Banca Popolare di Sondrio

BOARD OF DIRECTORS APPROVES PRELIMINARY CONSOLIDATED RESULTS AS AT 31 DECEMBER 2023

NET PROFIT € 461.2 MILLION: BEST RESULT EVER
(+83.5% y/y)

ROE AT 13.8%

DIVIDEND PER SHARE DOUBLES TO € 0.56
(Payout revised upwards to 55%, compared to 50% envisaged by the Plan)

CET1 RATIO AT 15.4%[1] AND TOTAL CAPITAL RATIO AT 17.7%[1]

STRONG DEVELOPMENT OF CORE BANKING BUSINESS
(€ 1,340 million; +26.2% y/y)

RECORD GROWTH IN NET INTEREST INCOME
(€ 937 million; +37.6% y/y)

NET COMMISSIONS UP
(€ 402.6 million; +5.8% y/y)

SIGNIFICANT SUPPORT FOR THE REAL ECONOMY
(€ 4.8 billion of new disbursements to families and businesses;
stock of net loans to customers +4.4% y/y)

OPERATIONAL EFFICIENCY FURTHER IMPROVED
(Cost/Income ratio at 39.6%)

LIQUIDITY POSITION FURTHER STRENGTHENED
(LCR 188%; NSFR 126%; Free refinanceable assets at € 7.3 billion)

EXPECTED 2024 EVOLUTION OF CORE BANKING BUSINESS: IN CONTINUITY WITH 2023 RESULTS

"We ended 2023 with excellent results. Fourth-quarter activity reinforced the positive trend of the previous months, allowing us to achieve a total net profit of EUR 461.2 million, the highest ever recorded in over 150 years of history, then to propose a doubling of the dividend per share. The significant increase in core banking activities, a guarantee of solid results, is supported by a growing commercial network, always close to customers, and by central structures in which we continue to invest in the development of skills and technological equipment, to support innovation", said ***Mario Alberto Pedranzini****,* ***Chief Executive Officer and General Manager of Banca Popolare di Sondrio****.* *"The growth of the core business, which incorporates business diversification, fuels the results and gives structural value to the good performance of the stock, which has been particularly appreciated by the market in recent months. We will continue along our development path, convinced that we can generate even more value through the growth of the commission business, expansion in the north-east of the country, and support for Italian companies, especially those operating in international markets that are also able to take advantage of new contexts, including geopolitical balances. With strength and determination we innovate in order to adapt to change, to manage the challenges of our time, to meet the expectations of Clients, Shareholders and communities, to interpret and satisfy the needs of those who populate them at every level."*

Sondrio, 6 February 2024 - The Board of Directors of Banca Popolare di Sondrio, which met today under the chairmanship of Prof. Avv. Francesco Venosta, examined and approved the preliminary consolidated economic and financial results for the year 2023, which closed with a net profit of € 461.2 million. It was also decided to raise the payout ratio to 55%, compared to the 50% envisaged in the Strategic Plan, corresponding to a dividend payout of around € 254 million, with a profitability calculated on the average market price for the year 2023 of 12.4% and on the closing price as at 29 January 2023 of 7.9% (dividend per share of € 0.56).

The record results approved today testify the Banca Popolare di Sondrio Group's ability to successfully adapt to changing reference contexts, appropriately activating the operational levers identified, at the time, with the development of the 2022-2025 "Next Step" Business Plan.

