** | **217,614** | **289,369** | **132.97** |
| Income taxes | -158,394 | -66,328 | -92,066 | n.s. |
| **Net profit (loss) for the period** | **348,589** | **151,286** | **197,303** | **130.42** |
| Net (profit) loss of the period attributable to minority interests | 0 | 0 | 0 | n.s. |
| **Net profit (loss) for the period attributable to the owners of Parent** | **348,589** | **151,286** | **197,303** | **130.42** |

Notes:
[a] The result of financial activities is made up of the sum of items 80-90-100 in the income statement.
[b] The result of other financial assets at FVTPL consists of item 110 in the income statement.
[c] Net impairment losses is made up of the sum of items 130 - 140 - 200 a) in the income statement. Reclassified losses related to NPL disposals for 1,134 € million initially included in item gains/losses on financial assets valued at amortized cost showing them among net impairment losses.

[d] Reclassified personnel expenses and other operating income by netting them off against the proceeds of the retirement employees fund for 4,622 € million;

[e] Charges for the stabilization of the banking Systems were separated from other administrative expenses;

[f] Net accruals to provisions for risks and charges consists of item 200 b) in the income statement.

## RECLASSIFIED CONSOLIDATED QUARTERLY INCOME STATEMENTS

| (in million of euro) | Q3 - 2023 | Q2 - 2023 | Q1 - 2023 | Q4 - 2022 | Q3 - 2022 |
|---|---|---|---|---|---|
| Net interest income | 241.1 | 235.3 | 192.0 | 203.8 | 156.9 |
| Dividends and similar income | 2.3 | 1.6 | 0.7 | 0.4 | 0.4 |
| Net fee and commission income | 95.6 | 98.1 | 96.5 | 104.2 | 91.8 |
| Net gains on financial assets [a] | 21.6 | 28.3 | 29.8 | 24.2 | 3.6 |
| Result of other financial assets at FVTPL [b] | -1.1 | -8.8 | 12.7 | 6.6 | -6.6 |
| of which Loans | -0.7 | -1.8 | 2.9 | 4.7 | 2.1 |
| of which Other | -0.4 | -7.0 | 9.8 | 1.9 | -8.6 |
| **Total income** | **359.4** | **354.5** | **331.7** | **339.2** | **246.2** |
| Net impairment losses [c] | -21.2 | -39.1 | -39.8 | -65.9 | -60.1 |
| **Net financial income** | **338.2** | **315.4** | **291.9** | **273.3** | **186.2** |
| Personnel expenses [d] | -74.1 | -72.9 | -69.0 | -69.1 | -69.3 |
| Other administrative expenses [e] | -66.9 | -69.2 | -68.0 | -71.3 | -60.1 |
| Other net operating income [d] | 22.1 | 22.9 | 22.0 | 20.4 | 22.9 |
| Net accruals to provisions for risks and charges [f] | -6.5 | -7.2 | -5.4 | -6.5 | -1.5 |
| Depreciation and amortisation on tangible and intangible assets | -17.7 | -16.5 | -15.4 | -18.2 | -16.8 |
| **Operating costs** | **-143.2** | **-142.9** | **-135.7** | **-144.8** | **-124.8** |
| **Operating result** | **195.1** | **172.5** | **156.1** | **128.5** | **61.4** |
| Charges for the stabilization of the banking System [e] | 0.0 | -5.9 | -35.0 | -2.9 | -3.0 |
| Share of profits of investees and net gains on sales of investments | 10.0 | 1.2 | 13.0 | 10.6 | 5.3 |
| **Pre-tax profit from continuing operations** | **205.1** | **167.8** | **134.1** | **136.3** | **63.7** |
| Income taxes | -63.6 | -55.1 | -39.7 | -36.2 | -17.5 |
| **Net profit (loss) for the period** | **141.5** | **112.7** | **94.4** | **100.0** | **46.2** |
| Net (profit) loss of the period attributable to minority interests | 0.0 | **0.0** | 0.0 | 0.0 | 0.0 |
| **Net profit (loss) for the period attributable to the owners of Parent I** | **141.5** | **112.7** | **94.4** | **100.0** | **46.2** |

Notes:
[a] The result of financial activities is made up of the sum of items 80-90-100 in the income statement.
[b] The result of other financial assets at FVTPL consists of item 110 in the income statement.
[c] Net impairment losses is made up of the sum of items 130 - 140 - 200 a) in the income statement.
[d], [e] and [f] The amounts are shown in accordance with the reclassifications shown in the reclassified consolidated summary of income statement.