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

- the **net result for the period,** a positive € 461.2 million, reflects the strong leap in **ordinary banking activities,** whose income amounted to € 1,340 million (+26.2% compared to 31 December 2022; **net interest margin** +37.6% and **net commissions** +5.8%). The significant contribution from **financial assets** of € 123 million also contributed to the overall result. **Operating expenses** amounted to € 580.7 million, up 10.5%; the cost-income ratio improved further to 39.6% from 49.1%. **Net adjustments** amounted to € 224.5 million (+32.3%). **Charges for stabilising the banking system** amounted to € 38.9 million, down from € 45.9 million in the comparison period;
- **capital ratios**[1] remain at particularly high levels, showing a large buffer against regulatory requirements. In the phased-in version, the CET1 ratio and Tier1 ratio stand at 15.4%, while the Total Capital ratio is 17.7%. In the fully loaded version, the ratios stand at 15.1% and 17.5%, respectively;
- consistent with the commitments made in the 2022-2025 "Next Step" Business Plan, the integration of **sustainability** into the company's strategy was further strengthened through the **financial partnership with the United Nations Environment Programme** (UNEP FI) and **membership of the Net-Zero Banking Alliance** (NZBA) and **the Priciples for Responsible Banking** (PRB). As is well known, these are the most important initiatives in the field of sustainable finance, which aim to unite banks around the world with the joint goal of reducing the net emissions of their credit and investment portfolios to zero by 2050, while increasing the banking system's awareness of environmental issues;
- the ratio of **gross impaired loans**, as summarised by the gross NPL ratio, decreased to 3.7% from 4.3% in December 2022. Taking into account the particularly high hedges, the ratio of net impaired exposures stood at 1.6%. Confirming the constant focus on derisking, internal workout activities continued and, in addition, a further sale of a portfolio of non-performing loans for € 174 million was finalised at the end of the year;
- the **coverage ratios for impaired loans** are confirmed as mentioned at high levels. Compared to 31 December 2022, the **coverage ratio of total non-performing loans** stands at 57.3% from 58.3%, while that referring only to **positions classified as bad loans** increases to 82.1% from 76.5%. The coverage level for **unlikely-to-pay** remained stable at 51%, while that for **performing loans** increased significantly to 0.73% from 0.45%, also reflecting the increase in provisions on positions classified as stage 2 for which the coverage increased to 4.53% from 3.39% at the end of 2022, aligning with the benchmark level of the main Italian banks;
- the **cost of risk** stands at 65 basis points. The **default rate** as at 31 December 2023 remains low at just over 1%;
- the **texas** ratio, the ratio of total net impaired loans to tangible equity, decreased further to 14.9% from 18.2% at the end of December 2022;
- **direct customer deposits** amounted to € 42,393 million, (+1.5% compared to end-2022; +6.9% compared to end-September). Excluding funding from institutional investors and Repos with a central counterparty, total direct deposits[2] shows an increase since the beginning of the year of 1.9%, bolstered by the positive trend

compared with the end-September figure (+1.2%), due largely to the significant growth in term-deposits and bonds;

- **indirect deposits**, at € 46,319 million, increased from € 39,059 million at the end of 2022 (+18.6%), mainly due to the particularly positive performance of financial markets. Assets under administration totalled € 39,143 million, up from € 32,672 million as at 31 December 2022 (+19.8%). Assets under management amounted to € 7,176 million compared to € 6,386 million at the end of 2022 (+12.4%), highlighting the bank's ability, in a context that at system level recorded significant outflows, to accompany its customers in allocating their savings. Net inflows remained positive at around €450 million[2];
- **insurance deposits** amounted to € 2,067 million compared to € 1,958 million as at 31 December 2022 (+5.6%), with net inflows also positive at over € 60 million[2];
- **loans to customers** amounted to € 34,480 million, up (+4.4%) from € 33,020 million at the end of 2022. Disbursements for the period amounted to around € 4.8 billion, in line with the targets set at the beginning of the year;
- **liquidity indicators**, both short-term (Liquidity Coverage Ratio) and medium-term (Net Stable Funding Ratio), are well above the minimum regulatory requirements. The Liquidity Coverage Ratio stood at 188% (up from 187% at 30/09/2023), even against the repayment of a significant tranche (€ 4.4 billion) of TLTRO funding in June, the Net Stable Funding Ratio stood at 126%;
- 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 € 61.5 million compared to € 41.6 million in the comparative period (+47.8%).

Income results (million euro)	**31/12/2023**	**31/12/2022**	**Change**
Result from core banking activities	1,339.5	1,061.7	+26.2%
of which interest margin	937.0	681.1	+37.6%
of which net commissions	402.6	380.6	+5.8%
Result from financial activities	123.0	76	+61.7%
Result of other fin. activities at FVTPL	5.2	-67.6	n.s.
Intermediation margin	1,467.7	1,070.1	+37.2%
Net value adjustments (*)	224.5	169.8	+32.3%
Operating costs (*) (**)	580.7	525.7	+10.5%
System charges (**)	38.9	45.9	-15.3%
Profit before tax	660.3	353.9	+86.6%
Net result	461.2	251.3	+83.5%

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 gains on disposal in the amount of € 4.157 million. The results as at 31 December 2022 are shown consistently.
(**) Charges for stabilising the banking system have been separated from other administrative expenses and shown separately.

Balance sheet results (million euro)	31/12/2023	31/12/2022	Change
Direct customer deposits	42,393	41,771	+1.5%
Indirect customer deposits	46,319	39,059	+18.6%
Assets under administration	39,143	32,672	+19.8%
Assets asset management	7,176	6,386	+12.4%
Insurance deposits from customers	2,067	1,958	+5.6%
Total customer deposits	90,778	82,787	+9.7%
Net loans to customers*	34,480	33,020	+4.4%

Performance Indicators	31/12/2023	31/12/2022
Cost-income ratio	39.6%	49.1%
Cost of credit risk	0.65%	0.51%
Gross NPL ratio	3.7%	4.3%
CET 1 ratio - phased in[1]	15.4%	15.4%
Total Capital ratio - phased in[1]	17.7%	18%

(*) Includes loans to customers (item 40b), excluding securities not arising from securitisation transactions, and loans at fair value included in item 20c).

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 31 December 2023 amounted to € 461.2 million, compared to € 251.3 million in the reference period. This result stems from a consolidated gross profit of € 660.3 million, from which taxes of € 199.1 million must be deducted, corresponding to a tax rate of 30.2%.

Net interest income amounted to € 937 million, up 37.6% from 31 December 2022. As regards the commercial spread, the favourable trend continued to be fuelled by both the significant rise in market interest rates and the positive effect on average lending volumes. The coupon flow from the proprietary portfolio also increased significantly, also thanks to the declining but still high component represented by floating-rate securities, which incorporated the further rise 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 refinancing operations in place with the ECB.

Net fee and commission income from services amounted to € 402.6 million, showing a good increase (+5.8%) compared to € 380.6 million in the reference period. This performance mainly reflects the growth in income from loans, assets under administration, guarantees given, and the holding and management of current accounts.

The **result from financial activities** was positive at € 123 million, compared to € 76 million in the comparison period. **Dividends** received amounted to € 7.7 million, up from € 6.5 million as at 31 December 2022. The **result from trading activities** amounted to € 113 million, compared to € 28.4 million in the reference period. **Gains on disposal or repurchase** amounted to € 2.4 million, compared to € 41.3 million in December 2022.

The **result from other financial assets measured at fair value** (item 110b) was positive by € 5.2 million compared to the negative contribution of € 67.6 million in the comparison period. In this respect, the contribution made by loans to customers was marginally negative (€ 0.7 million) and compares with the € 10.5 million of impairment losses recognised at the end of December 2022. Other components, mainly related to fixed-income funds (UCITS), whose stock is now limited to around € 160 million, generated capital gains of € 5.9 million compared to mark-to-market losses of € 57.1 million in December 2022.

Intermediation margin therefore amounted to € 1,468 million from € 1,070 million in the comparison period (+37.2%).

Net value adjustments amounted to € 224.5 million compared to € 169.8 million in the comparison period (+32.3%). The aggregate also includes the increase in managerial overlays on the performing loan portfolio, now totalling around € 200 million, partly imputable to revisions of the methodological framework that will be implemented in the course of 2024.

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, amounted to € 202.3 million and consisted 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 € 6.6 million in the reporting period;
- the aggregate of the aforementioned items thus amounts to € 195.7 million. If we take into account the € 33 million in net provisions for credit risk for commitments and guarantees, and the € 4.2 million gain on the sale of impaired loans, we obtain € 224.5 million in net valuation adjustments.

The ratio of net valuation adjustments (€ 224.5 million) to net loans to customers (€ 34,480 million), the so-called **cost of credit**, was therefore 0.65%, compared to 0.51% at the end of December 2022.

The **net result from financial operations amounted** to € 1,243 million, compared to € 900.3 million in the reference period (+38.1%).

Operating expenses increased (+10.5%) to € 580.7 million compared to € 525.7 million in the reference period. Other administrative expenses, of which about one third related to IT costs, amounted to € 283 million compared to € 262 million in the comparison period (+8%), mainly due to the known inflationary pressures. Staff expenses amounted to € 293 million from € 269.1 million in the comparison period (+8.9%), reflecting both further growth in the headcount and the recognition of higher expenses incurred also as a result of the renewal of the banking sector contract. Overall administrative expenses therefore amounted to € 576.1 million, up from € 531.1 million (+8.5%) in the comparative period.
Net provisions for risks and charges showed provisions of € 26.5 million, compared to € 14.3 million in the comparison period.
Adjustments to tangible and intangible assets amounted to € 72.5 million, up from € 62.5 million in 2022 (+16%).
Other operating income and expenses were positive at € 94.3 million, compared to € 82.2 million in the comparison period (+14.8%).
In light of the above, the **cost-income ratio**, calculated as the ratio of operating expenses to net banking income, was 39.6% from 49.1% as of 31 December 2022.

The **operating result** therefore amounted to € 662.5 million, compared to € 374.6 million in 2022 (+76.8%).

Charges for stabilising the banking system amounted to € 38.9 million, compared to € 45.9 million in the comparison period (-15.3%).

Gains/losses on equity investments and other investments showed a positive balance of € 36.7 million, compared to € 25.2 million in the comparative period, mainly determined by the positive contribution of Arca Holding S.p.A. and Arca Vita S.p.A..

The **total pre-tax result** therefore amounted to € 660.3 million, compared to € 353.9 million as at 31 December 2022. Finally, after deducting **income tax** of € 199.1 million, we arrive at a **net profit for the period** of € 461.2 million, which compares with € 251.3 million in 2022.

Balance sheet aggregates

Direct funding from customers amounted to € 42,393 million, (+1.5% from end-2022; +6.9% from end-September). Excluding funding from institutional investors and Repos with a central counterparty, total direct deposits[2] shows an increase since the beginning of the year (+1.9%) and a positive trend compared to the end-of-September figure (+1.2%), largely due to the significant growth in term-deposits and bonds.

Indirect deposits stood at € 46,319 million, up from € 39,059 million at the end of 2022 (+18.6%), mainly due to the particularly positive performance of the financial markets. **Assets under administration** totalled € 39,143 million, compared with € 32,672 million as at 31 December 2022 (+19.8%). **Assets under management** amounted to € 7,176 million compared to € 6,386 million at the end of 2022 (+12.4%), highlighting the bank's ability, in a context that at system level recorded significant outflows, to accompany its customers in allocating their savings. Net inflows remained positive at around €450 million[2]. **Insurance deposits** totalled € 2,067 million from € 1,958 million in the comparative period (+5.6%), with net flows remaining positive and amounting to over € 60 million[2]. **Total customer deposits** therefore stood at € 90,778 million from € 82,787 million at the end of 2022 (+9.7%).

Net loans to customers amounted to € 34,480 million, up from € 33,020 million at the end of 2022 (+4.4%), driven both by the good performance of instalment disbursements, in contrast to the contraction recorded at system level, and by seasonal factors relating to factoring.
With regard to the staging breakdown, the stage 2 component increased during the year and now stands at € 4,045 million with a net ratio of 11.7%, broadly in line with the average figure for major Italian banks.

Net impaired loans totalled € 562 million, down from € 609 million as at 31 December 2022 (-7.6%). As a percentage of total net loans, they amounted to 1.6%, lower than the figure at the end of 2022 (1.8%). Coverage levels remained particularly high; that referring to total impaired positions stood at 57.3% from 58.3% at the end of 2022.
In this context, **net bad loans** amounted to € 62 million (-48.9%), accounting for 0.2% of total loans to customers, down further from 0.4% at the end of 2022. The coverage ratio was 82.1% compared to 76.5% in the comparison period.
Net unlikely-to-pay amounted to € 438 million compared to € 430 million as at 31 December 2022 (+1.9%), with a substantially stable coverage ratio at 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 € 62 million from € 57 million at the end of 2022 (+9.4%), with a coverage ratio of 15.6% 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 level of performing loans increased to 0.73% from 0.45%, also reflecting the increase in provisions for positions classified as stage 2, for which coverage rose to 4.53% from 3.39% at the end of 2022, aligning itself with the highest level of the main Italian banks.

Financial assets, represented by proprietary securities and derivatives, amounted to € 13,939 million, an increase of € 271 million (+2.1%) compared with the volumes at the end of the comparative year. In more detail: **financial assets held for trading** fell from € 179.7 million at the end of 2022 to € 150.1 million at December 2023 (-16.5%); **other financial assets mandatorily measured at fair value** fell from € 686.8 million at 31 December 2022 to € 220.1 million at 31 December 2023 (-67%); **financial assets**

measured at fair value with an impact on comprehensive income rose from € 2.556 million at the end of 2022 to € 3,213 million in the period under review (+25.7%), while the volume of **financial assets measured at amortised cost** rose from € 10,245 million at the end of 2022 to € 10,356 million at 31 December 2023 (+1.1%). The total volume of Italian government bonds stood at € 6,936 million, down (-11.1%) 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 € 5.5 billion, down from around € 6.3 billion at 31 December 2022 (-14%).
The share of the portfolio allocated to **ESG debt securities** increased further to € 1,582 million[2].

Equity investments amounted to € 376 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 31 December 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 188% from 161% in December 2022, even against the repayment of the TLTRO funding tranche that expired in June (€ 4.4 billion). The Net Stable Funding Ratio stood at 126%.
The Group can always rely on a substantial portfolio of refinanceable assets, which, net of haircuts applied, amounted to €17,489 million compared to €16,321 million at 31 December 2022. This aggregate also includes eligible ECB securities amounting to around €1 billion from the self-securitisation of loans to small and medium-sized enterprises finalised in June. Available assets amounted to € 7,281 million, up from € 5,252 million as at 31 December 2022. 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 € 3,809 million as at 31 December 2023, up € 422 million on the figure at the end of 2022 (+12.5%).

Consolidated (phased-in) **regulatory capital**[1] as at 31 December 2023 stood at € 4,054 million, up from the 31 December 2022 figure of € 3,779 million (+7.3%).

The **capital ratios**[1] for regulatory purposes as at 31 December 2023, calculated on the basis of regulatory capital, were equal to:

- CET1 ratio: 15.4% (phased-in), 15.1% (fully phased-in);
- Tier1 ratio: 15.4% (phased-in), 15.1% (fully phased-in);
- Total Capital ratio: 17.7% (phased-in), 17.5% (fully phased-in).

The **Leverage Ratio** as at 31 December 2023 is 5.55% under the current transitional (phased-in) criteria and 5.46% under the fully phased-in criteria.

The **MREL Ratio** remains significantly above the regulatory requirement, standing at 29.2% from 28.6% at the end of 2022.

As at 31 December 2023, the Banking Group's **staff** consisted of 3,580 employees, an increase of 124 resources compared to the situation at the end of 2022.

It should be noted that an audit by the independent auditing firm EY S.p.A. is still in progress.

The 2023 annual report will be reviewed and approved at the Board meeting set for next March.

DECLARATION

Pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, the manager responsible 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 31 December 2023 will be held today at 6 p.m. (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 USA (toll-free): 1 855 2656958

The presentation will be conducted in Italian, with simultaneous translation into English.
Link to live audio webcast:
https://87399.choruscall.eu/links/bpds240206.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.

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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	**31/12/2023**	**31/12/2022**	**Change %**
Loans to customers	34,480	33,020	4.42
Loans and receivables with customers measured at amortised cost	34,159	32,633	4.68
Loans and receivables with customers measured at fair value through profit or loss	321	387	-17.19
Loans and receivables with banks	2,122	1,865	13.77
Financial assets that do not constitute loans	13,939	13,667	1.99
Equity investments	376	323	16.65
Total assets	57,722	57,854	-0.23
Direct funding from customers	42,393	41,771	1.49
Indirect funding from customers	46,319	39,059	18.59
Direct funding from insurance premiums	2,067	1,958	5.55
Customer assets under administration	90,778	82,787	9.65
Other direct and indirect funding	19,545	20,177	-3.14
Equity	3,809	3,387	12.45
Income statement	**31/12/2023**	**31/12/2022**	**Change %**
Net interest income	937	681	37.57
Total income	1,468	1,070	37.15
Profit from continuing operations	660	354	86.58
Profit (loss) for the period	461	251	83.50
Capital ratios	**31/12/2023**	**31/12/2022**	
CET1 Capital ratio (phased-in)	15.37%	15.39%	
Total Capital ratio (phased-in)	17.74%	17.95%	
Free capital	2,225	2,095	
Other information on the banking group	**31/12/2023**	**31/12/2022**	
Number of employees	3,580	3,456	
Number of branches	377	373	

ALTERNATIVE PERFORMANCE INDICATORS

Key ratios	31/12/2023	31/12/2022
Equity/Direct funding from customers	8.99%	8.11%
Equity/Loans and receivables with customers	11.05%	10.26%
Equity/Financial assets	27.33%	24.78%
Equity/Total assets	6.60%	5.86%
Profitability indicators	**31/12/2023**	**31/12/2022**
Cost/Income ratio *	39.57%	49.13%
Net interest income/Total income *	63.84%	63.65%
Administrative expenses/Total income *	39.25%	49.64%
Net interest income/Total assets	1.62%	1.18%
Net financial income/Total assets *	2.15%	1.56%
Net profit for the year/Total assets	0.80%	0.43%
Asset quality indicators	**31/12/2023**	**31/12/2022**
Texas ratio	14.91%	18.16%
Net non-performing loans/Equity	1.63%	3.60%
Net non-performing loans/Loans and receivables with customers	0.18%	0.37%
Loans and receivables with customers/Direct funding from customers	81.33%	79.05%
Cost of credit *	0.65%	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 31/12/2023

(in thousands of euro)	Gross exposure		Impairment losses	Net exposure		Coverage
Non performing exposures	**(3.71%)**	**1,316,481**	**754,173**	**(1.63%)**	**562,308**	**57.29%**
of which Bad loans	**(0.98%)**	348,408	286,186	**(0.18%)**	62,222	82.14%
of which Unlikely to pay	**(2.52%)**	894,499	456,493	**(1.27%)**	438,006	51.03%
of which Past due	**(0.21%)**	73,574	11,494	**(0.18%)**	62,080	15.62%
Performing exposures	**(96.29%)**	**34,167,755**	**249,871**	**(98.37%)**	**33,917,884**	**0.73%**
Total loans to customers	**(100%)**	**35,484,236**	**1,004,044**	**(100%)**	**34,480,192**	**2.83%**

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
31/12/2023

(in thousands of euro)	Total	of which italian government securities	of which foreign government securities
Financial assets held for trading	150,073	0	0
Other financial assets mandatorily measured at fair value	220,051	0	0
Financial assets valued at fair value through other comprehensive income	3,212,616	1,479,931	1,028,400
Financial assets measured at amortised cost	10,355,943	5,456,226	2,795,577
Total	**13,938,683**	**6,936,157**	**3,823,977**

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
31/12/2023

(in thousands of euro)	Phased-in	Fully-phased
Total own funds	**4,058,666**	**4,003,227**
of which Common Equity Tier 1 capital (CET1)	3,513,009	3,457,570
of which Additional Tier 1 capital (AT1)	0	0
of which Tier 2 capital (T2)	540,670	540,670
RWA	**22,855,292**	**22,852,976**
CET 1 ratio	**15.37%**	**15.13%**
Tier 1 ratio	**15.37%**	**15.13%**
Total capital ratio	**17.74%**	**17.50%**
Leverage ratio	**5.55%**	**5.46%**

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)	539,415	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			31/12/2023		31/12/2022
10.	CASH AND CASH EQUIVALENTS		**4,546,559**		**6,990,689**
20.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		**690,970**		**1,254,070**
	a) financial assets held for trading	150,073		179,665	
	c) financial assets mandatorily at fair value through profit or loss	540,897		1,074,405	
30.	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		**3,212,616**		**2,555,705**
40.	FINANCIAL ASSETS AT AMORTISED COST		**45,530,807**		**43,870,637**
	a) loans and receivables with banks	2,122,051		1,865,249	
	b) loans and receivables with customers	43,408,756		42,005,388	
50.	HEDGING DERIVATIVES		**1**		**248**
60.	FAIR VALUE CHANGE IN HEDGED FINANCIAL ASSETS (+/-)		**1,775**		**(198)**
70.	EQUITY INVESTMENTS		**376,357**		**322,632**
90.	PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY		**677,074**		**650,908**
100.	INTANGIBLE ASSETS		**37,756**		**36,669**
	of which:				
	- goodwill	16,997		16,997	
110.	TAX ASSETS		**260,813**		**342,647**
	a) current	1,375		17,654	
	b) deferred	259,438		324,993	
130.	OTHER ASSETS		**2,387,037**		**1,830,354**
	TOTAL ASSETS		**57,721,765**		**57,854,361**

LIABILITY AND EQUITY			31/12/2023		31/12/2022
10.	FINANCIAL LIABILITIES AT AMORTISED COST		52,310,486		53,152,710
	a) due to banks	9,917,675		11,381,703	
	b) due to customers	37,916,301		38,122,246	
	c) securities issued	4,476,510		3,648,761	
20.	FINANCIAL LIABILITIES HELD FOR TRADING		69,577		115,871
40.	HEDGING DERIVATIVES		1,924		227
60.	TAX LIABILITIES		71,354		32,359
	a) current	41,999		3,160	
	b) deferred	29,355		29,199	
80.	OTHER LIABILITIES		1,062,057		834,629
90.	PROVISION FOR POST-EMPLOYMENT BENEFITS		33,459		35,597
100.	PROVISIONS FOR RISKS AND CHARGES:		363,620		295,528
	a) loans commitments and	96,237		63,204	
	b) pensions and similar	178,950		167,827	
	c) other provisions	88,433		64,497	
120.	VALUATION RESERVES		(16,222)		(68,086)
150.	RESERVES		1,950,646		1,790,468
160.	SHARE PREMIUM		78,949		78,978
170.	SHARE CAPITAL		1,360,157		1,360,157
180.	TREASURY SHARES (-)		(25,418)		(25,402)
190.	EQUITY ATTRIBUTABLE TO MINORITY INTERESTS		14		4
200.	PROFIT (LOSS) FOR THE PERIOD (+/-)		461,162		251,321
	TOTAL LIABILITIES AND EQUITY		**57,721,765**		**57,854,361**

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

ITEMS			31/12/2023		31/12/2022
10.	INTEREST AND SIMILAR INCOME		1,812,025		834,558
	of which: interest calculated using the effective interest method	1,795,686		824,601	
20.	INTEREST AND SIMILAR EXPENSE		(875,070)		(153,491)
30.	**NET INTEREST INCOME**		**936,955**		**681,067**
40.	FEE AND COMMISSION INCOME		423,567		401,174
50.	FEE AND COMMISSION EXPENSE		(21,007)		(20,584)
60.	**NET FEE AND COMMISSION INCOME**		**402,560**		**380,590**
70.	DIVIDENDS AND SIMILAR INCOME		7,652		6,464
80.	NET TRADING INCOME		112,981		28,404
90.	NET HEDGING INCOME		(76)		(181)
100.	NET GAINS FROM SALES OR REPURCHASES OF:		6,565		40,825
	a) financial assets at amortized cost	7,644		28,972	
	b) financial assets at fair value through other comprehensive income	(1,166)		11,848	
	c) financial liabilities	87		5	
110.	NET GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		5,208		(67,588)
	b) other financial assets mandatorily measured at fair value		5,208		(67,588)
120.	**TOTAL INCOME**		**1,471,845**		**1,069,581**
130.	NET IMPAIRMENT LOSSES FOR CREDIT RISK RELATING TO:		(202,267)		(152,865)
	a) financial assets at amortized cost	(202,614)		(152,505)	
	b) financial assets at fair value through other comprehensive income	347		(360)	
140.	NET GAINS FORM CONTRACTUAL CHANGES WITHOUT DERECOGNITION		6,550		3,565
150.	**NET FINANCIAL INCOME**		**1,276,128**		**920,281**
180.	**NET FINANCIAL INCOME AND INSURANCE INCOME**		**1,276,128**		**920,281**
190.	ADMINISTRATIVE EXPENSES:		(622,158)		(580,243)
	a) personnel expenses		(300,268)		(272,331)
	b) other administrative expenses		(321,890)		(307,912)
200.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES		(59,470)		(34,225)
	a) commitments for guarantees given		(32,982)		(19,937)
	b) other net provisions		(26,488)		(14,288)
210.	DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY		(58,836)		(45,268)
220.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS		(18,647)		(17,212)
230.	OTHER NET OPERATING INCOME		101,562		85,379
240.	**OPERATING COSTS**		**(652,549)**		**(591,569)**
250.	SHARE OF PROFITS OF INVESTEES		38,524		27,768
260.	NET FAIR VALUE LOSSES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED		(2,288)		(2,762)
280.	NET GAINS ON SALES OF INVESTMENTS		469		172
290.	**PRE-TAX PROFIT FROM CONTINUING OPERATIONS**		**660,284**		**353,890**
300.	TAXES ON INCOME FOR THE YEAR FOR CONTINUING OPERATIONS		(199,122)		(102,569)
310.	**POST-TAX PROFIT FROM CONTINUING OPERATIONS**		**461,162**		**251,321**
330.	**NET PROFIT (LOSS) FOR THE PERIOD**		**461,162**		**251,321**
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**		**461,162**		**251,321**
	EARNINGS (LOSS) PER SHARE		1.017		0.554
	DILUTED EARNINGS (LOSSES) PER SHARE		1.017		0.554

RECLASSIFIED CONSOLIDATED SUMMARY INCOME STATEMENT

(in thousands of euro)	31/12/2023	31/12/2022	(+/-)	% change
Net interest income	936,955	681,067	255,888	37.57
Dividends and similar income	7,652	6,464	1,188	18.38
Net fee and commission income	402,560	380,590	21,970	5.77
Net gains on financial assets [a]	115,313	69,565	45,748	65.76
Result of other financial assets at FVTPL [b]	5,208	-67,588	72,796	n.s.
of which Loans	-682	-10,460	9,778	n.s.
of which Other	5,890	-57,128	63,018	n.s.
Total income	**1,467,688**	**1,070,098**	**397,590**	**37.15**
Net impairment losses [c]	-224,542	-169,754	-54,788	32.27
Net financial income	**1,243,146**	**900,344**	**342,802**	**38.07**
Personnel expenses [d]	-293,042	-269,146	-23,896	8.88
Other administrative expenses [e]	-283,016	-262,003	-21,013	8.02
Other net operating income [d]	94,336	82,194	12,142	14.77
Net accruals to provisions for risks and charges [f]	-26,488	-14,288	-12,200	85.39
Depreciation and amortisation on tangible and intangible assets	-72,483	-62,480	-10,003	16.01
Operating costs	**-580,693**	**-525,723**	**-54,970**	**10.46**
Operating result	**662,453**	**374,621**	**287,832**	**76.83**
Charges for the stabilization of the banking System [e]	-38,874	-45,909	7,035	-15.32
Share of profits of investees and net gains on sales of investments	36,705	25,178	11,527	n.s.
Pre-tax profit from continuing operations	**660,284**	**353,890**	**306,394**	**86.58**
Income taxes	-199,122	-102,569	-96,553	n.s.
Net profit (loss) for the period	**461,162**	**251,321**	**209,841**	**83.50**
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 Pare	**461,162**	**251,321**	**209,841**	**83.50**

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 gains related to NPL disposals for 4,157 € 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 7,226 € 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)	Q4 - 2023	Q3 - 2023	Q2 - 2023	Q1 - 2023	Q4 - 2022
Net interest income	268.5	241.1	235.3	192.0	203.8
Dividends and similar income	3.1	2.3	1.6	0.7	0.4
Net fee and commission income	112.5	95.6	98.1	96.5	104.2
Net gains on financial assets [a]	35.6	21.6	28.3	29.8	24.2
Result of other financial assets at FVTPL [b]	2.4	-1.1	-8.8	12.7	6.6
of which Loans	-1.1	-0.7	-1.8	2.9	4.7
of which Other	3.5	-0.4	-7.0	9.8	1.9
Total income	**422.1**	**359.4**	**354.5**	**331.7**	**339.2**
Net impairment losses [c]	-124.4	-21.2	-39.1	-39.8	-65.9
Net financial income	**297.7**	**338.2**	**315.4**	**291.9**	**273.3**
Personnel expenses [d]	-77.1	-74.1	-72.9	-69.0	-69.1
Other administrative expenses [e]	-78.9	-66.9	-69.2	-68.0	-71.3
Other net operating income [d]	27.4	22.1	22.9	22.0	20.4
Net accruals to provisions for risks and charges [f]	-7.5	-6.5	-7.2	-5.4	-6.5
Depreciation and amortisation on tangible and intangible assets	-22.8	-17.7	-16.5	-15.4	-18.2
Operating costs	**-158.9**	**-143.2**	**-142.9**	**-135.7**	**-144.8**
Operating result	**138.8**	**195.1**	**172.5**	**156.1**	**128.5**
Charges for the stabilization of the banking System [e]	2.0	0.0	-5.9	-35.0	-2.9
Share of profits of investees and net gains on sales of investments	12.5	10.0	1.2	13.0	10.6
Pre-tax profit from continuing operations	**153.3**	**205.1**	**167.8**	**134.1**	**136.3**
Income taxes	-40.7	-63.6	-55.1	-39.7	-36.2
Net profit (loss) for the period	**112.6**	**141.5**	**112.7**	**94.4**	**100.0**
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	**112.6**	**141.5**	**112.7**	**94.4**	**100.0**

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.